The Bank of New York Mellon SA/NV

ANNUAL ACCOUNTS

December 31, 2022

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KEY FINANCIAL FIGURES & LETTER FROM THE CEO

This is a summary of the key figures extracted from the consolidated financial statements disclosed from page 74 onwards.

	2022 In € '000	2021 In € '000
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME		
Net interest income	86,641	105,125
Net fee and commission income	558,809	509,881
Profit before taxes from continuing operations	**356,400**	**298,258**
NET PROFIT FOR THE YEAR	**307,413**	**228,867**

	2022 In € '000	2021 In € '000
ASSETS		
Cash and cash balances with central banks	18,493,927	19,861,195
Derivative financial instruments	1,131,799	368,555
Loans and advances to customers	7,643,466	6,318,493
Investment securities	12,267,531	12,805,769
Other assets	515,944	480,774
Property, plant and equipment	42,228	40,562
Goodwill and other intangible assets	63,130	68,633
Tax assets	175,618	12,675
TOTAL ASSETS	**40,333,643**	**39,956,655**
LIABILITIES		
Derivative financial instruments	1,338,777	316,735
Financial liabilities measured at amortized cost	35,012,697	35,468,797
Other liabilities	389,996	375,028
Provisions	110,522	141,796
Tax liabilities	36,079	59,121
TOTAL LIABILITIES	**36,888,072**	**36,361,477**
TOTAL EQUITY	**3,445,572**	**3,595,178**
TOTAL LIABILITIES AND EQUITY	**40,333,643**	**39,956,655**
CLIENT ASSETS		
Assets under custody (€ trillions)	2.8	3.3
TOTAL	**2.8**	**3.3**
PERSONNEL		
Number of employees (full time employee equivalent)		
In Belgium	*482*	*511*
Abroad	*1,104*	*1,079*
TOTAL	**1,586**	**1,590**

Letter from the CEO

We are a global custodian and fund servicing entity to our clients based in the European Union and in ancillary markets. We offer Securities Services (Asset Servicing & Digital and Issuer Services), and Market and Wealth Services (Clearance and Collateral Management, Markets and Treasury Services). We service our clients through our headquarters in Belgium and our branch and subsidiary network in Denmark, France, Germany, Ireland, Italy, Luxembourg, The Netherlands and Spain.

Looking back at 2022:

> In February, Russia invaded Ukraine, bringing war and human tragedy to Europe. Immediately and throughout the year, we have been actively engaged with our clients that depend on our custody and associated services to support clients in managing their exposures. Yet again, in another crisis after the pandemic, our business model has proven to be resilient. Our activities and services are aligned to the US and European sanctions imposed on Russia related businesses, companies and individuals and we continue to monitor the situation closely.
>
> 2022 has seen The Bank of New York Mellon SA/NV, our European Bank, entering a “new normal” after two years of the pandemic. Our employees returned to the office from March onwards under a new innovative hybrid model. We are now spending two to three days in office, interacting in person on site, and allow remote working on the other days of the week. We continue to assess our approach and aim for bringing together the best of both worlds: an improved work-life balance while fostering a collaborative team culture.
>
> We moved our Brussels headquarters to new offices in the heart of the city centre. The “Multi” tower is the first building in Brussels with an “Excellent” classification by BREEAM[1]. Our new location incorporates energy-efficient design considerations and has the highest percentage of reused material of any large-scale building in Belgium: 89% of the concrete of the building is reused material. Sustainability and energy-efficiency were key drivers in our choice of location, as they align with our own Environment, Social and Governance (ESG) goals. The generous open floor set-up with internal stairwells and flexible collaboration areas are strong and defining elements of our “future of work”. It creates efficiencies and provides an effective collaborative workplace for our employees to gather.
>
> As we focus on increasing efficiency in Europe, we established a non-client contracting branch in Wroclaw/Poland. We have received regulatory approval to open the branch and will be active as of April 2023, and we are in the process of moving certain utilities and business partner activities currently performed in our headquarters to our new branch. Furthermore, we internalize activities that are as of now outsourced to other group entities. This will enable us to increase substance of our European Bank, become more cost-efficient and attractive as an employer.

For the group, our European Bank remains a key component of the ambitious international growth strategy as a gateway to Europe. We are a contracting entity for business lines within the group such as Asset Servicing & Digital, Markets, Issuer Services and Clearance and

[1] BREEAM is one of the world’s leading science-based certification systems for a sustainable built environment. Since 1990, BREEAM’s third-party certified standards have helped improve asset performance at every stage, from design through construction, to use and refurbishment. Millions of buildings across the world are registered to work towards BREEAM’s vision to help support ESG, health, and net zero goals.

Collateral Management. BNY Mellon SA/NV is also the group's sub-custody bank providing access to TARGET2-Securities, the securities settlement platform within the European Union.

Our financial results remained resilient, and our balance sheet remained stable. We achieved a return on equity of 8.8% (vs 7.0% in 2021). The increase is mainly attributed to the release of a withholding tax claim provision of €55 million, originally recorded in 2019.

In addition, the year-on-year increase reflects stronger net interest revenues and swap results (+€42.7 million, i.e. +27%) and stronger fee income revenues for issuer services (+ €25.9 million, i.e. +39%).

This is partially offset by higher operating expenses (+15%) driven by higher contribution to the Single Resolution Fund (-€11.4 million) and higher personal expenses including net restructuring costs (-€20.5 million).

BNYM SA/NV is strongly capitalized with total regulatory capital of €3,360 million on 31 December 2022 (vs €3,281 million in 2021). Our common equity tier 1 ratio and total capital ratio is 58.9% (vs 59.0% on 31 December 2021). The increase in risk-weighted assets (+2.5%) was compensated by an increase of the total regulatory capital (+2.4%).

We are proud of our longstanding deep and enduring client partnerships in Europe and are grateful for the trust our clients have in us. We were able to celebrate 50 years of legal entity presence in Germany and 40 years in Spain, having served clients often since as long as the early 20th century. We service banks, broker-dealers, insurance companies, asset owners, investment managers and large corporates. With our breadth of experience, technological leadership, and Data and Platform Solutions we meet the needs of all institutional clients in the region.

I'd like to explicitly thank our employees across Europe for their commitment and engagement. They contribute to our success as well as our positive impact to our workforce and the communities through our Employee/Business-Resource Groups.

Together with our employees, the Executive team and the Board of Directors, we are excited to continue drive growth forward in 2023.

Sincerely,

Björn Storim,
CEO BNY Mellon SA/NV

REPORT OF THE BOARD OF DIRECTORS[2]

[2] This report was established according to the article 3:32 of the Belgian Code on Companies and Associations (BCCA).

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

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

BNY Mellon is an NYSE listed financial holding company focusing its activities on Securities Services (Asset Servicing & Digital and Issuer Services), Market & Wealth Services (Global Collateral Management, Markets and Treasury Services) and Investment & Wealth Management.

History

30/9/2008	The Bank of New York Mellon SA/NV incorporated as a Belgian public limited liability company.
10/3/2009	Banking license granted.
1/10/2009	Merger with BNY Mellon Asset Servicing BV leading to the creation of branches in Amsterdam, London, Frankfurt and Luxembourg and a representation office in Copenhagen.
1/10/2010	BNY Mellon acquired BHF Asset Servicing and FSKAG in Germany
1/6/2011	Merger with BNY Mellon Asset Servicing Gmbh. FSKAG becomes fully an owned subsidiary.
1/12/2011	Creation of the Paris branch.
12/2012	Status of Assimilated Settlement Institution (Custodian Bank) granted.
1/2/2013	Merger with The Bank of New York Mellon (Ireland) Limited, creating the Dublin branch.
1/04/2017	Merger with The Bank of New York Mellon (Luxembourg) S.A. leading to the integration of the activities of The Bank of New York Mellon (Luxembourg) S.A into the existing Luxembourg branch and the creation of a branch in Milan.
29/11/2019	Merger with BNY Mellon Trust Company (Ireland) Limited.
01/12/2020	Conversion of the Copenhagen representation office into a branch.
01/02/2021	Conversion of the Madrid representation office of The Bank of New York Mellon into a branch of The Bank of New Mellon SA/NV

Headquartered in Brussels, BNY Mellon SA/NV distributes products and services through its branch network in Europe and is BNY Mellon's largest banking subsidiary in the Europe, Middle-East and Africa (EMEA) region and focuses its activities on the Securities Services and Markets & Wealth Services segments. Its main activity is Asset Servicing, which is provided both to third party and to internal clients within The Bank of New York Mellon group (BNY Mellon group).

BNY Mellon SA/NV is strategically important for the BNY Mellon group as it is the primary contracting entity for Securities Services in Europe. BNY Mellon SA/NV is the custody bank for the European Union (EU) and the distribution channel for business lines servicing our target market of Collective Investment Schemes, Pensions, Banks and Corporates in the EU. In the role as custodian, BNY Mellon SA/NV acts as the custodian for EU assets for affiliate companies as well as the global custodian for clients in the EU. BNY Mellon SA/NV is also the servicing entity for Securities Services and Market & Wealth Services products for the BNY Mellon group. BNYM SA/NV operates through its headquarters in Brussels, a network of nine branches and a subsidiary in Germany (BNY Mellon Service Kapitalanlage-Gesellschaft). Any expansion across EU markets will be led through the expansion of BNY Mellon SA/NVs branch network. In line with this and to support future growth, a non-contracting and non-deposit taking branch has been opened in the first quarter of 2023 in Wroclaw (Poland). Resources and funding over the next years will be dedicated to execute on regulatory driven initiatives, major corporate change programs and infrastructure developments.

Based on its Operating Model BNY Mellon is favorably positioned to support its clients with stability and optionality through BNY Mellon SA/NV in the EU, BNY Mellon International Limited in the UK, as well as through branches of BNY Mellon's US Institutional Bank.

The Securities Services & Digital segment generates substantial operational cash balances that are managed by the Treasury of BNY Mellon SA/NV that appropriately balance the risk/ return rewards.

The client base of BNY Mellon SA/NV consists of international institutional clients investing in or issuing financial assets. Main client segments are pension funds, insurance companies, financial institutions and asset managers.

As any bank incorporated in Belgium, BNY Mellon SA/NV is subject to dual supervision: for conduct matters, this supervision is exercised by the Financial Services and Markets Authority (FSMA); for prudential matters, this supervision is exercised by the European Central Bank, together with the National Bank of Belgium, because BNY Mellon SA/NV is a significant bank within the Single Supervision Mechanism. As custodian bank, BNY Mellon SA/NV is also supervised by the National Bank of Belgium.

In the context of the regular review and audit, the regulators are formulating recommendations and BNY Mellon SA/NV is following up on these recommendations and has detailed plans to address them.

1.1. Business Model

BNY Mellon SA/NV's business model is consistent with the BNY Mellon's business model in providing investment services across the entire investment lifecycle and being largely fee-driven.
More than 90% of the revenue is provided by non-interest fee income, providing a more annuity-like revenue stream that is less sensitive to stress scenarios. This results in a stable deposit base and revenue streams, even during periods of market stress. In addition, BNY Mellon SA/NV experiences a low level of non-performing assets as a majority of its clients are large corporations and financial institutions. Furthermore, the bank is not active in lending but only in operational loans performed in the context of contractual settlement. Those exposures are covered through a lien on the assets. Our balance sheet is characterized by highly liquid assets and a robust capital structure. Furthermore, the balance sheet is liability driven and managed in a way that ensures access to external funding sources at competitive rates if it would be required in a stress condition. Overall BNY Mellon SA/NV's business model is structured in a way that benefits from periods of global growth.

1.2. Services and Products

Asset Servicing & Digital
Asset Servicing & Digital primarily comprises Custody services but also includes Trustee & Depositary Services, Institutional Accounting, Fund Accounting, Transfer Agency services, Middle Office Solutions, Alternative Investments Services and Global Risk Solutions.

Custody is the main service provided by BNY Mellon SA/NV. It provides custodial services for clients including services selected and utilized by owners of securities (or their advisors) to assist in providing instruction capture, settlement, corporate actions and income and tax services related to their securities. Custody collects all revenues on behalf of its clients and alerts clients to take all required actions as owners.

BNY Mellon SA/NV is providing global custodian services primarily to European Economic Area based clients and BNYM SA/NV is the global custodian for BNY Mellon for the Target2 (direct) markets in Continental Europe.

As of 31 December 2022, BNY Mellon SA/NV had €2.8 trillion in Assets under Custody.

Issuer Services

Corporate Trust

BNY Mellon SA/NV offers Corporate Trust services, acting in a broad range of agency roles including, but not limited to trustee, registrar, issuing and paying agent, common depository, exchange agent, custodian and collateral/portfolio administration.

Depositary Receipts

BNY Mellon SA/NV Dublin Branch performs certain operational activities relating to Depository Receipts, predominantly issuance and cancellation. Depository Receipts facilitate cross-border investment solutions for companies and investors. They are negotiable financial securities issued by a bank to represent foreign companies' publicly traded securities, allowing them to have their stocks traded in foreign markets.

Clearance and Collateral Management

International Clearance

International Clearance provides Settlement and Custody services for fixed- income and equity securities.

International Collateral Management

BNY Mellon acts as Tri-Party agent to collateral providers and receivers for collateral management transactions including but not limited to, Tri-Party Repo, securities lending and pledge transactions.

Markets

Foreign Exchange

BNYM SA/NV provides foreign exchange services, which enable clients to achieve their investment, financing and cross-border objectives.

Liquidity Services and Segregation

BNYM SA/NV provides liquidity services (safekeeping of margin balances, reporting and, purchase and redemption of money market instruments), margin management services and segregation and valuation services.

Securities Finance

BNYM SA/NV provides standard agency lending including Third Party lending, cash reinvestment and agency cash investment products

BNY Mellon SA/NV provides most of these products to its international client base. BNY Mellon SA/NV clients contract with BNY Mellon SA/NV for all of the above services except Depositary Receipt Services. BNY Mellon SA/NV only provides the latter services to other legal entities within The Bank of New York Mellon (BNY Mellon) group. BNY Mellon SA/NV is also providing relationship management services in its Brussels headquarters and Frankfurt, Madrid and Milan branches for Treasury Services activities contracted with BNY Mellon's US Institutional Bank. BNY Mellon SA/NV’s core product is Custody (part of Asset Servicing & Digital).

The drivers of various businesses within BNY Mellon SA/NV are considered below:

- The drivers for financial results of the Asset Servicing business include:
  a) Levels of client transaction activity;
  b) Volatility of the securities markets; and
  c) Market value of assets under administration and custody.
- Market interest rates affect the earnings on client deposit balances.
- Broker-dealer fees depend on the level of activity in the fixed income and equity markets and on the financing needs of clients, which are typically higher when the equity and fixed income markets are volatile.
- Foreign Exchange (FX) trading revenues are influenced by the volume of client transactions, the spread realized on these transactions, market volatility in major currencies, the level of cross-border assets held in custody for clients, the level and nature of underlying cross-border investments and other transactions undertaken by corporate and institutional clients.

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

2. External Factors Influencing BNY Mellon SA/NV

It has been a year of unprecedented volatility. Inflation at a 40-year high and the fastest Fed interest rate hiking cycle since 1980 resulted in negative returns for most asset classes.
Russia’s invasion of Ukraine and China’s zero-Covid policy added to already elevated inflationary pressure and contributed to slowing economic activity.

To slow inflation, the ECB raised its deposit facility interest rates to 2.0% before year-end 2022. The US Federal Reserve raised their federal funds rate seven times in 2022 taking it to a range of 4.25% and 4.5%. Bank of England and other central Banks made similar rate hikes.

As a result, short-term interests USD rates have increased significantly which resulted in stronger net interest revenues and swap results, further improved by higher average deposit balances due to market volatility.

In this context, we continued to maintain a strong balance sheet with high levels of capital, liquid assets and low levels of leverage. This demonstrates BNY Mellon SA/NV's resilience to any short to medium term financial shock which may impact BNY Mellon SA/NV's business and that BNY Mellon SA/NV is a low risk institution for our clients and regulators.

The value of the US dollar has appreciated significantly during the first half of 2022, and was 1.04 on average in 2022 compared to 1.20 in 2021. However, the impact of the US dollars evolution had a limited impact on the net results.

3. Business Evolution in 2022

3.1. Main Events

On February 24th, 2022, Russia invaded Ukraine, launching the biggest military offensive in Europe since World War II. The Ukraine War has shaken financial markets, hitting all assets and causing global risk aversion.
While Asset Servicing & Digital was naturally more affected by the continued decline in global market values, the Business continued to deliver solid performance benefiting from higher interests rates and continued strength in client volume and balances.

On March 28th, 2022, BNY Mellon SA/NV contracted a 10-year subordinated loan of €1 Billion with The Bank of New York Mellon ("BNYM") for the purposes of ensuring compliance with regulatory capital requirements for own funds and eligible liabilities ("MREL") and internal total loss absorbing capacity ("TLAC"). The majority of the subordinated loan is funded with the repayment of an existing €800 Million loan from BNYM to BNY Mellon SA/NV originated in February 2021 with a 10-year maturity.

Following a thorough assessment of its operating model and to enable sustainable growth driven by clients demand for new products and services as well as the necessity to adapt our infrastructure to new technologies and digitalisation, several transformations of the Brussels headquarters and some branches (Netherlands and Germany) are being executed.

As of 1 June 2022 the European bank's registered address changed. Please see the back page of this document for the complete address.

Effective 30 June 2022 the ownership structure of the European bank was changed with the same now being a wholly owned subsidiary of The Bank of New York Mellon (100% of share capital). Please see section 4.1. Structure of BNY Mellon SA/NV for further information.

Looking towards the near term, the Market Risk Alternative Standardised Approach ('MKR-ASA') will become binding on the European bank as part of the next iteration of Capital Requirements Regulation reforms effective from 2025 ('CRR III'). Within CRR III, elements relating to the Own Funds requirement, including the MKR-ASA, and ESG related disclosures, will become binding. Such updates will be reflected in the European bank's disclosures accordingly. Market risk calculations under this new framework are reported but are not required to be disclosed presently.

3.2. Analysis of Financial Figures

The net profit after tax of BNY Mellon SA/NV amounted to €307.4 million in 2022, up +34% compared to the net income of €228.9 million in 2021, resulting in a positive 8.8% return on equity in 2022 (vs positive 7.0% in 2021). The increase is mainly attributed to the recovery of a Withholding Tax claim provision of 55 million euros, originally recorded in 2019.

In addition, the year-on-year increase reflects net interest revenues and swap results (+€42.7 million) partially offset by higher contribution to the Single Resolution Fund (-€11.4 million) and higher personal expenses (including net restructuring costs) (-€20.5 million).

The net interest revenues and swap results are primarily reflecting higher interest rates on interest-earning assets and larger deposit balances, that are partially offset by higher funding costs.

The non-interest income has increased by 21% compared to 2021. Securities servicing fees have increased by 7% (+42.6mioEUR) driven by issuer services (+26.0mioEUR)

In 2022, 28% of the non-interest income is coming from intercompany transactions in line with 2021 (29%).
Operating expenses have increased by 11% in 2022 primarily explained by higher contribution to the single resolution fund.

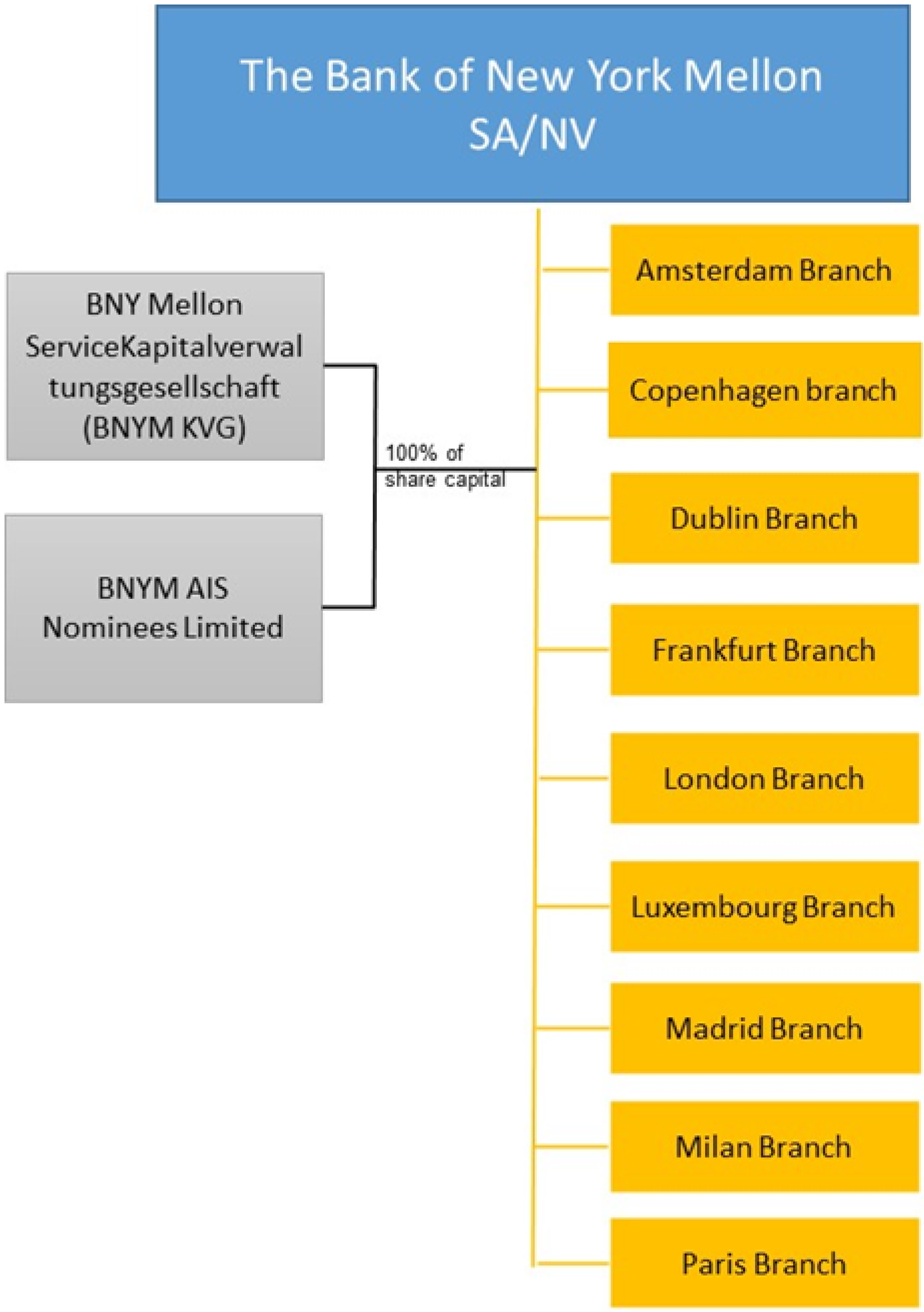
The balance sheet remained stable at year-end of 2022 at spot compared to 2021.

The positive net results after tax has resulted in a positive return on assets of 0.7% in 2022 (vs positive 0.6% in 2021).

4. Structure and Corporate Governance

4.1. Structure of BNY Mellon SA/NV

As at 31 December 2022 BNY Mellon SA/NV has nine branches across Europe and two subsidiaries based in Germany and Ireland, while BNYM KVG subsidiary in Germany is consolidated and BNY Mellon AIS Nominees Limited in Ireland is a non-consolidated subsidiary. The structure of BNY Mellon SA/NV is shown below.



Shareholding Structure and the agenda of the General Meetings
The shareholder structure of BNY Mellon SA/NV is given in the table below.

Shareholder Structure on 31 December 2022	*Number of ordinary shares*	*%*
The Bank of New York Mellon (BNY Mellon)	1,689,387	100.0000%

The Bank of New York Mellon ("BNY Mellon") is located at 240 Greenwich Street, New York, New York 10286, United States and is a subsidiary of The Bank of New York Mellon Corporation (the group's holding company). The annual meeting of shareholders of BNY Mellon SA/NV is held each year on the last Tuesday of the month of May. The items on the agenda of the annual meeting of shareholders typically include:

- approval of the annual accounts and allocation of profits;
- review of directors' report and statutory auditor's report;
- appointment and resignation of directors;
- discharge of liability of directors and statutory auditor.

4.2. Composition and Activities of the Board and its Committees

The table below shows the members of the Board and its committees on 31 December 2022:

Name	*Position*
Non-Executive Directors	
Olivier Lefebvre	Independent Chair of the Board of Directors, Independent Member of the Audit Committee, Independent Chair of the Nomination and Environmental Social Governance Committee and Independent Member of the Remuneration Committee
Marie-Hélène Crétu	Independent Chair of the Audit Committee,Independent Member of the Remuneration Committee and Independent Member of the Risk Committee
Marcia Cantor-Grable	Independent Chair of the Risk Committee and Independent Member of the Audit Committee
Roderick Munsters	Independent Chair of the Remuneration Committee, Independent Member of the Risk Committee and Independent Member of the Nomination and Environmental Social Governance Committee
Hani Kablawi	Member of the Remuneration Committee and Member of the Risk Committee
Caroline Butler	Member of the Audit Committee and Member of the Nomination and Environmental Social Governance Committee
Senthilkumar Santhanakrishnan	Member of the Risk Committee
Executive Directors	
Björn Storim	Chief Executive Officer Chair of the Executive Committee
Hedi Ben Mahmoud[3]	Chief Risk Officer Member of the Executive Committee
Annik Bosschaerts	Chief Operations Officer Member of the Executive Committee
Eric Pulinx	Chief Financial Officer Deputy Chief Executive Officer Member of the Executive Committee
Marnix Zwartbol	Head of Operations Member of the Executive Committee

[3] Hedi Ben Mahmoud resigned as Executive Director and Chief Risk Officer with effect from 1 January 2023

Changes in the composition of the Board and the Committees in 2022

During the year 2022, the main changes to the composition of the Board and its Committees were:

- As of 31 May 2022, Susan Revell resigned as Non-Executive Director, member of the Audit Committee and member of the Nomination and Environmental Social Governance Committee of BNY Mellon SA/NV.
- As of 31 May 2022, Hani Kablawi was re-appointed as Non-Executive Director, member of the Risk Committee and member of the Remuneration Committee of BNY Mellon SA/NV and Annik Bosschaerts as Executive Director of BNY Mellon SA/NV.
- As of 30 November 2022, Caroline Butler was appointed as Non-Executive Director, member of the Audit Committee and member of the Nomination and Environmental Social Governance Committee of BNY Mellon SA/NV.

Report on the activities of the Board

The primary responsibilities of the Board of Directors are to define the strategy and risk policy of BNY Mellon SA/NV and to supervise BNY Mellon SA/NV's management.

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

- defining the general business strategy, objectives and values of Company in line with these of The Bank of New York Mellon;
- plan and monitor the implementation of the general business strategy, objectives and values within Company;
- fixing 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 Company's significant risks and ensuring adequate resources are allocated to it;
- approving the capital adequacy position and ensuring changes in 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 Company and its compliance with applicable laws and regulations;
- assessing the proper functioning of 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 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) 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 structure of the Board's Committees and report on its activities

The Board has set up an Executive Committee exclusively composed of Board members entrusted with the general management of the Company with the exception of (i) the determination of the strategy and general policy of the Company and (ii) the powers reserved to the Board by Law or by the Articles of Association. The members of the Executive Committee are executive directors.

The Board may create advisory committees within the Board and under its responsibility in view of performing its responsibilities more efficiently. As at 31 December 2022, the Board had four advisory committees: the Audit Committee, the Risk Committee, the Nomination and Environmental Social Governance Committee and the Remuneration Committee. Those committees must be established by the Board in accordance with the requirements of the Belgian Banking Law.
The Audit Committee assists the Board in fulfilling its oversight responsibilities in respect of: (i) the integrity of the BNY Mellon SA/NV financial reporting process and financial statements; (ii) the efficiency of BNY Mellon SA/NV internal control and risk management systems, (iii) the performance of the BNY Mellon SA/NV internal audit function, and (iv) the statutory auditor's qualifications, independence, provision of additional services and performance.

The Risk Committee advises the Board on the Company's overall current and future risk appetite and strategy and assists the Board in overseeing the implementation of that risk strategy by the Executive Committee. The Risk Committee also assists the Board in fulfilling its oversight responsibilities with regard to the risk management of BNY Mellon SA/NV, as well as the compliance with legal and regulatory requirements and the controls to prevent, deter and detect fraud.

The Nomination and Environmental Social Governance Committee (i) makes recommendations to the Board with respect to the nominations of Company's directors and the composition of the Board and its committees, (ii) oversees and assesses the overall governance of the Company and recommends any changes to the Board and (iii) oversees and assesses the ESG developments and impact thereof on the Company's governance and strategy.

The Remuneration Committee assists the Board in fulfilling its responsibilities in respect of remuneration within BNY Mellon SA/NV including its branches and subsidiary. The Remuneration Committee's main duty is to advise the Board in defining the Remuneration Policy of BNY Mellon SA/NV. The Remuneration Committee is in charge of the preparation of Board's decisions relating to the remuneration, in particular where such remunerations have an impact on BNY Mellon SA/NV's risks and risk management, including the remuneration of the heads of the independent control functions. The Remuneration Committee is also responsible for reviewing: (i) BNY Mellon SA/NV's remuneration policy statement ("Remuneration Policy Statement") in light of applicable laws, regulations and

Corporate policies; (ii) the compensation plans (“Compensation Plans”) applicable within BNY Mellon SA/NV against the Remuneration Policy; and (iii) practices, including awards paid, in light of the Remuneration Policy, applicable laws and regulations and Corporate policies.

The Executive Committee (“ExCo”) of BNY Mellon SA/NV has been established by the Board of Directors in accordance with Article 24 of the Act of 25 April 2014 on the status and oversight of credit institutions and Article 7:104 of the Belgian Companies and Associations Code. The ExCo has been entrusted with the general management of BNY Mellon SA/NV with the exception of (i) the determination of the strategy and general policy of BNY Mellon SA/NV and (ii) the powers reserved to the Board by Law or the Articles of Association. The ExCo is responsible for running the general management of BNY Mellon SA/NV within the strategy and the general policy defined by the Board and for ensuring that the culture across BNY Mellon SA/NV facilitates the performance of business activities with integrity, efficiency and effectiveness. The ExCo shall review corporate initiatives including strategic initiatives, financial performance, new business initiatives, policy changes, controls and organizational development. The ExCo has responsibility across all Lines of Business performed in or that impact BNY Mellon SA/NV and its branches and subsidiary.

In addition, the ExCo may create sub-committees under its responsibility and delegate them some of its responsibilities in view of performing its responsibilities more efficiently. Responsibilities were delegated by the ExCo to the following sub-committees:

- Risk Management Committee
- Technology Risk Committee
- BNYM SA/NV Asset and Liability Committee
- Credit Risk Oversight Committee
- Capital and Stress Testing Committee
- Business Acceptance Committees

4.3. External Functions Performed Outside of the Group

The following table provides an overview of the external functions performed outside of the BNY Mellon group by the directors (as at 31 December 2022):

Board member	Function at BNY Mellon SA/NV	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Non-Executive Directors							
Olivier Lefebvre	Independent Chair of the Board, Independent Member of the Audit and Remuneration Committees, Independent Chair of the Nomination and Environmental Social Governance Committee	Climact SA	Belgium	Environmental consultancy	N	Chairman of the Board	N
		Ginkgo Management II SARL	Luxembourg	Real Estate Fund Management	N	Independent Director	N
		An Other look to efficiency SPRL	Belgium	Management company	N	Administrator	N
		Perma-Project SPRL	Belgium	Support to starters in Permaculture	N	Director	N
Marie-Hélène Crétu	Independent Chair of the Audit Committee, Independent member of the Remuneration and Risk Committees	CoDiese	France	Management company	N	President	N
		Global Reporting Company	United Kingdom	Finance consultancy	N	Director	N
		Montpensier Finance	France	Assets Management Company	N	Independent Director	N
Marcia Cantor-Grable	Independent Chair of the Risk Committee, Independent member of the Audit Committee	Modulr FS Ltd.	United Kingdom	E-money Institution	N	Independent Director	N
		Axa XL Insurance Company UK Limitd and AXA XL Underwriting Agencies Limited	United Kingdom	General Insurance	N	Independent Director	N
		Brown Shipley & Co., Ltd.	United Kingdom	Wealth Planning and Investment Management	N	Independent Director	N
Roderick Munsters	Independent Chair of the Remuneration Committee, Independent member of the Risk Committee and Independent member of the Nomination and Environmental Social Governance Committees	Unibail-Rodamco-Westfield SE	France	Real Estate Company	Y	Independent Director	N
		Moody's Investors Service	UK/ France / Germany	Credit Ratings Company	N	Independent Director (UK & FR) Member of the Beirat in Germany	N
		Athora Netherlands NV	The Netherlands	Insurance Company	N	Chairman of the Supervisory Board	N
Caroline Butler	Member of the Audit Committee and Member of the Nomination and Environmental Social Governance Committee	Access Fintech	USA	Fintech Company	N	Independent Director	N
Hani Kablawi	Member of the Remuneration and Risk Committees	OMFIF advisory council	United Kingdom	Independent financial think tank for central banks and public investment	N	Deputy Chairman	N
Senthilkumar Santhanakrishnan	Member of the Risk Committee	-	-	-	-	-	-

Board member	Function at BNY Mellon SA/NV	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Executive Directors							
Björn Storim	Chief Executive Officer and Chair of the Executive	-	-	-	-	-	-
Hedi Ben Mahmoud	Chief Risk Officer and Member of the Executive Committee	-	-	-	-	-	-
Annik Bosschaerts	Chief Operations Officer and Member of the Executive Committee	-	-	-	-	-	-
Eric Pulinx	Chief Financial Officer, Deputy Chief Executive Officer and Member of the Executive Committee	Delen Private Bank	Belgium	Credit institution	N	Independent director	N
		Finax	Belgium	Financial holding	N	Independent director	N
Marnix Zwartbol	Head of Operations and Member of the Executive Committee	-	-	-	-	-	-

No director has declared personal conflicts of interest that would have given rise to the application of article 7:96 of the Belgian Companies and Associations Code.

4.4. Individual and Collective Competency/Skills

BNY Mellon SA/NV has established in 2022 a Board Diversity policy confirming it has an unwavering commitment to diversity, equity and inclusion in all its forms, including diversity of thought, experience, and background. This commitment to Strength in Diversity is not only one of our core values, but it is also important to BNY Mellon SA/NV's culture, BNY Mellon SA/NV's directors as individuals, and critical to BNY Mellon SA/NV's ability to serve its clients and grow its business. BNY Mellon SA/NV recognizes the importance of having diversity, including gender diversity, on the Board. Aligned with its engagement in and signature of the 'Gender Diversity Charter'[4] supported by Women in Finance (Belgium), at least one third of each gender shall be represented on the Board. As new board appointments are made, the Nomination and Environmental Social Governance Committee shall aim to include candidates which will enable the Company to remain compliant with this target. As at 31 December 2022 this gender diversity objective is achieved.

Having a combination of diverse relevant personal attributes on the board provides a range of perspectives, insights and challenge needed to support good decision making. Board appointments are based on an individual and collective assessment taking into account these criteria.

The Nomination and Environmental Social Governance Committee 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

[4] 'Gender Diversity in Finance' Charter, a pledge for gender balance across the Belgian financial services sector.

appointment. In identifying suitable candidates for a particular appointment, the Committee objectively considers candidates on merit and with due regard for the collective competency and diversity of the Board.

In order to ensure that the members of the Board Committees have individually and collectively the adequate skills in order for each Board Committee to properly fulfill its role and duties, the Nomination and Environmental Social Governance Committee reviewed the composition of the Board Committees and has based its assessment on a competencies table and has considered in its review the Board skills matrix including (i) the Board collective skills, (ii) the personal attributes that all Board members should have and (iii) the Board's diversity profile.

The Nomination and Environmental Social Governance Committee confirmed that the respective membership of the following Board Committees is adequate in order for such Board Committees to be collectively competent to fulfill the following respective responsibilities and for each of its respective members to have the necessary skills, knowledge and experience to understand and assess the following respective aspects:

- the **Audit Committee** for the review of Company's financial reporting activities, accounting and audit;

  The Chair of the Audit Committee, Marie-Hélène Crétu is an independent non-executive director. She has over 30 years of diversified and multicultural leadership and managerial experience mostly in the financial industry, with proven track record in defining strategy and value proposition, creating business start-ups or reorganising the business and managing operations until self-supporting. Mrs. Crétu has significant experience in finance, operations, audit and compliance in various financial company environments, with extensive international exposure through global project leadership and company directorship and strong knowledge of global cash and derivatives markets and their key players. She held various leadership positions at Cargill Investor Services Paris, London and Chicago during 10 years, a global clearer on derivative markets. Mrs. Crétu worked for Ernst & Young as an auditor and for exchanges (MTS, NYSE-Euronext), defining and implementing strategy and business development.

