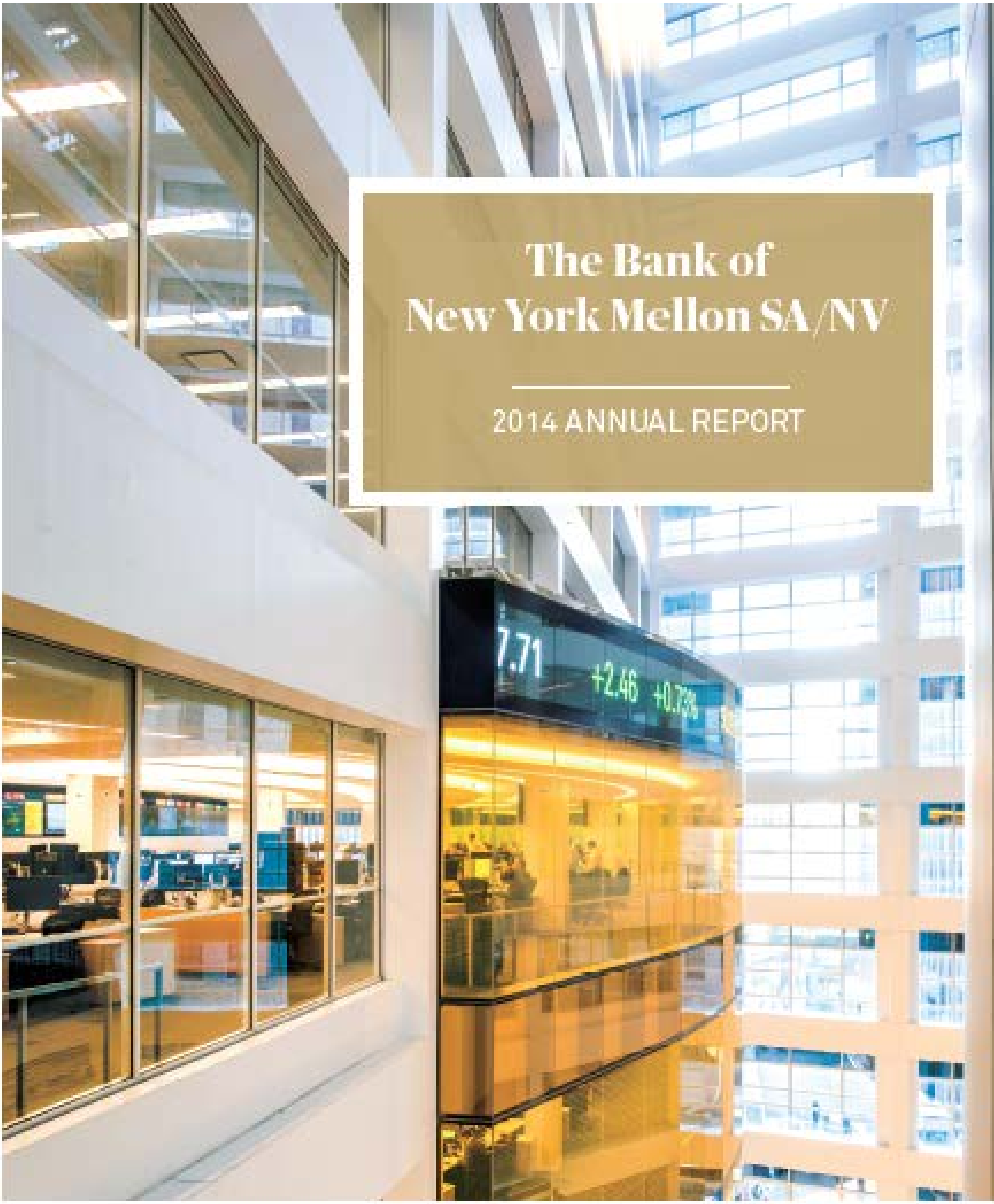

The Bank of New York Mellon SA/NV

2014 ANNUAL REPORT

BNY MELLON | Invested

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KEY FINANCIAL FIGURES & LETTER FROM THE CEO

This a summary of key figures extracted from the consolidated financial statements disclosed from page 45 onwards.

	2014	2013
	In € '000	**In € '000**
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME		
Net interest income	73,187	54,575
Net fee and commission income	345,653	331,698
Profit before taxes from continuing operations	**210,361**	**165,466**
NET PROFIT FOR THE YEAR	**160,143**	**134,226**

	2014	2013
	In € '000	**In € '000**
ASSETS		
Cash and cash balances with central banks	5,957,428	8,803,730
Derivative financial instruments	380,406	435,068
Loans and advances to customers	14,240,531	39,038,573
Financial instruments - available-for-sale	13,345,113	3,765,957
Other assets	237,232	203,571
Property, plant and equipment	12,643	16,115
Goodwill and other intangible assets	581,448	585,430
Tax assets	27,141	52,897
TOTAL ASSETS	**34,781,942**	**52,901,341**
LIABILITIES		
Derivatives financial instruments	368,975	377,120
Financial liabilities measured at amortized cost	31,769,116	50,096,706
Other liabilities	167,320	144,049
Provisions	7,206	9,939
Tax liabilities	41,095	84,057
TOTAL LIABILITIES	**32,353,711**	**50,711,871**
TOTAL EQUITY	**2,428,231**	**2,189,470**
TOTAL LIABILITIES AND EQUITY	**34,781,942**	**52,901,341**
CLIENT ASSETS		
Assets under custody (€ trillions)	3.4	2.9
TOTAL	**3.4**	**2.9**
PERSONNEL		
Number of employees		
In Belgium	*662*	*741*
Abroad	*841*	*869*
TOTAL	**1,503**	**1,610**

Letter from the CEO

The Bank of New York Mellon SA/NV (BNY Mellon SA/NV) had a successful year in 2014, with increasing profitability (net income increased by 19% in 2014), strong capital ratios and a balance sheet that remains highly liquid and liability driven. BNY Mellon SA/NV enjoys diverse revenue sources, generated by a wide product range which we deliver to our clients. Our Investment Portfolio also contributes to our revenue and in 2014 has undergone a structured shift from bank placements to higher yielding investment securities, within the guardrails of our Investment Guidelines and Risk Appetite.

We support clients and deliver services through our Branch and Subsidiary network in Belgium, Germany, The Netherlands, Ireland, France, Luxembourg, and the UK. Clients appreciate the financial strength of both BNY Mellon SA/NV and our parent, the BNY Mellon Group. The European business and footprint is a key component of the Group's business and strategy, and we contribute to BNY Mellon's strategy to meet the increasingly complex investing needs of our clients, by singularly focusing on the investment lifecycle.

BNY Mellon SA/NV's strategy is consistent with the BNY Mellon Group's strategy in providing investment services across the entire investment lifecycle. Our business is primarily fee-driven. Our strategy, business model, and organizational design enable us to be responsive to environmental factors and forces driving change, which are dominated at this time by regulatory and economic events.

As a member of the BNY Mellon Group, improving our cost structure, optimizing our organization and streamlining our governance are key factors in our business activities. We continue to review our legal entity footprint, to make it simpler for clients to do business with us and to handle resolution and recovery situations should they arise. We are always conscious that we are a Significant Financial Institution in Belgium, and make it a high priority to manage our risks appropriately to that significant status. We continue to place great emphasis on ensuring that we meet all of our regulatory obligations.

Our solid financial results highlight our focus on driving growth, optimizing our cost structure, powering operational excellence and helping our clients to succeed. Together with our employees, the Executive Team and the Board of Directors, we are working to provide our clients innovative and long term solutions within the rewarding framework of the BNY Mellon Group.

Laura Ahto
Chief Executive Officer

REPORT OF THE BOARD OF DIRECTORS [1]

[1] This report was established according to the article 119 of the Belgian Company Code.

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

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

BNY Mellon is an NYSE listed financial holding company focusing its activities on Investment Management (Asset and Wealth Management) and Investment Services (Asset Servicing, Corporate Trust, Global Markets, Global Collateral Services, Depository Receipt Services and Broker Dealer Services). Investment Services represents approximately 60% of the fee revenues of BNY Mellon.

History

30/9/2008	The Bank of New York Mellon SA/NV was established as a Belgian public limited liability company.
10/3/2009	Banking license granted.
1/10/2009	Merger with BNY Mellon Asset Servicing BV leading to the creation of branches in Amsterdam, London, Frankfurt and Luxembourg and a representation office in Copenhagen.
(1/10/2010	BNY Mellon acquired BHF Asset Servicing and FSKAG in Germany)
1/6/2011	Merger with BNY Mellon Asset Servicing Gmbh. FSKAG becomes fully an owned subsidiary.
1/12/2011	Creation of the Paris branch.
12/2012	Status of Assimilated Settlement Institution was granted.
1/02/2013	Merger with The Bank of New York Mellon (Ireland) Limited, creating the Dublin branch.

BNY Mellon SA/NV is BNY Mellon's largest banking subsidiary in the EMEA region and focuses its activities on the Investment Services segment. Its main activity is Asset Servicing, which is provided both to third party and to internal clients within the BNY Mellon group.

BNY Mellon SA/NV is strategically important for the BNY Mellon group as it is the primary contracting entity for Asset Servicing in Europe. BNY Mellon SA/NV manages a network of sub-custodians in approximately 100 markets to support multiple product lines and to streamline cash management. BNY Mellon SA/NV also facilitates the expansion of BNY Mellon into other EU countries through the establishment of a network of branches and cross-border delivery of services. BNY Mellon SA/NV's current strategic priority is to evolve from an Asset Servicing based bank to an Investment Services bank that supports all businesses of BNY Mellon across the region.

The Investment Services segment generates substantial operational cash balances that are managed by the Treasury of BNY Mellon SA/NV to minimize the risks while ensuring return.
The client base of BNY Mellon SA/NV consists of international institutional clients investing in or issuing financial assets. Main client segments are pension funds, insurance companies, financial institutions and asset managers.

As any bank incorporated in Belgium, BNY Mellon SA/NV is subject to dual supervision: for conduct matters, this supervision is exercised by the FSMA; for prudential matters, this supervision was exercised by NBB, and as from 4th November 2014 - because BNY Mellon SA/NV is a significant bank within the Single Supervision Mechanism - by the ECB directly.

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

1.1. Business Model

BNY Mellon SA/NV's business model is consistent with the BNY Mellon's business model in providing investment services across the entire investment lifecycle and being largely fee-driven.

In contrast to the traditional banking model associated with retail banking and considered more stable across market and business cycles, the business model is primarily fee-driven. Approximately 81% of revenue is provided by non-interest fee income, providing a more annuity-like revenue stream that is less sensitive to stress scenarios. This results in a stable deposit base and revenue streams, even during periods of market stress. In addition, BNY Mellon SA/NV experiences a low level of non-performing assets as a majority of its clients are large corporations and financial institutions. Our balance sheet is characterized by highly liquid assets and a robust capital structure to support risk taking activities. Furthermore, the balance sheet is managed in a way that ensures access to external funding sources at competitive rates. Overall BNY Mellon SA/NV's business model is structured in a way that benefits from periods of global growth.

1.2. Services and Products

Asset Servicing
Asset Servicing primarily comprises Global and Local Custody Services but also includes Depot Banking, Institutional Accounting, FX services, Fund Accounting and Transfer Agency services.

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

BNY Mellon SA/NV is a global custodian for BNY Mellon. Assets are held worldwide on behalf of other BNY Mellon entities through relationships with third-party sub-custodians or with central securities depositories.

As of 31 December 2014, BNY Mellon SA/NV had €3.4 trillion in Assets under Custody.

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

Global Collateral Services
BNY Mellon SA/NV provides Global Collateral Services which serve broker-dealers and institutional investors facing expanding collateral management needs. This business provides Global Collateral Management, Securities Lending, Derivatives 360 (Derivatives Margin Management), Liquidity and prime custody services.

Global Markets
BNY Mellon SA/NV provides global markets services which enable clients to achieve their investment, financing and cross-border objectives. This business provides Currency Hedge Administration and Foreign Exchange Services within BNY Mellon SA/NV.

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

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

BNY Mellon SA/NV provides most of these products to its international client base. BNY Mellon SA/NV clients contract with BNY Mellon SA/NV for all of the above services except Depositary Receipt Services. BNY Mellon SA/NV only provides the latter services to other legal entities within The Bank of New York Mellon (BNY Mellon) group. BNY Mellon SA/NV's main service is Global Custody (part of Asset Servicing).

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

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

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

2. External Factors Influencing BNY Mellon SA/NV

Global economies are gradually recovering with continued growth in the US, and Europe expected to benefit from measures taken by the European Central Bank.

In the emerging economies, the worst case scenarios have not materialized with an orderly deceleration in China to a more sustainable growth level.

However due to fragility of the recovery, interest rates remained at historically low levels in the main currencies BNY Mellon SA/NV is operating, maintaining pressure on margin. In that environment, the regulatory reforms pace has not decreased. Several laws and regulations are entering into force, including Dodd-Frank, CRDIV (Basel III) and the Single Supervisory Mechanism (SSM). This requires continuous investment in supporting these evolutions in BNY Mellon SA/NV. It also creates opportunities for offering new solutions to our clients to address these changes.

Also, recent events in the financial industry, but not exclusively, have demonstrated the increase of the cyber-crime threat. The attacks are increasing in frequency, but also in sophistication and magnitude. BNY Mellon SA/NV is continuously monitoring the system vulnerability and maintaining the robustness and protection of the security at best market and industry standards, aligned with the policies and procedures of the parent company.

3. Business Evolution in 2014

3.1. Main Events

In November 2013 BNY Mellon SA/NV was designated as one of the significant Belgian banks in scope of the European Central Bank (ECB) Comprehensive Assessment of the European banking system in the framework of the Single Supervisory Mechanism regulation. In October 2014, it was announced that BNY Mellon SA/NV passed the Comprehensive Assessment successfully with a Core Equity Tier 1 ratio of 14.9%.

BNY Mellon SA/NV successfully passed Single Supervisory Mechanism/Asset Quality Review examination in 2014. The Bank has demonstrated throughout the exercise sound capital and liquidity position. Following this exercise, the European Central Bank decided no quantitative action is required.

Finally in an effort to diversify its revenue basis, BNY Mellon SA/NV has developed and built out capability to offer direct FX sale to clients.

3.2. Analysis of Financial Figures

In a difficult environment with increasing pressure on interest margin, BNY Mellon SA/NV has increased by 19% its net earnings after taxes to €160.1 million in 2014 compared to €134.2 million in 2013.

BNY Mellon SA/NV delivered a 7.1% return on equity in 2014 up 53bps vs. 2013 or a 8.2% return on regulatory capital (excluding year earnings and including regulatory adjustments) up 75 bps vs. 2013.

This achievement is driven by an increasing interest margin, a slight growth in fees revenue and by a strong control on expenses.

With stable average balance sheet size over a 12 month period in 2014 vs 2013 and negative rates in Euro, BNY Mellon SA/NV succeeded to increase its interest margin to €73.2 million (34% growth vs 2013).

This performance is achieved thanks to a change in BNY Mellon SA/NV investment strategy, with an increased share of fixed income securities in total assets (€13.3 billion or 38% of total assets - compared to €3.8 billion end 2013 or 7% of total assets).

In addition, at the end of the year BNY Mellon SA/NV has started to better reflect the cost of maintaining Euro deposits by charging negative interest rate to clients where applicable. Impact is however limited in 2014.

The interest margin increase is only slightly offset by a decrease in non-qualifying economic hedge (at €23.3 million 8.9% down vs. 2013).

Fees revenues have increased by 3% to €646.7 million mainly due to organic growth in Global Custody revenues. In the meantime fee expenses have been maintained flat (-0.3%) leading to an increased net fee revenue (+4%).

Thanks to a continuous effort on cost control, BNY Mellon SA/NV continued to maintain a positive operational leverage, with total expenses decreasing by 1.3%, while the coverage ratio (fees revenue vs total expenses) increased to 119 %, 386 bps better than in 2013.

In the last quarter of 2014, BNY Mellon SA/NV has worked with BNY Mellon group to simplify the structures of intercompany cash flows, resulting in the decrease of intercompany deposits by €20 billion leading to a balance sheet reduced from €52.9 in 2013 to €34.8 billion end 2014. The share of third party client deposits in total balance sheet at the end of 2014 amounted to 57% vs 32% in 2013.

The decreased balance sheet has resulted in a significant improvement of return on assets from 0.25% in 2013 to 0.46% in 2014.

On the assets side, investment in fixed income securities increased significantly (+€9.5 billion), whereas central bank placements and loans and advances to other entities of the BNY Mellon group decreased, especially in USD and GBP.

4. Structure and Corporate Governance

4.1. Structure of BNY Mellon SA/NV

As at 31 December 2014 BNY Mellon SA/NV has six branches across Europe and a subsidiary based in Frankfurt[2]. The structure of BNY Mellon SA/NV is shown below.

[2] Due to their nature and activities, the following two legal entities were not taken into account:

- Stichting Administratiekantoor BNY Mellon Global Custody (The Netherlands)
- BNY Mellon Global Custody B.V. (The Netherlands)

These two entities are not material due to the fact that their sole reason for existence is to hold securities not listed in the Netherlands for Dutch clients to ring fence them from own securities as a result of the then applicable Dutch securities laws. However, as older contracts with Dutch clients still make reference to these entities, they are still in place.

Shareholding Structure and the agenda of the General Meetings

The shareholder structure of BNY Mellon SA/NV is given in the table below.

Shareholder Structure on 31 December 2014	*Number of ordinary shares*	*%*
The Bank of New York Mellon (BNY Mellon)	1,544,765	99.9999%
BNY International Financing Corporation (BNY IFC)	1	0.0001%
Total	1,544,766	100%

BNY Mellon is located at 1 Wall Street, New York, New York 10286, United States. BNY IFC is a subsidiary of BNY Mellon (institutional bank) which in its turn is a subsidiary of BNY Mellon Corporation (the holding company). BNY IFC is located at the same address and holds 1 share of BNY Mellon SA/NV.

The annual meeting of shareholders of BNY Mellon SA/NV is held each year on the last Tuesday of the month of May. The items submitted to the annual meetings of shareholders for a decision typically include:

- the appointment of Board of Directors;
- the confirmation from the Board of the general business strategy to be adopted in the following year;
- the appointment of statutory auditors;
- the vote of the discharge of the Board of Directors and auditors;
- the approval of the annual accounts and allocation of results.

4.2. Composition and Activities of the Board and its Committees

The table below shows the members of the Board and its committees on 31 December 2014:

Name	*Position*
Non-Executive Directors	
Wim Hautekiet	Chairman of the European Bank and Chair of the Nomination and Remuneration Committees
Michael Cole-Fontayn	Member of the Nomination and Remuneration Committees
Jim McEleney	Member of the Audit and Risk Committees
Olivier Lefebvre	Independent Chair of the Audit Committee and Independent Member of the Remuneration Committee
Jürgen Marziniak	Independent Chair of the Risk Committee and Independent Member of the Nomination Committee
Kurt Woetzel	Member of the Audit and Risk Committees
Karen Peetz	Member of the Nomination and Remuneration Committees
Hani Kablawi	Member of the Audit and Risk Committees
Executive Directors	
Laura Ahto	Chief Executive Officer[3] President of the Executive Committee
Joe Duffy	Deputy Chief Executive Officer Member of the Executive Committee
Hedi Ben Mahmoud	Chief Risk Officer Member of the Executive Committee
Annik Bosschaerts	Chief Operations Officer Member of the Executive Committee
Eric Pulinx	Chief Financial Officer Member of the Executive Committee

[3] Effective as from January 1st, 2015

Changes in the composition of the Board and the Committees in 2014

On 29 August 2014 the mandate of Edward Kemp as executive member of the Board of Directors and Chief Risk Officer was terminated.

On 17 October 2014 Hedi Ben Mahmoud was appointed as member of the Board of Directors and on 4 November 2014 as member of the Executive Committee, in replacement of Edward Kemp as Chief Risk Officer.

