BNY MELLON

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

The European Bank

Pillar 3 Disclosure

December 31, 2022

Executive summary

Capital

Risk

Human resources

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Attestation Statement

I confirm that the 31 December 2022 Pillar 3 Disclosure meets the relevant regulatory requirements as described in section one of this report and it has been prepared in accordance with the internal policies and controls in place which have been approved by The Bank of New York Mellon SA/NV (the 'European bank') Board of Directors (the ‘Board’).

The Board is responsible for approving policies and procedures as may be required by law or otherwise appropriate and for reviewing the European bank's processes for compliance with applicable laws, regulations and the internal policies including the Code of Conduct.

These disclosures were approved by the European bank's Board on 20 April 2023.

Eric Pulinx
Chief Financial Officer
Member of the Executive Committee

Eric Pulinx

1 Article 431 CRR II - Disclosure requirements and policies

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

These disclosures cover the European bank, its subsidiary undertaking and branches as at 31 December 2022.

These disclosures were approved for publication by the European bank's Board on 20 April 2023. The European bank considers its risk management arrangements and systems are adequate with regards to its profile and strategy. The Board considers that this disclosure is consistent with formal policies adopted regarding production and validation.

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

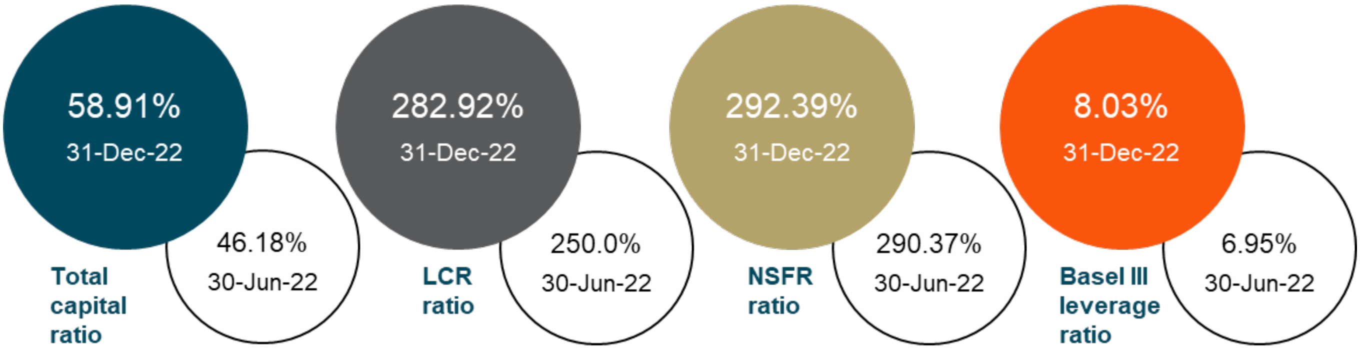
[2] NBB Supervisory Disclosure Rules and Guidance: https://www.nbb.be/en/financial-oversight/prudential-supervision/areas-responsibility/credit-institutions/supervisory-5

[3] Directive 2019/878/EU of the European Parliament and of the Council of 20 May 2019, amending Directive 2013/36/EU.

[4] Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013.

Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by CRD V. When assessing the appropriateness of these disclosures in the application of Article 431(3) of CRR II, the European bank has ensured adherence to the principles of clarity, meaningfulness, consistency over time, and comparability across institutions.

The Basel Committee on Banking Supervision ('BCBS') requires these disclosures to be published at the highest level of consolidation. The European bank has adopted this approach with information presented at a fully consolidated level which includes the following key metrics. Please see Table 1: EU KM1 Key metrics template for further details.



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

1.1 Purpose of Pillar 3

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

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

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

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

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

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

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

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

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

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

Disclosure will be made in accordance with the requirements of Article 433a. The European bank will publish semi-annual disclosures in line with Article 433a(2) and quarterly disclosures in line with Article 433a(3). Annual disclosures will be published on the same date on which the Annual Report and Financial Statements are made public. Quarterly disclosures will be published on the same date as the date on which any financial reports for the corresponding period are published, where applicable, or as soon as possible thereafter. The European bank will reassess the need to publish some or all of the disclosures, including applicable content, more frequently in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy, and information about risk exposure and other items prone to rapid change.

The European bank's disclosures and annual report are published on The Bank of New York Mellon corporate website which can be accessed using the link below:

BNY Mellon Investor Relations - Pillar 3

See the Additional Country Disclosures section.

1.4 Scope of consolidation

The Pillar 3 disclosures have been produced for the European bank on a consolidated basis, aligned to its annual accounts which includes its branches and consolidated subsidiary, BNY Mellon Service Kapitalanlage-Gesellschaft mbH (‘BNY Mellon KVG’), but excluding BNY Mellon AIS Nominees Limited that is a non-consolidated subsidiary.

The European bank is a credit institution incorporated in Belgium. It is a subsidiary of The Bank of New York Mellon, a New York banking corporation with trust powers, having its principal office in New York, which is itself a subsidiary of The Bank of New York Mellon Corporation, the ultimate parent company of the BNY Mellon Group.

BNY Mellon Group ('BNY Mellon') is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of 31 December 2022, BNY Mellon had $44.3 trillion in assets under custody and/or administration, and $1.8 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

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

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

1.5 Organisational structure

The European bank is a corporation with a Banking License, recognised as a custodian bank. The European bank has its headquarters in Brussels and, effective 30 June 2022, is a wholly owned subsidiary of The Bank of New York Mellon (100% of share capital).

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

History

The European bank was established in 2008 with the aim of becoming BNY Mellon's main banking subsidiary in Continental Europe. During 2009, part of the business of the Brussels Branch of BNY Mellon was integrated into the European bank, forming the current Brussels Head Office.

As part of BNY Mellon's strategy to consolidate its legal entity structure in Europe, the European bank acquired branches in Amsterdam, London, Frankfurt and Luxembourg further to the merger with BNY Mellon GSS Acquisition Co. (Netherlands) BV on October 1, 2009.

On June 1, 2011, further to the merger with The Bank of New York Mellon's acquired German subsidiary, BNY Mellon Asset Servicing GmbH, the European bank significantly expanded the activities of its Frankfurt branch and Frankfurter Service KapitalverwaltungsGesellschaft mbH became the European bank's fully owned subsidiary under the name of BNY Mellon Service Kapitalanlage-Gesellschaft mbH ('BNY Mellon KVG'). On December 1, 2011, the European bank opened a branch in Paris.

On February 1, 2013, the European bank opened a new branch in Dublin as a result of the cross-border merger with The Bank of New York Mellon (Ireland) Limited.

An additional branch in Milan was created on April 1, 2017 as a result of the merger of The Bank of New York Mellon (Luxembourg) S.A. into the European bank.

On 29 November 2019 the European bank merged with BNY Mellon Trust Company (Ireland) Limited.

The Bank of New York Mellon SA/NV

On 1 December 2020 the Copenhagen representative office was converted into the European bank's Copenhagen Branch. The European bank's commitment to this region was enhanced with the subsequent acquisition of Nykredit's depositary business effective on 1 November 2021. This was followed by the conversion of the Madrid representative office into the European bank's Madrid Branch on 1 February 2021. This provides an enhanced level of service and support to clients in Denmark, Spain and the wider Nordics and Iberian regions, by offering innovative solutions and providing access to BNY Mellon's global capabilities. Prior to conversion, Copenhagen was a representative office of the European bank whilst Madrid was a representative office of BNY Mellon Institutional Bank.

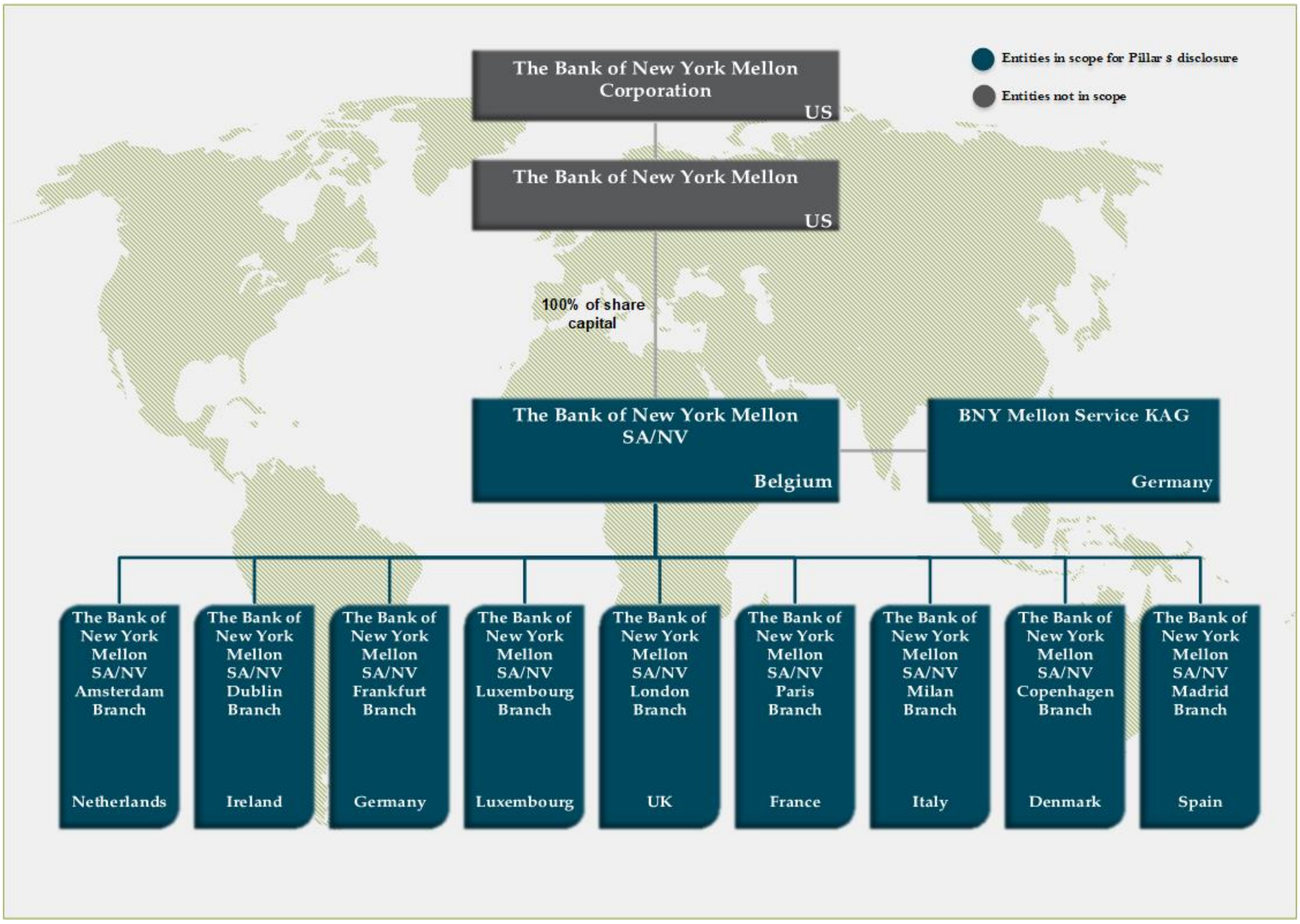
As of December 21, 2022, approval has been granted from the European bank's Executive Committee, the Branch Management of the Frankfurt Branch of the European bank, the Supervisory Board of the KVG and the Board of Directors of the KVG for the sale of the Legal KVG business to a third party. This being part of a multi leg plan with the intention to also sell the KVG Risk Control business and to merge the remaining KVG into the parent company. The estimated timing for the transfer of the business is from January 2023 through September 2023. Accordingly, the business being disposed of is accounted as held for sale. Similarly, the European bank's London Branch is pending local regulatory confirmations to remove licenses leading to closure of the branch. Therefore, as of December 31, 2022, both the subsidiary and London Branch remained part of the European bank's organisational structure. To support future growth, a non-contracting and non-deposit taking branch has been opened in the first quarter of 2023 in Wroclaw (Poland).

Supervision

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

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

Figure 1: The European bank's legal entity structure at 31 December 2022



Note: The European bank's London Branch is in the process of closure. No activities exist in the branch and no client assets or liabilities remain. Final closure is pending confirmation from the local regulator (PRA) of the removal of licenses. Equally, the subsidiary is presently carried as a discontinued operation held for sale.

Basis of consolidation

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

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

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

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

1.6 Operating model

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

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

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

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

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

FX Trading - "ECB supervisory expectations on booking models" requires that a percentage of the risk generated from the 27 European Union countries (the 'EU27') client FX flow be risk managed within the European bank; and that the European bank can no longer rely on a 100% back to back booking model to the BNYM Institutional Bank (the 'BNYM IB'). Pursuant to this, the European bank set up an FX trading desk within its Frankfurt branch to end the reliance on a 100% back to back BNYM IB booking model. This FX Trading desk is now risk managing the majority of the EU27 client flow within the European banking entity.

1.7 Core business lines

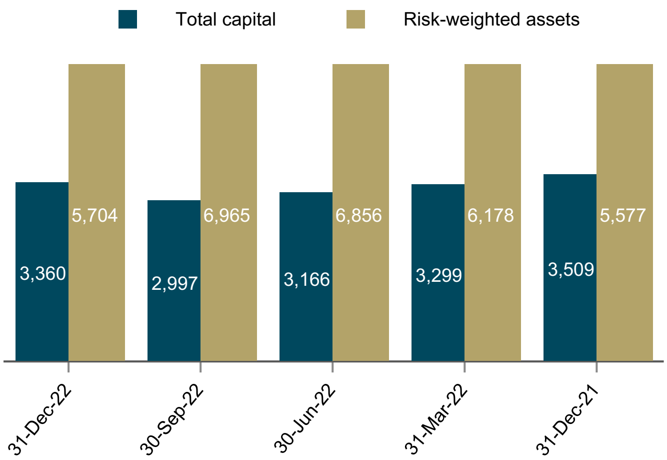
With activities focussed on the Securities Services and Markets & Wealth Services segments, the European bank has a number of core business lines. Its main activity is Asset Servicing, which is provided both to third party and to internal clients within BNY Mellon, but also Treasury, Corporate Trust, Depository Receipt Services, Foreign Exchange, Collateral Management, Liquidity Services and Segregation, Global Clearance and Securities Financing.

Line of business	Description
Asset Servicing & Digital ('AS')	Asset Servicing & Digital primarily comprises Custody Services but also includes Trustee & Depositary Services, Institutional Accounting, Fund Accounting, Transfer Agency Services, Middle Office Solutions, Alternative Investments Services, Global Risk Solutions, and oversight of outsourced Investment Management Services.
Treasury Services	Treasury Services ('TS') market and sell USD, GBP & EUR Correspondent Bank Clearing Services including supplementary products (e.g. FX and Multi-Currency) to eligible European domiciled clients. This is done through TS personnel employed by the European bank. The European bank acts in an intermediary role in marketing and selling the products as the contract is with the BNYM IB.
Issuer Services	
Corporate Trust ('CT')	The European bank offers Corporate Trust Services, acting in a broad range of agency roles including, but not limited to: trustee, registrar, issuing and paying agent, common depository, exchange agent, custodian and collateral / portfolio administration.
Depository Receipt Services	The European bank's Dublin Branch performs certain operational activities relating to Depository Receipts, predominantly issuance and cancellation. Depository Receipts facilitate cross-border investment solutions for companies and investors. They are negotiable financial securities issued by a bank to represent foreign companies' publicly traded securities, allowing them to have their stocks traded in foreign markets.
Clearance, Markets and Collateral Management	
Foreign Exchange ('FX')	The European bank provides foreign exchange services, which enable clients to achieve their investment, financing and cross-border objectives.
International Collateral Management	The European bank 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.
Liquidity Services and Segregation	The European bank provides liquidity services (safekeeping of margin balances, reporting and, purchase and redemption of money market instruments), margin management services and segregation and valuation services.
International Clearance	International Clearance provides Settlement and Custody services for fixed- income and equity securities.
Securities Finance	The European bank provides standard agency lending including Third Party lending; cash reinvestment and agency cash investment products.

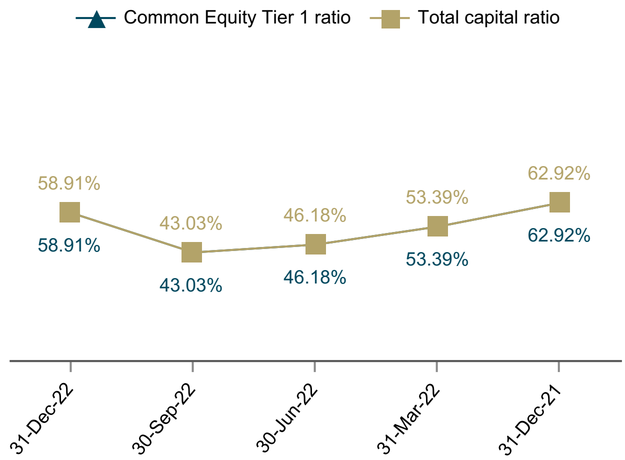
1.8 Article 447 CRR II - Key metrics

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

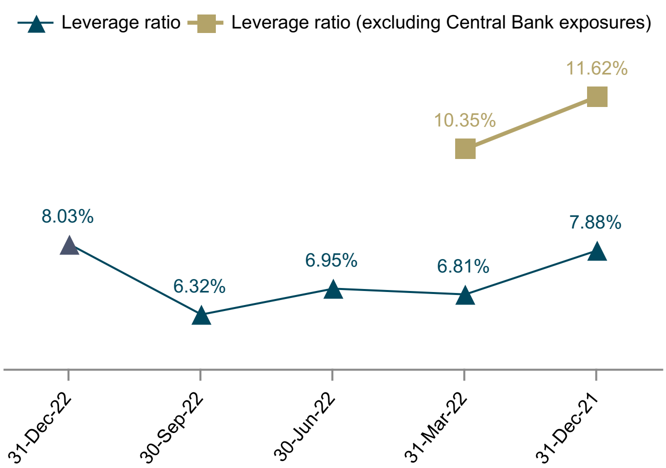
Regulatory capital and Risk-weighted assets (€m)



Capital ratios



Leverage ratio



Liquidity ratios

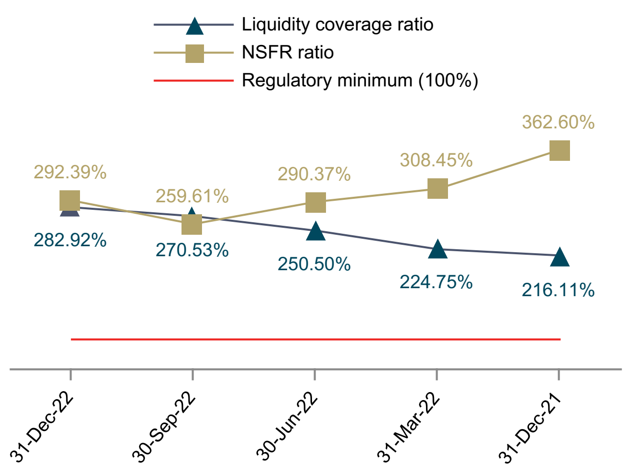


Table 1: EU KM1 Key metrics template

	(€m)	31-Dec-22	30-Jun-22	31-Dec-21
	Available own funds			
1	Common Equity Tier 1 ('CET1') capital	3,360	3,166	3,509
2	Tier 1 capital	3,360	3,166	3,509
3	Total capital	3,360	3,166	3,509
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	5,704	6,856	5,577
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	58.91 %	46.18 %	62.92 %
6	Tier 1 ratio (%)	58.91 %	46.18 %	62.92 %
7	Total capital ratio (%)	58.91 %	46.18 %	62.92 %

	(€m)	31-Dec-22	30-Jun-22	31-Dec-21
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount) [1]			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.00 %	2.00 %	2.00 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.13 %	1.13 %	1.13 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.50 %	1.50 %	1.50 %
EU 7d	Total SREP own funds requirements (%)	10.00 %	10.00 %	10.00 %
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50 %	2.50 %	2.50 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	— %	— %	— %
9	Institution specific countercyclical capital buffer (%)	0.27 %	0.06 %	0.06 %
EU 9a	Systemic risk buffer (%)	— %	— %	— %
10	Global Systemically Important Institution buffer (%)	— %	— %	— %
EU 10a	Other Systemically Important Institution buffer (%)	0.75 %	0.75 %	0.75 %
11	Combined buffer requirement (%)	3.52 %	3.31 %	3.31 %
EU 11a	Overall capital requirements (%)	13.52 %	13.31 %	13.31 %
12	CET1 available after meeting the total SREP own funds requirements (%)	48.91 %	36.18 %	52.92 %
	Leverage ratio [2]			
13	Total exposure measure	41,855	45,555	44,521
14	Leverage ratio (%)	8.03 %	6.95 %	7.88 %
	Total exposure measure (excluding Central Bank exposures)			30,195
	Leverage ratio (excluding Central Bank exposures) (%)			11.62 %
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	— %	— %	— %
EU 14b	of which: to be made up of CET1 capital (percentage points)	—	—	—
EU 14c	Total SREP leverage ratio requirements (%) [2]	3.00 %	3.00 %	4.57 %
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	— %	— %	— %
EU 14e	Overall leverage ratio requirement (%) [2]	3.00 %	3.00 %	4.57 %
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (Weighted value - average)	27,196	27,746	27,658
EU 16a	Cash outflows - Total weighted value	18,647	19,726	21,046
EU 16b	Cash inflows - Total weighted value	8,785	8,221	8,199
16	Total net cash outflows (adjusted value)	9,862	11,505	12,847
17	Liquidity coverage ratio (%)	282.92 %	250.50 %	216.11 %
	Net Stable Funding Ratio			
18	Total available stable funding	14,988	16,821	17,452
19	Total required stable funding	5,126	5,793	4,813
20	NSFR ratio (%)	292.39 %	290.37 %	362.60 %

Note: Capital and leverage ratios include yearly profit at December reporting points. Due to rounding there may be immaterial variations between Pillar 3 and regulatory submissions.

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

[2] As of 1 April 2022 the temporary exclusion of central bank exposures within the leverage ratio ceased in accordance with Regulation ECB/2021/27.

Pillar 1 CET1 ratio (4.5%) plus Pillar 2 requirement CET1 ratio (1.1%).

Pillar 1 Tier 1 ratio (6%) plus Pillar 2 requirement Tier 1 ratio (1.5%).

TSCR CET1 ratio (5.6%) plus the combined buffer (3.5%).

TSCR Tier 1 ratio (7.5%) plus the combined buffer (3.5%).

OCR CET1 ratio (9.1%) plus Pillar 2 guidance (2.5%).

OCR T1 ratio (11.0%) plus Pillar 2 guidance (2.5%).

At the end of December 2022 the European banks consolidated Own Funds saw an increase of around €0.2 billion on the June 2022 position. This was largely driven by recognition of year-end profit, partly offset by lower accumulated other comprehensive income. Risk-weighted assets fell by approximately €1.1 billion on the June 2022 position primarily due to lower credit risk. Collectively this resulted in an increase in the European bank's consolidated capital ratio by 12.73% over June 2022.

Key External Factors Influencing the European bank

It has been a year of unprecedented volatility. Inflation at a 40-year high and the fastest Fed interest rate hiking cycle since 1980 resulted in negative returns for most asset classes.

Russia's invasion of Ukraine and China's zero-Covid policy added to already elevated inflationary pressure and contributed to slowing economic activity.

To slow inflation, the ECB raised its deposit facility interest rates to 2.0% before year-end 2022. The US Federal Reserve raised their federal funds rate seven times in 2022 taking it to a range of 4.25% and 4.5%. Bank of England and other central Banks made similar rate hikes.

As a result, short-term interests USD rates have increased significantly which resulted in stronger net interest revenues, further improved by higher average deposit balances due to market volatility.

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

The value of the US dollar has appreciated significantly during the the first half of 2022, and was 1.04 on average in 2022 compared to 1.20 in 2021. However, the impact of the US dollars evolution had a limited impact on the net results.

The net profit after tax of the European bank amounted to €307.4 million in 2022, up +34% compared to the net income of €228.9 million in 2021, resulting in a positive 8.8% return on equity in 2022 (vs positive 7.0% in 2021). The increase is mainly attributed to the recovery of a Withholding Tax claim provision of 55 million euros, originally recorded in 2019.

In addition, the year-on-year increase reflects net interest revenues and swap results (up €42.7 million) partially offset by higher contribution to the Single Resolution Fund (down €11.4 million) and higher personal expenses (including net restructuring costs) (down €20.5 million).

The net interest revenues and swap results are primarily reflecting higher interest rates on interest-earning assets and larger deposit balances, that are partially offset by higher funding costs.

The non-interest income has increased by 21% compared to 2021. Securities servicing fees have increased by 7% (€42.6 million) driven by issuer services (€26.0 million).

In 2022, 28% of the non-interest income is coming from intercompany transactions in line with 2021 (29%).

Operating expenses have increased by 11% in 2022 primarily explained by higher contribution to the single resolution fund.

The balance sheet remained stable at year-end of 2022 at spot compared to 2021.

The positive net results after tax has resulted in a positive return on assets of 0.7% in 2022 (vs positive 0.6% in 2021).

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

Business Evolution in 2022

On 24 February 2022, Russia invaded Ukraine, launching the biggest military offensive in Europe since World War II. The Ukraine War has shaken financial markets, hitting all assets and causing global risk aversion.

While Asset Servicing & Digital was naturally more affected by the continued decline in global market values, the Business continued to deliver solid performance benefiting from higher interests rates and continued strength in client volume and balances.

On 28 March 2022 the European bank contracted a 10-year subordinated loan arrangement with The Bank of New York Mellon ("BNYM") for the purposes of ensuring compliance with regulatory capital requirements for own funds and eligible liabilities ("MREL") and internal total loss absorbing capacity ("TLAC"). The majority of the subordinated loan is funded with the repayment to BNYM of an existing €800 million loan granted to the European bank and originated in February 2021 with a 10-year maturity. The subordinated loan does not qualify as Tier 2 capital.

Following a thorough assessment of its operating model and to enable sustainable growth driven by clients demand for new products and services as well as the necessity to adapt our infrastructure to new technologies and digitization, several transformations of the Brussels headquarters and some branches (Netherlands and Germany) are being executed.

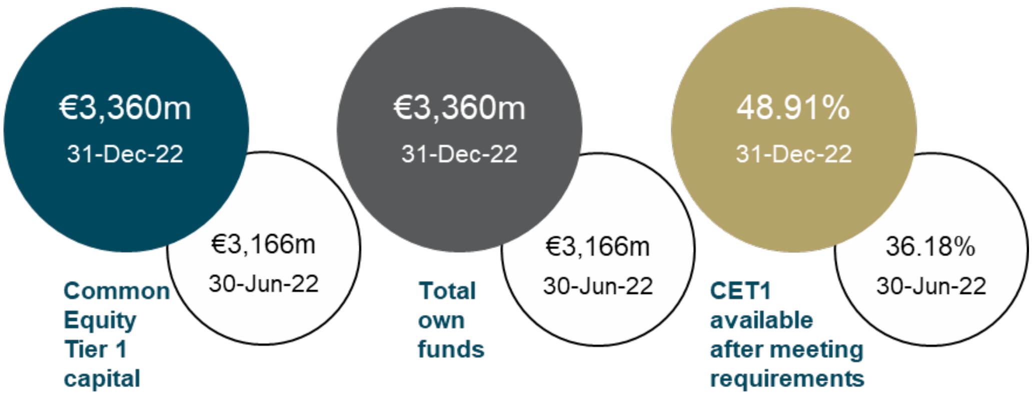
As of 1 June 2022 the European bank's registered address changed. Please see the back page of this document for the complete address.

Effective 30 June 2022 the ownership structure of the European bank was changed with the same now being a wholly owned subsidiary of The Bank of New York Mellon (100% of share capital). Please see section 1.6 for further information.

