



THE BANK OF NEW YORK MELLON



**The Bank of New York Mellon (Ireland) Limited
Pillar 3 Disclosure for the year ended 31st December 2010**

Date of Board Approval: 19 April 2011

Pillar 3 Disclosures – Policy and Approach

Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by the Basel II framework. Pending implementation of the Basel II framework by The Bank of New York Mellon Corporation, there is currently no comparable disclosure provided on a consolidated basis by the firm's parent. As such, this disclosure has been prepared for the Irish regulated entity.

This disclosure has been approved by the Board of Directors (BOD) and Management Committee who have verified that they are consistent with formal policies adopted regarding production and validation.

Information in this report has been prepared solely to meet the disclosure requirements of the Capital Requirements Directive and to provide certain specified information about capital and other risks and details of the management of those risks and for no other purpose. This paper does not constitute any form of financial statement on the business nor does it constitute any form of contemporary or forward looking record or opinion about the business.

Unless indicated otherwise, information contained within this document has not been subject to external audit.

The company will reassess the need to publish some or all of the disclosures more frequently than annually in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy and information about risk exposure and other items prone to rapid change.

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

The BOD, at its discretion, may omit one or more of the disclosures if those items include information which, in the light of requirements is regarded as proprietary or confidential. In this circumstance, the BOD will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure and will publish more general information about the subject matter of the disclosure requirement except where these are to be classified as secret or confidential.

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

Disclosures will be published on The Bank of New York Mellon group website (www.bnymellon.com), (section: Investor relations, financial reports, other regulatory filings).

This policy will be periodically reassessed and updated in light of market developments associated with Pillar 3.

The Bank of New York Mellon (Ireland) Limited

Pillar 3 Disclosure for the year ended 31st December 2010

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1. Introduction and Business Developments

This document represents the 'Pillar 3' disclosure for The Bank of New York Mellon (Ireland) Limited (BNYMIL or the Bank) as at 31 December, 2010. It is required by directives 2006/48/EC and 2006/49/EC, known as the Capital Requirements Directive ('CRD') relating to the taking up and pursuit of the business of credit institutions, which was transposed into Irish law at the end of 2006.

BNYMIL is a credit institution authorised by the Central Bank of Ireland (CBI). BNYMIL is required to file regulatory returns with the CBI for the purpose of assessing, inter alia, its capital adequacy and balance sheets.

Apart from the new deposits taken in 2010 the business has been stable. There was no other major change in business or any other new business development during the reporting period.

1.1. Purpose of Pillar 3

Basel II is the international banking accord intended to strengthen the measurement and monitoring of financial institutions' capital. As mentioned, the Basel II framework was implemented in the EU through the CRD. The Basel II framework established a more risk sensitive approach to capital management and is comprised of three pillars:

- **Pillar 1** establishes rules for the calculation of minimum capital for Credit, Market and Operational Risk. It brings greater granularity in risk weightings under the standardised approach for credit risk and introduces an explicit capital requirement for operational risk.
- **Pillar 2 (Supervisory Review)** is an internal discipline, known as Internal Capital Adequacy Assessment Process ('ICAAP'), to evaluate the adequacy of the regulatory capital requirement under Pillar 1 and other non pillar 1 risks. This pillar requires the CBI to undertake a supervisory review to assess the robustness of the Bank's internal assessment.

- **Pillar 3 (Market Discipline)** complements the other pillars and effects market discipline through public disclosure. It involves disclosure of a suite of qualitative and quantitative risk management information to the market.

2. Scope and Application of Directive Requirements

BNYMIL was incorporated in Ireland in 2006. BNYMIL is a wholly owned subsidiary of The Bank of New York Mellon, itself a direct subsidiary of The Bank of New York Mellon Corporation (BNYMC). BNYMIL is a solo entity with no direct subsidiaries and provides services to support debt issuance products. The Bank does not offer these services in a principal capacity but merely provides services for clients in an agency capacity. This client base utilise BNYMIL's banking facilities, including overnight and fixed term deposits, as well as lending services. As a credit institution authorised under the Central Bank Act, 1971, BNYMIL is required to comply with the Capital Requirements Directive and related guidelines issued by the CBI.