On 30 December 2014:

- the mandates of Brian Ruane, Andy Bell and John Roy as non-executive members of the Board of Directors were terminated;
- the mandate of Tom Casteleyn as executive member of the Board of Directors was terminated;
- Karen Peetz, Kurt Woetzel and Laura Ahto were appointed as member of the Board of Directors;
- the mandate as independent member of the Board of Directors of 'Another Look to Efficiency' represented by Olivier Lefebvre was terminated and Olivier Lefebvre was appointed as independent director in its own name to comply with article 19§1 of the New Banking Act.

On 31 December 2014 the mandate of Wim Hautekiet as member of the Executive Committee and Chief Executive Officer was terminated.

Effective 1 January 2015 Laura Ahto was appointed Chief Executive Officer in replacement of Wim Hautekiet.

Report on the activities of the Board

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

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

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

The structure of the Board's Committees and report on its activities

The Board establishes advisory committees under its responsibility to help it manage and control BNY Mellon SA/NV. As at 31 December 2014 the Board had five committees - Audit, Risk, Nomination, Remuneration and Executive Committees - that are established following the requirements of the Belgian Banking Law.

The Audit Committee is empowered by the Audit Charter to assist the Board in fulfilling its regulatory and oversight responsibilities in respect of: (i) the financial reporting process, including the statutory audit of the annual and consolidated accounts; (ii) the effectiveness of BNY Mellon SA/NV internal control, internal audit and risk management systems and (iii) the independence of the statutory auditor and in particular the provision of non-audit services to BNY Mellon SA/NV.

The Chairman of the Audit Committee, Olivier Lefebvre is an independent non-executive director. He has a long-standing career in the finance industry and a deep understanding of the economic and market environment in which BNY Mellon SA/NV operates. He has notably been a member of the Management Committee of NYSE Euronext, Inc; member of the managing Board of Euronext, nv; CEO of the Brussels Stock Exchange. He was also the founding member of the Belgian Corporate Governance Committee. He holds a Master in Economic Sciences, a Doctorate in Economics from the University of Louvain-la-Neuve and a Master in Business Administration from Cornell University (New York).

Hani Kablawi, member of the Audit Committee joined BNY Mellon in 1997 and since then has held a number of senior country and client management positions based in New York, Abu Dhabi, Dubai and London. Before joining BNY Mellon, he worked for HSBC and Mashreq Bank in New York. He earned a Bachelor of Business Administration in 1989 and a Master of Arts in Finance in 1990, both from The University of Iowa. He became a Chartered Financial Analyst in 1993.

The Risk Committee assists the Board in fulfilling its regulatory and oversight responsibilities in respect of (i) the Company's overall risk appetite, tolerance and strategy; (ii) the Company's risk appetite statement; (iii) the capital adequacy position of the Company.

The Nomination Committee assists the Board in fulfilling its regulatory and oversight responsibilities in respect of (i) the (re-) appointment of directors and committee members and (ii) the composition of the Board and its committees.

The Remuneration Committee is responsible for reviewing: (i) BNY Mellon SA/NV's remuneration policy statement ("Remuneration Policy Statement") in light of applicable laws, regulations and Corporate policies; (ii) the compensation plans ("Compensation Plans") applicable within BNY Mellon SA/NV against the Remuneration Policy; and (iii) practices, including awards paid, in light of the Remuneration Policy, applicable laws and regulations and Corporate policies. The Executive Committee ("ExCo") of BNY Mellon SA/NV has been established by BNY Mellon SA/NV's Board of Directors in accordance with Art. 24 of the Act of 25 April 2014 on the status and oversight of credit institutions and Art 524bis of the Belgian Companies Code and has been entrusted with the general management of BNY Mellon SA/NV with the exception of (i) the determination of the strategy and general policy of BNY Mellon SA/NV and (ii) the powers reserved to the Board by law or the articles of association. In addition, members of the executive committee participate to key governance bodies of BNY Mellon SA/NV, namely:

- Risk Management Committee
- Belgian Asset and Liability Committee
- Credit Risk Oversight Committee
- Capital and Stress Testing Committee
- Business Acceptance Committees.

4.3. External Functions Performed Outside of the Group

The following table provides an overview of the external functions performed outside of the BNY Mellon group by the directors:

BNY Mellon SA/NV Board Member	Function at BNY Mellon SA/NV	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Wim Hautekiet	Chairman of the European Bank and Chair of the Nomination and Remuneration Committees	American Chamber of Commerce in Belgium VZW/ASBL	BE	Business Services	N	Not-for-Profit Organization, Serving as a Director, Trustee or Officer	N
		Post-Trade Board of AFME	BE	Business Services	N	Member	N
		TransConstellation ASBL	BE	Business Services	N	Not-for-Profit Organization, Serving as a Member of the Board	N
		Febelfin	BE	Financial Services	N	Non Executive Board Member	N
Michael Cole-Fontayn	Member of the Nomination and Remuneration Committees	Association for Financial Markets in Europe	UK	Financial Services	N	Not-for-Profit Organization: Director	N
Jim McEleney	Member of the Audit and Risk Committees						
Olivier Lefebvre	Independent Chair of the Audit Committee and Independent Member of the Remuneration Committee	Option NV	BE	Telecommunications	Y	Chairman of the Board	N
		Xylowatt SA	BE	Electricity	N	Chairman of the Board	N
		Climact SA	BE	Environmental Consultancy	N	Chairman of the Board	N
		Société Régionale d'Investissements de Wallonie SA (SRIW)	BE	Regional Investment Companies	N	Non-Executive Director	N
		Ginkgo Management SARL	LUX	Fund Management	N	Independent Director	N
Jürgen Marziniak	Independent Chair of the Risk Committee and Independent Member of the Nomination Committee						
Kurt Woetzel	Member of the Audit and Risk Committees	Payments Risk Committee	US	Private-sector Body	N	Chairman of Committee	N
		The New York Hall of Science	US	Education	N	Trustee	N
Karen Peetz	Member of the Nomination and Remuneration Committees	Securities Industry and Financial Markets Association (SIFMA)	US	Trade Group	N	Director	N
		Private Export Funding Corporation (PEFCO)	US	Export Financing	N	Director	N
		Sun Coke Energy, Inc.	US	Metallurgical Industry	Y	Director	N
		American Red Cross Greater New York Region	US	Humanitarian	N	Director	N
		The Metropolitan Museum of Art	US	Culture	N	Member of the Business Committee	N
Hani Kablawi	Member of the Audit and Risk Committees	Arab Bankers Association London	UK	Financial Services	N	Vice Chairman and Board Member	N
Laura Ahto	Chief Executive Officer						
Joe Duffy	Deputy Chief Executive Officer President of the Executive Committee						
Hedi Ben Mahmoud	Chief Risk Officer Member of the Executive Committee						
Annik Bosschaerts	Chief Operations Officer Member of the Executive Committee						
Eric Pulinx	Chief Financial Officer Member of the Executive Committee	Febelfin Academy - Banking Association	BE	Financial Services	N	Non-Executive Board Member	N

No director has declared a personal conflict of interest that would give rise to the application of article 523 of the Belgian Companies Act.

4.4. Individual and Collective Competency/Skills

In order to ensure that Board committee members have individually and collectively the adequate skills in order for each Board committee to properly fulfil its role and duties, the Nomination Committee reviewed the composition of the Board Committees.

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

- the **Audit Committee** for the review of the Company's activities, accounting and audit;
- the **Risk Committee** for the review of the Company's risks and system of internal controls;
- the **Nomination Committee** for the exercise of relevant and independent judgment on the composition and functioning of the Board and its Committees and the suitability of the committees' members; and
- the **Remuneration Committee** for the exercise relevant and independent judgment on the Company's remuneration policy and on the incentives.

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

The membership of each director in Board committees is available in section 4.2. of this report.

5. Subsequent Event

No subsequent events to report.

6. Proposal of Allocation of Net Income

The net profit for the year amounts to €160.1 million. Retained earnings as of the end of 2014 amount to €792.8 million.

According to Belgian company law, the legal reserve of BNY Mellon SA/NV has to be funded until it reaches at least 10% of its capital, i.e. €150 million done through annual contributions of 5% of the net income of the year. The board of directors will propose to the shareholders to approve the allocation of €8 million to the legal reserve for the 2014 financial year.

The Board proposes not to distribute any dividend in 2015.

Allocation of Profit	*In Mio €*
Profit of the current year	160
Allocation to the legal reserve	8
Dividend of the current year	-
Profit brought-forward	152

The Board has formally adopted a (non-)dividend policy by which all profits are systematically carried forward and recommended the same for approval to the shareholders' meeting. This (non-)dividend policy allows the Board to take interim profits into account when calculating the Tier 1 capital ratio requirements. On 17 May 2011, the shareholders unanimously ratified this Board resolution. During 2014, the Board continued to apply the (non-)dividend distribution policy.

7. Contingent Liability

Claims – Legal actions

BNY Mellon SA/NV is a defendant in legal proceedings initiated by certain holders of Euro-denominated bonds issued by the Republic of Argentina. Based on an in-depth legal analysis, management has currently assessed the probability of this litigation having a material impact on the financial position of BNY Mellon SA/NV as remote.

8. Research & Development

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

9. Risk Management

9.1. General

BNY Mellon SA/NV acknowledges risk taking as a fundamental characteristic of providing financial services. It is inherent to the business of banking and arises in every transaction BNY Mellon SA/NV undertakes. The capacity to take risk and pursue profits is constrained by the balance sheet and the reputation of the BNY Mellon brand in the marketplace.

Risk is inherent in BNY Mellon SA/NV's activities. Within BNY Mellon SA/NV, risk is managed through a process of ongoing identification, assessment and monitoring, subject to risk limits and other controls. The risk management process is critical to BNY Mellon SA/NV's continuing profitability and each individual within BNY Mellon SA/NV is accountable for the risk exposures relating to their responsibilities. BNY Mellon SA/NV is exposed to credit risk, liquidity risk and non-trading market risk including interest rate risk. BNY Mellon SA/NV is also subject to various operating risks, and as evidenced by the rapidly changing regulatory environment, BNY Mellon SA/NV is also exposed to Regulatory Risk and to the need to remain compliant to the different regulations in place. BNY Mellon SA/NV faces an increasing volume of remediation actions, information requests, and inspections for which dedicated project resources were allocated. These actions are monitored through the Belgian Entities Strategic Regulatory Governance Committee**.**

The independent risk control process does not include business risks such as changes in the environment, technology and industry. BNY Mellon's policy is to monitor these business risks through BNY Mellon's strategic planning process.

9.1.1. Risk Management Framework

Risk Appetite

BNY Mellon SA/NV's Board of Directors owns and regularly reviews its risk appetite within a defined risk appetite framework based on recommendations of the Risk Committee.

The Board approves the risk appetite statement, which has been developed and proposed by the Executive Committee.

In relation to any new product, business or activity that is proposed to be undertaken in BNY Mellon SA/NV, specific analysis against the current risk profile of BNY Mellon SA/NV and any consequent impact on ongoing compliance with BNY Mellon SA/NV's risk appetite must be conducted before any new product, business or activity can be undertaken.

Risk Management Committee ("RMC")

The RMC derives its authority and mandate from the BNY Mellon SA/NV Executive Committee.

The key purpose of the BNY Mellon SA/NV RMC 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 BNY Mellon SA/NV is identified in a timely manner and managed in an appropriate fashion.

The aim of the RMC is to establish and maintain a capable, effective forward looking risk organization that is well placed to identify and manage emerging risks for the legal entity including its branches and subsidiary. The RMC provides a risk-based challenge to the business (1st line of defense), establishes and maintains a risk culture, advises the business board and governance committee as second line of defense on risk matters.
The RMC is responsible for ensuring that risk and compliance activities undertaken by BNY Mellon SA/NV and its underlying branches and subsidiary and businesses are executed in accordance with internal policies and all relevant regulations.

The following responsibilities for the RMC are agreed by the Executive Committee:

- Ensure that all material business change that impacts on the SA/NV is subject to appropriate due diligence and challenge before being implemented;
- Review and challenge risks associated with strategic initiatives and ensure management has appropriate risk management plans to address these risks;
- Ensure that appropriate new business acceptance processes exist for all business being contracted through SA/NV. Review summary of all new Business Acceptance decisions.
- Review and approve capital adequacy for the risks undertaken in light of material business changes on the SA/NV. Consider impact of risk issues on capital for BNY Mellon SA/ NV and challenge management actions in relation to any capital adequacy concerns;
- Receive and review Risk Management, Compliance and Internal and External Audit reporting and, where appropriate, challenge management actions to address or remediate risk and compliance issues;
- Work collaboratively with the ExCo for building a risk appetite framework and statement that includes metrics and recommend it for Board approval;
- Review annually the Business Resumption/Continuity plan and the results of business continuity tests;
- Review adequacy of risk management resources;
- Review adherence to Risk Appetite thresholds and risk control policies or regulation through the review of exception based reporting; where breaches occur, ensure management undertakes appropriate remedial action and challenge any delays.
- Identify measure, monitor and report exposures for BNY Mellon SA/NV top risks including a forward looking risk analysis;
- Identify trends and themes in top risks and breaches against Risk Appetite thresholds and risk policies or regulation;
- Escalate material risks, issues and/or trends requiring attention to the BNY Mellon SA/NV Executive Committee and Board and relevant EMEA Committees, as appropriate, in accordance with the EMEA escalation policy.

BNY Mellon SA/NV meetings are held on a monthly basis prior to the second Executive Committee of the month. Ad hoc meetings can be called at the discretion of the committee chair.

Accountability

The RMC is chaired by the Company’s CEO and reports into the ExCo. Any significant issues raised at the RMC are also escalated to other appropriate corporate regional oversight committees, as appropriate.

Capital and Stress Testing Committee (“CSTC”)

The CSTC is an empowered decision making body under authority delegated by the BNY Mellon SA/NV ExCo and subject to corporate policy, legislation and external regulation.

The purpose of the CSTC is to ensure adequate governance of, and ownership for, the processes and documentation pertaining to the BNY Mellon SA/NV’s capital requirements (economic, regulatory, adequacy and allocation), risk model methodologies and stress testing in accordance, where applicable, with the Group’s Economic Capital Policy, EMEA and Enterprise-Wide Stress Testing policies and EMEA Stress Testing Framework whilst taking into consideration the Group’s over-arching capital, profit and strategic plans.

Asset and Liability Committee (“ALCO”)

The ALCO is responsible for overseeing the asset and liability management activities of (a) the consolidated balance sheet of BNY Mellon SA/NV and its branches and subsidiary, as well as (b) the local balance sheet of The Bank of New York Mellon Brussels Branch, and for ensuring compliance with all treasury related regulatory requirements.

The ALCO is responsible for ensuring that policy and guidance set through the Company and EMEA ALCO is understood and executed locally. This includes strategy related to the investment portfolio, placements, interest rate risk, and liquidity risk.

Business Acceptance Committees ("BAC")

The objectives of the BAC (which are organized per business line) are to provide oversight and guidance for the activities of BNY Mellon SA/NV and other EMEA entities related to any piece of business that deviates from the standard in terms of:

- fees pricing
- legal contract
- operational requirements
- risks profile
- deal structure

BAC are held regularly or on an ad hoc basis, depending on business requirements and volumes.

The BAC cover the following:

- new business acceptance
- existing business
- fee renegotiation
- new operational requirements
- additional risk profile

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

Credit Risk Oversight Committee ("CROC")

The key purpose of the CROC is to oversee all forms of credit risk, oversee controls of credit risk associated with BNY Mellon SA/NV banking business and ensure compliance with BNY Mellon SA/NV credit policies.

The CROC has been appointed by the Executive Committee of BNY Mellon SA/NV.

9.1.2. Risk Assessment Methodology and Reporting Systems

BNY Mellon SA/NV's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. BNY Mellon SA/NV also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

Information compiled from all the businesses is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Executive Committee and the Risk Management Committee. Senior management assesses the appropriateness of the allowance for any credit losses on a monthly basis.

9.1.3. Risk Mitigation

As part of its overall risk management, BNY Mellon SA/NV uses derivatives and other instruments to manage exposures resulting from changes in interest rates. This use is limited to the economical coverage of the liquidity invested in part of its debt instruments portfolio.

9.1.4. Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of BNY Mellon SA/NV's performance to developments affecting a particular industry or geographical location.

Under European and Belgian bank regulations, all large individual exposures have to stay below a 25% threshold of their own funds. Subject to these capital adequacy requirements, BNY Mellon SA/NV applies the same rule internally. In 2014 BNY Mellon SA/NV has enacted a Master Netting Agreement with BNY Mellon. In order to avoid excessive concentrations of risk, BNY Mellon's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The two key elements (Eligible Credit Risk Mitigation Techniques) allowing BNY Mellon SA/NV to manage concentration risk through significantly decreasing the gross exposures against BNY Group as well as against the external counterparts:

- **Master Netting Agreement (MNA)** between BNY Mellon SA/NV and BNY Mellon Group, allowing to net-off mutual exposures;
- **Parental Guarantee (PG)**: given by BNY Mellon Corp and allowing, through the Substitution mechanism, to reduce SA/NV net exposure compared to external counterparts.

In addition, as of the second half of 2014, BNY Mellon SA/NV's balance sheet was reduced as a result of the re-direction of intercompany deposits, mainly from the Brussels Branch and the London Branch of the Institutional Bank to its other branches, without transition through the BNY Mellon SA/NV. This action resulted in a significant reduction in the consolidated statement of financial position over the year and a decrease in the exposure towards group entities.

9.1.5. Credit Risk

Credit risk for BNY Mellon SA/NV is the risk of default from counterparties or clients for loans, commitments, securities and other assets where the realization of the value of the assets is dependent on their ability to perform.

Types of activities which can be source of credit exposures to BNY Mellon SA/NV:

- Money market activity where placements, mainly short term in nature, are made with high quality financial institutions, including intra-group;
- Nostro balances with correspondents, custodians and central depositories, being long positions held to ensure liquidity of settlement activities;
- Customer overdrafts mostly operational credit-related to global custody activities. These are short term in exposure, typically intra-day or overnight.
- Issuer risk from a bond portfolio;
- Derivative clearing services provided by the Frankfurt Branch of BNY Mellon SA/NV (exposures to central counterparties, clients and carry brokers)
- Securities lending

Credit Risk counterparties in treasury and money market activity are banks and financial institutions; borrowers in custody activity are mainly institutional clients such as mutual funds, pension funds and banks, as custody clients. At a high level, Asset Servicing clients are grouped as regulated funds, unregulated funds and corporate holding companies.

9.1.6. Credit Risk Management Framework

BNY Mellon SA/NV credit unit is embedded in the Risk sector of BNY Mellon with certain credit officers having responsibilities at regional level. BNY Mellon SA/NV's credit unit is an integral part of BNY Mellon's EMEA regional credit risk management. In BNY Mellon, credit risk is managed by exposure type:

- Type “A” exposure consists of traditional credit products where usually committed facilities are extended to borrowers. The approval authority is determined in function of the credit division or business line the client belongs to.
- Type “B” exposure, operational credit, is by far the most frequent type of credit supporting BNY Mellon SA/NV clients' custody activity.
- Other types of exposures include foreign exchange activities, related to securities settlement.

Operational credit is a specialized unit within Credit Risk Management designed to approve measure, monitor and control extensions of operational credit and other operational related facilities.

9.1.7. Credit Risk Monitoring and Control

On a daily basis, information concerning the main sources of credit risk is collected and individual cases requiring investigation are followed up to determine resolution status or if escalation or additional controls and procedures are required. Data is aggregated, analyzed and reported in the monthly RMC and through the Credit Risk hierarchy.

Global custody overdrafts are monitored and controlled to ensure that approved exposure levels are not exceeded, or are approved by a suitable credit officer in the light of individual circumstances. Custody client overdrafts are monitored, tracked and escalated on an intraday and/or next day basis. Criteria in relation to large exposure limits, ageing, borrower rating, limits, Assets under Custody, origin of the overdraft are monitored and any exposure above set thresholds is reported daily to a Credit Portfolio Manager.

Securities lending monitors daily the volume of outstanding on-loan contracts and follow up on collateralization levels. Instances of insufficient collateralization are escalated to the appropriate division for follow-up.

Derivative financial instruments

BNY Mellon SA/NV maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts) by amount and maturity. Credit risk arising from derivative financial instruments is, at any time, limited to the positive current fair values of these financial instruments (plus a regulatory “add-on” reflecting the future credit risk exposure of these derivatives).

