THE BANK OF NEW YORK MELLON SA/NV

2012 PILLAR 3 DISCLOSURE

BNY MELLON

About Pillar 3 Disclosures

Preparation and policy

The board of Directors of The Bank of New York Mellon SA/NV (BNYM SA/NV) adopts this policy to comply with disclosure requirements and for assessing the appropriateness of the company's Pillar 3 Market disclosures, including their verification and frequency.

Disclosure will be made annually based on calendar year end and will be published as soon as possible after publication of the consolidated annual accounts. 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.

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

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

The Board may omit one or more disclosures if the information provided is regarded as confidential. In this circumstance, the Board 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.

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

The Bank of New York Mellon SA/NV

Pillar 3 disclosures for the year ended 31st December 2012

Contents

1 Introduction

This disclosure is for The Bank of New York Mellon SA/NV (BNYM SA/NV) and its subsidiary undertakings (together the 'group') as at 31 December, 2012.

These disclosures were approved for publication by the BNYM SA/NV Board of Directors (hereafter the 'Board') on 23 July 13.

1.1 Purpose of Pillar 3

Basel II is the international banking accord intended to strengthen the measurement and monitoring of financial institutions' capital. The Basel II framework was implemented in the EU through the Capital Requirements Directive (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.

- **Pillar 2 supervisory review process, evaluation and overall internal assessment to challenge the adequacy of Pillar 1 regulatory capital** and other non Pillar 1 risks. This pillar requires the NBB to undertake a supervisory review to assess the robustness of BNYM SA/NV internal assessment.

- **Pillar 3** complements the other pillars and effects market discipline through public disclosure. Expanded disclosure about capital and risk enables interested parties to better understand the risk profile of individual banks and to make comparisons.

1.2 Key events

On 1st February 2013, BNYM SA/NV merged with The Bank of New York Mellon (Ireland) Limited, which subsequently converted into a branch of BNYM SA/NV.

2 Scope and application of directive requirements

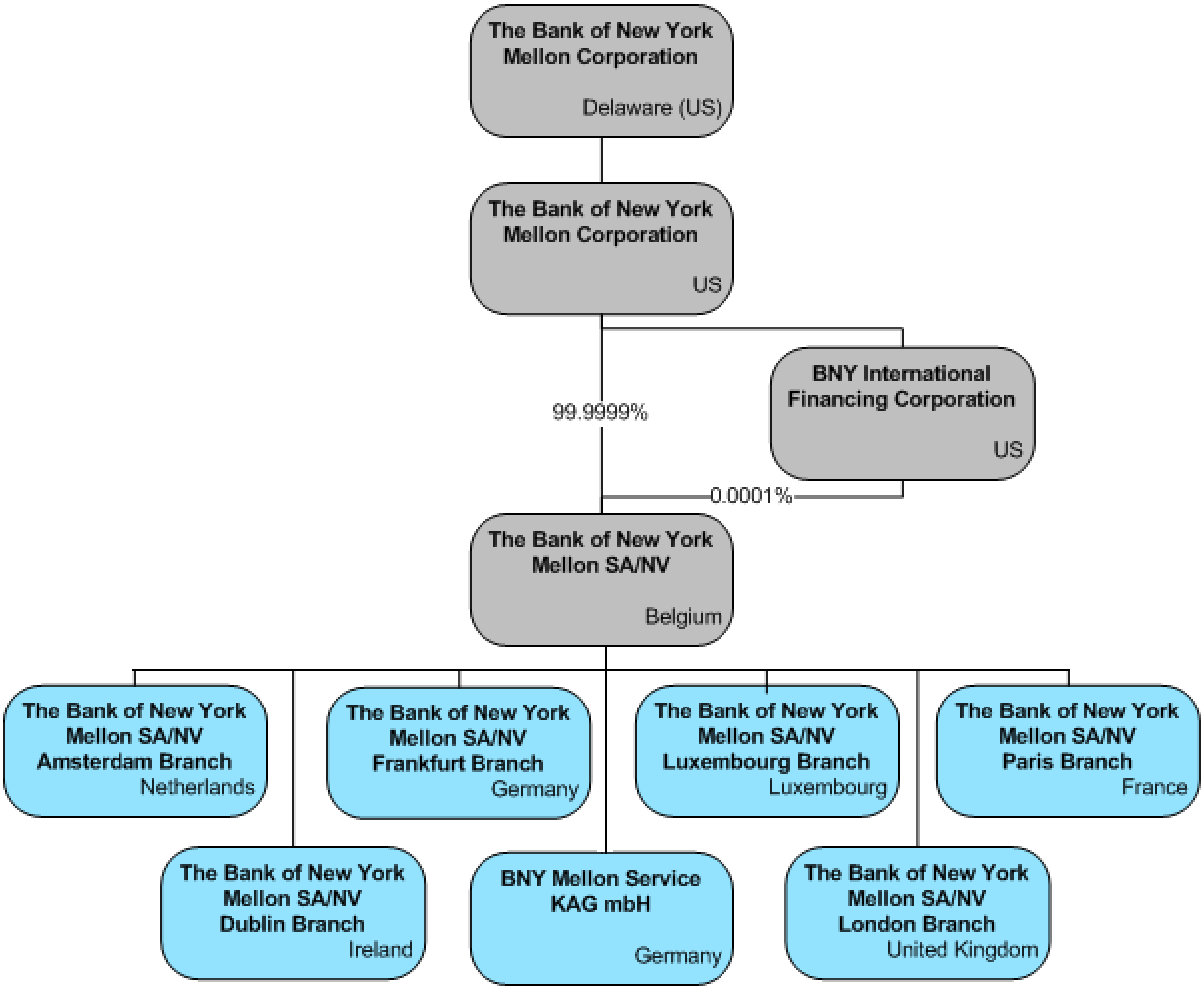
The Bank of New York Mellon SA/NV (BNYM SA/NV) is a wholly owned subsidiary of The Bank of New York Mellon. The Bank of New York Mellon is the main banking entity of The Bank of New York Mellon Corporation (BNYMC).