BNYMC is committed to the maintenance of strong capital levels throughout the Group. The Chairman and the Chief Financial Officer of BNYMC determine the appropriate level of capital taking into consideration a number of factors including: asset size, quality and duration; off-balance sheet commitments; risk characteristics; the Group's internal economic capital usage model; regulatory guidelines; rating agency policies; expectations of the marketplace; and growth and economic conditions. This is one of Group Management's most important ongoing responsibilities. The objective is to provide a level of capital high enough for the Group companies to support risk and absorb losses, while ensuring appropriate returns on equity and continued access to external sources of capital at competitive rates.

The Directors are not aware of any restrictions on their ability to request capital from the Parent Company.

3. Scope and Nature of Risk Reporting Systems

All of BNYMIL business activities are included under the Basel II capital reporting requirements. Credit and market risk are reported using the Standardised approach. Operational Risk data is captured on internally developed risk management systems.

The purpose of the Bank's risk measurement and reporting systems is to ensure that all risks and exposures are comprehensively captured, with all of the attributes necessary to support robust decision making by Senior Management and risk mitigation within approved risk appetite levels.

Risk measurement and reporting systems are subject to a robust governance framework to ensure that their design is fit for purpose and that they are functioning properly and that controls are effective. Risk systems development is a key responsibility of group IT while the operation and development of risk rating and management systems and processes are subject to oversight by various levels of management up to the Board of Directors.

The measurement and monitoring of the major risks encountered by the Bank, including operational risks, are increasingly delivered by Group systems. If this is not the case for sound business reasons, monitoring is performed through structures and processes that support comprehensive oversight by senior management.

There is regular reporting on risk to business line management, to specialist functions and to the Senior Management of the Bank.

4. Governance, Policies and Risk Management Structure

4.1. EMEA Risk Management Framework

Throughout 2010 the EMEA Chief Risk Officer (CRO) conducted a review of the risk management framework across the region. This led to the development of an integrated Enterprise Risk Management Framework for the EMEA region in harmony with the developing EMEA regulatory environment, and identified some areas for strengthening.

The main focus of the ERM framework was consistency of Management Information reporting,

Risk Appetite methodology review, and strengthening of capital adequacy processes and ICAAP standards for all legal entities. This led the EMEA Region to streamline risk management structures and reporting into three distinct levels: Risk Oversight, Risk management hierarchy, and Risk and capital reporting.

4.2. BNYMIL Risk Governance Framework

Overall responsibility of the day to day operations of BNYMIL is assigned to the Chief Executive Officer who reports to the Board of Directors. The Board provides the governing and decision making functions and receives reports from Risk Management, Compliance and Internal Audit to evaluate the effectiveness of the existing control environment.

The Board has established a number of committees to provide further oversight:

- 1) The Audit Committee has oversight responsibilities in respect of the effectiveness of BNYMIL's internal controls, internal audit, risk management systems, financial reporting and statutory external audits of the annual accounts.
- 2) The Credit Committee approves Committed Loan Facilities and manages credit risk.
- 3) Ireland Asset & Liability Committee (IALCO) is specifically responsible for interest rate and liquidity risks.
- 4) The Management Committee is the principal risk committee monitoring the activities of BNYMIL. One of the functions of the committee is to exercise senior level oversight over all categories of risk (with the exception of Credit Risk), oversee risk policy and the risk control environment and ensuring adherence to risk management policies and procedures in BNYMIL. The committee is also responsible for assessing and approving incremental risks incurred through business process and product change, and monitor risks and the drivers of risk through the formalised reporting of key metrics.

Local risk policies are required to be formally re-approved at least annually by the BNYMIL Board of Directors. BNYMIL proactively manages and minimises risks.

BNYMIL operates primarily in the Financial Markets and Treasury Services sector of The Bank of New York Mellon Corporation (BNYMC). The methodology applied in BNYMIL's prospective operations to identify

risks and assess the quality of controls is driven by a line of business self assessment that is overseen by the Management Committee, Risk management and other executive and non-executive independent board members. The board members generally meet on a quarterly basis and receive reports from Risk Management, Compliance and Audit to evaluate the effectiveness of the existing control environment.

Risk is owned and managed by the business, with monitoring support provided by a number of sources including Risk resources from Corporate Trust Business as well as the newly formed EMEA Risk Oversight team. This is further strengthened by the EMEA CRO recently becoming a member of the Board.