Collateral or other security is usual practice to cover the credit risk exposure on these instruments, except where BNY Mellon SA/NV requires margin deposits from counterparties.

Settlement risk arises where a payment in cash, securities or equities is made in the expectation of a corresponding similar receipt. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk exposures resulting from the daily market transactions of BNY Mellon SA/NV.

9.1.8. Monitoring Sovereign Risks

Risk Management of BNY Mellon (both at Group and BNY Mellon SA/NV levels) has actively managed through events in the macro-economy, unstable political situations in regions, acts of nature and threats of a regional debt contagion, events impacting employees, clients and business operations. Thus far, no direct credit losses have been recorded in BNY Mellon SA/NV from these events.

At the end of 2014 BNY Mellon SA/NV has no sovereign debt exposure to the Russian Federation, Greece and Ukraine on balance sheet.

9.2. Liquidity Risk and Funding Management

Liquidity risk is the risk that BNY Mellon SA/NV is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Business model

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

BNY Mellon SA/NV's balance sheet is liability driven. It does not have "strategic" business driven assets that require funding. As a result, and by the nature of its business, BNY Mellon SA/NV has a highly liquid balance sheet.

Liabilities consist mostly of deposit balances kept by BNY Mellon global custody and corporate trust clients on sight accounts. Although such deposits are short term, clients could not take out all their cash without severely impacting their operational and business activity. Accordingly, a significant portion of these deposits is considered as operational.

Management of liquidity risk - Responsibility for strategy, policies and monitoring

The BNY Mellon SA/NV Board of Directors ultimately is responsible for the liquidity risk of BNY Mellon SA/NV and approves the liquidity risk tolerances. The Asset and Liability Committee ("ALCO") is the senior management committee responsible for the oversight of liquidity management activities across BNY Mellon SA/NV. The ALCO is responsible to ensure that Board approved strategies, policies, and procedures for managing liquidity are appropriately executed.

The ALCO reports to the BNY Mellon SA/NV Executive Committee and functionally to the BNY Mellon's Europe Middle East & Africa (EMEA) ALCO.

Monitoring procedures

Corporate Treasury and Finance monitors internal and regulatory liquidity metrics for BNY Mellon SA/NV at varying frequencies including on a daily basis:

- Liquid Asset Buffer monitoring
- Regulatory liquidity ratios (NBB 1 week and 1 month liquidity ratios)
- Internal liquidity ratios and balance sheet related limits

The month-end ratios are also presented to the monthly ALCO meetings. In its meetings, ALCO monitors liquidity risk and ensures liquidity is adequately managed in accordance with the established risk management framework.

Additionally, BNY Mellon SA/NV branches in Amsterdam, Dublin, Frankfurt, London, and Luxembourg also monitor and ensure compliance with their respective internal and regulatory liquidity metrics.

Stress testing

Liquidity stress testing is conducted at the BNY Mellon SA/NV consolidated level. The purpose of liquidity stress testing is to examine BNY Mellon SA/NV's ability to survive a range of plausible but extreme increasingly severe liquidity stress scenarios and adverse funding conditions.

By the nature of its business, BNY Mellon SA/NV finds itself in very large long liquidity position. The liability side consists mostly of the long cash balances kept by BNY Mellon's global custody clients on the sight accounts opened on BNY Mellon books and linked to their activities in the global securities markets. Most deposits consist of re-investment of BNY Mellon Brussels and London branches corporate trust clients' deposits into BNY Mellon SA/NV.

On the asset side of the balance sheet, while overdrafts occur on specific client accounts, they are mainly of technical nature and very short duration. They never influence in any meaningful way the overall liquidity position of BNY Mellon SA/NV.

9.3. Market Risk

Market risk is the risk of loss due to adverse changes in the financial markets. Where BNY Mellon SA/NV takes market risk in its usual course of business, we seek to stem potential losses by limiting positions that could have a material negative impact on BNY Mellon SA/NV.

The three types of market risk exposure categories are as follows:

- Equity risk or the price risk associated with a trading book. BNY Mellon SA/NV does not have a trading book, so is not involved in debt, equity or commodities trading. As a consequence, BNY Mellon SA/NV is not exposed to this risk and it is not expected to change in the near future.
- Interest rate risk is the risk associated with changes in interest rates that impacts net interest income from interest earning assets and interest paying liabilities.
- Currency risk or the risk that a change in foreign exchange rates will create adverse impacts on the financial performance. BNY Mellon SA/NV is naturally exposed to exchange risk as it operates in more than 100 markets and in the majority of the world's currencies, resulting in long and short FX positions. In order to mitigate this, foreign exchange positions on the balance sheet are closed daily, while those generated by the translation of the P&L in EUR are closed monthly.

Furthermore, BNY Mellon SA/NV does not enter into speculative operations. For this reason, market risk is considered as very low within BNY Mellon SA/NV. It has to be mentioned that BNY Mellon SA/NV enters into currency swaps to optimize its treasury management. The currency swaps do not create market risk issues. The interest risk aspect of the transactions is limited as the deals are mostly overnight.

9.3.1. Market Risk Management

The Market Risk policy is determined and revised by BNY Mellon's Risk Policy Sector in conjunction with the Business line. The risk measurement is in accordance with BNY Mellon's Risk Policy Manual.

The BNY Mellon SA/NV Market Risk is assessed and monitored by the Control and Risk functions under the direction of the Chief Risk Officer of BNY Mellon SA/NV. In addition, Market Risk assessment and monitoring are conducted independently by BNY Mellon's Risk Policy function.

Market risks are reported during the monthly RMC and ALCO. BNY Mellon SA/NV has limited exposure to market risks. It does not have a portfolio of securities for trading purposes and does not run foreign exchange positions for trading purposes. The only securities BNY Mellon SA/NV has are part of its liquid assets buffer, so not a trading portfolio, or are the result of operational errors. The amounts have, historically, been low. Upon creation of the position, it is immediately incorporated into the risk management tools.

BNY Mellon SA/NV is a part of BNY Mellon's market risk assessment process. BNY Mellon uses a Value-at-Risk (VAR) methodology to monitor market risk. The BNY Mellon's VAR is calculated daily on a variance/covariance basis, uses a one-day time horizon and a 99% confidence level.

9.3.2. Market Risk – Non-trading

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Interest rate risk framework

For BNY Mellon SA/NV, the duration of the liabilities is predominantly without maturity.

Currently, placements are mostly at a week horizon. The interest sensitivity is generated by the building up of the securities portfolio as part of the liquidity asset buffer. These securities being available for sale, management has concluded that the impact of interest rate risk is minimal due to short term duration of interest bearing instruments.

Nonetheless, interest rate risk is a standard agenda item of the ALCO. The BNY Mellon's International Treasury Team has responsibility for setting the maturities of deposits of BNY Mellon SA/NV. At present, interest rate gaps are monitored by this team.

9.4. Operational Risk

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

BNY Mellon SA/NV manages operational risk within the Basel II framework. Key operational risks for BNY Mellon SA/NV include:

- Internal and External Fraud
- Corporate actions
- Transaction processing errors
- Sub-custodian bankruptcy
- Business continuity

Given BNY Mellon SA/NV's role as a major custodian, processing and fiduciary service provider, BNY Mellon SA/NV considers that operational risk is an important risk. Indeed, it is this risk that materializes the biggest loss events.

The main responsibilities of the operational risk managers are:

- Ensure the lines of business comply with Corporate Risk Policy, from an operational risk perspective.

- Work closely with line of business management to understand the business, identify risk issues, ensure the risks are assessed and are monitored.
- Ensure that risk identification and assessment techniques are in place and maintained (both high level and granular assessments).
- Ensure that appropriate risk monitoring is in place, maintained and challenged (particularly RCSA control gaps, action plans and Key Risk Indicators) and that trends are identified and actions are being taken and escalated where appropriate to the line of business, the risk management sector and the local risk committee.
- Assess emerging risks, including those related to new client take-on, new products or significant process/business changes and challenge risk mitigating solutions as appropriate.
- Participate in appropriate business risk meetings/committees to identify opportunities to challenge risk mitigators/controls and reduce risk.
- A hybrid model that incorporates historical loss data (internal and external) and forward-looking scenario analysis has been developed in 2014. This approach uses forward-looking scenario data to adjust a base model fitted to historical loss data. The base model of the hybrid framework uses the same methodology as BNY Mellon's group-level production AMA model. The hybrid model also incorporates several enhancements in terms of model robustness, model selection and justification, sensitivity analysis, model stability, and benchmarking analysis. The final validation of the hybrid model will be completed in Q1 2015.
- Capital requirement for operational risk Pillar 2 resulted in an amount of €133 mio (2013: €93 mio), versus the Pillar 1 calculation of €83 mio (2013: €83 mio).

10. Additional Information regarding BNY Mellon SA/NV

Registered Office
The Bank of New York Mellon SA/NV
Rue Montoyer 46
1000 Brussels
Belgium

Corporate Headquarters
BNY Mellon
One Wall Street
New York, NY 10286
United States

Statutory Auditors
Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren – Réviseurs d'Entreprises CVBA/SCRL, B00001
Avenue du Bourget 40, 1130 Brussels, Belgium
Represented by: Erik Clinck, (A01179)

BOARD STATEMENT

The Board of Directors has the responsibility of establishing the annual accounts and consolidated financial statements of The Bank of New York Mellon SA/NV (BNY Mellon SA/NV) as of and for the year ended December 31, 2014 pursuant to Belgian law.

On 21 April 2015, the annual accounts and consolidated financial statements of BNY Mellon SA/NV were discussed at the Board of Directors.

The Board states that, to the best of its knowledge and in good faith, the BNY Mellon SA/NV's annual accounts and consolidated financial statements give a true and fair view of the financial position and of the results of BNY Mellon SA/NV and that the information provided does not include any omission in kind, significantly affecting the true and fair view of the annual accounts and consolidated financial statements.

The annual accounts and consolidated financial statements as of December 31, 2014 will be submitted for approval to the ordinary shareholders meeting to be held on 26 May 2015.

In 2014, there has been no decision taken by the Board, or the Executive Committee, which requires the respective application of Art. 523 and Art. 524ter of the Belgian Companies Code on conflicts of interest.

Brussels, 21 April 2015

For the Board of Directors

Wim Hautekiet
Chairman

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

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Rapport du commissaire à l'assemblée générale de The Bank of New York Mellon SA/NV pour l'exercice clos le 31 décembre 2014

Conformément aux dispositions légales, nous vous faisons rapport dans le cadre de notre mandat de commissaire. Ce rapport inclut notre rapport sur les comptes consolidés pour l'exercice de 12 mois clos le 31 décembre 2014, tels que définis ci-dessous, ainsi que notre rapport sur d'autres obligations légales et réglementaires.

Rapport sur les comptes consolidés - opinion sans réserve

Nous avons procédé au contrôle des comptes consolidés de The Bank of New York Mellon SA/NV (« la Société ») et de ses filiales (conjointement le « Groupe ») pour l'exercice de 12 mois clos le 31 décembre 2014, établis sur la base des normes internationales d'information financière (IFRS) telles qu'adoptées par l'Union Européenne et des dispositions légales et réglementaires applicables en Belgique. Ces comptes consolidés comprennent l'état consolidé de la situation financière (bilan) au 31 décembre 2014, l'état consolidé du résultat global, l'état consolidé des variations des capitaux propres et un état consolidé des flux de trésorerie pour l'exercice de 12 mois clos à cette date, ainsi que les annexes reprenant un résumé des principales méthodes comptables et d'autres notes explicatives. Le total de l'état consolidé de la situation financière s'élève à 34.781.942 ('000) EUR et l'état consolidé du résultat global se solde par un bénéfice de l'exercice de 160.143 ('000) EUR.

Responsabilité de l'organe de gestion relative à l'établissement des comptes consolidés

L'organe de gestion est responsable de l'établissement des comptes consolidés donnant une image fidèle conformément aux normes internationales d'information financière (IFRS) telles qu'adoptées par l'Union Européenne et des dispositions légales et réglementaires applicables en Belgique, ainsi que de la mise en place du contrôle interne que l'organe de gestion estime nécessaire pour permettre l'établissement de comptes consolidés ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Responsabilité du commissaire

Notre responsabilité est d'exprimer une opinion sur ces comptes consolidés sur la base de notre contrôle. Nous avons effectué notre contrôle selon les normes internationales d'audit (ISA). Ces normes requièrent de notre part de nous conformer aux exigences déontologiques, ainsi que de planifier et de réaliser l'audit en vue d'obtenir une assurance raisonnable que les comptes consolidés ne comportent pas d'anomalies significatives.

KPMG

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les comptes consolidés. Le choix des procédures mises en œuvre, y compris l'évaluation du risque que les comptes consolidés comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, relève du jugement du commissaire. En procédant à cette évaluation des risques, le commissaire prend en compte le contrôle interne du Groupe relatif à l'établissement de comptes consolidés donnant une image fidèle, cela afin de définir des procédures d'audit appropriées selon les circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne du Groupe. Un audit consiste également à apprécier le caractère approprié des méthodes comptables retenues, le caractère raisonnable des estimations comptables faites par l'organe de gestion ainsi qu'à apprécier la présentation d'ensemble des comptes consolidés.

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

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

Opinion sans réserve

A notre avis, les comptes consolidés donnent une image fidèle du patrimoine et de la situation financière consolidée du Groupe au 31 décembre 2014, ainsi que de ses résultats consolidés et de ses flux de trésorerie consolidés pour l'exercice de 12 mois clos à cette date, conformément aux normes internationales d'information financière (IFRS) telles qu'adoptées par l'Union Européenne et aux dispositions légales et réglementaires applicables en Belgique.

Rapport sur d'autres obligations légales et réglementaires

L'organe de gestion est responsable de l'établissement et du contenu du rapport de gestion sur les comptes consolidés.

Dans le cadre de notre mandat et conformément à la norme belge complémentaire aux normes internationales d'audit applicables en Belgique, notre responsabilité est, à tous égards significatifs, de vérifier le respect de certaines obligations légales et réglementaires. Sur cette base, nous faisons la déclaration complémentaire suivante, qui n'est pas de nature à modifier la portée de notre opinion sur les comptes consolidés :

- Le rapport de gestion sur les comptes consolidés traite des mentions requises par la loi, concorde, dans tous ses aspects significatifs, avec les comptes consolidés et ne présente pas d'incohérences significatives par rapport aux informations dont nous avons eu connaissance dans le cadre de notre mandat.

Bruxelles, le 22 mai 2015

KPMG Réviseurs d'Entreprises
Commissaire
représentée par

Erik Clinck
Réviseur d'Entreprises

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2014 In € '000	2013 In € '000
Interest income	2	156,104	147,384
Interest expense	2	(82,918)	(92,810)
Net interest income		73,187	54,574
Fee and commission income	3	646,714	633,689
Fee and commission expense	3	(301,061)	(301,991)
Net fee and commission income		345,653	331,698
Gains /(losses) on non-qualifying economic hedges	4	23,331	25,600
Other operating income	5	12,396	3,880
Total operating income		**454,567**	**415,752**
Personnel expenses	6	134,563	139,353
Depreciation of Property, Plant and Equipment	15	3,176	3,500
Amortization of Intangible assets (other than goodwill)	16	6,972	15,040
Provisions	19	12,071	7,206
Other operating expenses	7	87,425	85,188
Total operating expenses		**244,206**	**250,287**
Profit before tax from continuing operations[1]		**210,361**	**165,465**
Tax expense (income) related to profit or (loss) from continuing operations	8	50,218	31,239
NET PROFIT FOR THE YEAR[2]		**160,143**	**134,226**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement gains /(losses) on defined benefit plans	21.2	(4,106)	6,352
Related tax	8.2	(203)	(2,187)
		(4,309)	**4,165**
Items that are or may be reclassified to profit or loss			
Fair value reserve (available-for-sale financial assets)			
Net change in fair value		90,463	(23,922)
Net amount transferred to profit and loss		(1,237)	(1,797)
Related tax	8.2	(8,479)	7,404
		80,747	(18,315)
Other comprehensive income, net of tax		**76,438**	**(14,150)**
Total comprehensive income		**236,581**	**120,076**

[1] BNY Mellon SA/NV has no discontinued operations; accordingly, no profit or loss allocated to discontinued operations has been presented on the face of the consolidated statement of profit and loss and other comprehensive income.
[2] All net profit is attributable to the equity holders of the parent.
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2014 In € '000	2013 In € '000
ASSETS			
Cash and cash balances with central banks	9	5,957,428	8,803,730
Derivative financial instruments	13	380,406	435,068
Loans and advances to customers	10	14,240,531	39,038,573
Financial instruments - available-for-sale	11	13,345,113	3,765,957
Current tax assets		27,025	12,951
Other assets	14	237,232	203,571
Property, plant and equipment	15	12,643	16,115
Goodwill and other intangible assets	16	581,448	585,430
Deferred tax assets		116	39,946
TOTAL ASSETS		**34,781,942**	**52,901,341**
LIABILITIES			
Derivative financial instruments	13	368,975	377,121
Deposits by central banks	17	1,021,110	760,748
Deposits by financial institutions	17	30,152,883	48,805,168
Deposits by non-financial institutions	17	94,082	169,492
Subordinated liabilities	17	358,776	345,500
Other financial liabilities	17	142,265	15,797
Current tax liabilities		23,303	42,240
Other liabilities	18	167,320	144,049
Provisions	19	7,206	9,939
Deferred tax liabilities		17,792	41,817
TOTAL LIABILITIES		**32,353,711**	**50,711,871**
EQUITY			
Issued capital	22	1,508,654	1,508,654
Share premium	22	33,333	33,333
Retained earnings		792,808	632,665
Other reserves		93,436	14,818
TOTAL EQUITY		**2,428,231**	**2,189,470**
TOTAL LIABILITIES AND EQUITY		**34,781,942**	**52,901,341**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of BNY Mellon SA/NV				
	Issued capital	**Share premium**	**Retained earnings**	**Other reserves**	**Total**
	In '000 €	**In '000 €**	**In '000 €**	**In '000 €**	**In '000 €**
At 1 January 2013	**1,392,558**	**33,333**	**461,457**	**26,253**	**1,913,139**
Profit/loss for the year	-	-	134,226	-	134,226
Other Comprehensive income, net of tax					
Remeasurement gains/(losses) on defined benefit plans	-	-	-	6,352	6,814
Fair value reserve (available-for-sale financial assets)					
Net change in fair value	-	-	-	(23,922)	(23,922)
Net amount transferred to profit and loss	-	-	-	(1,797)	(1,797)
Tax on other comprehensive income	-	-	-	5,217	5,217
Total other Comprehensive income	-	-	-	(14,150)	(14,150)
Total comprehensive income	-	-	134,226	(14,150)	120,076
Share-based payments (Note 24)	-	-	-	*2,714*	*2,714*
Transactions with owners					
Transaction between entities under common control[1]	116,096	-	36,982	-	153,078
Transactions with owners	116,096	**-**	36,982	**-**	153,078
At 31 December 2013	**1,508,654**	**33,333**	**632,665**	**14,818**	**2,189,470**
Total comprehensive income					
Profit/loss for the year	-	-	160,143	-	160,143
Other Comprehensive income, net of tax					
Remeasurement gains /(losses) on defined benefit plans	-	-	-	(4,106)	(4,106)
Fair value reserve (available-for-sale financial assets)					
Net change in fair value	-	-	-	90,463	90,463
Net amount transferred to profit and loss	-	-	-	(1,237)	(1,237)
Tax on other comprehensive income	-	-	-	(8,682)	(8,682)
Total other comprehensive income	-	-	-	76,438	76,438
Total comprehensive income	-	-	160,143	76,438	236,581
Share-based payments (Note 24)	-	-		*2,180*	*2,180*
Transactions with owners	**-**	**-**	**-**	**-**	**-**
At 31 December 2014	**1,508,654**	**33,333**	**792,808**	**93,436**	**2,428,231**

The accompanying notes are an integral part of these consolidated financial statements. Transaction between entities under common control in 2013 refers to the impact from the merger with BNY Mellon Ireland Limited.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2014	2013
		In € '000	**In € '000**
Net Profit (Loss) for the year		160,143	134,226
Adjustments:		78,135	(15,445)
Net interest income	2	(73,187)	(54,574)
Current and deferred tax expenses	8	50,219	31,239
Depreciation and amortization	15,16	10,147	18,540
Provisions, including pension plans, net		12,071	15,129
Unrealized gains/losses on available-for-sale financial assets		89,226	(25,719)
Other[1]		(10,339)	(60)
Changes in:			
Loans and receivables		(24,798,042)	3,083,008
Available-for-sale assets		9,579,155	1,371,475
Financial assets held for trading		(54,663)	358,510
Other assets		33,661	59,807
Advances from central banks		260,362	760,748
Deposits from credit institutions		(3,892,372)	(3,221,145)
Deposits (other than credit institutions)		(14,822,700)	1,216,286
Financial liabilities held for trading		(8,146)	332,610
Other financial liabilities		127,119	(444,251)
Other liabilities		19,052	(10,295)
Interest received		156,104	147,384
Interest paid		(82,918)	(92,810)
Income taxes refunded (paid)		(79,475)	(26,779)
Net cash used in operating activities		**(2,844,806)**	**(6,092,271)**
INVESTING ACTIVITIES			
Purchase of tangible assets		(727)	(1,705)
Disposal of intangible assets		47	365
Purchase of intangible assets		(816)	(202)
Other cash payments related to investing activities		-	(25,392)
Net cash used in investing activities		**(1,496)**	**(26,934)**
FINANCING ACTIVITIES			
Other cash proceeds related to financing activities		-	153,078
Net cash used in financing activities		**-**	**153,078**
Net increase/decrease in cash and cash equivalents		**(2,846,302)**	**(5,966,127)**
Cash and cash equivalents at beginning of the period		8,803,730	14,769,857
Effect of exchange rate fluctuations on cash and cash equivalents held[2]			
Cash and cash equivalents at the end of the period		**5,957,428**	**8,803,730**
Components of cash and cash equivalents:			
Cash and cash balances with central banks	9	5,957,428	8,803,730

[1]Other adjustments include non-cash movements on share based payments and unrealized foreign currency gains and losses and pension plans. The variance with 2013 is explained by the fact that in 2013 these expenses had compensatory effects where in 2014 they had the same direction.