- the **Risk Committee** for the review of the Company's risks and system of internal controls;

- the **Nomination and Environmental Social Governance Committee** for the exercise of relevant and independent judgment on the composition and functioning of the Board and its Committees and the suitability of the committees' members and the oversight and assessment of the overall governance of the Company and recommendation of any changes to the Board and the oversight and assessment of the ESG developments and impact thereof on the Company's governance and strategy; and

- the **Remuneration Committee** for the exercise relevant and independent judgment on the Company's remuneration policy and on the incentives.

As part of this exercise, the Nomination and Environmental Social Governance Committee also reviewed the chairmanship of each of those Board Committees. Further to the review of the general composition of the Board and its committees and the suitability assessments of those directors exercising responsibilities on the Board Committees, the Nomination, Governance and ESG Committee concluded that each director is fit and proper for their respective functions and that the Board Committees possess collectively the necessary balance of skills and experience to adequately fulfill their respective role and responsibilities.

The membership of each director in Board committees is available in section 4.3. of this report.

5. Subsequent Events

In the first quarter of 2023, BNYM SA/NV has utilized pending legal issues provisions in amount of €11.8 Mio and of which €8.9 Mio was recovered from third parties, which relates to a payment to the tax authorities related to BNYM SA/NV's exposure with regards to the German cum-ex trading in the past. For more details please refer to Section 7. Contingent Liability.

*S*tarting end of 2021, the final closing of BNYM SA/NV London Branch has started. No activities exist in the branch and no clients assets or liabilities remain in the branch. The license cancellation form has been sent to local regulator, the Prudential Regulation Authority (PRA). Final closing is dependent on this cancellation. It is expected that this confirmation could take time due to resource constraints (at the regulator side at the end of 2022 no case holder has been assigned at the PRA side yet).

BNYM SA/NV have successfully registered the brand-new branch of the European Bank in Wroclaw (Poland). The branch will deliver administrative and operational support services to the European Bank and other BNY Mellon legal entities. It has officially opened in the first quarter of 2023, after a select group of existing employees in Poland have been transferred to the new legal entity. The branch opening will strengthen our European regional footprint and support the work of the European Bank. There will be no impact to the service provided to clients.

In 2023, BNYM SA/NV is reducing a small percentage of roles in order to redeploy savings into investment areas, and to fuel development opportunities for employees. These limited reductions come on top of the transformations that are being executed in the Brussels headquarters and the branches in The Netherlands and Germany referred to in section 3.1. This notably aligns with our goal of optimizing our workforce, better serving our clients and fostering a high-performing culture. Impacts of these reductions have been carefully considered and mitigated within the related business.

6. Proposal of Allocation of Net Income

The net profit for the year amounts to €307 million. Retained earnings as of the end of 2022 amount to €2,051 million.

No dividend is distributed on the profit of 2022.

Allocation of Profit	*In Mio €*
Profit of the current year	307
Dividend of the current year	—
Profit brought-forward	307

The Board has formally adopted a (non-)dividend policy by which all profits are systematically carried forward and recommended the same for approval to the shareholders' meeting. On

17 May 2011, the shareholders unanimously ratified this Board resolution. During 2022, the Board continued to apply the (non-)dividend distribution policy.

7. Contingent Liability

Claims – Legal actions

German authorities are investigating past “cum/ex” trading, which involved the purchase of equity securities on or shortly before the dividend date, but settled after that date, potentially resulting in an unwarranted refund of withholding tax. German authorities have taken the view that past cum/ex trading may have resulted in tax avoidance or evasion. BNY Mellon SA/NV and its German subsidiary have been informed by German authorities about investigations into potential cum/ex trading by certain third-party investment funds, where BNY Mellon SA/NV had acquired entities that served as depositary and/or fund manager for those third-party investment funds. We have received information requests from the authorities relating to pre-acquisition activity and are cooperating fully with those requests. In August 2019, the District Court of Bonn ordered that the German subsidiary be joined as a secondary party in connection with the prosecution of unrelated individual defendants. The trial commenced in September 2019. In March 2020, the court stated that it would refrain from taking action against the subsidiary in order to expedite the conclusion of the trial. The court convicted the unrelated individual defendants, and determined that the cum/ex trading activities of the relevant third-party investment funds were unlawful. In May 2020, pursuant to legal advice from outside counsel indicating a legal obligation to correct tax returns, disclosure letters were sent to the tax authorities disclosing certain facts related to the judgment in the Bonn trial and maintaining that the cases were time barred. In November and December 2020, we received secondary liability notices from the German tax authorities related to pre-acquisition activity in various funds for which the entities we acquired were depositary and/or fund manager. We have appealed the notices. In connection with the acquisition of the subject entities, BNY Mellon SA/NV obtained an indemnity for liabilities from the sellers that BNY Mellon SA/NV intends to pursue as necessary. Whilst we continue to pursue our claims under the indemnity, until we have confirmation of payment, we assess recovery as less than virtually certain as referred to in IAS 37. The provision booked with respect to this legal matter has been determined based on management judgment of the most likely liability that will be owed to German authorities (including legal interest at 6%; no penalties are expected). In 2022 BNYM SA/NV has recorded two reductions of the tax liability in amount of €55 Mio. The amount appears in two line items of Profit and Loss statement, the other operating income and provisions. The pay-out ratio of the total estimated tax liability until 31 December 2022 was 49%. Interactions with indemnifying parties remain constructive and we remain of the view that we have effective recourse under the indemnities given. There is estimation uncertainty in the final outcome of this legal matter. Please also refer to Note 5 Other Operating income and Note 20 Provisions.

8. Research & Development

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

9. Risk Management

BNY Mellon SA/NV acknowledges risk taking as a fundamental characteristic of providing financial services. It is inherent to the business of banking and arises in every transaction

BNY Mellon SA/NV undertakes. The capacity to take risk and pursue profits is constrained by the balance sheet and the reputation of the BNY Mellon brand in the marketplace as well as by regulatory requirements.

BNY Mellon SA/NV's risk management framework maintains a capable, effective, adequately resourced and forward looking organization that is well placed to identify and manage emerging risks in a timely manner for BNY Mellon SA/NV.

The risk management function monitors and identifies emerging risks with a forward looking approach. It provides risk management information reporting to the BNY Mellon SA/NV Board and governance committees, and contributes to a "no-surprise" risk culture. It aligns closely with Compliance (second line of defense) and Internal Audit (third line of defense) plus Finance and Treasury (as first line of defense control functions). It independently educates staff, promotes risk awareness and continually makes improvements, whilst monitoring progress against defined success criteria for improving the effectiveness of the risk function.

Detailed information on the risks faced by BNY Mellon SA/NV, as well as our risk management strategies, policies and processes can be found in BNY Mellon SA/NV Pillar 3 report on www.bnymellon.com/us/en/investor-relations/regulatory-filings.html and in Note 28 to the consolidated financial statements.

10. Additional Information regarding BNY Mellon SA/NV

Non-Financial Information

According to article § 3:32 of the Belgian Companies' and Associations Code (and article § 3:6 of such Code for the annual accounts), BNY Mellon SA/NV is exempted to provide detailed Non-Financial Information in this section of the annual accounts, as BNY Mellon discloses Non-Financial Information in a separate report called "2022 Enterprise ESG Report"- which is appended to these annual accounts (https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/2022-esg-report.pdf) BNY Mellon's policies framework, Enterprise ESG strategy and long-terms goals as detailed in the appended "2022 Enterprise ESG Report" are fully applicable to BNY Mellon SA/NV and its personnel.

Our annual updates in this report are not just about our company's environmental and social impact, but also about how we view and integrate ESG considerations throughout our operations, leveraging opportunities and mitigating risks cross-functionally and across our lines of business.

At BNY Mellon, we're committed to putting the *Future First*℠ by using our global reach, influence and resources not just to power success today, but to help safeguard the future. Central to our environmental, social and governance (ESG) approach is to *Consider Everything*℠*,* starting with our own enterprise-wide practices addressing the business impacts of global issues and contributing to opportunities that help communities thrive. We expand our actions by providing leading products and services, which empower our clients to meet their own goals. This way, we help accelerate the evolution of ESG – on behalf of clients, investors, communities and all stakeholders – to make a positive impact on people and the planet.

There is global momentum to address climate change and other societal challenges and its related impacts with creative, concerted action. BNY Mellon contributes to this progress by striving to mitigate environmental risk and impact in our operations. The company adheres to policies that guide ethical action and adhere to global standards, including the protection of human rights for our partners and employees.

We help our clients manage their ESG-related risks and opportunities, such as those relating to climate, by continuing to develop and offer ESG products and services.

This is the 14th report using the Global Reporting Initiative's (GRI) framework, the world's most widely used sustainability reporting framework.

The report is available via the following link:
https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/2022-esg-report.pdf

Further Climate and Environmental related disclosures are provided in section 10.1 here after.

Within BNY Mellon SA/NV an overview of the different Employees/Business Resource Groups and Environmental Sustainability Ambassador Network is presented here in section 10.2.

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

Corporate Headquarters
BNY Mellon
240 Greenwich Street
New York, NY 10007
United States

10.1 Climate and Environmental Related Disclosures

Our climate ambition and strategy

Guided by our Corporate purpose, The Bank of New York Mellon SA/NV ("BNYM SA/NV") is committed to putting the *Future First*[SM] by using our global reach, influence, and resources, not just to power success today, but to help safeguard the future. Delivering on our environmental, social and governance (ESG) strategy, we *Consider Everything*[SM], starting with our own enterprise-wide practices. We aim to develop programmes that help us reduce the carbon footprint of our operations and manage the risks that arise from climate change. As part of a global financial services provider, BNYM SA/NV recognises the importance of transitioning to a low carbon economy. To that end, we endeavor to provide best-in-class, climate-friendly client solutions. The Group considers climate-related, environmental, and other social and governance risks as drivers of risk that may potentially impact financial risks (such as credit, market, and liquidity risks) and non-financial risks (such as operational and strategic risks).

In this report, we illustrate progress made to date while acknowledging actions still needed to enhance our efforts and impact in the fight against climate change and manage environmental -related risks. Where enhancements are required, we have highlighted this clearly within each section below.

1. Governance

1.1. BNYM SA/NV Board oversight of climate and environmental related risks and opportunities

The BNYM SA/NV Board recognises the importance of climate and environment related risks and has taken steps to enhance oversight in this area. The Board operates on a model whereby it has established advisory committees to deliver on responsibilities more efficiently and has adopted the following governance structure in relation to ESG matters:

- The 'Nomination and Environmental Social Governance Committee' (NESGC) oversees and assesses ESG developments, considers requirements for BNYM SA/NV's governance and makes recommendations to the Board on ESG strategy (as set out in its Terms of Reference).
- The Risk Committee of the Board (RC) assists the Board in fulfilling its oversight responsibilities and advises the Board on BNYM SA/NV's risk appetite. The Committee considers climate-related risks, as reflected in its Terms of Reference.

The Board meets at least quarterly and receives updates from the ExCo and the above-mentioned committees with respect to climate and environmental related risks, ensuring effective oversight from the Board. The Board approve the following activities/reports where climate impacts are considered:

- Annual Strategy refresh,
- Annual Risk Appetite Statement refresh,
- ICAAP,
- Annual Financial Statements, and
- Pillar III Report.

Risks associated with climate change are managed through a robust internal risk governance approach. The RC is responsible for ensuring that climate and environmental related risks are duly considered as a risk driver in risk reviews and assessments through risk reports received at RC and considered in decision making. It also serves as an escalation committee for approval regarding climate matters impacting BNYM SA/NV's risk profile.

BNYM SA/NV has defined climate-related and environmental risks as risk drivers with the potential to impact most of the institution's risks in its Risk Appetite Statement. To enhance monitoring of climate and environmental related risks on our risk profile, a new dashboard was developed in 2022 and will be provided quarterly to the ExCo and bi-annually to NESGC. The Climate & Environmental Sustainability dashboard includes Key Risk Indicators covering Credit, Market, Operational (including Third Party and Resiliency) and Strategic risks. The Key Risk Indicators included are described further in the Risk section below.

The Climate and Environmental Sustainability dashboard initially provided a consolidated view of climate related risks, and in Q1 2023 has been enhanced to include environmental risk metrics.

Opportunities for more refined metrics and improvements of the Climate & Environmental Sustainability dashboard will be considered in 2023 to further enhance oversight, monitoring and management of climate-related and environmental risks. The dashboard supports management understanding of potential vulnerabilities, developing action plans to mitigate identified risks and identification of potential opportunities.

BNYM SA/NV has also adopted a range of policy updates cascaded from the BNYM corporate level that embed Climate Risk considerations into business-as-usual risk management. Each policy establishes a requirement for climate risk to be specifically and explicitly considered within all applicable risk management processes including those relating to risk identification, risk assessment and quantification (including stress testing) and business as usual management.

The Board has adopted a climate and environmental strategy, which sets forth the direction of BNYM SA/NV in relation to environmental sustainability with a focus on Climate and Environmental topics that matter the most and a commitment to align BNYM SA/NV activities with sustainable outcomes, such as reducing our carbon footprint, further strengthening our climate and environmental risk framework and partnering with our clients to help them understand the environmental impacts of their portfolios or activities, as detailed in Section 2.2 -Table 1 *'Key areas in the BNYM SA/NV Climate and Environmental Strategy'*.

To deliver on this strategy, members of the Board have undertaken climate-risk training to ensure that they are sufficiently and appropriately equipped to have effective oversight of climate and environmental related risks and opportunities.

1.2 BNYM SA/NV Management's role in assessing and managing climate and environmental related risks and opportunities

The Executive Committee ("ExCo") has also enhanced its governance structure to better address ESG-related matters:

- The ESG Council advises the ExCo on ESG matters, specifically the identification and management of climate and environmental risks impacting BNYM SA/NV – ensuring that climate and environmental risks are fully identified, understood, and incorporated into management decisions and strategy definition. Its membership is based on suitability and knowledge of ESG matters as well as relevant experience, and brings together a broad cross-section of 1st, 2nd, and 3rd Lines of Defence (LOD). This Council interacts with the Enterprise ESG Advisory Council and councils of other entities of the group to ensure activities are coordinated across the enterprise. Since October 2021, the ESG Council meets monthly.

- The Risk Management Committee and the Capital and Stress Testing Committee which also assist the ExCo in fulfilling its responsibilities now include specific consideration of climate and environmental risks; the Terms of Reference of those committees are being updated to formally reflect this.

Dedicated 1st, 2^{nd,} and 3rd LOD responsibilities are in place to provide support in developing BNYM SA/NV's climate and environmental strategy, assess and manage climate and environmental risks and identify opportunities where relevant.

- The first line of defence (1st LOD) is the business or function. The business takes and owns the risk associated with its activities, and it manages the risks and the related control processes and procedures.
- The Risk Management and Compliance functions are the second line of defence (2nd LOD) and own the Group-wide risk management and compliance frameworks and provide independent oversight of the 1st LOD, ensuring that the 1st LOD understand and manage their risks through application of all elements of the frameworks and policies.
- The third line of defence (3rd LOD) is Internal Audit, which independently provides BNYM SA/NV Board of Directors and senior management with the assurance that the governance structures, risk management and internal controls are effective.

Members of the ExCo and ESG Council have undertaken climate-risk training to ensure they are sufficiently and appropriately trained to assess and manage climate and environmental related risks and opportunities. In 2023, to raise awareness of climate and environmental related risks when undertaking new business, an additional training module will be distributed more broadly through mandatory learning and development channels to BNYM SA/NV staff in-scope, in support of newly implemented enhancements to client due diligence processes.

To reinforce embeddedness of climate and environmental related considerations across BNYM SA/NV businesses and lead implementation of ESG activities, two new ESG roles have been created, reporting into the Chief Administrative Officer. The newly created roles will lead and coordinate implementation of ESG activities across BNYM SA/NV and work with relevant parties to ensure ESG is embedded across the business (1st line) in a standardised, consistent manner, aligned to enterprise level activities and in accordance with all regulations, policies, and procedures.

To support embedding consideration of climate and environmental sustainability risks and opportunities into business operations and decision making, the Remuneration Committee in 2022 approved a Climate and Environmental Sustainability goal for the Executive Committee, members of the ESG Council and key individuals with ESG responsibilities within BNYM SA/NV. Evaluation of this goal was part of the 2022 annual performance review of those individuals and a consideration in review of their variable remuneration.

In 2023 the Climate and Environmental Sustainability goal will be attributed to a larger number of key individuals, including all Business Heads, Branch Managers, Deputy Branch Managers, and other senior individuals.

2. Strategy

2.1 Climate and environmental related risks and opportunities identified over the short and long term

A key component of BNYM SA/NV's strategy is the ability to identify and assess climate-related and environmental risks and opportunities. BNYM SA/NV implemented a robust approach to identification of climate-related and environmental risks that may impact its business based on specific considerations ("transmission channels") as described by the Network for Greening the Financial System (NGFS). These are described further below in section 3 'Risk Management'.
Determination of appropriate strategic targets is based, in part, on assessment of BNYM SA/NV's ongoing risk profile. Assessment of risk considers both physical and transitional risk transmission channels across differing time horizons, as described below in the Risk Section. The climate risk profile produced quarterly articulates climate-related sources that may impact the financial and non-financial risk profile. Based on the reported risk profile, management have assessed all potential transmission channels, including transitional and physical risk sources, for materiality.

For the purpose of assessing climate risk, Physical Risk and Transition Risk are defined as:

- **Physical Risk** – i) Acute Physical Risk resulting from extreme weather and climate related events such as storms, flooding, wildfires, heatwaves, droughts, hurricanes where the likelihood and intensity of such events is increasing due to anthropogenic global warming. Physical risks may result in damage to physical premises and infrastructure (either of BNYM SA/NV, its clients, or other stakeholders), impact on operations, disruption to service providers, availability of resources and supply chain disruptions, and ii) Chronic Physical risk – longer term shifts in climate patterns, e.g., rising mean temperatures, rising sea level, water stress, degradation or limitations on resource availability such as labor, natural resources etc.
- **Transition Risk** - risks associated with the transition to a low carbon economy of relevant stakeholders. These will include fiscal policy, legislation, technological development, and investor and consumer sentiment changes that may impact the strategic, financial, legal, operational, and reputational risks of the firm.

Based on this assessment, management have determined that climate and environmental risk drivers are not materially impactful to the BNYM SA/NV risk profile at the current time, while recognising that this may change in future. The materiality assessment considered quantitative KRIs, historical evidence and the result of qualitative assessment, especially with respect to non-financial risks. In measuring financial risks, BNYM SA/NV's exposure in sectors or geographies that are marginally more likely to be impacted by climate change represents 0.4% of total credit exposure. Other financial risks, including market and liquidity risk, have been assessed using sensitivity analysis with results immaterial compared to sensitivities based on other macroeconomic or market events. As a result, no changes to strategy with respect to our business model have been identified at this stage.

In terms of opportunities, BNYM SA/NV recognises that as a provider of financial services, it has a role to play by ensuring products and services developed help clients integrate climate change into their activities. Our strategic response to managing climate-related risks and opportunities includes considering climate in the solutions we offer for clients.
Ongoing, BNYM SA/NV continues to explore the possibility of further developing climate-friendly products that will enable the BNYM SA/NV and its clients to have a positive impact in the fight against climate change.

Ongoing measurement and reporting will continue to be used to support management discussions and support the development of BNYM SA/NV's strategy with respect to climate change and environmental sustainability.

2.2 Impact of climate and environmental related risks and opportunities on BNYM SA/NV's businesses, strategy, and financial planning

BNYM SA/NV has considered climate-related impacts across all risk categories and processes to support ongoing monitoring and decision making, including decisions relating to ongoing strategy.

As described in Section 3, strategic and reputational risks have been identified as the most potentially material risks facing BNYM SA/NV. Although not material at the present time, BNYM SA/NV recognizes that materiality of these risks may change, and the absence of historical evidence does not necessarily imply that "tail events" may not occur or that future risks may not be material.

To mitigate strategic and reputational risk, consideration of climate and environmental risks are now embedded in the following business processes:

- An ESG driven assessment approach which provides a dedicated screening mechanism for new clients with a view to minimising potential strategic and reputational risks.
- A detailed and dedicated risk management approach for the development of new products and operational processes, to ensure that transitional impacts from changes in client or market expectations are factored into the development process
- A Vendor/third party relationship assessment which includes considerations of the physical and reputational risks of the vendor, focusing on the geographical location of the vendors, where their data is stored, their resiliency capabilities and recorded resilience-related issues if any.

Furthermore, to assess the financial and capital impact of climate-related risks, BNYM SA/NV has considered several stress tests, utilising scenarios from the Network for Greening the Financial System ("NGFS"). These scenarios were used in both, the Internal Capital Adequacy Assessment Process ("ICAAP") and the Internal Liquidity Assessment Process ("ILAAP") in 2022 and 2023.
In addition to direct impacts on losses from climate related risks, both ICAAP and ILAAP assessments considered the potential indirect impacts on the overall viability and profitability of the business model including the potential for systemic changes in either markets, competitiveness, or client preferences.

As part of the 2022 ICAAP, BNYM SA/NV enhanced its analysis by using industry defined 30-year scenarios, enhanced credit impact assumptions, securities portfolio re-valuations, and other idiosyncratic stresses, as described in section 3 'Risk Management'. The analysis of climate change scenarios on a longer horizon demonstrated that BNY Mellon SA/NV is resilient on the longer term based on the scenarios characteristics and implying different level of transition policies to reduce physical risk. This is due to our low exposure to CO2 higher and moderate risk sectors which has been further reduced by the disposal of the corporate securities portfolio.

BNYM SA/NV will continue to enhance the climate stress testing approach and run periodic assessments to inform strategic decision making and consider appropriate opportunities to pursue. Further details about climate-related risks and opportunities identified and associated decisions and actions will be disclosed as we further mature our approach.

In view of these climate and environmental related risks as well as identified business opportunities, the Board has approved a climate and environmental strategy aiming at aligning BNYM SA/NV activities with sustainable outcomes and helping drive business transformation around ESG initiatives. In particular, BNYM SA/NV is engaged in reducing the carbon footprint, identifying and managing the risks that arise from climate change, partnering with our clients across our lines of business to allow them to analyse and understand the environmental impacts of their portfolios or activities, as further detailed in Table 1 'Key areas in the BNYM SA/NV Climate and Environmental Strategy'.

Table 1: Key Areas in the BNYM SA/NV Climate and Environmental Strategy

Global Footprint Approach	**Reducing our own carbon footprint and environmental impact:** - Contribute to reduce the Group carbon footprint in line with Group 2025 operational targets and publicly disclosed commitments - Contribute to maintain carbon neutrality of the Group - Contribute to reduce the Group GHG emissions (scope 1 and 2) by 20% by 2025 from 2018 base - Divert 80% of office waste from landfills by 2025 - Zero technology waste to landfill through 2025 - Contribute to achieve Group paper neutrality - Drive water use reduction in building operations **Improving our understanding of Scope 3 GHG emissions**
Global Climate & Environmental Risk Approach	**Further strengthening of our climate and environmental risk monitoring framework:** - Measure and monitor exposures to sectors and geographies identified as presenting potential moderate and high risk of climate change impact - Measure and monitor our credit and investment portfolio's Weighted Average Carbon Intensity - Measure and monitor fair value stress loss based on climate scenarios - Measure and monitor operational risk events or contingency arrangements invoked due to natural disasters - Measure and monitor Third Party Vendors ESG ratings **Tighter criteria for collateral accepted:** - Tighter eligibility criteria for securities accepted as collateral in our repo and for all non-centrally cleared OTC derivative transactions. Securities linked to climate-related high-risk sectors and geographies are no longer accepted as collateral, as reflected in the BNYM SA/NV Collateral & Margining Policy. **Enhanced due diligence and governance:** - Identification and monitoring of sectors and geographies that may present higher risk of climate change impact, particularly in the long-term - Monitoring of our existing exposure in these categories, - Enhanced due diligence and governance to new investments proposed by BNYM SA/NV in these sectors and geographies
Global Approach to Clients and Products	**Partnering with our clients across our lines of business, we allow them to analyse and understand the environmental impacts of their portfolios or activities, examples include:** - Collateral Management – upon client's request, we can apply ESG principles to securities that clients are willing to accept or provide as collateral. - Corporate Trust – we work with clients on administering new green bond issuances and maintaining our position as the leading trustee in green bonds by deal volume. - Asset Servicing – through our artificial intelligence-informed ESG Data Analytics tool, our clients are able to integrate comprehensive ESG analytics into their asset allocation, portfolio management and reporting needs. In addition, our ESG Regulatory Reporting Service, powered by ESG Data Analytics, helps clients meet a range of reporting requirements, such as the Sustainable Finance Disclosure Regulation (SFDR) and Taskforce on Climate-related Financial Disclosures (TCFD) reporting - Markets – ESG analytics are available to our clients through our LiquidityDirectSM portal, our market-leading short-term investment platform. Clients can select funds based on ESG attributes provided via the portal.

2.3 Resilience of BNYM SA/NV's strategy taking into consideration climate and environmental related scenario analysis

BNYM SA/NV monitors the impact of climate and environmental risks to BNYM SA/NV's strategy through point in time and forward-looking assessments which consider longer term strategic implications of climate change, in line with the Network for Greening the Financial

System (NGFS) carbon transition pathways. The output of these assessments is incorporated in the strategy setting process and supports management in considering climate and environmental risks in strategy discussions.

Furthermore, our business continuity process considers an “all-hazards” assessment to ensure continuity of business functions regardless of the cause or nature of the disruption (i.e., including climate-related and environmental events). The approach is structured around specific and probable scenarios: loss or unavailability of locations, staff, applications, third-party products and/or service provider. Each business line across the Group entities, including BNYM SA/NV, annually review the Location Risk Assessments and include an evaluation of inherent risk manifesting from natural calamities, physical and transitional climate-related risk, and geopolitical events. It also includes recovery strategies in addressing the risk and the level of risk remaining after inherent risks have been addressed.

Analysis undertaken as part of firm wide stress testing used within BNYM SA/NV’s 2022 Internal Capital Adequacy Assessment Process (ICAAP) illustrated an immaterial risk from climate to BNYM SA/NV and therefore the overall business strategy remains unchanged.

BNYM SA/NV will consider appropriate opportunities to pursue that will provide the most impactful return to the Company and its stakeholders (including its customers) in addressing the risks and opportunities of climate change. Further details about climate-related risks and opportunities identified and associated decisions and actions will be disclosed as we further mature our approach. Climate change pathways/scenarios (NGFS) will be agreed for the 2023 ICAAP and utilised in the business model scenario analysis for BNYM SA/NV 2023 strategy.

3. Risk Management

BNYM SA/NV continues to consider climate and environmental risks, as well as social and governance risks, as potential drivers of the risks in the taxonomy, including financial risks (such as Credit, Market and Liquidity risks) and non-financial risks (such as Operational and Strategic risks).

The management of climate-related risks is integrated into BNYM SA/NV’s standard risk management framework and is consistent with BNY Mellon’s Enterprise Risk Management Framework. This includes a formal process to identify and assess risks, maintaining an internal control environment, establishing risk appetite, and embedding risk considerations into decision making. This is underpinned through risk management policies and procedures, and incorporates the following elements:

- Risk identification and materiality assessment
- Risk appetite
- Scenario analysis
- Enterprise resiliency
- Risk mitigation and management
- Training and education

The transmission channels through which these risk drivers manifest and potentially impact BNYM SA/NV are influenced by multiple factors including BNYM SA/NV’s business model and commercial offerings, footprint locations as well as client, sector, geographies, supply chain and other constituents.

Risk Management Time Horizons

From a risk management perspective, these climate-related risks are currently considered across multiple time horizons that are more relevant of BNYM SA/NV's risk profile. These time horizons are defined as:

- Short term (0-3 years)
- Medium term (3-10 years)
- Long term (10+ years)

We recognize that long term time horizons used for the assessment of risks are different from accepted industry standards which may explicitly consider risk up to 30 years. A 30-year horizon is only considered for stress testing purposes. These differences arise due to both BNYM SA/NV's business model and commercial strategy which generate predominantly shorter-term exposures.
Regardless of the period of assessment, climate-related risks may manifest differently over the short, medium, or long term. Decisions made today can bear unexpected climate risks well into the future and hence tools used to manage traditional banking risks, which are typically assessed over a shorter time horizon, may not be sufficient to fully capture longer term implications of physical and transitional risks.

3.1 Processes for identifying and assessing climate-related risks

Climate-related risk identification is performed by BNYM SA/NV taking account of climate-related risk assessments performed by lines of business and considers potential physical and transitional climate-related risk "transmission channels," considering short, medium, and long-term horizons. Assessment included transitional and physical risk identification based on NGFS transmission channels and performed for all portfolios and consolidated. The risk identification exercise highlights where and how climate risks may arise but does not imply materiality.

Materiality assessment of identified risks.

To assess materiality, the metrics described in table 2 and expert judgement are used to determine materiality, collectively assessed across the short, medium, and long term. Definition of materiality is linked to the Enterprise Materiality Framework and applied consistently with other risks. Specialist ESG SMEs reviewed the materiality scoring and subsequent commentary to validate that nothing had been omitted or misrepresented. Regardless of whether a risk is deemed material at this stage, all risk types are monitored through reporting and dedicated risk assessment tools to ensure that both aggregate and idiosyncratic risks are understood and mitigated as appropriate.

The assessment approach was performed for:

- Financials risks, which are assessed based on the size of exposure across all segments of BNYM SA/NV's balance sheet, leveraging climate risk KRIs as described below, and compared to the materiality thresholds used to assess BNYM SA/NV's taxonomy risks.
- Non-financial risks, which are assessed based on historical evidence where available. E.g., historical losses. BNYM SA/NV has observed no material historical losses. In addition, the risk and control assessment processes used to identify non-financial risks, identified no risk source where climate or environmental factors represented a material change to the existing risk profile.

Based on this analysis, it was determined that climate risk does not reflect a material risk driver which impacts BNYM SA/NV's risk profile at this stage but may become material in future. Irrespective to materiality, transitional risks are the most identified sources of risk. Transitional risks may impact our business model in future as markets, clients or other stakeholders' requirements or expectations change. Physical risks are primarily relevant for our premises, business continuity and third-party resiliency risks. Physical risks are unlikely to manifest as significant risks, given that the BNYM SA/NV's balance sheet reflects no lending, limited trading activity, and an investment portfolio consisting of largely strongly rated government bonds and cash. This is confirmed through the risk identification and materiality assessment. Risks identified as representing the greatest potential to be material include the following:

Regarding transitional risks:

- Strategic and reputational risks
- Legal and litigation risks
- Product and business development risks
- Outsourcing risks

Regarding physical risks:

- Premises and operational resilience
- Outsourcing risks.

Considering the current assessment of materiality and BNYM SA/NV 's containment of on-balance sheet risk taking, the most impactful potential risks are likely to relate to operational processes or through changes in market, client or societal attitudes to our business, external dealings and/or our products. Therefore, processes have been put in place to report, manage, and mitigate, climate and environmental risks at the point of risk origination. As a result, BNYM SA/NV has focused attention on the development and implementation of processes used to embed climate risk considerations into business-as-usual decision making. The tools used to measure and manage climate and environmental risks are described in the following sections.

3.2 Assessment and Management of Climate Risks

The management of climate risk is integrated into risk management processes through integrating into existing risk frameworks. These processes are supported by inclusion of climate risk into applicable policies and governance. Regardless of whether the potential impact of climate risk is deemed material or not, KRIs have been developed covering Credit, Market, Operational (including Third-Party and Resiliency) and Strategic risks. These KRIs are provided to the ExCo and the NESGC on a quarterly basis, as described in section 1 'Governance'. Ongoing assessments, as they may lead to the further refinement of BNYM SA/NV's material risks, will inform the development of further or more refined KRI metrics over time.

Table 2: Risk Measurement for Key Risks

Risk	Description	Physical Risk	Transition Risk	Key Highlights	Key Metrics
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.	Impact on operational resilience through physical events, in turn impacting ability to deliver on strategic objectives.	Adverse publicity from interactions with clients, activities, or vendors who themselves attract negative attention. Failure to keep pace with changes in client demands for products which incorporate climate related considerations. Inability to attract or retain staff, or impacts on client relationships, due to a failure to maintain a suitable climate related strategy. Ability to deliver on existing strategy and maintain profitability as part of climate transition.	Business Model Risk Assessment approach developed to identify trends and mitigating actions relevant to prevent the risk. The approach also considers broader implications where a failure to develop products aligned to client requirements takes place. Business Model Risk Assessment highlights key risks relating to potential reputational impacts from interactions with external parties (mostly clients) who are subject to substantial negative press and/or controversies, as well as risks relating to inadequate product development by BNYM to satisfy stakeholder requirements. Established Business Appetite Framework new client approach to capture clients most likely to have an impact on, or be impacted by, climate related transitional and physical risks and broader ESG factors. Enhanced the New Product and Business Process Approval processes to incorporate climate risk considerations.	Business model risk assessment outcome

Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Operational risk includes compliance and technology risks.	Additional operational losses as a result of increased severity of physical loss events. Losses due to resilience implications of physical impacts on internal, inter-affiliate or other third-party failures	Litigation and/or loss of business resulting from a failure to achieve stated objectives, mis-reporting or fiduciary requirements/ expectations. Failure to manage or understand regulatory requirements leading to non-compliance with applicable regulation. Loss of business due to failure to meet investor and client expectations around climate risk considerations, Losses from sudden policy or regulatory changes that impact markets,	Operational risk is managed through a series of dedicated processes which incorporate all potential drivers of risk including climate risk. These processes are leveraged to ensure that risks are appropriately identified, controlled, and reported as required. Dedicated compliance regulatory change management process is in place tasked with ensuring that requirements are known and acted upon. The Risk and Control Self-Assessment (RCSA) process and management of operational resilience processes is used to evaluate each of our sites and the adequacy of business continuity, explicitly considers weather and environmental impacts. Measurement of premises risk use two key historical loss metrics; the number of observed events that could have led to an operational risk event, and the combined losses for the period due to weather events. Assessment of third parties includes consideration of the physical and reputational risks of the vendor, focusing on the geographical location of vendors, where, for example, data is stored, consideration of the resilience capabilities of the vendor and any recorded resilience related issues. In addition, the assessment incorporates external ratings that consider reputational and general risks associated with ESG. Implemented ESG Framework Policy in March 2021 to help ensure, and demonstrate, that IM firms' products under the broad ESG/Climate heading meet high standards of integrity, transparency, and control. The internal assessment process incorporates Climate Risk specific considerations into the broader assessment of vendor risks and produces an assessment that is reported on separately as a constituent part of the overall assessment. Vendor (both external and inter-affiliate) location risk assessment driven by the location out of which the vendor provides the service and where data is stored. Additional metrics utilized include resilience related issues with the vendor and concentration risk. Reporting to BNYM SA/NV ExCo and NESGC (Refer to section 1) is produced on a quarterly basis, with vendors indicating a higher level of climate risk reported periodically to the Group Third Party Risk Management Committee (TPRMC), where BNYM SA/NV is represented, on a recommended quarterly basis (subject to TPRMC approval).	Number and € value of losses associated with operational risk events recorded due to weather related causes. Number of incidents recorded due to weather related causes where no loss or impact is recorded but used to provide an indication of trend in noted incidents and hence potential risk, which are reported through enterprise resiliency reporting monthly. Number or third parties with higher risk physical and reputation risks.

