BNY MELLON

The Bank of New York Mellon S.A./N.V.

Pillar 3 Disclosure

December 31, 2021

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Attestation Statement

I confirm that the 31 December 2021 Pillar 3 Disclosure meets the relevant regulatory requirements as described in section one of this report and it has been prepared in accordance with the internal policies and controls in place which have been approved by the Board of Directors (the 'Board').

As set out in the Risk section of this report, the Board is responsible for approving policies and procedures as may be required by law or otherwise appropriate and for reviewing BNY Mellon SA/NV's processes for compliance with applicable laws, regulations and the internal policies including the Code of Conduct.

These disclosures were approved by the BNY Mellon SA/NV Board on 28 April 2022.

Eric Pulinx

Chief Financial Officer

Member of the Executive Committee

Executive summary

1 Article 431 CRR II - Disclosure requirements and policies

These Pillar 3 disclosures are published for The Bank of New York Mellon SA/NV (the 'European bank'), in accordance with the disclosure principles of the National Bank of Belgium[1,2] ('NBB'), the Capital Requirements Directive[3] ('CRD V') and the Capital Requirements Regulation[4] ('CRR II'), complementing the annual disclosures of the financial statements.

These disclosures cover the European bank, its subsidiary undertaking and branches as at 31 December 2021.

These disclosures were approved by the European bank's Board of Directors (the 'Board') on 28 April 2022.

[1] NBB Circulars 2015_25 and 2017_25: Orientations relatives à la publication d'informations (Pilier III, CRD IV), 3 September 2015 and 2 October 2017.

[2] NBB Supervisory Disclosure Rules and Guidance: https://www.nbb.be/en/financial-oversight/prudential-supervision/areas-responsibility/credit-institutions/supervisory-5

[3] Directive 2019/878/EU and of the Council of 20 May 2019, amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

[4] Regulation (EU) No 2019/876 on prudential requirements for credit institutions and investment firms amending Regulation (EU) No 575/2013, 20 May 2019.

Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by CRD V. When assessing the appropriateness of these disclosures in the application of Article 431(3) of CRR II, the European bank has ensured adherence to the following principles of:

- Clarity
- Meaningfulness
- Consistency over time
- Comparability across institutions

The Basel Committee on Banking Supervision ('BCBS') requires these disclosures to be published at the highest level of consolidation. The European bank has adopted this approach with information presented at a fully consolidated level.

Common Equity Tier 1 ratio
62.92% 31-Dec-21
52.04% 30-Sep-21

Tier 1 capital ratio
62.92% 31-Dec-21
52.04% 30-Sep-21

Total capital ratio
62.92% 31-Dec-21
52.04% 30-Sep-21

Basel III leverage ratio[1]
7.88% (11.62%) 31-Dec-21
7.03% (10.27%) 30-Sep-21

* The percentage in brackets represents the leverage ratio excluding central bank exposures, calculated in accordance with the Regulation EU/2020/873 Article 1(9) ‘article 500b’.

CET1 ratio	=	CET1 capital / Pillar 1 RWAs
Tier 1 ratio	=	Tier 1 capital / Pillar 1 RWAs
Total capital ratio	=	Total capital / Pillar 1 RWAs
Leverage ratio	=	Tier 1 capital / Leverage exposure measure

1.1 Purpose of Pillar 3

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

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

- Credit risk
- Counterparty credit risk
- Market risk
- Interest rate risk
- Asset encumbrance
- Operational risk
- Leverage
- Liquidity
- Securitisation risk

These disclosures focus only on those risk categories that are relevant to the European bank at the reporting point.

Where appropriate, the disclosures also include comparatives for the prior periods and an analysis of the more significant movements to provide greater insight into the risk management practices of the European bank and its risk profile.

In addition, Pillar 3 annual disclosures include detailed information on remuneration policies and practices for members of staff whose activities have a material impact on the European bank's risk profile.

1.2 Article 432 CRR II - Non-material, proprietary or confidential information

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

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

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

1.3 Article 433/434 CRR II - Frequency, scope and means of disclosure

Pillar 3 disclosures for the European bank and its only subsidiary, BNY Mellon Service Kapitalanlage-Gesellschaft mbH (‘BNY Mellon KAG’), are published at a fully consolidated level.

Pillar 3 disclosures are approved by the Board, which has verified that they are consistent with formal policies adopted regarding production and validation.

Wherever possible and relevant, the Board will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 ICAAP ('Internal Capital Adequacy Assessment Process') content, e.g. disclosure about risk management practices and capital resources at year-end. Unless indicated otherwise, information contained within the Pillar 3 disclosure has not been subject to external audit.

Disclosure will be made for each calendar quarter. Annual disclosures will be published on the same date on which the Annual Report and Financial Statements are made public. Quarterly disclosures will be published on the same date as the date on which the financial reports for the corresponding period are published, where applicable, or as soon as possible thereafter. The European bank will reassess the need to publish some or all of the disclosures more frequently in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy, and information about risk exposure and other items prone to rapid change.

Disclosures are published on The Bank of New York Mellon corporate website which can be accessed using the link below:

BNY Mellon Investor Relations - Pillar 3

See the Additional Country Disclosures section.

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

1.4 Governance: approval and publication

Pursuant to the BNY Mellon EMEA Pillar 3 disclosure standard, these disclosures were approved for publication by the Board on 28 April 2022. The Board approved the adequacy of the European bank's risk management arrangements, providing assurance that the risk management systems put in place are adequate with regard to the European bank’s profile and strategy.

1.5 Article 436 CRR II - Scope of application

The Pillar 3 disclosures have been produced for the European bank on a consolidated basis, including its branches and (fully) consolidated subsidiary. The European bank is a credit institution incorporated in Belgium. It is a subsidiary of The Bank of New York Mellon, a New York banking corporation with trust powers, having its principal office in New York, which is itself a subsidiary of The Bank of New York Mellon Corporation ('BNY Mellon'), the ultimate parent company of the BNY Mellon Group.

BNY Mellon Group ('BNY Mellon') is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of 31 December 2021, BNY Mellon had $46.7 trillion in assets under custody and/or administration, and $2.4 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

The European bank is subject to dual supervision in Belgium: for market conduct matters, supervision is exercised by the Financial Services and Markets Authority (the 'FSMA') while for prudential matters, supervision is exercised by the European Central Bank (the 'ECB') together with the National Bank of Belgium (the 'NBB'), acting as National Competent Authority, as the European bank has been identified as a significant bank within the Single Supervisory Mechanism. In addition, the European bank’s resolution authority is the Single Resolution Board (‘SRB’). The European bank also qualifies as a Belgian custodian bank and is directly supervised by the NBB in this respect. Its nine branches and consolidated subsidiary ('BNY Mellon KAG') are also subject to local supervision by the following national regulators:

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

1.6 Organisational structure

The European bank is a corporation with a Banking License, recognised as a custodian bank. The European bank has its headquarters in Brussels and is a wholly owned subsidiary of The Bank of New York Mellon (99.9999% of share capital) and BNY International Financing Corporation (0.0001% of share capital).

The European bank provides services on a passported basis through its headquarters in Brussels and its branches in Amsterdam, Dublin, Frankfurt, London, Luxembourg, Milan, Madrid, Copenhagen and Paris. The European bank also has a subsidiary in Frankfurt, BNY Mellon KAG. Pursuant to the EU single market directives, the European bank is authorised to provide financial services in the European Economic Area, being the EU 27 countries plus Iceland, Lichtenstein, and Norway. Some of those countries apply restrictions to passporting rights, in accordance with the local transpositions of the EU directives. The European bank complies with these restrictions and adapts its operations accordingly.

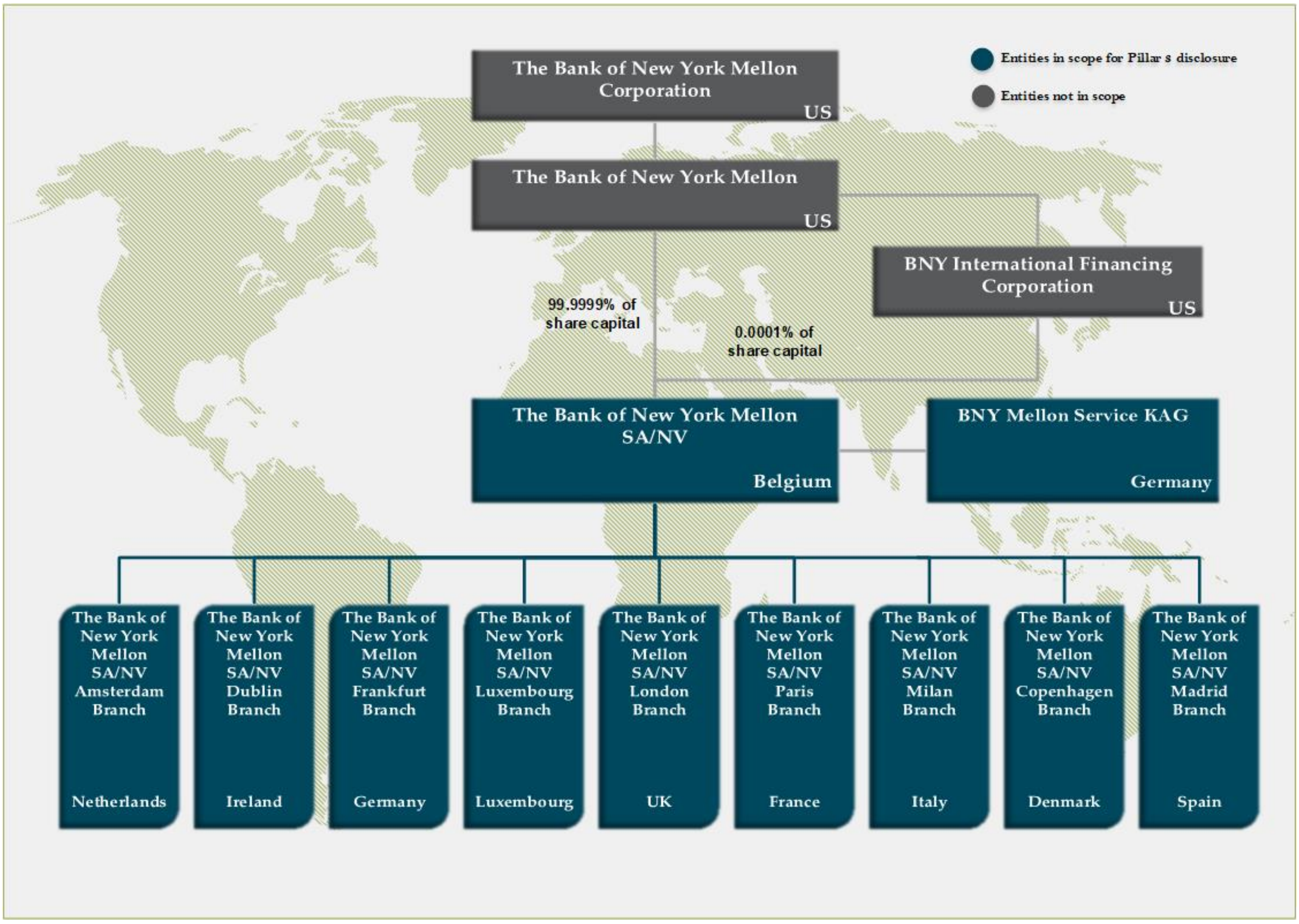
The European bank was established in 2008 with the aim of becoming BNY Mellon's main banking subsidiary in Continental Europe. During 2009, part of the business of the Brussels Branch of BNY Mellon was integrated into the European bank, forming the current Brussels Head Office. As part of BNY Mellon's strategy to consolidate its legal entity structure in Europe, the European bank acquired branches in Amsterdam, London, Frankfurt and Luxembourg further to the merger with BNY Mellon GSS Acquisition Co. (Netherlands) BV on October 1, 2009. On June 1, 2011, further to the merger with The Bank of New York Mellon's acquired German subsidiary, BNY Mellon Asset Servicing GmbH, the European bank significantly expanded the activities of its Frankfurt branch and Frankfurter Service KapitalverwaltungsGesellschaft mbH became the European bank's fully owned subsidiary under the name of BNY Mellon Service Kapitalanlage-Gesellschaft mbH ('BNY Mellon KAG'). On December 1, 2011, the European bank opened a branch in Paris. On February 1, 2013, the European bank opened a new branch in Dublin as a result of the cross-border merger with The Bank of New York Mellon (Ireland) Limited. An additional branch in Milan was created on April 1, 2017 as a result of the merger of The Bank of New York Mellon (Luxembourg) S.A. into the European bank. On 29 November 2019 the European bank merged with BNY Mellon Trust Company (Ireland) Limited. On 1 December 2020 the Copenhagen representative office was converted into the BNY Mellon SA/NV Copenhagen Branch. The European bank's commitment to this region was enhanced with the subsequent acquisition of Nykredit's depositary business effective on 1 November 2021. This was followed by the conversion of the Madrid representative office into the BNY Mellon SA/NV Madrid Branch on 1 February 2021. This provides an enhanced level of service and support to clients in Denmark, Spain and the wider Nordics and Iberian regions, by offering innovative solutions and providing access to BNY Mellon's global capabilities. Prior to conversion, Copenhagen was a representative office of the European bank whilst Madrid was a representative office of BNY Mellon Institutional Bank.

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

On November 20, 2015, the European bank was designated as a domestic systemically important institution (referred to in the CRD V as an "other systemically important institution" or "O-SII") in Belgium.

The legal entity structure of the European bank is set out in figure 1 on the following page.

Figure 1: The European bank's legal entity structure at 31 December 2021



Basis of consolidation

Entity name	Consolidation basis	Services provided
BNY Mellon SA/NV	Fully consolidated	Belgian credit institution and is also recognized as a Belgian custodian bank who's services include; Asset servicing, Clearance and Collateral Management, Markets.
BNY Mellon KAG	Fully consolidated	A capital investment company which is an independent provider of fund administration and investment management services.
BNY AIS Nominees Limited	Fully consolidated	Acts as a nominee shareholder on behalf of clients of its parent and sole shareholder the Bank of New York Mellon SA/NV Dublin Branch.

Subsidiaries are consolidated from the date on which control is transferred to the European bank until the date the European bank ceases to control the subsidiary. Control is achieved when the European bank is exposed to, 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, the European bank controls an investee if, and only if, the European bank 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; or,
- 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 the European bank over another entity. The European bank 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.

1.7 Operating model

The Operating Model refers to how BNY Mellon collaborates, organises and manages its business with a focus on optimising the balance sheet, driving efficiencies and enabling growth. It also describes the operations and technology which enables businesses to serve clients. The model has evolved and covers 5 key areas: Banking and other entities (which includes the EMEA Operating Model Programme or Three-Bank-Model), Governance & Accountability, Booking and Solicitation Practices, Resilience - Operations and Technology, and FX Trading. Furthermore, regulatory change has been a large component of the change agenda and will continue to be so with a large number of regulatory change initiatives in execution mode as well as on the horizon. Digital and data initiatives are also key to the European bank's strategy.

Banking and other Entities (EMEA Operating Model Programme) - This has been a major strategic initiative for BNY Mellon in the EMEA region over the past few years rationalising its legal entity structure to a three bank model, establishing a dual sub-custody network and aligning clients to the appropriate legal entity and network.

Governance & Accountability - In close consultation with the European Central Bank, BNY Mellon have been particularly focused on strengthening the governance and accountability within the European bank. Senior leadership has been engaged in a governance and accountability review related to the reporting line structure, aimed at meeting regulatory expectations as well as those of our clients and other stakeholders.

Booking and Solicitation Practices - Booking Principles are BNY Mellon's approach to guide the booking of business to the appropriate legal entity for each client's domicile and product considering local rules, licenses, permissions and product infrastructure. The European bank is guided as the main booking entity (where possible) for EU domiciled clients. Any proposed booking for non-EU jurisdictions would be subject to the relevant conditions and restrictions from the applicable third country regime for regulated activity. Booking Principles are maintained by the lines of business and centrally coordinated through a First Line of Defense Controls Framework.

Resilience – Operations and Technology - The European bank is documenting its detailed Technology Strategy in a distinct document and this will be developed alongside and in close alignment with the European bank's Business Strategy and the Enterprise Technology Strategy.

FX Trading - "ECB supervisory expectations on booking models" requires that a percentage of the risk generated from the 27 European Union countries (the 'EU27') client FX flow be risk managed within the European bank; and that the EB can no longer rely on a 100% back to back booking model to the BNYM Institutional Bank (the 'BNYM IB'). Pursuant to this, our Brexit programme agreed with the Joint Supervisory Teams to set up an FX trading desk within the European bank's Frankfurt branch and end the reliance on a 100% back to back IB booking model.

The FX trading desk is pricing EU27 clients in collaboration with the established FX Sales desk implemented as part of the Brexit day 1 project. This FX Trading desk is now risk managing the majority of the EU27 client flow within the EB entity.

1.8 Core business lines

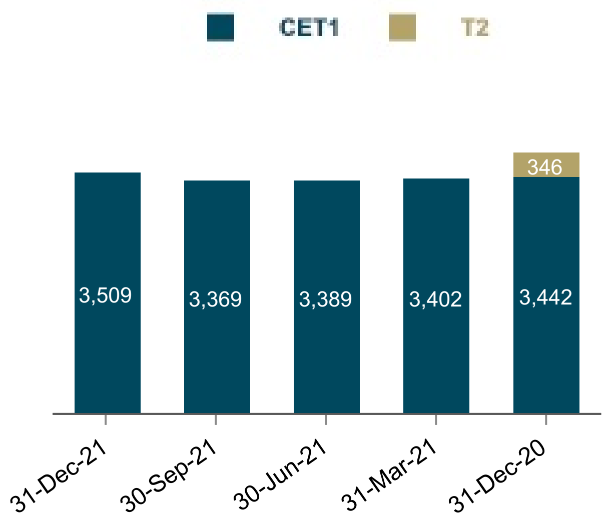
The European bank has a number of core business lines including Asset Servicing, Treasury, Corporate Trust, Depository Receipt Services, Foreign Exchange, Collateral Management and Segregation, Liquidity Services and Segregation, Global Clearance and Securities Financing.

Line of business	Description
Asset Servicing ('AS')	Asset Servicing primarily comprises Custody Services but also includes a range of ancillary services. These include Trustee & Depositary Services, Institutional Accounting, Fund Accounting, Transfer Agency Services, Investment Operations, Alternative Investments Services, Global Risk Solutions, and oversight of outsourced Investment Management Services.
Treasury Services	Treasury Services ('TS') market and sell USD, GBP & EUR Correspondent Bank Clearing Services including supplementary products (e.g. FX and Multi-Currency) to eligible European domiciled clients. This is done through TS personnel employed by the European bank. The European bank acts in an intermediary role in marketing and selling the products as the contract is with the BNYM IB.
Issuer Services	
Corporate Trust ('CT')	The European bank 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.
Depository Receipt Services	The European bank's 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, Markets and Collateral Management	
Foreign Exchange ('FX')	The European bank provides Foreign Exchange Services that enable clients to achieve their investment, financing and cross-border objectives.
Collateral Management and Segregation	The European bank mainly acts as a servicing entity providing services contracted by BNY Mellon acting as tri-party agent for transactions related to securities lending and repurchase (“repo”) agreements, or acting as an administrator, providing Segregation Services for any type of transaction requiring segregation of collateral.
Liquidity Services and Segregation	The European bank provides sales and client services enabling clients to view, transact and generate reporting for their daily liquidity activities via an on-line platform.
Global Clearance	Global Clearance provides Settlement and Custody services for fixed- income and equity securities.
Securities Finance	The European bank provides Securities Lending Agent Services which include third party lending, cash reinvestment and agency cash investment products.

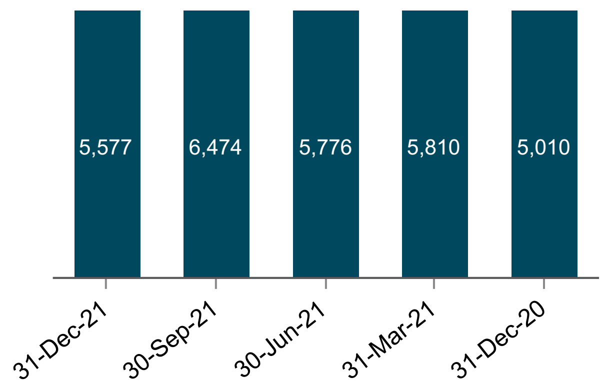
1.9 Article 447 CRR II - Key metrics

The following risk metrics reflect the European bank's risk profile:

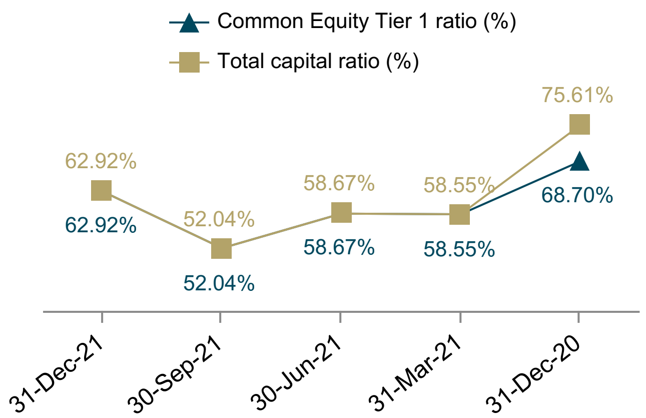
Regulatory capital (€m)



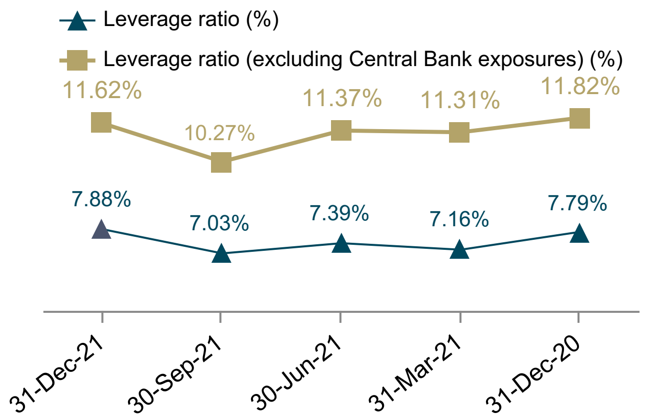
Risk-weighted assets (€m)



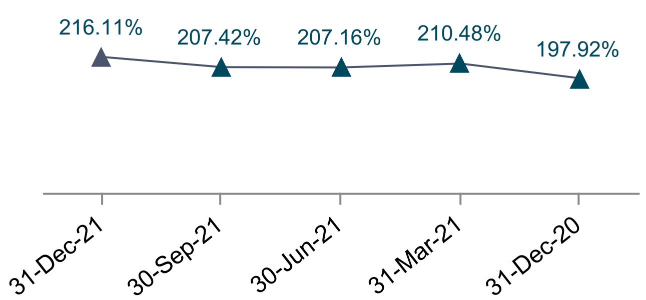
Capital ratios



Leverage ratio



Liquidity coverage ratio



Net stable funding ratios

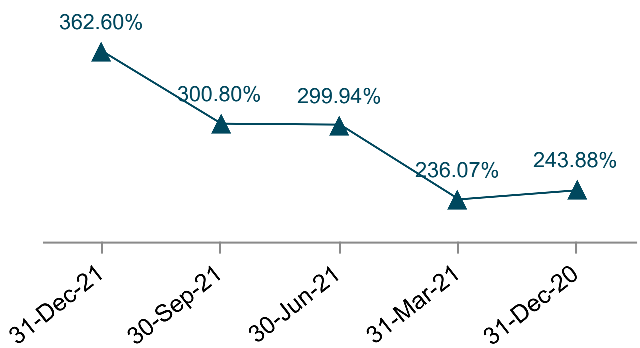


Table 1: EU KM1 Key metrics

(€m)	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	31-Dec-20
Available own funds					
Common Equity Tier 1 ('CET1') capital	3,509	3,369	3,389	3,402	3,442
Tier 1 capital	3,509	3,369	3,389	3,402	3,442
Tier 2 capital [1]	—	—	—	—	346
Total capital	3,509	3,369	3,389	3,402	3,788
Risk-weighted exposure amounts					
Total risk-weighted exposure amount	5,577	6,474	5,776	5,810	5,010
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	62.92 %	52.04 %	58.67 %	58.55 %	68.70 %
Tier 1 ratio (%)	62.92 %	52.04 %	58.67 %	58.55 %	68.70 %
Total capital ratio (%)	62.92 %	52.04 %	58.67 %	58.55 %	75.61 %
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount) [2]					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %
of which: to be made up of CET1 capital (percentage points)	1.13 %	1.13 %	1.13 %	1.13 %	1.13 %
of which: to be made up of Tier 1 capital (percentage points)	1.50 %	1.50 %	1.50 %	1.50 %	1.50 %
Total SREP own funds requirements (%)	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %
Institution specific countercyclical capital buffer (%)	0.06 %	0.07 %	0.08 %	0.06 %	0.04 %
Other Systemically Important Institution buffer (%)	0.75 %	0.75 %	0.75 %	0.75 %	0.75 %
Combined buffer requirement (%)	3.31 %	3.32 %	3.33 %	3.31 %	3.29 %
Overall capital requirements (%)	13.31 %	13.32 %	13.33 %	13.31 %	13.29 %
CET1 available after meeting the total SREP own funds requirements (%)	52.92 %	42.04 %	48.67 %		
Leverage ratio [3]					
Total exposure measure	44,521	47,913	45,845	47,546	44,193
Leverage ratio (%)	7.88 %	7.03 %	7.39 %	7.16 %	7.79 %
Total exposure measure (excluding Central Bank exposures)	30,195	32,811	29,815	30,086	29,132
Leverage ratio (excluding Central Bank exposures) (%)	11.62 %	10.27 %	11.37 %	11.31 %	11.82 %
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
Additional own funds requirements to address the risk of excessive leverage (%)	— %	— %	— %		
Total SREP leverage ratio requirements (%)	4.57 %	4.57 %	4.57 %		
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	— %	— %	— %		
Overall leverage ratio requirement (%)	4.57 %	4.57 %	4.57 %		

(€m)	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	31-Dec-20
Liquidity Coverage Ratio					
Total high-quality liquid assets (Weighted value - average)	27,658	27,155	26,131	24,924	24,162
Cash outflows - Total weighted value	21,046	21,701	21,178	20,218	21,065
Cash inflows - Total weighted value	8,199	8,554	8,509	8,970	9,380
Total net cash outflows (adjusted value)	12,847	13,147	12,669	11,953	12,391
Liquidity coverage ratio (%)	216.11 %	207.42 %	207.16 %	210.48 %	197.92 %
Net Stable Funding Ratio					
Total available stable funding	17,452	15,750	15,315	15,444	13,984
Total required stable funding	4,813	5,236	5,106	6,542	5,734
NSFR ratio (%)	362.60 %	300.80 %	299.94 %	236.07 %	243.88 %

Note: Capital and leverage ratios include yearly profit at December reporting points.

[1] Following regulatory approval, subordinated debts of €346 million were repaid on 26 February 2021.

[2] Represents the European bank's Pillar 2 additional capital requirement.

[3] Leverage ratios presented in accordance with Regulation EU/2020/873 Article 1(9) 'article 500b'.

Pillar 1 CET1 ratio (4.5%) plus Pillar 2 requirement CET1 ratio (1.1%).
Pillar 1 Tier 1 ratio (6%) plus Pillar 2 requirement Tier 1 ratio (1.5%).
TSCR CET1 ratio (5.6%) plus the combined buffer (3.3%).
TSCR Tier 1 ratio (7.5%) plus the combined buffer (3.3%).
OCR CET1 ratio (8.9%) plus Pillar 2 guidance (3.5%).
OCR T1 ratio (10.8%) plus Pillar 2 guidance (3.5%).

Note: The European bank's prescribed Pillar 2 guidance rate will change to 2.5% from March 2022.

Key External Factors Influencing the European bank

Below are some of the key highlights of the European bank's annual results and financial position:

The coronavirus pandemic had a significant effect on the global macroeconomic environment and markets in 2020 and 2021. Nevertheless, the European bank continued to operate business as usual without disruption to business continuity or outsourced operations.

Equity market levels have rebounded rapidly since the first quarter 2020 and steadily increased throughout 2021 resulting in increased asset-based fees in securities services compared with 2020.

Interest rates have continued to remain at a low level in 2021. The ECB persevered its deposit facility rate at -0.50% unchanged for 2021.

Short-term interests USD rates declined significantly in the first quarter of 2020 and have remained low through 2021, which resulted in lower net interest revenues. This has been partially offset by average deposit balances.

In this context, the European bank continued to maintain a strong balance sheet with high levels of capital, liquid assets and low levels of leverage. This demonstrates the European bank's resilience to any short (i.e. ongoing Covid-19 pandemic) to medium term financial shock which may impact the European bank's business and that the European bank is a low risk institution for our clients and regulators.

The value of the US dollar has appreciated significantly during the last quarter of 2021, and was 1.14 at year-end compared to an average of 1.18. However, the impact of the US dollars evolution had a limited impact on the net results.

At the end of December 2021 the spot balance sheet of the European bank stood at €40 billion representing a €4 billion decline on September 2021 with an overall year on year net increase of €0.1 billion from December 2020. The main drivers of this marginal increase largely included higher third party deposits of €0.9 billion alongside a new long term intercompany debt recognised during the year with BNY Mellon Institutional Bank of €0.9 billion. Equity was also up €0.1 billion. The effect of these were largely offset by a €1.1 billion reduction in intercompany deposits, complemented by a reduction in subordinated debt and other liabilities, both down €0.4 billion and €0.3 billion respectively.

The European bank's net profit after tax amounted to €228.9 million in 2021, down -7% compared to the net income of €245.2 million in 2020, resulting in a positive 7.0% return on equity in 2021 (vs positive 8.1% in 2020). The reduction is mainly attributed to lower net Interest revenues (-20%), primarily reflecting lower interest rates on interest-earning assets, partially offset by the benefit of lower funding and deposit rates and larger deposit balances.

To mitigate, non-interest income has increased by 7% compared to 2020. This is explained by higher Asset Servicing fee income (+9%) reflecting higher market values and client activity. In 2021, 29% of non-interest income originates from the BNYM Group in line with 2020 (28%). Operating expenses have increased by 10% in 2021 primarily explained by higher revenue-related expenses, higher contribution to the single resolution fund, and technology expenses. The positive net results after tax has resulted in a positive return on assets of 0.6% in 2021 (vs positive 0.6% in 2020).

On 24 February 2022, Russia invaded Ukraine, launching the biggest military offensive in Europe since World War II.

The Ukraine war has now shaken financial markets, hitting all assets and causing global risk aversion. This emerging issue is adversely affecting the European bank and creates significant risks and uncertainties for our business, and the ultimate impact of this war will depend on future developments.

To date, since the events in Ukraine / Russia started unfolding the European bank has observed a modest change in deposit levels and increasing upwards trend and volatility over the past weeks. Similar to other market related crises, it is expected that in times of stress and volatility there can be corresponding increase in deposit and balance sheet levels. Year to date the European bank's third party customer deposits have ranged from a low of €28.5 billion (4 Jan) to a high of €32.3 blillion (Mar 7) compared to a December 2021 year-end balance of €28.7 billion. The European bank continues to closely monitor the situation and deposit levels and while there are no immediate current concerns that the events will have a material impact on the European bank’s Liquidity or capital metrics at this stage, Treasury is closely monitoring on-going volatility and deposit increases particularly in the context of the European bank's leverage exposure and consequential management of leverage based requirements following the withdrawal of the central bank exemption and addition of TLAC / MREL eligible debt outlined on the following page.

Specific to Russia and Ukraine, the European bank currently has no direct Money Market or Securities portfolio exposure to Russian / Ukrainian counterparties. The European bank has minimal RUB and UAH exposure currently held on accounts with Nostro providers (Rosbank primary RUB Nostro and Citi primary UAH Nostro). Treasury continues to receive multiple daily positioning reports in RUB balances and monitoring of daily balance sheets in RUB and UAH. The European bank's Treasury function maintains a prudent liquidity management strategy in RUB, with deployment of end of day balance is left on account with the primary RUB Nostro account. Treasury remains in close contact and coordination with key stakeholder groups including Cash Operations, Finance, Markets, Risk and Network Management as the situation evolves.

BNY Mellon is well-positioned against competition thanks to BNY Mellon Group’s legal entities rationalization strategy. BNY Mellon has a unique selling proposition that fits the needs of our clients, with the European bank positioned as the “European Bank”.

Business Evolution in 2021

On 27 January 2021, the European bank and Nykredit, one of Denmark’s leading financial services companies, agreed to deepen their long-standing alliance with the transfer of Nykredit’s depositary business to BNY Mellon.

This investment was the latest step in BNY Mellon’s deliberate international growth strategy and commitment to the Nordic region. It followed the opening of the European bank's branch in Copenhagen, deepening alliances with regional technology providers, and was another milestone in BNY Mellon’s clear focus on delivering choice and a best-in-class client experience.