[2] Exchange rate fluctuations had no effect on cash and cash equivalents for the periods presented;

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

NOTES TO THE CONSOLIDATED FINANCIAL SYSTEMS

SIGNIFICANT ACCOUNTING POLICIES

1. Significant Accounting Policies

1.1. Basis of Preparation

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

Statement of compliance

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

Presentation of consolidated financial statements

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

1.2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of BNY Mellon SA/NV and its subsidiaries as at and for the year ended 31 December 2014. The individual financial statements of BNY Mellon SA/NV's subsidiaries are prepared for the same reporting year as BNY Mellon SA/NV. The accounting policies of subsidiaries are consistent with those of the parent.

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

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

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

The results of subsidiaries acquired or disposed of during a financial year are included in the consolidated statement of profit and loss and other comprehensive income from the date of acquisition or up to the date of disposal. All intra-group balances and transactions between BNY Mellon SA/NV's entities and gains and losses there from are eliminated in full on consolidation.

No non-controlling interests are presented in the consolidated financial statements since BNY Mellon SA/NV owns 100% of each its subsidiaries' issued share capital.

1.3. Use of Significant Accounting Judgments, Estimates and Assumptions

In the process of applying BNY Mellon SA/NV's accounting policies, management makes many estimates and judgments:

Estimates and assumptions

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

Going concern

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

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

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

Impairment losses on loans and advances

BNY Mellon SA/NV reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recognized in the consolidated statement of profit and loss and other comprehensive income. BNY Mellon SA/NV also considers loans and advances on a collective basis to determine whether an additional allowance is necessary that is not captured at the individual exposure level. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the existence and extent of any impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Impairment losses on loans and advances are disclosed in more detail in the explanatory notes.

Impairment of available-for-sale investments

BNY Mellon SA/NV reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

Deferred tax assets

Deferred tax assets are recognized in respect of unused tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the losses or credits can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Pension obligation

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

Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to one cash-generating unit, which is BNY Mellon SA/NV itself. This decision is based on the interdependencies of the entities and businesses within BNY Mellon SA/NV from a client and operating perspective. Furthermore, management decisions are taken at the level of the Board of BNY Mellon SA/NV before being implemented in the various entities. The recoverable amount for BNY Mellon SA/NV used in the goodwill impairment exercise has been calculated based on the higher of the fair value less cost to sell or value in use, which is determined by discounting the future cash flows expected to be generated by the business. The calculation of the value in use is based on certain key assumptions. In the framework of the impairment testing, these key assumptions have been stressed as part of a sensitivity analysis to determine the impact on goodwill valuation in case of unfavorable changes. The effect has been determined to be insignificant, resulting in no change to the carrying amount. The key assumptions are disclosed in detail in the explanatory notes.

1.4. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year. The following new and amended IFRS and IFRIC interpretations were considered, these being effective for annual periods beginning on or after 1 January 2014.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities

IFRS 10 Consolidated Financial Statements provides guidance about how to determine when an entity controls one or more other entities. It defines the principle of control and establishes control as the determining factor in whether an entity should be included within the financial statements of the parent company.

IFRS 11 Joint Arrangements establishes financial reporting principles for investors in joint arrangements. The core principle is that a party to a joint arrangement determines the type of arrangement in which it is involved by assessing its rights and obligations, and accounts for those rights and obligations accordingly.

IFRS 10 and IFRS 11 supersede IAS 27 Consolidated and Separate Financial Statements and IFRS 31 Interests in Joint Ventures respectively.

These IFRS do not affect BNY Mellon SA/NV scope of consolidation.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the disclosure requirements for all forms of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Its objective is to require an entity with any such interests to disclose information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities;
- the effects of those interests on its financial position, financial performance and cash flows.

This standard tends to integrate the disclosure requirements on interests in other entities, currently included in several standards, and present those requirements in a single IFRS. This standard has not impacted BNY Mellon SA/NV’s consolidated financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

This amendment is not relevant to BNY Mellon SA/NV, since none of the entities within BNY Mellon SA/NV has defined benefit plans with contributions from employees or third parties.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of ‘currently has a legally enforceable right to set-off’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on BNY Mellon SA/NV, since none of the entities in BNY Mellon SA/NV has any accounting offsetting.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on BNY Mellon SA/NV as BNY Mellon SA/NV does not apply hedge accounting.

IFRIC Interpretation 21 – Levies

This interpretation addresses how an entity should account for liabilities to pay levies imposed by governments (other than income taxes), particularly when the entity should recognize a liability for a levy. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on our consolidated financial statements for this year.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued a number of amendments to different standards, which included among others, amendments to IFRS 13 Fair Value Measurement, IFRS 2 Share-based Payment and IAS 24 Related Party Disclosures.

In the 2011-2013 annual improvements cycle, the IASB issued a number of amendments to different standards, which included amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 has no impact on BNY Mellon SA/NV, since BNY Mellon SA/NV is an existing IFRS preparer.

1.5. Forthcoming Changes in IFRS

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

BNY Mellon SA/NV currently is assessing the impact of IFRS 9.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since BNY Mellon SA/NV is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

BNY Mellon SA/NV currently is assessing the impact of IFRS 15 and plans to adopt the new standard when endorsed by EU.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. These amendments are not expected to have any impact to BNY Mellon SA/NV.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are not expected to have any impact to BNY Mellon SA/NV given that BNY Mellon SA/NV has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. These amendments are not expected to have any impact to BNY Mellon SA/NV as BNY Mellon SA/NV does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments will not have any impact on BNY Mellon SA/NV’s consolidated financial statements.

1.6. Summary of Accounting Policies and Disclosures

1.6.1. Foreign Currency Translation

The consolidated financial statements are presented in Euro (€). Items included in the financial statements of each of BNY Mellon SA/NV’s entities are measured using the currency of the primary economic environment in which the entity operates (“functional currency”), which is Euro for all BNY Mellon SA/NV’s entities.

Translations of transactions and balances

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

BNY Mellon SA/NV has no non-monetary items that are measured at historical cost in a currency other than Euro.

1.6.2. Recognition of Revenue and Expense

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

1.6.2.1. Net Income Interest

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

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

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

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

1.6.2.2. Fees and Commission Income

BNY Mellon SA/NV earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a period of time
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, custody and other management and advisory fees.

Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition or clearing of shares and/or other financial instruments or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to performance are recognized at settlement date of the transaction when fulfilling the performance criteria.

1.6.2.3. Dividend Income

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

1.6.2.4. Gains and Losses on Non Qualifying Economic Hedges

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

1.6.3. Financial Instruments – Initial Recognition and Subsequent Measurement

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

1.6.3.1. Derivative Financial Instruments Held for Trading

BNY Mellon SA/NV uses derivatives such as currency swaps. Derivatives are recognized in the statement of the financial position at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized in the "Gains and losses on non-qualifying economic hedges".

BNY Mellon SA/NV operates a derivative clearing activity, clearing option and futures. Although BNY Mellon SA/NV economically acts as an agent, according to market practices, BNY Mellon SA/NV is part of the contract and therefore, has accounted for the positions on derivatives. Due to the contract relationship in between parties of a derivative clearing, the positions are always "back to back" principal trades. As a consequence, the net result on the consolidated statement of profit and loss and other comprehensive income is nil.

Cleared derivatives: Futures.

For futures style products, margin posted/received contractually represents settlement of a position rather than posting collateral. Accordingly, the gains and losses on open positions of clients resulting from market price fluctuation on each trading day represent amounts due to/from the relevant clearer, and corresponding amounts due to from the relevant clients. As settlement generally is daily, such payables/receivables represent a day's gains or losses only. When payment is made the payable/receivable is derecognized as extinguished or settled. These amounts will be recorded as receivables/payables in the records of BNY

Mellon SA/NV based on the fact the MTM is called by the exchange at EOD and settlement will occur prior to 9am on the next business day as a direct debit from our account.

Cleared derivatives: Options.

Amounts paid at inception of an option contract (option premium) are settled with the clearer and by our client. As noted above, the contractual relationship in between the clearing member, the client and the exchange is back-to-back principal trades. Accordingly, BNY Mellon SA/NV will show for each trade a derivative asset and corresponding derivative liability.

No variation margin is paid to long option holders. However short option holders who are out of the money will be called short option premiums. This variation margin contractually represents collateral posted with the counterparty institution. BNY Mellon SA/NV posts collateral with the clearer and calls collateral from its clients.

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

1.6.3.2. Available-for-sale Financial Instruments

Available-for-sale financial instruments include principally debt securities. Equity securities classified as available-for sale are those that are neither classified as held for trading nor designated at initial recognition as at fair value through profit or loss[4]. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions (e.g., debt component of the liquid asset buffer). BNY Mellon SA/NV has not classified any loans or receivables as available-for-sale.

After initial recognition, available-for-sale financial instruments are subsequently measured at fair value.

Unrealized gains and losses are recognized in other comprehensive income, with cumulative gains and losses recognized in the ‘Other reserve’. When the investment is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the consolidated statement of profit and loss and other comprehensive income in ‘Other operating income’. When BNY Mellon SA/NV holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale financial instruments are recognized in the consolidated statement of profit and loss and other comprehensive income as ‘Other operating income’ when the right of the dividend has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of profit and loss and other comprehensive income in ‘Impairment losses on financial investments’ and removed from the ‘Other reserve’.

[4] The financial assets booked at fair value through the profit and loss accounts are designated as such when initially booked.

1.6.3.3. Loans and Advances to Customers

‘Loans and advances to customers’ refer to non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that BNY Mellon SA/NV intends to sell immediately or in the near term and those that BNY Mellon SA/NV upon initial recognition designates as at fair value through profit or loss;
- Those that BNY Mellon SA/NV, upon initial recognition, designates as available for sale; or
- Those for which BNY Mellon SA/NV may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and advances to customers include loans to central governments, credit institutions as well as corporate clients.

A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.

After initial recognition at fair value, loans and advances to customers subsequently are measured at amortized cost using the EIR, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in ‘Interest and similar income’ in the consolidated statement of profit and loss and other comprehensive income. Any losses arising from impairment are recognized in the consolidated statement of profit and loss and other comprehensive income in ‘Credit loss expenses’ a caption that is part of ‘Net Operating Income’. No impairment was recognized in 2014 and 2013.

1.6.3.4. Financial Liabilities Measured at Amortized Cost

BNY Mellon SA/NV classifies its financial liabilities as measured at amortized cost using the EIR, except derivative financial instruments that are measured at fair value. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

These comprise deposits by credit institutions, amounts due to customers, subordinated and other financial liabilities presented on the face of the consolidated statement of financial position.

1.6.3.5. Reclassification of Financial Assets

BNY Mellon SA/NV may reclassify, in certain circumstances, financial instruments out of the ‘Available-for-sale’ category and into the ’Loans and receivables’ category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

For a financial asset reclassified out of the ’Available-for-sale’ category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recognized in equity is recycled to the consolidated statement of profit and loss and other comprehensive income.

Reclassification is at the discretion of management, and is determined on an instrument by instrument basis. BNY Mellon SA/NV does not reclassify any financial instruments into the fair value through profit and loss category after initial recognition. In 2014 as in previous years BNY Mellon SA/NV has not recorded any reclassifications of financial assets.

1.6.4. Derecognition of Financial Assets and Financial Liabilities

1.6.4.1. Financial Assets

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

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

BNY Mellon SA/NV has not derecognized any financial assets in 2014.

1.6.4.2. Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

1.6.5. Repurchase and Reverse Repurchase Agreements

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

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

1.6.6. Securities Lending and Borrowing

Securities lending and borrowing transactions are collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the consolidated statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized on the consolidated statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in ‘Net trading income’.

BNY Mellon SA/NV enters in securities lending transactions as an agent only, as explained further in note 25.3.

1.6.7. Determination of Fair Value

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 or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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

BNY Mellon SA/NV has only level 1 and level 2 financial instruments. As such BNY Mellon SA/NV does not use any internal valuation models with unobservable data for the determination of the fair value. As a result, no day 1 profits or losses are recognized.

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

1.6.8. Impairment of Financial Assets

BNY Mellon SA/NV assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.6.8.1. Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost (such as loans and advances to customers), BNY Mellon SA/NV assesses individually whether objective evidence of impairment exists for financial assets that are individually significant. BNY Mellon SA/NV does not make any collective assessment for impairment, as its holdings of financial assets are considered to be individually significant. BNY Mellon SA/NV also considers financial assets carried at amortized cost on a collective basis to determine whether an additional allowance is necessary that is not captured at the individual exposure level.

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of profit and loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to BNY Mellon SA/NV. If, in a period subsequent to recognition of an impairment loss, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to 'Credit loss expense'.

1.6.8.2. Available-for-sale Financial Assets

BNY Mellon SA/NV assesses the debt instruments classified as available-for-sale on an individual basis, whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of profit and loss and other comprehensive income. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the consolidated statement of profit and loss and other comprehensive income, the impairment loss is reversed through the consolidated statement of profit and loss and other comprehensive income.

1.6.9. Offsetting Financial Instruments

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

1.6.10 Leasing

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset(s). This assessment is made at inception.

Leases that do not transfer to BNY Mellon SA/NV substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the consolidated statement of profit and loss and other comprehensive income on a straight line basis over the lease term. Contingent rentals payable are recognized as an expense in the period in which they are incurred.

BNY Mellon SA/NV was not acting as lessor on any leasing contracts.

1.6.11. Cash and Cash Equivalents

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

1.6.12. Property, Plant and Equipment

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

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

Long leasehold property	-	40 years
Leasehold improvements	-	Over the lesser of the estimated useful life of the asset and the remaining term of the lease
Motor vehicles	-	4 years
Furniture, fixtures and other equipment	-	4 to 10 years

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

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

1.6.13. Business Combinations and Goodwill

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

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

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

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

1.6.14. Intangible Assets other than Goodwill

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

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

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

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

Computer software	-	3 to 5 years
Client contracts (customer lists)	-	5 to 15 years

BNY Mellon SA/NV has no intangible assets other than goodwill with an indefinite useful life.
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are

recognized in the consolidated statement of profit and loss and other comprehensive income when the asset is derecognized.

1.6.15. Impairment of Non-Financial Assets

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

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

BNY Mellon SA/NV identified value in use as being the recoverable amount of a CGU in 2014. In assessing value in use of a CGU, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

1.6.16. Pension Benefits

1.6.16.1. Defined Benefit Plan

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

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

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

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

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

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

1.6.16.2. Defined Contribution Plan

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

1.6.17. Provisions

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

Restructuring provisions

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

1.6.18. Share-Based Payments

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

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

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

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

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

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

1.6.19. Taxes

1.6.19.1. Current Tax

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

1.6.19.2. Deferred Tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

1.6.19.3. Sales Tax

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

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

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

1.6.20. Dividends on Ordinary Shares

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

1.6.21. Equity Reserves

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

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

1.6.22. Segment Reporting

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

2. Net Interest Income

Interest and similar income

	2014	2013
	in € '000	**in € '000**
Cash and cash balances with central banks	2,233	7,174
Financial instruments -available-for-sale	66,289	35,816
Loans and advances to customers, including negative interest of EUR 1.67 Mio	87,582	104,393
Other assets	-	1
Total	**156,104**	**147,384**

Interest and similar expense	2014	2013
	in € '000	**in € '000**
Deposits, including negative interest charged by ECB of EUR 3.41 Mio	52,793	62,694
Subordinated loans	30,123	30,116
Total	**82,917**	**92,810**

The net interest income has slightly increased despite the significant decrease in the consolidated statement of financial positions and low interest rate environment due to additional investment in covered bonds.

3. Net Fees and Commission Income and Expenses

	2014	2013
	In € '000	In € '000
Fee and commission income		
Global Custody	451,165	427,376
Securities Lending	4,323	3,327
Depotbank Services	9,769	9,608
Institutional Accounting	8,441	8,471
American Depositary Receipt	58,525	63,215
Clearing and settlement	4,650	6,227
Other	109,841	115,465
	646,714	633,689
Fee and commission expenses		
Custody	158,429	154,661
Clearing and settlement	186	204
Other	142,446	147,126
	301,061	301,991
Net fees and commission income and expenses	**345,653**	**331,698**

Fees revenues have increased by 2% to €646.7 Mio mainly due to organic growth in Global Custody revenue. Custody fee expense stayed flat in 2014 compared to prior year and represents the fees BNY Mellon SA/NV pays to its sub-custodians, both for intra-group and third parties.

Other fees and commission expense of €142 Mio consist mainly of three major sub-components:

- Servicing (e.g. transactional, safekeeping), processing and support fees re-charged by group companies on asset servicing related operations for a total of €118 Mio. These would be mainly resulting from other group entities charging BNY Mellon SA/NV for servicing.
- Depository receipts from Irish Branch of a total of €19 EUR Mio to the US parent of BNY Mellon SA/NV
- Other miscellaneous fees (e.g. exchange commission fees, brokerage fees) of a total of € 5Mio.

4. Gains (Losses) on Non Qualifying Economic Hedges and Other Derivatives

	2014	2013
	In € '000	In € '000
Forward foreign exchange contracts	23,331	25,600
	23,331	**25,600**

Forward points on swap transactions that act as economic hedges totaling €23,331 Mio have been presented in this caption.

The net result from the derivatives clearing activity on the profit and loss is nil.

5. Other Operating Income

	2014	2013
	In € '000	In € '000
Gains /(losses) from sales of available-for-sale financial instruments	1,237	1,797
Non trading exchange differences	2,160	-
Other	8,998	2,083
	12,396	**3,880**

The effect of exchanges differences was positive in 2014 compared to 2013. The increase in other operating income is related to foreign stamp duty taxes amounting to €6 Mio in 2014.

6. Personnel Expenses

	2014	2013
	In € '000	In € '000
Wages and salaries	96,079	97,750
Social security charges	22,477	21,710
Pension costs – Defined benefit plan (Note 21.2)	5,412	8,526
Pension costs – Defined contribution plan (Note 21.1)	2,282	2,026
Share based payments (Note 24)	2,167	2,714
Other	6,146	6,627
	134,563	**139,353**

The Personnel expenses, including in the pension costs related to defined contribution plan expenses remains in line with prior year. Other expenses consist mainly of the commuting programs for employees and temporary clerical assistance from external agencies.