Credit Risk	The risk of loss if any of our borrowers or other counterparties were to default on their obligations to us. Credit risk is present in short term exposures taken as part of facilitation of client activities and treasury activities including assets held to support liquidity management.	Key vulnerabilities due to both physical and transitional risks may exist in relation to exposures to: a. Direct credit provision or the purchase of assets issued by corporates operating in industries or geographies vulnerable to structural change or physical risk events, and b. Impacts on collateral valuations due to physical events. c. Holding of corporate bonds within the own portfolio of assets - whose valuations may be impacted by physical or transitional risks.		The Global Credit Underwriting Submission Procedure and Credit Risk Management Framework Policy, fully applicable to BNYM SA/NV, were updated to include climate risk factors. Climate analysis has been added to Credit Underwriting analysis templates in the "Borrower Description" section to ensure evaluation of primary credit risks associated with counterparties. Utilize external data to create assessments of companies and identify material risks and opportunities for each industry/sector. This risk indicator is also reported to the BNYM SA/NV Credit Risk Oversight Committee	Value and percentage of in scope credit portfolio in high and moderate carbon intensive sectors/ geographies. Weighted Average Carbon Intensity (WACI) to monitor climate risk related concentrations in the credit and investment portfolios.
Market Risk	The potential loss in value for the BNYM SA/NV financial portfolio caused by adverse movements in market prices of FX, fixed income and equity assets, credit spreads, commodities and liabilities accounted for under fair value and equivalent methods.	Losses driven by changes in market risk factors from systemic market changes in case of natural disasters or weather events.	Losses driven by changes in market risk factors from systemic market changes in case of changes in market perception of future profitability for underlying issuers of positions held on balance sheet by BNYM SA/NV.	To facilitate monitoring of market risk, BNYM Sa/NV makes use of the NGFS scenarios and transposes these into a point in time sensitivity. This point in time assessment translates the short-term impacts of the most volatile scenario (typically the early policy scenario) into an immediate impact on market risk positions.	Trading book fair value stress loss based on a designated NGFS climate scenario.
Liquidity Risk	The risk that BNYM SA/NV cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flows, without adversely affecting daily operations or financial conditions. Liquidity risk can arise from cash flow mismatches, market constraints from the inability to convert assets to cash, the inability to raise cash in the markets, deposit run-off or contingent liquidity events.	Changes in value of corporate bonds within the portfolio of assets held by BNYM SA/NV to support liquidity management whose valuations may be impacted by physical risk events. Outflows of cash due to client demands following physical risk events.	Changes in value of corporate bonds within the portfolio of assets held by BNYM SA/NV to support liquidity management whose valuations may be impacted by market changes in perception of value.	Climate related impacts have been assessed as being immaterial in the context of managing overall liquidity risk. Assessment of potential liquidity risks are considered as part of processes supporting risk identification and the development of liquidity stress tests. Assessments of key potential outflows and fair value shocks to the HQLA portfolio due to both physical and transitional risks are considered over a time horizon consistent with typical liquidity risk scenarios. The results of these scenarios are many orders of magnitude lower than those used for BAU liquidity risk management and hence are not currently considered as part of ongoing liquidity risk management.	Stress impact assessment on liquidity metrics based on a designated NGFS climate scenario.

Forward looking assessment of climate related risks

The ICAAP document was enhanced to include longer term climate change scenario analysis (up to 2050), by considering the financial impacts of different climate transitions pathways (as defined by NGFS published scenarios). The analysis covers a period of 3 years but has an extended horizon for the purposes of the specific climate change-related scenario and assumptions, whilst taking a static balance sheet assumption over the longer term.

The climate stress tests performed in 2022 included the following scenarios:

- “Current Policies” assumes that only currently implemented policies are preserved, leading to high physical risks.
- “Delayed transition” assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. Negative emissions are limited.
- “Net Zero 2050” limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU, UK, Canada, Australia, and Japan reach net zero for all GHGs

Given the low exposure of the balance sheet to CO_2 higher and moderate risk sectors, assumptions were applied on top of the macroeconomic impacts in order to increase the physical risk and transition risk impacts.
Additional climate change impacts were considered, depending on the scenarios, to include:

- Costs related to damages in BNYM SA/NV offices due to natural disaster
- Decrease of client fees due to lower value of “brown” assets under custody. The impact on Fees based on the macroeconomic projection was assessed as sufficiently severe

A fine by the regulators was also considered for the Delayed transition scenario.

BNYM SA/NV credit risk assessment covers a long-term outlook for underlying positions. The approach relies on credit migration and stressed loss given default linked to the three scenarios described above. The accumulation of yearly profits in retained earnings more than counterbalances the increase of capital requirements, even with the stress assumptions. Other capital ratios are also supported by this increase in available capital.

Scenarios have been considered in BNYM SA/NV`s ILAAP from a liquidity perspective. Current liquidity stress testing has a time horizon of 1 year and conservatively considers a significant amount of the haircuts in securities.

3.2 Processes for managing climate-related risks

The KRIs described in the previous section support assessment of climate and environmental risks in an aggregate sense.

Effective climate risk management is supported by several operational business processes which also incorporate climate risk considerations. The objective is to ensure that potential climate impacts are identified and assessed during various operational decision-making processes at the point at which the risk is generated. These processes are governed by overarching BNY Mellon global policies and implemented as applicable to all lines of business and BNYM SA/NV. The key processes which directly and explicitly incorporate climate risk assessment are:

- Client due diligence and underwriting processes
- New product approvals

- Business process changes
- Third-party vendor assessment
- Sub-custodian onboarding and ongoing monitoring through due diligence assessments

Embedding climate-related risks in day-to-day risk management ensures that processes used to take on a new client, process, product, or third-party relationship incorporate climate-related risks. To do so, risk assessments are performed to assess all potential sources of risk, including climate risk impacts, that may require mitigation and/or escalation through the decision-making process. Each of these are described further below:

New Clients: Climate, environmental, and broader ESG risk considerations are incorporated into the standard client assessment approach for onboarding new clients. The process incorporates a dedicated screening mechanism to identify potential strategic and reputational risks associated with new clients. Escalation thresholds have been built into this Business Appetite Framework process and once triggered, get reviewed through an ESG subject matter expert advisory body, for recommended actions back to business (Business Acceptance Committees).

Product and Service Development: Climate-related risks are considered as part of the Company's product and service development process.

Third party relationships: The process to consider the physical and reputational risks of vendors and third parties arising from climate-related risk continues to mature. The due diligence process captures resilience capabilities of the vendor, including physical, reputational, and other relevant risk impacts associated with climate change, along with other risk considerations. Assessment of BNYM SA/NV critical vendors is embedded in the Climate & Environmental Sustainability Risk Dashboard (Please refer to section 4. Metrics and Targets). Based on the materiality assessment of our critical vendors, no specific course of action over and above our existing due diligence processes has been identified.

<u>3.3 Integrating climate-related risk processes into overall risk management</u>

Climate-related risk has been incorporated into financial and non-financial risk management approaches through the use of dedicated risk identification, materiality, reporting and processes used to support risk identification and management within new products, processes, clients and third-party/vendors as described in the sections above. Although dedicated processes and tools have been developed to understand climate risks specifically, as a risk driver, existing risk management processes across BNYM SA/NV are used to manage risk at both an individual exposure level and in aggregate. Processes are in place to consider all risk types and climate risks are treated equivalently to other risk drivers as reflected in relevant policies. These polices establish a requirement for Climate Risk to be specifically and explicitly considered within all applicable risk management processes which may include those relating to risk identification, risk assessment and quantification (including stress testing), risk-based assessments of clients, counterparties, third party providers and partners, products, services and businesses, risk mitigation and risk reporting.

To support the implementation of the Climate Risk Framework and embed governance oversight responsibilities within BNYM SA/NV, training sessions were provided to the Board, the ExCo, members of the ESG council and to select teams across all three lines of defence with specific climate risk management obligations. The program outlined the risk management requirements and explained the importance of climate risk within business-as-usual activities. Participants were introduced to risk management tools available for identifying, assessing, and managing climate risks.

In 2023, to raise awareness of climate and environmental related risks on new business, a broad educational training module will be distributed through mandatory learning and development channels to in-scope BNYM SA/NV staff.

In addition, to reinforce the embeddedness of climate and environmental related considerations across BNYM SA/NV businesses and to lead the implementation of ESG activities the Remuneration Committee approved a Climate and Environmental Sustainability goal for the Executive Committee and key individuals within BNYM SA/NV. The evaluation of this goal is part of the annual performance review of those individuals (Please refer to section 1. Governance).

4. Metrics and targets

4.1 Metrics used by the organisation to assess climate-related risk opportunities

As described in section 3 ‘Risk Management’, monitoring and reporting are primarily focused on risks that could emerge based on identification of on-balance sheet exposures with a potentially high risk to physical and transitional risks across time horizon, in line with analysis and metrics produced at Group Level. We define higher and moderate risk sectors based on the potential impact on carbon emissions, climate change vulnerability and carbon footprint from business activity. In producing the KRIs described above (table 2), we use both actual and estimated data. There are a number of challenges associated with the production of KRIs due to a number of limitations relating to geographic, sector and counterparty data. Accordingly, the results include a number of assumptions, extrapolations, or aggregation at subsector levels. We continue to enhance data, measurement capabilities and assessment methodologies to improve climate risk reporting.

The following dashboard (table 3) shows potential sources of exposure as of 31 December 2022.

Aggregate levels of risk are relatively very low. BNYM SA/NV’s exposure to sectors or geographies that may be subject to increased physical or transitional risks represents 0.4% of BNYM SA/NV total credit exposure. No operational losses relating to climate risk has occurred during 2022. Assessment of vendor risks highlights a small number of critical vendors who provide services from locations that may be subject to higher risk. These elevated ratings are considered internally through the vendor risk management process, however, based on the materiality assessment, scope of operations and controls in place of our critical vendors, no specific course of action over and above our existing due diligence processes has been identified. As such, these identifiers are interpreted as an indicator of areas for enhanced due diligence, rather than being intended to indicate material marginal changes in risk.

BNYM SA/NV has defined climate-related risks as risk drivers impacting the majority of the Group's risks outlined in its Risk Appetite Statement. The Risk Appetite Statement incorporates a dedicated section requiring all staff to ensure that climate risk impacts are considered within ongoing risk assessment across all risk types.

As BNYM SA/NV considers climate and environmental related risks as risk drivers, no specific thresholds are set for risks other than a concentration risk limit set to prevent excessive on balance sheet exposures to sectors or geographies that may be subject to higher climate risk. For all other risk types, the current approach to the setting of the risk appetite does not involve the setting of limits and associated thresholds against any risk drivers, including climate risk. As a potential cause of adverse events, a climate related event could lead to an increase in risk that may increase the chance of a limit breach across any risk category, financial or non-financial. On that basis, ensuring that risk concentrations are minimised, and risk is accepted, monitored, and managed is key to the framework. As a result, limits are in place at the risk category level and capture the impacts of all risk drivers, including climate & environmental risks.

Table 3: BNYM SA/NV Portfolio exposure and Operational Risk

	As at Q4 202
Total Exposure *(in €000s)*	€ 40,333,643
Exposures to Higher and Moderate Sectors *(Credit + Investment Portfolios) (% of Total)*	0.4%
Credit Risk (Loans and Unfunded commitments)	
Exposures to Higher and Moderate risk sectors *(% of Total)*	**0.0%**
- of which Higher risk	**0.0%**
- of which Moderate risk	**0.0%**
Sovereign exposures to Higher and Moderate risk countries *(% of Total)*	**0.0%**
- of which Higher risk	**0.0%**
- of which Moderate risk	**0.0%**
Credit Weighted Average Carbon Intensity	**0.04**
Credit Risk (Investment portfolio)	
Exposures to Higher and Moderate risk sectors (Corporate Bonds) *(% of Total)*	**0.03%**
- of which Higher risk	**0.03%**
- of which Moderate risk	**0.0%**
Sovereign exposures to Higher and Moderate risk countries *(% of Total)*	**0.37%**
- of which Higher risk	*0.15%*
- of which Moderate risk	*0.22%*
Investment portfolio's Weighted Average Carbon Intensity	**2.38**
Operational Risk	**FY 2022**
Number of weather-related events recorded	**0**
Losses from weather related events	**€0**

	As at Q4 2022
Number of Critical Vendors rated Higher and Moderate Risk *	**4 Higher / 2 Moderate**

*Level of risk after considering the vendor's resilience (Physical Location Risk + Resilience). Count of vendors may vary following the revision of Inherent Risk Profiles of the vendors connected to relevant engagements.

4.2 Scope 1 and Scope 2 Greenhouse Gas Emissions (GHG)

In terms of the emissions from our own operations and the energy we buy, our parent company BNY Mellon includes BNYM SA/NV in its greenhouse-gas measurement.
In 2019, BNY Mellon set a Scope 1 and Scope 2 greenhouse-gas emissions reduction target of 20% by 2025, relative to a 2018 base year. This Scope 1 and 2 target aligns with the Science Based Targets initiative (SBTi) methodology aimed at limiting increases in global warming to well below 2^{o} C. More information on BNY Mellon 2022 targets and achievements is available on the Enterprise ESG Report
https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/2022-esg-report.pdf.

Table 4 below shows Scope 1 and 2 emissions for BNYM SA/NV, based on the methodology explained below.

Table 4 2022 BNYM SA/NV Scope 1 and Scope 2 GHG emissions

Summary of BNM SA/NV emissions and methodology			
All units in metric tonnes of carbon dioxide equivalent (MtCO2e)	**2021**	**2022**	**Notes**
BNYM SA/NV- Scope 1	387.5	169	1,2,3,4
BNYM SA/NV- Scope 2	739.1	555.3	1,2,3,5
BNYM SA/NV-sub-total Scope 1 and Scope 2 emissions	1,126.6	724.3	1,2,3,4,5
Covered by Offsets	*(401.8)*	*(184.0)*	6
Covered by Renewable Energy	*(724.8)*	*(540.3)*	6
BNYM SA/NV-total Scope 1 and Scope 2 emissions	0	0	1,2,3,4,5,6

Methodology

The emissions of BNYM SA/NV were calculated using BNY Mellon Global Real Estate Scope 1 and 2 emissions figures, apportioned based on the leased and occupied share of square meters by BNYM SA/NV at the individual building level. The emissions disclosed above refer to the whole year 2022 which is currently in the process of being third party audited. Further details can be found in the Enterprise ESG Report
https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/2022-esg-report.pdf.

Notes

1. The above calculations are based on 2022 square meters current as of Q1 2023 and include BNYM SA/NV's offices in Belgium, France, Germany, Luxembourg, Ireland, Italy, Spain, and The Netherlands.
2. Based on the methodology to derive the square meters:

   - The office space in Denmark was not included as it operates as a branch of BNYM SA/NV through a serviced office. Serviced offices are not currently included in the scope of this calculation as we consider them Scope 3 emissions.
   - The office space in Amsterdam was included until 30 September 2022. From October 2022 onward, the Amsterdam branch of BNYM SA/NV operates through a serviced office. Serviced offices are not currently included in the scope of this calculation as we consider them Scope 3 emissions.
3. The legal entity BNY Mellon Service Kapitalanlage-Gesellschaft mbH is included in the Frankfurt location.
4. BNYM SA/NV's Scope 1 emissions include the calculated proportional share of emissions from the tracked use of fuel oil, natural gas, and refrigerants as measured by the square meters occupied. Allocated emissions from BNY Mellon Group's data centres are not included in this calculation.
5. BNYM SA/NV's location-based Scope 2 emissions are calculated based on the proportional share of electricity and district steam used. In the case where no information is available, electricity usage is estimated using a number similar to BNY Mellon's portfolio average. Allocated emissions from BNY Mellon Group's data centres are not included in this calculation.
6. BNY Mellon has been carbon neutral for its global direct Scope 1, indirect Scope 2 and Scope 3 business travel emissions since 2015. BNY Mellon's three-part approach for achieving carbon neutrality includes: (1) reducing energy use and related GHG emissions (2) procuring renewable electricity; and (3) purchasing carbon offsets to compensate for any remaining emissions in the footprint. Renewable energy provides 100% of electricity for all global locations, including BNYM SA/NV's locations. To compensate for operational emissions that cannot be eliminated through energy efficiency and renewable electricity, BNY Mellon purchases carbon offsets through clean energy financing and carbon sequestration initiatives. In 2022 30% of its carbon offset projects were related to Cement Heat Recovery in India, 20% household solar in India, 20% grassland conservation in Colombia, 15% forest preservation in the US, and 15% renewable energy globally.

Scope 3 Greenhouse Gas Emissions (GHG)

An assessment of the significance and relevance of the various individual categories of Scope 3 greenhouse-gas emissions is being conducted. We are considering our findings and plan to disclose further details about them and the actions that we will take as we mature our approach.

4.3 Targets to manage climate-related risks and opportunities

At Corporate level, BNY Mellon set operational sustainability performance targets in 2019 with a target end date of 2025 and is on-track to achieve or exceed those targets. BNY Mellon has done so by investing heavily in our physical infrastructure, adopting operational best practices, and developing new employee-led initiatives.

To contribute to the achievement of these targets, BNYM SA/NV has undertaken several initiatives as described below.

- Commercial Real Estate makes up a large share of our operational footprint, and consequently our Scope 1 & 2 emissions. We seek to invest in facilities that improve both our sustainability, and enable a working environment that is more productive, collaborative, and supports client needs. The sustainable design of our workspaces contributes to the well-being and productivity of our employees and affects our energy use and GHG emission. Environmental Sustainability Considerations are a component to our due-diligence review process for evaluating potential new office space. In 2022 we completed one major move of our Brussels Headquarter to a new office and anticipate certification to BREEAM Excellent in 2023. Initial estimates, based on the first quarter of data available, suggest that the new office may be more than 50% energy efficient compared to previous office.

- BNYM SA/NV has adopted an exception-only print policy. The movement toward digitization has also led to other environmental benefits, including the decreased use of printers, ink cartridges and energy.
- BNYM SA/NV, via its Shadow ExCo program and its Environmental Sustainability Ambassadors (see next point) has suggested the review of the global Corporate Travel and Expense Policy, with respect to travel options (Flights vs Trains) . This has led to a change to the global policy which now states that all travelers should avoid to the extent possible flight routes, If the end-to-end journey duration by train is comparable +/- one hour to an air journey. The new Global Travel and Expense Policy has been globally released and adopted by BNYM SA/NV in March 23 and attests our commitment to a lighter footprint on our planet.
- We built an employee action group called the Environmental Sustainability Ambassadors. Through this channel, employees are engaged in conversations and actions related to the impact of human activity on environmental sustainability. We've observed a growing interest from our staff in educating themselves about corporate and their personal carbon footprint. To that end, as a data-driven business, we recognise the power of information and made the following internal tools available to all BNYM SA/NV employees:
  – A BNY Mellon Carbon Dashboard that provides information on certain Scope 1 and 2 emissions (electricity, natural gas, oil, and district heating) as well as printing. The Carbon Dashboard provides both corporate and individual views to the user. We continue to work on adding new data sources to broaden the perspective of our carbon footprint as a company.
  – A personal Carbon Calculator: we launched a science-based CO2 personal calculator “MyImpact, putting our future first one step at time” through GIKI Zero[5]- a Social Enterprise and B Corp based in the UK whose mission is to help people live sustainably. The global target, agreed upon by the UN, is to halve emissions by 2030 and then hit Net Zero by 2050. To cut emissions by 50%, most individuals in wealthier countries need to cut a significant amount of carbon from their carbon footprint every year and they can achieve this by changing their personal behaviors. As such, there is a significant amount of carbon saving that sits with BNYM SA/NV’s employees personal area and that can be achieved if employees work together and take steps, that the tool proposes, to reduce their own carbon personal footprint at home or in their communities.
- Additional information on the Environmental Sustainability Ambassadors’ initiatives is available on section 10.2 of the annual report

An overview of the Corporate Goals and how BNYM SA/NV contributes to the achievement of those targets is available below:

[5] https://giki.earth/about/

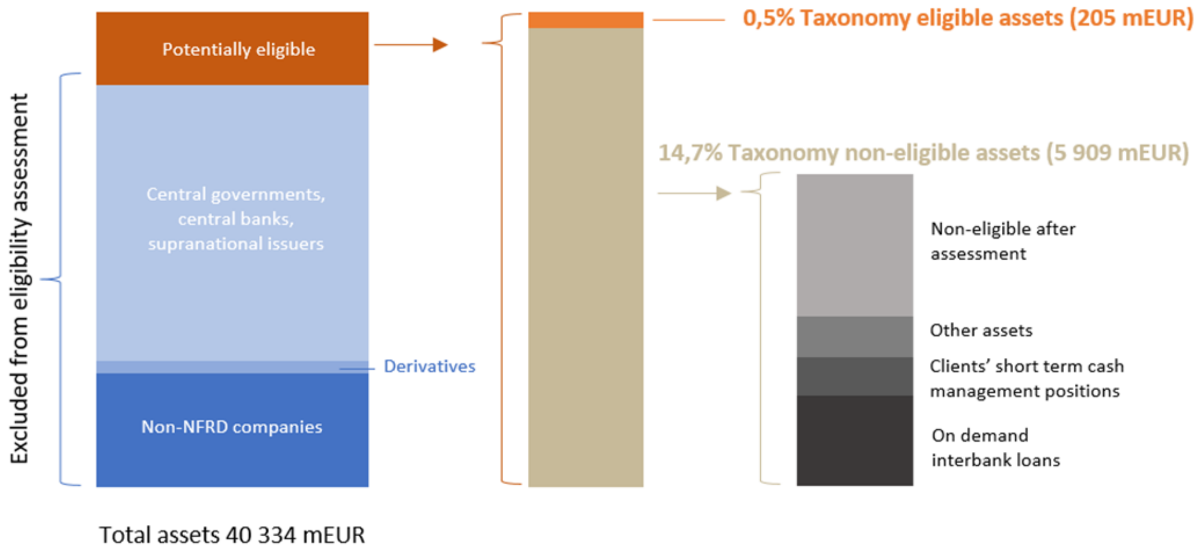
Corporate KPI's	BNYM SA/NV's contribution
Reduce Scope 1 and Scope 2 GHG emissions by 20% from a 2018 base year, including data centers, in line with methodology developed by Science-Based Targets initiative (SBTi)	BNYM SA/NV 2022 estimated Scope 1 & Scope 2 emissions are reported above. Contribution to the goal via following initiatives: - Real Estate: In 2022 we completed one major move of our Brussels Headquarter to a new office and anticipate certification to BREEAM Excellent in 2023. Initial estimate suggests that the new office might be more than 50% energy efficient than the previous office. - Employee Led Initiatives: An internal Carbon Dashboard was launched and made available to all employees to understand our Scope 1 & Scope 2 emissions and challenge each other in finding ways to reduce
Maintain carbon neutrality commitment For Scope 1 and Scope 2 GHG emissions, including our data centers, as well as Scope 3 business travel emissions	BNYM SA/NV's estimated Scope 1 & Scope 2 are reported above. The following initiatives contributes to the achievement to this goal: - Real Estate: Environmental Sustainability considerations as part of our due-diligence process for evaluating potential new offices space. - Employee Led Initiatives: Carbon Dashboard made available to all employees to understand our Scope 1 & Scope 2 emission and challenge each other in finding ways to reduce them. - Travel and Expense Policy requesting travelers to avoid to the extent possible flight routes, If the end-to-end journey duration by train is comparable +/- one hour to an air journey
Divert 80% of office waste from landfills	BNYM SA/NV achieved 100% waste diversion rate
Target zero waste to landfills for technology equipment	We maintain a no-landfill philosophy for end-user technology waste.
Achieve paper neutrality in the U.S. and India {Note use of offsets}	The following initiatives contribute to the achievement of this goal: -Adoption of an exception-only print policy, in line with the Group. -Employee Led Initiatives: Carbon Dashboard on Printing intended to help employees to make informed decisions and change their behaviours.

Information about Article 8 of the EU Taxonomy Regulation

Background

Since 1 January 2022, Article 8 of the EU Taxonomy Regulation[6], supplemented by the Taxonomy Disclosures Delegated Act[7], companies subject to the Non-Financial Reporting Directive (NFRD)[8], including financial undertakings such as The Bank of New York Mellon SA/NV, are required to disclose the proportion in their total assets of exposures to Taxonomy non-eligible and Taxonomy eligible economic activities[9], as well as exposures to: governments, central banks, supranational issuers, derivatives and companies not subject to NFRD and related qualitative information.
Data availability from our counterparties remains a challenge for the second consecutive year since data for 2022 is not yet available as of the date of finalization of this report. However, we expect this situation to continue to improve on a yearly basis as the more public data becomes available.
The disclosure format for quantitative figures is based on the recommendations of the Platform on Sustainable Finance[10] and contextual information toward quantitative indicators, including the scope of assets and activities covered, data sources and limitations is provided next to the relevant disclosed proportions required by the Taxonomy Regulation.

Summary



[6] Regulation (EU) 2020/852
[7] Delegated Regulation (EU) 2021/2178
[8] Article 19a or 29a Directive 2013/34/EU
[9] The eligibility ratio covers activities included in the EU Taxonomy Regulation but doesn't determine if they meet the technical criteria to be considered environmentally sustainable.
[10] Platform considerations on voluntary information as part of Taxonomy-eligibility reporting. Appendix 1. (https://finance.ec.europa.eu/system/files/2021-12/sustainable-finance-taxonomy-eligibility-reporting-voluntary-information_en.pdf)

Taxonomy eligible and non-eligible activities

Disclosed proportion	mEUR	% coverage (over total assets)
Total assets	6 113	15,2
– Taxonomy eligible assets	205	0,5
– Taxonomy non-eligible assets	5 909	14,7
of which: trading portfolio and on demand inter-bank loans	1 712	4,2

The size of assets evaluated for potential Taxonomy eligibility in the portfolio of The Bank of New York SA/NV is very limited. This is reflective of the nature of the business model of the bank that is not oriented towards providing long term funding to non-financial corporates.
The counterparties whose exposures have been assessed for taxonomy eligibility are almost entirely institutions and are in the form of debt securities, mainly held as part of the liquid asset buffer. The Taxonomy data for the potentially eligible exposures was collected from counterparties' publicly available resources for the year 2021, such as counterparties annual reports, non-financial reports, or sustainability reports as data for the year 2022 was not yet available. Credit institutions were expected to publish their Taxonomy eligibility for the first time in relation to Financial Year 2021 and data availability for many of them was insufficient at the time. As a result, only about half of the exposures in scope have published official Taxonomy data for the year 2021. The remaining exposures for which Taxonomy data could not be acquired have been deemed non-eligible.
While The Bank of New York Mellon SA/NV has a trading book, it consists exclusively of derivatives, which are excluded from Taxonomy eligibility assessment and shown under the proportion pursuant to Article 7 (2) requirements. As a result, there are no trading book instruments subject to Taxonomy eligibility assessment and the "of which" ratio contains only on demand inter-bank loan exposures.
The rest of the non-eligible exposures disclosed above include:

- tangible and intangible assets as well as tax assets and other assets from the balance sheet;
- overdraft exposures with very short (1 day) tenor and cash collateral provided.

Exposures to governments, central banks, supranational issuers, derivatives and non-NFRD companies

Disclosure proportion	**mEUR**	**% coverage (over total assets)**
Total exposure to central governments, central banks, and supranational issuers	23 478	58,2

The proportion of total exposure to central governments, central banks and supranational issuers additionally includes debt security exposures to local and state governments in the European Union. This is following Article 115(2) of the Capital Requirements Regulation that allows certain regional government and local authorities to be treated as exposures to central governments, as confirmed by the publicly available database[11] maintained by the European Banking Authority. Furthermore, there are no loans to local governments, e.g., loans for

[11] EBA list of regional governments and local authorities https://www.eba.europa.eu/eba-updates-lists-regional-governments-and-local-authorities-rglas-and-public-sector-entities-pses

public housing, on the balance sheet of the bank, that would require eligibility assessment based on section 1.2.1.4 of Annex V.

Disclosure proportion	mEUR	% coverage (over total assets)
Total exposure to derivatives	1 095	2,7

Certain exposures may meet multiple criteria referred to in Article 7 (1), (2) and (3). To avoid double counting, each such exposure is classified only into one category in the sequence of the Article paragraphs (e.g., derivative exposures to central banks are always classified into central bank exposures).

Disclosure proportion	mEUR	% coverage (over total assets)
Total exposure to non-NFRD companies	9 648	23,9

The exposures to non-NFRD companies include:

- exposures to non-EAA companies and non-EAA local and state governments (95% of the total);
- exposures to EU companies not subject to NFRD disclosures, such as equity participation in SWIFT and certain securitization programs (5% of the total).

10.2 - EMPLOYEE BUSINESS/RESOURCE GROUPS & ENVIRONMENTAL SUSTAINABILITY AMBASSADOR NETWORK

BNY Mellon SA/NV Addendum

Employee Resource Groups

Employee resource groups are an important component of our diversity commitment. By presenting opportunities for people to network with others with whom they have shared experiences, BNY Mellon seeks to help all of its employees around the globe feel welcomed and included. BNY Mellon SA/NV is proud to sponsor five cross-company employee resource groups that recognise the value of our diverse and global workforce. Membership is voluntary a open to all employees.

Gen-Edge
is here to leverage generational diversity across BNY Mellon by capturing unique generational perspectives and tapping into the knowledge base as well as individual talents of all employees.

IMPACT
Plays an important role in BNY Mellon's commitment to diversity and inclusion in the workplace, with a specific emphasis on the recruitment, retention, professional development and advancement of multicultural employees.

WIN (Women's Initiative Network)
Acts as a global resource for the professional development and advancement of women who work at BNY Mellon. WIN also plays an important role in BNY Mellon's commitment diversity and inclusiveness in the workplace.

HEART
Promotes an inclusive working environment by increasing awareness of the needs of those with disabilities and providing an educational forum on disabilities for all employees.

Prism
Strives to promote an open and supportive environment for all lesbian, gay, bisexual and transgender (LGBT) employees. By fostering outreach to LGBT employees, Prism contributes to the company's role as a leading corporate citizen.

	IMPACT Multicultural Network	**WIN** Women's Initiative Network	**HEART** The Diverse Abilities Resource Group	**PRISM** LGBTQ+ Network	**GENEDGE** Multigenerational Network
Mission	Serve as an activation engine to connect, educate and advocate for multicultural, ethnic, and racial voices and representation to ignite the best possible solutions and outcomes.	Support the advancement of BNY Mellon women by providing opportunities for professional development, leadership, greater connectivity, and enhanced visibility.	Raise awareness and leverage the talent of employees with diverse abilities to help build an inclusive and accessible workplace environment.	Promote lesbian, gay, bisexual, transgender, and queer (LGBTQ+) inclusion for the benefit of all colleagues and the company through workplace activities and external engagement.	Improve collaboration across generations and regions, leveraging diversity of thought to solve business problems.
Pillars	External Outreach Professional Development Visibility Education & Allyship	Networking Professional Development Awareness & Visibility Allyship	Awareness & Understanding Accommodation Employer of Choice Caregiver Support Network	Allyship Promoting Inclusion Education Community Outreach	Shadow ExCo Digital Transformation Executive Presentation Generational Voices Reverse Mentoring
Programs and Events	Black History Month (February) Asian Pacific American Heritage Month (May) Hispanic Heritage Month (Sept. 15 – Oct. 15) Diwali Courageous Conversation Series DiverseTech	International Women's Day Women's History Month (March) Male Allies Program Investing in You Series WIT – Women In Technology	Physical Disability Neurodiversity Inclusion @ BNY Mellon Mental Health Chronic Ill Health Caring for Others Disability Employment Awareness Month (October) Best Buddies Autism @ Work	Pride Month (June) Out & Equal Summit New! Project 1000 National Coming Out Day Be an Ally Series Consciously Unbiased Series	Multibank Forum Book Club Networking Challenge Digital & Business Acumen External Partnerships Data in Generations (DIG)

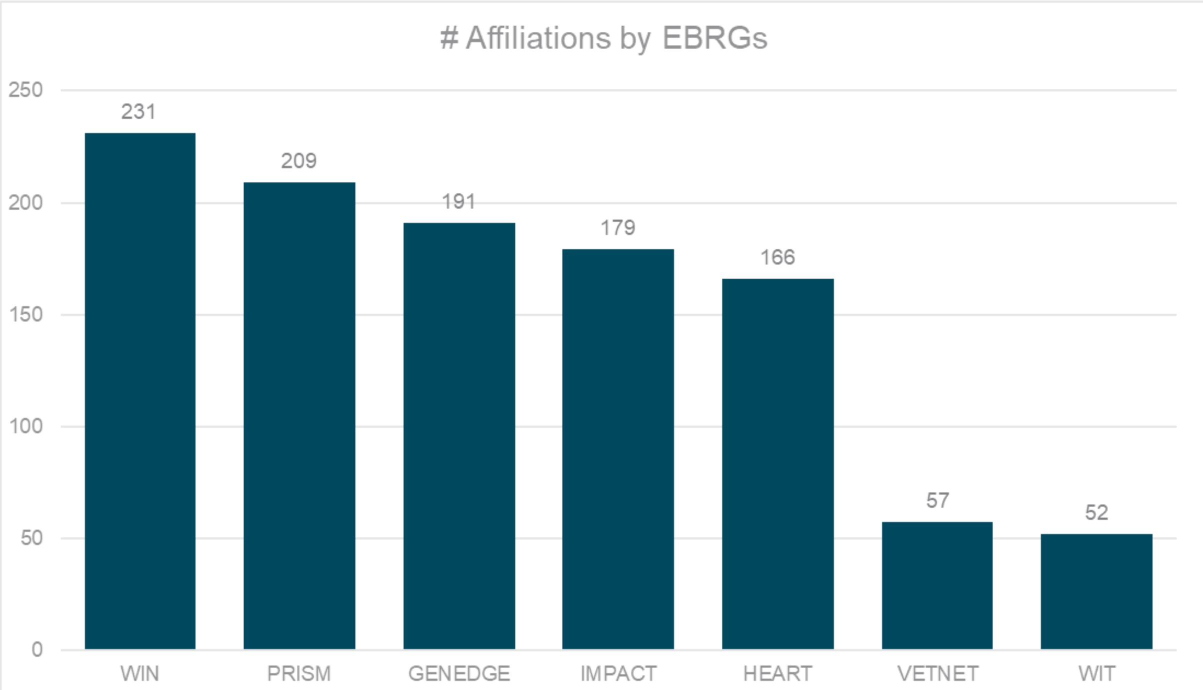
Employee/Business Resource Groups (EBRG): Affiliation

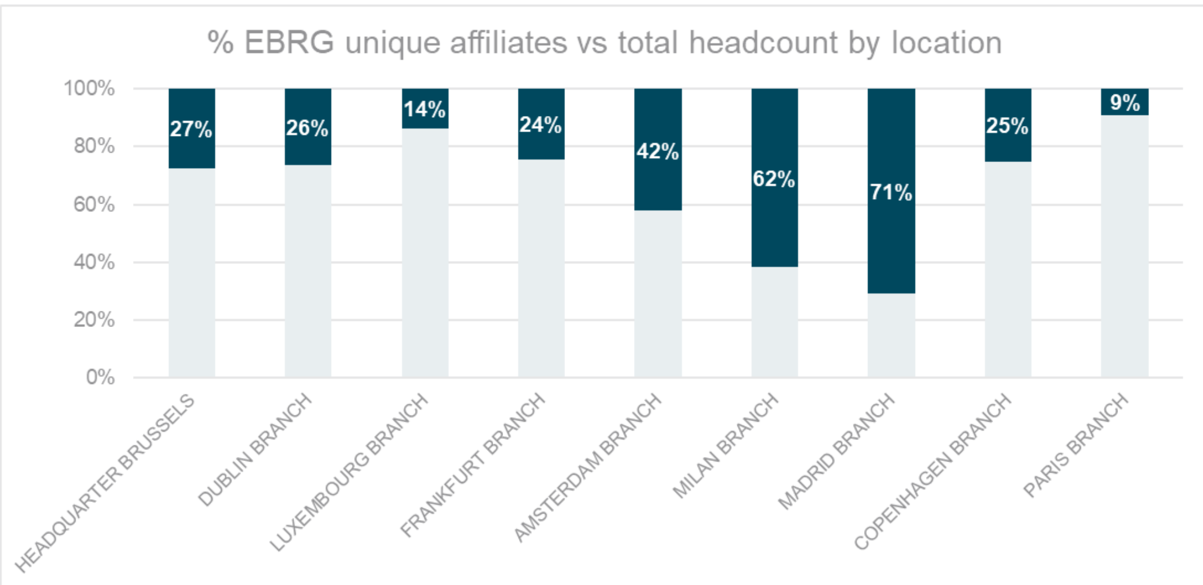
Affiliation by EBRG & Location

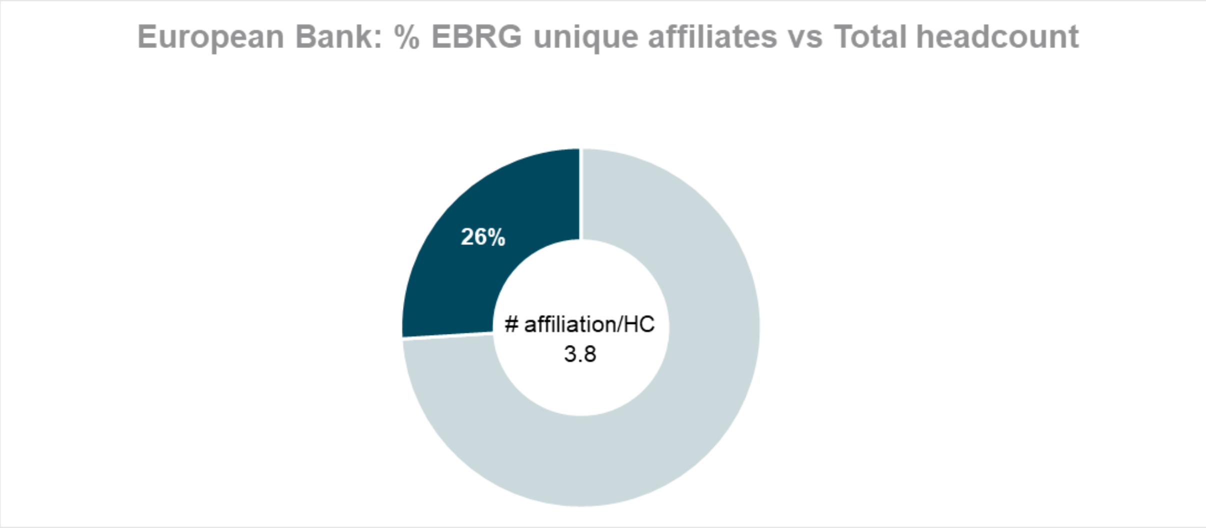
Location	WIN	PRISM	GENEDGE	IMPACT	HEART	VETNET	WIT	Grand Total
BRUSSELS HEADQUARTERS	77	58	81	76	62	18	19	**391**
DUBLIN BRANCH	45	60	50	48	44	9	8	**264**
LUXEMBOURG BRANCH	22	31	15	18	23	9	12	**130**
FRANKFURT BRANCH	25	18	23	16	20	12	6	**120**
AMSTERDAM BRANCH	30	35	13	10	10	3	3	**104**
MILAN BRANCH	17	3	4	5	2	4	2	**37**
MADRID BRANCH	11	3	5	3	3	1	1	**27**
COPENHAGEN BRANCH	3	1		2	2		1	**9**
PARIS BRANCH	1			1		1		**3**
Total	**231**	**209**	**191**	**179**	**166**	**57**	**52**	**1085**