Working together since 2008, BNY Mellon has provided custody, and Nykredit depositary services, to a wide range of clients including several of the largest investors in Denmark.

With the depositary business of Nykredit becoming part of the BNY Mellon organisation, the European bank is now able to provide depositary services directly to clients in Denmark looking for strong local expertise and global capabilities. BNY Mellon offers the scale, technological resources and commitment needed to meet the increasing regulatory requirements faced by clients, while ensuring the depositary services business remains efficient and effective into the future.

As a part of the agreement, a small team of employees was transferred to the European bank. The team has already worked closely with BNY Mellon for many years.

On 1 February 2021, the European bank opened a new branch in Madrid. This has contributed to strengthening the existing local and regional client relationships and allows the European bank to service clients more efficiently, from a local base and in the local language, to secure its strong position in the region.

Additionally, following regulatory approval, subordinated debts of €346 million were repaid on 26 February 2021. As a mitigation measure, the European bank contracted for €800 million of borrowing with a 10-year maturity in 2021. This was needed to manage the impact of the €346 million subordinated debt repayment on the European bank's regulatory metrics. This borrowing did not qualify as capital.

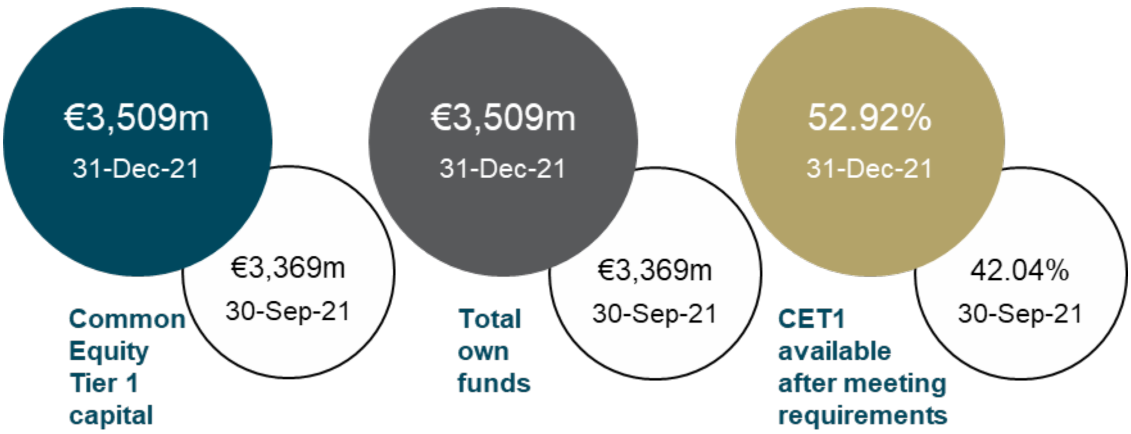
The European bank's balance sheet has increased over the past 2 years and is expected to remain at high levels in the medium term.

On 28 March 2022 our European bank contracted a 10-year subordinated loan arrangement 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 to BNYM of an existing €800 million loan granted to our European bank and originated in February 2021 with a 10-year maturity. Moreover, two-long term intercompany trades for $1 billion and €1.5 billion were reclassified to the long-term liabilities in December 2021.

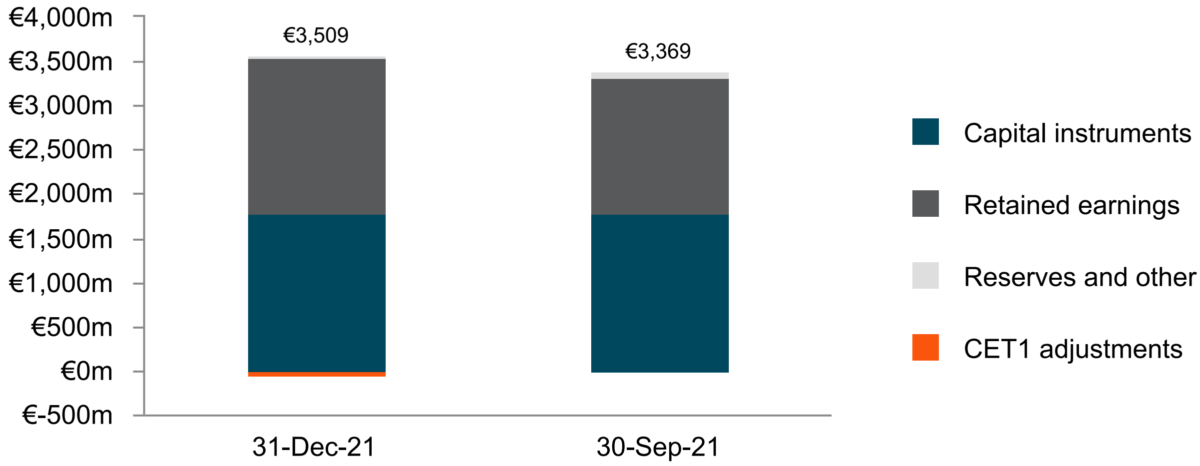
As of 28 June 2021 the CRD V and CRR II regulatory frameworks became binding on the European bank. Consequently, disclosures are being prepared in accordance with the requirements of Directive (EU) 2019/878 and Regulation (EU) No 2019/876.

Looking towards the near term, the Market Risk Alternative Standardised Approach ('MKR-ASA') will become binding on the European bank in June 2023 and will be reflected in the European bank's disclosures accordingly. As of September 2021, market risk calculations under this new framework are reported but are not required to be disclosed presently.

2 Article 437/437a CRR II - Own funds and eligible liabilities



Composition of regulatory capital



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

Own funds comprise tier 1 capital less deductions.

The European bank's regulatory capital is defined by CRD V and includes:

- **Common Equity Tier 1 capital** which is the highest quality form of regulatory capital under Basel III comprising common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments
- Following regulatory approval, **Tier 2** subordinated debts of €346 million were repaid on 26 February 2021.

Table 2: EU CC1 Composition of regulatory own funds

This table shows the composition of the European bank's regulatory capital including all regulatory adjustments and a reference as to where these elements can be identified in the European bank's financial statements.

At 31 December 2021 (€m)	Amounts	Balance sheet source in table CC2
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	1,788	
of which: ordinary shares	1,755	(a)
of which: share premium	33	(b)
Retained earnings	1,523	(c) / (d)
Accumulated other comprehensive income (and other reserves)	26	(d)
Independently reviewed interim profits net of any foreseeable charge or dividend	229	(c)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**3,566**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments	(13)	(e)
Intangible assets (net of related tax liability)	(67)	(f)
Defined-benefit pension fund assets (negative amount)	(6)	(g)
Other regulatory adjustments	29	(d)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(57)**	

At 31 December 2021 (€m)	Amounts	Balance sheet source in table CC2
Common Equity Tier 1 (CET1) capital	**3,509**	
Additional Tier 1 (AT1) capital	**—**	
Tier 1 capital (T1 = CET1 + AT1)	**3,509**	
Tier 2 (T2) capital	**—**	
Total capital (TC = T1 + T2)	**3,509**	
Total risk exposure amount	**5,577**	
Capital ratios and requirements including buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	62.92 %	
Tier 1 (as a percentage of total risk exposure amount)	62.92 %	
Total capital (as a percentage of total risk exposure amount)	62.92 %	
Institution CET1 overall capital requirements	8.93 %	
of which: capital conservation buffer requirement	2.50 %	
of which: countercyclical buffer requirement	0.06 %	
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.75 %	
of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.13 %	
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	**52.92 %**	
Amounts below the thresholds for deduction (before risk weighting)		
Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	2	(h)
Applicable caps on the inclusion of provisions in Tier 2		
Cap on inclusion of credit risk adjustments in T2 under standardised approach	51	

In accordance with article 48, deferred tax assets arising from temporary differences that are equal to or less than 10% of the CET1 are exempted from deduction from CET1. The European bank's deferred tax assets amount of €2 million is below the thresholds for deduction and is subject to a 250% risk weighting. Deferred tax assets arising from temporary differences are the only items exempted from own funds deduction by the European bank.

Table 3: EU CC2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The table on the following page shows a reconciliation of the European bank’s published balance sheet, prepared in accordance with International Financial Reporting Standards ('IFRS'), and the elements of regulatory Own Funds under prudential rules. The balance sheet under the regulatory scope of consolidation forms the basis for the calculation of regulatory capital requirements. There is no difference in the regulatory and accounting scope of consolidation.

At 31 December 2021 (€m)	Balance sheet as in the published financial statements	Reference
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements		
Cash and cash balances with central banks	19,861	
Derivative financial instruments [1]	368	(e)
Loans and advances to customers	6,318	
Investment securities [2]	12,806	(e)
Current tax assets	11	
Deferred tax assets	2	(h)
Other assets [4]	481	(g)
Property and equipment	41	
Goodwill and other intangible assets [5, 6]	69	(f)
Total assets	**39,957**	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements		
Derivative financial instruments [3]	317	(e)
Deposits from central banks	84	
Deposits from financial institutions	31,942	
Deposits from non-financial institutions	240	
Long term debt	3,167	
Other financial liabilities	35	
Current tax liabilities	50	
Deferred tax liabilities [4, 6]	9	(g) / (f)
Other liabilities	375	
Provisions	142	
Total liabilities	**36,361**	
Shareholders' Equity		
Issued capital	1,755	(a)
Share premium	33	(b)
Retained earnings [8]	1,744	(c) / (d)
Other reserves [7]	64	(d)
Total shareholders' equity	**3,596**	

[1] Of which €220 million is subject to capital deduction as a Prudential Valuation Adjustment.
[2] Of which €12,656 million is subject to capital deduction as a Prudential Valuation Adjustment.
[3] Of which €168 million is subject to capital deduction as a Prudential Valuation Adjustment.
[4] Of which €8 million is subject to capital deduction as a defined benefit pension fund asset, with associated deferred tax of €2 million.
[5] Of which €5 million is subject to capital deduction as goodwill.
[6] Of which €64 million is subject to capital deduction as other intangible assets, with associated deferred tax of €2 million.
[7] Of which €26 million relates to accumulated other comprehensive income and €29 million relates to share based payments.
[8] Table CC1 differs by approximately €8 million due to a reclass which is accounted for within Other Reserves in the financial accounts.

Additional value adjustments to assets measured at fair value are deducted from CET1 in accordance with Articles 34 and 105 as amended by CRR II. Prudent valuation adjustments are currently not deducted from credit risk exposure value.

In accordance with Articles 36, 37 and 41, as amended by CRR II, amounts of intangible assets and defined benefit pension fund assets, net of their related deferred tax liabilities, are deducted from the CET1. As of Q4 2021 the defined benefit pension plan has become a pension fund asset instead of a defined benefit obligation. Consequently, it is not in scope for credit risk.

Table 4: EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

		Carrying values of items				
At 31 December 2021 (€m)	Carrying values as reported in published financial statements	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by asset classes according to the balance sheet in the published financial statements						
Cash and cash balances with central banks	19,861	19,861	—	—	3,941	—
Derivative financial instruments	368	—	368	—	212	—
Loans and advances to customers	6,318	6,318	—	—	2,134	—
Investment securities	12,806	12,657	—	149	7,617	—
Other assets	481	473	—	—	238	8
Property and equipment	41	41	—	—	2	—
Goodwill and other intangible assets	69	—	—	—	48	69
Tax assets	13	13	—	—	1	—
Total assets	**39,957**	**39,363**	**368**	**149**	**14,193**	**77**
Breakdown by liability classes according to the balance sheet in the published financial statements						
Derivatives financial instruments	317	—	317	—	165	—
Deposits measured at amortized cost	32,266	—	—	—	21,108	11,158
Long term debt	3,167	—	—	—	—	3,167
Other liabilities	410	—	—	—	256	154
Provisions	142	—	—	—	—	142
Tax liabilities	59	—	—	—	7	52
Total liabilities	**36,361**	**—**	**317**	**—**	**21,536**	**14,673**

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.

The European bank has only level 1 and level 2 financial instruments. As such the European bank does not use any internal valuation models with unobservable data for the determination of the fair value.

Table 5: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

At 31 December 2021 (€m)	Total	Items subject to			
		Credit risk framework	Securitisation framework	CCR framework	Market risk framework
Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	39,880	39,363	149	368	14,193
Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	(21,688)	—	—	(317)	(21,536)
Total net amount under the scope of prudential consolidation	18,192	39,363	149	51	(7,343)
Off-balance-sheet amounts	45	45	—	—	
Differences due to the use of credit risk mitigation techniques (CRMs)	(2,895)	(2,895)	—	—	
Differences due to credit conversion factors	(36)	(36)	—	—	
Differences due to CCR calculations under the SA-CCR methodology	635	(63)	—	698	
Exposure amounts considered for regulatory purposes	15,941	36,414	149	749	130

Carrying values subject to market risk represent all currency balances other than the European bank's reporting currency (EUR). These amounts can also be included in exposures subject to the other listed frameworks.

The difference in regards to the market risk exposure amount considered for regulatory purposes relates in principle to the methodologies applied in determining the exposure value under Article 325 of CRR II. This considers the carrying amounts of currencies on the balance sheet to be either net long or not short positions. The higher of all net long or net short currencies, after exclusion of the reporting currency (EUR), then forms the basis of the regulatory exposure.

Following the adoption of CRR II the European bank discloses its CCR under the standardised approach for counterparty credit risk ('SA-CCR'), being a more risk-sensitive measure, which replaced the prior Mark-to-Market and standardised frameworks. The difference relates to the application of methodologies inherent in the framework required to arrive at the exposure amount considered for regulatory purposes.

Table 6: EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments

This table provides a description of the main features of regulatory instruments issued and included as Capital in Table 2 as at 31 December 2021. The full terms and conditions of all Common Equity Tier 1 capital instruments are included as Appendix 4 of this disclosure.

Main features of reg capital instruments [1]	Ordinary Shares
Issuer	The Bank of New York Mellon SA/NV
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
Governing law(s) of the instrument	Belgian law
Contractual recognition of write down and conversion powers of resolution authorities	No
Regulatory treatment	
Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & Consolidated
Instrument type	Ordinary Shares
Amount recognised in regulatory capital or eligible liabilities	€ 1,754,386
Nominal amount of instrument	€ 1,754,386
Issue price	€ 1,038.50
Redemption price	N/A

Main features of reg capital instruments [1]	Ordinary Shares
Accounting classification	Shareholders' equity
Original date of issuance	30-September-2008 [2]
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	No
Coupons / dividends	
Fixed or floating dividend/coupon	N/A
Existence of a dividend stopper	No
Convertible or non-convertible	Non-convertible
Write-down features	No
Type of subordination (only for eligible liabilities)	N/A
Ranking of the instrument in normal insolvency proceedings	1
Non-compliant transitioned features	N/A
Link to the full term and conditions of the instrument (signposting)	See Appendix 4

[1] This table is based on Annex VII of Regulation (EU) No. 575/2013, selected non-applicable lines are omitted.
[2] Since the original date of issuance the European bank has issued further ordinary shares to the amount currently listed in regulatory capital.

Subordinated liabilities

Towards the end of 2020 the European bank formally requested permission from the competent authority to reduce own funds by redeeming its two Tier 2 subordinated loans. Permission was granted on 19 January 2021 with the immediate deduction of the €345.5 million from own funds. The two subordinated loans were actually repaid on 26 February 2021 and, consequently, are not presented in these disclosures.

Issued capital and reserves

Authorised, issued and fully paid	2021	2020
Ordinary shares of €1,038.5 each (2020: €1,038.5)	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 the European bank.

Table 7: EU ILAC Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs

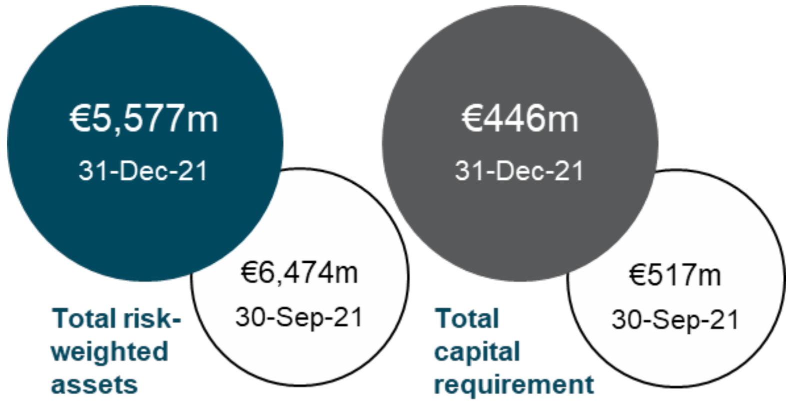
In accordance with the requirements of Article 92b of Regulation (EU) No 575/2013, the table below shows the European bank's minimum requirement for eligible liabilities, being a material subsidiary of a non-EU G-SII.

The European bank is not classified as a resolution entity and does not have eligible liabilities as defined by Article 45 to 45i of Directive (EU) No 2014/59. The information is presented on a Consolidated basis.

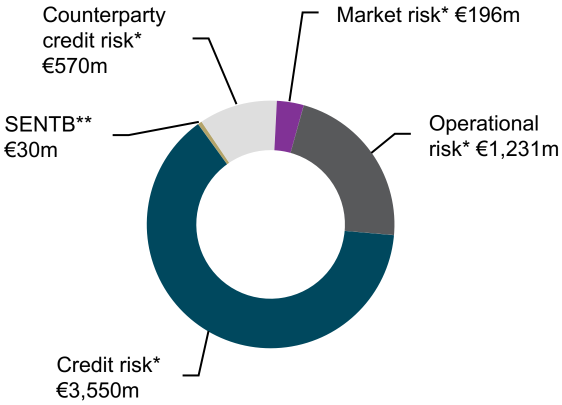
At 31 December 2021 (€m)	Minimum requirement for own funds and eligible liabilities (internal MREL)	Non-EU G-SII Requirement for own funds and eligible liabilities (internal TLAC)	Qualitative information
Applicable requirement and level of application			
Is the entity subject to a Non-EU G-SII Requirement for own funds and eligible liabilities?			Y
If EU 1 is answered by 'Yes', is the requirement applicable on a consolidated or individual basis?			C
Is the entity subject to an internal MREL requirement?			Y
If EU 2a is answered by 'Yes', is the requirement applicable on a consolidated or individual basis?			C
Own funds and eligible liabilities			
Common Equity Tier 1 capital (CET1)	3,509	3,509	
Eligible Additional Tier 1 instruments	—	—	
Eligible Tier 2 instruments	—	—	
Eligible own funds	3,509	3,509	
Eligible liabilities	—	—	
Own funds and eligible liabilities items after adjustments	3,509	3,509	
Total risk exposure amount and total exposure measure			
Total risk exposure amount	5,577	5,577	
Total exposure measure	30,195	30,195	
Ratio of own funds and eligible liabilities			
Own funds and eligible liabilities (as a percentage of TREA)	62.92 %	62.92 %	
of which permitted guarantees	— %		
Own funds and eligible liabilities (as a percentage of leverage exposure)	11.62 %	11.62 %	
of which permitted guarantees	— %		
CET1 (as a percentage of TREA) available after meeting the entity's requirements	40.83 %	40.83 %	
Institution-specific combined buffer requirement		3.31 %	
Requirements			
Requirement expressed as a percentage of the total risk exposure amount	22.10 %	14.40 %	
of which may be met with guarantees	— %		
Internal MREL expressed as percentage of the total exposure measure	5.90 %	5.40 %	
of which may be met with guarantees	— %		
Memorandum items			
Total amount of excluded liabilities referred to in Article 72a(2) CRR		32,879	

Note: Selected rows which are not applicable to the European bank have not been presented in the table.

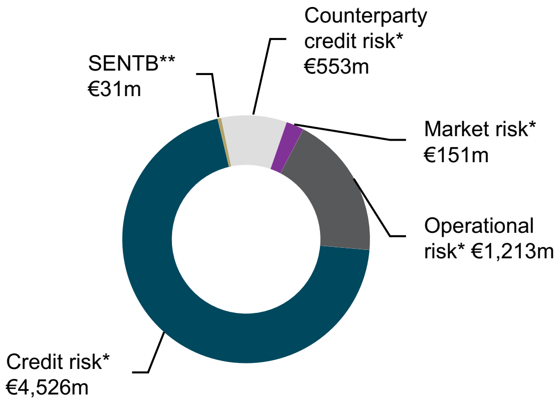
3 Article 438 CRR II - Own funds requirements and risk weighted exposure amounts



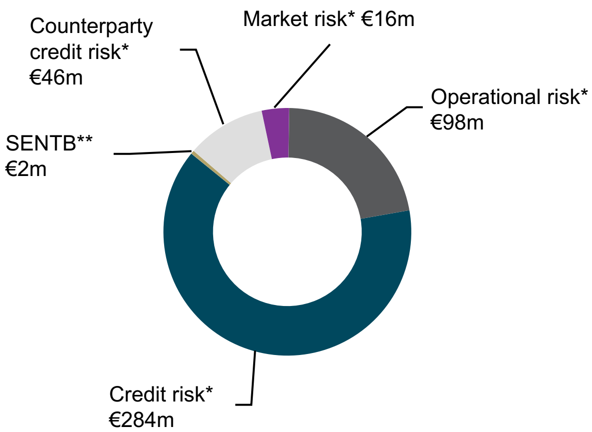
Risk exposure by risk type at 31 December 2021



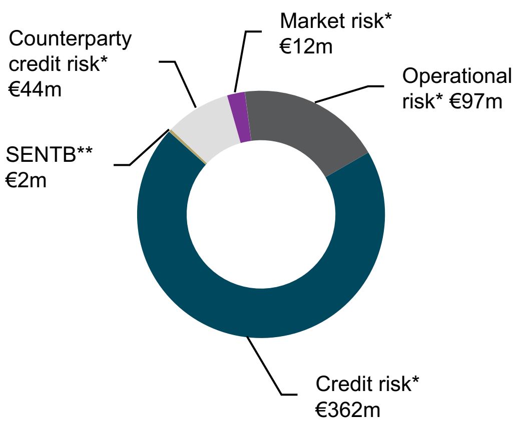
Risk exposure by risk type at 30 September 2021



Capital requirements by risk type at 31 December 2021



Capital requirements by risk type at 30 September 2021



* Standardised approach framework

** SEC-ERBA framework

SENTB: Securitisation exposures in the non-trading book

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

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

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

3.1 Calculating capital requirements

CRR II allows for different approaches for calculating capital requirements. The European bank applies the standardised approach under Pillar 1 for the majority of risk types, where risk-weights are based on the exposure class to which the exposure is assigned and its credit quality. These risk-weights are used to assess the requirements against credit exposures and are consistent across the industry. The standardised approach is used for calculating the risk-weights assigned to each risk component including credit risk, counterparty credit risk (under 'SA-CCR'), market risk and operational risk. The External-Ratings-Based-Approach ('SEC-ERBA') is used for securitisation exposures.

Table 8: EU OV1 Overview of total risk exposure amounts

This table shows the European bank's risk-weighted assets ('RWAs') using the stated approaches and their respective capital requirements. The European bank does not have any exposures to central counterparties ('CCP') and has no settlement risk or large exposures in the current or prior reporting periods.

	Risk weighted assets (RWAs)		Total own funds requirements
(€m)	31-Dec-21	30-Sep-21	31-Dec-21
Credit risk (excluding CCR)	**3,550**	**4,526**	**284**
Of which the standardised approach	3,550	4,526	284
Counterparty credit risk - CCR	**570**	**553**	**46**
Of which the standardised approach	462	449	37
Of which credit valuation adjustment - CVA	108	99	9
Of which other CCR	—	5	—
Securitisation exposures in the non-trading book (after the cap)	**30**	**31**	**2**
Of which SEC-ERBA (including IAA)	30	31	2
Position, foreign exchange and commodities risks (Market risk)	**196**	**151**	**16**
Of which the standardised approach	196	151	16
Operational risk	**1,231**	**1,213**	**98**
Of which standardised approach	1,231	1,213	98
Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	**5**	**6**	—
Total	**5,577**	**6,474**	**446**

Note: Risk frameworks which are not applicable to the European bank have not been disclosed.

RWAs for credit and counterparty credit risk under the standardised approach reduced by approximately €0.9 billion in the quarter. This was mostly driven by lower RWAs on corporates of €0.69 billion, mainly as a result of overdraft exposures being down €0.31 billion. This was supplemented by a similar reduction of €0.2 billion in placements at credit institutions under the scope of Article 107(3). Contractual settlements and placements with affiliates were also down €0.15 billion and around €0.03 billion respectively.

Similarly, RWAs on institutions were also down by approximately €0.32 billion due to lower placements at third parties of €0.3 billion, whilst RWAs on securities and derivatives netted to an additional reduction of €0.02 billion.

This overall reduction was party offset by an approximately €0.11 billion increase in RWAs on other assets, mainly stemming from receivables from brokers. Public sector based exposures and off-balance sheet guarantees treated as collective investments were broadly static.

The Credit Valuation Adjustment RWA has increased as a result of a €0.71 billion increase in derivative exposures. Market risk RWAs have primarily been influenced by position risk, almost doubling over the quarter following significant evolution of the notional amounts of the underlying trades.

The RWA for operational risk has increased in accordance with the annual re-calculation to incorporate the impact of results from the prior three years. Generally the RWA for operational risk is re-calculated annually in Q4, once the prior year's profits are recognised following the audit the reporting is subsequently resubmitted inclusive of this.

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

4 Article 435 CRR II - Risk management objectives and policies

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

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

- risk limits are in place to govern its risk-taking activities across all businesses and risk types;
- risk appetite principles are incorporated into its strategic decision making processes;
- monitoring and reporting of key risk metrics to senior management and the board takes place; and,
- there is a capital planning process which incorporates both economic capital modelling and a stress testing programme.

Risk statement

In accordance with the Committee for Systemic Risks and System-relevant Financial Institutions ('CSRSFI') circular 2010-1[1] (NBB circular to SIFIs 26 October 2010), the European bank has been identified as a Systemically Important Financial Institution ('SIFI') in Belgium, making it a high priority to manage risks appropriately to reflect its significant status.

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

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

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

Pillar 1 capital requirement is calculated according to the Basel standardised approach for credit, market, operational risks and for credit value adjustment. The standard formula is based on weighting factors applied to the balance sheet and profit and loss components. Pillar 1 capital requirement is compared to the own funds and in particular the CET1, Tier 1 and Total Capital, and monitored (daily) against regulatory thresholds triggered by the Supervisory Review and Evaluation Process ('SREP') and risk appetite. The European bank ensures it maintains sufficient capital to cover Capital requirements and all necessary buffers. The risk appetite establishes a twenty percent buffer on top of the regulatory requirements.

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

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

Given the capital adequacy ratios and capital surplus, the European bank concludes that the capital is sufficient at 31 December 2021 to face the risks of the entity. At 31 December 2021:

- the Pillar 1 capital requirement was €446 million (30 September 2021: €517 million); CET1 was €3,509 million (30 September 2021: €3,369 million); the CET1 ratio was 62.92% (30 September 2021: 52.04%).
- the Pillar 2 capital requirement was €1,723 million (31 December 2020, €1,602 million) compared to available resources of €3,279 million (31 December 2020: €3,541 million) (comprised of AFR and Tier 2 in the 2020 ratio); the Pillar 2 capital ratio was 13.8% (31 December 2020: 16.0%) with a capital surplus of €991 million (31 December 2020: €1,420 million).

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

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

The European bank's internal capital assessment covers risks to its current business as well as known planned activities. The strategic initiatives are included in the financial plan, and so, assessed by capital assessment and stress testing.

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

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

4.1 Risk objectives

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

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

The Board adopts a prudent appetite to all elements of risk to which the European bank is exposed.

4.2 Risk governance

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

4.2.1 Board of Directors

The Board is composed of a majority of non-executive directors, some of whom are representatives of The Bank of New York Mellon senior management. At least two of the non-executive directors are independent directors (as defined in the Belgian Banking Law). All members of the ExCo also sit on the Board in compliance with Article 24 of the Belgian Banking Law. All directors are natural persons.

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

The primary responsibilities of the Board are to define the strategy and risk policy of the European bank and to supervise the European bank’s management.

The main duties and responsibilities of the Board of the European bank include, but are not limited to:

- defining the general business strategy, objectives and values of the European bank in line with those of The Bank of New York Mellon;
- plan and monitor the implementation of the general business strategy, objectives and values within the European bank;
- fixing the European bank’s risk tolerance level and regularly reviewing and approving the strategies and policies relating to the taking, management, follow-up and mitigation of risks;

- supervising the management of the European bank’s significant risks and ensuring adequate resources are allocated to it;
- approving the capital adequacy position and ensuring changes in the European bank consider capital impacts;
- approving the recovery plan;
- approving the liquidity recovery plan;
- supervising effectively the ExCo and the decisions taken by the ExCo;
- drawing up annual and interim reports and accounts;
- assessing regularly (at least once per year) the efficiency of the internal organization and system of internal control of the European bank and its compliance with applicable laws and regulations;
- assessing the proper functioning of the European bank’s independent control functions (risk, internal audit and compliance); ensuring the integrity of the accounting and financial reporting systems and assessing regularly (at least once per year) the efficiency of the internal control structure, in particular regarding the financial reporting process;
- ensuring that the European bank’s internal governance - as translated into its Internal Governance Memorandum - is appropriate to its business, size and organization;
- approving the Internal Governance Memorandum and ensuring it is kept up-to-date and submitted to the supervisory authority;
- approving and reviewing regularly (at least once per year) the European bank’s remuneration policy, and supervising its implementation;
- selecting and evaluating the members of the ExCo 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 European bank's processes for protecting the European bank's assets and reputation;
- approving policies and procedures as may be required by law or otherwise appropriate;
- reviewing the European bank's processes for compliance with applicable laws, regulations and the internal policies including the Code of Conduct; and,
- overseeing the process of external disclosure and communications.

The table on the following pages shows the members of the Board and its committees as of 31 December 2021.

Board member	Function at the European bank	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 Chair of the Nomination and Governance Committee, and Independent Member of the Audit and Remuneration Committees	An Other Look To Efficiency SPRL	Belgium	Management company	N	Administrator	N
		Climact SA	Belgium	Environmental consultancy	N	Chairman of the Board	N
		Ginkgo Management II SARL	Luxembourg	Real Estate Fund Management	N	Independent Director	N
		Perma-Project SPRL	Belgium	Support to starters in Permaculture	N	Director	N

Board member	Function at the European bank	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)
Marie-Hélène Cretu	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
		PREF-X SAS	France	Finance consultancy	N	Director	N
Marcia Cantor-Grable	Independent Chair of the Risk Committee, Independent member of the Audit Committee	Brown Shipley & Co. Ltd.	United Kingdom	Wealth planning and Investment Management	N	Independent Director	N
		Modulr FS Ltd.	United Kingdom	E-money institution	N	Independent Director	N
		Societe Generale International Ltd.	United Kingdom	Execution only Prime Broker	N	Independent Director	N
Roderick Munsters	Independent Chair of the Remuneration Committee, Independent member of the Risk and Nomination and Governance Committees	Athora Netherlands NV	The Netherlands	Insurance company	N	Chairman of the Supervisory Board	N
		Moody's Investors Service	UK/ France / Germany	Credit Ratings company	N	Independent Director (UK & FR) Member of the Beirat in Germany	N
		PGGM Asset Management	The Netherlands	Asset management for pensions funds	N	Independent Director	N
		Unibail-Rodamco-Westfield SE	France	Real Estate company	Y	Independent Director	N
Susan Revell	Member of the Audit and Nomination and Governance Committee	Sweetwater Training LLP	United Kingdom	Leisure	N	LLP Designated Member	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						
Executive Directors							
Björn Storim	Chief Executive Officer and Chair of the Executive Committee						
Hedi Ben Mahmoud	Chief Risk Officer and Member of the Executive Committee						
Annik Bosschaerts	Chief Operating Officer and Member of the Executive Committee						

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Board member	Function at the European bank	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)
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						

Leonique van Houwelingen resigned as Executive Director and Chief Executive Officer with effect from 16 July 2021. The transition of Leonique van Houwelingen to Non-Executive Director had been acknowledged by the Board and shareholders of the European bank in July 2021. This transition was not approved by the NBB/ ECB in 2021. This director was therefore not included in the table. As of 16 July 2021, Björn Storim was appointed as Executive Director and Chief Executive Officer, this was approved by the regulator on 7 September 2021.

A director has declared personal conflicts of interest that gave rise to the application of article 7:96 of the Belgian Companies and Associations Code.

The European bank is committed to diversity and inclusion. This commitment is not only important to the European bank's culture and to each director as individuals, it is also critical to the European bank's ability to serve its clients and grow its business. The European bank recognises the benefits of having individuals with diverse backgrounds, experience and viewpoints on the Board for the different perspective and unique contributions they provide. Board appointments are based on an individual's skill, ability, experience, training, performance, and other valid role-related requirements. The Terms and Reference of the Board state that at least one third of each gender shall be represented on the Board. This target has been achieved by the European bank at the reporting date.

