BNY MELLON

The Bank of New York Mellon SA/NV

Annual Accounts

December 31, 2020

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KEY FINANCIAL FIGURES & LETTER FROM THE CEO

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

	2020 In € '000	2019 In € '000
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME		
Net interest income	131,465	110,100
Net fee and commission income	491,950	427,907
Profit before taxes from continuing operations	**326,243**	**109,355**
NET PROFIT FOR THE YEAR	**245,214**	**42,052**

	2020 In € '000	2019 In € '000
ASSETS		
Cash and cash balances with central banks	17,562,524	10,754,991
Derivative financial instruments	500,209	158,006
Loans and advances to customers	7,902,902	8,834,550
Investment securities	13,388,973	12,696,318
Other assets	306,912	325,943
Property, plant and equipment	41,818	49,020
Goodwill and other intangible assets	28,990	32,291
Tax assets	20,107	29,460
TOTAL ASSETS	**39,752,434**	**32,880,579**
LIABILITIES		
Derivative financial instruments	583,009	162,565
Financial liabilities measured at amortized cost	35,161,070	28,986,412
Other liabilities	279,406	370,649
Provisions	156,477	167,308
Tax liabilities	86,223	54,683
TOTAL LIABILITIES	**36,266,185**	**29,741,617**
TOTAL EQUITY	**3,486,249**	**3,138,961**
TOTAL LIABILITIES AND EQUITY	**39,752,434**	**32,880,579**
CLIENT ASSETS		
Assets under custody (€ trillions)	2.9	2.9
TOTAL	**2.9**	**2.9**
PERSONNEL		
Number of employees (full time employee equivalent)		
In Belgium	*538*	*560*
Abroad	*1,039*	*986*
TOTAL	**1,577**	**1,546**

Letter from the CEO

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2020 has been an unprecedented year affecting the world around us, our business and our daily lives. The Bank of New York Mellon SA/NV (BNYM SA/NV) adapted and adjusted to ensure we continued to deliver services to our clients while supporting our employees.

Despite the challenges caused by COVID-19 we managed to finalise significant projects during 2020: i) we integrated the Trust and Depository business in our Dublin Branch, following our merger with BNY Mellon Trust Company Ireland Limited in 2019; ii) we expanded our licence to ensure the continuation of all services to our EU27 clients; iii) we converted our representative office in Copenhagen into a branch enabling us to provide an enhanced level of service and support to our clients in the Nordic region; and iv) we received approval to open a branch in Madrid in 2021.

Our financial results were resilient, our balance sheet increased by 21% and we achieved a return on equity of 8% (vs 5.9% in 2019 excluding a one-off Withholding Tax Claim provision of €149.6 million booked in 2019), while net interest income increased by 8%. Trust fees from external clients increased by 24% in 2020 and our investment portfolio increased by 5%.

BNYM SA/NV is strongly capitalized with Total Regulatory Capital at 31 December 2020 at 3,543 million euros (vs 3,442 million euros in 2019) and the Common Equity Tier 1 ratio at 63.9% (vs 65.9% at 31 December 2019). The Total Capital ratio was 70.8% at year end vs 73.2% at 31 December 2019. The decrease comes from an increase in Credit Risk Weighted Assets driven by our balance sheet increase (21% year-on-year).

In terms of its business model, BNYM SA/NV is a global custodian and fund servicing entity for EU27 clients and is a contracting entity for other business lines within BNY Mellon (Markets, Issuer Services, Clearance and Collateral Management). BNYM SA/NV is also BNY Mellon's sub-custody bank providing access to T2S.

As the gateway to Europe, The Bank of New York Mellon SA/NV is a key component of BNY Mellon's ambitious international growth strategy. BNYM SA/NV delivers Investment Services: Asset Servicing, Issuer Services (Corporate Trust, Depository Services), Clearance and Collateral Management (Global Clearance, Global Collateral Management) and Markets (Foreign Exchange, Securities Finance, Liquidity Services and Segregation) products through its branch and subsidiary network in Belgium, Germany, The Netherlands, Ireland, Italy, France, Luxembourg, Denmark and Spain.

Our client partnerships in Europe are deep and enduring and we have breadth of experience, technological expertise and data solutions to meet the needs of large asset owners and managers in the region.

Together with our employees, the Executive Team and the Board of Directors, we are excited about continuing to drive growth in 2021, providing access to BNY Mellon's global capabilities and supporting clients with leading and innovative solutions.

Leonique Van Houwelingen
Chief Executive Officer

REPORT OF THE BOARD OF DIRECTORS[1]

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

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

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

BNY Mellon is an NYSE listed financial holding company focusing its activities on 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 63% of the fee revenues of BNY Mellon.

History

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

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

BNY Mellon SA/NV is strategically important for the BNY Mellon group as it is the primary contracting entity for Asset Servicing in Europe. BNY Mellon SA/NV will be the custody bank for the European Union (EU) and the distribution channel for business lines servicing our target market of Collective Investment Schemes, Pensions, Banks and Corporates in the EU. In the role as custodian, BNY Mellon SA/NV acts as the custodian for EU assets for affiliate companies as well as the global custodian for clients in the EU. BNY Mellon SA/NV is also the servicing entity for Investment Services products for the BNY Mellon group. BNYM SA/NV operates through its headquarters in Brussels, a network of eight branches and a subsidiary in Germany (BNY Mellon Service Kapitalanlage-Gesellschaft). Any expansion across EU markets will be lead through the expansion of BNY Mellon SA/NVs branch network. Resources and funding over the next years will be dedicated to execute on regulatory driven initiatives, major corporate change programs and infrastructure developments.

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

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

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

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

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

1.1. Business Model

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

More than 85% of the revenue is provided by non-interest fee income, providing a more annuity-like revenue stream that is less sensitive to stress scenarios. This results in a stable deposit base and revenue streams, even during periods of market stress. In addition, BNY Mellon SA/NV experiences a low level of non-performing assets as a majority of its clients are large corporations and financial institutions. Furthermore, the bank is not active in lending but only in operational loans performed in the context of contractual settlement. Those exposures are covered through a lien on the assets. Our balance sheet is characterized by highly liquid assets and a robust capital structure. Furthermore, the balance sheet is liability driven and managed in a way that ensures access to external funding sources at competitive rates if it would be required in a stress condition. Overall BNY Mellon SA/NV's business model is structured in a way that benefits from periods of global growth.

1.2. Services and Products

Asset Servicing
Asset Servicing primarily comprises Global and Local Custody services but also includes Trustee & Depositary Services, Institutional Accounting, Fund Accounting, Transfer Agency services, Investment Operations, Alternative Investments Services and Global Risk Solutions.
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 providing global custodian services primarily to European Economic Area based clients and BNYM SA/NV is the global custodian for BNY Mellon for the Target2 (direct) markets in Continental Europe.

As of 31 December 2020, BNY Mellon SA/NV had €2,92 trillion in Assets under Custody.

Issuer Services

Corporate Trust

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

Depositary Receipts

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

Clearance and Collateral Management

Global Clearance

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

Collateral Management

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

The service generally includes Collateral segregation, Custody, Global Proxy Voting, Eligible asset selection and Collateral optimization and valuation.

Markets

Foreign Exchange

BNYM SA/NV provides passive currency hedging and negotiated foreign exchange services that enable clients to achieve their investment, financing and cross-border objectives.

Liquidity Services and Segregation

BNYM SA/NV provides sales and client service to clients enabling clients to view, transact and generate reporting for their daily liquidity activities via an on-line platform.

Securities Finance

BNYM SA/NV provides standard agency lending including third party lending; cash reinvestment and agency cash investment products

BNY Mellon SA/NV provides most of these products to its international client base. BNY Mellon SA/NV clients contract with BNY Mellon SA/NV for all of the above services except Depositary Receipt Services. BNY Mellon SA/NV only provides the latter services to other legal entities within The Bank of New York Mellon (BNY Mellon) group. BNY Mellon SA/NV's core product is 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 affect the earnings on client deposit balances.
- Broker-dealer fees depend on the level of activity in the fixed income and equity markets and on the financing needs of clients, which are typically higher when the equity and fixed income markets are volatile.
- Foreign Exchange (FX) trading revenues are influenced by the volume of client transactions, the spread realized on these transactions, market volatility in major currencies, the level of cross-border assets held in custody for clients, the level and nature of underlying cross-border investments and other transactions undertaken by corporate and institutional clients.

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

2. External Factors Influencing BNY Mellon SA/NV

None has marked 2020 more than the COVID-19 global pandemic causing a swift crash and then record fast recovery of the stock exchange, economic disruption, high volatility on the capital markets activities.
Despite this adverse scenario, BNY Mellon SA/NV continued to operate business as usual without disruption to business continuity or outsourced operations.
From a financial perspective, the Company experienced an increase in balance sheet obligations during the first quarter of 2020. This was driven by changes in customer behaviour; where customers placed higher cash balances with the Company during turbulent market conditions.
Nevertheless, we continued to maintain a strong balance with high levels of capital, liquid assets and low levels of leverage. This demonstrates the Company's resilience to any short (i.e. ongoing Covid-19 pandemic) to medium term financial shock which may impact the Company's business and that the Company is a low risk institution for our clients and regulators.

Interest rates have continued to remain at a low level in 2020. The ECB persevered its deposit facility rate at -0.50% unchanged for 2020. The Bank of England and US Federal Reserve significantly cut their rates during the first half of 2020 in the context of the global pandemic.
Despite the difficult market conditions, BNY Mellon SA/NV has succeeded to marginally increase its Net Interest Margin. This was mainly due to negative interests re-charge to clients, and active management of the balance sheet along with strong yield on the securities portfolio, which had not yet been fully impacted by USD rate cut.

The value of the US dollar has depreciated significantly during the second half of 2020, and was 1.22 at year-end compared to an average of 1.15. However, the impact of the US dollars depreciation had a limited impact on the net results.

“Brexit” is another key external factor that influenced BNY Mellon SA/NV. The bank took the necessary steps in 2020 to prepare for the impact of these changes and has expanded it’s product and services which were previously only offered from the UK.
BNY Mellon is well-positioned against competition thanks to BNY Mellon Group’s legal entities rationalization strategy. BNY Mellon has a unique selling proposition that fits the needs of our clients, with BNY Mellon SA/NV positioned as the “European Bank”.

3. Business Evolution in 2020

3.1. Main Events

On December 01, the Bank has converted its representative office in Denmark into a Branch in order to better support its clients in the Nordic region.

In preparation of Brexit, the Bank continued to execute its strategic plan in terms of additional product offerings and operating capabilities particularly for Foreign Exchange business with the set-up of a FX trading desk during the fourth quarter in Germany.

3.2. Analysis of Financial Figures

The net profit after tax of BNY Mellon SA/NV amounted to €245.2 million in 2020, up by 483% compared to the net income of €42.1 million in 2019, resulting in a positive 8% return on equity in 2020 (vs positive 1% in 2019). Considering that the reported net profit in 2019 is impacted by a one-off "cum-ex" provision relating to Withholding Tax Claims of €149.6 million; if we exclude this exceptional charge, the profit before tax is up 26% in 2020. Trust fees coming from external clients have increased by 24% in 2020 driven by increases of 170% in Clearance and Collateral Management (CCM), 23% in Asset Servicing, 96% in Securities Lending, 11% in ADR, 6% in Corporate Trust fees, partially offset by a 16% decrease in 16% in Liquidity Services and Segregation. Asset Servicing is positively impacted by the merger with BNY Mellon Trust Company Ireland Limited which was effective on December 1st 2019, resulting in additional income into BNY Mellon SA/NV Dublin Branch, while the CCM and Securities Lending revenue increase is the result of the offering of new products following the exit of UK from the European Union (Brexit).

In 2020, 28% of the non-interest income is coming from the BNYM Group in comparison to 34% in 2019. Overall the non-interest income has increased by 8%. Excluding the one-off "cum-ex" Provision in 2019 as mentioned above, direct expenses have increased by 9% in 2020 and overall expenses increased by 3%.

The balance sheet has largely increased at year-end of 2020 at spot by 21% compared to 2019. The movement is mainly explained by the increase of third party deposits (at spot) by €6.8 billion. On the assets side the increase is mainly reflected by (at spot) €6.8 billion increase in Central Bank placements, a €0.7 billion increase in intercompany nostro & placements, partially offset by a € 1.1 billion decrease in third party nostro & placements.

BNY Mellon SA/NV's net interest income is up by €21.1 million (+19% increase vs 2019).

The positive net results after tax has resulted in a positive return on assets of 0.6% in 2020 (vs positive 0.1% in 2019).

4. Structure and Corporate Governance

4.1. Structure of BNY Mellon SA/NV

As at 31 December 2020 BNY Mellon SA/NV has eight branches across Europe and a subsidiary based in Frankfurt. The structure of BNY Mellon SA/NV is shown below.

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

Shareholder Structure on 31 December 2020	*Number of ordinary shares*	*%*
The Bank of New York Mellon (BNY Mellon)	1,689,386	99.9999%
BNY International Financing Corporation (BNY IFC)	1	0.0001%
Total	1,689,387	100%

The Bank of New York Mellon ("BNY Mellon") is located at 240 Greenwich Street, New York, New York 10286, United States and is a subsidiary of The Bank of New York Mellon Corporation (the group's holding company). BNY International Financing Corporation ("BNY IFC") is a subsidiary of BNY Mellon. BNY IFC is located at the same address as BNY Mellon 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 on the agenda of the annual meeting of shareholders typically include:

- approval of the annual accounts and allocation of profits;
- review of directors' report and statutory auditor's report;

- appointment and resignation of directors;
- discharge of liability of directors and statutory auditor.

4.2. Composition and Activities of the Board and its Committees

The table below shows the members of the Board and its committees on 31 December 2020[2]:

Name	*Position*
Non-Executive Directors	
Olivier Lefebvre	Independent Chair of the Board of Directors, Independent Member of the Audit Committee, Independent Chair of the Nomination Committee and Independent Member of the Remuneration Committee
Marie-Hélène Crétu	Independent Chair of the Audit Committee,Independent Member of the Remuneration Committee and Independent Member of the Risk Committee
Marcia Cantor-Grable	Independent Chair of the Risk Committee and Independent Member of the Audit Committee
Roderick Munsters	Independent Chair of the Remuneration Committee, Independent Member of the Risk Committee and Independent Member of the Nomination Committee
Hani Kablawi	Member of the Remuneration Committee and Member of the Risk Committee
Susan Revell	Member of the Audit Committee and Member of the Nomination Committee
Senthilkumar Santhanakrishnan	Member of the Risk Committee
Executive Directors	
Leonique van Houwelingen	Chief Executive Officer Chair 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 Deputy Chief Executive Officer Member of the Executive Committee
Marnix Zwartbol	Head of Operations Member of the Executive Committee

Changes in the composition of the Board and the Committees in 2020

During the year 2020, the main changes to the composition of the Board and its Committees were:

- As of 6 February 2020, Thomas (Todd) Gibbons resigned from his directorship mandate.
- As of 30 September 2020, Carol Sergeant resigned from her directorship mandate.

[2] The appointments of Marcia Cantor-Grable, Roderick Munsters, Susan Revell, Senthilkumar Santhanakrishnan and Marnix Zwartbol have been approved by the Belgian National Bank/ Central European Bank in 2021.

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Report on the activities of the Board

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

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

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

The Board may create advisory committees within the Board and under its responsibility in view of performing its responsibilities more efficiently. As at 31 December 2020, the Board had four advisory committees: the Audit Committee, the Risk Committee, the Nomination Committee and the Remuneration Committee. Those committees must be established by the Board in accordance with the requirements of the Belgian Banking Law.
The Audit Committee assists the Board in fulfilling its oversight responsibilities in respect of: (i) the integrity of the BNY Mellon SA/NV financial reporting process and financial statements; (ii) the efficiency of BNY Mellon SA/NV internal control and risk management systems, (iii) the performance of the BNY Mellon SA/NV internal audit function, and (iv) the statutory auditor's qualifications, independence, provision of additional services and performance.

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

The Nomination Committee makes recommendations to the Board with respect to the nomination of the BNY Mellon SA/NV's directors and to the composition of the Board and its committees.

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

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

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

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

4.3. External Functions Performed Outside of the Group

The following table provides an overview of the external functions performed outside of the BNY Mellon group by the directors (as at 31 December 2020):

Board member	Function at BNY Mellon SA/NV	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Non-Executive Directors							
Olivier Lefebvre	Independent Chair of the Board, Independent Member of the Audit Committee, Independent Chair of the Nomination and Remuneration Committees	Climact SA	Belgium	Environmental consultancy	N	Chairman of the Board	N
		Ginkgo Management SARL	Luxembourg	Real Estate Fund Management	N	Independent Director	N
		Ginkgo Management II SARL	Luxembourg	Real Estate Fund Management	N	Independent Director	N
		An Other look to efficiency SPRL	Belgium	Management company	N	Administrator	N
		Perma-Project SPRL	Belgium	Support to starters in Permaculture	N	Director	N
Marie-Hélène Cretu	Independent Chair of the Audit Committee, Independent member of the Remuneration and Risk Committees	CoDiese	France	Management company	N	President	N
		Global Reporting Company	United Kingdom	Finance consultancy	N	Director	N
		PREF-X SAS	France	Finance consultancy	N	Director	N
		Montpensier Finance	France	Assets Management Company	N	Independent Director	N
Marcia Cantor-Grable	Independent Chair of the Risk Committee, Independent member of the Audit Committee	Modulr FS Ltd.	United Kingdom	E-money Institution	N	Independent Director	N
		Societe Generale Internaltional Ltd.	United Kingdom	Execution only Prime Broker	N	Independent Director	N
		Institute and Faculty of Actuaries	United Kingdom	Professional body regulating actuaries	N	Lay Member Regulation Board	N
Roderick Munsters	Independent Chair of the Remuneration Committee, Independent member of the Risk and Nomination Committees	UnibailRodamcoWestfield SE *	France	Real Estate Company	N	Independent Director	N
		Moody's Investors Service	UK/ France / Germany	Credit Ratings Company	N	Independent Director (UK & FR) Member of the Beirat in Germany	N
		PGGM Asset Management	The Netherlands	Management & Asset Services to pensions funds	N	Independent Director	N
Susan Revell	Member of the Audit and Nomination Committees	Sweetwater Training LLP	United Kingdom	Leisure	N	LLP Designated Member	N
Hani Kablawi	Member of the Remuneration and Risk Committees	Arab Bankers Association London, UK	United Kingdom	Financial services	N	Board Member	N
		OMFIF advisory council	United Kingdom	Independent financial think tank for central banks and public	N	Deputy Chairman	N
Senthilkumar Santhanakrishnan	Member of the Risk Committee	-	-	-	-	-	-

Board member	Function at BNY Mellon SA/NV	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Executive Directors							
Leonique van Houwelingen	Chief Executive Officer and Chair of the Executive Committee	Foreign Bankers' Association (FBA)	The Netherlands	Trade association	N	Non-executive Chair	N
		American Chamber of Commerce	Belgium	Trade association	N	Board Member	N
		American Chamber of Commerce	The Netherlands	Trade association	N	Board Member	N
Hedi Ben Mahmoud	Chief Risk Officer and Member of the Executive Committee	-	-	-	-	-	-
Annik Bosschaerts	Chief Operations Officer and Member of the Executive Committee	-	-	-	-	-	-
Eric Pulinx	Chief Financial Officer, Deputy Chief Executive Officer and Member of the Executive Committee	Delen Private Bank	Belgium	Credit institution	N	Independent director	N
		Finax	Belgium	Financial holding	N	Independent director	N
Marnix Zwartbol	Head of Operations and Member of the Executive Committee	-	-	-	-	-	-

The appointments of Marcia Cantor-Grable, Roderick Munsters, Susan Revell, Senthilkumar Santhanakrishnan and Marnix Zwartbol have been approved by the Belgian National Bank/ Central European Bank in 2021.

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 the members of the Board Committees have individually and collectively the adequate skills in order for each Board Committee to properly fulfill its role and duties, the Nomination 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 fulfill the following respective responsibilities and for each of its respective members to have the necessary skills, knowledge and experience to understand and assess the following respective aspects:

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

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

- the **Risk Committee** for the review of the Company's risks and system of internal controls;
- the **Nomination 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 fulfill their respective role and responsibilities.

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

5. Subsequent Event

5.1. On 27th January the European Bank, and Nykredit, one of Denmark's leading financial services companies, have agreed to deepen their long-standing alliance with the transfer of Nykredit's depositary business to BNY Mellon.

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

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

With the depositary business of Nykredit becoming part of the BNY Mellon organization, BNY Mellon will, subject to regulatory approval, be able to provide depositary services directly to clients in Denmark looking for strong local expertise and global capabilities. BNY Mellon offers the scale, technological resources and commitment needed to meet the increasing regulatory requirements faced by clients, while ensuring the depositary services business remains efficient and effective into the future. BNY Mellon and Nykredit will continue to work closely together in order to provide clients with leading investment services.

As a part of the agreement, a small team of employees will transfer to BNY Mellon. The team has already worked closely with BNY Mellon for many years.

The business will transfer following regulatory approvals and meeting customary closing conditions.

5.2. On February 1st, 2021, BNY Mellon SA/NV Bank has opened a new branch in Madrid. This will strengthen existing local and regional client relationships and allow to service clients more efficiently, from a local base and in the local language, to secure its strong position in the region.

5.3. Under the new EU Capital Requirements ("CRR2"), BNY Mellon SA/NV proceeded to repay the Tier 2 sub-debt of €345m. This is no longer eligible capital for large exposures purposes neither Tier 2 capital is eligible for compliance with the Leverage Ratio requirement applicable from June 2021. Towards the end of 2020 BNY Mellon SA/NV formally requested to the competent authority permission to reduce own funds by redeeming the two Tier 2 subordinated loans. Permission was granted on 19 January 2021 with the immediate deduction of the €345.5 Mio from own funds and impact on the determination of the regulatory ratios from that date, accordingly. The two subordinated loans were actually repaid on 26 February 2021.

As a mitigation measure, BNYM SA/NV contracted a € 800 million borrowing with a 10 year maturity. This is needed to manage the impact of the €345m sub-debt repayment on the BNY Mellon SA/NV regulatory metrics. This borrowing will not qualify as capital.

None of the events described in this section have an impact on 2020 financial results.

6. Proposal of Allocation of Net Income

The net profit for the year amounts to €245 million. Retained earnings as of the end of 2020 amount to €1,515 million.

No dividend is distributed on the profit of 2020.