Affiliation by Location vs total Headcount as of 31/12/22

Location	HC 31/12/22	# Affiliations	# Unique members	%HC	# affiliation/HC
BRUSSELS HEADQUARTERS	497	391	135	27%	3.7
DUBLIN BRANCH	392	264	102	26%	3.8
LUXEMBOURG BRANCH	288	130	40	14%	7.2
FRANKFURT BRANCH	171	120	40	23%	4.3
AMSTERDAM BRANCH	124	104	51	41%	2.4
MILAN BRANCH	25	37	16	64%	1.6
MADRID BRANCH	17	27	12	71%	1.4
COPENHAGEN BRANCH	16	9	4	25%	4
PARIS BRANCH	9	3	1	11%	9
Total	**1,540**	**1,085**	**401**	**26%**	**3.8**

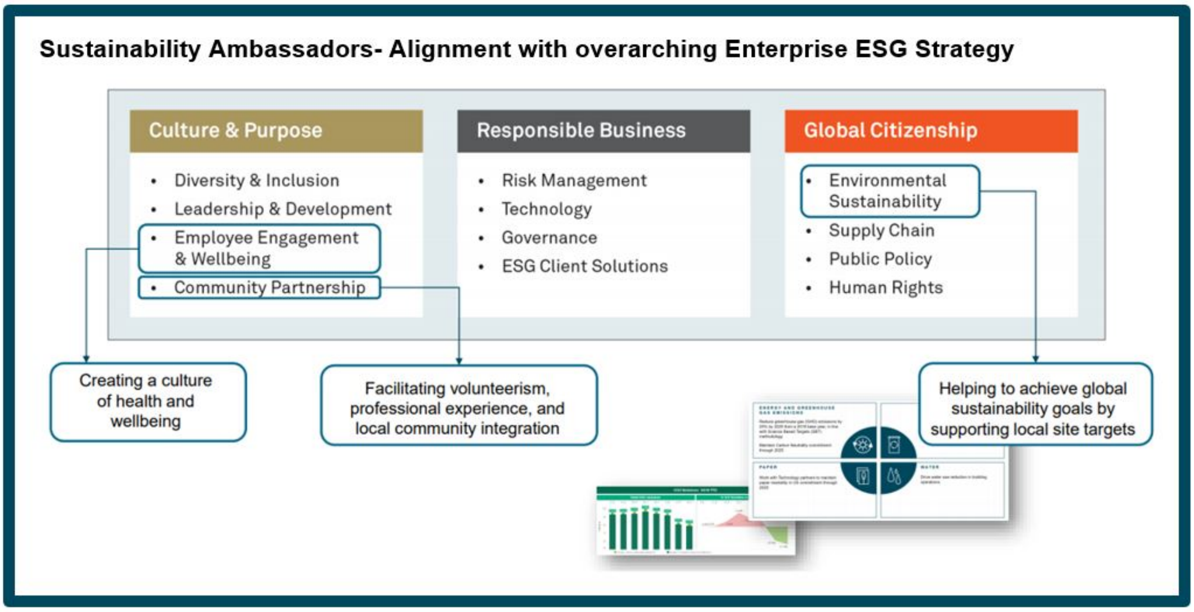

Affiliations by EBRGs
250
200
150
100
50
0
231
209
191
179
166
57
52
WIN
PRISM
GENEDGE
IMPACT
HEART
VETNET
WIT


% EBRG unique affiliates vs total headcount by location
100%
80%
60%
40%
20%
0%
27%
26%
14%
24%
42%
62%
71%
25%
9%
HEADQUARTER BRUSSELS
DUBLIN BRANCH
LUXEMBOURG BRANCH
FRANKFURT BRANCH
AMSTERDAM BRANCH
MILAN BRANCH
MADRID BRANCH
COPENHAGEN BRANCH
PARIS BRANCH



Environmental Sustainability Ambassador Network

The sustainability ambassador network is an employee resource group supporting BNY Mellon's global environmental sustainability values, goals, and strategies.



The group aims to:

- Educate and involve employees to create sustainable change in their working environment, at home and in their communities
- Empower employees to make a difference that not only improves the Company's environmental performance, but also has motivational benefits and promotes sustainable teamwork within the organization
- Demonstrate continual improvement and increased awareness of environmental considerations and actions within the multiple locations of BNY Mellon
- Increase overall employee engagement and participation

Sustainability Ambassadors' Mission:

Amplify our positive impact in the world and enable our clients to do so too

- Contribute to building a healthier and more sustainable planet
- Contribute to creating more equitable outcomes in the communities we serve

In 2022 we continued to energize the sustainability ambassador network. Across the globe, the group has grown by 357% vs Q4 2021 with 5 Regional Chapters in North America, LATAM, EMEA, APAC & India and 52 Local Chapters.
In EMEA, the group has increased its membership by 330% vs Q4 2021 with its 21 local chapters of which 8 within BNYM SA/NV.
Examples of actions to build greater awareness of ESG matters among employees include:

a. Launch of "MyImpact" a personal carbon tracker, through a third-party provider Giki Zero. The tool empowers employees with knowledge about their personal carbon footprint and encourages them to be part of the change and take steps to reduce our collective impact. There is a significant amount of carbon saving that can be done by all employees in their personal lives.
b. Launch of BNY Mellon CO2 dashboards (Printing and Building Energy usage) to understand how and where we use CO2 in our firm and challenge each other to find ways to reduce it.
c. Launch of #CutCarbon campaign through several educational blogs, events and "Go Green" ideas for a sustainable return to the office.
d. Organisation of a global eco step challenge, in partnership with the Wellbeing team, to encourage employees to walk more and educate them on the three "R" of the circular economy: reduce, reuse and recycle
e. Support to the European Mobility Week (16 to 22 September 2022): to promote behavioural change in favour of active mobility, public transport, and other clean, intelligent transport solutions.
f. Work with the Global Impact Citizenship Team to support the European Entrepreneurship Festival (GenE) organised by JA Europe – a non-profit organisation dedicated to prepare young people to succeed in the future economy – with the aim to accelerate the evolution of ESG, to make a positive impact in the world, inspire young people to be confident in their future and lowering barriers to employment for unrepresented youth.
g. Work with the Shadow ExCo program to influence the global Corporate Travel and Expense Policy, which now explicitly requests all travellers to avoid to the extent possible flight routes, If the end-to-end journey duration by train is comparable +/- one hour to an air journey. The new Global Travel and Expense Policy has been globally released March 23.

BOARD STATEMENT

The Board of Directors has the responsibility of establishing the annual accounts and consolidated financial statements of The Bank of New York Mellon SA/NV (BNY Mellon SA/NV) as of and for the year ended December 31, 2022 pursuant to Belgian law.

On 20 April 2023, the annual accounts and consolidated financial statements of BNY Mellon SA/NV were discussed at the Board of Directors.

The Board states that, to the best of its knowledge and in good faith, the BNY Mellon SA/NV's annual accounts and consolidated financial statements, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS), give a true and fair view of the financial position and of the results of BNY Mellon SA/NV and that the information provided does not include any omission in kind, significantly affecting the true and fair view of the annual accounts and consolidated financial statements.

The annual accounts and consolidated financial statements as of December 31, 2022 will be submitted for approval to the ordinary shareholders meeting to be held on 30 May 2023.

In 2022, no decisions taken by the Board required the application of Art. 7:96 of the Belgian Companies and Associations Code. No decisions taken by the Executive Committee required the application of Art. 59/1 of the Act of 25 April 2014 on the status and oversight of credit institutions on conflicts of interest.

Brussels, 20 April 2023

For the Board of Directors

Olivier Lefebvre
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BNY MELLON SA/NV

KPMG

Rapport du commissaire à l'assemblée générale de The Bank of New York Mellon SA sur les comptes consolidés pour l'exercice clos le 31 décembre 2022

Dans le cadre du contrôle légal des comptes consolidés de The Bank of New York Mellon SA (la «Société») et de ses filiales (conjointement « le Groupe »), nous vous présentons notre rapport du commissaire. Celui-ci inclut notre rapport sur les comptes consolidés pour l'exercice clos le 31 décembre 2022, ainsi que les autres obligations légales et réglementaires. Le tout constitue un ensemble et est inséparable.

Nous avons été nommés en tant que commissaire par l'assemblée générale du 8 juin 2021, conformément à la proposition de l'organe d'administration émise sur recommandation du comité d'audit et sur présentation du conseil d'entreprise. Notre mandat de commissaire vient à échéance à la date de l'assemblée générale délibérant sur les comptes annuels clôturés au 31 décembre 2023. Nous avons exercé le contrôle légal des comptes consolidés du Groupe durant quatorze exercices consécutifs.

Rapport sur les comptes consolidés

Opinion sans réserve

Nous avons procédé au contrôle légal des comptes consolidés du Groupe pour l'exercice clos le 31 décembre 2022, établis conformément aux normes IFRS émises par l'International Accounting Standards Board et telles qu'adoptées par l'Union Européenne et aux dispositions légales et réglementaires applicables en Belgique. Ces comptes consolidés comprennent l'état consolidé de la situation financière au 31 décembre 2022, ainsi que l'état consolidé du résultat et d'autres résultats globaux, l'état consolidé des variations de fonds propres et un tableau des flux de trésorerie consolidé de l'exercice clos à cette date, ainsi que des annexes contenant un résumé des principales méthodes comptables et d'autres informations explicatives. Le total de l'état consolidé de la situation financière s'élève à 40.333.643 (000) EUR et l'état consolidé du résultat et d'autres résultats globaux se solde par un bénéfice net de l'exercice de 307.413 (000) EUR.

À notre avis, ces comptes consolidés donnent une image fidèle du patrimoine et de la situation financière du Groupe au 31 décembre 2022, ainsi que de ses résultats consolidés et de ses flux de trésorerie consolidés pour l'exercice clos à cette date, conformément aux normes IFRS émises par l'International Accounting Standards Board et telles qu'adoptées par l'Union Européenne et aux dispositions légales et réglementaires applicables en Belgique.

Fondement de l'opinion sans réserve

Nous avons effectué notre audit selon les Normes internationales d'audit (ISA) telles qu'applicables en Belgique. Par ailleurs, nous avons appliqué les normes internationales d'audit approuvées par l'IAASB et applicables à la présente clôture et non encore approuvées au niveau national. Les responsabilités qui nous incombent en vertu de ces normes sont plus amplement décrites dans la section « Responsabilités du commissaire relatives à l'audit des comptes consolidés » du présent rapport. Nous nous sommes conformés à toutes les exigences déontologiques qui s'appliquent à l'audit des comptes consolidés en Belgique, en ce compris celles concernant l'indépendance.

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

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

Points clés de l'audit

Les points clés de l'audit sont les points qui, selon notre jugement professionnel, ont été les plus importants lors de l'audit des comptes consolidés de la période en cours. Ces points ont été traités dans le contexte de notre audit des comptes consolidés pris dans leur ensemble et lors de la formation de notre opinion sur ceux-ci. Nous n'exprimons pas une opinion distincte sur ces points.

<u>Systèmes informatiques et contrôles automatisés à l'égard de l'information financière</u>

Description

Nous avons identifié les systèmes informatiques et les contrôles automatisés à l'égard de l'information financière comme point clé de l'audit du Groupe car les processus de production de l'information comptable et financière dépendent fondamentalement des systèmes informatiques et des contrôles liés à ceux-ci pour traiter des volumes significatifs de transactions. Les processus comptables automatisés et l'environnement de contrôle des systèmes informatiques, qui comprennent la gouvernance informatique ainsi que les contrôles généraux sur ces systèmes tels que les contrôles relatifs aux développements et changements, aux accès aux programmes et aux données, et aux opérations informatiques, doivent être conçus et opérer de façon effective afin d'assurer la fiabilité de l'information financière. Les calculs et autres contrôles automatisés des applications (y compris les contrôles d'accès logique) ainsi que les interfaces entre les systèmes informatiques sont particulièrement importants.

Nos procédures d'audit

Assistés de nos spécialistes informatiques, nous avons effectué les procédures suivantes :

- Evaluation du cadre de gouvernance du Groupe en matière de gestion des systèmes informatiques.
- Evaluation de la conception et de l'efficacité opérationnelle des contrôles généraux sur les systèmes informatiques tels que les contrôles relatifs aux développements et changements, aux accès aux programmes et aux données, et aux opérations informatiques.
- Evaluation de la conception et de l'efficacité opérationnelle des contrôles automatisés des processus clés ayant un impact sur l'information financière produite par le Groupe, en prenant en considération les contrôles compensatoires qui ne sont pas impactés par des contrôles généraux et les procédures substantives additionnelles considérées comme nécessaires.

- Evaluation de l'intégrité des données transmises au travers des différents systèmes informatiques vers les systèmes concourant à la production de l'information financière.

Actifs détenus par le dépositaire

Nous référons à l'annexe n°26.2 « Hors bilan » des comptes consolidés, à laquelle est mentionné le montant d'actifs détenus par le dépositaire.

Description

Nous avons identifié que les actifs détenus par le dépositaire était un point clé de l'audit pour le Groupe parce qu'en raison de ses opérations (principalement l'administration d'actifs), l'information sur les actifs détenus par le dépositaire est considérée comme importante. C'est également un indicateur clé qui donne une indication sur la taille des activités du Groupe. De plus, en raison du régime belge applicable à la protection des actifs des clients ('Client Asset Protection' ou 'CAP') (cf. circulaire PPB-2007-7-CPB émise par le régulateur le 10 avril 2007), l'accent est mis sur le respect des exigences imposées par les parties prenantes du Groupe, y compris l'exhaustivité et l'exactitude des montants rapportés sous les actifs détenus par le dépositaire.

Nos procédures d'audit

Assistés de nos spécialistes en réglementation bancaire et en informatique, nous avons effectué les procédures suivantes :

- Nous avons évalué la mise en place et testé l'efficacité opérationnelle des contrôles manuels et automatisés relatifs au processus de rapportage des actifs détenus par le dépositaire, en ce compris les contrôles devant assurer la qualité des données sources, l'exhaustivité des actifs détenus par le dépositaire ainsi que leur tarification.
- Nous avons sélectionné un échantillon de contrats et avons corroboré les conclusions de la direction à propos du respect des exigences liées à la protection des actifs détenus par le dépositaire et au rapportage.
- Pour un échantillon, nous avons testé la répartition des actifs détenus par le dépositaire entre les différentes entités juridiques du groupe The Bank of New York Mellon Corp. en comparant les données du système opérationnel avec les confirmations reçues des préposés en question et/ou d'autres documents vérifiables.
- Nous avons évalué le processus de réconciliation entre les actifs détenus par le dépositaire extraits des systèmes opérationnels du Groupe et les actifs détenus par le dépositaire tels que repris dans l'annexe n°26.2 "Hors bilan" des comptes consolidés.

Provision pour plaintes et litiges

Nous référons aux annexes n°20 « Provisions » et n°26.1 « Actions en justice » des comptes consolidés.

Description

Au 31 décembre 2022, l'état consolidé de la situation financière du Groupe inclut une provision pour plaintes et litiges s'élevant à 83.550 (000) EUR.

Par la nature de ses activités, le Groupe est impliqué dans un nombre limité de plaintes et litiges juridiques. Une issue défavorable de ces plaintes et litiges pourrait par contre avoir un impact potentiellement significatif sur la situation financière du Groupe.

Il existe inévitablement une incertitude inhérente à chaque procédure juridique. De plus, certains litiges pourraient s'avérer être complexes tant par la nature des sujets abordés que par la spécificité de leurs aspects juridiques. La direction de la Société reconnait une provision pour plaintes et litiges sur la base de la prévision de la probabilité que le règlement de chaque procédure juridique entraîne une sortie de ressources pouvant être déterminée de manière fiable. L'évaluation de l'issue d'une plainte ou d'un litige, ainsi que de la quantification du risque, comprennent inévitablement un niveau important de jugement.

Nos procédures d'audit

Nous avons effectué les procédures suivantes :

- Nous avons évalué la procédure mise en place par la direction pour prévoir l'issue des plaintes et des litiges, ainsi que le caractère approprié de l'évaluation.
- Nous avons évalué la capacité historique de la direction de déterminer avec précision la probabilité d'un règlement des plaintes et litiges et avons évalué le caractère raisonnable de la prévision actuelle.
- Nous avons analysé l'évaluation des plaintes et litiges par la direction en la corroborant à de la correspondance considérée comme pertinente ainsi qu'au registre des plaintes.
- Nous avons consulté le dernier rapport émis par le conseiller juridique interne de la Société, y compris l'analyse de la motivation des conclusions formulées.
- Nous avons consulté et analysé la correspondance avec les avocats externes en réponse à nos demandes de confirmation du statut des procédures juridiques en cours et avons évalué l'impact de cette évidence sur le caractère approprié des provisions.
- Nous avons évalué de manière critique le caractère adéquat du traitement comptable, en ce compris les extournes de provisions, par la direction de la provision pour plaintes et litiges sur la base des évènements survenus au cours de l'exercice comptable 2022.
- Nous avons évalué l'information présentée aux annexes n°20 « Provisions » et n°26.1 « Actions en justice » des comptes consolidés.

Responsabilités de l'organe d'administration relatives à l'établissement des comptes consolidés

L'organe d'administration est responsable de l'établissement des comptes consolidés donnant une image fidèle conformément aux normes IFRS émises par l'International Accounting Standards Board et telles qu'adoptées par l'Union Européenne et aux dispositions légales et réglementaires applicables en Belgique, ainsi que du contrôle interne qu'il estime nécessaire à l'établissement de comptes consolidés ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes consolidés, il incombe à l'organe d'administration d'évaluer la capacité du Groupe à poursuivre son exploitation, de fournir, le cas échéant, des informations relatives à la continuité d'exploitation et d'appliquer le principe comptable de continuité d'exploitation, sauf si l'organe d'administration a l'intention de mettre le Groupe en liquidation ou de cesser ses activités ou s'il ne peut envisager une autre solution alternative réaliste.

Responsabilités du commissaire relatives à l'audit des comptes consolidés

Nos objectifs sont d'obtenir l'assurance raisonnable que les comptes consolidés pris dans leur ensemble ne comportent pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, et d'émettre un rapport du commissaire contenant notre opinion. L'assurance raisonnable correspond à un niveau élevé d'assurance, qui ne garantit toutefois pas qu'un audit réalisé conformément aux normes ISA permettra de toujours détecter toute anomalie significative existante. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes consolidés prennent en se fondant sur ceux-ci.

Lors de l'exécution de notre contrôle, nous respectons le cadre légal, réglementaire et normatif qui s'applique à l'audit des comptes consolidés en Belgique. L'étendue du contrôle légal des comptes consolidés ne comprend pas d'assurance quant à la viabilité future du Groupe ni quant à l'efficience ou l'efficacité avec laquelle l'organe d'administration a mené ou mènera les affaires du Groupe. Nos responsabilités relatives à l'application par l'organe d'administration du principe comptable de continuité d'exploitation sont décrites ci-après.

Dans le cadre d'un audit réalisé conformément aux normes ISA et tout au long de celui-ci, nous exerçons notre jugement professionnel et faisons preuve d'esprit critique. En outre:

- nous identifions et évaluons les risques que les comptes consolidés comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définissons et mettons en œuvre des procédures d'audit en réponse à ces risques, et recueillons des éléments probants suffisants et appropriés pour fonder notre opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne;

- nous prenons connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, mais non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne du Groupe;
- nous apprécions le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par l'organe d'administration, de même que des informations les concernant fournies par ce dernier;
- nous concluons quant au caractère approprié de l'application par l'organe d'administration du principe comptable de continuité d'exploitation et, selon les éléments probants recueillis, quant à l'existence ou non d'une incertitude significative liée à des événements ou situations susceptibles de jeter un doute important sur la capacité du Groupe à poursuivre son exploitation. Si nous concluons à l'existence d'une incertitude significative, nous sommes tenus d'attirer l'attention des lecteurs de notre rapport du commissaire sur les informations fournies dans les comptes consolidés au sujet de cette incertitude ou, si ces informations ne sont pas adéquates, d'exprimer une opinion modifiée. Nos conclusions s'appuient sur les éléments probants recueillis jusqu'à la date de notre rapport du commissaire. Cependant, des situations ou événements futurs pourraient conduire le Groupe à cesser son exploitation;
- nous apprécions la présentation d'ensemble, la structure et le contenu des comptes consolidés et évaluons si les comptes consolidés reflètent les opérations et événements sous-jacents d'une manière telle qu'ils en donnent une image fidèle;
- nous recueillons des éléments probants suffisants et appropriés concernant les informations financières des entités ou activités du Groupe pour exprimer une opinion sur les comptes consolidés. Nous sommes responsables de la direction, de la supervision et de la réalisation de l'audit au niveau du groupe. Nous assumons l'entière responsabilité de l'opinion d'audit.

Nous communiquons au comité d'audit notamment l'étendue des travaux d'audit et le calendrier de réalisation prévus, ainsi que les constatations importantes relevées lors de notre audit, y compris toute faiblesse significative dans le contrôle interne.

Nous fournissons également au comité d'audit une déclaration précisant que nous nous sommes conformés aux règles déontologiques pertinentes concernant l'indépendance, et leur communiquons, le cas échéant, toutes les relations et les autres facteurs qui peuvent raisonnablement être considérés comme susceptibles d'avoir une incidence sur notre indépendance ainsi que les éventuelles mesures de sauvegarde y relatives.

Parmi les points communiqués au comité d'audit, nous déterminons les points qui ont été les plus importants lors de l'audit des comptes consolidés de la période en cours, qui sont de ce fait les points clés de l'audit. Nous décrivons ces points dans notre rapport du commissaire, sauf si la loi ou la réglementation en interdit la publication.

Autres obligations légales et réglementaires

Responsabilités de l'organe d'administration

L'organe d'administration est responsable de la préparation et du contenu du rapport de gestion sur les comptes consolidés, et des autres informations contenues dans le rapport annuel.

Responsabilités du commissaire

Dans le cadre de notre mission et conformément à la norme belge complémentaire aux normes internationales d'audit (ISA) applicables en Belgique, notre responsabilité est de vérifier, dans leurs aspects significatifs, le rapport de gestion sur les comptes consolidés, et les autres informations contenues dans le rapport annuel, ainsi que de faire rapport sur ces éléments.

Aspects relatifs au rapport de gestion sur les comptes consolidés et aux autres informations contenues dans le rapport annuel

A l'issue des vérifications spécifiques sur le rapport de gestion sur les comptes consolidés, nous sommes d'avis que celui-ci concorde avec les comptes consolidés pour le même exercice et a été établi conformément à l'article 3:32 du Code des sociétés et des associations.

Dans le cadre de notre audit des comptes consolidés, nous devons également apprécier, en particulier sur la base de notre connaissance acquise lors de l'audit, si le rapport de gestion sur les comptes consolidés et les autres informations contenues dans le rapport annuel, à savoir:

- Chiffres clés et lettre du CEO

comportent une anomalie significative, à savoir une information incorrectement formulée ou autrement trompeuse. Sur la base de ces travaux, nous n'avons pas d'anomalie significative à vous communiquer.

Mentions relatives à l'indépendance

- Notre cabinet de révision et notre réseau n'ont pas effectué de missions incompatibles avec le contrôle légal des comptes consolidés et notre cabinet de révision est resté indépendant vis-à-vis du Groupe au cours de notre mandat.
- Les honoraires relatifs aux missions complémentaires compatibles avec le contrôle légal visées à l'article 3:65 du Code des sociétés et des associations ont correctement été valorisés et ventilés dans l'annexe des comptes consolidés.

Autres mentions

- Nous faisons référence au rapport de gestion sur les comptes consolidés qui énonce le point de vue de l'organe d'administration selon lequel le Groupe est exempté de l'obligation de préparer et de publier l'information non-financière tel que requise par l'article 3:32, §2 du Code des sociétés et des associations étant donné que la Société est une filiale du groupe The Bank of New York Mellon Corp, qui prépare un rapport annuel consolidé qui inclut l'information non-financière.
- Le présent rapport est conforme au contenu de notre rapport complémentaire destiné au comité d'audit visé à l'article 11 du règlement (UE) n° 537/2014.

Zaventem, le 30 mai 2023

KPMG Réviseurs d'Entreprises
Commissaire
représentée par

Stéphane Nolf
(Authentication)

Stéphane Nolf
Réviseur d'Entreprises

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December		2022	2021
	Notes	In € '000	In € '000
Interest income	2	365,115	237,340
Interest expense	2	278,473	132,214
Net interest income		86,641	105,125
Fee and commission income	3	905,149	820,039
Fee and commission expense	3	346,340	310,158
Net fee and commission income		558,809	509,881
Net trading income and gains on non-qualifying economic hedges and other derivatives	4	114,256	54,289
Gains from sales of FVOCI debt instruments	5	(9,546)	3,549
Other operating income	5	11,649	6,048
Total operating income		**761,809**	**678,892**
Personnel expenses	6	190,481	180,144
Depreciation of Property and Equipment	16	12,345	13,389
Amortization/impairment of Intangible assets (other than goodwill)	17	5,666	3,511
Impairment (reversal) of financial assets not measured at fair value through profit and loss		3,801	(715)
Provisions	20	(13,353)	7,653
Other operating expenses	7	206,471	176,652
Total operating expenses		**405,410**	**380,635**
Profit before tax from continuing operations		**356,400**	**298,258**
Tax expense related to profit from continuing operations	8	52,452	69,390
Profit from continuing operations		**303,948**	**228,867**
Discontinued operation		3,465	—
Profit (loss) from discontinued operation, net of tax[12]	27.6.	3,465	—
NET PROFIT FOR THE YEAR[13]		**307,413**	**228,867**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement gains /(losses) on defined benefit plans	22.2.	8,363	17,542
Related tax	8.2.	(1,417)	(3,576)
		6,946	**13,967**
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve			
Net change in fair value		(611,893)	(179,372)
Net amount transferred to profit and loss		(10,041)	(3,493)
Related tax	8.2.	155,322	45,468
		(466,612)	**(137,397)**
Other comprehensive income for the year, net of tax		(459,666)	(123,431)
Total comprehensive income for the year, net of tax		**(152,253)**	**105,437**

[12] BNY Mellon SA/NV has elected to disclose a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss and OCI, and has analysed that single amount into revenue, expenses and the pre-tax profit or loss in Note 27.6..
[13] All net profit/loss is attributable to the equity holders of the parent. The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December	
		2022	2021
	Notes	In € '000	In € '000
ASSETS			
Cash and cash balances with central banks	10	18,493,927	19,861,195
Derivative financial instruments	14	1,131,799	368,555
Loans and advances to customers	11	7,643,466	6,318,493
Investment securities	12	12,267,531	12,805,769
Current tax assets	8	27,450	10,634
Other assets	15	515,944	480,774
Property and equipment	16	42,228	40,562
Deferred tax assets	8	148,168	2,041
Goodwill and other intangible assets	17	63,130	68,633
TOTAL ASSETS		**40,333,643**	**39,956,655**
LIABILITIES			
Derivative financial instruments	14	1,338,777	316,735
Deposits from central banks	18	77,892	83,825
Deposits from financial institutions	18	33,591,403	31,942,391
Deposits from non-financial institutions	18	310,260	240,346
Subordinated liabilities	18	1,000,153	—
Long term debt	18	—	3,166,861
Other financial liabilities	18	32,988	35,374
Current tax liabilities	8	35,210	50,108
Other liabilities[14]	19	389,996	375,028
Provisions	20	110,522	141,796
Deferred tax liabilities	8	869	9,013
TOTAL LIABILITIES		**36,888,072**	**36,361,477**
EQUITY			
Issued capital	23	1,754,386	1,754,386
Share premium	23	33,333	33,333
Retained earnings		2,050,947	1,743,534
Other reserves	23	(393,094)	63,925
TOTAL EQUITY		**3,445,572**	**3,595,178**
TOTAL LIABILITIES AND EQUITY		**40,333,643**	**39,956,655**

All equity is attributable to the equity holders of the parent.

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

[14] BNY Mellon SA/NV has presented liabilities held for sale €0.203Mio within other liabilities. See note 27.6.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of BNY Mellon SA/NV				
	Issued capital	Share premium	Retained earnings	Other reserves	Total equity
	In '000 €	In '000 €	In '000 €	In '000 €	In '000 €
As at January 1, 2021	1,754,385	33,333	1,514,667	183,864	3,486,248
Total comprehensive income					
Profit for the year	—	—	228,867	—	228,867
Other comprehensive income, net of tax					
Remeasurement gains/(losses) on defined benefit plans (Note 22)	—	—	—	17,542	17,542
Fair value reserve (FVOCI debt instruments)					
Net change in fair value	—	—	—	(179,372)	(179,372)
Net amount transferred to profit and loss	—	—	—	(3,493)	(3,493)
Tax on other comprehensive income (Note 8)	—	—	—	41,892	41,892
Total other comprehensive income	—	—	—	(123,431)	(123,431)
Total comprehensive income	—	—	228,867	(123,431)	105,437
Share-based payments (Note 25)				3,492	3,492
Transactions with owners	0	0	—	3,492	3,492
At 31 December 2021	1,754,385	33,333	1,743,534	63,925	3,595,177
Total comprehensive income					
Profit for the year	—	—	307,413	—	307,413
Other comprehensive income, net of tax					
Remeasurement gains /(losses) on defined benefit plans (Note 22)	—	—	—	8,363	8,363
Fair value reserve (FVOCI debt instruments)					
Net change in fair value	—	—	—	(611,893)	(611,893)
Net amount transferred to profit and loss	—	—	—	(10,041)	(10,041)
Tax on other comprehensive income (Note 8)	—	—	—	153,905	153,905
Total other comprehensive income	—	—	—	(459,666)	(459,666)
Total comprehensive income	—	—	307,413	(459,666)	(152,253)
Share-based payments (Note 25)				2,647	2,647
Transactions with owners	—	—	—	2,647	2,647
At 31 December 2022	1,754,385	33,333	2,050,947	(393,094)	3,445,571

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2022 In € '000	2021 In € '000
OPERATING ACTIVITIES			
Net Profit for the year		307,413	228,867
Adjustments for:		(19,847)	(10,740)
Net interest income	2	(86,641)	(105,125)
Current and deferred tax expenses	8	52,452	69,390
Depreciation and amortization	16, 17	18,011	16,900
Provisions	20	(13,353)	7,653
(Gains)/losses from sales of FVOCI debt instruments	5	9,546	(3,549)
Gain on sale of discontinued operation, net of tax	27.6.	(3,465)	—
Other[15]		3,605	3,991
Changes in:			
Monetary reserves	10	20,585	(37,192)
Loans and advances	11	(1,324,973)	1,584,409
Investment securities	12	(258,149)	(473,860)
Derivative financial assets	14	(763,245)	131,655
Other assets	15	(35,170)	(173,862)
Deposits from central banks	18	(5,933)	(407,658)
Deposits from credit institutions	18	1,649,012	(196,289)
Deposits (other than credit institutions)	18	69,914	53,786
Derivative financial liabilities	14	1,022,042	(266,273)
Other financial liabilities	18,26.4	6,517	11,252
Other liabilities and provisions	19, 20	8,876	90,830
Interest received	2	365,115	237,340
Interest paid	2	(278,473)	(132,214)
Income taxes refunded		789	23,480
Income taxes paid		(86,002)	(71,126)
Net cash from operating activities		**678,471**	**592,405**
INVESTING ACTIVITIES			
Purchase of tangible assets	16	(15,020)	(12,126)
Disposal of tangible assets	16	1,002	22
Purchase of intangible assets	17	(10)	(43,155)
Proceeds from sales of debt securities		4,249,110	4,714,019
Purchase of debt securities		(4,084,625)	(3,836,324)
Net cash used in investing activities		**150,457**	**822,436**
FINANCING ACTIVITIES			
Subordinated liabilities	18	1,000,153	—
Long Term Debt	18	(3,166,861)	857,132

[15] Other mainly consists of non-cash transactions, including mainly share based payments reserves and sales tax and other.

Payments of lease liabilities[16]	26.4	(8,902)	(10,495)
Net cash used in financing activities		**(2,175,611)**	**846,636**
Net increase/decrease in cash and cash equivalents		**(1,346,682)**	**2,261,477**
Cash and cash equivalents at beginning of the period		19,506,571	17,245,092
Effect of exchange rate fluctuations on cash and cash equivalents[17]		—	—
Cash and cash equivalents at the end of the period	**10**	**18,159,889**	**19,506,571**
Components of cash and cash equivalents:			
Cash and cash balances with central banks[18]		18,159,889	19,506,571

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

[16] BNY Mellon SA/NV has classified cash payments for the principal portion of lease payments as financing activities and cash payments for interest portion as operating activities consistent with the presentation of other interest payments.
[17] Cash and Cash balances with central banks are mainly invested in Euro.
[18] Cash and cash balances with central banks does not contain monetary reserves amount as compared to Note 10.

SIGNIFICANT ACCOUNTING POLICIES

1. Significant Accounting Policies

1.1. Basis of Accounting

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

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

The consolidated financial statements provide comparative information in respect of the previous period. BNY Mellon SA/NV presents its consolidated statement of financial position broadly in order of liquidity.

1.2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of BNY Mellon SA/NV and its subsidiaries as at and for the year ended 31 December 2022, with exception of BNY Mellon AIS Nominees Limited that is a non-consolidated subsidiary. The individual financial statements of BNY Mellon SA/NV's consolidated subsidiaries are prepared for the same reporting year as BNY Mellon SA/NV. The accounting policies of subsidiaries are consistent with those of the parent.

Subsidiaries are consolidated from the date on which control is transferred to BNY Mellon SA/NV until the date BNY Mellon SA/NV ceases to control the subsidiary. Control is achieved when BNY Mellon SA/NV is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, BNY Mellon SA/NV controls an investee if, and only if, BNY Mellon SA/NV has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The existence and the effect of potential voting rights that are currently exercisable or convertible are considered when assessing the control of BNY Mellon SA/NV over another entity. BNY Mellon SA/NV re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The results of subsidiaries acquired or disposed of during a financial year are included in the consolidated statement of profit and loss and other comprehensive income from the date of acquisition or up to the date of disposal. All intra-group balances and transactions between BNY Mellon SA/NV's entities and gains and losses there from are eliminated in full on consolidation.
No non-controlling interests are presented in the consolidated financial statements since BNY Mellon SA/NV owns 100% of each its subsidiaries' issued share capital.

1.3. Use of Judgments and Estimates

In the process of applying BNY Mellon SA/NV's accounting policies, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Estimates and assumptions

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

Going concern

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

BNY Mellon SA/NV's management performs an annual going concern review that considers, under a stress test scenario, BNY Mellon SA/NV's ability to meet its financial obligations as they fall due, for a period of at least twelve months after the date that the consolidated financial statements are approved by the Board of Directors.