7. Other Operating Expenses

	2014	2013
	In € '000	**In € '000**
Marketing expenses	337	364
Professional fees	30,449	26,561
IT expenses	11,886	10,056
Operational lease expenses	13,580	7,810
Non trading exchange differences	-	1,709
Other	31,173	38,688
	87,425	**85,188**

Other operating expenses remain in line with prior year. The major components of other operating expenses are: non-recoverable VAT of €4.9 Mio, foreign business tax of €2.2 Mio, costs related to market data service vendors of €2.1 Mio, temporary clerical assistance of €3 Mio and communication costs of €1.9 Mio.

8. Income Tax

The components of income tax expense for the years ended 31 December 2013 and 2014 are:

	2014	2013
	In € '000	**In € '000**
Current tax		
Current income tax	42,197	40,641
Adjustment in respect of current income tax of prior years	1,886	
Deferred tax		
Relating to origination and reversal of temporary differences	6,136	(9,402)
	50,218	**31,239**

8.1. Reconciliation of the Total Tax Charge

Reconciliation between the tax expense and the accounting profit multiplied by Belgium's domestic tax rate for the years ended 31st of December 2013 and 2014 is as follows:

	2014	2013
	In € '000	In € '000
Accounting profit before taxes	**210,361**	**165,466**
1. Tax expense using Belgian statutory rate of 33.99% (2013:33.99%)	71,502	56,242
2. Effect of different tax rates in other jurisdictions	(10,983)	(8,864)
3. Income not subject to tax		-
4. Non tax deductible expenses	1,484	1,868
5. Effect of utilization of previously unrecognized tax losses	-	(919)
6. Adjustment in respect of current income tax of prior year	(3,889)	(5,895)
7. Other increase (decrease) in statutory tax charge	(7,896)	(11,193)
Income tax expense reported in the consolidated of comprehensive statement	**50,218**	**31,239**

The effective income tax rate of 2014 is 23.87% (2013: 18.88%).

8.2. Income Tax Effects relating to Comprehensive Income

	2014			2013		
	Before tax amount	**Tax (expense) benefit**	**Net of tax amount**	**Before tax amount**	**Tax (expense) benefit**	**Net of tax amount**
	In € '000	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Net gain/(loss) on actuarial gains and losses	(4,106)	(203)	(4,309)	6,352	(2,187)	4,165
Available-for-sale financial assets	89,226	(8,479)	80,747	(25,719)	7,404	(18,315)
Total	**85,120**	**(8,682)**	**76,438**	**(19,367)**	**5,217**	**(14,150)**

8.3. Deferred Tax

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

	Deferred tax assets 31 Dec 2014	Deferred tax liabilities 31 Dec 2014	Statement of Profit and Loss 2014	Other Comprehensive Income 2014	Deferred tax assets 31 Dec 2013	Deferred tax liabilities 31 Dec 2013
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Pensions	7,438	-	(2,371)	197	5,418	(154)
Temporary difference on goodwill deductible	-	8,976	(7,236)	-	1,259	(15,538)
Temporary difference on intangibles assets deductible	-	6,696	(3,530)	-	-	(10,227)
Other liabilities not recognized for tax purposes	64	-	13	-	77	-
Losses available for offsetting against future taxable income	-	-	22,177	-	52,665	(30,488)
Revaluation of financial instruments – available-for-sale	-	10,446	126	8,546	-	(1,915)
Other temporary differences	1,091	151	(3,909)	-	1,126	(4,095)
	8,593	**(26,269)**	**5,268**	**8,743**	**60,545**	**(62,417)**
Amounts offset	***(8,477)***	***8,477***			***(20,600)***	***20,600***
Total	**116**	**(17,792)**			**39,946**	**(41,817)**

BNY Mellon SA/NV has experienced tax losses in its German branch. This branch has a history of losses and incurred additional losses, including a restructuring charge in 2014. The branch neither has any taxable temporary difference nor any tax planning opportunities available that could support the recognition of a deferred tax asset on these losses. On this basis, BNY Mellon SA/NV has determined that any deferred tax assets existing on the tax losses carried forward shall be de-recognized.

9. Cash and Cash Balances with Central Banks

	2014	2013
	In € '000	In € '000
Deposits with the National Bank of Belgium	135,393	153,582
Deposits with other central banks	5,822,035	8,650,148
	5,957,428	**8,803,730**

Deposits with the National Bank of Belgium and with other central banks mainly represent mandatory reserve deposits and are not available for use in the day-to-day operations of BNY Mellon SA/NV.

The level of deposits at the other central banks is dependent on client deposits and the level of investments in bonds. The decrease is explained by the decrease in the spot balance sheet as of December 2014 and the increase of investment in bonds (Note 11).

10. Loans and Advances to Customers

	2014	2013
	In € '000	**In € '000**
Loans and advances to		
Central Governments	56	4,960
Credit institutions	12,968,231	38,622,813
Non credit institutions	1,272,226	410,734
Corporate	18	66
Less: Allowance for impairment losses	-	-
	14,240,531	**39,038,573**

The decrease of loans to credit institutions is due to an increased investment in available-for-sale debt securities. BNY Mellon SA/NV balance sheet is highly dependent on clients' deposits, which as of 2014 are mainly invested in available-for-sale bonds' portfolio.

After having performed impairment testing according to accounting policies, BNY Mellon SA/NV management concluded that no impairment should be accounted for.

This is consistent with the nature of business of BNY Mellon SA/NV and its counterparties. BNY Mellon SA/NV deals with high quality rated counterparts (see note 27.2.6 for an analysis by credit rating) and on a very short term basis, as explained in note 27, which presents maturity analysis of financial assets and liabilities. No non-performing loans and advances exist due to nature of the loans and overdrafts and, as a consequence, no impairment recognized.

11. Available-for-sale Financial Instruments

	2014	2013
	In € '000	**In € '000**
Debt instruments issued by	**13,345,113**	**3,765,957**
Central governments	11,248,442	2,356,658
Credit institutions	2,096,671	1,409,299
Non Credit institutions		-
	13,345,113	**3,765,957**

As of 2014, BNY Mellon SA/NV has invested in debt securities to improve the interest margin. Until 2014 the aim of the debt securities portfolio was solely to have an adequate liquid asset buffer. Please refer to note 27.3 for discussion on BNY Mellon SA/NV's approach to managing liquidity.

12. Asset Encumbrance

Part of the available for sale debt instruments portfolio in the total amount of € 179 Mio (2013: € 246 Mio) is used to support activity in Germany, mainly to provide collateral for the derivatives clearing activity at Eurex and to collateralize client cash deposits with BNY Mellon that are above the deposit insurance ceiling.

As of 31 December 2014 the carrying and fair value of encumbered assets by type of assets were as follows:

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets
Assets	**In € '000**	**In € '000**	**In € '000**
Equity instruments	-	-	-
Debt securities	178,943	178,943	13,166,177
Other assets	195,209	195,209	21,241,613
	374,152		**34,407,790**

The carrying amount of the debt securities is the fair value of these financial instruments. Other assets encumbered refer to monetary reserves, mainly placed with National Bank of Belgium, treated as encumbered assets as these cannot be not freely withdraw to the bank.

Collateral received refers to collateral received from derivatives clearing and securities lending activities. This collateral consists of highly rated equity instruments and fixed income securities. None of this collateral is available for BNY Mellon SA/NV's own use. Therefore, there is no reportable encumbered collateral received, or available for encumbrance.

Encumbered assets/collateral received and associated liabilities	**Matching liabilities, contingent liabilities or securities lent**	**Assets, collateral received and own debt securities issued**
	In € '000	**In € '000**
Carrying amount of financial liabilities		
Derivatives (options and futures)	216,722	178,943
Other sources of encumbrance	-	195,209

BNY Mellon SA/NV has no own debt securities issued. Other sources of encumbrance refer to the monetary reserves at central banks.

13. Derivative Financial Instruments

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

Derivatives held for trading	Assets 2014	Liabilities 2014	Notional amount 2014	Assets 2013	Liabilities 2013	Notional amount 2013
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Options	83,068	83,068	10,689,177	82,272	82,272	6,453,251
Futures	133,654	133,654	13,630,312	219,290	219,290	6,533,578
Forward foreign exchange contracts	163,676	152,253	19,584,033	133,500	75,559	4,841,662
	380,398	**368,975**	**43,903,522**	**435,062**	**377,121**	**17,828,491**

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

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

BNY Mellon SA/NV's exposure under derivative contracts is closely monitored as part of the overall management of BNY Mellon SA/NV's market risk. Currently, concerning over-the-counter derivatives, BNY Mellon SA/NV has only forward foreign exchange contracts related to its treasury activity. All options and futures are related to derivative clearing and are listed derivatives.

Forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the Over-the Counter market. BNY Mellon SA/NV has credit exposure to the counterparties of forward contracts. Additionally, forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk, thus resulting also in market risk exposure.

In a currency swap, BNY Mellon SA/NV pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross–settled.

Options

Option contracts provide the buyer the option but not the obligation to buy (call) or sell (put) a specific underlying asset at an agreed price. BNY Mellon SA/NV clears listed option contracts on behalf of its clients and therefore has credit exposure to the counterparty and central counterparty or carry broker. As all client contracts have an offsetting position with an exchange or carry broker there is no market risk in the transaction.

Futures

Futures contracts provides the buyer the right to buy an underlying asset at a specific price and date in the future, contracts can be closed before settlement date to realize the gain or loss. BNY Mellon SA/NV clears listed futures contracts on behalf of its clients and therefore has credit exposure to the counterparty and central counterparty or carry broker. As all client contracts have an offsetting position with an exchange or carry broker there is no market risk in the transaction.

Disclosures concerning the fair value of derivatives are provided in Note 23.
In addition to the derivatives disclosed in the table above, BNY Mellon SA/NV also holds debt securities resulting from various transactions that are classified as trading. These are always very small amounts (€7,549 as of 31 December 2014).

14. Other Assets

	2014	**2013**
	In € '000	**In € '000**
Prepaid charges	5,039	4,958
Accrued income (other than interest income from financial assets)	71,994	70,239
Accounts receivable, including:	129,775	93,796
From affiliate companies	*33,590*	*35,656*
Miscellaneous	30,424	34,578
	237,232	**203,571**

The accounts receivable balance at year end is highly driven by day-to-day operations. The receivables from affiliate companies refer to the balances with entities that are part of the same group as BNY Mellon SA/NV. Miscellaneous assets include operating transactions that are in a suspense account until clarification that result from day-to-day operations of BNY Mellon SA/NV.

15. Property, Plant and Equipment

2014	Leasehold improvements	Computer equipment	Furniture, fixtures and other equipment	Total
Net Book Value	**In € '000**	**In € '000**	**In € '000**	**In € '000**
At 1 January	12,071	734	3,310	16,115
Additions	352	130	290	772
Disposals	-	-	-	-
Depreciation charge for the year	(1,876)	(487)	(812)	(3,175)
Other	(1,070)	-	-	(1,070)
Impairment losses recognized in profit or loss	-	-	-	-
At 31 December	**9,478**	**376**	**2,788**	**12,643**
Gross carrying amount	19,255	8,551	7,613	
Accumulated depreciation and impairment	(9,777)	(8,175)	(4,824)	

2013	Leasehold improvements	Computer equipment	Furniture, fixtures and other equipment	Total
Net Book Value	**In € '000**	**In € '000**	**In € '000**	**In € '000**
At 1 January	9,752	1,280	3,025	14,058
Additions	582	265	857	1,705
Business combinations	3,720	8	324	4,052
Disposals	-	-	-	-
Depreciation charge for the year	(1,785)	(819)	(896)	(3,500)
Other	(198)	-	-	(198)
Impairment losses recognized in profit or loss	-	-	-	-
At 31 December	**12,071**	**734**	**3,310**	**16,115**
Gross carrying amount	20,132	8,793	7,406	
Accumulated depreciation and impairment	(8,061)	(8,059)	(4,096)	

16. Goodwill and Other Intangible Assets

2014	Goodwill	Computer software	Client Contracts	Total
Net Book Value	**In € '000**	**In € '000**	**In € '000**	**In € '000**
At 1 January	536.843	2,734	45,853	585,430
Additions from separate acquisition	-	816	-	816
Business combinations	-		-	-
Retirement & disposals	-	(18)	-	(18)
Amortization charge for the year	-	(1,047)	(5,841)	(6,889)
Foreign currency translation effects	-	174	-	174
Other movements	1,934	-	-	1,934
At 31 December	**538.777**	**2,659**	**40,012**	**581,448**
Gross carrying amount	538.777	21,456	82,944	
Accumulated depreciation and impairment	-	(18,797)	(42,933)	

2013	Goodwill	Computer software	Client Contracts	Total
Net Book Value	**In € '000**	**In € '000**	**In € '000**	**In € '000**
At 1 January	522,908	10,231	46,105	579,245
Additions from separate acquisition	-	202	-	202
Business combinations	13,904		7,437	21,341
Retirement & disposals	-	(365)	-	(365)
Amortization charge for the year	-	(7,351)	(7,689)	(15,040)
Foreign currency translation effects	-	11	-	11
Other movements	30	6	-	36
At 31 December	**536,843**	**2,734**	**45,853**	**585,430**
Gross carrying amount	536,843	18,246	82,944	
Accumulated depreciation and impairment	-	(15,512)	(37,091)	

16.1. Impairment Testing of Goodwill

BNY Mellon SA/NV's management has tested the goodwill for impairment at BNY Mellon SA/NV level, which was determined to be the cash generating unit. We refer to section 1 (Accounting policies) for the determination of the cash generating unit.

No impairment losses on goodwill were recognized during the year ended 31 December 2014 (2013: nil).

The recoverable amount for BNY Mellon SA/NV has been calculated based on the value in use. This value in use was determined by discounting the future cash flows expected to be generated from the cash generating unit's continuing use. Unless indicated otherwise, value in use in 2014 was determined in a similar manner as in prior years. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on net earnings after taxes (corrected for “non-cash” gains/losses) and the 5-year business plan. Terminal cash flows were extrapolated using a constant growth rate of 1.5 percent (2013: 1.5 percent), which is based on the long-term growth assumption of the BNY Mellon SA. The forecast period is based on the BNY Mellon SA’s forecasting horizon with respect to the operation of its activities.
- A discount rate of 8 percent (2013: 8 percent) was applied in determining the recoverable amounts for the cash generating unit. This discount rate was computed based on the BNY Mellon SA/NV’s estimated cost of equity.

The key assumptions described above may change as economic and market conditions change.

BNY Mellon SA/NV Management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount of the cash generating unit to decline below the carrying amount.

17. Financial Liabilities Measured at Amortized Costs

	2014	2013
	In € '000	**In € '000**
Deposits by central banks	**1,021,110**	**760,748**
Deposits from credit institutions	**12,328,470**	**34,057,879**
Current accounts / overnight deposits	12,312,733	34,019,081
Deposits with agreed maturity	15,737	38,798
Deposits from other financial institutions	**17,824,413**	**14,747,289**
Current accounts / overnight deposits	17,770,719	14,724,506
Deposits with agreed maturity	53,694	22,783
Deposits from non-financial institutions	**94,082**	**169,492**
Current accounts / overnight deposits	94,082	169,492
Subordinated liabilities (Note 20)	**358,776**	**345,500**
Other financial liabilities	**142,265**	**15,797**
	31,769,116	**50,096,706**

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

BNY Mellon SA/NV has not had any defaults of principal, interest or other breaches with regard to all liabilities during 2014 (2013: nil €).

18. Other Liabilities

	2014	2013
	In € '000	**In € '000**
Employee benefits	23,736	19,517
Social security charges	20,314	23,505
Leasing liabilities	30	2,482
Accrued charges (other than from interest expenses on financial liabilities)	26,864	27,189
Other debts	92,939	65,717
Other	3,437	5,639
	167,320	**144,049**

Other debts caption above have increased since 2013 mainly due to increase in the accounts payable amounts due to affiliates totaling €53.6 Mio (2013: €26.5 Mio).

19. Provisions

	Restructuring Costs	Pending legal issues	Other provisions
	In € '000		
At 1 January 2014	6,357	3,049	533
Amounts provisioned	8,988	112	616
Amounts utilized	(8,111)	(2,093)	(728)
Unused amounts reversed during the period	(903)	(600)	(32)
Other movements	-	(468)	486
At 31 December 2014	**6,331**	**-**	**875**
Current (less than one year)	6,331	-	875
Non-current (more than one year)	-	-	-
At 31 December 2014	**6,331**	**-**	**875**
At 1 January 2013	-	-	-
Amounts provisioned	6.357	3,049	533
Amounts utilized	-	-	-
At 31 December 2013	**6,357**	**3,049**	**533**

To decrease operating costs, BNY Mellon SA/NV has implemented a restructuring plan. Jobs have been reallocated from Brussels to global and regional delivery centers of BNY Mellon (Pune, Chennai, Manchester and Pittsburgh) over the years 2009 to 2014. The Brussels office maintains client facing functions, specialized processing activities and numerous shared services functions. Severance pool for restructuring increased due to communication and notification of employee terminations during 2014 even though the plan was established in 2013. With the decision to discontinue derivatives clearing activity there has been a further increase in the restructuring provision. Other provisions are related to operational claims in Brussels and a pay-out of AGI withholding taxes in the German branch.

20. Subordinated Liabilities

BNY Mellon SA/NV is the borrower of a perpetual loan from a related party of €92.5 Mio (2013: € 92.5 Mio) to be used for general corporate purposes. Interest accrue on the loan at the rate of 8.18% per annum based on the actual number of days elapsed and a year of 360 days. The National Bank may request the suspension of the repayment of the loan if BNY Mellon SA/NV does not comply with the applicable requirements on own funds or based on the financial situation and the solvability of BNY Mellon SA/NV.

BNY Mellon SA/NV is also the borrower of a perpetual loan from a related party of €253 Mio (2013: €253 Mio) to be used for general corporate purposes. Interest accrues on the loan at the rate of 8.75% per annum and is calculated on the basis of the actual number of days elapsed and a year of 360 days.

There is no collateral required as per loan agreements for the two loans.

Notwithstanding the fact that the loans are perpetual, these may be repaid at the option of BNY Mellon SA/NV (after written approval of the National Bank of Belgium):

- After the 5th anniversary of the Drawdown date;
- In case of a Tier 1 disqualification event;
- In case of a tax event; or
- In any such other case as agreed by the NBB.

The repayment price will be an amount equal to the aggregate of the amount of the outstanding loan and, the amount of any accrued (or deferred) but unpaid interest on the loan.

21. Retirement Benefit Plan

21.1. Defined Contribution Plan

BNY Mellon SA/NV has four defined contribution plans to which BNY Mellon SA/NV pays fixed contributions (two plans in the Netherlands, one in Luxembourg and one in Ireland); there is no legal or constructive obligation to pay further contributions. The contribution plan in Belgium is one lump sum out of two parts of a hybrid plan, treated overall as a defined benefit plan. The assets of the plans are held separately from those of BNY Mellon SA/NV in a fund under the control of trustees. For the Irish employees, a defined contribution plan exists but with no guarantees from the employer on the fund performance.

The total expense of €2.28 Mio (2013: €2 Mio) charged to the consolidated statement of profit and loss and other comprehensive income represents contributions payable to these plans by BNY Mellon SA/NV at rates specified in the rules of the plan.

21.2. Defined Benefit Plan

Employee benefits

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

Nature of benefits provided by the Plans

The German Plans are final salary plans and provide pension benefits linked to salary at retirement or earlier date of leaving service. The plans are open to future accrual. The Belgian Plan provides a lump sum to members at retirement and has been closed to new employees since April 2007. For the Dutch employees, a defined benefit plan existed as of 31 December 2013, but was settled on 12 June 2014 and replaced by a Collective Defined Contribution (CDC) plan. Further on, the Netherlands maintains a defined contribution plan mentioned in section 21.1. Neither plan includes any guarantees provided by BNY Mellon SA/NV or its affiliates.

Regulatory framework in which the Plans operates

The group operates defined benefit pension plans in Belgium, Germany and the Netherlands under broadly similar regulatory frameworks. Benefit payments are made from trustee-administered funds. Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the group and the trustees (or equivalent) and their composition.