BNYM SA/NV's Investment Services business provides Corporate Trust, Global Markets, Global Collateral Services, Asset Servicing, and Depositary Receipt Services and provides these Investment Services, as part of the BNY Mellon network of offices and operations centres in 36 countries across six continents.

BNYM SA/NV is a Belgian limited liability company established September 30, 2008 under the form of a Société Anonyme/Naamloze Vennootschap. It was granted its banking license by the former CBFA on March 10 2009. It has its headquarters and main establishment at 46 rue Montoyerstraat, 1000 Bruxelles/Brussel.

BNYM SA/NV has two shareholders: The Bank of New York Mellon, which holds and controls 1,425,890 shares out of 1,425,891 of BNYM SA/NV; and BNY International Financing Corporation, which holds 1 share.

Figure 1: Organisational structure of BNYM SA/NV



BNYM SA/NV has branches in Frankfurt, Amsterdam, Luxembourg, London, Paris and Dublin, and a wholly-owned subsidiary in Frankfurt.

3 Risk management objectives and policies

3.1 Risk Management Framework

BNYM SA/NV's approach to risk management is to ensure that all material risks are defined, understood and effectively managed according to well-designed policies and controls.

BNYM SA/NV's risk appetite requires the maintenance of an appropriate Risk Management Framework that promotes a risk-aware and transparent culture and the identification, assessment, mitigation, measurement and escalation of risk and control issues.

The BNYM SA/NV risk appetite is aligned to the risk appetite of BNY Mellon which is to commit to maintaining a balance sheet that remains strong across market cycles to meet the expectations of its major stakeholders, including clients, shareholders, employees and regulators.

The Board adopts a prudent appetite to all elements of risk to which the Company is exposed. BNYM SA/NV uses a variety of metrics to measure and monitor its risk taking activities relative to its risk appetite. Articulating risk appetite through its metrics aids important decision-making by determining actions such as pursuing new products and enterprises, exiting businesses, and aligning resources to maximize potential gains given acceptable levels of risk.

3.2 Scope and nature of risk reporting systems

BNYM SA/NV's risk profile is recorded through a number of risk assessment tools. The risk management team prepares and updates the Top Risk Assessment which is reviewed and approved by the BNYM SA/NV Risk Management Committee (RMC) monthly and the Board of Directors quarterly.

The BNY Mellon 'Risk Universe' defines the risk types (current or future) applicable to the business. Risk types are organised by categories according to industry standards to support the efficient classification and reporting of risks and risk events as they materialise.