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

Pension obligation

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using an actuarial valuation. The actuarial calculation involves making assumptions about factors, including the discount rate, future salary increases, inflation and mortality rates. Due to the long–term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. See explanatory note 22 for discussion of assumptions used.

IFRS 9 Financial instruments

Classification of financial assets, including the assessment of business model and the contractual terms of financial assets are elaborated in note 1.6.3. Determining inputs into the ECL measurement model, including incorporation of forward looking information is included in note 28.

Recognition and measurement of contingencies

Key assumptions about the likelihood and magnitude of an outflow of resources are included in note 26.1.

1.4. Changes in Accounting Policies

The following new and amended IFRS and IFRIC interpretations were considered by BNY Mellon SA/NV, these being endorsed by European Union in 2021 and effective for annual periods beginning on or after 1 January 2022. These amended standards are not applicable or had limited or no impact on BNY Mellon SA/NV consolidated financial statements:

- *Amendments to IFRS 16 Leases: Covid-19- Related Rent Concessions beyond 30 June 2021(issued on 31 March 2021)*
- *Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)*

1.5. New Standards and interpretations not yet effective

BNY Mellon SA/NV will apply the new or revised IFRS standards and related annual improvements detailed below as from their effective date following the endorsement process by the European Commission.

A number of new standards, amendments to standards and interpretations are not applicable and have not been applied in preparing these consolidated financial statements. These amendments are not expected to have a material impact on BNY Mellon SA/NV consolidated financial statements.

- **Amendments to IAS 1 Presentation of Financial statements: Classification of Liabilities as Current or Non-current**, with effective date as of 1 January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.
- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies**, with effective date as of 1 January 2023, include narrow-scope amendments to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements.
- A**mendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates**, with effective date as of 1 January 2023, clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.
- A**mendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**, with effective date as of 1 January

2023, clarifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations.

Other Standards

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020); Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) effective date 1 January 2023
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - available for optional adoption, effective date deferred indefinitely.

1.6. Summary of Accounting Policies and Disclosures

1.6.1. Foreign Currency Translation

The consolidated financial statements are presented in Euro (€). Items included in the financial statements of each of BNY Mellon SA/NV's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"), which is Euro for most of the BNY Mellon SA/NV's entities, except for BNYM Mellon SA/NV Dublin and Copenhagen branches, where USD and DKK are the functional currencies, respectively.

1.6.1.1. Translations of transactions and balances

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

BNY Mellon SA/NV has no non-monetary items that are measured at historical cost in a currency other than Euro, with the exception of BNY Mellon SA/NV Dublin Branch which has goodwill and changed its functional currency to USD on 1 December 2019. The USD historic cost of this non-monetary asset is based on the exchange rate at the date of the change in functional currency.

1.6.1.2. Interbank Offered Rates ("IBOR") reform

The Financial Stability Board ("FSB") has conducted a review of major interest rate benchmarks in use across the world's financial markets, including Interbank Offered Rates, and subsequently made recommendations to review and reform benchmarks, and to transition to alternate reference rates.

The BNY Mellon Global IBOR Transition Program ("the Program") has been set up to manage the IBOR transition. The Program focuses on, among other things, evaluating and monitoring the impacts of the discontinuance of reference IBORs and the transition to replacement benchmarks on our business operations and financial condition; identifying and evaluating the scope of impacted financial instruments and contracts and the attendant risks; and implementing technology systems, models and analytics to support the transition. As part of the Program, BNYM SA/NV continues to assess the impact of the planned phasing out of IBORs and track its progress against the planned transition to alternative reference rates as required by the regulators.

Since January 1, 2022 all CHF and EUR LIBOR settings, the 1 week and 2 months USD LIBOR settings, and the overnight/ spot next, 1 week, 2 month and 12-month GBP and JPY LIBOR settings have officially ceased to exist. The benchmark administrator IBA (ICE Benchmark Administration) is no longer publishing these rates.

IBA expects to continue to determine and publish the Overnight and the 1-, 3-, 6- and 12-month USD LIBOR settings using panel bank contributions until the end of June 2023. New transactions in these rates are not allowed from January 1, 2022, unless Line of Business specific procedures and approvals are provided.

Since 2021, the Financial Conduct Authority (“FCA”) designated the 1-, 3- and 6-months GBP and JPY LIBOR settings as “Article 23A benchmarks” for the purposes of the UK Benchmarks Regulation (the “BMR”) with effect from January 1, 2022 and is compelling IBA to publish these settings for the duration of 2022. The FCA is requiring IBA to calculate these settings using a changed, “synthetic” methodology. The “synthetic” methodology is not based on panel bank contributions and is not representative of the underlying market for the purposes of the BMR. These rates are also not allowed to be used for new transactions.

In November 2022, the FCA announced that 3-month synthetic JPY LIBOR settings will cease at end-2022, 1- and 6-month synthetic GBP LIBOR settings will cease at end-March 2023, overnight and 12-month USD LIBOR settings will cease at end-June 2023, 3-month synthetic GBP LIBOR setting will cease at end-March 2024. It also proposed that 1-, 3- and 6-month synthetic USD LIBOR settings would commence after the end of panel bank contributions and cease at end-September 2024.

Given the nature of the assets held by BNYM SA/NV, the primary exposures to such rates are deemed to be low compared to traditional broker-dealers and market liquidity providers in the banking sector.

Working with the Program, BNYM SA/NV is taking steps to manage its principal exposure to IBOR-based instruments via explicit investment decisions, and focusing on mitigating the risks identified. This has included monitoring market developments through industry groups and consultations, regularly engaging with clients to monitor expected client impacts and ensure transition awareness, and to remediate or restructure operational areas where updates are deemed to be required in relation to expected changes. BNYM SA/NV continues to actively engage with regulatory authorities such as the European Central Bank (“ECB”) to adequately respond to regulatory guidance relating to the transition.

The Bank of New York Mellon SA/NV is dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle, providing services to clients and end-users of financial services. In this context, BNYM SA/NV's balance sheet consists primarily of cash, liquid funds and highly-rated investment securities that are used to facilitate client transactions, without underwriting the issuance of products which may reference EURIBOR or other LIBOR rates ("the IBORs"). As a result, BNYM SA/NV's principal exposures to these IBORs as well as the associated market and liquidity risks are low compared to traditional commercial or investment banks and market liquidity providers in the banking sector.

Certain operational risks however exist regarding BNYM SA/NV's business model, including execution, maintenance and reporting risk relating to the processing of Assets Under Custody ("AUC"), legal risk arising from legal claims and contract frustration, and technology risk relating to impacted systems not being sufficiently updated to deal with the transition.

The following table summarizes BNYM SA/NV's current portfolio as at 31 December 2022 which is likely to be impacted as a result of the transition from LIBOR. One bond is currently linked to LIBOR and has contractual language to transition to the relevant ARR at their last fixing in the second quarter of 2023.

Product	Current rate	Maturity date	No. of positions	Gross notional exposure
				At 31st Dec 2022
				(€ mln)
Debt securities	GBP LIBOR	Post 2022	1	28.3
		Total	**1**	**28.3**

1.6.2. Recognition of Revenue and Expense

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

1.6.2.1. Net Interest Income

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

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

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

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

1.6.2.2. Fees and Commission Income

Contract revenue (i.e. scope of IFRS 15 standard) is reported in the fee and commission line. BNY Mellon SA/NV earns fee and commission income mainly from the provision of: i) Asset Servicing products such as Global Custody, Depository Bank Services or Fund Accounting services, ii) Issuer Services products such as Depository Receipts and Corporate Trust, and iii) Markets, of which mainly Foreign exchange commission fees. Revenue is based on terms specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Revenue is recognized when, or as, a performance obligation is satisfied by transferring control of a good or service to a customer.

A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring BNY Mellon SA/NV's progress in satisfying the performance obligation in a manner that reflects the transfer of goods and services to the customer. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time the customer obtains control of the promised good or service.

The amount of revenue recognized reflects the consideration the BNY Mellon SA/NV expects to be entitled to in exchange for the promised goods and services. Taxes assessed by a governmental authority that are both imposed on, and concurrent with, a specific revenue producing transaction, are collected from a customer and are excluded from revenue.

1.6.2.2.1. Nature of services and revenue recognition

Investment Services fees (i.e. Asset Servicing, Issuer Services) are based primarily on the market value of assets under custody ("AUC"); client accounts, balances and the volume of transactions; securities lending volume and spreads; and fees for other services. Certain fees based on the market value of assets are calculated in arrears on a monthly or quarterly basis.

Substantially all services within the Investment Services business are provided over time. Revenue for these services is recognized using the time elapsed method, equal to the expected invoice amount, which typically represents the value provided to the customer for our performance completed to date.

Trade execution fees (i.e Foreign Exchange commissions), part of Markets, are delivered at a point-in-time, based on customer actions. Revenue for trade execution and clearing services is recognized on trade date, which is consistent with the time that the service was provided. Customers are generally billed for services on a monthly or quarterly basis.

Disaggregation of contract revenue
Contract revenue is included in fee revenue on the consolidated Statement of profit and loss and other comprehensive income.

1.6.2.2.2. Contract balances

BNY Mellon SA/NV's customers are billed based on fee schedules that are agreed upon in each customer contract. An allowance is maintained for accounts receivable which is generally based on the number of days outstanding. Adjustments to the allowance are recorded in other expense in the Statement of profit and loss and other comprehensive income

Contract assets represent accrued revenues that have not yet been billed to the customers due to contingent factors other than the passage of time. Contract assets are usually billed on a monthly basis. There were no impairments recorded on contract assets in 2022.

Both receivables from customers and contract assets are included in other assets on balance sheet.

Contract liabilities represent payments received in advance of providing services under certain contracts. Contract liabilities are a component within other liabilities on the statement of financial position.

Changes in contract assets and liabilities primarily relate to either party's performance under the contracts.

Any changes in the balances of contract assets and contract liabilities would result in changes arising from business combinations, impairment of a contract asset and changes in the timeframe for a right to consideration becoming unconditional or a performance obligation to be satisfied. No such instances were noted.

Unsatisfied performance obligations

BNY Mellon SA/NV does not have any unsatisfied performance obligations other than those subject to a practical expedient election under IFRS 15. The practical expedient applies to (i) contracts with an original expected length of one year or less, and (ii) contracts for which the BNY Mellon SA/NV recognizes revenue at the amount to which the BNY Mellon SA/NV has the right to invoice for services performed.

1.6.2.3. Dividend Income

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

1.6.2.4. Gains and Losses on Non Qualifying Economic Hedges

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

1.6.2.5 Net trading income

'Net trading income' comprises fair value changes in trading assets and liabilities, and includes the impact of foreign exchange rates.

1.6.3. Financial Instruments – Initial Recognition and Subsequent Measurement

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

1.6.3.1. Non-derivative financial assets - Classification

Non-derivative financial instruments comprise investments in debt instruments, cash and cash equivalents, loans and borrowings and trade and other creditors. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit and loss (“FVTPL”). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

Financial assets are measured at amortised cost if they meet both of the following conditions and are not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets are measured at FVOCI only if they meet both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are SPPI on the principal amount outstanding.

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application depending on the facts and circumstances at that date.

<u>Equity Securities</u>

Investment in equity securities that do not result in consolidation are measured at fair value through profit and loss (“FVTPL”). Any subsequent changes in carrying value is recognised in the statement of profit and loss and other comprehensive income. The investment in equity securities is presented in the disclosure note "other assets".

1.6.3.1.1 Business model assessment

Certain financial statement captions, for example, deposits with central banks and financial institutions, always will be held for collection of contractual cash flows as by the nature of the asset means that it cannot be sold. For other financial assets, BNY Mellon SA/NV makes an assessment of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. Information that is considered includes:

- the stated policies and objectives for the portfolio;
- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated; and
- the frequency and volume of historical and expected sales.
-

BNY Mellon SA/NV generally does not hold non-derivative financial assets for trading.

1.6.3.1.2 Assessment of whether cash flows are solely payments of principal and interest

'Principal' for these purposes is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, BNY Mellon SA/NV considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that would change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, BNY Mellon SA/NV considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit BNY Mellon SA/NV's claim to cash flows from specified assets; and
- features that modify consideration for the time value of money - e.g. periodic reset of interest rates.
- for tranched securities, such as asset backed securities, guidance related to contractually linked instruments is to be assessed and the underlying portfolio is to be considered under the SPPI requirements.

1.6.3.1.3. Reclassification of Financial Assets

BNY Mellon SA/NV does not reclassify financial assets subsequent to their initial recognition, except in the period after BNY Mellon SA/NV changes its business model for managing financial assets. In 2022 BNY Mellon SA/NV has not recorded any reclassifications of financial assets.

1.6.3.2. Derivative Financial Instruments Held for Trading

BNY Mellon SA/NV uses derivatives including FX swaps, forwards and interest rate swaps as part of its cash management activities. Derivatives are recognized in the statement of the financial position at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized in the "Gains and losses on non-qualifying economic hedges" in the statement of profit and loss and other comprehensive income. On the other hand, gains and losses on derivatives designated in qualifying hedging relationships such as fair value hedges, are recorded in the statement of profit and loss and other comprehensive income, as well as any change in the value of related hedged item associated with the designated risks being hedged, in the same income statement line where the earnings effect of the hedged item is presented, principally "Interest Income on Investment Securities".

To qualify for hedge accounting, each hedge relationship is required to be highly effective at reducing the risk associated with the exposure being hedged, both prospectively and retrospectively. BNY Mellon SA/NV formally document all relationships, including hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking each hedging transaction. At inception, the potential cause of ineffectiveness related to each of its hedges is assessed to determine if it can expect the hedge to be highly effective over the life of the transaction. At hedge inception, BNY Mellon SA/NV document the methodology to be utilised for evaluating effectiveness on an ongoing basis, and monitor ongoing hedge effectiveness at least quarterly. BNY Mellon SA/NV discontinue hedge accounting prospectively when it has been determined that the hedge is no longer effective or the derivative expires, is sold, or management discontinues the derivative's hedge designation. Subsequent gains and loss on these derivatives are recognized in "Net trading income" line in the statement of profit and loss and other comprehensive income and the accumulated gain or loss on the hedged item is amortised on a yield basis over the remaining life of the hedged item.

BNY Mellon SA/NV Markets business offer its clients FX trade execution services including Swap, Options, Forward and Spot. These Derivatives are risk managed by the Trading desk . Changes in the fair value of these derivatives are recognized in "Net trading income" in the statement of profit and loss and other comprehensive income.

BNYM SA/NV provides fund accounting and other fund administration services for tax-exempt retirement savings accounts to Postbank's retail clients. This arrangement is closed to new clients. Guarantee commitments are provided in connection with covering certain pension/minimum payment commitments (the initial investment made by the client). The requirement is to cover the potential risk arising from the discounted value of the client "Guarantee commitment" exceeding the normalised value of the client mutual fund units. The guarantee of cash flows on the underlying assets by the issuer meets the definition of a derivative. Changes in the fair value of this derivative is recognized in "Net income from other financial instruments at FVTPL " in the statement of profit and loss and other comprehensive income.

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

1.6.3.3. Financial Liabilities

BNY Mellon SA/NV classifies its financial liabilities as measured at amortised cost.
Financial liabilities are measured at FVPL if they meet one of the following conditions:

a. Financial liabilities held for trading (including derivatives); and
b. Financial liabilities that on initial recognition are designated at FVPL.

1.6.4. Derecognition of Financial Assets and Financial Liabilities

1.6.4.1. Financial Assets

BNY Mellon SA/NV derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

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

BNY Mellon SA/NV has derecognized financial assets in 2022 and 2021.

1.6.4.2. Financial Liabilities

BNY Mellon SA/NV derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

1.6.5. Repurchase and Reverse Repurchase Agreements

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

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

BNY Mellon SA/NV receives collateral in reverse repurchase transactions, and if eligible for re-use, may post it as collateral in a further transaction.

1.6.6. Commitments and financial guarantees given and received

BNY Mellon SA/NV does not enter into irrevocable commitments and contingent liabilities for external customers. The off balance sheet items of BNY Mellon SA/NV contain mainly lease car or rental commitments, state guarantees on debt securities and guarantee to external customers.

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

BNY Mellon SA/NV, as a holder, has entered into a number of financial guarantee agreements, such as letters of credit received from group entity or third party, to cover its large exposures for prudential reporting purposes. These guarantees are recorded in the off balance sheet and recorded at their notional amount. Please see note 26.3 for further details.

1.6.7. Determination of Fair Value

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. A three-level hierarchy for fair value measurements is utilized based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

Fair value focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. The fair value for financial instruments traded in active markets at the consolidated statement of financial position date is based on their quoted market price, without any deduction for transaction costs.

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

BNY Mellon SA/NV has only level 1 and level 2 financial instruments. As such BNY Mellon SA/NV does not use any internal valuation models with unobservable data for the determination of the fair value.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in the explanatory notes.

1.6.8. Impairment of Financial Assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model also applies to certain loan commitments and financial guarantee contracts, but not to equity investments. The new impairment model applies to debt instruments and financial guarantee contracts issued that are not measured at FVTPL. ECLs on instruments classified as FVOCI are recognised in profit and loss.

Under IFRS 9, BNY Mellon SA/NV generally recognises loss allowances at an amount equal to 12-month ECL (the portion of ECL that results from default events that are possible within 12 months after the reporting date) unless there has been significant increase in credit risk since origination of the instrument, in which case ECLs are recognised on a lifetime loss basis. The assessment of whether there has been a significant increase in credit risk is a critical judgment and is further discussed below. The recognition of a 12-month or lifetime ECL is based upon a three Stage criteria that is required to be updated at each reporting date:

- Stage 1 applies to all exposures from initial recognition as long as there is no significant deterioration in credit quality; interest revenue is calculated on the gross carrying amount of the asset.
- Stage 2 applies when a significant increase in credit risk has occurred since initial recognition; interest revenue is based upon the gross carrying amount of the asset.
- Stage 3 applies when an asset becomes credit-impaired (can be defined as defaulted); interest revenue is based upon the net carrying amount (net of loss allowance).

1.6.8.1 Measurement of ECL

BNY Mellon measures the ECLs based on the risk of default over one of two different time horizons, depending on whether the credit risk of the borrower has increased significantly since the exposure was first recognized or, for loan commitments, the date in which BNY Mellon unconditionally committed to extend credit. The loss allowance for those exposures that have not increased significantly in credit risk (‘stage 1’ exposures) is based on lifetime expected credit losses from default events occurring within the next 12 months (12 months

ECL). The allowance for those exposures that have suffered a significant increase in credit risk and exposures that are defaulted (‘stage 2’ and ‘stage 3’ exposures respectively) is based on lifetime expected credit losses from default events occurring over the remaining contractual life (Lifetime ECL).

For financial assets that are credit-impaired at the reporting date – the difference between the gross carrying amount and the present value of estimated future cash flows is reported.
For financial guarantee contracts, the expected payments to reimburse the holder less any amounts that the group expects to recover is calculated.

Given BNY Mellon SA/NV’s very low ECL rate overall, the effect of ECL on trade receivables is insignificant. Accordingly, no ECL is calculated centrally for such exposures.

Further details on inputs to ECL model are elaborated in Note 28.

1.6.9. Offsetting Financial Instruments

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

1.6.10 Leasing

BNY Mellon SA/NV determines if an arrangement is a lease at inception. Right-of-use (“ROU”) assets represent BNY Mellon SA/NV's right to use an underlying asset for the lease term and lease liabilities represent BNY Mellon SA/NV's obligation to make lease payments. The ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date or at lease modification date for certain lease modifications. For all leases, BNY Mellon SA/NV uses a discount rate that represents a collateralized incremental borrowing rate based on similar terms and information available at lease commencement date or at lease modification date for certain lease modifications in determining the present value of lease payments. In addition to the lease payments, the determination of an ROU asset may also include certain adjustments related to lease incentives and initial direct costs incurred. Options to extend or terminate a lease are included in the determination of the ROU asset and lease liability only when it is reasonably certain that BNY Mellon SA/NV will exercise that option.

Under IFRS, all leases are classified as financing leases. Lease expense for finance leases is recognized using the effective interest method. ROU assets are reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. If deemed impaired, the ROU asset is written down and the remaining balance is subsequently amortized on a straight-line basis. The ROU asset is presented in the "property and equipment" line and the lease liability is presented as "Other financial liabilities" in the statement of the financial position.

For all leases, BNY Mellon SA/NV has elected to account for the contractual lease and non-lease components as a single lease component and include in the calculation of the lease liability. The non-lease variable components, such as maintenance expense and other variable costs including non-index or rate escalations, have been excluded from the calculation and disclosed separately.

Additionally, for certain equipment leases, BNY Mellon SA/NV applies a portfolio approach to account for the operating lease ROU assets and liabilities.

BNY Mellon SA/NV does not engage in subleasing activities.

1.6.11. Cash and Cash Equivalents

Cash and cash equivalents as referred to in the consolidated statement of financial position include notes and coins on hand, balances held with central banks and loans and advances with credit institutions and customers, on demand or with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortized cost in the consolidated statement of financial position.

1.6.12. Property and Equipment

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

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

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

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

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

1.6.13. Business Combinations and Goodwill

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized, but is reviewed for impairment at least once a year or if events or changes in circumstances indicate that the carrying value may be impaired.

An impairment loss is recognized if the carrying amount of the cash-generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment losses relating to goodwill are not reversed in future periods.

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

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination (and where that control is not transitory) are referred to as common control transactions. The accounting policy for the acquiring entity would be to account for the transaction at book value in its consolidated financial statements. The book value of the acquired entity is the book value as reflected in the stand-alone statutory financial statements of the acquired entity, after alignment to the IFRS accounting policies adopted by BNY Mellon SA/NV. The difference between the cost of the acquisition and the acquirer's proportionate share of the net asset value acquired in common control transactions, will be allocated to Issued capital within equity. The consolidated income statement includes the results of each of the combining entities or businesses as of the date the common control transaction has taken place.

1.6.13.1. Assets and Liabilities held for sale

BNY Mellon SA/NV's assets and liabilities, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.
Such assets and liabilities, or disposal groups, are generally measured at the lower of their carrying amount and fair values less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to property and equipment, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the BNY Mellon SA/NV's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Assets and liabilities held for sale are presented in the caption Other assets and Other liabilities unless material in which case these are presented on the face of the consolidated financial statement.

1.6.13.2. Discontinued operation

A discontinued operation is a component of the BNY Mellon SA/NV's business, the operations and cash flows of which can be clearly distinguished from the rest of BNY Mellon SA/NV and which is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.
When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year, when deemed material.

1.6.14. Intangible Assets other than Goodwill

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

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

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

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

Computer software	-	3 to 5 years
Client contracts (customer lists)	-	10 years (effective from 2019 for new client contracts acquired)

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

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

1.6.15. Impairment of Non-Financial Assets

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

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

BNY Mellon SA/NV identified value in use as being the recoverable amount of a cash-generating Unit (CGU). In assessing value in use of a CGU, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

1.6.16. Pension Benefits

1.6.16.1. Defined Benefit Plan

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

The cost of providing benefits under the defined benefit plan is determined separately for each plan using the Projected Unit Credit Method. The discount rates used in the actuarial valuations are based on rates of high quality (generally those rated “AA” and above) corporate bonds issued in the same country as the obligation, that have maturity dates approximating the terms of BNY Mellon SA/NV's obligations.

Remeasurements, comprising of actuarial gains and losses, experience gains and (losses) on obligations and return on plan assets excluding interest income, are recognized immediately in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

BNY Mellon SA/NV determines the net interest for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit obligation (asset).

Past service cost is recognized immediately. The past service cost is recognized in the net benefit expense that is part of ‘Personnel expenses’ in the statement of profit and loss and other comprehensive income.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. The value of any net asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. An economic benefit is available to BNY Mellon SA/NV if it is realizable during the life of the plan or on settlement of the plan liabilities.

1.6.16.2. Defined Contribution Plan

BNY Mellon SA/NV also operates multiple defined contribution plans. The contributions payable to those plans are recognized as an expense under ‘Personnel expenses’ when they fall due. Unpaid contributions are recorded as a liability.

1.6.17. Provisions

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

Restructuring provisions

Restructuring provisions are recognized only when BNY Mellon SA/NV has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, an estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan’s main features.

1.6.18. Share-Based Payments

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

BNY Mellon SA/NV uses a lattice-based binomial method to calculate the fair value of options on the date of the grant. Stock units are valued based on the quoted price of the relevant stock at grant date.

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

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

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

Compensation expense relating to share-based payments is recognized in staff expense on the income statement, on an accelerated basis, over the applicable vesting period.
Certain stock compensation grants vest when the employee retires. New grants with this feature are expensed by the first date the employee is eligible to retire. We estimate forfeitures when recording compensation cost related to share-based payment awards.

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

1.6.19. Taxes

1.6.19.1. Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where legal entities of BNY Mellon SA/NV operate.

Current tax assets and current tax liabilities are offset if a legally enforceable right exists and there is an intention to settle on a net basis.

1.6.19.2. Deferred Tax

Deferred tax is recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Current tax and deferred tax relating to items recognized outside profit or loss are similarly recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

1.6.19.3. Sales Tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or expensed, as applicable
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.6.20. Dividends on Ordinary Shares

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

1.6.21. Equity Reserves

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

- Retained earnings comprising the accumulated profit and loss and
- 'Other' reserve which comprises: (i) the impact of the share based payment, (ii) changes in fair value of FVOCI debt instruments and (iii) net gain (loss) on actuarial gains or losses from the defined benefit pension plans, including tax effects thereon.

1.6.22. Segment Reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Net Interest Income

Interest income	2022	2021
	in € '000	in € '000
Investment securities	128,113	90,130
Loans and advances to customers	168,285	44,172
Interest income on liabilities	68,716	103,037
Total	**365,115**	**237,340**
Interest expense		
Deposits from credit institutions	57,266	29,016
Deposits from other financial institutions	142,950	1,995
Deposits from non-financial institutions	491	8
Subordinated loans	21,312	4,621
Long term debt	—	4,047
Interest expense on assets	56,205	92,287
Interest expense on leases (note 26.4)	249	241
Total	**278,473**	**132,214**
Net interest income	**86,641**	**105,125**

The net interest income has decreased by €18 Mio compared to last year, primarily driven by higher funding cost (€16.7 Mio) as a result of new subordinated loan arrangement with BNYM that is contracted at a higher funding rate and as well as the increase in interest paid to clients mainly on USD deposits reflecting FED rate increase. This is partially offset by the impact of the increase in interest revenue earned on central bank placements following the shift of ECB EUR rate from negative to positive rate mainly in Q4 2022. Fixed income portfolio and term placements have seen a lower rate of increase since interest is fixed in nature.

In 2022, BNY Mellon SA/NV continued charging negative interest rate to clients until it became positive towards the end of the year, hence better reflecting the cost of maintaining Euro deposits. Interest income on liabilities line shows the negative interest charged to the clients by BNYM Mellon SA/NV and the interest expense on assets line presents negative interest charged by central bank.

3. Net Fee and Commission Income

	2022 In € '000	2021 In € '000
Fee and commission income- contract revenue		
INVESTMENT SERVICES	839,741	763,613
Asset Servicing	649,191	610,043
Clearance and Collateral Management	76,965	66,970
Issuer Services	113,585	86,600
of which ADR	46,762	31,619
of which Corporate Trust	66,823	54,981
OTHER CONTRACT REVENUE	65,407	56,426
Markets	50,721	50,721
of which Foreign exchange commissions	43,910	38,422
Treasury Services	8,862	5,705
Total fee and commission income - contract revenue	**905,149**	**820,039**
Fee and commission expenses		
Custody	123,827	116,429
Clearing and settlement	593	615
Servicing, processing and support fees re-charged	221,920	193,115
Other	—	—
Total fee and commission expense	346,340	310,158
Net fee and commission income	**558,809**	**509,881**

The overall net increase of €49 Mio in fee and commission income is mainly due to organic growth in Global Custody revenue, new business in Corporate Trust and higher cancellation volume on American Depositary Receipt (ADR). The revenue is further increased due to the favourable impact of a stronger US dollar FX rate against Euro, since majority of revenue is now billed in US dollar following the merger of BNY Mellon Trust Company Ireland and client transfer from BNY Mellon International Limited in 2019.

In Issuer Services, the American Depositary Receipts (ADR) results were up in 2022 which is explained by higher cancellation volume partially offset by Dublin Branch's share of ADR asset impairment recognized in relation to Russia-Ukraine conflict. Corporate Trust revenue has also increased due to new business. The stronger US dollar FX rate against Euro also had a positive impact to the Issuer Services net results.

Custody fees paid to sub-custodians have also increased in line with the revenue movement.

Foreign exchange transaction revenues increased with €5.49 Mio compared to last year, mainly due to the favourable US Dollar FX rate increase.

Servicing (e.g. transactional, safekeeping), processing and support fees are fees re-charged by group companies. This is mainly related to operations and overhead charges from other group entities charging BNY Mellon SA/NV for asset servicing and digital, international collateral management, corporate trust and ADR services. The increase in this caption is mainly due to stronger US dollar FX rate against Euro as majority of these expenses are billed in USD by group companies, and partly additional recharge for custody/operations support in line with higher volume of activity.

4. Net Trading Income and Gains on Non Qualifying Economic Hedges and Other Derivatives

	2022	2021
	In € '000	In € '000
Net trading income		
Forward foreign exchange contracts	2,758	3,986
Gains (Losses) from hedge accounting, net	(3,304)	(14)
Gains on Non Qualifying Economic Hedges		
Forward foreign exchange contracts	114,801	50,317
	114,256	**54,289**

Realized and unrealized result of currency swaps that act as non-qualifying economic hedges are recorded in this caption totaling €114.80 Mio, net of any FX revaluation on client and treasury balances. The augmentation results mainly from increase in EUR USD currency pair coming from the increase in USD deposit balances and increase in swap yield.

In 2021, BNY Mellon SA/NV introduced interest rate swap derivatives as a new instrument to mitigate interest rate risk within the banking book. The increase of losses from hedge accounting is driven by higher volume of activity in 2022.

FX Trading desk activities generated a net trading income of €2.7 Mio in 2022 (2021: €4.0 Mio).

5. Other Operating Income

	2022	2021
	In € '000	In € '000
Loss from sales of FVOCI debt instruments	(9,546)	3,549
Non trading exchange differences	—	1,685
Miscellaneous income	11,649	4,363
	2,103	**9,597**

The loss from sales of FVOCI debt instruments during the year is primarily driven by the sale of corporate bond portfolios.

Miscellaneous income included a €8.2 Mio income representing recuperation in the context of the "cum-ex" provision relating to Withholding Tax Claims. For further details on the "cum-ex" provision, please refer to Note 20 Provisions and Note 26.1 Legal Claims.

6. Personnel Expenses

	2022 In € '000	2021 In € '000
Wages and salaries	145,167	134,418
Social security contributions	23,549	21,412
Pension costs – Defined benefit plan (Note 22.2)	3	3
Pension costs – Defined contribution plan (Note 22.1)	8,607	9,529
Share-based payments (Note 25)	3,093	3,387
Other	10,062	11,394
	190,481	**180,144**

The Personnel expenses increased compared with prior year by €10 Mio mainly attributed to additional staffs in Dublin, Luxembourg, Copenhagen, Germany and Madrid (following the opening of a new branch in Spain). Salaries have also increased in Belgium due to inflation linked salary indexation. Other expenses consist principally of medical insurance costs of €4 Mio (2021: €3 Mio) and commuting programs for employees of €2 Mio (2021: €1 Mio).

7. Other Operating Expenses

	2022 In € '000	2021 In € '000
Professional fees	20,764	24,370
IT expenses	4,202	3,888
Bank levies	31,712	20,320
Operational lease expenses (note 26.4)	4,903	4,585
Non trading exchange differences	1,379	—
Shared services support (overhead)	109,495	91,966
Temporary clerical assistance	6,320	6,042
Non recoverable VAT	14,037	13,936
Miscellaneous, including marketing	13,658	11,545
	206,471	**176,652**

Other operating expenses increased by €30 Mio compared to previous year. The bulk of the other operating expenses consist of inter-company service support charges mainly related to technology recharges from BNY Mellon head office.

The increase in bank levies (+€11Mio) is due to the SRF contribution increase for the year. In addition to this increase there is also an augmentation in the technology recharges from the BNY Mellon group (+17.8Mio) observed in shared services support (overhead) caption.

The major components of other miscellaneous expenses are: foreign business tax of €0.6Mio (2021: €0.7Mio), deposit insurance of €0.5Mio (2021: €0.7M Mio) and transportation costs of €0.3 Mio (2021: €0.4M Mio).

The fees incurred towards the statutory auditor including related entities are: audit fees of €1.4 Mio (2021:€1.4 Mio), audit related fees of 0.05 Mio (2021: €0.01 Mio) and non-audit fees of 1.3 Mio (2021: €1.2 Mio).

8. Income Tax

The components of income tax expense for the years ended 31 December 2021 and 2022 are:

	2022 In € '000	2021 In € '000
Current tax		
Current income tax	52,819	68,307
Deferred tax		
Relating to origination and reversal of temporary differences	*(367)*	*1,083*
	52,452	**69,390**

8.1. Reconciliation of the Total Tax Charge

Reconciliation between the tax expense and the accounting profit multiplied by Belgium's domestic tax rate for the years ended 31st of December 2021 and 2022 is as follows:

	2022 In € '000	2021 In € '000
Accounting profit before taxes	**356,400**	**298,258**
1. Tax expense using Belgian statutory rate of 25% (2021:25%)	92,914	74,562
2. Effect of different tax rates in other jurisdictions	(14,720)	(8,143)
3. Income not subject to tax	(14,168)	4,604
4. Non tax deductible expenses	792	892
6. Adjustment in respect of current income tax of prior year	189	(2,703)
7. Other increase (decrease) in statutory tax charge	(12,556)	178
Income tax expense reported in the consolidated of comprehensive statement	**52,452**	**69,390**

The effective income tax rate of 2022 is 14.72% (2021: 23.27%). The decrease of the effective tax rate is mainly due to an increased proportion of revenues of the Bank in countries with a lower tax rate than Belgium and the reversal of the uncertain tax provision booked in 2020.

8.2. Income Tax Effects relating to Comprehensive Income

	2022			2021		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Net gain/(loss) on actuarial gains and losses	8,363	(1,417)	6,946	17,542	(3,576)	13,967
Financial instruments at FVTOCI	(621,934)	155,322	(466,612)	(182,865)	45,468	(137,397)
Total	**(613,570)**	**153,905**	**(459,666)**	**(165,323)**	**41,892**	**(123,431)**

8.3. Current and Deferred Tax

The following table shows current tax assets and liabilities recorded on the consolidated statement of financial position:

	2022 In € '000	2021 In € '000
Current tax assets		
Pending tax refunds	39,411	2,420
VAT tax receivables	9,066	6,574
Other	(21,027)	1,640
Total	**27,450**	**10,634**
Current tax liabilities		
Reserve for taxes	24,461	44,583
VAT tax payables	10,750	5,525
Total	**35,210**	**50,108**

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

	Deferred tax assets 31 December 2022 In € '000	Deferred tax liabilities 31 December 2022 In € '000	Statement of Profit and Loss 2022 In € '000	Other Comprehensive Income 2022 In € '000	Deferred tax assets Dec 2021 In € '000	Deferred tax liabilities Dec 2021 In € '000
Pensions	(3,233)		173	(1,417)	0	(1,989)
Temporary difference on intangibles assets deductible	2,912	(869)	(1,213)	—	4,500	(1,243)
Other liabilities not recognized for tax purposes			—	—	49	—
Revaluation of financial instruments	148,398		1,363	155,322	—	(8,293)
Other temporary differences	91		38	—	4	0
	148,168	**(869)**	**361**	**153,904**	**4,553**	**(11,525)**
Amounts offset					*2,512*	*2,512*
Total	**148,168**	**(869)**			**2,041**	**(9,013)**

9. Financial Assets and Financial Liabilities

9.1 Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2022 In € '000	Mandatorily at FVTPL	FVOCI - debt instruments	Amortised cost	Total carrying value
Cash and cash balances with central banks	—	—	18,493,927	18,493,927
Financial assets held for trading	1,131,799	—	—	1,131,799
Loans and advances to customers	—	—	7,643,466	7,643,466
Investment securities	—	10,922,802	1,344,730	12,267,532
Total financial assets	**1,131,799**	**10,922,802**	**27,482,122**	**39,536,724**
Financial liabilities held for trading	1,338,777	—	—	1,338,777
Deposits by central banks	—	—	77,892	77,892
Deposits by credit and other financial institutions	—	—	33,591,403	33,591,403
Due to non-financial customers	—	—	310,260	310,260
Subordinated liabilities	—	—	1,000,153	1,000,153
Long term debt	—	—	—	—
Total financial liabilities	**1,338,777**	**—**	**34,979,708**	**36,318,486**

31 December 2021 In € '000	Mandatorily at FVTPL	FVOCI - debt instruments	Amortised cost	Total carrying value
Cash and cash balances with central banks	—	—	19,861,195	19,861,195
Financial assets held for trading	368,555	—	—	368,555
Loans and advances to customers	—	—	6,318,493	6,318,493
Investment securities	—	12,652,702	153,067	12,805,769
Total financial assets	**368,555**	**12,652,702**	**26,332,755**	**39,354,011**
Financial liabilities held for trading	316,735	—	—	316,735
Deposits by central banks	—	—	83,825	83,825
Deposits by credit and other financial institutions	—	—	31,942,391	31,942,391
Due to non-financial customers	—	—	240,346	240,346
Subordinated liabilities	—	—	—	—
Long term debt			3,166,861	3,166,861
Total financial liabilities	**316,735**	**—**	**35,433,423**	**35,750,158**

10. Cash and Cash Balances with Central Banks

	2022 In € '000	2021 In € '000
Cash balances with the National Bank of Belgium	7,718,021	7,261,660
Placements with other central banks	10,775,906	12,599,535
	18,493,927	**19,861,195**

The above figures reconcile to the amount in cash shown in the statement of cash flows at the end of the financial year as follows:

	2022 In € '000	2021 In € '000
Cash and cash balances with central banks	18,493,927	19,861,195
Monetary reserves	*(334,039)*	*(354,624)*
Cash and cash equivalents at the end of the period	**18,159,888**	**19,506,571**

Deposits with the National Bank of Belgium and with some other central banks mainly represent placements and are available for use in the day-to-day operations of BNY Mellon SA/NV and part of BNY Mellon SA/NV liquid assets buffer. The decrease of (€1.4B) is mainly due to decrease in the placement with the Luxembourg bank (€1.1B), with the Irish bank (€0.7B) compensated by an increase with National Bank of Belgium by €0.5B. The decrease in Central bank placements are generated by lower customer deposits inflow over the year.