Allocation of Profit	*In Mio €*
Profit of the current year	245
Dividend of the current year	—
Profit brought-forward	245

The Board has formally adopted a (non-)dividend policy by which all profits are systematically carried forward and recommended the same for approval to the shareholders' meeting. On 17 May 2011, the shareholders unanimously ratified this Board resolution. During 2020, the Board continued to apply the (non-)dividend distribution policy.

7. Contingent Liability

Claims – Legal actions

In 2013 a Swedish Arbitral Tribunal issued an award of over USD500m against the Republic of Kazakhstan ("RoK") in favour of Anatolie Stati, Gabriel Stati, Ascom Group S.A. and Terra Raf Trans Traiding Ltd (together the "Stati Parties"). This award has been upheld by the Swedish Supreme Court. The Stati Parties have sought to legally enforce this award in numerous jurisdictions against RoK's assets held by any party. In October 2017 BNYM SA/NV London Branch ("SA/NV") was served with a conservatory garnishment order in Belgium, ordering SA/NV to freeze certain assets belonging to RoK and its National Fund. Accordingly, and in compliance with SA/NV's legal obligations, SA/NV froze assets held by its client, the National Bank of Kazakhstan ("NBK"), for the National Fund. On 25 May 2018 the amount of the Belgian freeze was reduced, but remains in place pending the outcome of further legal proceedings in England regarding the nature of the relationship among RoK, NBK and SA/NV and the accuracy of SA/NV's prior statements as the garnishee in the Belgian proceedings. No damages are sought against the SA/NV and the claim being brought is declaratory in nature only. On 22 April 2020 the English Court handed down judgment and determined certain English law questions in what has become a complex dispute litigated in several countries. However, certain questions concerning the relationship between RoK/NBK have been referred the matter back to the Belgian court. Previously, the English High Court and Court of Appeal dismissed NBK/RoK's lawsuit against SA/NV where court rulings were sought stating that SA/NV were not contractually entitled to freeze the assets in question.

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

The Dutch Tax Authorities ("DTA") are investigating a number of Dutch dividend withholding tax ("DWT") reclaims filed by BNYM as part of its global custody business between 2014 -

2017. BNY Mellon SA/NV provides DWT reclaim services in the Netherlands for clients who hold Dutch issued securities. The provision of these services by BNY Mellon SA/NV is via an electronic portal that is owned and controlled by the DTA. On 16 December 2019 BNYM SA/NV received tax assessments in the sum of €1.63Mio (including interest) for the year 2014. On 4 February 2020, BNY Mellon SA/NV also received formal tax assessments for the years 2015-2017 in the sum of €12.04Mio (including interest). These tax assessments relate to former BNY Mellon clients. This provision will be reimbursed by the Company of the Group that holds the contractual relationships with the clients for which a reimbursement asset has been accrued. In this regard, the former BNY Mellon clients have now either made full payment to BNY Mellon in accordance with their contractual indemnification obligations or provided contractual undertakings to comply with their indemnification obligations following the outcome of certain tax appeals to which BNY Mellon is not a party.

8. Research & Development

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

9. Risk Management

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

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

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

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

10. Additional Information regarding BNY Mellon SA/NV

Non-Financial Information

According to article § 3:32 of the Belgian Companies' and Associations Code (and article § 3:6 of such Code for the annual accounts), BNY Mellon SA/NV is exempted to provide detailed Non-Financial Information in this section of the annual accounts, as BNY Mellon discloses Non-Financial Information in a separate report called "Enterprise ESG Report 2020"- which is appended to these annual accounts.

BNY Mellon’s policies framework, Enterprise ESG strategy and Corporate Social responsibility goals as detailed in the appended “Enterprise ESG Report 2020” are fully applicable to BNY Mellon SA/NV and its personnel.

At BNY Mellon, we’re committed to putting the Future First[SM] by using our global reach, influence and resources not just to power success today, but to help safeguard the future. Central to our environmental, social and governance (ESG) approach is to Consider Everything[SM], starting with our own enterprise-wide practices addressing the business impacts of global issues and contributing to opportunities that help communities thrive. We expand our actions by providing leading products and services, which empower our clients to meet their own goals. This way, we accelerate the evolution of ESG – on behalf of clients, investors, communities and all stakeholders – to make a positive impact on people and the planet.
The BNY Mellon Group has a strong policies framework in relation to social, environmental, human rights and anti-corruption matters. BNY Mellon’s initiatives flow across the entire group, including BNY Mellon SA/NV, to reinforce its trusted brand, allow clients to work with a group whose values match their own, enable employees to feel good about where they work and improve lives in communities around the world. BNY Mellon publishes annually a report covering corporate social responsibility (CSR) and environmental, social and governance (ESG) topics. This year’s report is entitled 2020 Enterprise ESG (formerly the CSR Annual Report). This report is not just about our social and environmental impact, but also how BNY Mellon views and integrates ESG considerations across our operations. This is the 12th report using the Global Reporting Initiative's (GRI) framework, the world's most widely used sustainability reporting framework. BNY Mellon prepared the report according to GRI Standards Comprehensive option.

The report is available via following link :
https://www.bnymellon.com/dam/bnymellon/documents/pdf/2020-enterprise-esg-report.pdf

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

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

We draw attention to the fact that the content of the *Enterprise ESG Report* may not entirely disclose information on the results of the policies in place, the main risks associated with the issues and the non-financial key performance indicators for the specific activities in relation to social and personal issues, environmental issues and respect for human rights and the fight against corruption as required by article 3:32, §2 (or 3:6, §4 for the annual report) of the Belgian Code on Companies and Associations (BCCA).
The company continues to assess what best actions still need to be taken in the future to meet the requirements set forth by this article. For instance, the company adjusts its risk management approach to deal with a changing environment, and in February 2021 issued the first report *Considering Climate at BNY Mellon* against the Task Force for Climate-related Financial Disclosures (TCFD) framework, an industry-led set of recommendations.

Within BNY Mellon SA/NV several achievements were reached in 2020 by different Employees/Business Resource Groups among which are presented here in section 10.1.

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

Corporate Headquarters
BNY Mellon
240 Greenwich Street
New York, NY 10286
United States

10.1 Local Testimonies - ESG Report

BNY Mellon SA/NV Addendum

Employee Resource Groups

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

GENEDGE

Leverage generational diversity across BNY Mellon by capturing unique generational perspectives and tapping into the knowledge base as well as individual talents of all employees.

IMPACT

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

WIN

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

HEART

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

PRISM

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

"I find being in an E/BRG very enriching. It’s an environment where you connect with colleagues from around the BNY Mellon globe and get to see other perspectives, rather than staying in our own “work bubble”.
Networking and (cross-) collaboration with other E/BRGs helps you think outside the box and may give you ideas for a next team project, or it might give you the right tools and contacts to discover what you want to do next in your career."
*Tine De Mol, SA/NV COO Office, Brussels**"I find being in an E/BRG very enriching. It’s an environment where you connect with colleagues from around the BNY Mellon globe and get to see other perspectives, rather than staying in our own “work bubble”.*
Networking and (cross-) collaboration with other E/BRGs helps you think outside the box and may give you ideas for a next team project, or it might give you the right tools and contacts to discover what you want to do next in your career."
***Tine De Mol**, SA/NV COO Office, Brussels*

“While engaging on the D&I HEART path, I wanted to do more than talking about it. Awareness and training is obviously critical, but I thought we could possibly make some footprint here; hence the “Diversity Abilities at Work initiative”, with the aim of creating a dedicated HR recruiting channel for people with diverse abilities.
I was amazed by the support I received from all angles: colleagues, local management, but also regional and global senior leaders. You scratch a new surface and you discover amazing colleagues, but you are also making connections with the outside world. We are in touch with a specialized not-for-profit organization and a governmental agency.
These people are giving their soul for others as a day-to-day life. Then you start interacting with the candidates, and suddenly you truly realize how privileged you are. This experience opens your eyes and is somewhat re-shaping you. I feel privileged.”
***Gilles Seynhaeve,** Business PMO, Brussels*

“*I am often asked why I am involved in D&I initiatives, both at work and outside of it. The simple answer is that I wish it was not needed but unfortunately it is. And I believe that priviledge goes hand in hand with duties. We at BNY Mellon stand further in our D&I journey than many peers, and this is a priviledge too. That is why I am extremely proud of the Brussels WIN team who planted the very first seed for Women in Finance Belgium in early 2018, and worked hard with industry peers to see it flourish into a unique sector organisation driving the gender equality agenda in Belgium. I am grateful for everything I have learned, and continue to learn, along this journey, and for the safe space and respect embedded in this initiative.”*
Katia Al Jbrail
Regulatory relations Risk -Brussels

Great Minds think differently: How we are bringing diversity of Thought to the European Bank

For some, the thought of ‘a boardroom’ conjures feelings of intimidation and nervousness, with many others believing their careers won’t be taking them inside one anytime soon.

But this is exactly the sort of image and stereotype we want to get away from, in our quest to drive an inclusive and high-performance culture.

By engaging in healthy debate and evaluating problems from multiple, diverse angles and perspectives, teams make better decisions, so why should our boardrooms be any different?

As CEO of BNY Mellon's European Bank (SA/NV), I am extremely proud to launch the 2020 Shadow Executive Committee (ExCo) initiative this week. Targeting employees from different grades within the European Bank, it follows the success of the UK Bank Shadow ExCo launched in 2019, which partnered with GENEDGE – our company's intergenerational Employee Resource Group (ERG).

What is a 'shadow' ExCo?

It runs in parallel to the actual Executive Committee. It mirrors the activities of the European Bank Executive Committee over the course of a six-month period. Members of the Shadow ExCo will meet on a monthly basis to review materials and tasks presented to the actual European Bank ExCo. The aim being to bring fresh new ideas, creative problem-solving and innovative solutions.

Not only is it a great opportunity for employees to gain an increased understanding of what actually happens in the boardroom, it gives participants exposure to a senior management team they may never have had access to, provides a view of how their business or function fits into the broader entity and plays an important part in an individual's development.

One of the most powerful benefits of diversity is diversity of thought.

We are drawn to people who look, act, and think like us, who have similar experiences and backgrounds but we run the risk of ending up with teams of people who think and act alike – this limits our ability to innovative, think differently and grow.

"Diverse Abilities at Work", a HEART initiative

HEART is one of our D&I Employee Resource Groups ("ERGs") represented in our Brussels office.

HEART (Helping Each Ability by Respecting and Teaching) promotes an inclusive working environment by increasing awareness of the needs of those with disabilities and providing an educational forum on disabilities for all employees.

With the support of a not-for-profit organization (DiversiCom) and the Brussels region employment office (Actiris Diversity Service), the BNYM SA/NV HEART Brussels chapter and the Human Resources (HR) department are engaged into a two-year project (Sep 2020 – Sep 2022) of setting up a dedicated recruiting channel for people with diverse abilities.
An action plan has been agreed with Actiris, it is in progress and is monitored with the support of SA/NV and EMEA D&I leaders.

The project and its action plan have been acknowledged by the SA/NV Enterprise Council as well as the Committee for Prevention and Protection at Work.

The action plan will help us to retain our D&I Actiris label and demonstrates the SA/NV continuing commitment to Diversity & Inclusion. In 2020, we completed the staff awareness, as well as the Management & HR training phases.

We also welcomed our first DiversiCom internship candidate, and we have participated to the DiversiCom Job Days ("speed-dating" interviews between candidates and employers). In 2021, we intend to sign the DiversiCom Charter (in which we clearly highlight our objective to strive for greater accessibility), document our ability to onboarding and maintain people with diverse abilities at work, increase our work experience opportunities for those with diverse abilities, and advertise our Brussels vacancies through a series of local partners who specialize in Diverse Abilities.

Jack and Jill Foundation

The **Jack and Jill Foundation** offers care and support to children with severe neurological development issues up to the age of four years. It also offers respite directly to parents and families, or gives funding to allow them to buy home respite care.

BNY Mellon SA/NV supports the fundraising work of the Jack and Jill Foundation in Ireland by encouraging employees and their families to participate in a number of sporting and other events throughout the year to raise much needed funds.

As with many other things throughout 2020, the activities were severely curtailed and mostly took place remotely. These included encouraging a small group of colleagues, family or friends (in accordance with lockdown guidelines) to pick a local hill within the permitted distance from their homes, or engaging in a range of virtual challenges and requesting a donation of €16 from each adult taking part, with that magic number funding 1 hour of home nursing care for an extra special child locally in their area.

Challenges included a walk, jog, cycle, or other socially distanced activity chosen by the group as the basis for their contribution. This year, due to the restrictions, it was important to keep challenges small, safe and local in accordance with government restrictions, yet despite all the constraints, the challenges proceeded raising a significant sum for the Jack and Jill Foundation for which they were very grateful as it paves the way for the planned extension of the support provided by the Jack and Jill Foundation to children up to the age of 6 years through a Pilot Scheme already underway in 2020 and hopefully continuing into 2021. This planned extension of services is reliant on their partners, including BNY Mellon, supporting initiatives such as “Up the Hill” outlined above.

Ronald McDonald House

Ronald McDonald House Charities (“RMHC”) is an American independent nonprofit organization whose stated mission is to create, find, and support programs that directly improve the health and well-being of children.

The mission of RMHC, Ireland, is to provide a Ronald McDonald House in order to support families whose children are seriously ill in hospital.

The Ronald McDonald House provides accommodation and a caring and supportive environment for families whose children are seriously ill and are hospitalised or undergoing medical treatment at Children’s Health Ireland at Crumlin, particularly those who are far from home and want to stay close to their children.

One of the many programmes which RMHC runs in Ireland is the “Ronald McDonald House “**#**Cooking4Families programme”. This is an event which BNY Mellon, including the SA/NV Dublin Branch, usually supports each year by cooking a meal on site for the families of sick children in hospital.

Unfortunately, due to the Covid 19 pandemic, their kitchens have been closed and volunteering on site is no longer an option. This has a huge impact on the families staying in The Ronald McDonald House and so this year we supported their **#WearYourStripes** campaign instead which required everybody to wear stripes on 25th November, 2020 and to post a photo on the BNY Mellon intranet site.

RMHC had this to say about the 2020 campaign - "The reason we are running this campaign is to raise funds for a much needed new kitchen for the House. The kitchen is the heart of every home and the kitchen at The Ronald McDonald House is no different. Our families rely so much on the facilities we provide, including the space to cook, relax, converse and recoup. The area is not only a kitchen, but it provides a safe haven for all our families to recharge, catch up with each other and also meet other families experiencing similar difficulties and emotional journeys, indirectly creating a natural support for each other. It's such a vital and important part of our services. However, due to Covid-19 guidelines, access to all communal areas i.e. kitchen, play room, library, is strictly limited and so we would like to be able to bring an element of this back to our families by upgrading our kitchens to allow families more comfort and space while adhering to social distancing guidelines. "

Each BNY colleague received company matching for donations over €25 which increased considerably the amount raised by BNY Mellon in 2020, notwithstanding the Covid 19 lockdown restrictions.

Basis.Point

Basis.point is another one of the charities which BNY Mellon in Ireland, including the SA/NV Dublin Branch supports in a number of ways.

The aim of "basis.point" is to make a real contribution to improving educational opportunities for those in need in Ireland, particularly young people and children between the ages of 4-16.

The support takes many forms, including providing grants to other charitable organisations to fund programmes and initiatives that focus on education and further education opportunities for those living in poverty and children in disadvantaged areas. Many of the young people which "basis.point" supports have a range of challenges including learning disabilities arising from social, emotional and behavioral difficulties. "Basis.point" also provides funding for programmes such as its "mentoring for achievement programme" which has achieved considerable success in improving engagement and staying longer in education by children from disadvantaged backgrounds.

BNY Mellon SA/NV Dublin Branch is proud to participate in this charity and the great work that it does to improve the lives of children through education. We support "basis.point" by participating in a range of activities including the annual table quiz, annual dinner and charity auction as well as the big favourite – the annual golf outing. Due to the lockdown caused by the Covid 19 pandemic in 2020, many of the events were postponed or held online where possible and through the commitment of the members and supporters, including BNY Mellon SA/NV Dublin Branch, the work of the "basis.point" charity continues.

Keeping Patients Connected during the Pandemic

BNY Mellon has taken a series of humanitarian actions in an effort to help those negatively affected by the Corona virus.

We have made philanthropic commitments to important support organizations in regions where employees live and work. One element of this includes donating video-capable tablets to hospitals to help patients and medical staff communicate with loved ones. Over 700 have been donated to hospitals and nursing homes globally including to the Mercy University Hospital in Cork and to Luigi Sacco Hospital and Fatebenefratelli Hospital in Milan.
David Kelly from The Bank of New York Mellon SA/NV, Dublin Branch has donated iPad Minis to the Mercy University Hospital, which will be used in the Children's Leukaemia Unit and across the hospital for patients isolated due to Covid-19.
The donation to the Mercy University Hospital (MUH) is part of a wider gesture by BNY Mellon to help keep patients and medical staff connected with their loved ones during the pandemic.

Mícheál Sheridan, CEO at Mercy University Hospital Foundation extended his sincere thanks to BNY Mellon for the donation, noting that the devices are particularly beneficial when used in distraction techniques during needle procedures with children to reduce anxiety.
Adriana Pierelli from The Bank of New York Mellon SA/NV, Milan Branch Mellon has donated 20 iPADs to the Luigi Sacco Hospital and Fatebenefratelli Hospital in Milan. This represents a 12% increase in the number of tablets they have and which are used to allow COVID-19 patients to communicate with their dear ones and with their doctors during this very critical time were social distancing is making it impossible to visit anyone at any Italian hospitals.

In many cases donated Ipads allowed that the families of patients in critical condition could be quickly contacted and brought to the patient's bedside virtually to be with them in their final moments. Engineer Michele Rosata IT Responsible for the Group of Sacco Hospitals in Milan and Doc Giuliano Rizzardini, Director 1st Div. Infectious Diseases and Allergy "Ospedale Luigi Sacco" personally extended their sincere thanks to BNY Mellon for this important donation.

Diversity & Inclusion Week in Frankfurt

The "Charta der Vielfalt e.V." promotes the recognition, appreciation and integration of diversity in business culture.

BNY Mellon Frankfurt has been a member of the "Charta der Vielfalt" for many years. Their 8th Diversity Day Germany has been a huge success as more than 800 organisations sent a strong signal for diversity into the business world with more than 1600 activities from German companies.

BNY Mellon Frankfurt decided to organize a full diversity week with trainings, presentations and workshops in a virtual format. More than 150 BNY Mellon employees joined at least one of the sessions of the Diversity week. "Charta der Vielfalt" has awarded BNY Mellon with a certification to honour the effort that BNY Mellon Frankfurt has put into this diversity project. Please see below what activities BNY Mellon Frankfurt delivered during the Diversity Week:
WIN presents Fondsfrauen Germany (Nov 5th).

In the context of the presentation of the external network "Fondsfrauen" some colleagues (i.e. Leonique van Houwelingen & Katherine Starks) gave insights on their daily experiences with "Covid-19/Home-Office". Furthermore, they illustrated how women can manage their career during the pandemic and which support they can expect from others.

Discussion with colleagues about Diversity & Inclusion

Colleagues spoke about their growing-up in Germany as “non-biological-Germans”. They shared with the BNY Mellon staff their very individual experiences. Another topic discussed was “Disabled/ handicapped persons in the working environment and at BNY Mellon” and how to deal with difficulties & restrictions.

Trainings: Intercultural Competencies
The team gave insights into cultural (& national) behaviours – in a very enjoyable manner. Additionally, they gave tips on how to deal with it. It was especially nice that Orit Bhonker/ Tel-Aviv helped shape a training with the BNY Mellon staff in Frankfurt.

Reading with Katherine Starks
Katherine Starks presented the book "What white people don't want to hear about racism but should know" written by Alice Hasters. The selected chapter, where Alice described her work experience as a waitress in a restaurant, clearly outlined that many people in our society hold racist views and that racism is still an overlooked problem in our daily life.

Workshop with Mirrianne Mahn - a Diversity & Inclusion Activist
Mirrianne let the BNY Mellon staff take part in her thoughts - with passion and lifeblood - in respect of the actual condition of “Diversity in Germany”. Her workshop definitely clarified, that we are all on a (long) journey to implement diversity in our white privileged society. Each of us can work on contributions to change the publics & the banks mind-set, starting within his/her own personal world.

What is GenEdge?
GenEdge Germany reviewed current local and global initiatives, as well as interesting facts from each different generation, which was followed by an interactive quiz to test the audience on the main takeaways and to provide more insights about generational diversity in the Frankfurt office - participants welcomed the interactive and “fun” nature of the activity.

LuxembourG reen by Nature

2020 has invited us to think, behave and work differently.

Prior the pandemic situation, some businesses were already actively preparing going paperless. The working from home imposed scenario contributed to go live earlier with paperless, be creative and efficient while still delivering and servicing our clients with quality.

Operations in particular were dragging a full lot amount of prints on a daily basis.
In 2019 : 1,608,281 sheets were printed versus 270,000 sheets so far in 2020 (mainly Q1).
As a concrete example, AS Fund Accounting were used to print an average of 500 sheets per day to monitor the FA oversight. A quick calculation : 500 sheets X 20 days = 10,000 sheets a month.

We are moving from traditional workflows with paper to a relatively new process of working without paper and go digital.

Saving paper doesn’t just mean paper and trees being saved, but a multitude of other benefits, like the following:

Reduced search time — with PDF, online storage & access (less external storage i.e Labgroup services)

Workload Office Stress — Paper can be cluttering, with unified storage

Tidier Offices — Less paper, easier to adopt the clean desk policy
And of course **Costs reduction** and gain in **efficiency.**

Environmental sustainability in the Brussels office despite the health crisis

- **Electricity consumption decreased by -19,6% in 2020 against 2019.**
- **Natural gas consumption decreased by -29.1% in 2020 against 2019.**
- **Waste decreased by -64%**
- **100% diversion from landfill has been achieved during 2020.**
- **In 2020 recycling rate was around 78%.**

Given the exceptional health situation that we are going through, it is quite difficult to draw up relevant reports on the environmental performance of the company.

If we look at the strict meaning of the figures, we might conclude that 2020 was a good year in a environmental sustainability perspective. The figures show that The Bank of New York Mellon SA/NV significantly reduced energy use and waste in comparison with the previous years. However, the main factor contributing to this improvement was the weak building occupancy (less than 5%) due to the sanitary measures in Belgium since March 2020.

We have maintained though our sustainable operations to manage our environmental responsibilities and have looked for opportunities to keep improving sustainability aspects in the company.