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

4.2.2 Legal Entity Risk Management

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

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

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

As described in detail in the ExCo Terms of Reference, the responsibilities of the ExCo in carrying out the general management of the European bank mainly relate to corporate responsibilities, control environment, regulatory, stress testing and ICAAP.

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

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

- The Risk Management Committee ('RMC');
- The BNYM Asset and Liability Committee (‘ALCO’);
- The Technology Risk Committee ('TRC');
- The Capital and Stress Test Committee ('CSTC'); and,
- The Credit Risk Oversight Committee ('CROC').

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

Risk Management Committee ('RMC')

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

The aim of the RMC is to establish and maintain a capable and 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 a risk culture, advises the ExCo as second line of defense on risk matters. The Committee is responsible for ensuring that risk and compliance activities undertaken by the European bank, its underlying branches, subsidiary and businesses are executed in accordance with internal policies and all relevant regulations.

Asset and Liability Committee ('ALCO')

The European bank's ALCO is responsible for overseeing the asset and liability management activities on the balance sheet of the European bank and its branches and subsidiary, and for ensuring compliance with all liquidity, interest rate risk and capital related regulatory requirements.

Technology Risk Committee ('TRC')

The key purpose of the TRC is to provide oversight of the technology risks supported by the European bank 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 the European bank 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 organisation that is well placed to identify and manage emerging risks for the European bank including its branches. The Committee provides risk-based challenge to the technology 1st line of defence, establishes and maintains a risk culture, and advises and escalates to the European bank's ExCo on risk matters.

The Committee is responsible for ensuring that technology related risk and compliance activities undertaken by the European bank's ExCo including its branches and service providers are executed in accordance with risk appetite, policies and regulations.

Capital and Stress Testing Committee ('CSTC')

The purpose of the CSTC is to ensure adequate governance and understanding of, and ownership for the processes and documentation pertaining to, the European bank’s capital requirements (economic, regulatory, adequacy and allocation), the risk economic capital model methodologies and stress testing. This is achieved in accordance, where applicable, with the ICAAP governance, the European bank Stress Testing policies and framework whilst taking into consideration the Group’s over-arching capital, profit and strategic plans.

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

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 the European bank's banking business and to ensure compliance with the European bank's credit policies. The activities of the CROC are reported to the ExCo as well as to the RMC where relevant.

Business Acceptance Committee ('BAC')

The 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 and Alternative Investment Strategies, Corporate Trust, Depositary Receipt, Markets, and Broker-Dealer and Advisory Services.

The European bank representatives, selected by the ExCo for their expertise, sit on BACs where the European bank's deals have to be approved.

Councils assisting the ExCo

In addition to the above committees, the ExCo has mandated the Belgium Management Council ('BEMCo'), with the purpose to provide leadership for BNY Mellon employees in Belgium, regardless of legal entity, functional, or business affiliation. The BEMCo is responsible for overseeing, informing, supporting and involving other local bodies, as well as ensuring employee engagement within the Brussels location and the European bank in Belgium. It shall also decide or escalate matters discussed with the employee relations bodies.

Branch and Subsidiary Management

In each branch, a Branch Manager and a Deputy Branch Manager have been appointed to ensure the proper running of the branch’s activities under the supervision of the ExCo. Each branch has at least a designated local manager who performs an oversight role in respect of that branch, including but not limited to, liaising with local regulators. In order to strengthen the management structure of the local branches, a Branch Management Committee with heads of different functional units of the branches is established and meets at least on a monthly basis. The management of the European bank's foreign branches acts under the supervision of the ExCo. Branches regularly report on their activities and provide the minutes of their meetings to the ExCo member(s) who is (are) responsible for the branches.

4.2.3 Business Unit Risk Management

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

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

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

Markets APAC/EMEA Business Acceptance Committee provides governance over new and modified direct business relationships for Markets. The committee is focused on reviewing and approving nonstandard relationships.

Broker-Dealer Services Global Business Acceptance Committee ('BDS Global BAC') is responsible for performing due diligence when accepting, on-boarding, monitoring and off-boarding client relationships and business. BDS Global BAC members will review and approve new and incremental business opportunities. The European bank's ExCo has delegated authority for business acceptance to the “BNY Mellon SA/NV Business Acceptance Committee ('BAC') Delegates” (members of the the European bank's ExCo and Branch Managers). The European bank's BAC delegate must approve each client acceptance and each business opportunity proposal which is to be booked to the European bank. A Compliance representative from the European bank will attend all BDS Global BAC meetings and will be accountable to the European bank's Compliance Officer in respect of all the European bank's business opportunity acceptances.

Broker-Dealer Services Business Risk Committee ('BDSBRC') meetings are the point of review and approval for all new or materially modified products or process changes and services as well as the venue for review and approval of all potential off-boarding of products and services as well as status updates of any major project initiative including touch-points to the European bank. The BDSBRC shall consider a variety of issues including:

potential or actual conflicts of interest or sensitive business practices, errors and service delivery failures, especially with impact to clients and/or to legal and regulatory obligations; client communications and disclosure; financial losses; unsubstantiated gains; and potential reputation damage. BDSBRC meetings are designed to enhance transparency of the key risk and control issues facing the business and to provide a forum for escalation and discussion of these issues. Impact to the European bank will be escalated to its Risk Committee for review and approval, as appropriate.

4.3 Risk management framework

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

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

The European bank's Risk Management Framework is organized around the three lines of defense and the European bank has, in accordance with the Banking Act requirements, put in place the following independent control functions: internal audit, compliance and risk management.

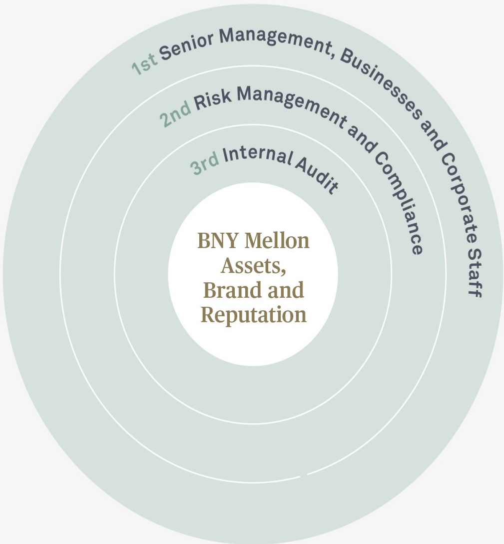
The ExCo is responsible for the implementation of these independent control functions. Annually, it reports to the NBB, the statutory auditor and the Board on the compliance with this requirement and on the measures taken in this respect. These functions are considered as independent as they operate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

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

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

Figure 2: Managing Three Lines of Defense

THREE LINES OF DEFENSE



1st Senior Management, Businesses and Corporate Staff

- Execute business activities consistent with the Company's strategy and risk tolerance
- Provide information to senior management regarding the current and future risk profile
- Ensure that the internal control system is designed properly and operating effectively
- Identify, measure and manage current and emerging risks
- Operate within the risk appetite, and escalate appropriately
- Establish policies and procedures that ensure accountability

2nd Risk Management and Compliance

- Maintain an independent risk management function that is appropriate for the size, complexity and risk profile of the Company
- Establish enterprise-wide risk limits consistent with the Company's risk tolerance and monitor adherence to such limits
- Independently challenge and measure the Company's risks, and provide an assessment of the Company's risk profile
- Provide the Board and senior management with risk reports
- Identify a system of internal controls and evaluate their effectiveness

3rd Internal Audit

- Examine, evaluate and perform independent assessments of the Company's risk management and internal controls system
- Report findings to senior management and the Company's Audit Committee

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

4.4 High-level assessment

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

The High-level Assessment is coordinated by the business. Key representatives from the Lines of Business/Legal Entities will be consulted as part of the assessment process. The assessment is then reviewed by Senior Risk Officers of each Line of Business ('LOB SROs') and Risk function heads (e.g. credit risk). The High-level Assessment, which is approved by the ExCo, is a living document and will be updated regularly as needed.

4.5 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 the European bank constitutes the risk limiting perimeter within which the head office, branches and subsidiary must operate.

The Board owns and defines the RAS, is responsible for annually reviewing it and approves any amendment. The Risk Appetite Metrics Report is actively monitored and managed by the ExCo 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 if the risk profile changes or, at least, annually. It is governed by a Group Policy.

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

4.6 Risk assessment methodology and reporting systems

Risk identification and monitoring occurs in the business (operational areas) and within focused risk departments. Several processes are in place in order to ensure that risks are correctly and timely identified and monitored. Monitoring and controlling risk is primarily performed based on limits established by the European bank. These limits reflect the business strategy and market environment of the European bank as well as the level of risk that the European bank is willing to accept. In addition, the European bank’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 business areas is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the RMC, the ExCo and the Board.

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 the RMC.

The European bank benefits from multiple data gathering, risk monitoring and escalation flows. The European bank generally does not build its own risk infrastructure, data aggregation or 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.

Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP')

The European bank monitors its capital adequacy in accordance with Basel Framework on the basis of Pillar 1 and Pillar 2 (Economic Capital) requirements.

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 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 the European bank's Capital and Stress Testing Committee and by the Board as part of the annual ICAAP approval. The European bank 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 process 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.

New and modified businesses / products assessment process

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

The product governance lifecycle (new and modify or retire existing products) is centrally administrated by Product Governance Office ('ProGo') and approved, at enterprise level, by the Product Approval and Review Committee ('PARC') through a comprehensive Product Program Document (the 'PPD'). The centrally coordinated process involves control / transversal functions in the review of the product proposals including the legal entities: It is a requirement of PARC that all legal entity approvals are completed prior to PARC approval or by attendance of the legal entity at the PARC (through the Legal Entity Approval Group (LEAG), delegated from the RMC).

Material business process changes are reviewed and approved by the RMC.

Significant new client process

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

The BAC uses a checklist in order to assess the potential impact the new client will have on the Pillar 2 capital requirement. If the impact is deemed potentially material, the European bank's BAC delegate will be responsible for contacting Risk Management in order to obtain a Pillar 2 assessment.

Risk and Control Self-Assessment ('RCSA')

The RCSA is a tool used by the business to identify risks associated with their key processes. High or Moderate to high residual risks form part of a regular risk management report to the RMC. This ensures that although the RCSA process is owned by the line of business in conjunction with the business risk managers, the RMC has oversight of the key exception items relating to the European bank on an ongoing basis.

Operational risk events

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

Credit risk monitoring process

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

Large exposure process

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

Market risk monitoring process

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

Interest rate risk monitoring process

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

Liquidity risk management process

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

Top risk process

The RMC maintains the list of top risks for the European bank. The RMC holds monthly meeting to discuss the top risks, which are reviewed on a quarterly basis, and discusses progress to mitigate them.

Risk dashboard

The European bank's Risk dashboard aims to provide a high-level view on the risk appetite metrics and their evolution over a given period and also a high-level view over a given period on the evolution and status, at consolidated level, of the main risk categories. It is produced on a monthly basis.

Key Risk Indicators

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

Stress testing

Capital stress testing is undertaken by the European bank to monitor and quantify risk exposures and capital requirements to ascertain whether or not there are sufficient capital resources on a forward-looking basis. The process involves developing stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to the European bank’s risk profile and business activities. The European bank’s stress testing programme assesses the capital strength and enhances the resilience to external shocks. It also helps senior management understand and mitigate risks, and informs decision about capital levels. The stress testing programme is overseen by the Capital and Stress Testing Group with results reported, where appropriate, to the ExCo and the Board.

4.7 Escalation of risks and issues

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

- identifying and documenting all material risks, assessing the effectiveness of control design, and ensuring that control gaps are closed;
- developing and implementing standards and policies appropriate for the business that conform to the principles and guidelines established by Risk;
- elevating, reporting and investigating operating errors, losses and near misses, identifying the root causes and implementing corrective actions;
- reviewing key indicators for coverage and effectiveness, identifying root causes for red and amber conditions and ensuring implementation of corrective actions;
- approving the process to accept new business, including ‘Request for Proposal’ preparation, contract acceptance and compliance, and challenging whether the European bank is being compensated appropriately for the assumption of risk;
- reviewing the impact of changes in business processes on inherent risks and controls such as reorganisations, new products or processes, system conversions and acquisitions, etc. and,
- ensuring that processes, risks and controls are continually reassessed for appropriateness and completeness.

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

4.8 Recovery and resolution planning

The European bank updates its recovery plan annually in accordance with regulatory guidance. The recovery plan is designed to ensure that the European bank has credible and executable options to meet the challenges that may arise from potential future financial and/or operational crises.

Every two years, BNY Mellon submits its Title I Resolution Plan as prescribed by supervisory policy, which includes the European bank as a material entity of BNY Mellon. The 2021 Title I Resolution Plan was submitted to the regulators on 1 July 2021.

The European bank is working collaboratively with the resolution authorities in the context of our multi-year resolvability programme to support supervisory efforts in establishing a resolution plan for the European bank.

4.9 Climate and environmental related disclosures

Our climate ambition and strategy

At BNY Mellon, we're 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. This is also true of the European bank. Delivering on our environmental, social and governance ('ESG') strategy, we Consider *Everything*^{SM}, starting with our own enterprise-wide practices. We are committed to the development of programs 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, we recognise the important role we play in transitioning to a climate-stable world. To that end, we endeavour to provide best-in-class, climate-friendly client solutions to the global community. We are also acutely aware that climate change represents a key risk driver to BNY Mellon and the global economy at large. As such, we will continue to recognise and consider climate-related risks in the execution of our business objectives and risk taking, including the development of new products and services, and as we strategise and steer the future of our organisation.

In this iteration of reporting, we aim to illustrate the progress we have made in this space as well as openly acknowledging the progress we need to make to enhance our efforts and impact in the fight against climate change. However, where enhancements need to be made, we have highlighted this clearly in table below in the future developments' column.

The European bank's Achievements: 2021	The European bank's Opportunities & Developments 2022
Governance	
The European bank's Board oversight of climate and environmental related risks and opportunities:	
The Board recognises the importance of climate and environmental related risks and has taken steps to enhance its oversight in this area. The Board operates on a model whereby it has established advisory committees to perform these responsibilities more efficiently. Accordingly, the NomCo has become the NGESGC, which oversees and assesses the ESG developments and impacts on the European bank's governance and makes recommendations to the Board on ESG strategy (as set out in its Terms of Reference). The RMC which also assists the Board in fulfilling its oversight responsibilities now includes specific consideration of climate-related and environmental risks; the Terms of Reference have been updated to formally reflect this. In addition, the ExCo of the European bank has also established an ESG Council to advise the Executive Committee on ESG matters (as further explained below). The Board meets at least on a quarterly basis and receives updates from the Executive Committee, as well as the above-mentioned committees, with respect to climate and environmental related risks ensuring effective oversight from the Board. BNY Mellon Group has set out the approach to incorporate consideration of climate and environmental risk and updated risk policies to highlight the importance of including consideration of climate within ongoing decision making. To this effect enhancements to policies have been made for the following frameworks: Enterprise Risk Management, Operational Risk, Credit Risk, Liquidity Risk, Market Risk, Resiliency Risk and Conduct Risk. KRIs have been developed to enable the Board and committees to enhance their monitoring of climate and environmental related risks, and accordingly identify any associated opportunities as well. The Board has adopted a climate and environmental strategy, which sets forth the direction of the European bank in relation to ESG and a commitment to address the impacts from climate change on business operations. In this context the strategy covers three key areas (see table A). Please refer to the BNY Mellon ESG Reports[1] for the latest disclosed performance against these targets. To deliver on this strategy, the Board, the ExCo and ESG Council have undertaken climate-risk training to ensure that all members are sufficiently and appropriately trained to have effective oversight of climate and environmental related risks and opportunities. [1]https://www.bnymellon.com/us/en/about-us/esg-and-responsible-investment.html	A climate and environmental risk dashboard has been developed and will be introduced in the second quarter of 2022 to enable the Board to enhance their monitoring of climate-related risks, as well as identify any associated opportunities. The Board will continue to maintain oversight over enhancements to the European bank's strategy which will continue to leverage the evolving BNY Mellon Group ESG strategy. To further realise the climate and environmental strategy the European bank will formally monitor the ESG expertise of its directors and review opportunities for further training and development.

Table A: Key Areas in the European bank's Climate and Environmental Strategy
A Global Footprint Approach **Reducing our own carbon footprint and environmental impact:** • Reduce carbon footprint in line with 2025 operational targets and publicly disclosed commitments • Maintain carbon neutrality • Reduce 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 • Achieve paper neutrality • Drive water use reduction in building operations
A Global Climate and 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
A 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 – apply ESG principles to securities that clients are willing to accept or provide as collateral • Corporate Trust – 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 – provide regulatory reporting solutions and tools to assist clients with mandatory Sustainable Finance Disclosure Regulation ('SFDR') and Taskforce on Climate-related Financial Disclosures ('TCFD') reporting • Markets – provide clients with investment options via our Liquidity Direct platform to enable them to align investments with their core values

Management's role in assessing and managing climate and environmental related risks and opportunities:	
Dedicated 1LOD, 2LOD and 3LOD management are in place to provide support in developing the European bank's climate and environmental strategy, as well as provide support to assess and manage climate and environmental risks and identifying opportunities where relevant. In particular, the 2LOD is supported by a Global ESG Chief Risk & Compliance Officer ("ESG CRCO") who is responsible across BNY Mellon for the design and implementation of the ESG risk, including climate and environmental risk, requirements relating to the global risk frameworks. 1LOD management are responsible for the embedding of these climate and environmental risk requirements and work in partnership with 2LOD to achieve this. The European bank has established an ESG Council in charge of advising the ExCo in ensuring climate related and environmental risks are fully identified, understood and incorporated into management decisions and strategy definition. It advises the ExCo on ESG matters, specifically the identification and management of climate and environmental risks impacting the European bank. Its membership is based on suitability and knowledge of ESG matters, as well as relevant experience, and brings together all LODs. The ESG Council has been tasked with developing the European bank's plan to address financial risks and other climate change implications, leveraging the existing governance structure, policies, and procedures. Consideration of climate change and environmental sustainability are captured in the European bank's annually-refreshed Strategy and Risk Appetite statement, as well as more generally across the Risk Framework, which are subject to approval by the Board.	A new performance goal covering the consideration of climate and environmental risk and opportunities has been distributed to key individuals in the European bank. Details of how this will be factored into the remuneration policy are due to be agreed and finalised in 2022

Strategy	
Climate and environmental related risks and opportunities identified over the short and long term:	
The European bank's initial assessment and reporting are focused on material risks that could emerge based on identification of on-balance sheet exposures with a potentially high risk to physical and transitional climate change. This analysis has led to the conclusion that the European bank has limited exposure to these risk areas as supported through initial quantification in both the short- and long-term[2] . As a provider of financial services, the European bank recognises that it has a role to play by ensuring the products and services developed help clients integrate climate change into their activities. Partnering with our clients across our lines of business we allow them to analyse and understand the environmental impacts of their portfolios or activities. As an example, the European bank offers clients the use of its ESG Data Analytics application[3], a cloud-based application that mass-customizes investment portfolios to clients' individual ESG factor (including climate) preferences. We have made this, as well as other tools, available to our clients to support them in reaching their climate related objectives. Additionally, the current strategy calls for at least one climate / ESG product capability for each of our business lines. [2] Short term 3 years / Long Term 10 years [3] https://www.bnymellon.com/us/en/insights/all-insights/a-data-driven-approach-to-responsible-investment.html	The European bank will explore the possibility of expanding its scenario testing to clearly identify the physical and transitional risks it is monitoring, as well as the associated opportunities related to those areas, across short- and long-term horizons. This will be captured in the ICAAP report and in future business model scenario analysis The European bank will explore the possibility of of identifying additional climate-friendly products that will enable the European bank and its clients to have a positive impact on climate change. Ongoing measurement and reporting will be used by the European bank to support management discussion and support the development of risk strategy with respect to climate change. Aggregate reporting across all KRIs (which incorporate climate and environmental risk) will be implemented in the second quarter of 2022 for reporting to the Global ESG CRCO and to those governance committees that hold broad risk management responsibilities.
Impact of climate and environmental related risks and opportunities on the European bank's businesses, strategy, and financial planning:	
The European bank has considered climate and environmental risk across all its risk indicators and processes to support ongoing monitoring and decision making, including decisions relating to ongoing strategy, either within specific decision-making processes or for strategic planning purposes. The impact of climate and environmental risk on business strategy is predominantly focused on changes as part of the development of clients, products, and services. The European bank has performed a business model review to assess the impact of climate and environmental risk across the business. This review considered the impact of internal and external factors (such as physical and transitional risks) on strategy and covered several areas such as: • products & services; • client base; • competitive landscape; and, • stakeholder perception. The assessment considered the potential indirect effects of structural change on the overall viability and profitability of the business model, outside of direct effects of losses or other events. The analysis considered the potential for systemic changes in either markets, competitiveness, client preferences or other general structural changes to challenge our ongoing business model. This approach will continue to be enhanced and run periodically to inform strategic decision making.	The European bank will disclose further details about climate and environmental related risks and opportunities identified and associated decisions and actions as we further mature our approach.
Resilience of the European bank's strategy taking into consideration climate and environmental and environmental related scenario analysis:	
Analysis undertaken as part of firm wide stress testing used within the European bank's ICAAP illustrated an immaterial risk from climate to the European bank and therefore the overall business strategy remains unchanged. The European bank monitors climate and environmental risks as reported through the development of KRIs and enhancements to stress testing. These are increasingly important considerations at the overall strategy setting and processes are being put in place to ensure management are aware of climate and environmental risks as part of the strategy setting process. Stress testing considers longer term strategic implications directly associated with climate change and considers explicitly the impact to, and response of, BNY Mellon's corporate strategy consistent with Network for Greening the Financial System ('NGFS') carbon transition pathways. The Business Continuity Policy, which has been adopted by the European bank, ensures an "all-hazards" planning approach is implemented which facilitates the 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 and/or a combination of all. Each business must annually review the Location Risk Assessments and must include an evaluation of inherent risk manifesting from natural calamities, climate change and geopolitical events. It must also include recovery strategies in addressing the risk and the level of risk remaining after inherent risks have been addressed.	The European bank will continue to enhance risk identification to refine stress testing and other risk measures.

Risk Management	
Processes for identifying and assessing climate and environmental related risks:	
The European bank has adopted the BNY Mellon Group Climate Risk Framework which defines the approach towards qualitative and quantitative assessment of climate and environmental risk drivers in its materiality assessment across the risk taxonomy. Climate and environmental risks have therefore been incorporated into the existing processes used to identify risk at the European bank and the approach for identifying any associated risks follows the process outlined below: • when taking on risk through the adoption of a new client, process, product or third-party relationship, a series of risk assessments are performed which focus on all potential sources of risk, and these include dedicated climate considerations defined to identify any material risk that may require mitigation and/or escalation through the decision-making process; and, • when considering existing risks (which includes climate and environmental risk) the Group runs defined processes coordinated by the 1LOD and overseen by 2LOD. These processes are used to identify and classify risks from all sources and used to determine where mitigating activities may be required. Initial assessments have been performed to identify those areas of the business to which physical or transitional effects of climate change may impact the business across a short- and long-term horizon. Table B provides an overview of the assessments and initial outputs and Table C provides an overview of the current time horizon incorporated into these assessments. Please note these are subject to change as the European bank continues to enhance its approach to considering climate and environmental risks. Quantitative metrics have also been designed to monitor climate and environmental risk drivers across Credit, Market and Operational (including Third Party and Resiliency) risks. Capital stress testing has also integrated consideration of impacts of climate change, which were included in the 2021 ICAAP. Further enhancements have been made to perform stress testing with reference to NGFS climate change pathway/scenarios for the 2022 ICAAP	Given the low exposure of the European bank to climate and environmental related risks, and the type of risk the European bank takes through its business activities, capital and liquidity models have not been updated to formally quantify these risks at a detailed level. However, ongoing reviews will continue to take place and if it is determined that the European bank's exposure to climate risk increases, then the relevant models will be updated as needed. Further enhancements on the integration of climate and environmental risk across key processes is expected in 2022. Capital stress testing considering impacts of climate change utilising NGFS scenarios and macro-economic transition pathway variables, to be included in the 2022 ICAAP. Consideration of the same scenarios will be made with respect to liquidity as part of the 2022 ILAAP.

Table B: Risk Assessments & Output

Risk Area	Assessment and Output
Credit Risk	Based on the qualitative assessment completed by subject matter experts short term on-balance sheet assets were determined to be out of scope for assessment as they were deemed to be less relevant sources of climate and environmental risk. Following a quantitative assessment of the portfolio in scope it was concluded that climate change was not a material risk driver for the current profile of the credit exposures, the majority of which reside in the investment portfolio. The European bank's business model does not include lending activity other than in the placement of liquidity with central banks and selected financial institutions.
Market Risk	A quantitative assessment was performed by the means of completing stress testing to consider potential materiality of market shocks on both the banking book and trading book. Additional quantitative analysis of the concentration of exposures in the banking book investment portfolio was performed through the assessment of bond exposures to higher risk sectors and geographies using the same external benchmarks as used for credit risk. While these sectors primarily provide considerations for credit risk, extension to potential credit spread shocks was also considered in assessing materiality. It was concluded that climate change was not a material risk driver for market risk.
Reputational and Liability Risk	Reputational risk is embedded in existing frameworks used to identify and mitigate risks as they arise and not considered on the aggregate level. Therefore, existing frameworks have been updated to incorporate reputational risk through the risk identification process, new product approvals, business process change and the onboarding of sub-custodian relationships; the framework used to identify risks associated with new clients is currently under development. However, despite this an assessment was undertaken to assess the potential impact of a range of potential changes to the markets in which the European bank operates, which includes assessing the materiality of a range of strategic and business model risks, including potential reputational risk. The review was to capture the viability of the European bank's strategy/business model looking at different climate and environmental related scenarios and consider the specific impacts and potential mitigants needed to prevent reputational risks. The output of this indicated a level of exposure relating to transitional risks only.
Liquidity Risk	An analysis was conducted on the impact of climate and environmental related risk on the Liquidity Stress Testing. Environmental related risks such as natural disasters in the last five years have been investigated to identify any adverse impact on client deposits. Furthermore, the analysis done for securities portfolio in the capital stress testing has been considered and the impact of this has been compared to the securities assumptions in the Liquidity Stress Testing Framework. It was concluded that climate change was not a material risk driver.
Business Model and Strategic Risk	An initial assessment of strategic and business model risk was completed. The review captured the viability of the European bank's strategy / business model looking at different climate and environmental related scenarios and also considering reputational risks. Assessment of business model risk considered the potential indirect effects of structural change on the overall viability and profitability of the business model, outside of direct effects of losses or other events. Business model risk analysis considered the potential for systemic changes in either markets, competitiveness, client preferences or other general structural changes to challenge our ongoing business model. The output of this indicated a level of exposure relating to transitional risks only.

Table C: Risk Assessment Processes & Time Horizons

Processes	Time Horizons
ICAAP stress test and Capital Plan	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.
Credit risk, including the investment portfolio	Covers a long -term outlook for underlying positions.
Operational risk, including third party, outsourcing and resiliency risks	Covers a long -term outlook for risk, assessed for probability under a 1 -year horizon.
Market and liquidity risk, which is documented in the ILAAP	Covers a period of up to one year but includes long-term outlook for underlying positions.
The risk assessment of materiality, referred to as a 'High Level Assessment'	Covers inherent and residual risks within the next year.
Business Model/Reputational Risk	Covers two time-horizons, 3-year period and a 10-year period, reflecting the time it may take for risk to materialize. Additionally, the European bank's strategy is defined with 3-year horizon consideration.

<table>
<tr><th colspan="2">Processes for managing climate and environmental related risks:</th></tr>
<tr><td>The management of climate and environmental risk has been integrated into the European bank's existing risk framework used for the management of all taxonomy risks. The management of climate and environmental related risk follows standard risk management practices, which includes risk identification, materiality assessment and quantification (where possible and relevant) as used for all risk types. The entirety of this process is supported by inclusion in risk management policy and governance.

Several key business processes formally incorporate the consideration of climate and environmental risk to ensure potential impacts are considered within business decision making. These processes are governed by overarching BNY Mellon global policies and implemented as applicable to all Lines of Business and Legal Entities. The key processes which directly and explicitly incorporate climate and environmental risk assessment are:
• underwriting for extension of credit;
• new product approvals;
• business process changes;
• location strategy;
• third-party vendor assessment; and,
• sub-custodian onboarding.</td><td>Consideration of climate and environmental risk to be integrated into the client due diligence and underwriting processes.

Further enhancements on the integration of climate risk across key processes.</td></tr>
</table>

Metrics								
The European bank's GHG Scope 1 & 2 Emissions								
Table D: The European bank's GHG Emissions based on Square Footage								
City	**Country**	**Scope 2**		**Scope 1**			**Grand Total**	**Entity Total**
		Electric	**District Heat**	**Gas**	**Oil**	**Refrigerant**	**MTCO2e**	**MTCO2e**
Amsterdam	Netherlands	68	—	—	—		68	66
Breda	Netherlands	109	—	—	—		109	109
Brussels	Belgium	263	—	234	—	—	497	484
Dublin	Ireland	80	—	110	—	—	190	58
Frankfurt	Germany	135	—	—	—	—	135	122
Luxembourg	Luxembourg	47	15	—	—	90	152	141
Madrid	Spain	26	—	—	—		26	13
Milan	Italy	34	—	—	—		34	21
Paris	France	5	—	—	—		5	3

Methodology

The BNY Mellon Global Real Estate team provided the total square footage for office space across the BNY Mellon Group and then derived the percentage allocated to the European bank based on real estate expenses allocated to business units falling under the remit of the European bank.

A third party provided the scope 1 and 2 data, producing the MTCO2 totals which were multiplied by the percentage of square footage allocated to the European bank's locations.

Scope 3 emissions are not included in the above calculations and although unable to disclose this year the European bank will be working on this throughout 2022 with an aim to disclose in next year’s reporting.

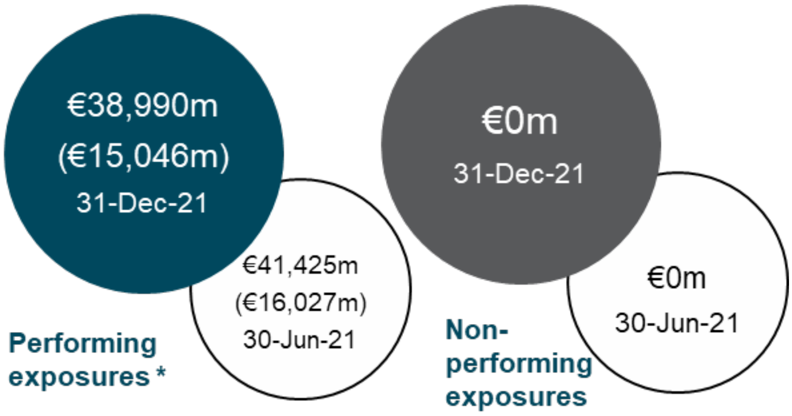
Notes:

- The above calculations are based on square footage as of Q1 2022;
- Scope 1 and 2 is the whole year data for 2021 although this is not currently third party audited;
- COVID-19 will have had an impact on the GHG emissions based on BNY Mellon staff working remotely;
- Based on the methodology to derive the square footage the Denmark location was not included as it operates as a branch of the European bank through a service office. Service offices are not currently included in the scope of this calculation; and,
- The legal entity BNY Mellon Service Kapitalanlage-Gesellschaft mbH is included in the Frankfurt calculations.

The consideration of other metrics

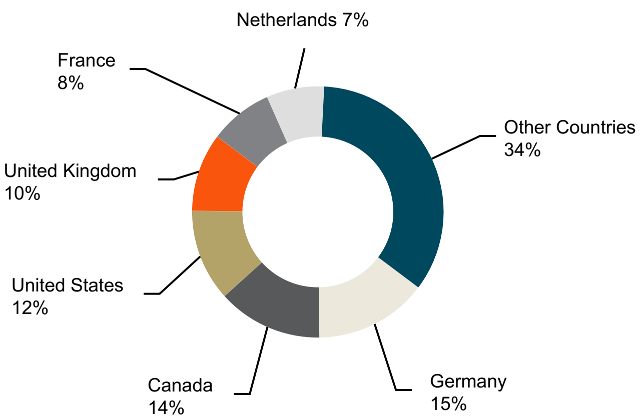
Climate and environmental related metrics have been developed by the European bank but require further enhancements throughout 2022. The aim is to begin disclosing these in next year's reporting.

5 Article 442 CRR II - Credit risk quality and dilution risk

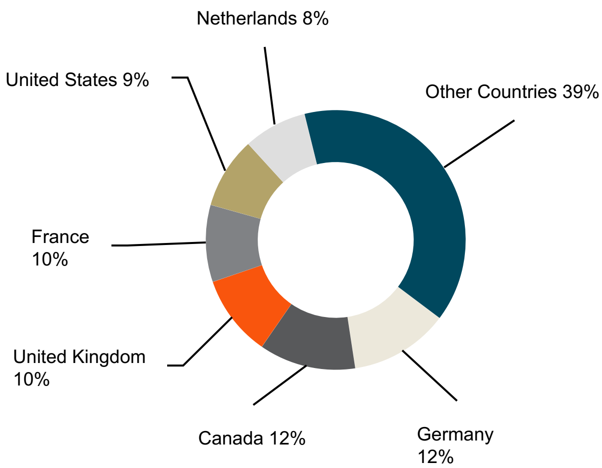


The values presented in brackets represent carrying values of loans and advances, and debt securities, but excluding placements at central banks and other demand deposits.

