BNY MELLON

The Bank of New York Mellon SA/NV

ANNUAL ACCOUNTS

December 31, 2023

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KEY FINANCIAL FIGURES & LETTER FROM THE CEO

This is a summary of the key figures extracted from the consolidated financial statements disclosed from page 78 onwards.

	2023 In € '000	2022 In € '000
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME		
Net interest income	218,432	86,641
Net fee and commission income	553,085	558,809
Profit before taxes from continuing operations	**458,831**	**356,400**
NET PROFIT FOR THE YEAR	**372,904**	**307,413**

	2023 In € '000	2022 In € '000
ASSETS		
Cash and cash balances with central banks	21,096,199	18,493,927
Derivative financial instruments	692,754	1,131,799
Loans and advances to customers	5,367,936	7,643,466
Investment securities	11,729,241	12,267,531
Other assets	565,833	515,944
Property, plant and equipment	36,947	42,228
Goodwill and other intangible assets	58,748	63,130
Tax assets	111,235	175,618
TOTAL ASSETS	**39,658,893**	**40,333,643**
LIABILITIES		
Derivative financial instruments	738,266	1,338,777
Financial liabilities measured at amortized cost	34,393,736	35,012,697
Other liabilities	406,138	389,996
Provisions	59,969	110,522
Tax liabilities	49,867	36,079
TOTAL LIABILITIES	**35,647,977**	**36,888,072**
TOTAL EQUITY	**4,010,916**	**3,445,572**
TOTAL LIABILITIES AND EQUITY	**39,658,893**	**40,333,643**
CLIENT ASSETS		
Assets under custody (€ trillions)	3.1	2.8
TOTAL	**3.1**	**2.8**
PERSONNEL		
Number of employees (full time employee equivalent)		
In Belgium	*366*	*482*
Abroad	*1,332*	*1,104*
TOTAL	**1,698**	**1,586**

Letter from the CEO

We are a global custodian and fund servicing entity to our clients based in the European Union ("EU") countries and the European Free Trade Association ("EFTA") countries. We offer Securities Services (Asset Servicing and Issuer Services) and Market and Wealth Services (Clearance and Collateral Management, and Markets). We operate through our headquarters in Belgium and our branch network in Denmark, France, Germany, Ireland, Italy, Luxembourg, Poland, The Netherlands and Spain.

We service banks, broker-dealers, insurance companies, asset owners, investment managers and large corporates. With our breadth of experience, technological leadership, and Data and Platform Solutions we meet the needs of all institutional clients in the region.

The mindset of the company in everything we do is driven by three strategic pillars. These have been set for us to drive higher growth, improve margins and unlock our potential:

- **Be more for our clients**: which is all about delivering more to our existing clients, winning market share and developing new and connecting adjacent products.
- **Run our company better**: by simplifying processes, embracing platforms and new technologies, and prioritising resiliency.
- **Power our culture**: which we do by investing in our people, elevating the experience and sense of belonging, and be a top talent destination.

Looking back at 2023:

As we focus on increasing efficiency in Europe, we established a non-client contracting branch in Wroclaw/Poland, which has been active since April 2023 by moving certain utilities and business partner activities to the new branch. This allowed us to also internalize activities that were before outsourced to other group entities. Opening this branch enabled us to increase substance of our European Bank, become more cost-efficient and attractive as an employer. It is one of the strategic growth locations of the company which, at December 31, 2023, employed almost 300 employees.

Throughout 2023 a dedicated team worked on the future of our German KVG subsidiary. In order to improve the commercials, further streamline the legal entity structure of the European Bank and align the German operating model with those of other European Bank branches, the company decided to sell parts of the business to a client and partner of the firm, and to transfer the remaining activities to the Frankfurt branch of the European Bank. (note: as of February 1, 2024 this subsidiary KVG merged into the European Bank)

For the group, our European Bank remains a key component of the ambitious international growth strategy as a gateway to Europe. We are a contracting entity for business lines within the group such as Asset Servicing, Markets, Issuer Services and Clearance and Collateral Management. The European Bank is also the group’s sub-custody bank providing access to TARGET2-Securities, the securities settlement platform within the EU.

Our financial results remained resilient and our balance sheet remained stable which amounted to €39.6billion as at year end 2023 (€40.3billion as of end-of-year 2022). The European Bank generated €1.2billion in revenues and a Pre-Tax Income (“PTI”) from continuing operations of €459million (compared to a PTI of €356million in 2022). We achieved a return on equity of 10.2% (vs 9.8% in 2022). The increase is mainly attributed to stronger net interest revenues and swap results (+€90.8million), higher gain from hedge transactions (+€27.8million), lower loss from sales of fair value through other comprehensive income ("FVOCI") debt instruments (+€10.3million), lower contribution to the Single Resolution Fund (+€8.1 million) and lower expected credit losses (+€5.5million).

The increase is partially offset by lower net recovery of a German withholding tax claim provision, originally recorded in 2019, higher personal expenses (including net impact from restructuring costs) (-€14.3million), lower fee and commission income (-€9.6million, excluding a restructuring cost recharge to BNY Mellon head office), lower profit from discontinued operations (-€6.0million), and higher tax expense (-€31.0million).

The European Bank is strongly capitalized with total regulatory capital of €3,931million on 31 December 2023 (vs €3,360million in 2022). Our common equity tier 1 ratio and total capital ratio is 82.6% (vs 58.9% on 31 December 2022). The increase of the total regulatory capital ratio by +23.7% (relative change by +40.2%) results from the decrease in risk weighted assets (-15%) and from the increase in own funds (+17%) mainly due to inclusion of 2023 eligible profit and increase of accumulated other comprehensive income.

We are proud of our longstanding deep and enduring client partnerships in Europe and are grateful for the trust our clients have in us. This year BNY Mellon is celebrating its 240th birthday as a global financial services company at the center of the financial system. In Europe, we were able to celebrate 60 years of BNY Mellon in France last year. Many of our client relationships on the continent date back to the early 20th century.

I'd like to explicitly thank our employees across Europe for their commitment and engagement. They contribute to our success as well as our positive impact to our workforce and the communities through our Employee/Business-Resource Groups.

Together with our employees, the Executive team and the Board of Directors, we are excited to continue drive growth forward in 2024.

Sincerely,

Björn Storim,
CEO The Bank of New York Mellon SA/NV (European Bank)

REPORT OF THE BOARD OF DIRECTORS[1]

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

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

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

BNY Mellon is an NYSE listed financial holding company focusing its activities on Securities Services (Asset Servicing & Digital and Issuer Services), Market and Wealth Services (Clearance & Collateral Management, Markets and Treasury Services) and Investment & Wealth Management.

History

30/9/2008	The European Bank is incorporated as a Belgian public limited liability company.
10/3/2009	Banking license granted.
1/10/2009	Merger with BNY Mellon Asset Servicing BV leading to the creation of branches in Amsterdam, London, Frankfurt and Luxembourg and a representation office in Copenhagen.
1/10/2010	BNY Mellon acquired BHF Asset Servicing and FSKAG in Germany
1/6/2011	Merger with BNY Mellon Asset Servicing Gmbh. FSKAG becomes fully an owned subsidiary.
1/12/2011	Creation of the Paris branch.
12/2012	Status of Assimilated Settlement Institution (Custodian Bank) granted.
1/2/2013	Merger with The Bank of New York Mellon (Ireland) Limited, creating the Dublin branch.
1/04/2017	Merger with The Bank of New York Mellon (Luxembourg) S.A. leading to the integration of the activities of The Bank of New York Mellon (Luxembourg) S.A into the existing Luxembourg branch and the creation of a branch in Milan.
29/11/2019	Merger with BNY Mellon Trust Company (Ireland) Limited.
01/12/2020	Conversion of the Copenhagen representation office into a branch.
01/02/2021	Conversion of the Madrid representation office of The Bank of New York Mellon into a branch of European Bank
26/01/2023	Opening of the Wroclaw branch of the European Bank
04/07/2023	Closure of the London branch of the European Bank
01/02/2024	Merger between the European Bank and its German subsidiary KVG

Headquartered in Brussels, the European Bank distributes, through its branch network, products and services in the European Union (EU) countries (including the remaining European Economic Area (EEA) countries) and is BNY Mellon's largest banking subsidiary in the Europe, Middle-East and Africa (EMEA) region and focuses its activities on Asset Servicing, Issuer Services, Clearance & Collateral Management, Markets and Treasury Services. Its main activity is Asset Servicing, which is provided both to third party and to internal clients within BNY Mellon.

The European Bank is strategically important for BNY Mellon as it is the primary contracting entity for Securities Services in Europe. The European Bank is the custody bank for the EU and the distribution channel for business lines servicing our target market of Collective

Investment Schemes, Pensions, Banks and Corporates in the EU. The European Bank is providing global custodian services primarily to EEA based clients and the European Bank is the global custodian for BNY Mellon for the Target2 (direct) markets in the EU. The European Bank is also the servicing entity for Securities Services and Market & Wealth Services products for BNY Mellon. The European Bank operates through its headquarters in Brussels, a network of nine branches and two subsidiaries, one based in Germany (note: as of 1 February 2024 this German subsidiary merged with its parent, the European Bank and continues its activities in the Frankfurt branch of the European Bank) and one in Ireland. Any expansion across EU markets will be led through the expansion of the European Bank's branch network. In line with this and to support future growth, a non-contracting and non-deposit taking branch has been opened in the first quarter of 2023 in Wroclaw (Poland). Resources and funding over the next years will be dedicated to execute on regulatory driven initiatives, major corporate change programs and infrastructure developments.

Based on its Operating Model, BNY Mellon is favourably positioned to support its clients with stability and optionality through the European Bank in the EU, BNY Mellon International Limited in the UK, as well as through branches of BNY Mellon’s main banking entity, i.e.the US Institutional Bank.

The Securities Services' segment generates substantial operational cash balances that are managed by the Treasury of the European Bank that appropriately balances the risk/return rewards.

The client base of the European Bank consists of international institutional clients investing in or issuing financial assets. Main client segments are pension funds, insurance companies, financial institutions and asset managers.

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

In the context of the regular review and audit, the regulators are formulating recommendations and the European Bank is following up on these recommendations and has detailed plans to address them.

1.1. Business Model

The European Bank’s business model is consistent with the BNY Mellon’s business model in providing investment services across the entire investment lifecycle and being largely fee-driven.

More than 75% of the revenue is provided by non-interest fee income, providing a more annuity-like revenue stream that is less sensitive to stress scenarios. This results in a stable deposit base and revenue streams, even during periods of market stress. In addition, the European Bank experiences a low level of non-performing assets as a majority of its clients are large corporations and financial institutions. Furthermore, the European Bank is not active in lending but only in operational loans performed in the context of contractual settlement. Those exposures are covered through a lien on the assets. The European Bank balance sheet is characterized by highly liquid assets and a robust capital structure. Furthermore, the balance sheet is liability driven and managed in a way that ensures access to external funding sources at competitive rates if it would be required in a stress condition. Overall European Bank's business model is structured in a way that benefits from periods of global growth.

1.2. Services and Products

Asset Servicing & Digital

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 Retail Investment Solutions.

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

As of 31 December 2023, the European Bank had €3.1 trillion in Assets under Custody.

Corporate Trust

The European Bank offers Corporate Trust services, acting in a broad range of agency roles including, but not limited to registrar, issuing and paying agent, exchange agent, custodian and collateral/portfolio administration.

Depositary Receipts

The European Bank 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 & Collateral Management

International Clearance

International Clearance provides settlement and custody services for fixed- income and equity securities.

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.

Markets

Foreign Exchange

The European Bank provides foreign exchange (FX) services, which enable clients to achieve their investment, financing and cross-border objectives.

Liquidity Services and Segregation

The European Bank provides liquidity services (cash balances, reporting and, purchase and redemption of money market instruments), margin management services, segregation and valuation services, and collateral administration.

Securities Finance

The European Bank provides standard agency lending including Third Party lending, cash collateral reinvestment and agency investment products.

Treasury Services

The European Bank provides Relationship Management and Business Development, Global Client Support and Global Product Management Support.

European Bank provides these products to its international client base. European Bank clients contract with European Bank for all of the above services except Depositary Receipt Services and Treasury Services. For Depositary Receipt Services, European Bank only provides these to other legal entities within BNY Mellon. For Treasury Services, European Bank is providing relationship management services in its Brussels headquarters and Frankfurt, Madrid, Milan and Paris branches for clients contracting with The Bank of New York Mellon.

The drivers of various businesses within the European Bank are considered below.

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

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

2. External Factors Influencing the European Bank

2023 was a challenging year, being marked by high inflation, raising interests rates and geopolitical tensions.
To slow inflation, the ECB raised its deposit facility rate to 4.0% end of September 2023. The US Federal Reserve raised their federal funds rate four times in 2023 taking it to a range of 5.25%-5.50% end of July. Bank of England and other central Banks made similar rate hikes.
In this context, we 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 against Euro was 1.08 on average in 2023, in line with 2022 (1.07).

3. Business Evolution in 2023

3.1. Main Events

The European Bank successfully registered the brand-new branch in Wroclaw (Poland). The branch will deliver administrative and operational support services to the European Bank and other BNY Mellon legal entities. The Wroclaw branch officially opened in the first quarter of 2023, after a select group of existing employees in Poland had been transferred to the new legal entity. The branch opening will strengthen our European regional footprint and support the work of the European Bank. There will be no impact to the service provided to clients.

In July 2023, the London Branch of the European Bank was closed in the context of post-Brexit.

In 2023, the European Bank reduced 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 in the branches in The Netherlands and Germany. 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.

3.2. Analysis of Financial Figures

The net profit after tax of the European Bank amounted to €372.9 million in 2023, up +21% compared to the net income of €307.4 million in 2022, resulting in a positive 10.2% return on equity in 2023 (vs positive 9.8% in 2022). The increase is mainly attributed to stronger net interest revenues and swap results (+€90.8 million), higher gain from hedge transactions (+ €27.8 million), lower loss from sales of FVOCI debt instruments (+€10.3 million), lower contribution to the Single Resolution Fund (+€8.1 million), lower Expected Credit Losses (+ €5.5 million).

The increase is partially offset by lower net recovery of a German Withholding Tax claim provision, originally recorded in 2019, higher Personal Expenses (including net impact from restructuring costs) (-€14.3 million), lower Fee and Commission Income (-€9.6 million, excluding restructuring cost recharge to BNY Mellon head office), lower Profit from Discontinued Operations (-€6.0 million), and higher Tax Expense (-€31.0 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 (excluding restructuring cost recharge to BNY Mellon head office) has decreased by -3% compared to 2022. Third party Securities Servicing Fees have decreased by -4% (-€22.8 million) driven by lower Asset Servicing (-€14.5 million), lower

Issuer Services (-€7.9 million), lower Markets (-€2.1 million) and partially offset by higher Collateral Management (+€1.6 million). Intercompany Service Fee Income earned from other BNY Group entities has increased (+€14.3 million, excluding restructuring cost recharge to BNY Mellon head office) primarily driven by Collateral Management recharge (+€13.4 million), Corporate Trust recharge (+€8.4 million), Business Partners (+€5.6 million), partially offset by Asset Servicing (-€12.2 million),

In 2023, 30% of the non-interest income is coming from intercompany transactions, excluding restructuring cost recharge to BNY Mellon head office (2022: 28%).

