BNY MELLON

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

Pillar 3 Disclosure

March 31, 2018

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Any discrepancies between the totals and sums of components within the tables and graphs within this report are due to rounding.

Appendices

1 Introduction

These Pillar 3 disclosures are published for The Bank of New York Mellon SA/NV (BNYM SA/NV), in line with the disclosure principles of the National Bank of Belgium[1] (NBB), the Capital Requirements Regulation[2] (CRR) and the Capital Requirements Directive[3] (CRDIV) and complementing the annual disclosures of the financial statements.

This disclosure covers The Bank of New York Mellon SA/NV, its subsidiary undertakings and branches as at 31 March 2018.

These disclosures were approved by BNYM SA/NV's Executive Committee on 26 June 2018.

The following risk metrics present BNYM SA/NV's risk components as at 31 March 2018. Please see page 12 for the full comprehensive list capital ratios.

Common Equity Tier 1 ratio	61.3% 31-Dec-17: 74.2%
Common Equity Tier 1 capital	€2,748m 31-Dec-17: €2,774m
Total Risk Weighted Assets	€4,485m 31-Dec-17: €3,740m
Basel III leverage ratio (This ratio is for information only. BNYM SA/NV is not subject to a binding leverage requirement)	6.9% 31-Dec-17: 7.2%

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

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

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

1.1 Purpose of Pillar 3

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

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

- Credit risk
- Counterparty credit risk
- Market risk
- Credit valuation adjustment
- Securitisation
- Operational risk
- Interest rate risk in the banking book

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

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

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

1.2 Disclosure Policy

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

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

Wherever possible and relevant, BNYM SA/NV will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 ICAAP content, e.g. disclosure about risk management practices and capital resources at quarter end. Unless indicated otherwise, information contained within the Pillar 3 disclosure has not been subject to external audit.

Disclosure will be made for each calendar quarter and will be published in conjunction with the date of publication of the financial statements. BNYM SA/NV will reassess the need to publish some or all of the disclosures more frequently in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy, and information about risk exposure and other items prone to rapid change.

Disclosures will be published on The Bank of New York Mellon Group website (www.bnymellon.com/Pillar3), see section Investor relations, Financial reports, other regulatory filings on the Company's website.

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

BNYM SA/NV undertakes no obligation to revise or to update any forward looking or other statement contained within this report regardless of whether or not those statements are affected as a result of new information or future events.

1.3 Confidential and Non Material Information

The Board may omit one or more disclosures if the information provided is not regarded as material. The criterion for materiality used in these disclosures is that the bank will regard as material any information where omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

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

1.4 Disclosure Approval

The established comprehensive controls and procedures in the form of templates, reviews, sign-offs and cross checking of data to ensure accuracy, consistency and completeness of the disclosures have been adhered to with approval by the Chief Finance Officer and Chief Risk Officer. The disclosure was also approved for publication by the ExCo on 26 June 2018. The ExCo approved the adequacy of BNYM SA/NV's risk management arrangements, providing assurance that the risk management systems put in place are adequate with regard to BNYM SA/NV's profile and strategy.

1.5 Scope of Application

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

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

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

Name	Type	Regulator
BNYMSKVG	Subsidiary	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)

1.6 Organisational Structure

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

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

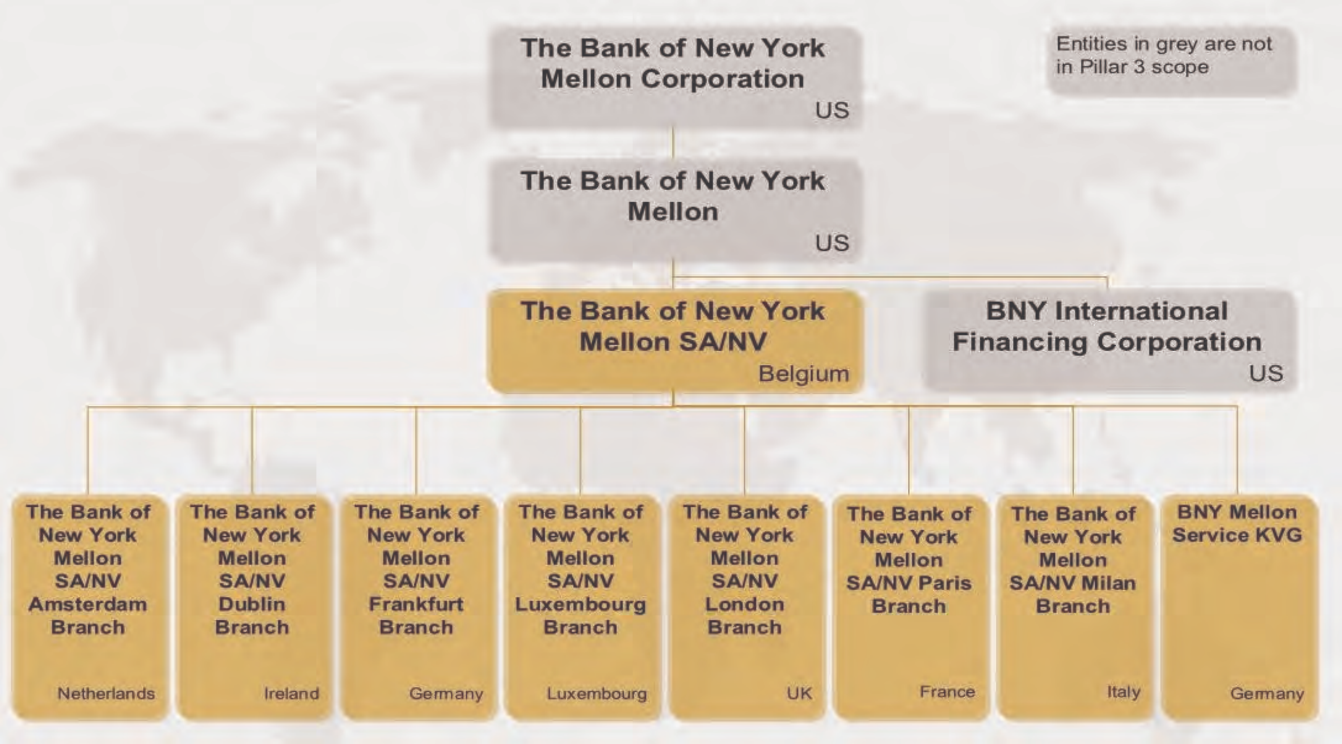
BNYM SA/NV was established in 2008 with the aim of becoming BNY Mellon’s main banking subsidiary in Continental Europe. During 2009, part of the business of the Brussels Branch of BNY Mellon was integrated into BNYM SA/NV, forming the current Brussels Head Office. As part of BNY Mellon’s strategy to consolidate its legal entity structure in Europe, BNYM SA/NV acquired branches in Amsterdam, London, Frankfurt and Luxembourg further to the merger with BNY Mellon GSS Acquisition Co. (Netherlands) BV on October 1, 2009. On June 1, 2011, further to the merger with The Bank of New York Mellon's acquired German subsidiary, BNY Mellon Asset Servicing GmbH, BNYM SA/NV significantly expanded the activities of its Frankfurt branch and Frankfurter Service KapitalverwaltungsGesellschaft mbh became BNYM SA/NV’s fully owned subsidiary under the name of BNY Mellon Service KapitalverwaltungsGesellschaft (BNYMSKVG). On December 1, 2011, BNYM SA/NV opened a branch in Paris. On February 1, 2013, BNYM SA/NV opened a new branch in Dublin as a result of the cross-border merger with The Bank of New York Mellon (Ireland) Limited. An additional branch in Milan was created on April 1, 2017 as a result of the merger of The Bank of New York Mellon (Luxembourg) S.A. into BNYM SA/NV and the Luxembourg Branch of BNYM SA/NV significantly expanded its activities as a result of this merger.