3.2.1 Risk Controls Self-Assessment

The Risk and Control Self-Assessment (RCSA) is used by business lines to identify risks associated with their key business processes and to complete a detailed assessment of the risk and associated controls. RCSA control gaps and actions plans form part of the standard risk management report to the RMC, providing oversight of risk to the business.

3.2.2 Key Risk Indicators

Key Risk Indicators (KRIs) are used by business lines to evaluate control effectiveness and residual risk within a business process. Material risks are monitored by appropriate KRIs. The business lines use the corporate KRI process to monitor changes in the probability of the high risks materialising, and to ensure that appropriate actions are taken. KRIs are reported on a minimum monthly basis.

3.2.3 Operational Risk Events

All operational losses and fortuitous gains exceeding USD 10,000 are recorded using the Risk Management Platform, and verified through reconciliation to the Finance general ledger for completeness. Risk events are categorised and reported to the RMC monthly.

3.2.4 High Level Assessment

A High Level Assessment (HLA) is carried out by business lines to assess the quality of controls in place to mitigate residual risk. Residual risk is assessed as ‘High,’ ‘Moderate to High,’ ‘Moderate,’ ‘Moderate to Low’ and ‘Low’ with direction anticipated.

3.2.5 Top Risks

Top Risks leverage the HLA, and are identified according to the assessment of the inherent risk, quality of controls in place to mitigate risk and likelihood to identify residual risk. Top Risks are rated as ‘High,’ ‘Moderate to High,’ ‘Moderate,’ ‘Moderate to Low’ and ‘Low’ with direction anticipated. A Top Risk assessment is reported to the RMC and board meetings. Top risks are also consolidated into the BNY Mellon top risk reporting process for reporting to regional risk committees.

3.2.6 Stress Testing

The process reflects stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to the BNYM SA/NV risk profile. Stress testing is also undertaken on an ad hoc basis as required. Sources of risk information used to assist scenario development include Top Risk Reporting, financial sensitivity analysis, outputs from the risk assessment tools, operational risk trends, macro-economic data, financial news, client management information or general business statistics.

Scenarios are derived from BNYM SA/NV’s current, emerging, and plausible future risks and strategy, and reviewed, discussed and agreed by the Stress Testing Oversight Committee (STOC) and the Board.

The conclusion of the stress testing process is a statement of the future risk(s) the business faces, control improvements to mitigate the impact should the risk arise and where appropriate, a recommendation for the capital held against each risk type.

3.3 Risk Management Governance

BNYM SA/NV has established risk and stress testing governance to periodically review, challenge and approve risk and capital management processes.

The Board is responsible for both the management and the oversight of risks together with the quality and effectiveness of internal controls. The Board is responsible for reviewing, challenging and approving all risk management processes including risk identification and assessment, stress testing and capital adequacy.

The Executive Committee (“ExCo”) of BNYM SA/NV has been established by the Board of Directors to provide oversight and management as it relates to BNYM SA/NV and business segments. The ExCo is responsible for corporate and strategic initiatives, financial performance, new business initiatives, policy changes, controls and organisational development.

The ExCo has delegated the oversight of the risk management process for the underlying branches, subsidiary and businesses to the Risk Management Committee (RMC). The RMC is responsible for ensuring that risk and compliance activities undertaken by BNYM SA/NV and its branches and subsidiary are executed in accordance with internal policies and all relevant regulations. The RMC has oversight of all subsidiaries and underlying businesses of BNYM SA/NV and reports to the Executive Committee within BNYM SA/NV and the regional EMEA Investment Services Risk and Compliance Committee.

Each Branch or Subsidiary has a designated local manager who will perform an oversight role in respect of that Branch or Subsidiary.

3.3.1 Business Unit Risk Governance

Business Acceptance Committees are responsible for aligning new business to appropriate business lines and subsidiaries and assessing and approving the associated risks.

3.3.2 Regional governance committees

The following regional governance committees have been acknowledged as having oversight to the activities in the BNYM SA/NV:

- EMEA Investment Services Risk & Compliance Committee
- EMEA Executive Committee
- EMEA Senior Risk Management Committee
- EMEA Controls Committee
- EMEA Legal Entity Committee
- EMEA Asset and Liability Committee

3.4 Risk Appetite

BNY Mellon defines risk appetite as the maximum level of risk it is willing to accept while maximising the interests of shareholders and other corporate stakeholders including regulators. Risk appetite is linked to the strategic direction set by senior management and is approved by the BNY Mellon Board of Directors. Risk appetite considers the balance between risk and reward aligning the strategic goals and the overall risk.