Operating expenses (net of restructuring cost recharge to BNY Mellon head office) have decreased by -0.5% compared to 2022.

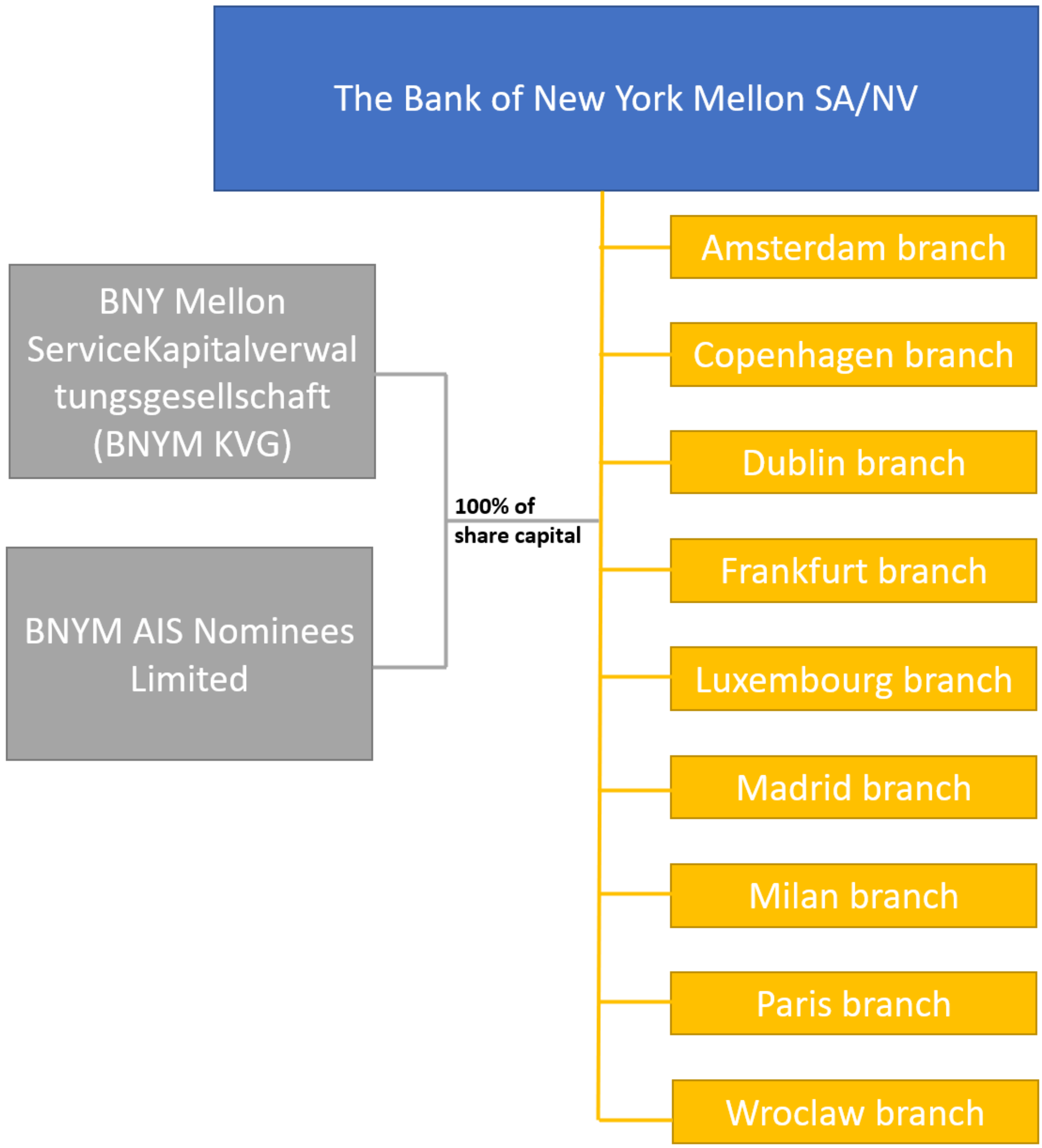
The balance sheet at spot have decreased by -2% at year-end compared to 2022, primarily driven by the reduction of the derivatives fair value and as well as reduction in client deposits.

The positive net results after tax has resulted in a positive return on assets of 0.9% in 2023 (vs positive 0.8% in 2022).

4. Structure and Corporate Governance

4.1. Structure of the European Bank

As at 31 December 2023 the European Bank has nine branches across Europe and two subsidiaries based in Germany and Ireland, while BNYM KVG subsidiary in Germany is consolidated and BNY Mellon AIS Nominees Limited in Ireland is a non-consolidated subsidiary. (Note: as of 1 February 2024, the German subsidiary KVG merged into the European Bank and since then continues its activities in the Frankfurt branch of the European Bank) The structure of the European Bank as per 31 December 2023 is shown below.



Shareholding Structure and the agenda of the General Meetings
The shareholder structure of the European Bank is given in the table below.

Shareholder Structure on 31 December 2023	*Number of ordinary shares*	*%*
The Bank of New York Mellon (BNY Mellon)	1,689,387	100.0000%

The Bank of New York Mellon (Institutional Bank) is located at 240 Greenwich Street, New York, New York 10286, United States, is a subsidiary of The Bank of New York Mellon Corporation (the group's holding company) and holds all shares of the European Bank. The annual meeting of shareholder of the European Bank is held each year on the last Tuesday of the month of May. The items on the agenda of the annual meeting of shareholders typically include:

- approval of the annual accounts and allocation of profits;
- review of directors' report and statutory auditor's report;
- appointment and resignation of directors;
- discharge of liability of directors and statutory auditor.

4.2. Composition and Activities of the Board and its Committees

The table below shows the members of the Board and its committees on 31 December 2023:

Name	*Position*
Non-Executive Directors	
Olivier Lefebvre	Independent Chair of the Board of Directors, Independent Member of the Audit Committee, Independent Chair of the Nomination and Environmental Social Governance Committee and Independent Member of the Remuneration Committee
Marie-Hélène Crétu	Independent Chair of the Audit Committee,Independent Member of the Remuneration Committee and Independent Member of the Risk Committee
Marcia Cantor-Grable	Independent Chair of the Risk Committee and Independent Member of the Audit Committee
Roderick Munsters	Independent Chair of the Remuneration Committee, Independent Member of the Risk Committee and Independent Member of the Nomination and Environmental Social Governance Committee
Hani Kablawi	Member of the Remuneration Committee and Member of the Risk Committee
Caroline Butler	Member of the Audit Committee and Member of the Nomination and Environmental Social Governance Committee
Senthilkumar Santhanakrishnan	Member of the Risk Committee
Executive Directors	
Björn Storim	Chief Executive Officer Chair of the Executive Committee
Eric Pulinx	Chief Financial Officer Deputy Chief Executive Officer Member of the Executive Committee
John Hennessy	Chief Risk Officer Member of the Executive Committee
Rachel Zahra	Chief Operating Officer Member of the Executive Committee

Changes in the composition of the Board and the Committees in 2023

During the year 2023, the main changes to the composition of the Board and its Committees of the European Bank were:

- As of 1 January 2023, Hedi Ben Mahmoud resigned as CRO and Executive Director.
- As of 1 April 2023, Annik Bosschaerts resigned as COO and Executive Director
- As of 31 May 2023, Marnix Zwartbol resigned as Head of Operations and Executive Director.
- On 1 October 2023, Rachel Zahra was appointed as COO and Executive Director
- On 22 December 2023, John Hennessy was appointed as CRO and Executive Director.

Report on the activities of the Board

The primary responsibilities of the Board of Directors 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 Directors of the European Bank include, but are not limited to:

- defining the general business strategy, objectives and values of Company in line with these of The Bank of New York Mellon;
- plan and monitor the implementation of the general business strategy, objectives and values within Company;
- fixing Company’s risk tolerance level and regularly reviewing and approving the strategies and policies relating to the taking, management, follow-up and mitigation of risks;
- supervising the management of Company’s significant risks and ensuring adequate resources are allocated to it;
- approving the capital adequacy position and ensuring changes in Company consider capital impacts;
- approving the recovery plan;
- approving the liquidity recovery plan;
- supervising effectively the Executive Committee and the decisions taken by the Executive Committee;
- drawing up annual and interim reports and accounts;
- assessing regularly (at least once per year) the efficiency of the internal organization and system of internal control of Company and its compliance with applicable laws and regulations;
- assessing the proper functioning of Company’s independent control functions (risk, internal audit and compliance); ensuring the integrity of the accounting and financial reporting systems and assessing regularly (at least once per year) the efficiency of the internal control structure, in particular regarding the financial reporting process;
- ensuring that Company’s internal governance - as translated into its Internal Governance Memorandum - is appropriate to its business, size and organization;
- approving the Internal Governance Memorandum and ensuring it is kept up-to-date and submitted to the supervisory authority;
- approving and reviewing regularly (at least once per year) Company’s remuneration policy, and supervising its implementation;
- selecting and evaluating the members of the Executive Committee and reviewing the process for the selection, evaluation, and development of other key managers (in particular the Chief Compliance Officer, Chief Internal Auditor);
- ensuring the succession planning for key managers;

- reviewing the Company's processes for protecting the Company's assets and reputation;
- approving policies and procedures as may be required by law or otherwise appropriate;
- reviewing the Company's processes for compliance with applicable laws, regulations and the internal policies including the Code of Conduct;
- overseeing the process of external disclosure and communications.

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

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

The Board may create advisory committees within the Board and under its responsibility in view of performing its responsibilities more efficiently. As at 31 December 2023, the Board had four advisory committees: the Audit Committee, the Risk Committee, the Nomination and Environmental Social Governance Committee and the Remuneration Committee. Those committees must be established by the Board in accordance with the requirements of the Belgian Banking Law.
The Audit Committee assists the Board in fulfilling its oversight responsibilities in respect of: (i) the integrity of the European Bank's financial reporting process and financial statements; (ii) the efficiency of the European Bank's internal control and risk management systems, (iii) the performance of the European Bank's internal audit function, and (iv) the statutory auditor's qualifications, independence, provision of additional services and performance.

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

The Nomination and Environmental Social Governance ('ESG') Committee (i) makes recommendations to the Board with respect to the nominations of Company's directors and the composition of the Board and its committees, (ii) oversees and assesses the overall governance of the Company and recommends any changes to the Board and (iii) oversees and assesses the ESG developments and impact thereof on the Company's governance and strategy.

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

The Executive Committee (“ExCo”) of European Bank has been established by the Board of the Directors in accordance with Article 24 of the Act of 25 April 2014 on the status and oversight of credit institutions and Article 7:104 of the Belgian Companies and Associations Code. The ExCo has been entrusted with the general management of 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 is responsible for running the general management of the European Bank within the strategy and the general policy 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 shall review corporate initiatives including strategic initiatives, financial performance, new business initiatives, policy changes, controls and organizational development. The ExCo has responsibility across all Lines of Business performed in or that impact the European Bank and its branches and subsidiaries.

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

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

4.3. External Functions Performed Outside of the Group

The following table provides an overview of the external functions performed outside of the BNY Mellon group by the directors (as at 31 December 2023):

Board member	Function at European Bank	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Non-Executive Directors							
Olivier Lefebvre	Independent Chair of the Board, Independent Member of the Audit and Remuneration Committees, Independent Chair of the Nomination and Environmental Social Governance Committee	Climact SA	Belgium	Environmental consultancy	N	Chair of the Board	N
		Ginkgo Management II SARL	Luxembourg	Real Estate Fund Management	N	Independent Director	N
		An Other look to efficiency SPRL	Belgium	Management company	N	Administrator	N
		Perma-Project SPRL	Belgium	Support to starters in Permaculture	N	Director	N
Marie-Hélène Crétu	Independent Chair of the Audit Committee, Independent member of the Remuneration and Risk Committees	CoDiese	France	Management company	N	President	N
		Global Reporting Company	United Kingdom	Finance consultancy	N	Director	N
Marcia Cantor-Grable	Independent Chair of the Risk Committee, Independent member of the Audit Committee	Modulr FS Ltd.	United Kingdom	E-money Institution	N	Independent Director	N
		Axa XL Insurance Company UK Limitd and AXA XL Underwriting Agencies Limited	United Kingdom	General Insurance	N	Independent Director	N
		Brown Shipley & Co., Ltd.	United Kingdom	Wealth Planning and Investment Management	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	Unibail-Rodamco-Westfield SE	France	Real Estate Company	Y	Independent Director	N
		Wisayah Global Investment Company	Saudi Arabia	Investment Company	N	Independent Director	N
		Athora Netherlands NV	The Netherlands	Insurance Company	N	Chair of the Supervisory Board	N
		Eindhoven Field Hockey Club Oranje Rood	The Netherlands	Sports club	N	Chairman of the Supervisory Board	N

Caroline Butler	Member of the Audit Committee and Member of the Nomination and Environmental Social Governance Committee	Access Fintech	USA	Fintech Company	N	Independent Director	N
		International Securities Services Association (ISSA)	Switzerland	Non-profit orgainsation	N	Director	N
Hani Kablawi	Member of the Remuneration Committee and of the Risk Committee	OMFIF Advisory Council	UK	Independent financial think tank for central banks and public investment	N	Deputy Chairman	N
		Quantum Wealth Holding SVP Limited (Alpheya)	Abu DHabi	Wealth Tech	N	Non-Executive Director	Y
Senthilkumar Santhanakrishnan	Member of the Risk Committee	Board of the American Heart Association	USA	non-profit organization	N	Director	N

Board member	Function at European Bank	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Executive Directors							
Björn Storim	Chief Executive Officer and Chair of the Executive	-	-	-	-	-	-
Eric Pulinx	Chief Financial Officer, Deputy Chief Executive Officer and Member of the Executive Committee	Delen Private Bank	Belgium	Credit institution	N	Independent director	N
		Finax	Belgium	Financial holding	N	Independent director	N
Rachel Zahra	Chief Operating Officer and Member of the Executive Committee	-	-	-	-	-	-
John Hennessy	Chief Risk Officer and Member of the Executive Committee	-	-	-	-	-	-

No director has declared personal conflicts of interest that would have given rise to the application of article 7:96 of the Belgian Companies and Associations Code.