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

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

The entity structure of BNYM SA/NV is set out below.

Figure 1: BNYM SA/NV corporate structure at 31 March 2018



1.7 Footprint

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

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

To create a more efficient operating model and respond to increasing demands from regulators in the US, UK and EMEA, the BNY Mellon EMEA Operating Model proposed to re-align the EMEA activities of BNY Mellon around Three Banking Entities in EMEA. To facilitate the proposed model, a new global booking principle and a Dual Custody model will be implemented within BNY Mellon over the next few years. This rationalized, more efficient and simple structure will give BNYM SA/NV flexibility for growth by freeing up capital, allowing more room for new products and services and focusing its business on EU clients.

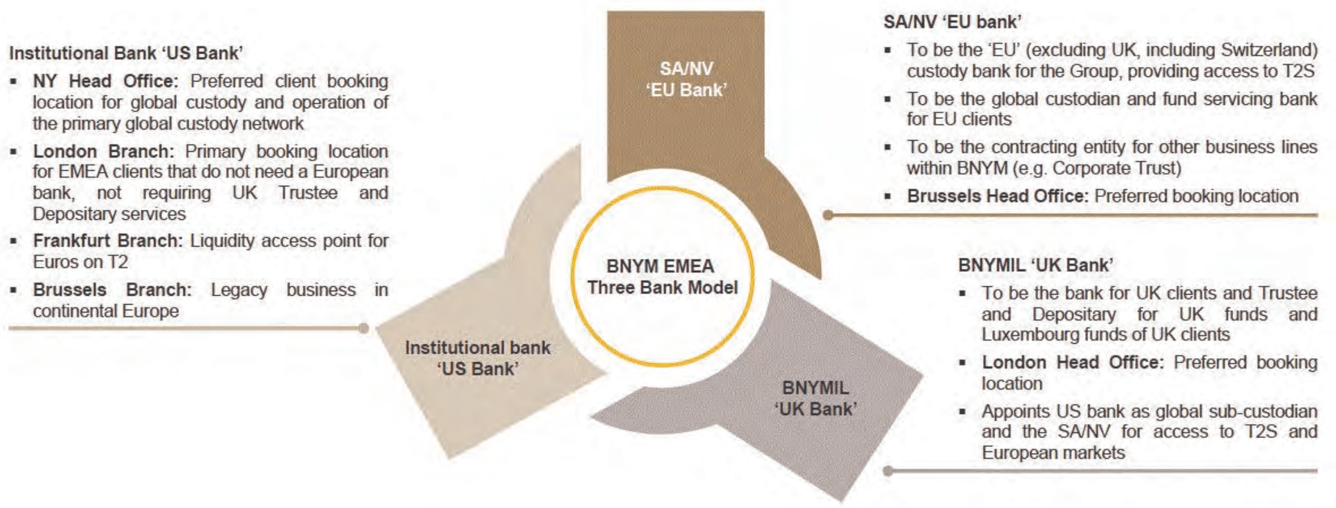
The rationales behind the Three Bank Model initiative include:

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

- Delivery of shareholders value through more efficient use of resources, liquidity and capital and improved client growth and retention

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

Figure 2: The Three Bank Model



1.8 Core Business Lines

BNYM SA/NV has a number of core business lines including Asset Servicing, Corporate Trust, Foreign Exchange, Collateral Management and Segregation and Liquidity Services.

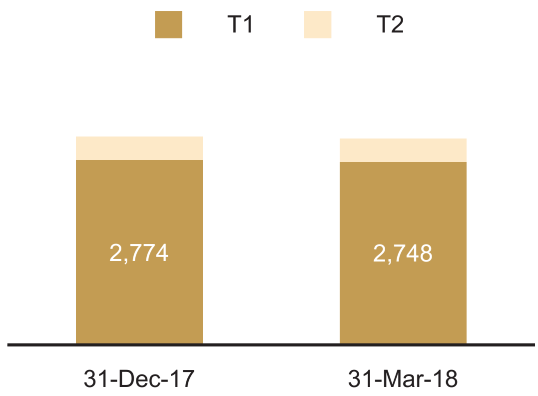
Line of business (LOB)	Description
Asset Servicing (AS)	Asset Servicing primarily comprises Global and Local Custody services but also includes Depot Banking, Institutional Accounting, Foreign Exchange (FX) services, Fund Accounting and Transfer Agency services.
Corporate Trust (CT)	BNYM SA/NV offers Corporate Trust services, acting in a broad range of agency roles including, but not limited to: trustee, registrar, issuing and paying agent, common depository, exchange agent, custodian and collateral / portfolio administration.
Foreign Exchange (FX)	BNYM SA/NV provides foreign exchange services which enable clients to achieve their investment, financing and cross-border objectives. This business provides currency hedge administration and foreign exchange sales and trading.
Collateral Management and segregation	BNYM SA/NV acts solely as a servicing entity providing services contracted by BNYM acting as tri-party agent for transactions related to securities lending and repurchase ('repo') agreements, or acting as an administrator, providing segregation services for any type of transaction requiring segregation of collateral.
Liquidity Services	Liquidity Services is responsible for sales, client service and product management relating to the Liquidity DIRECT web portal. Liquidity Services is also responsible for relationships with the investment managers whose liquidity funds are available to clients through the Liquidity DIRECT platform and other instruction platforms. The Liquidity DIRECT online platform provides a medium for clients to view, transact and generate reporting for their daily liquidity activities. Liquidity Services provides sales and client service for contracting clients.
Depository Receipts	BNYM SA/NV Dublin Branch performs certain operational activities relating to Depository Receipts, predominantly issuance and cancellation. Depository Receipts facilitate cross-border investment solutions for companies and investors. They are negotiable financial securities issued by a bank to represent foreign companies' publicly traded securities, allowing them to have their stocks traded in foreign markets.

Broker-Dealer and Advisory Services	Broker-Dealer and Advisory Services conduct global clearing services for equity and fixed income transactions.

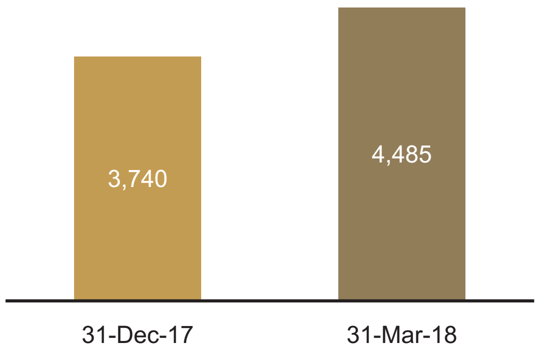
1.9 Key Metrics

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

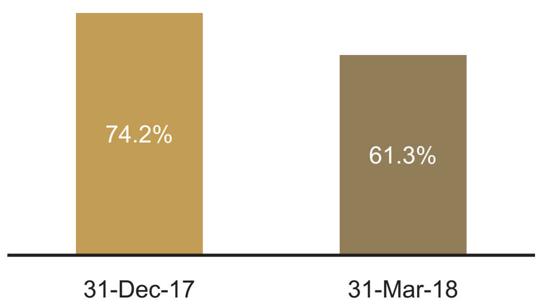
Regulatory Capital (€m)