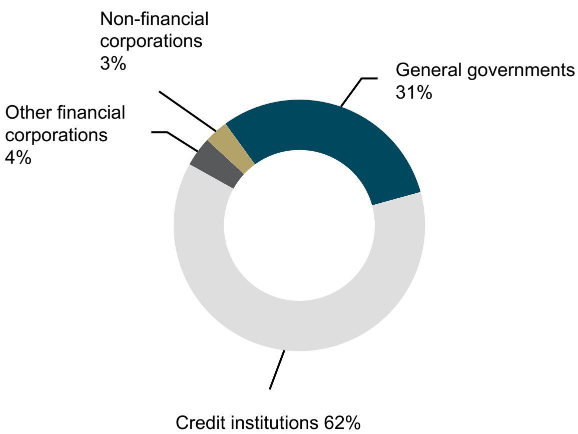
Performing exposures by country at 31 December 2021



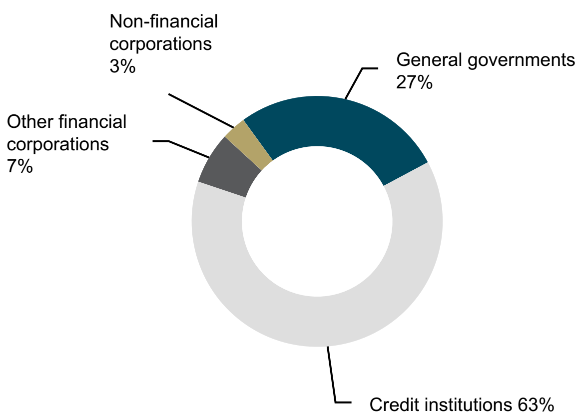
Performing exposures by country at 30 June 2021



Performing exposures by counterparty at 31 December 2021



Performing exposures by counterparty at 30 June 2021



The charts on this page represent carrying values of loans and advances, and debt securities, but excluding placements at central banks and other demand deposits.

5.1 Definition and identification

Understanding, identifying and managing Credit risk is a central element of BNY Mellon’s successful risk management approach. The European bank’s Credit risk is managed in line with the BNY Mellon’s Risk Appetite to minimise losses whilst identifying future potential risks. The European bank’s business model creates Operational and Intraday Credit risks. This section describes the effective governance of Credit risk exposures in the European bank.

The principles, methodologies, and process outlined in this section relating to Credit risk will be reviewed and may be modified as part of the annual review process of Credit policy, if applicable. The European bank has a liability-driven balance sheet and typically engages in the provision of Custody Services to its clients. The European bank generates the following forms of credit exposure:

- significant **intraday credit facilities** are provided 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 the European bank 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, high quality mortgage backed securities in the United Kingdom and the Netherlands and bonds issued by other issuers): the European bank has a large securities portfolio;
- **intercompany exposure** (placements, mitigated by application of Master Netting Agreements); and,
- **derivatives in the banking book**: FX swaps used to manage liquidity and FX swaps coming from the FX client activity. Interest rate swaps with BNY Mellon Institutional Bank is used to protect the interest rate risk in the European bank's securities.

5.2 Credit risk management framework

At the outset of a new agent bank, trading counterpart or customer relationship, a review is undertaken by the business in partnership with Credit risk to determine the client’s suitability for the products offered and the European bank’s Risk Appetite for the same. Once it is agreed that the relationship can be entered into and suitable limits made available to accommodate the activity, the client can be mandated and moved through the Business Acceptance Committee process for formal approval by all relevant parties. As the First Line of Defence, the business has primary responsibility to identify the nature and quantum of Credit risk that may be incurred as a result of any business relationship. Credit risk assists in that assessment as the Second Line of Defence.

BNY Mellon’s Credit Risk Management function operates a global model to maximise efficiency and to leverage the SME resources that are available to the best advantage for all BNY Mellon legal entities. Credit risk is an outsourced service provided under Service Level Descriptions ('SLDs') to the various global BNY Mellon legal entities. Each legal entity Board will approve both an appropriate Risk Appetite Statement and a legal entity specific Credit Risk Policy which details the roles and responsibilities and levels of delegated authority for each type of activity.

5.3 Credit risk management

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

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

- for custody clients, limits are calculated as a percentage of AUC. Most clients have, within their Global Custody Agreement ('GCA'), provided the bank with a contractual right of set-off across currency accounts, a custodial lien on the assets held with right of retention and sale if debts are not repaid;
- for legal reasons certain clients may not be able to provide a lien on their assets, or there may be some other inability to encumber the asset pool which may be held ultimately for the benefit of other parties (e.g. insurance companies, etc.). However, these clients are usually also highly rated financial institutions. Therefore, the risk is mitigated by their high credit rating rather than access to a collateralised bond portfolio;
- in some instances, the provision of intraday credit can lead to an overnight overdraft to a client which in turn could contribute to a large exposure breach. To mitigate this risk, the European bank makes use of CRR II art. 390§6c (“next business day exclusions”). Though lien and/or pledge language in the custody contract is considered to being effective economic risk mitigation, this is not taken into account for regulatory risk mitigation. Where the European bank have signed an on-balance netting agreement with the customer, its overdrawn balance(s) in a given currency will be netted off with its long balances in the same currency;
- a Master Netting Agreement is in place to cover intragroup exposure to The Bank of New York Mellon (International) Limited and The Bank of New York Mellon; and,
- placement activity with third party banks is subject to credit approval and is only permitted after careful consideration of the quality of the counterparty bank, large exposure issues and exposure elsewhere within the BNY Mellon enterprise. Relationships with, and limits for, all banks are managed globally by BNY Mellon. The European bank's counterparty bank limits are managed as a subset within the overall limits approved by the parent.

The metrics supporting the management of Credit risk are monitored on a monthly basis and reported to the European bank's senior management.

5.4 Monitoring and reporting

Credit risk is monitored and controlled in real time through the Global Funds Control Platform and its interaction with both transactions’ systems: the Global Securities Processing ('GSP') system for securities settlement activity and electronic payment handling ('EPH'), the bank’s money transfer processing hub. Real-time balance information is input via the International Money Management System ('IMMS'), which is BNY Mellon's proprietary Demand Deposit Account platform.

Post-event monitoring is conducted by the client service area, with secondary oversight form the Credit Risk function.

5.5 Governance

Governance of Credit risk oversight as a second line of defence function is described and controlled through the Tier 1 BNY Mellon Global Credit Risk Policy with the Tier 2 European bank Credit Risk Policy and day-to-day procedures supported by a detailed SLD to ensure European bank oversight as follows:

- Credit Risk Policy for each legal entity describes the outsourcing of credit risk tasks, defines roles and responsibilities and required reporting to be carried out to each business line and entity that the policy applies to. Any deviation from approved policy requires either senior business or senior legal entity approval depending on the type of event;
- approvals for excesses are controlled using a matrix of Credit risk approval authorities held within the Credit Risk Policy - each Credit Risk Officer has their own individual delegated approval authority granted by the Chief Credit Officer. They must act within those limits when making approvals. If an excess is beyond the Officer’s approval limit, it is escalated to a more senior officer as per the applicable Credit Risk Policy. The outsourcing of credit responsibility to Credit risk is through the Board approved Credit Risk Policy; and,
- overdraft monitoring is a daily task and conducted within each legal entity - significant overdrafts are chased on a daily basis in line with the European bank’s risk appetite. All significant overdrafts and exposures are recorded and form part of the credit risk management information produced on a monthly basis for various management committees.

5.6 Analysis of credit risk

Credit risk exposure is computed under the standardised approach which uses external credit assessment, institutional ratings and supervisory risk weights supplied by external credit assessment agencies. The following credit risk exposure tables summarise the credit exposure for the European bank in accordance with the CRD V requirements.

The definitions below are used in the following tables:

- **Exposure at Default ('EAD')** is defined as the amount expected to be outstanding, after any credit risk mitigation, if and when a counterparty defaults. Exposure reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon. As such, exposure in this context may differ from statutory IFRS accounting balance sheet carrying values;
- **Exposures in Default (past due)** - Exposures in default are defined as accounts receivable balances in excess of agreed limits for more than 90 days. This definition only applies to regulatory computations and is disclosed under exposure class, exposures in default. The European bank has no exposures in default;
- **Credit Conversion Factor ('CCF')** converts the amount of a free credit line and other off-balance sheet transactions (with the exception of derivatives) to an EAD amount. This function is used to calculate the exposure at default;
- **Credit Risk Mitigation ('CRM')** is defined as a technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection;
- **geographic area** is based on the country location of the counterparty; and,
- **residual maturity** is defined as the period outstanding from the reporting date to the maturity or end date of an exposure.

5.7 Analysis of past due and impaired exposures

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

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

- **past due** exposure is when a counterparty has failed to make a payment when contractually due; and,
- **impaired/ defaulted exposure** is when the European bank does not expect to collect material contractual cash flows when they are due, and or, such cash flows are past due more than 90 days.

As at 31 December 2021, the European bank had no materially impaired exposures for which a specific or general provision was required. There were no assets past due greater than 90 days. The European bank did not incur any write-offs of bad debts or make any recovery of amounts previously written-off during the reporting period. Further, the European bank did not carry any exposures considered forborne and consequently did not obtain any collateral through taking possession. The European bank also had an immaterial balance of loans and advances to non-financial corporations.

Table 9: EU CQ3 Credit quality of performing and non-performing exposures by past due days

This table illustrates the European bank's performing and non-performing central bank deposits, loans, advances and debt security exposures by due date, inclusive of off-balance sheet items. The European bank did not have any non-performing exposures at the disclosure date and consequently selected columns reflecting past due status are not presented.

	Gross carrying amount/nominal amount				
		Performing exposures		Non-performing exposures	
At 31 December 2021 (€m)		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Of which defaulted
Cash balances at central banks and other demand deposits	**23,944**	**23,944**	**—**	**—**	**—**
Loans and advances	**2,237**	**2,237**	**—**	**—**	**—**
General governments	1	1	—	—	—
Credit institutions	1,997	1,997	—	—	—
Other financial corporations	239	239	—	—	—
Debt securities	**12,806**	**12,806**	**—**	**—**	**—**
General governments	4,622	4,622	—	—	—
Credit institutions	7,383	7,383	—	—	—
Other financial corporations	337	337	—	—	—
Non-financial corporations	464	464	—	—	—
Off-balance-sheet exposures	**3**			—	—
Credit institutions	3			—	—
Total	**38,990**	**38,987**	**—**	**—**	**—**

Note: Exposure classes which are not applicable to the European bank have not been disclosed.

Table 10: EU CQ4 Quality of non-performing exposures by geography

This table illustrates the European bank's performing and non-performing loans, advances and debt security exposures by geographical location, by on- and off-balance sheet status, with any applicable impairments and provisions. The table does not include placements at central banks and other demand deposits.

At 31 December 2021 (€m)	Gross carrying/Nominal amount				Accumulated impairment
		of which: non-performing	of which: defaulted	of which: subject to impairment	
On-balance-sheet exposures	**15,043**	**—**	**—**	**15,043**	**—**
Australia	457	—	—	457	—
Austria	68	—	—	68	—
Belgium	52	—	—	52	—
Canada	2,034	—	—	2,034	—
Cayman Islands	1	—	—	1	—
China	44	—	—	44	—
Denmark	143	—	—	143	—
Finland	188	—	—	188	—
France	1,227	—	—	1,227	—
Germany	2,183	—	—	2,183	—
Hong Kong	402	—	—	402	—
Ireland	79	—	—	79	—
Italy	209	—	—	209	—
Japan	349	—	—	349	—
Korea, Republic Of	387	—	—	387	—
Luxembourg	126	—	—	126	—
Netherlands	1,116	—	—	1,116	—
Norway	575	—	—	575	—
Qatar	264	—	—	264	—
Singapore	206	—	—	206	—
Spain	246	—	—	246	—
Sweden	498	—	—	498	—
United Arab Emirates	44	—	—	44	—
United Kingdom	1,518	—	—	1,518	—
United States	1,779	—	—	1,779	—
Other Countries	848	—	—	848	—
Off-balance-sheet exposures	**3**	**—**	**—**		
Germany	3	—	—		
Total	**15,046**	**—**	**—**	**15,043**	

Note: 'Other countries' includes multilateral development banks and international organisations which operate across multiple regions. Further, selected columns in relation to provisions and fair value changes to non-performing exposures which are not applicable to the European bank have not been disclosed.

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Table 11: EU CR1 Performing and non-performing exposures and related provisions

This table shows the European bank's on-balance sheet loans, advances and debt securities by exposure class. The carrying values are presented by performing and non-performing status with an appropriate ECL impairment classification where applicable. Further, it presents the carrying values of eligible collateral and guarantees received.

	Gross carrying amount/nominal amount									Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions				
At 31 December 2021 (€m)		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2	On performing exposures	On non-performing exposures
Cash balances at central banks and other demand deposits	**23,944**	**23,670**	**274**	**—**	**—**	**—**	**1**	**—**	**1**	**—**	**—**
Loans and advances	**2,237**	**2,237**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**7**	**—**
General governments	1	1	—	—	—	—	—	—	—	—	—
Credit institutions	1,997	1,997	—	—	—	—	—	—	—	—	—
Other financial corporations	239	239	—	—	—	—	—	—	—	7	—
Debt securities	**12,806**	**12,806**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
General governments	4,622	4,622	—	—	—	—	—	—	—	—	—
Credit institutions	7,383	7,383	—	—	—	—	—	—	—	—	—
Other financial corporations	337	337	—	—	—	—	—	—	—	—	—
Non-financial corporations	464	464	—	—	—	—	—	—	—	—	—
Off-balance-sheet exposures	**3**	**3**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Credit institutions	3	3	—	—	—	—	—	—	—	—	—
Other financial corporations	—	—	—	—	—	—	—	—	—	—	—
Total	**38,990**	**38,716**	**274**	**—**	**—**	**—**	**—**	**—**	**—**	**7**	**—**

Note: Exposure classes which are not applicable to the European bank have not been disclosed. There were also no accumulated partial write-offs.

Table 12: EU CR1-A Maturity of exposures

This table shows the carrying value of the European bank's on- and off-balance sheet loans, advances and debt security exposures by maturity horizon. Cash placements at central banks and other demand deposits are excluded.

	Net exposure value					
At 31 December 2021 (€m)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Loans and advances	108	2,129	—	—	3	2,240
Debt securities	—	1,933	9,330	1,543	—	12,806
Total	**108**	**4,062**	**9,330**	**1,543**	**3**	**15,046**

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5.8 Article 440 CRR II - Countercyclical buffers

These tables give an overview of the geographical distribution of private sector credit exposures relevant to the calculation of the European bank's countercyclical capital buffer. For this purpose the European bank classes its geographical exposures in line with the country where the final risk / guarantor resides, if any, not the country where the exposure has been booked.

Table 13: EU CCYB1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

The European bank has exposures to the following countries relevant to the calculation of the countercyclical buffer. Other countries represent relevant private sector exposures which do not have a domestic countercyclical buffer rate in place as at 31 December 2021.

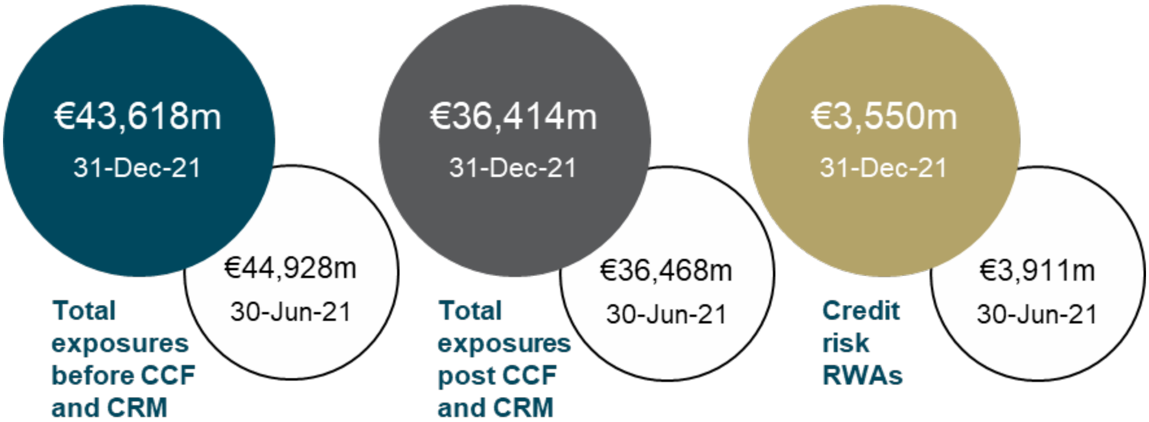
At 31 December 2021 (€m)	General credit exposures			Own fund requirements					
	Exposure value (standardised approach)	Securitisation exposure value (non-trading book)	Total exposure value	Relevant credit risk exposures	Relevant securitisation positions (non-trading book)	Total	RWEA	Own fund requirements weights (%)	CCYB (%)
Luxembourg	206	—	206	13	—	13	163	7.45 %	0.50 %
Norway	402	—	402	3	—	3	38	1.82 %	1.00 %
Hong Kong	—	—	—	—	—	—	—	— %	1.00 %
Other countries	3,568	149	3,717	158	2	160	1,999	90.73 %	— %
Total	**4,176**	**149**	**4,325**	**174**	**2**	**176**	**2,200**	**100.00 %**	

Note: Exposure approaches which are not applicable to the European bank have not been disclosed.

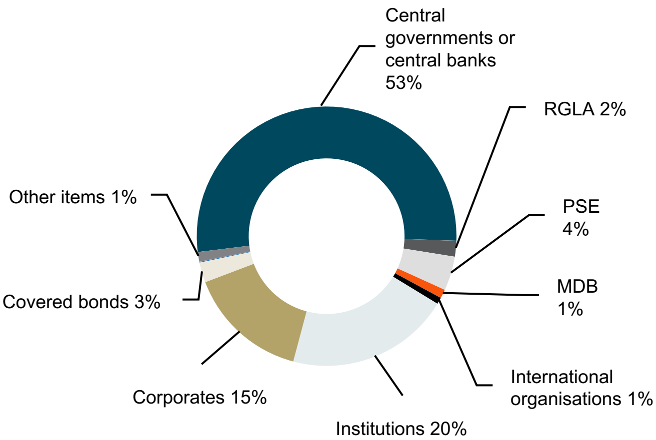
Table 14: EU CCYB2 Amount of institution-specific countercyclical capital buffer

At 31 December 2021 (€m)	
Total risk exposure amount	5,577
Institution specific countercyclical capital buffer rate (%)	0.06 %
Institution specific countercyclical capital buffer requirement	3

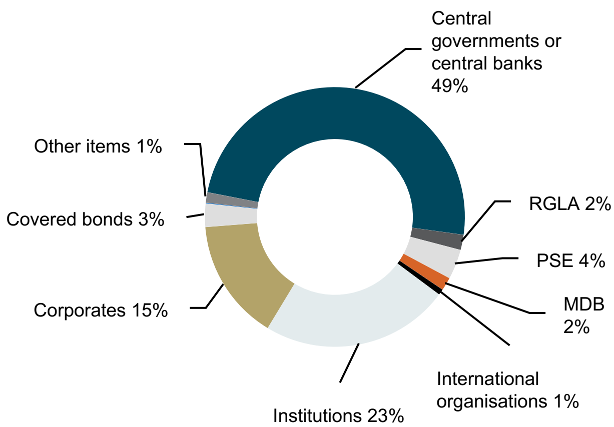
6 Article 444 CRR II - Use of the Standardised Approach



Standardised net credit exposure by counterparty at 31 December 2021



Standardised net credit exposure by counterparty at 30 June 2021



Note:

MDB:	Multilateral development Banks,
PSE:	Public sector entities,
RGLA:	Regional governments/local authorities,
CIU:	Collective investments undertakings

The standardised approach requires the European bank to use risk assessments prepared by External Credit Rating Assessment Institutions ('ECAIs') to determine the risk-weightings applied to rated counterparties. The European bank uses S&P Global Ratings and Moody's as its ECAIs. There has been no change to these ECAIs during the period.

Table 15: EU CR4 Standardised approach – Credit risk exposure and CRM effects

This table shows the effect of the standardised approach on the calculation of capital requirements for the European bank based on its exposures under the prudential regulatory scope. The risk-weighted exposure amount ('RWA') density provides a synthetic metric on the riskiness of each portfolio.

As at 31 December 2021 the European bank recognised a €3 million equity exposure for the first time in relation to its participation in SWIFT, in prior disclosures this had been recorded in Other items. The amount is not eligible as a capital deduction.

At 31 December 2021 (€m)	Exposures before CCF and CRM		Exposures post CCF and CRM			
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Central governments or central banks	22,901	—	24,250	—	53	0.22 %
Regional government or local authorities	863	—	1,284	—	17	1.32 %
Public sector entities	1,856	—	827	—	110	13.30 %
Multilateral development banks	480	—	480	—	—	— %
International organisations	368	—	368	—	—	— %
Institutions	8,896	3	5,427	1	1,569	28.91 %
Corporates	6,592	—	2,152	—	1,054	48.98 %
Covered bonds	1,088	—	1,088	—	109	10.02 %
Collective investment undertakings	—	42	—	8	106	1325.00 %
Equity	3	—	3	—	3	100.00 %
Other items	526	—	526	—	529	100.57 %
Total	**43,573**	**45**	**36,405**	**9**	**3,550**	**9.75 %**

Note: Exposure classes which are not applicable to the European bank have not been disclosed.

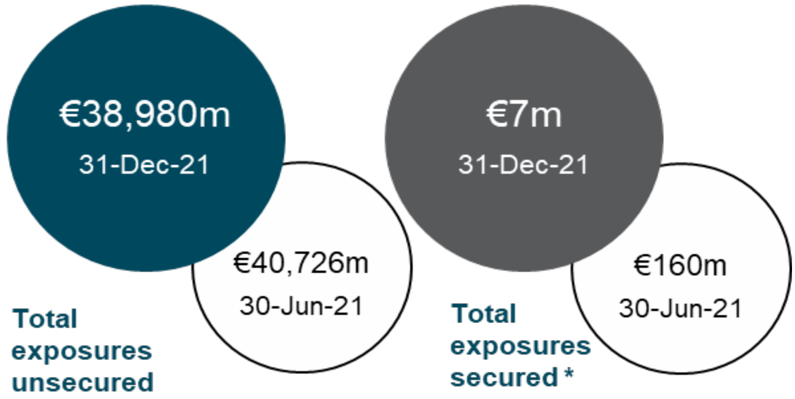
Table 16: EU CR5 Standardised approach

This table shows the breakdown of the European bank's on- and off-balance sheet exposures under the prudential regulatory scope after the application of both conversion factors and risk mitigation techniques.

At 31 December 2021 (€m)	Risk weight									
	0%	10 %	20 %	50 %	100 %	150 %	250 %	1250 %	Total	Unrated
Central governments or central banks	23,985	—	265	—	—	—	—	—	24,250	—
Regional government or local authorities	1,200	—	84	—	—	—	—	—	1,284	—
Public sector entities	279	—	548	—	—	—	—	—	827	174
Multilateral development banks	480	—	—	—	—	—	—	—	480	—
International organisations	368	—	—	—	—	—	—	—	368	—
Institutions	—	—	4,312	881	171	64	—	—	5,428	57
Corporates	—	—	1,078	577	392	105	—	—	2,152	315
Covered bonds	—	1,088	—	—	—	—	—	—	1,088	—
Collective investment undertakings	—	—	—	—	—	—	—	8	8	8
Equity	—	—	—	—	3	—	—	—	3	3
Other items	—	—	—	—	524	—	2	—	526	526
Total	**26,312**	**1,088**	**6,287**	**1,458**	**1,090**	**169**	**2**	**8**	**36,414**	**1,083**

Note: Exposure classes which are not applicable to the European bank have not been disclosed.

7 Article 453 CRR II - Credit risk mitigation techniques



* Representing eligible collateral for the European bank's on-balance sheet carrying value of loans, advances and debt securities which differs from the adjusted collateral eligible under COREP. Excludes off-balance sheet exposures.

7.1 Netting

The European bank manages credit risk through a variety of credit risk mitigation strategies including collateral and master netting agreements and netting arrangements.

The European bank facilitates customer settlement activity which gives rise to receivables and payables across multiple accounts. On-balance sheet netting agreements have a similar effect to a 'cash-pooling' arrangement, insofar as the amounts due from customers can be recorded on a net basis across accounts.

The European bank also has master netting agreements ('MNAs') with other BNY Mellon entities that allow it to net eligible intercompany balances with individual intergroup entities and their branches. Currently, two such agreements are in place, one with the Bank of New York Mellon Corporation and one with BNY Mellon (International) Limited. The agreements meet the requirements of the CRR for regulatory credit risk mitigation purposes. Derivatives and other "Qualified Financial Contracts" are excluded from the MNA calculations. To establish the aggregated exposure to BNY Mellon Corp as a connected group of counterparties, the net result of each MNA is added to the exposures that are not eligible to an MNA. The result is subject to the 75% intergroup exemption under the Belgian Royal Decree.

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

7.2 Collateral valuation and management

The European bank can receive collateral from a counterparty which can include guarantees, cash and both equities and debt securities. The European bank also has the ability to call on this collateral in the event of a default by the counterparty.

Collateral amounts are marked-to-market on a daily basis to ensure that they continue to provide the required risk mitigation value. Securities are marked-to-market daily and haircuts are applied to protect the European bank in the event of the value of the collateral suddenly reducing in value due to adverse market conditions.

7.3 Collateral types

The most important type of collateral is the coverage of nostro balances with one group of connected counterparties by a pool of collateral consisting of EU sovereign debt of AA- credit quality or better.

7.4 Guarantors and credit derivative counterparty

See section 7.6 on credit concentration risk.

7.5 Wrong-way risk

The European bank takes particular care to ensure that wrong-way risk between collateral and exposures does not exist. Wrong-way risk results when the exposure to the counterparty increases when the counterparty's credit quality deteriorates.

7.6 Credit concentration risk

Credit Concentration risk is the risk of loss resulting from risk concentrations as a result of insufficient diversification (including single name, industry and country concentration risk). Credit Concentration risk within the European bank originates mostly through the European bank's banking activities. The European bank has an appetite to place funds only with institutions having an internal rating of 10 or better (equivalent to Moody's/S&P external rating of Baa3/BBB- respectively). Whilst this approach undoubtedly constrains the number of eligible placement counterparties as well as the deposit spread, it also ensures that exposures are well controlled and less likely to default.

In addition, to ensure compliance with the Large Exposures and Shadow Banking Regime, the European bank's Credit Policy limits Group Credit Risk approval to €500 million per Connected Counterparty and individual money market placements to €250 million thereby ensuring that exposures are kept below the maximum of 25% of Tier 1 capital, in line with Article 395 as amended by CRR II.

Table 17: EU CR3 CRM techniques overview: Use of credit risk mitigation techniques

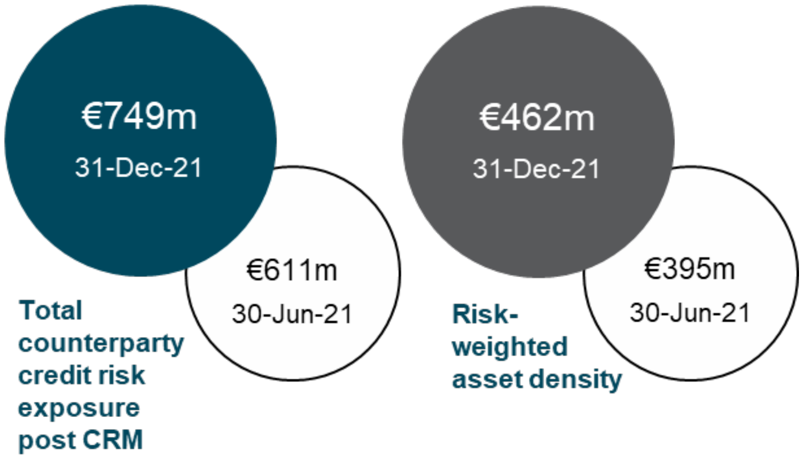
This table shows the extent of credit risk mitigation techniques utilised by the European bank (Consolidated) on its on-balance sheet carrying values, inclusive of placements at central banks and other demand deposits. Financial and other eligible collateral can include cash, debt securities, equities or gold, and their values are taken into account for the purposes of calculating the risk-weighted exposure amount of the underlying exposure.

At 31 December 2021 (€m)	Unsecured carrying amount	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	26,174	7	7	—	—
Debt securities	12,806	—	—	—	
Total	**38,980**	**7**	**7**	**—**	**—**
Of which non-performing exposures	—	—	—	—	—
Of which defaulted	—	—			

There are no exposures covered by credit derivatives at 31 December 2021. Using guarantees has the effect of replacing the risk-weight of the underling exposure with that of the institution providing the credit protection. Guarantors are primarily rated as investment grade.

The amount secured at year-end relates to collateral received in respect of overdrafts on loans and advances. The reduction in collateral over the prior reporting period was driven by the non-repeat of repurchase transactions at year-end which drove the majority of collateral received in the prior period.

8 Article 439 CRR II - Exposures to counterparty credit risk



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

As at 31 December 2021 the European bank did not have any counterparty credit risk exposures to credit derivatives or central counterparties.

Table 18: EU CCR1 Analysis of CCR exposure by approach

This table shows a comprehensive view of the methods and parameters used by the European bank (Consolidated) to calculate its counterparty credit risk.

SA-CCR is a non-modelled approach for measuring the counterparty credit risk exposure associated with derivatives. This new approach under CRR II replaces the mark-to-market method previously applied for calculation of the derivative exposure amount. The newly calculated derivative exposure amount is used for further calculating Risk Weighted Assets, Credit Value Adjustment, Large Exposures and Leverage exposures.

SA-CCR is more risk sensitive than the existing non-modelled methods. Specifically, it differentiates between margined and un-margined transactions and provides more meaningful recognition of netting benefits.

At 31 December 2021 (€m)	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
SA-CCR (for derivatives)	100	435		1.4	1,076	749	749	462
Financial collateral comprehensive method (for SFTs)					—	—	—	—
Total					**1,076**	**749**	**749**	**462**

Note: Non-applicable methodologies have not been disclosed.

Table 19: EU CCR3 Standardised approach – CCR exposures by regulatory exposure class and risk weights

The table below shows the European bank's (Consolidated) derivative and SFT exposures subject to counterparty credit risk, presented by exposure class and applicable risk-weights under the SA-CCR approach.

At 31 December 2021 (€m)	0%	20 %	50 %	100 %	Total exposure value
Central governments or central banks	3	3	11	13	30
Institutions	—	302	19	—	321
Corporates	—	—	50	348	398
Total exposure value	**3**	**305**	**80**	**361**	**749**

Note: Exposure classes which are not applicable to the European bank have not been disclosed.

Table 20: EU CCR5 Composition of collateral for CCR exposures

This table provides an overview of the collateral held on exposures subject to counterparty credit risk by type.

At 31 December 2021 (€m)	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency	—	144	—	33	—	—	—	—
Cash – other currencies	—	10	—	30	—	—	—	—
Total	**—**	**154**	**—**	**63**	**—**	**—**	**—**	**—**

Note: Exposure classes which are not applicable to the European bank have not been disclosed.

8.1 Credit valuation adjustment

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

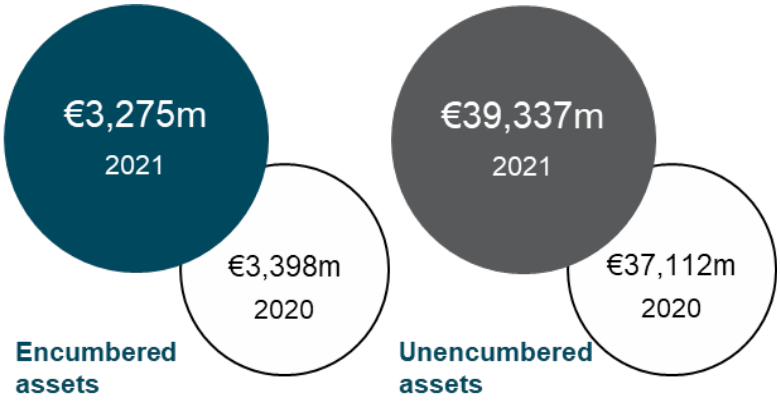
Table 21: EU CCR2 Transactions subject to own funds requirements for CVA risk

This table shows the European bank's credit valuation adjustment using the standardised approach.