4.4. Individual and Collective Competency/Skills

The European Bank has established in 2022 a Board Diversity policy confirming it has an unwavering commitment to diversity, equity and inclusion in all its forms, including diversity of thought, experience, and background. This commitment to Strength in Diversity is not only one of our core values, but it is also important to the European Bank's culture, the European Bank's directors as individuals, and critical to its ability to serve its clients and grow its business. The European Bank recognizes the importance of having diversity, including gender diversity, on the Board. Aligned with its engagement in and signature of the 'Gender Diversity Charter'[2] supported by Women in Finance (Belgium), at least one third of each gender shall be represented on the Board. As new board appointments are made, the Nomination and Environmental Social Governance Committee shall aim to include candidates which will enable the Company to remain compliant with this target. As at 31 December 2023 this gender diversity objective is achieved.

Having a combination of diverse relevant personal attributes on the Board provides a range of perspectives, insights and challenge needed to support good decision making. Board appointments are based on an individual and collective assessment taking into account these criteria.

The Nomination and Environmental Social Governance Committee 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 appointment. In identifying suitable candidates for a particular appointment, the Committee objectively considers candidates on merit and with due regard for the collective competency and diversity of the Board.

In order to ensure that the members of the Board Committees have individually and collectively the adequate skills in order for each Board Committee to properly fulfill its role and duties, the Nomination and Environmental Social Governance Committee reviewed the composition of the Board Committees and has based its assessment on a competencies table and has considered in its review the Board skills matrix including (i) the Board collective skills, (ii) the personal attributes that all Board members should have and (iii) the Board's diversity profile.

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

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

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

[2] 'Gender Diversity in Finance' Charter, a pledge for gender balance across the Belgian financial services sector.

- the **Risk Committee** for the review of the Company's risks and system of internal controls;

- the **Nomination and Environmental Social Governance Committee** for the exercise of relevant and independent judgment on the composition and functioning of the Board and its Committees and the suitability of the committees' members and the oversight and assessment of the overall governance of the Company and recommendation of any changes to the Board and the oversight and assessment of the ESG developments and impact thereof on the Company's governance and strategy; and

- the **Remuneration Committee** for the exercise relevant and independent judgment on the Company's remuneration policy and on the incentives.

In 2023, the Nomination and Environmental Social Governance Committee discussed the overall succession planning for the European Bank, including the succession at Executive Committee and Board level. The Committee made recommendations to the Board on the selection of two new Executive Directors (CRO and COO) as well as on the selection of a new independent Board member and a new Chair to the Board, in succession to the current Board Chair whose mandate as independent Board member will end in May 2024. The Committee further reviewed of the general composition of the Board and its committees and the suitability assessments of those directors exercising responsibilities on the Board Committees. the Nomination and Environmental Social Governance Committee concluded that each director is fit and proper for their respective functions and that the Board Committees possess collectively the necessary balance of skills and experience to adequately fulfill their respective role and responsibilities.

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

5. Subsequent Events

On February 01, 2024, our German subsidiary (BNY Mellon KVG) has merged with the European bank and continues its activity in the Frankfurt Branch of the European Bank.

This is an important step in the evolution of the European Bank. It is also a key enabler of helping to run our company better, by simplifying our legal entity structure and realigning the German operating model to the operating model of the European Bank. The move will also ensure we are well positioned to deliver more for our existing clients – German Fund Accounting and AIS Real Estate clients are now being serviced by the Frankfurt Branch of the European Bank. The Frankfurt branch will also take on a small and closed book of retail custody business (Retail Investment Solutions).

6. Proposal of Allocation of Net Income

The net profit for the year amounts to €373 million. Retained earnings as of the end of 2023 amount to €2,424 million.

No dividend is distributed on the profit of 2023.

Allocation of Profit	*In Mio €*
Profit of the current year	373
Dividend of the current year	—
Profit brought-forward	373

The Board has formally adopted a (non-)dividend policy by which all profits are systematically carried forward and recommended the same for approval to the shareholders' meeting. On 17 May 2011, the shareholders unanimously ratified this Board resolution. During 2023, the Board continued to apply the (non-)dividend distribution policy.

7. Contingent Liability

Claims – Legal actions

German authorities are investigating past “cum/ex” trading, which involved the purchase of equity securities on or shortly before the dividend date, but settled after that date, potentially resulting in an unwarranted refund of withholding tax. German authorities have taken the view that past cum/ex trading may have resulted in tax avoidance or evasion. The European Bank and its German subsidiary have been informed by German authorities about investigations into potential cum/ex trading by certain third-party investment funds, where the European Bank had acquired entities that served as depositary and/or fund manager for those third-party investment funds. We have received information requests from the authorities relating to pre-acquisition activity and are cooperating fully with those requests. In August 2019, the District Court of Bonn ordered that the German subsidiary be joined as a secondary party in connection with the prosecution of unrelated individual defendants. The trial commenced in September 2019. In March 2020, the court stated that it would refrain from taking action against the subsidiary in order to expedite the conclusion of the trial. The court convicted the unrelated individual defendants, and determined that the cum/ex trading activities of the relevant third-party investment funds were unlawful. In November and December 2020, we received secondary liability notices from the German tax authorities related to pre-acquisition activity in various funds for which the entities we acquired were depositary and/or fund manager. We have appealed the notices. In connection with the acquisition of the subject entities, the European Bank obtained an indemnity for liabilities from the sellers that the European Bank intends to pursue as necessary. Whilst we continue to pursue our claims under the indemnity, until we have confirmation of payment, we assess recovery as less than virtually certain as referred to in IAS 37. The provision booked with respect to this legal matter has been determined based on management judgment of the most likely liability that will be owed to German authorities (including legal interest at 6%; no penalties are expected). There is estimation uncertainty in the final outcome of this legal matter. Postings to reflect the current situation as of End Dec 2023 were performed and impacted mainly Note 5 Other Operating income and Note 20 Provisions.

8. Research & Development

There are no research & development activities performed by European Bank.

9. Risk Management

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

The European Bank's risk management framework maintains a capable, effective, adequately resourced and forward looking organization that is well placed to identify and manage emerging risks in a timely manner for the European Bank.

The Risk Management Function reports to the Chief Risk Officer of the European Bank, and monitors and identifies emerging risks with a forward looking approach. It provides risk management information reporting to the European Bank's Board and governance committees, and contributes to a "no-surprise" risk culture. It aligns closely with Compliance (second line of defense, also reporting to the Chief risk Officer of the European Bank) and Internal Audit (third line of defense) plus Finance and Treasury (as first line of defense control functions).

Detailed information on the risks faced by the European Bank, as well as our risk management strategies, policies and processes can be found in the European Bank Pillar 3 report on www.bnymellon.com/us/en/investor-relations/regulatory-filings.html and in Note 28 to the consolidated financial statements.

10. Additional Information regarding the European Bank

Non-Financial Information

According to article § 3:32 of the Belgian Companies' and Associations Code (and article § 3:6 of such Code for the annual accounts), the European Bank is exempted to provide detailed Non-Financial Information in this section of the annual accounts, as BNY Mellon discloses Non-Financial Information in a separate report called "2023 Enterprise Sustainability Report"- which is appended to these annual accounts (https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/2023-sustainability-report.pdf)
BNY Mellon's policies framework, Enterprise ESG strategy and long-terms goals as detailed in the appended "2023 Enterprise sustainability Report" are fully applicable to the European Bank and its personnel.

As one of the most trusted financial institutions, we are committed to operating responsibly and sustainably. We integrate our commitment to sustainability and human rights across our business. We also work to improve the effectiveness of our supply chain and seek suppliers whose corporate values align with ours. Additionally, we engage with stakeholders on public policy initiatives important to our company.

Sustainability informs the management of our own operations, the solutions we build to support our clients, and how we partner and engage with our stakeholders and communities. We consider where we have the greatest opportunity to create value, how we proactively and appropriately manage the effect of our business, the effects our business has on the environment and regions around the world where we operate, as well as the effects that these factors can have on our business.

Sustainability is important to our clients and as a driver of resilience in the financial system. Individually, our clients are working towards meeting their own sustainability objectives and navigating new risk management and regulatory compliance requirements. Collectively, market participants are looking for financial solutions and opportunities in response to macroeconomic and structural global challenges, including energy transition, climate resilience, and serving communities.

We’re leveraging our global reach and platforms to help advance sustainability and community. That work begins with managing our own operations for the long term and extends to helping our clients to meet their own sustainability and community goals through the products and solutions we offer.

This is the 15th report using the Global Reporting Initiative's (GRI) framework, the world's most widely used sustainability reporting framework.

The report is available via the following link:
https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/2023-sustainability-report.pdf

Further Climate and Environmental related disclosures are provided in section 10.1 here after.

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10.1 Climate and Environmental Related Disclosures

Guided by our Corporate purpose, we are leveraging our global reach and platforms to help advance sustainability and community. That work begins with managing our own operations for the long term and extends to helping our clients to meet their own sustainability and community goals through the products and solutions we offer. This includes consideration of climate and environmental sustainability-related risks as well as business opportunities.

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.

1. Governance

1.1. 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’ (NoESGCo) oversees and assesses ESG developments, considers requirements for the European Bank's governance and makes recommendations to the Board on ESG strategy, as reflected 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 plays a significant role in overseeing and managing risks, including those related to ESG and advises the Board on risk appetites reflected in its Terms of Reference.
- Audit Committee: oversees sustainability reporting for accuracy, completeness, and reliability of-ESG related disclosures. The Terms of Reference of the Audit Committee is being updated to reflect this.
- Remuneration Committee: oversees the remuneration policies, including executive compensation. The remuneration committee approved in 2022 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.

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 and environmental issues 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 the 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 dashboard was developed in 2022 and in 2023 it was provided quarterly to the ExCo and to Nomination and ESG Committee. 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 2024 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 and/or ESG 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. In particular we remain committed to 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 Section 2.2 -Table 1 *'Key areas in the European Bank Sustainability Strategy*'.

To deliver on this strategy, Directors of Board members 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. In 2023, Board Members also received a training on the Corporate Social responsibility Directive with focus on the Double Materiality Assessment.

1.2 The European Bank's 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 the European Bank (EB) – and to assist the ExCo in its oversight of the EB's adherence to regulatory expectations in this area, including ESG-related disclosures. The Council derives its authority and mandate from the European Bank Executive Committee. Its membership is based on the seniority of the members in their coverage area and on the ability of the members to advise the EB ExCo on the implications of ESG matters on their coverage area, 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 to ensure activities are coordinated across the enterprise. The ESG Council meets quarterly.

- The Risk Management Committee, the Capital and Stress Testing Committee, the Technology Risk Committee and the Credit Oversight 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 have been updated to formally reflect this.

- The Asset and Liability Committee oversees liquidity management, including liquidity crisis management and liquidity stress testing (which encompasses climate and environmental related risks, to the extent applicable) as set out in the Terms of Reference.

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

- The first line of defense (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 defense (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 defense (3rd LOD) is Internal Audit, which independently provides the European Bank 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 was distributed more broadly through mandatory learning and development channels to the European Bank staff in-scope, in support of newly implemented enhancements to client due diligence processes. As part of our ongoing efforts to strengthen our understanding and implementation of the Corporate Social Responsibility Directive (CSRD) –in January 2024 the ESG Council received a comprehensive training session on the EU Sustainable Finance Action Plan, the Legal basis of CSRD, the implication for the Management Bodies and on the double materiality assessment.

To reinforce embeddedness of climate and environmental related considerations across the European Bank businesses and lead implementation of ESG activities, two new ESG roles were created, reporting into the Chief Operating Officer. The newly created roles 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.

In 2023 the Climate and Environmental Sustainability was attributed to a larger number of key individuals, including all Business Heads, Branch Managers, Deputy Branch Managers, and other senior individuals. Evaluation of this goal was part of the 2023 annual performance review of those individuals and a consideration in review of their variable remuneration.

2. Strategy

2.1 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. Leveraging the Enterprise process, the European Bank implemented a robust approach to identification of climate-related and environmental risks that may impact its business.
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 quarterly climate and environmental risk report articulates climate and environmental-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. 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 –includes 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. 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 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 0.65 % of total credit exposure. The European Bank's exposure in sectors or geographies that are marginally more likely to be impacted by environmental risks[3] represents 0.03% of total Credit Exposure.

[3] Natural Capital (Biodiversity, Land Use, Raw Material Sourcing, Water Stress) & Pollution & Waste (Electronic Waste, Packaging Material & Waste, Toxic Emissions and Waste)

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 and environmental considerations into their activities. Our strategic response to managing climate and environmental-related risks and opportunities includes considering climate and environmental considerations in the solutions we offer for clients.
Ongoing, the European Bank continues to explore the possibility of further developing tools that will enable the European Bank and its clients to track their portfolio investments based on environmental, social and governance issues.

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

2.2 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 and environmental-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 having the most potential to become increasingly relevant to the European Bank. 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. Assessment of the impact to the European Bank for these risks is ongoing.

Several processes have been developed that apply enhanced due diligence and governance to activities that may have climate-risk implications. These include Third Party Risk, New Client ESG Assessment, as well as New Product and Process Approvals:

- 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 most critical to indirect[4] vendors, 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") as enriched by an external reputed data provider. These scenarios were used in the Internal Capital Adequacy Assessment Process ("ICAAP"), which are then considered from a liquidity perspective in the Internal Liquidity Assessment Process ("ILAAP") in 2023 and 2024.

[4] 4th Party or indirect as the European Bank has only few direct non-critical external service providers.

In addition to direct impacts on losses from climate related physical risks, both ICAAP and ILAAP assessments considered the potential indirect impacts on the overall viability and profitability of the business model. ICAAP also includes the transition risk from for systemic changes in either markets, competitiveness, or client preferences.

As part of the 2024 ICAAP, the European Bank updated its analysis by using industry defined 26-year scenarios, 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 levels 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 in November 2022.

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, e.g. by using shorter-term scenarios. Further details about climate-and environmental-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 sustainability strategy aiming at integrating sustainability considerations into business operations and decision-making processes. In particular, the European Bank is engaged in reducing the carbon footprint, identifying and managing the risks that arise from climate and environmental- related risks, 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's Sustainability Strategy’.

Table 1: Key Areas in the European Bank's Sustainability 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 commitment 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 The European Bank continues to be supportive of updated emission reduction targets set by the group and will further integrate those updated targets into business operations and decision-making processes. Please refer to section 4.3 and to the Group's 2023 Sustainability Report for additional details. **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 and environmental 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 **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 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.** -BNY Mellon clients have access to our data ecosystems and analytics tools. Using our reporting tools, clients can track their portfolio investments based on environmental, social and governance issues, as well as other metrics such as the United Nations Global Compact (UNGC) principles. The ESG Data Ecosystem powers a number of BNY Mellon offerings including the following: , examples include: -LiquidityDirect℠ clients use ESG data to easily analyse the ESG ratings of eligible investment options. This functionality helps clients to align their cash investments in money market funds with their corporate social and ethical values. -RULE®, our electronic collateral schedule manager, offers clients the ability to incorporate ESG factors into their collateral negotiations and decisions. -iFlow Green: clients can explore how flows are moving across the global financial system and access our indicators to extract insights around which investment strategies are prevailing in the markets.