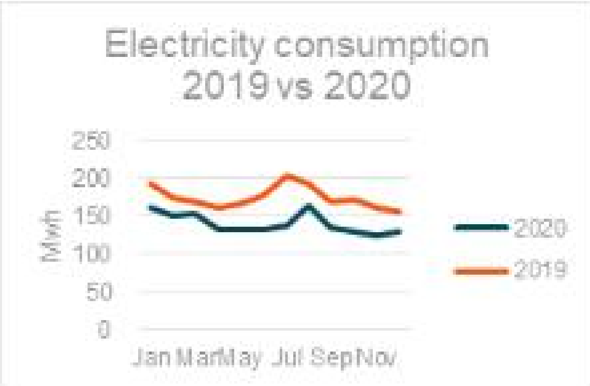
First of all, quick wins on energy management have been implemented during this period such as adjusting HVAC systems and lighting settings to the situation or shutting down devices and equipment in unoccupied building areas.

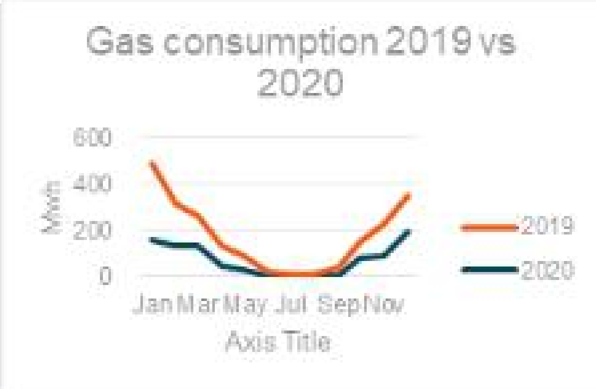
Then the sustainability team has shown creativity in organizing virtual initiatives in 2020. During the mobility week, a step challenge was virtually organized for employees. This week was a success and really contributes to team building,wellbeing and more frequent interactions with colleagues to achieve a common “fun” goal.

The winning team did 809,473 steps in one week. The sustainability team also collected testimonies from essential in office staff using soft mobility to commute to the office. These testimonies showed the advantages of soft mobility in Brussels for the future and were shared with all the employees.

The sanitary situation has also forced The Bank of New York Mellon to put some important environmental sustainability projects on hold, such as the ISO 14001 certification and the energy management audit.

In addition to these projects, 2020 and 2021 promise to be very exciting in terms of environmental objectives. The relocation of The Bank of New York Mellon SA/NV for which sustainable facilities are important criteria in the building selection process.





“Digidetox” sessions organized in Brussels

The Committee for Prevention and Protection at Work (CPPW) hosting **“Digidetox” sessions**, to help employees to cope with 4 different aspects of homeworking.

- **How to organise your home office?**

Working from home can be more stressful and requires extra attention to the organisation of the working space. Differentiating your home office from the rest of your living space may seem like a tough challenge. However, a home office can just as easily be transformed and decorated into a pleasant, efficient and organised workspace. Our technical and ergonomic advice will put you on the right track.

- **Digidetox: How to outsmart screen addiction and to set priorities?**

When it comes to advertising and commercials, we are pretty convinced that we know the techniques. That snow-white toothpaste or shiny new car certainly looks attractive, but we know the tricks advertisers use to seduce us, from cheerful music to attractive models. But, how many of us tap an icon on the phone to check a quick email or pop-up? Then an hour later, wondering where the time has gone? When it comes to our phones and other digital technology, we may not be as smart as we think...

- **Digidetox: how to focus your attention and to take brain breaks?**

Calming our mind has a positive effect on our heart rate and blood pressure. This enables us to deal effectively with the many daily - distracting - stimuli that keep cropping up. Regularly taking a brain break refreshes our thinking and helps us to discover other solutions to a problem or to see a situation through different glasses. ready to lend a hand to your brain?

- **16 November, 14.30h – 15.30h: How to move@home?**

When your home is also your office, it takes a lot of energy not to let work and personal time overlap. Although flexibility sounds great in theory, the lack of structure as well as a healthy routine can have physical and mental consequences. It's no secret that people who exercise regularly feel better, have more energy, and are therefore more productive. Even from a well-equipped home office, exercise remains important: discover how to maintain a healthy balance with small breaks in and around your own home office.

The Healthy Working program

BNY Mellon has invested in '***Cardinus Healthy Working***', a health & safety on-line training and self-risk assessment program for the workstation. This program was offered to Brussels staff on a voluntary basis.

In addition to receiving training, employees were given the opportunity to carry out a self-assessment on their working posture and workstation set-up (either if they are based in the office or if they are a remote worker). When completed, a report is generated including pieces of advice related to the issues identified and who to contact for support.

Junior Achievement

Junior Achievement (JA) is the largest not-for-profit in Europe, dedicated to preparing young people for employment and entrepreneurship.
For 100 years, JA worldwide has delivered hands-on experiential learning in entrepreneurship, work-readiness and financial literacy.
BNY Mellon has supported Junior Achievement for twenty years, now providing financial support in eleven EMEA countries: Spain, France, Italy, Poland, U.K., Netherlands, Luxembourg, Belgium, Germany Ireland and UAE—as well as skills-based support and board representation in the U.S.

Leonique van Houwelingen, CEO of the BNY Mellon's European Bank, is a board member of Junior Achievement (JA) Europe

The BNY Mellon Community Partnership (CP) programme is designed to empower employees to support the community organisations that they care about - both financially and through volunteering their skills, experience and time. To encourage employee participation, the company offers incentives that include generous matched funding and three days of paid volunteer time each year.

As we enter a fast-paced future filled with digital disruption, business transformation, automation and artificial intelligence, human acumen in problem-solving, leadership, adaptability, creativity and innovation is becoming an even more precious commodity.

As a company, we focus on the areas where we can have the greatest impact on society - in this case, helping build and inspire the next generation of business leaders. We are

committed lowering barriers to fulfilling employment for underrepresented youth, enabling them to enrich their communities, and helping them thrive in future economies.
JA is all about innovation & entrepreneurship and we want to connect these young people to their future.Fostering these as entrepreneurial capabilities is what our investment in the JA programs is all about.
The Bank of New York Mellon in Brussels has engaged actively in two main JA projects:

1. The Mini-company programme: aimed at secondary school students who learn how to move a business idea from concept to reality. Business volunteers coach students throughout this yearlong venture and have a jury role in competitions.
2. The Young enterprise/start-up challenge: the Start Up Programme gives post-secondary students (aged 19 to 30) the opportunity to experience running their own company, giving them an insight into how their talents could be used to set up in business for themselves. They gain key understanding in self-employment, business creation, risk-taking and coping with adversity, all with the support of our experienced business volunteers.

2020 year in volunteering figures shows great enthusiasm from our employees – it was our pilot year. It is a win-win relationship where employees share their knowledge and experience with students. In return, they gain self-confidence, develop or perfect leadership and inter-personal skills

2020 year in volunteering figures shows great enthusiasm from our employees – it was our pilot year. It is a win-win relationship where employees share their knowledge and experience with students. In return, they gain self-confidence, develop or perfect leadership and inter-personal skills

	2018	2019	2020
Students reached	400	771	885
Activities	5	11	9
Volunteers	33	72	61

BNY MELLON

BNY Mellon is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries. As of Dec. 31, 2019, BNY Mellon had $37.1 trillion in assets under custody and/or administration, and $1.9 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

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, 2020 pursuant to Belgian law.

On 22 April 2021, the annual accounts and consolidated financial statements of BNY Mellon SA/NV were discussed at the Board of Directors.

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

The annual accounts and consolidated financial statements as of December 31, 2020 will be submitted for approval to the ordinary shareholders meeting to be held on 25 May 2021.

In 2020, there has been no decision taken by the Board, or the Executive Committee, which requires the respective application of Art. 7:96 of the Belgian Companies and Associations Code and Art. 24 bis of the Act of 25 April 2014 on the status and oversight of credit institutions on conflicts of interest.

Brussels, 22 April 2021

For the Board of Directors

Olivier Lefebvre
Chairman

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

KPMG

Rapport du commissaire à l'assemblée générale de The Bank of New York Mellon SA sur les comptes consolidés pour l'exercice clos le 31 décembre 2020

Dans le cadre du contrôle légal des comptes consolidés de The Bank of New York Mellon SA (la «Société») et de ses filiales (conjointement « le Groupe »), nous vous présentons notre rapport du commissaire. Celui-ci inclut notre rapport sur les comptes consolidés pour l'exercice clos le 31 décembre 2020, ainsi que les autres obligations légales et réglementaires. Le tout constitue un ensemble et est inséparable.

Nous avons été nommés en tant que commissaire par l'assemblée générale du 29 mai 2018, conformément à la proposition de l'organe d'administration émise sur recommandation du comité d'audit et sur présentation du conseil d'entreprise. Notre mandat de commissaire vient à échéance à la date de l'assemblée générale délibérant sur les comptes annuels clôturés au 31 décembre 2020. Nous avons exercé le contrôle légal des comptes consolidés de The Bank of New York Mellon SA durant douze exercices consécutifs.

Rapport sur les comptes consolidés

Opinion sans réserve

Nous avons procédé au contrôle légal des comptes consolidés du Groupe pour l'exercice clos le 31 décembre 2020, établis conformément aux normes internationales d'information financière (IFRS) telles qu'adoptées par l'Union Européenne et aux dispositions légales et réglementaires applicables en Belgique. Ces comptes consolidés comprennent l'état consolidé de la situation financière au 31 décembre 2020, ainsi que l'état consolidé du résultat et d'autres résultats globaux, l'état consolidé des variations de fonds propres et le tableau des flux de trésorerie consolidé de l'exercice clos à cette date, ainsi que des annexes contenant un résumé des principales méthodes comptables et d'autres informations explicatives. Le total de l'état consolidé de la situation financière s'élève à 39.752.434 (000) EUR et l'état consolidé du résultat et d'autres résultats globaux se solde par un bénéfice net de l'exercice de 245.214 (000) EUR.

À notre avis, ces comptes consolidés donnent une image fidèle du patrimoine et de la situation financière du Groupe au 31 décembre 2020, ainsi que de ses résultats consolidés et de ses flux de trésorerie consolidés pour l'exercice 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 du commissaire à l'assemblée générale de The Bank of New York Mellon SA sur les comptes consolidés pour l'exercice clos le 31 décembre 2020

Fondement de l'opinion sans réserve

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

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

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

Points clés de l'audit

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

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

Description

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

Nos procédures d'audit

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

— Evaluation du cadre de gouvernance du Groupe en matière de gestion des systèmes informatiques.

— Evaluation de la conception et de l'efficacité opérationnelle des contrôles généraux sur les systèmes informatiques tels que les contrôles relatifs aux développements et changements, aux accès aux programmes et aux données, et aux opérations informatiques.

— Evaluation de la conception et de l'efficacité opérationnelle des contrôles automatisés des processus clés ayant un impact sur l'information financière produite par le Groupe, en prenant en considération les contrôles compensatoires qui ne sont pas impactés par des contrôles généraux et les procédures substantives additionnelles considérées comme nécessaires.

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

Actifs détenus par le dépositaire

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

Description

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

Nos procédures d'audit

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

— Nous avons évalué la mise en place et testé l'efficacité opérationnelle des contrôles manuels et automatisés relatifs au processus de rapportage des actifs détenus par le dépositaire, en ce compris les contrôles devant assurer la qualité des données sources, l'exhaustivité des actifs détenus par le dépositaire ainsi que leur tarification.

— Nous avons sélectionné un échantillon de contrats et avons corroboré les conclusions de la direction à propos du respect des exigences liées à la protection des actifs détenus par le dépositaire et au rapportage.

— Pour un échantillon, nous avons testé la répartition des actifs détenus par le dépositaire entre les différentes entités juridiques du groupe The Bank of New York Mellon Corp. en comparant les données du système opérationnel avec les confirmations reçues des préposés en question et/ou d'autres documents vérifiables.

— Nous avons évalué le processus de réconciliation entre les actifs détenus par le dépositaire extraits des systèmes opérationnels du Groupe et les actifs détenus par le dépositaire tels que repris dans l'annexe n°26.2 "Hors bilan" des comptes consolidés.

Provision pour plaintes et litiges

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

Description

Au 31 décembre 2020, l'état consolidé de la situation financière du Groupe inclut une provision pour plaintes et litiges s'élevant à 155.329 (000) EUR.

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

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

Nos procédures d'audit

Assistés de nos spécialistes en droit et en fiscalité, nous avons effectué les procédures suivantes :

— Nous avons évalué la procédure mise en place par la direction pour prévoir l'issue des plaintes et des litiges, ainsi que le caractère approprié de l'évaluation.

— Nous avons évalué la capacité historique de la direction de déterminer avec précision la probabilité d'un règlement des plaintes et litiges et avons évalué le caractère raisonnable de la prévision actuelle.

— Nous avons analysé l'évaluation des plaintes et litiges par la direction en la corroborant à de la correspondance considérée comme pertinente ainsi qu'au registre des plaintes.

— Nous avons consulté le dernier rapport émis par le conseiller juridique interne de la Société, y compris l'analyse de la motivation des conclusions formulées.

— Nous avons consulté et analysé la correspondance avec les avocats externes en réponse à nos demandes de confirmation du statut des procédures juridiques en cours et avons évalué l'impact de cette évidence sur le caractère approprié des provisions.

— Nous avons évalué l'information présentée aux annexes n°20 « Provisions » et n°26.1 « Actions en justice » des comptes consolidés.

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

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

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

Responsabilités du commissaire relatives à l'audit des comptes consolidés

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

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

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

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

— nous prenons connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, mais non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne du Groupe;

— nous apprécions le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par l'organe d'administration, de même que des informations les concernant fournies par ce dernier;

— nous concluons quant au caractère approprié de l'application par l'organe d'administration du principe comptable de continuité d'exploitation et, selon les éléments probants recueillis, quant à l'existence ou non d'une incertitude significative liée à des événements ou situations susceptibles de jeter un doute important sur la capacité du Groupe à poursuivre son exploitation. Si nous concluons à l'existence d'une incertitude significative, nous sommes tenus d'attirer l'attention des lecteurs de notre rapport du commissaire sur les informations fournies dans les comptes consolidés au sujet de cette incertitude ou, si ces informations ne sont pas adéquates, d'exprimer une opinion modifiée. Nos conclusions s'appuient sur les éléments probants recueillis jusqu'à la date de notre rapport du commissaire. Cependant, des situations ou événements futurs pourraient conduire le Groupe à cesser son exploitation;

— nous apprécions la présentation d'ensemble, la structure et le contenu des comptes consolidés et évaluons si les comptes consolidés reflètent les opérations et événements sous-jacents d'une manière telle qu'ils en donnent une image fidèle;

— nous recueillons des éléments probants suffisants et appropriés concernant les informations financières des entités ou activités du Groupe pour exprimer une opinion sur les comptes consolidés. Nous sommes responsables de la direction, de la supervision et de la réalisation de l'audit au niveau du groupe. Nous assumons l'entière responsabilité de l'opinion d'audit.

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

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

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

Autres obligations légales et réglementaires

Responsabilités de l'organe d'administration

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

Responsabilités du commissaire

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

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

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

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

— Chiffres clés et lettre du CEO

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

Mentions relatives à l'indépendance

— Notre cabinet de révision et notre réseau n'ont pas effectué de missions incompatibles avec le contrôle légal des comptes consolidés et notre cabinet de révision est resté indépendant vis-à-vis du Groupe au cours de notre mandat.

Rapport du commissaire à l'assemblée générale de The Bank of New York Mellon SA sur les comptes consolidés pour l'exercice clos le 31 décembre 2020

— Les honoraires relatifs aux missions complémentaires compatibles avec le contrôle légal visées à l'article 3:65 du Code des sociétés et des associations ont correctement été valorisés et ventilés dans l'annexe des comptes consolidés.

Autre mention

— Nous faisons référence au rapport de gestion sur les comptes consolidés qui énonce le point de vue de l'organe d'administration selon lequel le Groupe est exempté de l'obligation de préparer et de publier l'information non-financière tel que requise par l'article 3:32, §2 du Code des sociétés et des associations étant donné que la Société est une filiale du groupe The Bank of New York Mellon Corp, qui prépare un rapport annuel consolidé qui inclut l'information non-financière. L'organe d'administration indique néanmoins que le contenu du rapport annuel consolidé n'inclut pas toutes les informations requises par l'article 3:32, §2 du Code des sociétés et des associations.

— Le présent rapport est conforme au contenu de notre rapport complémentaire destiné au comité d'audit visé à l'article 11 du règlement (UE) n° 537/2014.

Zaventem, le 19 mai 2021

KPMG Réviseurs d'Entreprises
Commissaire
représentée par

Kenneth Vermeire (Signature)

Digitally signed by Kenneth Vermeire (Signature)

Kenneth Vermeire
Réviseur d'Entreprises

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Notes	2020 In € '000	2019 In € '000
Interest income	2	283,693	344,619
Interest expense	2	152,228	234,519
Net interest income		131,465	110,100
Fee and commission income	3	763,868	715,481
Fee and commission expense	3	271,918	287,575
Net fee and commission income		491,950	427,907
Net trading and gains on non-qualifying economic hedges	4	39,197	41,538
Gains on derecognition of assets other than held for sale, net		10,873	2,906
Other operating income	5	11,780	2,981
Total operating income		**685,265**	**585,432**
Personnel expenses	6	173,025	159,464
Depreciation of Property and Equipment	16	12,779	12,391
Amortization/impairment of Intangible assets (other than goodwill)	17	3,403	2,589
Impairment of financial assets not measured at fair value through profit and loss		1,889	(665)
Provisions	20	4,658	147,952
Other operating expenses	7	163,268	154,345
Total operating expenses		**359,022**	**476,076**
Profit before tax from continuing operations[3]		**326,243**	**109,355**
Tax expense related to profit from continuing operations	8	81,030	67,304
NET PROFIT FOR THE YEAR[4]		**245,214**	**42,052**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement gains /(losses) on defined benefit plans	22.2	18,206	(18,643)
Related tax	8.2	(5,085)	3,328
		13,121	**(15,315)**
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve			
Net change in fair value		127,035	106,367
Net amount transferred to profit and loss		(10,873)	(2,915)
Related tax	8.2	(29,325)	(28,439)
		86,836	**75,013**
Other comprehensive income for the year, net of tax		345,171	101,750
Total comprehensive income for the year, net of tax		**345,171**	**101,750**

[3] 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.
[4] All net profit/loss is attributable to the equity holders of the parent. The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2020 In € '000	31 December 2019 In € '000
ASSETS			
Cash and cash balances with central banks	10	17,562,524	10,754,991
Derivative financial instruments	14	500,209	158,006
Loans and advances to customers	11	7,902,902	8,834,550
Investment securities	12	13,388,973	12,696,318
Current tax assets	8	17,082	25,516
Other assets	15	306,912	325,943
Property and equipment	16	41,818	49,020
Deferred tax assets	8	3,024	3,944
Goodwill and other intangible assets	17	28,990	32,291
TOTAL ASSETS		**39,752,434**	**32,880,579**
LIABILITIES			
Derivative financial instruments	14	583,009	162,565
Deposits from central banks	18	491,483	545,410
Deposits from financial institutions	18	34,090,203	27,998,641
Deposits from non-financial institutions	18	186,560	44,252
Other financial liabilities	18	34,617	39,985
Subordinated liabilities	18	358,207	358,124
Current tax liabilities	8	35,282	38,367
Other liabilities	19	279,406	370,649
Provisions	20	156,477	167,308
Deferred tax liabilities	8	50,941	16,316
TOTAL LIABILITIES		**36,266,185**	**29,741,618**
EQUITY			
Issued capital	23	1,754,386	1,754,386
Share premium	23	33,333	33,333
Retained earnings		1,514,667	1,269,453
Other reserves		183,863	81,789
TOTAL EQUITY		**3,486,249**	**3,138,961**
TOTAL LIABILITIES AND EQUITY		**39,752,434**	**32,880,579**

All equity is attributable to the equity holders of the parent

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 equity
	In '000 €	In '000 €	In '000 €	In '000 €	In '000 €
As at January 1, 2019	**1,723,485**	**33,333**	**1,196,042**	**19,620**	**2,972,480**
Total comprehensive income					
Profit/loss for the year	—	—	42,052	—	42,052
Other comprehensive income, net of tax					
Remeasurement gains/(losses) on defined benefit plans	—	—	—	(18,643)	(18,643)
Fair value reserve (FVOCI debt instruments)					
Net change in fair value	—	—	—	106,367	106,367
Net amount transferred to profit and loss	—	—	—	(2,915)	(2,915)
Tax on other comprehensive income	—	—	—	(25,111)	(25,111)
Total other comprehensive income	—	—	—	59,698	59,698
Total comprehensive income	—	—	42,052	59,698	101,750
Share-based payments (Note 25)	—	—	—	2,471	2,471
Transactions with owners[5]	30,900	0	31,359	2,471	64,731
At 31 December 2019	**1,754,385**	**33,333**	**1,269,453**	**81,789**	**3,138,960**
Total comprehensive income					
Profit/loss for the year	—	—	245,214	—	245,214
Other comprehensive income, net of tax					
Remeasurement gains /(losses) on defined benefit plans	—	—	—	18,206	18,206
Fair value reserve (FVOCI debt instruments)					
Net change in fair value	—	—	—	127,035	127,035
Net amount transferred to profit and loss	—	—	—	(10,873)	(10,873)
Tax on other comprehensive income	—	—	—	(34,410)	(34,410)
Total other comprehensive income	—	—	—	99,957	99,957
Total comprehensive income	—	—	245,214	99,957	345,171
Share-based payments (Note 25)				2,117	2,117
Transactions with owners	—	—	—	2,117	2,117
At 31 December 2020	**1,754,385**	**33,333**	**1,514,667**	**183,863**	**3,486,249**

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

5 Transactions with owners in 2019 include the additional capital from the common control transaction whereby BNY Mellon Trust Company Ireland Limited (TCIL) merged into The Bank of New York Mellon SA/NV in December 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2020	2019
		In € '000	In € '000
OPERATING ACTIVITIES			
Net Profit for the year		245,214	42,052
Adjustments for:		(40,097)	253,820
Net interest income	2	(131,465)	(110,100)
Current and deferred tax expenses	8	81,030	67,304
Depreciation and amortization	16, 17	16,182	14,980
Provisions	20	4,658	147,952
Issued capital and TCIL merger	23	—	62,259
Gains from sales of FVOCI debt instruments	5	(10,873)	(2,915)
Other[6]		373	74,339
Changes in:			
Monetary reserves	10	(17,451)	(48,281)
Loans and advances	11	931,648	(2,299,372)
Investment securities	12	661,697	(268,872)
Derivative financial assets	14	(342,203)	137,085
Other assets	15	19,031	(81,112)
Deposits from central banks	18	(53,927)	(40,048)
Deposits from credit institutions	18	6,091,645	6,690,046
Deposits (other than credit institutions)	18	142,308	(1,678)
Derivative financial liabilities	14	420,444	(141,520)
Other financial liabilities	18,26.4	3,523	51,385
Other liabilities and provisions	19, 20	(88,526)	86,748
Interest received	2	283,693	344,619
Interest paid	2	(152,228)	(234,519)
Income taxes refunded (paid)		(73,078)	(58,999)
Net cash from operating activities		**8,031,692**	**4,431,353**
INVESTING ACTIVITIES			
Purchase of tangible assets	16	(5,346)	(15,639)
Disposal of tangible assets	16	31	(573)
Purchase of intangible assets	17	(101)	(25,589)
Proceeds from sales of debt securities		5,970,920	6,442,365
Purchase of debt securities		(7,198,225)	(6,352,067)
Net cash used in investing activities		**(1,232,721)**	**48,497**
FINANCING ACTIVITIES			
Payments of lease liabilities[7]	26.4	(8,892)	(11,400)

[6] Other mainly consists of non-cash transactions, including mainly share based payments reserves and sales tax and other.
[7] BNY Mellon SA/NV has classified cash payments for the principal portion of lease payments as financing activities and cash payments for interest portion as operating activities consistent with the presentation of other interest payments.