At 31 December 2021 (€m)	Exposure value	RWEA
Transactions subject to the Standardised method	727	108
Total transactions subject to own funds requirements for CVA risk	**727**	**108**

Note: Exposure classes which are not applicable to the European bank have not been disclosed.

9 Article 443 CRR II - Asset Encumbrance



The European bank has a collateral agreement with Euroclear to cover an intraday credit line for $2.1 billion. The European bank invests in various bonds; these have been further pledged as collateral to Euroclear during 2021.

The carrying and fair value of encumbered assets by type, based on median values, are as follows:

Table 22: EU AE1 - Encumbered and unencumbered assets

At 31 December 2021 (€m)	Carrying amount of encumbered assets	of which notionally eligible EHQLA and HQLA	Fair value of encumbered assets	of which notionally eligible EHQLA and HQLA	Carrying amount of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets	of which EHQLA and HQLA
Assets of the reporting institution	**3,275**	**2,913**			**39,337**	**27,944**		
Equity instruments	—	—	—	—	—	—	—	—
Debt securities	2,855	2,544	2,855	2,544	10,096	9,237	10,098	9,239
of which: covered bonds	701	634	701	634	573	616	573	616
of which: securitisations	—	—	—	—	153	—	153	—
of which: issued by general governments	908	767	908	767	3,340	3,344	3,342	3,345
of which: issued by financial corporations	1,843	1,691	1,843	1,691	6,309	5,691	6,309	5,691
of which: issued by non-financial corporations	120	83	120	83	382	201	382	201
Other assets	419	355			29,186	29,186		

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

Table 23: EU AE2 - Collateral received and own debt securities issued

At 31 December 2021 (€m)	Fair value of encumbered collateral received or own debt securities issued	of which notionally eligible EHQLA and HQLA	Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
Collateral received by the disclosing institution	**—**	**—**	**134**	**124**
Loans on demand	—	—	—	—
Equity instruments	—	—	—	—
Debt securities	—	—	134	124
of which: issued by general governments	—	—	134	124
Loans and advances other than loans on demand	—	—	—	—
Other collateral received	—	—	—	—
Own debt securities issued other than own covered bonds or securitisations	—	—	—	—
Own covered bonds and securitisation issued and not yet pledged			—	—
Total collateral received and debt securities issued	**3,275**	**2,913**		

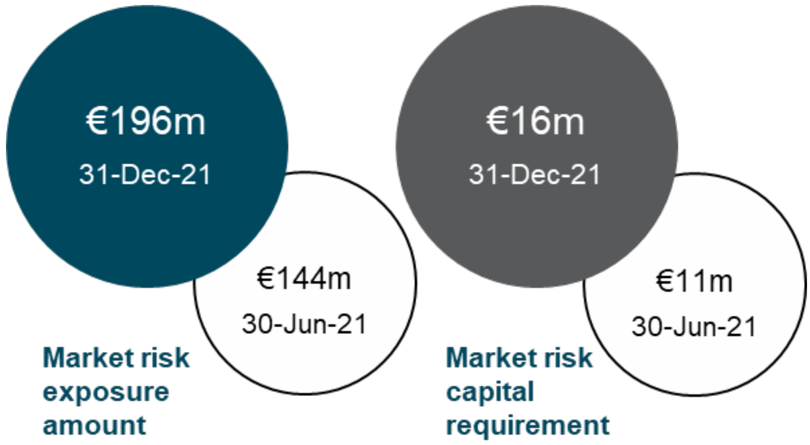
Table 24: EU AE3 - Sources of encumbrance

At 31 December 2021 (€m)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	**501**	**467**

Table 25: EU AE4 - Accompanying narrative

General narrative information on asset encumbrance	Disclosed values are based on median amounts in the year. Exposure values reflect the carrying values of the European bank's FinRep. There is only one notable difference in amounts pledged under applicable accounting frameworks and amounts considered encumbered, being a facility in place with the Bundesbank. The nature of this arrangement is such that securities pledged overnight for access to a credit facility remain unencumbered as long as the corresponding credit remains undrawn. As at the reporting date this value was €204 million. There is no difference in consolidation scope between asset encumbrance and liquidity.
Narrative information on the impact of the business model on assets encumbrance and the importance of encumbrance to the institution's business model, which provides users with the context of the disclosures required in Template EU AE1 and EU AE2.	As at 31 December 2021, the carrying amount of the encumbered debt securities largely relates to collateral pledged to Euroclear and Clearstream in respect of uncommitted credit facilities. Similarly, on a median basis, the European bank had encumbered assets in relation to repo securities throughout the year, though these were not held at year-end. Other assets encumbered refer to monetary reserves, mainly placed with National Bank of Belgium, treated as encumbered assets as these cannot be not freely withdrawn by the European bank. Other assets include foreign exchange cash collateral of €68 million (31 December 2020: €93 million). Similarly, other assets not encumbered refer primarily to cash balances and other demand deposits, other loans and advances and a comparatively smaller amount representing derivatives, goodwill & intangibles, tangible assets and misc accurals and prepayments. Selected liabilities reportable under EU AE3 primarily, on a median basis, relates to the European bank's repo and derivative activities in the year. There are no significant differences in scope regarding the European bank's encumbrance on a consolidated or solo basis. Further, in respect of over-collateralisation the European bank does not issue securitised investments or covered bonds. The European bank does not have any off-balance sheet sources of encumbrance.

10 Article 445 CRR II - Exposure to market risk



Market risk is defined as the risk arising from adverse change in financial markets due to factors such as prices, rates, implied volatilities, or correlations of market risk factors. Market risk factors include but are not limited to interest rates, foreign exchange rates, market liquidity, equity prices, credit spreads, pre-payment rates, commodity prices and issuer risk associated with the European bank’s trading and investment portfolios.

Market risk is a systemic risk. Movements in markets are beyond the control of the European bank. The risk to the European bank is reviewed below in two contexts: impact on balance sheet and impact on revenues and consequently its profitability.

The Corporate Treasury FX swap activity is classified as held for trading from an accounting perspective. The Markets FX trading and sales activity had been operating on a full back-to-back model (on a trade by trade basis) with BNYM London Branch until 16 November 2020. Until this point in time, no market risk resided in the trading book of the European bank 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 the European bank since the aforementioned live date.

The European bank is currently exposed to five types of market risk: (a) currency risk, (b) Credit Valuation Adjustment ('CVA'), (c) interest rate risk, (d) credit spread risk and (e) pension risk.

- the European bank's revenues are denominated in a mix of currencies whereas a high proportion of the European bank’s costs are denominated in Euro. Apart from the risk of currency mismatch between revenues and cost, the European bank is not significantly exposed to this risk;
- Credit Valuation Adjustment ('CVA') risk relates to the FX swaps used in the context of Treasury management and FX swaps client activity;
- the European bank's interest rate income is subject to the risk that as market interest rates tend toward zero or below, the European bank 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 optionality; the risk could crystallize with changes in interest rate risk/the shape of the yield curve;
- the securities portfolio bears additional credit spread risk; and,
- pension risk in the European bank arises from the defined benefit pension plans offer to the employees. Defined benefit plans constitute a risk because the European bank must compensate any shortfall in the fund’s guaranteed pensionable amount. Only the Belgium and German plans may result in a liability for the European bank.

Table 26: EU MR1 Market risk under the standardised approach

This table shows the components of the risk-weighted assets for market risk using the standardised approach. The European bank did not have any Options as at 31 December 2021.

At 31 December 2021 (€m)	RWEAs
Outright products	
Interest rate risk (general and specific)	100
Foreign exchange risk	96
Securitisation (specific risk)	—
Total	196

Note: Exposure classes which are not applicable to the European bank have not been disclosed.

The European bank is expected to transition the calculation of its market risk to the new Alternative Standardised Approach framework during 2023 once the requirement becomes binding. As of September 2021, market risk calculations under this new framework are reported but are not required to be disclosed presently.

10.1 Trading portfolios

The principal tools used to measure and control market risk, within the European bank's trading portfolios are VaR and Stressed VaR. The Value at Risk ('VaR') of a 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 and takes market data changes from the previous four years and observed correlation between risk factors, to model a wide range of plausible future scenarios for market price movements. The European bank's VaR model uses a 99% confidence level, assumes a 1-day holding period and is reported in the European bank's base currency of US Dollars. The Stress VaR model uses the similar principle as VaR, but uses a Stress period deemed to be the most severe for the entire holding company and 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.

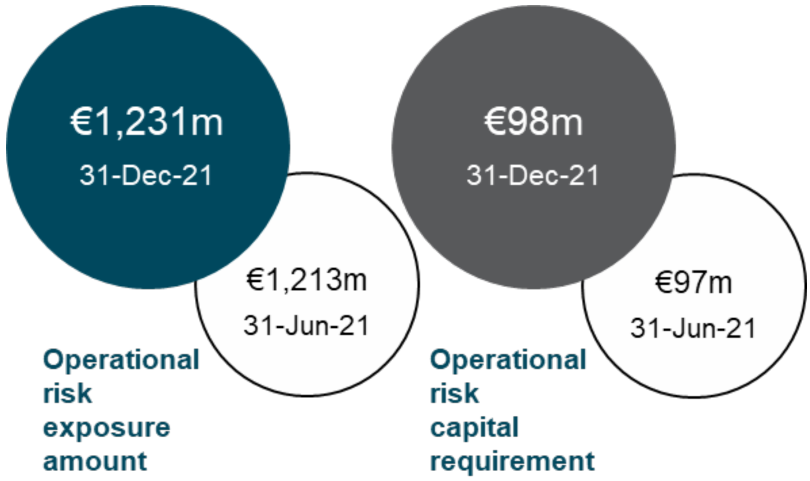
The Group uses VaR limits for total market risk and the overall structure of VaR limits is subject to review and approval by the executive committee. VaR and Stressed VaR limits are allocated to trading portfolios and measured daily basis, with utilisation reports submitted to both Group Market Risk and the European bank's senior management. Summaries are submitted to the ExCo on a monthly basis or ad hoc if defined thresholds are breached.

In-line with regulatory requirements and to service their EU27 clients, the European bank began risk warehousing market risk on 16 November 2020. Prior to that, Markets trading and sales activity in the European bank was on a back to back basis with the Institutional Bank.

The following is a summary of the VaR and Stressed VaR position of the European bank trading portfolios as at 31 December 2021:

USD millions	31-Dec-21	30-Jun-21
Value at Risk	0.171	0.085
Stressed Value at Risk	1.335	0.509

11 Article 446 CRR II - Operational risk management



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.

Key operational risks for the European bank include:

- internal and external fraud;
- business disruption and system failures;
- damage to physical assets;
- employment practices and workplace safety; and,
- clients, products and business practices.

Given the European bank's role as a major custodian, processing and fiduciary service provider, the European bank considers that operational risk is an important risk. Indeed, this risk materializes the biggest loss events.

11.1 Operational risk management framework

The European bank has implemented an Operational Risk Management Framework ('ORMF') consistent with the BNY Mellon Group framework. This is highlighted on the following page.

Figure 3: Operational Risk Management Framework

The Operational Risk Management Framework ('ORMF') provides the processes and tools necessary to fulfil 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.

The European bank uses the ORMF to capture, analyse 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 programme, 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.

The European bank 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 the European bank. 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.

Management of operational risk

The European bank'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.

The European bank uses the ORMF to capture, analyse and monitor its operational risks. Below is an explanation of how the tools are used to manage the operational risks of the business. These tools are mandated through individual Operational risk polices. These activities are prescribed through the enterprise operational risk programme, assessment systems and related processes, including but not limited to:

Risk appetite

BNY Mellon defines risk appetite as the aggregate level of risk a company is willing to assume after considering topics such as its strategic business objectives and business plan, the major risks facing the European bank and its risk capacity. The European bank has, in line with the Enterprise risk policy for risk appetite, set a risk appetite statement which recognizes the inherent nature of Operational risk and the reliance on the ORMF to mitigate it.

Risk register

The European bank maintains a risk register which captures the most material risks associated with the business undertaken and the risk mitigations currently in place. The Risk Register is prepared and owned by the LERO. Senior Risk Officers of each Line of Business ('LoB SROs'), Risk Management function heads (e.g. Credit risk) and key representatives from the Lines of Business/Legal Entities contribute to the risk register sign off. The Risk Register is presented through the legal entity governance structures and is a living document and is updated regularly, at least annually or upon significant change.

Risk control-self assessments ('RCSA')

A comprehensive process for Business Groups and Business Partners to identify risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls in place to mitigate that risk.

Operational risk events ('ORE')

A standard for the capture, notification and reporting of Operational Risk Events. The collection of internal loss data provides information for assessing the European bank’s exposure to operational risk. Analysis of loss events provides insight into the root cause and information on whether a control weakness is isolated or potentially more systemic.

OREs are mapped to Basel II operational risk event categories and the impact to the European bank is identified. Information on operational risk event losses or gains exceeding $10,000 (USD) are analyzed to understand root cause(s) and to identify improvements needed in order to reduce the recurrence and/or magnitude of future events. All OREs (over $10,000) are reviewed for root cause and possible mitigating actions are reported to the RMC monthly.

Key risk indicators ('KRI')

Key risk metrics designed to monitor activities which could cause financial loss or reputation damage to the European bank. Periodic and consistent monitoring of KRIs ensures that deviations from predetermined standards can be identified.

Line Of Business High-level Assessments ('HLA')

The High-level Assessment is a qualitative assessment at the Business/Business Partner Group level. It is a consolidated review of detailed RCSA data that analyses the risk profile of the business, the quality of controls in place to mitigate risks and internal and external factors impacting the business.

The HLA is designed to ensure that Business/Business Partners and Risk Management identify, review and discuss the risks of the business including material operational risks on a regular basis. Being a Business Line exercise, the HLA does not provide specific information on legal entities. However, this is a useful source of information for the LERO who needs to form a view on the risks the Business Lines operating in the European bank have identified.

Legal Entity High-level Assessment ('LE HLA')

Material risk identification for the Legal Entity is undertaken through the LE HLA process. The LE HLA is a qualitative assessment performed separately for the legal entity and utilises the applicable business level HLA as a key input to the assessment. It is a consolidated review that analyses the risk profile of the entity, the quality of controls in place to mitigate risks and internal and external factors impacting the business. The HLA is designed to ensure that the legal entities and Risk Management identify, review and discuss the identified risks on a regular basis. It enables current and emerging risks to be identified, discussed, addressed and elevated as appropriate.

Operational risk scenario analysis ('ORSA')

Operational risk scenario analysis is used by the European bank to identify and assess plausible, high impact, low probability Operational risk loss events using a combination of the Operational risk data and expert management judgement. Scenario analysis provides a broad perspective of risks faced globally based on the expertise of senior business and risk managers and supports an understanding of how significant operational losses could occur. Scenario analysis also supports the calculation of Operational risk capital by using the output of scenario analysis (frequencies and severities) as an input for Pillar 2A Operational Risk capital modeling.

Monitoring and reporting

The European bank utilizes a global platform, Risk Management Platform (RMP) for monitoring and reporting operational risk.

Monitoring and reporting of operational risks occur within the business, Legal Entity and EMEA-region risk oversight functions, as well as decision-making forums such as business risk committees and the RMC.

Regional Committees such as the EMEA Senior Risk Management Committee also monitor and incorporate the material risks of the European bank in forming its regional risk assessment.

Policies and procedures

The European bank 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 the European bank.

Organisation and governance

Within the European bank, 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, notably:

Technology risk management ('TRM')

TRM is a 2nd Line of Defense group that provides oversight and challenge of the 1st line's management of technology risk. TRM works in partnership with BNY Mellon Businesses and Business Partners to help protect the European bank and its clients from cyber and information risks.

Business continuity planning ('BCP')

This function is responsible for the governance of planning for continued service in the face of external events, and utility or system outages or disruptions. The BCP function has clear escalation processes and plans available; Crisis Management Teams ('CMT') are in place to oversee any issue escalation, whilst the Communication Task Force ('CTF') is responsible for approved communication with employees, clients and other stakeholders. Operational staff (business plan owners) are responsible for identifying a business impact analysis, and maintaining a business continuity plan for their specialist area. These plans set out information such as recovery requirements, alternative sites, training and evacuation procedures.

Third party governance

The European bank uses outsourcing to support its daily business activities. The European bank's Board of Directors retains the ultimate responsibility for any outsourcing arrangement and accordingly, ensures the establishment and maintenance of an adequate outsourcing framework covering all key components of the outsourcing life-cycle. To ensure appropriate oversight of outsourced activities, the Business/Business Partner Groups ensure that all outsourced activities are identified, assessed, approved and appropriately managed throughout the life of the outsourced relationship.

Decisions to control, transfer, accept or avoid risks are conducted through a combination of business and legal entity governance bodies in line with the hybrid organisation structure of BNY Mellon.

Regulatory and compliance risk management

The European bank's Compliance Department is comprised of Compliance Officers based in Brussels, Frankfurt, Amsterdam, Dublin, Luxembourg, Milan and London. BNY Mellon KAG is required to maintain a separate compliance function. As part of the second line of defense, the compliance department shares a joint responsibility with Legal, HR, Finance and Risk to implement policies as required in order to ensure that the European bank operates within the scope of its license and in compliance with applicable regulatory requirements.

The key responsibilities of the Compliance Department as part of the second line of defense are to identify applicable laws and regulations, provide advice regarding the implementation of those regulations falling under its material scope of oversight, monitor compliance by the relevant functions, report on identified weaknesses and manage the relationship with regulators.

The Compliance Department is independent from any commercial or operational function of the European bank. The Compliance Department directly reports into the European bank Chief Executive Officer and also reports into the European bank governance bodies.

11.2 Capital resource requirement

As at the reporting date, capital requirements for Pillar 2 operational risk (using an internal hybrid model) resulted in an amount of €382 million (31 December 2020: €286 million), versus the Pillar 1 calculation of €98 million (31 December 2020: €97 million).

Table 27: EU OR1 Operational risk own funds requirements and risk-weighted exposure amounts

This table presents the European bank's banking activities by approach along a three year period of calculated operational risk capital requirements:

Banking activities	Relevant indicator				
At 31 December 2021 (€m)	Year-3	Year-2	Last year	Own funds requirements	Risk exposure amount
Banking activities subject to basic indicator approach (BIA)	—	—	—	—	—
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	**585**	**680**	**678**	**98**	**1,231**
Subject to TSA:	585	680	678		
Banking activities subject to advanced measurement approaches AMA	—	—	—	—	—

12 Article 448 CRR II - Interest rate risk in the banking book

Interest rate risk in the banking book ('IRRBB') is generally defined as the potential amount of the European bank's exposure to financial condition that can result from adverse movements in market interest rates. Interest rate risk ('IRR') is the current and future exposure of an institution's profitability and capital to adverse interest rate movements.

IRRBB results from differences in the maturity or the timing of rate changes of banking book assets, liabilities and off-balance sheet instruments (re-pricing or maturity-mismatch risk); from changes in the slope of the yield curve (yield curve risk); from imperfect correlations in the adjustment of rates earned and paid on different instruments with otherwise similar re-pricing characteristics (basis risk); and from interest rate-related options embedded in bank products (option risk).

In order to assess the European bank's IRR exposure, the most common perspectives for assessing a firm's interest rate risk exposure are as noted below. These perspectives capture the interest rate risk through short-term and long-term impacts on the financial performance, balance sheet (e.g. mark-to-market value of securities) and the regulatory capital base and regulatory capital metrics of the entity.

Earnings Perspective: The earnings perspective focuses on the impact of interest rate changes on a firm's near term earnings. In the earnings perspective, the focus of analysis is the impact of changes in interest rates on accrued or reported earnings. This is the traditional approach to interest rate risk assessment taken by many firms. Variation in earnings is an important focal point for interest rate risk analysis because reduced earnings or outright losses can threaten the financial stability of an institution by undermining its capital adequacy and by reducing market confidence. In this regard, the component of earnings that has received the most attention is net interest income (i.e. the difference between total interest income and total interest expense). This focus reflects both the importance of net interest income in the firm's overall earnings and its direct and easily understood link to changes in interest rates.

Economic Value Perspective: The economic value perspective focuses on the value of a firm's net cash flows. Variation in market interest rates can also affect the economic value of a firm's assets, liabilities, and Off-Balance Sheet positions. Thus, the sensitivity of a firm's economic value to fluctuations in interest rates is a particularly important consideration of shareholders, management, and supervisors alike. The economic value of an instrument represents an assessment of the present value of its expected net cash flows, discounted to reflect market rates. Since the economic value perspective considers the potential impact of interest rate changes on the present value of all future cash flows, it provides a more comprehensive view of the potential long-term effects of changes in interest rates than is offered by the earnings perspective.

12.1 Identification and measurements

The European bank maintains IRRBB measurement processes and systems to assess exposures relative to established risk tolerances. The European bank's systems are commensurate with its size and complexity. Various models are used to facilitate the identification and measurement of IRRBB. When using models for these purposes, procedures are documented to confirm the understanding of underlying analytics, assumptions, and methodologies, to ensure that such systems and processes are incorporated appropriately in both the long-term and short-term management of IRRBB exposures. All models have been independently validated and approved for use by the Model Risk Management Group ('MRMG'), and are periodically revalidated in accordance with a schedule established by MRMG.

The European bank uses both earnings and economic value based measurement methods to assess its IRRBB profile. The IRRBB measurement system is designed to be sufficiently robust to capture all material on and off-balance sheet positions and incorporate a standard set of interest rate stress scenarios for ongoing internal management and to identify and quantify the IRRBB exposure and potentially sensitive areas.

The quantitative tools and models utilized for measuring interest rate risk in the banking book of the European bank fall within Level 4 / Category 4 institution of the EBA-defined sophistication levels of interest rate risk measurement. For earnings measurement, an Earnings at Risk approach is taken, in which a comprehensive set of stress scenarios and changes in customer behaviour are used to reforecast business volumes and earnings to compare to the underlying business plan. Economic Value of Equity is computed on a transaction cashflow basis, and measured against a comprehensive set of stress scenarios, combining shifts of yield curves and changes in customer behaviour. The IRRBB model (Quantitative Risk Management ('QRM')) is linked to behavioural prepayment models, which capture customer behaviour in changing macroeconomic scenarios (i.e. option risk). Additionally, VaR is computed within the QRM framework in order to determine IRRBB Economic Capital.

NII Sensitivity metrics - These are earnings-based measures of the volatility of NII due to interest rate changes over a forecasting horizon. NII is measured across future time periods and is impacted by forecasted portfolio run-off, growth and re-investment assumptions for assets, liabilities, and off-balance sheet items over the forecasting horizon. Each subsequent month in the forecast becomes increasingly dependent on the forecast items.

The NII sensitivity metric has dependence on: projected interest rates, deposit run-off, deposit, loan and securities pricing sensitivity to various rate scenarios, prepayment behavior of loans and securities, balance sheet growth assumptions, future pricing assumptions for all interest earning / bearing assets and liabilities.

Economic Value of Equity ('EVE') Sensitivity metric - This is a Net Present Value (NPV) based measure of the cash flows of the balance sheet. EVE is measured assuming a static balance sheet and the metric measures the degree to which long-term interest rate sensitive assets are being financed with liabilities that have short-term interest rate terms (or vice versa). If the legal entity becomes too exposed to this relationship, a sharp change in interest rates could be very costly as interest expense could rise more quickly than interest revenue.

Calculation of EVE involves discounting lifetime balance sheet interest and principal cash flows reflective of embedded optionality. EVE sensitivity metric has a critical dependence on: projected implied forward interest rates, deposit run-off, deposit pricing sensitivity, prepayment behavior of loans and securities, discounting spreads and duration of equity.

Basis Risk metrics - These metrics are part of the NII and EVE measurement approaches and help measure the European bank's exposure to basis risk mismatch and sensitivity of its net interest margin to basis risk.

Capital Sensitivity metrics - These metrics measure the degree to which changes in interest rates could impact the capital position of the entity. In line with the regulatory standard shock assumptions, the European bank does not assign any duration to the capital/ equity balance for calculation of economic value metrics and does not take into account its equity balance for the purposes of stabilizing earnings.

12.2 Scenarios and risks tested

Interest rates can generally be decomposed into two components: the risk-free rate and a credit spread. IRRBB includes exposures associated with fluctuations in the risk-free rate as well as the credit spread.

The risk-free rate is the theoretical rate of return of an investment with zero risk. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time. In theory, the risk-free rate is the minimum return an investor expects for any investment because he will not accept additional risk unless the potential rate of return is greater than the risk-free rate.

A credit spread is the difference in yield between a risk free security (debt) and a debt security with the same maturity but of lesser credit quality.

Corporate Treasury, Asset Liability Management ('ALM') simulates the below set of rate shock scenarios designed to capture both the short-term and long-term effect of various IRRBB risks, including risks idiosyncratic to the European bank's business model, and risks inherent in planned business strategies impacting the balance sheet.

Simulations include the scenarios listed on the following page:

Scenarios	Risk Type[1]	NII Sensitivity[2]	EVE Sensitivity[3]	Capital Sensitivity[4]
Base (Most expected interest rate scenario)	Level of interest Rates	X	X	
Parallel Rate Shocks: +/- 50bps, +/- 100bps, +/- 200bps, +/- 300bps	Level of interest Rates, Price Risk (Gap Risk)	X	X	
BCBS Parallel Rate Shocks: Currency-specific parallel shocks		X	X	
Flat Interest Rates	Level of Interest Rates	X		
Libor/Swap Curves: +/- 10bps Overnight Rates	Basis Risk	X		
USD Rates +/- 50bps (all other currencies unchanged)	Currency Risk (Gap Risk)	X	X	
EUR Rates +/- 50bps (all other currencies unchanged)		X	X	
GBP Rates +/- 50bps (all other currencies unchanged)		X	X	
BCBS Steepener	Yield Curve Risk, Price Risk (Gap Risk)	X	X	X
BCBS Flattener		X	X	X
BCBS Short Rate Up		X	X	X
BCBS Short Rate Down		X	X	X
BCBS Up		X	X	X
BCBS Down		X	X	X
Regulatory Prescribed Metrics				
EVE Δ / Total Regulatory Capital +/- 200bps	Level of interest Rates, Price Risk (Gap Risk)		X	X
BCBS EVE Δ / Tier 1 Capital (Short Down)	Level of interest Rates, Price Risk (Gap Risk), Yield Curve Risk		X	X
BCBS EVE Δ / Tier 1 Capital (Steepener)			X	X
BCBS EVE Δ / Tier 1 Capital (Up)			X	X
BCBS EVE Δ / Tier 1 Capital (Flattener)			X	X
BCBS EVE Δ / Tier 1 Capital (Down)			X	X
BCBS EVE Δ / Tier 1 Capital (Short Up)			X	X
Balance Sheet				
Dynamic (New Business Activity Included)		X		
Static (Current Position Maintained Across Forecast Horizon)		X		
Run-off Balance Sheet Assumption			X	
Horizon				
(1) 36 months for Base, Parallel Rate Shocks: +/- 50bps, +/- 100bps, +/- 200bps, +/- 300bps, Steepener, Flattener, Ramps and Flat scenarios (2) 12 months for all scenarios other than the ones mentioned in (1) above.		X		

[1] Repricing Risk, Option Risk and Client / Product Behavior Risk are embedded is all the listed scenarios.
[2] NII Sensitivity IRRBB Board Risk Appetite Limits are based on a 12 month forecast horizon.
[3] Low level of market rates might result in certain down rate shock scenarios not being run
[4] Certain Capital Sensitivity Scenarios may be run by Market Risk Management independently or as part of the BNYM SA/NV Capital Stress Testing Committee (CSTC) process.

12.3 IRRBB management and hedging

Cash Instruments - The client centric activities (e.g. deposits) leave the European bank with IRRBB exposures on its balance sheet, which is referred to as the structural balance sheet. If these activities were left unmanaged and unhedged, the European bank would experience variations in earnings through different rate environments.

The European bank invests the net cash provided by client activities to hedge the structural balance sheet. Through investments in a combination of securities and money market instruments, the European bank is able to hedge its IRRBB exposures and maintain a source of contingent liquidity. The European bank can further change the nature of the hedge through purchases or sales of fixed rate assets and / or the use of Interest Rate Swaps ('IRS') (dependent on the operational set-up).

Derivatives - The European bank may use derivative instruments to mitigate IRRBB exposures. Hedging with interest rate derivatives is a potentially complex activity that can have unintended consequences, including compounding losses, if used incorrectly. The European bank shall maintain effective process for managing IRRBB commensurate with its activities and level of risk approved by senior management and the Board. The European bank’s hedging strategies shall be designed to limit downside earnings exposure and/or manage income or EVE volatility.

The European bank's Corporate Treasury Execution desk may use approved derivative instruments to manage IRRBB. The use of derivatives for these purposes may include management of earnings and EVE risk sensitivity, and management of the securities investment portfolio.

Approved Derivative Instruments - IRS may be used as authorised instruments in furtherance of IRRBB management purposes in line with the local hedge accounting processes in place.

Authorisation - The European bank's corporate treasury team working in conjunction with the head of Portfolio Management Group or Head of EMEA Money Market Investment (or a designate) working under the Corporate Treasury SLD / Business Partner Variation Letter, is authorised to execute derivative transactions in furtherance of IRRBB management goals. Derivative transaction trade tickets require signature of one of the authorised executors as well a second signature from the European bank CFO (or a designate) in order to ensure appropriate hedge accounting for local financial accounting purposes. Derivative transactions conducted on the balance sheet of the European bank are also required to qualify for hedge accounting under the Corporate (BNY Mellon) Accounting rules.

Accounting Policies and Approvals - The European bank's finance department is responsible for determining the appropriate accounting treatment for all derivative transactions in compliance with accounting rules and policies. The European bank ALCO and the European bank Risk Management (in coordination with Treasury Risk International) approve all IRRBB derivative transactions that do not receive hedge accounting treatment (market value changes are booked to income) in advance of the transactions being executed. Transactions that satisfy hedge accounting treatment do not require pre-approval from the European bank ALCO and / or the European bank Risk Management (in coordination with Treasury Risk International).

12.4 Risk management and mitigation techniques

Given the structural nature of IRRBB, the European bank maintains a control framework to ensure that positions that exceed calibrated thresholds receive prompt management attention. This framework which comprise of IRRBB Early Warning Thresholds ('EWT') (Amber Thresholds) and Board and Ex-Co Risk Appetite limits, permits management to identify IRRBB exposures, initiate discussions about risk, and take appropriate action. When designing limit and EWTs (Amber Thresholds), the European bank establishes thresholds that are commensurate with the capital level and risk profile of the entity. The European bank's IRRBB metrics are produced on a monthly basis due to the current nature of the IRRBB on the balance sheet whereby IRRBB is primarily driven by the risk profile of customer deposits (primarily modelled duration) and securities portfolio.

In addition to the above referenced structural IRRBB limits which are reported and monitored on a monthly basis, interest rate risk at the product level is also subject to tenor and currency limits (e.g. DV01, KRD01 and CS01 limits) agreed between the European bank's Treasury, the European bank's Risk Management and Treasury Risk International.

These limits, which are daily monitored and reported, ensure that the dynamic balance sheet components such as securities portfolio and money market activity remain within certain thresholds to avoid having a significant impact on the income or capital through the structural IRRBB metrics.

In instances where IRRBB exposures exceed or approach limits or IRRBB EWTs (Amber Thresholds), risk could be mitigated through balance sheet alteration, hedging, or both. In the ordinary course of events, the expected method of IRRBB control is the balance sheet mix of assets and liabilities. Derivative instruments (subject to operational set-up) may also be used to mitigate IRRBB exposures.

IRRBB EWTs - IRRBB EWTs (Amber Thresholds) are established by the European bank's Treasury Risk. IRRBB EWTs (Amber Thresholds) are more conservative than the Board and Ex-Co Risk Appetite limits, and are designed to act as a senior management tool in managing IRRBB. Exceeding BNYM IRRBB EWTs (Amber Thresholds) do not necessitate corrective action and do not automatically trigger reporting to the Board. Exceptions to the IRRBB EWTs (Amber Thresholds) however require an explanation to the ALCO along with any planned actions or the rationale for not taking any immediate corrective action.

The IRRBB EWTs (Amber Thresholds) act as an early warning indicator of increasing risk levels. In case of an exception to IRRBB EWTs (Amber Thresholds), the ALCO shall analyse the European bank's IRRBB risk appetite framework to assess if the risk exposures are expected to exceed the Board and Ex-Co risk appetite and devise appropriate management actions, as deemed necessary. IRRBB EWTs (Amber Thresholds) shall be reviewed and approved in line with the Board and Ex-Co risk appetite levels i.e. at least on an annual basis.

Metrics based on IRRBB EWTs (Amber Thresholds) will be reported to the ALCO on a monthly basis and to the Board in case of any significant concern or expected impact on the Board Risk Appetite limits.

The European bank's IRRBB Board and Ex-Co appetite limits - IRRBB Board and Ex-Co Risk Appetite limits are established by the Board and Ex-Co (or a designated Committee), following proposals made by the Risk Management in coordination with Treasury Risk International and Corporate Treasury Risk teams. The Board and Ex-Co Risk Appetite limits are designed and calibrated to directly represent or align to the European bank’s risk appetite, and are the principal tool employed to manage IRRBB. The Board and Ex-Co Risk Appetite Limits shall be approved not less frequently than annually.