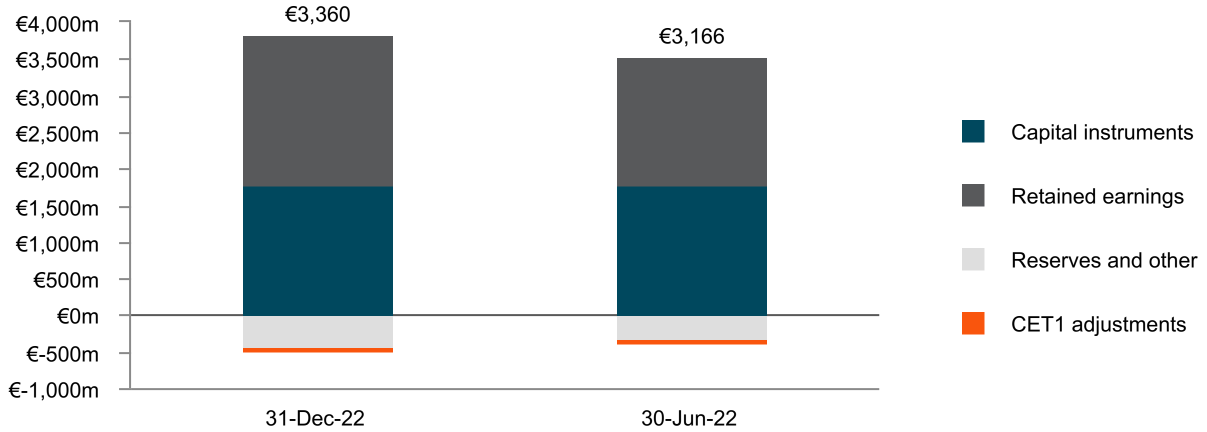
In 2023, the European bank is reducing a small percentage of roles in order to redeploy savings into investment areas, and to fuel development opportunities for employees. These limited reductions come on top of the transformations that are being executed in the Brussels headquarters and the branches in The Netherlands and Germany referred to above. This notably aligns with our goal of optimizing our workforce, better serving our clients and fostering a high-performing culture. Impacts of these reductions have been carefully considered and mitigated within the related business.

Looking towards the near term, the Market Risk Alternative Standardised Approach ('MKR-ASA') will become binding on the European bank as part of the next iteration of Capital Requirements Regulation reforms effective from 2025 ('CRR III'). Within CRR III, elements relating to the Own Funds requirement, including the MKR-ASA, and ESG related disclosures, will become binding. Such updates will be reflected in the European bank's disclosures accordingly. Market risk calculations under this new framework are reported but are not required to be disclosed presently.

2 Article 436/437/437a CRR II - Scope of application, Own funds, Eligible liabilities



Composition of regulatory capital



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

Own Funds comprise tier 1 capital less deductions.

The European bank's regulatory capital is defined by CRD V and includes Common Equity Tier 1 capital which is the highest quality form of regulatory capital under Basel III comprising common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments.

Table 2: EU CC1 Composition of regulatory own funds

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

	At 31 December 2022 (€m)	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	1,788	
	of which: instrument type 1 - ordinary shares	1,755	(a)
	of which: instrument type 2 - share premium	33	(b)
	of which: Instrument type 3	—	
2	Retained earnings	1,752	(c)
3	Accumulated other comprehensive income (and other reserves)	(433)	(d)
EU-3a	Funds for general banking risk	—	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	—	
5	Minority interests (amount allowed in consolidated CET1)	—	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	307	(c)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**3,414**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments [1]	(12)	(e)
8	Intangible assets (net of related tax liability)	(62)	(f)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	—	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	—	
12	Negative amounts resulting from the calculation of expected loss amounts	—	
13	Any increase in equity that results from securitised assets (negative amount)	—	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—	

	At 31 December 2022 (€m)	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
15	Defined-benefit pension fund assets (negative amount)	(11)	(g)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	—	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	—	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	—	
EU-20c	of which: securitisation positions (negative amount)	—	
EU-20d	of which: free deliveries (negative amount)	—	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	—	
22	Amount exceeding the 17,65% threshold (negative amount)	—	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	—	
25	of which: deferred tax assets arising from temporary differences	—	
EU-25a	Losses for the current financial year (negative amount)	—	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	—	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	—	
27a	Other regulatory adjustments	31	(d)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(54)**	
29	**Common Equity Tier 1 (CET1) capital**	**3,360**	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	—	
31	of which: classified as equity under applicable accounting standards	—	
32	of which: classified as liabilities under applicable accounting standards	—	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	—	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	—	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	—	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	—	
35	of which: instruments issued by subsidiaries subject to phase out	—	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	—	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	—	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	—	
42a	Other regulatory adjustments to AT1 capital	—	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	—	
44	**Additional Tier 1 (AT1) capital**	—	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**3,360**	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	—	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	—	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	—	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	—	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	—	
49	of which: instruments issued by subsidiaries subject to phase out	—	

	At 31 December 2022 (€m)	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
50	Credit risk adjustments	—	
51	**Tier 2 (T2) capital before regulatory adjustments**	—	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	—	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	—	
56b	Other regulatory adjusments to T2 capital	—	
57	Total regulatory adjustments to Tier 2 (T2) capital	—	
58	**Tier 2 (T2) capital**	—	
59	**Total capital (TC = T1 + T2)**	**3,360**	
60	**Total risk exposure amount**	**5,704**	
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	58.91 %	
62	Tier 1 (as a percentage of total risk exposure amount)	58.91 %	
63	Total capital (as a percentage of total risk exposure amount)	58.91 %	
64	Institution CET1 overall capital requirements	9.15 %	
65	of which: capital conservation buffer requirement	2.50 %	
66	of which: countercyclical buffer requirement	0.27 %	
67	of which: systemic risk buffer requirement	— %	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.75 %	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.13 %	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**48.91 %**	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	—	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	—	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	148	(h)
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	—	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	51	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	—	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	—	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	—	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	—	
82	Current cap on AT1 instruments subject to phase out arrangements	—	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—	
84	Current cap on T2 instruments subject to phase out arrangements	—	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	

[1] The European bank's Additional Valuation Adjustment does not meet the criteria for further presentation within table EU PV1 - Prudent Valuation Adjustments (PVA). Therefore this table has not been disclosed.

In accordance with article 48, deferred tax assets arising from temporary differences that are equal to or less than 10% of the CET1 are exempted from deduction from CET1. The European bank's deferred tax assets amount of €148 million is below the thresholds for deduction and is subject to a 250% risk weighting. Deferred tax assets arising from temporary differences are the only items exempted from own funds deduction by the European bank.

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

The table shows a reconciliation of the European bank's published balance sheet, prepared in accordance with International Financial Reporting Standards ('IFRS'), with the elements of regulatory Own Funds under prudential rules denoted by a reference which can be traced back to Table 2: EU CC1 Composition of regulatory own funds. The balance sheet under the regulatory scope of consolidation forms the basis for the calculation of regulatory capital requirements.

	At 31 December 2022 (€m)	Balance sheet as in the published financial statements	Reference
	Assets - Breakdown by asset classes according to the balance sheet in the published financial statements		
1	Cash and cash balances with central banks	18,494	
2	Derivative financial instruments [1]	1,131	(e)
3	Loans and advances to customers	7,644	
4	Investment securities [2]	12,268	(e)
5	Current tax assets	28	
6	Other assets [4]	516	(g)
7	Property and equipment	42	
8	Deferred tax assets	148	(h)
9	Goodwill and other intangible assets [5, 6]	63	(f)
10	**Total assets**	**40,334**	
	Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements		
1	Derivative financial instruments [3]	1,338	(e)
2	Deposits from central banks	78	
3	Deposits from financial institutions	33,592	
4	Deposits from non-financial institutions	310	
5	Subordinated liabilities	1,000	
6	Other financial liabilities	33	
7	Current tax liabilities	35	
8	Other liabilities	390	
9	Provisions	111	
10	Deferred tax liabilities [4, 6]	1	(f)
11	**Total liabilities**	**36,888**	
	Shareholders' Equity		
1	Issued capital	1,755	(a)
2	Share premium	33	(b)
3	Retained earnings [8]	2,051	(c)
4	Other reserves [7]	(393)	(d)
5	**Total shareholders' equity**	**3,446**	

[1] Of which €537 million is subject to capital deduction of 0.1% as a Prudential Valuation Adjustment.

[2] Of which €10,926 million is subject to capital deduction of 0.1% as a Prudential Valuation Adjustment.

[3] Of which €744 million is subject to capital deduction of 0.1% as a Prudential Valuation Adjustment.

[4] Of which €14 million is subject to capital deduction as a defined benefit pension fund asset, with associated deferred tax of €3 million.

[5] Of which €5 million is subject to capital deduction as goodwill.

[6] Of which €58 million is subject to capital deduction as other intangible assets, with associated deferred tax of €1 million.

[7] Of which €(433) million relates to accumulated other comprehensive income and €31 million relates to share based payments.

[8] Table CC1 differs by approximately 8 million due to a reclass which is accounted for within Other Reserves in the financial accounts.

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

In accordance with Articles 36, 37 and 41, as amended by CRR II, amounts of intangible assets and defined benefit pension fund assets, net of their related deferred tax liabilities, are deducted from the CET1.

In accordance with Article 436 CRR II, the table on the following page illustrates the mapping of the balance sheet categories with prudential risk categories. There is no difference in the regulatory and accounting scope of consolidation for the European bank.

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

	At 31 December 2022 (€m)	Carrying values as reported in published financial statements	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset classes according to the balance sheet in the published financial statements						
1	Cash and cash balances with central banks	18,494	18,494	—	—	5,155	—
2	Derivative financial instruments	1,131	—	1,131	—	302	—
3	Loans and advances to customers	7,644	7,644	—	—	1,025	—
4	Investment securities	12,268	12,145	—	123	7,499	—
5	Current tax assets	28	28	—	—	5	—
6	Other assets	516	502	—	—	303	14
7	Property and equipment	42	42	—	—	—	—
8	Deferred tax assets	148	148	—	—	67	—
9	Goodwill and other intangible assets	63	—	—	—	44	63
10	**Total assets**	**40,334**	**39,003**	**1,131**	**123**	**14,400**	**77**
	Breakdown by liability classes according to the balance sheet in the published financial statements						
1	Derivatives financial instruments	1,338	—	1,338	—	268	—
2	Deposits measured at amortized cost	33,980	—	—	—	19,729	33,980
3	Subordinated liabilities	1,000	—	—	—	—	1,000
4	Other financial liabilities	33	—	—	—	8	33
5	Current tax liabilities	35	—	—	—	—	35
6	Other liabilities	390	—	—	—	205	390
7	Provisions	111	—	—	—	—	111
8	Deferred tax liabilities	1	—	—	—	—	1
9	**Total liabilities**	**36,888**	**—**	**1,338**	**—**	**20,210**	**35,550**

There is no difference in the regulatory and accounting scope of consolidation for the European bank.

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

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

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

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

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

	At 31 December 2022 (€m)	Total	Items subject to Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**40,257**	**39,003**	**123**	**1,131**	**14,400**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**(1,338)**	**—**	**—**	**(1,338)**	**(20,210)**
3	**Total net amount under the scope of prudential consolidation**	**38,919**	**39,003**	**123**	**(207)**	**(5,810)**
4	Off-balance-sheet amounts	40	40	—	—	
5	Differences in valuations	—	—	—	—	
6	Differences due to different netting rules, other than those already included in row 2	27	23	—	4	
7	Differences due to consideration of provisions	—	—	—	—	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(3,473)	(3,473)	—	—	
9	Differences due to credit conversion factors	(32)	(32)	—	—	
10	Differences due to Securitisation with risk transfer	—	—	—	—	
11	Differences due to CCR calculations under the SA-CCR methodology	624	(501)	—	1,125	
12	Other differences	(6)	(6)	—	—	
13	**Exposure amounts considered for regulatory purposes**	**36,099**	**35,054**	**123**	**922**	**178**

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

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

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

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

This table provides a description of the main features of the European bank's regulatory instruments issued and eligible liabilities as at 31 December 2022 in accordance with Annex VII of Regulation (EU) No. 575/2013.

	Main features of reg capital instruments	Ordinary Shares	Eligible Liabilities
1	Issuer	The Bank of New York Mellon SA/NV	The Bank of New York Mellon SA/NV
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
2a	Public or private placement	N/A	N/A
3	Governing law(s) of the instrument	Belgian law	Belgian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	Yes
	Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	N/A
5	Post-transitional CRR rules	Common Equity Tier 1	Eligible liabilities
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type	Ordinary Shares	Subordinated
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	€ 1,754	€ 1,000
9	Nominal amount of instrument	€ 1,754	€ 1,000
EU-9a	Issue price	€ 1,038.50	N/A
EU-9b	Redemption price	N/A	N/A
10	Accounting classification	Shareholders' equity	Liability - amortised cost
11	Original date of issuance	30-September-2008 [2]	28-March-2022
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	25-March-2032
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	N/A	See footnote 2
16	Subsequent call dates, if applicable	N/A	N/A

	Main features of reg capital instruments	Ordinary Shares	Eligible Liabilities
	Coupons / dividends		
17	Fixed or floating dividend/coupon	N/A	Fixed
18	Coupon rate and any related index	N/A	2.75 %
19	Existence of a dividend stopper	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	N/A
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	N/A
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	Non-convertible	Convertible
24	If convertible, conversion trigger(s)	N/A	Bail-in power by the relevant resolution authority (Single Resolution Board)
25	If convertible, fully or partially	N/A	Fully or Partially
26	If convertible, conversion rate	N/A	To determine in conversion
27	If convertible, mandatory or optional conversion	N/A	Optional
28	If convertible, specify instrument type convertible into	N/A	Common Equity Tier 1 or other instruments
29	If convertible, specify issuer of instrument it converts into	N/A	The Bank of New York Mellon SA/NV
30	Write-down features	No	Yes
31	If write-down, write-down trigger(s)	N/A	Bail-in power by the relevant resolution authority (Single Resolution Board)
32	If write-down, full or partial	N/A	Fully or Partially
33	If write-down, permanent or temporary	N/A	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	Contractual
EU-34b	Ranking of the instrument in normal insolvency proceedings	1	4
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Common Equity Tier 1
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	See Appendix 4	Available on request

[1] Since the original date of issuance the European bank has issued further ordinary shares to the amount currently listed in regulatory capital.
[2] Optional redemption may occur should a change in Belgian and or EU laws or regulations render the loan ineligible for meeting MREL/TLAC requirements, or upon occurrence of a tax event which either prevents payment of interest due and or increases the amount due. Redemption is in whole, not in part.

Issued capital and reserves

Authorised, issued and fully paid	2022	2021
Ordinary shares of €1,038.5 each (2021: €1,038.5)	1,689	1,689
Percentage convertible preference shares	—	—

BNY Mellon has share option schemes under which options to subscribe for BNY Mellon’s shares have been granted to certain executives and senior employees of the European bank, however share options do not have an impact on the European bank's issued capital.

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

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

The European bank is not classified as a resolution entity. As of 28 March 2022 it carries an eligible liability of €1 billion as defined by Article 45 to 45i of Directive (EU) No 2014/59, being the total amount of that issuance. The information is presented on a Consolidated basis.

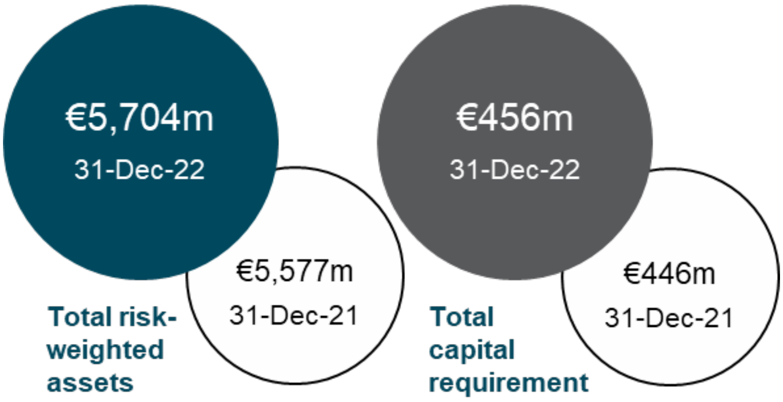
Internal TLAC requirements are based on a fully loaded target applicable as of 1 January 2022: 90% of 18% RWA and 6.75% Leverage Ratio Exposure, whichever is higher.

	At 31 December 2022 (€m)	Minimum requirement for own funds and eligible liabilities (internal MREL)	Non-EU G-SII Requirement for own funds and eligible liabilities (internal TLAC)	Qualitative information
	Applicable requirement and level of application			
EU 1	Is the entity subject to a Non-EU G-SII Requirement for own funds and eligible liabilities?			Y
EU 2	If EU 1 is answered by 'Yes', is the requirement applicable on a consolidated or individual basis?			C
EU 2a	Is the entity subject to an internal MREL requirement?			Y
EU 2b	If EU 2a is answered by 'Yes', is the requirement applicable on a consolidated or individual basis?			C
	Own funds and eligible liabilities			
EU 3	Common Equity Tier 1 capital (CET1)	3,360	3,360	
EU 4	Eligible Additional Tier 1 instruments	—	—	
EU 5	Eligible Tier 2 instruments	—	—	
EU 6	Eligible own funds	3,360	3,360	
EU 7	Eligible liabilities	1,000	1,000	
EU 8	of which permitted guarantees	—		
EU 9a	(Adjustments)	—		
EU 9b	Own funds and eligible liabilities items after adjustments	4,360	4,360	
	Total risk exposure amount and total exposure measure			
EU 10	Total risk exposure amount [1]	5,704	5,704	
EU 11	Total exposure measure	41,855	41,855	
	Ratio of own funds and eligible liabilities			
EU 12	Own funds and eligible liabilities (as a percentage of TREA) [1]	76.45 %	76.45 %	
EU 13	of which permitted guarantees	— %		
EU 14	Own funds and eligible liabilities (as a percentage of leverage exposure)	10.42 %	10.42 %	
EU 15	of which permitted guarantees	— %		
EU 16	CET1 (as a percentage of TREA) available after meeting the entity's requirements	36.81 %	36.81 %	
EU 17	Institution-specific combined buffer requirement		3.52 %	
	Requirements			
EU 18	Requirement expressed as a percentage of the total risk exposure amount	22.10 %	16.20 %	
EU 19	of which may be met with guarantees	— %		
EU 20	Internal MREL expressed as percentage of the total exposure measure	5.90 %	6.075 %	
EU 21	of which may be met with guarantees	— %		
	Memorandum items			
EU 22	Total amount of excluded liabilities referred to in Article 72a(2) CRR		35,610	

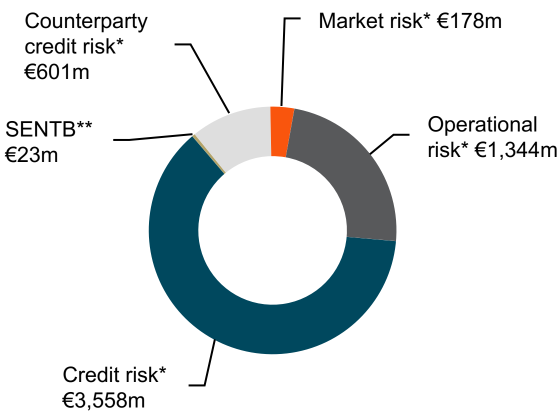
[1] Due to rounding there may be immaterial variations between Pillar 3 and regulatory submissions.

The amount of excluded liabilities decreased since September 2022 largely due to lower liabilities largely stemming from sight deposits and short term deposits with maturity of less than 1 month.

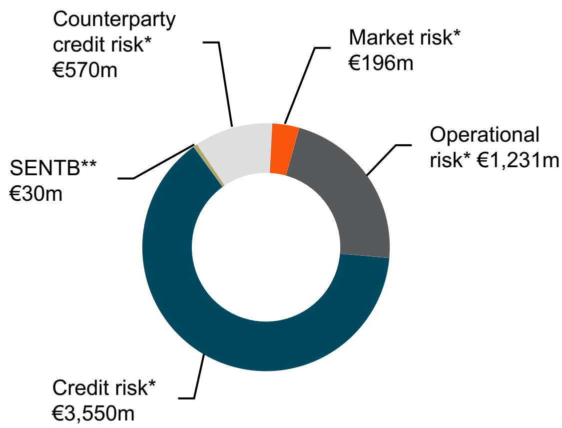
3 Article 438 CRR II - Own funds requirements and risk-weighted exposure amounts



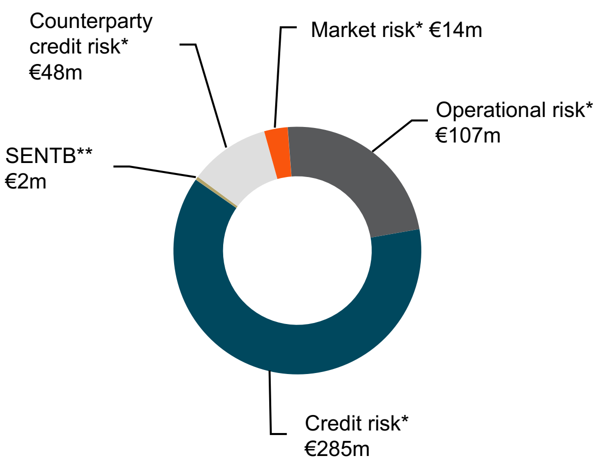
Risk exposure by risk type at 31 December 2022



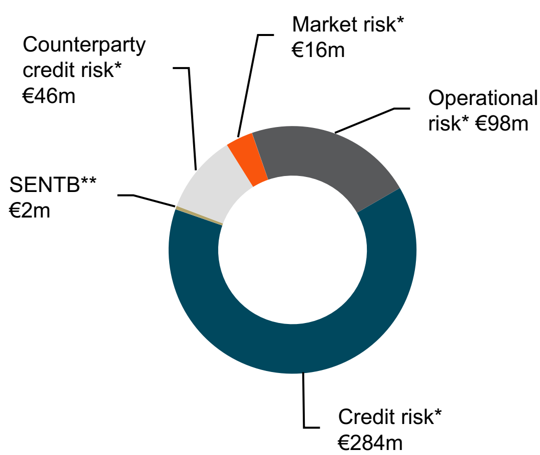
Risk exposure by risk type at 31 December 2021



Capital requirements by risk type at 31 December 2022



Capital requirements by risk type at 31 December 2021



* Standardised approach framework

** SEC-ERBA framework

SENTB: Securitisation exposures in the non-trading book

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

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

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

3.1 Calculating capital requirements

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

Table 8: EU OV1 Overview of total risk exposure amounts

This table shows the European bank's risk-weighted assets ('RWAs') using the stated approaches and their respective capital requirements. The European bank does not have any exposures to central counterparties ('CCP'). There are also no risk-weighted assets relating to settlement risk or large exposures in the trading book for both the current and comparative disclosure period.

		Risk weighted assets (RWAs)		Total own funds requirements
	(€m)	31-Dec-22	31-Dec-21	31-Dec-22
1	**Credit risk (excluding CCR)**	**3,558**	**3,550**	**285**
2	Of which the standardised approach	3,558	3,550	285
3	Of which the foundation IRB (FIRB) approach	—	—	—
4	Of which: slotting approach	—	—	—
EU 4a	Of which: equities under the simple riskweighted approach	—	—	—
5	Of which the advanced IRB (AIRB) approach	—	—	—
6	**Counterparty credit risk - CCR**	**601**	**570**	**48**
7	Of which the standardised approach	471	462	38
8	Of which internal model method (IMM)	—	—	—
EU 8a	Of which exposures to a CCP	—	—	—
EU 8b	Of which credit valuation adjustment - CVA	129	108	10
9	Of which other CCR	1	—	0
15	**Settlement risk**	**—**	**—**	**—**
16	**Securitisation exposures in the non-trading book (after the cap)**	**23**	**30**	**2**
17	Of which SEC-IRBA approach	—	—	—
18	Of which SEC-ERBA (including IAA)	23	30	2
19	Of which SEC-SA approach	—	—	—
EU 19a	Of which 1250%	—	—	—
20	**Position, foreign exchange and commodities risks (Market risk)**	**178**	**196**	**14**
21	Of which the standardised approach	178	196	14
22	Of which IMA	—	—	—
EU 22a	**Large exposures**	**—**	**—**	**—**
23	**Operational risk**	**1,344**	**1,231**	**107**
EU 23a	Of which basic indicator approach	—	—	—
EU 23b	Of which standardised approach	1,344	1,231	107
EU 23c	Of which advanced measurement approach	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	370	5	30
29	**Total**	**5,704**	**5,577**	**456**

Risk-weighted assets for credit risk were broadly static year on year. An increase in other items of around €433 million primarily related to deferred tax. This was mostly offset by reductions in exposures to institutions of approximately €300 million largely in relation to third party and affiliate deposits, and nostros. Corporate risk-weighted assets also declined by around €161 million mostly in relation to securities activity. Netting of remaining credit risk exposure classes largely resulted in the overall static variance.

Counterparty credit risk-weighted assets saw a moderate increase of around €31 million primarily due to an uplift in the credit valuation adjustment stemming from higher derivative related activity.

Market risk-weighted assets declined largely in relation to lower position risk whilst securitisation was broadly static.

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

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

4 Article 435 CRR II - Risk management objectives and policies

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

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

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

Risk statement

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

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

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

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

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

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

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

Given the capital adequacy ratios and capital surplus, the European bank concludes that the capital is sufficient at 31 December 2022 to face the risks of the entity. At 31 December 2022:

- the Pillar 1 capital requirement was €456 million (31 December 2021: €446 million); CET1 was €3,360 million (31 December 2021: €3,509 million); the CET1 ratio was 58.91% (31 December 2021: 62.92%).
- the Pillar 2 capital requirement was €2,124 million (31 December 2021, €1,723 million) compared to available resources of €3,212 million (31 December 2021: €3,279 million); the Pillar 2 capital ratio was 11.1% (31 December 2021: 13.8%) with a capital surplus against the risk appetite of €664 million (31 December 2021: €991 million).

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

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

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

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

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

4.1 Risk objectives

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

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

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

4.2 Risk governance

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

4.2.1 Board of Directors

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

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

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

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

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

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

The table on the following pages shows the members of the Board and its committees as at 31 December 2022.

External functions exercised by directors, senior managers and heads of independent functions are regularly published in accordance with Belgian Banking Law of 25 April 2014 on the legal status and supervision of credit institutions and brokerage firms, NBB Regulation of 9 November 2021 on the Exercise of External Functions by managers of Regulated Companies and NBB Communication on the exercise of external functions by managers and persons responsible for independent control functions of regulated companies NBB_2022_19.