4.3. Risk Appetite

The BNY Mellon Group Board define risk appetite as being ‘the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders.’

This message was been further refined by Bob Kelly, Chairman and CEO who set the tone for the company’s risk appetite with the issuance of the following overview:

“Given the critical role that BNY Mellon plays in supporting our clients and providing infrastructure for the global capital markets, our financial stability throughout market cycles is essential. Clients and market participants need to be able to have confidence that we will remain strong and continue to deliver uninterrupted service, globally. Consistent with that imperative, we focus on maintaining a “fortress” balance sheet. Consequently, we assume less risk than most financial service companies. Our primary risk is operational, consistent with our business model as a leading provider of asset management and Securities services.”

All BNY Mellon subsidiaries have a responsibility through their respect boards to articulate and communicate a clear set of metrics that define its appetite to risk. This process is undertaken in a manner that enables each Legal Entity to produce a risk appetite statement and set of supporting tolerance levels that is appropriate for the business. All risk appetite and tolerance measure must be monitored, measured and used to manage risk within the business.

The principal risks to which BNYMIL is exposed are detailed as follows:

4.4. Credit Risk

Credit Risk covers default risk from counterparties or clients for loans, commitments, securities, and other assets where realisation of the value of the asset is dependent on counterparties’ ability to perform.

BNYMIL’s credit team selectively uses credit facilities to enhance relationships and solely to support the generation of non-credit, fee-based revenue while limiting the potential for significant earnings volatility. To achieve the desired result BNYMIL maintains investment grade exposures, avoids client concentrations and eliminates exposures which are not aligned with its overall strategy.

4.4.1. Management Structure for Credit Risk

BNYMIL will extend credit to their clients in the form of Overdrafts and Committed Loan Facilities.

Credit exposures require the approval of Credit Officers on the BNYMIL Credit Team with the necessary lending authority. Credit limits are established by the Board for the Ireland Credit Officer (ICO) and designated Credit Officers. Committed Loan facility requests must be approved by the BNYMIL Credit Committee.

All clients and counterparties are assessed and allocated a borrower rating. Credit decisions are based on independent credit risk analysis, supplemented by the output of internal ratings tools and external rating agency analysis, where available.

Monitoring and control is conducted via a number of real-time systems to ensure that approved exposure levels are not exceeded, or are pre-approved by a credit officer with appropriate limits. Post event monitoring is also conducted by both business areas and the Credit function.

BNYMIL does not engage in hedging its Credit risk as it believes the policies in place are sufficient to ensure adequate credit quality.

The BNYMIL Credit Team is prohibited from serving in any fiduciary capacity on behalf of any borrower or its bondholders.

4.4.2. Uncollected Funds and Overdrafts

In situations where insufficient funds are available due to processing errors or delays on the part of either the Bank or the client, BNYMIL may approve spot exposures where the Bank can readily verify impending receipt of covering funds. These are generally intra-day exposures because BNYMIL expects receipt of covering funds the same day without creation of an overdraft position at close of business.

Intra-day Payment Credit Lines establish daylight exposure limits for the cash management needs of clients. This facilitates the disbursement of a client's funds in BNYMIL accounts (whether in connection with cash payments or security transactions) to their investors prior to the credit of covering funds in the client's BNYMIL accounts.

4.4.3. Committed Loan Facilities

Committed Loan Facilities consist of secured committed revolving facilities to our clients, which are mainly special purpose vehicles (SPV) which have been established to facilitate debt issuance products such Collateralised Debt Obligations (CDOs). Committed Loan Facilities provide credit to bridge CDO accruals.

In short, the facilities provide cash to pay out to SPV investors that would otherwise be unavailable due to timing differences between payout and receipt of monies. Not to be used for long term borrowing, equity infusion or yield enhancement, the facilities are governed by standard loan documentation. This documentation is approved by external counsel and sets forth the approved terms and conditions of usage.

For Committed Loan Facilities the BNYMIL Credit Team receives weekly past due principal and interest reports for their clients' facilities.

4.4.4. Credit risk exposure under Basel II

Credit exposure is computed under the Standardised Approach under Section 3, Subsection 1 of Directive 2006/48/EC and Chapter 2 of Statutory Instrument No. 661 of 2006.