Other entity's responsibilities for governance of the Plans

Trustees have the primary responsibility for governance of the Plans. Benefit payments are from Trustee administered funds and Plan assets are held in Trusts, which are governed by local regulations and practice in each country. Responsibility for governance of the Plans - including investment decisions and contribution rates - lies jointly with the company and Trustee Board. The Trustee Boards are comprised of representatives of the company and members in accordance with local regulations and practice.

Risks to which the Plans expose the Company

- Asset volatility - If plan assets underperform the discount rate a deficit results. As the German plans are entirely invested in fixed income assets, there is a possibility of underperformance against the discount rate and so an increase to the deficit.
- Inflation risk - The majority of benefits in the German and Dutch plans are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation). The Belgian Plan is less sensitive to inflation as a lump sum is provided at retirement.
- Longevity - Increases in life expectancy will increase plan liabilities, the inflation-linkage of the benefits for the German and Belgian Plans also means that inflationary increases result in a higher sensitivity to increases in life expectancy.

Plan amendments, curtailments or settlements

On 12 June 2014 the Amsterdam Branch of BNY Mellon SA/NV settled its defined benefit pension plan, recognizing a settlement gain of 1,2 € Mio. Members of that pension plan at that date became members of a Collective Defined Contribution (CDC) plan, which is accounted for as a defined contribution plan (section 21.1).

In line with the requirements of IAS19, the effect of this plan amendment was recognized immediately in profit and loss.

Funding arrangements and funding policy that would affect future contributions

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

Asset-liability matching strategies

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

Net benefit expense (recognized under personnel expenses)

	2014	2013
	In € '000	**In € '000**
Current service cost	4,126	5,461
Past service cost	-	1,355
Administrative expenses	54	139
Losses/(gains) on non-routine settlements	(1,200)	0
Operating expense/ (income)	**2,980**	**6,955**
Net interest on the net benefit obligation/ (asset)	634	836
Finance expense/ (income)	**634**	**836**
Net benefit expense	**3,614**	**7,791**

	2014	2013
	In € '000	**In € '000**
Actual return/(deficit) on plan assets	12,100	3,089

The amounts of the defined benefit obligation and plan assets for the previous four years are reported below. No historical data prior to 2010 is available, since BNY Mellon SA/NV adopted IFRS as of 2010. The figures for 2012-2010 were reported as per IAS 19.

Net defined benefit (obligation)/asset

31 December	2014	2013	2012	2011	2010
	In € '000	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Fair value of plan assets	50,953	88,633	84,123	65,934	33.863
Defined benefit obligation	(74,688)	(108,149)	(108.583)	(68.818)	(41.049)
As of 31 December	**(23,735)**	**(19,516)**	**(24,460)**	**(2,884)**	**(7,185)**
Adjustments (the 'asset ceiling')	-	-	-	-	
Net defined benefit (obligation)/asset	**(23,735)**	**(19,516)**	**(24.460)**	**(2,884)**	**(7,185)**

The movement in net defined benefit asset/ (obligation) is as follows:

	2014	2013
	In € '000	**In € '000**
As of 1 January	**(19,516)**	**(24,460)**
Employer contributions	3,504	5,417
Net benefit expense	(3,614)	(7,791)
Remeasurement gain/(losses) recognized in OCI	(4,109)	7,318
As of 31 December	**(23,735)**	**(19,516)**

BNY Mellon SA/NV expects to contribute €2,760,000 to its defined benefit pension plan in 2014 (2013: €5,002,000).

Changes in the present value of the defined benefit obligation are as follows:

	2014	2013
	In € '000	**In € '000**
Defined benefit obligation at 1 January	108,149	108,583
Current service cost	4,126	5,461
Past service cost	-	1,355
Liabilities assumed in a business combination	-	(698)
Interest cost	2,961	3,869
Benefits paid	(1,393)	(3,159)
Experience (gains)/ losses	(4,294)	(2,135)
Actuarial (gains)/losses arising from changes in financial assumptions	19,066	(11,747)
Actuarial (gains)/losses arising from changes in demographic assumptions	(890)	6,620
Liabilities extinguished on settlements	(53,037)	-
Defined benefit obligation at 31 December	**74,688**	**108,149**

Changes in fair value of plan assets are as follows:

	2014	2013
	In € '000	In € '000
Fair value of plan assets at 1 January 2014	88,633	84,123
Employer contributions	3,504	5,417
Interest income	2,327	3,033
Return on plan assets excluding interest income	9,773	56
Benefit paid	(1,393)	(3,159)
Assets acquired in business combinations	-	(698)
Administrative expenses	(54)	(139)
Assets distributed on settlements	(51,837)	0
Fair value of plan assets at 31 December 2014	**50,953**	**88,633**

The cumulative amount of gains and losses recognized in other comprehensive income is presented below:

Gains and losses recognized in other comprehensive income

	2014	2013
	In € '000	In € '000
As of 1 January	16,186	23,504
Recognized during the year	4,109	(7,318)
As of 31 December	**20,295**	**16,186**

The re-measurement effects recognized in other comprehensive income

	2014	2013
	In € '000	In € '000
Return on plan assets excluding interest income	9,773	56
Experience (gains)/ losses	4,294	2,135
Actuarial gains/(losses) arising from changes in financial assumptions	(19,066)	11,747
Actuarial gains/(losses) arising from changes in demographic assumptions	890	(6,620)
Adjustments (the 'asset ceiling')	-	-
Total gains/ (losses) recognized	**(4,109)**	**7,318**

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

	2014	2013
Equity instruments, of which:	34.4%	37.8%
Quoted (notably domestic equities)	*34.4%*	*37.2%*
Unquoted	*0.0%*	*0.6%*
Debt instruments, of which:	54.2%	64.7%
Quoted (notably fixed interest government bonds and corporate bonds)	*54.2%*	*34.9%*
Unquoted (notably fixed interest government bonds)	*0.0%*	*29.8%*
Property	2.3%	2.1%
Quoted	*2.3%*	*1.2%*
Unquoted	*0.0%*	*0.9%*
Cash	9.1%	4.4%
Quoted	*7.5%*	*4.4%*
Unquoted	*1.6%*	*0.0%*
Other assets	0.0%	-9.0%
Quoted	*0.0%*	*1.4%*
Unquoted	*0.0%*	*-10.4%*
	100.00%	**100.00%**

Equity instruments refer to the plan assets of the Belgium pension plans only. The sector allocation of the equity instruments per sector is as follows:

	2014
	In € '000
Equity instruments, of which:	17,518
Energy, industrial companies and materials	4,302
Consumer Discretionary and Staples	3,853
Financials	3,839
Health Care	1,920
Information Technology	1,877
Other	1,718

All bonds are issued in EUR currency and traded in active markets. All government bonds are issued by European governments. All bonds of the two German plans are rated AAA (71.7%) or AA (28.3%).

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on behalf of BNY Mellon SA/NV at 31 December 2014. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Actuarial assumptions and sensitivity analysis

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

	2014	2013
Discount rate	2.25%	3.55%
Future salary increases	3.25%	3.60%
Inflation	1.75%	1.80%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into the average life expectancy beyond the retirement age of 65 of 21.3 years for men (2013: 21.5) and 25.1 years for women (2013: 24.6).

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

Value of obligations at year end if (In '000) :		**31 December 2014**
Discount rate reduced by	1.00%	93,277
Discount rate increased by	1.00%	60,796
Inflation reduced by	1.00%	72,797
Inflation increased by	1.00%	76,979
Life expectancy decreased by	1 year	73,418
Life expectancy increased by	1 year	75,931

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

22. Issued Capital and Reserves

Authorized, issued and fully paid	**2014**	**2013**
	In '000	**In '000**
Ordinary shares of 976.7 € each	1.545	1,545
% Convertible preference shares (Note 24)	-	-
	1,545	**1,545**

As of 31 December 2014 BNY Mellon SA/NV recorded issued capital and share premium in a total amount of €1,509 Mio and €33.33 Mio respectively.

BNY Mellon has share option schemes under which options to subscribe for the BNY Mellon's shares have been granted to certain executives and senior employees of BNY Mellon SA/NV.

23. Fair Value of Financial Instruments

23.1. Determination of Fair Value and Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Level 1 prices are available from an exchange, a dealer, broker or a similar counterparty. The fair value measurement of financial instruments with quoted prices is based on a mark-to-market valuation derived from currently available transaction prices with no valuation (modeling) technique needed.

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

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

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

2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	In € '000	**In € '000**	**In € '000**	**In € '000**
Financial assets				
Derivative financial instruments				
Futures	133,654	-	-	133,654
Options (listed)	83,068	-	-	83,068
Forward foreign exchange contracts	-	163,676	-	163,676
Financial investments available-for-sale (Quoted)				
Debt securities	12,110,978	1,234,135	-	13,345,113
	12,327,700	**1,397,811**	**-**	**13,725,511**
Financial liabilities				
Derivative financial instruments				
Futures	133,654	-	-	133,654
Options (listed)	83,068	-	-	83,068
Forward foreign exchange contracts	-	152,253	-	152,253
	216,722	**152,253**	**-**	**368,975**

2013	Level 1	Level 2	Level 3	Total
	In € '000	In € '000	In € '000	In € '000
Financial assets				
Derivative financial instruments				
Futures	219,290	-	-	219,290
Options (listed)	82,272	-	-	82,272
Forward foreign exchange contracts	-	133,500	-	133,500
Financial investments available-for-sale (Quoted)				
Debt securities	2,356,658	1,409,299	-	3,765,957
Equities held for trading	6	-	-	6
	2,658,226	**1,542,799**	**-**	**4,201,025**
Financial liabilities				
Derivative financial instruments				
Futures	219,290	-	-	219,290
Options (listed)	82,272	-	-	82,272
Forward foreign exchange contracts	-	75,559	-	75,559
	301,562	**75,559**	**-**	**377,121**

BNY Mellon SA/NV did not transfer any financial instruments from level 1 to level 2 and from level 1 and level 2 to level 3 of the fair value hierarchy in 2014 or 2013.

23.2. Financial Instruments Recorded at Fair Value

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

23.2.1. Derivatives

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

Other derivatives resulting from derivative clearing business are only listed derivatives and, as such, classified as level 1.

At 31 December 2014, OTC derivative assets and derivative liabilities included no CVA or DVA when measuring their fair value due to the insignificant impact of these adjustments.

23.2.2. Financial Instruments – Available-for-sale

Available-for-sale financial assets classified within Level 1 mainly consist of government securities that are actively traded in highly liquid over-the-counter markets. These securities are valued using recent quoted unadjusted prices.

If quoted market prices are not available, the fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For securities where quotes from recent transactions are not available for identical securities, BNY Mellon SA/NV determines fair value primarily based on pricing sources with reasonable levels of price transparency. Specifically, the pricing sources obtain recent transactions for similar types of securities (e.g. vintage, position in the securitization structure) and ascertain variables such as speed of prepayment and discount rate for the types of transaction and apply them to similar types of bonds. BNY Mellon SA/NV views these as observable transactions in the current marketplace and classifies such securities as Level 2.

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

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

23.3.1. Assets for which Fair Value Approximates Carrying Value

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

23.3.2. Fixed Rate Financial Instruments

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

For all instruments not measured at fair value, for which we disclose a fair value, the fair value measurement qualifies as Level 1.

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash balances with central banks	5,957,428	5,957,428	8,803,730	8,803,730
Loans and advances to customers	14,240,531	14,240,531	39,038,573	39,038,573
Financial liabilities				
Financial liabilities at amortized cost	31,769,116	31,769,116	50,096,706	50,096,706

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

Interest income from financial instruments measured at amortized cost	**2014**	**2013**
	in € '000	**in € '000**
Cash and cash balances with central banks	2,233	7,174
Loans and advances to customers	87,582	104,393
Total	**89,815**	**111,567**

Interest expense from financial instruments measured at amortized cost	**2014**	**2013**
	in € '000	**in € '000**
Deposits	52,793	62,694
Subordinated loans	30,125	30,116
Total	**82,918**	**92,810**

24. Share-based Payment

The share-based payment plans are described below. There have been no cancellations of or modifications to, any of the plans during 2014.

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

Stock options were not issued in the last two years. The ones outstanding were granted at fair market value at the date of grant and vest 25% each year on the anniversary of the grant. Awards automatically lapse on the 10th anniversary of the grant. Each grant under the plan is issued with its own set of terms and conditions as described earlier. The plan is administered in the US and there are a number of exercise methods available to scheme participants including "cashless for cash" and "buy and hold" options.

Restricted Stock Units are also issued under the plan and vest in ¼ increments each year and no longer cliff vest at the end of three years as in prior years.

The expense recognized for employee services received during the year is shown in the following table:

	2014	2013
	In € '000	In € '000
Expense arising from equity-settled share-based payment transactions	2,167	2,714
Total expense arising from share-based payment transactions	**2,167**	**2,714**

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year. The WAEP has been converted in EUR based on the average rate YTD (1.32871).

Options

	2014			2013		
	No.	WAEP USD	WAEP EUR	No.	WAEP USD	WAEP EUR
Outstanding at the beginning of the year	618,151	30.998	23.329	737,380	29.87	23.23
Exercisable at the beginning of the year	483,526	32.252	24.273	480,566	32.02	24.91
Staff transfers during the year	(69,261)	-	-	(100,790)	-	-
Granted and vested during the year	-	-	-	-	-	-
Forfeited during the year	4,066	24.409	18.371	(544)	25.40	18.53
Exercised during the year	145,202	28.820	21.691	(17,895)	21.23	15.50
Expired during the year	40,993	-	-	-	-	-
Outstanding at the end of the year	358,629	31.207	23.487	618,151	31.00	22.62
Exercisable at the end of the year	308,642	32.268	24.285	483,526	32.25	23.54

Restricted stock

	2014	2013
	No.	No.
Outstanding at the beginning of the year	193,588	198,555
Internal staff transfers during the year	(14,083)	(4,875)
Granted during the year	42,195	-
Vested and exercised during the year	(103,520)	-
Forfeited during the year	(484)	(92)
Outstanding at the end of the year	117,696	193,588
Non vested expected to vest at year end	116,635	179,130

The weighted average remaining contractual life of options outstanding at year end is 4.40 years (2013: 5.13 years).

The range of exercise price of options outstanding at year end is from USD 18.02 to USD 57.26 (2013: USD 18.02 – USD 45.40).

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

The share price and exercise price are the same and equal the price of BNY Mellon stock on the date of grant. No stock options were granted during 2014 and thus there is no available input data to the model used for equity-settled options for the years ended 31 December 2014 and 2013.

25. Contingent Liabilities, Commitments and Leasing Arrangements

25.1. Legal Claims

In April 2009 and November 2010, two clients client filed a claim related to securities lending against different entities of BNY Mellon, including BNY Mellon SA/NV. These actions are made on a jointly liable basis.

A settlement was reached with the claimants and the two litigations were closed, one in December 2013 and the other in February 2014. The settlement had no impact on the results of financial position of BNY Mellon SA/NV.

No amounts have been provided during 2014 concerning other legal claims.

25.2. Off-balance Sheet

The off-balance sheet items consist mainly of: (i) the assets under custody (AUC) totaling €3,441 billion as of 31 December 2014 (2013: €2,902 billion)), (ii) securities lending, and (iii) lease arrangements. The breakdown of the off-balance sheet positions are provided in the table below.

Overview of off balance sheet positions:

CATEGORY	2014	2013
	In € Mio	In € 'Mio
Securities collateral given (Note 12)	179	246
Derivatives clearing collateral received	937	98
Contingent placements	83	-
Repo transactions	-	330
Liquidity lines given	-	100
Assets under custody	3,440,734	2,901,519
Securities lending:	(202)	(12)
Guarantee given	*7,671*	*377*
Collateral received	*7,873*	*389*

The assets under custody split by geography and currency at 31 December 2014 are presented in the table below:

Region	EUR	Other currencies
	In Mio	In € 'Mio
Belgium	489,192	495,020
Countries part of European Monetary Union	696,834	63,702
Rest of the world	103,915	1,592,071
Total	**1,289,941**	**2,150,793**

25.3. Securities Lending Indemnification

BNY Mellon SA/NV enters into collateralised securities borrowing and lending transactions as agent for customers.

In exceptional cases, for transactions in which BNY Mellon SA/NV provides a borrower indemnification, risk of credit loss occurs only if the borrower defaults and the value of the collateral held is not sufficient to restore the full value of the lent securities to the lender, where the market risk related to the collateral is for the account of the lender.

Where BNY Mellon SA/NV provides collateral indemnification, any loss realised as a result of any deficiency (upon liquidation or otherwise) in the value of any collateral held in respect of any loan of the securities on loan is for the account of BNY Mellon SA/NV. Generally this refers to non-cash collateral. When cash is received as collateral and reinvested in the market on behalf of the customer, additional market risk arises. The market risk is assumed by the customer who has, prior to any securities lending taking place on their behalf, agreed to cash reinvestment guidelines which form a part of their securities lending agreement, which also documents that all market risk on cash reinvestment is for the account of the customer.

We identified a risk of €7,671 million (2013: €377 million) as of December 2014 for which collateral was received for an amount of €7,873 million (2013: €389 million), therefore BNY Mellon SA/NV's net business risk exposure is limited.

25.4. Lease Arrangements

BNY Mellon SA/NV has entered into commercial operating leases on premises and equipment. These leases have an average life of 4 years for machine and equipment rental commitments and 9 years for premises lease commitments with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

For the lease payments recognized in profit and loss in the period please refer to note 7. Future minimum lease payments under non-cancellable operating leases as at 31 December 2014 and 2013 are as follows:

	2014	2013
	In € '000	In € '000
Within one year	10,143	10,570
After one year but not more than five years	39,156	37,564
More than five years	24,901	39,959
	74,200	**88,093**
of which:		
car lease	*5,543*	*3,914*
premises lease	*68,657*	*84,179*

The decrease in the minimum lease payments is notably due to the Belmont Court premises rent contract re-negotiation in 2014.

26. Related Party Disclosures

26.1. Key Management Compensation

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

	2014	2013
	In € '000	In € '000
Short-term employee benefits	2,880	1,983
Post-employment benefits	92	82
Other long-term benefits	34	30
Termination benefits	179	-
Share based payments	420	436
	3,605	**2,531**

This caption has increased as a result of the increase in the average number of the key management representatives. Individuals in key management functions do not receive any special compensation.

Post-employment benefits of the key management are an estimation of extra-legal pension contribution (8% of 12 months gross salary - based on December 2014 salary. Other long term benefits are the contributions to the death-in-service reinsurance and long term disability.

More information regarding the share based payments are disclosed in Note 24.

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

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

26.3. Transactions with Related Parties

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

Amounts payable to and amounts receivable from related parties

	2014			2013		
	Parent	**Own subsidiaries**	**Other entities of the group**	**Parent**	**Own subsidiaries**	**Other entities of the group**
	In € '000	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Assets: loans and advances	1,112,319	-	8,769,641	2,803,237	2	31,762,531
Current accounts	1,015,963	-	7,677,902	1,016,342	2	3,458,504
Term loans	96,356	-	1,091,738	1,786,895		28,304,027
Other receivables	20,187	455	45,000	-	277	-
TOTAL ASSETS	**1,132,506**		**8,769,641**	**2,803,237**	**279**	**31,762,531**
Deposits	15,568	6,155	10,967,499	3,391,602	2,009	28,963,144
Subordinated liabilities	-	-	358,776	-	-	345,500
Other liabilities	43,866	561	13,069	7,624	586	19,574
TOTAL LIABILITIES	**59,434**	**6,716**	**11,339,344**	**3,399,226**	**2,595**	**29,328,218**

Expenses and income generated by transactions with related parties

	2014			2013		
	Parent	**Own subsidiaries**	**Other entities of the group**	**Parent**	**Own subsidiaries**	**Other entities of the group**
	In € '000	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Interest expenses	615	-	76,111	165	-	85,010
Fees and commissions	67,649	2,884	92,125	71,690	2,337	91,364
Other	-	394	-	9,634	322	3,034
TOTAL EXPENSES	**68,264**	**3,278**	**168,236**	**81,489**	**2,659**	**179,408**
Interest Income	19,104	-	53,380	26,894		62,771
Fees and commissions	86,914	3,730	275,103	62,120	3,270	289,478
Other	-	-	-	-	-	1,215
TOTAL INCOME	**106,018**	**3,730**	**328,483**	**89,014**	**3,270**	**353,464**

26.4. Terms and Conditions of Transactions with Related Parties

The outstanding balances arise from the ordinary course of business. Outstanding balances at the year-end are unsecured. Nonetheless, the term deposits with BNY Mellon are covered by a master agreement that contains a right to withdraw prior to maturity date subject to early withdrawal penalty (break clause). The legal enforceability thereof has been confirmed following a request from NBB in order to ensure that BNY Mellon SA/NV can recover its US deposits even in case the parent would be under stress. For the year ended 31 December 2014, receivables on related parties are not considered to be doubtful and hence no provision for doubtful debt has been made.