2.3 Resilience of European Bank's strategy taking into consideration climate 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, the BNYM Enterprise Resiliency Office–Business Continuity (ERO-BC) maintains firm wide formal practices for preparing for and responding to any event that could disrupt the ability of BNYM to deliver products and services to clients. The BNYM business continuity lifecycle is comprised of four sequential stages, annually, i.e., business impact analysis (BIA); recovery strategies and procedures; testing; and certification. Recovery strategies are developed with an “All-Hazards” (cause agnostic) approach and ensure continuity of services during a disruption for at least seven consecutive days (i.e., including climate-related and environmental events). Potential scenarios of disruption would include the loss or unavailability of locations, staff, applications, third-party products and/or services, or combinations of these. To provide improvements to business continuity planning and response, ERO-BC performs location risk assessments by probable incident scenarios based on location. The location inherent risk calculation leverages BIA information to produce a location risk score that should be used by the businesses in assessing recovery strategies, prioritizing resources to address higher risk locations, and for spreading general location risk awareness.

Analysis undertaken as part of firm wide stress testing used within the European Bank’s 2023 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 2024 ICAAP and utilised in the business model scenario analysis for the European Bank 2024 strategy.

3. Risk Management

The European Bank continues to consider climate, environmental, and other social and governance risks, as potential drivers impact both financial risks (such as Credit, Market and Liquidity risks) and non-financial risks (such as Operational and Strategic risks).
The European Bank’s approach to climate risk management, consistent with BNY Mellon’s Enterprise Risk Management Framework, aims to incorporate the following elements:

- Risk appetite
- Risk identification and materiality assessment
- Financial and nonfinancial risk assessment and management processes
- Risk mitigation
- Scenario analysis
- Enterprise resiliency
- Training and education

Our climate and environmental risk driver assessment incorporates risks arising from two primary sources, physical risk and transition risk, defined above.

The transmission channels through which these risk drivers manifest and potentially impact the European Bank are influenced by multiple factors including European Bank’s business model and commercial offerings, footprint locations, clients, sectors, geographies, supply chain and other constituents.

Management of climate and environmental-related risk is implemented in line with our organizational structure and follows the Three LoD model of our Risk Management Framework. The first line of defense is the business. Each of our businesses owns the risk associated with its activities and manages the related control processes and procedures. The first line of defense is responsible for identifying and mitigating all risks, including climate risks. As the second line of defense, the Risk & Compliance function is responsible for supporting, reviewing and challenging the first line and has responsibility for the design and implementation of the global risk framework.

The third line of defense, our Internal Audit function, provides independent review of any aspect of implementation. Various first line of defense governance committees and structures are in place to manage climate-related risks, and quarterly reporting is provided to senior management to support the governance process.

Risk Management Time Horizons

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

- Short term (0-3 years) risks that are observed to be present now and within the immediate planning horizon
- Medium term (4-10 years)
- Long term (10+ years)

We recognize that time horizons noted above for the assessment of climate and environmental-related risk are much longer than accepted industry standards for risk modeling. The approach taken reflects European Bank 's business model and commercial strategy, in that most term lending is typically less than 10 years in duration, however risk impacts are assessed across all time horizons. We have developed a suite of climate and environmental-specific risk assessment tools and processes to enable the identification, assessment and management of climate-related risks that incorporate a longer-term view of risk.

3.1 Processes for identifying and assessing climate and environmental-related risks

Leveraging the BNY Mellon risk identification process, the European Bank's approach is to perform environmental and climate-related risk assessments by lines of business complementing risk type assessments and considering primary potential transition and physical transmission channels.

Risks identified are assessed both quantitatively and qualitatively to be able to determine if a risk is material. To assess materiality of environmental and climate-related risks, both metrics and expert judgement are used to determine materiality in the short, medium and long term.

Determination of materiality is linked to the Enterprise Materiality Framework and applied consistently with other risks. 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.

In 2023, BNY Mellon further developed a climate and environmental risk driver assessment, adopted by the European Bank, to enhance the structured approach to identifying and assessing impact from climate and the environment. The climate and environmental risk driver assessment requires each Line of Business (LoB) to perform the following:

- Determine if any business activity could be impacted by climate and environmental-driven risks.
- Assess identified risks to determine if a risk is material.
- Assess current mitigants and controls in place and identify any gaps.
- Identify additional processes and/or controls to mitigate impactful climate-related risks.
- Identify relevant reporting metrics/KRIs to be developed.

LoBs and Legal Entities (this is fully applicable to the European Bank) are also expected to perform the assessment with sufficient granularity to determine where additional mitigation and/or controls are required to address any of the identified climate and environmental-driven risks. Additionally, outputs from the assessment should be used to:

- Provide input into other enterprise-wide risk processes (e.g., Risk ID, RAS, scenario analysis, etc.) as required.
- Develop any new mitigants, controls, processes, and metrics, as required.
- Drive business decision making.

In most cases, the European Bank provides clients with a range of services that facilitate their financial activities but do not directly provide committed or term funding to those activities.
As such, balance sheet risks are relatively low in comparison to other banks with long-term lending portfolios or those that engage in extensive traditional corporate or retail banking, or trading activities.
Based on the current assessment of materiality and considering our relatively low exposure to direct credit or market risk, financial risks remain contained at present.
Strategic and reputational risks have the potential to become increasingly relevant such that decisions made today could lead to material impacts in future. Assessment of the impact to the European Bank for these risks is ongoing.

3.2 Assessment and Management of Climate and Environmental Risks

The development of quantitative tools to understand potential areas of vulnerability supports the first and second lines of defense in developing appropriate reporting and action plans to mitigate identified risks. Assessments to identify and map sectors generally exposed to high and moderate risks brought about by climate and environmental-related risk drivers (both physical and transition) have been developed and implemented. These measurements allow management to focus on lines of business and products that are most likely to impact clients in sectors with elevated risk.

These KRIs are provided to the ExCo and the NoESGCo 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	Description	Physical and 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 and deviations from revenue and/or expense targets.	Impact on operational resilience through physical events, in turn impacting ability to deliver on strategic objectives Ability to deliver on existing strategy and maintain profitability as part of climate transition. 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 that incorporate climate-related considerations. Loss of business due to failure to meet investor and client expectations around climate risk considerations Inability to attract or retain staff, or impacts on client relationships, due to a failure to maintain a suitable climate- related strategy	Business Model Risk Assessment highlights key risks relating to potential strategic and 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 the European Bank to satisfy stakeholder requirements. ESG Business Appetite Framework new client assessment approach to capture clients most likely to have an impact on, or be impacted by, climate-related transition and physical risks and broader ESG factors. New Product Approval process incorporates climate risk considerations.	Value of revenue derived from clients in industries with high carbon-weighted intensities.

Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Operational risk includes compliance, regulatory, legal, third party and technology risks, amongst others.	Additional operational losses as a result of increased severity of physical disruption 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, misreporting or fiduciary requirements/ expectations. Failure to identify, manage or understand regulatory requirements leading to non-compliance with applicable regulation. Losses from sudden policy or regulatory changes that impact markets.	Operational risk processes incorporate consideration of all potential drivers of risk, including climate and environmental change. These processes are leveraged to ensure that risks are appropriately identified, controlled and managed as required. Compliance regulatory change management process is in place, tasked with ensuring that legal and regulatory requirements, including emerging climate-related requirements, are identified and acted upon. The Risk and Control Self-Assessment (RCSA) process and management of operational resilience processes are used to evaluate each of our sites across the globe and the adequacy of business resiliency explicitly considering weather and environmental impacts. Measurement of premises risk uses 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. Enhancements across multiple 2LoD policies include ensuring marketing materials align with regulatory scrutiny.	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 the majority of our assets, but primarily concentrated in the loan and securities books, as well as foreign exchange and off-balance- sheet exposures, such as, letters of credit and securities lending indemnifications.	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. Impacts on collateral valuations due to physical events, or changes in market demands. Holding of corporate bonds within the own portfolio of assets to support liquidity management, whose valuations may be impacted by physical or transitional risks	The climate sensitivity key risk indicator (HIGH) is reported to the BNYM SA/NV (European Bank) Credit Risk Oversight Committee on a monthly basis	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.

Market Risk	The potential loss in value for the European Bank financial portfolio caused by adverse movements in market prices of Foreign Exchanges, 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 climate related events. Losses driven by changes in market risk factors from systemic market changes in	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 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.	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. Scenarios have been considered in the European Bank`s ILAAP from a liquidity perspective

Forward looking assessment of climate related risks

The ICAAP document includes 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 an extended horizon for the purposes of the specific climate change-related scenario and assumptions, taking a static balance sheet assumption over the longer term.

The climate stress tests performed in 2023 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 then 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 CO2 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 European Bank offices due to natural disaster.
- The impact on client fees based on macroeconomic projections which were assessed as sufficiently severe.

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

The European Bank 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 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.

3.3 Processes for managing climate and environmental-related risks

Key processes and tools for climate and environmental-related risks include:

Risk Appetite
Climate and environmental-related risks are defined as risk drivers impacting the majority of enterprise risk categories outlined in the Risk Appetite Statement. The Risk Appetite Statement incorporates a dedicated section requiring all staff to consider climate and environmental-related risk impacts as part of ongoing risk assessment and management across all risk types.
In general, the current approach to setting of risk appetite does not involve the setting of separate limits and associated thresholds against any risk drivers, including climate risk. As a potential cause of adverse impacts, a climate-related event could increase the chance of a limit breach across any risk category, whether financial or non-financial. On that basis, minimizing risk concentrations and assessing, monitoring and managing risk is key. As a result, risk appetite limits in place at the risk category level, will capture the impacts of all risk drivers, including climate.

Policies
BNY Mellon has embedded climate-related risk considerations into relevant 2LoD corporate policies. Each of these policies establishes a requirement for climate risk to be considered within all applicable risk management processes, which may include those relating to risk identification,risk assessment and quantification. These include risk-based assessments of clients, counterparties, third-party providers and partners, products, services and businesses; risk mitigation; and risk reporting.

Reporting and Monitoring
As mentioned above,the European Bank has defined key risk indicators that are used as part of monitoring and management of climate and environmental-related risks. A climate and environmental-related risk report is produced quarterly and provided to senior management for use in periodic review, monitoring, and management of climate and environmental-related risks.

Due Diligence
In addition to identifying specific climate and environmental risk-related vulnerabilities and ongoing monitoring of exposures in these categories, several processes have been developed that apply

enhanced due diligence and governance to activities that may have climate and environmental-risk implications. These include, as mentioned above, Third Party Risk, New Client ESG Risk Assessment as well as New Product and Process Approvals:

- **Third-Party Risk**

Given critical dependencies on third-parties[5], it is necessary to understand how climate and environmental-related risks manifest to inform relevant risk owners and identify opportunities to mitigate. Assessment includes a consideration of the physical and reputational risks of the vendor, focusing on the geographical location of vendors. The approach will evolve further in 2024, and include more targeted due diligence leveraging the ESG focus in the Sourcing Industry Group trade association, enhancing reporting, raising awareness of risks, and supporting the decision-making process through the third-party engagement life cycle.

- **New Client ESG Risk Assessment**

Building on the implications of reported revenue concentration metrics and results of the Strategic/ Business Model Risk Assessments, we have implemented a new client ESG risk assessment to review all new client against specific criteria.
These are focused on negative ESG-related information, association with certain activities assessed to be higher risk, and other assessments, including, for example, client readiness for climate-related transitions. Using external data sources, coupled with internal governance and expertise, the new client ESG-driven assessment approach provides a dedicated screening mechanism for new clients intending to minimize potential strategic and reputational risks.
The ESG client risk assessment is designed to capture clients most likely to have an impact on, or be impacted by, climate-related transitional and physical risks and broader ESG factors.

- **New Product and Process Approvals**

Effective development of new products and businesses involves a dedicated risk management approach comprising an assessment of a range of relevant risks.
Within these processes, climate-related risks are specifically considered as part of the development process to ensure that transitional impacts from changes in client or market expectations are factored into the development process. In addition, the Strategic/Business Model Risk Assessment approach described above considers broader implications where a failure to develop products aligned with client requirements takes place, as well as mitigations relevant to prevent the risk.

3.4 Integrating climate-related risk processes into overall risk management

To support the implementation of Climate and environmental-related risk framework and embed governance oversight responsibilities, ongoing education is targeted to various groups across all three lines of defense in the enterprise.
Climate and Environmental risk education also continues to be provided to relevant governance forums. The training encourages participants to lead by example and set the tone to support a culture that institutionalizes appropriate climate risk management behavior. Ongoing training is performed as part of the rollout of new tools and processes to applicable first and second line of defense teams.

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

[5] As stated above, the European Bank has only few direct non-critical external service providers. The assessment relates to 4th parties or indirect vendors.

In addition, to reinforce the embeddedness of climate and environmental related considerations across the European Bank 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 1. Governance).

4. Metrics and targets

4.1 Metrics used by the organisation to assess climate and environmental-related risks and opportunities

As described in section 3 '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 risk sectors[6] 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 and environmental risk reporting.

In 2023, the European Bank has enhanced its climate risk KRI's to include new environmental metrics as described below (Table 4 & Table 5).
We have also developed an additional KRI to identify trends and key risks relating to potential strategic impacts from interaction with clients in higher risk industries. The metric quantifies the value of the revenue derived from clients in industries with High/Moderate emitting/risk sectors (Please refer to Table 2 for additional details on the KRI's).

Aggregate levels of risk are relatively very low. The European Bank's exposure in sectors or geographies that are marginally more likely to be impacted by climate change represents 0.65% of total credit exposure (Table 3), as detailed below:

- High Exposures (0.05% of total exposure)- primarily related to one exposure to sector "Transportation" .
- Medium Exposures (0.6% of total exposure) - primarily related to two Sovereign exposures t in 2 medium-risk countries and to one exposure to sector "Real Estate".

[6] Higher risk sectors include Oil& Gas; Utilities; Automotive; Air, Water and Ground transportation; Chemicals; Metal and Mining; Construction, Real Estate, Manufacturing, Pharmaceutical, rubber and plastic products, Insurance.