Exceeding any Board and Ex-Co risk appetite limit requires the European bank to undertake corrective action designed to bring the metric into compliance, and is automatically a reportable item to the Board (or a committee of the Board), the ExCo and ALCO.

Board Risk Appetite limits are reported to the ALCO on a monthly basis and to the Board and ExCo in case of any concerns or exception to the limits.

Board and Ex-Co limit exceptions - Exceptions to Board and Ex-Co Risk Appetite limits require immediate escalation to the Board along with the proposed action plan to come into compliance with these limits.

IRRBB EWTs (Amber thresholds) exception - Exceptions to IRRBB Amber Thresholds require notification to the ALCO (at the next meetings) along with an appropriate action plan or a rationale for not taking any immediate actions, and also requires reporting to the Board and ExCo in case of any significant concerns on exceeding or not being able to meet the Board Risk appetite.

Mitigation actions - In instances where IRRBB exposures exceed or are projected to exceed limits or IRRBB ALCO EWIs, the European bank's Treasurer supported by the European bank's Corporate Treasury Team and working in conjunction with lines of business, Corporate Treasury, ALM (IRRBB Team), International Treasury and Treasury Risk International may (in the case of IRRBB EWTs (Amber Thresholds) or must (in the case of Board Risk Appetite Limits) mitigate risk through one or more remediation actions. In such cases, remediation strategies shall be developed and communicated to ALCO by the Treasurer supported by Corporate Treasury.

Remediation may include balance sheet alteration, hedging, or both. With respect to an exception to IRRBB ALCO EWIs or ALCO Guidelines, such remediation strategies shall be presented to the ALCO. With respect to a breach of Board Risk Appetite Limits, such remediation strategies shall be presented to both ALCO and the Board. Exceptions to Board risk limits may be escalated to additional governance forums in line with the legal entity Risk Appetite Framework/ Escalation Policy and Procedures (e.g. ExCo, TRC etc.).

Table 28: Economic value of equity and net interest income sensitivity by currency

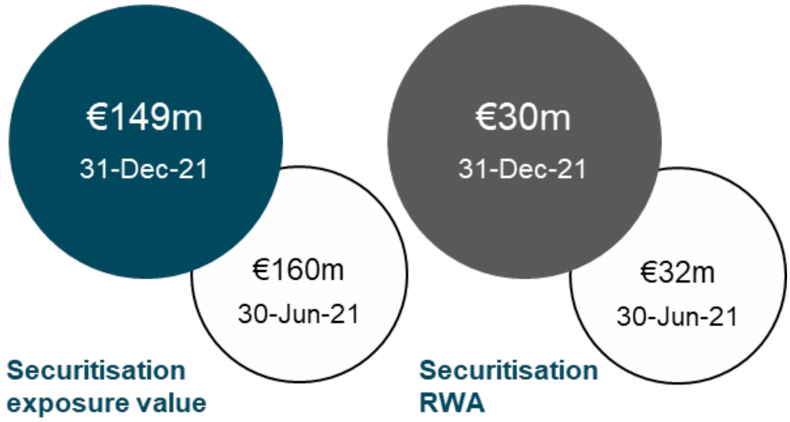
This table shows the economic value of equity and net interest income sensitivities for the European bank by interest scenario as well as the average repricing maturity of non-maturity deposits.

Supervisory shock scenarios Outcome of the supervisory outlier test (according to paragraph 114 EBA GL/2018/02) (€000s)	Changes of the economic value of equity		Changes of the net interest income	
	Current period	Last period	Current period	Last period
Parallel up	(376,662)	(307,240)	204,004	227,021
Parallel down	60,059	26,707	246,081	239,793
Steepener	31,573	35,657		
Flattener	(145,074)	(136,088)		
Short rates up	(266,040)	(300,960)		
Short rates down	79,344	63,613		

Average repricing maturity of non-maturity deposits at: 31 December 2021	EUR	USD	GBP	Other material currencies
Retail Transactional	—	—	—	—
Retail Non-Transactional	—	—	—	—
Wholesale non-financial	3.13	2.86	2.51	1.91

Note: The longest repricing maturity of non-maturity deposits will be available in future disclosures.

13 Article 449 CRR II - Exposures to securitisation positions



A securitisation is a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having both of the following characteristics:

- payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and,
- the subordination of tranches determines the distribution of losses during the on-going life of the transaction or scheme.

The European bank invests in securitised products to expand and diversify its securities portfolio. The on-boarding of securitised investments is also expected to have a beneficial influence on profitability. The European bank acts only as investor in traditional STS and non-STS securitisation instruments, which means a securitisation involving the economic transfer of the exposures being securitised, it did not invest in re-securitisation assets at the reporting date. For completeness, the European bank does not securitise assets, only invests in securitised assets. These investments are part of the investment guidelines and governed by a dedicated risk framework, which is applied when buying a securitised asset. Equally, the European bank does not utilise any Securitisation Special Purpose Entities ('SSPE') in its investments.

The European bank has pre-trade risk management controls in place covering all financial risk domains: credit, treasury, market risk. Investments are checked against a limit framework taking into account conservative criteria, including low concentration within an issue, preference for STS issuances, low issuer concentration, investments in countries with a perceived strong mortgage market, and liquidity levels.

External credit agencies, Moody's Investors Service, Fitch, and Standard & Poor's are used to asses the credit ratings of all it's securitised investments which in turn drive the risk-weighted exposure calculations.

The European bank accounts for securitisation investments in accordance with recognition, measurement and impairment standards set in IFRS 7 and IFRS 9, and follows the European bank's multi-GAAP general accounting policies for investment securities. The major difference between a securitisation compared to a medium term loan note ('MTN') - which is an example of the European bank's current investment portfolio - is linked to the repayment structure. The daily amortisation is similar for both securities. However, for a securitisation the principal is amortised as well, while an MTN would see amortisation on the premium only. The principal of a securitisation would reduce on coupon date.

Table 29: EU-SEC1 Securitisation exposures in the non-trading book

This table shows the European bank's securitisation exposures in the banking book. The European bank does not originate or sponsor securitisation assets and acts solely as an investor in retail (residential mortgages).

	Institution acts as investor			
	Traditional			
At 31 December 2021 (€m)	STS	Non-STS	Synthetic	Sub-total
Total exposures	**83**	**66**	**—**	**149**
Retail	**83**	**66**	**—**	**149**
Residential mortgage	83	66	—	149

Note: There is no significant risk transfer in the European bank's securitisation assets as investor. Further, exposure classes which are not applicable to the European bank have not been disclosed.

The table shows the European bank does not originate or sponsor securitisation and acts solely as an investor of third party securitisations. The European bank's exposures result from investment in residential mortgages backed securities ('RMBS'), with collateral originated in European countries (Netherlands and UK).

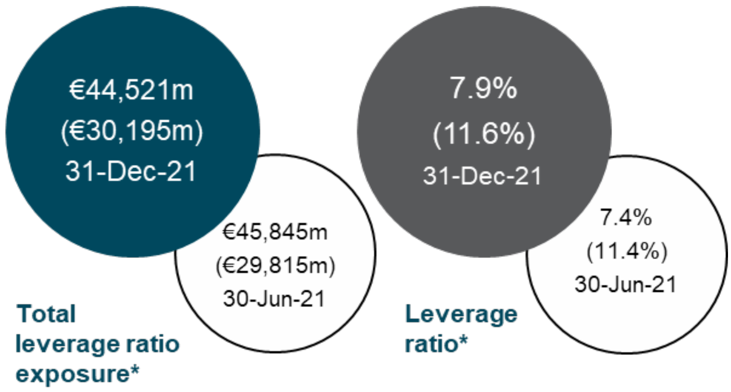
Table 30: EU-SEC4 Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

This table shows the securitisation exposures in the banking book, as well as the regulatory approaches used to determine exposure values, risk weighted assets and the associated capital requirements.

	Exposure values (by RW bands/ deductions)	Exposure values (by regulatory approach)	RWEA (by regulatory approach)	Capital charge after cap
At 31 December 2021 (€m)	≤20% RW	SEC-ERBA (including IAA)	SEC-ERBA (including IAA)	SEC-ERBA (including IAA)
Total exposures	**149**	**149**	**30**	**2**
Traditional securitisation	**149**	**149**	**30**	**2**
Securitisation	149	149	30	2
Retail underlying	149	149	30	2
Of which STS	83	83	17	1

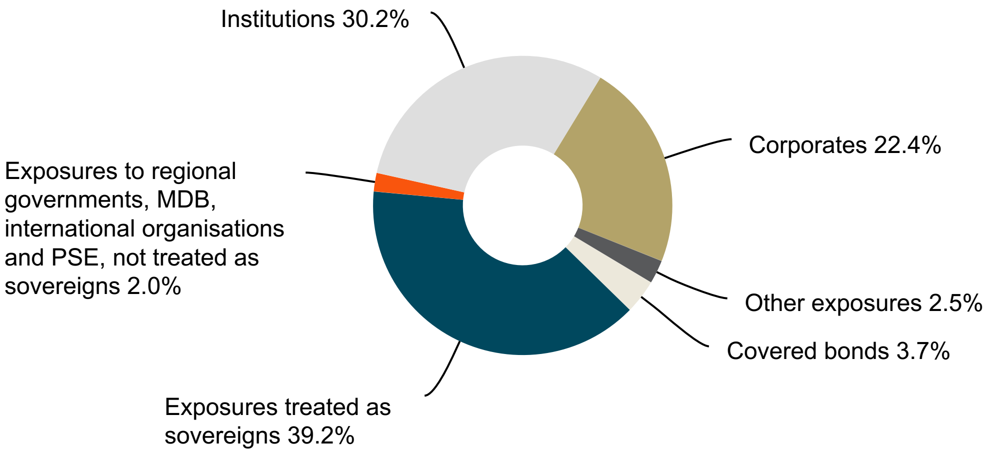
Note: Securitisation asset classes, exposure approaches and risk weight bands which are not applicable to the European bank have not been disclosed.

14 Article 451 CRR II - Leverage



The data in brackets represent the leverage exposure and leverage ratio excluding central bank exposures, calculated in accordance with the Regulation EU/2020/873 Article 1(9) 'article 500b'.

CRR II banking book leverage ratio exposures at 31 December 2021 *



* Excluding derivatives, SFTs and exempted exposures.

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

$$\text{Leverage ratio} = \frac{\text{Tier 1 capital}}{\text{Leverage exposure measure}}$$

In accordance with article 499(2) of CRR II the leverage ratio is calculated based on Tier 1 capital and is calculated using the end-of-quarter leverage ratio as per the EBA implementing technical standards ('ITS') on the disclosure of the leverage ratio under Article 451 as amended by CRR II. The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework, taking into account transitional arrangements. Total exposure measure is the sum of the following exposures:

- on-balance sheet exposures;
- derivative exposures;
- security financing transaction ('SFT') exposures; and,
- off-balance sheet items.

Although BNY Mellon Corporation manages its leverage ratio in line with US and EBA regulatory limits, nevertheless the European bank monitors its leverage position and reports accordingly.

The European bank's leverage ratio calculations under the standardised approach as of 31 December 2021 are presented below. As of June 2021 the European bank is required to maintain a minimum adjusted leverage ratio of 4.57% of Tier 1 capital relative to its total exposure measure. This ratio is binding on the European bank.

Table 31: EU LR1 Summary reconciliation of accounting assets and leverage ratio exposures

This table shows the European bank's summary reconciliation of accounting assets and leverage ratio exposures. Other adjustments primarily relate to €3.7 billion of cash placements and deposits which are subject to netting agreements on the balance sheet but which are grossed for the purposes of calculating the leverage exposure measure.

At 31 December 2021 (€m)	
Total assets as per published financial statements	**39,957**
(Adjustment for temporary exemption of exposures to central banks (if applicable))	(14,325)
Adjustment for eligible cash pooling transactions	4,271
Adjustment for derivative financial instruments	435
Adjustment for securities financing transactions (SFTs)	—
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	9
Other adjustments	(152)
Total exposure measure	**30,195**

Note: Adjustments which are not applicable to the European bank have not been disclosed.

Table 32: EU LR2 Leverage ratio common disclosure

Regulatory leverage ratio exposures (€m)	31-Dec-21	30-Jun-21
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	29,531	29,082
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(62)	(45)
(Asset amounts deducted in determining Tier 1 capital)	(86)	(39)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**29,383**	**28,998**
Derivative exposures		
Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	131	197
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	672	466
Total derivatives exposures	**803**	**663**
Securities financing transaction (SFT) exposures		
Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	—	145
Total securities financing transaction exposures	**—**	**145**
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	46	46
(Adjustments for conversion to credit equivalent amounts)	(37)	(37)
Off-balance sheet exposures	**9**	**9**
Capital and total exposure measure		
Tier 1 capital	**3,509**	**3,389**
Total exposure measure	**30,195**	**29,815**

Regulatory leverage ratio exposures (€m)	31-Dec-21	30-Jun-21
Leverage ratio		
Leverage ratio (%)	11.62 %	11.37 %
Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	11.62 %	11.37 %
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	7.88 %	7.39 %
Regulatory minimum leverage ratio requirement (%)	4.57 %	4.57 %
Additional own funds requirements to address the risk of excessive leverage (%)	— %	— %
Leverage ratio buffer requirement (%)	— %	— %
Overall leverage ratio requirement (%)	4.57 %	4.57 %
Choice on transitional arrangements and relevant exposures		
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in	Fully phased-in

Note: Adjustments which are not applicable to the European bank have not been disclosed. Additionally as of 31 December 2021, excluded exposures of €14,325 million relating to the European bank's exposures to central banks are shown as an offsetting item in the on-balance sheet items row.

The leverage ratio has increased relative to the prior period due to variations in the total exposure measure and the European bank's Tier 1 capital. The numerator is influenced by the inclusion of the year's profit which is not included in the prior period. Further, the increase in capital deductions which provide a partial offsetting effect is largely attributable to the recognition of the Nykredit intangible asset in Q4. Overall, Tier 1 capital increased 3.54% as a result. On the denominator, a general reduction in central bank placements resulted in a lower amount of exempted exposures, whilst the non-repeat of SFT exposures along with generally higher derivative exposures at the disclosure date combined to result in a 1.27% increase in the total exposure measure.

Table 33: EU LR3 Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

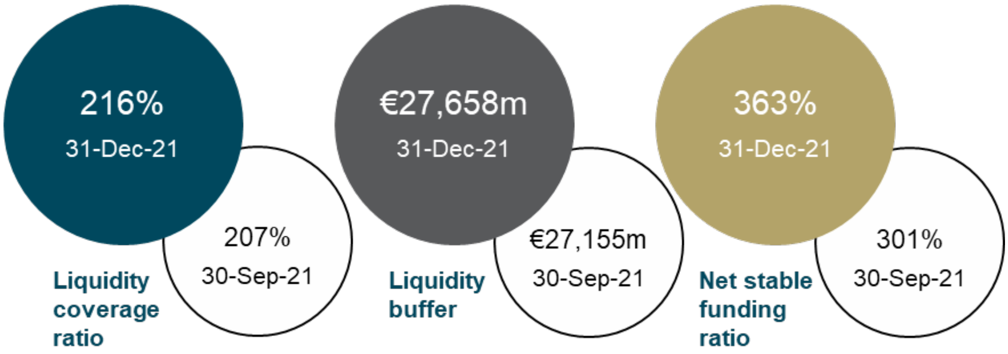
This table shows the composition of on-balance sheet exposures excluding derivatives and exempted exposures, being the European bank's placements at central banks in accordance with point (j) of Article 429a(1) CRR II.

At 31 December 2021 (€m)	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**29,469**
Trading book exposures	—
Banking book exposures, of which:	29,469
Covered bonds	1,088
Exposures treated as sovereigns	11,551
Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	592
Institutions	8,896
Corporates	6,592
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	750

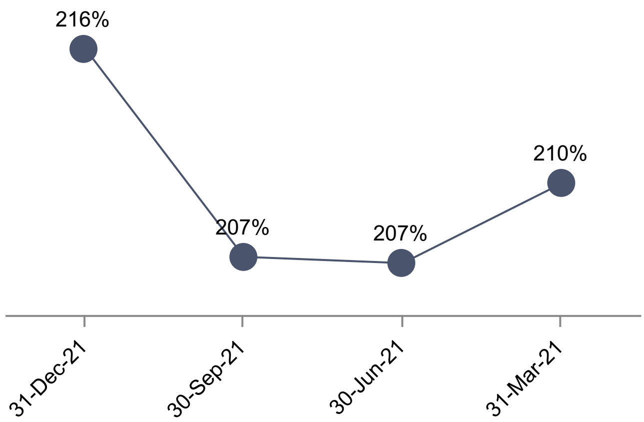
Note: Exposure classes which are not applicable to the European bank have not been disclosed.

The Board is committed to ensuring that the European bank is well capitalised at all times. The level of regulatory capital held by the European bank shall always be in excess of current regulatory requirements and shall not fall below levels approved by the Board. Leverage ratio requirements are monitored as part of the regulatory reporting process and shall not fall below the internal (risk appetite) limits of 5.48% in 2021, as measured on a quarter end basis. Note that the European bank is subject to an adjusted leverage ratio minimum requirement of 4.57% as it makes use of the temporary exemption of central bank exposures from the leverage total exposure measure. As such the European bank's leverage ratio shall not fall below this amount. The leverage ratio is reported internally on a regular basis for monitoring purposes and a full calculation of exposure and capital is performed quarterly per the COREP process.

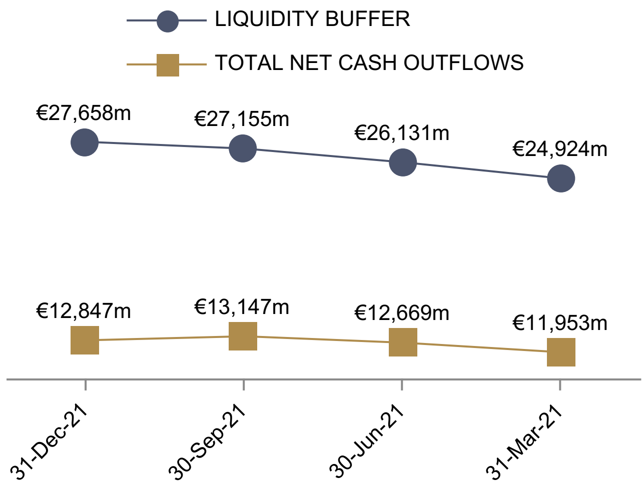
15 Article 451a CRR II - Liquidity



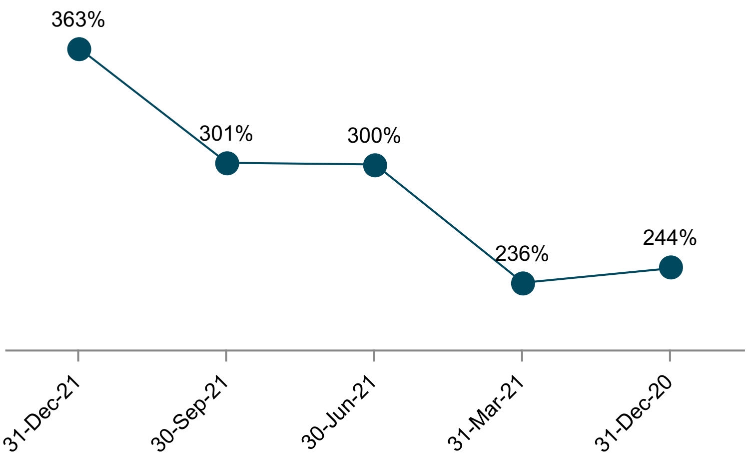
Liquidity coverage ratio*



Liquidity metrics*



Net stable funding ratio



* Using total weighted values (average).

The European bank has a governance structure in place 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 Liquidity Coverage Ratio ('LCR') is recalculated according to the regulatory formula assessing the liquid assets, weighted according to the regulatory factors, as a fraction of the combination of inflows of assets and outflows of liabilities, each weighted according to regulatory factors. The risk appetite of this ratio is set to 120% at end of December 2021.

The Net Stable Funding Ratio ('NSFR') measures the stability of the funding profile over a one-year time horizon by relating the Bank's Available Stable Funding (ASF) to its Required Stable Funding (RSF). The risk appetite of this ratio is set to 150% at end of December 2021.

The European bank's Liquidity Policy provides the framework for identifying, measuring, monitoring, and managing liquidity risk for the European bank. This policy has been prepared in accordance with the BNY Mellon Liquidity Policy and regulatory guidelines taking into account the capital structure, risk profile, complexity, activities and size of the European bank.

The governance structure includes oversight committees (including the ALCO, ExCo and Board) that are responsible for review and approval of the liquidity management strategy, policies and practices and that ensures that senior management effectively implements and controls these elements.

The European bank has an embedded 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.

The European bank has a management reporting and escalation framework in place 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.

Regulatory reporting is performed by the Finance function in line with home/host regulatory requirements.

Written and approved policies that define the liquidity risk appetite and tolerance, strategy, principles and includes reporting requirements to appropriate management levels. The European bank has the following policies and guidelines for managing liquidity and funding risk in place that are updated at least annually:

- BNY Mellon SA/NV Liquidity Policy (including Intraday Liquidity Policy and Payments Control Governance);
- BNY Mellon SA/NV Contingency Funding Plan
- BNY Mellon SA/NV Guidelines for Corporate Treasury FX Swaps; and,
- BNY Mellon SA/NV Guidelines for Investments in Securities.

As per the approval of the European bank's ILAAP, management formally declares adequacy of its liquidity risk management framework.

Based on the liquidity risk management self-assessment requirements outlined in the supervisory expectations for ILAAP, the European bank believes to be adequately compliant with the key principles defined around liquidity management. The European bank therefore considers itself to be compliant with its own and BNY Mellon Group policies and therefore believes that the liquidity management process in place is adequate.

Table 34: EU LIQ1 Quantitative information of LCR (unweighted)

Consolidated (€m)	Total unweighted value (average)			
Quarter ending on	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21
Number of data points used in the calculation of averages	12	12	12	12
Cash – Outflows				
Unsecured wholesale funding	34,559	34,380	33,445	32,119
Operational deposits (all counterparties) and deposits in networks of cooperative banks	18,437	17,149	16,502	16,065
Non-operational deposits (all counterparties)	16,122	17,231	16,943	16,054
Unsecured debt	—	—	—	—
Additional requirements	205	212	246	260
Outflows related to derivative exposures and other collateral requirements	205	212	246	260
Other contractual funding obligations	227	227	197	184
Other contingent funding obligations	1,429	1,005	528	303
Cash – Inflows				
Secured lending (e.g. reverse repos)	80	87	98	131
Inflows from fully performing exposures	7,994	8,364	8,296	8,749
Other cash inflows	437	402	478	449
Total cash inflows	**8,511**	**8,853**	**8,872**	**9,329**
Inflows subject to 75% cap	8,511	8,853	8,872	9,329

Note: Outflow and inflow classes which are not applicable to the European bank have not been disclosed.

Table 35: EU LIQ1 Quantitative information of LCR (weighted)

Consolidated (€m)	Total weighted value (average)			
Quarter ending on	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21
Number of data points used in the calculation of averages	12	12	12	12
High-Quality Liquid Assets				
Total high-quality liquid assets (HQLA)	27,658	27,155	26,131	24,924
Cash – Outflows				
Unsecured wholesale funding	20,474	21,220	20,801	19,881
Operational deposits (all counterparties) and deposits in networks of cooperative banks	4,609	4,287	4,126	4,016
Non-operational deposits (all counterparties)	15,865	16,933	16,675	15,865
Unsecured debt	—	—	—	—
Secured wholesale funding	—	—	—	—
Additional requirements	205	212	246	260
Outflows related to derivative exposures and other collateral requirements	205	212	246	260
Other contractual funding obligations	50	47	23	14
Other contingent funding obligations	317	222	108	63
Total cash outflows	**21,046**	**21,701**	**21,178**	**20,218**
Cash – Inflows				
Inflows from fully performing exposures	7,981	8,352	8,286	8,749
Other cash inflows	218	202	223	221
Total cash inflows	**8,199**	**8,554**	**8,509**	**8,970**
Inflows subject to 75% cap	8,199	8,554	8,509	8,970
Total Adjusted Value				
Liquidity buffer	27,658	27,155	26,131	24,924
Total net cash outflows	12,847	13,147	12,669	11,953
Liquidity Coverage Ratio (%)	**216.11 %**	**207.42 %**	**207.16 %**	**210.48 %**

Note: Outflow and inflow classes which are not applicable to the European bank have not been disclosed. Further, the European bank's liquidity buffer is primarily composed of Level 1 High Quality Liquid Assets.

Table 36: EU LIQB Qualitative information on LCR which complements template EU LIQ1

Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	In December 2021, based on an average over 12 monthly reporting periods, the European bank's LCR was 216.11%, up 9% on the previous quarter. This substantially exceeded internal and regulatory minimum requirements. The main drivers of the December 2021 LCR, based on an average over 12 months, included lower outflows, falling by 3% overall versus the previous quarter and was primarily driven by non-operational deposits. This was partially offset by a proportionally lower reduction in inflows of 4%, stemming largely from fully performing exposures. Overall this reduced the denominator of the LCR whilst the numerator increased via a 2% increase in the liquidity buffer.
Explanations on the changes in the LCR over time	Please see the graphs on page 87 for a visualisation of the European bank's LCR over time, based on an average over 12 months at each reporting date. The European bank's LCR has been safely above regulatory minimums and follows a broadly increasing trajectory. It is driven primarily by proportionally higher central bank placements in the liquidity buffer, up 14% over the year, complemented by relatively smaller increases in averaged net outflows over the year, up 4%.
Explanations on the actual concentration of funding sources	Liquidity and concentration risk is appropriately managed and diversified according to internal policies and regulatory limits. The European bank has procedures in place which require both a daily and a monthly analysis of the composition and variation of HQLA, plus the inflows and the outflows. Please see the text on page 88 for more information. As of the reporting date, levels of concentration risk were within internal limits with the majority of funding by the top 10 counterparties originating from intragroup counterparties and unsecured wholesale funding from a range of financial customers.
High-level description of the composition of the institution`s liquidity buffer.	The buffer is primarily composed of Level 1 assets. Notably, reserves at central banks represents the substantial majority of the buffer at the reporting date. Diversification in the buffer is achieved through further investments in Level 1 debt instruments such as government and regional/ local bonds, public sector and supranational entities, and also government backed credit institutions with comparatively smaller exposures to Level 2 assets, namely high quality covered bonds stemming from third countries.
Derivative exposures and potential collateral calls	Derivative exposures in the European bank's LCR are considered on a net basis with subsequent liquidity outflows and inflows present which are categorised accordingly.
Currency mismatch in the LCR	The European bank's significant currencies at the reporting date shows a consistent surplus between the liquidity buffer and net outflows reflecting the strength of the European bank's liquidity risk management policies. On an average basis for the year to date the LCR per significant currency remains above the regulatory minimums.
Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	There are no other items in the LCR calculation not captured in the LCR disclosure template at the reporting date.

Table 37: EU LIQ2 Net Stable Funding Ratio

At 31 December 2021 (€m)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	3,595	—	—	—	3,595
Own funds	3,595	—	—	—	3,595
Other capital instruments		—	—	—	—
Wholesale funding:		32,215	7	3,169	13,857
Operational deposits		21,290	—	—	10,645
Other wholesale funding		10,925	7	3,169	3,212
Interdependent liabilities		—	—	—	—
Other liabilities:	29	520	—	—	—
NSFR derivative liabilities	29				
All other liabilities and capital instruments not included in the above categories		520	—	—	—
Total available stable funding (ASF)					**17,452**
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					2,896
Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	—	—
Performing loans and securities:		6,278	117	653	1,309
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		—	—	—	—
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		6,257	6	—	629
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1	—	—	—
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		1	—	—	—
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		20	111	653	680
Other assets:		515	—	600	608
Physical traded commodities				—	—
NSFR derivative assets		—			—
NSFR derivative liabilities before deduction of variation margin posted		160			8
All other assets not included in the above categories		355	—	600	600
Off-balance sheet items		—	—	—	—
Total RSF					**4,813**
Net Stable Funding Ratio (%)					**362.60 %**

Note: ASF/RSF items which are not applicable to the European bank have not been disclosed.

The increase in the NSFR ratio from the previous quarter end (30 September 2021: 299.73%) is primarily driven by a €1,702 million increase in available stable funding ('ASF') elements. Notably, ASF deriving from liabilities provided by financial customers increased, primarily in the form of operational deposits weighted at 50%. This ratio increase was supplemented by a moderate decrease in required stable funding ('RSF') of €423 million, mainly driven by a reduction in RSF from loans and advances to financial customers of €488 million. The main cause of this related to non-secured loans to credit institutions and other financial customers. However. this was partly offset by an increase in RSF from encumbered HQLA of €104 million.

The European bank's NSFR ratio remains well above the regulatory limit of 100% and the internal risk appetite of 150%.

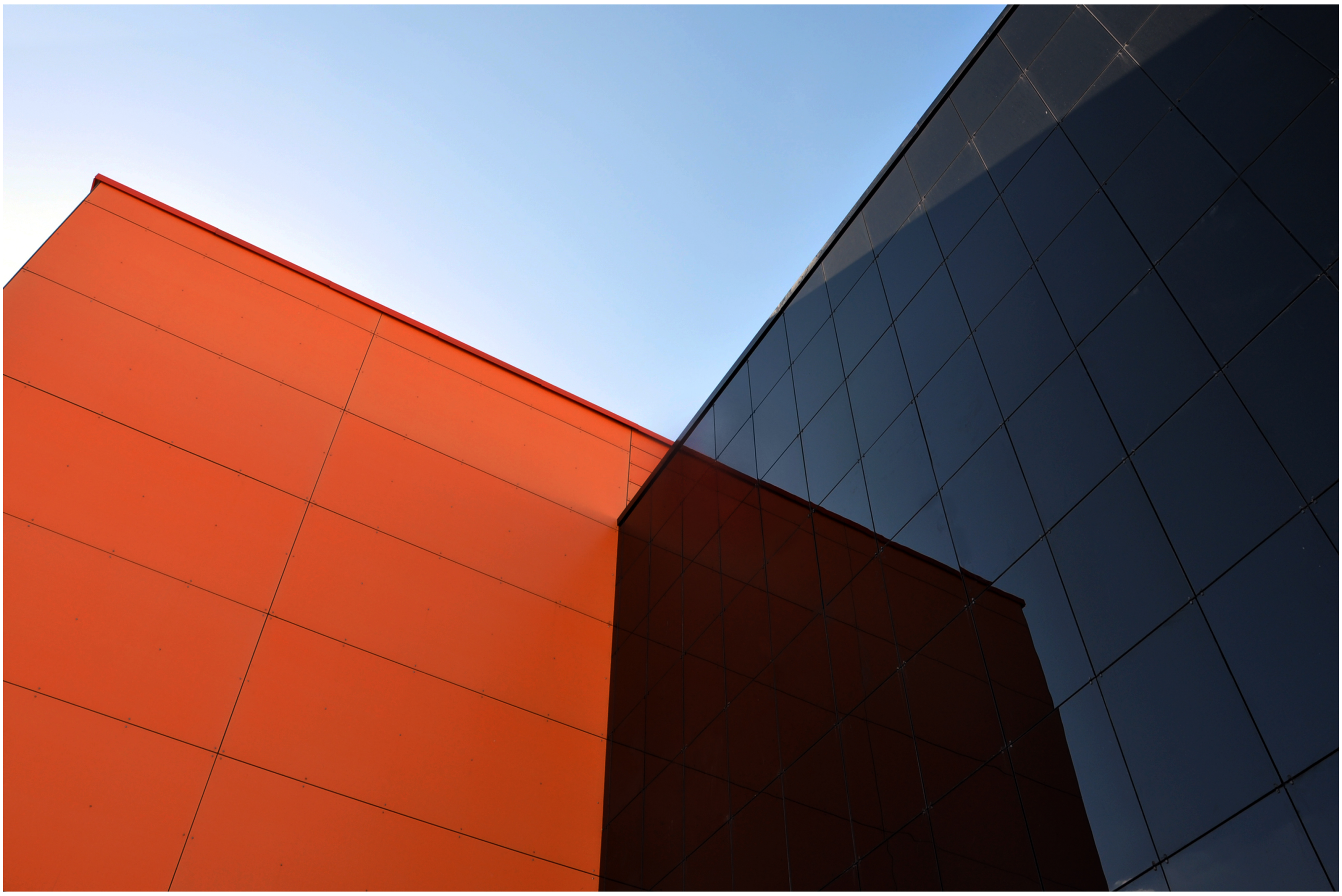
At 30 September 2021 (€m)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Capital items and instruments	3,407	—	—	—	3,407
Own funds	3,407	—	—	—	3,407
Other capital instruments		—	—	—	—
Wholesale funding:		36,139	3	3,156	12,343
Operational deposits		18,304	—	—	9,152
Other wholesale funding		17,835	3	3,156	3,191
Interdependent liabilities		—	—	—	—
Other liabilities:	—	799	—	—	—
NSFR derivative liabilities	—				
All other liabilities and capital instruments not included in the above categories		799	—	—	—
Total available stable funding (ASF)					**15,750**
Total high-quality liquid assets (HQLA)					2,826
Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	—	—
Performing loans and securities:		11,261	96	685	1,804
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		125	—	—	—
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		11,115	11	—	1,117
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		2	—	—	1
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		19	85	685	686
Other assets:		738	—	481	606
Physical traded commodities				—	—
NSFR derivative assets		114			114
NSFR derivative liabilities before deduction of variation margin posted		227			11
All other assets not included in the above categories		397	—	481	481
Off-balance sheet items		—	—	—	—
Total RSF					**5,236**
Net Stable Funding Ratio (%)					**300.80 %**

Note: ASF/RSF items which are not applicable to the European bank have not been disclosed.