Board member	Function at the European bank	Name of the other company in which an external function is exercised	Registered address	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 and Remuneration Committees, Independent Chair of the Nomination and Environmental Social Governance Committee	An Other Look To Efficiency SPRL	Chausée de Tervueren 111, 1160 Auderghem, Belgium	Management company	N	Administrator	N
		Climact SA	Place de l'Université 16 Bte 11, 1348 Louvain-la-Neuve, Belgium	Environmental consultancy	N	Chairman of the Board	N
		Ginkgo Management II SARL	Boulevard Emmanuel Servais 20 L - 2535 Luxembourg, Luxembourg	Real Estate Fund Management	N	Independent Director	N
		Perma-Project SPRL	Chausée de Tervueren 111, 1160 Auderghem, Belgium	Support to starters in Permaculture	N	Director	N

Board member	Function at the European bank	Name of the other company in which an external function is exercised	Registered address	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Marie-Hélène Cretu	Independent Chair of the Audit Committee, Independent member of the Remuneration and Risk Committees	CoDiese	102 bis, Rue de Miromesnil, 75008 Paris, France	Management company	N	President	N
		Global Reporting Company	31 Hove Park Way, Hove, England, BN3 6PW, United Kingdom	Finance consultancy	N	Director	N
		Montpensier Finance	58 avenue Marceau, 75008 Paris, France	Assets Management company	N	Independent non-executive Director	N
Marcia Cantor-Grable	Independent Chair of the Risk Committee, Independent member of the Audit Committee	AXA XL Insurance Company UK Limited and AXA XL Underwriting Agencies Limited	20 Gracechurch Street, London EC3V 0BG	General Insurance	N	Independent Director	N
		Brown Shipley & Co. Ltd.	2 Moorgate, London, England, EC2R 6AG, United Kingdom	Wealth planning and Investment Management	N	Independent Director	N
		Modulr FS Ltd.	Scale Space, 58 Wood Lane, London, W12 7RZ, United Kingdom	E-money institution	N	Independent Director	N
Roderick Munsters	Independent Chair of the Remuneration Committee, Independent member of the Risk Committee and Independent member of the Nomination and Environmental Social Governance Committees	Athora Netherlands NV	Burgemeester Rijnderslaan 7 1185 MD Amstelveen, the Netherlands	Insurance company	N	Chairman of the Supervisory Board	N
		Moody's Investors Service	One Canada Square, Canary Wharf, London E14 5FA, United Kingdom (also France and Germany)	Credit Ratings company	N	Independent Director (UK & FR) Member of the Beirat in Germany	N
		Unibail-Rodamco-Westfield SE	7 Place du Chancelier Adenauer, 75116 Paris, France	Real Estate company	Y	Independent Director	N
Caroline Butler	Member of the Audit Committee and member of the Nomination and Environmental Social Governance Committee	Access Fintech	122 Grand Street New York, NY10013 USA	Fintech company	N	Independent Director	N
Hani Kablawi	Member of the Remuneration and Risk Committees	OMFIF Advisory Council	6-9 Snow Hill, London, EC1A 2AY, United Kingdom	Independent financial think tank for central banks and public investment	N	Deputy Chairman	N
Senthilkumar Santhanakrishnan	Member of the Risk Committee						
Executive Directors							
Björn Storim	Chief Executive Officer and Chair of the Executive Committee						
Hedi Ben Mahmoud	Chief Risk Officer and Member of the Executive Committee						
Annik Bosschaerts	Chief Operating Officer and Member of the Executive Committee						
Eric Pulinx	Chief Financial Officer, Deputy Chief Executive Officer and Member of the Executive Committee	Delen Private Bank	Jan Van Rijswijcklaan 184, 2020 Antwerp, Belgium	Credit Institution	N	Independent Director	N
		Finax	Begijnenvest 113, 2000 Antwerp, Belgium	Financial Holding	N	Independent Director	N
Marnix Zwartbol	Head of Operations and Member of the Executive Committee						

At 31 January 2023, Marie-Hélène Crétu's external mandate at Montpensier Finance, 58 avenue Marceau, 75008 Paris, France ended.

Hedi Ben Mahmoud stepped down as Executive Director and Chief Risk officer of the Bank on 1 January 2023.

No director has declared a personal conflict of interest that would give rise to the application of article 7:96 of the Belgian Companies and Associations Code.

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

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

No external functions are exercised by branch managers and Heads of Independent Control Functions, meaning the Head of the Compliance function and the Head of the Internal Audit function and the Senior Managers of the European bank. Note the Head of the Risk Management function is also independent. However, the Head of the Risk Management function is an executive director and therefore listed in the above mentioned table.

4.2.2 Legal Entity Risk Management

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

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

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

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

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

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

Risk Management Committee ('RMC')

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

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

Asset and Liability Committee ('ALCO')

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

Technology Risk Committee ('TRC')

The key purpose of the TRC is to provide oversight of the technology risks supported by the European bank head office and its branches, to ensure that technology risks are identified, monitored and reported and to ensure that appropriate actions and activities are in place to manage the identified risks. The committee also plays a central role in ensuring that any material change that has the potential to affect the European bank is identified in a timely manner and managed in an appropriate fashion.

The aim of the Committee is to establish and maintain a capable, effective forward looking.

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

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

Capital and Stress Testing Committee ('CSTC')

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

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

Credit Risk Oversight Committee ('CROC')

The key purpose of the CROC is to oversee all forms of credit risk, to oversee controls of credit risk associated with the European bank's banking business and to ensure compliance with the European bank's credit policies. The activities of the CROC are reported to the ExCo as well as to the RMC where relevant.

Business Acceptance Committee ('BAC')

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

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

Councils assisting the ExCo

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

Branch and Subsidiary Management

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

4.2.3 Business Unit Risk Management

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

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

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

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

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

Broker-Dealer Services Business Risk Committee ('BDSBRC') meetings are the point of review and approval for all new or materially modified products or process changes and services as well as the venue for review and approval of all potential off-boarding of products and services as well as status updates of any major project initiative including touch-points to the European bank. The BDSBRC shall consider a variety of issues including: potential or actual conflicts of interest or sensitive business practices, errors and service delivery failures, especially with impact to clients and/or to legal and regulatory obligations; client communications and disclosure; financial losses; unsubstantiated gains; and potential reputation damage. BDSBRC meetings are designed to enhance transparency of the key risk and control issues facing the business and to provide a forum for escalation and discussion of these issues. Impact to the European bank will be escalated to its Risk Committee for review and approval, as appropriate.

4.3 Risk management framework

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

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

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

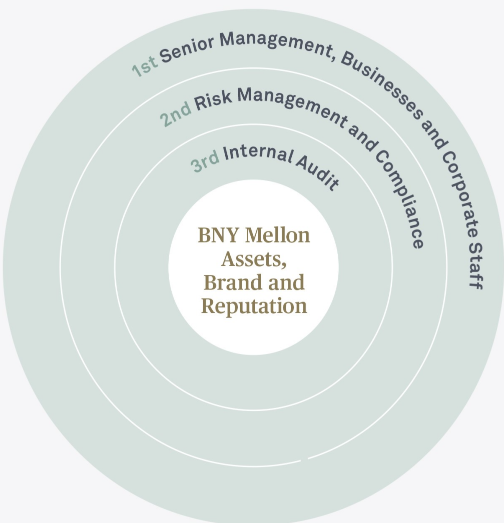
The ExCo is responsible for the implementation of these independent control functions. Annually, it reports to the NBB, the statutory auditor and the Board on the compliance with this requirement and on the measures taken in this respect. These functions are considered as independent as they operate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

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

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

Figure 2: Managing Three Lines of Defense

THREE LINES OF DEFENSE



1st Senior Management, Businesses and Corporate Staff

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

2nd Risk Management and Compliance

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

3rd Internal Audit

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

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

4.4 Risk identification ('Risk ID')

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

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

4.5 Risk appetite

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

The Risk Appetite of the European bank constitutes the risk limiting perimeter within which the head office, branches and subsidiary must operate.

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

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

4.6 Risk assessment methodology and reporting systems

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

Information compiled from all business areas is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the RMC, the ExCo and the Board.

Risk identification and reporting is made using a series of tools and information systems. Each risk type is assessed and reported by risk experts to the RMC.

The European bank benefits from multiple data gathering, risk monitoring and escalation flows. The European bank generally does not build its own risk infrastructure, data aggregation or reporting tools. In that sense, all the tools used by the risk experts are corporate tools, of which the building and maintenance is framed by policies and service level agreements.

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

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

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

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

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

New and modified businesses / products assessment process

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

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

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

Significant new client process

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

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

Risk and Control Self-Assessment ('RCSA')

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

Operational risk events

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

Credit risk monitoring process

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

Large exposure process

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

Market risk monitoring process

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

Interest rate risk monitoring process

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

Liquidity risk management process

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

Top risk process

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

Risk dashboard

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

Key Risk Indicators

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

Stress testing

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

4.7 Escalation of risks and issues

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

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

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

4.8 Recovery and resolution planning

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

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

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

4.9 Climate and environmental related disclosures

Our climate ambition and strategy

Guided by our Corporate purpose, the European bank is 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. Delivering on our environmental, social and governance (ESG) strategy, we *Consider Everything*SM, starting with our own enterprise-wide practices. We aim to develop programmes that help us reduce the carbon footprint of our operations and manage the risks that arise from climate change. As part of a global financial services provider, The European bank recognises the importance of transitioning to a low carbon economy. To that end, we endeavour to provide best-in-class, climate-friendly client solutions. The Group considers climate-related, environmental, and other social and governance risks as drivers of risk that may potentially impact financial risks (such as credit, market, and liquidity risks) and non-financial risks (such as operational and strategic risks).

In this report, we illustrate progress made to date while acknowledging actions still needed to enhance our efforts and impact in the fight against climate change and manage environmental -related risks. Where enhancements are required, we have highlighted this clearly within each section below.

The European bank's Board oversight of climate and environmental related risks and opportunities:

The European bank's Board recognises the importance of climate and environment related risks and has taken steps to enhance oversight in this area. The Board operates on a model whereby it has established advisory committees to deliver on responsibilities more efficiently and has adopted the following governance structure in relation to ESG matters:

- The ‘Nomination and Environmental Social Governance Committee’ (NESGC) oversees and assesses ESG developments, considers requirements for the European bank''s governance and makes recommendations to the Board on ESG strategy (as set out in its Terms of Reference).
- The Risk Committee of the Board (RC) assists the Board in fulfilling its oversight responsibilities and advises the Board on the European bank's risk appetite. The Committee considers climate-related risks, as reflected in its Terms of Reference.

The Board meets at least quarterly and receives updates from the ExCo and the above-mentioned committees with respect to climate and environmental related risks, ensuring effective oversight from the Board. The Board approve the following activities/reports where climate impacts are considered:

- Annual Strategy refresh,
- Annual Risk Appetite Statement refresh,
- ICAAP,
- Annual Financial Statements, and
- Pillar III Report.

Risks associated with climate change are managed through a robust internal risk governance approach. The RC is responsible for ensuring that climate and environmental related risks are duly considered as a risk driver in risk reviews and assessments through risk reports received at RC and considered in decision making. It also serves as an escalation committee for approval regarding climate matters impacting European bank's risk profile.

The European bank has defined climate-related and environmental risks as risk drivers with the potential to impact most of the institution's risks in its Risk Appetite Statement. To enhance monitoring of climate and environmental related risks on our risk profile, a new dashboard was developed in 2022 and will be provided quarterly to the ExCo and bi-annually to NESGC. The Climate & Environmental Sustainability dashboard includes Key Risk Indicators covering Credit, Market, Operational (including Third Party and Resiliency) and Strategic risks. The Key Risk Indicators included are described further in the Risk section below.

The Climate and Environmental Sustainability dashboard initially provided a consolidated view of climate related risks, and in Q1 2023 has been enhanced to include environmental risk metrics. Opportunities for more refined metrics and improvements of the Climate & Environmental Sustainability dashboard will be considered in 2023 to further enhance oversight, monitoring and management of climate-related and environmental risks. The dashboard supports management understanding of potential vulnerabilities, developing action plans to mitigate identified risks and identification of potential opportunities.

The European bank has also adopted a range of policy updates cascaded from the BNYM corporate level that embed Climate Risk considerations into business-as-usual risk management. Each policy establishes a requirement for climate risk to be specifically and explicitly considered within all applicable risk management processes including those relating to risk identification, risk assessment and quantification (including stress testing) and business as usual management.

The Board has adopted a climate and environmental strategy, which sets forth the direction of the European bank in relation to environmental sustainability with a focus on Climate and Environmental topics that matter the most and a commitment to align the European bank's activities with sustainable outcomes, such as reducing our carbon footprint, further strengthening our climate and environmental risk framework and partnering with our clients to help them understand the environmental impacts of their portfolios or activities, as detailed in Table 1 '*Key areas in the the European bank Climate and Environmental Strategy*'.

To deliver on this strategy, members of the Board have undertaken climate-risk training to ensure that they are sufficiently and appropriately equipped to have effective oversight of climate and environmental related risks and opportunities.

The European bank management's role in assessing and managing climate and environmental related risks and opportunities

The Executive Committee ('ExCo') has also enhanced its governance structure to better address ESG-related matters:

- The ESG Council advises the ExCo on ESG matters, specifically the identification and management of climate and environmental risks impacting European bank – ensuring that climate and environmental risks are fully identified, understood, and incorporated into management decisions and strategy definition. Its membership is based on suitability and knowledge of ESG matters as well as relevant experience, and brings together a broad cross-section of 1st, 2nd, and 3rd Lines of Defence (LOD). This Council interacts with the Enterprise ESG Advisory Council and councils of other entities of the group to ensure activities are coordinated across the enterprise. Since October 2021, the ESG Council meets monthly.
- The Risk Management Committee and the Capital and Stress Testing Committee which also assist the ExCo in fulfilling its responsibilities now include specific consideration of climate and environmental risks; the Terms of Reference of those committees are being updated to formally reflect this.

Dedicated 1st, 2nd, and 3rd LOD responsibilities are in place to provide support in developing European bank's climate and environmental strategy, assess and manage climate and environmental risks and identify opportunities where relevant.

- The first line of defence (1st LOD) is the business or function. The business takes and owns the risk associated with its activities, and it manages the risks and the related control processes and procedures.
- The Risk Management and Compliance functions are the second line of defence (2nd LOD) and own the Group-wide risk management and compliance frameworks and provide independent oversight of the 1st LOD, ensuring that the 1st LOD understand and manage their risks through application of all elements of the frameworks and policies.
- The third line of defence (3rd LOD) is Internal Audit, which independently provides the European bank's Board of Directors and senior management with the assurance that the governance structures, risk management and internal controls are effective.

Members of the ExCo and ESG Council have undertaken climate-risk training to ensure they are sufficiently and appropriately trained to assess and manage climate and environmental related risks and opportunities. In 2023, to raise awareness of climate and environmental related risks when undertaking new business, an additional training module will be distributed more broadly through mandatory learning and development channels to the European bank's staff in-scope, in support of newly implemented enhancements to client due diligence processes.

To reinforce embeddedness of climate and environmental related considerations across the European bank's businesses and lead implementation of ESG activities, two new ESG roles have been created, reporting into the Chief Administrative Officer. The newly created roles will lead and coordinate implementation of ESG activities across the European bank and work with relevant parties to ensure ESG is embedded across the business (1st line) in a standardised, consistent manner, aligned to enterprise level activities and in accordance with all regulations, policies, and procedures.

To support embedding consideration of climate and environmental sustainability risks and opportunities into business operations and decision making, the Remuneration Committee in 2022 approved a Climate and Environmental Sustainability goal for the Executive Committee, members of the ESG Council and key individuals with ESG responsibilities within the European bank. Evaluation of this goal was part of the 2022 annual performance review of those individuals and a consideration in review of their variable remuneration.

In 2023 the Climate and Environmental Sustainability goal will be attributed to a larger number of key individuals, including all Business Heads, Branch Managers, Deputy Branch Managers, and other senior individuals.

Strategy

Climate and environmental related risks and opportunities identified over the short and long term

A key component of the European bank’s strategy is the ability to identify and assess climate-related and environmental risks and opportunities. The European bank implemented a robust approach to identification of climate-related and environmental risks that may impact its business based on specific considerations (“transmission channels”) as described by the Network for Greening the Financial System (NGFS). These are described further below in section relating to Risk Management.

Determination of appropriate strategic targets is based, in part, on assessment of the European bank’s ongoing risk profile. Assessment of risk considers both physical and transitional risk transmission channels across differing time horizons, as described below in the Risk Section. The climate risk profile produced quarterly articulates climate-related sources that may impact the financial and non-financial risk profile. Based on the reported risk profile, management have assessed all potential transmission channels, including transitional and physical risk sources, for materiality.

For the purpose of assessing climate risk, Physical Risk and Transition Risk are defined as:

- **Physical Risk** – i) Acute Physical Risk resulting from extreme weather and climate related events such as storms, flooding, wildfires, heatwaves, droughts, hurricanes where the likelihood and intensity of such events is increasing due to anthropogenic global warming. Physical risks may result in damage to physical premises and infrastructure (either of the European bank, its clients, or other stakeholders), impact on operations, disruption to service providers, availability of resources and supply chain disruptions, and ii) Chronic Physical risk – longer term shifts in climate patterns, e.g., rising mean temperatures, rising sea level, water stress, degradation or limitations on resource availability such as labor, natural resources etc.
- **Transition Risk** - risks associated with the transition to a low carbon economy of relevant stakeholders. These will include fiscal policy, legislation, technological development, and investor and consumer sentiment changes that may impact the strategic, financial, legal, operational, and reputational risks of the firm.

Based on this assessment, management have determined that climate and environmental risk drivers are not materially impactful to the European bank's risk profile at the current time, while recognising that this may change in future. The materiality assessment considered quantitative KRIs, historical evidence and the result of qualitative assessment, especially with respect to non-financial risks. In measuring financial risks, The European bank’s exposure in sectors or geographies that are marginally more likely to be impacted by climate change represents 0.4% of total credit exposure. Other financial risks, including market and liquidity risk, have been assessed using sensitivity analysis with results immaterial compared to sensitivities based on other macroeconomic or market events. As a result, no changes to strategy with respect to our business model have been identified at this stage.

In terms of opportunities, the European bank recognises that as a provider of financial services, it has a role to play by ensuring products and services developed help clients integrate climate change into their activities. Our strategic response to managing climate-related risks and opportunities includes considering climate in the solutions we offer for clients.

Ongoing, the European bank continues to explore the possibility of further developing climate-friendly products that will enable the European bank and its clients to have a positive impact in the fight against climate change.

Ongoing measurement and reporting will continue to be used to support management discussions and support the development of the European banks strategy with respect to climate change and environmental sustainability.

Impact of climate and environmental related risks and opportunities on the European bank's businesses, strategy, and financial planning:

The European bank has considered climate-related impacts across all risk categories and processes to support ongoing monitoring and decision making, including decisions relating to ongoing strategy.

As described in Section 3, strategic and reputational risks have been identified as the most potentially material risks facing the European bank. Although not material at the present time, the European bank recognizes that materiality of these risks may change, and the absence of historical evidence does not necessarily imply that "tail events" may not occur or that future risks may not be material.

To mitigate strategic and reputational risk, consideration of climate and environmental risks are now embedded in the following business processes:

- An ESG driven assessment approach which provides a dedicated screening mechanism for new clients with a view to minimising potential strategic and reputational risks.
- A detailed and dedicated risk management approach for the development of new products and operational processes, to ensure that transitional impacts from changes in client or market expectations are factored into the development process
- A Vendor/third party relationship assessment which includes considerations of the physical and reputational risks of the vendor, focusing on the geographical location of the vendors, where their data is stored, their resiliency capabilities and recorded resilience-related issues if any.

Furthermore, to assess the financial and capital impact of climate-related risks, the European bank has considered several stress tests, utilising scenarios from the Network for Greening the Financial System ("NGFS"). These scenarios were used in both, the Internal Capital Adequacy Assessment Process ("ICAAP") and the Internal Liquidity Assessment Process ("ILAAP") in 2022 and 2023. In addition to direct impacts on losses from climate related risks, both ICAAP and ILAAP assessments considered the potential indirect impacts on the overall viability and profitability of the business model including the potential for systemic changes in either markets, competitiveness, or client preferences.

As part of the 2022 ICAAP, the European bank enhanced its analysis by using industry defined 30-year scenarios, enhanced credit impact assumptions, securities portfolio re-valuations, and other idiosyncratic stresses, as described in section 3 'Risk Management'. The analysis of climate change scenarios on a longer horizon demonstrated that the European bank is resilient on the longer term based on the scenarios characteristics and implying different level of transition policies to reduce physical risk. This is due to our low exposure to CO2 higher and moderate risk sectors which has been further reduced by the disposal of the corporate securities portfolio.

The European bank will continue to enhance the climate stress testing approach and run periodic assessments to inform strategic decision making and consider appropriate opportunities to pursue. Further details about climate-related risks and opportunities identified and associated decisions and actions will be disclosed as we further mature our approach.

In view of these climate and environmental related risks as well as identified business opportunities, the Board has approved a climate and environmental strategy aiming at aligning the European bank's activities with sustainable outcomes and helping drive business transformation around ESG initiatives. In particular, the European bank is engaged in reducing the carbon footprint, identifying and managing the risks that arise from climate change, partnering with our clients across our lines of business to allow them to analyse and understand the environmental impacts of their portfolios or activities, as further detailed in Table 1 'Key areas in the European bank Climate and Environmental Strategy'.

Table 1: Key Areas in the European bank's Climate and Environmental Strategy	
Global Footprint Approach	**Reducing our own carbon footprint and environmental impact** • Contribute to reduce the Group carbon footprint in line with Group 2025 operational targets and publicly disclosed commitments • Contribute to maintain carbon neutrality of the Group • Contribute to reduce the Group GHG emissions (scope 1 and 2) by 20% by 2025 from 2018 base • Divert 80% of office waste from landfills by 2025 • Zero technology waste to landfill through 2025 • Contribute to achieve Group paper neutrality • Drive water use reduction in building operations **Improving our understanding of Scope 3 GHG emissions**
Global Climate & Environmental Risk Approach	**Further strengthening of our climate and environmental risk monitoring framework** • Measure and monitor exposures to sectors and geographies identified as presenting potential moderate and high risk of climate change impact • Measure and monitor our credit and investment portfolio's Weighted Average Carbon Intensity • Measure and monitor fair value stress loss based on climate scenarios • Measure and monitor operational risk events or contingency arrangements invoked due to natural disasters • Measure and monitor Third Party Vendors ESG ratings **Tighter criteria for collateral accepted** • Tighter eligibility criteria for securities accepted as collateral in our repo and for all non-centrally cleared OTC derivative transactions. Securities linked to climate-related high-risk sectors and geographies are no longer accepted as collateral, as reflected in the BNYM SA/NV Collateral & Margining Policy. **Enhanced due diligence and governance** • Identification and monitoring of sectors and geographies that may present higher risk of climate change impact, particularly in the long-term • Monitoring of our existing exposure in these categories, • Enhanced due diligence and governance to new investments proposed by the European bank in these sectors and geographies
Global Approach to Clients and Products	**Partnering with our clients across our lines of business, we allow them to analyse and understand the environmental impacts of their portfolios or activities, examples include** • Collateral Management – upon client's request, we can apply ESG principles to securities that clients are willing to accept or provide as collateral. • Corporate Trust – we work with clients on administering new green bond issuances and maintaining our position as the leading trustee in green bonds by deal volume. • Asset Servicing – through our artificial intelligence-informed ESG Data Analytics tool, our clients are able to integrate comprehensive ESG analytics into their asset allocation, portfolio management and reporting needs. In addition, our ESG Regulatory Reporting Service, powered by ESG Data Analytics, helps clients meet a range of reporting requirements, such as the Sustainable Finance Disclosure Regulation (SFDR) and Taskforce on Climate-related Financial Disclosures (TCFD) reporting • Markets – ESG analytics are available to our clients through our LiquidityDirectSM portal, our market-leading short-term investment platform. Clients can select funds based on ESG attributes provided via the portal.

Resilience of the European bank's strategy taking into consideration climate and environmental and environmental related scenario analysis

The European bank monitors the impact of climate and environmental risks to the European bank's strategy through point in time and forward-looking assessments which consider longer term strategic implications of climate change, in line with the Network for Greening the Financial System (NGFS) carbon transition pathways. The output of these assessments is incorporated in the strategy setting process and supports management in considering climate and environmental risks in strategy discussions.

Furthermore, our business continuity process considers an "all-hazards" assessment to ensure continuity of business functions regardless of the cause or nature of the disruption (i.e., including climate-related and environmental events). The approach is structured around specific and probable scenarios: loss or unavailability of locations, staff, applications, third-party products and/or service provider. Each business line across the Group entities, including the European bank, annually review the Location Risk Assessments and include an evaluation of inherent risk manifesting from natural calamities, physical and transitional climate-related risk, and geopolitical events. It also includes recovery strategies in addressing the risk and the level of risk remaining after inherent risks have been addressed.

Analysis undertaken as part of firm wide stress testing used within the European bank's 2022 Internal Capital Adequacy Assessment Process (ICAAP) illustrated an immaterial risk from climate to the European bank and therefore the overall business strategy remains unchanged.

The European bank will consider appropriate opportunities to pursue that will provide the most impactful return to the Company and its stakeholders (including its customers) in addressing the risks and opportunities of climate change. Further details about climate-related risks and opportunities identified and associated decisions and actions will be disclosed as we further mature our approach. Climate change pathways/scenarios (NGFS) will be agreed for the 2023 ICAAP and utilised in the business model scenario analysis for the European bank's 2023 strategy.

Risk Management

The European bank continues to consider climate and environmental risks, as well as social and governance risks, as potential drivers of the risks in the taxonomy, including financial risks (such as Credit, Market and Liquidity risks) and non-financial risks (such as Operational and Strategic risks).

The management of climate-related risks is integrated into the European bank's standard risk management framework and is consistent with BNY Mellon's Enterprise Risk Management Framework. This includes a formal process to identify and assess risks, maintaining an internal control environment, establishing risk appetite, and embedding risk considerations into decision making. This is underpinned through risk management policies and procedures, and incorporates the following elements:

- Risk identification and materiality assessment
- Risk appetite
- Scenario analysis
- Enterprise resiliency
- Risk mitigation and management
- Training and education

The transmission channels through which these risk drivers manifest and potentially impact the European bank are influenced by multiple factors including the European bank's business model and commercial offerings, footprint locations as well as client, sector, geographies, supply chain and other constituents.

Risk Management Time Horizons

From a risk management perspective, these climate-related risks are currently considered across multiple time horizons that are more relevant of the European bank's risk profile. These time horizons are defined as:

- Short term (0-3 years)
- Medium term (3-10 years)
- Long term (10+ years)

We recognize that long term time horizons used for the assessment of risks are different from accepted industry standards which may explicitly consider risk up to 30 years. A 30-year horizon is only considered for stress testing purposes. These differences arise due to both the European bank's business model and commercial strategy which generate predominantly shorter-term exposures.

Regardless of the period of assessment, climate-related risks may manifest differently over the short, medium, or long term. Decisions made today can bear unexpected climate risks well into the future and hence tools used to manage traditional banking risks, which are typically assessed over a shorter time horizon, may not be sufficient to fully capture longer term implications of physical and transitional risks.

Processes for identifying and assessing climate-related risks

Climate-related risk identification is performed by the European bank taking account of climate-related risk assessments performed by lines of business and considers potential physical and transitional climate-related risk "transmission channels," considering short, medium, and long-term horizons. Assessment included transitional and physical risk identification based on NGFS transmission channels and performed for all portfolios and consolidated. The risk identification exercise highlights where and how climate risks may arise but does not imply materiality.

Materiality assessment of identified risks.

To assess materiality, the metrics described in table 2 and expert judgement are used to determine materiality, collectively assessed across the short, medium, and long term. Definition of materiality is linked to the Enterprise Materiality Framework and applied consistently with other risks. Specialist ESG SMEs reviewed the materiality scoring and subsequent commentary to validate that nothing had been omitted or misrepresented. Regardless of whether a risk is deemed material at this stage, all risk types are monitored through reporting and dedicated risk assessment tools to ensure that both aggregate and idiosyncratic risks are understood and mitigated as appropriate.

The assessment approach was performed for:

- Financials risks, which are assessed based on the size of exposure across all segments of the European bank's balance sheet, leveraging climate risk KRIs as described below, and compared to the materiality thresholds used to assess the European bank's taxonomy risks.
- Non-financial risks, which are assessed based on historical evidence where available. E.g., historical losses. The European bank has observed no material historical losses. In addition, the risk and control assessment processes used to identify non-financial risks, identified no risk source where climate or environmental factors represented a material change to the existing risk profile.