Table 3: European Bank Climate KRI's - Potential Source of exposure as of 31 December 2023

	As at Q4 2023	As at Q4 2022
Total Exposure *(in €000s)*	€ 39,658,893	€ 40,333,643
Exposures to Higher and Moderate Sectors *(Credit + Investment Portfolios) (% of Total)*	0.65 %	0.4%
Credit Risk (Loans and Unfunded commitments)		
Exposures to Higher and Moderate risk sectors *(% of Total)*	**0.01 %**	**0.0%**
- of which Higher risk	**0.0%**	**0.0%**
- of which Moderate risk	**0.01 %**	**0.0%**
Sovereign exposures to Higher and Moderate risk countries *(% of Total)*	**0.07 %**	**0.0%**
- of which Higher risk	**0.02 %**	**0.0%**
- of which Moderate risk	**0.05 %**	**0.0%**
Credit Weighted Average Carbon Intensity	**0.59**	**0.04**
Credit Risk (Investment portfolio)		
Exposures to Higher and Moderate risk sectors (Corporate Bonds) *(% of Total)*	**0.34 %**	**0.03%**
- of which Higher risk	**0.03 %**	**0.03%**
- of which Moderate risk	**0.31 %**	**0.0%**
Sovereign exposures to Higher and Moderate risk countries *(% of Total)*	**0.23 %**	**0.37%**
- of which Higher risk	**0.0%**	*0.15%*
- of which Moderate risk	**0.23 %**	*0.22%*
Investment portfolio's Weighted Average Carbon Intensity	**14.73**	**2.38**
Operational Risk	**FY 2023**	**FY 2022**
Number of weather-related events recorded	**0**	**0**
Losses from weather related events	**€0**	**€0**
	As at Q4 2023	**As at Q4 2022**
Number of Critical Vendors rated Higher and Moderate Risk *	**4 Higher / 3 Moderate**	**4 Higher / 2 Moderate**
Strategic Risk	**% Total revenue Q4 2023**	**% Total revenue Q4 2022**
Revenue derived from clients in Higher Risk Industries	**4.83 %**	**Not Available - New Risk metric**

*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.

The European Bank's exposure in sectors or geographies that are marginally more likely to be impacted by environmental risks represents less than 0.05% of total Credit Exposure (Table 4 and 5). Exposure across Environmental risks is not additive, an exposure to higher and moderate sector can appear in the equivalent metrics across climate, natural capital and Pollution & Waste KRIs.

Natural Capital (Table 4) includes an assessment of Environmental Risks arising from Biodiversity, Land Use, Raw Material Sourcing, Water Stress.

Pollution & Waste (Table 5) includes an assessment of the following Environmental risks: Electronic Waste, Packaging Material & Waste, Toxic Emissions & Waste.

Table 4. Natural Capital KRI's (Biodiversity, Land Use, Raw Material Sourcing, Water Stress)-potential sources of exposure as of 31 December 2023

	As at Q4 2023
Total Exposure *(in €000s)*	€ 39,658,893
Total LE Exposures to High and Moderate Sectors (Credit + Investment Portfolios) (in €000s)	0.03 %
Credit Risk (Loans and Unfunded commitments)	
Exposures to Higher and Moderate risk sectors *(% of Total)*	**0.0%**
- of which Higher risk	**0.0%**
- of which Moderate risk	**0.0%**
Credit Risk (Investment portfolio)	
Exposures to Higher and Moderate risk sectors (Corporate Bonds) *(% of Total)*	**0.03 %**
- of which Higher risk	**0.0%**
- of which Moderate risk	**0.03 %**

Table 5: Pollution & Waste KRI's by risk type (Electronic Waste, Packaging Material & Waste, Toxic Emissions & Waste) - potential sources of exposure as of 31 December 2023

	As at Q4 2023
Total Exposure *(in €000s)*	€ 39,658,893
Total LE Exposures to High and Moderate Sectors (Credit + Investment Portfolios) (in €000s)	0.03 %
Credit Risk (Loans and Unfunded commitments)	
Exposures to Higher and Moderate risk sectors *(% of Total)*	**0.0%**
- of which Higher risk	**0.0%**
- of which Moderate risk	**0.0%**
Credit Risk (Investment portfolio)	
Exposures to Higher and Moderate risk sectors (Corporate Bonds) *(% of Total)*	**0.03 %**
- of which Higher risk	**0.0%**
- of which Moderate risk	**0.03 %**

The metrics described above have continued to evidence low overall impacts from climate and environmental, relative to other drivers of risk.

For non-financial risks:

- No operational losses relating to climate risk has occurred during 2023.
- Based on our ongoing assessment of vendor risk, we have identified a small number of our critical vendors who provide services from locations that may be subject to higher climate related risk. Our vendor due diligence and risk management processes continue to be enhanced to capture climate and broader ESG related implications. We continue to monitor our vendor population and apply enhanced due diligence and appropriate decision-making as required.
- No climate-related strategic or reputational events had an observed material impact on the European Bank’s financial performance during 2023.

For financial risks:

- Credit risk-generating assets in sectors at higher risk of physical and/or transition risks make up less than 0.7% of total European Bank assets. The slight increase compared to 31 December 2022 is primarily driven by immaterial variances in our Corporate Loan Book and in our Investment Portfolio.
- Liquidity risk scenarios are estimated as part of the liquidity risk identification process (Please refer to section 2.2 above). No dedicated climate related scenarios material to liquidity risk have been identified.

The European Bank has defined climate and environmental-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 & environmental risk impacts are considered within ongoing risk assessment across all risk types.

As we consider 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 & environmental risk. As a potential cause of adverse events, a climate or environmental 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.

4.2 Scope 1, Scope 2, Scope 3 Greenhouse Gas Emissions (GHG)

BNY Mellon’s operational emissions are primarily driven by the power, heating, and cooling needs of our buildings and data centers. Scope 1 emissions include those that are generated from sources that are owned or controlled by our company, such as onsite boilers and furnaces in our buildings. Scope 2 emissions include those from electricity that is generated offsite but purchased and consumed onsite by our company to power our day-to-day operations. Scope 2 emissions from purchased electricity represent the larger share of our operational emissions, and we work to offset these through renewable energy procurement.

Measuring and reporting on our operational emissions on an annual basis is critical to managing progress toward our emission reduction targets. Our measurement approach is aligned with the latest standards and guidance from the GHG Protocol.
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. The primary driver of the Scope 1 and Scope 2 emissions reduction from 2022 to 2023 is related the new office footprint in Brussels which uses 63% less energy per square foot than previous office.

In 2023, we enhanced our capabilities to measure business travel data (Scope 3 Category 6) for European Bank's employees as reported below.

Table 6 below shows Scope 1, Scope 2 and Scope 3 Category 6 (business travel) for the European Bank, based on the methodology explained below.

Table 6: 2023 European Bank Scope 1, Scope 2, Scope 3 Category 6 GHG emissions

Summary of BNM SA/NV emissions and methodology				
All units in metric tonnes of carbon dioxide equivalent (MtCO2e)	**2021**	**2022**	**2023**	**Notes**
European Bank- Scope 1	387.5	169	16.6	1,2,3,4
European Bank- Scope 2	739.1	555.3	428.4	1,2,3,5
European Bank-sub-total Scope 1 and Scope 2 emissions	1,126.6	724.3	445	1,2,3,4, 5
European Bank -Scope 3, Category 6 (Business Travel)	*N/A*	*N/A*	*585.6*	6
Covered by Offsets	*(401.8)*	*(184.0)*	*618,9*	7
Covered by Renewable Energy	*(724.8)*	*(540.3)*	*411,7*	7
European Bank-total Scope 1, Scope 2, Scope 3 (Business Travel) emissions	0	0	0	1,2,3,4, 5,6,7

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 2023 which is currently in the process of being third party audited at the Group level. As of the report submission date, the emissions presented in this inventory and the methodology used to calculate have been reviewed and approved internally. The emissions inventory presented in this report and methodology used to calculate have not yet been verified by an independent third-party.
Further details can be found in the **group's 2023 Sustainability Report (**https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/2023-sustainability-report.pdf **).**

Notes
1. The above calculations are based on 2022 square meters current as of Q4 2023 and include the European Bank's offices in Belgium, France, Germany, Luxembourg, Poland, Ireland, Italy, Spain and The Netherlands.

2. Based on the methodology to derive the square meters, the office space in Denmark and Amsterdam were not included as they operate as branches of the European Bank through serviced offices. Serviced offices are not currently included in the scope of this calculation as we consider them in 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 centers 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 centers are not included in this calculation.
6. European Bank's travel data between January 1st, 2023, and December 31st, 2023.The dataset includes all travels (Rail, Flight, hotel stays and car rental) booked through our travel booking platform and it includes travel data for our Amsterdam, Copenhagen, Dublin, Frankfurt, Luxembourg, Madrid, Milan, Paris and Polish branches as well as our Head office in Brussels.
7. 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 2023 55% of carbon offset projects were related to global Renewable Power Production, 20% were related to Rainforest Protection in Sierra Leone, 15% were related to Solar Water Heating in India, and 10% were related to Afforestation Uruguay.

4.3 Targets to manage climate-related risks and opportunities

2025 Scope 1 & Scope 2 Reduction Targets

As part of BNY Mellon's 2025 Sustainability Goals launched in 2019, we committed to reduce our Scope 1 and Scope 2 GHG emissions by 20% relative to a 2018 baseline, in line with the Paris Agreement and consistent with a maximum global average temperature rise of 2°C.

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

Corporate KPI's	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 2023 estimated Scope 1, Scope 2 and Scope 3 (Category 6) emissions are reported above. •Commercial Real Estate makes up a large share of our operational footprint, and consequently our Scope 1 & 2 emissions. As a component of BNY Mellon's corporate sustainability initiatives, we enable a working environment that is more productive, collaborative, and supports client needs. The sustainable design of our workspaces contributes to the well-being of our employees and affects our energy and GHG emissions footprint. Environmental Sustainability considerations are a component of our due-diligence review process when evaluating potential new office space. In 2022 we completed a significant move of our Brussels Headquarter to a new office which was certified to BREEAM Excellent in 2023. The new office footprint we occupy is significantly smaller than the previous location, and so based on 2023 full year operational data, our new building uses 63% less energy per square foot than our previous office location, which is a more meaningful metric of energy performance in this case. In 2023, our new site in Wroclaw, Poland was certified LEED Platinum already, and we anticipate achieving WELL Platinum. •In 2023 the European Bank, via its Shadow ExCo program and its Environmental Sustainability Ambassadors 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 travelers 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.
Maintain carbon neutrality commitment For Scope 1 and Scope 2 GHG emissions, including our data centers, as well as Scope 3 business travel emissions	European Bank's estimated Scope 1 & Scope 2 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. - Travel and Expense Policy requesting travelers 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	European Bank successfully achieved waste diversion rate target set by the Group.
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: 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.

2030 OPERATIONAL EMISSION REDUCTION COMMITMENT

As part of BNY Mellon's 2025 Sustainability Goals launched in 2019, we committed to reduce our Scope 1 and Scope 2 GHG emissions by 20% relative to a 2018 baseline, in line with the Paris Agreement and consistent with a maximum global average temperature rise of 2°C. By 2020, we achieved greater than a 20% reduction in our Scope 1 and Scope 2 emissions and have maintained or exceeded our reduction target in every year since. The European Bank has contributed to the achievement of those goals, as reported above.

In 2023 BNY Mellon conducted additional analysis and identified a more ambitious target aligned with the latest climate science and consistent with a maximum global average temperature rise of 1.5°C.

More information on BNY Mellon targets and achievements is available **on the group's 2023 Sustainability Report** (https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/2023-sustainability-report.pdf).

2030 FINANCED EMISSIONS REDUCTION COMMITMENT

BNY Mellon is committed to achieving greenhouse gas (GHG) emissions reductions in relevant areas of our Scope 1 and 2 operational emissions and on-balance sheet Scope 3 financed emissions by setting targets for 2030 consistent with 1.5°C pathways. In 2023, BNY Mellon measured its financed emissions footprint for the first time using the latest methodology and guidance from the Partnership for Carbon Accounting Financials (PCAF) and identified potential emissions reduction strategies that are aligned with business objectives and client needs. This approach reflects BNY Mellon's commitment to prioritize resiliency and sustainability across our business and operations and offer solutions to help our clients meet their own sustainability goals.

More information about BNY Mellon's approach to financed emissions is available in the **group's 2023 Sustainability Report** (https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/2023-sustainability-report.pdf).

At time of writing this report, BNY Mellon is continuing to refine the group's methodology for measuring financed emissions. This includes exploring which legal entity's on-balance sheet financing activities should be included, if at all, and how financed emissions can be disaggregated at the legal entity level if included.

The group's methodology currently includes consideration of the following on-balance sheet lending and investment activities: corporate lending commitments, corporate bonds, commercial real estate (CRE) and residential real estate (RRE) mortgages, equity and debt capital markets (ECM/DCM) facilitation, and tax equity investments. The European Bank has a more limited scope of on-balance sheet financing activities compared to the group.[7] Taking this into account, our initial assessment is that the European Bank likely does not have financing activities that would fall in scope of the group's current methodology. However, this is something that we will continue to explore with the group.

[7] Business model of the European Bank is mainly to provide custodial services to the global finance community and our balance sheet reflects no lending, limited trading activity, and an investment portfolio consisting largely of strongly rated government bonds and cash services.

Disclosures under Article 8 of the EU Taxonomy Regulation for The Bank of New York Mellon SA/NV (the European Bank)

Article 8 of the EU Taxonomy Regulation

The EU Taxonomy Regulation 2020/852 (the "Taxonomy Regulation" as supplemented by the Commission Disclosure Delegated Regulation 2021/2178 (the "Disclosures Delegated Act")), is a cornerstone of the EU's sustainable finance framework. The Taxonomy Regulation provides a classification system that defines criteria for economic activities that are aligned with climate mitigation, climate adaptation and other environmental goals.
The European Bank disclosure pursuant to Annex VI of the Disclosures Delegated Act is available here https://www.bnymellon.com/us/en/investor-relations/regulatory-filings.html.

The activities of the European Bank

Custody is the main service provided by the European Bank. It provides custodial services for clients including services selected and utilized by owners of securities (or their advisors). A detailed description of the European Bank's business model, services and products offered, is available in section 1.1 and 1.2 of this Report of the Board of Directors.

The client base of the European Bank consists of international institutional clients investing in or issuing financial assets. Main client segments are pension funds, insurance companies, financial institutions, asset managers, as well as central banks, governments, and supranational entities. The European Bank predominately provides clients with services that facilitate their financial activities but does not directly provide committed or term funding to those activities. As such, the European Bank's profile for the purposes of these rules and in particular the GAR (which is focussed largely on long term balance sheet exposures such as loans, advances and debt securities) is significantly different in comparison to other banks with long-term lending portfolios or those that engage in extensive traditional corporate or retail banking, or trading activities.