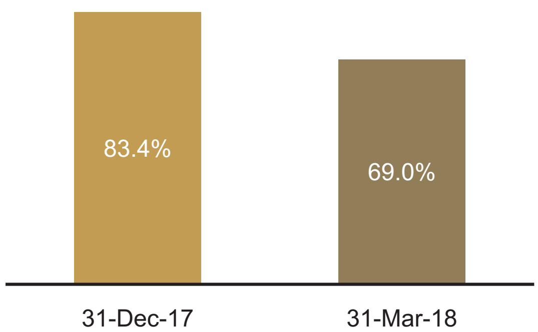
Risk Weighted Assets (€m)



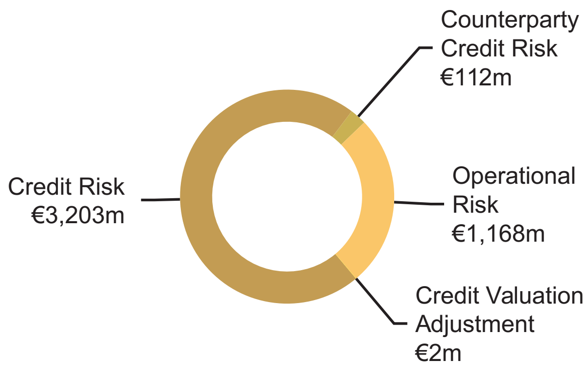
CET1 Ratio Trend



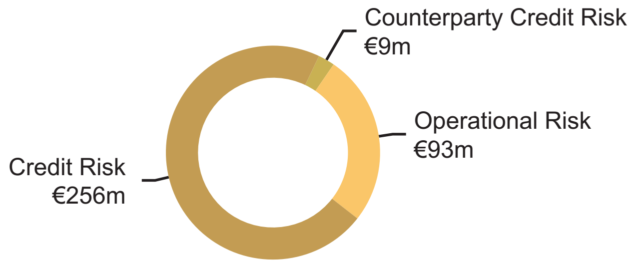
Total Capital Ratio Trend



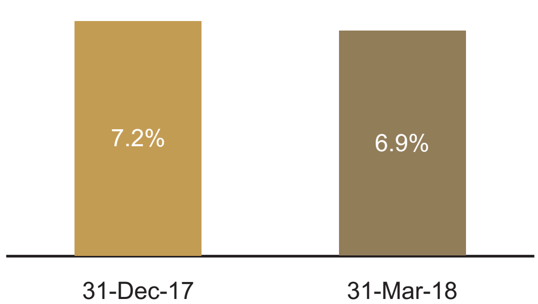
Risk Exposure Amount by Counterparty (€4,485m) 31-Mar-18



Capital Requirements by Counterparty (€359m) 31-Mar-18



Leverage Ratio Trend



NSFR Trend

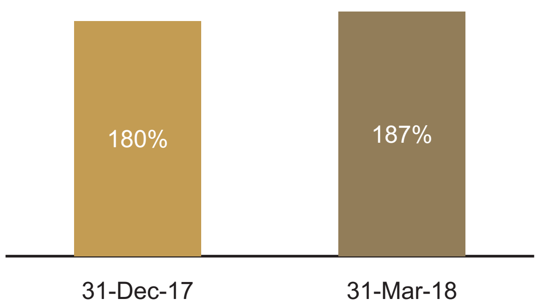


Table 1: Capital ratios

Own Funds	31-Mar-18	31-Dec-17
Available capital (€m)		
Common Equity Tier 1 (CET1) capital	2,748	2,774
Tier 1 capital	2,748	2,774
Tier 2 capital	346	346
Total capital	3,094	3,120
Risk-weighted assets (€m)		
Total risk-weighted assets (RWA)	4,485	3,740
Risk-based capital ratios as a percentage of RWA		

Own Funds	31-Mar-18	31-Dec-17
CET1 ratio	61.3%	74.2%
Tier 1 ratio	61.3%	74.2%
Total capital ratio	69.0%	83.4%
Additional CET1 buffers requirements as a percentage of RWA		
Capital conservation buffer requirement	1.875%	1.250%
Countercyclical buffer requirement	0.035%	0.044%
Other systemically important institution buffer	0.750%	0.500%
Basel III leverage ratio		
Total Basel III leverage ratio exposure measure (€m)	39,966	38,559
Basel III leverage ratio	6.9%	7.2%
Liquidity Coverage Ratio (LCR)		
Total High Quality Liquid Assets (HQLA) (€m)	22,121	23,186
Total Net Cash Outflow (€m)	12,946	15,459
LCR	170.9%	150.0%
Net Stable Funding Ratio (NSFR)		
Total Available Stable Funding (€m)	10,697	9,548
Total Required Stable Funding (€m)	5,717	5,303
NSFR	187.1%	180.1%

Note: 31 December 2017 capital and leverage ratios include yearly P/L.

Key Highlights and post balance sheet date events

The following took place in the first quarter of 2018 and are considered as important events that impacted BNYM SA/NV:

- Transfer of clients from BNYM SA/NV Head office to BNYMIL UK Head office during the quarter as part of BNYM EMEA Operating model. The transfer resulted in a decrease of third party deposits which was offset by other client deposits increase
- 1Q 2018 Spot Balance Sheet stands at €38.3 Bn, up by €1.1 Bn (+3%) compared to 4Q 2017. This is largely explained by higher Intercompany Deposits (+€1.1 Bn). On the Assets side, the increase is reflected in higher Nostro & Placements: Third Party (+€1.2 Bn) and Intercompany (+€1.1 Bn), partially offset by lower Central Bank Placements (-€0.8 Bn)

2 Own Funds

The following risk metrics present BNYM SA/NV's risk components as at 31 March 2018.

Common Equity Tier 1 capital €2,748m

31-Dec-17: €2,774

Total Own Funds €3,094m

31-Dec-17: €3,120m

Total Risk Weighted Assets €4,485m

31-Dec-17: €3,740m

This section provides an overview of the regulatory balance sheet and composition of BNYM SA/NV's regulatory capital. There are a number of differences between the balance sheet prepared in accordance with International Financial Reporting Standards (IFRS) and Pillar 3 disclosures published in accordance with prudential requirements.

On 24 July 2014, the International Accounting Standards Board (IASB) published International Financial Reporting Standard (IFRS) 9 Financial Instruments (IFRS 9). IFRS 9 replaces IAS 39 "Financial Instruments : Recognition and Measurement", the new standard sets out the new principles for the classification and measurement of financial instruments, principles for the computation of credit risk impairments on debt instruments measured at amortised cost or at fair value through equity, loan commitments given, financial guarantee contracts, lease receivables as well as principles for general hedge accounting (i.e. micro hedging). IFRS 9, which was adopted by the European Union on 22 November 2016, is mandatory for annual periods beginning on or after 1 January 2018. The impact of the first-time application of the new IFRS 9 accounting standard on 1 January 2018 was very limited for BNYM SA/NV (No changes due to IFRS9 classification & Measurement and an amount of Expected Credit Losses of €1.4mio only); That's why, BNYM SA/NV has chosen not to apply the IFRS9 transitional arrangements (as stipulated in Regulation 2017/2395 of 12 December 2017 that permits to mitigate the impact of the introduction of IFRS 9 on own funds for a transitional period of 5 years). Therefore the own funds, capital and leverage ratios reported in this document already reflect the full impact of IFRS9.