Based on this analysis, it was determined that climate risk does not reflect a material risk driver which impacts the European bank's risk profile at this stage but may become material in future. Irrespective to materiality, transitional risks are the most identified sources of risk. Transitional risks may impact our business model in future as markets, clients or other stakeholders' requirements or expectations change. Physical risks are primarily relevant for our premises, business continuity and third-party resiliency risks. Physical risks are unlikely to manifest as significant risks, given that the European bank's balance sheet reflects no lending, limited trading activity, and an investment portfolio consisting of largely strongly rated government bonds and cash. This is confirmed through the risk identification and materiality assessment. Risks identified as representing the greatest potential to be material include the following:

Regarding transitional risks:

- Strategic and reputational risks
- Legal and litigation risks
- Product and business development risks
- Outsourcing risks

Regarding physical risks:

- Premises and operational resilience
- Outsourcing risks.

Considering the current assessment of materiality and the European bank ‘s containment of on-balance sheet risk taking, the most impactful potential risks are likely to relate to operational processes or through changes in market, client or societal attitudes to our business, external dealings and/or our products. Therefore, processes have been put in place to report, manage, and mitigate, climate and environmental risks at the point of risk origination. As a result, the European bank has focused attention on the development and implementation of processes used to embed climate risk considerations into business-as-usual decision making. The tools used to measure and manage climate and environmental risks are described in the following sections.

Assessment and Management of Climate Risks:

The management of climate risk is integrated into risk management processes through integrating into existing risk frameworks. These processes are supported by inclusion of climate risk into applicable policies and governance. Regardless of whether the potential impact of climate risk is deemed material or not, KRIs have been developed covering Credit, Market, Operational (including Third-Party and Resiliency) and Strategic risks. These KRIs are provided to the ExCo and the NESGC on a quarterly basis, as described in section 1 ‘Governance’. Ongoing assessments, as they may lead to the further refinement of the European bank’s material risks, will inform the development of further or more refined KRI metrics over time.

Table 2: Risk Measurement for Key Risks

Risk Type	Definitions	Physical Risk Examples	Transition Risk Examples	Key Highlights	Key Metrics
Strategic Risk	The risk arising from adverse business decisions, poor implementation of business decisions or lack of responsiveness to changes in the financial industry and operating environment. Strategic and/or business risks may also arise from the acceptance of new businesses, the introduction or modification of products, strategic finance and risk management decisions, business process changes, complex transactions, acquisitions / divestitures / joint ventures, and major capital expenditures / investments.	Impact on operational resilience through physical events, in turn impacting ability to deliver on strategic objectives.	Adverse publicity from interactions with clients, activities, or vendors who themselves attract negative attention. Failure to keep pace with changes in client demands for products which incorporate climate related considerations. Inability to attract or retain staff, or impacts on client relationships, due to a failure to maintain a suitable climate related strategy. Ability to deliver on existing strategy and maintain profitability as part of climate transition.	Business Model Risk Assessment approach developed to identify trends and mitigating actions relevant to prevent the risk. The approach also considers broader implications where a failure to develop products aligned to client requirements takes place. Business Model Risk Assessment highlights key risks relating to potential reputational impacts from interactions with external parties (mostly clients) who are subject to substantial negative press and/or controversies, as well as risks relating to inadequate product development by BNYM to satisfy stakeholder requirements. Established Business Appetite Framework new client approach to capture clients most likely to have an impact on, or be impacted by, climate related transitional and physical risks and broader ESG factors. Enhanced the New Product and Business Process Approval processes to incorporate climate risk considerations.	• Business model risk assessment outcome
Market Risk	The potential loss in value for the European bank financial portfolio caused by adverse movements in market prices of FX, fixed income and equity assets, credit spreads, commodities and liabilities accounted for under fair value and equivalent methods.	Losses driven by changes in market risk factors from systemic market changes in case of natural disasters or weather events.	Losses driven by changes in market risk factors from systemic market changes in case of changes in market perception of future profitability for underlying issuers of positions held on balance sheet by the European bank.	To facilitate monitoring of market risk, The European bank makes use of the NGFS scenarios and transposes these into a point in time sensitivity. This point in time assessment translates the short-term impacts of the most volatile scenario (typically the early policy scenario) into an immediate impact on market risk positions.	• Trading book fair value stress loss based on a designated NGFS climate scenario.
Liquidity Risk	The risk that the European bank cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flows, without adversely affecting daily operations or financial conditions. Liquidity risk can arise from cash flow mismatches, market constraints from the inability to convert assets to cash, the inability to raise cash in the markets, deposit run-off or contingent liquidity events.	Changes in value of corporate bonds within the portfolio of assets held by the European bank to support liquidity management whose valuations may be impacted by physical risk events. Outflows of cash due to client demands following physical risk events.	Changes in value of corporate bonds within the portfolio of assets held by the European bank to support liquidity management whose valuations may be impacted by market changes in perception of value.	Climate related impacts have been assessed as being immaterial in the context of managing overall liquidity risk. Assessment of potential liquidity risks are considered as part of processes supporting risk identification and the development of liquidity stress tests. Assessments of key potential outflows and fair value shocks to the HQLA portfolio due to both physical and transitional risks are considered over a time horizon consistent with typical liquidity risk scenarios. The results of these scenarios are many orders of magnitude lower than those used for BAU liquidity risk management and hence are not currently considered as part of ongoing liquidity risk management.	• Stress impact assessment on liquidity metrics based on a designated NGFS climate scenario.

Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Operational risk includes compliance and technology risks.	Additional operational losses as a result of increased severity of physical loss events. Losses due to resilience implications of physical impacts on internal, inter-affiliate or other third-party failures	Litigation and/or loss of business resulting from a failure to achieve stated objectives, mis- reporting or fiduciary requirements/ expectations. Failure to manage or understand regulatory requirements leading to non-compliance with applicable regulation. Loss of business due to failure to meet investor and client expectations around climate risk considerations, Losses from sudden policy or regulatory changes that impact markets.	Operational risk is managed through a series of dedicated processes which incorporate all potential drivers of risk including climate risk. These processes are leveraged to ensure that risks are appropriately identified, controlled, and reported as required. Dedicated compliance regulatory change management process is in place tasked with ensuring that requirements are known and acted upon. The Risk and Control Self-Assessment (RCSA) process and management of operational resilience processes is used to evaluate each of our sites and the adequacy of business continuity, explicitly considers weather and environmental impacts. Measurement of premises risk use two key historical loss metrics; the number of observed events that could have led to an operational risk event, and the combined losses for the period due to weather events. Assessment of third parties includes consideration of the physical and reputational risks of the vendor, focusing on the geographical location of vendors, where, for example, data is stored, consideration of the resilience capabilities of the vendor and any recorded resilience related issues. In addition, the assessment incorporates external ratings that consider reputational and general risks associated with ESG. Implemented ESG Framework Policy in March 2021 to help ensure, and demonstrate, that IM firms' products under the broad ESG/Climate heading meet high standards of integrity, transparency, and control. The internal assessment process incorporates Climate Risk specific considerations into the broader assessment of vendor risks and produces an assessment that is reported on separately as a constituent part of the overall assessment. Vendor (both external and inter-affiliate) location risk assessment driven by the location out of which the vendor provides the service and where data is stored. Additional metrics utilized include resilience related issues with the vendor and concentration risk. Reporting to the European bank's ExCo and NESGC (Refer to section 1) is produced on a quarterly basis, with vendors indicating a higher level of climate risk reported periodically to the Group Third Party Risk Management Committee (TPRMC), where the European bank is represented, on a recommended quarterly basis (subject to TPRMC approval).	• Number and € value of losses associated with operational risk events recorded due to weather related causes. • Number of incidents recorded due to weather related causes where no loss or impact is recorded but used to provide an indication of trend in noted incidents and hence potential risk, which are reported through enterprise resiliency reporting monthly. • Number or third parties with higher risk physical and reputation risks.
Credit Risk	The risk of loss if any of our borrowers or other counterparties were to default on their obligations to us. Credit risk is present in short term exposures taken as part of facilitation of client activities and treasury activities including assets held to support liquidity management.	Key vulnerabilities due to both physical and transitional risks may exist in relation to exposures to: • Direct credit provision or the purchase of assets issued by corporates operating in industries or geographies vulnerable to structural change or physical risk events, and • Impacts on collateral valuations due to physical events. • Holding of corporate bonds within the own portfolio of assets - whose valuations may be impacted by physical or transitional risks.		The Global Credit Underwriting Submission Procedure and Credit Risk Management Framework Policy, fully applicable to the European bank, were updated to include climate risk factors. Climate analysis has been added to Credit Underwriting analysis templates in the "Borrower Description" section to ensure evaluation of primary credit risks associated with counterparties. Utilize external data to create assessments of companies and identify material risks and opportunities for each industry/sector. This risk indicator is also reported to the European bank's Credit Risk Oversight Committee.	• Value and percentage of in scope credit portfolio in high and moderate carbon intensive sectors/ geographies. • Weighted Average Carbon Intensity (WACI) to monitor climate risk related concentrations in the credit and investment portfolios.

Forward looking assessment of climate related risks

The ICAAP document was enhanced to include longer term climate change scenario analysis (up to 2050), by considering the financial impacts of different climate transitions pathways (as defined by NGFS published scenarios). The analysis covers a period of 3 years but has an extended horizon for the purposes of the specific climate change-related scenario and assumptions, whilst taking a static balance sheet assumption over the longer term.

The climate stress tests performed in 2022 included the following scenarios:

- “Current Policies” assumes that only currently implemented policies are preserved, leading to high physical risks.
- “Delayed transition” assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. Negative emissions are limited.
- “Net Zero 2050” limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU, UK, Canada, Australia, and Japan reach net zero for all GHGs.

Given the low exposure of the balance sheet to CO_2 higher and moderate risk sectors, assumptions were applied on top of the macroeconomic impacts in order to increase the physical risk and transition risk impacts.

Additional climate change impacts were considered, depending on the scenarios, to include:

- Costs related to damages in the European bank's offices due to natural disaster.
- Decrease of client fees due to lower value of “brown” assets under custody. The impact on Fees based on the macroeconomic projection was assessed as sufficiently severe.

A fine by the regulators was also considered for the Delayed transition scenario.

The European bank's credit risk assessment covers a long-term outlook for underlying positions. The approach relies on credit migration and stressed loss given default linked to the three scenarios described above. The accumulation of yearly profits in retained earnings more than counterbalances the increase of capital requirements, even with the stress assumptions. Other capital ratios are also supported by this increase in available capital.

Scenarios have been considered in the European bank`s ILAAP from a liquidity perspective. Current liquidity stress testing has a time horizon of 1 year and conservatively considers a significant amount of the haircuts in securities.

Processes for managing climate-related risks

The KRIs described in the previous section support assessment of climate and environmental risks in an aggregate sense.

Effective climate risk management is supported by several operational business processes which also incorporate climate risk considerations. The objective is to ensure that potential climate impacts are identified and assessed during various operational decision-making processes at the point at which the risk is generated. These processes are governed by overarching BNY Mellon global policies and implemented as applicable to all lines of business and the European bank. The key processes which directly and explicitly incorporate climate risk assessment are:

- Client due diligence and underwriting processes
- New product approvals
- Business process changes
- Third-party vendor assessment
- Sub-custodian onboarding and ongoing monitoring through due diligence assessments

Embedding climate-related risks in day-to-day risk management ensures that processes used to take on a new client, process, product, or third-party relationship incorporate climate-related risks. To do so, risk assessments are performed to assess all potential sources of risk, including climate risk impacts, that may require mitigation and/or escalation through the decision-making process. Each of these are described further below:

New Clients: Climate, environmental, and broader ESG risk considerations are incorporated into the standard client assessment approach for onboarding new clients. The process incorporates a dedicated screening mechanism to identify potential strategic and reputational risks associated with new clients. Escalation thresholds have been built into this Business Appetite Framework process and once triggered, get reviewed through an ESG subject matter expert advisory body, for recommended actions back to business (Business Acceptance Committees).

Product and Service Development: Climate-related risks are considered as part of the Company’s product and service development process.

Third party relationships: The process to consider the physical and reputational risks of vendors and third parties arising from climate-related risk continues to mature. The due diligence process captures resilience capabilities of the vendor, including physical, reputational, and other relevant risk impacts associated with climate change, along with other risk considerations. Assessment of the European bank's critical vendors is embedded in the Climate & Environmental Sustainability Risk Dashboard (Please refer to section 'Metrics and Targets'). Based on the materiality assessment of our critical vendors, no specific course of action over and above our existing due diligence processes has been identified.

Integrating climate-related risk processes into overall risk management

Climate-related risk has been incorporated into financial and non-financial risk management approaches through the use of dedicated risk identification, materiality, reporting and processes used to support risk identification and management within new products, processes, clients and third-party/vendors as described in the sections above. Although dedicated processes and tools have been developed to understand climate risks specifically, as a risk driver, existing risk management processes across the European bank are used to manage risk at both an individual exposure level and in aggregate. Processes are in place to consider all risk types and climate risks are treated equivalently to other risk drivers as reflected in relevant policies. These polices establish a requirement for Climate Risk to be specifically and explicitly considered within all applicable risk management processes which may include those relating to risk identification, risk assessment and quantification (including stress testing), risk-based assessments of clients, counterparties, third party providers and partners, products, services and businesses, risk mitigation and risk reporting.

To support the implementation of the Climate Risk Framework and embed governance oversight responsibilities within the European bank, training sessions were provided to the Board, the ExCo, members of the ESG council and to select teams across all three lines of defence with specific climate risk management obligations. The program outlined the risk management requirements and explained the importance of climate risk within business-as-usual activities. Participants were introduced to risk management tools available for identifying, assessing, and managing climate risks.

In 2023, to raise awareness of climate and environmental related risks on new business, a broad educational training module will be distributed through mandatory learning and development channels to in-scope European bank staff.

In addition, to reinforce the embeddedness of climate and environmental related considerations across the European bank's businesses and to lead the implementation of ESG activities the Remuneration Committee approved a Climate and Environmental Sustainability goal for the Executive Committee and key individuals within the European bank. The evaluation of this goal is part of the annual performance review of those individuals (Please refer to section 'Governance').

Metrics and targets

Metrics used by the organisation to assess climate-related risk opportunities

As described in section 'Risk Management', monitoring and reporting are primarily focused on risks that could emerge based on identification of on-balance sheet exposures with a potentially high risk to physical and transitional risks across time horizon, in line with analysis and metrics produced at Group Level. We define higher and moderate risk sectors based on the potential impact on carbon emissions, climate change vulnerability and carbon footprint from business activity. In producing the KRIs described above (table 2), we use both actual and estimated data. There are a number of challenges associated with the production of KRIs due to a number of limitations relating to geographic, sector and counterparty data. Accordingly, the results include a number of assumptions, extrapolations, or aggregation at subsector levels. We continue to enhance data, measurement capabilities and assessment methodologies to improve climate risk reporting.

The following dashboard (table 3) shows potential sources of exposure as of 31 December 2022.

Aggregate levels of risk are relatively very low. The European bank's exposure to sectors or geographies that may be subject to increased physical or transitional risks represents 0.4% of the European bank's total credit exposure. No operational losses relating to climate risk has occurred during 2022. Assessment of vendor risks highlights a small number of critical vendors who provide services from locations that may be subject to higher risk. These elevated ratings are considered internally through the vendor risk management process, however, based on the materiality assessment, scope of operations and controls in place of our critical vendors, no specific course of action over and above our existing due diligence processes has been identified. As such, these identifiers are interpreted as an indicator of areas for enhanced due diligence, rather than being intended to indicate material marginal changes in risk.

The European bank has defined climate-related risks as risk drivers impacting the majority of the Group's risks outlined in its Risk Appetite Statement. The Risk Appetite Statement incorporates a dedicated section requiring all staff to ensure that climate risk impacts are considered within ongoing risk assessment across all risk types.

As the European bank considers climate and environmental related risks as risk drivers, no specific thresholds are set for risks other than a concentration risk limit set to prevent excessive on balance sheet exposures to sectors or geographies that may be subject to higher climate risk. For all other risk types, the current approach to the setting of the risk appetite does not involve the setting of limits and associated thresholds against any risk drivers, including climate risk. As a potential cause of adverse events, a climate related event could lead to an increase in risk that may increase the chance of a limit breach across any risk category, financial or non-financial. On that basis, ensuring that risk concentrations are minimised, and risk is accepted, monitored, and managed is key to the framework. As a result, limits are in place at the risk category level and capture the impacts of all risk drivers, including climate & environmental risks.

Table 3: The European bank Portfolio exposure and Operational Risk

	As at Q4 2022
Total Exposure ***(in €000s)***	€40,333,643
Exposures to Higher and Moderate Sectors ***(Credit + Investment Portfolios) (% of Total)***	0.4 %
Credit Risk (Loans and Unfunded Commitments)	
Exposures to High and Moderate risk sectors *(% of Total)*	0.0 %
- of which Higher risk	0.0 %
- of which Moderate risk	0.0 %
Sovereign exposures to High and Moderate risk countries *(% of Total)*	0.0 %
- of which High risk	0.0 %
- of which Moderate risk	0.0 %
Credit Weighted Average Carbon Intensity	**0.04**
Credit Risk (Investment Portfolio)	
Exposures to High and Moderate risk sectors (Corporate bonds) *(% of Total)*	0.03 %
- of which High risk	0.03 %
- of which Moderate risk	0.0 %
Sovereign exposures to High and Moderate risk countries *(% of Total)*	0.37 %
- of which High risk	0.15 %
- of which Moderate risk	0.22 %
Investment portfolio's Weighted Average Carbon Intensity	**2.38**
Operational Risk	**FY 2022**
Number of weather-related events recorded	**0**
Losses from weather related events	**€0**
	As at Q4 2022
Number of Vendors rated High and Moderate Risk *	4 Higher / 2 Moderate

**Level of risk after considering the vendor's resilience (Physical Location Risk + Resilience). Count of vendors may vary following the revision of Inherent Risk Profiles of the vendors connected to relevant engagements.*

Scope 1 and Scope 2 Greenhouse Gas Emissions (GHG)

In terms of the emissions from our own operations and the energy we buy, our parent company BNY Mellon includes the European bank in its greenhouse-gas measurement. In 2019, BNY Mellon set a Scope 1 and Scope 2 greenhouse-gas emissions reduction target of 20% by 2025, relative to a 2018 base year. This Scope 1 and 2 target aligns with the Science Based Targets initiative (SBTi) methodology aimed at limiting increases in global warming to well below 2^{o} C. More information on BNY Mellon 2022 targets and achievements is available on the Enterprise ESG Report.

Table 4 below shows Scope 1 and 2 emissions for the European bank, based on the methodology explained below.

Summary of the European bank emissions and methodology			
All units in metric tonnes of carbon dioxide equivalent (MtCO2e)	**2021**	**2022**	**Notes**
The European bank - Scope 1	387.5	169.0	1,2,3,4
The European bank - Scope 2	739.1	555.3	1,2,3,5
The European bank - Sub-total Scope 1 and Scope 2 emissions	1,126.6	724.3	1,2,3,4,5
Covered by Offsets	*(401.8)*	*(184.0)*	6
Covered by Renewable Energy	*(724.8)*	*(540.3)*	6
The European bank - Total Scope 1 and Scope 2 emissions	*0*	*0*	1,2,3,4,5,6

Table 4 2022 the European bank's Scope 1 and Scope 2 GHG emissions

Methodology

The emissions of the European bank were calculated using BNY Mellon Global Real Estate Scope 1 and 2 emissions figures, apportioned based on the leased and occupied share of square meters by the European bank at the individual building level. The emissions disclosed above refer to the whole year 2022 which is currently in the process of being third party audited. Further details can be found in the Enterprise ESG Report**.**

Notes:

1. The above calculations are based on 2022 square meters current as of Q1 2023 and include the European bank's offices in Belgium, France, Germany, Luxembourg, Ireland, Italy, Spain, and The Netherlands.
2. Based on the methodology to derive the square meters:
   - The office space in Denmark was not included as it operates as a branch of the European bank through a serviced office. Serviced offices are not currently included in the scope of this calculation as we consider them Scope 3 emissions.
   - The office space in Amsterdam was included until 30 September 2022. From October 2022 onward, the Amsterdam branch of the European bank operates through a serviced office. Serviced offices are not currently included in the scope of this calculation as we consider them Scope 3 emissions.
3. The legal entity BNY Mellon Service Kapitalanlage-Gesellschaft mbH is included in the Frankfurt location.
4. The European bank's Scope 1 emissions include the calculated proportional share of emissions from the tracked use of fuel oil, natural gas, and refrigerants as measured by the square meters occupied. Allocated emissions from BNY Mellon Group's data centres are not included in this calculation.
5. The European bank's location-based Scope 2 emissions are calculated based on the proportional share of electricity and district steam used. In the case where no information is available, electricity usage is estimated using a number similar to BNY Mellon's portfolio average. Allocated emissions from BNY Mellon Group's data centres are not included in this calculation.

6. BNY Mellon has been carbon neutral for its global direct Scope 1, indirect Scope 2 and Scope 3 business travel emissions since 2015. BNY Mellon's three-part approach for achieving carbon neutrality includes: (1) reducing energy use and related GHG emissions (2) procuring renewable electricity; and (3) purchasing carbon offsets to compensate for any remaining emissions in the footprint. Renewable energy provides 100% of electricity for all global locations, including the European bank's locations. To compensate for operational emissions that cannot be eliminated through energy efficiency and renewable electricity, BNY Mellon purchases carbon offsets through clean energy financing and carbon sequestration initiatives. In 2022 30% of its carbon offset projects were related to Cement Heat Recovery in India, 20% household solar in India, 20% grassland conservation in Colombia, 15% forest preservation in the US, and 15% renewable energy globally.

Scope 3 Greenhouse Gas Emissions (GHG)

An assessment of the significance and relevance of the various individual categories of Scope 3 greenhouse-gas emissions is being conducted. We are considering our findings and plan to disclose further details about them and the actions that we will take as we mature our approach.

Targets to manage climate-related risks and opportunities

At Corporate level BNY Mellon set operational sustainability performance targets in 2019 with a target end date of 2025 and is on-track to achieve or exceed those targets. BNY Mellon has done so by investing heavily in our physical infrastructure, adopting operational best practices, and developing new employee-led initiatives.

To contribute to the achievement of these targets, we have undertaken several initiatives as described below.

- Commercial Real Estate makes up a large share of our operational footprint, and consequently our Scope 1 & 2 emissions. We seek to invest in facilities that improve both our sustainability, and enable a working environment that is more productive, collaborative, and supports client needs. The sustainable design of our workspaces contributes to the wellbeing and productivity of our employees and affects our energy use and GHG emission. Environmental Sustainability Considerations are a component to our due-diligence review process for evaluating potential new office space. In 2022 we completed one major move of our Brussels Headquarter to a new office and anticipate certification to BREEAM Excellent in 2023. Initial estimates based on the first quarter of data available suggests that the new building may be more than 50% energy efficient than the previous office.
- The European bank has adopted an exception-only print policy. The movement toward digitization has also led to other environmental benefits, including the decreased use of printers, ink cartridges and energy.
- The European bank, via its Shadow ExCo program and its Environmental Sustainability Ambassadors (see next point) has suggested the review of the global Corporate Travel and Expense Policy, with respect to travel options (Flights vs Trains). This has led to a change to the global policy which now states that all travellers should avoid to the extent possible flight routes If the end-to-end journey duration by train is comparable +/- one hour to an air journey. The new Global Travel and Expense Policy has been globally released and adopted by the European bank in March 23 and attests our commitment to a lighter footprint on our planet.
- We built an employee action group called the Environmental Sustainability Ambassadors. Through this channel, employees are engaged in conversations and actions related to the impact of human activity on environmental sustainability. We've observed a growing interest from our staff in educating themselves about corporate and their personal carbon footprint. To that end, as a data-driven business, we recognise the power of information and made the following internal tools available to all European bank employees:
  - A BNY Mellon internal Carbon Dashboard that provides information on certain Scope 1 and 2 emissions (electricity, natural gas, oil, and district heating) as well as printing. The Carbon Dashboard provides both corporate and individual views to the user. We continue to work on adding new data sources to broaden the perspective of our carbon footprint as a company.

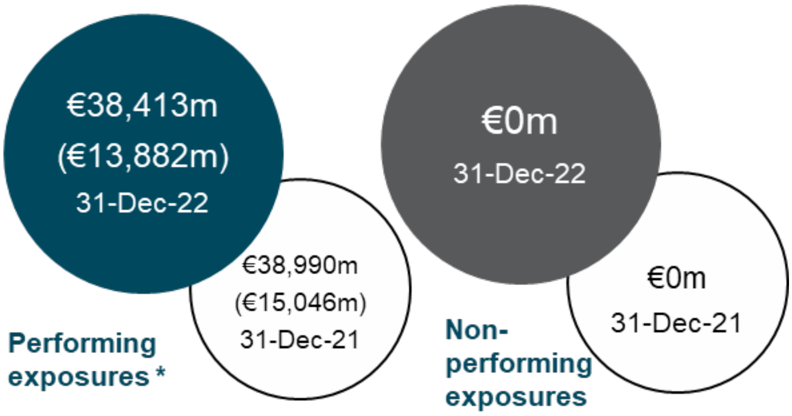
  - A personal Carbon Calculator: we launched a science-based CO2 personal calculator "MyImpact, putting our future first one step at time" through GIKI Zero- a Social Enterprise and B Corp based in the UK whose mission is to help people live sustainably. The global target, agreed upon by the UN, is to halve emissions by 2030 and then hit Net Zero by 2050. To cut emissions by 50%, most individuals in wealthier countries need to cut a significant amount of carbon from their carbon footprint every year and they can achieve this by changing their personal behaviours. As such, there is a significant amount of carbon saving that sits with the European bank - employees' personal area and that can be achieved if employees work together and take steps, that the tool proposes, to reduce their personal carbon footprint at home or in their communities.

- Additional information on the Environmental Sustainability Ambassadors' initiatives is available in the annual report.

An overview of the Corporate Goals and how the European bank contributes to the achievement of those targets is available below:

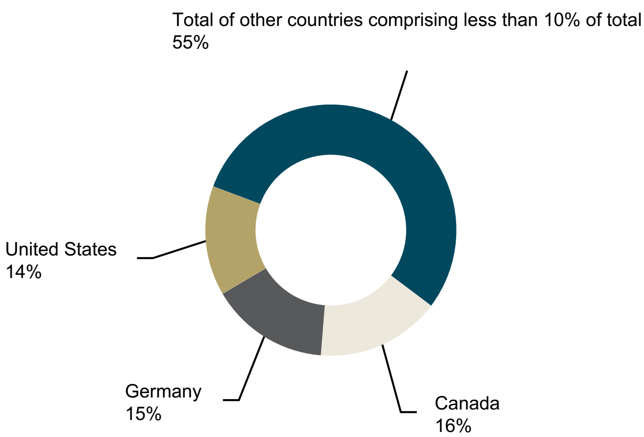
Corporate KPI's	The European bank's contribution
Reduce Scope 1 and Scope 2 GHG emissions by 20% from a 2018 base year, including data centers, in line with methodology developed by Science-Based Targets initiative (SBTi)	The European bank's 2022 estimated Scope 1 & Scope 2 emissions are reported above. Contribution to the goal via following initiatives: - Real Estate: Environmental Sustainability Considerations are a key component to our due-diligence review process for evaluating potential new office space. In 2022 we completed one major move of our Brussels Headquarter to a new office and anticipate certification to BREEAM Excellent in 2023. An initial estimate, based on the first quarter of data, suggests that the new building may be more than 50% energy efficient. - Employee Led Initiatives: An internal Carbon Dashboard was launched and made available to all employees to understand our Scope 1 & Scope 2 emissions and challenge each other in finding ways to reduce
Maintain carbon neutrality commitment For Scope 1 and Scope 2 GHG emissions, including our data centers, as well as Scope 3 business travel emissions	The European bank's estimated Scope 1 & Scope 2 as well are reported above. The following initiatives contributes to the achievement to this goal: - Real Estate: Environmental Sustainability considerations as part of our due-diligence process for evaluating potential new offices space. - Employee Led Initiatives: Carbon Dashboard was launched and made available to all employees to understand our Scope 1 & Scope 2 emission and challenge each other in finding ways to reduce them. - Adoption of the global travel policy, requesting travellers to avoid to the extent possible flight routes, If the end-to-end journey duration by train is comparable +/- one hour to an air journey
Divert 80% of office waste from landfills	The European bank achieved 100% waste diversion rate.
Target zero waste to landfills for technology equipment	We maintain a no-landfill philosophy for end-user technology waste.
Achieve paper neutrality in the U.S. and India {Note use of offsets}	The following initiatives contribute to the achievement of this goal: -Adoption of an exception-only print policy, in line with the Group. -Employee Led Initiatives: Carbon Dashboard on Printing intended to help employees to make informed decisions and change their behaviours.