Standardised gross Credit exposure (EAD pre CRM)

Standardised exposure classes	EAD pre CRM		Average EAD pre CRM	
	2010	2009	2010	2009
At 31st December	€000s		€000s	
Central governments & central banks	14,284	50	1,236	50
Regional governments & Local authorities	-	-	-	-
Institutions	-	-	-	-
Corporates	2,118	-	177	-
Short term claims on Institutions & Corporates	349,271	32,845	170,304	32,845
Collective Investment Undertakings	-	-	-	-
Other items	11,105	10,037	11,372	10,037
Total	376,778	42,932	183,089	42,932

4.4.5. Standardised gross Credit exposure (EAD pre CRM) by residual maturity

Standardised exposure classes	On demand		Up to 1 year ex on demand		Total	
	2010	2009	2010	2009	2010	2009
	€000s		€000s		€000s	
Central governments & central banks	14,284	50			14,284	50
Institutions						
Corporates			2,118		2,118	
Short term claims on Institutions & Corporates	349,271	32,845			349,271	32,845
Collective Investment Undertakings					-	
Other items			11,105	10,037	11,105	10,037
Total	363,555	32,895	13,223	10,037	376,778	42,932

4.4.6. Standardised gross Credit exposure (EAD pre CRM) by geographic area

Standardised exposure classes	UK		Europe, Middle East & Africa		North America		Asia Pacific		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	€000s		€000s		€000s		€000s		€000s	
Central governments & central banks	-	-	14,284	50	-	-	-	-	14,284	50
Institutions	-	-	-	-	-	-	-	-	-	-
Corporates	2,118	-	-	-	-	-	-	-	2,118	-
Short term claims on Institutions & Corporates	-	19,521	349,271	13,324	-	-	-	-	349,271	32,845
Collective Investment Undertakings	-	-	-	-	-	-	-	-	-	-
Other items	1,773	2,049	9,332	7,988	-	-	-	-	11,105	10,037
Total	3,891	21,570	372,887	21,362	-	-	-	-	376,778	42,932

4.4.7. Standardised gross Credit exposure (EAD pre CRM) by Industry sector

Industry sector	Central gov'ts & central banks		Institutions		Corporates		Short term claims on Institutions & Corporates		Collective Investment Undertakings		Other items		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	€000s		€000s		€000s		€000s		€000s		€000s		€000s	
Central & local government	-	-	-	-	-	-	-	-	-	-	-	-	-	-
companies & Pension funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks & Other financial	14,284	50	-	-	2,118	-	349,271	32,845	-	-	11,105	10,037	376,778	42,882
Private sector education, health	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other business activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community service activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other individual Loans & Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	14,284	50	-	-	2,118	-	349,271	32,845	-	-	11,105	10,037	376,778	42,882

4.4.8. Measure of Credit Quality in the Bank

Expected default frequency ratings are assigned to each loan facility based on statistically valid default probabilities developed by Moody's KMV, agency ratings and expert judgment. These ratings range from 1 (strongest) to 18 (Loss).

After the loan closes it is subjected to a series of regularly scheduled reviews intended to provide early warning signs of deteriorating credit quality.

Annual credit quality reviews are performed by the BNYMIL Credit Committee in conjunction with the annual renewal date of the facility during which the quality of the borrower's credit and collateral is assessed and the facility's risk ratings are evaluated. Monthly monitoring of all loan facilities is also performed as long as loans are drawn.

Any loan downgraded to Criticized is subject to a written quarterly portfolio review. At any point in the Credit Risk management process, management may recommend that the facility be placed in the non-performing asset category and that a charge-off be taken. What is more, Intra-day exposures require the approval of two or more members of the Credit Team and are monitored to ensure timely repayment.

4.4.9. Impaired and Past Due Assets and Provisions

For BNYMIL, specific provisions are made against an asset when, in the opinion of the Directors, recovery in full is doubtful. In the case of overdrafts, regular reports detailing the status of past due accounts are made to the Credit Committee.

The predominant methodology for impairment under FAS 5 is the expected loss method, which uses

probabilities to calculate the provision for loan losses on passing credits: expected frequency, loss given default and usage given default.

The primary method for measuring impairment is by using the present value of expected future cash flows. All aspects of credit risk monitoring and provisioning are scrutinized for accuracy and completeness, and coordinated among all required internal functions.