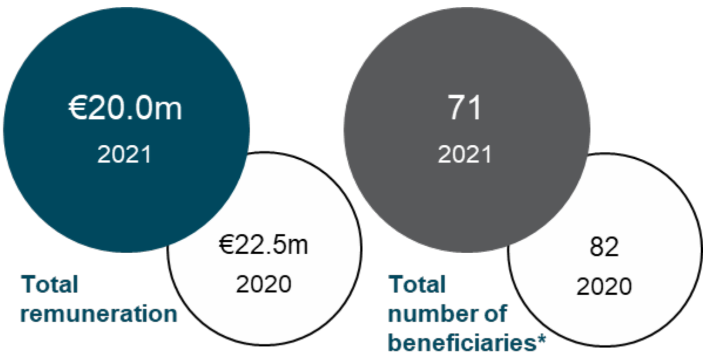
At 30 June 2021 (€m)	Unweighted value by residual maturity No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Capital items and instruments	3,428	—	—	—	3,428
Own funds	3,428	—	—	—	3,428
Other capital instruments		—	—	—	—
Wholesale funding:		34,137	—	3,149	11,887
Operational deposits		17,418	—	—	8,709
Other wholesale funding		16,719	—	3,149	3,178
Interdependent liabilities		—	—	—	—
Other liabilities:	—	896	—	—	—
NSFR derivative liabilities	—				
All other liabilities and capital instruments not included in the above categories		896	—	—	—
Total available stable funding (ASF)					**15,315**
Total high-quality liquid assets (HQLA)					2,777
Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	—	—
Performing loans and securities:		8,916	27	762	1,592
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		145	—	—	—
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		8,711	8	—	875
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		60	19	762	717
Other assets:		693	2	602	737
Physical traded commodities				—	—
NSFR derivative assets		122			122
NSFR derivative liabilities before deduction of variation margin posted		228			12
All other assets not included in the above categories		343	2	602	603
Off-balance sheet items		—	—	—	—
Total RSF					**5,106**
Net Stable Funding Ratio (%)					**299.94 %**

Note: ASF/RSF items which are not applicable to the European bank have not been disclosed.

The table EU LIQ2 became applicable following the implementation of CRR II as of June 2021.



16 Article 450 CRR - Remuneration policy



* The 2021 figures include 7 (independent) non-executive directors which were previously captured as MRTs but not disclosed prior to the adoption of CRR II.

16.1 Governance

The Board is responsible for the remuneration policy and its application within the European bank, including its branches and subsidiaries). The Board ensures that variable remuneration plans and the awards paid in execution of them do not jeopardise a sound capital base and are in line with the European bank's risk appetite and long term strategy. It is assisted in this by the Remuneration Committee ('RemCo') and the Risk Committee ('RiskCee') of the Board. The RemCo advises the Board on the remuneration policy (after input from the RiskCee). The RemCo also reviews annually the list of staff that have a material impact on the risk profile of the European bank ('Identified Staff' or 'MRTs'), and their variable compensation awards, and any ex-post risk adjustment to be applied, before submitting the proposals to the Board (in session with the non-executive directors only) for approval.

All RemCo members are non-executive directors of the Board. The Human Resources function provides the RemCo secretarial duties.

The Board meets at least quarterly and approves the year-end compensation awards of its regulated staff members. The RemCo met ten times during 2021 (including two joint sessions with the RiskCee), whilst other committees listed in the remuneration policy met a total of eight times during the year. Awards in instruments are made in the form of shares in The Bank of New York Mellon Corporation. These shares are listed on the New York Stock exchange under ticker "BK". Deferred shares are made in the form of Restricted Share Units, transferable into BK shares at vesting. These grants also require the approval of the Human Resources and Compensation Committee ('HRCC') of BNY Mellon, since it functions as the remuneration committee of the ultimate shareholder of the European bank.

16.2 Aligning pay with performance

BNY Mellon's compensation philosophy is to offer a total compensation opportunity that supports the group's values: Passion for Excellence, Integrity, Strength in Diversity and Courage to Lead. BNY Mellon pays for performance, which is assessed at the individual and corporate level both in terms of business results and behaviors. It values individual and team contributions as well as how business results are achieved. In support of this philosophy, variable compensation is used as a means of recognising performance.

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

16.3 Fixed remuneration

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

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

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

16.4 Variable compensation funding and risk adjustment

All staff, including MRTs employed by or seconded to the Covered Entities, are eligible to receive variable remuneration, in application of variable compensation plans in existence in the European bank or in BNY Mellon. Variable compensation plans are designed to reward performance at both the corporate, business line (if the individual belongs to a business line) and individual level. Such variable compensation consists of both cash and deferred components. The Board and the RiskCee ensure that no variable compensation plan encourages risk taking at a level not acceptable for the risk profile of the European bank.

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

The European bank makes use of the robust performance appraisal process in place at BNY Mellon to document an individual's performance. This process is built upon the assessment of not only agreed and individualized business goals, but also compulsory risk & compliance goals, diversity & inclusion goals and an assessment on the values & behaviors showcased by the individual.

Categories of staff whose professional activities have a material impact on its risk profile (“MRTs”) are requested to include in their performance appraisal process one or more “goals” related to their role in the legal entity. MRTs are also assessed, as all staff members are, against compulsory risk & compliance goals, diversity & inclusion goals and the values & behaviors they showcase. For MRTs, the performance related to the risk and control aspects of their job is further detailed and documented through the Risk Culture Summary Scorecard (“RCSS”), for which the European bank uses a system of metrics related to the main control aspects: compliance & ethics, reputational and operational risk, risk exposures, and audit. This allows the control functions of the European bank to provide more detailed input (to the RiskCee and RemCo) in respect of behavior or incidents that occur within the responsibility of the job holder. One incident occurred in 2021 which resulted in a proposal of ex-ante adjustment of variable compensation for performance year 2021.

16.5 Ratio between fixed and variable pay

MRTs of the European bank are restricted to a maximum variable remuneration of the greater of €50,000 and 100% of fixed remuneration, or 50% of fixed remuneration, in line with the Belgian Banking Law.

16.6 Deferral policy and vesting criteria

Awards under variable compensation plans will be subject to deferral of a certain part of the award (deferred component consists of restricted share units), depending on the level of the individual and the amount of the award (“Corporate Deferral Rules”):

					Incentive value (USD)
Min Max Grade	0 50,000	50,000 150,000	150,000 250,000	250,000 500,000	500,000 -
J	0%	15%	20%	25%	30%
K	0%	15%	20%	25%	30%
L	0%	15%	20%	25%	30%
M	0%	25%	30%	35%	40%
S	0%	32.5%	40%	45%	50%

If the recipient is a MRT in receipt of variable remuneration exceeding €50,000 and if it represents more than one third of the individual's total annual remuneration, the Corporate Deferral Rules are superseded by the payout and deferral requirements set out by the provisions below (“Regulatory Deferral Rules”).

The variable remuneration of MRTs whose total variable remuneration exceeds €50,000 and if it represents more than one third of the individual's total annual remuneration, is subject to the following rules:

a) At least 40% of variable remuneration is deferred for at least 4 years (increasing to 60% where the MRT is a Director of a regulated BNY Mellon legal entity);

b) for senior managers (ExCo members, and members of branch management) the deferral period is 5 years; and,

c) At least 50% of variable remuneration should be delivered in shares or equivalent instruments (once these instruments have been vested to the individual these will be subject to a further one year holding period before being delivered to the MRT).

To meet this requirement, the European bank will therefore deliver incentives to MRTs as follows on the following page:

	Up Front (60%)	Deferred (40%)
Cash (50%)	**Cash Award (30%):** Variable remuneration in respect of the applicable performance year that will be paid to the employee in cash in the February payroll the following year, subject to the usual deductions of income tax and applicable social security contributions.	**Deferred Cash (20%):** Variable remuneration in respect of the applicable performance year that will be paid into a Deferred Cash Plan ("DCP"). Cash paid into the DCP will be held on the employee's behalf and will attract an interest rate based on the LIBOR rate at the time of grant and will be paid out as follows: ● For MRTs who are Senior Managers - 5 equal annual installments starting upon the first anniversary of the award ● For other MRTs - 4 equal annual installments starting upon the first anniversary of the award Payments from the DCP will be subject to the usual deductions of income tax and social security contributions.
Equity (50%)	**Instant Vest Equity (30%):** Variable remuneration in respect of the applicable performance year that will be provided to the employee in BNY Mellon stock which vests on the grant date and is subject to a 1 year retention period before it can be sold.	**Deferred Equity (20%):** Variable remuneration in respect of the applicable performance year that will be provided to the employee in restricted stock units ("RSUs") (the precise mechanism for delivery will be determined, at the sole discretion of BNY Mellon). The deferred equity will vest as follows: ● For MRTs who are Senior Managers - 5 equal annual installments starting upon the first anniversary of the award ● For other MRTs - 4 equal annual installments starting upon the first anniversary of the award For all MRTs each tranche of vested equity will be subject to a 1 year retention period post vesting before it may be sold (referred to in the charts below as the "point of availability").

All equity and deferred cash awards will be subject to the applicable rules of the BNY Mellon long term incentive or deferred cash plan under which they are delivered and the General Incentive Plan Terms and Conditions. All deferred awards are subject to terms and conditions that provide for forfeiture (malus) or clawback in certain circumstances.

16.7 Variable remuneration of control function staff

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

Control functions typically receive a lower portion of their total compensation as variable.

16.8 Quantitative disclosures

The tables on the following pages provide details of the aggregate remuneration of senior management and MRTs for the European bank for the year ended 31 December 2021.

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

Table 38: REM1 - Aggregate remuneration expenditure by business

This table shows the total aggregate remuneration[1,2] awarded to MRTs for 2021.

At 31 December 2021 (€000s)		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	**Number of identified staff**	**7**	**6**	**20**	**38**
	Total fixed remuneration	**460**	**3,229**	**4,827**	**7,207**
	Of which: cash-based	460	3,229	4,827	7,207
Variable remuneration	**Number of identified staff**	**—**	**6**	**18**	**38**
	Total variable remuneration	**—**	**914**	**1,171**	**2,144**
	Of which: cash-based	—	472	655	1,329
	Of which: deferred	—	248	206	324
	Of which: shares or equivalent ownership interests	—	442	516	816
	Of which: deferred	—	277	206	330
Total remuneration		**460**	**4,143**	**5,998**	**9,351**

Note: Selected rows which are not applicable to the European bank have not been disclosed.

Table 39: REM2 - Aggregate remuneration expenditure by remuneration type

This table shows any special payments made to MRTs for 2021.

At 31 December 2021 (€000s)	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	**—**	**—**	**—**	**—**
Guaranteed variable remuneration awards -Total amount	**—**	**—**	**—**	**—**
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	**—**	**—**	**—**	**—**
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	**—**	**—**	**—**	**—**
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff	**—**	**—**	**1**	**—**
Severance payments awarded during the financial year - Total amount	**—**	**—**	**173**	**—**
Of which paid during the financial year	—	—	—	—
Of which deferred	—	—	—	—
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
Of which highest payment that has been awarded to a single person	—	—	173	—

Note: Selected rows which are not applicable to the European bank have not been disclosed.

[1] Includes base salary and other cash allowances, plus any incentive awarded for full year 2021. Pension contribution is not included.

[2] Includes remuneration of independent non-executive directors who are compensated by the European bank. Remuneration of non-executive directors are not included in the scope as they are not compensated by the European bank for the role.

Table 40: REM3 - Deferred variable remuneration

This table shows the total deferred remuneration[3] for MRTs outstanding from previous years.

Deferred and retained remuneration At 31 December 2021 (€000s)	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function	**—**	**—**	**—**	**—**	**—**
MB Management function	**1,390**	**423**	**967**	**423**	**370**
Cash-based	413	53	360	53	—
Shares or equivalent ownership interests	977	370	607	370	370
Other senior management	**2,436**	**828**	**1,608**	**828**	**708**
Cash-based	545	120	425	120	—
Shares or equivalent ownership interests	1,891	708	1,183	708	708
Other identified staff	**2,246**	**834**	**1,412**	**834**	**716**
Cash-based	514	118	396	118	—
Shares or equivalent ownership interests	1,731	716	1,015	716	716
Total amount	**6,072**	**2,085**	**3,987**	**2,085**	**1,794**

Note: Selected rows and columns which are not applicable to the European bank have not been disclosed. There were no adjustments made to deferred remuneration and no adjustments due to ex post implicit adjustments in the year.

Table 41: EU REM4 - Remuneration of 1 million EUR or more per year

At 31 December 2021 (€s)	Identified staff that are high earners as set out in Article 450(i) CRR
1,000,000 to below 1,500,000	—
1,500,000 to below 2,000,000	1
2,000,000 to below 2,500,000	—
2,500,000 to below 3,000,000	—
3,000,000 to below 3,500,000	—
3,500,000 to below 4,000,000	—
4,000,000 to below 4,500,000	—
4,500,000 to below 5,000,000	—
5,000,000 to below 6,000,000	—
6,000,000 to below 7,000,000	—
7,000,000 to below 8,000,000	—

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

Table 42: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions’ risk profile (identified staff)

At 31 December 2021 (€000s)	Management body remuneration [1]			Business areas				
	MB Supervisory function	MB Management function	Total MB	Investment banking	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff								**71**
Of which: members of the MB	7	6	13					
Of which: other senior management				18	—	—	2	
Of which: other identified staff				6	11	21	—	
Total remuneration of identified staff	460	4,143	4,603	8,913	2,389	3,748	298	
Of which: variable remuneration	—	914	914	2,085	519	672	39	
Of which: fixed remuneration	460	3,229	3,689	6,828	1,870	3,076	259	

Note: There are no identified staff members applicable to the retail banking and asset management business areas. Consequently, these columns have not been disclosed

[1] Includes remuneration of independent non-executive directors who are compensated by the European bank. Remuneration of non-executive directors are not included in the scope as they are not compensated by the European bank for the role.

Appendix 1 - Other risks

Liquidity risk

The European bank defines liquidity risk as the risk arising from an inability to access funding, convert assets to cash quickly and efficiently, or to roll over or issue new debt, especially during periods of market stress. Liquidity risk includes the inability to access funding sources or manage fluctuations in funding levels.

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

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

The European bank has a strong liquidity risk management culture and liquidity risk management is demonstrably embedded in its policies and processes.

The goal of the European bank'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, the European bank 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, corporate standards, and encompasses the unique structure and characteristics of the European bank.

Restitution risk

Restitution Risk relates to the obligation under regulation (**AIFMD/UCITS V**) or under commercial contract to reimburse the client for the value of Financial Instruments held in custody where those assets have been lost at or by a sub-custodian or a CSD (within the BNY Mellon custody network or directed sub custody appointments including prime-brokers where liability has not been discharged).

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

The main impact on the European bank is in the role of depositary, and the liability to restitute the value of financial instruments held in custody that are lost by the depositary and/ or its delegates. The main source of Restitution Risk for the European bank is through the depositary business performed by Asset Servicing for its fund clients. Most typically, Restitution liability would be expected to manifest as a result of a combined operational risk and insolvency event. However, the matter is very much a theoretical consideration as no event has manifested in the market place.

Strategic risk

Strategic risk is defined as 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.

The European bank has a moderate appetite for Strategic risk. By its nature, our business model creates client concentration within the financial services industry and exposure to capital markets performance, globally. We understand and have an appetite to assume these risks. However, we seek to ensure that our industry concentration and capital markets exposure is prudent and directly relates to supporting our business activity and strategy.

The Board is committed to ensuring that strategic initiatives giving rise to significant change in the business organization or operations must be effectively managed, using corporate standard project management methodology.

Group risk

Group risk is the risk that the financial position of the European bank may be adversely affected by its relationships (financial and non-financial) with other entities within BNY Mellon or by risks that may affect the whole of BNY Mellon.

The European bank, as a member of the BNY Mellon Group, operates in alignment with the Group´s business interests, while at the same time maintaining its independence, particularly with respect to operating within a governance framework which protects the interests of the entity's clients.

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

Model risk

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

Model risk can result in material financial loss, inaccurate financial or regulatory reporting, misaligned business strategies or damage to the reputation of the European bank or BNY Mellon as a whole.

The European bank uses models in its risk management framework. All models have been assessed in line with the relevant corporate policies and model risk management framework wherein the individual model is categorised into one of three tiers based on materiality, complexity, and level of reliance. The tiers determine the controls applicable to the model classes. The Enterprise Model Risk Committee oversees model risk management at the enterprise level and approves the overall framework and standards, which are applicable across the organisation. The Model Risk Management Group, based in the US, retain ultimate responsibility for overall model governance.

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

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

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

Appendix 2 - Glossary of terms

The following acronyms are a range of terms which may be used in BNY Mellon EMEA Pillar 3 disclosures:

Acronym	Description
ABS	Asset-Backed Securities
ACPR	Autorite de Controle Prudentiel et de Resolution
AFR	Available Financial Resources
AIF	Alternative Investment Fund
ALCO	Asset and Liability Committee
ALM	Asset Liability Management
AML	Anti-Money Laundering
AS	Asset Servicing
AT1	Additional Tier 1
AUC	Assets Under Custody
BAC	Business Acceptance Committee
BAU	Business as usual
BaFin	Federal Financial Supervisory Authority / Bundesanstalt fur Finanzdienstleistungsaufsicht
BDAS	Broker-Dealer and Advisory Services
BDF	Banque De France
BEMCO	Belgium Management Council
BI	Banca D'Italia
BNY Mellon	The Bank of New York Mellon Corporation
BNY Mellon SA/NV	The Bank of New York Mellon SA/NV
BNY Mellon TDUKL	BNY Mellon Trust & Depositary (UK) Limited
BNYIFC	BNY International Financing Corporation
BNY Mellon KG	BNY Mellon Service Kapitalanlage-Gesellschaft mbH
BRC	Business Risk Committee
CASS	Client Asset Sourcebook Rules
CBI	Central Bank of Ireland
CCF	Credit Conversion Factor
CEO	Chief Executive Officer
CEF	Critical Economic Function
CET1	Common Equity Tier 1
CGB	CASS Governance Body

Acronym	Description
CIS	Collective Investment Scheme
CMA	Capital Market Authority
COC	Compensation Oversight Committee
COOC	CASS Operational Oversight Committee
COREP	Common Reporting
CQS	Credit Quality Steps
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CROC	Credit Risk Oversight Committee
CRR	Capital Requirements Regulation
CSD	Client Service Delivery
CSRSFI	Committee for Systemic Risks and System-relevant Financial Institutions
CSSF	Commission de Surveillance du Secteur Financier
CSTC	Capital and Stress Testing Committee
CT	Corporate Trust
CTS	Client Technology Solutions
DB	Deutsche Bank
DNB	De Nederlandsche Bank
DVP	Delivery versus Payment
EAD	Exposure at default
EC	European Commission
ECL	Expected Credit Losses
ECAP	Economic Capital
ECB	European Central Bank
ECM	Embedded Control Management
EEC	EMEA Executive Committee
EHQLA	Extremely High Quality Liquid Assets
EMEA	Europe, Middle East and Africa
ERGC	EMEA Remuneration Governance Committee
ESRMC	EMEA Senior Risk Management Committee
EU	European Union
EUR	Euro
EWI	Early Warning Indicators

Acronym	Description
ExCo	Executive Committee
FCA	Financial Conduct Authority
FMUs	Financial market utilities
FRS	Financial Reporting Standard
FSMA	Financial Services and Markets Authority
FX	Foreign Exchange
G-SIFI	Global Systemically Important Financial Institution
GCA	Global Custody Agreement
GSP	Global Securities Processing
HLA	High-level Assessment
HQLA	High Quality Liquid Assets
HRCC	Human Resources Compensation Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICA	Internal Capital Assessment
ICAAP	Internal Capital Adequacy Assessment Process
ICRC	Incentive Compensation Review Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILG	Individual Liquidity Guidance
IRRBB	Interest Rate Risk on Banking Book
IMMS	International Money Management System
ISDA	International Swaps and Derivatives Association
ISM	Investment Services and Markets
IT	Information Technology
KRI	Key Risk Indicator
KYC	Know your customer
LCR	Liquidity Coverage Ratio
LERO	Legal Entity Risk Officer
LOB	Line of Business
LOD	Line of Defense
MiFID II	Markets in Financial Instruments Directive II

Acronym	Description
MNA	Master netting agreements
MRMG	Model Risk Management Group
MRT	Material Risk Taker
NAV	Net Asset Value
NBB	National Bank of Belgium
NomCo	Nomination and Governance Committee
NSFR	Net Stable Funding Ratio
O-SII	Other systemically important institution
OCI	Other Comprehensive Income
OEICs	Open-ended Investment Companies
ORMF	Operational Risk Management Framework
ORSA	Operational Risk Scenario Analysis
P/L	Profit and Loss
PFE	Potential Future Exposure
PRA	Prudential Regulatory Authority
RAS	Risk Appetite Statement
RCoB	Risk Committee of the Board
RCSA	Risk and Control Self-Assessment
RM	Risk Manager
RMC	Risk Management Committee
RMP	Risk Management Platform
RRP	Recovery and Resolution Planning
RW	Risk-weight
RWA	Risk Weighted Assets
SA	Standardised Approach
SFT	Security Financing Transaction
SLD	Service Level Description
SREP	Supervisory review and evaluation process
SRO	Senior Risk Officer
T&D	Trust & Depositary
T1 / T2	Tier 1 / Tier 2
TCR	Total Capital Requirements
TRC	Technology Risk Committee
TLAC	Total Loss-Absorbing Capacity
UCITS	Undertakings for Collective Investment in Transferable Securities
VaR	Value-at-Risk

The following terms may be used in this document:

Ad valorem: Method for charging fees according to the value of goods and services, instead of by a fixed rate, or by weight or quantity. Latin for [according] to value

Basel III: The capital reforms and introduction of a global liquidity standard proposed by the Basel Committee on Banking Supervision ('BCBS') in 2020

BIPRU: Prudential sourcebook for banks, building societies and investment firms

Brexit: The United Kingdom's referendum decision to leave the EU

CRD V: On 27 June 2013, the European Commission first published, through the Official Journal of the European Union, its legislation for a Capital Requirements Directive ('CRD') and Capital Requirements Regulation ('CRR'), which together form the CRD package. The package implements the Basel III reforms in addition to the inclusion of new proposals on sanctions for non-compliance with prudential rules, corporate governance and remuneration. The latest iteration, CRD V & CRR II, applies from 28 June 2021 onwards, with certain requirements set to be phased in

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

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

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

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

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

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

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

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

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

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

Investment Firms Directive ('IFD'): A capital adequacy legislative package issued by the European Commission and adopted by EU member states calibrated to Investment Firms

Investment Firms Regulation ('IFR'): Regulation that is directly applicable to anyone in the European Union in respect of the application of IFD

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

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

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

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

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

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

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

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

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

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

Risk Governance Framework: The risk governance framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:

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

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

Risk-weighted Assets ('RWA'): Assets that are adjusted for their associated risks using weightings established in accordance with CRD V requirements

Standardised Approach ('SA'): Method used to calculate credit risk capital requirements using the Basel III, CRD V, CRR II model supplied by the BCBS. The SA model uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies

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

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

Appendix 3 - CRR II references

CRR II ref.	Requirement summary	Compliance ref. applicable at 31 December 2021	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosure	9
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	N/A	N/A
431 (3)	The management body shall adopt formal policies to comply with the disclosure requirements. At least one member of the management body shall attest in writing.	Attestation Statement	6
431 (4)	Quantitative disclosures shall be accompanied by a qualitative narrative that may be necessary in order for the users of that information to understand the quantitative disclosures.	Qualitative narrative included where necessary.	N/A
431 (5)	Explanation of ratings decision upon request.	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450).	1.2 Article 432 CRR II - Non-material, proprietary or confidential information	9
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected (except Articles 437 and 450).		
432 (3)	Where 432(1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed.		
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, on the same date of the publication of the financial statements. Semi-annual and quarterly disclosures shall be published on the same date as the financial reports for the period where applicable.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosure	9
433 (a)	Large institutions shall disclose the information outlined in this article on an annual, semi-annual and quarterly basis as applicable.		
433 (b)	Small and non-complex institutions shall disclose the information outlined in this article on an annual and semi-annual basis as applicable.	N/A	N/A
433 (c)	Institutions that are not subject to Article 433(a) or 433(b) shall disclose the information outlined in this article on an annual and semi-annual basis as applicable.	N/A	N/A
Means of disclosure			
434 (1)	Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosure	9
434 (2)	Institutions shall make available on their website an archive of the information required to be disclosed in accordance with this Part.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosure	9
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies.	4 Article 435 CRR II - Risk management objectives and policies	31
435 (1) (a)	Strategies and processes to manage those categories of risks.	4.1 Risk objectives	33
435 (1) (b)	Structure and organisation of the risk management function.	4.2 Risk governance	33
435 (1) (c)	Scope and nature of risk reporting and measurement systems.	4.1 - 4.8	33
435 (1) (d)	Policies for hedging and mitigating risk.	4.3 - 4.8, 5.3	39
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements.	1.4 Governance: approval and publication	9
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy.	Risk statement	31
435 (2) (a)	Number of directorships held by directors.	4.2 Risk governance	33
435 (2) (b)	Recruitment policy of Board members, their experience and expertise.	4.2 Risk governance	33
435 (2) (c)	Policy on diversity of Board membership and results against targets.	4.2 Risk governance	33
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	4.2.1 - 4.2.4	33
435 (2) (e)	Description of information flow on risk to Board.	4.2.1 - 4.2.4	33
Scope of application			
436 (a)	The name of the institution to which this Regulation applies.	1 Article 431 CRR II - Disclosure requirements and policies	7
436 (b)	A reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation.	N/A - There are no differences in scope.	N/A

436 (c)	A breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation broken down by type of risk.	Table 4: EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories	24
436 (d)	A reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation, and the exposure amount used for regulatory purposes.	Table 5: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements	25
436 (e)	For exposures from the trading book and the non-trading book adjusted in accordance with Article 34 and Article 105, a breakdown of the constituent elements of an institution's prudent valuation adjustment, by types of risk.	N/A	N/A
436 (f)	Current or expected material impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries.	N/A - No impediment exists.	N/A
436 (g)	Aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of those subsidiaries.	All entities in scope of consolidation are appropriately capitalised.	N/A
436 (h)	Where applicable, the circumstance under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.	N/A	N/A
Own funds			
437 (a)	Full reconciliation of Common Equity Tier 1 (CET1) items.	Table 3: EU CC2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements	22
437 (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments.	Table 6: EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments	25
437 (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments.	Appendix 4 - Capital instruments terms and conditions	115
437 (d) (i) 437 (d) (ii) 437 (d) (iii)	Each prudent filter applied. Each deduction made. Items not deducted.	Table 2: EU CC1 Composition of regulatory own funds	21
437 (e)	Description of all restrictions applied to the calculation of Own Funds.	N/A - No restrictions apply.	N/A
437 (f)	Explanation of the basis of calculating capital ratios using elements of Own Funds.	N/A - Capital ratios are calculated in accordance with CRR II.	N/A
Own funds and eligible liabilities			
437a (a)	Institutions that are subject to Article 92a or 92b shall disclose the composition of their own funds and eligible liabilities, their maturity and their main features.	Table 7: EU ILAC Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	27
437a (b)	The ranking of eligible liabilities in the creditor hierarchy.	N/A - Only applicable at individual disclosure level.	N/A
437a (c)	The total amount of each issuance of eligible liabilities instruments.	Table 7: EU ILAC Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	27
437a (d)	The total amount of excluded liabilities.		
Own funds requirements and risk weighted exposure amounts			
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	3 Article 438 CRR II - Own funds requirements and risk weighted exposure amounts	28
438 (b)	The amount of the additional own funds requirements based on the supervisory review process.	Table 1: EU KM1 Key metrics	16
438 (c)	Result of ICAAP on demand from authorities.	N/A	N/A
438 (d)	The total risk-weighted exposure amount and the corresponding total own funds requirement.	Table 8: EU OV1 Overview of total risk exposure amounts	29
438 (e)	The on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending.	N/A	N/A
438 (f)	The exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds.	N/A	N/A
438 (g)	The supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate.	N/A	N/A
438 (h)	The variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	N/A	N/A

Exposure to counterparty credit risk (CCR)			
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures.	5.5 Governance	53
439 (b)	Discussion of process to secure collateral and establishing reserves.	7.2 Collateral valuation and management	61
439 (c)	Discussion of management of wrong-way exposures.	7.5 Wrong-way risk	62
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	N/A - A credit ratings downgrade is managed at the BNY Mellon Corp level.	N/A
439 (e)	The amount of segregated and unsegregated collateral received and posted.	Table 20: EU CCR5 Composition of collateral for CCR exposures	64
439 (f)	Exposure values before and after the effect of the credit risk mitigation of derivative transactions.	Table 18: EU CCR1 Analysis of CCR exposure by approach	63
439 (g)	Exposure values before and after the effect of the credit risk mitigation of securities financing transactions.		
439 (h)	The exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge.	Table 21: EU CCR2 Transactions subject to own funds requirements for CVA risk	64
439 (i)	Exposure value to central counterparties and the associated risk exposures.	N/A	N/A
439 (j)	The notional amount and fair value of credit derivative transactions.	N/A	N/A
439 (k)	Estimate of alpha, if applicable.	N/A	N/A
439 (l)	Separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452.	Table 19: EU CCR3 Standardised approach – CCR exposures by regulatory exposure class and risk weights	64
439 (m)	For institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business	Table 18: EU CCR1 Analysis of CCR exposure by approach	63
Countercyclical capital buffers			
440 (a)	Geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposure	Table 13: EU CCYB1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	58
440 (b)	Amount of the institution specific countercyclical capital buffer.	Table 14: EU CCYB2 Amount of institution-specific countercyclical capital buffer	58
Indicators of global systemic importance			
441	Disclosure of the indicators of global systemic importance.	N/A	N/A
Credit risk adjustments			
442 (a)	Disclosure of bank's scope and definitions of past due and impaired.	5.7 Analysis of past due and impaired exposures	54
442 (b)	Approaches for calculating specific and general credit risk adjustments.	5.7 Analysis of past due and impaired exposures	61
442 (c)	Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures.	5.6 Analysis of credit risk	54
442 (d)	An ageing analysis of accounting past due exposures.	N/A	N/A
442 (e)	The gross carrying amounts of both defaulted and non-defaulted exposures.	Table 10: EU CQ4 Quality of non-performing exposures by geography	56
442 (f)	Changes in the gross amount of defaulted on- and off-balance-sheet exposures.	Table 11: EU CR1 Performing and non-performing exposures and related provisions	57
442 (g)	The breakdown of loans and debt securities by residual maturity.	Table 12: EU CR1-A Maturity of exposures	57
Unencumbered assets			
443	Institutions shall disclose information concerning their encumbered and unencumbered assets.	9 Article 443 CRR II - Asset Encumbrance	65
Use of ECAIs			
444 (a)	Names of the ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes.	6 Article 444 CRR II - Use of the Standardised Approach	59
444 (b)	Exposure classes associated with each ECAI.	N/A	N/A
444 (c)	Explanation of the process for translating external ratings into credit quality steps.	N/A - Translation and mapping is as per the guidance in Articles 135-141 of CRR II.	N/A
444 (d)	Mapping of external rating to credit quality steps.	N/A - Translation and mapping is as per the guidance in Articles 135-141 of CRR II.	N/A
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step.	Table 16: EU CR5 Standardised approach	60
Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	10 Article 445 CRR II - Exposure to market risk	68