5 Article 442 CRR II - Exposures to credit risk and dilution risk

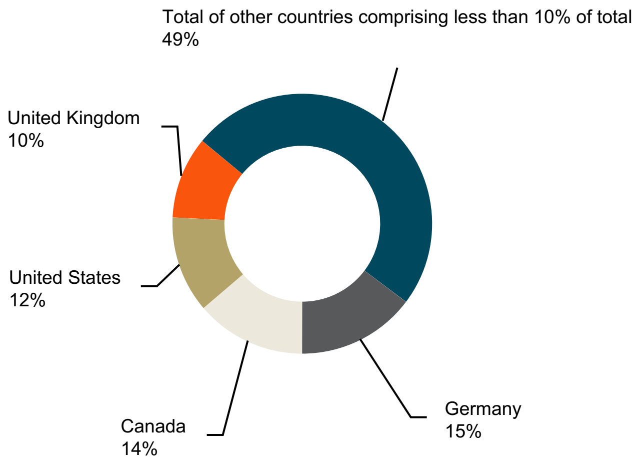


The values presented in brackets represent carrying values of loans and advances, and debt securities, but excluding placements at central banks and other demand deposits.

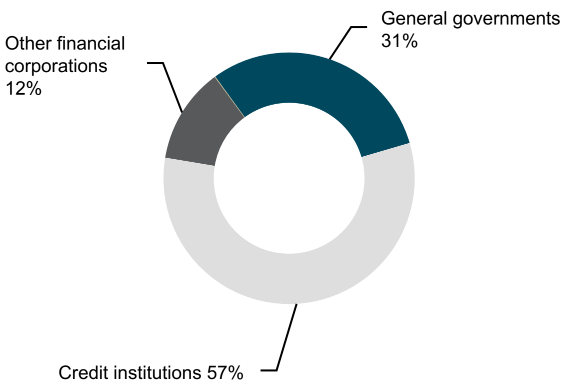
Performing exposures by country at 31 December 2022



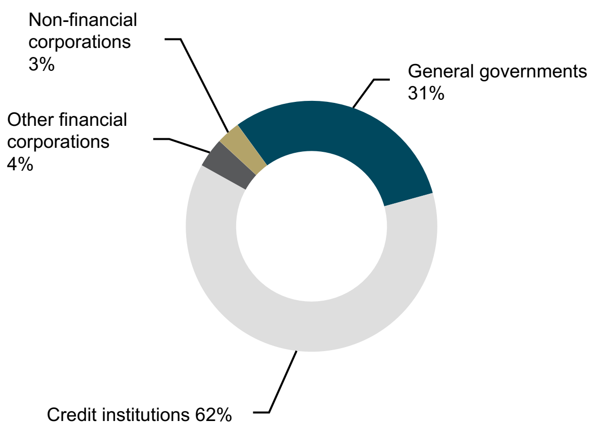
Performing exposures by country at 31 December 2021



Performing exposures by counterparty at 31 December 2022



Performing exposures by counterparty at 31 December 2021



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

5.1 Definition and identification

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

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

- The European bank 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 and contractual cash on failing securities' trades, resulting from unfunded intraday activity (trade sales & purchases, FX and payment activity, etc);
- Placement to central banks, money market and (reverse) repo: credit risk is assumed by the European bank in placing funds with banks for a fixed term or overnight. This may be by way of cash placement or through the purchase of certificates of deposits issued by these banks;
- Investment in securities (government (equivalent or guaranteed) bonds, corporate bonds, covered bonds and MBS): The European bank has a large securities portfolio. The portfolio was built during 2014 in the context of the negative interest rate environment, where the European bank took action in order to reduce the cost of placements in central banks and to de-concentrate holdings with the parent company, BNY Mellon. Over time, next to the initial sovereign asset class, the European bank started investing in other asset classes: sovereign agencies, covered and corporate bonds. In 2020, the European bank started investing in high quality mortgage-backed securities in the United Kingdom and the Netherlands. In 2022, the European bank divested its corporate bond portfolio;
- Intercompany exposure (overdrafts, nostro balances, placements, Netting Agreement use and receivables);
- Derivatives in the trading book: FX forwards, swaps and options used to manage liquidity and FX swaps coming from the FX client activity;
- Interest rate swaps with BNY Mellon Institutional Bank in protection of the interest rate risk in the European bank's securities' portfolio;
- Riester guarantee (CIU): A guarantee underwritten to German pension fund investors covering the market risk of the portfolio.

5.2 Credit risk management framework

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

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

5.3 Credit risk management

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

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

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

5.4 Monitoring and reporting

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

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

5.5 Governance

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

- Credit Risk Policy for each legal entity describes the outsourcing of credit risk tasks, defines roles and responsibilities and required reporting to be carried out to each business line and entity that the policy applies to. Any deviation from approved policy requires either senior business or senior legal entity approval depending on the type of event;

- approvals for excesses are controlled using a matrix of Credit risk approval authorities held within the Credit Risk Policy - each Credit Risk Officer has their own individual delegated approval authority granted by the Chief Credit Officer. They must act within those limits when making approvals. If an excess is beyond the Officer's approval limit, it is escalated to a more senior officer as per the applicable Credit Risk Policy. The outsourcing of credit responsibility to Credit risk is through the Board approved Credit Risk Policy; and,
- overdraft monitoring is a daily task and conducted within each legal entity - significant overdrafts are chased on a daily basis in line with the European bank's risk appetite. All significant overdrafts and exposures are recorded and form part of the credit risk management information produced on a monthly basis for various management committees.

5.6 Analysis of credit risk

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

The definitions below are used in the following tables:

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

5.7 Analysis of past due and impaired exposures

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

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

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

As at 31 December 2022, the European bank had no materially impaired exposures for which a specific or general provision was required. There were no assets past due greater than 90 days. The European bank did not incur any write-offs of bad debts or make any recovery of amounts previously written-off during the reporting period. Further, the European bank did not carry any exposures considered forborne, either performing or non-performing, and consequently did not obtain any collateral through taking possession. Equally, the European bank also had no loans and advances to non-financial corporations.

Consequently, the following tables have no reportable values and have not been disclosed:

- EU CQ1: Credit quality of forborne exposures
- EU CQ2: Quality of forbearance
- EU CQ5: Credit quality of loans and advances to non-financial corporations by industry
- EU CQ6: Collateral valuation - loans and advances
- EU CQ7: Collateral obtained by taking possession and execution processes
- EU CQ8: Collateral obtained by taking possession and execution processes - vintage breakdown
- EU CR2: Changes in the stock of non-performing loans and advances
- EU CR2A: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

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

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

		Gross carrying amount/nominal amount											
			Performing exposures		Non-performing exposures								
	At 31 December 2022 (€m)		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
5	**Cash balances at central banks and other demand deposits**	**24,531**	**24,531**	—	—	—	—	—	—	—	—	—	—
10	**Loans and advances**	**1,611**	**1,611**	—	—	—	—	—	—	—	—	—	—
20	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
30	General governments	20	20	—	—	—	—	—	—	—	—	—	—
40	Credit institutions	855	855	—	—	—	—	—	—	—	—	—	—
50	Other financial corporations	736	736	—	—	—	—	—	—	—	—	—	—
60	Non-financial corporations	0	0	—	—	—	—	—	—	—	—	—	—
70	Of which SMEs	—	—	—	—	—	—	—	—	—	—	—	—
80	Households	—	—	—	—	—	—	—	—	—	—	—	—
90	**Debt securities**	**12,268**	**12,268**	—	—	—	—	—	—	—	—	—	—
100	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	4,210	4,210	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	7,079	7,079	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	967	967	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	12	12	—	—	—	—	—	—	—	—	—	—
150	**Off-balance-sheet exposures**	**3**			—								—
160	Central banks	—			—								—
170	General governments	—			—								—
180	Credit institutions	—			—								—
190	Other financial corporations	3			—								—
200	Non-financial corporations	—			—								—
210	Households	—			—								—
220	**Total**	**38,413**	**38,410**	—	—	—	—	—	—	—	—	—	—

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

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

	At 31 December 2022 (€m)	Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing	of which: defaulted	of which: subject to impairment			
10	**On-balance-sheet exposures**	**13,879**	**—**	**—**	**13,879**	**0**		**—**
20	Australia	479	—	—	479	0		—
30	Austria	108	—	—	108	0		—
40	Belgium	46	—	—	46	0		—
50	Bermuda	34	—	—	34	—		—
60	Canada	2,220	—	—	2,220	0		—
70	Cayman Islands	1	—	—	1	0		—
80	Cyprus	6	—	—	6	—		—
90	Denmark	173	—	—	173	0		—
100	Finland	192	—	—	192	0		—
110	France	1,080	—	—	1,080	0		—
120	Germany	2,119	—	—	2,119	0		—
130	Hong Kong	136	—	—	136	—		—
140	Ireland	58	—	—	58	0		—
150	Japan	388	—	—	388	0		—
160	Korea, Republic Of	139	—	—	139	0		—
170	Luxembourg	154	—	—	154	0		—
180	Malaysia	70	—	—	70	—		—
190	Malta	0	—	—	0	—		—
200	Netherlands	1,078	—	—	1,078	0		—
210	Norway	726	—	—	726	0		—
220	Other Countries	1,240	—	—	1,240	0		—
230	Poland	1	—	—	1	—		—
240	Singapore	148	—	—	148	0		—
250	Spain	20	—	—	20	0		—
260	Sweden	321	—	—	321	0		—
270	Switzerland	2	—	—	2	0		—
280	United Kingdom	981	—	—	981	0		—
290	United States	1,959	—	—	1,959	0		—
300	**Off-balance-sheet exposures**	**3**	**—**	**—**			**—**	
310	Germany	3	—	—			—	
320	**Total**	**13,882**	**—**	**—**	**13,879**	**0**	**—**	**—**

Note: 'Other countries' includes multilateral development banks and international organisations which operate across multiple regions.

Table 11: EU CR1-A Maturity of exposures

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

	At 31 December 2022 (€m)	Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	246	1,365	—	—	3	1,614
2	Debt securities	—	3,351	8,033	884	—	12,268
3	**Total**	**246**	**4,716**	**8,033**	**884**	**3**	**13,882**

Table 12: EU CR1 Performing and non-performing exposures and related provisions

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

		Gross carrying amount/nominal amount													Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value					
	At 31 December 2022 (€m)		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
5	**Cash balances at central banks and other demand deposits**	**24,531**	**24,366**	**165**	**—**	**—**	**—**	**(5)**	**0**	**(5)**	**—**	**—**	**—**	**—**	**—**	**—**
10	**Loans and advances**	**1,611**	**1,611**	**—**	**—**	**—**	**—**	**0**	**0**	**—**	**—**	**—**	**—**	**—**	**0**	**—**
20	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
30	General governments	20	20	—	—	—	—	0	0	—	—	—	—	—	—	—
40	Credit institutions	855	855	—	—	—	—	0	0	—	—	—	—	—	—	—
50	Other financial corporations	736	736	—	—	—	—	0	0	—	—	—	—	—	0	—
60	Non-financial corporations	0	0	—	—	—	—	—	—	—	—	—	—	—	—	—
70	Of which SMEs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
80	Households	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
90	**Debt securities**	**12,268**	**12,268**	**—**	**—**	**—**	**—**	**0**	**0**	**—**	**—**	**—**	**—**	**—**	**2,032**	**—**
100	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	4,210	4,210	—	—	—	—	0	0	—	—	—	—	—	351	—
120	Credit institutions	7,079	7,079	—	—	—	—	0	0	—	—	—	—	—	1,360	—
130	Other financial corporations	967	967	—	—	—	—	0	0	—	—	—	—	—	309	—
140	Non-financial corporations	12	12	—	—	—	—	0	0	—	—	—	—	—	12	—
150	**Off-balance-sheet exposures**	**3**	**3**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**		**—**	**—**
160	Central banks	—	—	—	—	—	—	—	—	—	—	—	—		—	—
170	General governments	—	—	—	—	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—		—	—
190	Other financial corporations	3	3	—	—	—	—	—	—	—	—	—	—		—	—
200	Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—		—	—
210	Households	—	—	—	—	—	—	—	—	—	—	—	—		—	—
220	**Total**	**38,413**	**38,248**	**165**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,032**	**—**

5.8 Article 440 CRR II - Countercyclical capital buffers

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

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

The European bank has exposures to the following countries relevant to the calculation of the countercyclical buffer. Other countries represent relevant private sector exposures which do not have a domestic countercyclical buffer rate in place as at 31 December 2022.

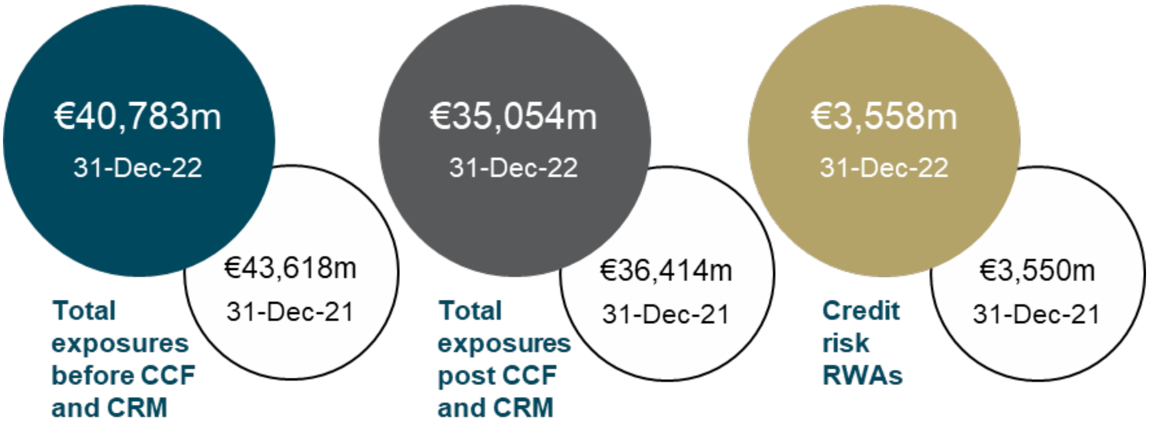
		General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
	At 31 December 2022 (€m)	Exposure value (standardised approach)	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposure value (non-trading book)	Total exposure value	Relevant credit risk exposures	Relevant credit exposures – Market risk	Relevant securitisation positions (non-trading book)	Total	Risk-weighted exposure amounts [1]	Own fund requirements weights (%) [1]	Countercyclical buffer rate (%)
10	Breakdown by country:													
1	Denmark	80	—	—	—	—	80	6	—	—	6	75	3.35 %	2.00 %
2	Hong Kong	0	—	—	—	—	0	0	—	—	0	0	— %	1.00 %
3	Luxembourg	259	—	—	—	—	259	21	—	—	21	262	10.78 %	0.50 %
4	Norway	352	—	—	—	—	352	3	—	—	3	38	1.47 %	2.00 %
5	Sweden	62	—	—	—	—	62	1	—	—	1	13	0.26 %	1.00 %
6	United Kingdom	1,001	—	—	—	26	1,027	23	—	—	23	287	11.97 %	1.00 %
7	Other countries	1,892	—	—	—	97	1,989	135	—	2	137	1,719	72.17 %	— %
20	**Total**	**3,646**	**—**	**—**	**—**	**123**	**3,769**	**189**	**—**	**2**	**191**	**2,394**	**100.00 %**	

[1] Calculated with un-rounded figures for casting purposes.

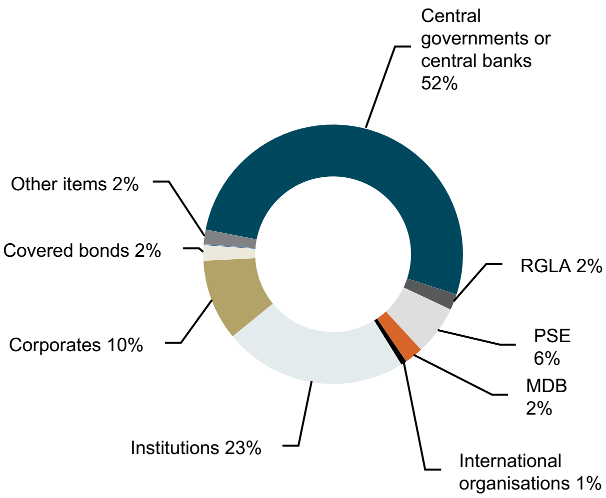
Table 14: EU CCYB2 Amount of institution-specific countercyclical capital buffer

	At 31 December 2022 (€m)	
1	Total risk exposure amount	5,704
2	Institution specific countercyclical capital buffer rate (%)	0.27 %
3	Institution specific countercyclical capital buffer requirement	16

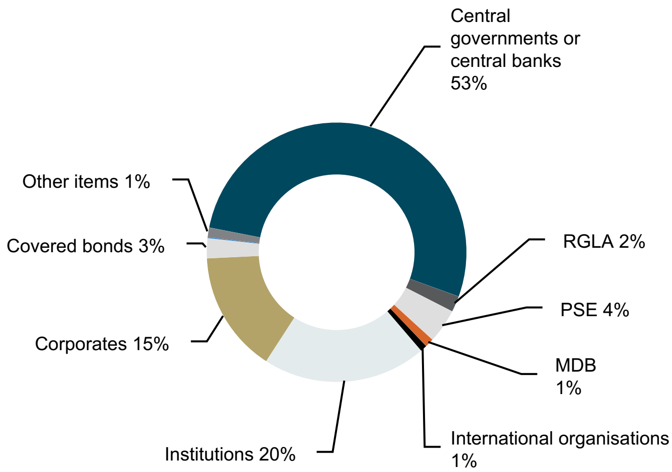
6 Article 444 CRR II - Use of the Standardised Approach



Standardised net credit exposure by counterparty at 31 December 2022



Standardised net credit exposure by counterparty at 31 December 2021



Note:

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

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

The European bank uses Credit Quality Steps ('CQS') to calculate the RWAs associated with credit risk exposures. Each CQS maps to the ECAIs' credit assessments. ECAI risk assessments are used for each exposure class. In accordance with the regulations, institutions with a residual maturity of three months or less denominated and funded in the national currency of the borrower shall be assigned a risk-weight different to institutions with a risk-weight of more than three months.

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

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

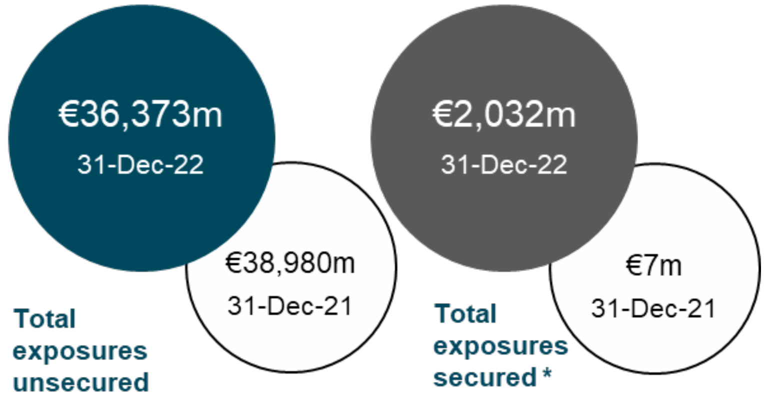
	At 31 December 2022 (€m)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWEA	RWEA density (%)
1	Central governments or central banks	21,201	—	22,706	—	62	0.27 %
2	Regional government or local authorities	806	—	1,234	—	16	1.30 %
3	Public sector entities	2,507	—	1,174	—	181	15.42 %
4	Multilateral development banks	947	—	947	—	—	— %
5	International organisations	293	—	293	—	—	— %
6	Institutions	9,331	—	5,405	—	1,269	23.48 %
7	Corporates	4,124	3	1,753	1	893	50.91 %
8	Retail	—	—	—	—	—	— %
9	Secured by mortgages on immovable property	—	—	—	—	—	— %
10	Exposures in default	—	—	—	—	—	— %
11	Exposures associated with particularly high risk	—	—	—	—	—	— %
12	Covered bonds	790	—	790	—	79	10.00 %
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	— %
14	Collective investment undertakings	—	37	—	7	92	1314.29 %
15	Equity	4	—	4	—	4	100.00 %
16	Other items	740	—	740	—	962	130.00 %
17	**Total**	**40,743**	**40**	**35,046**	**8**	**3,558**	**10.15 %**

Table 16: EU CR5 Standardised approach

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

	At 31 December 2022 (€m)	Risk weight																
		0%	2 %	4 %	10 %	20 %	35 %	50 %	70 %	75 %	100 %	150 %	250 %	370 %	1250 %	Others	Total	Unrated
1	Central governments or central banks	22,397	—	—	—	309	—	—	—	—	—	0	—	—	—	—	22,706	—
2	Regional government or local authorities	1,155	—	—	—	79	—	—	—	—	—	—	—	—	—	—	1,234	—
3	Public sector entities	268	—	—	—	906	—	—	—	—	—	—	—	—	—	—	1,174	5
4	Multilateral development banks	947	—	—	—	—	—	—	—	—	—	—	—	—	—	—	947	—
5	International organisations	293	—	—	—	—	—	—	—	—	—	—	—	—	—	—	293	—
6	Institutions	—	—	—	—	5,062	—	247	—	—	22	74	—	—	—	—	5,405	—
7	Corporates	—	—	—	—	1,026	—	183	—	—	441	104	—	—	—	—	1,754	436
8	Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Secured by mortgages on immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Exposures in default	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Exposures associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Covered bonds	—	—	—	790	—	—	—	—	—	—	—	—	—	—	—	790	—
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Collective investment undertakings	—	—	—	—	—	—	—	—	—	—	—	—		7	—	7	7
15	Equity	—	—	—	—	—	—	—	—	—	4	—	—	—	—	—	4	4
16	Other items	—	—	—	—	0	—	—	—	—	592	—	148	—	—	—	740	740
17	**Total**	**25,060**	**—**	**—**	**790**	**7,382**	**—**	**430**	**—**	**—**	**1,059**	**178**	**148**	**—**	**7**	**—**	**35,054**	**1,192**

7 Article 453 CRR II - Use of credit risk mitigation techniques



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

7.1 Netting

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

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

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

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

7.2 Collateral valuation and management

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

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

7.3 Collateral types

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

7.4 Guarantors and credit derivative counterparty

Table 17: EU CR3 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

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

			Secured carrying amount			
	At 31 December 2022 (€m)	**Unsecured carrying amount**		**Of which secured by collateral**	**Of which secured by financial guarantees**	**Of which secured by credit derivatives**
1	Loans and advances	26,137	—	—	—	—
2	Debt securities	10,236	2,032	—	2,032	
3	**Total**	**36,373**	**2,032**	**—**	**2,032**	**—**
4	Of which non-performing exposures	—	—	—	—	—
EU-5	Of which defaulted	—	—			

The amount secured at year-end relates to financial guarantees primarily stemming from exposures to credit institutions, central governments and other financial corporations. Previously these guarantees were not considered for disclosure.

There are no exposures covered by credit derivatives at 31 December 2022. Using guarantees has the effect of replacing the risk-weight of the underling exposure with that of the institution providing the credit protection. Guarantors are primarily rated as investment grade.

7.5 Wrong-way risk

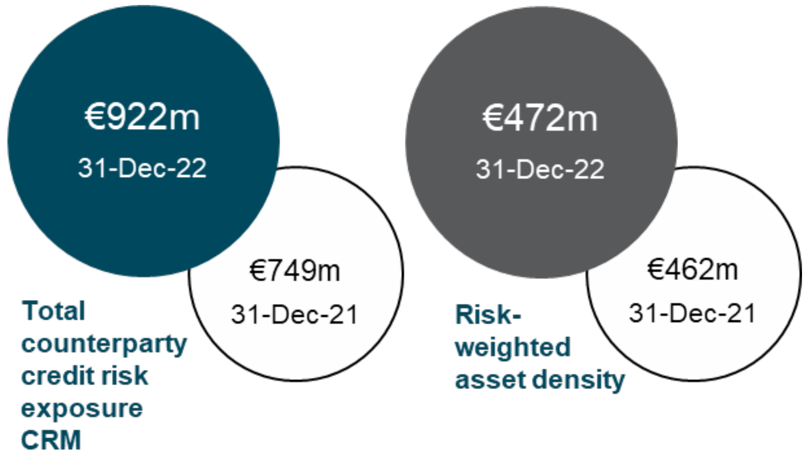
The European bank takes particular care to ensure that wrong-way risk between collateral and exposures does not exist. Wrong-way risk results when the exposure to the counterparty increases when the counterparty's credit quality deteriorates.

7.6 Credit concentration risk

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

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

8 Article 439 CRR II - Exposures to counterparty credit risk



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

As at 31 December 2022 the European bank did not have any counterparty credit risk exposures to credit derivatives or central counterparties.

Consequently, the following table has no reportable values and is not disclosed:

- EU CCR6: Credit derivatives exposures
- EU CCR8: Exposures to CCPs

Table 18: EU CCR1 Analysis of CCR exposure by approach

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

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

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

	At 31 December 2022 (€m)	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	—	—		1.4	—	—	—	—
EU2	EU - Simplified SA-CCR (for derivatives)	—	—		1.4	—	—	—	—
1	SA-CCR (for derivatives)	107	549		1.4	2,103	918	918	471
2	IMM (for derivatives and SFTs)			—	—	—	—	—	—
2a	Of which securities financing transactions netting sets			—		—	—	—	—
2b	Of which derivatives and long settlement transactions netting sets			—		—	—	—	—
2c	Of which from contractual cross-product netting sets			—		—	—	—	—
3	Financial collateral simple method (for SFTs)					—	—	—	—
4	Financial collateral comprehensive method (for SFTs)					—	4	4	1
5	VaR for SFTs					—	—	—	—
6	**Total**					**2,103**	**922**	**922**	**472**

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

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

	At 31 December 2022 (€m)	0%	2 %	4 %	10 %	20 %	50 %	70 %	75 %	100 %	150 %	Others	Total exposure value
1	Central governments or central banks	86	—	—	—	—	—	—	—	—	—	—	86
2	Regional government or local authorities	—	—	—	—	21	—	—	—	—	—	—	21
3	Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—
4	Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—	—	—	—	—	—	—
6	Institutions	—	—	—	—	349	115	—	—	0	—	—	464
7	Corporates	—	—	—	—	—	20	—	—	331	—	—	351
8	Retail	—	—	—	—	—	—	—	—	—	—	—	—
9	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—
10	Other items	—	—	—	—	—	—	—	—	—	—	—	—
11	**Total exposure value**	**86**	**—**	**—**	**—**	**370**	**135**	**—**	**—**	**331**	**—**	**—**	**922**

Table 20: EU CCR5 Composition of collateral for CCR exposures

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

	At 31 December 2022 (€m)	Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	—	305	—	386	—	—	—	18
2	Cash – other currencies	—	36	—	101	—	—	—	—
3	Domestic sovereign debt	—	—	—	—	—	—	—	—
4	Other sovereign debt	—	—	—	0	—	—	—	278
5	Government agency debt	—	—	—	—	—	—	—	—
6	Corporate bonds	—	—	—	—	—	—	—	—
7	Equity securities	—	—	—	—	—	—	—	—
8	Other collateral	—	—	—	—	—	—	—	—
9	**Total**	**—**	**341**	**—**	**487**	**—**	**—**	**—**	**296**

8.1 Credit valuation adjustment

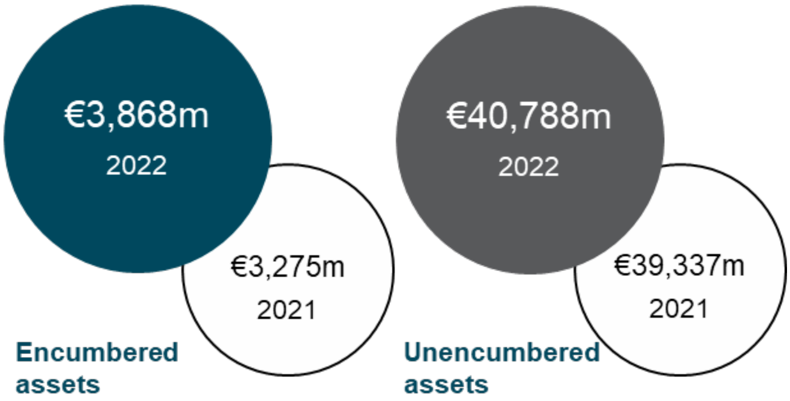
The credit valuation adjustment is the capital charge for potential mark-to-market losses due to the credit quality deterioration of a counterparty. The standardised approach uses the external credit rating of each counterparty and includes the effective maturity and exposure at default.