26.5. Consolidated Subsidiaries and Branches and Key Financial Performance Figures by Geographical Location

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

Branches	**Country of incorporation**	**Nature of activity**
		2014
The Bank of New York Mellon SA/NV - Amsterdam Branch	Netherlands	Asset Servicing
The Bank of New York Mellon SA/NV - London Branch	United Kingdom	Assets Servicing
The Bank of New York Mellon SA/NV - Frankfurt Branch	Germany	Asset Servicing, Depot banking and Fund Administration, Derivatives Clearing, Corporate Trust, Treasury Services, Collateral Management, Depository Receipts and Global Client Management.
The Bank of New York Mellon Luxembourg SA	Luxembourg	Fund Accounting, Depository Bank Services, Transfer Agency, Paying Agency, Custody and Corporate Trust Services
The Bank of New York Mellon SA/NV	Belgium	Asset Servicing: Global Custody, Collateral Management
The Bank of New York Mellon SA/NV - Dublin Branch	Ireland	Asset Servicing: Corporate Trust, Depositary Receipts
The Bank of New York Mellon SA/NV - French Branch	France	Asset Servicing
BNY Mellon Service Kapitalanlage - Gesellschaft mbH (subsidiary)	Germany	Asset Servicing, Depot Banking and Fund Administration, Derivatives Clearing, Corporate Trust, Treasury Services, Collateral Management, Depository Receipts and Global Client Management.

Name of Subsidiary	**Country of incorporation**	**% equity interest**	**% equity interest**
		2014	**2013**
BNY Mellon Service KAG	DE	100%	100%
Stichting Administratiekantoor BNY Mellon Global Custody	NL	100%	100%

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

Branches	Turnover*	Profit before tax	Profit after tax	No of FTE (equivalent)
The Bank of New York Mellon SA/NV - Amsterdam Branch	54,502	29,297	26,173	172,85
The Bank of New York Mellon SA/NV - London Branch	69,401	27,453	16,791	-
The Bank of New York Mellon SA/NV -Frankfurt Branch	75,328	4,818	(33,030)	285,59
The Bank of New York Mellon Luxembourg SA	3,661	2,495	1,830	3,8
The Bank of New York Mellon SA/NV	543,401	132,020	136,546	644,45
The Bank of New York Mellon SA/NV - Dublin Branch	59,899	17,199	14,770	243,2
The Bank of New York Mellon SA/NV - French Branch	629	(2,426)	(2,514)	5
BNY Mellon Service Kapitalanlage - Gesellschaft mbH	22,725	(495)	(423)	103,58
Total	**829,546**	**210,361**	**160,143**	**1,458.47**

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

26.6. Business Combinations

In February 2013 BNY Mellon SA/NV merged with The Bank of New York Mellon (Ireland) Limited and as a consequence acquired the Dublin branch in Ireland. Following the merger, the shareholders' equity of the bank has increased by €116 Mio. The additional impact on the BNY Mellon SA/NV's equity amounted to €153 Mio as of the date of acquisition.

As of 31 December 2014 the recognized assets include goodwill of €14 Mio. None of the goodwill recognized is expected to be deductible for tax purposes.

No business combinations occurred in 2014.

27. Risk Management

27.1. General

BNY Mellon SA/NV acknowledges risk taking as a fundamental characteristic of providing financial services. It is inherent to the business of banking and arises in every transaction BNY Mellon SA/NV undertakes. The capacity to take risk and pursue profits is constrained by the balance sheet and the reputation of the BNY Mellon brand in the marketplace.

Risk is inherent in BNY Mellon SA/NV's activities. Within BNY Mellon SA/NV, risk is managed through a process of ongoing identification, assessment and monitoring, subject to risk limits and other controls. The risk management process is critical to BNY Mellon SA/NV's continuing profitability and each individual within BNY Mellon SA/NV is accountable for the risk exposures relating to its responsibilities. BNY Mellon SA/NV is exposed to credit risk, liquidity risk and non-trading market risk including interest rate risk. BNY Mellon SA/NV is also subject to various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. BNY Mellon's policy is to monitor these business risks through BNY Mellon's strategic planning process.

27.1.1. Risk Management Framework

Risk Appetite

BNY Mellon SA/NV's Board of Directors owns and regularly reviews its risk appetite within a defined risk appetite framework. The Board approves the risk appetite statement, which has been developed and proposed by the Executive Committee.

In relation to any new product, business or activity that is proposed to be undertaken in BNY Mellon SA/NV, specific analysis against the current risk profile of BNY Mellon SA/NV and any consequent impact on ongoing compliance with BNY Mellon SA/NV's risk appetite must be conducted before any new product, business or activity can be undertaken.

Risk Management Committee ("RMC")

The Committee derives its authority and mandate from the BNY Mellon SA/NV Executive Committee.

The key purpose of the BNY Mellon SA/NV Risk Management Committee (the 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 Committee also plays a central role in ensuring that material change that has the potential to affect the SA/NV is identified in a timely manner and managed in an appropriate fashion.

The aim of the Committee is to establish and maintain a capable, effective forward looking risk organization that is well placed to identify and manage emerging risks for the legal entity including its branches and subsidiary. The Committee provides risk-based challenge to the Business (1st line of defense) establishes and maintains a risk culture, advises the business board and governance committee as second line of defense on risk matters.
The Committee is responsible for ensuring that risk and compliance activities undertaken by BNY Mellon SA/NV and its underlying branches and subsidiary and businesses are executed in accordance with internal policies and all relevant regulations.

BNY Mellon SA/NV meetings are held on a monthly basis prior to the second Executive Committee of the month. Ad hoc meetings can be called at the discretion of the Committee Chair.

Accountability

BNY Mellon SA/NV RMC is chaired by the Company's CEO and reports into the ExCo. Any significant issues raised at the RMC is also escalated to other appropriate corporate regional oversight committees, as appropriate.

Capital and Stress Testing Committee ("CSTC")

The CSTC is an empowered decision making body under authority delegated by BNY Mellon SA/NV Executive Committee (the SA/NV ExCo) and subject to corporate policy, legislation and external regulation.

The purpose of BNY Mellon SA/NV Capital and Stress Testing Committee (SA/NV CSTC or the Committee) is to ensure adequate governance of and ownership for the processes and documentation pertaining to the SA/NV's capital requirements (economic, regulatory, adequacy and allocation), risk model methodologies and stress testing in accordance, where applicable, with the Group's Economic Capital Policy, EMEA and Enterprise-Wide Stress Testing policies and EMEA Stress Testing Framework whilst taking into consideration the Group's over-arching capital, profit and strategic plans

Asset and Liability Committee ("ALCO")

The Belgium Local ALCO Committee ("Belgium ALCO") is responsible for overseeing the asset and liability management activities of (a) the consolidated balance sheet of BNY Mellon SA/NV and its branches and subsidiary, as well as (b) the local balance sheet of The Bank of New York Mellon Brussels Branch, and for ensuring compliance with all treasury related regulatory requirements.

The Belgium ALCO is responsible for ensuring that policy and guidance set through the Company and EMEA ALCO is understood and executed locally. This includes strategy related to the investment portfolio, placements, interest rate risk, and liquidity risk.

Business Acceptance Committees (BAC)

The objectives of the BACs (which are organized per business line) are to provide oversight and guidance for the activities of BNY Mellon SA/NV and other EMEA entities related to any piece of business that deviates from the standard in terms of:

- Fees pricing
- Legal contract
- Operational requirements
- Risks profile
- Deal structure

BACs are held regularly or on an ad hoc basis, depending on business requirements and volumes.
The BACs cover the following:

- new business acceptance
- existing business
- Fee renegotiation
- New operational requirements
- Additional risk profile

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

Credit Risk Oversight Committee (“CROC”)

The key purpose of the BNY Mellon SA/NV Credit Risk Oversight Committee is to oversee all forms of credit risk and oversee controls of credit risk associated with BNY Mellon SA/NV banking business and ensure compliance with BNY Mellon SA/NV credit policies.

The Credit Risk Oversight Committee (CROC) has been appointed by the Executive Committee of BNY Mellon SANV.

27.1.2. Risk Assessment Methodology and Reporting Systems

BNY Mellon SA/NV’s risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. BNY Mellon SA/NV also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

Information compiled from all the businesses is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Executive Committee and the Risk Management Committee. Senior management assesses the appropriateness of the allowance for any credit losses on a monthly basis.

27.1.3. Risk Mitigation

As part of its overall risk management, BNY Mellon SA/NV uses derivatives and other instruments to manage exposures resulting from changes in interest rates. This use is limited to the economical coverage of the liquidity invested in part of its debt instruments portfolio. For further details please see section 13.

27.1.4. Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of BNY Mellon SA/NV’s performance to developments affecting a particular industry or geographical location.

Under European and Belgian bank regulations, all large individual exposures have to stay below a 25% threshold of their own funds. Subject to these capital adequacy requirements, BNY Mellon SA/NV applies the same rule internally. In 2014 BNY Mellon SA/NV has enacted a Master Netting Agreement with BNY Mellon. In order to avoid excessive concentrations of risk, the BNY Mellon’s policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. During 2014 BNY Mellon SA/NV has experienced certain large exposure breaches due to volume of activities and several actions have been taken in order to mitigate the risk, amongst others a parental guarantee.

In addition, as of the second half of 2014, BNY Mellon SA/NV's balance sheet was reduced as a result of the re-direction intercompany deposits, mainly from the Brussels Branch and the London Branch of the Institutional Bank to its other branches, without transition through the SA/NV. This action resulted in a significant reduction in the consolidated statement of financial position over the year and a decrease in the exposure towards group entities

27.2. Credit Risk

Credit risk for the BNY Mellon SA/NV is the risk of default from counterparties or clients for loans, commitments, securities and other assets where the realization of the value of the asset is dependent on their ability to perform.

Types of activities which can be source of credit exposures to BNY Mellon SA/NV:

- Money market activity where placements, mainly short term in nature, are made with high quality financial institutions, including intra-group;
- Nostro balances with correspondents, custodians and central depositories, being long positions held to ensure liquidity of settlement activities;
- Customer overdrafts mostly operational credit-related to global custody activities. These are short term in exposure, typically intra-day or overnight;
- Issuer risk from a bond portfolio;
- Derivative clearing services provided by the Frankfurt Branch of BNY Mellon SA/NV (exposures to CCPs, clients and carry brokers);
- Securities lending (please refer to note 25.2).

Credit Risk counterparties in treasury and money market activity are banks and financial institutions; borrowers in custody activity are mainly institutional clients such as mutual funds, pension funds and banks, as custody clients. At a high level, Asset Servicing clients are grouped as regulated funds, unregulated funds and corporate holding companies.

27.2.1. Credit Risk Management Framework

BNY Mellon SA/NV Credit unit is embedded in the Risk sector of BNY Mellon with certain credit officers having responsibilities at regional level. BNY Mellon SA/NV’s credit unit is an integral part of BNY Mellon’s EMEA regional credit risk management, and there are credit officers based in Brussels with direct responsibilities for BNY Mellon SA/NV’s credit risk management. As a risk unit, BNY Mellon credit risk operates the overall management and oversight of BNY Mellon SA/NV. In BNY Mellon, credit risk is managed by exposure type:

- Type “A” exposure consists of traditional credit products where usually committed facilities are extended to borrowers. The approval authority is determined in function of the credit division or business line the client belongs to.
- Type “B” exposure, operational credit, is by far the most frequent type of credit supporting BNY Mellon SA/NV clients’ custody activity. Extensions of credit are provided for BNY Mellon SA/NV’s processing business. Other types of exposures include foreign exchange activities, related to securities settlement. Operational credit is a specialized unit within Credit Risk Management designed to approve measure, monitor and control extensions of operational credit and other operational related facilities.

27.2.2. Credit Risk Monitoring and Control

On a daily basis, information concerning the main sources of credit risk is collected and individual cases requiring investigation are followed-up to determine resolution status or if escalation or additional controls and procedures are required. Data is aggregated, analyzed and reported in the monthly RMC and through Credit Risk hierarchy.

Global custody overdrafts are monitored and controlled to ensure that approved exposure levels are not exceeded, or are approved by a suitable credit officer in the light of individual circumstances. Custody client overdrafts are monitored, tracked and escalated on an intraday and/or next-day basis. Criteria in relation to large exposure limits, ageing, borrower rating, limits, Assets Under Custody, origin of the overdraft are monitored and any exposure above set thresholds is reported daily to a Credit Portfolio Manager.

Securities lending monitors daily the volume of outstanding on-loan contracts and follow-up on collateralization levels. Instances of insufficiently collateralization are escalated to the appropriate division for follow-up.

Derivative financial instruments

BNY Mellon SA/NV maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts) by amount and maturity. Credit risk arising from derivative financial instruments is, at any time, limited to the positive current fair values of these financial instruments (plus a regulatory “add-on” reflecting the future credit risk exposure of these derivatives).

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

The exposure value of derivatives as of 31st of December 2014 is €380 Mio (2013: €435 Mio).

Offsetting financial assets and financial liabilities

BNY Mellon SA/NV does not offset any financial assets and financial liabilities. The disclosures set out in the table below include financial assets and financial liabilities that are subject to legal agreements similar to enforceable master netting arrangements, which cover similar financial instruments, irrespective of whether they are offset in the statement of financial position.
The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the statement of financial position.

BNY Mellon SA/NV’s sale and repurchase, and reverse sale and repurchase transactions, and securities borrowing and lending are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

The above similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, BNY Mellon SA/NV and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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

- derivatives;
- sale and repurchase, and reverse sale and repurchase agreements; and
- securities lending and borrowing.

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

The following table sets out the carrying amounts of recognized financial instruments that are subject to the above agreements for the year 2014 and 2013.

31 December 2014		**Related amounts not offset in the statement of financial position**		
In € '000	**Note**	**Financial instruments**	**Cash/other collateral**	**Net amount**
Derivative assets	13	216,722	936,908	-
Reverse sale and repurchase agreements	27.2.4	-	-	-
Total assets		**216,722**	**936,908**	**-**
Derivative liabilities		-	-	-
Sale and repurchase agreements		-	-	-
Total liabilities		**-**	**-**	**-**

31 December 2013		**Related amounts not offset in the statement of financial position**		
In € '000	**Note**	**Financial instruments**	**Cash/other collateral**	**Net amount**
Derivative assets		219,290	97,823	121,467
Reverse sale and repurchase agreements	27.2.4	329,787	329,787	-
Total assets		**549,077**	**427,610**	**121,467**
Derivative liabilities		-	-	-
Sale and repurchase agreements		-	-	-
Total liabilities		**-**	**-**	**-**

27.2.3. Collateral and Other Credit Enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

In most cases, credit granted to clients are credits issued in the framework of their operations. When a right of pledge exists, in favor of BNY Mellon SA/NV, it is to be found on the assets under custody. Please also refer to caption 25. These, in most cases, largely exceed the cash amount lent to the client. Hedge funds, however, have special control procedures in place.

27.2.4. Risk Concentrations: Maximum Exposure to Credit Risk

BNY Mellon SA/NV's concentrations of risk are controlled and managed/according to client/counterparty as opposed to geographical region and/or by industry. The largest exposure of 29% assets is to BNY Mellon Group and is spread across multiple branches and locations which provide certain mitigation in the case of default or rating downgrade of a related party. Please also refer to note 25.3 'Transactions with Related Parties'.

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

Overview of maximum credit risk exposure

	Maximum risk position		**Collateral**	
	2014	**2013**	**2014**	**2013**
	In € '000	**In € '000**	**In € '000**	**In € '000**
Cash and cash balances with central banks	5,957,428	8,803,730		
Derivative financial instruments (asset side), of which:	380,398	435,068		
Derivatives clearing (2013:cash collateral only)	216,722	219,290	*936,908*	*97,823*
Available-for-sale financial assets	13,345,113	3,765,957		
Loans and advances to customers, of which:	14,240,531	39,038,573		
Reverse Repo (guarantees received) (note 25.2)	*0*	*329,787*		*329,787*
Derivative financial instruments (liability side)	368,975	377,121		
Financial liabilities measured at amortized cost	31,769,116	50,096,706		
Deposits	*31,268,075*	*49,735,408*		
Subordinated liabilities	*358,776*	*345,500*		
Other financial liabilities	*142,265*	*15,798*		

	Maximum credit risk exposure by region, carrying values:				2014	2013
	Africa	**Americas**	**Europe**	**Asia Pacific**	**In € '000**	**In € '000**
FINANCIAL ASSETS						
Cash and cash balances with central banks	958	-	5,956,471	-	5,957,428	8,803,730
Derivative financial instruments	7	3,827	375,785	786	380,406	435,068
Available-for-sale financial assets	-	5,017,861	8,327,252	-	13,345,113	3,765,957
Loans and advances to customers	96,571	2,429,103	9,299,707	2,415,150	14,240,531	39,038,573
TOTAL FINANCIAL ASSETS	**97,536**	**7,450,791**	**23,959,215**	**2,415,936**	**33,923,478**	**52,043,328**
FINANCIAL LIABILITIES						
Derivative financial instruments	1,988	15,880	345,800	5,307	368,975	377,121
Deposits	85,058	1,516,297	28,663,253	1,003,467	31,268,075	50,096,707
Financial liabilities measured at amortized cost	1,206	4,386	469,145	26,304	501,041	361,297
TOTAL FINANCIAL LIABILITIES	**88,252**	**1,536,563**	**29,478,198**	**1,035,078**	**32,138,091**	**50,473,828**

	Maximum credit risk exposure by industry, carrying value:				2014	2013
	Credit institutions	**General Government**	**Other Financial institution**	**Non-Financial institution**	**In € '000**	**In € '000**
FINANCIAL ASSETS						
Cash and cash balances with central banks	5,957,428	-	-	-	5,957,428	8,803,730
Derivative financial instruments	155,042	-	225,364	-	380,406	435,068
Available-for-sale financial assets	2,096,671	11,248,442	-	-	13,345,113	3,765,957
Loans and advances to customers	12,968,231	56	1,272,226	18	14,240,531	39,038,573
TOTAL FINANCIAL ASSETS	**21,177,372**	**11,248,498**	**1,497,590**	**18**	**33,923,478**	**52,043,328**
FINANCIAL LIABILITIES						
Derivative financial instruments	111,773	-	257,202		368,975	377,121
Deposits	13,349,580	16,408	17,824,413	77,674	31,268,075	50,096,707
Other financial liabilities	501,041	-	-	-	501,041	361,297
TOTAL FINANCIAL LIABILITIES	**13,962,394**	**16,408**	**18,081,615**	**77,674**	**32,138,091**	**50,473,828**

27.2.5. Monitoring Sovereign Risks

Risk Management of BNY Mellon SA/NV has actively managed through events in the macro-economy, unstable political situations in regions, acts of nature and threats of a regional debt contagion, events impacting employees, clients and business operations. Thus far, no direct credit losses have been recorded in BNY Mellon SA/NV from these events. At the end of 2014 BNY Mellon SA/NV has no sovereign debt exposure to the Russian Federation on balance sheet. The split per country is presented further down.