Table 2: Composition of regulatory capital

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

Own Funds (€m)	31-Mar-18	31-Dec-17
Common Equity Tier 1 (CET1) capital		
Capital instruments	1,757	1,757
Retained earnings	1,401	1,403
Reserves and other comprehensive income	17	47
CET1 adjustments	(427)	(432)
Total CET1 capital	**2,748**	**2,774**
Additional Tier 1 (AT1) capital		
Total AT1 capital	—	—

Own Funds (€m)	31-Mar-18	31-Dec-17
Total Tier 1 capital	**2,748**	**2,774**
Tier 2 (T2) capital		
Capital instruments and subordinated loans	346	346
Total T2 capital	**346**	**346**
Total Own Funds	**3,094**	**3,120**

Table 3: Own funds disclosure

The table below shows the own funds disclosure at 31 March 2018.

Equity instruments, reserves and regulatory adjustments (€m)	Amount at disclosure date
CET1 capital: Instruments and reserves	
Capital instruments and the related share premium accounts	1,757
of which: ordinary shares	1,757
Retained earnings	1,438
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	17
Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	—
CET1 capital before regulatory adjustments	**3,211**
CET1 capital: regulatory adjustments	
Goodwill and intangible asset deductions	(413)
Additional value adjustments (prudent valuation)	(14)
Year-end non eligible earning adjustments	(36)
Total regulatory adjustments to CET1	**(463)**
CET1 capital	**2,748**
AT1 capital	**—**
Tier 1 capital	**2,748**
Tier 2 (T2) capital: Instruments and provisions	
Total regulatory adjustments to T2 capital	—
T2 capital	**346**
Total capital	**3,094**
Total risk weighted assets	**4,485**
Capital ratios and buffers	
CET1 (as a percentage of risk exposure amount)	61.3%
T1 (as a percentage of risk exposure amount)	61.3%
Total capital (as a percentage of risk exposure amount)	69.0%
Capital conservation buffer requirement	1.875%

Equity instruments, reserves and regulatory adjustments (€m)	Amount at disclosure date
Countercyclical capital buffer requirement	0.035%
Other Systemically Important Institution (O-SII) buffer	0.750%
Amounts below the thresholds for deduction (before risk weighting)	
Deferred tax assets arising from temporary differences(amount below 10% threshold, net of related tax liability where the conditions in Article 38(3) are met)	1

Regulatory adjustments: In accordance with articles 36 and 37 of CRR, amounts of goodwill and other intangible assets, net of their related deferred tax liabilities, are deducted from the CET1. Also, additional value adjustments are deducted from CET1 in accordance with article 34. Finally, in accordance with article 26(2), the interim earnings are also deducted from CET1.

Items exempted from CET1 deduction: In accordance with article 48 and following the respect of all conditions laid down in this article, deferred tax assets arising from temporary differences that are equal to or less than 10% of the CET1 are exempted from deduction from CET1. BNYM SA/NV deferred tax assets amount of € 0.9 M is below the thresholds for deduction and is subject to 250% RW. Deferred tax assets arising from temporary differences are the only items exempted from own funds deduction at BNYM SA/NV.

3 Capital Requirements

The following risk metrics present BNYM SA/NV's risk components as at 31 March 2018.

Total risk exposure amount €4,485m

31-Dec-17: €3,740m

Total capital requirement €359m

31-Dec-17: €299m

BNYM SA/NV's capital plan aims to ensure that it holds an appropriate amount of capital to support its business model, allowing for prudent management of the business, given a range of plausible but severe stress scenarios. Potential capital shortfalls are identified over a 3 year period and capital plans adjusted accordingly. The plan is reflective of BNYM SA/NV's risk appetite, which details a commitment to a strong balance sheet characterised by strong liquidity, superior asset quality and a capital structure which supports the risk taking activities and has the ability to absorb losses.

The plan is developed with input from Finance, Risk, Treasury and the business lines.

Incorporating the projected earnings based on its business plan, BNYM SA/NV generates a 3 year forecast which forms the base foundation for financial modelling and stress testing used as part of the ICAAP process.

The capital plan effectively incorporates a view of BNYM SA/NV's current business model, the risks associated with that model, and an assessment of how those risks contribute to the amount of capital required, as per internal and external regulatory criteria. The capital plan is subject to Executive Committee ('ExCo') and Board approval (upon recommendation of the Risk Committee of the Board) and the performance metrics are reviewed by the Belgium Asset and Liability Committee ('Belgium ALCO').

3.1 Calculating Capital Requirements

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

Table 4: Capital requirements

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

	Risk exposure amount		Capital requirements	
Type of risk	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
Credit risk SA*	3,203	2,519	256	202

Type of risk	Risk exposure amount		Capital requirements	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
Counterparty credit risk	112	110	9	9
of which: Mark to market	88	82	7	7
of which: Credit Valuation Adjustment	24	28	2	2
Market risk SA*	—	—	—	—
of which: Foreign exchange position risk	—	—	—	—
Operational risk	1,168	1,109	93	89
of which: Standardised approach	1,168	1,109	93	89
Amounts below the thresholds for deduction (subject to 250% risk weight)	2	2	—	—
Total	**4,485**	**3,740**	**359**	**299**
Total capital			**3,094**	**3,120**
Surplus capital			2,735	2,821

* SA = Standardised Approach

The risk exposure amount increase of €745m is predominantly driven by an increase in the credit risk component of €690m, which is mainly a result of the transfer to BNYM SA/NV of corporate bonds (impact of €+437m) and an increase of placements and nostros at credit institutions (impact of €+253m). The rest of variation is explained by an increase in overdraft exposures and securities which is compensated by a decrease in accounts receivables.

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

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

In accordance with the CSRSFI Circular 2010-1[1] Committee for Systemic Risks and System-relevant Financial Institutions (NBB), Circular to SIFIs, CSRFSI, 26 October 2010, BNYM SA/NV has been identified as a Systemically Important Financial Institution (SIFI) in Belgium and making it a high priority to manage risks appropriately to that significant status.

BNYM SA/NV has adopted a conservative capital risk appetite to maintain a strong capital position and balance sheet throughout all market cycles with strong liquidity, superior asset quality, ready access to external funding sources at competitive rates, and a strong capital structure whilst delivering operational excellence to meet stakeholders' expectations. Any changes to the risk profile are typically due to new business and growth with risks mitigated through the internal governance, controls and risk management practices.

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

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

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

Pillar 1 capital requirement is calculated according to the Basel standardized approach for credit, market and operational risks, and for credit value adjustment. The standard formula is based on weighting factors applied to the balance sheet and profit and loss components. Pillar 1 capital requirement is compared to the own funds and in particular the CET1, Tier 1 and Total Capital, and monitored (daily) against regulatory thresholds triggered by the SREP review and risk appetite. BNYM SA/NV ensures to have sufficient capital to cover Capital requirements and all necessary buffers. The risk appetite sets a 20% buffer on top of the regulatory requirements.

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

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

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

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

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

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

4.1 Risk Objectives

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

- The Board recognises that defining a risk appetite must consider the views of a number of different stakeholders while accounting for business strategy and risk profile
- The Board sees embedding the risk appetite into the business strategy as essential
- The Board recognises that it cannot mitigate all risks. The risk framework includes standard risk management self-assessment tools that take into account loss history and stress testing to measure and monitor whether or not risk controls in place continue to remain effective
- The Board will seek input from its own and group wide risk committees on a regular basis in its reassessment of appetite and sources of major risks

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

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

The principal responsibilities of the Board, as defined in the Terms of Reference for the Board of Directors include, but are not limited to:

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

assessing regularly (at least once per year) the efficiency of the internal control structure, in particular regarding the financial reporting process

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

The table below shows the members of the Board and its committees as of 31 March 2018.