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

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

	At 31 December 2022 (€m)	Exposure value	RWEA
1	Total transactions subject to the Advanced method	—	—
2	(i) VaR component (including the 3× multiplier)		—
3	(ii) stressed VaR component (including the 3× multiplier)		—
4	Transactions subject to the Standardised method	898	129
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	—	—
5	**Total transactions subject to own funds requirements for CVA risk**	**898**	**129**

9 Article 443 CRR II - Encumbered and unencumbered assets



The European bank has a collateral agreement with Euroclear and Clearstream to cover uncommitted credit facilities for $2.8 billion. This includes the European bank's various bond investments; these have been further pledged as collateral to Euroclear and Clearstream during 2022.

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

Table 22: EU AE1 Encumbered and unencumbered assets

	At 31 December 2022 (€m)	Carrying amount of encumbered assets	of which notionally eligible EHQLA and HQLA	Fair value of encumbered assets	of which notionally eligible EHQLA and HQLA	Carrying amount of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets	of which EHQLA and HQLA
10	**Assets of the reporting institution**	**3,868**	**3,319**			**40,788**	**28,510**		
30	Equity instruments	—	—	—	—	4	—	4	—
40	Debt securities	3,117	2,976	3,105	2,964	9,732	8,995	9,706	9,035
50	of which: covered bonds	279	279	279	279	638	638	638	638
60	of which: securitisations	—	—	—	—	146	—	146	—
70	of which: issued by general governments	1,392	1,392	1,387	1,387	2,842	2,842	2,828	2,828
80	of which: issued by financial corporations	1,666	1,483	1,660	1,477	6,583	6,077	6,570	6,064
90	of which: issued by non-financial corporations	81	53	81	53	315	169	314	169
120	Other assets	747	343			30,670	30,670		

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

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

	At 31 December 2022 (€m)	Fair value of encumbered collateral received or own debt securities issued	of which notionally eligible EHQLA and HQLA	Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
130	**Collateral received by the disclosing institution**	**—**	**—**	**348**	**2**
140	Loans on demand	—	—	—	—
150	Equity instruments	—	—	—	—
160	Debt securities	—	—	96	2
170	of which: covered bonds	—	—	—	—
180	of which: securitisations	—	—	—	—
190	of which: issued by general governments	—	—	2	2
200	of which: issued by financial corporations	—	—	87	—
210	of which: issued by non-financial corporations	—	—	—	—
220	Loans and advances other than loans on demand	—	—	254	—
230	Other collateral received	—	—	—	—
240	Own debt securities issued other than own covered bonds or securitisations	—	—	—	—
241	Own covered bonds and securitisation issued and not yet pledged			—	—
250	**Total collateral received and debt securities issued**	**3,868**	**3,319**		

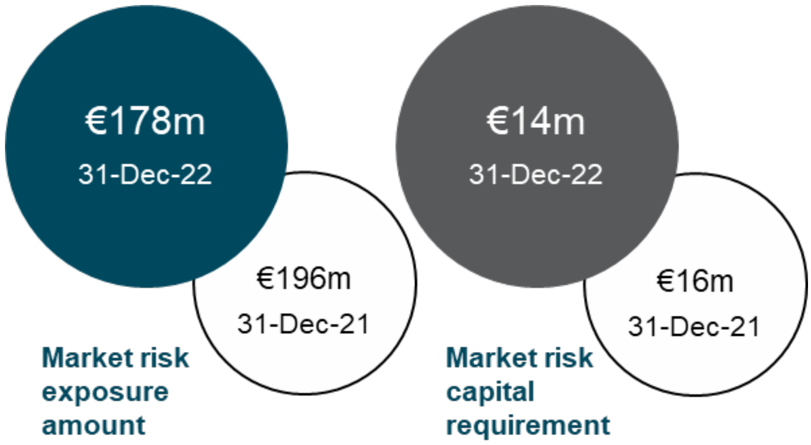
Table 24: EU AE3 Sources of encumbrance

At 31 December 2022 (€m)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
10 Carrying amount of selected financial liabilities	858	700

Table 25: EU AE4 Accompanying narrative information

General narrative information on asset encumbrance	Disclosed amounts are based on median values derived from the four quarter end reporting points in the year. Exposure values reflect the carrying values of the European bank's Financial Reporting ('FinRep'). There is only one notable difference in amounts pledged under applicable accounting frameworks and amounts considered encumbered, being a facility in place with the Bundesbank. The nature of this arrangement is such that securities pledged overnight for access to a credit facility remain unencumbered as long as the corresponding credit remains undrawn. As at the reporting date this value was €266 million. There is no difference in consolidation scope between asset encumbrance and liquidity.
Narrative information on the impact of the business model on assets encumbrance and the importance of encumbrance to the institution's business model, which provides users with the context of the disclosures required in Template EU AE1 and EU AE2.	As at 31 December 2022, the carrying amount of the encumbered debt securities primarily relates to collateral pledged to Euroclear and Clearstream in respect of uncommitted credit facilities. Similarly, on a median basis, the European bank had encumbered assets in relation to repurchase agreements throughout the year, approximating to €0.3 billion. Other assets encumbered refer to monetary reserves, mainly placed with National Bank of Belgium, treated as encumbered assets as these cannot be not freely withdrawn by the European bank. On a median basis this amounted to €344 million. Other assets also include foreign exchange cash collateral of €402 million on a median basis, largely stemming from increased derivative related activity. Similarly, other assets not encumbered refer primarily to cash balances and other demand deposits, other loans and advances, derivative related balances and a comparatively smaller amount representing goodwill & intangibles, tangible assets and misc accurals and prepayments. Selected liabilities reportable under EU AE3 primarily, on a median basis, relates to the European bank's repo and derivative activities in the year with derivative related liabilities up €415 million, partly offset by a reduction in repo related liabilities. There are no significant differences in scope regarding the European bank's encumbrance on a consolidated or solo basis other than the KVG subsidiary which is excluded from solo level financial statements. Further, in respect of over-collateralisation the European bank does not issue securitised investments or covered bonds. The European bank does not have any off-balance sheet sources of encumbrance.

10 Article 445 CRR II - Exposure to market risk



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

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

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

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

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

Table 26: EU MR1 Market risk under the standardised approach

This table shows the components of the risk-weighted assets for market risk using the standardised approach. The European bank did not have any Options as at 31 December 2022.

	At 31 December 2022 (€m)	RWEAs
	Outright products	
1	Interest rate risk (general and specific)	76
2	Equity risk (general and specific)	—
3	Foreign exchange risk	102
4	Commodity risk	—
	Options	
5	Simplified approach	—
6	Delta-plus approach	—
7	Scenario approach	—
8	Securitisation (specific risk)	—
9	**Total**	178

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

10.1 Trading portfolios

The principal tools used to measure and control market risk, within BNY Mellon's trading portfolios are VaR and Stressed VaR. The Value at Risk ('VaR') of a trading portfolio is the maximum estimated loss that can arise with a specified probability (confidence level) in the portfolio over a specified time-period (holding period). The VaR model is historical simulation based. It takes market data changes from the previous 1000 trading days and observed correlation between risk factors, to model a wide range of plausible future scenarios for market price movements. The Group VaR model assumes a 99% confidence level and a 1-day holding period. The results of the VaR calculation are reported in the Groups base currency of US Dollars. The Stress VaR model follows the same approach as VaR, but takes into account a stress period deemed to be the most severe for the entire holding company. The choice of the stress period is reviewed on a periodic basis.

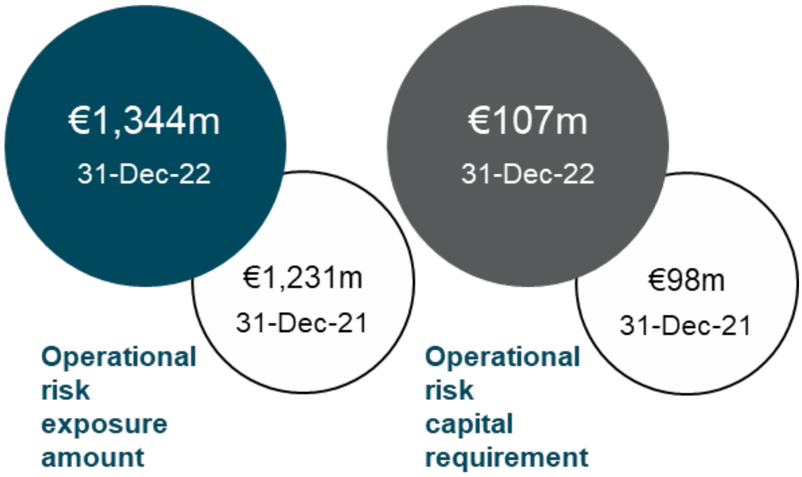
BNY Mellon's VaR models are subject to regular validation by the Market Risk Management Group to ensure that they continue to perform as expected and that assumptions used in model development are still appropriate. As part of the validation process, the potential weaknesses of the models are analysed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

The Group establishes VaR limits to manage the size of our overall market exposure. The structure of VaR limits is subject to review and approval by the appropriate executive committee. VaR and Stressed VaR limits are allocated to trading portfolios. Exposures and limit utilizations are monitored daily and reported to both Group Market Risk and the European bank's senior management. A summary of the trading book activity is provided to the European bank's Executive Committee monthly and quarterly to the European bank Board. Ad hoc reporting is also provided when required.

The following is a summary of the VaR and Stressed VaR position of the European bank's trading portfolios as at 30 December 2022:

USD millions	30-Dec-22	31-Dec-21
Value at Risk	0.472	0.171
Stressed Value at Risk	1.188	1.335

11 Article 446 CRR II - Operational risk management



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

Operational risk may arise from errors in transaction processing, breaches of internal control systems and compliance requirements, internal or external fraud, damage to physical assets, and/or business disruption due to systems failures or other events. Operational risk can also arise from potential legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations.

Key operational risks for the European bank include:

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

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

11.1 Operational risk management framework

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

Figure 3: Operational Risk Management Framework

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

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

The European bank uses the ORMF to capture, 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 programme, assessment systems and related processes. Regional Committees such as the EMEA Senior Risk Management Committee also monitor and incorporate the material risks in forming its regional risk assessment.

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

Management of operational risk

The European bank's ORMF relies on a culture of risk awareness, a clear governance structure and, Operational Risk policies and procedures, which define the roles and responsibilities of the first, second and third line of defense. These policies and procedures complement each other to ensure that the operational risks of the business are effectively identified, managed, mitigated (where possible) and reported to the appropriate governance committees on a monthly basis.

Risk appetite

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

Risk register

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

Risk control-self assessments ('RCSA')

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

Operational risk events ('ORE')

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

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

Key risk indicators ('KRI')

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

Line Of Business Risk Identification ('Risk ID')

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

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

Legal Entity Risk Identification ('LE Risk ID')

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

Operational risk scenario analysis ('ORSA')

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

Monitoring and reporting

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

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

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

Policies and procedures

The European bank utilizes comprehensive policies and procedures designed to provide a sound operational environment. The Corporate Operational Risk Policies are reviewed and enhanced on an ongoing basis, and adopted by all businesses/Legal Entities including the European bank.

Organisation and governance

Within the European bank, business risk partners oversee the activities undertaken in each of the business lines, with oversight from a Legal Entity point of view through the LERO. Besides business risk partners and LEROs other internal functions also ensure that processes are in place to support the sound operational risk management of the business, notably:

Technology risk management ('TRM')

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

Business continuity planning ('BCP')

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

Third party governance

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

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

Regulatory and compliance risk management

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

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

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

11.2 Capital resource requirement

As at the reporting date, capital requirements for Pillar 2 operational risk (using an internal hybrid model) resulted in an amount of €443 million (31 December 2021: €382 million), versus the Pillar 1 calculation of €107 million (31 December 2021: €98 million).

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

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

	Banking activities	Relevant indicator				
	At 31 December 2022 (€m)	Year-3	Year-2	Last year	Own funds requirements	Risk exposure amount
1	**Banking activities subject to basic indicator approach (BIA)**	—	—	—	—	—
2	**Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches**	**680**	**678**	**758**	**107**	**1,344**
3	Subject to TSA:	680	678	758		
4	Subject to ASA:	—	—	—		
5	Banking activities subject to advanced measurement approaches AMA	—	—	—	—	—

12 Article 448 CRR II - Exposures to interest rate risk on positions not held in the trading book

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

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

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

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

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

12.1 Identification and measurements

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

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

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

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

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

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

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

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

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

12.2 Scenarios and risks tested

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

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

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

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

Simulations include the scenarios and selected descriptions as follows:

Scenarios	Risk Type[1]	NII Sensitivity[2]	EVE Sensitivity[3]	Capital Sensitivity[4]
Base (Most expected interest rate scenario)	Level of interest Rates	X	X	
Parallel Rate Shocks: ± 50bps, ± 100bps, ± 200bps, ± 300bps	Level of interest Rates, Price Risk (Gap Risk)	X	X	
BCBS Parallel Rate Shocks: Currency-specific parallel shocks		X	X	
Flat Interest Rates	Level of Interest Rates	X		
Central Bank rates: ± 10bps over risk free rates	Basis Risk	X		
USD Rates ± 50bps (all other currencies unchanged)	Currency Risk (Gap Risk)	X	X	
EUR Rates ± 50bps (all other currencies unchanged)		X	X	
GBP Rates ± 50bps (all other currencies unchanged)		X	X	
BCBS Steepener	Yield Curve Risk, Price Risk (Gap Risk)	X	X	X
BCBS Flattener		X	X	X
BCBS Short Rate Up		X	X	X
BCBS Short Rate Down		X	X	X
BCBS Up		X	X	X
BCBS Down		X	X	X

Scenarios	Risk Type[1]	NII Sensitivity[2]	EVE Sensitivity[3]	Capital Sensitivity[4]
Regulatory Prescribed Metrics				
EVE Δ / Total Regulatory Capital ± 200bps	Level of interest Rates, Price Risk (Gap Risk)		X	X
BCBS EVE Δ / Tier 1 Capital (Short Down)	Level of interest Rates, Price Risk (Gap Risk), Yield Curve Risk		X	X
BCBS EVE Δ / Tier 1 Capital (Steepener)			X	X
BCBS EVE Δ / Tier 1 Capital (Up)			X	X
BCBS EVE Δ / Tier 1 Capital (Flattener)			X	X
BCBS EVE Δ / Tier 1 Capital (Down)			X	X
BCBS EVE Δ / Tier 1 Capital (Short Up)			X	X
Balance Sheet				
Dynamic (New Business Activity Included)		X		
Static (Current Position Maintained Across Forecast Horizon)		X		
Run-off Balance Sheet Assumption			X	
Horizon				
(1) 36 months for Base, Parallel Rate Shocks: ± 50bps, ± 100bps, ± 200bps, ± 300bps, Steepener, Flattener, Ramps and Flat scenarios		X		
(2) 12 months for all scenarios other than the ones mentioned in (1) above.				

[1] Repricing Risk, Option Risk and Client / Product Behavior Risk are embedded in all the listed scenarios.

[2] NII Sensitivity IRRBB Board Risk Appetite Limits are based on a 12 month forecast horizon.

[3] Low level of market rates might result in certain down rate shock scenarios not being run.

[4] Certain Capital Sensitivity Scenarios may be run by Market Risk Management independently or as part of the European bank's Capital Stress Testing Committee (CSTC) process.

Term	Definition
Parallel Rate Shocks	All term-points on every modelled interest rate curve and indexes are increased or decreased simultaneously by the same amount.
Ramp Rate Shocks	All term-points on every modelled interest rate curve and indexes are increased or decreased in equal quarterly increments over the first 12 months of the forecast. There are several scenarios (increments) used to enable more in-depth analysis of potential risks and remediation plans for those risks.
Central Bank rates ± 10bps over risk free rates	Central bank rates modelled under an up and down 10 basis point move across EUR, GBP and USD while other rates remain constant. Basis shocks across all modelled interest rate curves with the exception of overnight points were demised at the end of 2022.
USD, EUR, GBP Rates ±50bp, All Other Currency Rates Unchanged	All term-points on every modelled CCY interest rate curve and indexes are increased or decreased simultaneously by 50 basis points.

12.3 IRRBB management and hedging

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

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

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

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

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

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

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

12.4 Risk management and mitigation techniques

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 28: EU IRRBB1 Interest rate risks of non-trading book activities

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

	Supervisory shock scenarios Outcome of the supervisory outlier test (according to paragraph 114 EBA GL/2018/02) (€000s)	Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	(151,827)	(376,662)	32,818	204,004
2	Parallel down	54,669	60,059	(131,732)	246,081
3	Steepener	53,717	31,573		
4	Flattener	(149,565)	(145,074)		
5	Short rates up	(195,101)	(266,040)		
6	Short rates down	93,545	79,344		

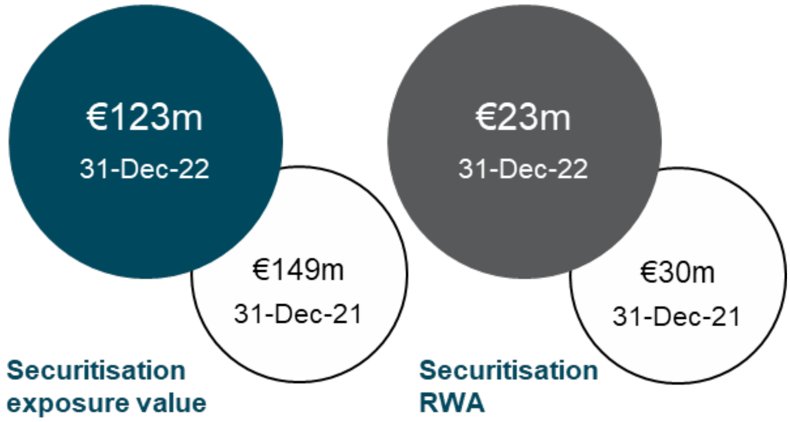
Main modelling assumptions underlying the modelled cash-flows by type of item: Only applicable to deposits from non-financial institutions: Non-core deposits run off overnight and core deposits run off based on modeled decay rates. The interest expense cash flows are determined by a repricing function (i.e. deposit beta), interest rate scenario, and remaining principal balance.

The average repricing tenor of non-maturity deposits is 2.9 years with longest repricing maturity at 10 years.

The reduction in EVE sensitivity reflects changes in balance sheet composition during 2022. The duration mismatch between assets and financial deposits, which are overnight under existing EBA guidelines, reduced therefore reflecting lower EVE sensitivity under the parallel up shock scenario.

The NII sensitivity movements are reflective of margin compression in a falling interest rate environment based on the latest deposit beta assumptions and balance sheet composition. Modelling assumptions are updated on a regular basis reflecting the market environment, changes in customer behaviour and risk management activities.

13 Article 449 CRR II - Exposures to securitisation positions



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

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

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

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

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

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

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

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

		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS												
	At 31 December 2022 (€m)		of which SRT		of which SRT		of which SRT	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
1	**Total exposures**	—	—	—	—	—	—	—	—	—	—	—	**97**	**26**	**—**	**123**
2	**Retail**	—	—	—	—	—	—	—	—	—	—	—	**97**	**26**	**—**	**123**
3	Residential mortgage	—	—	—	—	—	—	—	—	—	—	—	97	26	—	123
4	credit card	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	other retail exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	**Wholesale (total)**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	loans to corporates	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	other wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Note: There is no significant risk transfer in the European bank's securitisation assets as investor.

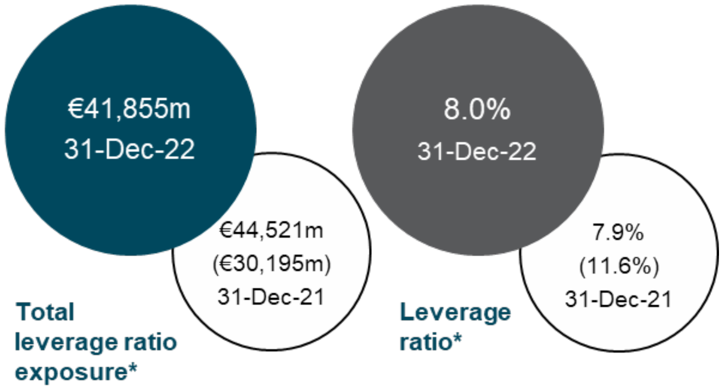
The European bank's exposures result from investment in residential mortgages backed securities ('RMBS'), with collateral originated in the Netherlands and UK.

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

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

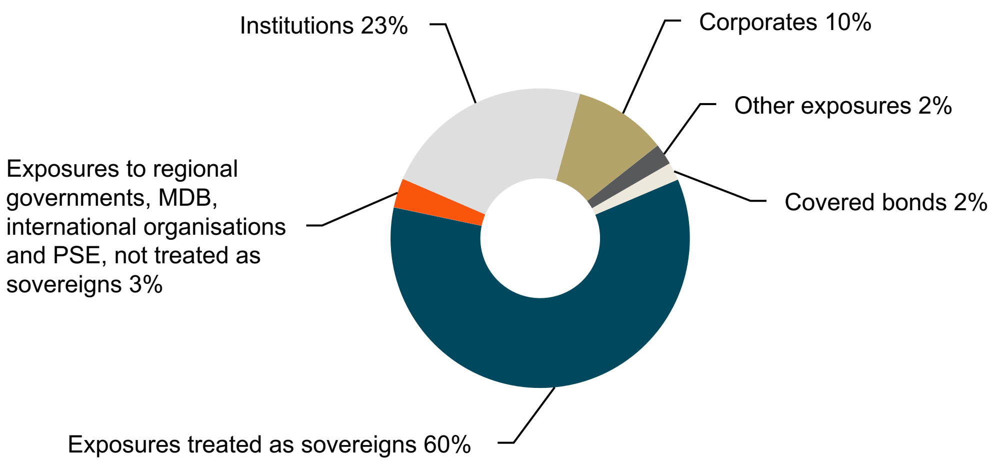
	At 31 December 2022 (€m)	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions
1	**Total exposures**	**123**	**—**	**—**	**—**	**—**	**—**	**123**	**—**	**—**	**—**	**23**	**—**	**—**	**—**	**2**	**—**	**—**
2	**Traditional securitisation**	**123**	**—**	**—**	**—**	**—**	**—**	**123**	**—**	**—**	**—**	**23**	**—**	**—**	**—**	**2**	**—**	**—**
3	Securitisation	123	—	—	—	—	—	123	—	—	—	23	—	—	—	2	—	—
4	Retail underlying	123	—	—	—	—	—	123	—	—	—	23	—	—	—	2	—	—
5	Of which STS	97	—	—	—	—	—	97	—	—	—	19	—	—	—	2	—	—
6	Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Of which STS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

14 Article 451 CRR II - Leverage ratio



The data in brackets represent the leverage exposure and leverage ratio excluding central bank exposures, calculated in accordance with the Regulation EU/2020/873 Article 1(9) 'article 500b', which ceased as of 1 April 2022.

CRR II banking book leverage ratio exposures at 31 December 2022 *



* Excluding derivatives, SFTs and exempted exposures.

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

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

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

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

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

The European bank's leverage ratio calculations under the standardised approach as of 31 December 2022 are presented on the following page. The European bank is required to maintain a minimum leverage ratio of 3.0% of Tier 1 capital relative to its total exposure measure. This ratio is binding on the European bank.

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

This table shows the European bank's summary reconciliation of accounting assets and leverage ratio exposures. Cash pooling adjustments primarily relate to €2.2 billion of cash placements and deposits which are subject to netting agreements on the balance sheet but which are grossed for the purposes of calculating the leverage exposure measure. Other adjustments are largely represented by cash variation margin on derivatives of around €0.5 billion.

	At 31 December 2022 (€m)	
1	**Total assets as per published financial statements**	**40,334**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	—
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	—
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	—
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	—
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	—
7	Adjustment for eligible cash pooling transactions	2,223
8	Adjustment for derivative financial instruments	(156)
9	Adjustment for securities financing transactions (SFTs)	18
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	8
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	—
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	—
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	—
12	Other adjustments	(572)
13	**Total exposure measure**	**41,855**

Table 32: EU LR2 Leverage ratio common disclosure

	Regulatory leverage ratio exposures (€m)	31-Dec-22	31-Dec-21
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral) [1]	41,427	29,531
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	—	—
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(488)	(62)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	—	—
5	(General credit risk adjustments to on-balance sheet items)	—	—
6	(Asset amounts deducted in determining Tier 1 capital)	(85)	(86)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**40,854**	**29,383**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	147	131
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	—	—
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	828	672
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	—	—
EU-9b	Exposure determined under Original Exposure Method	—	—
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	—	—
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	—	—
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	—	—
11	Adjusted effective notional amount of written credit derivatives	—	—
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	—	—
13	**Total derivatives exposures**	**975**	**803**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	—	—
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	18	—
16	Counterparty credit risk exposure for SFT assets	—	—
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	**Total securities financing transaction exposures**	**18**	**—**

	Regulatory leverage ratio exposures (€m)	31-Dec-22	31-Dec-21
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	40	46
20	(Adjustments for conversion to credit equivalent amounts)	(32)	(37)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	—	—
22	**Off-balance sheet exposures**	**8**	**9**
	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	—	—
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	—	—
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	—	—
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	—	—
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	—	—
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	—	—
EU-22g	(Excluded excess collateral deposited at triparty agents)	—	—
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	—	—
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	—	—
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	—	—
EU-22k	**(Total exempted exposures)**	**—**	**—**
	Capital and total exposure measure		
23	**Tier 1 capital**	**3,360**	**3,509**
24	**Total exposure measure**	**41,855**	**30,195**
	Leverage ratio		
25	Leverage ratio (%)	8.03 %	11.62 %
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.03 %	11.62 %
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.03 %	7.88 %
26	Regulatory minimum leverage ratio requirement (%)	3.00 %	4.57 %
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	— %	— %
EU-26b	of which: to be made up of CET1 capital	— %	— %
27	Leverage ratio buffer requirement (%)	— %	— %
EU-27a	Overall leverage ratio requirement (%)	3.00 %	4.57 %
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully phased-in	Fully phased-in
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	19	124
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	18	—
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	41,856	30,319
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	41,856	44,644
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.03 %	11.57 %
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.03 %	7.86 %

[1] As of 1 April 2022 the temporary exclusion of central bank exposures within the leverage ratio ceased in accordance with Regulation ECB/2021/27, row 25a is therefore a more comparable representation of the movement in the leverage ratio as at 31 December 2022.