Operational risk management			
446 (a)	The approaches for the assessment of own funds requirements for operation risk that the institution qualifies for.	11 Article 446 CRR II - Operational risk management	70
446 (b)	A description of the methodology set out in Article 312(2), including a discussion of the relevant internal and external factors considered in the institution's advanced measurement approach.	N/A	N/A
446 (c)	In the case of partial use, the scope and coverage of the different methodologies used.	N/A	N/A
Key metrics			
447 (a)	Composition of own funds and own funds requirements.	Table 1: EU KM1 Key metrics	16
447 (b)	The total risk exposure amount.		
447 (c)	Amount and composition of additional own funds.		
447 (d)	Combined buffer requirement which the institutions are required to hold.		
447 (e)	Leverage ratio and the total exposure measure.		
447 (f) (i)	Twelve months averages of the liquidity coverage ratio for each quarter.		
447 (f) (ii)	Twelve months averages of total liquid assets for each quarter.		
447 (f) (iii)	Twelve months averages of the liquidity outflows, inflows and net liquidity outflows for each quarter.		
447 (g) (i)	The net stable funding ratio at the end of each quarter		
447 (g) (ii)	The available stable funding at the end of each quarter		
447 (g) (iii)	The required stable funding at the end of each quarter		
447 (h)	Own funds and eligible liabilities ratios and their components, numerator and denominator	Table 7: EU ILAC Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	27
Exposure to interest rate risk on positions not included in the trading book			
448 (1) (a)	The changes in the economic value of equity calculated under supervisory shock scenarios.	Table 28: Economic value of equity and net interest income sensitivity by currency	80
448 (1) (b)	The changes in the net interest income calculated under supervisory shock scenarios.		
448 (1) (c)	A description of key modelling and parametric assumptions.	N/A - Tests reflect the scenarios outlined in CRD V Article 98.5a	N/A
448 (1) (d)	An explanation of the significance of the risk measures.	12 Article 448 CRR II - Interest rate risk in the banking book	75
448 (1) (e) (i)	A description of the specific risk measures that are used to evaluate changes economic value of equity and net interest income.		
448 (1) (e) (ii)	A description of the key modelling and parametric assumptions used where they differ from the provisions of Article 448(1)(c).	12.1 Identification and measurements	75
448 (1) (e) (iii)	A description of the interest rate shock scenarios used to estimate the interest rate risk	12.2 Scenarios and risks tested	76
448 (1) (e) (iv)	The effect of hedges against interest rate risks.	12.3 IRRBB management and hedging	78
448 (1) (e) (v)	An outline of how often the evaluation of the interest rate risk occurs.	12.4 Risk management and mitigation techniques	78
448 (1) (f)	The description of the overall risk management and mitigation strategies.	12.3 IRRBB management and hedging	78
448 (1) (g)	Average and longest repricing maturity assigned to non-maturity deposits.	Table 28: Economic value of equity and net interest income sensitivity by currency	80
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 shall not apply to institutions that use the standardised methodology or the simplified standardised methodology.	N/A	N/A
Exposures to securitisation positions			
449 (a)	A description of the institution's securitisation and re-securitisation activities including risk management and investment objectives, their role and whether the institution uses STS, and the extent of credit risk transfers to third parties	13 Article 449 CRR II - Exposures to securitisation positions	81
449 (b)	The type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions		
449 (b) (i)	The risk retained in own-originated transactions	N/A	N/A
449 (b) (ii)	The risk incurred in relation to transactions originated by third parties	13 Article 449 CRR II - Exposures to securitisation positions	81
449 (c)	Their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities.		
449 (d)	A list of SSPEs, with a description of their types of exposures to those SSPEs, including derivative contracts:	N/A	N/A

449 (d) (i)	SSPEs which acquire exposures originated by the institutions.	N/A	N/A
449 (d) (ii)	SSPEs sponsored by the institutions.	N/A	N/A
449 (d) (iii)	SSPEs and other legal entities for which the institutions provide securitisation-related services	N/A	N/A
449 (d) (iv)	SSPEs included in the institutions' regulatory scope of consolidation;	N/A	N/A
449 (e)	A list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three	N/A	N/A
449 (f)	A list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions.	N/A	N/A
449 (g)	A summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions.	N/A	N/A
449 (h)	The names of the ECAIs used for securitisations and the types of exposure for which each agency is used.	N/A	N/A
449 (i)	Where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three.	N/A	N/A
449 (j)	Separately for the trading book and the non-trading book, the carrying amount of securitisation exposures.	Table 29: EU-SEC1 Securitisation exposures in the non-trading book	82
449 (k) (i)	For the non-trading book activities, the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches.	N/A	N/A
449 (k) (ii)	The aggregate amount of securitisation positions where institutions act as investor and the associated riskweighted assets and capital requirements by regulatory approaches.	Table 30: EU-SEC4 Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	82
449 (l)	For exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	N/A	N/A
Environmental, social and governance risks (ESG risks)			
449a	Large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, shall disclose information on ESG risks, including physical risks and transition risks.	4.9 Climate and environmental related disclosures	45
Remuneration policy			
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy.	16.1 Governance	95
450 (1) (b)	Information about the link between pay of the staff and their performance.	16.2 Aligning pay with performance	96
450 (1) (c)	Important design characteristics of the remuneration system.	16.1 Governance	95
450 (1) (d)	The ratios between fixed and variable remuneration.	16.5 Ratio between fixed and variable pay	97
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based.	16.6 Deferral policy and vesting criteria	97
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits.		
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450 (1) (i)	Number of individuals that have been remunerated EUR 1 million or more per financial year.	Table 41: EU REM4 - Remuneration of 1 million EUR or more per year	100
450 (1) (j)	Upon demand from the relevant Member State or competent authority, the total remuneration for each member of management or senior management.	N/A	N/A
450 (1) (k)	Information on whether the institution benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU.	N/A	N/A
450 (2)	For large institutions, quantitative information on the remuneration of the collective management body shall be made available to the public, differentiating between executive and non-executive members.	N/A	N/A

Leverage ratio			
451 (1) (a)	Leverage ratio.	Table 32: EU LR2 Leverage ratio common disclosure	84
451 (1) (b)	Breakdown of total exposure measure.	Table 31: EU LR1 Summary reconciliation of accounting assets and leverage ratio exposures	84
451 (1) (c)	Where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7);	Table 32: EU LR2 Leverage ratio common disclosure	84
451 (1) (d)	Description of the process used to manage the risk of excessive leverage.	N/A	N/A
451 (1) (e)	Description of the factors that had an impact on the leverage ratio.	Table 32: EU LR2 Leverage ratio common disclosure	N/A
451 (2)	Public development credit institutions shall disclose the leverage ratio without the adjustment to the total exposure measure.	N/A	N/A
451 (3)	Large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).	Table 32: EU LR2 Leverage ratio common disclosure	84
Liquidity requirements			
451a (1)	Disclose information on liquidity coverage ratio, net stable funding ratio and liquidity risk management.	15 Article 451a CRR II - Liquidity	87
451a (2) (a)	The average of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period.	Table 34: EU LIQ1 Quantitative information of LCR (unweighted)	89
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451a (3) (b)	An overview of the amount of available stable funding.		
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Use of the IRB approach to credit risk			
452 (a)	The competent authority's permission of the approach.	N/A	N/A
452 (b)	The mechanisms for rating systems at the different stages of development, controls and change.	N/A	N/A
452 (c)	For each exposure class referred to in Article 147, the percentage of the total exposure value subject to the Standardised Approach or to the IRB approach.	N/A	N/A
452 (d)	The role of the functions involved in the development, approval and subsequent changes of the credit risk models.	N/A	N/A
452 (e)	The scope and main content of the reporting related to credit risk models.	N/A	N/A
452 (f)	A description of the internal ratings process by exposure class, including the number of key models used and a brief discussion of the main differences between the models.	N/A	N/A
452 (g)	As applicable, information relating to each exposure class referred to in Article 147.	N/A	N/A
452 (h)	Institutions' estimates of PDs against the actual default rate for each class over a longer period.	N/A	N/A
Use of credit risk mitigation techniques			
453 (a)	Use of on- and off-balance sheet netting.	7.1 Netting	61
453 (b)	How collateral valuation is managed.	7.2 Collateral valuation and management	61
453 (c)	Description of types of collateral used.	7.3 Collateral types	61
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	N/A - BNY Mellon's EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures.	7.6 Credit concentration risk	62
453 (f)	Under either the Standardised or IRB approach, disclose the exposure value not covered by any eligible credit protection and the total exposure valued covered by eligible credit protection.	Table 17: EU CR3 CRM techniques overview: Use of credit risk mitigation techniques	62

453 (g)	Conversion factors and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect.	Table 15: EU CR4 Standardised approach – Credit risk exposure and CRM effects	60
453 (h)	Under the Standardised approach, the on- and off-balance-sheet exposure value by exposure class before and after conversion factors and any associated credit risk mitigation.		
453 (i)	Under the Standardised approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying conversion factors and credit risk mitigation, for each exposure class.		
453 (j)	For risk-weighted exposure amounts under the IRB approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives.	N/A	N/A
Use of the Advanced Measurement Approaches to operational risk			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	N/A Pillar 1 : standardised approach Pillar 2 : self-assessment approach	N/A
Use of internal market risk models			
455	Institutions calculating their capital requirements using internal market risk models.	N/A	N/A
Commission Implementing Regulation (EU) No 1423/2013			
Article 1	Specifies uniform templates for the purposes of disclosure.	N/A	N/A
Article 2	Full reconciliation of own funds items to audited financial statements.	2 Article 437/437a CRR II - Own funds and eligible liabilities	20
Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III).	Table 6: EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments	25
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V).	Table 2: EU CC1 Composition of regulatory own funds	21
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII).		
Article 6	Entry into force from 31 March 2014.	N/A	N/A

Appendix 4 - Capital instruments terms and conditions

This is a translation from French to English, for your information only. In case of discrepancy between the French and the English versions, only the French version shall be valid.

"The Bank of New York Mellon"
Public Limited Liability Company
Rue Montoyer, number 46 at 1000 Brussels

VAT BE 0806.743.159 RLE Brussels

INCORPORATION: deed executed by the undersigned Notary on thirty September two thousand and eight, published in extract form in the Annexes to the Belgian Official Gazette of the following nine October under number 20081009/160324.

MODIFICATION OF THE ARTICLES OF ASSOCIATION: deed executed by Mr Bertrand Nerincx, associated Notary on twenty seven April two thousand and nine, published in extract form in the Annexes to the Belgian Official Gazette the following eight May under number 2009-05-08/0065306.

MODIFICATION OF THE ARTICLES OF ASSOCIATION: deed realizing a capital increase executed by Mr Bertrand Nerincx, associated Notary on thirty September two thousand and nine (opening of the meeting) and on first October two thousand and nine (closing of the meeting), published in extract form in the Annexes to the Belgian Official Gazette of twelve October 2009 under number 2009-10-12/0142895.

MODIFICATION OF THE ARTICLES OF ASSOCIATION: deed executed by Mr Bertrand Nerincx, associated Notary in Brussels on second December two thousand eleven, published in extract form in the Annexes to the Belgian Official Gazette the following twenty-two December under number 2011-12-22/0191941.

MODIFICATION OF THE ARTICLES OF ASSOCIATION: deed executed by Mr Bertrand Nerincx, associated Notary in Brussels on 31 January 2013, realizing a capital increase a result of the merger by acquisition of "The Bank of New York Mellon (Ireland) Limited", the modifications of the Articles of Association being effective as of I February 2013, in the process of being published.

MODIFICATION OF THE ARTICLES OF ASSOCIATION: deed executed by Mr Bertrand Nerinx, associated Notary in Brussels on 24 March 2017, realizing a capital increase as result of the merger by acquisition of "The Bank of New York Mellon (Luxembourg) S.A.", the modifications of the Articles of Association being effective as of I April 2017, in the process of being published.

COORINATED VERSION OF THE ARTICLES OF ASSOCIATION

TITLE ONE - LEGAL FORM

ARTICLE 1 - NAME

The company is incorporated under the legal form of a public limited liability company ("société anonyme"). It is named "The Bank of New York Mellon".

In all written documents issued by the company, the name must be preceded or followed immediately by the words "société anonyme" or the initials "SA".

ARTICLE 2 - REGISTERED OFFICE

The registered office of the company is established at 1000 Brussels, Rue Montoyer, number 46.

The registered office may be transferred to any other location in the Region of Brussels Capital or in the French speaking region by simple decision of the board of directors, which is fully empowered to have a deed executed to enact the modification to the articles of association resulting therefrom.

The company may, by simple decision of the board of directors, establish administrative offices, branches and agencies in Belgium or abroad.

ARTICLE 3 - PURPOSE

Subject to the authorization as a Belgian credit institution being obtained from the Banking, Finance and Insurance Commission (CBFA), the purpose of the company is the carrying out of all banking and savings activities pursuant to Article 3 § 2 of the Law of 22 March 1993 on the legal status and supervision of credit institutions, and more particularly to receive deposits in cash, financial instruments and other assets, to extend credits in any form whatsoever, to conclude any transactions relating to currencies, financial instruments and precious metals, to provide all financial and administrative services, as well as to hold interests in other companies and to carry out all other financial, movable and immovable transactions which directly or indirectly relate to its purpose or facilitate its achievement.

ARTICLE 4 - TERM

The company is incorporated for an indefinite term.

It can be dissolved by decision of the shareholders' meeting deciding under the conditions required for the modification of the articles of association.

TITLE TWO - CAPITAL - SHARES

ARTICLE 5 - CAPITAL

The subscribed and entirely paid up share capital amounts, since 1 April 2017 to one billion seven hundred and twenty three million four hundred and eighty five thousand five hundred and twenty six Euros and twenty one cents (EUR 1,723,485,526.21). It is represented by one million six hundred and seventy-two thousand and seventeen (1,672,017) shares, without par value, representing each one million six hundred and seventy-two thousand and seventeenth (1/1,672,017th) of the statutory capital.

ARTICLE 6 - MODIFICATION OF CAPITAL

The capital may be increased or reduced by decision of the shareholders' meeting under the conditions laid down by law.

In case of capital increase to be subscribed in cash, the new shares must be offered by priority to the shareholders in proportion to the capital represented by their shares and subject to the special regime of shares without voting rights.

The exercise of the preferential subscription right is organized in accordance with the legal provisions.

The shareholders' meeting may, in the company's interest, under the quorum and majority conditions required for the modification of the articles of association and in compliance with the legal provisions, restrict or remove the preferential subscription right.

If, upon a capital increase, an issue premium is requested, this premium will be recorded in the books of the company in a non-available "issue premium" account that will constitute a guarantee to the benefit of third parties to the same extent as the capital and which cannot be disposed of, except for the possibility of conversion to equity, in accordance with the conditions provided in Article 612 of the Companies Code.

ARTICLE 7 - CALLS ON SHARES

Calls for funds are determined by the board itself.

Any payments called are apportioned among all the shares which the shareholder holds. The board may allow the shareholders to pay up their shares in advance, in which case it determines any conditions under which such advance payments are allowed. Advance payments are considered as cash advances.

A shareholder who, after a formal notice sent by registered mail, does not fulfill a request for funds must pay the company interest calculated at the legal interest rate as from the date the payment was due.

The board may also, after a second notice remains unsuccessful within a month of its date, order the forfeiture of the shareholder and have his/her/its shares sold, without prejudice to the right to claim the outstanding balance and any damages. The net proceeds of the sale shall be charged against what is owed by the defaulting shareholder, who shall remain liable for the difference or shall benefit from the surplus.

The exercise of the voting rights attached to shares on which payments have not been made is suspended for as long as such payments regularly called and payable have not been made.

ARTICLE 8 - AUTHORIZED CAPITAL

The board of directors is authorized to increase the capital, in accordance with the law, in one or more times up to an amount of two billion Euros (EUR 2,000,000,000.00) (by contribution in cash or in kind, or by converting reserves with or without emission of new shares). This authorization is valid for a period of five years from the publication of the document evidencing such authorization. The authorization is renewable.

This authorization includes the power for the board of directors to have the resulting amendments to the articles of association passed in a deed.

In case of capital increase by the board of directors by means of the authorized capital:

(i) the board of directors may not decide on an increase mainly achieved through a contribution in kind exclusively reserved to a shareholder who holds shares in the company to which more than ten per cent of the votes are attached;

(ii) the board may decide to issue convertible bonds and subscription rights;

(iii) the board of directors is entitled to limit or suppress the preferential subscription right of the shareholders under the same conditions as those applicable to the general meeting;

(iv) the board of directors has the right to limit or remove the preferential subscription right in favor of one or more specific persons who are not employees of the company or any of its subsidiaries. In this case the requirements of the Companies Code must be complied with.

ARTICLE 9 - AMORTIZATION OF CAPITAL

The shareholders' meeting may decide by a simple majority vote the amortization of the subscribed capital by using the portion of the profits which may be distributed, without a capital reduction. The shareholders whose shares have been amortized shall retain their rights in the company, except for the right to a refund of their contributions and to a first dividend allocated to the non-amortized shares, fixed at five percent (5%) of the fully paid-up capital they represent, and obtain securities representing rights in the company.

TITLE THREE - SHARES

ARTICLE 10 - NATURE OF THE SHARES

The shares are registered.

Any transfer of shares shall be effective after registration in the register of shares.

The transfer of shares is not subject to any restriction.

The same rules apply in case of transfer of bonds whether convertible or not and of subscription rights issued by the company.

ARTICLE 11 - ISSUE OF BONDS

The company may issue bonds, linked to mortgages or other, by decision of the board of directors, which determines the type and fixes the interest rate, method and timing of reimbursements, special guarantees and other conditions of the issue.

However, without prejudice to article 8, when issuing convertible bonds or bonds with subscription rights and in case of issue of subscription rights whether or not attached to another security, the decision is taken by the shareholders' meeting deciding under the conditions provided by law for the modification to the articles of association.

The shareholders' meeting may, in the interest of the company, restrict or remove the preferential subscription right in accordance with the requirements for the modification of the articles of association.

ARTICLE 12 - SHARES WITHOUT VOTING RIGHTS

The company may issue shares without voting rights. Shares without voting rights confer the right to a preferential and recoverable dividend, a preferential right to the repayment of the capital contribution and a right in the distribution of the liquidation proceeds. These rights will be determined upon each issue of shares without voting rights.

Shares with voting rights can be converted into shares without voting rights. The board of directors may determine the maximum number of shares to be so converted and the conversion conditions.

The company may require the purchase of its own shares without voting rights by decision of the shareholders' meeting deliberating under the conditions provided for a reduction of the capital, from those shareholders holding shares with or without voting rights.

TITLE FOUR - MANAGEMENT AND SUPERVISION

ARTICLE 13 - COMPOSITION OF THE BOARD OF DIRECTORS

The company is managed by a board of at least three members, natural or legal persons, shareholders or not, appointed by the shareholders' meeting for a maximum term of six years (after obtaining a concurring opinion from the National Bank of Belgium, if necessary and in line with legal requirements) and which may be revoked at any time by the shareholders' meeting. To the extent it is legally admissible, the outgoing directors can be re-elected.

In case a legal person is appointed as a director, it must appoint amongst its shareholders, managers, directors or employees, a permanent representative to take care of the director's duties in the name and for the account of the legal person. The appointment and the termination of the functions of the permanent representative are subject to the same rules of publication as if the representative would exercise this mission in its own name and for its own account.

The mandate of outgoing and non-re-elected directors terminates immediately after the shareholders' meeting deciding on the appointments.

In addition to the reimbursement of their costs, the shareholders' meeting may decide to grant a fixed remuneration to the directors, the amount of which will be determined each year by the shareholders' meeting and which will be booked as a general expense of the company. In addition, the shareholders' meeting may grant *tantièmes (directors 'fees, percentage of the profits)* to the directors from the available profits of the financial year.

ARTICLE 14 - VACANCY

In the case of vacancy within the board of directors because of death, resignation or other cause, the remaining directors have the right to temporarily fill the vacancy until the next annual general shareholders' meeting. In this case, the annual general shareholders' meeting appoints a replacement at its first meeting. The director appointed under the above conditions to replace a director completes the term of the director he/she/it replaces.

ARTICLE 15 - CHAIR

The board of directors may elect a chairperson amongst its members.

In the event of absence or impediment of the chairperson, the board appoints one of its members to replace him/her.

ARTICLE 16 - MEETINGS

The board of directors meets upon notice of its chairperson or in case of impediment of the latter, her/his substitute. The board of directors also meets each time the interest of the company requires it or each time at least two directors or the chair of the executive committee request it.

The meetings are held at the location indicated in the notices.

If all members of the board are present or represented, the prior notice must not be justified. The presence of a director at a meeting covers the possible irregularity of the notice and entails a waiver of the right to complain in this respect.

ARTICLE 17 - COMPANY SECRETARY

The board of directors may appoint a company secretary. The company secretary shall, in the name of the board of directors and under its authority, convene the general shareholders' meetings and the meetings of the board of directors and shall act as secretary of these meetings.

ARTICLE 18 - DELIBERATIONS

The board may validly deliberate and decide if at least half of its members are present or represented.

The meetings of the board are held in person. The meetings of the board may also be held by telephone or video conference. In this event, the meeting of the board is deemed to be held at the registered office of the company.

Any director can give a power of attorney to one colleague, in writing or by any other means of (tele)communication having a physical support, to represent him/her at a given meeting of the board and to vote in his/her stead.

In extraordinary circumstances duly justified by urgency and the company's interest, the decisions of board of directors can be taken by the unanimous consent of the directors, expressed in writing. This procedure cannot however be used for the finalization of the annual accounts or in order to use the authorized capital.

The decisions of the board of directors are taken by a simple majority vote, without taking the abstentions into account. In the event of a tie, the vote of the person who chairs the meeting is decisive. However, if the board is composed of only two directors, the vote of the chairperson ceases to be decisive.

Without prejudice to the exceptions mentioned in the Companies Code, a director who has directly or indirectly a financial interest conflicting with a decision or transaction falling within the competence of the board of directors, must inform the other directors prior to the deliberation of the board of directors. The provisions of Article 523 of the Companies Code must be taken into account.

ARTICLE 19 - MINUTES

The deliberations of the board of directors are recorded in minutes signed by the chair of the meeting and by the directors who wish so. These minutes are inserted in a special register.

Delegations, as well as the opinions and votes submitted in writing, by telegram, telex, fax, e-mail or other printed documents are appended.

Copies or extracts of the minutes to be produced in court or elsewhere shall be validly authenticated if signed by the chairperson o the board of directors, two directors or the company secretary.

ARTICLE 20 - POWERS OF THE BOARD

The board of directors may perform all acts necessary or useful for the achievement of the corporate purpose, except those reserved to the shareholders' meeting by law or by the articles of association.

ARTICLE 21 - ADVISORY COMMITTEES

The board of directors may create advisory committees within the board and under its responsibility. It describes their composition and their mission.

ARTICLE 22 - EXECUTIVE COMMITTEE

In accordance with Article 524bis of the Companies Code and the Article 26 of the Act of March 22, 1993 relating to the status and the supervision of credit institutions, the board of directors may delegate its management powers to an executive committee, provided that this delegation does not include the power to decide on the general policy of the company or the entirety of the acts reserved to the board of directors pursuant to other provisions of the law.

The executive committee is composed of at least two members and constitutes a board whose all members are also members of the board of directors. The president of the executive committee is appointed by the board of directors after consultation of the National Bank of Belgium.

Any member of the executive committee may grant to any other member of said committee whatsoever, in writing or by any other means of (tele)communication having a physical support, a power to represent him/her at a given meeting of this committee and to vote in his/her stead.

The board of directors must supervise this committee.

The appointment conditions of the members of the executive committee, their dismissal, their remuneration, the term of their appointment and the functioning of the executive committee, shall be determined by the board of directors.

If a member of the executive committee has a direct or indirect conflicting interest of a financial nature in a decision or a transaction within the competence of the executive committee, it must notify it to the other members prior to the deliberation of the committee. The provisions of Article 524ter of the Companies Code must be taken into account.

ARTICLE 23 - DAILY MANAGEMENT

In the course of its duties, the executive committee may delegate the daily management of the company as provided for in Article 525 of the Companies Code, the management of one or more transactions of the company, or the implementation of the decisions of the executive committee or of the board of directors to one or more persons, whether a director or not. It may revoke the delegations so conferred.

ARTICLE 24 - SPECIAL DELEGATES

The board of directors as well as the executive committee and those appointed for the daily management may also, each within the course of their duties, delegate special powers to one or more persons of their choice, acting individually or jointly.

The board of directors, the executive committee and those appointed for the daily management, as the case may be, may at any time revoke the persons and powers that they conferred pursuant to the preceding paragraph.

ARTICLE 25 - REPRESENTATION - OFFICIAL DEEDS AND LEGAL ACTIONS

The company is validly represented, including for deeds and in litigation:

– either by two directors acting jointly;
– or by one director acting alone if he/she is also member of the executive committee;
– or, but within the limits of the daily management, by the person or persons delegated to this daily management, acting jointly or severally.

These representatives do not need to justify vis-à-vis third parties of a prior decision of the board of directors or of the executive committee.

Furthermore, the company is validly bound by special delegates within the limits of their mandate.

ARTICLE 26 - CONTROL

The control of the financial situation, of the annual accounts and of the regularity of the transactions to be reported in the annual accounts must be entrusted to one or more statutory auditors, members of the Institute of Chartered Accountants ("*Institut des Réviseurs d'Entreprises*"), appointed by the shareholders' meeting for a renewable term of three years.

TITLE FIVE - GENERAL MEETINGS OF SHAREHOLDERS

ARTICLE 27 - COMPOSITION AND POWERS

The shareholders' meeting is composed of all the owners of shares who are entitled to vote by themselves or through proxy holders, subject to having complied with any applicable legal requirements or provisions of the articles of association. Bondholders and holders of subscription rights are entitled to participate in the meeting subject to the same conditions but only in an advisory capacity.

Decisions duly adopted by the shareholders' meeting bind all the shareholders even absent or dissenting ones.

ARTICLE 28 - MEETING

The annual shareholders' meeting statutorily meets on the last Tuesday of the month of May at 4 (four) PM. If this day is a legal holiday, the meeting is held the following business day.

Except for decisions to be recorded in a deed, the shareholders may unanimously take in writing all decisions which fall within the powers of the shareholders' meeting.

An extraordinary shareholders' meeting can be convened each time the interest of the company so requires.

Shareholders' meetings may be convened by the board of directors or by the statutory auditors and must be so convened upon the request of shareholders representing together one fifth of the statutory capital.

ARTICLE 29 - CONVENING NOTICES

Shareholders' meetings are held at the statutory office of the company or at any other place in Belgium, stated in the convening notice to the meeting.

The convening notices to any shareholders' meeting shall contain the agenda, which includes an indication of the topics to be handled and are sent in accordance with the law.

Any person may waive this notice and, in any case, be regarded as having been duly called if he/she/it is present or represented at the meeting.

If the written procedure is used pursuant to Article 536 of the Companies Code, the board will send a circular by mail, fax, e-mail or any other medium, with reference to the agenda and proposals for decisions, to all the shareholders and the auditors, if any, asking the shareholders to approve the proposed decisions and to return the circular duly signed within the term stated therein, to the company's statutory office or to any other place indicated in the circular.

The decision must be regarded as not having been taken, if all shareholders do not approve all items on the agenda and the written procedure, within the aforementioned term.

Shareholders, bondholders, holders of subscription rights or holders of registered certificates are entitled to be informed of the decisions taken at the registered office of the company.

ARTICLE 30 - ADMISSION TO THE MEETING

The board of directors may require that the shareholders and bondholders inform it in writing (by letter or proxy), at least three days prior to the meeting, of their intent to attend the meeting and that the shareholders specify the number of shares for which they intend to participate in the vote.

If the board of directors uses this right, it must be mentioned in the notices calling for the meeting.

A list of attendance mentioning the name of the shareholders and the number of shares they hold is signed by each of them or by their proxies prior to joining the meeting.

ARTICLE 31 - REPRESENTATION

Any owner of securities may be represented at the shareholders' meeting by a representative, proxy holder, whether a shareholder or not. A proxy holder may represent more than one shareholder

The board or the company secretary may adopt the form of proxy and require that they be deposited at the place indicated by it within the term it sets.

Co-owners as well as pledgors and pledgees must be represented by one single person.

ARTICLE 32 - BUREAU

All shareholders' meetings are chaired by the chairperson of the board or in his/her absence, by another director.

The chairperson may appoint a secretary. If the number of shareholders present allows it, the meeting may choose one or more tellers from amongst its members.

ARTICLE 33 - POSTPONEMENT OF THE MEETING

Every shareholders' meeting, whether annual or special, may be postponed forthwith for three more weeks by the board of directors. The postponement cancels all decisions taken.

The formalities complied with to attend the first meeting and the proxies will remain valid for the second meeting, without prejudice to the right to comply with these formalities for the second meeting in the event they have not been complied with for the first one.

The second meeting decides on the same agenda. Its decisions are final.

ARTICLE 34 - RIGHT TO VOTE

Each share gives right to one vote.

ARTICLE 35 - DELIBERATION OF THE SHAREHOLDERS' MEETING

Except in the cases provided by law, decisions are taken, irrespective of the number of shares represented at the meeting, with a simple majority of the votes validly exercised, disregarding abstentions.

The votes are expressed by show of hands or by calling of names unless the shareholders' meeting decides otherwise by a majority vote.

ARTICLE 36 - SPECIAL MAJORITY

Whenever the shareholders' meeting must decide on an increase or decrease of the statutory capital, on a de-merger or a merger of the company with other entities, on the winding up or any other modification to the articles of association, it can only deliberate if the purpose of the proposed modifications is specifically mentioned in the notices and if those attending the meeting represent at least one half of the statutory capital.

If this last condition is not met, a new notice is necessary and the second meeting will validly deliberate whatever the portion of the capital represented.

No modification is valid if it is not adopted with a three quarters majority vote.

However, when the deliberation concerns the modification of the corporate purpose, the modification of the respective rights of categories of securities, the winding up of the company resulting from a reduction of the net assets to an amount which is less than one half or one quarter of the capital, the transformation of the company, or a merger, a de-merger, the contribution of universality or of a branch of activity, the meeting is validly constituted and may decide only with the quorum of attendance and the majority of votes required by law.

ARTICLE 37 - MINUTES

The minutes of the shareholders' meeting are signed by the members of the bureau and the shareholders who request it. Copies or extracts of minutes of the shareholders' meeting to be produced in court or elsewhere shall be validly authenticated if signed by two directors or by an executive director.

TITLE SIX - ANNUAL ACCOUNTS - DISTRIBUTION

ARTICLE 38 - FINANCIAL YEAR

The financial year starts on the first of January and ends on the thirty first of December of each year.

ARTICLE 39 - VOTE 0N THE ANNUAL ACCOUNTS

The annual shareholders' meeting decides on the annual accounts.

Once the annual accounts are adopted, the meeting decides by special vote on the release to be granted to the directors and to the auditor(s).

ARTICLE 40 - DISTRIBUTION

The profits are determined in accordance with the law. Each year, five percent will be deducted from the profits to constitute the legal reserve. This deduction ceases to be mandatory when this legal reserve fund reaches one tenth of the statutory capital. It must start again if the legal reserve is being used.

The balance is allocated by the shareholders' meeting deciding upon proposal of the board of directors according to the law.

ARTICLE 41 - PAYMENT OF DIVIDENDS

The payment of dividends, if any, is made annually, at the time and the place indicated by the board of directors, in one or several times.

The board of directors may, under its responsibility, decide the payment of interim dividends by deducting them from the profits of the current financial year. It determines the amount of these interim dividends and their payment date.

TITLE SEVEN - DISSOLUTION AND LIOUIDATION

ARTICLE 42 - LIQUIDATION

In case of dissolution of the company for any reason and at any time whatsoever, the liquidation is carried out by the liquidator(s) appointed by the shareholders' meeting or, failing such appointment, by the board of directors in office at that time and acting as a liquidation committee.

For this purpose, the liquidators have the widest powers conferred by law.

The shareholders' meeting shall, where appropriate, determine the remuneration of the liquidator(s).

ARTICLE 43 - DISTRIBUTION

After settlement of the debts and of the expenses of the liquidation or consignment of the amounts required for this purpose,- the net assets shall first be applied to reimburse, in cash or in securities, the paid up amount on the shares.

If not all shares are paid up in the same proportion, the liquidators, before proceeding with any distribution, will take into account this diversity of situation and re-establish the balance by calling funds or by proceeding with a prior distribution. The balance shall be distributed equally among all shares.

TITLE EIGHT - GENERAL PROVISIONS

ARTICLE 44 - ELECTION OF DOMICILE

For the enforcement of these articles of association, all shareholders, bondholders, directors, auditors, managers or liquidators residing abroad, elect domicile at the statutory office where all communications, summonses, subpoenas and notifications can be validly made.

ARTICLE 45 - JURISDICTION

For all disputes between the company, its shareholders, bondholders, directors, auditors and liquidators relating to the affairs of the company and the enforcement of these articles of association, exclusive jurisdiction is granted to the courts of the statutory office, unless the company expressly waives such jurisdiction.

ARTICLE 46 - LEGAL PROVISIONS

The company intends to fully comply with the law. Consequently, the legal provisions which would not be legally waived, shall be deemed part of these articles of association while clauses contrary to mandatory provisions of the law are deemed unwritten.

For lawful co-ordination on [•l

I, Nathalie Ryckaert, Secretary General of The Bank of New York Mellon SA/NV do hereby certify that the document is a true and correct copy of the original which I have examined. Brussels, Belgium, this

21 juin

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