The risk appetite is articulated through a comprehensive set of metrics; where capital represents one of the core elements of the bank's risk appetite. Thresholds are established to measure the performance of the business against its risk appetite.

3.5 Credit risk

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

BNYM SA/NV is exposed to credit risk through the re-investment of client deposits from the provision of investment services. BNYM SA/NV's assets comprise short-term bank placements provided to credit assessed, high quality counterparties such as sovereigns and highly rated banks; at-call deposits and various receivables from clients.

Credit is approved through the credit risk function of BNY Mellon, within the risk appetite tolerances of BNYM SA/NV. All counterparties (clients and banks) are assessed and allocated a credit rating in accordance with the BNY Mellon internal rating system. Monitoring and control is conducted via a number of real-time systems to ensure that approved exposure levels are not exceeded, or are pre-approved by a suitable credit officer in the light of individual circumstances.

3.5.1 Credit exposure under Basel II

Credit exposure is computed under the Standardised Approach in accordance with CBFA circular PPB 2007-1-CPB. BNYM SA/NV uses external credit assessments provided by Fitch, Moody's, and Standard and Poor's (ECAIs) to determine the risk weighting of exposures in its portfolios depending on counterparty type and coverage. In accordance with "", and given that all cash balances with institutions are on call, these balances are allocated a 20% risk weighting. Client overdrafts are largely allocated a 100% risk weighting.

Table 1: Standardised gross credit exposure

All figures in €000's

Industry sector	2012	2011
Cash and cash balances with central	14,769,857	8,717,333
Derivative financial instruments	76,558	47,759
Available-for-sale financial assets	2,394,482	2,716,822
Loans and advances to customers	35,955,565	30,210,794
Total	**53,196,462**	**41,692,709**

Table 2: Standardised gross credit exposure by geography

All figures in €000's

Industry sector	Africa	Americas	Europe	Asia Pacific	2012	2011
Cash and cash balances central banks	-	-	14,769,857	-	14,769,857	8,717,333
Derivative financial instruments	-	-	76,558	-	76,558	47,759
Available-for-sale financial assets	-	-	2,394,482	-	2,394,482	2,716,822
Loans and advances to customers	40,435	19,007,410	11,679,633	5,228,088	35,955,565	30,210,794
Total	**40,435**	**19,007,410**	**28,920,530**	**5,228,088**	**53,196,462**	**41,692,709**

Table 3: Standardised gross credit exposure by industry sector

All figures in €000's

Industry sector	Credit institutions	Corporates	Central Government	Non Credit Institutions	2012	2011
Cash and cash balances central banks	-	-	14,769,857	-	14,769,857	8,717,333
Derivative financial instruments	76,558	-	-	-	76,558	47,759
Available-for-sale financial assets	355,994	-	2,004,664	33,823	2,394,482	2,716,822
Loans and advances to customers	35,673,405	775	2,620	278,766	35,955,565	30,210,794
Total	**36,105,957**	**775**	**16,777,141**	**312,589**	**53,196,462**	**41,692,708**

Table 4: Standardised gross credit exposure by residual maturity

All figures in €000's

Industry sector	Less than 1 month	Between 1 month and 3 months	Over 3 months or undefined	2012	2011
Cash and cash balances central banks	14,769,857	-	-	14,769,857	8,717,333
Derivative financial instruments	76,558	-	-	76,558	47,759
Available-for-sale financial assets	1,299,686	275,730	819,066	2,394,482	2,674,135
Loans and advances to customers	35,874,013	81,219	333	35,955,565	30,179,291
Total	**52,002,285**	**276,063**	**1,043,312**	**53,196,462**	**41,618,518**

3.5.2 Counterparty credit risk

Counterparty Credit Risk (CCR) in the context of Pillar 3 disclosure is the risk that a counterparty to a derivative or other contract recorded in either the trading book or banking book could default before settlement of the transaction. As at 31st December 2012, BNYM SA/NV did not have any trading book positions or derivative positions in its banking book and therefore had no counterparty credit risk.