The leverage ratio has marginally increased relative to the prior period due to variations in the total exposure measure and the European bank's Tier 1 capital. Overall, Tier 1 capital decreased 4.25% largely due to a reduction in accumulated other comprehensive income. After excluding the impact of the temporary exclusion of central bank exposures in the prior period, total exposures fell by 5.99%, largely attributable to an increase in variation margin related deductions and SFT related adjustments.

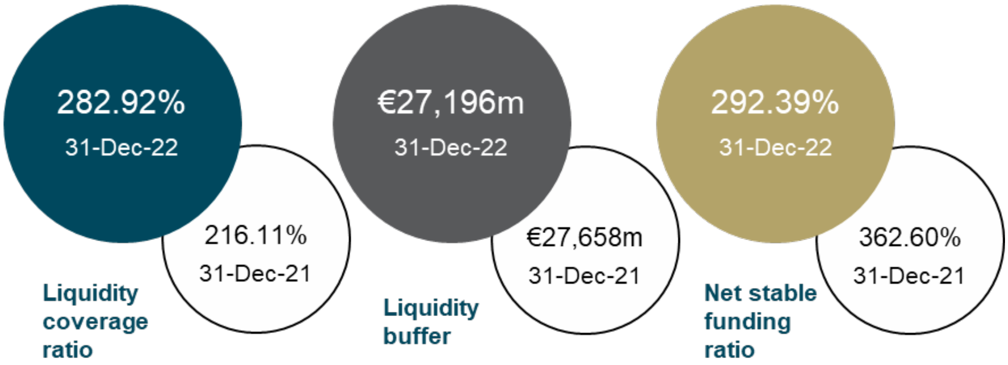
Table 33: EU LR3 Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

This table shows the composition of on-balance sheet exposures excluding derivatives and exempted exposures.

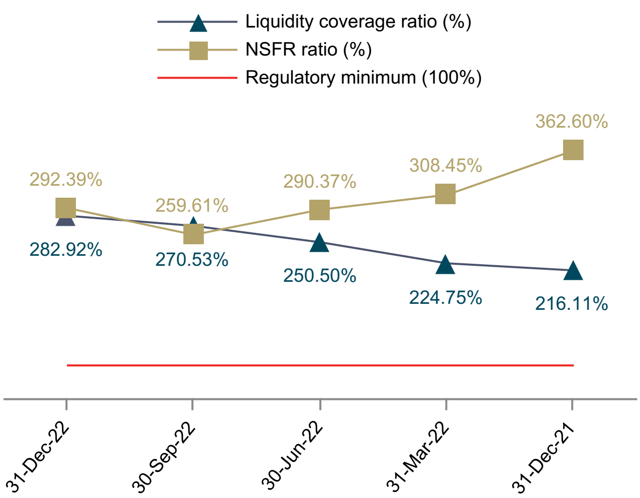
	At 31 December 2022 (€m)	
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**40,939**
EU-2	Trading book exposures	—
EU-3	Banking book exposures, of which:	40,939
EU-4	Covered bonds	790
EU-5	Exposures treated as sovereigns	24,448
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	1,306
EU-7	Institutions	9,331
EU-8	Secured by mortgages of immovable properties	—
EU-9	Retail exposures	—
EU-10	Corporates	4,124
EU-11	Exposures in default	—
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	940

The Board is committed to ensuring that the European bank is well capitalised at all times. The level of regulatory capital held by the European bank shall always be in excess of current regulatory requirements and shall not fall below levels approved by the Board. Leverage ratio requirements are monitored as part of the regulatory reporting process and shall not fall below the internal (risk appetite) limits of 3.60% in 2022 as measured on a quarter end basis. Note that the European bank is subject to a leverage ratio minimum requirement of 3.00%. The leverage ratio is reported internally on a regular basis for monitoring purposes and a full calculation of exposure and capital is performed quarterly per the COREP process.

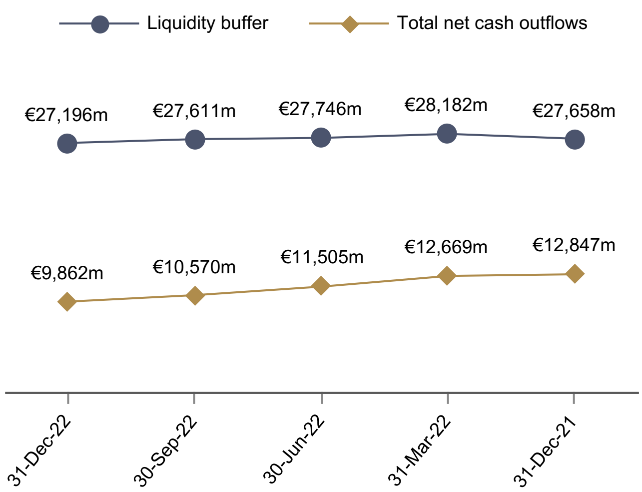
15 Article 451a CRR II - Liquidity requirements



Liquidity ratios*



Liquidity metrics*



* LCR reflects the total weighted values (average).

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

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

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

The European bank has a governance structure in place commensurate with the range of its activities and its liquidity profile. This includes oversight committees (including the ALCO, ExCo and Board) that are responsible for review and approval of the liquidity management strategy, policies and practices and that ensures that senior management effectively implements and controls these elements.

The goal of the European bank's liquidity management is to ensure that all liquidity risks are defined, understood, and effectively managed through well-designed policies and controls. In this context, the European bank has established a robust liquidity risk management framework that is fully integrated into its risk management processes. The European bank has an embedded set of processes that cover the identification, measurement, monitoring, control and mitigation of liquidity risk. Processes are supported by IT platforms, management information systems and an organizational structure that includes independent control functions.

The European bank has a management reporting and escalation framework in place where risks are communicated to senior management and oversight committees through periodical reporting and circulation of committee meeting minutes, including a defined escalation process in case of exceptions to internal triggers, regulatory breaches or emergency situation.

The Liquidity Coverage Ratio ('LCR') is recalculated according to the regulatory formula assessing the liquid assets, weighted according to the regulatory factors, as a fraction of the combination of inflows of assets and outflows of liabilities, each weighted according to regulatory factors.

The Net Stable Funding Ratio ('NSFR') measures the stability of the funding profile over a one-year time horizon by relating the Bank's Available Stable Funding (ASF) to its Required Stable Funding (RSF).

Both LCR and NSFR risk appetites are based on a management approved surplus against regulatory minimums.

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

The liquidity risk management framework, is prepared in accordance with the guidelines set forth by the regulators, corporate standards, and encompasses the unique structure and characteristics of the European bank. Regulatory reporting is performed by the Finance function in line with home/host regulatory requirements. Written and approved policies that define the liquidity risk appetite and tolerance, strategy, principles and includes reporting requirements to appropriate management levels. The European bank has the following policies and guidelines for managing liquidity and funding risk in place that are updated at least annually:

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

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

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

Quantitative LCR and NSFR information can be found on the following pages.

Table 34: EU LIQ1 Quantitative information of LCR

	Consolidated (€m)	Total unweighted value (average)				Total weighted value (average)			
EU-1a	Quarter ending on	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22
EU-1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					**27,196**	**27,611**	**27,746**	**28,182**
	CASH – OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	—	—	—	—	—	—	—	—
3	Stable deposits	—	—	—	—	—	—	—	—
4	Less stable deposits	—	—	—	—	—	—	—	—
5	Unsecured wholesale funding	34,771	34,613	34,867	34,923	18,064	18,053	19,081	20,100
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	22,137	21,924	20,802	19,436	5,534	5,481	5,201	4,859
7	Non-operational deposits (all counterparties)	12,634	12,689	14,065	15,487	12,530	12,572	13,880	15,241
8	Unsecured debt	—	—	—	—	—	—	—	—
9	Secured wholesale funding					3	—	—	—
10	Additional requirements	383	299	244	215	383	299	244	215
11	Outflows related to derivative exposures and other collateral requirements	383	299	244	215	383	299	244	215
12	Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
13	Credit and liquidity facilities	—	—	—	—	—	—	—	—
14	Other contractual funding obligations	257	247	255	254	28	38	63	64
15	Other contingent funding obligations	862	1,225	1,572	1,677	169	250	338	360
16	**TOTAL CASH OUTFLOWS**					**18,647**	**18,640**	**19,726**	**20,739**
	CASH – INFLOWS								
17	Secured lending (e.g. reverse repos)	51	72	82	97	—	—	—	—
18	Inflows from fully performing exposures	8,407	7,727	7,940	7,842	8,407	7,726	7,936	7,829
19	Other cash inflows	648	618	550	493	378	344	285	241
EU 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					—	—	—	—
EU 19b	(Excess inflows from a related specialised credit institution)					—	—	—	—
20	**TOTAL CASH INFLOWS**	**9,106**	**8,417**	**8,572**	**8,432**	**8,785**	**8,070**	**8,221**	**8,070**
EU 20a	Fully exempt inflows	—	—	—	—	—	—	—	—
EU 20b	Inflows subject to 90% cap	—	—	—	—	—	—	—	—
EU 20c	Inflows subject to 75% cap	9,106	8,417	8,572	8,432	8,785	8,070	8,221	8,070
	TOTAL ADJUSTED VALUE								
21	**LIQUIDITY BUFFER**					**27,196**	**27,611**	**27,746**	**28,182**
22	**TOTAL NET CASH OUTFLOWS**					**9,862**	**10,570**	**11,505**	**12,669**
23	**LIQUIDITY COVERAGE RATIO (%)**					**282.92 %**	**270.53 %**	**250.50 %**	**224.75 %**

Note: The average for 31 December 2022 saw a first time recognition of secured wholesale funding in relation to increases in repurchase obligation collateral.

Table 35: EU LIQB Qualitative information on LCR which complements template EU LIQ1

Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	At the end of December 2022, based on an average over 12 monthly reporting periods, the European bank's LCR was 282.92%, up 12% on the previous quarter. This substantially exceeded internal and regulatory minimum requirements. The main drivers of the December 2022 LCR, based on a weighted average over 12 months, included higher inflows of €0.7 billion, or 9%, primarily stemming from fully performing exposures related to monies due from financial customers. In contrast, outflows were broadly static with increases in operational deposits and outflows related to derivatives and collateral being offset by reductions in outflows largely relating to non-operational deposits from financial customers and other contingent funding obligations namely overdrafts. Overall, this reduced the denominator of the LCR by 7% whilst the numerator marginally decreased by €0.4 billion, or 2%, via the liquidity buffer.
Explanations on the changes in the LCR over time	Please see the graphs at the beginning of the chapter for a visualisation of the European bank's LCR over time, based on a weighted average over 12 months at each reporting date in accordance with Article 451a (2). The European bank's LCR has been safely above regulatory minimums, is higher than the 2021 average LCR for O-SIIs of 184%[1], and follows an increasing trajectory. It is driven primarily by progressively lower averaged net outflows over the year, down €3 billion, or 23%, over a 12 month average period. This is complemented by a relatively static decrease in the liquidity buffer of €0.5 billion, or 2%. Overall, central bank placements remain the primary constituent of the liquidity buffer.
Explanations on the actual concentration of funding sources	Liquidity and concentration risk is appropriately managed and diversified according to internal policies and regulatory limits. The European bank has procedures in place which require both a daily and a monthly analysis of the composition and variation of HQLA, plus the inflows and the outflows. Please see the text from page 40 for more information. As of the reporting date, levels of concentration risk were within internal limits with the majority of funding by the top 10 counterparties originating primarily from intragroup counterparties but also a range of unsecured wholesale funding from selected financial customers.
High-level description of the composition of the institution`s liquidity buffer.	The buffer is primarily composed of Level 1 assets. Notably, reserves at central banks represents the substantial majority of the buffer at the reporting date, trending on average around 70% of the buffer over a 12 month period. Diversification in the buffer is achieved through further investments in Level 1 debt instruments such as government and regional/ local bonds, public sector and supranational entities, and also government backed credit institutions with comparatively smaller exposures to Level 2 assets, namely high quality covered bonds stemming from third countries.
Derivative exposures and potential collateral calls	Derivative exposures in the European bank's LCR are considered on a net basis with subsequent liquidity outflows and inflows present which are categorised accordingly.
Currency mismatch in the LCR	The European bank's significant currencies at the reporting date shows a consistent surplus between the liquidity buffer and net outflows reflecting the strength of the European bank's liquidity risk management policies. On an average basis over 12 months the LCR per significant currency remains above regulatory minimums and averages.
Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	There are no other items in the LCR calculation not captured in the LCR disclosure template at the reporting date.

[1] EBA REPORT ON LIQUIDITY MEASURES UNDER ARTICLE 509(1) OF THE CRR

Table 36: EU LIQ2 Net Stable Funding Ratio

	At 31 December 2022 (€m)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	Capital items and instruments	3,446	—	—	—	3,446
2	Own funds	3,446	—	—	—	3,446
3	Other capital instruments		—	—	—	—
4	Retail deposits		—	—	—	—
5	Stable deposits		—	—	—	—
6	Less stable deposits		—	—	—	—
7	Wholesale funding:		33,714	2	1,000	11,542
8	Operational deposits		20,965	—	—	10,483
9	Other wholesale funding		12,749	2	1,000	1,059
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	49	511	—	—	—
12	NSFR derivative liabilities	49				
13	All other liabilities and capital instruments not included in the above categories		511	—	—	—
14	**Total available stable funding (ASF)**					**14,988**
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					3,232
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		7,457	21	165	1,070
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		—	—	—	—
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		7,143	2	—	715
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		18	—	—	9
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		18	—	—	9
22	Performing residential mortgages, of which:		—	—	—	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		296	19	165	346
25	Interdependent assets		—	—	—	—
26	Other assets:		959	—	793	824
27	Physical traded commodities				—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		—	—	—	—
29	NSFR derivative assets		—			—
30	NSFR derivative liabilities before deduction of variation margin posted		625			31
31	All other assets not included in the above categories		334	—	793	793
32	Off-balance sheet items		—	—	—	—
33	**Total RSF**					**5,126**
34	**Net Stable Funding Ratio (%)**					**292.39 %**

Note: Due to rounding there may be immaterial variations between Pillar 3 and regulatory submissions.

The increase in the NSFR ratio from the previous quarter end (30 September 2022: 259.61%) is primarily driven by a comparatively lower decrease in ASF, down €0.5 billion, than RSF, down €0.8 billion respectively. ASF drivers included year-end profit at 31 December 2022 which was largely offset by a reduction in operational deposits weighted at 50%. RSF was largely influenced by reductions in encumbered HQLA and other loans and advances to financial customers.

The European bank's NSFR ratio remains well above the regulatory limit of 100%.

	At 30 September 2022 (€m)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	Capital items and instruments	3,083	—	—	—	3,083
2	Own funds	3,083	—	—	—	3,083
3	Other capital instruments		—	—	—	—
4	Retail deposits		—	—	—	—
5	Stable deposits		—	—	—	—
6	Less stable deposits		—	—	—	—
7	Wholesale funding:		39,608	15	1,000	12,421
8	Operational deposits		22,798	—	—	11,399
9	Other wholesale funding		16,810	15	1,000	1,022
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	—	670	—	—	—
12	NSFR derivative liabilities	—				
13	All other liabilities and capital instruments not included in the above categories		670	—	—	—
14	**Total available stable funding (ASF)**					**15,504**
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					3,533
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		9,655	197	359	1,497
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		7	—	—	—
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		9,427	61	16	989
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		6	—	—	3
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		6	—	—	3
22	Performing residential mortgages, of which:		—	—	—	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		215	136	343	505
25	Interdependent assets		—	—	—	—
26	Other assets:		1,032	—	790	942
27	Physical traded commodities				—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		—	—	—	—
29	NSFR derivative assets		124			124
30	NSFR derivative liabilities before deduction of variation margin posted		550			28
31	All other assets not included in the above categories		358	—	790	790
32	Off-balance sheet items		—	—	—	—
33	**Total RSF**					**5,972**
34	**Net Stable Funding Ratio (%)**					**259.61 %**

Note: Due to rounding there may be immaterial variations between Pillar 3 and regulatory submissions.

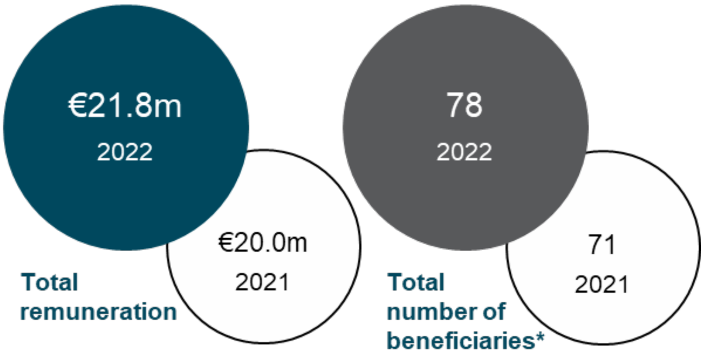
	At 30 June 2022 (€m)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	Capital items and instruments	3,262	—	—	—	3,262
2	Own funds	3,262	—	—	—	3,262
3	Other capital instruments		—	—	—	—
4	Retail deposits		—	—	—	—
5	Stable deposits		—	—	—	—
6	Less stable deposits		—	—	—	—
7	Wholesale funding:		34,940	2,451	1,000	13,559
8	Operational deposits		22,606	—	—	11,303
9	Other wholesale funding		12,334	2,451	1,000	2,256
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	—	775	—	—	—
12	NSFR derivative liabilities	—				
13	All other liabilities and capital instruments not included in the above categories		775	—	—	—
14	**Total available stable funding (ASF)**					**16,821**
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					3,271
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		9,449	351	351	1,538
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		—	—	—	—
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		9,274	24	—	940
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		75	—	—	37
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		75	—	—	37
22	Performing residential mortgages, of which:		—	—	—	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		100	327	351	561
25	Interdependent assets		—	—	—	—
26	Other assets:		857	—	799	984
27	Physical traded commodities				—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		—	—	—	—
29	NSFR derivative assets		168			168
30	NSFR derivative liabilities before deduction of variation margin posted		331			17
31	All other assets not included in the above categories		358	—	799	799
32	Off-balance sheet items		—	—	—	—
33	**Total RSF**					**5,793**
34	**Net Stable Funding Ratio (%)**					**290.37 %**

Note: Due to rounding there may be immaterial variations between Pillar 3 and regulatory submissions.

	At 31 March 2022 (€m)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	Capital items and instruments	3,385	—	—	—	3,385
2	Own funds	3,385	—	—	—	3,385
3	Other capital instruments		—	—	—	—
4	Retail deposits		—	—	—	—
5	Stable deposits		—	—	—	—
6	Less stable deposits		—	—	—	—
7	Wholesale funding:		37,123	2,401	1,009	13,006
8	Operational deposits		21,530	—	—	10,765
9	Other wholesale funding		15,593	2,401	1,009	2,241
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	—	801	—	—	—
12	NSFR derivative liabilities	—				
13	All other liabilities and capital instruments not included in the above categories		801	—	—	—
14	**Total available stable funding (ASF)**					**16,391**
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					2,972
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		10,721	213	481	1,715
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		111	—	—	—
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		10,419	1	—	1,042
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		103	—	—	51
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		103	—	—	51
22	Performing residential mortgages, of which:		—	—	—	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		88	212	481	622
25	Interdependent assets		—	—	—	—
26	Other assets:		671	1	587	627
27	Physical traded commodities				—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		—	—	—	—
29	NSFR derivative assets		32			32
30	NSFR derivative liabilities before deduction of variation margin posted		153			8
31	All other assets not included in the above categories		486	1	587	587
32	Off-balance sheet items		—	—	—	—
33	**Total RSF**					**5,314**
34	**Net Stable Funding Ratio (%)**					**308.45 %**

Note: Due to rounding there may be immaterial variations between Pillar 3 and regulatory submissions.

16 Article 450 CRR - Remuneration policy



16.1 Governance

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

The Board meets at least quarterly and approves the year-end compensation awards of its regulated staff members. The RemCo met eleven times during 2022 (including four joint sessions with the RiskCee), whilst other committees listed in the remuneration policy met a total of ten times during the year. Awards in instruments are made in the form of shares in The Bank of New York Mellon Corporation. These shares are listed on the New York Stock exchange under ticker “BK”. Deferred shares are made in the form of Restricted Share Units, transferable into BK shares at vesting. These grants also require the approval of the Human Resources and Compensation Committee ('HRCC') of BNY Mellon, since it functions as the remuneration committee of the ultimate shareholder of the European bank.

16.2 Aligning pay with performance

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

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

16.3 Fixed remuneration

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

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

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

16.4 Variable remuneration and risk adjustment

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

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

The European bank makes use of the robust performance appraisal process in place at BNY Mellon to document an individual’s performance. This process is built upon the assessment of not only agreed and individualized business goals, but also compulsory risk & compliance goals, diversity & inclusion goals and an assessment on the values & behaviors showcased by the individual. For selected staff members, the process also includes an assessment of the individual’s performance against an environmental/climate goal to foster the Bank’s Environmental, Social, and Governance (“ESG”)-strategy.

Categories of staff whose professional activities have a material impact on its risk profile ("MRTs") are requested to include in their performance appraisal process one or more "goals" related to their role in the legal entity. MRTs are also assessed, as all staff members are, against compulsory risk & compliance goals, diversity & inclusion goals and the values & behaviors they showcase. For MRTs, the performance related to the risk and control aspects of their job is further detailed and documented through the Risk Culture Summary Scorecard ("RCSS"), for which the European bank uses a system of metrics related to the main control aspects: compliance & ethics, reputational and operational risk, risk exposures, and audit. This allows the control functions of the European bank to provide more detailed input (to the RiskCee and RemCo) in respect of behavior or incidents that occur within the responsibility of the job holder. One minor incident occurred in 2022 which ultimately did not result in an ex-ante adjustment of variable compensation for performance year 2022.

16.5 Ratio between fixed and variable pay

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

16.6 Deferral policy and vesting criteria

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

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

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

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

a) At least 40% of variable remuneration is deferred for at least 4 years (increasing to 60% where the MRT is an Executive Director of the Bank and/or a MRT in receipt of a particularly high variable amount – exceeding EUR 200,000[1]);

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

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

To meet this requirement, the European bank will therefore deliver incentives to MRTs (excluding Executive Directors of the Bank and/or MRTs in receipt of a particularly high variable amount for which a 60% deferral of variable remuneration would apply) as follows on the following page:

[1] Indexed annually on the 31st of December on the basis of the Belgian health index.

	Up Front (60%)	Deferred (40%)
Cash (30%)	**Cash Award (30%):** Variable remuneration in respect of the applicable performance year that will be paid to the employee in cash in the February payroll the following year, subject to the usual deductions of income tax and applicable social security contributions.	**Deferred Equity (40%):** Variable remuneration in respect of the applicable performance year that will be provided to the employee in restricted stock units ("RSUs") (the precise mechanism for delivery will be determined, at the sole discretion of BNY Mellon). The deferred equity will vest as follows: ● For MRTs who are Senior Managers - 5 equal annual installments starting upon the first anniversary of the award ● For other MRTs - 4 equal annual installments starting upon the first anniversary of the award For all MRTs each tranche of vested equity will be subject to a 1 year retention period post vesting before it may be sold (referred to in the charts below as the "point of availability").
Equity (70%)	**Instant Vest Equity (30%):** Variable remuneration in respect of the applicable performance year that will be provided to the employee in BNY Mellon stock which vests on the grant date and is subject to a 1 year retention period before it can be sold.	

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

16.7 Variable remuneration of control function staff

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

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

16.8 Quantitative disclosures

The tables on the following pages provide details of the aggregate remuneration of senior management and MRTs for the European bank for the year ended 31 December 2022.

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

Table 37: EU REM1 - Remuneration awarded for the financial year

This table shows the total aggregate remuneration[2,3] awarded to MRTs for 2022.

	At 31 December 2022 (€000s)		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	**Number of identified staff**	**8**	**6**	**25**	**39**
2		**Total fixed remuneration**	**472**	**2,671**	**6,372**	**7,524**
3		Of which: cash-based	472	2,671	6,372	7,524
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	—	—	—	—
5		Of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
EU-5x		Of which: other instruments	—	—	—	—
6		(Not applicable in the EU)				
7		Of which: other forms	—	—	—	—
8		(Not applicable in the EU)				
9	Variable remuneration	**Number of identified staff**	**—**	**4**	**24**	**38**
10		**Total variable remuneration**	**—**	**770**	**1,966**	**1,996**
11		Of which: cash-based	—	190	735	1,034
12		Of which: deferred	—	—	—	—
EU-13a		Of which: shares or equivalent ownership interests	—	580	1,231	962
EU-14a		Of which: deferred	—	435	703	549
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
EU-14b		Of which: deferred	—	—	—	—
EU-14x		Of which: other instruments	—	—	—	—
EU-14y		Of which: deferred	—	—	—	—
15		Of which: other forms	—	—	—	—
16		Of which: deferred	—	—	—	—
17	**Total remuneration**		**472**	**3,441**	**8,338**	**9,520**

Table 38: EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

This table shows any special payments made to MRTs for 2022.

	At 31 December 2022 (€000s)	MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	—	—	1	—
2	Guaranteed variable remuneration awards -Total amount	—	—	120	—
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	—	1	—	—
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	—	2,246	—	—
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	—	—	—	1
7	Severance payments awarded during the financial year - Total amount	—	—	—	10
8	Of which paid during the financial year	—	—	—	10
9	Of which deferred	—	—	—	—
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
11	Of which highest payment that has been awarded to a single person	—	—	—	10

[2] Includes base salary and other cash allowances, plus any incentive awarded for full year 2022. Pension contribution is not included.

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

Table 39: EU REM3 - Deferred remuneration

This table shows the total deferred remuneration[4] for MRTs outstanding from previous years.

	Deferred and retained remuneration At 31 December 2022 (€000s)	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2	Cash-based	—	—	—	—	—	—	—	—
3	Shares or equivalent ownership interests	—	—	—	—	—	—	—	—
4	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
5	Other instruments	—	—	—	—	—	—	—	—
6	Other forms	—	—	—	—	—	—	—	—
7	**MB Management function**	**1,725**	**665**	**1,060**	**—**	**—**	**—**	**665**	**546**
8	Cash-based	608	119	489	—	—	—	119	—
9	Shares or equivalent ownership interests	1,117	546	571	—	—	—	546	546
10	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
11	Other instruments	—	—	—	—	—	—	—	—
12	Other forms	—	—	—	—	—	—	—	—
13	**Other senior management**	**3,034**	**1,360**	**1,674**	**—**	**—**	**—**	**1,360**	**1,183**
14	Cash-based	796	177	619	—	—	—	177	—
15	Shares or equivalent ownership interests	2,238	1,183	1,055	—	—	—	1,183	1,183
16	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
17	Other instruments	—	—	—	—	—	—	—	—
18	Other forms	—	—	—	—	—	—	—	—
19	**Other identified staff**	**2,575**	**1,269**	**1,306**	**—**	**—**	**—**	**1,269**	**1,074**
20	Cash-based	787	195	592	—	—	—	195	—
21	Shares or equivalent ownership interests	1,788	1,074	714	—	—	—	1,074	1,074
22	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
23	Other instruments	—	—	—	—	—	—	—	—
24	Other forms	—	—	—	—	—	—	—	—
25	**Total amount**	**7,334**	**3,294**	**4,040**	**—**	**—**	**—**	**3,294**	**2,803**

Note: There were no adjustments made to deferred remuneration and no adjustments due to ex post implicit adjustments in the year.