Overview of exposure to sovereign debt at year-end 2014 and 2013, carrying value (in € 000):

Country	Held-for-trading	Balances with Central Banks	Available-for-sale financial assets	Loans and receivables	2014	2013
Belgium	-	134,435	634,021	-	**768,457**	**317,600**
Canada	-	-	14,356	-	**14,356**	**-**
Germany	-	5,708,031	1,169,135	-	**6,877,166**	**8,575,032**
Spain	-	-	535,546	-	**535,546**	**99,640**
France	-	-	1,439,118	-	**1,439,118**	**260,195**
United Kingdom	-	215	1,241,234	-	**1,241,449**	**776,871**
Ireland	-	9,457	-	56	**9,513**	**6,288**
Italy	-	-	616,842	-	**616,842**	**74,384**
Luxembourg	-	2,157	-	-	**2,157**	**1,650**
Netherlands	-	102,175	1,221,134	-	**1,323,309**	**867,225**
Sweden	-	-	88,715	-	**88,715**	**-**
United States	-	-	4,288,340	-	**4,288,340**	**181,480**
United Arab Emirates	-	-	-	-	**-**	**4,960**
Other (Ghana, Pakistan, Macao)	219	958	-	-	**1,177**	**-**
TOTAL	**219**	**5,957,428**	**11,248,441**	**56**	**17,206,145**	**11,165,326**

27.2.6. Credit Quality by Class of Financial Assets

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

BNY Mellon's internal methodology for borrower ratings is based on external ratings and a dedicated internal assessment. The internal rating scale ranges from 1 to 18 and is mapped to internally estimated probabilities of default. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on BNY Mellon SA/NV's internal credit rating system. This system can be linked to more common rating systems available on the market. The amounts represent the credit risk exposures as calculated according to regulatory rules. There are no past due or impaired financial assets recognized for BNY Mellon SA/NV in 2014 (2013: € nil).

Internal BNY Mellon rating	S&P' equivalent grades	Moody's equivalent grades	Held-for-trading	Balances with Central Banks	Available-for-sale financial assets*	Loans and receiva-bles	2014	2013
							€ Mio	€ Mio
2	AAA/AA+	Aaa/Aa1	113	5,718	3,318	336	9,485	60,254.6
3-6	AA/A	Aa2/ A2	228	239	8,789	12,878	22,133	61.2
7-9	A-/BBB	A3 /Baa2	35	-	1,144	752	1,931	1,588.9
10-13	BBB-/BB-	Baa3/Ba3	4	-	-	216	220	NA
14-16	B+/B-	B1/B3	-	-	-	57	57	NA
17	CCC+	Caa1	-	-	-	1	1	NA
NR			-	-	-	2	2	NA
			380	**5,957**	**13,250**	**14,241**	**33,828**	**61,904.8**
Accrued interest					**95**			
Total			**380**	**5,957**	**13,345**	**14,241**	**33,923**	**61,904.8**

*Available for sale portfolio is rated based on the lowest of the two external credit ratings.

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

The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with BNY Mellon SA/NV's rating policy. The attributable risk ratings are assessed and updated regularly. The Moody's equivalent grades are relevant only for certain of the exposures in each risk rating class.

27.2.7. Impairment Assessment

For accounting purposes, BNY Mellon SA/NV uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. This approach differs from the expected loss model used for regulatory capital purposes in accordance with Basel II.
The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days (60 days for overdrafts) or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. BNY Mellon SA/NV may address impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

BNY Mellon SA/NV determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

BNY Mellon SA/NV has not recorded any allowance for individual loans in 2014 (2013: € nil).

Collectively assessed allowances

BNY Mellon SA/NV also considers loans and advances on a collective basis to determine whether an additional allowance is necessary that is not captured at the individual exposure level.

BNY Mellon SA/NV has not recorded any allowance on a collective basis for loans in 2014 (2013: € nil).

27.2.8. Commitments and Guarantees

BNY Mellon SA/NV does not enter into irrevocable commitments and contingent liabilities for external customers. The off-balance sheet items of BNY Mellon SA/NV contain mainly: lease car or rental commitments, securities lending items as well as pledged financial assets. These are not qualified as loan commitments or financial guarantees. For more details please refer to note 25.

27.3. Liquidity Risk and Funding Management

Liquidity risk is the risk that BNY Mellon SA/NV is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Business model

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

BNY Mellon SA/NV's balance sheet is liability driven. It does not have "strategic" business driven assets that require funding. As a result, and by the nature of its business, BNY Mellon SA/NV has a highly liquid balance sheet.
Liabilities consist mostly of deposit balances kept by BNY Mellon global custody and corporate trust clients on sight accounts. Although such deposits are short term, clients could not take out all their cash without severely impacting their operational and business activity. Accordingly, a significant portion of these deposits is considered as operational.

Management of liquidity risk
Responsibility for strategy, policies and monitoring

The BNY Mellon SA/NV Board of Directors ultimately is responsible for the liquidity risk of BNY Mellon SA/NV and approves the liquidity risk tolerances. The Belgium Asset Liability Committee ("Belgium ALCO") is the senior management committee responsible for the oversight of liquidity management activities across BNY Mellon SA/NV. Belgium ALCO is responsible to ensure that Board approved strategies, policies, and procedures for managing liquidity are appropriately executed.

Belgium ALCO reports to the BNY Mellon SA/NV Executive Committee and functionally to the BNY Mellon's Europe Middle East & Africa (EMEA) ALCO.

Monitoring procedures

Corporate Treasury and Finance monitors internal and regulatory liquidity metrics for BNY Mellon SA/NV at varying frequencies including on a daily basis:

- Liquid Asset Buffer monitoring
- Regulatory liquidity ratios (NBB 1 week and 1 month liquidity ratios)
- Internal liquidity ratios and balance sheet related limits

The month-end ratios are also presented to the monthly Belgium ALCO meetings. In its meetings, Belgium ALCO monitors liquidity risk and ensures liquidity is adequately managed in accordance with the established risk management framework.

Additionally, BNY Mellon SA/NV also monitors and ensures compliance of its branches in Amsterdam, London, Luxembourg and Dublin with any incremental local internal and regulatory liquidity metrics.

Stress testing

Liquidity stress testing is conducted at the BNY Mellon SA/NV consolidated level. The purpose of liquidity stress testing is to examine BNY Mellon SA/NV's ability to survive a range of plausible but extreme increasingly severe liquidity stress scenarios and adverse funding conditions.

The following table details the liabilities according to the remaining term to maturity (contractual maturity date):

2014	**Overnight**	**On demand**	**Less than a week**	**Up till 3 months**	**3 months 1 year**	**1 year-5 years**	**Over 5 years**	**Gross nominal inflow/ (outflow)**	**Book Value**
	In € '000	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Non derivative liabilities									
Deposits	76,095	26,814,938	3,352,747	3,184				30,246,965	30,246,965
Deposits from central banks		1,021,110						1,021,110	1,021,110
Subordinated liabilities				15,182	14,935	124,355	386,993	541,465	358,776
Other financial liabilities		142,265						142,265	142,265
	76,095	**27,978,313**	**3,352,747**	**18,366**	**14,935**	**124,355**	**386,993**	**31,951,805**	**31,769,116**

2013	Overnight	On demand	Less than a week	Up till 3 months	3 months 1 year	1 year-5 years	Over 5 years	Gross nominal inflow/ (outflow)	Book Value
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Non derivative liabilities									
Deposits	522,102	14,915,407	33,534,073	3,078				48,974,660	48,974,660
Deposits from central banks		375,622	385,126					760,748	760,748
Subordinated liabilities				15,182	14,935	120,549	375,945	526,611	345,500
Other financial liabilities		693	15,105					15,798	15,798
	522,102	**15,291,722**	**33,934,304**	**18,260**	**14,935**	**120,549**	**375,945**	**50,277,817**	**50,096,706**

By the nature of its business, BNY Mellon SA/NV finds itself in very large long liquidity position. The liability side consists mostly of the long cash balances kept by BNY Mellon's global custody clients on the sight accounts opened on BNY Mellon books and linked to their activities in the global securities markets. Most deposits consist of re-investment of BNY Mellon Brussels and London branches corporate trust clients' deposits into BNY Mellon SA/NV.

On the asset side of the balance sheet, while overdrafts occur on specific client accounts, they are mainly of technical nature and very short duration. They never influence in any meaningful way the overall liquidity position of BNY Mellon SA/NV.

27.4. Market Risk

Market risk is the risk of loss due to adverse changes in the financial markets. Where the BNY Mellon SA/NV takes market risk in its usual course of business, we seek to stem potential losses by limiting positions that could have a material negative impact on BNY Mellon SA/NV.

The three types of market risk exposure categories are as follows:

- Equity risk or the price risk associated with a trading book. BNY Mellon SA/NV does not have a trading book, that is, it is not involved in debt, equity or commodities trading. As a consequence, BNY Mellon SA/NV is not exposed to this risk and it is not expected to change in the near future.
- Interest rate risk is the risk associated with changes in interest rates that impacts net interest income from interest-earning assets and interest-paying liabilities.
- Currency risk or the risk that a change in foreign exchange rates will create adverse impacts on the financial performance. BNY Mellon SA/NV is naturally exposed to exchange risk as it operates in more than 100 markets and in the majority of the world's currencies, resulting in long and short FX positions. In order to mitigate this, foreign exchange positions on the balance sheet are closed daily, while those generated by the translation of the P&L in EUR are closed monthly.

Furthermore, BNY Mellon SA/NV does not enter into speculative operations. For this reason, market risk is considered as very low within BNY Mellon SA/NV (i.e. €20.1 Mio capital requirements). It has to be mentioned that BNY Mellon SA/NV enters into currency swaps to manage its treasury positions. The currency swaps do not create market risk issues. The interest risk aspect of the transactions is limited as the deals are mostly overnight.

27.4.1. Market Risk Management

The Market Risk policy is determined and revised by BNY Mellon's Risk Policy Sector in conjunction with the Business line. The risk measurement is in accordance with BNY Mellon's Risk Policy Manual.

The BNY Mellon SA/NV Market Risk is assessed and monitored by the Control and Risk functions under the direction of the Chief Risk Officer of BNY Mellon SA/NV. In addition, Market Risk assessment and monitoring are conducted independently by BNY Mellon's Risk Policy function.

Market risks are reported during the monthly RMC and ALCO. BNY Mellon SA/NV runs very little market risk. It doesn't have a portfolio of securities for trading purposes and does not run foreign exchange positions for trading purposes. The only securities BNY Mellon SA/NV has are part of its liquid assets buffer, hence out of a trading portfolio, or are the result of operational errors. The amounts have, historically, been low. Upon creation of the position, it is immediately incorporated into the risk management tools.

27.4.2. Market Risk – Non-trading

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Interest rate risk framework

For BNY Mellon SA/NV, the liabilities are predominantly without maturity.

Currently, placements are mostly at a week horizon. The interest sensitivity is generated by the building up of the securities portfolio as part of the liquidity asset buffer. These securities being available for sale, management has concluded that the impact of interest rate risk is minimal due to short-term duration of interest-bearing instruments.

Nonetheless, interest rate risk is a standard agenda item of BNY Mellon SA/NV ALCO. The BNY Mellon's International Treasury Team has responsibility for setting the maturities of deposits of BNY Mellon SA/NV. At present, interest rate gaps are monitored by this team.

Sensitivity analysis

BNY Mellon SA/NV performs an interest rate sensitivity analysis which is reported to the Belgium ALCO on a monthly basis. It reflects the sensitivity of the money market placement book and the securities portfolio only. It does not include any behavioral sensitivity on the liability side of the balance sheet or interest sensitivity of the trading books e.g. FX swaps etc. This was reported as €0.006 million for money market placement book and €-2.7 million for the securities portfolio as at 31 December 2014. Interest Rate Sensitivity is based on a one basis point parallel shift in the yield curve and reflects the asset side of the balance sheet only. What this means is that in the event interest rates move higher by 1bps, this would result in a loss of €2.7 million on the asset side of the balance sheet.

For regulatory purposes (COREP), an interest rate sensitivity analysis is prepared on a quarterly basis as shown below this paragraph. The economic value of the banking book is determined by discounting the future cash flows for assets and liabilities present in this book. The sensitivity of the economic value to interest rate shocks is presented in the first column, whereas the extent the net interest income is sensitive to interest rate movements compared to the amount in 2014 is presented in the columns to follow.

Interest scenarios	Equity sensitivity		Income sensitivity		
	Economic value of banking book	Effective	Coming 12 months	Coming months 13 to 24	Coming months 25 to 36
	In € '000	In € '000	In € '000	In € '000	In € '000
Parallel increase/(decrease) of interest rate, in bps:					
300	1,104,794	-	(59,149)	(99,359)	18,923
200	1,323,056	-	(8,418)	(36,488)	39,867
100	1,546,759	-	42,313	26,382	60,811
No movement	1,776,371	73,187	93,074	89,375	82,119
(100)	1,870,042	-	61,524	40,205	14,417
(200)	1,848,476	-	53,597	35,269	8,975
(300)	1,790,261	-	52,602	35,257	8,945

Credit spread risk framework

Movements in credit spreads impact the economic value of the investment portfolio held by the Bank. The Bank's investment portfolio is accounted for under the banking book category. Given the accounting category, default risk is captured under the capital requirements (under Credit Risk) and credit spread risk is accounted for via a dedicated Economic Capital model, in place at 31 December 2014.

27.4.3. Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. In accordance with BNY Mellon SA/NV's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates a split of the statement of financial position items at carrying amounts at year end, per currency:

	EUR	GBP	USD	Other	In € '000
31 December 2014					
Total assets	15,364,043	7,405,853	7,444,418	4,567,628	34,781,942
Total liabilities and shareholder's equity	13,433,797	7,350,293	8,542,436	5,455,416	34,781,942
The statement of financial position (net)	1,930,246	55,560	(1,098,018)	(887,788)	-
31 December 2013					
Total assets	14,724,546	4,134,779	25,618,932	8,423,085	52,901,341
Total liabilities and shareholder's equity	20,399,693	6,771,083	17,755,261	7,975,305	52,901,341
The statement of financial position (net)	(5,675,148)	(2,636,304)	7,863,671	447,780	-

The table below indicates the currencies to which BNY Mellon SA/NV had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Euro, with all other variables held constant, on the consolidated statement of profit and loss and other comprehensive income and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as non-qualifying economic hedges). A negative amount in the table reflects a potential net reduction in consolidated statement of profit and loss and other comprehensive income or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the Euro would have resulted in an equivalent but opposite impact.

Currency	**Variation**	**Conversion rate at closing**	**Effect on profit before**	**Effect on equity**	**Variation**	**Conversion rate at closing**	**Effect on profit before**	**Effect on equity**
		2014	**2014**	**2014**		**2013**	**2013**	**2013**
			€ Mio	**€ Mio**			**€ Mio**	**€ Mio**
Scenario 1	1%				1%			
USD	0.0122	1.2155	78.0	62.17	0.0138	1.3791	122.6	2.7
GBP	0.0078	0.7787	9.77	9.68	0.0083	0.8337	27.4	6.5
Scenario 2	Maximum variation over one year				Maximum variation over one year			
USD	0.1812	1.2155	1,162.84	926.74	0.3530	1.3791	3,138.2	68.5
GBP	0.061	0.7787	76.52	75.82	0.2452	0.8337	806.8	192.4
Scenario 3	Over 10 years				Over 10 years			
USD	0.4323	1.2155	2,774.25	2,210.99	0.7738	1.3791	6,879.2	150.2
GBP	0.3237	0.7787	406.06	402.35	0.4075	0.8337	1,340.6	319.7

BNY Mellon SA/NV also manages its liquidity by currency and ensures that the net position in each currency does not exceed internal limits.

27.5. Operational Risk

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

BNY Mellon SA/NV manages operational risk within the Basel II framework. Key operational risks for BNY Mellon SA/NV include:

- Internal and external fraud
- Corporate actions
- Transaction processing errors
- Sub-custodian bankruptcy
- Business continuity

Given BNY Mellon SA/NV's role as a major custodian, processing and fiduciary service provider, BNY Mellon SA/NV considers that operational risk is an important risk. Indeed, it is this risk that materializes the biggest loss events.

The main responsibilities of these persons are:

- Ensure the lines of business comply with Corporate Risk Policy, from an operational risk perspective.
- Work closely with line of business management to understand the business, identify risk issues, ensure the risks are assessed and are monitored.
- Ensure that risk identification and assessment techniques are in place and maintained (both high level and granular assessments).
- Ensure that appropriate risk monitoring is in place, maintained and challenged (particularly RCSA control gaps, action plans and Key Risk Indicators) and that trends are identified and actions are being taken and escalated where appropriate to the line of business, the risk management sector and the local risk committee.
- Assess emerging risks, including those related to new client take-on, new products or significant process/business changes and challenge risk mitigating solutions as appropriate.
- Participate in appropriate business risk meetings / committees to identify opportunities to challenge risk mitigators/controls and reduce risk.
- A hybrid model that incorporates historical loss data (internal and external) and forward-looking scenario analysis has been developed in 2014. This approach uses forward-looking scenario data to adjust a base model fitted to historical loss data. The base model of the hybrid framework uses the same methodology as BNY Mellon's group-level production AMA model. The hybrid model also incorporates several enhancements in terms of model robustness, model selection and justification, sensitivity analysis, model stability, and benchmarking analysis. The final validation of the hybrid model will be completed in Q1 2015.
- Capital requirement for operational risk Pillar 2 resulted in an amount of €133 Mio (2013: €93 Mio), versus the Pillar 1 calculation of €83 Mio (2013: €83 Mio).

28. Capital

BNY Mellon SA/NV maintains an actively managed capital base to cover risks inherent to the business. The adequacy of BNY Mellon SA/NV's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the NBB in supervising BNY Mellon SA/NV. During the past year, BNY Mellon SA/NV had complied with its externally imposed capital requirements. Please refer to point 27.1.4 for additional comments on excessive risk concentration.

28.1. Capital Management

According to Pillar II of the Basel principles, banks have to perform their own evaluation of the economic capital and to conduct stress tests in order to assess their needs in own funds in case of a downturn in the economy. This pillar has the effect of structuring the dialog with the NBB on the capital adequacy level adopted by the credit institution.

In the framework of the Internal Capital Adequacy Assessment Process (ICAAP), BNY Mellon SA/NV defined measurement methods for its economic need for capital as well as management and control methods to encompass its risk policies. Furthermore, stress test scenarios are applied, e.g. economic downturn scenarios as well as idiosyncratic scenarios. These tests conclude that BNY Mellon SA/NV is sufficiently capitalized to encompass most of the scenarios. Where needed, additional capital requirement were calculated on the basis of the stress test. The difference between the economic capital and the regulatory capital incorporates the margin ensuring that the capital level of BNY Mellon SA/NV is sufficient at all times. The latter is in function of the risk profile and of the risk aversion of BNY Mellon SA/NV. Based on the new prudential regulation (Basel III), this capital ratio has improved compared to 2013 as observed in the table below:

Regulatory capital

	2014	**2013**
	€ Mio	**€ Mio**
Qualifying Core Tier1 capital	2,268.08	2,182.47
Qualifying Tier1 capital	-	345.50
Total qualifying Tier 1 capital	2,268.08	2,527.97
Deductions	(654.01)	(585.43)
Total Tier 1 capital	1,614.07	1,942.54
Total qualifying Tier 2 capital	345.50	-
Total capital	**1,959.57**	**1,942.54**
Total Risk Exposure Amount	**6,648.95**	**10,900.64**
Risk weighted exposure amount for credit risk	**5,298.32**	**9,709.03**
Risk exposure amount for foreign exchange risk	**251.48**	**154.98**
Risk exposure amount for credit valuation adjustment (CVA)	**58.12**	**N/A**
Risk exposure amount for operational risk	**1,041.03**	**1,036.63**
Capital Ratios		
Core Tier 1 capital ratio	24.28%	14.65%
Tier 1 capital ratio	24.28%	17.82%
Total capital ratio	29.47%	17.82%
Leverage Ratio	3.726%	N/A

Regulatory capital consists of qualifying core Tier 1 capital, which comprises the paid up share capital, share premium, retained earnings, including current year profit and filtering out the valuation reserves, less goodwill and other intangibles. For risk weighted exposure amount for credit risk, the standardized approach is used. Certain adjustments are made to IFRS-based results and reserves. As of 2014 perpetual subordinated debt is qualified as Tier 2 capital (2013: Tier 1) as it does not meet the specific conditions under Basel III regulation.

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