3.6 Market risk

Market Risk is the risk to a firm's financial condition arising as a result of adverse movements in the markets, such as foreign currency exchange rates, interest rates and equity and commodity prices. BNYM SA/NV does not maintain a trading book or engage in proprietary trading (e.g. looking to profit from the short-term buying and selling of securities, currencies or commodities on its own account).

BNYM SA/NV is exposed to the following categories of market risk:

a) Foreign exchange risk: the revenues of BNYM SA/NV are denominated in a mix of currencies whereas a high proportion of its costs are denominated in Euro. Apart from the risk of an operational execution error, BNYM SA/NV is not significantly exposed to this risk.

b) Interest rate risk: BNYM SA/NV has no significant balance sheet interest rate risk exposure. BNYM SA/NV's exposure to interest rate risk is principally related to interest earnings on its own cash deposits. BNYM SA/NV seeks to earn competitive interest rates on the cash balances held but adopts a very low risk approach (on call deposits only).

3.6.1 Capital Resource Requirement (Pillar 1)

BNYM SA/NV calculates the Pillar 1 market risk Position Risk Requirement for foreign exchange in accordance with CBFA circular PPB 2007-1-CPB.

3.7 Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events (including legal risk but excluding strategic and reputation risk).

There is an extensive operational risk management process in place to manage Operational risk. Operational risk is managed under the Risk Governance Framework and also through an

Outsourcing Policy. The Board of BNYM SA/NV monitors operational risk and the appropriateness of controls through the BNYM SA/NV Risk Management Committee and independent reporting from risk managers.

3.7.1 Capital Resource Requirement (Pillar 1)

For the purposes of calculating a Pillar 1 capital charges under the Basel II Standardised Approach in accordance with CBFA circular PPB 2007-1-CPB. It has been determined that BNYM SA/NV falls under the Agency Services and Payments & Settlements Basel business line. The standard indicator approach for operational risks sets out a 15% and an 18% risk rate respectively for a single indicator that is determined by gross revenues.

3.8 Liquidity risk

Funding Liquidity Risk is the risk that the Company cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flow and collateral needs without adversely affecting daily operations or financial conditions.

The management of liquidity risk is the responsibility of the Belgium ALCO with oversight by EMEA ALCO. BNYM SA/NV's tolerance for liquidity risk is moderately low. The overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount and diversity, such that changes in funding requirements can be accommodated routinely without material adverse impact on earnings, daily operations, or on the financial condition of the BNYM SA/NV, its branches and subsidiary.

In this context BNYM SA/NV has set certain practices, metrics, and limits to measure and manage liquidity risk. Through these measures, the Firm seeks to ensure that the overall liquidity risk undertaken stays within its risk tolerance. In the liquidity stress tests BNYM SA/NV undertakes, the survival horizon under severe market and idiosyncratic stress is three months.

The bank seeks to maintain the following liquidity principles that are consistent with the risk appetite:

- Maintain sufficient funding sources to meet normal as well as unexpected peak requirements, giving appropriate consideration to the level of commitments, the volatility of funding sources, market perceptions of BNYM SA/NV and overall market conditions.
- Maintain liquidity ratios within approved limits and liquidity risk tolerance.
- Maintain a liquid asset buffer that can be liquidated, financed, and/or pledged as necessary to provide funding for committed activities without the risk of incurring significant losses on disposition.
- Control of the levels and sources of wholesale funds.
- Utilise systems capable of monitoring, measuring and reporting performance on a timely basis
- Manage liquidity risk in each significant currency across BNYM SA/NV.

3.9 Compliance risk

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

The goal of BNYM SA/NV's compliance process is to ensure that all compliance responsibilities, enterprise-wide, are defined, understood, and met effectively through well-designed policies and procedures, by knowledgeable and trained employees, and through effective controls, including appropriate assessment, testing and documentation of procedures and remediation of any weakness.

The BNYM SA/NV Chief Risk Officer prepares a report on compliance at every Board meeting.

3.10 Business risk

Business risk is the risk of loss that the business environment poses to BNYMC's profitability. It normally consists of items such as changes in the external macro environment or client behaviour, inappropriate management actions or performance of competitors.

3.11 Outsourcing risk

Outsourcing risk is the risk that failure in respect of the provision of services by third party provider(s) that could potentially damage an entity's operations, or if contracts with any of the third party providers are terminated, that the entity may not be able to find alternative providers on a timely basis or on equivalent terms.