Some of the structural safeguards in place for loans include documentation that:

- Requires acceptable levels of collateral,
- Clearly limits drawdowns,
- Disallows a borrower to draw against losses or defaulted assets,
- Places BNYMIL's claims senior to those of investors, and
- Does not allow drawing after applicable credit enhancements are exhausted.

A general provision may be made to cover bad and doubtful debts that have not been separately identified at the balance sheet date.

As at 31st December 2010, there were no impaired assets of a material amount.

4.4.10. Credit Risk Mitigation

As at 31st December 2010, BNYMIL did not apply any financial collateral, third party guarantees, credit derivatives or other collateral as credit risk mitigation within the Pillar 1 calculation.

4.4.11. Counterparty Credit Risk

In the context of Pillar 3 disclosure, counterparty credit risk is the risk that a counterparty to a contract recorded in either the Trading Book or Banking Book could default before settlement of the transaction's final cash flows. As at 31st December 2010, BNYMIL did not have a Trading Book nor did it have any derivatives in a Banking Book and therefore no further disclosure is required.

4.5. Market Risk

Market risk is the potential adverse change in income or in the value of assets and liabilities arising from movements in market rates, including interest rates, exchange rates, equity prices and indexes.

The Bank's strategy is to not run a trading book and to match its interest rate risk on its non trading book, thereby minimizing market risk exposure. BNYMIL will not have any material FX mismatches. Any minor

non-Euro exposures are converted regularly by the Treasurer into Euro positions.

BNYMIL does not take trading positions and therefore does not have Market risk exposure, calculated using the standard approach, apart from foreign currency position risk arising from day to day activities.

4.6. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events including the potential for loss that arises from problems with operational processing, human error or omission breaches in internal controls, fraud, and unforeseen catastrophes.

BNYMIL has set extensive Operational risk policies, the objectives of which are to prevent or minimise:

- Errors or service delivery failures
- Financial Losses or near miss events
- Compliance Breaches
- Reputation Damage

The level of BNYMIL's residual operational risk is managed by rigorous operating policies, procedures and controls. Specifically, Key Risk Indicators, or KRIs, provide early warnings of operational issues to Management. KRIs derived from both policy and regulatory limits focus on major risks and drive information flow upwards through Senior Management to the Board.

Risk Management and the Management Committee oversee the output and recording of this assessment with support and approval of Senior Management.

The lines of business are responsible for actively identifying their risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk, and assigning accountability for the effectiveness of those controls.

4.7. Liquidity Risk

Liquidity risk is the current or prospective risk to earnings and capital arising from an institution's inability to meet its liabilities as they fall due.

BNYMIL will at all times maintain liquidity resources which are adequate in terms of both amount and quality, to ensure that there is no significant risk that its liabilities cannot be met in full.

Senior management is responsible for establishing appropriate liquidity risk tolerances; for approving,

reviewing and updating the firm's approach to managing liquidity risk; and for reviewing the firm's liquidity position including compliance with the CBI's revised "Requirements for the Management of Liquidity Risk," most recently amended June 2009.

BNYMIL has stringent daily liquidity monitoring processes in place. Liquidity stress testing and qualitative measures are required by the Bank's Liquidity Policy. All deposits are currently placed with The Bank of New York Mellon's branch in Brussels overnight.

4.8. Concentration Risk

Concentration risk is the risk of loss related to credit activities and any other significant interrelated asset or liability exposures which in cases of distress in some markets /sectors /countries or areas of activity may threaten the soundness of the institution. It can be intra concentrations within market, credit, liquidity, operational, and business risks and inter concentrations between different risk categories.

4.9. Group Risk

Group risk is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group, for example reputational contagion, parent default.

BNYMIL is a subsidiary of The Bank of New York Mellon (the Parent), which is owned by The Bank of New York Mellon Corporation. Being part of the BNY Mellon Group (the Group), where appropriate, BNYMIL seeks to utilise available resources of the Group. Group risk for BNYMIL covers certain IT systems and support services plus some intra-group deposits, and risk participation agreements.

4.10. Compliance Risk

Compliance Risk covers the impact on earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executors to fines, payment of damages, the voiding of contracts and damaged reputation (with accompanying indirect costs).