11. Loans and Advances to Customers

	2022 In € '000	2021 In € '000
Loans and advances to		
Central Governments	19,503	713
Credit institutions	6,892,821	6,079,570
Other financial institutions	736,297	239,262
Less: Allowance for impairment losses	(5,156)	(1,052)
	7,643,466	**6,318,493**

BNY Mellon SA/NV balance sheet is liquidity driven. Deposits are mainly invested in bonds' portfolio and placements with central banks. The increase of loans and advance to customers is principally due to an increase in interest bearing deposits balances with third party counterparties by €0.5B as of 31 December 2022 and balances with affiliated companies increased by €0.6B. As of 31 December 2022, there were no reverse repurchase agreement transactions outstanding.

A loss allowance arising from ECL of €5.16Mio is reported for loans and advances with customers at 31 December 2022 (2021: €1.05 Mio). The minimal allowance reflects the limited credit risk associated with these assets. BNY Mellon SA/NV deals with high quality rated counterparts and on a very short term basis (as described in more detail in note 28). As a result, there is limited risk that a loan or advance will become non-performing and result in impairment. No non-performing loans and advances exist as of 31 December 2022 and 2021 respectively.

12. Investment Securities

	2022	2021
	In € '000	In € '000
FVOCI investment securities issued by	**10,922,802**	**12,652,702**
Central governments	3,239,053	4,468,523
Credit institutions	6,751,312	7,382,481
Non credit institutions	932,437	801,698
Investment securities at amortized cost issued by	**1,344,729**	**153,067**
Central governments	970,002	153,067
Credit institutions	327,687	—
Non credit institutions	47,040	0
	12,267,531	**12,805,769**

BNY Mellon SA/NV invests in highly liquid debt securities to improve the interest margin and to have an adequate liquid asset buffer. Overall the composition of the investment portfolio remains stable compared to last year. The residential RMBS positions amounted to €0.1B at 31 December 2022 (2021: €0.1B).

The decrease in central bank reserves (Note 10) and the investment portfolio, is a reflection of the decrease in third party deposits on the liability side of the balance sheet (Note 18). Please refer to Note 28.3 for discussion on BNY Mellon SA/NV's approach to managing liquidity.
In 2022 a minor portion of matured FVOCI investment securities have been replaced by investment securities at amortized cost to reduce the impact of increasing interest rates.

13. Asset Encumbrance

BNY Mellon SA/NV has signed a collateral agreement with Euroclear to cover an intraday credit line for $2.1B. BNY Mellon SA/NV invests in various bonds (please see note 12); these have been further pledged as collateral to Euroclear during 2021 and 2022.

To mitigate credit risk in foreign exchange business, BNY Mellon SA/NV increased the volume of collateralized netting agreements since 2017. Hence BNY Mellon SA/NV has foreign exchange cash collateral presented in encumbered other assets in 2021 and 2022.

As of 31 December 2022 the carrying and fair value of encumbered assets by type of assets were as follows:

	2022			2021		
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets
Assets	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Debt securities	3,084,784	3,065,060	9,182,747	2,661,256	2,661,256	10,144,513
Other assets	886,177	—	27,179,935	422,954	—	26,727,932
	3,970,960	**3,065,060**	**36,362,683**	**3,084,210**	**2,661,256**	**36,872,445**

At year ending 2022, the carrying amount of the debt securities refer to bonds pledged to Euroclear. Other assets encumbered refer to monetary reserves, mainly placed with National Bank of Belgium, treated as encumbered assets as these cannot be freely withdrawn by the bank. In 2022, other assets include foreign exchange cash collateral of €535 Mio (2021: €68 € Mio).

The reportable encumbered collateral received, or available for encumbrance are presented below:

Encumbered assets/collateral received and associated liabilities	2022		2021	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued
	In € '000	In € '000	In € '000	In € '000
Carrying amount of financial liabilities				
Derivatives	625,259	534,535	122,004	68,330
Repurchase agreements	296,006	298,883	—	—
Collateralized deposits	45,724	45,724	27,813	27,813
Other sources of encumbrance	—	3,091,818	—	2,988,067
Total sources of encumbrance	**966,989**	**3,970,960**	**149,816**	**3,084,210**

BNY Mellon SA/NV has no own debt securities issued. Other sources of encumbrance refer to the monetary reserves at central banks, foreign exchange cash collateral and bonds pledged to Euroclear referred above.

14. Derivative Financial Instruments

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

Derivatives held for trading In € '000	Assets 2022	Liabilities 2022	Notional amount 2022	Assets 2021	Liabilities 2021	Notional amount 2021
Options	325	325	20,000	86	86	24,067
Interest rate	27,447	1,847	1,618,445	116	—	13,793
Forward foreign exchange contracts	1,104,027	1,336,396	89,107,929	368,353	316,403	55,619,135
Other	—	209	41,605	—	246	42,214
	1,131,799	**1,338,777**	**90,787,978**	**368,555**	**316,735**	**55,699,209**

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

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

BNY Mellon SA/NV's exposure under derivative contracts is closely monitored as part of the overall management of BNY Mellon SA/NV's market risk. Currently, concerning over-the-counter derivatives, BNY Mellon SA/NV has forward foreign exchange contracts related to: a) its treasury activity and b) customer transactions. The latter were mirrored on a back to back basis with BNY Mellon until November 16th, 2020. Until this point in time, no market risk resided in the trading book of BNYM SA/NV for this activity. The back-to-back model has been replaced to warehouse risk for non-optional derivatives (FX Spot/Forward/Swap, NDF) in the trading book of BNYM SA/NV since the aforementioned go-live date. Please refer to Note 4 regarding the corresponding profit and loss impact.

In 2021 BNYM SA/NV has on-boarded two new derivative products: FX options and Interest Rate Swaps (IRS). FX options are contracted with our clients and mirrored on a back to back basis with BNY Mellon. IRS have been entered in the context of hedging interest rate risk on the investment portfolio.

At 31 December 2022, BNYM SA/NV had guarantee commitments provided in connection to fund accounting and other fund administration services for tax-exempt retirement savings accounts to Postbank's retail clients. These guarantees are presented in other derivatives caption and amounted to €0.21Mio at 31 December 2022. The notional amount of this derivative was €41.60 Mio.

Disclosures concerning the fair value of derivatives are provided in Note 24.

15. Other Assets

	2022	2021
	In € '000	In € '000
Equity securities	3,543	2,949
Prepaid charges	815	993
Accrued income (other than interest income from financial assets)	155,348	109,499
Accounts receivable, including:	354,668	278,856
From affiliate companies	*58,609*	*51,107*
Suspense accounts	425	87,617
Miscellaneous	1,144	861
	515,944	**480,774**

The accounts receivable balance at year end is highly driven by day-to-day operations. BNY Mellon SA/NV's customers are billed based on fee schedules that are agreed upon in each customer contract. Accounts receivables included receivables from customers in a total amount of €158.46 Mio at 31 December 2022 (2021: €130.31 Mio). Next to this amount, accounts receivables include receivables from brokers in a total amount of €142.7 Mio at 31 December 2022 (2021: €88.1 Mio).

At 31 December 2022, the accrued income refers mainly to unbilled receivables, which amounted to €110.50 Mio and considered due to the passage of time rather than due to contingent factors; hence there were no contract assets or associated impairment in 2022. At 31 December 2021 the unbilled receivables were €85.64 Mio.

Miscellaneous assets include operating transactions that are in a suspense account until clarification that result from day-to-day operations of BNY Mellon SA/NV.

16. Property and Equipment

2022	Buildings and Leasehold improvements[19]	Computer equipment	Furniture, fixtures and other equipment	Total
Net Book Value	In € '000	In € '000	In € '000	In € '000
At 1 January	33,193	1,060	6,309	40,562
Additions	10,094	1,329	3,596	15,020
Disposals	0	(783)	(219)	(1,002)
Depreciation charge for the year	(8,501)	(1,281)	(3,353)	(13,135)
Impairment loss	0	(99)	—	(99)
Other movements	1	754	127	882
At 31 December	**34,786**	**980**	**6,459**	**42,228**
Gross carrying amount	66,076	5,719	22,444	94,241
Accumulated depreciation and impairment	(31,290)	(4,739)	(15,985)	(52,014)

2021	Buildings and Leasehold improvements	Computer equipment	Furniture, fixtures and other equipment	Total
Net Book Value	In € '000	In € '000	In € '000	In € '000
At 1 January	32,570	1,679	7,568	41,818
Additions	9,862	28	2,236	12,126
Business combinations	—	—	—	—
Disposals	(22)	—	—	(22)
Depreciation charge for the year	(9,217)	(718)	(3,428)	(13,363)
Impairment loss	0	(13)	—	(13)
Other movements	—	84	(67)	17
At 31 December	**33,193**	**1,060**	**6,309**	**40,562**
Gross carrying amount	74,828	6,323	23,803	104,956
Accumulated depreciation and impairment	(41,635)	(5,263)	(17,495)	(64,393)

[19] As at 31 December 2022, property and equipment includes right-of-use assets of €30.7 Mio, mainly related to leased branches and office premises (see note 26.4).

17. Goodwill and Other Intangible Assets

2022	Goodwill	Computer software	Client Contracts	Total
Net Book Value	In € '000	In € '000	In € '000	In € '000
At 1 January	**4,403**	**268**	**63,962**	**68,633**
Acquisitions	—	10	—	10
Amortization charge for the year	—	(104)	(5,558)	(5,662)
Other movements	149	—		149
At 31 December	**4,552**	**174**	**58,405**	**63,130**
Gross carrying amount	340,595	30,569	122,118	493,282
Accumulated depreciation and impairment	(336,043)	(30,395)	(63,714)	(430,153)

2021	Goodwill	Computer software	Client Contracts	Total
Net Book Value	In € '000	In € '000	In € '000	In € '000
At 1 January	**4,403**	**344**	**24,243**	**28,990**
Acquisitions	—	134	43,021	43,155
Amortization charge for the year	—	(209)	(3,303)	(3,512)
Other movements	—	(1)	1	—
At 31 December	**4,403**	**268**	**63,962**	**68,633**
Gross carrying amount	546,326	30,559	122,118	699,003
Accumulated depreciation and impairment	(541,923)	(30,290)	(58,157)	(630,370)

17.1. Impairment Testing of Goodwill and Other Intangible Assets

Under IFRS, goodwill is annually tested for impairment at BNY Mellon SA/NV level, which was determined to be the cash generating unit. We refer to section 1 (Significant accounting policies) for the determination of the cash generating unit and the date (31 December) on which goodwill is tested for impairment.

The goodwill balance with a net book value of €4.6 Mio was acquired through TCIL merger completed in December 2019.

Hence, an impairment testing exercise is still performed at year-end, using a 5-year financial plan. Overall analysis supports that no impairment write-off is required as the value in use exceeds the carrying value of goodwill of €4.6 Mio.

The recoverable amount for BNY Mellon SA/NV was calculated based on the value in use. This value in use was determined by discounting the future cash flows expected to be generated from the cash generating unit's continuing use. Value in use in 2022 was determined in a similar manner as in prior years based on updated assumptions, summarized as follows:

- Cash flows were projected based on net earnings after taxes (corrected for "non-cash" gains/losses) as of 31 December 2022, an updated assessment of the cash flows for the 5-year business plan.

- Terminal cash flows were extrapolated using a constant growth rate of 2.58 percent, which is based on the long-term growth assumption of the BNY Mellon SA/NV and set equal to the current long-term risk free rate.

- A discount rate of 12.08 percent was applied in determining the recoverable amounts for the cash generating unit. BNY Mellon SA/NV used a WACC based on European risk free rate. Next to this, an alpha of 2.00% was included in the discount rate to reflect uncertainty.

For 2022, management has used year-end actuals combined with latest available forecasted figures regardless the impact of the emerging geopolitical crisis on the global economy, due to unpredictable consequences.

To mitigate against the uncertainty, the Company has a lower-risk diversified fee-based business model which benefits from heightened volatility and a flight-to-quality on a relative basis compared with other credit-focused financial institutions. Our Investment Services businesses were favorably impacted by higher client volumes in 2022 compared with the prior year.

Hence, for 2022 BNYM SA/NV did not identify any impairment triggers on other intangibles and as a result of it, no impairment test was considered necessary as of 31 December 2022.

18. Financial Liabilities Measured at Amortized Costs

	2022	2021
	In € '000	In € '000
Deposits from central banks	**77,892**	**83,825**
Deposits from credit institutions	**6,604,056**	**3,362,584**
Current accounts / overnight deposits	3,483,125	3,232,165
Deposits with agreed maturity	2,824,924	130,419
Repurchase agreements	296,006	—
Deposits from other financial institutions	**26,987,348**	**28,579,808**
Current accounts / overnight deposits	26,963,150	28,409,682
Deposits with agreed maturity	24,198	**170,126**
Deposits from non-financial institutions	**310,260**	**240,346**
Current accounts / overnight deposits	310,260	240,346
Subordinated liabilities (Note 21)	**1,000,153**	—
Long term debt	—	**3,166,861**
Other financial liabilities (Lease liabilities)	**32,988**	**35,374**
	35,012,697	**35,468,797**

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

BNY Mellon SA/NV has not had any defaults of principal, interest or other breaches with regard to all liabilities during 2022 (2021: €nil). The decrease of €0.5B in deposits results from a reclassification of Long term debt (€-2.4B) to deposits with agreed maturity from credit institutions (€+2.4B), decrease in deposits from financial institutions (€-1.5B) offset by new subordinated liabilities in 2022 (€+1.0B). Repurchase agreements were €296 Mio at 31 December 2022 (2021: €nil).
Other financial liabilities consist of lease liabilities as per IFRS 16 (note 26.4).

19. Other Liabilities

	2022	2021
	In € '000	In € '000
Employee benefits – Defined benefit obligation (Note 22.2)	2,081	6,995
Liabilities - Held for sale	203	0
Other employee benefits and social charges	30,054	27,244
Accrued charges (other than from interest expenses on financial liabilities)	47,689	80,224
Accounts Payables	145,588	71,588
Suspense accounts	158,201	185,898
Other	6,181	3,080
	389,996	**375,028**

Other liabilities caption slightly increased mainly due to the accounts payables that increased by €74 Mio. Suspense accounts, which decreased by €27 Mio contain, amongst others, holdover accounts representing unsettled amounts of trades executed by several businesses at year end (where settlement occurred in the next period). This activity is volatile by nature. The accrued charges mostly contain intercompany recharges that have been recognized, but not yet settled.

Contract liabilities were €1.02 Mio at 31 December 2022 (2021: €0.79 Mio). Revenue recognised in 2022 relating to contract liabilities was €0.40 Mio (2021: €0.49 Mio).

20. Provisions

	Restructuring Costs	Pending legal issues	Other provisions	Total
	In € '000	In € '000	In € '000	In € '000
At 1 January 2022	173	141,089	534	141,796
Amounts provisioned	28,542	3,507	2,339	34,388
Amounts utilized	(2,090)	(13,640)	(1,698)	(17,428)
Unused amounts reversed during the period	(25)	(47,406)	(588)	(48,019)
Other movements	—	—	(214)	(214)
At 31 December 2022	**26,600**	**83,550**	**373**	**110,522**
At 1 January 2021	—	155,329	1,148	156,477
Amounts provisioned	1,218	4,420	2,225	7,862
Amounts utilized	(1,045)	(18,660)	(1,937)	(21,642)
Unused amounts reversed during the period	—	—	(902)	(902)
Other movements	—	—	—	—
At 31 December 2021	**173**	**141,089**	**534**	**141,796**

Please refer to Note 26.1 for the description of these pending legal issues as at 31 December 2022. The utilisation of €13.6 Mio and reversal of €47.4 Mio relates to a payment to the tax authorities related to BNYM SA/NV's exposure with regards to the German cum-ex trading in the past. Please also refer to Note 5 Other Operating income.

BNY Mellon SA/NV has implemented a restructuring plan over the past years that has led to job relocation and re-organization of certain functions across different locations. The Brussels office maintains client facing functions, specialized processing activities and numerous shared services functions.

21. Subordinated and Long term Liabilities

21.1. Subordinated loans

On March 28, 2022 BNY Mellon SA/NV entered into a 10-year subordinated loan arrangement with The Bank of New York Mellon ("BNYM") for the purposes of ensuring compliance with internal risk appetite for own funds and eligible liabilities ("MREL") and internal total loss absorbing capacity ("TLAC"). The majority of the subordinated loan is funded with the repayment of an existing €800 Mio loan from BNYM to BNY Mellon SA/NV originated in February 2021 with a 10-year maturity (see note 21.2 below). The total carrying amount of subordinated loan was €1,000 Mio at 31 December 2022.

On February 26, 2021, BNY Mellon SA/NV repaid two subordinated loans from a related party amounting to €345.5 Mio (perpetual loan of €92.5 Mio and a loan maturing July 22, 2040 of €253 Mio), replaced by a €800 Mio borrowing with a 10-year maturity (see note 21.2 below).

21.2. Long-term debt

BNY Mellon SA/NV contracted a €800 Mio borrowing with a 10-year maturity in 2021. This was needed to manage the impact of the €345.5 Mio sub-debt repayment on the BNY Mellon SA/NV regulatory metrics mentioned in note 21.1. This borrowing did not qualify as capital. The loan was repaid on March 28, 2022 and replaced by a a 10-year subordinated loan (see note 21.1 above).

In December 2021 two-long term intercompany trades for $1 billion and €1.5 billion were reclassified to the long-term liabilities. The same two intercompany trades with the carrying amount of €2,418.4 Mio at 31 December 2022, are set to mature in the first quarter of 2023, hence they were reclassified as current debt.

22. Retirement Benefit Plan

22.1. Defined Contribution Plan

BNY Mellon SA/NV has various defined contribution plans to which BNY Mellon SA/NV pays fixed contributions (two plans in the Netherlands, one in Luxembourg, one in Ireland, one in Italy, one in Spain and one in Denmark); there is no legal or constructive obligation to pay further contributions. Moreover, in Belgium, a part of a hybrid scheme has a contribution base part, with a guaranteed return. This part is therefore a cash balance scheme. This kind of Belgian scheme is treated as a defined benefit plan under the IAS19 Standard.

The assets of the plans are held separately from those of BNY Mellon SA/NV in funds under the control of the plans trustees.

The total expense of €8.6 Mio (2021: €9.5 Mio) charged to the consolidated statement of profit and loss and other comprehensive income represents contributions payable to these plans by BNY Mellon SA/NV at rates specified in the rules of the plan. Please refer to Note 6.

22.2. Defined Benefit Plan

Employee benefits

During the year the group operated multiple defined benefit plans (or considered as such under IAS19 standards): two in Belgium and two in Germany. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Nature of benefits provided by the Plans

The German Plans are final salary plans and provide pension benefits linked to salary at retirement or earlier date of leaving service. The plans are open to future accrual. The first Belgian defined benefit Plan ("Old Plan") provides pension or lump sum benefits and has been closed to new employees since April 2007. The second Belgian pension scheme ("New Plan") is an hybrid scheme; Defined Benefit plan for the part of the salary limited to a ceiling and Cash Balance plan for the part of the salary above this ceiling.

Regulatory framework in which the Plans operates

The group operates defined benefit pension plans in Belgium and Germany under broadly similar regulatory frameworks.
German Plans: The plans operate under the framework of German company pension law (BetrAVG) and general regulations based on German labor law. The pension plans are closed for new employees. The main pension plans are frozen. The plans are partly funded with assets invested in funds.

Belgian Plans: The defined benefit pension plans (i.e. "Old Plan") and the hybrid defined benefit pension plan/"cash balance" plan (i.e. "New Plan") are financed by the plan Sponsor. Benefit payments are made from self-administered funds. The Fund is regulated by the FSMA (financial regulatory agency in Belgium). Minimum benefits are defined by the law.

Other entity's responsibilities for governance of the Plans

German Plans: None.

Belgian Plans: The Board of Directors is responsible for the governance of the Plans as well as for the governance and investments of the Fund's assets. Benefit payments are made from the self-administered funds and Plan assets are held in the OFP, which are governed by local regulations and practice. Contributions paid by the sponsor are based on the financing plan. The Board of Directors are comprised of representatives of the company in accordance with local regulations and practice.

Risks to which the Plans expose the Company

- Asset volatility - If plan assets underperform the discount rate a deficit results for the period under consideration. As the Belgian plans are partly invested in fixed income assets, there is a possibility of underperformance against the discount rate and so an increase to the deficit (or reduction in surplus) .
- Longevity - Increases in life expectancy will increase plan liabilities, the inflation-linkage of the benefits for the German and Belgian Plans also means that inflationary increases result in a higher sensitivity to increases in life expectancy.
- Inflation risk - The majority of benefits in the German plans are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps

in place which protect against extreme inflation). The Belgian Plan is less sensitive to inflation as a lump sum is provided at retirement.

Plan amendments, curtailments or settlements

No plan amendments, curtailments or settlements occurred during the financial year of 2021.
A curtailment of €0.877 Mio has been recognized in the P&L 2022. The curtailment corresponds to the decrease from the defined benefit obligation to the accrued benefit obligation as at 31 December 2022.

Funding arrangements and funding policy that would affect future contributions

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

Asset-liability matching strategies

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

Movement in net defined benefit (asset) liability

The following table shows reconciliation from the opening balances to the closing balances for the net defined benefit (liability)/ asset and its components.

	Defined benefit obligations		Fair value of plan assets		Net defined benefit (liability)/ asset	
	2022	2021	2022	2021	2022	2021
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Balance at 1 January	**(84,063)**	**(91,813)**	**85,022**	**76,283**	**959**	**(15,530)**
Included in profit or loss						
Current service cost	(2,793)	(3,419)	—	—	(2,793)	(3,419)
Administrative expenses	—	—	(67)	(89)	(67)	(89)
Losses/(gains) on non routine settlements	—	—	—	—	—	—
Curtailments	877	—	—	—	877	—
Operating expense/ (income)	**(1,916)**	**(3,419)**	**(67)**	**(89)**	(1,983)	**(3,508)**
Net interest on the net benefit obligation/ (asset)	(1,023)	(713)	1,034	574	11	(139)
Cost of termination benefits paid from the plan	(241)	—	—	—	-241	0
Finance expense/ (income)	**(1,264)**	**(713)**	**1,034**	**574**	**(230)**	**(139)**
Net benefit expense	**(3,180)**	**(4,132)**	**967**	**485**	**(2,213)**	**(3,647)**
Included in other comprehensive income						
Return on plan assets excluding interest income	—	—	(9,822)	7,778	(9,822)	7,778
Experience gains/ (losses)	(11,062)	1,020	—	—	(11,062)	1,020
Actuarial gains/(losses) arising from changes in financial assumptions	31,579	7,657	—	—	31,579	7,657
Actuarial gains/(losses) arising from changes in demographic assumptions	651	764	—	—	651	764
Total gains/ (losses) recognized	**21,168**	**9,441**	**(9,822)**	**7,778**	**11,346**	**17,219**
Other						
Net transfers (in)/out	—	—	—	—	—	—
Contribution paid by the employer	—	—	1,952	2,917	1,952	2,917
Benefits paid	2,005	2,441	(2,005)	(2,441)	—	—
	2,005	**2,441**	**(53)**	**476**	**1,952**	**2,917**
Balance at 31 December	**(64,070)**	**(84,063)**	**76,114**	**85,022**	**12,044**	**959**

The financial assumption gain is explained by a gain due to the increase in the discount rate, which is partially offset by a loss due to the increase in price inflation.

The amounts of the defined benefit obligation and plan assets for the previous five years are reported below.

Net defined benefit (obligation)/asset

31 December	2022	2021	2020	2019	2018
	In € '000	In € '000	In € '000	In € '000	In € '000
Fair value of plan assets	76,114	85,022	76,283	70,917	63,640
Defined benefit obligation	(64,070)	(84,063)	(91,813)	(104,502)	(78,014)
As of 31 December	**12,044**	**959**	**(15,530)**	**(33,585)**	**(14,374)**

Net defined benefit obligations and assets aren't netted off amongst the plans. Hence, other assets - accounts receivables (note 15) include a net defined benefit asset (€14 Mio) and other liabilities as mentioned in note 19 a net defined benefit obligation (€2 Mio).

BNY Mellon SA/NV expects to contribute €1.88 Mio to its defined benefit pension plan in 2023 (2022: €1.95 Mio). The cumulative amount of gains and losses recognized in other comprehensive income is presented below:

Gains and losses recognized in other comprehensive income

	2022	2021
	In € '000	In € '000
As of 1 January	(6,884)	10,658
Recognized during the year	(8,363)	(17,542)
As of 31 December	**(15,247)**	**(6,884)**

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

	2022	2021
Equity instruments (all quoted), of which:	39.0 %	41.8 %
Domestic equities	*13.2 %*	*18.7 %*
Overseas equities	*22.5 %*	*19.6 %*
Emerging markets equities	*3.3 %*	*3.5 %*
Debt instruments, of which:[20]	50.3 %	52.3 %
Corporate/government bonds	28.8 %	29.0 %
Property (all quoted)	4.0 %	2.6 %
Cash	2.9 %	1.0 %
Quoted	0.8 %	0.9 %
Unquoted	2.2 %	0.1 %
Other *(quoted)*	3.83 %	2.29 %

[20] Investments in funds are included in the categories of Debt Instruments. The sub-categories reflect the underlying assets of the fund.

The sector allocation of the equity instruments is as follows:

	2022 In € '000	2021 In € '000
Equity instruments, of which:	**29,688**	**35,567**
Energy, industrial companies and materials	6,175	7,576
Consumer Discretionary and Staples	5,255	5,940
Financials	4,899	5,477
Health Care	3,800	3,912
Information Technology	7,778	10,812
Other	1,781	1,849

Substantially the equity securities and bonds are issued in EUR currency 56.17% (2021: 61.36%) and traded in active markets. All government bonds are issued by European governments.

	2022	2021
AAA	10.3 %	6.9 %
AA	9.2 %	10.2 %
A	21.9 %	22.3 %
Not rated	4.3 %	0.3 %

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on behalf of BNY Mellon SA/NV at 31 December 2022. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Actuarial assumptions and sensitivity analysis

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

	2022	2021
Discount rate	3.90%	1.25%
Future salary growth	3.20%	2.85%
Future pension increase	2.20%	1.90%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into the average life expectancy underlying the values of the defined benefit obligation at the reporting date as per below:

	2022	2021
Longevity at age 65 for current pensioners		
Males	21.7	21.6
Females	25.4	25.3
Longevity at age 65 for current members aged 45		
Males	22.4	22.4
Females	26.0	26.0

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

Value of obligations at year end if (In '€000) :	Movement	31 December 2022
Discount rate reduced by	1.00%	74,920
Discount rate increased by	1.00%	56,296
Inflation reduced by	1.00%	61,392
Inflation increased by	1.00%	68,522
Life expectancy decreased by	1 year	64,154
Life expectancy increased by	1 year	65,225

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

23. Issued Capital and Reserves

Authorized, issued and fully paid	2022	2021
	In '000	In '000
Ordinary shares of 1038.5 € each (2021: 1038.5 €)	1.689	1.689
	1.689	**1.689**

BNY Mellon has share option schemes under which options to subscribe for the BNY Mellon's shares have been granted to certain executives and senior employees of BNY Mellon SA/NV, however share options do not have an impact on the BNYM SA/NV's issued capital.
Other reserves in total equity were €-393.09 Mio at 31 December 2022 (2021: €63.93 Mio). The significant decrease in other reserves is driven by change of net fair value of financial assets at FVOCI in amount of €-611.89 Mio in 2022.
100% of the BNY Mellon SA/NV's shares are now held by BNY Mellon. The share that was by BNY International Financing Corporation was transferred to BNY Mellon in 2022. Please also refer to Report of the Board of Directors section 4.

24. Fair Value of Financial Instruments

24.1. Determination of Fair Value and Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Level 1 prices are available from an exchange, a dealer, broker or a similar counterparty. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Quoted prices in an active market provide the most reliable evidence of fair value and must be used whenever available. The fair value measurement of financial instruments with quoted prices is based on a mark-to-market valuation derived from currently available transaction prices with no valuation (modeling) technique needed.

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

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data. The level 3 category implies that there is no active market and that assumptions hence internally developed valuation techniques are put in place to determine the fair value of the financial instrument.

BNY Mellon SA/NV considers that the Level 2 reflects better the valuation techniques used to estimate the value of financial liabilities given that the valuation is not derived directly from currently available transaction prices.

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

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	In € '000	**In € '000**	**In € '000**	**In € '000**
Financial assets				
Derivative financial instruments				
Options	—	325	—	325
Forward foreign exchange contracts	—	1,104,027	—	1,104,027
Interest rate swaps	—	27,447	—	27,447
Financial investments at FVOCI (Quoted)				
Debt securities	1,946,542	8,976,260	—	10,922,802
Equity instruments	—	3,543	—	3,543
	1,946,542	**10,111,602**	**—**	**12,058,144**
Financial liabilities				
Derivative financial instruments				
Options	—	325	—	325
Forward foreign exchange contracts	—	1,336,396	—	1,336,396
Other	—	209	—	209
	—	**1,336,930**	**—**	**1,336,930**

2021	Level 1	Level 2	Level 3	Total
	In € '000	In € '000	In € '000	In € '000
Financial assets				
Derivative financial instruments				
Options	—	86	—	86
Forward foreign exchange contracts	—	368,353	—	368,353
Interest rate swaps	—	116	—	116
Financial investments at FVOCI (Quoted)				
Debt securities	12,503,280	149,422	—	12,652,702
Equity instruments	—	2,949	—	2,949
	12,503,280	**520,926**	**—**	**13,024,205**
Financial liabilities				
Derivative financial instruments				
Options	—	86	—	86
Forward foreign exchange contracts	—	316,403	—	316,403
Other		246		246
	—	**316,735**	**—**	**316,735**

In 2022, BNY Mellon SA/NV changed the Fair Value levelling determination process to align to the Group Fair Value levelling methodology determined under US GAAP (ASC 820) and IFRS (IFRS 13). This resulted in a reclassification of Debt Securities at Fair Value through OCI from FVH Level 1 to Level 2 in amount of €8,853 Mio at 31 December 2022.

Below a table restating the FY 2021 figures applying the new 2022 Fair Value determination process :

Change in Fair Value levelling for Financial Assets - Debt Securities

In € '000	Old FV per FY21	Impact of policy change	New FV FY21	New FV FY22
Level 1	12,503,280	(9,943,512)	2,559,768	1,946,542
Level 2	149,422	9,943,512	10,092,934	8,976,260

The €0.21 Mio disclosed as 'other derivative financial instruments' represent the unrealized losses on the guarantee commitments provided in connection with covering certain pension/ minimum payment commitments as further explained in section 1.6.3.2 of this document.

24.2. Financial Instruments Recorded at Fair Value

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

24.2.1. Derivatives

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

As of December 2022 and 2021, the credit valuation/ debit valuation adjustment (CVA/DVA) was determined to be immaterial, hence it was not adjusted.

24.2.2. Financial Instruments – FVOCI

The financial assets measured at fair value through other comprehensive income that are classified within Level 1 mainly consist of government securities that are actively traded in highly liquid over-the-counter markets. These securities are valued using recent quoted unadjusted prices.

If quoted market prices are not available, the fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For securities where quotes from recent transactions are not available for identical securities, BNY Mellon SA/NV determines fair value primarily based on pricing sources with reasonable levels of price transparency. Specifically, the pricing sources obtain recent transactions for similar types of securities (e.g. vintage, position in the securitization structure) and ascertain variables such as speed of prepayment and discount rate for the types of transaction and apply them to similar types of bonds. BNY Mellon SA/NV does not have such securities at 31 December 2022.

At BNY Mellon SA/NV, any actively traded RMBS with pricing sources derived largely from broker quotes are classified as Level 2 in the Fair Value Hierarchy.

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

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

24.3.1. Assets for which Fair Value Approximates Carrying Value

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

24.3.2. Assets for which Fair Value does not Approximate Carrying Value

For investment securities measured at amortized cost, for which we disclose a fair value, we determined quoted market prices to be the appropriate fair value measurement when available.

For financial assets and financial liabilities, where quoted market prices are not available, we generally base the fair value of loans on observable market prices of similar instruments, including bonds, credit derivatives and loans with similar characteristics. If observable market prices are not available, we base the fair value on estimated cash flows adjusted for credit risk which are discounted using an interest rate appropriate for the maturity of the applicable loans.

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

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	In € '000	In € '000	In € '000	In € '000
Financial assets				
Cash and cash balances with central banks	18,493,927	18,493,927	19,861,195	19,861,195
Loans and advances to customers	7,643,466	7,643,466	6,318,493	6,318,493
Debt instruments at amortised cost - Quoted	1,344,729	1,344,729	153,067	153,067
Financial liabilities				
Financial liabilities at amortized cost	35,012,697	35,012,697	35,468,797	35,468,797
Deposits	33,979,556	33,979,556	32,266,562	32,266,562
Subordinated liabilities	1,000,153	1,000,153	—	—
Long term debt	—	—	3,166,861	3,166,861
Other financial liabilities	32,988	32,988	35,374	35,374

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

Interest income from financial instruments measured at amortized cost	2022	2021
	in € '000	in € '000
Loans and advances to customers	168,285	44,172
Debt instruments at amortised cost - Quoted	6,975	565
Total	**175,260**	**44,737**

Interest expense from financial instruments measured at amortized cost	2022	2021
	in € '000	in € '000
Deposits	200,707	35,066
Subordinated loans	21,312	4,621
Lease liabilities (note 26.4)	249	241
Total	**222,268**	**39,928**

25. Share-based Payment

The share-based payment plans are described below. There have been no cancellations of or modifications to, any of the plans during 2022.

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

Restricted Stock Units are issued under the plan and generally vest in ¼ increments each year.
The expense recognized for employee services received during the year is shown in the following table:

	2022	2021
	In € '000	In € '000
Expense arising from equity-settled share-based payment transactions	3,093	3,387
Total expense arising from share-based payment transactions	**3,093**	**3,387**

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year. The WAEP has been converted to EUR based on the monthly average rates.