BNYM SA/NV is exposed to outsourcing risk from the BNYMC group entities and external service providers. BNYM SA/NV closely monitors service providers, and makes arrangements to mitigate the impact of any disruption to services arising from outsourcing through business continuity planning and service level agreements.

The Board believes that outsourcing risks are sufficiently mitigated by business continuity plans and service level agreements, and sufficient operational risk capital is held to protect BNYM SA/NV. The bank will continue to review and expand where necessary stress testing scenarios to assess the risk from outsourcing.

3.12 Group risk

Group risk is the risk that the financial position of BNYM SA/NV may be adversely affected by its relationships (financial and non-financial) with other entities within BNYMC or by risks that may affect the whole BNYMC.

BNYM SA/NV has group dependencies on BNY Mellon, including management and support services, and business services provided by other companies within BNY Mellon Group. Additionally, BNYM SA/NV places funds with other banks within BNY Mellon Group, exposing BNYM SA/NV to credit and liquidity risks with the BNY Mellon Group.

3.13 Concentration risk

Concentration risk is the risk of loss arising from significant interrelated asset or liability exposures, which in cases of distress associated with markets, sectors, countries, or areas of activity, may threaten the soundness of the institution.

Traditionally analysed in relation to credit activities, concentration risk arises from exposures that may arise within or across different risk types, including intra-risk concentration where exposure concentration exists within a single risk type, and inter-risk concentrations arising from interactions between different risk exposures across different risk categories connected by a common risk factor (e.g. counterparties, vendor, economic sector, geographic region, and/or financial instrument/product type).

BNYM SA/NV is exposed to concentration through:

- Cash placements
- Client contribution to revenue
- Processing systems supported by external vendors
- People and processes provided by BNYMC group entities

3.13.1 Market concentration risk

BNYM SA/NV is exposed to market risk from foreign exchange exposure.

3.13.2 Liquidity concentration risk

BNYM SA/NV can be exposed to liquidity concentration risk through significant client cash placements.

This concentration risk is mitigated through placement of funds matched for maturity (tenor) and currency.

3.13.3 Operational concentration risk

Concentration risk in operations can arise from a number of operational risk factors, including external suppliers providing key products and services, external market counterparties, and the geographic concentration of operations.

BNYM SA/NV incorporates concentration risk in its operational risk modelling and assessment.

3.14 Interest Rate Risk in the non-trading book

Interest Rate Risk (IRR) 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 non- trading book separately. IRR exposure in the non- trading book arises from on and off-balance sheet assets and liabilities, and changes with movements in domestic and foreign interest rates.

The IRR is monitored by the Market Risk Management and has a daily VaR calculation against a stop loss limit. Any breaches would be reported to the RMC and the Board

3.15 Legal risk

Legal risk is the risk associated with a breach of contract, law, regulation and fiduciary responsibility.

BNYM SA/NV reduces its legal risk through strict policies and procedures defined to ensure contractual obligations are fulfilled, and to minimise the risk of legal action; and through dedicated internal counsel and the use of external counsel.

3.16 Pension risk

Pension obligation risk arises from contractual or other liabilities to, or with respect to, a pension scheme (whether established for its employees or those of a related company or otherwise).

BNY Mellon in EMEA operates a defined contribution pension arrangement whereby the Company pays fixed contributions into separate trusts and has no legal or constructive obligation to pay further amounts.

BNYM SA/NV has inherited defined benefit plans from its merger with BNY Mellon GSS Acquisition Company (Netherlands) BV and acquisition of BHF Asset Servicing GmbH. 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 full actuarial valuation by a qualified independent actuary is carried out every year.

3.17 Reputation risk

Reputation risk is the risk of loss arising to the bank's brand and relationships arising from internal or external events.

BNY Mellon Group relies heavily on its reputation and standing in the market place to retain and attract clients. BNYM SA/NV identifies and assesses reputation risk through its risk management processes and using scenario analysis.

3.18 Securitisation risk

Securitisation risk is the risk of losses arising from the securitisation of assets where these assets are inadequate in regard to the transaction and the degree of risk transfer.

BNYM SA/NV does not create or invest in securitisation products.

3.19 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. Strategic risk can result from either a misalignment of business line decisions which impact the group, or failure to deliver business value through new strategic initiatives.