	Note		
Net cash used in financing activities		**(8,892)**	**(11,400)**
Net increase/decrease in cash and cash equivalents		**6,790,080**	**4,468,450**
Cash and cash equivalents at beginning of the period		10,455,010	5,986,561
Effect of exchange rate fluctuations on cash and cash equivalents[8]		—	—
Cash and cash equivalents at the end of the period	**10**	**17,245,092**	**10,455,010**
Components of cash and cash equivalents:			
Cash and cash balances with central banks[9]		17,245,092	10,455,010

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

[8] Cash and Cash balances with central banks are mainly invested in Euro.
[9] Cash and cash balances with central banks does not contain monetary reserves amount as compared to Note 10.

SIGNIFICANT ACCOUNTING POLICIES

1. Significant Accounting Policies

1.1. Basis of Accounting

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

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

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

1.2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of BNY Mellon SA/NV and its subsidiaries as at and for the year ended 31 December 2020. The individual financial statements of BNY Mellon SA/NV's subsidiaries are prepared for the same reporting year as BNY Mellon SA/NV, with the exception of BNY AIS Nominees Limited which has a year end of 31 March. The accounting policies of subsidiaries are consistent with those of the parent.

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

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

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

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

1.3. Use of Judgments and Estimates

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

Estimates and assumptions

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

Going concern

BNY Mellon SA/NV's business activities, together with the factors likely to affect its future development, performance and position are set out in the Board of Directors' report, including the impact of the ongoing COVID-19 pandemic. 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.

None has marked 2020 more than the COVID-19 global pandemic causing a swift crash and then record fast recovery of the stock exchange, economic disruption, high volatility on the capital markets activities. Despite this adverse scenario, BNY Mellon SA/NV continued to operate business as usual without disruption to business continuity or outsourced operations. From a financial perspective, the BNY Mellon SA/NV experienced an increase in balance sheet obligations during the first quarter of 2020. This was driven by changes in customer behaviour; where customers placed higher cash balances with the BNY Mellon SA/NV during turbulent market conditions. Nevertheless, we continued to maintain a strong balance with high levels of capital, liquid assets and low levels of leverage. This demonstrates the BNY Mellon SA/NV's resilience to any short (i.e. ongoing Covid-19 pandemic) to medium term financial shock which may impact the BNY Mellon SA/NV's business and that the BNY Mellon SA/NV is a low risk institution for our clients and regulators.

Pension obligation

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

IFRS 9 Financial instruments

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

Recognition and measurement of contingencies

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

1.4. Changes in Accounting Policies

The following new and amended IFRS and IFRIC interpretations were considered by BNY Mellon SA/NV, these being endorsed by European Union in 2020 and effective for annual periods beginning on or after 1 January 2020. These amended standards are not applicable or had limited or no impact on BNY Mellon SA/NV consolidated financial statements:

- *COVID-19-Related Rent Concessions (Amendment to IFRS 16)*
- *Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019)*
- *Amendments to IFRS 3 Business Combinations (issued on 22 October 2018)*
- *Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)*
- *Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)*

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

The BNY Mellon Global IBOR Transition Program ("the Program") has been set up to manage the IBOR transition. The Program focuses on, among other things, evaluating and monitoring the impacts of the discontinuance of reference IBORs and the transition to replacement benchmarks on our business operations and financial condition; identifying and evaluating the scope of impacted financial instruments and contracts and the attendant risks; and implementing technology systems, models and analytics to support the transition. As part of the Program, BNYM SA/NV continues to assess the impact of the planned phasing out of IBORs and track its progress against the planned transition to alternative reference rates as required by the regulators and expected by the end of 2021.

Given the nature of the assets held by BNYM SA/NV, the primary exposures to such rates are deemed to be low compared to traditional broker-dealers and market liquidity providers in the banking sector. Certain operational risks however exist regarding BNYM SA/NV's business model, including execution, maintenance and reporting risk relating to the processing of Assets Under Custody ("AUC"), legal risk arising from legal claims and contract frustration, in particular where acting in its agent, Trustee and/or fiduciary role, and technology risk relating to impacted systems not being sufficiently updated to deal with the transition.

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

The International Accounting Standards Board ("IASB")'s Phase 1 amendments- *"IBOR Reform and its Effects on Financial Reporting"* provided temporary reliefs which enabled hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate ("RFR"). The Phase 1 amendments have no impact on BNYM SA/NV because there is currently no hedging activity. An impact assessment is under review as part of the enterprise-wide Transition Program with specific consideration of contract modifications and consideration of alternative interest rates with respect to the Phase 2 amendment- *"Interest Rate Benchmark Reform".*

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

However, the Firm is indirectly exposed to instruments that reference EURIBOR, EONIA and the other IBORs through the services it provides to clients' financial assets. The risks associated with these indirect exposures have been reduced due to the approval of EURIBOR under the EU Benchmarks Regulation (Regulation (EU) 2016/1011) ("BMR"). In addition, EONIA is rarely used as a relevant benchmark within our service portfolio. Therefore, the identified risks associated with services provided for our clients mainly relate to the other IBORs. Given the limited applicability of these risks for the Firm, the overall risk profile is perceived to be low.

The following table summarizes the Company's current portfolio as at 31 December 2020 which is likely to be impacted as a result of the transition:

Product	Current rate	Maturity date	No. of positions	Gross notional exposure
				At 31st Dec 2020
				(EUR mln)
Debt securities	GBP LIBOR	Post 2021	11	264.7
		Total	**11**	**264.7**

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 following the endorsement process by the European Commission.

Other Standards

The following amended standards are not applicable or are not expected to have a significant impact on BNY Mellon SA/NV consolidated financial statements:

– *Onerous contracts - Cost of Fulfilling a contract (Amendments to IAS 37)*
– *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*
– *Reference to Conceptual Framework (Amendments to IFRS 3 Business Combinations)*
– *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*
– *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts, effective as of 1st of January 2023.*

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, except for BNYM Mellon SA/NV Dublin and Copenhagen branches, where USD and DKK are the functional currencies, respectively.

1.6.1.1. Translations of transactions and balances

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

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

1.6.2. 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 FVOCI debt instruments. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

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

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

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

1.6.2.2. Fees and Commission Income

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

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

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

Nature of services and revenue recognition

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

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

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

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

Contract balances

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

Contract assets represent accrued revenues that have not yet been billed to the customers due to contingent factors other than the passage of time. Contract assets are usually billed on a monthly basis. There were no impairments recorded on contract assets in 2019.

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

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

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

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

Unsatisfied performance obligations

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

1.6.2.3. Dividend Income

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

1.6.2.4. Gains and Losses on Non Qualifying Economic Hedges

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

1.6.2.5 Net trading income

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

1.6.3. Financial Instruments – Initial Recognition and Subsequent Measurement

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

1.6.3.1. Non-derivative financial assets - Classification

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

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

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

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

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

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

1.6.3.1.1 Business model assessment

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

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

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

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

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

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

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

1.6.3.1.3. Reclassification of Financial Assets

BNY Mellon SA/NV does not reclassify financial assets subsequent to their initial recognition, except in the period after BNY Mellon SA/NV changes its business model for managing financial assets. In 2020 BNY Mellon SA/NV has not recorded any reclassifications of financial assets.

1.6.3.2. Derivative Financial Instruments Held for Trading

BNY Mellon SA/NV uses derivatives including FX swaps and forwards as part of its cash management activities. Derivatives are recognized in the statement of the financial position at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized in the “Gains and losses on non-qualifying economic hedges” in the statement of profit and loss and other comprehensive income.

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

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

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

1.6.3.3. Financial Liabilities

BNY Mellon SA/NV classifies its financial liabilities as measured at amortised cost.

1.6.4. Derecognition of Financial Assets and Financial Liabilities

1.6.4.1. Financial Assets

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

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

BNY Mellon SA/NV has derecognized financial assets in 2020 and 2019.

1.6.4.2. Financial Liabilities

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

1.6.5. Repurchase and Reverse Repurchase Agreements

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

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

1.6.6. Commitments and financial guarantees given and received

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

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

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

1.6.7. Determination of Fair Value

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

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

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

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

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

1.6.8. Impairment of Financial Assets

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

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

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

1.6.8.1 Measurement of ECL

BNY Mellon measures the ECLs based on the risk of default over one of two different time horizons, depending on whether the credit risk of the borrower has increased significantly since the exposure was first recognized or, for loan commitments, the date in which BNY Mellon unconditionally committed to extend credit. The loss allowance for those exposures that have not increased significantly in credit risk (‘stage 1’ exposures) is based on lifetime expected credit losses from default events occurring within the next 12 months (12 months ECL). The allowance for those exposures that have suffered a significant increase in credit risk and exposures that are defaulted ('stage 2' and 'stage 3' exposures respectively) is based on based on lifetime expected credit losses from default events occurring over the remaining contractual life (Lifetime ECL).

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

BNY Mellon SA/NV maintains an allowance for doubtful accounts for the estimated non-collection of accounts receivable. Uncollectability is presumed 180 days after invoice issue date unless there are known customer - specific reasons for the delay in settlement. Given BNY Mellon SA/NV's very low ECL rate overall, the effect of ECL on trade receivables is insignificant. Accordingly, no ECL is calculated centrally for such exposures.

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

1.6.9. Offsetting Financial Instruments

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

1.6.10 Leasing

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

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

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

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

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

1.6.11. Cash and Cash Equivalents

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

1.6.12. Property and Equipment

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

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

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

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

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

1.6.13. Business Combinations and Goodwill

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

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

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

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

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

1.6.14. Intangible Assets other than Goodwill

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

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

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

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

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

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

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

1.6.15. Impairment of Non-Financial Assets

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

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

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. BNY Mellon SA/NV identified value in use as being the recoverable amount of a cash-generating unit (CGU) in 2020. 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. The calculation of the value in use is based on certain key assumptions included in note 17.1. 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 four defined benefit plans during the year. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary. A valuation by a qualified independent actuary is carried out every year for each of the plans.

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

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

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

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

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

1.6.16.2. Defined Contribution Plan

BNY Mellon SA/NV also operates 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 forfeited, any expense is reversed for the portion of the award that has not yet vested. 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 forfeited 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 FVOCI debt instruments and (iii) net gain (loss) on actuarial gains or losses from the defined benefit pension plans, including tax effects thereon.

1.6.22. Segment Reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Net Interest Income

Interest income	**2020**	**2019**
	in € '000	**in € '000**
Investment securities	114,039	133,814
Loans and advances to customers	80,120	132,546
Interest income on liabilities	89,533	78,259
Total	**283,693**	**344,619**

Interest expense		
Deposits from credit institutions	8,437	62,324
Deposits from other financial institutions	44,347	84,135
Deposits from non-financial institutions	616	217
Subordinated loans	30,199	30,117
Interest expense on assets	68,351	57,433
Interest expense on leases (note 26.4)	278	293
Total	**152,228**	**234,519**
Net interest income	**131,465**	**110,100**

Despite the difficult market conditions during the year, BNY Mellon SA/NV has succeeded to marginally increase its Net Interest Margin by €21 Mio compared to last year. This was due to the negative interests re-charge to clients, and active management of balance sheet along with strong yield on the securities portfolio and term placements which are not yet significantly impacted by the USD cut rate from US Federal Reserve. On the other hand, interest expense on USD deposits has significantly decreased due to the aforementioned USD cut rate, further increasing the net interest margin of BNY Mellon SA/NV.

In 2020, BNY Mellon SA/NV continued charging negative interest rate to clients, hence better reflecting the cost of maintaining Euro deposits. Interest income on liabilities line shows the negative interest charged to the clients by BNYM Mellon SA/NV and the interest expense on assets line presents negative interest charged by central bank.

3. Net Fee and Commission Income

	2020 In € '000	2019 In € '000
Fee and commission income- contract revenue		
INVESTMENT SERVICES	713,952	685,181
Asset Servicing	565,714	546,777
Clearance and Collateral Management	60,014	52,931
Issuer Services	88,224	85,473
of which ADR	38,634	39,169
of which Corporate Trust	49,590	46,304
OTHER CONTRACT REVENUE	49,916	30,300
Markets	49,916	30,300
of which Foreign exchange commissions	40,026	30,300
Total fee and commission income - contract revenue	**763,868**	**715,481**
Fee and commission expenses		
Custody	106,478	114,789
Clearing and settlement	646	719
Servicing, processing and support fees re-charged	163,838	170,011
Other	956	2,056
Total fee and commission expense	271,918	287,575
Net fee and commission income	**491,950**	**427,907**

The overall net increase of €64 Mio in fee and commission income has continued to be positively impacted by the offering of new products and other strategic initiatives initiated in 2019 and 2020, such as securities lending and collateral management, following the exit of the UK from the European Union (Brexit), and as well as the full impact of merger of BNY Mellon Trust Company Ireland Limited (TCIL) which was effective on December 1st 2019, resulting in additional asset servicing income into BNY Mellon SA/NV Dublin Branch for the full year.

Foreign exchange transaction revenues increased with €19.6 Mio compared to last year, resulting from increased market volatility due to COVID 19 global pandemic.

Custody fees paid to sub-custodians have decreased. Full year impact of disintermediation of BNY Mellon SA/NV in the custody chain of the group was only completed in 2019 and hence impact is only seen in the current year, resulting to a decrease in sub-custodian fees.

Servicing (e.g. transactional, safekeeping), processing and support fees are fees re-charged by group companies. This is mainly related to operations and overhead charges from other group entities charging BNY Mellon SA/NV for asset servicing, collateral management, corporate trust and ADR services. The decrease in this caption is mainly due to change in methodology for global collateral management and securities lending transfer pricing and shared revenue.

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

	2020 In € '000	2019 In € '000
Net trading income		
Forward foreign exchange contracts	1,106	—
Gains on Non Qualifying Economic Hedges		
Forward foreign exchange contracts	38,091	41,538
	39,197	**41,538**

Realized and unrealized result of currency swaps that act as economic hedges are recorded in this caption totaling €38.09 Mio, net of any FX revaluation on the underlying treasury placements.

In the last quarter of 2020 BNY Mellon SA/NV set up a FX Trading desk in Frankfurt and is risk managing a portion of the FX flow within the SA/NV, no longer relying on a 100% back to back booking model with BNY Mellon Group. As a result, these activities generated a net trading income of EUR 1.1Mio in 2020.

5. Other Operating Income

	2020 In € '000	2019 In € '000
Miscellaneous income	11,780	2,981
	11,780	**2,981**

Miscellaneous income includes a €9.2 Mio income representing a first recuperation in the context of the "cum-ex" provision relating to Withholding Tax Claims. For further details on the "cum-ex" provision, please refer to note 20 Provisions and Note 26.1 Legal Claims.

6. Personnel Expenses

	2020 In € '000	2019 In € '000
Wages and salaries	130,066	116,732
Social security contributions	21,307	21,241
Pension costs – Defined benefit plan (Note 22.2)	4,798	4,303
Pension costs – Defined contribution plan (Note 22.1)	6,007	5,378
Share-based payments (Note 25)	2,068	2,482
Other	8,779	9,031
	173,025	**159,166**

The Personnel expenses increased compared with prior year by €14 Mio mainly due to increase in headcount due to the full effect of the BNY Mellon Trust Company Ireland Limited (TCIL) merger end of 2019 impacting 2020 for the full year. Other expenses consist principally of medical insurance costs of €3 Mio (2019: €3 Mio) and commuting programs for employees of €1 Mio (2019: €2 Mio).

7. Other Operating Expenses

	2020 In € '000	2019 In € '000
Professional fees	23,721	24,545
IT expenses	5,237	5,306
Bank levies	13,152	18,613
Operational lease expenses (note 26.4)	3,528	3,149
Non trading exchange differences	2,897	—
Shared services support (overhead)	84,495	72,617
Temporary clerical assistance	4,132	5,049
Non recoverable VAT	10,447	9,889
Repair and maintenance	2,696	3,043
Miscellaneous, including marketing	12,962	12,134
	163,268	**154,345**

Other operating expenses are stable compared to prior year showing a slight increase of €9 Mio. The bulk of the other operating expenses consist of inter-company service support charges mainly related to technology recharges from US.

Decrease in bank levies (-€5Mio) is due to SRF contribution decrease for the year (based on decrease of target amount to collect from the sector and smaller balance sheet at the end of 2018). This decrease is compensated by increase in the technology recharges from the BNY Mellon group (+€11.81Mio) observed in shared services support (overhead) caption.

The major components of other miscellaneous expenses are: foreign business tax of €0.7Mio (2019: €1.0 Mio), deposit insurance of €0.7Mio (2019: €1.8M Mio) and transportation costs of €0.4Mio (2019: €1.9 Mio).

The fees incurred towards the statutory auditor including related entities are: audit fees of €1.4 Mio (2019:€1.4 Mio), audit related fees of 0.01 Mio (2019: €0.7 Mio) and non-audit fees of 1.2 Mio (2019: €0.4 Mio).

8. Income Tax

The components of income tax expense for the years ended 31 December 2019 and 2020 are:

	2020 In € '000	2019 In € '000
Current tax		
Current income tax	80,217	73,849
Adjustment in respect of current income tax of prior years	—	—
Deferred tax		
Relating to origination and reversal of temporary differences	813	(6,546)
	81,030	**67,304**

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 2019 and 2020 is as follows:

	2020 In € '000	2019 In € '000
Accounting profit before taxes	**326,243**	**109,355**
1. Tax expense using Belgian statutory rate of 25% (2019:29.58%)	81,563	32,347
2. Effect of different tax rates in other jurisdictions	(7,633)	(13,857)
3. Income not subject to tax	2,792	47,208
4. Non tax deductible expenses	660	3,773
5. Effect of utilization of previously unrecognized tax losses	—	—
6. Adjustment in respect of current income tax of prior year	(10,533)	5,525
7. Other increase (decrease) in statutory tax charge	14,181	(7,692)
Income tax expense reported in the consolidated of comprehensive statement	**81,030**	**67,304**

The effective income tax rate of 2020 is 24.84% (2019: 61.55%). The decrease in the effective income tax rate in 2020 compared to 2019 is due to one off impact related to provisions for German litigations booked in 2019. The decrease in income not subject to tax is mainly due to the loss reported in Germany in previous year. The adjustment in respect to current income tax of prior year refers mainly to 2019 tax provision due to the deduction of the provision for litigation (please refer to note 26.1) . Other increase consists mainly of the uncertain tax position of €13m linked to the deduction of the provision. New developments in 2020 and complexity of the tax rules could result in tax authorities taking a position where the deduction of the 2019 provision for German litigations is disallowed. As the risk is assessed as more likely than not, a reserve of €13m was recorded.

8.2. Income Tax Effects relating to Comprehensive Income

	2020			2019		
	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	18,206	(5,085)	13,121	(18,643)	3,328	(15,315)
Financial instruments at FVTOCI	116,162	(29,325)	86,836	103,452	(28,439)	75,013
Total	**134,367**	**(34,410)**	**99,957**	**84,809**	**(25,111)**	**59,698**

8.3. Current and Deferred Tax

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

	2020 In € '000	2019 In € '000
Current tax assets		
Pending tax refunds	8,704	15,601
VAT tax receivables	6,691	4,361
Other	1,687	5,554
Total	**17,082**	**25,516**
Current tax liabilities		
Reserve for taxes	26,233	30,920
VAT tax payables	9,050	7,447
Total	**35,282**	**38,367**

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

	Deferred tax assets 31 December 2020 In € '000	Deferred tax liabilities 31 December 2020 In € '000	Statement of Profit and Loss 2020 In € '000	Other Comprehensive Income 2020 In € '000	Deferred tax assets Dec 2019 In € '000	Deferred tax liabilities Dec 2019 In € '000
Pensions	1,194	—	321	(5,225)	6,640	(541)
Temporary difference on intangibles assets deductible	5,784	(1,341)	(1,127)	—	7,021	(1,451)
Other liabilities not recognized for tax purposes	49	—	—	—	49	—
Revaluation of financial instruments	—	(53,749)	(122)	(29,508)	—	(24,118)
Other temporary differences	2,471	(2,325)	116	—	2,497	(2,468)
	9,498	**(57,415)**	**(812)**	**(34,733)**	**16,206**	**(28,578)**
Amounts offset	*6,474*	*6,474*			*12,262*	*12,262*
Total	**3,024**	**(50,941)**			**3,944**	**(16,316)**

The law of 25 December 2017 introduced a reduction of the Belgian Corporate tax rate. As from 01 January 2020, the corporate tax rate decreased from 29.58% to 25%.