Given the European Bank's business model and the nature of its counterparties (other financial institutions, and sovereign, central bank and supranational entities that cannot be taxonomy-eligible/aligned under the current rules),the European Bank has (in accordance with EU regulatory guidance[1]) deemed a large majority of its exposures to counterparties as not taxonomy-eligible and not taxonomy-aligned. This is also because of limited data being available from financial counterparties, many of which have either not (at the time of preparation of this document) reported publicly under the Taxonomy Regulation or not reported all the necessary data points (given the phased implementation of the rules) or many of whom are not subject to reporting on Taxonomy-eligibility or alignment under the Taxonomy Regulation (and so must be treated by the European Bank as not being taxonomy-eligible or aligned in accordance with EU regulatory guidance).

As the European Bank's assessment on taxonomy eligibility and alignment reporting is constrained by limited data availability from our counterparties (for the third consecutive year), its overall exposures (a large proportion of which, as noted above), must be treated as not Taxonomy-eligible and aligned under the rules and EU regulatory guidance. However, our commitment to sustainability is reflected in our sustainability ambition and strategy. The European Bank recognises the importance of transitioning to a low carbon economy and 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). For further details, please see our Climate and Environmental Related Disclosures enclosed where we discuss our ESG strategy.

Scope of consolidation
The scope of consolidation is based on the IFRS consolidated financial accounts for the European Bank. The basis of the consolidation is also explained in section 1.2 of the Annual Accounts.

Taxonomy Alignment
From 2024 onwards, the European Bank is required to disclose relevant KPIs in relation to taxonomy alignment related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with the Taxonomy Regulation and the Disclosure Delegated Act. In relation to taxonomy alignment, the main key performance indicator (KPI) for the European Bank is the green asset ratio (GAR), which shows the proportion of exposures to taxonomy-aligned activities compared to the total assets of the European Bank.
The Disclosures Delegated Act requires the European Bank to use the KPIs disclosed by its counterparties that are also reporting under the Disclosures Delegated Act, to calculate its own GAR. However, only limited data on the KPIs of the European Bank's counterparties is available or eligible. Therefore, in accordance with EU regulatory guidance[8], the European Bank has deemed its exposures to financial counterparties as not taxonomy aligned.

Taxonomy eligible and non-eligible activities

Disclosure proportion	EUR M	% coverage (over total assets)
Total assets	**39,661**	
– Loans and advances, debt securities and equity instruments not HfT, eligible for GAR calculation	**3080**	**7.77%**
- Of which financial undertakings	3,068	7,74%
- Of which non-financial undertakings	12	0,03%
Assets excluded from the numerator for GAR calculation (covered in the denominator)2	**9206**	**23.21%**
- Financial and Non-Financial undertakings not subject to NFRD disclosure obligations	3,765	**9.49%**
- Derivatives	30	**0.08%**
- On demand interbank loans	4,242	**10.70%**
- Cash and cash related assets	400	**1.01%**
-[9] Other categories of assets (e.g., Goodwill, commodities etc.)	769	**1.94%**
Assets not covered for GAR calculation	**27,373**	**69.02%**
- Of which Central governments and Supranational issuers	5,542	13,97%
- Of which Central banks exposure	21,236	53,54%
- Of which Trading book	595	1,50%

[8] DRAFT COMMISSION NOTICE, on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets, 21.12.23.
[9] Exposures excluded from the Numerator of the GAR include: exposures to non-NFRD companies (exposures to non-EAA companies and non-EAA local and state governments (96% of the total exposure to Financial and Non-Financial undertakings not subject to NFRD); – exposures to EU companies not subject to NFRD disclosures, such as equity participation in SWIFT and certain securitization programs (4% of the total exposure to Financial and Non-Financial undertakings not subject to NFRD) – tangible and intangible assets as well as tax assets and other assets from the balance sheet; – overdraft exposures with very short (1 day) tenor and cash collateral provided.

Since 1 January 2022, credit institutions such as the European Bank, are required under the Taxonomy Regulation, to disclose the proportion in their total assets of exposures to Taxonomy non-eligible and Taxonomy eligible economic activities, as well as exposures to governments, central banks, supranational issuers, derivatives, and companies not subject to reporting under the Disclosures Delegated Act (pursuant to Non-Financial Reporting Directive[10]/Corporate Sustainability Reporting Directive[11]) and related qualitative information.

The size of assets evaluated for potential taxonomy eligibility in the portfolio of the European Bank is very limited. As noted above, this is reflective of the nature of the business model of the bank that is not oriented towards providing long term funding to non-financial corporates. The counterparties whose exposures have been assessed for taxonomy eligibility are almost entirely financial institutions and are in the form of debt securities, mainly held as part of the liquid asset buffer. Where taxonomy-eligibility data was available for the European Bank to use, such data did not generally include a breakdown of whether the exposure was Taxonomy-eligible in relation to each of the six environmental objectives. Therefore, we have reported taxonomy-eligibility in the "Total" fields of the relevant templates. For context, the taxonomy-eligibility data for the potentially eligible exposures was sourced from the counterparties' publicly available disclosures for the year 2022 (i.e., annual reports, non-financial reports, sustainability reports – this is because relevant data for the year 2023 was not yet available to the European Bank following the reasonable steps it took to obtain it where appropriate).

Proportion of the taxonomy-eligible exposures, as reported in template 1, is detailed below:

Disclosure proportion of GAR Numerator	mEUR	% coverage (over total assets)
Taxonomy-eligible exposures (Loans and advances, debt securities and equity instruments not HfT, eligible for GAR calculation) Non-eligible exposure after assessment	294	0.74%
Taxonomy Non-eligible exposures -i.e., no eligibility data available	2,785	7.03%

Only a limited proportion of the European Bank's total assets are potentially taxonomy-eligible (c. 7.77% of total assets). As noted above, this is firstly because the European Bank has large exposures to central banks, central governments, and supranational issuers, which must be excluded from the numerator and denominator of KPIs of credit institutions, as per the Taxonomy Regulation, and secondly because limited data was available in relation to financial institution counterparties. As mentioned above, this is reflective of the nature of the business model of the bank, that is not oriented towards providing long-term funding to non-financial corporates.

[10] Article 19a or 29a Directive 2013/34/EU
[11] Directive (EU) 2022/2464

Covered Assets- Template 1	mEUR	% coverage (over total assets)
Total GAR assets	**12,287**	**30.98%**
Numerator	3,080	7.77%
Excluded from Numerator	9,206	23.21%
Assets not covered for GAR calculation	**27,373**	**69.02%**
Central governments and Supranational issuers	5,542	13.97 %
Central Banks exposure	21,236	53.54 %
Trading book	595	1.50 %
Total assets	**39,661**	**100%**

The European Bank's approach to Taxonomy calculations

Please note the following for the purpose of calculating the figures in the accompanying templates:

Local governments treated as central governments according to the EBA database

The proportion of total exposure to central governments, central banks and supranational issuers includes debt security exposures to local and state governments in the European Union. This is following Article 115(2) of the Capital Requirements Regulation that allows certain regional government and local authorities to be treated as exposures to central governments, as confirmed by the publicly available database[12] maintained by the European Banking Authority. Furthermore, there are no loans to local governments, e.g., loans for public housing, on the balance sheet of the European Bank, that would require eligibility assessment based on section 1.2.1.4 of Annex V.

Double Counting

Certain exposures may meet multiple criteria referred to in Article 7 (1), (2) and (3). To avoid double counting, each such exposure is classified only into one category in the sequence of the Article paragraphs (e.g., derivative exposures to central banks are always classified into central bank exposures rather than also as derivative exposures for the purposes of this report).

KPI's GAR Stock and KPI's GAR Flow

The disclosures under the GAR focus on exposures to corporate counterparties, targeting wholesale and retail banks, which make up only a very small proportion of exposures for certain type of banking institutions, such as the European Bank, being a custodian bank.
As disclosed above, the size of assets evaluated for potential taxonomy eligibility in the portfolio of the European Bank is very limited (c.8% of our total exposure). The majority of our exposure (c. 67%) is to central banks and central governments and supranational which is not Taxonomy-eligible.
For the assets evaluated for potential eligibility, given that most of our exposures are to financial undertakings, data availability from our counterparties remains a challenge as disclosed above.
We have taken reasonable steps to try to obtain Taxonomy-eligibility and Taxonomy-alignment data, where appropriate, however where data on eligibility and /or alignment was not readily or

[12] https://www.eba.europa.eu/publications-and-media/press-releases/eba-updates-lists-regional-governments-and-local-authorities

publicly available to the European Bank in the preparation of this report, we have treated exposures as not taxonomy-eligible and not taxonomy-aligned.

SPVs

We have deemed certain asset types that requires a look through for taxonomy-alignment, as not taxonomy-eligible and not taxonomy-aligned considering their immateriality (c. 0.3% of our total exposure).

Data availability

As referenced in template 3 and template 4, the European Bank should disclose the proportion of the Total covered assets funding taxonomy relevant sectors (Taxonomy-aligned and Taxonomy-eligible). In the absence of taxonomy-aligned data from our counterparties, we have only included the proportion of assets funding taxonomy relevant sectors that are Taxonomy-eligible compared to total covered assets.
Where counterparty did not specify whether the taxonomy-eligibility data relates to turnover or CapEx, we have deemed the taxonomy-eligibility data as related to revenue.

Financial Guarantee and AUM KPI’s

With respect to template 5, “FinGuar, AuM KPI’s”, the European Bank in its balance sheet as of December 31, 2023, does not have in-scope Financial Guarantee nor AuM, as reported in template 1 - Covered Assets.

10.2 - EMPLOYEE BUSINESS/RESOURCE GROUPS & ENVIRONMENTAL SUSTAINABILITY AMBASSADOR NETWORK

European Bank Addendum

Employee Resource Groups

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

Gen-Edge
is here to leverage generational diversity across BNY Mellon by capturing unique generational perspectives and tapping into the knowledge base as well as individual talents of all employees.

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

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

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

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

	IMPACT Multicultural Network	**WIN** Women's Initiative Network	**HEART** The Diverse Abilities Resource Group	**PRISM** LGBTQ+ Network	**GENEDGE** Multigenerational Network
Mission	Serve as an activation engine to connect, educate and advocate for multicultural, ethnic, and racial voices and representation to ignite the best possible solutions and outcomes.	Support the advancement of BNY Mellon women by providing opportunities for professional development, leadership, greater connectivity, and enhanced visibility.	Raise awareness and leverage the talent of employees with diverse abilities to help build an inclusive and accessible workplace environment.	Promote lesbian, gay, bisexual, transgender, and queer (LGBTQ+) inclusion for the benefit of all colleagues and the company through workplace activities and external engagement.	Improve collaboration across generations and regions, leveraging diversity of thought to solve business problems.
Pillars	External Outreach Professional Development Visibility Education & Allyship	Networking Professional Development Awareness & Visibility Allyship	Awareness & Understanding Accommodation Employer of Choice Caregiver Support Network	Allyship Promoting Inclusion Education Community Outreach	Shadow ExCo Digital Transformation Executive Presentation Generational Voices Reverse Mentoring
Programs and Events	Black History Month (February) Asian Pacific American Heritage Month (May) Hispanic Heritage Month (Sept. 15 – Oct. 15) Diwali Courageous Conversation Series DiverseTech	International Women’s Day Women’s History Month (March) Male Allies Program Investing in You Series WIT – Women In Technology	Physical Disability Neurodiversity Inclusion @ BNY Mellon Mental Health Chronic Ill Health Caring for Others Disability Employment Awareness Month (October) Best Buddies Autism @ Work	Pride Month (June) Out & Equal Summit New! Project 1000 National Coming Out Day Be an Ally Series Consciously Unbiased Series	Multibank Forum Book Club Networking Challenge Digital & Business Acumen External Partnerships Data in Generations

Environmental Change Agents

The people of BNY Mellon use their relationships within the company and beyond to catalyze change for a more sustainable company, communities and financial system. Within our company, a global network of over 1,400 Environmental Sustainability Ambassadors (ESA) act as local advocates and change agents. Through groups at 9 locations within the European Bank, employees speak up to amplify the topic of sustainability within the company and discuss ways to embed sustainability throughout their daily lives. ESA chapters also coordinate volunteer opportunities with local environmental nonprofits to take action in their communities through tree planting, public trail maintenance, litter clean-up and park conservancy efforts.

Diversity Label

On March 9,2023, Actiris (the employment agency of the Brussels Region in Belgium) organized a ceremony during which BNY Mellon received a Diversity Award. This concludes a 2-year plan which aimed at implementing a recruiting channel for people with diverse abilities.

Company of the year 2023 award from Fondsfrauen

Fondsfrauen, the largest female network organisation in the German-speaking asset management industry awarded BNY Mellon with the Company of the Year 2023 award.
BNY Mellon is leading the way in diversity, equity and inclusion and the promotion of equal opportunities for female talents of all ages.

Community Impact Citizenship: building the workforce of the future

Belgium (FR)
Throughout 2023, the collaboration between BNY Mellon and JA Belgium (LJE) has been instrumental in advancing the Company Program) and Start Up Program (SUP), fostering entrepreneurial skills among young individuals. These initiatives relied on the invaluable contributions of volunteers, who leveraged their expertise to activate and nurture the entrepreneurial potential of young individuals.
A total of 34 dedicated volunteers participated in various activities designed to support and guide students. These volunteers provided invaluable expertise, advice, and guidance to a combined total of 810 young individuals. The volunteers engaged in a range of activities, including coaching CP teams, participating in events like Speed meeting and YEP Day, and preparing students for success.

Belgium (FL)

Throughout the year 2023, JA Belgium in Flanders (Vlajo) benefited from the support and dedication of 17 BNY Mellon volunteers, engaging a total of 527 youth participants across a variety of impactful activities. The Trade Fair Wijnegem, held on March 25,2023, was a significant event where one volunteer served as a jury member, contributing expertise to enrich the experience of 255 students. Two volunteers also participated as jury members in the finals of Small Business Projects on March 21 in Antwerp and March 22 in Leuven, benefiting 80 students with their insights and evaluations.
In April 2023, 13 BNY Mellon volunteers acted as team coaches, dedicating their time and expertise to guide 78 students, preparing them for upcoming competitions. Additionally, the

Company of The Year Competition for secondary education in Brussels on May 10, 2023, involved a volunteer as a jury member, evaluating 114 students. This event was significant, featuring the prestigious Client Excellence Award, acknowledging exceptional dedication to customer experience.