The Board believes that current processes and governance are sufficient to identify and mitigate strategic risk.

3.20 Settlement Risk

Settlement risk is the probability of loss arising from the failure of one counterparty to settle its side of a transaction, thus preventing other counterparties from settling their commitments. It arises usually when payments are not exchanged simultaneously.

It has been concluded that BNYM SA/NV is not subject to settlement risk as it held no securities, foreign exchange or commodities positions.

3.21 Model risk

Model risk is defined as the error in estimation or measurement resulting from the inherent limitations in the financial models used in assessing and managing risk.

BNYM SA/NV uses models in its risk management framework. All models are controlled by the BNY Mellon model risk management process under the responsibility of the BNY Mellon Credit and Operational Risk Management Committee (CORMC) and the BNY Mellon Risk Quantification and Modelling Committee. The Risk Quantification Committee maintains the model inventory, and oversees model review. BNY Mellon Internal Audit reviews compliance with the corporate Model Validation Policy.

Capital resources

During the year ended 31st December 2012, BNYM SA/NV complied with all of the externally imposed capital requirements to which it was subject.

The following table summarises the composition of the BNYM SA/NV regulatory capital as reported to the NBB as at 31st December 2012. BNYM SA/NV does not have any Innovative Tier 1 capital nor Tier 3 capital as at 31st December 2012.

Table 5: Capital resources

All figures in €000's	2012	2011
Qualifying Core Tier1 Capital	1,799,980	1,677,290
Qualifying Tier1 Capital	345,500	345,500
Total qualifying Tier 1 capital	2,145,480	2,022,790
Deductions	(579,250)	(591,820)
Total qualifying Tier 2 capital	-	-
Total capital	**1,566,230**	**1,430,970**

Source: Annual report for BNYM SA/NV as of 31 December 2012

4 Capital requirements and adequacy

The Board, through setting its risk appetite and focusing on risk assessment, evaluates its current and projected capital requirements under business as usual or stress conditions.

As part of the Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) in 2013 the main sources of risk have been identified, assessed *(impact & likelihood* methodology) by the relevant senior managers after taking into account mitigating controls and rationale for direction of risk, in light of the risk appetite set by the Board.

The following table summarises the Pillar 1 capital requirement of BNYM SA/NV by exposure class and as at 31st December 2012.

Table 6: Capital Adequacy

All figures in €000's	2012	2011
Total qualifying Tier 1 capital	2,145,480	2,022,790
Deductions	(579,250)	(591,820)
Total capital	**1,566,230**	**1,430,970**
Total Risk weighted assets	**9,073,030**	**8,086,120**
Credit risk weighted assets	8,061,850	6,869,690
Market risk weighted assets	107,730	78,340
Operational risk weighted assets	903,450	1,138,090
Core Tier 1 capital ratio	**13.45%**	**13.42%**
Tier 1 capital ratio	**17.26%**	**17.70%**
Total capital ratio	**17.26%**	**17.70%**

5 Remuneration disclosure

Governance

The Human Resources and Compensation Committee (HRCC) of The Bank of New York Mellon Corporation (BNY Mellon) oversees BNY Mellon's enterprise-wide employee compensation and benefit policies and programs. It reviews and is responsible for other compensation plans, policies and programs in which the executive officers participate and the incentive, retirement, welfare and equity plans in which all employees participate.

The members of the HRCC are non-executive board members, delegated by BNY Mellon's Board of Directors to act on behalf of the Board on remuneration matters.

Formal input to the decision-making process on compensation is also provided by BNY Mellon's Compensation and Oversight Committee (COC). The members of the COC are members of BNY Mellon's senior management and include the Chief Human Resources Officer, the Chief Risk Officer, the Chief Financial Officer and the Risk Management and Compliance Chief Administrative Officer. The COC's primary responsibility is to advise the HRCC on any remuneration risk-related issues.

To ensure alignment with local regulations in BNY Mellon's EMEA (Europe, Middle-East and Africa) region, the EMEA Remuneration Governance Committee (ERGC) was set-up as a regional governance committee that reviews and ensures compliance with local regulations affecting BNY Mellon's EMEA businesses, including BNYM SA/NV.