9. Financial Assets and Financial Liabilities

9.1 Classification of financial assets and financial liabilities

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

31 December 2020 In € '000	Mandatorily at FVTPL	FVOCI - debt instruments	Amortised cost	Total carrying value
Cash and cash balances with central banks	—	—	17,562,524	17,562,524
Financial assets held for trading	500,209	—	—	500,209
Loans and advances to customers	—	—	7,902,902	7,902,902
Investment securities	—	13,167,236	221,737	13,388,973
Total financial assets	**500,209**	**13,167,236**	**25,687,163**	**39,354,608**
Financial liabilities held for trading	583,009	—	—	583,009
Deposits by central banks	—	—	491,483	491,483
Deposits by credit and other financial institutions	—	—	34,090,203	34,090,203
Due to non-financial customers	—	—	186,560	186,560
Subordinated liabilities	—	—	358,207	358,207
Total financial liabilities	**583,009**	**—**	**35,126,453**	**35,709,462**

31 December 2019 In € '000	Mandatorily at FVTPL	FVOCI - debt instruments	Amortised cost	Total carrying value
Cash and cash balances with central banks	—	—	10,754,991	10,754,991
Financial assets held for trading	158,006	—	—	158,006
Loans and advances to customers	—	—	8,834,550	8,834,550
Investment securities	—	12,098,541	597,777	12,696,318
Total financial assets	**158,006**	**12,098,541**	**20,187,318**	**32,443,865**
Financial liabilities held for trading	162,565	—	—	162,565
Deposits by central banks	—	—	545,410	545,410
Deposits by credit and other financial institutions	—	—	27,998,641	27,998,641
Due to non-financial customers	—	—	44,252	44,252
Subordinated liabilities	—	—	358,124	358,124
Total financial liabilities	**162,565**	**—**	**28,946,427**	**29,108,992**

There were no financial assets or financial liabilities designated as at FVTPL at 31 December 2020 and 2019.

10. Cash and Cash Balances with Central Banks

	2020 In € '000	2019 In € '000
Cash balances with the National Bank of Belgium	8,395,065	5,246,694
Placements with other central banks	9,167,459	5,508,297
	17,562,524	**10,754,991**

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

	2020 In € '000	2019 In € '000
Cash and cash balances with central banks	17,562,524	10,754,991
Monetary reserves	*(317,432)*	*(299,981)*
Cash and cash equivalents at the end of the period	**17,245,092**	**10,455,010**

Deposits with the National Bank of Belgium and with some other central banks mainly represent placements and are available for use in the day-to-day operations of BNY Mellon SA/NV and part of BNY Mellon SA/NV liquid assets buffer. The increase of €6.8B is mainly due to increase in the placement with the National Bank of Belgium by €3.1B and with the Bundesbank. The increase in Central bank placements are generated by additional customer deposits inflow over the year.

11. Loans and Advances to Customers

	2020	2019
	In € '000	In € '000
Loans and advances to		
Central Governments	6	18,165
Credit institutions	7,702,691	8,558,577
Other financial institutions	201,960	258,138
Less: Allowance for impairment losses	(1,755)	(331)
	7,902,902	**8,834,549**

BNY Mellon SA/NV balance sheet is liquidity driven. Deposits are mainly invested in bonds' portfolio and placements with central banks. The decrease of loans to credit institutions is principally due to a decrease in interest bearing deposits and nostro balances with third party counterparties by €1.2B as of 31 December 2020 while balances with affiliated companies increased by €0.3B. As of 31 December 2020, there were no reverse repurchase agreement transactions outstanding (2019: €20Mio).

A loss allowance arising from ECL of €1.76Mio is reported for loans and advances with customers at 31 December 2020 (2019: €0.33 Mio). The overall stock of provision is relatively immaterial at BNYM SA/NV and fluctuates between EUR 0.5m and EUR 2m. Since COVID the ECL models have been updated to put more weights on the adverse scenario. This explains the higher allowance at 31 December 2020. The minimal allowance reflects the limited credit risk associated with these assets. BNY Mellon SA/NV deals with high quality rated counterparts and on a very short term basis (as described in more detail in note 28). As a result, there is limited risk that a loan or advance will become non-performing and result in impairment. No non-performing loans and advances exist as of 31 December 2020 and 2019 respectively.

On 25 February 2016, BNY Mellon SA/NV signed a collateral agreement with Deutsche Bank AG to cover exposures incurred by BNY Mellon SA/NV's cash deposits to Deutsche Bank AG and its branches in its capacity of sub-custodian. This collateral agreement was no longer active as of 31 December 2020 (2019: €183 Mio).

12. Investment Securities

	2020	2019
	In € '000	In € '000
FVOCI investment securities issued by	**13,167,236**	**12,098,541**
Central governments	4,545,717	5,403,464
Credit institutions	7,776,198	5,963,287
Non credit institutions	845,321	731,790
Investment securities at amortized cost issued by	**221,736**	**597,777**
Central governments	197,291	231,265
Credit institutions	24,446	366,511
	13,388,973	**12,696,318**

BNY Mellon SA/NV invests in highly liquid debt securities to improve the interest margin and to have an adequate liquid asset buffer. Overall there is a decrease in sovereign and public sector debt by €0.9B which is compensated by an increase in Credit institutions issued covered bonds with €1.3. In 2020 BNY Mellon SA/NV also started onboarding residential RMBS positions albeit for a limited amount of €0.1B at 31 December 2020.

Together with the increase in central bank reserves the overall increase of the investment portfolio is a reflection of the increase in third party deposits on the liability side of the balance sheet. Please refer to note 28.3 for discussion on BNY Mellon SA/NV's approach to managing liquidity.

13. Asset Encumbrance

BNY Mellon SA/NV has signed a collateral agreement with Euroclear to cover an intraday credit line for $2.1B. BNY Mellon SA/NV invests in various bonds (please see note 12); these have been further pledged as collateral to Euroclear during 2019 and 2020.

To mitigate credit risk in foreign exchange business, BNY Mellon SA/NV increased the volume of collateralized netting agreements since 2017. Hence BNY Mellon SA/NV has foreign exchange cash collateral presented in encumbered other assets in 2019 and 2020.

As of 31 December 2020 the carrying and fair value of encumbered assets by type of assets were as follows:

	2020			2019		
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets
Assets	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Debt securities	2,413,542	2,413,583	10,975,431	2,609,477	2,609,808	10,086,841
Other assets	409,991	—	25,953,470	328,086	0	19,856,175
	2,823,533	**2,413,583**	**36,928,901**	**2,937,563**	**2,609,808**	**29,943,016**

At year ending 2020, the carrying amount of the debt securities refer to bonds pledged to Euroclear. Other assets encumbered refer to monetary reserves, mainly placed with National Bank of Belgium, treated as encumbered assets as these cannot be freely withdrawn by the bank. In 2020, other assets include foreign exchange cash collateral of €93 Mio (2019: €28 € Mio).

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

	2020		2019	
Encumbered assets/collateral received and associated liabilities	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued
	In € '000	**In € '000**	**In € '000**	**In € '000**
Carrying amount of financial liabilities				
Derivatives	112,159	92,558	44,853	28,105
Repurchase agreements	—	—	20,018	20,000
Collateralized deposits	19,643	19,643	37,119	37,119
Other sources of encumbrance	—	2,711,332	—	2,852,340
Total sources of encumbrance	**131,802**	**2,823,533**	**101,989**	**2,937,563**

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

14. Derivative Financial Instruments

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

Derivatives held for trading	Assets 2020	Liabilities 2020	Notional amount 2020	Assets 2019	Liabilities 2019	Notional amount 2019
In € '000						
Forward foreign exchange contracts	500,209	582,639	59,647,820	158,006	162,565	25,510,761
Other	—	370	42,581	—	—	—
	500,209	**583,009**	**59,690,401**	**158,006**	**162,565**	**25,510,761**

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

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

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

At 31 December 2020, BNYM SA/NV had guarantee commitments provided in connection to fund accounting and other fund administration services for tax-exempt retirement savings accounts to Postbank's retail clients. These guarantees are presented in other derivatives caption and amounted to €0.37Mio at 31 December 2020. The notional amount of this derivative was €42.58 Mio.

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

15. Other Assets

	2020	2019
	In € '000	**In € '000**
Prepaid charges	1,006	1,487
Accrued income (other than interest income from financial assets)	88,234	114,818
Accounts receivable, including:	213,396	202,331
From affiliate companies	*43,688*	*32,923*
Miscellaneous	4,276	7,312
	306,912	**325,948**

The accounts receivable balance at year end is highly driven by day-to-day operations. BNY Mellon SA/NV's customers are billed based on fee schedules that are agreed upon in each customer contract. Accounts receivables included receivables from customers in a total amount of €106.71Mio at 31 December 2020 (2019: €105.55Mio). Next to this amount, accounts receivables include receivables from brokers in a total amount of €48.15Mio at 31 December 2020. An allowance is maintained for accounts receivable which is generally based on the number of days outstanding. Adjustments to the allowance are recorded in other operating expense in the Statement of profit and loss and other comprehensive income.

At 31 December 2020, the accrued income refers mainly to unbilled receivables, which amounted to €84.32Mio and considered due to the passage of time rather than due to contingent factors; hence there were no contract assets or associated impairment in 2020. At 31 December 2019 the unbilled receivables were €114.01Mio.

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

16. Property and Equipment

2020	Buildings and Leasehold improvements[10]	Computer equipment	Furniture, fixtures and other equipment	Total
Net Book Value	In € '000	In € '000	In € '000	In € '000
At 1 January	40,329	1,006	7,687	49,022
Additions	846	878	3,622	5,346
Disposals	(31)	—	—	(31)
Depreciation charge for the year	(8,573)	(741)	(3,275)	(12,589)
Other movements	(1)	536	(466)	69
At 31 December	**32,570**	**1,679**	**7,568**	**41,818**
Gross carrying amount	64,773	6,117	21,698	92,588
Accumulated depreciation and impairment	(32,202)	(4,438)	(14,130)	(50,770)

2019	Buildings and Leasehold improvements	Computer equipment	Furniture, fixtures and other equipment	Total
Net Book Value	In € '000	In € '000	In € '000	In € '000
At 1 January	**4,499**	**301**	**2,426**	**7,227**
Recognition of ROU assets (IFRS 16 - note 26.4)	36,568	8	3,297	39,873
Adjusted balance at 1 January	**41,067**	**309**	**5,723**	**47,100**
Additions	8,441	952	4,260	13,652
Business combinations	—	182	1,805	1,987
Disposals	(512)	—	(61)	(573)
Depreciation charge for the year	(8,324)	(501)	(3,978)	(12,803)
Other movements	(342)	65	(63)	(340)
At 31 December	**40,329**	**1,006**	**7,687**	**49,022**
Gross carrying amount	64,012	4,959	18,936	87,907
Accumulated depreciation and impairment	(23,682)	(3,952)	(11,249)	(38,884)

[10] As at 31 December 2020, property and equipment includes right-of-use assets of €32.7 Mio, mainly related to leased branches and office premises (see note 26.4).

17. Goodwill and Other Intangible Assets

2020	Goodwill	Computer software	Client Contracts	Total
Net Book Value	**In € '000**	**In € '000**	**In € '000**	**In € '000**
At 1 January	**4,403**	**542**	**27,343**	**32,288**
Acquisitions	—	101	—	101
Amortization charge for the year	—	(302)	(3,101)	(3,403)
Other movements	—	3	1	4
At 31 December	**4,403**	**344**	**24,243**	**28,990**
Gross carrying amount	546,326	30,719	79,097	656,142
Accumulated depreciation and impairment	(541,923)	(30,375)	(54,854)	(627,152)

2019	Goodwill	Computer software	Client Contracts	Total
Net Book Value	**In € '000**	**In € '000**	**In € '000**	**In € '000**
At 1 January	**—**	**572**	**8,716**	**9,288**
Acquisitions	—	477	19,961	20,438
Business combinations	4,403	—	748	5,151
Amortization charge for the year	—	(507)	(2,081)	(2,589)
At 31 December	**4,403**	**542**	**27,343**	**32,288**
Gross carrying amount	546,326	30,618	67,643	644,586
Accumulated depreciation and impairment	(541,923)	(30,073)	(40,299)	(612,295)

17.1. Impairment Testing of Goodwill and Other Intangible Assets

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

Last year, a goodwill balance with a net book value of €4.4 Mio was acquired through TCIL merger completed in December 2019.

Hence, an impairment testing exercise is still performed at year-end, using a 5-year financial plan. Overall analysis supports that no impairment write-off is required as the value in use exceeds the carrying value of goodwill of €4.4 Mio.

The recoverable amount for BNY Mellon SA/NV was calculated based on the value in use. This value in use was determined by discounting the future cash flows expected to be generated from the cash generating unit's continuing use. Value in use in 2020 was determined in a similar manner as in prior years based on updated assumptions, summarized as follows:

- Cash flows were projected based on net earnings after taxes (corrected for "non-cash" gains/losses) as of 31 December 2020, an updated assessment of the cash flows for the 5-year business plan.

- Terminal cash flows were extrapolated using a constant growth rate of 1.27 percent (in line with 2019 exercise), which is based on the long-term growth assumption of the BNY Mellon SA/NV and set equal to the current long-term risk free rate.

- A discount rate of 9.77 percent (in line with 2019 exercise) was applied in determining the recoverable amounts for the cash generating unit. BNY Mellon SA/NV used a WACC based on European risk free rate and a Belgium premium, in line with previous iterations. Next to this, an alpha of 1.00% (in line with 2019 exercise) was included in the discount rate to reflect uncertainty.

For 2020, management has decided to use year-end actuals instead of mid-year reporting figures, also aligning it to the latest available forecasted figures. It is difficult to forecast the impact the coronavirus, and the related public health measures will have on our results with certainty. So much depends on how the health crisis evolves, its impact on the global economy as well as actions taken by central banks and governments to support the economy and the availability, use and effectiveness of vaccines.

To mitigate against the uncertainty, the Company has a lower-risk diversified fee-based business model which benefits from heightened volatility and a flight-to-quality on a relative basis compared with other credit-focused financial institutions. Our Investment Services businesses were favorably impacted by higher client volumes in 2020 compared with the prior year. The significant increases in market volatility also resulted in increased client activity in foreign exchange, and higher asset servicing, as well as clearance and collateral management fee revenue.

Hence, for 2020 BNYM SA/NV did not identify any impairment triggers on other intangibles and as a result of it, no impairment test was considered necessary as of 31 December 2020.

18. Financial Liabilities Measured at Amortized Costs

	2020	2019
	In € '000	In € '000
Deposits from central banks	**491,483**	**545,410**
Deposits from credit institutions	**6,189,100**	**7,654,625**
Current accounts / overnight deposits	3,861,197	7,623,943
Deposits with agreed maturity	2,327,903	10,664
Repurchase agreements	—	20,018
Deposits from other financial institutions	**27,901,103**	**20,344,016**
Current accounts / overnight deposits	27,901,103	20,311,395
Deposits with agreed maturity	—	32,621
Deposits from non-financial institutions	**186,560**	**44,252**
Current accounts / overnight deposits	186,560	44,252
Subordinated liabilities (Note 21)	**358,207**	**358,124**
Other financial liabilities (Lease liabilities)	**34,617**	**39,985**
	35,161,070	**28,986,413**

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 2020 (2019: €nil). The increase of €6.2B in deposits results from

growth in third party deposits (€+6.8B), while intercompany deposits have slightly decreased (€-0.6B).
The increase in deposits with agreed maturity from credit institutions is a result of the alignment of maturities between assets and liabilities in the context of balance sheet management. Other financial liabilities consist of lease liabilities as per IFRS 16 (note 26.4).

19. Other Liabilities

	2020 In € '000	2019 In € '000
Employee benefits – Defined benefit obligation (Note 22.2)	15,530	33,586
Other employee benefits and social charges	29,439	27,566
Leasing liabilities	—	—
Accrued charges (other than from interest expenses on financial liabilities)	111,148	69,401
Accounts Payables	109,860	219,962
Other	13,428	20,134
	279,406	**370,649**

Other liabilities caption decreased mainly due to the account payables that decreased by €110 Mio. Account payables contain, amongst others, holdover accounts representing unsettled amounts of trades executed by several businesses at year end (where settlement occurred in the next period). This activity is volatile by nature. The accrued charges mostly contain intercompany recharges that have been recognized, but not yet settled.

Contract liabilities were €0.87 Mio at 31 December 2020 (2019: €0.86 Mio) . Revenue recognised in 2020 relating to contract liabilities was €0.47Mio (2019: €0.29 Mio) .

20. Provisions

	Restructuring Costs In € '000	Pending legal issues In € '000	Other provisions In € '000	Total In € '000
At 1 January 2020	1,607	**165,701**	—	167,307
Amounts provisioned	965	5,427	1,474	7,866
Amounts utilized	(1,810)	—	(326)	(2,136)
Unused amounts reversed during the period	(762)	(1,776)	—	(2,538)
Other movements	—	(14,023)	—	(14,023)
At 31 December 2020	**—**	**155,329**	**1,148**	**156,477**
At 1 January 2019	14,887	—	253	15,140
Amounts provisioned	4,074	**165,701**	369	170,144
Amounts utilized	(9,180)	—	(515)	(9,696)
Unused amounts reversed during the period	(8,174)	—	(106)	(8,281)
At 31 December 2019	**1,607**	**165,701**	**—**	**167,307**

Please refer to note 26.1 for the description of these pending legal issues as at 31 December 2020. A partial advance of €9 Mio has been recorded in other assets related to the Company's exposure with regards to the German cum-ex trading in the past. The decrease of €14.0 Mio in Pending Legal Issues relate to tax amounts provisioned for in the head office that have been paid to the tax authorities during the year 2020.

BNY Mellon SA/NV has implemented a restructuring plan over the past years that has led to job relocation and re-organization of certain functions across different locations. The Brussels office maintains client facing functions, specialized processing activities and numerous shared services functions. The outstanding provisions for restructuring costs have entirely been utilized or reversed. Other provisions in 2020 relate to provisions for operational losses in the German branch.

21. Subordinated Liabilities

As at 31st December 2020 BNY Mellon SA/NV is the borrower of a perpetual loan from a related party of €92.5 Mio (2019: €92.5 Mio) to be used for general corporate purposes. Interest accrues 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.
BNY Mellon SA/NV is also the borrower of a loan maturing on 22 July 2040 from a related party of €253 Mio (2019: €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.

As at 31st December 2020 both loans are considered as Tier 2 capital for regulatory purposes, however, towards the end of 2020 BNY Mellon SA/NV formally requested to the competent authority permission to reduce own funds by redeeming the two Tier 2 subordinated loans. Permission was granted on 19 January 2021 with the immediate deduction of the €345.5 Mio from own funds and impact on the determination of the regulatory ratios from that date, accordingly. The two subordinated loans were actually repaid on 26 February 2021.

22. Retirement Benefit Plan

22.1. Defined Contribution Plan

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

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

The total expense of €6.0 Mio (2019: €5.4 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.

22.2. Defined Benefit Plan

Employee benefits

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

Nature of benefits provided by the Plans

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

Regulatory framework in which the Plans operates

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

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

Other entity's responsibilities for governance of the Plans

German Plans: None.

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

Risks to which the Plans expose the Company

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

Plan amendments, curtailments or settlements

No plan amendments, curtailments or settlements occurred during the financial year of 2020 or 2019.

Funding arrangements and funding policy that would affect future contributions

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

Asset-liability matching strategies

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

Movement in net defined benefit (asset) liability

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

	Defined benefit obligations		Fair value of plan assets		Net defined benefit (liability)/ asset	
	2020	2019	2020	2019	2020	2019
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Balance at 1 January	**(104,502)**	**(78,014)**	**70,917**	**63,640**	**(33,585)**	**(14,374)**
Included in profit or loss						
Current service cost	(3,495)	(2,522)	—	—	(3,495)	(2,522)
Administrative expenses	—	—	(89)	(89)	(89)	(89)
Losses/(gains) on non routine settlements	—	(887)	—	—	—	(887)
Operating expense/ (income)	**(3,495)**	**(3,409)**	**(89)**	**(89)**	**(3,584)**	**(3,498)**
Net interest on the net benefit obligation/ (asset)	(1,218)	(1,461)	839	1,232	(379)	(229)
Finance expense/ (income)	**(1,218)**	**(1,461)**	**839**	**1,232**	**(379)**	**(229)**
Net benefit expense	**(4,713)**	**(4,870)**	**750**	**1,143**	**(3,963)**	**(3,727)**
Included in other comprehensive income						
Return on plan assets excluding interest income	—	—	3,147	4,551	3,147	4,551
Experience gains/ (losses)	215	2,377	—	—	215	2,377
Actuarial gains/(losses) arising from changes in financial assumptions	2,211	(26,014)	—	—	2,211	(26,014)
Actuarial gains/(losses) arising from changes in demographic assumptions	13,153	583	—	—	13,153	583
Total gains/ (losses) recognized	**15,579**	**(23,054)**	**3,147**	**4,551**	**18,726**	**(18,503)**
Other						
Net transfers (in)/out	—	—	—	—	—	—
Contribution paid by the employer	—	—	3,292	3,019	3,292	3,019
Benefits paid	1,823	1,436	(1,823)	(1,436)	—	—
	1,823	**1,436**	**1,469**	**1,583**	**3,292**	**3,019**
Balance at 31 December	**(91,813)**	**(104,502)**	**76,283**	**70,917**	**(15,530)**	**(33,585)**

The increase in the actuarial gains arising from demographic assumptions gain is mainly due to the change in form of payment (percentage of annuity and lump sum) of the pension benefits for the Belgium plans.

The financial assumption gain is explained by a gain due to the decrease in salary assumption, which is partially offset by a loss due to the decrease in discount rate for both Belgium and German plans.

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

Net defined benefit (obligation)/asset

31 December	2020	2019	2018	2017	2016
	In € '000	In € '000	In € '000	In € '000	In € '000
Fair value of plan assets	76,283	70,917	63,640	65,421	56,821
Defined benefit obligation	(91,813)	(104,502)	(78,014)	(78,451)	(84,195)
As of 31 December	**(15,530)**	**(33,585)**	**(14,374)**	**(13,030)**	**(27,374)**

BNY Mellon SA/NV expects to contribute €2.48 Mio to its defined benefit pension plan in 2020 (2019: €2.48 Mio). The cumulative amount of gains and losses recognized in other comprehensive income is presented below:

Gains and losses recognized in other comprehensive income

	2020	2019
	In € '000	In € '000
As of 1 January	28,864	10,221
Recognized during the year	(18,206)	18,643
As of 31 December	**10,658**	**28,864**

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

	2020	2019
Equity instruments (all quoted), of which:	44.0 %	60.8 %
Domestic equities	*23.3 %*	*19.0 %*
Overseas equities	*17.7 %*	*36.6 %*
Emerging markets equities	*3.0 %*	*5.2 %*
Debt instruments, of which:[11]	28.7 %	32.3 %
Corporate/government bonds	28.7 %	32.3 %
Property (all quoted)	2.3 %	4.8 %
Cash	2.0 %	0.5 %
Quoted	1.9 %	0.4 %
Unquoted	0.1 %	0.1 %
Other *(quoted)*	4.56 %	1.64 %
	82 %	**100 %**

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

The sector allocation of the equity instruments is as follows:

	2020 In € '000	2019 In € '000
Equity instruments, of which:	**33,577**	**43,116**
Energy, industrial companies and materials	6,783	10,172
Consumer Discretionary and Staples	6,077	10,023
Financials	4,802	8,480
Health Care	3,996	3,397
Information Technology	10,174	9,690
Other	1,745	1,354

Substantially the equity securities and bonds are issued in EUR currency (63.67%, 2019: 56.76%) and traded in active markets. All government bonds are issued by European governments.