Board member	Function at BNYM SA/NV	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Olivier Lefebvre	Independent Chair of the Board of Directors, Independent Member of the Audit Committee, Independent Chair of the Nomination Committee and Independent Chair of the Remuneration Committee	Climact sa	Belgium	Environmental consultancy	N	Chairman of the Board	N
		Société Régionale d’Investissement de Wallonie sa (SRIW)	Belgium	Regional Investment Companies	N	Non-executive Director	N
		Ginkgo Management sarl Ginkgo Management sarl II	Luxembourg	Real Estate Fund Management	N	Independent Director	N
Marie-Hélène Cretu	Independent Chair of the Audit Committee, Independent member of the Remuneration Committee and Independent Member of the Risk Committee	CoDiese & GRC & PREF-X SAS	France	Finance consultancy	N	Director	N
		Montpensier Finance	France	Assets Management Company	N	Independent Director	N
Peter Johnston	Member of the Audit Committee						
Hani Kablawi	Member of the Remuneration Committee	Arab Bankers Association London, UK	United Kingdom	Financial services	N	Vice Chairman and Board Member	N

Board member	Function at BNYM SA/NV	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Carol Sergeant	Independent Chair of the Risk Committee, Independent Member of the Audit Committee and Independent Member of the Nomination Committee	Danske Bank A/S	Denmark	Financial services	Y	Vice Chairman	N
		TP ICAP plc	United Kingdom	Financial services	Y	Independent Director	N
Laura Ahto	Chief Executive Officer Chair of the Executive Committee	American Chamber of Commerce in Belgium VZW/ ASBL	Belgium	Business Services	N	Board Member	N
		Post-Trade Board of AFME	Belgium	Business Services	N	Member	N
Hedi Ben Mahmoud	Chief Risk Officer Member of the Executive Committee						
Annik Bosschaerts	Chief Operations Officer Member of the Executive Committee						
Eric Pulinx	Deputy Chief Executive Officer Chief Financial Officer Member of the Executive Committee	Febelfin Academy - Banking Association	Belgium	Trade association	N	Non-executive Director	N
		Delen Private Bank	Belgium	Credit institution	N	Independent director	N
Leonique van Houwelingen	Member of the Executive Committee	Foreign Bankers' Association (FBA)	The Netherlands	Trade association	N	Non-executive Chair	N
		Nederlandse Vereniging van Banken / Dutch Association of Banks (NVB)	The Netherlands	Trade association	N	Non-executive Director	N

Note: Carol Sergeant was formally appointed as Independent director, Independent Chair of the Risk Committee and independent member of the Audit Committee on 29 January 2018. James Wiener was formally appointed as non-executive director, member of the Risk Committee and member of the Nomination Committee on 29 January 2018 but subsequently resigned on 8 February 2018. Effective from 1 April 2018 Laura Ahto resigned as a Board member and as Chief Executive Officer (CEO) being replaced by Leonique van Houwelingen as CEO, Dan Watkins joined the Board as a Non-Executive director and member of the Risk Committee and Todd Gibbons joined the Board as a Non-Executive Director and member of the Nomination Committee.

BNYM SA/NV is committed to diversity and inclusion. This commitment is not only important to BNYM SA/NV's culture and to each director as individuals, it is also critical to BNYM SA/NV's ability to serve its clients and grow its business. BNYM SA/NV recognises the benefits of having individuals with diverse backgrounds, experience and viewpoints on the Board for the different perspective and unique contributions they provide.

Board appointments are based on an individual's skill, ability, experience, training, performance, and other valid role-related requirements. The Terms and Reference of the Board state that at least one third of each gender shall be represented on the Board and on the ExCo and that such distribution should be reached by 2020. As long as this target is not reached, female candidates with proven qualifications shall be preferred over male candidates for any new appointment on the Board.

The Nomination Committee (the "NoCo") is responsible for reviewing the structure, size and composition of the Board (including its skills, knowledge, experience and diversity) and making recommendations to the Board with respect to any Board member's appointment. In identifying suitable candidates for a particular appointment, the NoCo considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

4.2.2 Legal Entity Risk Management

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

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

The ExCo reviews corporate initiatives including strategic initiatives, financial performance, new business initiatives, policy changes, controls and organisational development. The ExCo has responsibility across all Lines of Business conducted by or impacting BNYM SA/NV, its branches or subsidiary.

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

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

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

- The Risk Management Committee (RMC)
- The Belgium Asset and Liability Committee (Belgium ALCO)
- The Capital and Stress Test Committee (CSTC)
- The Credit Risk Oversight Committee (CROC)

The ExCo has also delegated authority to Business Acceptance Committees and is also assisted by two councils.

Risk Management Committee (RMC)

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

The aim of the RMC is to establish and maintain a capable, effective forward looking risk organization that is well placed to identify and manage emerging risks for the legal entity including its branches and subsidiary. The RMC provides risk-based challenge to the Business (first line of defense), establishes and maintains the risk culture, and advises the ExCo as second line of defense on risk matters.

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

Capital and Stress Testing Committee (CSTC)

The purpose of the CSTC is to ensure adequate governance, ownership and understanding of the processes and documentation pertaining to BNYM SA/NV's capital requirements (economic, regulatory, adequacy and allocation), risk model methodologies and stress testing in accordance with the ICAAP governance, BNYM SA/NV Stress Testing policies and Framework whilst taking into consideration the Group's overarching capital, profit and strategic plans.

The CSTC is an empowered decision making body under authority delegated by the ExCo and subject to corporate policy, legislation and external regulation

Belgium Asset and Liability Committee (Belgium ALCO)

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

The Belgium ALCO holds meetings on regular (primarily monthly) basis but ad hoc meetings can also be called at the discretion of the Chair.

Credit Risk Oversight Committee (CROC)

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

Business Acceptance Committees (BAC)

A BAC is responsible for the acceptance, oversight and guidance of new and existing businesses and clients for each of the following business lines for all BNY Mellon legal entities across EMEA: Asset Servicing & AIS, Corporate Trust, Depositary Receipts, Markets and Broker-Dealer & Advisory Services.

Councils assisting the ExCo

In addition to the above committees, the ExCo has mandated two councils to assist them:

- The Technology and Information Risk Council (TIRC) derives its authority and mandate from the ExCo through the RMC. The purpose of the TIRC is to provide a detailed review of all key Client Technology Solutions (CTS) services and emerging risk for reporting to the RMC
- The Belgium Management Council (BEMCO), with the purpose to provide leadership for BNY Mellon employees in Belgium, regardless of legal entity, functional, or business affiliation. The BEMCO is responsible for overseeing, informing, supporting and involving other local bodies, as well as ensuring employee engagement within the Brussels location and the company in Belgium. It shall also decide or escalate matters discussed with the employee relations bodies

4.2.3 Regional Risk Governance

A regional level risk governance structure is in place to oversee all business and legal entities' risk. Various BNYM SA/NV risk committees 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 / entities and those managers performing "governing" functions under the PRA's Approved Person's regime.

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.

EMEA Investment Services and Markets Committee is an oversight and advisory body whose purpose is to:

- Align the different parts of the EMEA Investment Services and Markets (EMEA ISM) businesses to form a collective view on matters affecting EMEA ISM legal entities and their respective businesses
- Opine on the effectiveness of the EMEA ISM constituent businesses and business partner groups within the global, regional and legal entity context
- Guide and monitor the development of the EMEA ISM businesses
- Safeguard the operational resilience of the EMEA ISM businesses
- Act as the guardian of the EMEA ISM strategy

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

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

4.3 Risk Management Framework

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

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

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

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

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

BNYM SA/NV has adopted a ‘three lines of defense’ model as part of the risk management framework. The First Line of Defense ('1LOD') consists of managers and employees at the business or, in some cases, business partner level. They own the risk associated with the business activities, and they manage the risks and the related control processes and procedures on an operational basis. The Risk Management and Compliance functions are the Second Line of Defense ('2LOD'); and own the enterprise-wide risk management framework and provide independent oversight of the 1LOD. This also includes Corporate Security, Business Continuity, Financial Management and Analysis within finance. The Third Line of Defense ('3LOD') is Internal Audit, which independently provides the Board and senior management with the assurance that the governance structures, risk management and internal controls in place are effective.