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

Table 40: EU REM4 - Remuneration of 1 million EUR or more per year

	At 31 December 2022 (€s)	Identified staff that are high earners as set out in Article 450(i) CRR
1	1,000,000 to below 1,500,000	—
2	1,500,000 to below 2,000,000	1
3	2,000,000 to below 2,500,000	1
4	2,500,000 to below 3,000,000	—
5	3,000,000 to below 3,500,000	—
6	3,500,000 to below 4,000,000	—
7	4,000,000 to below 4,500,000	—
8	4,500,000 to below 5,000,000	—
9	5,000,000 to below 6,000,000	—
10	6,000,000 to below 7,000,000	—
11	7,000,000 to below 8,000,000	—

Table 41: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		Management body remuneration [1]			Business areas						
	At 31 December 2022 (€000s)	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**78**
2	Of which: members of the MB	8	6	14							
3	Of which: other senior management				21	—	—	1	—	3	
4	Of which: other identified staff				8	—	—	10	21	—	
5	**Total remuneration of identified staff**	472	3,441	3,913	10,690	—	—	2,505	4,047	616	
6	Of which: variable remuneration	—	770	770	2,577	—	—	553	767	65	
7	Of which: fixed remuneration	472	2,671	3,143	8,113	—	—	1,952	3,280	551	

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

Restitution risk

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

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

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

Strategic risk

Strategic risk is defined as the risk arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the financial industry and operating environment. Strategic and/ or business risks may also arise from the acceptance of new businesses, the introduction or modification of products, strategic finance and risk management decisions, business process changes, complex transactions, acquisitions/ divestitures/ joint ventures and major capital expenditures/ investments.

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

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

Group risk

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

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

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

Model risk

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

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

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

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

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

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

Appendix 2 - Glossary of terms

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

Acronym	Description
ABS	Asset-Backed Securities
ACPR	Autorite de Controle Prudentiel et de Resolution
AFR	Available Financial Resources
AIF	Alternative Investment Fund
ALCO	Asset and Liability Committee
ALM	Asset Liability Management
AML	Anti-Money Laundering
AS	Asset Servicing
AT1	Additional Tier 1
AUC	Assets Under Custody
BAC	Business Acceptance Committee
BAU	Business as usual
BaFin	Federal Financial Supervisory Authority / Bundesanstalt fur Finanzdienstleistungsaufsicht
BDAS	Broker-Dealer and Advisory Services
BDF	Banque De France
BEMCO	Belgium Management Council
BI	Banca D'Italia
BNY Mellon	The Bank of New York Mellon Corporation
BNY Mellon SA/NV	The Bank of New York Mellon SA/NV
BNY Mellon TDUKL	BNY Mellon Trust & Depositary (UK) Limited
BNYIFC	BNY International Financing Corporation
BNY Mellon	BNY Mellon Service

Acronym	Description
KG	Kapitalanlage-Gesellschaft mbH
BRC	Business Risk Committee
CASS	Client Asset Sourcebook Rules
CBI	Central Bank of Ireland
CCF	Credit Conversion Factor
CEO	Chief Executive Officer
CEF	Critical Economic Function
CET1	Common Equity Tier 1
CGB	CASS Governance Body
CIS	Collective Investment Scheme
CMA	Capital Market Authority
COC	Compensation Oversight Committee
COOC	CASS Operational Oversight Committee
COREP	Common Reporting
CQS	Credit Quality Steps
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CROC	Credit Risk Oversight Committee
CRR	Capital Requirements Regulation
CSD	Client Service Delivery
CSRSFI	Committee for Systemic Risks and System-relevant Financial Institutions
CSSF	Commission de Surveillance du Secteur Financier
CSTC	Capital and Stress Testing Committee
CT	Corporate Trust

Acronym	Description
CTS	Client Technology Solutions
DB	Deutsche Bank
DNB	De Nederlandsche Bank
DVP	Delivery versus Payment
EAD	Exposure at default
EC	European Commission
ECL	Expected Credit Losses
ECAP	Economic Capital
ECB	European Central Bank
ECM	Embedded Control Management
EEC	EMEA Executive Committee
EHQLA	Extremely High Quality Liquid Assets
EMEA	Europe, Middle East and Africa
ERGC	EMEA Remuneration Governance Committee
ESRMC	EMEA Senior Risk Management Committee
EU	European Union
EUR	Euro
EWI	Early Warning Indicators
ExCo	Executive Committee
FCA	Financial Conduct Authority
FMUs	Financial market utilities
FRS	Financial Reporting Standard
FSMA	Financial Services and Markets Authority
FX	Foreign Exchange
G-SIFI	Global Systemically Important Financial Institution
GCA	Global Custody Agreement
GSP	Global Securities Processing
HQLA	High Quality Liquid Assets
HRCC	Human Resources Compensation Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICA	Internal Capital Assessment
ICAAP	Internal Capital Adequacy Assessment Process
ICRC	Incentive Compensation Review Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILG	Individual Liquidity Guidance
IRRBB	Interest Rate Risk on Banking Book
IMMS	International Money Management System
ISDA	International Swaps and Derivatives Association
ISM	Investment Services and Markets
IT	Information Technology
KRI	Key Risk Indicator
KYC	Know your customer

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

The following terms may be used in this document:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk Identification ('Risk ID'): An assessment of the quality of controls in place to mitigate risk and residual risk. Residual risk is assessed as high, moderate to high, moderate, moderate to low and low with direction anticipated

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix 3 - CRR II references

CRR II ref.	Requirement summary	Compliance ref. applicable at 31 December 2022	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosures	7
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	N/A	N/A
431 (3)	The management body shall adopt formal policies to comply with the disclosure requirements. At least one member of the management body shall attest in writing.	Attestation Statement	4
431 (4)	Quantitative disclosures shall be accompanied by a qualitative narrative that may be necessary in order for the users of that information to understand the quantitative disclosures.	Qualitative narrative included where necessary.	N/A
431 (5)	Explanation of ratings decision upon request.	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450).	1.2 Article 432 CRR II - Non-material, proprietary or confidential information	7
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected (except Articles 437 and 450).		
432 (3)	Where 432(1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed.		
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, on the same date of the publication of the financial statements. Semi-annual and quarterly disclosures shall be published on the same date as the financial reports for the period where applicable.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosures	7
433 (a)	Large institutions shall disclose the information outlined in this article on an annual, semi-annual and quarterly basis as applicable.		
433 (b)	Small and non-complex institutions shall disclose the information outlined in this article on an annual and semi-annual basis as applicable.	N/A	N/A
433 (c)	Institutions that are not subject to Article 433(a) or 433(b) shall disclose the information outlined in this article on an annual and semi-annual basis as applicable.	N/A	N/A
Means of disclosure			
434 (1)	Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosures	7
434 (2)	Institutions shall make available on their website an archive of the information required to be disclosed in accordance with this Part.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosures	7
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies.	4 Article 435 CRR II - Risk management objectives and policies	28
435 (1) (a)	Strategies and processes to manage those categories of risks.	4.1 Risk objectives	30
435 (1) (b)	Structure and organisation of the risk management function.	4.2 Risk governance	30
435 (1) (c)	Scope and nature of risk reporting and measurement systems.	4.1 - 4.8	30
435 (1) (d)	Policies for hedging and mitigating risk.	4.3 - 4.8, 12.3-12.4	35
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements.	1 Article 431 CRR II - Disclosure requirements and policies	5
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy.	Risk statement	28
435 (2) (a)	Number of directorships held by directors.	4.2 Risk governance	30
435 (2) (b)	Recruitment policy of Board members, their experience and expertise.	4.2 Risk governance	30
435 (2) (c)	Policy on diversity of Board membership and results against targets.	4.2 Risk governance	30
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	4.2.1 - 4.2.3	30
435 (2) (e)	Description of information flow on risk to Board.	4.2.1 - 4.2.3	30
Scope of application			
436 (a)	The name of the institution to which this Regulation applies.	Executive summary	4
436 (b)	A reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation.	N/A - There are no differences in scope.	N/A
436 (c)	A breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation broken down by type of risk.	Table 4: EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories	20
436 (d)	A reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation, and the exposure amount used for regulatory purposes.	Table 5: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements	22
436 (e)	For exposures from the trading book and the non-trading book adjusted in accordance with Article 34 and Article 105, a breakdown of the constituent elements of an institution’s prudent valuation adjustment, by types of risk.	Table 3: EU CC2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements	20
436 (f)	Current or expected material impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries.	N/A - No impediment exists.	N/A

436 (g)	Aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of those subsidiaries.	All entities in scope of consolidation are appropriately capitalised.	N/A
436 (h)	Where applicable, the circumstance under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.	N/A	N/A
Own funds			
437 (a)	Full reconciliation of Common Equity Tier 1 (CET1) items.	Table 3: EU CC2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements	20
437 (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments.	Table 6: EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments	22
437 (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments.	Appendix 4 - Capital instruments terms and conditions	120
437 (d) (i) 437 (d) (ii) 437 (d) (iii)	Each prudent filter applied. Each deduction made. Items not deducted.	Table 2: EU CC1 Composition of regulatory own funds	17
437 (e)	Description of all restrictions applied to the calculation of Own Funds.	N/A - No restrictions apply.	N/A
437 (f)	Explanation of the basis of calculating capital ratios using elements of Own Funds.	N/A - Capital ratios are calculated in accordance with CRR II.	N/A
Own funds and eligible liabilities			
437a (a)	Institutions that are subject to Article 92a or 92b shall disclose the composition of their own funds and eligible liabilities, their maturity and their main features.	Table 7: EU ILAC Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	23
437a (b)	The ranking of eligible liabilities in the creditor hierarchy.	N/A - Only applicable at individual disclosure level.	N/A
437a (c)	The total amount of each issuance of eligible liabilities instruments.	Table 7: EU ILAC Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	23
437a (d)	The total amount of excluded liabilities.		
Own funds requirements and risk weighted exposure amounts			
438 (a)	Summary of institution’s approach to assessing adequacy of capital levels.	4.6 Risk assessment methodology and reporting systems	37
438 (b)	The amount of the additional own funds requirements based on the supervisory review process.	Table 1: EU KM1 Key metrics template	12
438 (c)	Result of ICAAP on demand from authorities.	N/A	N/A
438 (d)	The total risk-weighted exposure amount and the corresponding total own funds requirement.	Table 8: EU OV1 Overview of total risk exposure amounts	26
438 (e)	The on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending.	N/A	N/A
438 (f)	The exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds.	N/A	N/A
438 (g)	The supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate.	N/A	N/A
438 (h)	The variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	N/A	N/A
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439 (b)	Discussion of process to secure collateral and establishing reserves.	7.2 Collateral valuation and management	70
439 (c)	Discussion of management of wrong-way exposures.	7.5 Wrong-way risk	71
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	N/A - A credit ratings downgrade is managed at the BNY Mellon Corp level.	N/A
439 (e)	The amount of segregated and unsegregated collateral received and posted.	Table 20: EU CCR5 Composition of collateral for CCR exposures	73
439 (f)	Exposure values before and after the effect of the credit risk mitigation of derivative transactions.	Table 18: EU CCR1 Analysis of CCR exposure by approach	72
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439 (h)	The exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge.	Table 21: EU CCR2 Transactions subject to own funds requirements for CVA risk	74
439 (i)	Exposure value to central counterparties and the associated risk exposures.	N/A	N/A
439 (j)	The notional amount and fair value of credit derivative transactions.	N/A	N/A
439 (k)	Estimate of alpha, if applicable.	N/A	N/A
439 (l)	Separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452.	Table 19: EU CCR3 Standardised approach – CCR exposures by regulatory exposure class and risk weights	73
439 (m)	For institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business	Table 18: EU CCR1 Analysis of CCR exposure by approach	72

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Indicators of global systemic importance			
441	Disclosure of the indicators of global systemic importance.	N/A	N/A
Credit risk adjustments			
442 (a)	Disclosure of bank's scope and definitions of past due and impaired.	5.7 Analysis of past due and impaired exposures	61
442 (b)	Approaches for calculating specific and general credit risk adjustments.	5.7 Analysis of past due and impaired exposures	61
442 (c)	Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures.	5.6 Analysis of credit risk	61
442 (d)	An ageing analysis of accounting past due exposures.	N/A	N/A
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442 (f)	Changes in the gross amount of defaulted on- and off-balance-sheet exposures.	Table 12: EU CR1 Performing and non-performing exposures and related provisions	65
442 (g)	The breakdown of loans and debt securities by residual maturity.	Table 11: EU CR1-A Maturity of exposures	64
Unencumbered assets			
443	Institutions shall disclose information concerning their encumbered and unencumbered assets.	9 Article 443 CRR II - Encumbered and unencumbered assets	75
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444 (a)	Names of the ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes.	6 Article 444 CRR II - Use of the Standardised Approach	67
444 (b)	Exposure classes associated with each ECAI.	N/A	N/A
444 (c)	Explanation of the process for translating external ratings into credit quality steps.	N/A - Translation and mapping is as per the guidance in Articles 135-141 of CRR II.	N/A
444 (d)	Mapping of external rating to credit quality steps.	N/A - Translation and mapping is as per the guidance in Articles 135-141 of CRR II.	N/A
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step.	Table 16: EU CR5 Standardised approach	69
Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	10 Article 445 CRR II - Exposure to market risk	77
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446 (a)	The approaches for the assessment of own funds requirements for operation risk that the institution qualifies for.	11 Article 446 CRR II - Operational risk management	79
446 (b)	A description of the methodology set out in Article 312(2), including a discussion of the relevant internal and external factors considered in the institution's advanced measurement approach.	N/A	N/A
446 (c)	In the case of partial use, the scope and coverage of the different methodologies used.	N/A	N/A
Key metrics			
447 (a)	Composition of own funds and own funds requirements.	Table 1: EU KM1 Key metrics template	12
447 (b)	The total risk exposure amount.		
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447 (d)	Combined buffer requirement which the institutions are required to hold.		
447 (e)	Leverage ratio and the total exposure measure.		
447 (f) (i)	Twelve months averages of the liquidity coverage ratio for each quarter.		
447 (f) (ii)	Twelve months averages of total liquid assets for each quarter.		
447 (f) (iii)	Twelve months averages of the liquidity outflows, inflows and net liquidity outflows for each quarter.		
447 (g) (i)	The net stable funding ratio at the end of each quarter		
447 (g) (ii)	The available stable funding at the end of each quarter		
447 (g) (iii)	The required stable funding at the end of each quarter		
447 (h)	Own funds and eligible liabilities ratios and their components, numerator and denominator	Table 7: EU ILAC Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	23
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448 (1) (a)	The changes in the economic value of equity calculated under supervisory shock scenarios.	Table 28: EU IRRBB1 Interest rate risks of non-trading book activities	87
448 (1) (b)	The changes in the net interest income calculated under supervisory shock scenarios.		
448 (1) (c)	A description of key modelling and parametric assumptions.		
448 (1) (d)	An explanation of the significance of the risk measures.	12 Article 448 CRR II - Exposures to interest rate risk on positions not held in the trading book	83
448 (1) (e) (i)	A description of the specific risk measures that are used to evaluate changes economic value of equity and net interest income.		
448 (1) (e) (ii)	A description of the key modelling and parametric assumptions used where they differ from the provisions of Article 448(1)(c).	12.1 Identification and measurements	83

448 (1) (e) (iii)	A description of the interest rate shock scenarios used to estimate the interest rate risk	12.2 Scenarios and risks tested	84
448 (1) (e) (iv)	The effect of hedges against interest rate risks.	12.3 IRRBB management and hedging	85
448 (1) (e) (v)	An outline of how often the evaluation of the interest rate risk occurs.	12.4 Risk management and mitigation techniques	86
448 (1) (f)	The description of the overall risk management and mitigation strategies.	12.3 IRRBB management and hedging	85
448 (1) (g)	Average and longest repricing maturity assigned to non-maturity deposits.	Table 28: EU IRRBB1 Interest rate risks of non-trading book activities	87
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 shall not apply to institutions that use the standardised methodology or the simplified standardised methodology.	N/A	N/A
Exposures to securitisation positions			
449 (a)	A description of the institution's securitisation and re-securitisation activities including risk management and investment objectives, their role and whether the institution uses STS, and the extent of credit risk transfers to third parties	13 Article 449 CRR II - Exposures to securitisation positions	88
449 (b)	The type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions		
449 (b) (i)	The risk retained in own-originated transactions	N/A	N/A
449 (b) (ii)	The risk incurred in relation to transactions originated by third parties	13 Article 449 CRR II - Exposures to securitisation positions	88
449 (c)	Their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities.		
449 (d)	A list of SSPEs, with a description of their types of exposures to those SSPEs, including derivative contracts:	N/A	N/A
449 (d) (i)	SSPEs which acquire exposures originated by the institutions.	N/A	N/A
449 (d) (ii)	SSPEs sponsored by the institutions.	N/A	N/A
449 (d) (iii)	SSPEs and other legal entities for which the institutions provide securitisation-related services	N/A	N/A
449 (d) (iv)	SSPEs included in the institutions' regulatory scope of consolidation;	N/A	N/A
449 (e)	A list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three	N/A	N/A
449 (f)	A list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions.	N/A	N/A
449 (g)	A summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions.	13 Article 449 CRR II - Exposures to securitisation positions	88
449 (h)	The names of the ECAIs used for securitisations and the types of exposure for which each agency is used.		
449 (i)	Where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three.	N/A	N/A
449 (j)	Separately for the trading book and the non-trading book, the carrying amount of securitisation exposures.	Table 29: EU-SEC1 Securitisation exposures in the non-trading book	89
449 (k) (i)	For the non-trading book activities, the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches.	N/A	N/A
449 (k) (ii)	The aggregate amount of securitisation positions where institutions act as investor and the associated riskweighted assets and capital requirements by regulatory approaches.	Table 30: EU-SEC4 Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	90
449 (l)	For exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	N/A	N/A
Environmental, social and governance risks (ESG risks)			
449a	Large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, shall disclose information on ESG risks, including physical risks and transition risks.	4.9 Climate and environmental related disclosures	45
Remuneration policy			
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy.	16.1 Governance	103
450 (1) (b)	Information about the link between pay of the staff and their performance.	16.2 Aligning pay with performance	104
450 (1) (c)	Important design characteristics of the remuneration system.	16.1 Governance	103
450 (1) (d)	The ratios between fixed and variable remuneration.	16.5 Ratio between fixed and variable pay	105
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based.	16.6 Deferral policy and vesting criteria	105
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits.		
450 (1) (g)	Aggregate quantitative information on remuneration by business area.	Table 41: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	109
450 (1) (h) 450 (1) (h) (i) 450 (1) (h) (ii) 450 (1) (h) (iii) 450 (1) (h) (iv) 450 (1) (h) (v) 450 (1) (h) (vi) 450 (1) (h) (vii)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile	16.8 Quantitative disclosures	106

450 (1) (i)	Number of individuals that have been remunerated EUR 1 million or more per financial year.	Table 40: EU REM4 - Remuneration of 1 million EUR or more per year	109
450 (1) (j)	Upon demand from the relevant Member State or competent authority, the total remuneration for each member of management or senior management.	N/A	N/A
450 (1) (k)	Information on whether the institution benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU.	N/A	N/A
450 (2)	For large institutions, quantitative information on the remuneration of the collective management body shall be made available to the public, differentiating between executive and non-executive members.	N/A	N/A
Leverage ratio			
451 (1) (a)	Leverage ratio.	Table 32: EU LR2 Leverage ratio common disclosure	92
451 (1) (b)	Breakdown of total exposure measure.	Table 31: EU LR1 Summary reconciliation of accounting assets and leverage ratio exposures	92
451 (1) (c)	Where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7);	Table 32: EU LR2 Leverage ratio common disclosure	92
451 (1) (d)	Description of the process used to manage the risk of excessive leverage.	N/A	N/A
451 (1) (e)	Description of the factors that had an impact on the leverage ratio.	Table 32: EU LR2 Leverage ratio common disclosure	92
451 (2)	Public development credit institutions shall disclose the leverage ratio without the adjustment to the total exposure measure.	N/A	N/A
451 (3)	Large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).	Table 32: EU LR2 Leverage ratio common disclosure	92
Liquidity requirements			
451a (1)	Disclose information on liquidity coverage ratio, net stable funding ratio and liquidity risk management.	15 Article 451a CRR II - Liquidity requirements	95
451a (2) (a)	The average of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period.	Table 34: EU LIQ1 Quantitative information of LCR	97
451a (2) (b)	The average of total liquid assets based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer.		
451a (2) (c)	The averages of liquidity outflows, inflows and net liquidity outflows, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.		
451a (3) (a)	Quarter-end figures of the net stable funding ratio for each quarter of the relevant disclosure period.	Table 36: EU LIQ2 Net Stable Funding Ratio	99
451a (3) (b)	An overview of the amount of available stable funding.		
451a (3) (c)	An overview of the amount of required stable funding.		
451a (4)	Disclosure of the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor liquidity risk.	15 Article 451a CRR II - Liquidity requirements	95
Use of the IRB approach to credit risk			
452 (a)	The competent authority's permission of the approach.	N/A	N/A
452 (b)	The mechanisms for rating systems at the different stages of development, controls and change.	N/A	N/A
452 (c)	For each exposure class referred to in Article 147, the percentage of the total exposure value subject to the Standardised Approach or to the IRB approach.	N/A	N/A
452 (d)	The role of the functions involved in the development, approval and subsequent changes of the credit risk models.	N/A	N/A
452 (e)	The scope and main content of the reporting related to credit risk models.	N/A	N/A
452 (f)	A description of the internal ratings process by exposure class, including the number of key models used and a brief discussion of the main differences between the models.	N/A	N/A
452 (g)	As applicable, information relating to each exposure class referred to in Article 147.	N/A	N/A
452 (h)	Institutions' estimates of PDs against the actual default rate for each class over a longer period.	N/A	N/A
Use of credit risk mitigation techniques			
453 (a)	Use of on- and off-balance sheet netting.	7.1 Netting	70
453 (b)	How collateral valuation is managed.	7.2 Collateral valuation and management	70
453 (c)	Description of types of collateral used.	7.3 Collateral types	70
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	N/A - BNY Mellon's EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures.	7.6 Credit concentration risk	71
453 (f)	Under either the Standardised or IRB approach, disclose the exposure value not covered by any eligible credit protection and the total exposure valued covered by eligible credit protection.	Table 17: EU CR3 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	71

453 (g)	Conversion factors and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect.	Table 15: EU CR4 Standardised approach – Credit risk exposure and CRM effects	68
453 (h)	Under the Standardised approach, the on- and off-balance-sheet exposure value by exposure class before and after conversion factors and any associated credit risk mitigation.		
453 (i)	Under the Standardised approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying conversion factors and credit risk mitigation, for each exposure class.		
453 (j)	For risk-weighted exposure amounts under the IRB approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives.	N/A	N/A
Use of the Advanced Measurement Approaches to operational risk			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	N/A Pillar 1 : standardised approach Pillar 2 : self-assessment approach	N/A
Use of internal market risk models			
455	Institutions calculating their capital requirements using internal market risk models.	N/A	N/A
Commission Implementing Regulation (EU) No 1423/2013			
Article 1	Specifies uniform templates for the purposes of disclosure.	N/A	N/A
Article 2	Full reconciliation of own funds items to audited financial statements.	2 Article 436/437/437a CRR II - Scope of application, Own funds, Eligible liabilities	16
Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III).	Table 6: EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments	22
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V).	Table 2: EU CC1 Composition of regulatory own funds	17
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII).		
Article 6	Entry into force from 31 March 2014.	N/A	N/A

Appendix 4 - Capital instruments terms and conditions

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

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

VAT BE 0806.743.159 RLE Brussels

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

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

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

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

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

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

COORINATED VERSION OF THE ARTICLES OF ASSOCIATION

TITLE ONE - LEGAL FORM

ARTICLE 1 - NAME

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

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

ARTICLE 2 - REGISTERED OFFICE

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

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

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

ARTICLE 3 - PURPOSE

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

ARTICLE 4 - TERM

The company is incorporated for an indefinite term.

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

TITLE TWO - CAPITAL - SHARES

ARTICLE 5 - CAPITAL

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

ARTICLE 6 - MODIFICATION OF CAPITAL

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

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

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

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

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

ARTICLE 7 - CALLS ON SHARES

Calls for funds are determined by the board itself.

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

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

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

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

ARTICLE 8 - AUTHORIZED CAPITAL

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

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

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

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

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

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

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

ARTICLE 9 - AMORTIZATION OF CAPITAL

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

TITLE THREE - SHARES

ARTICLE 10 - NATURE OF THE SHARES

The shares are registered.

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

The transfer of shares is not subject to any restriction.

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

ARTICLE 11 - ISSUE OF BONDS

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

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

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

ARTICLE 12 - SHARES WITHOUT VOTING RIGHTS

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

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

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

TITLE FOUR - MANAGEMENT AND SUPERVISION

ARTICLE 13 - COMPOSITION OF THE BOARD OF DIRECTORS

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

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

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

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

ARTICLE 14 - VACANCY

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

ARTICLE 15 - CHAIR

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

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

ARTICLE 16 - MEETINGS

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

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

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

ARTICLE 17 - COMPANY SECRETARY

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

ARTICLE 18 - DELIBERATIONS

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

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

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

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

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

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

ARTICLE 19 - MINUTES

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

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

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

ARTICLE 20 - POWERS OF THE BOARD

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

ARTICLE 21 - ADVISORY COMMITTEES

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

ARTICLE 22 - EXECUTIVE COMMITTEE

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

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

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

The board of directors must supervise this committee.

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

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

ARTICLE 23 - DAILY MANAGEMENT

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

ARTICLE 24 - SPECIAL DELEGATES

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

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

ARTICLE 25 - REPRESENTATION - OFFICIAL DEEDS AND LEGAL ACTIONS

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

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

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

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

ARTICLE 26 - CONTROL

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

TITLE FIVE - GENERAL MEETINGS OF SHAREHOLDERS

ARTICLE 27 - COMPOSITION AND POWERS

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

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

ARTICLE 28 - MEETING

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

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

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

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

ARTICLE 29 - CONVENING NOTICES

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

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

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

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

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

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

ARTICLE 30 - ADMISSION TO THE MEETING

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

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

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

ARTICLE 31 - REPRESENTATION

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

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

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

ARTICLE 32 - BUREAU

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

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

ARTICLE 33 - POSTPONEMENT OF THE MEETING

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

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

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

ARTICLE 34 - RIGHT TO VOTE

Each share gives right to one vote.

ARTICLE 35 - DELIBERATION OF THE SHAREHOLDERS' MEETING

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

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

ARTICLE 36 - SPECIAL MAJORITY

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

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

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

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

ARTICLE 37 - MINUTES

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

TITLE SIX - ANNUAL ACCOUNTS - DISTRIBUTION

ARTICLE 38 - FINANCIAL YEAR

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

ARTICLE 39 - VOTE 0N THE ANNUAL ACCOUNTS

The annual shareholders' meeting decides on the annual accounts.

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

ARTICLE 40 - DISTRIBUTION

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

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

ARTICLE 41 - PAYMENT OF DIVIDENDS

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

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

TITLE SEVEN - DISSOLUTION AND LIOUIDATION

ARTICLE 42 - LIQUIDATION

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

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

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

ARTICLE 43 - DISTRIBUTION

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

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

TITLE EIGHT - GENERAL PROVISIONS

ARTICLE 44 - ELECTION OF DOMICILE

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

ARTICLE 45 - JURISDICTION

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

ARTICLE 46 - LEGAL PROVISIONS

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

For lawful co-ordination on [•l

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

21 juin

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