Options

	2022			2021		
	No.	WAEP USD	WAEP EUR	No.	WAEP USD	WAEP EUR
Outstanding at the beginning of the year	13,063	22.03	19.83	38,440	25.58	23.03
Exercisable at the beginning of the year	13,063	22.03	19.83	38,440	25.58	23.03
Staff transfers due to organisational changes[21]	—	—	—	2,069	—	—
Granted and vested during the year	—	—	—	—	—	—
Forfeited during the year	—	44.06	41.63	—	60.26	54.25
Exercised during the year	11,708	22.03	20.81	25,359	27.72	24.96
Expired during the year	1,355	—	—	2,087	—	—
Outstanding at the end of the year	—	—	—	13,063	22.03	19.83
Exercisable at the end of the year	—	—	—	13,063	22.03	19.83

Restricted stock

	2022	2021
	No.	No.
Outstanding at the beginning of the year	123,343	93,350
Staff transfers during the year (see footnote 12)	(2,514)	9,801
Granted during the year	74,415	88,634
Vested and exercised during the year	64,981	67,596
Forfeited during the year	6,555	846
Outstanding at the end of the year	123,708	123,343
Non vested expected to vest at year end	121,792	121,705

[21] Staff transfers include the internal transfer of: 1) 1.075 options and 455 restricted stocks from BNYM Luxembourg entity of BNYM UK Bank to the BNYM Luxembourg bank that merged with BNYM SA/NV; 2) 2.424 restricted stocks from BNYM UK bank to various branches of BNY Mellon SA/NV and 3) 3.453 restricted stock coming from TCIL entity into Dublin branch of BNY Mellon SA/NV.

All the options were exercised, forfeited or expired during 2022, hence there are no stock options available on December 31st 2022.

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

The share price and exercise price are the same and equal the price of BNY Mellon stock on the date of grant. No stock options were granted during the past years and thus there is no available input data to the model used for equity-settled options for the years ended 31 December 2022 and 2021.

26. Other information

26.1. Legal Claims

German authorities are investigating past “cum/ex” trading, which involved the purchase of equity securities on or shortly before the dividend date, but settled after that date, potentially resulting in an unwarranted refund of withholding tax. German authorities have taken the view that past cum/ex trading may have resulted in tax avoidance or evasion. BNY Mellon SA/NV and its German subsidiary have been informed by German authorities about investigations into potential cum/ex trading by certain third-party investment funds, where BNY Mellon SA/NV had acquired entities that served as depositary and/or fund manager for those third-party investment funds. We have received information requests from the authorities relating to pre-acquisition activity and are cooperating fully with those requests. In August 2019, the District Court of Bonn ordered that the German subsidiary be joined as a secondary party in connection with the prosecution of unrelated individual defendants. The trial commenced in September 2019. In March 2020, the court stated that it would refrain from taking action against the subsidiary in order to expedite the conclusion of the trial. The court convicted the unrelated individual defendants, and determined that the cum/ex trading activities of the relevant third-party investment funds were unlawful. In May 2020, pursuant to legal advice from outside counsel indicating a legal obligation to correct tax returns, disclosure letters were sent to the tax authorities disclosing certain facts related to the judgment in the Bonn trial and maintaining that the cases were time barred. In November and December 2020, we received secondary liability notices from the German tax authorities related to pre-acquisition activity in various funds for which the entities we acquired were depositary and/or fund manager. We have appealed the notices. In connection with the acquisition of the subject entities, BNY Mellon SA/NV obtained an indemnity for liabilities from the sellers that BNY Mellon SA/NV intends to pursue as necessary. Whilst we continue to pursue our claims under the indemnity, until we have confirmation of payment, we assess recovery as less than virtually certain as referred to in IAS 37. The provision booked with respect to this legal matter has been determined based on management judgment of the most likely liability that will be owed to German authorities (including legal interest at 6%; no penalties are expected). In 2022 BNYM SA/NV has recorded two reductions of the tax liability in amount of €55 Mio. The amount appears in two line items of Profit and Loss statement, the other operating income and provisions. The pay-out ratio of the total estimated tax liability until 31 December 2022 was 49%. Interactions with indemnifying parties remain constructive and we remain of the view that we have effective recourse under the indemnities given. There is estimation uncertainty in the final outcome of this legal matter. Please also refer to Note 5 Other Operating income and Note 20 Provisions.

26.2. Off-balance Sheet

The off-balance sheet items consist mainly of: (i) the assets under custody (AUC) totaling €2,834B as of 31 December 2022 (2021: €3,290B), and (ii) other given and received commitments.

The significant decrease of AuC in 2022 by €456B is mainly driven by a decrease in market value of the securities due to aggressive interest rate hikes to curb inflation, recession fears, the Russia-Ukraine war and rising concerns over Covid cases in China.

The breakdown of the off-balance sheet positions are provided in the table below.

Overview of off balance sheet positions:

CATEGORY	2022	2021
	In € Mio	In € Mio
Commitments given (repurchase agreements and forward deposits)	3	3
Financial guarantees received for state guaranteed bonds (Note 28.2.5)	2,146	1,841
Other commitments received (Note 26.3)	1,000	1,000
Assets under custody	2,834,437	3,290,351
TOTAL	**2,837,586**	**3,293,195**

The amount of assets under custody received, split by currency at 31 December 2022, are presented in the table below:

	2022			2021		
	EUR	Other currency	Total	EUR	Other currency	Total
	In € 'Mio	In € 'Mio	In € 'Mio	In € 'Mio	In € 'Mio	In € 'Mio
Assets under custody	995,712	1,838,725	2,834,437	1,204,145	2,086,206	3,290,351
	995,712	**1,838,725**	**2,834,437**	**1,204,145**	**2,086,206**	**3,290,351**

26.3. Collateral and other commitments received

On the 6th of February 2020, BNYM SA/NV signed an Unfunded Credit Risk Mitigation Agreement with The Bank of New York Mellon to cover the part of exposures exceeding the prudential limit (25% of own funds) on all external counterparties for maximum €1bn. No usage of this guarantee has been recorded as of December 31, 2022 reporting.

26.4. Leasing

BNY Mellon SA/NV has entered into a number of leases on premises and equipment. These leases typically have an average life of 0.00 years for machine and equipment, of 1.76 for cars and 3.50 years for premises. There are no restrictions placed upon the lessee by entering into these leases.

Previously these leases were classified as operating leases under IAS 17.

Information about leases for which BNY Mellon SA/NV is a lessee is presented below.

The right-of-use assets relate to leased branches and head office premises, cars and other equipment and are presented within property and equipment category on the face of the balance sheet (please see note 16).

	2022	2021
	In '000	In '000
Right-of-use assets		
Balance at 1 January	33,660	32,744
Depreciation charge for the year	(9,527)	(10,507)
Additions	6,543	11,424
Balance at 31 December	**30,676**	**33,660**

The amounts recognised in profit or loss for the years 2022 and 2021 were:

	2022	2021
	In '000	In '000
Interest on lease liabilities	249	241
Expenses relating to short-term leases/low value assets	10	285
	259	**526**

BNY Mellon SA/NV has classified cash payments for the principal portion of lease payments as financing activities and cash payments for interest portion as operating activities consistent with the presentation of other interest payments.

Amounts recognized in the statement of cash flows were as follows:

	2022	2021
	In '000	In '000
Outflows for operating activities	249	241
Outflows for financing activities	8,902	10,495
Total cash outflows for leases	**9,151**	**10,736**

27. Related Party Disclosures

27.1. Key Management Compensation

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

	2022	2021
	In € '000	In € '000
Short-term employee benefits	3,599	3,673
Post-employment benefits	108	112
Other long-term benefits	19	14
Share based payments	580	474
	4,306	**4,273**

Short-term employee benefits section consists of salaries of €3.56 Mio (2021: €3.47 Mio), social charges of €0.04 Mio (2021: €0.17 Mio) and pension expenses of €0.00 Mio (2021: €0.04 Mio).

Post-employment benefits of the key management are an estimation of extra-legal pension contribution. Other long term benefits are the contributions to the death-in-service reinsurance and long term disability.

More information regarding the share based payments are disclosed in Note 25.

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

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

27.3. Transactions with Related Parties

The following is a summary of the balances relating to transactions with BNY Mellon SA/NV's parent (i.e. ultimate parent and ultimate controlling party only), the companies included in its parent's consolidated financial statements and other companies related to BNY Mellon group. The outstanding balances and transactions with own subsidiaries are included for presentation purposes only, since these transactions are eliminated for the consolidation scope.

Amounts payable to and amounts receivable from related parties

	2022			2021		
	Parent	Own subsidiaries	Other entities of the group	Parent	Own subsidiaries	Other entities of the group
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Assets: loans and advances	3,326,472	39	585,289	2,727,759	2	572,543
Current accounts	2,952,947	39	253,186	2,235,898	2	264,763
Term loans	373,525	—	332,103	491,862	—	307,780
Other assets	753,791	22,629	4,437	271,252	40,563	4,395
TOTAL ASSETS	**4,080,263**	**22,668**	**589,726**	**2,999,011**	**40,564**	**576,938**
Deposits	4,898,488	87,806	367,996	2,099,831	96,802	393,384
Long term debt / subordinated debt	1,000,153	—	—	3,166,861	—	—
Other liabilities	519,497	790	12,577	174,926	17	12,861
TOTAL LIABILITIES	**6,418,137**	**88,596**	**380,574**	**5,441,618**	**96,818**	**406,245**

Income and expense generated by transactions with related parties

	2022			2021		
	Parent	Own subsidiaries	Other entities of the group	Parent	Own subsidiaries	Other entities of the group
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Interest income	54,767	352	8,722	48,898	646	5,650
Fees and commissions	255,014	2,505	11,708	238,960	2,051	13,434
Other	28,075	1,928	438	2,976	813	755
TOTAL INCOME	**337,856**	**4,785**	**20,868**	**290,834**	**3,510**	**19,840**
Interest expense	68,382	297	4,901	68,419	—	5,989
Fees and commissions	172,647	1,207	50,909	149,295	1,270	42,640
Other	97,846	20,315	13,137	82,888	(1,095)	9,731
TOTAL EXPENSE	**338,875**	**21,818**	**68,948**	**300,602**	**175**	**58,360**

27.4. Terms and Conditions of Transactions with Related Parties

The outstanding balances arise from the ordinary course of business. Outstanding balances at the year-end are unsecured. Nonetheless, the term deposits with BNY Mellon are covered by a master agreement that contains a right to withdraw prior to maturity date subject to early withdrawal penalty (break clause). For the year ended 31 December 2022, receivables from related parties are not considered to be doubtful and hence no provision for doubtful debt has been made.

27.5. Consolidated[22] Subsidiaries and Branches and Key Financial Performance Figures by Geographical Location

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

Branches and Subsidiary	Country of incorporation	Nature of activity
		2022
The Bank of New York Mellon SA/NV - Amsterdam Branch	Netherlands	Asset Servicing & Digital, Markets
The Bank of New York Mellon SA/NV - London Branch	United Kingdom	Asset Servicing & Digital, Corporate Trust, Markets
The Bank of New York Mellon SA/NV - Frankfurt Branch	Germany	Asset Servicing & Digital, Clearing & Collateral Management Sales, Corporate Treasury, FX Trading, Treasury Services Sales
The Bank of New York Mellon SA/NV - Luxembourg Branch	Luxembourg	Asset Servicing & Digital, Corporate Trust, Markets
The Bank of New York Mellon SA/NV – Milan Branch	Italy	Corporate Trust, Treasury Services, Asset Servicing & Digital
The Bank of New York Mellon SA/NV	Belgium	Asset Servicing & Digital, Clearance and Collateral Management, Markets, Corporate Trust, Depositary Receipts
The Bank of New York Mellon SA/NV - Dublin Branch	Ireland	Asset Servicing & Digital, Corporate Trust, Depositary Receipts, Markets
The Bank of New York Mellon SA/NV - Paris Branch	France	Corporate Trust, Clearance and Collateral Management, Depositary Receipts, Markets
BNY Mellon Service Kapitalanlage - Gesellschaft mbH (subsidiary)	Germany	Asset Servicing & Digital
The Bank of New York Mellon SA/NV - Copenhagen Branch	Denmark	Asset Servicing & Digital
The Bank of New York Mellon SA/NV - Madrid Branch	Spain	Clearance and Collateral Management, Treasury Services

Name of Subsidiary	Country of incorporation	% equity interest	% equity interest
		2022	2021
BNY Mellon Service Kapitalanlage - Gesellschaft mbH	DE	100 %	100 %

The turnover, profit before tax and after tax consolidated into the consolidated statement of profit and loss of BNY Mellon SA/NV as well as the number of employees (full time equivalent) are presented by location in the table below:

[22] BNY AIS Nominees Limited is a non-consolidated subsidiary with 100% equity interest in 2022 and 2021

Branches and Subsidiary	Turnover*	Profit before tax	Profit after tax	No of FTE (equivalent)
2022	In € '000	In € '000	In € '000	
The Bank of New York Mellon SA/NV	433,817	240,915	232,011	482
The Bank of New York Mellon SA/NV - London Branch	—	(17)	(433)	—
The Bank of New York Mellon SA/NV - Amsterdam Branch	57,594	29,832	22,374	120
The Bank of New York Mellon SA/NV - Dublin Branch	124,091	60,222	42,672	385
The Bank of New York Mellon SA/NV - Luxembourg Branch	82,387	4,910	(12,200)	283
BNY Mellon Service Kapitalanlage - Gesellschaft mbH	10,297	(9,283)	(9,283)	83
The Bank of New York Mellon SA/NV - Frankfurt Branch	41,140	37,878	37,878	166
The Bank of New York Mellon SA/NV - Milan Branch	7,381	1,309	797	26
The Bank of New York Mellon SA/NV - Paris Branch	1,177	(2,685)	(2,913)	9
The Bank of New York Mellon SA/NV - Madrid Branch	1,546	(2,005)	(2,181)	17
The Bank of New York Mellon SA/NV - Copenhagen Branch	1,569	(1,212)	(1,309)	16
Total	**760,999**	**359,865**	**307,413**	**1,586**

Branches and Subsidiary	Turnover*	Profit before tax	Profit after tax	No of FTE (equivalent)
2021	In € '000	In € '000	In € '000	
The Bank of New York Mellon SA/NV	287,330	143,935	95,816	511
The Bank of New York Mellon SA/NV - London Branch	220	159	129	—
The Bank of New York Mellon SA/NV - Amsterdam Branch	68,704	44,874	37,598	131
The Bank of New York Mellon SA/NV - Dublin Branch	144,794	84,127	76,718	375
The Bank of New York Mellon SA/NV - Luxembourg Branch	134,840	70,001	60,942	259
BNY Mellon Service Kapitalanlage - Gesellschaft mbH	22,001	(3,725)	(3,725)	83
The Bank of New York Mellon SA/NV - Frankfurt Branch	8,360	(39,880)	(39,861)	172
The Bank of New York Mellon SA/NV - Milan Branch	8,983	3,584	3,037	24
The Bank of New York Mellon SA/NV - Paris Branch	707	(2,350)	(2,446)	11
The Bank of New York Mellon SA/NV - Madrid Branch	1,070	(1,361)	(1,431)	11
The Bank of New York Mellon SA/NV - Copenhagen Branch	157	(1,107)	(1,123)	13
Total	**677,166**	**298,258**	**225,655**	**1,590**

*Turnover comprises interest income, fee and commission income, gains on non-qualifying economic hedges, gains from sale of FVOCI debt securities and non-trading gains from exchange differences.

27.6. Business Combinations and Discontinued Operations

On 21 December 2022, approval has been granted from the SA/NV Executive Committee, the Branch Management of the Frankfurt Branch of the SA/NV, the Supervisory Board of the KVG and the Board of Directors of the KVG for the sale of the Legal KVG business to third party. This being part of a multi leg plan with the intention to also sell the KVG Risk Control business and to merge the remaining KVG into the parent company. The estimated timing for the transfer of the business is from January 2023 through February 2024. Accordingly, the business being disposed of is presented as held for sale.

Profit (loss) from discontinued operations €3.465Mio

Liabilities held for sale in €0.203Mio

28. Risk Management

28.1. General

The Board of BNYM SA/NV recognizes that risk is inherent in all products, activities, processes and systems, and therefore considers effective management of risk as a fundamental element in the management of BNYM SA/NV.
The Board empowers the Risk Management Function of BNYM SA/NV to establish a framework which provides sufficient assurance that risks are effectively identified, assessed, monitored, mitigated and reported on.
Specifically, the Board empowers the Risk Management Function to ensure that processes and controls are adequate to ensure compliance with the Risk Appetite and its related limits including relevant policies and processes to deal promptly with limit breaches.
The Risk Management Function maintains the BNYM SA/NV's risk management framework which is an overarching framework that describes how risk is managed within BNYM SA/NV, as well as how these framework components interact, including within policies, procedures, limits and controls providing adequate, timely and continuous identification, assessment, monitoring, management and reporting of the risks posed by its activities at consolidated and branch/subsidiary levels.
Given that BNYM SA/NV is a fully owned subsidiary of BNY Mellon and part of the BNY Mellon Group, the Risk Management Function implements locally a risk management framework consistent with the BNY Mellon Group's framework, articulated around the three lines of defense model.

28.1.1. Risk Management Framework

Risk Appetite

BNY Mellon defines risk appetite as "the level of risk it is normally willing to accept while pursuing the interests of our major stakeholders, including our clients, shareholders, employees and regulators". The Risk Appetite Statement (RAS) defines metrics and controls to measure and monitor risks relative to the risk appetite. These metrics establish risk thresholds through qualitative and quantitative expressions of risk appetite to monitor risk-taking activities.

The Risk Appetite of BNYM SA/NV constitutes the risk-limiting perimeter within which the Firm, its Branches and Subsidiary must operate.

The Board owns and defines the RAS, and is responsible for annually reviewing it and approve any amendment. The Risk Appetite Metrics Report is actively monitored, and managed by the BNYM SA/NV Executive Committee through a defined governance and set of delegated controls to ensure that the performance of business activities remains within risk appetite levels. The Risk Appetite is reviewed at least annually or as needed if the risk profile changes. The Risk appetite is developed according to a Group Policy.

The Board of BNY Mellon SA/NV adopts a prudent appetite to all elements of risk to which it is exposed. Business activities are managed and controlled in a manner consistent with the Board's stated tolerances using defined quantitative and qualitative measurements. The Board of Directors has sought to establish a clear set of tolerances for its business and has articulated it's appetite through a series of statements and metrics.

28.1.2. Committees assisting the Executive Committee

The Executive Committee has established the following committees to assist in the performance of its duties.

Risk Management Committee ("RMC")

The purpose of the RMC is to provide oversight of the risks supported by BNYM SA/NV (including head office, branches and representative office), to ensure that risks are identified, monitored and reported and to ensure that appropriate actions and activities are in place to manage the identified risks. The Committee also plays a central role in ensuring that any 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, representative office, and businesses are executed in accordance with BNYM SA/NV Risk Appetite Statement (RAS), policies, and 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 BNY Mellon's over-arching 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.

Asset and Liability Committee ("ALCO")

The BNYM SA/NV 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. BNYM SA/NV ALCO is responsible for ensuring that policy and guidance set through the BNY Mellon Group is understood and executed locally. This includes strategy related to the investment portfolio, placements, capital, interest rate risk, and liquidity risk.

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, Global Markets and Broker-Dealer & Advisory Services.

BNY Mellon SA/NV representatives, selected by the ExCo for their expertise, sit at BACs when BNY Mellon SA/NV deals have to be approved.

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 Risk Committee of the Board where relevant.

Technology Risk Committee (TRC)

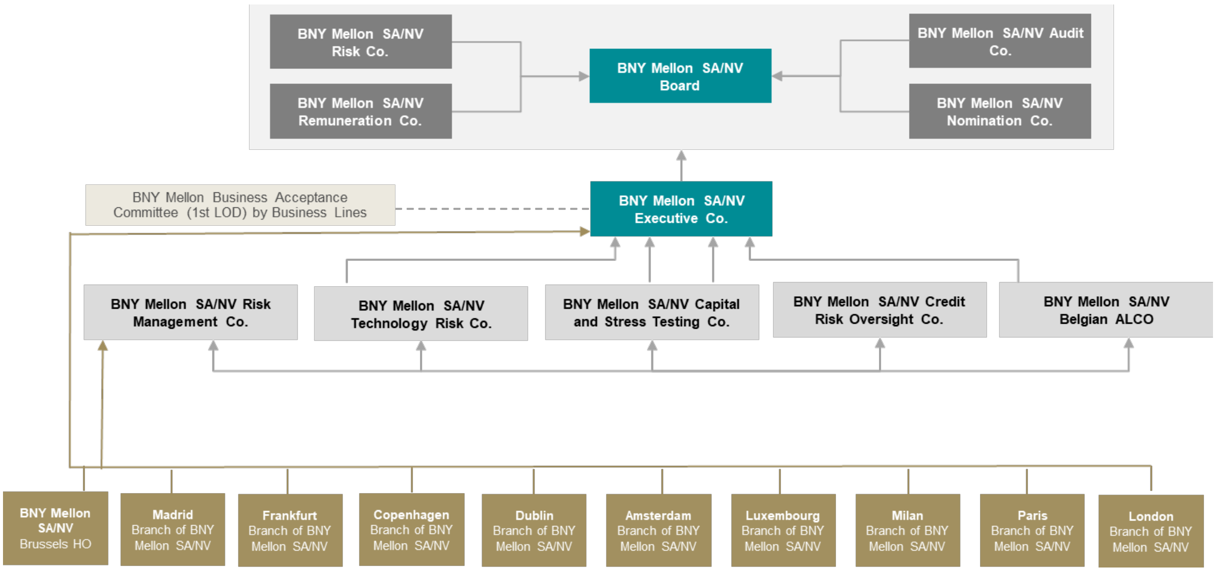
The key purpose of the TRC is to provide oversight of the Technology risks supported by the BNYM SA/NV head office and its branches, to ensure that Technology risks are identified, monitored and reported and to ensure that appropriate actions and activities are in place to manage the identified risks. The Committee also plays a central role in ensuring that any 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 Committee is to establish and maintain a capable, effective forward looking Technology risk organization that is well placed to identify and manage emerging risks for BNYM SA/NV including its branches. The Committee provides risk-based challenge to the Technology 1st line of defense, establishes and maintains a risk culture, and advises and escalates to BNYM SA/NV Executive Committee on risk matters.

The Committee is responsible for ensuring that Technology related risk and compliance activities undertaken by BNYM SA/NV including its branches and service providers are executed in accordance with risk appetite, policies and regulations.

28.1.3. Description of the Risk Management Framework

The risk management function monitors and identifies emerging risks with a forward looking approach. It provides risk management information to the BNY Mellon SA/NV Board and governance committees, and contributes to a “no-surprise” risk culture. It aligns closely with Compliance (2LOD) and Internal Audit (3LOD) plus Finance and Treasury (as 1LOD control functions). It independently educates staff, promotes risk awareness and continually makes improvements, whilst monitoring progress against defined success criteria for improving the effectiveness of the risk function.



A designated (Branch) Risk Manager oversees each one of the eight BNYM SA/NV Branches, the Brussels Head Office and the KVG subsidiary.

The different Branch/Subsidiary Managers are invited to the monthly RMC and have the possibility to escalate any item they deem material.

28.1.4. Risk Assessment Methodology and Reporting Systems

Risk identification and monitoring occur in the business (operational areas) and within focused risk departments. Several processes are in place in order to ensure that the risks are correctly and timely identified and monitored. Monitoring and controlling risks is primarily performed based on limits established by BNY Mellon SA/NV. These limits reflect the business strategy and market environment of BNY Mellon SA/NV as well as the level of risk that BNY Mellon SA/NV is willing to accept. In addition, BNY Mellon SA/NV's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the Risk Management Committee, the Executive Committee and the Board of Directors.

Risk identification and reporting is made using a series of tools and information systems. Each risk type is assessed and reported by risk experts to BNY Mellon SA/NV RMC.

BNY Mellon SA/NV benefits from multiple data gathering, risk monitoring and escalation flows. BNY Mellon SA/NV generally does not build its own risk infrastructure, data aggregation and reporting tools. In that sense, all the tools used by the risk experts are Corporate tools, of which the building and maintenance is framed by policies and Service Level Agreements.

28.1.5. Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP")

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

Pillar 1 capital requirement is calculated according to the Basel standardized approach for credit, market and operational risks, and for credit value adjustment. The standard formula is based on weighting factors applied to the balance sheet and profit and loss components.
Pillar 2 capital requirement is based on an internal risk assessment of the components of the balance sheet and of the business activities; it uses BNY Mellon SA/NV methodologies (most being BNY Mellon methodologies) which follow an approval process including independent validation by BNY Mellon's model validation team. These methodologies are approved by BNY Mellon SA/NV Capital and Stress Testing Committee and by BNY Mellon SA/NV Board of Directors during the annual ICAAP approval. BNY Mellon SA/NV also conducts stress tests in order to assess the resilience of the capital base in the future. This provides an avenue for micro- and macro-economic scenarios, new activities or strategic plans to be assessed from a capital perspective.

The ILAAP process reflects a strong liquidity risk management culture and efficient governance regime in place within the firm. Throughout the ILAAP preparation cycle the content, findings and conclusions set out in this paper have been reviewed and challenged by the relevant stakeholders and governance committees.

The ILAAP is a living document updated on a regular basis and, no less frequently than annually. It includes liquidity stress testing proving the resilience of the firm in case of market or idiosyncratic liquidity events.

28.1.6. Risk Mitigation

As part of its overall risk management and in addition to the different mitigation measures implemented within the different risk categories, BNY Mellon SA/NV uses derivatives and other instruments to manage exposures resulting from changes in foreign exchange rates. This use is limited to the economical coverage of the liquidity invested in part of its debt instruments portfolio.

28.2. Credit Risk

28.2.1. Source of Risks

Credit risk is 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.

Because of its business model providing custodial services to the global finance community, BNY Mellon SA/NV assumes less balance sheet and traditional credit risk than many other banks. However, these businesses do create significant intraday credit risk that can originate from different sources.

BNY Mellon SA/NV credit exposures arise primarily through the following activities:

- BNY Mellon SA/NV provides significant intraday credit facilities to clients in order to settle transactions settling in a wide variety of global markets. These facilities are generally secured, unadvised and uncommitted. Although end of day balances (overdrafts) are relatively small, intraday exposures can be extensive, albeit spread across a very wide portfolio of clients.

- Client overdrafts, resulting from unfunded intraday activity (trade purchases, FX and payment activity, etc).
- Placement to central banks and money market: credit risk assumed by BNY Mellon SA/NV in placing funds with banks for a fixed term or overnight. This may be by way of cash placement or through the purchase of certificates of deposits issued by these banks.
- Investment in securities (government bonds, corporate bonds, covered bonds and RMBS): BNY Mellon SA/NV has a large securities portfolio.
- Intercompany exposure (placements, Netting Agreement use and receivables).
- Derivatives in the banking book: FX swaps used to manage liquidity and FX swaps coming from the FX client activity.

28.2.2. Credit Risk Management Framework

The Credit Risk Management Framework (CRMF) defines roles and responsibilities using the three lines of defense, as defined in section 28.1. The CRMF within BNY Mellon SA/NV relies on awareness, well defined policies, procedures and reporting, a clear governance structure and suitable tools for reporting and monitoring; these are used to effectively identify, manage, mitigate, monitor and report the risks in an organized way to the appropriate governance body.
A series of new credit risk procedures at BNY Mellon Group level (applicable to SA/NV as well) have been developed to enhance the execution of the CRMF. The procedures define sustainable baseline standards to be applied across all business level operational risk functions including BNY Mellon SA/NV, and focus on:

- Clearly defined First and Second Line of Defense roles and responsibilities
- Escalation Requirements
- Evidence of Oversight and Challenge Activities

28.2.3. Credit Risk Monitoring and Control

Credit risk is managed and monitored by several teams globally, including officers in Brussels and is reported to the Credit Risk Oversight Committee (CROC), a sub-committee of BNY Mellon SA/NV Executive Committee.

Monitoring and control is conducted via a number of systems to ensure that approved exposure levels are not exceeded, or are pre-approved by an appropriate Credit Officer in the light of individual circumstances. Post event monitoring is conducted by both client service areas and the credit risk function. Each counterparty is associated with an internal rating defining its credit quality. In that respect, Group standards are applied uniformly within the Group. Nostros accounts are maintained at the minimum possible level and within large exposures limits commensurate with smooth operation of client and own fund's needs. The banks used are all major well rated banks in the relevant country. Regarding intraday overdrafts, limits are set for each client as a percentage of a client's assets under custody (subject to certain maximum levels); all cash payments are checked against this limit on a real-time basis. Any excesses are referred to a credit officer for approval. Occasionally business requirements are such that a manual fixed limit is required. In these situations, specific credit approval is provided by the credit risk manager. Again all cash payments are checked against this limit, prior to payment. These arrangements allow clients to access proceeds of sales, or other expected funds, even though in many markets the proceeds are not formally received until late in the day.

Formal overdraft facilities have been agreed for selected clients where business and credit risk evaluations are satisfactory. Leverage is required to be moderate. The portfolio composition is required to be adequately diversified and of sufficient quality to mirror credit approval by a dedicated credit risk specialist.

Derivative financial instruments

BNY Mellon SA/NV maintains strict control limits on derivative positions by amount and maturity, and is only engaged for economic hedging purposes. Credit risk arising from derivative financial instruments is, at any time, limited to the positive current fair values of these financial instruments (plus a regulatory “add-on” reflecting the future credit risk exposure of these derivatives).

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

The exposure value of derivatives as of 31 December 2022 is €1,132 Mio (2021: €369 Mio).

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

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

Financial assets and liabilities subject to offsetting, enforceable master netting agreements for the year 2022 and 2021 are presented in the following table:

2022	Gross amounts of recognized financial instruments In € '000	Gross amounts of recognized financial liabilities/assets offset in the statement of financial position In € '000	Net amounts of financial instruments presented in the statement of financial position In € '000	Related amounts of financial instruments not offset in the statement of financial position In € '000
Financial assets				
Loans and advances to customers	2,223,267	2,223,267	0	3,473,360
Financial liabilities				
Deposits	3,137,018	2,223,267	913,751	3,473,360

2021	Gross amounts of recognized financial instruments In € '000	Gross amounts of recognized financial liabilities/assets offset in the statement of financial position In € '000	Net amounts of financial instruments presented in the statement of financial position In € '000	Related amounts of financial instruments not offset in the statement of financial position In € '000
Financial assets				
Loans and advances to customers	4,270,563	4,269,574	989	2,896,380
Financial liabilities				
Deposits	5,884,277	4,269,574	1,614,704	2,896,380

In prior years BNY Mellon SA/NV's activities of sale and repurchase, and reverse sale and repurchase transactions, and securities borrowing and lending were covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements. As of 31 December 2022 and 2021, no such transactions existed within BNY Mellon SA/NV.

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

- derivatives;
- sale and repurchase, and reverse sale and repurchase agreements.

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

At 31 December 2022 BNY Mellon SA/NV had no exposures subject to the above agreements.

28.2.4. Collateral and Other Credit Enhancements

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

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

28.2.5. Risk Concentrations: Maximum Exposure to Credit Risk

Credit concentration risk results from concentration of exposures to a single counterparty, borrower or group of connected counterparties or borrowers. This includes on- and off-balance sheet exposures. In addition, industry, country and collateral concentration bear additional credit risk as the systemic credit quality issue in a sector will create losses for the whole sector.
The risk of credit concentrations is controlled and managed according to client/counterparty as opposed to industry. Country limits (in particular for the securities portfolio) are approved by the CROC.

Under European and Belgian bank regulations, all large external individual exposures have to stay below a 25% threshold of their own funds. Shadow banking exposure follows the same rule.

The largest exposure is to The Bank of New York Mellon and is spread across multiple branches and locations which provide some mitigation in the case of the default or rating downgrade of a related party. The remaining placements (including central bank placements) are diversified across a number of banks and geographic locations.

In March 2014, a Master Netting Agreement (MNA) was signed between BNY Mellon SA/NV and BNY Mellon. This agreement has a significant positive impact on the credit risk capital requirement and thereby on BNY Mellon SA/NV solvency ratio. An additional MNA was signed with BNYM International Limited in July 2015. These MNA were still in place as of 31 December 2022.

In addition, an Unfunded Credit Risk Mitigation Agreement (UCRMA) is used for day-to-day management of the risk but is not taken into account for regulatory reporting purposes at the end of the reporting period. The UCRMA is not taken into account for statutory and consolidation reporting.

BNY Mellon SA/NV has carried out extensive work in connection with the remediation of large exposure and concentration risk concerns. The NEXEN large exposures' platform (after the decommissioning of the Concentration Risk System in October 2020) is used at BNY Mellon SA/NV to calculate, manage and report (counterparty and country) Credit Concentration Risk on a day-to-day basis, addressing the requirements of the business and the risk function, and to report Large Exposures to the NBB in line with applicable Large Exposures regulatory reporting requirements.

There was no regulatory breach in 2022, neither towards external counterparties nor towards intergroup exposures.

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

Overview of maximum credit risk exposure

	Maximum risk position		Credit risk mitigant	
	2022	2021	2022	2021
	In € '000	In € '000	In € '000	In € '000
Cash and cash balances with central banks (Note 10)	18,493,927	19,861,195	—	—
Derivative financial instruments (asset side) (Note 14)	1,131,799	368,555	—	—
Investment securities (Note 12/ 26.2)	12,267,531	12,805,769	2,145,659	1,841,310
Loans and advances to customers (Note 11)	7,643,466	6,318,493	30	7,165
Derivative financial instruments (liability side) (Note 14)	1,338,777	316,735	—	—
Financial liabilities measured at amortized cost (Note 18)	35,012,697	32,301,935	—	—
Deposits	33,979,556	32,266,562	—	—
Subordinated liabilities	1,000,153	—	—	—
Long term debt	—	3,166,861	—	—
Other financial liabilities	32,988	35,374	—	—

	Maximum credit risk exposure by region, carrying values:				2022	2021
	Africa	Americas	Europe	Asia Pacific	In € '000	In € '000
FINANCIAL ASSETS						
Cash and cash balances with central banks	34	—	18,493,893	—	**18,493,927**	**19,861,195**
Derivative financial instruments	—	698,730	419,093	13,976	**1,131,799**	**368,555**
Investment securities	52,780	4,165,650	6,688,329	1,360,772	**12,267,531**	**12,805,769**
Loans and advances to customers	190,448	3,804,152	3,159,490	489,377	**7,643,466**	**6,318,493**
TOTAL FINANCIAL ASSETS	**243,261**	**8,668,532**	**28,760,806**	**1,864,125**	**39,536,723**	**39,354,010**
FINANCIAL LIABILITIES						
Derivative financial instruments	—	474,797	863,796	184	**1,338,777**	**316,735**
Deposits	917	6,443,564	27,386,841	148,234	**33,979,556**	**32,266,562**
Subordinated liabilities	—	1,000,153	—	—	**1,000,153**	**—**
Long term debt	—	—	—	—	**—**	**3,166,861**
Other financial liabilities	—	—	32,988	—	**32,988**	**35,374**
TOTAL FINANCIAL LIABILITIES	**917**	**7,918,514**	**28,283,625**	**148,418**	**36,351,474**	**35,785,532**

	Maximum credit risk exposure by industry, carrying value:				2022	2021
	Credit institutions	General Government	Other Financial institution	Non-Financial institution	In € '000	In € '000
FINANCIAL ASSETS						
Cash and cash balances with central banks[23]	18,493,927	—	—	—	**18,493,927**	**19,861,195**
Derivative financial instruments	1,026,238	1,112	93,332	11,116	**1,131,799**	**368,555**
Investment securities	7,078,999	4,209,055	967,469	12,009	**12,267,531**	**12,805,769**
Loans and advances to customers	6,887,665	19,503	736,297	—	**7,643,466**	**6,318,493**
TOTAL FINANCIAL ASSETS	**33,486,829**	**4,229,671**	**1,797,098**	**23,125**	**39,536,724**	**39,354,011**
FINANCIAL LIABILITIES						
Derivative financial instruments	742,692	12,531	573,050	10,505	**1,338,777**	**316,735**
Deposits	6,681,948	294,297	26,987,348	15,963	**33,979,556**	**32,266,562**
Subordinated liabilities	1,000,153	—	—	—	**1,000,153**	**—**
Long term debt	—	—	—	—	**—**	**3,166,861**
Other financial liabilities	32,986	—	2	—	**32,988**	**35,374**
TOTAL FINANCIAL LIABILITIES	**8,457,777**	**306,828**	**27,560,400**	**26,468**	**36,351,474**	**35,785,532**

28.2.6. Monitoring Sovereign Risks

Risk Management of BNY Mellon SA/NV has actively managed through events in the macro-economy, unstable political situations in regions, acts of nature and threats of a regional debt contagion, events impacting employees, clients and business operations. Stress tests are also conducted as needed. Thus far, no direct credit losses have been recorded in BNY Mellon SA/NV from these events. The split per country is presented further down.

[23] For the purpose of the consolidated financial statements, the cash and cash balances with central banks are presented as credit institutions in line with the financial reporting classification.