Figure 2: Managing Three Lines of Defence

3RD INTERNAL AUDIT

- Independent from the first two lines of defence
- Conducts risk-based audits
- Reports on the company's effectiveness in identifying and controlling risks

2ND RISK AND COMPLIANCE

- Independent oversight and monitoring
- Consistent corporate level policies and standards
- Reliable and timely enterprise-wide reporting
- Issues escalated in a timely fashion
- Includes Corporate Security, Business Continuity, Financial Management and Analysis with Finance, HR and Legal

1ST BUSINESS/LEGAL ENTITIES

- Own risks associated with activities
- Each employee understands and manages the risks inherent in their jobs
- Controls and sound business level policies in place
- Operate within their "Risk Appetite"
- Issues escalated in a timely fashion
- Includes risks owned primarily by business partners

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

4.4 Risk Register

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

The BNYM SA/NV's Risk Register is prepared and owned by the appointed Legal Entity Risk Officer ('LERO'). Senior Risk Officers of each Line of Business ('LOB SROs'), risk function heads (e.g. credit risk) and key representatives from the Lines of Business/Legal Entities will be consulted as part of the assessment process. The Risk Register, which is approved by the ExCo, is a living document and will be updated regularly, and at least annually.

4.5 Risk Appetite

BNYM SA/NV is committed to ensure that, in executing on its strategic and operational plans, it operates within its own risk appetite at all times. In order to achieve this, BNYM SA/NV is also committed to operating within its defined risk appetite statement at all times.

Furthermore, BNYM SA/NV is committed to ensure that forward looking controls over the individual components of Risk Appetite are embedded into the terms of reference of the governance committees that both directly and indirectly have the ability to influence the risk profile of BNYM SA/NV.

4.6 Risk Assessment Methodology and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established by BNYM SA/NV. These limits reflect the business strategy and market environment of BNYM SA/NV as well as the level of risk that BNYM SA/NV is willing to accept. In addition, BNYM SA/NV's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the RMC, the ExCo and the Board.

Internal Capital Adequacy Assessment Process (ICAAP)

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

The Internal Capital Adequacy Assessment Process and related Economic Capital ('ECAP') under Pillar II relies on series of internal models, calculating the capital requirement to be set aside for each risk deemed material of BNYM SA/NV and for which capital is considered as an appropriate mitigant. The ICAAP also relies on stress testing performed on the capital planning. The ICAAP report is submitted on a yearly basis and follows the Belgian and European regulations in that respect.

Pillar 2 capital requirement is based on an internal risk assessment of the components of the balance sheet and of the business activities; it uses BNYM SA/NV's methodologies which follow an approval process including independent validation by the BNY Mellon's model validation team. These methodologies are presented to and approved by the Board. The Economic Capital framework is based on appropriate, forward-looking and plausible estimates of capital needs over a one-year horizon, and at a high confidence level, 99.9%, that reflects the overall capital management objectives of BNYM SA/NV.

The purposes of the ICAAP are to:

- inform and seek approval from BNYM SA/NV's senior management and Board of the ongoing assessment of the Company's risks and the approaches used to mitigate those risks, such that they remain within the risk appetite established by the Board
- determine the amount of capital that is likely to be necessary to support those risks at the point when the assessment is made and also over BNYM SA/NV's three-year planning horizon, both under baseline and stressed conditions
- document the capital adequacy assessment process both for internal stakeholders and for prudential supervisors
- provide the necessary information so that senior management and the Board can make decisions about the amount of capital that is required and the approach to risk management that should be adopted

In addition to ensuring that there is sufficient capital to cover economic risk and to meet regulatory capital requirements under stressed conditions, the Company's objective is also to maintain sufficient capital to be a preferred service provider and counterparty.

Credit Risk, Credit Value Adjustment, Market Risk, Operational Risk, Interest Rate Risk, Credit Spread Risk, Business Risk, Restitution Risk, Pension Risk and Model Risk are all covered by Economic Capital. Different types of quantification procedures are used as part of the ECAP framework, including scenario analysis and Pillar 1-style models as well as statistical models that deliver a full probability distribution of economic losses. This is in particular the case for Credit Risk as well as Operational Risk, where BNYM SA/NV uses a hybrid model combining losses and forward looking scenarios information. BNYM SA/NV applies stress tests in order to assess capital adequacy in a forward looking manner.

BNYM SA/NV has adopted an Available Financial Resources (AFR) definition in order to satisfy the three following principles:

- permanence of the resources
- loss absorption capacity of resources
- availability of resources

New and modified businesses / products assessment process

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

Significant new client process

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

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

Risk and Control Self-Assessment

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

Operational risk events

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

Credit risk monitoring process

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

Large exposure process

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

Market risk monitoring process

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

Interest rate risk monitoring process

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

Liquidity risk management process

BNYM SA/NV's overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount and diversity, such that changes in funding requirements can be accommodated routinely without material adverse impact on earnings, daily operations, or on the financial condition of BNYM SA/NV. In this context, BNYM SA/NV has set certain practices, metrics, and limits to measure and manage liquidity risk. Through these measures, it seeks to ensure that the overall liquidity risk undertaken stays within its risk tolerance.

Top risk process

The RMC maintains the list of top risks for BNYM SA/NV. The RMC also receives the list of top risks from EMEA and Group level. The RMC holds monthly discussions around the top risks for BNYM SA/NV that are reviewed on a quarterly basis, and discuss the progress to mitigate them.

Risk dashboard

The BNYM SA/NV Risk dashboard aims at providing a high-level view on the different risk appetite metrics and their evolution over a given period and a high-level view over a given period of time on the evolution and status at consolidated level of the main risk categories. It is produced on a monthly basis.

Key Risk Indicators

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

Stress testing

Stress testing is undertaken by BNYM SA/NV 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 SA/NV's risk profile. BNYM SA/NV's stress testing process conclusion is a statement of the future risk(s) 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 the CSTC, ExCo and Board.

4.7 Escalation of Risks and Issues

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

- Identifying and documenting all material risks, assessing the effectiveness of control design, and ensuring that control gaps are closed
- Developing and implementing standards and policies appropriate for the business that conform to the principles and guidelines established by Risk

- Elevating, reporting and investigating operating errors, losses and near misses, identifying the root causes and implementing corrective actions
- Reviewing key indicators for coverage and effectiveness, identifying root causes for red and amber conditions and ensuring implementation of corrective actions
- Approving the process to accept new business, including 'Request for Proposal' preparation, contract acceptance and compliance, and challenging whether BNYH SA/NV is being compensated appropriately for the assumption of risk
- Reviewing the impact of changes in business processes on inherent risks and controls such as reorganisations, new products or processes, system conversions and acquisitions, etc.
- Ensuring that processes, risks and controls are continually reassessed for appropriateness and completeness

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

4.8 Recovery and Resolution Planning (RRP)

In 2017, the recovery plan for BNYM SA/NV was prepared for submission to the Joint Supervisory Team (composed of representatives of the ECB and the NBB) in accordance with the Banking Recovery and Resolution Directive 2014/59/EU as transposed in the Belgian Banking Law. The recovery plan is designed to ensure that BNYM SA/NV has credible and executable options to meet the challenges that may arise from potential future financial and/or operational crises.