	2020	2019
AAA	n/a	9.9 %
AA	n/a	17.2 %
A	n/a	36.2 %
Not rated	n/a	36.7 %

In 2020 bonds for the German plans have been replaced by ETFs and certificates where no look through to the bonds is available.

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 2020. 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:

	2020	2019
Discount rate	0.80%	1.20%
Future salary growth	2.70%	3.45%
Future pension increase	1.75%	1.75%

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

	2020	2019
Longevity at age 65 for current pensioners		
Males	21.6	24.3
Females	25.3	25.3
Longevity at age 65 for current members aged 45		
Males	22.4	25.1
Females	25.9	25.9

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

Value of obligations at year end if (In '€000) :	Movement	31 December 2020
Discount rate reduced by	1.00%	112,179
Discount rate increased by	1.00%	75,737
Inflation reduced by	1.00%	84,938
Inflation increased by	1.00%	99,931
Life expectancy decreased by	1 year	90,636
Life expectancy increased by	1 year	92,960

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

23. Issued Capital and Reserves

Authorized, issued and fully paid	2020	2019
	In '000	In '000
Ordinary shares of 1038.5 € each (2019: 1038.5 €)	1.689	1.689
% Convertible preference shares	-	-
	1.689	**1.689**

BNY Mellon has share option schemes under which options to subscribe for the BNY Mellon's shares have been granted to certain executives and senior employees of BNY Mellon SA/NV. On December 1, 2019 BNY Mellon SA/NV merged BNY Mellon Trust Company Ireland Limited (TCIL) into BNY Mellon SA/NV Dublin branch. This common control transaction resulted in an issuance by BNY Mellon SA/NV of 17,370 new ordinary shares in exchange of the 30 shares of TCIL, representing a capital increase of €30.9 Mio.

24. Fair Value of Financial Instruments

24.1. Determination of Fair Value and Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Level 1 prices are available from an exchange, a dealer, broker or a similar counterparty. 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:

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	In € '000	**In € '000**	**In € '000**	**In € '000**
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	—	500,209	—	500,209
Financial investments at FVOCI (Quoted)				
Debt securities	13,043,282	123,954	—	13,167,236
	13,043,282	**624,163**	**—**	**13,667,446**
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	—	582,639	—	582,639
Other	—	370	—	370
	—	**583,009**	**—**	**583,009**

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	In € '000	**In € '000**	**In € '000**	**In € '000**
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	—	158,006	—	158,006
Financial investments at FVOCI (Quoted)				
Debt securities	12,098,541	—	—	12,098,541
	12,098,541	**158,006**	**—**	**12,256,547**
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	—	162,565	—	162,565
	—	**162,565**	**—**	**162,565**

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 2020 or 2019. The debt securities classified as Level 2 represent the positions in RMBS.

The €0.37 Mio disclosed as 'other derivative financial instruments' represent the unrealised losses on the guarantee commitments provided in connection with covering certain pension/ minimum payment commitments as further explained in section 1.6.3.2 of this document.

BNY Mellon SA/NV reassessed its presentation of the fair value hierarchy of financial liabilities and considers that the Level 2 reflects better the valuation technics used to estimate the value of financial liabilities given that the valuation is not derived directly from currently available transaction prices.

24.2. Financial Instruments Recorded at Fair Value

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

24.2.1. Derivatives

All BNY Mellon SA/NV OTC derivative products are valued using internally developed models that use as their basis readily observable market parameters and as a result these are classified as Level 2 of the valuation hierarchy.

As of December 2020 and 2019, the credit valuation/ debit valuation adjustment (CVA/DVA) was determined to be immaterial, hence it was not adjusted.

24.2.2. Financial Instruments – FVOCI

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

If quoted market prices are not available, the fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For securities where quotes from recent transactions are not available for identical securities, BNY Mellon SA/NV determines fair value primarily based on pricing sources with reasonable levels of price transparency. Specifically, the pricing sources obtain recent transactions for similar types of securities (e.g. vintage, position in the securitization structure) and ascertain variables such as speed of prepayment and discount rate for the types of transaction and apply them to similar types of bonds. BNY Mellon SA/NV does not have such securities at 31 December 2020.

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

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

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

24.3.1. Assets for which Fair Value Approximates Carrying Value

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

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

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

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

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

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	In € '000	In € '000	In € '000	In € '000
Financial assets				
Cash and cash balances with central banks	17,562,524	17,562,524	10,754,991	10,754,991
Loans and advances to customers	7,902,902	7,902,902	8,834,550	8,834,550
Debt instruments at amortised cost - Quoted	221,736	224,759	597,777	603,158
Financial liabilities				
Financial liabilities at amortized cost	35,161,070	35,161,070	28,986,413	28,986,413
Deposits	35,126,453	35,126,453	28,946,428	28,946,428
Other financial liabilities	34,617	34,617	39,985	39,985

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	2020	2019
	in € '000	in € '000
Loans and advances to customers	80,120	132,546
Debt instruments at amortised cost - Quoted	793	2,044
Total	**80,914**	**134,590**

Interest expense from financial instruments measured at amortized cost	2020	2019
	in € '000	in € '000
Deposits	53,399	146,676
Subordinated loans	30,199	30,117
Lease liabilities (note 26.4)	278	293
Total	**83,876**	**177,086**

25. Share-based Payment

The share-based payment plans are described below. There have been no cancellations of or modifications to, any of the plans during 2020.

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

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

	2020	2019
	In € '000	In € '000
Expense arising from equity-settled share-based payment transactions	2,068	2,482
Total expense arising from share-based payment transactions	**2,068**	**2,482**

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

Options

	2020			2019		
	No.	WAEP USD	WAEP EUR	No.	WAEP USD	WAEP EUR
Outstanding at the beginning of the year	59,613	27.02	24.33	80,688	26.77	22.67
Exercisable at the beginning of the year	59,613	27.02	24.33	80,688	26.77	22.67
Staff transfers due to organisational changes[12]	—	—	—	1,075	—	—
Granted and vested during the year	—	—	—	—	—	—
Exercised during the year	18,987	30.16	27.16	22,150	23.88	21.50
Expired during the year	3,065	—	—	—	—	—
Outstanding at the end of the year	38,440	25.58	23.03	59,613	27.02	24.33
Exercisable at the end of the year	38,440	25.58	23.03	59,613	27.02	24.33

Restricted stock

	2020	2019
	No.	No.
Outstanding at the beginning of the year	86,112	71,681
Staff transfers during the year (see footnote 13)	2,469	6,332
Granted during the year	53,777	57,668
Vested and exercised during the year	48,356	48,540
Forfeited during the year	652	1,029
Outstanding at the end of the year	93,350	86,112
Non vested expected to vest at year end	92,385	85,141

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

The weighted average remaining contractual life of options outstanding at year end varies for different entities between 0.56 years and 1.84 years (2019: 1.84 years).

The range of exercise price of options outstanding at year end is from USD 18.02 to USD 30.25 (2019: USD 18.02 to USD 30.25).

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

The share price and exercise price are the same and equal the price of BNY Mellon stock on the date of grant. No stock options were granted during the past years and thus there is no available input data to the model used for equity-settled options for the years ended 31 December 2020 and 2019.

26. Other information

26.1. Legal Claims

In 2013 a Swedish Arbitral Tribunal issued an award of over USD500m against the Republic of Kazakhstan ("RoK") in favour of Anatolie Stati, Gabriel Stati, Ascom Group S.A. and Terra Raf Trans Traiding Ltd (together the "Stati Parties"). This award has been upheld by the Swedish Supreme Court. The Stati Parties have sought to legally enforce this award in numerous jurisdictions against RoK's assets held by any party. In October 2017 BNYM SA/NV London Branch ("SA/NV") was served with a conservatory garnishment order in Belgium, ordering SA/NV to freeze certain assets belonging to RoK and its National Fund. Accordingly, and in compliance with SA/NV's legal obligations, SA/NV froze assets held by its client, the National Bank of Kazakhstan ("NBK"), for the National Fund. On 25 May 2018 the amount of the Belgian freeze was reduced, but remains in place pending the outcome of further legal proceedings in England regarding the nature of the relationship among RoK, NBK and SA/NV and the accuracy of SA/NV's prior statements as the garnishee in the Belgian proceedings. No damages are sought against the SA/NV and the claim being brought is declaratory in nature only. On 22 April 2020 the English Court handed down judgment and determined certain English law questions in what has become a complex dispute litigated in several countries. However, certain questions concerning the relationship between RoK/NBK have been referred back to the Belgian court. Previously, the English High Court and Court of Appeal dismissed NBK/RoK's lawsuit against SA/NV where court rulings were sought stating that SA/NV were not contractually entitled to freeze the assets in question.

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

The Dutch Tax Authorities ("DTA") are investigating a number of Dutch dividend withholding tax ("DWT") reclaims filed by BNYM as part of its global custody business between 2014 - 2017. BNY Mellon SA/NV provides DWT reclaim services in the Netherlands for clients who hold Dutch issued securities. The provision of these services by BNY Mellon SA/NV is via an electronic portal that is owned and controlled by the DTA. On 16 December 2019 BNYM SA/NV received tax assessments in the sum of €1.63Mio (including interest) for the year 2014. On 4 February 2020, BNY Mellon SA/NV also received formal tax assessments for the years 2015-2017 in the sum of €12.04Mio (including interest). These tax assessments relate to former BNY Mellon clients. This provision will be reimbursed by the Company of the Group that holds the contractual relationships with the clients for which a reimbursement asset has been accrued. In this regard, the former BNY Mellon clients have now either made full payment to BNY Mellon in accordance with their contractual indemnification obligations or provided contractual undertakings to comply with their indemnification obligations following the outcome of certain tax appeals to which BNY Mellon is not a party.

26.2. Off-balance Sheet

The off-balance sheet items consist mainly of: (i) the assets under custody (AUC) totaling €2,916B as of 31 December 2020 (2019: €2,870B), and (ii) other given and received commitments.

The minor increase of AuC in 2020 by €46B is mainly due to normal business activity (volume increase) and foreign exchange rates impact.

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

Overview of off balance sheet positions:

CATEGORY	2020	2019
	In € Mio	In € Mio
Commitments given (repurchase agreements and forward deposits)	57	20
Financial guarantees received for state guaranteed bonds (Note 28.2.5)	1,844	1,852
Securities received as collateral (Note 26.3)	—	183
Other commitments received (Note 26.3)	1,000	1,000
Assets under custody	2,916,391	2,870,038

The amount of assets under custody received, split by currency at 31 December 2020, are presented in the table below:

	2020			2019		
	EUR	Other currency	Total	EUR	Other currency	Total
	In € 'Mio	In € 'Mio	In € 'Mio	In € 'Mio	In € 'Mio	In € 'Mio
Assets under custody	1,134,376	1,782,014	2,916,391	1,191,511	1,678,527	2,870,038
	1,134,376	**1,782,014**	**2,916,391**	**1,191,511**	**1,678,527**	**2,870,038**

26.3. Collateral and other commitments received

On the 3rd of February 2016, BNY Mellon SA/NV signed a financial guarantee agreement with the Taipei Branch of Sumitomo Mitsui Banking Corporation (SMBC) to cover all nostro exposures of BNY Mellon SA/NV against HSBC Bank (Taiwan) Limited up to €250 Mio. This agreement was terminated in March 2019.

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

On 25 February 2016, BNY Mellon SA/NV signed a collateral agreement with Deutsche Bank AG to cover exposures incurred by BNY Mellon SA/NV's cash deposits to Deutsche Bank AG and its branches in its capacity of sub-custodian. The collateral was returned to Deutsche Bank AG during the first quarter of 2020.

26.4. Leasing

BNY Mellon SA/NV has entered into a number of leases on premises and equipment. These leases typically have an average life of 1.25 years for machine and equipment, of 2.08 for cars and 3.41 years for premises with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

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

Information about leases for which BNY Mellon SA/NV is a lessee is presented below.
The right-of-use assets relate to leased branches and head office premises, cars and other equipment and are presented within property and equipment category on the face of the balance sheet (please see note 16).

	2020	2019
	In '000	In '000
Right-of-use assets		
Balance at 1 January	38,895	39,873
Depreciation charge for the year	(9,663)	(9,592)
Additions	3,512	8,614
Balance at 31 December	**32,744**	**38,895**

The amounts recognised in profit or loss for the years 2020 and 2019 were:

	2020	2019
	In '000	In '000
Interest on lease liabilities	278	293
Expenses relating to short-term leases/low value assets	—	—
	278	**293**

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

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

	2020	2019
	In '000	In '000
Outflows for operating activities	278	293
Outflows for financing activities	8,892	11,400
Total cash outflows for leases	**9,169**	**11,693**

27. Related Party Disclosures

27.1. Key Management Compensation

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

	2020	2019
	In € '000	In € '000
Short-term employee benefits	3,184	2,962
Post-employment benefits	76	93
Other long-term benefits	16	17
Share based payments	131	145
	3,406	**3,218**

Short-term employee benefits section consists of salaries of €2.76 Mio (2019: €2.60 Mio), social charges of €0.38 Mio (2019: €0.32 Mio) and pension expenses of €0.05 Mio (2019: €0.05 Mio).The increase is mainly due to the remuneration of the key executives .

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

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

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

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

27.3. Transactions with Related Parties

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

Amounts payable to and amounts receivable from related parties

	2020			2019		
	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	4,301,009	15	459,759	4,035,741	3	383,141
Current accounts	4,220,518	15	174,437	4,017,996	3	71,036
Term loans	80,491	—	285,322	17,746	—	312,105
Other assets	493,040	46,865	6,066	161,211	22,057	6,426
TOTAL ASSETS	**4,794,049**	**46,880**	**465,825**	**4,196,952**	**22,062**	**389,566**
Deposits	5,300,145	102,291	592,097	5,785,596	116,610	700,412
Subordinated liabilities	—	—	358,207	—	—	358,124
Other liabilities	492,579	1,847	12,324	136,548	1,668	12,125
TOTAL LIABILITIES	**5,792,724**	**104,138**	**962,628**	**5,922,143**	**118,278**	**1,070,661**

Income and expense generated by transactions with related parties

	2020			2019		
	Parent	Own subsidiaries	Other entities of the group	Parent	Own subsidiaries	Other entities of the group
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Interest income	58,663	688	5,603	67,472	171	8,344
Fees and commissions	212,652	1,566	6,304	248,624	1,404	35,665
Other	1,713	1,072	910	908	1,398	362
TOTAL INCOME	**273,028**	**3,326**	**12,817**	**317,005**	**2,973**	**44,371**
Interest expense	35,499	1	32,045	44,266	4	36,162
Fees and commissions	123,714	1,389	39,821	130,803	1,724	38,172
Other	76,152	(25,888)	9,011	59,755	69,284	13,345
TOTAL EXPENSE	**235,365**	**(24,498)**	**80,877**	**234,824**	**71,012**	**87,679**

27.4. Terms and Conditions of Transactions with Related Parties

The outstanding balances arise from the ordinary course of business. Outstanding balances at the year-end are unsecured. Nonetheless, the term deposits with BNY Mellon are covered by a master agreement that contains a right to withdraw prior to maturity date subject to early withdrawal penalty (break clause). For the year ended 31 December 2020, receivables from related parties are not considered to be doubtful and hence no provision for doubtful debt has been made.

27.5. 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 and Subsidiary	Country of incorporation	Nature of activity
		2020
The Bank of New York Mellon SA/NV - Amsterdam Branch	Netherlands	Asset Servicing, Markets
The Bank of New York Mellon SA/NV - London Branch	United Kingdom	Asset Servicing, Corporate Trust, Markets
The Bank of New York Mellon SA/NV - Frankfurt Branch	Germany	Asset Servicing, Markets, Global Collateral Management
The Bank of New York Mellon SA/NV - Luxembourg Branch	Luxembourg	Asset Servicing, Corporate Trust, Markets
The Bank of New York Mellon SA/NV – Milan Branch	Italy	Corporate Trust
The Bank of New York Mellon SA/NV	Belgium	Asset Servicing, Clearance and Collateral Management, Markets
The Bank of New York Mellon SA/NV - Dublin Branch	Ireland	Asset Servicing, Corporate Trust, Depositary Receipts, Markets
The Bank of New York Mellon SA/NV - Paris Branch	France	Corporate Trust
BNY Mellon Service Kapitalanlage - Gesellschaft mbH (subsidiary)	Germany	Asset Servicing
The Bank of New York Mellon SA/NV, Copenhagen Branch, filial af The Bank of New York Mellon SA/NV, Belgien	Denmark	Asset Servicing

Name of Subsidiary	Country of incorporation	% equity interest	% equity interest
		2020	2019
BNY Mellon Service Kapitalanlage - Gesellschaft mbH	DE	100 %	100 %
Stichting Administratiekantoor BNY Mellon Global Custody	NL	— %	100 %
BNY AIS Nominees Limited	IE	100 %	100 %

Stichting Administratiekantoor BNY Mellon Global Custody was liquidated in Q4 2020.

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 and Subsidiary	Turnover*	Profit before tax	Profit after tax	No of FTE (equivalent)
	In € '000	In € '000	In € '000	
The Bank of New York Mellon SA/NV	316,035	177,177	123,008	538
The Bank of New York Mellon SA/NV - London Branch	(374)	(472)	(4,070)	—
The Bank of New York Mellon SA/NV - Amsterdam Branch	78,293	53,456	47,640	137
The Bank of New York Mellon SA/NV - Dublin Branch	129,221	72,191	65,183	373
The Bank of New York Mellon SA/NV - Luxembourg Branch	115,545	57,267	47,199	249
BNY Mellon Service Kapitalanlage - Gesellschaft mbH	18,698	(4,272)	(4,259)	76
The Bank of New York Mellon SA/NV - Frankfurt Branch	18,502	(29,734)	(29,754)	163
The Bank of New York Mellon SA/NV - Milan Branch	8,993	2,946	2,709	31
The Bank of New York Mellon SA/NV - Paris Branch	353	(2,254)	(2,380)	8
The Bank of New York Mellon SA/NV, Copenhagen Branch, filial af The Bank of New York Mellon SA/NV, Belgien	—	(62)	(61)	2
Total	**685,265**	**326,243**	**245,214**	**1,577**

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

27.6. Business Combinations

No business combinations occurred in 2020.

On 1 December 2019, BNY Mellon Trust Company Ireland Limited ("TCIL") has been integrated into The Bank of New York Mellon SA/NV Dublin branch. On merger date this resulted in an issuance by BNY Mellon SA/NV of 17,370 new ordinary shares in exchange of all assets and liabilities of TCIL.

In line with the accounting policies applied for common control transactions (see 1.6.13), BNY Mellon SA/NV has applied book value accounting for this common control transaction. The book value of TCIL is the book value as reflected in the stand-alone statutory financial statements of the acquired entity as of the date the common control transaction has taken place (1 December 2019). The merger is done under IFRS accounting policies, based on the Annual Accounts of TCIL and Consolidated Annual Accounts of SA/NV both in IFRS.

28. Risk Management

28.1. 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 as well as by regulatory requirements.

BNY Mellon SA/NV adheres to BNY Mellon's global risk culture. BNY Mellon places significant importance on continually improving and strengthening its risk management approach and capabilities, including strong governance, policy, process, risk measurement and appropriate incentives. This emphasis, in conjunction with a defined strategy and focused programs related to risk awareness, has fostered a sound and evident risk culture throughout the company.

The Risk Function's goal is to establish and maintain a strong, adequately resourced, and forward looking BNY Mellon SA/NV Risk function that is well placed to identify and manage emerging risks in a timely manner, by legal entity and business.

Risk Management provides independent oversight that risks are adequately identified and measured, remain commensurate to the risk appetite and that there is an appropriate balance between risk and associated risk mitigation costs, and provides independent challenge to the business.

BNY Mellon SA/NV Risk Management develops, maintains and ensures compliance with specific regulations for risk governance and oversight, risk culture, risk function, risk management framework (including risk appetite statement, risk policies, risk management procedures), risk management operating model (including risk registers & Management Information) and risk models oversight, in accordance with the BNY Mellon regional model and recognizing best market practice to ensure the BNY Mellon SA/NV businesses develop in a risk controlled environment. It encourages a proactive culture of managing risks.

28.1.1. Risk Management Framework

Risk Appetite

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

The Risk Appetite of BNY Mellon SA/NV constitutes the risk limiting perimeter within which the Head Office, Branches and Subsidiary must operate.

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

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

28.1.2. Committees assisting the Executive Committee

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

Risk Management Committee (“RMC”)

The key purpose of the BNY Mellon SA/NV Risk Management Committee (“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 the 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 risk-based challenge to the Business (1st line of defense) establishes and maintains a risk culture, advises the Executive 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.

The Committee is assisted by the BNYM SA/NV Treasury Risk Committee (TRC). This committee has the purpose to review, assess and approve results and changes to the methodology and assumptions, including but not limited to internal liquidity stress testing and IRRBB metrics, used in activities related to Asset & Liability and Balance Sheet Management for BNYM SA/NV on a consolidated level. The BNYM SA/NV TRC serves an important oversight role and as such is second line driven as opposed to the first line driven BNYM SA/NV ALCO.

Capital and Stress Testing Committee (“CSTC”)

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

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

Asset and Liability Committee (“ALCO”)

The BNYM SA/NV ALCO is responsible for overseeing the asset and liability management activities on the balance sheet of BNY Mellon SA/NV and its branches and subsidiary, and for ensuring compliance with all liquidity, interest rate risk and capital related regulatory requirements.

Business Acceptance Committees (BAC)

A BAC is responsible for the acceptance, oversight and guidance of new and existing businesses and clients for each of the following business lines for all BNY Mellon legal entities across EMEA: Asset Servicing & AIS, Corporate Trust, Depositary Receipt, Markets, and Broker-Dealer & Advisory Services.

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

Credit Risk Oversight Committee (“CROC”)

The key purpose of the CROC is to oversee all forms of credit risk, to oversee controls of credit risk associated with BNY Mellon SA/NV banking business and to ensure compliance with BNY Mellon SA/NV credit policies. The activities of the CROC are reported to the Executive Committee as well as to the Risk Committee of the Board where relevant.