Luxembourg

JA Luxembourg has seen significant engagement with the invaluable support of BNY Mellon, focusing on experiential learning, skill development, and meaningful connections for young individuals. During the first two quarters (Jan-Jun), a highly successful job shadow day at the BNY Mellon premises provided students with first-hand insights into the professional world, while eight Fit for Life classes conducted from January through June benefited 185 students, emphasizing holistic skill development. Further, essential coaching was extended to four mini-companies from November to June, offering mentorship to a cohort of 35 students, fostering entrepreneurial skills and connections.

Moreover, the Mini-Enterprise program during the last two quarters (Jul-Nov) engaged a substantial participation of 450 students, marking a significant expansion of opportunities for experiential learning and practical business experiences.
Overall, these initiatives engaged a total of 15 volunteers, supporting and guiding 670 youths throughout the year.

Poland

Throughout the entirety of 2023, BNY Mellon volunteers played integral roles within JA Poland's initiatives, notably during the Company of the Year Competition and other crucial activities. The volunteers contributed significantly to the qualification process, where two committees, comprising a total of 11 dedicated volunteers, meticulously evaluated business ideas and assessed advertising films from the top 20 mini-companies.
In addition to these significant engagements, a webinar themed on "My Finances" was organized and , led by a BNY Mellon volunteer.
Overall, throughout 2023, 14 BNY Mellon volunteers actively contributed to numerous impactful activities, supporting and guiding a total of 890 young individuals within JA Poland's initiatives.

Netherlands

One BNY Mellon volunteer, served as a jury member at the semi-finals of the Student Company program in the Netherlands. This volunteer had prior experience in coaching and assessing participants in the Company of the Year Competition. Using his experience, he skillfully guided and evaluated 50 young participants during the semi-finals, showcasing Jong Ondernemen's dedication to supporting young entrepreneurs.

Spain

Throughout the year, JA Spain and BNY Mellon have maintained their collaborative efforts, focusing on nurturing the growth and empowerment of young individuals. Volunteers continued their impactful contributions across various facets, engaging in four sessions designed to benefit underserved youth. Furthermore, their involvement extended to the evaluation and assessment of 19 aspiring teams participating in the Start Up Programme. A notable highlight was the immersive initiative "Socios por un día," where volunteers generously shared their professional experiences with students. Particularly noteworthy was the pivotal role taken by a dedicated volunteer in evaluating and guiding teams advancing to the Start Up Programme finals. In total, these activities collectively reached 122 students, with the support of 11 volunteers.

Germany

Throughout the year, the BNY Mellon office in Frankfurt played a pivotal role in fostering enriching collaborations with JA Germany. The collaboration commenced with a 10-week premium mentoring program provided to 10th-grade students from Eichendorffschule Wetzlar. This initiative was instrumental in equipping students with essential skills for their future careers. Dedicated BNY Mellon coaches adeptly guided the students through crucial aspects of professional preparation, focusing on crafting successful job applications, structuring compelling resumes, goal setting, effective problem-solving techniques, and nurturing self- confidence. Engaging exchanges with accomplished professionals facilitated knowledge-sharing and mentorship, offering students new experiences and perspectives. Ultimately, the program equipped 300 students with a toolkit for success as they begin their career paths.In addition, the last two quarters (Jul-Nov) saw initiatives like Female Leadership Coaching and LinkedIn Training engaging over 100 participants, further highlighting BNY Mellon's commitment to supporting and empowering youth within JA Germany's programs. Throughout these initiatives, a total of 38 volunteers actively contributed their time and expertise, to 440 young students.

Ireland

Throughout 2023, BNY Mellon maintained its 16-year partnership with Junior Achievement Ireland (JAI), fostering hands-on learning experiences that bridged the gap between classroom education and practical applications for students. This enduring collaboration empowered students to connect theoretical knowledge with real-life scenarios.

Working closely from January to June, JAI and BNY Mellon JA champions across three sites collectively engaged 46 dedicated volunteers. These volunteers actively participated in various JA classroom programs and workshops, making a significant impact on 635 students. The initiatives encompassed diverse educational programs, including sessions to commemorate International Women's Day, where volunteers devoted a total of 300 contact hours guiding and mentoring students.

Italy

Throughout the year, JA Italy and BNY Mellon collaborated closely to involve more schools and volunteers. JA Italy prioritized comprehensive training for teachers and volunteers from the start of the year.

In early February, three volunteers engaged with 81 students across three classes, guiding them through business ideation activities. Virtual meetings offered continuous support to these students as they progressed. As the Company Program reached its peak between April and June, participating classes entered regional and national competitions. Two volunteers served as jury members, impacting 430 students during regional and national finals held in Milan. In total, 511 students and three volunteers actively participated in these initiatives throughout the year.

BOARD STATEMENT

The Board of Directors has the responsibility of establishing the annual accounts and consolidated financial statements of The Bank of New York Mellon SA/NV ("the European Bank") as of and for the year ended December 31, 2023 pursuant to Belgian law.

On 25 April 2024, the annual accounts and consolidated financial statements of the European Bank were discussed by the Board of Directors.

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

The annual accounts and consolidated financial statements as of December 31, 2023 will be submitted for approval to the ordinary shareholders meeting to be held on 28 May 2024.

In 2023, no decisions taken by the Board required the application of Art. 7:96 of the Belgian Companies and Associations Code. No decisions taken by the Executive Committee required the application of Art. 59/1 of the Act of 25 April 2014 on the status and oversight of credit institutions on conflicts of interest.

Brussels, 25 April 2024

For the Board of Directors

Olivier Lefebvre
Chairman

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

KPMG

Rapport du commissaire à l'assemblée générale de The Bank of New York Mellon SA sur les comptes consolidés pour l'exercice clos le 31 décembre 2023

Dans le cadre du contrôle légal des comptes consolidés de The Bank of New York Mellon SA (la «Société») et de ses filiales (conjointement « le Groupe »), nous vous présentons notre rapport du commissaire. Celui-ci inclut notre rapport sur les comptes consolidés pour l'exercice clos le 31 décembre 2023, ainsi que les autres obligations légales et réglementaires. Le tout constitue un ensemble et est inséparable.

Nous avons été nommés en tant que commissaire par l'assemblée générale du 8 juin 2021, conformément à la proposition de l'organe d'administration émise sur recommandation du comité d'audit et sur présentation du conseil d'entreprise. Notre mandat de commissaire vient à échéance à la date de l'assemblée générale délibérant sur les comptes annuels clôturés au 31 décembre 2023. Nous avons exercé le contrôle légal des comptes consolidés du Groupe durant quinze exercices consécutifs.

Rapport sur les comptes consolidés

Opinion sans réserve

Nous avons procédé au contrôle légal des comptes consolidés du Groupe pour l'exercice clos le 31 décembre 2023, établis conformément aux normes comptables IFRS émises par l'International Accounting Standards Board et telles qu'adoptées par l'Union Européenne et aux dispositions légales et réglementaires applicables en Belgique. Ces comptes consolidés comprennent l'état consolidé de la situation financière au 31 décembre 2023, ainsi que l'état consolidé du résultat et d'autres résultats globaux, l'état consolidé des variations de fonds propres et un tableau des flux de trésorerie consolidé de l'exercice clos à cette date, ainsi que des annexes contenant des méthodes comptables matérielles et d'autres informations explicatives. Le total de l'état consolidé de la situation financière s'élève à 39.658.893 (000) EUR et l'état consolidé du résultat et d'autres résultats globaux se solde par un bénéfice net de l'exercice de 372.904 (000) EUR.

À notre avis, ces comptes consolidés donnent une image fidèle du patrimoine et de la situation financière du Groupe au 31 décembre 2023, ainsi que de ses résultats consolidés et de ses flux de trésorerie consolidés pour l'exercice clos à cette date, conformément aux normes comptables IFRS émises par l'International Accounting Standards Board et telles qu'adoptées par l'Union Européenne et aux dispositions légales et réglementaires applicables en Belgique.

Siège:
Luchthaven Brussel Nationaal 1K
B-1930 Zaventem

KPMG Bedrijfsrevisoren - KPMG Réviseurs d'Entreprises BV/SRL
Numéro d'entreprise 0419.122.548
TVA BE 0419.122.548
RPM Bruxelles
IBAN : BE 95 0018 4771 0358
BIC : GEBABEBB

Fondement de l'opinion sans réserve

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

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

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

Points clés de l'audit

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

Systèmes informatiques et contrôles automatisés à l'égard de l'information financière

Description

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

Nos procédures d'audit

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

- Evaluation du cadre de gouvernance du Groupe en matière de gestion des systèmes informatiques.
- Evaluation de la conception et de l'efficacité opérationnelle des contrôles généraux sur les systèmes informatiques tels que les contrôles relatifs aux développements et changements, aux accès aux programmes et aux données, et aux opérations informatiques.
- Evaluation de la conception et de l'efficacité opérationnelle des contrôles automatisés des processus clés ayant un impact sur l'information financière produite par le Groupe, en prenant en considération les contrôles compensatoires qui ne sont pas impactés par des contrôles généraux et les procédures substantives additionnelles considérées comme nécessaires.
- Evaluation de l'intégrité des données transmises au travers des différents systèmes informatiques vers les systèmes concourant à la production de l'information financière.

<u>Actifs détenus par le dépositaire</u>

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

Description

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

Nos procédures d'audit

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

- Nous avons évalué la mise en place et testé l'efficacité opérationnelle des contrôles manuels et automatisés relatifs au processus de rapportage des actifs détenus par le dépositaire, en ce compris les contrôles devant assurer la qualité des données sources, l'exhaustivité des actifs détenus par le dépositaire ainsi que leur tarification.
- Nous avons sélectionné un échantillon de contrats et avons corroboré les conclusions de la direction à propos du respect des exigences liées à la protection des actifs détenus par le dépositaire et au rapportage.

- Pour un échantillon, nous avons testé la répartition des actifs détenus par le dépositaire entre les différentes entités juridiques du groupe The Bank of New York Mellon en comparant les données du système opérationnel avec les confirmations reçues des préposés en question et/ou d'autres documents vérifiables.
- Nous avons évalué le processus de réconciliation entre les actifs détenus par le dépositaire extraits des systèmes opérationnels du Groupe et les actifs détenus par le dépositaire tels que repris dans l'annexe n°26.2 "Hors bilan" des comptes consolidés.

Provision pour plaintes et litiges

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

Description

Au 31 décembre 2023, l'état consolidé de la situation financière du Groupe inclut une provision pour plaintes et litiges s'élevant à 42.946 (000) EUR.

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

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

Nos procédures d'audit

Nous avons effectué les procédures suivantes :

- Nous avons évalué la procédure mise en place par la direction pour prévoir l'issue des plaintes et des litiges, ainsi que le caractère approprié de l'évaluation.
- Nous avons évalué la capacité historique de la direction de déterminer avec précision la probabilité d'un règlement des plaintes et litiges et avons évalué le caractère raisonnable de la prévision actuelle.
- Nous avons analysé l'évaluation des plaintes et litiges par la direction en la corroborant à de la correspondance considérée comme pertinente ainsi qu'au registre des plaintes.
- Nous avons consulté le dernier rapport émis par le conseiller juridique interne de la Société, y compris l'analyse de la motivation des conclusions formulées.

- Nous avons consulté et analysé la correspondance avec les avocats externes en réponse à nos demandes de confirmation du statut des procédures juridiques en cours et avons évalué l'impact de cette évidence sur le caractère approprié des provisions.
- Nous avons évalué de manière critique le caractère adéquat du traitement comptable, en ce compris les extournes de provisions, par la direction de la provision pour plaintes et litiges sur la base des évènements survenus au cours de l'exercice comptable 2023.
- Nous avons évalué l'information présentée aux annexes n°20 « Provisions » et n°26.1 « Actions en justice » des comptes consolidés.

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

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

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

Responsabilités du commissaire relatives à l'audit des comptes consolidés

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

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

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

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

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

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

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

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

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

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

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

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

Autres obligations légales et réglementaires

Responsabilités de l'organe d'administration

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

Responsabilités du commissaire

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

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

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

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

- Chiffres clés financiers et lettre du CEO

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

Mentions relatives à l'indépendance

- Notre cabinet de révision et notre réseau n'ont pas effectué de missions incompatibles avec le contrôle légal des comptes consolidés et notre cabinet de révision est resté indépendant vis-à-vis du Groupe au cours de notre mandat.
- Les honoraires relatifs aux missions complémentaires compatibles avec le contrôle légal visées à l'article 3:65 du Code des sociétés et des associations ont correctement été valorisés et ventilés dans l'annexe des comptes consolidés.

Autres mentions

- Nous faisons référence au rapport de gestion sur les comptes consolidés qui énonce le point de vue de l'organe d'administration selon lequel le Groupe est exempté de l'obligation de préparer et de publier l'information non-financière tel que requise par l'article 3:32, §2 du Code des sociétés et des associations étant donné que la Société est une filiale du groupe The Bank of New York Mellon, qui prépare un rapport annuel consolidé qui inclut l'information non-financière.
- Le présent rapport est conforme au contenu de notre rapport complémentaire destiné au comité d'audit visé à l'article 11 du règlement (UE) n° 537/2014.