5 Leverage

The following risk metrics present BNYM SA/NV's risk components as at 31 March 2018.

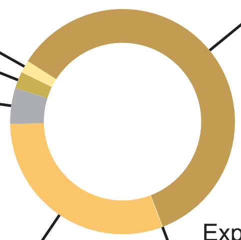
Total leverage ratio exposure €39,966m

31-Dec-17: €38,559m

Leverage ratio 6.88%

31-Dec-17: 7.21%

CRR Banking Book Leverage Ratio Exposures



The leverage ratio by is defined as the capital measure (the numerator) divided by the total exposure measure (the denominator), with this ratio expressed as a percentage:

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

In accordance with article 499 (2) and (3) of the CRR the leverage ratio is calculated based on Tier 1 capital and is the arithmetic mean of the monthly leverage ratios over the final quarter of 2017. 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

Leverage ratio calculation for BNYM SA/NV as of 31 March 2018 is presented below:

Table 5: Leverage ratio summary

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

Leverage ratio summary at 31 March 2018 (€m)	
Total assets as per published financial statements	38,198
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	—
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	—
Adjustments for derivative financial instruments	90
Adjustments for securities financing transactions (SFTs)	—
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	7
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	—
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	—
Other adjustments	1,671
Total leverage ratio exposure	**39,966**

Table 6: Leverage ratio common disclosure

Regulatory leverage ratio exposures at 31 March 2018 (€m)	
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	40,187
Asset amounts deducted in determining Tier 1 capital	(427)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**39,760**
Derivative exposures	
Replacement cost associated with derivatives transactions	57
Add-on amounts for PFE associated with derivatives transactions	142
Exposure determined under Original Exposure Method	—
Total derivative exposures	**199**
Securities financing transaction exposures	
SFT exposure according to Article 220 of CRR	—
SFT exposure according to Article 222 of CRR	—
Total securities financing transaction exposures	**—**
Off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	34
Adjustments for conversion to credit equivalent amounts	(27)

Regulatory leverage ratio exposures at 31 March 2018 (€m)	
Total off-balance sheet exposures	**7**
Capital and Total Exposures	
Tier 1 capital	**2,748**
Exposures of financial sector entities according to Article 429(4) 2nd of CRR	—
Leverage Ratios	
Total Exposures	**39,966**
End of quarter leverage ratio	**6.88%**
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in
Amount of derecognised fiduciary items in accordance with Article 429(11) of CRR	—

Appendix 1 Other Risks

Credit risk

The risk arising from obligor or counterparty failure to pay an extension of credit whether contractual or otherwise. Credit risk is found in all activities in which settlement or repayment depends on counterparty, issuer, or borrower performance. It exists any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

BNYM SA/NV provides no committed loans to clients, but offers uncommitted overdraft facilities. The securities portfolio is of high quality, with strict guidelines and limits.

BNYM SA/NV recognizes that, as part of its client facing businesses, it is exposed to the following additional credit risks

- exposure to sub custodians and correspondent banks
- credit exposure to clients as a result of their foreign exchange activities
- provision of other forms of off balance sheet guarantees and commitments

In addition, BNYM SA/NV recognizes that, as part of its treasury management activities, it is exposed to the following additional credit risks:

- 3rd party placements
- placements with Central Banks
- intergroup placements

BNYM SA/NV does not have appetite to provide term credit (>60 days) to clients on an unsecured basis.

BNYM SA/NV recognizes that its Investment Securities portfolio represents a source of credit risk, for which it has a conservative risk appetite.

Market risk

The risk arising from adverse change in financial markets due to factors such as prices, rates, implied vitalities, or correlation of other market factors. Market risk factors include but are not limited to interest rates, foreign exchange rates, market liquidity, equity prices, credit spreads, pre-payment rates, commodity prices and issuer risk associated with the Company's trading and investment portfolios.

BNYM SA/ does not have a trading book activity (from an accounting perspective, FX swaps ,executed by Corporate Treasury to manage liquidity and large exposures, are classified in the held for trading category, in addition there is a back-to-back FX trading activity which does not carry any open market risk positions).

BNYM SA/NV seeks to maintain a balance between current income and long-term market value/capital volatility.

Factors considered when targeting desired NII, ratios and EVE sensitivity include, among other things, management's market expectations and expected returns, the absolute level of interest rates, and balance sheet characteristics such as duration, convexity, IRR, liquidity and credit risks.

The Bank is committed to ensure low level of market and interest rate risks inherent to its business strategy and model. The Bank recognizes that its Investment Securities Portfolio represents a source of market and interest rate risk, for which it has a conservative risk appetite.

The approach to IRRBB management incorporates the risk appetite over both short term and long-term time horizons, to maintain a balance between current income and longterm market value volatility.

Operational risk

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

Liquidity risk

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

BNYM SA/NV aims to be self-sufficient for liquidity and seeks to maintain a liquid balance sheet at all times. BNYM SA/NV's balance sheet is liability driven primarily due to deposits generated through its asset servicing and custody business activities. Liabilities and sources of funds consist mainly of third party client deposits and intercompany deposits. Client deposit balances are operational in nature and exhibit a degree of "stickiness".

BNYM SA/NV maintains ample liquidity for day-to-day changes in deposit funding. Apart from operational client overdrafts, BNYM SA/NV does not extend term loans to clients and therefore funding assets is not a significant use of liquidity. While sizeable overdrafts can periodically appear on BNYM SA/NV's balance sheet, large deposits offset these amounts.

Liquidity from customer and intercompany deposits on BNYM SA/NV's balance sheet is deployed in the following ways:

- Placed overnight with national central banks through the Head office or branches whether it has access to these central banks
- Used to fund the securities portfolio, primarily comprising of High Quality Liquidity Assets (HQLA).
- Placed short term in the interbank market
- Used to fund overdrafts, which are mainly operational in nature and short-term
- Placed short term with other BNY Mellon entities (intercompany placements)

Other currencies may be placed directly in the interbank market or left on Nostro accounts

BNYM SA/NV's overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount and diversity such that changes in funding requirements can be accommodated routinely without material adverse impact on earnings, capital, daily operations, or the financial condition of the Firm.

BNYM SA/NV seeks to ensure that the overall liquidity risk that it undertakes stays within its risk appetite. In managing the balance sheet, appropriate consideration is given to balancing the competing needs of maintaining sufficient levels of liquidity and complying with applicable regulations and supervisory expectations while optimizing the balance sheet. The balance sheet is characterized by strong liquidity, superior asset quality, ready access to external funding sources at competitive rates and a strong capital structure that supports our risk taking activities and is adequate to absorb potential losses.

Restitution risk

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

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

Strategic Risk

The risk arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the financial industry and operating environment. Strategic and/or Business risks may also arise from the acceptance of new businesses, the introduction or modification of products, strategic finance and risk management decisions, business process changes, complex transactions, acquisitions/ divestitures/ joint ventures and major capital expenditures/ investments.

Strategic initiatives giving rise to significant change in the business organization or operations must be effectively managed, using corporate standard project management methodology.

Group Risk

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

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

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

Model Risk

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

Model risk can result in material financial loss, inaccurate financial or regulatory reporting, misaligned business strategies or damage to the reputation of BNYM SA/NV or BNY Mellon as a whole. BNYM SA/NV uses models in its risk management framework. All models have been assessed in line with the relevant corporate policies and model risk management framework.