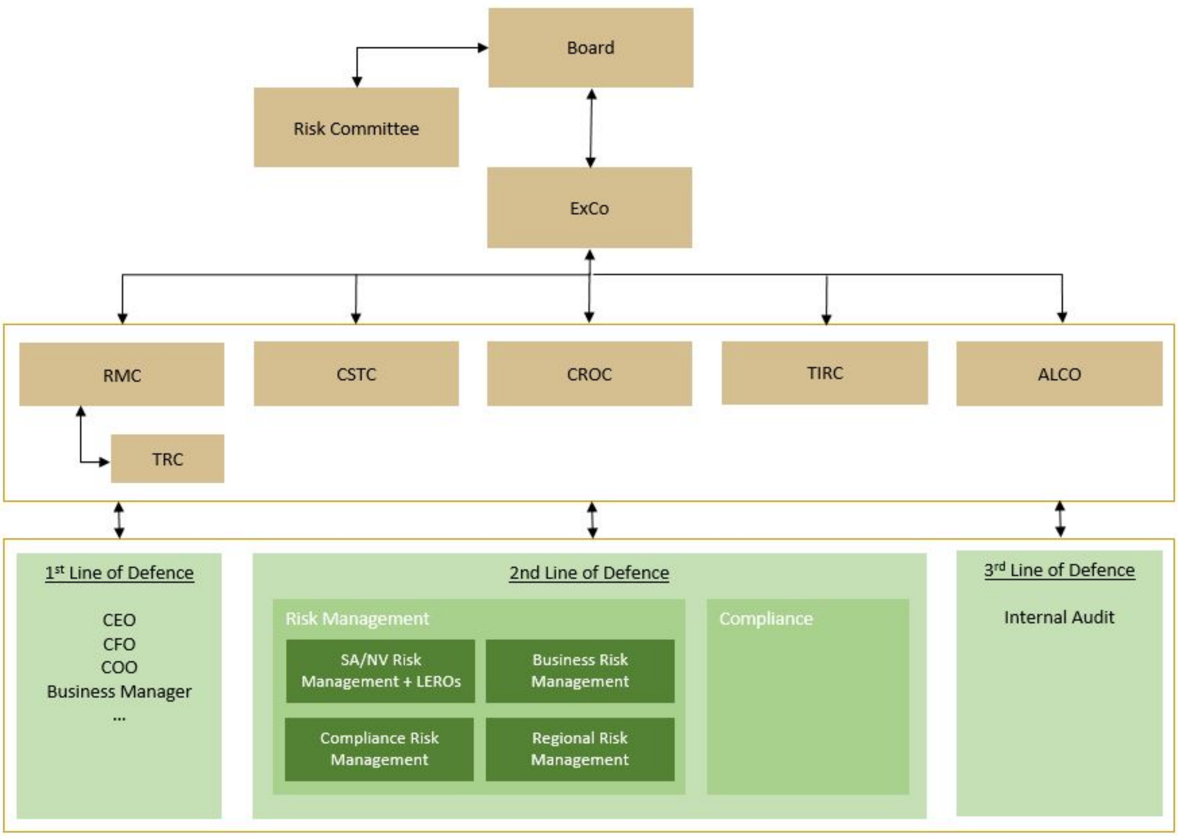
Technology and Information Risk Committee (TIRC)

The key purpose of the TIRC is to provide oversight of the Technology risks supported by the BNY Mellon SA/NV head office and its branches, to ensure that Technology risks are identified, monitored and reported and to ensure that appropriate actions and activities are in place to manage the identified risks. The Committee also plays a central role in ensuring that any material change that has the potential to affect the BNY Mellon SA/NV is identified in a timely manner and managed in an appropriate fashion.

The aim of the Committee is to establish and maintain a capable, effective forward looking Technology risk organisation that is well placed to identify and manage emerging risks for the BNY Mellon SA/NV including its branches. The Committee provides risk-based challenge to the Technology 1st line of defence, establishes and maintains a risk culture, and advises and escalates to the BNY Mellon SA/NV ExCo on risk matters.
The Committee is responsible for ensuring that Technology related risk and compliance activities undertaken by the BNY Mellon SA/NV ExCo including its branches and service providers are executed in accordance with risk appetite, policies and regulations.

28.1.3. Description of the Risk Management Framework

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



* This chart focuses on the internal risk governance implemented in the European bank.

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

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

28.1.4. Risk Assessment Methodology and Reporting Systems

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

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

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

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

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

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

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

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

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

28.1.6. Risk Mitigation

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

28.2. Credit Risk

28.2.1. Source of Risks

Credit risk is the risk arising from obligor or counterparty failure to pay an extension of credit whether contractual or otherwise. Credit risk is found in all activities in which settlement or repayment depends on counterparty, issuer, or borrower performance. It exists any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet..

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

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

- BNY Mellon SA/NV provides significant intraday credit facilities to clients in order to settle transactions settling in a wide variety of global markets. These facilities are generally secured, unadvised and uncommitted. Although end of day balances (overdrafts) are relatively small, intraday exposures can be extensive, albeit spread across a very wide portfolio of clients.
- Client overdrafts, resulting from unfunded intraday activity (trade purchases, FX and payment activity, etc).
- Placement to central banks and money market: credit risk assumed by BNY Mellon SA/NV in placing funds with banks for a fixed term or overnight. This may be by way of cash placement or through the purchase of certificates of deposits issued by these banks.
- Investment in securities (government bonds, corporate bonds and covered bonds): BNY Mellon SA/NV has a large securities portfolio.
- Intercompany exposure (placements, Netting Agreement use and receivables).
- Derivatives in the banking book: FX swaps used to manage liquidity and FX swaps coming from the FX client activity.

28.2.2. Credit Risk Management Framework

The Credit Risk Management Framework (CRMF) defines roles and responsibilities using the three lines of defense, as defined in section 28.1. The CRMF within BNY Mellon SA/NV relies on awareness, well defined policies, procedures and reporting, a clear governance structure and suitable tools for reporting and monitoring; these are used to effectively identify, manage, mitigate, monitor and report the risks in an organized way to the appropriate governance body.

A series of new credit risk procedures at BNY Mellon Group level (applicable to SA/NV as well) have been developed to enhance the execution of the CRMF. The procedures define sustainable baseline standards to be applied across all business level operational risk functions including BNY Mellon SA/NV, and focus on:

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

28.2.3. Credit Risk Monitoring and Control

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

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

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

Derivative financial instruments

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

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

The exposure value of derivatives as of 31 December 2020 is €500 Mio (2019: €158 Mio).

Offsetting financial assets and financial liabilities
BNY Mellon SA/NV does not offset any financial assets and financial liabilities except for intragroup exposures where an MNA exists. The disclosures set out in the table below

include financial assets and financial liabilities that are subject to legal agreements similar to enforceable master netting arrangements, which cover similar financial instruments, irrespective of whether they are offset in the statement of financial position.

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

Financial assets and liabilities subject to offsetting, enforceable master netting agreements for the year 2020 are presented in the following table:

	Gross amounts of recognized financial instruments	Gross amounts of recognized financial liabilities/assets offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts of financial instruments not offset in the statement of financial position
	In € '000	In € '000	In € '000	In € '000
Financial assets				
Loans and advances to customers	3,862,260	3,862,248	12	4,415,714
Financial liabilities				
Deposits	4,931,821	3,862,248	1,069,573	4,415,714

In prior years BNY Mellon SA/NV's activities of sale and repurchase, and reverse sale and repurchase transactions, and securities borrowing and lending were covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements. As of 31 December 2020 and 2019, no such transactions existed within BNY Mellon SA/NV.

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

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

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

At 31 December 2020 BNY Mellon SA/NV had no exposures subject to the above agreements.

28.2.4. Collateral and Other Credit Enhancements

BNY Mellon SA/NV can receive collateral from a counterparty which can include, guarantees, cash and both equity and debt securities. When a right of pledge exists, BNY Mellon SA/NV has the ability to call on this collateral in the event of a default by the counterparty.
Collateral amounts are adjusted on a daily basis to reflect market activity to ensure they continue to achieve an appropriate mitigation of risk value. Securities are marked-to-market daily and haircuts are applied to protect BNY Mellon SA/NV in the event of the value of the

collateral suddenly reducing in value due to adverse market conditions. Customer agreements can include requirements for the provision of additional collateral should valuations decline.

28.2.5. Risk Concentrations: Maximum Exposure to Credit Risk

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

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

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

In March 2014, a Master Netting Agreement (MNA) was signed between BNY Mellon SA/NV and BNY Mellon. This agreement has a significant positive impact on the credit risk capital requirement and thereby on BNY Mellon SA/NV solvency ratio. An additional MNA was signed with BNYM International Limited in July 2015. These MNA were still in place as of 31/12/2020.

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

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

There was no regulatory breach in 2020, neither towards external counterparties nor towards intergroup exposures.

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

Overview of maximum credit risk exposure

	Maximum risk position		Credit risk mitigant	
	2020	2019	2020	2019
	In € '000	In € '000	In € '000	In € '000
Cash and cash balances with central banks	17,562,524	10,754,991	—	—
Derivative financial instruments (asset side)	500,209	158,006	—	—
Investment securities (Note 26.2)	13,388,973	12,696,318	1,844,277	1,851,757
Loans and advances to customers (note 26.3)	7,902,902	8,834,550	76	209,183
Derivative financial instruments (liability side)	583,009	162,565	—	—
Financial liabilities measured at amortized cost	35,161,070	28,986,413	—	—
Deposits	34,768,247	28,588,304	—	—
Subordinated liabilities	358,207	358,124	—	—
Other financial liabilities	34,617	39,985	—	—

	Maximum credit risk exposure by region, carrying values:				2020	2019
	Africa	Americas	Europe	Asia Pacific	In € '000	In € '000
FINANCIAL ASSETS						
Cash and cash balances with central banks	37	—	17,562,487	—	**17,562,524**	**10,754,991**
Derivative financial instruments	0	229,950	265,080	5,179	**500,209**	**158,006**
Investment securities	—	3,483,108	8,546,755	1,359,110	**13,388,973**	**12,696,318**
Loans and advances to customers	126,496	2,291,868	3,184,568	2,299,970	**7,902,902**	**8,834,550**
TOTAL FINANCIAL ASSETS	**126,533**	**6,004,926**	**29,558,890**	**3,664,259**	**39,354,608**	**32,443,864**
FINANCIAL LIABILITIES						
Derivative financial instruments	0	200,388	381,000	1,621	**583,009**	**162,565**
Deposits	45,058	3,357,370	30,777,496	588,323	**34,768,247**	**28,588,304**
Subordinated liabilities	0	0	358,207	0	**358,207**	**358,124**
Other financial liabilities	0	0	34,617	0	**34,617**	**39,985**
TOTAL FINANCIAL LIABILITIES	**45,058**	**3,557,758**	**31,551,320**	**589,944**	**35,744,079**	**29,148,978**

	Maximum credit risk exposure by industry, carrying value:				2020	2019
	Credit institutions	General Government	Other Financial institution	Non-Financial institution	In € '000	In € '000
FINANCIAL ASSETS						
Cash and cash balances with central banks[13]	17,562,524	—	—	—	**17,562,524**	**10,754,991**
Derivative financial instruments	445,429	—	47,082	7,698	**500,209**	**158,006**
Investment securities	7,800,644	4,743,008	276,348	568,973	**13,388,973**	**12,696,318**
Loans and advances to customers	7,700,936	6	201,960	—	**7,902,902**	**8,834,550**
TOTAL FINANCIAL ASSETS	**33,509,533**	**4,743,014**	**525,390**	**576,671**	**39,354,608**	**32,443,864**
FINANCIAL LIABILITIES						
Derivative financial instruments	417,441	—	157,066	8,502	**583,009**	**162,565**
Deposits	6,680,584	171,756	27,901,103	14,804	**34,768,247**	**28,588,304**
Subordinated liabilities	—	—	358,207	—	**358,207**	**358,124**
Other financial liabilities	34,584	—	33	—	**34,617**	**39,985**
TOTAL FINANCIAL LIABILITIES	**7,132,609**	**171,756**	**28,416,408**	**23,306**	**35,744,079**	**29,148,978**

28.2.6. Monitoring Sovereign Risks

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

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

Overview of exposure to sovereign debt at year-end 2020 and 2019, carrying value (in € 000):

Country	Held-for-trading	Balances with Central Banks[14]	Investment securities		Loans and advances	2020	2019
			FVOCI	Amortised Cost			
Belgium	—	8,394,955	93,102	10,439	—	**8,498,496**	**5,325,497**
Germany	—	6,512,222	881,037	—	—	**7,393,258**	**5,377,740**
Luxembourg	—	1,202,601	148,697	—	—	**1,351,298**	**467,875**
Netherlands	—	795,459	374,953	51,862	—	**1,222,274**	**914,202**
United States	—	—	1,008,697	—	—	**1,008,697**	**1,188,142**
France	—	—	602,973	134,990	—	**737,962**	**821,732**
Ireland	9	608,923	37,880	—	6	**646,818**	**356,245**
Italy	—	48,255	467,610	—	—	**515,865**	**666,825**
Spain	—	—	299,697	—	—	**299,697**	**458,018**
United Kingdom	—	—	169,503	—	—	**169,503**	**236,944**
Canada	—	—	156,807	—	—	**156,807**	**63,276**
Japan	—	—	80,059	—	—	**80,059**	**51,732**
Finland	—	—	30,854	—	—	**30,854**	**49,212**
Other	4,796	110	193,848	—	—	**198,754**	**431,954**
TOTAL	**4,804**	**17,562,524**	**4,545,717**	**197,291**	**6**	**22,310,343**	**16,409,394**

28.2.7. Credit Quality by Class of Financial Assets

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

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

BNY Mellon's internal methodology for borrower ratings is based on external ratings and a dedicated internal assessment. The internal rating scale ranges from 1 to 18 and is mapped to internally estimated probabilities of default. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on BNY Mellon SA/NV's internal credit rating system. This system can be linked to more common rating systems available on the market. The amounts represent the credit risk exposures as calculated according to regulatory rules. There are no impaired financial assets recognized for BNY Mellon SA/NV in 2020 (2019: € nil).

Internal BNY Mellon rating	S&P' equivalent grades	Moody's equivalent grades	Held-for-trading	Balances with Central Banks	Investment securities*		Loans and receivables	2020	2019
					FVOCI	Amortised Cost			
								€ Mio	**€ Mio**
1-2	AAA/AA+	Aaa/Aa1	11	8,511	6,501	52	141	**15,216**	**11,244**
3-6	AA/A	Aa2/ A2	470	8,395	5,445	170	6,168	**20,648**	**17,614**
7-9	A-/BBB	A3 /Baa2	7	609	750	—	1,194	**2,560**	**2,264**
10-13	BBB-/BB-	Baa3/Ba3	12	48	471	—	256	**787**	**1,234**
14-16	B+/B-	B1/B3	—	—	—	—	144	**144**	**84**
NR			—	—	—	—	—	**—**	**4**
Total			**500**	**17,563**	**13,167**	**222**	**7,903**	**39,355**	**32,444**

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

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

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

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments (2020) split by Stage 1, Stage 2 and Stage 3. Explanations on the stages classification is included in Note 1.6.8.1.

	Stage 1 In € '000	Stage 2 In € '000	Stage 3 In € '000	Total In € '000
Cash with central banks and Loans and advances to customers at amortised cost				
Grades 1-10: Investment grade	25,179,790	106,138	—	25,285,928
Grades 11-14: Non investment grade	78,033	6,473	—	84,506
Grade 15-16: Criticised asset	37	96,712	—	96,749
Grades 17-18: Default	—	—	—	—
	25,257,859	209,324	—	25,467,183
Loss allowance	494	1,262	—	1,756
Carrying amount	**25,257,366**	**208,061**	**—**	**25,465,427**
Debt investment securities at amortised cost				
Grades 1-10: Investment grade	221,739	—	—	221,739
Grades 11-14: Non investment grade	—	—	—	—
Grade 15-16: Criticised asset	—	—	—	—
Grades 17-18: Default	—	—	—	—
	221,739	—	—	221,739
Loss allowance	3	—	—	3
Carrying amount	**221,736**	**—**	**—**	**221,736**
Debt investment securities carried at FVOCI				
Grades 1-10: Investment grade	13,167,421	—	—	13,167,421
Grades 11-14: Non investment grade	—	—	—	—
Grade 15-16: Criticised asset	—	—	—	—
Grades 17-18: Default	—	—	—	—
	13,167,421	—	—	13,167,421
Loss allowance	185	—	—	185
Carrying amount	**13,167,236**	**—**	**—**	**13,167,236**

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

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

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

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

Significant increase in credit risk
Internal credit rating-based approach is used for wholesale exposures
BNY Mellon SA/NV allocates to exposures a credit risk grade that is based on experienced credit judgment and a variety of data that is predictive of the risk of default. BNY Mellon SA/NV will use its 18 point internal credit rating scale to determine a significant increase in credit risk for wholesale exposures (cash and due from banks, interest bearing deposits, loans including overdrafts and unfunded commitments and letters of credit):
- 1-10 Investment grade
- 15-16 Criticized asset rating
- 17-18 Default rating

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

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

Inputs into measurement of ECL
The key inputs into the measurement of ECL are:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

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

The expected credit loss at year ending 31 December 2020 is €1.9 Mio.

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

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

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

The following table shows reconciliation of the opening balance to the closing balance of the loss allowance by class of financial instrument. All exposures are in Stage 1, except for the ones mentioned in Stage 2 explicitly. No exposures in Stage 3 existed in 2020.

	Loans and advances	**of which Stage 2**	**Investment securities**	**Total**	**of which Individual**
	In € '000	*In € '000*	In € '000	In € '000	*In € '000*
At 1 January	(331)	*(109)*	(147)	(478)	*(478)*
Increase due to origination	(209)	—	(105)	(314)	*(314)*
Decrease due to de-recognition	90	—	49	139	*139*
Change in credit risk	(1,310)	*(1,155)*	11	(1,298)	*(1,298)*
Net re-measurement	—	—	—	—	—
Foreign exchange and other	4	2	4	7	7
At 31 December	(1,756)	*(1,262)*	(188)	(1,944)	*(1,944)*

A loan is considered non-performing with regard to a particular obligor when the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries, in full, without recourse by BNYM to actions such as realizing collateral, or the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

There are no past due on Investment Securities and Cash and Cash Balances with Central Banks.

Covid 19 impacts on Expected Credit Loss framework

BNYM SA/NV is more remote to Covid related forbearance and moratoria measures due to the nature of its business model, counterparties and balance sheet. BNYM SA/NV predominantly provides custodial services to financial counterparties (financial institutions and funds). As a result it does not offer committed and/or advised credit to corporate or retail counterparties. Within its custody portfolio, credit is granted on a discretionary basis and as such no formal contractual repayment schedules are agreed upfront. Credit exposure will therefore materialize for BNYM SA/NV as a result of the custody product offering (e.g. overdrafts) and its ancillary services (e.g. derivatives, tri-party collateral management) or as a result of the Bank's liquidity and treasury management (e.g. (reverse-)repo, interbank placements, securities investments). The Bank does not grant any other forms of formal loans. As such, it is unlikely the Bank will engage in the specific Covid-19 moratoria and forbearance process.

The Bank has sound and robust processes in place to monitor its credit risk portfolio on an ongoing basis. With the outbreak of the Covid pandemic, this oversight has increased. BNYM SA/NV is confident that the existing processes for the detection of credit quality deterioration, responding to this pandemic, reporting and monitoring progress and accounting are adequate and in line with all applicable regulations.

Regarding the Expected Credit Losses, the impact of the crisis is taken since Q1 2020 in the scenarios used to project the rating quality parameters, and in the weighting of the scenarios. The scenarios have incorporated the views on how the pandemic is expected to impact the global economic outlook as well as possible upside and downside risks.

All in all, the ECL for BNYM SA/NV has increased in 2020, because the balance sheet has been generally larger in 2020 than in 2019, and because the scenarios used in the calculations included the COVID-19 situation and were therefore more pessimistic.

Individually assessed allowances

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

BNY Mellon SA/NV has recorded an individually assessed allowance of €1.9 Mio in 2020 (2019: € 0.5 Mio).

BNY Mellon SA/NV did not make any collective assessment for impairment, as its remaining balances of its loans and advances, outside the ones determined to be the individually significant, were assessed to be cumulatively immaterial.

BNY Mellon SA/NV has not recorded any allowance on a collective basis in 2020 (2019: € nil).

28.2.9. Commitments and Guarantees

BNY Mellon SA/NV does not enter into irrevocable commitments and contingent liabilities for external customers. The off-balance sheet items of BNY Mellon SA/NV contain mainly: lease car or rental commitments and state guarantees on debt securities. These are not qualified as loan commitments. For more details please refer to note 26.

BNY Mellon SA/NV has entered into an agreement under which it will provide financial support to enable BNY Mellon Service Kapitalanlage-Gesellschaft mbH to meet any tax payment obligation or civil law claims arising from cum-ex trades.

28.2.10 Regulatory and Economic Capital Requirements

Capital requirement for credit risk Pillar 2 (covering credit risk and intraday credit risk) resulted in an (unaudited) amount of € 293.8 Mio (2019: € 297.3 Mio), versus the Pillar 1 calculation of €277.2Mio (2019: €263.2 Mio).

28.3. Liquidity Risk and Funding Management

28.3.1. Source of Risks

BNY Mellon SA/NV defines Liquidity as the ability to access funding, convert assets to cash quickly and efficiently, or to roll over or issue new debt (where applicable), especially during periods of market stress, at a reasonable cost in order to meet its short-term (up to one year) obligations.

Liquidity risk can arise from funding mismatches, market constraints from inability to convert assets to cash, inability to hold or raise cash, low overnight deposits, deposit run-off, and contingent liquidity events. Changes in economic conditions or exposure to credit, market, operational, legal, and reputation risks also can affect the applicable BNY Mellon entity's liquidity risk profile and are considered in the liquidity risk management framework.

Execution of transactions for day-to-day liquidity management is performed by BNYM SA/NV Corporate Treasury. The BNYM SA/NV Finance team provides information on capital and liquidity positions to BNYM SA/NV Corporate Treasury to ensure the management of capital and liquidity ratios within internal risk appetite and regulatory limits.

BNY Mellon SA/NV aims to be self-sufficient for liquidity and seeks to maintain a liquid balance sheet at all times. BNY Mellon SA/NV's balance sheet is liability driven primarily due to deposits generated through its asset servicing, custody and other business (Global Collateral Management, Treasury Services, etc.) activities. Liabilities and sources of funds consist mainly of third party client deposits and intercompany deposits. Client deposit balances are operational in nature and exhibit a degree of stability.