The BNYMIL Compliance function comprises the Head of Compliance for Ireland who acts as Compliance Officer and Money Laundering Reporting Officer (MLRO), a deputy MLRO and a Compliance Manager. There are additional staff within the wider

Compliance function in Ireland who can provide support to the BNYMIL Compliance function if required.

The Compliance function is part of a global compliance organisation which reports through the Head of International Compliance to the Chief Compliance and Ethics Officer for The Bank of New York Mellon Corporation. The Chief Compliance & Ethics Officer reports to the Chief Risk Officer.

The role of the Compliance function is to provide leadership, guidance, and oversight to help business units identify applicable laws and regulations and implement effective measures to meet the specific requirements, including the execution of a risk based compliance monitoring programme, the results of which are escalated to Senior Management and the Board.

The Board and the Audit Committee will review the annual compliance plan, and will receive regular reports on compliance issues. BNYMIL aims to meet all regulatory and compliance requirements.

4.11. Strategic Risk

Strategic risk is defined as the risk of direct or indirect loss arising from the adverse effects or the improper implementation of business decisions. Business Risk and Reputation risk faced by BNYMIL falls under it.

4.12. Business Risk

Business risk is defined as the risk of loss caused by unexpected changes in the external macro environment, client behaviour or events that impact earnings including contracting markets, reduced margins from competitive pressure, adverse customer selection, and business concentration.

4.13. Reputation Risk

Reputation risk covers the risk to the bank's brand and relationships which do not arise out of any error.

4.14. Fiduciary Risk

Fiduciary risk is the risk arising from not serving in the best interests of clients as trustee, executor, investment agent or guardian in accordance with governing documents, "prudent person" principles and applicable laws, rules and regulations. Fiduciary risk is directly impacted by the management of other risk factors such as Market, Compliance and Transaction Risk

5. Capital Resources

During the year ended 31st December 2010, BNYMIL complied with all of the externally imposed capital requirements to which it was subject. The following table summarises the composition of BNYMIL's regulatory capital as reported to the FR as at 31st December 2010. The group did not have any Innovative Tier 1 capital resources or Tier 3 capital as at 31st December 2010.

5.1. Regulatory Capital as at 31st December 2010

Capital Resources (unaudited)	Notes	2010	2009
		€000's	€000's
Tier 1 capital			
Called up share capital		42,013	42,013
Retained earnings and other reserves		23,080	15,286
		65,093	57,299
Deductions from Tier 1 capital			
Intangible assets	1	-24,684	-27,869
Total Tier 1 capital after deductions		40,409	29,430
Tier 2 capital			
<i>Lower Tier 2 capital</i>			
Total Tier 2 capital		0	0
Total capital resources		40,409	29,430

1. Intangible assets comprise goodwill.

Capital ratios	
Tier 1 (Capital Resources/ Tier 1 Risk Weighted Capital Requirements*8%)	31.12%
Total capital (Capital Resources/Total Risk Weighted Capital Requirements*8%)	20.75%

5.2. Capital Requirements and Adequacy

BNYMIL's capital management approach is driven by a desire to maintain a strong capital base to support the development of the business and to meet regulatory capital requirements at all times. The BOD, through setting its risk appetite and focusing on risk assessment, evaluates its current and projected capital requirements under business as usual and stress conditions.

Our stress testing process is an intrinsic part of our overall ERM program and provides contributions to our risk assessment process and overall risk profile, in the course of our regular and disciplined approach in this area. This includes producing granular level forecasts to ensure meaningful consolidated base case projections and stress testing outputs.

Building on the methodologies documented in the 2010 ICAAP submission, a wider variety of stress

testing methodology has been introduced in 2011. This process allows tangible outcomes of current and emerging risks as well as potential strategic decisions to be identified for use by Management in decision making and capital planning.

For BNYMIL, the ICAAP has determined that currently there is sufficient capital to support the ongoing and pipeline projected business. The main sources of risk have been identified, assessed and approved by the relevant senior managers after taking into account the mitigating controls and rationale for direction of risk, in light of the risk appetite set by the Board.

Key outcomes of the ICAAP, internal control environment and governance arrangements are routinely reviewed and challenged by the Management Committee and Senior Management. The Management Committee is required to undertake the formal review of the ICAAP at least annually.

BNYMIL considers that the regulatory capital treatments generally provide an adequate cushion to meet 'business as usual' risks or risks arising from stressed events. Current and projected capital adequacy has also been assessed under a severe economic downturn scenario and was found to be adequate.