Appendix 2 Glossary of Terms

The following terms may be used in this document:

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

Belgium ALCO: Belgium Asset and Liability Committee

BNY Mellon: The Bank of New York Mellon

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

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

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

Central Bank of Ireland (CBI): Responsible for the regulation of all financial services firms in Ireland

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

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

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

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

ECB: European Central Bank

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

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

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

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

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

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

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

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

NBB: National Bank of Belgium

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

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

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

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

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

Risk Governance Framework: BNYM SA/NV'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 CRD IV Reference

CRR ref.	Requirement summary	Compliance ref.	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures	Pillar 3 disclosures published on company's internet site	N/A
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information	N/A	N/A
431 (3)	Institution shall adopt a formal policy to comply with the disclosure requirements	see Pillar 3 policy	N/A
431 (4)	Explanation of ratings decision upon request	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450)	see Pillar 3 policy	N/A
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	see Pillar 3 policy	N/A
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed	N/A	N/A
432 (4)	Paragraphs 1, 2 & 3 are without prejudice to the scope of the liability for failure to disclosure material information		
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, in conjunction with the date of the publication of the financial statements	see Pillar 3 policy	N/A
Means of disclosure			
434 (1)	Institutions may determine the appropriate medium, location and means of verification to comply effectively	Single Pillar 3 disclosure	N/A
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate	Any cross-references to accounting or other disclosures are clearly signposted in this document	N/A
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies	Section 4 Risk Management Objectives and Policies	19
435 (1) (a)	Strategies and processes to manage those risks	Section 4.1 Risk Objectives	20
435 (1) (b)	Structure and organisation of the risk management function	Section 4.2 Risk Governance	21
435 (1) (c)	Scope and nature of risk reporting and measurement systems	Section 4.1 - 4.8	20
435 (1) (d)	Policies for hedging and mitigating risk	Section 4.3 - 4.8	27
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements	Section 4 Risk Management Objectives and Policies	19
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy	Section 4 Risk Management Objectives and Policies	19
435 (2) (a)	Number of directorships held by directors	Section 4.2.1 Board of Directors	21

435 (2) (b)	Recruitment policy of Board members, their experience and expertise	Section 4.2.1 Board of Directors	21
435 (2) (c)	Policy on diversity of Board membership and results against targets	Section 4.2.1 Board of Directors	21
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	24
435 (2) (e)	Description of information flow on risk to Board	Section 4.2.2 - 4.2.4	24
Scope of application			
436 (a)	The name of the institution to which the requirements of this Regulation apply	Section 1 Introduction	5
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 Introduction	5
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	N/A
437 (1) (a)	Full reconciliation of Common Equity Tier 1 (CET1) items	N/A	N/A
437 (1) (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments	Table 2: Composition of regulatory capital	N/A
437 (1) (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments	Table 2: Composition of regulatory capital	N/A
437 (1) (d) (i) 437 (1) (d) (ii) 437 (1) (d) (iii)	Each prudent filter applied Each deduction made Items not deduction	N/A	N/A
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	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	N/A	N/A

438 (d) 438 (d) (i) 438 (d) (ii) 438 (d) (iii) 438 (d) (iv)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class	N/A - internal ratings based approach is not used	N/A
438 (e)	Own funds requirements for market risk or settlement risk, or large exposures where they exceed limits	Table 4: Capital requirements	17
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 4: Capital requirements	17
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach	Table 4: Capital requirements	17
Exposure to counterparty credit risk (CCR)			
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures	N/A	N/A
439 (b)	Discussion of process to secure collateral and establishing reserves	N/A	N/A
439 (c)	Discussion of management of wrong-way exposures	N/A	N/A
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	N/A	N/A
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods	N/A	N/A
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	N/A	N/A
442 (b)	Approaches for calculating credit risk adjustments	N/A	N/A
442 (c)	Disclosure of pre-CRM EAD by exposure class	N/A	N/A

442 (d)	Disclosures of pre-CRM EAD by geography and exposure class	N/A	N/A
442 (e)	Disclosures of pre-CRM EAD by industry and exposure class	N/A	N/A
442 (f)	Disclosures of pre-CRM EAD by residual maturity and exposure class	N/A	N/A
442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type	N/A	N/A
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography	N/A	N/A
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	N/A	N/A
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately	N/A	N/A
Unencumbered assets			
443	Disclosures on unencumbered assets	N/A	N/A
Use of ECAIs			
444 (a)	Names of the ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes	N/A	N/A
444 (b)	Exposure classes associated with each ECAI	N/A	N/A
444 (c)	Explanation of the process for translating external ratings into credit quality steps	N/A	N/A
444 (d)	Mapping of external rating to credit quality steps	N/A	N/A
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step	N/A	N/A
Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk	N/A	N/A
Operational risk			
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered	N/A	N/A
Exposure in equities not included in the trading book			
447 (a)	Differentiation of exposures based on objectives	Appendix 1 Other Risks: no non-trading book exposure in equities	36
447 (b)	Recorded and fair value, and actual prices of exchange traded equity where it differs from fair value	Appendix 1 Other Risks: no non-trading book exposure in equities	36
447 (c)	Types, nature and amounts of the relevant classes of equity exposures	Appendix 1 Other Risks: no non-trading book exposure in equities	36
447 (d)	Realised cumulative gains and losses on sales over the period	Appendix 1 Other Risks: no non-trading book exposure in equities	36

447 (e)	Total unrealised gains/losses, latent revaluation gains/losses, and amounts included within Tier 1 capital	Appendix 1 Other Risks: no non-trading book exposure in equities	36
Exposure to interest rate risk on positions not included in the trading book			
448 (a)	Nature of risk and key assumptions in measurement models	N/A - 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	N/A
448 (b)	Variation in earnings or economic value, or other measures used by the bank from upward and downward shocks to interest rates, by currency	N/A	N/A
Exposure to securitisation positions			
449	Exposure to securitisation positions	N/A	N/A
Remuneration disclosures			
450	Remuneration disclosure regarding remuneration policy and practices	N/A	N/A
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy	N/A	N/A
450 (1) (b)	Information on link between pay and performance	N/A	N/A
450 (1) (c)	Important design characteristics of the remuneration system	N/A	N/A
450 (1) (d)	Ratios between fixed and variable remuneration	N/A	N/A
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options and variable components of remuneration is based	N/A	N/A
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits	N/A	N/A
450 (1) (g)	Aggregate quantitative information on remuneration by business area	N/A	N/A
450 (1) (h) 450 (1) (h) (i) 450 (1) (h) (ii) 450 (1) (h) (iii) 450 (1) (h) (iv) 450 (1) (h) (v) 450 (1) (h) (vi)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile	N/A	N/A
450 (1) (i)	Number of individuals being remunerated EUR 1 million or more per financial year	N/A	N/A
450 (1) (j)	Total remuneration for each member of the management body upon demand from the Member State or competent authority	N/A	N/A
450 (2)	For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information above shall be made available to the public	N/A	N/A
Leverage			
451 (1) (a)	Leverage ratio	Section 5 Leverage	33

451 (1) (b)	Breakdown of total exposure measure	Section 5 Table 6: Leverage ratio common disclosure	34
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 5 Leverage	33
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	N/A	N/A
453 (b)	How collateral valuation is managed	N/A	N/A
453 (c)	Description of types of collateral used	N/A	N/A
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	N/A	N/A
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	N/A	N/A
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	N/A	N/A
Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III)	N/A	N/A
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V)	Section 2 Table 3: Transitional own funds	15
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII)	Section 2 Table 3: Transitional own funds	15
Article 6	Entry into force from 31 March 2014	N/A	N/A

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