The BNYM SA/NV remuneration committee assists in the remuneration process in respect of compliance with the laws and regulations applicable to BNYM SA/NV including its branches and subsidiary. The Remuneration Committee is composed of three members, one of which is an independent member and the all are non-executive directors.

Aligning pay with performance

BNY Mellon's compensation philosophy is to offer a total compensation opportunity that supports our values: client focus, trust, teamwork and outperformance. We pay for performance, both at the individual and corporate level. We value individual and team contributions and reward based on how both contribute to business results. In support of this philosophy, variable compensation is regularly used as a means of recognising performance.

By implementing our compensation philosophy and principles, we align the interests of our employees and shareholders by encouraging actions that contribute to superior financial performance and long-term shareholder value, by rewarding success and by ensuring that our incentive compensation arrangements do not encourage our employees to take unnecessary and excessive risks that threaten the value of BNY Mellon or benefit individual employees at the expense of shareholders or other stakeholders.

Remuneration components

Fixed remuneration: -

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

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

Employees who have accepted to be a director of another of BNY Mellon's legal entities are not remunerated in their capacity as a director.

Variable compensation funding and risk adjustment
The staff of BNYM SA/NV are eligible to be awarded variable compensation. Such variable compensation consists of a cash part, determined by the functional hierarchy of the business or business partner service to which the individual staff member belongs, and in accordance with the terms and conditions of the incentive compensation plan that is applicable for the business or business partner service.

In order to align cash payouts with the management of the longer term business risk, BNY Mellon has established a corporate deferral program. This program defers payment of a portion of a senior employee's cash bonuses in the form of restricted stock units.

Furthermore, BNY Mellon requires employees who receive cash bonuses to agree to claw back and/or forfeiture provisions on such awards in the event of fraud or conduct contributing to financial restatement or irregularities.

Deferral policy and vesting criteria
On top of cash awards, senior employees can be eligible for awards under the BNY Mellon's Long term Incentive Plan (LTIP), in the form restricted stock units linked to BNY Mellon's stock price. For 2012 restricted stock units will typically vest rateably over four years, but other deferral periods are possible.

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

Quantitative Remuneration Disclosure
The tables below provide details of the aggregate remuneration of Identified Staff for BNYM SA/NV for the year ending 31 December 2012.

Table 1: Aggregate remuneration expenditure for Identified Staff in 2012 by business[1]

	Investment Services €000s	Other[2] €000s	Total €000s
	5,632	5,053	10,685

1. Includes base salary and other cash allowances, plus any cash incentive and the total of any awards made in BNY Mellon shares or options, valued at the date of grant.
2. Includes all support functions and general management positions.

The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of BNYM SA/NV, to reflect the full reporting period.

Table 2: Aggregate remuneration expenditure for Identified Staff in 2012 by remuneration type

	Senior Management[2]	Other Identified Staff	Total
Number of beneficiaries	9	25	34
Fixed remuneration (€000s)[1]	2,731	4,050	6,781
Variable remuneration (€000s)	2,053	1,850	3,903

1. Fixed remuneration includes base salary and any cash allowances.
2. Senior Management defined as Senior Managing Directors.

6 Glossary of terms

The following terms are used in this document:

ALCO	Asset and Liability Committee
BNYMC	The Bank of New York Mellon (ultimate parent of BNYM SA/NV).
BNYM SA/NV	The Bank of New York Mellon SA/NV
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'.
BV	Besloten Vennootschap
CBFA	Banking Finance and Insurance Commission (predecessor to the NBB)
CCF	Credit Conversion Factor (credit risk)
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRR	Capital Resource Requirement
EAD	Exposure at Default
ECAI	External Credit Assessment Institution
EMEA	Europe, Middle East and Africa
ExCo	Executive Committee
FX PRR	Foreign Exchange Position Risk Requirement
GAAP	Generally Accepted Accounting Practice (Belgian)
HLA	High Level Assessment
ICAAP	Internal Capital Adequacy Assessment Process
IRR	Interest Rate Risk in the Non-Trading Book (formerly "banking book")
KRI	Key Risk Indicator
LGD	Loss Given Default
NBB	National Bank of Belgium (primary regulator for BNYM SA/NV)
RCSA	Risk Control Self Assessment
RMC	Risk and Compliance Committee
SA/NV	Société Anonyme / Naamloze Vennootschap
STOC	Stress Testing Oversight Committee

7 Contacts

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