5.3. Capital Requirements by exposure class and capital adequacy surplus

Exposure class (unaudited)	2010	2009
As at 31st December	€000s	
Credit risk – standardised approach		
Institutions		
Corporates	169	
Short term claims on Institutions & Corporates	5,588	526
Collective Investment Undertakings		
Other Items (1)	888	803
Total Credit risk capital requirements	6,645	1,329
Operational risk – standardised approach	3,575	4,200
Market risk		
Foreign currency Position Risk Requirement (2)	166	302
Total Market risk capital requirements	166	302
Total Pillar 1 Capital Requirements	10,386	5,831
Capital surplus	30,023	23,599
Total Capital Resources / Total Pillar 1 Capital Requirements	31.13%	40.38%

6. Non-trading book exposures in equities

As at 31st December 2010, BNYMIL had no equity shares intended for use on a continuing basis in the group's activities, which were classified as investment securities and which were stated at cost less provision for any impairment in value. The Bank did not recognise any gains or losses from the sale of equities in the non-trading book during the year ended 31st December 2010.

7. Interest Rate Risk

Interest rate risk is the risk associated with changes in interest rates that affect net interest income (NII) from interest-earning assets and interest-paying liabilities.

For regulatory purposes, interest rate risk is monitored in the trading portfolio and banking book separately. The firm is exposed to interest rate risk in the banking book from on-balance assets and liabilities (there are currently no off-balance sheet exposures) and from movements in domestic and foreign interest rates that affect its business activities.

From an economic perspective, it is the Bank's policy to minimize the sensitivity of net accrual earnings to changes in interest rates and, where interest rate risk is retained, to ensure that appropriate resources, measures and limits are applied.

8. Securitisation

During the year ended 31st December 2010, BNYMIL was neither active as originator or sponsor of any traditional or synthetic securitisation including securitised revolving exposures.

9. Remuneration

The Capital Requirements Directive III remuneration provisions and the related CEBS Guidelines came into effect on 1 January 2011. We are required to provide an update on the implementation status to the CBI by the 30 April 2011. Steps are being taken to put in place policies and processes to ensure our ongoing compliance. This will include developing our Remuneration Policy Statement which will complement our existing Global Compensation Philosophy and Principles.

10. Glossary of terms

The following terms are used in this paper

- **Basel II** The June 2006 capital adequacy framework issued by the Basel Committee on Banking Supervision in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
- **BNYMC** The Bank of New York Mellon Corporation, a holding company incorporated in Delaware
- **BNYMIL** The Bank of New York Mellon (Ireland) Limited
- **BOD** BNYMIL Board of directors
- **BNYMSA** The Bank of New York Mellon SA-The Belgian Bank
- **CCR** Counterparty Credit Risk
- **CRD** Capital Requirements Directive
- **Credit risk mitigation** A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection.
- **Derivatives** A derivative is a financial instrument that derives its value from one or more underlying assets, for example bonds or currencies.
- **eCAP** electronic Credit Approval Process- a secure email enabled approval workflow database
- **Economic capital** An internal assessment of the amount of capital required to protect against potential unexpected future losses arising from business activities, across a defined time horizon and confidence interval.
- **EMEA** Europe, Middle East and Africa
- **FR** Irish Financial Services Regulatory Authority
- **IALCO** BNYMIL Ireland Asset and Liability Committee
- **ICO** Ireland Credit Officer
- **IFRS** International Financial Reporting Standards.
- **Institutions** Under the Standardised approach, Institutions are classified as credit institutions or investment firms.
- **Internal Capital Adequacy Assessment Process (ICAAP)** The Group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints.
- **KRI** Key risk Indicators- A tool for Line of Business management and Risk management to evaluate control effectiveness
- **RCSA** Risk and Control Self Assessment- The process by which the Lines of Business and Shared Services Managers are responsible for actively identifying their risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability.
- **Risk appetite** A definition of the types and quantum of risks to which the firm wishes to be exposed.
- **Risk-weighted asset (RWA)** Calculated by assigning a degree of risk expressed as a percentage (risk weight) to an exposure in accordance with the applicable Standardised approach rules.
- **Securitisation** A transaction or scheme whereby the credit risk associated with an exposure, or pool of exposures, is tranching and where payments to investors in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures. A traditional securitisation involves the transfer of the exposures being securitised to an SPE which issues securities. In a synthetic securitisation, the tranching is achieved by the use of credit derivatives and the exposures are not removed from the balance sheet of the originator.
- **Standardised approach** In relation to credit risk, a method for calculating credit risk capital requirements using ECAI ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
- **Tier 1, Tier 2 and Tier 3 Capital** Have the meanings given to such terms in the Capital Requirements Directive