Overview of exposure to sovereign debt at year-end 2022 and 2021, carrying value (in € 000):

Country	Held-for-trading	Balances with Central Banks[24]	Investment securities		Loans and advances	2022	2021
			FVOCI	Amortised Cost			
Belgium	—	7,717,988	—	—	—	**7,717,988**	**7,261,574**
Germany	—	6,988,404	863,297	217,892	—	**8,069,592**	**7,952,116**
Luxembourg	—	95,749	22,302	—	—	**118,051**	**1,219,783**
Netherlands	—	3,592,723	50,240	201,736	11	**3,844,710**	**3,958,071**
United States	—	—	1,308,498	412,441	—	**1,720,939**	**1,300,234**
France	17,453	—	386,613	4,979	—	**409,044**	**645,613**
Ireland	907	93,506	—	—	10	**94,423**	**801,942**
Italy	—	5,524	—	—	—	**5,524**	**257,826**
Spain	—	—	—	—	—	**—**	**221,394**
United Kingdom	—	—	127,337	—	—	**127,337**	**144,438**
Canada	—	—	150,505	—	—	**150,505**	**158,962**
Japan	—	—	78,917	—	—	**78,917**	**84,036**
Finland	1,112	—	57,071	16,059	19,483	**93,726**	**62,674**
Other	17,809	34	194,275	116,895	—	**329,012**	**423,703**
TOTAL	**37,282**	**18,493,927**	**3,239,053**	**970,002**	**19,503**	**22,759,767**	**24,492,365**

Other include mainly the investment securities from European Stability Mechanism and some other held for trading positions with China, Macao Special Administrative Region, Hungary and Denmark.

28.2.7. Credit Quality by Class of Financial Assets

Credit is approved through the credit risk function of BNY Mellon, within the risk appetite tolerances of BNY Mellon SA/NV. All counterparties (clients and banks) are assessed and allocated a credit rating in accordance with the BNY Mellon internal rating system.

[24] Given these are exposures to central banks, these cash balances are included as part of sovereign risk monitoring for completeness purposes.

BNY Mellon's internal methodology for borrower ratings is based on external ratings and a dedicated internal assessment. The internal rating scale ranges from 1 to 18 and is mapped to internally estimated probabilities of default. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on BNY Mellon SA/NV's internal credit rating system. This system can be linked to more common rating systems available on the market. The amounts represent the credit risk exposures as calculated according to regulatory rules. There are no impaired financial assets recognized for BNY Mellon SA/NV in 2022 (2021: € nil).

Internal BNY Mellon rating	S&P' equivalent grades	Moody's equivalent grades	Held-for-trading	Balances with Central Banks	Investment securities*		Loans and receivables	2022	2021
					FVOCI	Amortised Cost			
								€ Mio	**€ Mio**
1-2	AAA/AA+	Aaa/Aa1	28	10,677	7,887	1,139	458	**20,190**	**15,033**
3-6	AA/A	Aa2/ A2	964	7,811	3,032	205	5,790	**17,803**	**22,753**
7-9	A-/BBB	A3 /Baa2	123	—	3	—	904	**1,029**	**825**
10-13	BBB-/BB-	Baa3/Ba3	18	6	—	—	334	**358**	**592**
14-16	B+/B-	B1/B3	—	—	—	—	157	**157**	**151**
Total			**1,132**	**18,494**	**10,923**	**1,345**	**7,643**	**39,537**	**39,354**

*Investment securities are rated based on the lower of the two external credit ratings.

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

The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk in accordance with BNY Mellon SA/NV's rating policy. The risk ratings are assessed and updated regularly.

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments (2022) split by Stage 1, Stage 2 and Stage 3. Explanations on the stages classification is included in Note 1.6.8.1.

	Stage 1 In € '000	Stage 2 In € '000	Stage 3 In € '000	Total In € '000
Cash with central banks and Loans and advances to customers at amortised cost				
Grades 1-10: Investment grade	25,712,258	33,873	—	25,746,131
Grades 11-14: Non investment grade	244,269	6,313	—	250,582
Grade 15-16: Criticised asset	20,593	125,243	—	145,836
Grades 17-18: Default	—	—	—	—
	25,977,120	165,429	—	26,142,549
Loss allowance	305	4,851	—	5,156
Carrying amount	**25,976,815**	**160,578**	**—**	**26,137,393**
Debt investment securities at amortised cost				
Grades 1-10: Investment grade	1,344,739	—	—	1,344,739
	1,344,739	—	—	1,344,739
Loss allowance	9	—	—	9
Carrying amount	**1,344,729**	**—**	**—**	**1,344,729**
Debt investment securities carried at FVOCI				
Grades 1-10: Investment grade	10,922,866	—	—	10,922,866
	10,922,866	—	—	10,922,866
Loss allowance	64	—	—	64
Carrying amount	**10,922,802**	**—**	**—**	**10,922,802**

28.2.8. Impairment Assessment - Amounts arising from expected credit loss("ECL")

For accounting purposes, the measurement of impairment loss allowances is based on an expected credit loss (“ECL”) accounting model. The definition of default is a central concept for ECL.

Definition of default
Under IFRS 9, BNY Mellon SA/NV will consider a financial asset to be in default when either or both of the following conditions are met:

- BNY Mellon SA/NV determines that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries, in full, without recourse by BNY Mellon SA/NV to actions such as realizing collateral (if held).
- The obligor is past due more than 90 days on any material credit obligation to BNY Mellon SA/NV, its ultimate parent undertaking or any subsidiary of its parent undertaking. The assessment of number of days past due will begin from the date of first missed payment. The trigger to count past due days for overdrafts is when the legal obligation for mandatory payment has been established.

Significant increase in credit risk

Internal credit rating-based approach is used for wholesale exposures
BNY Mellon SA/NV allocates to exposures a credit risk grade that is based on experienced credit judgment and a variety of data that is predictive of the risk of default. BNY Mellon SA/NV will use its 18 point internal credit rating scale to determine a significant increase in credit risk for wholesale exposures (cash and due from banks, interest bearing deposits, loans including overdrafts and unfunded commitments and letters of credit):

- 1-10 Investment grade
- 15-16 Criticized asset rating
- 17-18 Default rating

Credit risk grades are defined and calibrated such that the risk of default increases exponentially as the credit rating deteriorates. A significant increase in credit risk and transfer to stage two occurs for such exposures when there has been a four notch downgrade since initial recognition of the exposure. As a backstop, an exposure that is 30 days past due (DPD) is considered to have experienced a significant increase in credit risk. Additionally, exposures with a criticized asset rating (15-16) will be deemed to have suffered a significant increase in credit risk compared with the maximum initial credit risk at recognition. ‘Recovery’ from a significant increase in credit risk occurs when an exposure’s credit rating improves by two notches from the rating when it initially was moved into stage two, subject to being less than four grades below initial recognition date rating and not having a criticized asset rating. A minimum cure period of six months is applied even in the rare occasion that a two notch ratings upgrade occurs within a six month time period.

Low credit risk exception is applied to investment securities portfolio. IFRS 9 permits an entity to assume that credit risk has not increased significantly since initial recognition if the credit risk on the exposure is low at the reporting date. BNY Mellon SA/NV will apply this approach to investment securities that have an internal rating of 10 or above (investment grade).

Inputs into measurement of ECL
The key inputs into the measurement of ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The measurement is based on Point-in-Time (PiT) parameters. BNY Mellon will leverage BNY Mellon SA/NV statistical models for derivation of these key parameters, which are derived using macroeconomic variables from the forward-looking scenarios as described below. BNY Mellon SA/NV measures ECL considering the risk of default over the maximum contractual period for which it is exposed to credit risk or, where no contractual period is stated, the period over which BNY Mellon SA/NV could liquidate or otherwise limit its exposure. The models used follow BNY Mellon policies regarding Model Risk Management.

The expected credit loss at year ending 31 December 2022 is €5.2 Mio.

Forward-looking information
BNY Mellon SA/NV incorporates forward-looking information into its determination of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL.

Internal credit ratings used in determining significant increase in credit risk for wholesale exposures take into account forward-looking information specific to the counterparty.

ECLs are calculated based on the probability-weighted outcome of multiple economic scenarios. Scenarios are provided by an external provider and enhanced using an in-house model to derive all variables needed by the risk models. Three scenarios are used: Baseline, Optimistic, and Pessimistic. Those models incorporate reversion to long-term means. The weight of each scenario is determined by calibrating the three scenarios using a benchmark scenario. The weighting is then be reviewed by an Economic Scenario Oversight Group.

The following table shows reconciliation of the opening balance to the closing balance of the loss allowance by class of financial instrument. All exposures are in Stage 1, except for the ones mentioned in Stage 2 explicitly. No exposures in Stage 3 existed in 2022.

	Loans and advances	of which Stage 2	Investment securities	Total	of which Individual
	In € '000	*In € '000*	In € '000	In € '000	*In € '000*
At 1 January	(1,052)	*(927)*	(159)	(1,212)	*(1,212)*
Increase due to origination	(7,690)	*(2,228)*	(22)	(7,712)	*(7,712)*
Decrease due to de-recognition	5,593	*28*	97	5,689	*5,689*
Change in credit risk	(2,159)	*(2,080)*	12	(2,146)	*(2,146)*
Net re-measurement	—	—	—	—	—
Foreign exchange and other	152	*355*	(1)	151	*151*
At 31 December	(5,156)	*(4,851)*	(74)	(5,230)	*(5,230)*

	Loans and advances	Investment securities	Total
	In € '000	*In € '000*	In € '000
Transfers between Stage 1 and Stage 2			
To Stage 2 from Stage 1	4,377	—	**4,377**

A loan is considered non-performing with regard to a particular obligor when the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries, in full, without recourse by BNYM to actions such as realizing collateral, or the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

There are no past due on Investment Securities and Cash and Cash Balances with Central Banks.

War in Ukraine impacts on Expected Credit Loss framework.

The war in Ukraine impacted the level of ECL in BNYM SA/NV in two ways:

- It impacted the macroeconomic outlook, which as a result was more pessimistic. This relates to the war in Ukraine (resulting in higher energy and food prices and supply-chain constraints) as well as pandemic considerations, mainly in China, as well as tightening monetary policies.
- The Russian sanctions triggering the creation of S-type accounts. As Russian exposures, the related exposures received the rating of Russia, internally considered a near-default (internal rating 16). The maturity was set to 5 years.

During the year, further legal investigations were conducted and it is considered that BNYM SA/NV has limited liability for the S-account exposures.

The ECL for BNYM SA/NV has varied during 2022 in line with the scenario previsions (increasing at times of pessimistic previsions and decreasing with optimistic previsions), as well as when legal opinion evolved. The scenarios take into account the current situation and current view on how the situation could evolve.

Individually assessed allowances

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

BNY Mellon SA/NV has recorded an individually assessed allowance of €5.2 Mio in 2022 (2021: €1.2 Mio).

BNY Mellon SA/NV did not make any collective assessment for impairment, as its remaining balances of its loans and advances, outside the ones determined to be the individually significant, were assessed to be cumulatively immaterial.

BNY Mellon SA/NV has not recorded any allowance on a collective basis in 2022 (2021: € nil).

28.2.9. Commitments and Guarantees

BNY Mellon SA/NV does not enter into irrevocable commitments and contingent liabilities for external customers. The off-balance sheet items of BNY Mellon SA/NV contain mainly: lease car or rental commitments and state guarantees on debt securities. These are not qualified as loan commitments. For more details please refer to note 26.

BNY Mellon SA/NV has entered into an agreement under which it will provide financial support to enable BNY Mellon Service Kapitalanlage-Gesellschaft mbH to meet any tax payment obligation or civil law claims arising from cum-ex trades.

28.2.10 Regulatory and Economic Capital Requirements

Capital requirement for credit risk Pillar 2 (covering credit risk and intraday credit risk) resulted in an (unaudited) amount of € 315 Mio (2021: € 337 Mio), versus the Pillar 1 calculation of €324Mio (2021: €323 Mio).

28.3. Liquidity Risk and Funding Management

28.3.1. Source of Risks

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

Liquidity risk can arise from funding mismatches, market constraints from inability to convert assets to cash, inability to hold or raise cash, low overnight deposits, deposit run-off, and contingent liquidity events. Changes in economic conditions or exposure to credit, market, operational, legal, and reputation risks also can affect the applicable BNY Mellon entity's liquidity risk profile and are considered in the liquidity risk management framework.

Execution of transactions for day-to-day liquidity management is performed by BNYM SA/NV Corporate Treasury. The BNYM SA/NV Finance team provides information on capital and liquidity positions to BNYM SA/NV Corporate Treasury to ensure the management of capital and liquidity ratios within internal risk appetite and regulatory limits.

BNY Mellon SA/NV aims to be self-sufficient for liquidity and seeks to maintain a liquid balance sheet at all times. BNY Mellon SA/NV's balance sheet is liability driven primarily due to deposits generated through its asset servicing, custody and other business (Global Collateral Management, Treasury Services, etc.) 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 stability.

BNY Mellon SA/NV maintains ample liquidity for day-to-day changes in deposit funding. Apart from operational client overdrafts, BNY Mellon 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 BNY Mellon SA/NV's balance sheet, large deposits offset these amounts.
Liquidity from customer and intercompany deposits on the balance sheet is deployed in the following ways:

- Placed overnight/ on demand 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 Liquid Assets (HQLA)

- Placed short term in the interbank market (no longer than one-year maturity)
- 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 left on Nostro accounts only if they cannot be placed externally, swapped into another currency, or placed intragroup.

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

2022	Overnight	On demand	Less than a week	Up till 3 months	3 months 1 year	1 year- 5 years	Over 5 years	Gross nominal inflow/ (outflow)	Book Value
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Non derivative assets									
Cash and cash balances with central banks	—	18,493,927	—	—	—	—	—	18,493,927	18,493,927
Loans and advances to customers	304,425	6,028,633	449,264	436,835	424,309	—	—	7,643,466	7,643,466
Investment securities	—	—	—	—	—	4,535,244	7,732,287	12,267,531	12,267,531
	304,425	**24,522,560**	**449,264**	**436,835**	**424,309**	**4,535,244**	**7,732,287**	**38,404,924**	**38,404,924**
Non derivative liabilities									
Deposits	77,357	30,679,178	79,314	12,916	435,385	2,418,498	199,016	33,901,664	33,901,664
Deposits from central banks	—	77,762	—	130	—	—	—	77,892	77,892
Subordinated liabilities	—	—	—	6,951	20,854	111,757	1,118,097	1,257,660	1,000,153
Long term debt	—	—	—	—	—	—	—	—	—
Other financial liabilities	—	—	—	2,245	6,125	20,960	4,755	34,084	32,988
	—	**30,756,940**	**79,314**	**22,242**	**462,363**	**2,551,215**	**1,321,867**	**35,271,299**	**35,012,697**

2021	Overnight	On demand	Less than a week	Up till 3 months	3 months 1 year	1 year- 5 years	Over 5 years	Gross nominal inflow/ (outflow)	Book Value
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Non derivative assets									
Cash and cash balances with central banks	—	19,861,195	—	—	—	—	—	19,861,195	19,861,195
Loans and advances to customers	396,836	3,876,009	552,052	304,955	1,188,641	—	—	6,318,493	6,318,493
Investment securities	—	—	—	—	66,102	7,647,709	5,091,958	12,805,769	12,805,769
	396,836	**23,737,204**	**552,052**	**304,955**	**1,254,743**	**7,647,709**	**5,091,958**	**38,985,457**	**38,985,457**
Non derivative liabilities									
Deposits	122,519	31,759,673	146,841	28,351	4,280	2,487,925	800,009	35,349,598	32,182,737
Deposits from central banks	—	80,655	—	—	3,170	—	—	83,825	83,825
Long term debt	—	—	—	804	2,448	2,379,918	813,552	3,196,721	3,166,861
Other financial liabilities	—	—	—	2,692	5,952	21,198	6,148	35,991	35,374
	—	**31,840,328**	**146,841**	**31,847**	**15,850**	**4,889,040**	**1,619,709**	**38,666,135**	**35,468,797**

28.3.2. Liquidity Risk Management Framework

BNY Mellon SA/NV has in place a governance structure commensurate with the range of its activities and its liquidity profile. Liquidity risk is managed and monitored from a legal entity and functional perspective through various committees and forums.

The goal of BNYM SA/NV's liquidity management is to ensure that all liquidity risks are defined, understood, and effectively managed through well-designed policies and controls. In this context, BNYM SA/NV has established a robust liquidity risk management framework that is fully integrated into its risk management processes.

The liquidity risk management framework is prepared in accordance with the guidelines set forth by the regulators and encompasses the unique structure and characteristics of BNYM SA/NV.

The primary objective of the liquidity risk management framework is to ensure that, with a high degree of confidence, BNYM SA/NV is in a position to meet its day-to-day liquidity obligations and withstand a period of liquidity stress, the source of which could be idiosyncratic, market-wide or both.

BNYM SA/NV's liquidity risk management framework is designed to:

a. Ensure that risks are identified, monitored, reported, and managed / controlled properly;
b. Define and communicate the types and amount of risks to take;
c. Communicate to the appropriate level within BNYM SA/NV the type and amount of risk taken;
d. Maintain a risk management organization that is independent of the risk-taking activities, and
e. Promote a strong risk management culture.

The framework consists of a number of distinct elements which are listed below:

a. Written and approved policies that define the liquidity risk appetite and tolerance, strategy, principles and includes reporting requirements to appropriate management levels. BNYM SA/NV has in place the following policies, standards and guidelines for managing liquidity and funding risk that are updated at least annually:

    i. BNYM SA/NV Liquidity Policy;
    ii. BNYM SA/NV Intraday Liquidity Framework;
    iii. BNYM SA/NV Contingency Funding Plan;
    iv. BNYM SA/NV Guidelines for Investments in Securities.

b. A governance structure that includes: 1) BNYM SA/NV Board of Directors responsible for the establishment of an appropriate liquidity management framework and risk management process including liquidity policies, risk appetite, strategy and the liquidity stress testing framework 2) Oversight committees (including the BNYM SA/NV ALCO and BNYM SA/NV ExCo) that are responsible for execution and monitoring of liquidity strategy consistently with Liquidity policies and limits and to ensure that senior management effectively implements and control these elements, and 3) day-to-day liquidity management, which is the functional responsibility of BNYM SA/NV Corporate Treasury with independent oversight from BNYM SA/NV Treasury Risk.

c. A set of processes that cover the identification, measurement, monitoring, control and mitigation of liquidity risk. Processes are supported by IT platforms, management information systems and an organizational structure that includes independent control functions.

d. A liquidity stress testing process that is established to examine BNYM SA/NV's ability to survive a range of plausible but extreme increasingly severe stress scenarios and adverse funding conditions. BNYM SA/NV undertakes regular assessments of whether its liquidity resources are sufficient to cover the major sources of risk.

e. A management reporting and escalation framework where risks are communicated to senior management and oversight committees through periodical reporting and circulation of committee meeting minutes, including a defined escalation process in case of exceptions to internal triggers, regulatory breaches or emergency situation.

f. Regulatory reporting performed by the BNYM SA/NV Finance function in line with home/host regulatory requirements.

g. Formal contingency funding plan (CFP) that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations including identified and tested funding sources in order to survive a period of liquidity stress. The CFP further links into the Recovery Plan should the crisis situation result in BNYM SA/NV entering into a recovery phase.

h. Regular testing of market access and funding sources available to BNYM SA/NV in case of a liquidity crisis situation.

28.4. Market Risk

28.4.1. Source of Risks

Market risk is the risk of financial loss arising from movements in market risk 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 BNY Mellon SA/NV's trading and investment portfolios.

Market risk is a systemic risk. Movements in markets are beyond the control of BNY Mellon SA/NV. Market risk to BNY Mellon SA/NV is reviewed below in the context of: impact on balance sheet and impact on revenues and consequently its profitability, as well as on the trading portfolios.

The BNY Mellon SA/NV bears market risk, inter alia, through the trading book activity in foreign exchange products. The Corporate Treasury FX swap activity is classified as held for trading from an accounting perspective.

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

- BNY Mellon SA/NV revenues are denominated in a mix of currencies whereas a high proportion of the bank's costs are denominated in Euro. Apart from the risk of currency mismatch between revenues and cost, the bank is not significantly exposed to this risk.
- Credit Valuation Adjustment (CVA) risk relates to derivatives used in the context of Treasury management and FX trading activity.
- The BNY Mellon SA/NV interest income is subject to the risk that as market interest rates tend toward zero or below, BNY Mellon SA/NV cannot pass all of the interest rates reduction to its client. Interest rate risk in the banking book will also arise from maturity or re-pricing mismatches and from products that include embedded options; the risk could crystallize with changes in interest rate risk or the shape of the yield curve. The interest rate risk in the trading book is insignificant.
- The securities portfolio bears additional credit spread risk.
- Pension risk in BNY Mellon SA/NV arises from the defined benefit pension plans offer to the employees. Defined benefit plans constitute a risk because BNY Mellon SA/NV must compensate any shortfall in the fund's guaranteed pensionable amount. Only the Belgium and German plans my result in a liability for BNY Mellon SA/NV.

28.4.2. Market Risk Management Framework

BNY Mellon SA/NV undertakes market risk within the boundaries of the BNY Mellon's Risk Appetite as approved by the Board of Directors of The Bank of New York Mellon Corporation.

The subsidiaries that issue Risk Appetite statements approved by their boards (as the BNY Mellon SA/NV) must undertake market risk within the boundaries of those statements as well. BNY Mellon SA/NV manages market risk using a “three lines of defense” approach (i.e. by each business unit, by Market Risk, and by Internal Audit).

BNY Mellon SA/NV personnel engaging in market risk-taking or exposure management activities must be explicitly authorized or mandated.

Market risk limits are set for market risk consistent with the BNY Mellon SA/NV’s Risk Appetite (and Risk Appetite statements of subsidiaries, where relevant) and are jointly managed by the business units undertaking the risk and the Market Risk function (respectively, the first and second lines of defense).

Market risk exposure is measured, monitored and analyzed using both quantitative and qualitative methods by the Market Risk function.

BNY Mellon measures, monitors, and analyses market risk in a manner consistent with applicable law, regulations, and supervisory guidance.

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

- Monitoring of utilization of market risk limits on a daily basis
- Reporting of limit utilization and limit breaches
- Periodic limit reviews
- Coordinating with business data providers to ensure the completeness and accuracy of data that is the basis for market risk data

Market Risk independently daily monitors limit breaches which, depending on the level and type of limit that is breached, are escalated and notified to the Executive Committee and Board Risk Committee, ALCO, or to Senior Risk Management and Business Management levels in the organizational hierarchy.

28.4.3. Market Risk – Trading portfolios

The principal tools used to measure and control market risk, within the Group’s trading portfolios are VaR and Stressed VaR. The VaR of the trading portfolio is the maximum estimated loss that can arise with a specified probability (confidence level) in the portfolio over a specified time-period (holding period). The VaR model is historical simulation based. It takes market data changes from the previous 1000 trading days and observed correlation between risk factors, to model a wide range of plausible future scenarios for market price movements. The Group VaR model assumes a 99% confidence level and a 1-day holding period. The results of the VaR calculation are reported in the Groups base currency of US Dollars. The Stress VaR model follows the same approach as VaR, but takes into account a stress period deemed to be the most severe for the entire holding company. The choice of the stress period is reviewed on a periodic basis.

The Group VaR models are subject to regular validation by the Market Risk Management Group to ensure that they continue to perform as expected and that assumptions used in model development are still appropriate. As part of the validation process, the potential weaknesses of the models are analysed using statistical techniques, such as back testing.

The Group establishes VaR limits to manage the size of our overall market exposure. The structure of VaR limits is subject to review and approval by the appropriate executive committee. VaR and Stressed VaR limits are allocated to trading portfolios. Exposures and limit utilizations are monitored daily and reported to both Group Market Risk and SANV senior management. A summary of the trading book activity is provided to the SANV Executive Committee monthly and quarterly to the SANV Board. Ad hoc reporting is also provided when required.

The following is a summary of the VaR and Stressed VaR position of the SANV trading portfolios as of 30 December 2022:

USD Mio	30/12/2022	31/12/2021
Value At Risk	0.472	0.171
Stressed Value At Risk	1.188	1.335

28.4.4. Market Risk – Non-trading portfolios

Interest rate risk arises from movements in interest rates. Interest rate risk results from differences between the timing of rate changes and the timing of cash flows (re-pricing risk); from changing rate relationships among different yield curves affecting bank activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in bank products (options risk).

Interest rate risk framework

For BNY Mellon SA/NV, the liabilities are predominantly without maturity.

Interest rate risk in the banking book will arise from maturity or re-pricing mismatches and from products that include embedded optionality; the risk could crystallize with changes in interest rate risk/the shape of the yield curve. Currently, on the asset side, placements are mostly at a week horizon and the securities portfolio, as part of the liquidity asset buffer, has a duration of about two years. Taking into account the behavioral duration of the deposits, it limits the exposure to interest rate risk.

Interest rate risk is a standard agenda item of BNY Mellon SA/NV ALCO. The current market risk applies controls and limits on the level of IRRBB permitted in BNY Mellon SA/NV's treasury activities. Limits on net interest income (NII) and economic value of equity (EVE) are established and monitored.

An enhanced second line of defense IRRBB framework has been implemented in 2017 which is constantly developed further. The current framework consists of a first and second line owned IRRBB Policy, a new more granular set of market risk limits (including daily monitoring and reporting) for the investment portfolio, a comprehensive formal second line challenge and review process of setting thresholds and production of the Board Risk Appetite metrics on EVE and NII as well as for the internal model used for the Pillar 2 IRRBB capital requirement calculation, and a monthly stress testing process for the investment portfolio.

In 2021 BNYM SA/NV Corporate Treasury introduced interest rate swap (IRS) derivatives as a new instrument to mitigate interest rate risk within the banking book. As of 31 December 2022 €1.6B IRS notional amount are in place. Given the introduction of IRS to the portfolio in late 2021, we have increased the use of IRS to both hedge existing fixed rate exposure and to add swapped exposure to the portfolio. As of end of 2022, we had ~13% of our portfolio hedged using IRS, and we will continue to use IRS depending on market conditions, our limits and constraints, and our expectations from a forward looking perspective.

Sensitivity analysis

For regulatory purposes, an interest rate sensitivity analysis is prepared on a quarterly basis as shown below this paragraph.

BNY Mellon SA/NV IRRBB metrics, as per below, have been developed to assess the interest rate risk for BNY Mellon SA/NV using economic value of equity (EVE) measures, Net Interest Income (NII) measures, and Capital (including OCI) measures. Interest Rate Risk results include scenarios that are consistent with corporate Bank Holding Company (BHC) standards and regulatory guidance:
- EVE scenarios include parallel shocks, non-parallel shocks as well as entity specific adaptations of the EBA's Supervisory Outlier Test (SOT) and the Early Warning Indicator (EWI under 6 standardized shock scenarios).
- Earnings scenarios (NII) include parallel shocks, non-parallel shocks and basis risk shocks.

The figures are computed within BNYM corporate ALM system (QRM), aligned with internal models and assumptions.

As these figures are based on internal assumptions, they will differ from the figures included in the pillar 3 disclosure.

Description	Actual (31-12-2022)		Actual (31-12-2021)	
	+	-	+	-
+/-200 bps EVE change / Total Reg capital	6.8%	-14.1%	-1.0%	2.0%
+/-200 bps EVE sensitivity	4.3%	-8.9%	-1.0%	2.0%
+/-200 bps NII Sensitivity (12 month forecast)	€33 Mio	€-132 Mio	€108 Mio	€-141 Mio

Furthermore, Investment Portfolio OCI scenario evaluates the Mark-to-market evolution of the fair value of the Securities Portfolio on a rolling 12-month basis.

Credit spread risk framework

Movements in credit spreads impact the economic value of the investment portfolio held by the Bank. The Bank's investment portfolio is accounted for under the banking book category. Given the accounting category, default risk is captured under the capital requirements (under Credit Risk) and credit spread risk is accounted for via a dedicated Economic Capital model. Credit spread risks on the investment portfolio is monitored and reported on a daily basis.

28.4.5. Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. In accordance with BNY Mellon SA/NV's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. In addition, BNY Mellon SA/NV applies a monthly sell-off process in order to reduce foreign exchange exposure generated by the activity of the bank. This is done through foreign exchange from the currency into the base/functional currency of the entity.

The table below indicates a split of the statement of financial position items at carrying amounts at year end, per currency

Currencies exposures before economic hedge

	EUR	GBP	USD	Other	Total
31 December 2022	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Total assets	25,991,451	2,554,964	7,136,218	4,651,011	40,333,643
Total liabilities and shareholder's equity	20,238,202	2,580,483	12,420,144	5,094,815	40,333,643
The statement of financial position (net)	**5,753,249**	**(25,519)**	**(5,283,926)**	**(443,804)**	**—**
31 December 2021					
Total assets	25,798,389	2,174,665	8,147,264	3,836,338	39,956,655
Total liabilities and shareholder's equity	18,360,348	3,046,991	14,228,708	4,320,609	39,956,655
The statement of financial position (net)	**7,438,041**	**(872,327)**	**(6,081,444)**	**(484,271)**	**—**

The table below indicates the currencies to which BNY Mellon SA/NV had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows.

The analysis calculates the effect of a reasonably possible movement of the currency rate against the Euro, with all other variables held constant, on the consolidated statement of profit and loss and other comprehensive income and equity. A negative amount in the table reflects a potential net reduction in consolidated statement of profit and loss and other comprehensive income or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the Euro would have resulted in an equivalent but opposite impact.

Stress Test before economic hedge

Currency	Variation	Conversion rate at closing	Effect on profit before tax	Effect on equity	Variation	Conversion rate at closing	Effect on profit before tax	Effect on equity
		2022	2022	2022		2021	2021	2021
			€ Mio	€ Mio			€ Mio	€ Mio
Scenario	1%				1%			
USD	0.0107	1.0674	115.64	56.32	0.0114	1.1373	133.31	64.26
GBP	0.0089	0.885	16.80	16.03	0.0084	0.840	23.89	16.52

BNY Mellon SA/NV is entering into FX Forward for “economic hedge” purposes. So, net exposures after economic hedging are not significant.

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

28.4.6. Regulatory and Economic Capital Requirements

Capital requirement for market risk Pillar 2 (covering FX, CVA, CSRBB, IRRBB and Pension Risk) resulted in an (unaudited) amount of €983Mio (2021: € 727Mio), versus the Pillar 1 calculation of €25 Mio (2021: €24 Mio).

28.5. Operational Risk

28.5.1. Source of Risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events (including legal risk but excluding strategic and reputational risk).
Operational risk may arise from errors in transaction processing, breaches of internal control systems and compliance requirements, internal or external fraud, damage to physical assets, and/or business disruption due to systems failures or other events. Operational risk can also arise from potential legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations.

28.5.2. Operational Risk Management Framework

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

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

BNY Mellon SA/NV‘s ORMF relies on a culture of risk awareness, a clear governance structure and, Operational Risk policies and procedures, which define the roles and responsibilities of the First, Second and Third Line of Defense. These policies and procedures complement each other to ensure that the Operational Risks of the business are effectively identified, managed, mitigated (where possible) and reported to the appropriate governance committees on a monthly basis.

BNY Mellon SA/NV uses the ORMF to capture, analyze and monitor its Operational Risks. The tools used to manage the Operational Risks of the business are mandated through individual Operational Risk Polices and are prescribed through the enterprise Operational Risk program, assessment systems and related processes. Regional Committees such as the EMEA Senior Risk Management Committee also monitor and incorporate the material risks in forming its regional risk assessment.

BNY Mellon SA/NV utilizes comprehensive policies and procedures designed to provide a sound operational environment. The Corporate Operational Risk Policies are reviewed and enhanced on an ongoing basis, and adopted by all businesses/Legal Entities including BNY Mellon SA/NV. Business Risk partners oversee the activities undertaken in each of the business lines, with oversight from a Legal Entity point of view through the LERO. Besides Business Risk partners and LEROs, other internal functions also ensure that processes are in place to support the sound Operational Risk management of the business.

28.5.3. Regulatory and Economic Capital Requirements

Capital requirement for operational risk Pillar 2 (using an internal hybrid model) resulted in an (unaudited) amount of € 443 Mio (2021: €382 Mio), versus the Pillar 1 calculation of €107.5 Mio (2021: €97.0 Mio).

29. Capital

BNY Mellon SA/NV maintains an actively managed capital base to cover risks inherent to the business. The adequacy of BNY Mellon SA/NV's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the NBB in supervising BNY Mellon SA/NV. During the past year, BNY Mellon SA/NV had complied with its externally imposed capital requirements. Please refer to point 28.1.4 for additional comments on excessive risk concentration.

29.1. Capital Management

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

In the framework of the Internal Capital Adequacy Assessment Process (ICAAP), BNY Mellon SA/NV defined measurement methods for its economic need for capital as well as management and control methods to encompass its risk policies. Furthermore, stress test scenarios are applied, e.g. economic downturn scenarios as well as idiosyncratic scenarios. These tests conclude that BNY Mellon SA/NV is sufficiently capitalized to encompass most of the scenarios. Where needed, additional capital requirement were calculated on the basis of the stress test. The difference between the economic capital and the regulatory capital incorporates the margin ensuring that the capital level of BNY Mellon SA/NV is sufficient at all times. The latter is in function of the risk profile and of the risk aversion of BNY Mellon SA/NV.

Regulatory capital

	2022	2021
	€ Mio	€ Mio
Qualifying Core Tier1 capital	3,446	3,367
Qualifying Tier1 capital	—	—
Total qualifying Tier 1 capital	3,446	3,367
Deductions	(85)	(80)
Total qualifying Tier 2 capital	—	—
Total capital	**3,360**	**3,287**
Total Risk Exposure Amount	**5,703**	**5,559**
Risk weighted exposure amount for credit risk	4,052	4,041
Risk exposure amount for foreign exchange risk	178	196
Risk exposure amount for credit valuation adjustment (CVA)	129	109
Risk exposure amount for operational risk	1,344	1,213
Capital Ratios		
Core Tier 1 capital ratio	58.9%	59.0%
Tier 1 capital ratio	58.9%	59.0%
Total capital ratio	58.9%	59.0%
Leverage ratio (fully phased-in)	8.0%	10.9%

Regulatory capital consists of qualifying core Tier 1 capital, which comprises the paid up share capital, share premium, retained earnings, including the profit and loss of the year for 2022 (not for 2021), filtering out the valuation reserves, less goodwill and other intangibles. The Board has formally adopted a (non-)dividend policy by which all profits are systematically carried forward and recommended the same for approval to the shareholders' meeting.

On 26 February 2021 BNY Mellon SA/NV reimbursed €345m qualified as Tier 2, which is no longer eligible for compliance with the Leverage Ratio requirement applicable from June 2021. For more information please see note 21. Subordinated liabilities and 30. Subsequent events.

For risk weighted exposure amount for credit risk, the standardized approach is used. Certain adjustments are made to IFRS-based results and reserves.

During the second quarter of 2015, BNY Mellon SA/NV implemented the Master Netting Agreement covering the netting of placements and deposits with BNY Mellon Corporation, as an eligible form of credit risk mitigation under the capital requirements regulation (CRR) for regulatory reporting purpose.

30. Subsequent Events

In the first quarter of 2023, BNYM SA/NV has utilized pending legal issues provisions in amount of €11.8 Mio and of which €8.9 Mio was recovered from third parties, which relates to a payment to the tax authorities related to BNYM SA/NV's exposure with regards to the German cum-ex trading in the past. For more details please refer to Note 26.1. Legal Claims.

Starting end of 2021, the final closing of BNYM SA/NV London Branch has started. No activities exist in the branch and no clients assets or liabilities remain in the branch. The license cancellation form has been sent to local regulator, the Prudential Regulation Authority (PRA). Final closing is dependent on this cancellation. It is expected that this confirmation could take time due to resource constraints (at the regulator side at the end of 2022 no case holder has been assigned at the PRA side yet).

BNYM SA/NV have successfully registered the brand-new branch of the European Bank in Wroclaw (Poland). The branch will deliver administrative and operational support services to the European Bank and other BNY Mellon legal entities. It has officially opened in the first quarter of 2023, after a select group of existing employees in Poland have been transferred to the new legal entity. The branch opening will strengthen our European regional footprint and support the work of the European Bank. There will be no impact to the service provided to clients.

In 2023, BNYM SA/NV is reducing a small percentage of roles in order to redeploy savings into investment areas, and to fuel development opportunities for employees. These limited reductions come on top of the transformations that are being executed in the Brussels headquarters and the branches in The Netherlands and Germany referred to in the Report of the Board of Directors section 3.1. This notably aligns with our goal of optimizing our workforce, better serving our clients and fostering a high-performing culture. Impacts of these reductions have been carefully considered and mitigated within the related business.

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