BNY Mellon SA/NV maintains ample liquidity for day-to-day changes in deposit funding. Apart from operational client overdrafts, BNY Mellon SA/NV does not extend term loans to clients and therefore funding assets is not a significant use of liquidity. While sizeable overdrafts can periodically appear on BNY Mellon SA/NV's balance sheet, large deposits offset these amounts.
Liquidity from customer and intercompany deposits on the balance sheet is deployed in the following ways:

- Placed overnight/ on demand with national central banks through the Head office or branches whether it has access to these central banks
- Used to fund the securities portfolio, primarily comprising of High Quality Liquidity Assets (HQLA)
- Placed short term in the interbank market (no longer than one-year maturity)
- Used to fund overdrafts, which are mainly operational in nature and short-term
- Placed short term with other BNY Mellon entities (intercompany placements)
- Other currencies may be left on Nostro accounts only if they cannot be placed externally, swapped into another currency, or placed intragroup.

BNYM SA/NV observed an influx of customer deposits throughout the Covid-19 stress period - a phenomena consistent with the behaviour observed throughout other market stress events such as the 2008 Global Financial Crisis. Given the increase of customer deposits, there was no adverse impact to the liquidity risk profile of BNYM SA/NV. BNYM SA/NV does not rely on liquidity from deposits received from its customers in order to fund illiquid assets or term loans, and aims to maintain a liquid balance sheet in order to meet its customer deposit obligations as and when they fall due.

28.3.2. Liquidity Risk Management Framework

Responsibility for strategy, policies and monitoring

BNY Mellon SA/NV has in place a governance structure commensurate with the range of its activities and its liquidity profile. Liquidity risk is managed and monitored from a legal entity and functional perspective through various committees and forums.

The goal of BNY Mellon SA/NV's liquidity management is to ensure that all liquidity risks are defined, understood, and effectively managed through well-designed policies and controls. In this context, BNY Mellon SA/NV has established a robust liquidity risk management framework that is fully integrated into BNY Mellon risk management processes. The liquidity risk management framework, is prepared in accordance with the guidelines set forth by the regulators, and encompasses the unique structure and characteristics of BNY Mellon SA/NV.

The primary objective of the liquidity risk management framework is to ensure that, with a high degree of confidence, BNY Mellon SA/NV in a position to meet its day-to-day liquidity obligations and withstand a period of liquidity stress, the source of which could be idiosyncratic, market-wide or both.

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 in line with Art. 98 - 100 of the EU Directive 2013/36/EU, EBA/GL/2018/04 Guidelines on institutions' stress testing as well as recommendations laid down in EBA/ GL/2014/13 Guidelines on common procedures and methodologies for the supervisory review and evaluation process (EBA SREP - Guideline, Titles 8 and 9).

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

2020	Over night	On demand	Less than a week	Up till 3 months	3 months 1 year	1 year- 5 years	Over 5 years	Gross nominal inflow/ (outflow)	Book Value
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Non derivative assets									
Cash and cash balances with central banks	—	17,562,524	—	—	—	—	—	17,562,524	17,562,524
Loans and advances to customers	410	5,654,852	713,698	428,891	1,105,051	—	—	7,902,902	7,902,902
Investment securities	—	70	10,161	144,883	1,662,374	7,466,666	4,104,818	13,388,973	13,388,973
	410	**23,217,447**	**723,859**	**573,774**	**2,767,424**	**7,466,666**	**4,104,818**	**38,854,400**	**38,854,400**
Non derivative liabilities									
Deposits	—	31,773,723	174,186	12,709	—	2,316,146	—	34,276,763	34,276,763
Deposits from central banks	—	491,483	—	—	—	—	—	491,483	491,483
Subordinated liabilities	—	—	—	358,207	—	—	—	358,207	358,207
Other financial liabilities	—	—	—	3,489	7,677	19,339	4,833	35,338	34,617
	—	32,265,206	174,186	374,405	7,677	2,335,485	4,833	35,161,791	35,161,070

2019	Over night	On demand	Less than a week	Up till 3 months	3 months 1 year	1 year- 5 years	Over 5 years	Gross nominal inflow/ (outflow)	Book Value
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Non derivative assets									
Cash and cash balances with central banks	—	10,754,991	—	—	—	—	—	10,754,991	10,754,991
Loans and advances to customers	—	4,433,354	2,097,363	1,991,729	312,105	—	—	8,834,550	8,834,550
Investment securities	—	—	51,616	1,118,572	2,198,135	8,107,766	1,220,228	12,696,318	12,696,318
	—	**15,188,344**	**2,148,978**	**3,110,301**	**2,510,239**	**8,107,766**	**1,220,228**	**32,285,858**	**32,285,858**
Non derivative liabilities									
Deposits	—	27,811,889	223,686	7,320	—	—	—	28,042,895	28,042,894
Deposits from central banks	—	545,410	—	—	—	—	—	545,410	545,410
Subordinated liabilities	—	—	—	15,182	15,017	120,466	711,962	862,627	358,124
Other financial liabilities	—	—	—	2,435	7,371	23,158	8,035	40,999	39,985
	—	**28,357,299**	**223,686**	**24,937**	**22,388**	**143,624**	**719,997**	**29,491,931**	**28,986,413**

By the nature of its business, BNY Mellon SA/NV finds itself in very large positive liquidity position. The liability side consists mostly of the customer cash deposits with mostly very short term maturities held on the sight accounts.

On the asset side of the balance sheet, overdrafts occur on specific client accounts and are mainly of technical nature and very short duration. They do not influence in any meaningful way the overall liquidity position of BNY Mellon SA/NV.

28.4. Market Risk

28.4.1. Source of Risks

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

Market risk is a systemic risk. Movements in markets are beyond the control of BNY Mellon SA/NV. Market risk to BNY Mellon SA/NV is reviewed below in two contexts: impact on balance sheet and impact on revenues and consequently its profitability.

BNY Mellon SA/NV did not run a trading book for the majority of the year 2020. On November 16th, 2020 the trading book activity of BNY Mellon SA/NV was launched. The Corporate Treasury FX swap activity is classified as held for trading from an accounting perspective. The Markets FX trading and sales activity has been operating on a full back-to-back model (on a trade by trade basis) with BNYM London Branch until November 16th, 2020. Until this point in time, no market risk resided in the trading book of BNYM SA/NV for this activity. The back-to-back model has been replaced to warehouse risk for non-optional derivatives (FX Spot/Forward/Swap, NDF) in the trading book of BNYM SA/NV since the aforementioned go-live date.

BNY Mellon SA/NV is currently exposed to five types of market risk: (a) currency risk, (b) CVA, (c) interest rate risk, (d) credit spread risk and (e) pension risk.

- BNY Mellon SA/NV revenues are denominated in a mix of currencies whereas a high proportion of the bank's costs are denominated in Euro. Apart from the risk of currency mismatch between revenues and cost, the bank is not significantly exposed to this risk.
- Credit Valuation Adjustment (CVA) risk relates to the FX swaps used in the context of Treasury management and FX swaps client activity.
- BNY Mellon SA/NV interest rate income is subject to the risk that as market interest rates tend toward zero or below, BNY Mellon SA/NV cannot pass all of the interest rates reduction to its client. Interest rate risk in the banking book will also arise from maturity or re-pricing mismatches and from products that include embedded optionality; the risk could crystallize with changes in interest rate risk/the shape of the yield curve.
- The securities portfolio bears additional credit spread risk.
- Pension risk in BNY Mellon SA/NV arises from the defined benefit pension plans offer to the employees. Defined benefit plans constitute a risk because BNY Mellon SA/NV must compensate any shortfall in the fund's guaranteed pensionable amount. Only the Belgium and German plans my result in a liability for BNY Mellon SA/NV.

28.4.2. Market Risk Management Framework

BNY Mellon SA/NV undertakes market risk within the boundaries of the BNY Mellon's Risk Appetite as approved by the Board of Directors of The Bank of New York Mellon Corporation. The subsidiaries that issue Risk Appetite statements approved by their boards (as the BNY Mellon SA/NV) must undertake market risk within the boundaries of those statements as well. BNY Mellon SA/NV manages market risk using a "three lines of defense" approach (i.e. by each business unit, by Market Risk, and by Internal Audit).

BNY Mellon SA/NV personnel engaging in market risk-taking or exposure management activities must be explicitly authorized or mandated.

Market risk limits are set for market risk consistent with the BNY Mellon SA/NV's Risk Appetite (and Risk Appetite statements of subsidiaries, where relevant) and are jointly managed by the business units undertaking the risk and the Market Risk function (respectively, the first and second lines of defense).

Market risk exposure is measured, monitored and analyzed using both quantitative and qualitative methods by the Market Risk function.

BNY Mellon measures, monitors, and analyses market risk in a manner consistent with applicable law, regulations, and supervisory guidance.

The control framework elements addressing market risk limits include the following actions by the Market Risk Management function:

- Monitoring of utilization of market risk limits on a daily basis
- Reporting of limit utilization and limit breaches
- Periodic limit reviews
- Coordinating with business data providers to ensure the completeness and accuracy of data that is the basis for market risk data

Market Risk independently daily monitors limit breaches which, depending on the level and type of limit that is breached, are escalated and notified to the Executive Committee and Board Risk Committee, ALCO, or to Senior Risk Management and Business Management levels in the organizational hierarchy.

28.4.3. Market Risk – Trading portfolios

The principal tools used to measure and control market risk, within the Group's trading portfolios are VaR and Stressed VaR. The VaR of a trading portfolio is the maximum estimated loss that can arise with a specified probability (confidence level) in the portfolio over a specified time-period (holding period). The VaR model is historical simulation based and takes market data changes from the previous four years and observed correlation between risk factors, to model a wide range of plausible future scenarios for market price movements. The Group VaR model uses a 99% confidence level, assumes a 1-day holding period and reported in the Groups base currency of US Dollars. The Stress VaR model uses the similar principle as VaR, but uses a Stress period deemed to be the most severe for the entire holding company and reviewed on a periodic basis.

The Group VaR models are subject to regular validation by the Market Risk Management Group to ensure that they continue to perform as expected and that assumptions used in model development are still appropriate. As part of the validation process, the potential weaknesses of the models are analysed using statistical techniques, such as back testing.

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

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

The following is a summary of the VaR and Stressed VaR position of the SANV trading portfolios as at 31 December 2020:

USD Mio	31/12/2020
Value At Risk	0.134
Stressed Value At Risk	0.926

28.4.4. Market Risk – Non-trading portfolios

Interest rate risk arises from movements in interest rates. Interest rate risk results from differences between the timing of rate changes and the timing of cash flows (re-pricing risk); from changing rate relationships among different yield curves affecting bank activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in bank products (options risk).

Interest rate risk framework

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

Interest rate risk in the banking book will arise from maturity or re-pricing mismatches and from products that include embedded optionality; the risk could crystallize with changes in interest rate risk/the shape of the yield curve. Currently, on the asset side, placements are mostly at a week horizon and the securities portfolio, as part of the liquidity asset buffer, has a duration of about two years. Taking into account the behavioral duration of the deposits, it limits the exposure to interest rate risk.

Nonetheless, interest rate risk is a standard agenda item of BNY Mellon SA/NV ALCO. The current market risk limit scheme set within this framework in respect of BNY Mellon SANV is simple and sets straightforward controls on the level of IRRBB permitted in BNY Mellon SANV's treasury activities.

An enhanced second line of defense IRRBB framework has been implemented in 2017. The framework consists of a second line IRRBB Policy, a new more granular set of market risk limits (including daily monitoring and reporting) for the investment portfolio, a comprehensive formal second line challenge and review process of setting thresholds and production of the Board Risk Appetite metrics on EVE and NII as well as for the internal model used for the Pillar 2 IRRBB capital requirement calculation, and the introduction of a monthly stress testing process for the investment portfolio.

Sensitivity analysis

For regulatory purposes, an interest rate sensitivity analysis is prepared on a quarterly basis as shown below this paragraph.

BNY Mellon SA/NV IRRBB Metrics, as per below, was developed to assess the interest rate risk for BNY Mellon SA/NV using economic value of equity (EVE) measures, Net Interest Income (NII) measures, and Capital (including OCI) measures. Interest Rate Risk results include scenarios that are consistent with corporate Bank Holding Company (BHC) standards and regulatory guidance:
- EVE scenarios include parallel shocks, non-parallel shocks and currency-specific shocks.
- Earnings scenarios include parallel shocks, non-parallel shocks, and currency shocks
- OCI scenarios include parallel shocks.

The figures are computed within BNYM corporate ALM system, aligned with internal models and assumptions.

As these figures are based on internal assumptions, they will differ from the figures included in the pillar 3 disclosure.

Description	Board Limit		Belgium ALCO Guideline		Actual (31-12-2020)	
	2020	2019	2020	2019	+	-
+/-200 bps EVE change / Total Reg capital	+/-20%	+/-20%	+/-16%	+/-16%	0.0%	8.0%
+/-200 bps EVE sensitivity	+/-17%	+/-13%	+/-14%	+/-10.5%	0.0%	7.0%
+/-200 bps NII Sensitivity (12 month forecast)	-50%	-50%	-40%	-40%	76.0%	128.0%

Credit spread risk framework

Movements in credit spreads impact the economic value of the investment portfolio held by the Bank. The Bank's investment portfolio is accounted for under the banking book category. Given the accounting category, default risk is captured under the capital requirements (under Credit Risk) and credit spread risk is accounted for via a dedicated Economic Capital model. Credit spread risks are monitored and reported on a daily basis.

28.4.5. Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. In accordance with BNY Mellon SA/NV's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. In addition, BNY Mellon SA/NV applies a monthly sell-off process in order to reduce foreign exchange exposure generated by the activity of the bank. This is done through foreign exchange from the currency into the base/functional currency of the entity.

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

Currencies exposures before economic hedge

	EUR	GBP	USD	Other	Total
31 December 2020	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Total assets	23,771,620	2,384,396	9,394,953	4,201,464	39,752,434
Total liabilities and shareholder's equity	18,941,386	3,709,358	12,460,764	4,640,927	39,752,434
The statement of financial position (net)	**4,830,234**	**(1,324,961)**	**(3,065,811)**	**(439,462)**	**—**
31 December 2019					
Total assets	16,970,844	1,903,112	9,026,691	4,979,932	32,880,579
Total liabilities and shareholder's equity	15,942,464	1,903,067	9,735,539	5,299,510	32,880,579
The statement of financial position (net)	**1,028,381**	**44**	**(708,847)**	**(319,578)**	**—**

The table below indicates the currencies to which BNY Mellon SA/NV had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows.

The analysis calculates the effect of a reasonably possible movement of the currency rate against the Euro, with all other variables held constant, on the consolidated statement of profit and loss and other comprehensive income and equity. A negative amount in the table reflects a potential net reduction in consolidated statement of profit and loss and other comprehensive income or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the Euro would have resulted in an equivalent but opposite impact.

Stress Test before economic hedge

Currency	Variation	Conversion rate at closing	Effect on profit before tax	Effect on equity	Variation	Conversion rate at closing	Effect on profit before tax	Effect on equity
		2020	2020	2020		2019	2019	2019
			€ Mio	€ Mio			€ Mio	€ Mio
Scenario	1%				1%			
USD	0.0123	1.2267	(193.09)	70.54	0.0112	1.1231	(151.06)	55.46
GBP	0.0090	0.898	(37.65)	16.87	0.0085	0.851	(17.06)	14.98

BNY Mellon SA/NV is entering into FX Forward for “economic hedge” purposes. So, net exposures after economic hedging are not significant.

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

28.4.6. Regulatory and Economic Capital Requirements

Capital requirement for market risk Pillar 2 (covering FX, CVA, IRRBB and CSRBB) resulted in an (unaudited) amount of €704.8Mio (2019: € 744.6 Mio), versus the Pillar 1 calculation of €27 Mio (2019: €12 Mio).

28.5. Operational Risk

28.5.1. Source of Risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events (including legal risk but excluding strategic and reputational risk).
Operational risk may arise from errors in transaction processing, breaches of internal control systems and compliance requirements, internal or external fraud, damage to physical assets, and/or business disruption due to systems failures or other events. Operational risk can also arise from potential legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations.

28.5.2. Operational Risk Management Framework

The Operational Risk Management Framework (ORMF) provides the processes and tools necessary to fulfill a strategy of managing risk through a culture of risk awareness, a clear governance structure, well-defined policies, procedures and reporting and suitable tools for reporting and monitoring to effectively identify, manage, mitigate, monitor and report the risks in an organized way to the appropriate governance bodies.

The ORMF defines roles and responsibilities through the global policy, using the three Lines of Defense model as a foundation. Thus, responsibility for the management of Operational Risk sits first and foremost with the business and functions.

BNY Mellon SA/NV‘s ORMF relies on a culture of risk awareness, a clear governance structure and, Operational Risk policies and procedures, which define the roles and responsibilities of the First, Second and Third Line of Defense. These policies and procedures complement each other to ensure that the Operational Risks of the business are effectively identified, managed, mitigated (where possible) and reported to the appropriate governance committees on a monthly basis.

BNY Mellon SA/NV uses the ORMF to capture, analyze and monitor its Operational Risks. The tools used to manage the Operational Risks of the business are mandated through individual Operational Risk Polices and are prescribed through the enterprise Operational Risk program, assessment systems and related processes. Regional Committees such as the EMEA Senior Risk Management Committee also monitor and incorporate the material risks in forming its regional risk assessment.

BNY Mellon SA/NV utilizes comprehensive policies and procedures designed to provide a sound operational environment. The Corporate Operational Risk Policies are reviewed and enhanced on an ongoing basis, and adopted by all businesses/Legal Entities including BNY Mellon SA/NV. Business Risk partners oversee the activities undertaken in each of the business lines, with oversight from a Legal Entity point of view through the LERO. Besides Business Risk partners and LEROs, other internal functions also ensure that processes are in place to support the sound Operational Risk management of the business.

28.5.3. Regulatory and Economic Capital Requirements

Capital requirement for operational risk Pillar 2 (using an internal hybrid model) resulted in an (unaudited) amount of € 285.7 Mio (2019: €322.5 Mio), versus the Pillar 1 calculation of €96.4 Mio (2019: €101.2 Mio).

29. Capital

BNY Mellon SA/NV maintains an actively managed capital base to cover risks inherent to the business. The adequacy of BNY Mellon SA/NV’s capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the NBB in supervising BNY Mellon SA/NV. During the past year, BNY Mellon SA/NV had complied with its externally imposed capital requirements. Please refer to point 28.1.4 for additional comments on excessive risk concentration.

29.1. Capital Management

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

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

Regulatory capital

	2020	2019
	€ Mio	€ Mio
Qualifying Core Tier1 capital	3,239	3,139
Qualifying Tier1 capital	—	—
Total qualifying Tier 1 capital	3,239	3,139
Deductions	(41)	(43)
Total qualifying Tier 2 capital	346	346
Total capital	**3,543**	**3,442**
Total Risk Exposure Amount	**5,001**	**4,700**
Risk weighted exposure amount for credit risk	3,464	3,291
Risk exposure amount for foreign exchange risk	176	84
Risk exposure amount for credit valuation adjustment (CVA)	156	61
Risk exposure amount for operational risk	1,205	1,265
Capital Ratios		
Core Tier 1 capital ratio	63.9%	65.9%
Tier 1 capital ratio	63.9%	65.9%
Total capital ratio	70.8%	73.2%
Leverage ratio (fully phased-in)	11.0%	8.7%

Regulatory capital consists of qualifying core Tier 1 capital, which comprises the paid up share capital, share premium, retained earnings, filtering out the valuation reserves, less goodwill and other intangibles. The Board has formally adopted a (non-)dividend policy by which all profits are systematically carried forward and recommended the same for approval to the shareholders' meeting.

On 26 February 2021 BNY Mellon SA/NV reimbursed €345m qualified as Tier 2, which is no longer eligible for compliance with the Leverage Ratio requirement applicable from June 2021. For more information please see note 21. Subordinated liabilities and 30. Subsequent events.

For risk weighted exposure amount for credit risk, the standardized approach is used. Certain adjustments are made to IFRS-based results and reserves.

During the second quarter of 2015, BNY Mellon SA/NV implemented the Master Netting Agreement covering the netting of placements and deposits with BNY Mellon Corporation, as an eligible form of credit risk mitigation under the capital requirements regulation (CRR) for regulatory reporting purpose.

30. Subsequent events

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

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

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

With the depositary business of Nykredit becoming part of the BNY Mellon organization, BNY Mellon will, subject to regulatory approval, be able to provide depositary services directly to clients in Denmark looking for strong local expertise and global capabilities. BNY Mellon offers the scale, technological resources and commitment needed to meet the increasing regulatory requirements faced by clients, while ensuring the depositary services business remains efficient and effective into the future. BNY Mellon and Nykredit will continue to work closely together in order to provide clients with leading investment services.

As a part of the agreement, a small team of employees will transfer to BNY Mellon. The team has already worked closely with BNY Mellon for many years.

The business will transfer following regulatory approvals and meeting customary closing conditions.

On February 1st, 2021, BNY Mellon SA/NV Bank has opened a new branch in Madrid. This will strengthen existing local and regional client relationships and allow to service clients more efficiently, from a local base and in the local language, secure its strong position in the region.

Under the new EU Capital Requirements ("CRR2"), BNY Mellon SA/NV proceeded to €345m sub-debt repayment being Tier 2 qualified, which is no longer eligible capital for large exposures purposes neither Tier 2 capital is eligible for compliance with the Leverage Ratio requirement applicable from June 2021. Towards the end of 2020 BNY Mellon SA/NV formally requested to the competent authority permission to reduce own funds by redeeming the two Tier 2 subordinated loans. Permission was granted on 19 January 2021 with the immediate deduction of the €345.5 Mio from own funds and impact on the determination of the regulatory ratios from that date, accordingly. The two subordinated loans were actually repaid on 26 February 2021.

As a mitigation measure, BNYM SA/NV contracted a € 800 million borrowing 10 year maturity, which is needed to manage the impact of the €345m sub-debt repayment on the BNY Mellon SA/NV regulatory metrics. This borrowing will not qualify as capital.

None of the events described in this section have an impact on 2020 financial results.

BNY MELLON

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The Bank of New York Mellon SA/NV is a Belgian public limited liability company (société anonyme/naamloze vennootschap), authorized and regulated as a credit institution by the National Bank of Belgium (NBB), and a subsidiary of The Bank of New York Mellon, a banking corporation organized under the laws of the State of New York, with head office at 240 Greenwich Street, New York, NY 10007, United States