11. Appendix 1

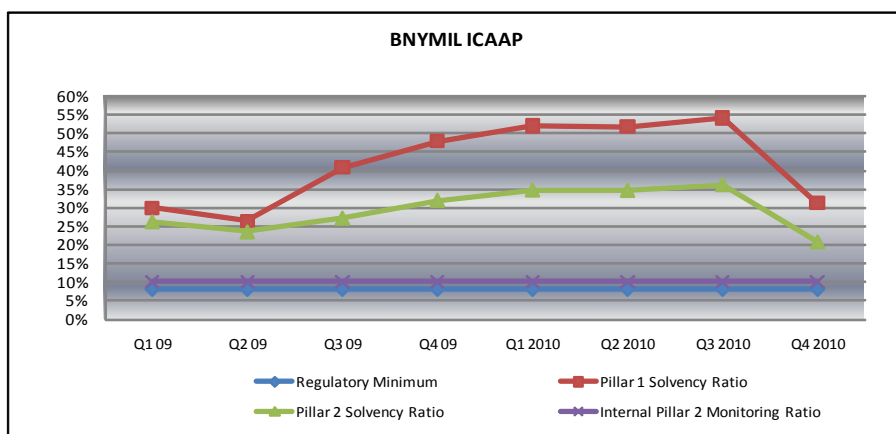
Capital Requirement Summary

The Basel II capital calculation outputs and solvency ratios as at the end of December 2010 were as follows:

Dec-10

Basel Asset Class	Capital	Exposures			Risk Weighted Amount					
	Requirement	Drawn	Undrawn	Total	Drawn		Undrawn		Total	
	€m	€m	€m	€m	€m	Ave RW%	€m	Ave RW%	€m	Ave RW%
Banks	5.588	349.27	-	349.27	69.85	20%	-	0%	69.85	20%
Corporates	0.17	2.12	-	2.12	2.12	-	-	-	2.12	-
Other assets	0.888	11.10	-	11.10	11.10	100%	-	0%	11.10	100%
Central Bank	-	14.28	-	14.28	-	0%	-	100%	-	0%
Securitisations	-	-	-	-	-	-	-	-	-	-
Credit Risk total	6.65	376.78	-	376.78	83.08		-		83.08	

Operational Risk	3.575
Market Risk	0.17
Total Pillar 1	10.39
Op Risk	
Concentration	
FR Interim requirement	5.19
Total Pillar 2	5.19
Total Capital Req	15.58
Own Funds	
Tier 1	40.41
Tier 2	0
Total Own Funds	40.41
P1 Solvency Ratio	31.12%
P2 Solvency Ratio	20.75%
Regulatory Minimum	8.00%



COMMENTARY

Figures up to Q2 2009 are taken from the ICAAP forecasts, Aug 2009 onwards figures are actuals. Previous actual data not available, as August was the first live run of this Management report.

The total Solvency ratio continues to be above the minimum solvency limit imposed by the CRD of 8%.

Exposures to banking institutions are assigned a risk weighting derived from the external rating by an eligible rating agency. Therefore, the risk weightings can differ from 0% to 150% for these exposures. The bank uses external credit ratings provided by Moody's, which is recognised by the CBI as an eligible external credit assessment institution (ECAI) for the purpose of calculating credit risk requirements under the standardised approach. The following table details the credit ratings used for the institutions' exposure class.

Risk Weighting for Institutions (Maturity 3 Months or Less)

Risk Weighting for Institutions			As at 31 Dec 10	As at 31 Dec 09
Credit Quality Step	Moody's	Risk Weighting	Exposure EUR '000	Exposure EUR '000
1	Aaa to Aa3	20%	347,827	29,634
2	A1-A3	20%	-	3,211
3	Baa1- Baa3	20%	1,444	-
Total			349,271	31,845