Zaventem, le 28 mai 2024

KPMG Réviseurs d'Entreprises
Commissaire
représentée par

Stéphane Nolf

Stéphane Nolf
Réviseur d'Entreprises

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December		2023	2022
	Notes	In € '000	In € '000
Interest income	2	1,031,759	365,115
Interest expense	2	813,327	278,473
Net interest income		218,432	86,641
Fee and commission income	3	881,909	905,149
Fee and commission expense	3	328,823	346,340
Net fee and commission income		553,085	558,809
Net trading income and gains on non-qualifying economic hedges and other derivatives	4	101,465	114,256
Gains / (losses) on non trading assets (FVPL, FVOCI, non financial assets)	5	469	(9,546)
Other operating income	5	18,114	11,649
Total operating income		**891,567**	**761,809**
Personnel expenses	6	200,524	190,481
Depreciation of Property and Equipment	16	11,416	12,345
Amortization/impairment of Intangible assets (other than goodwill)	17	5,871	5,666
Impairment (reversal) of financial assets not measured at fair value through profit and loss		(1,720)	3,801
Provisions	20	2,078	(13,353)
Other operating expenses	7	214,567	206,471
Total operating expenses		**432,736**	**405,410**
Profit before tax from continuing operations		**458,831**	**356,400**
Tax expense related to profit from continuing operations	8	83,435	52,452
Profit from continuing operations		**375,396**	**303,948**
Discontinued operation		(2,492)	3,465
Profit (loss) from discontinued operation, net of tax[13]	27.6.	(2,492)	3,465
NET PROFIT FOR THE YEAR[14]		**372,904**	**307,413**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement gains /(losses) on defined benefit plans	22.2.	(1,250)	8,363
Related tax	8.2.	9	(1,417)
		(1,241)	**6,946**
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve			
Net change in fair value		252,111	(611,893)
Net amount transferred to profit and loss		250	(10,041)
Related tax	8.2.	(63,090)	155,322
		189,271	**(466,612)**
Other comprehensive income for the year, net of tax		188,030	(459,666)
Total comprehensive income for the year, net of tax		**560,934**	**(152,253)**

[13] European Bank has elected to disclose a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss and OCI, and has analyzed that single amount into revenue, expenses and the pre-tax profit or loss in Note 27.6..
[14] All net profit/loss is attributable to the equity holders of the parent. The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2023 In € '000	31 December 2022 In € '000
ASSETS			
Cash and cash balances with central banks	10	21,096,199	18,493,927
Derivative financial instruments	14	692,754	1,131,799
Loans and advances to customers	11	5,367,936	7,643,466
Investment securities	12	11,729,241	12,267,531
Current tax assets	8	26,312	27,450
Other assets	15	565,833	515,944
Property and equipment	16	36,947	42,228
Deferred tax assets	8	84,923	148,168
Goodwill and other intangible assets	17	58,748	63,130
TOTAL ASSETS		**39,658,893**	**40,333,643**
LIABILITIES			
Derivative financial instruments	14	738,266	1,338,777
Deposits from central banks	18	135,652	77,892
Deposits from financial institutions	18	32,994,422	33,591,403
Deposits from non-financial institutions	18	235,055	310,260
Subordinated liabilities	18	1,000,229	1,000,153
Other financial liabilities	18	28,379	32,988
Current tax liabilities	8	49,067	35,210
Other liabilities[15]	19	406,138	389,996
Provisions	20	59,969	110,522
Deferred tax liabilities	8	800	869
TOTAL LIABILITIES		**35,647,977**	**36,888,072**
EQUITY			
Issued capital	23	1,754,386	1,754,386
Share premium	23	33,333	33,333
Retained earnings		2,423,851	2,050,947
Other reserves	23	(200,654)	(393,094)
TOTAL EQUITY		**4,010,916**	**3,445,572**
TOTAL LIABILITIES AND EQUITY		**39,658,893**	**40,333,643**

All equity is attributable to the equity holders of the parent.

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

[15] European Bank has presented liabilities held for sale €0.203Mio within other liabilities. See note 27.6.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of European Bank				
	Issued capital	Share premium	Retained earnings	Other reserves	Total equity
	In '000 €	In '000 €	In '000 €	In '000 €	In '000 €
As at January 1, 2022	1,754,385	33,333	1,743,534	63,925	3,595,177
Total comprehensive income					
Profit for the year	—	—	307,413	—	307,413
Other comprehensive income, net of tax					
Remeasurement gains/(losses) on defined benefit plans (Note 22)	—	—	—	8,363	8,363
Fair value reserve (FVOCI debt instruments)					
Net change in fair value	—	—	—	(611,893)	(611,893)
Net amount transferred to profit and loss	—	—	—	(10,041)	(10,041)
Tax on other comprehensive income (Note 8)	—	—	—	153,905	153,905
Total other comprehensive income	—	—	—	(459,666)	(459,666)
Total comprehensive income	—	—	307,413	(459,666)	(152,253)
Share-based payments (Note 25)				2,647	2,647
Transactions with owners	0	0	—	2,647	2,647
At 31 December 2022	1,754,385	33,333	2,050,947	(393,094)	3,445,571
Total comprehensive income					
Profit for the year	—	—	372,904	—	372,904
Other comprehensive income, net of tax					
Remeasurement gains /(losses) on defined benefit plans (Note 22)	—	—	—	(1,250)	(1,250)
Fair value reserve (FVOCI debt instruments)					
Net change in fair value	—	—	—	252,111	252,111
Net amount transferred to profit and loss	—	—	—	250	250
Tax on other comprehensive income (Note 8)	—	—	—	(63,081)	(63,081)
Total other comprehensive income	—	—	—	188,030	188,030
Total comprehensive income	—	—	372,904	188,030	560,934
Share-based payments (Note 25)				4,410	4,410
Transactions with owners	—	—	—	4,410	4,410
At 31 December 2023	1,754,385	33,333	2,423,851	(200,654)	4,010,915

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2023	2022
		In € '000	In € '000
OPERATING ACTIVITIES			
Net Profit for the year		372,904	307,413
Adjustments for:		(110,460)	(19,847)
Net interest income	2	(218,432)	(86,641)
Current and deferred tax expenses	8	83,435	52,452
Depreciation and amortization	16, 17	17,287	18,011
Provisions	20	2,078	(13,353)
(Gains)/losses from sales of FVOCI debt instruments	5	(469)	9,546
Gain on sale of discontinued operation, net of tax	27.6.	2,492	(3,465)
Other[16]		3,149	3,605
Changes in:			
Monetary reserves	10	17,673	20,585
Loans and advances	11	2,275,530	(1,324,973)
Investment securities	12	27,616	(258,149)
Derivative financial assets	14	439,046	(763,245)
Other assets	15	(49,890)	(35,170)
Deposits from central banks	18	57,760	(5,933)
Deposits from credit institutions	18	(596,982)	1,649,012
Deposits (other than credit institutions)	18	(75,206)	69,914
Derivative financial liabilities	14	(600,511)	1,022,042
Other financial liabilities	18,26.4	3,843	6,517
Other liabilities and provisions	19, 20	(40,231)	8,876
Interest received	2	1,031,759	365,115
Interest paid	2	(813,327)	(278,473)
Income taxes refunded		847	789
Income taxes paid		(67,350)	(86,002)
Net cash from operating activities		**1,873,024**	**678,471**
INVESTING ACTIVITIES			
Purchase of tangible assets	16	(6,208)	(15,020)
Disposal of tangible assets	16	72	1,002
Purchase of intangible assets	17	(1,648)	(10)
Proceeds from sales of debt securities		3,905,191	4,249,110
Purchase of debt securities		(3,142,660)	(4,084,625)
Net cash used in investing activities		**754,747**	**150,457**
FINANCING ACTIVITIES			
Subordinated liabilities	18	76	1,000,153
Long Term Debt	18	—	(3,166,861)

[16] Other mainly consists of non-cash transactions, including mainly share based payments reserves and sales tax and other.

Payments of lease liabilities[17]	26.4	(8,452)	(8,902)
Net cash used in financing activities		**(8,376)**	**(2,175,611)**
Net increase/decrease in cash and cash equivalents		**2,619,395**	**(1,346,682)**
Cash and cash equivalents at beginning of the period		18,159,888	19,506,571
Effect of exchange rate fluctuations on cash and cash equivalents[18]		—	—
Cash and cash equivalents at the end of the period	**10**	**20,779,834**	**18,159,888**
Components of cash and cash equivalents:			
Cash and cash balances with central banks[19]		20,779,834	18,159,888

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

[17] European Bank has classified cash payments for the principal portion of lease payments as financing activities and cash payments for interest portion as operating activities consistent with the presentation of other interest payments.
[18] Cash and Cash balances with central banks are mainly invested in Euro.
[19] Cash and cash balances with central banks does not contain monetary reserves amount as compared to Note 10.

SIGNIFICANT ACCOUNTING POLICIES

1. Significant Accounting Policies

1.1. Basis of Accounting

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

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

The consolidated financial statements provide comparative information in respect of the previous period. European Bank presents its consolidated statement of financial position broadly in order of liquidity.

1.2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of European Bank and its subsidiaries as at and for the year ended 31 December 2023, with exception of BNY Mellon AIS Nominees Limited that is a non-consolidated subsidiary. The individual financial statements of European Bank's consolidated subsidiaries are prepared for the same reporting year as European Bank. The accounting policies of subsidiaries are consistent with those of the parent.

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

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

1.3. Use of Judgments and Estimates

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

Estimates and assumptions

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

Going concern

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

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

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

Pension obligation

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

IFRS 9 Financial instruments

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

Recognition and measurement of contingencies

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

1.4. Changes in Accounting Policies

The following new and amended IFRS and IFRIC interpretations were considered by European Bank, these being endorsed by European Union and effective for annual periods beginning on or after 1 January 2023.

Following amended standards are applicable and have impact on European Bank consolidated financial statements:

- *Amendments to IAS 1 and IFRS Practice Statement 2 :* include narrow-scope amendments to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements
- *Amendments to IAS 12 :* clarifies how companies should account for deferred tax on transactions such as leases and decommissioning obligation

Below standard is applicable on European Bank but with no or limited impact on FY2023 consolidated financial statements:

- *Amendments to IAS 8 : definition of accounting estimates,* clarify how companies should distinguish changes in accounting policies from changes in accounting estimates
- *Amendment to IAS 12 : international tax reform - pillar two model rules (cfr note 8.4 Income Taxes)*[20]

Below standard is not applicable on European Bank consolidated financial statements:

- *IFRS 17 Insurance Contracts (issued on 18 May 2017)*

1.5. New Standards and interpretations not yet effective

European Bank will apply the new or revised IFRS standards and related annual improvements detailed below as from their effective date following the endorsement process by the European Commission.

A number of new standards, amendments to standards and interpretations are not applicable and have not been applied in preparing these consolidated financial statements. These amendments are not expected to have a material impact on the European Bank consolidated financial statements.

[20] The amendments introduce a relief from deferred tax accounting for the global minimum top-up tax under Pillar Two, which applies immediately from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.

- **Amendments to IAS 1 Presentation of Financial statements: Classification of Liabilities as Current or Non-current** , with effective date as of 1 January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability must exist at reporting date and have substance.
- **Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates**, with effective date as of 1 January 2025, clarifies when a currency is exchangeable into another currency and how a company estimates a spot rate when a currency lacks exchangeability.

Other Standards

- **Amendments to IFRS 16 Lease Liability in a Sale and Leaseback**, with effective date as of 1 January 2024 impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.
- **Amendments to IAS 7 and IFRS 7 Statement of Cash Flows and Disclosures for Financial Instruments**, with effective date as of 1 January 2024, introduce additional disclosure requirements for companies that enter into supplier finance arrangements.
- **Amendments to IAS 1 Presentation of Financial statements: Liabilities with covenants** , with effective date as of 1 January 2024, classification critieria clarified and new disclosures. .

1.6. Summary of Accounting Policies and Disclosures

1.6.1. Foreign Currency Translation

The consolidated financial statements are presented in Euro (€). Items included in the financial statements of each of European Bank’s entities are measured using the currency of the primary economic environment in which the entity operates (“functional currency”), which is Euro for most of the European Bank’s entities, except for BNYM Mellon SA/NV Dublin and Copenhagen branches, where USD and DKK are the functional currencies, respectively.

1.6.1.1. Translations of transactions and balances

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

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

1.6.1.2. Interbank Offered Rates (“IBOR”) reform

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

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

Since January 1, 2022 all CHF and EUR LIBOR settings, the 1 week and 2 months USD LIBOR settings, and the overnight/ spot next, 1 week, 2 month and 12-month GBP and JPY LIBOR settings have officially ceased to exist. The benchmark administrator IBA (ICE Benchmark Administration) is no longer publishing these rates.

IBA expects to continue to determine and publish the Overnight and the 1-, 3-, 6- and 12-month USD LIBOR settings using panel bank contributions until the end of June 2023. New transactions in these rates are not allowed from January 1, 2022, unless Line of Business specific procedures and approvals are provided.

Since 2021, the Financial Conduct Authority ("FCA") designated the 1-, 3- and 6-months GBP and JPY LIBOR settings as "Article 23A benchmarks" for the purposes of the UK Benchmarks Regulation (the "BMR") with effect from January 1, 2022 and is compelling IBA to publish these settings for the duration of 2022. The FCA is requiring IBA to calculate these settings using a changed, "synthetic" methodology. The "synthetic" methodology is not based on panel bank contributions and is not representative of the underlying market for the purposes of the BMR. These rates are also not allowed to be used for new transactions.

In November 2022, the FCA announced that 3-month synthetic JPY LIBOR settings will cease at end-2022, 1- and 6-month synthetic GBP LIBOR settings will cease at end-March 2023, overnight and 12-month USD LIBOR settings will cease at end-June 2023, 3-month synthetic GBP LIBOR setting will cease at end-March 2024. It also proposed that 1-, 3- and 6-month synthetic USD LIBOR settings would commence after the end of panel bank contributions and cease at end-September 2024.

Given the nature of the assets held by European Bank, the primary exposures to such rates are deemed to be low compared to traditional broker-dealers and market liquidity providers in the banking sector.

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

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

Certain operational risks however exist regarding European Bank’s business model, including execution, maintenance and reporting risk relating to the processing of Assets Under Custody (“AUC”), legal risk arising from legal claims and contract frustration, and technology risk relating to impacted systems not being sufficiently updated to deal with the transition.

1.6.2. Recognition of Revenue and Expense

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

1.6.2.1. Net Interest Income

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

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

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

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

1.6.2.2. Fees and Commission Income

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

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

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

1.6.2.2.1. Nature of services and revenue recognition

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

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

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

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

1.6.2.2.2. Contract balances

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

Contract assets represent accrued revenues that have not yet been billed to the customers due to contingent factors other than the passage of time. Contract assets are usually billed on a monthly basis. There were no impairments recorded on contract assets in 2022.

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

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

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

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

Unsatisfied performance obligations

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

1.6.2.3. Dividend Income

Dividend income is recognized when European Bank's right to receive payment is established.

1.6.2.4. Gains and Losses on Non Qualifying Economic Hedges

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

1.6.2.5 Net trading income

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

1.6.3. Financial Instruments – Initial Recognition and Subsequent Measurement

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

1.6.3.1. Non-derivative financial assets - Classification

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

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

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

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

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

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

Equity Securities

Investment in equity securities that do not result in consolidation are measured at fair value through profit and loss (“FVTPL”). Any subsequent changes in carrying value is recognised in the statement of profit and loss and other comprehensive income. The investment in equity securities is presented in the disclosure note "other assets".

1.6.3.1.1 Business model assessment

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

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

European Bank generally does not hold non-derivative financial assets for trading.

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

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

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

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

1.6.3.1.3. Reclassification of Financial Assets

European Bank does not reclassify financial assets subsequent to their initial recognition, except in the period after European Bank changes its business model for managing financial assets. In 2023 European Bank has not recorded any reclassifications of financial assets.

1.6.3.2. Derivative Financial Instruments Held for Trading

European Bank uses derivatives including FX swaps, forwards and interest rate swaps as part of its cash management activities. Derivatives are recognized in the statement of the financial position at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized in the “Gains and losses on non-qualifying economic hedges” in the statement of profit and loss and other comprehensive income. On the other hand, gains and losses on derivatives designated in qualifying hedging relationships such as fair value hedges, are recorded in the statement of profit and loss and other comprehensive income, as well as any change in the value of related hedged item associated with the designated risks being hedged, in the same income statement line where the earnings effect of the hedged item is presented, principally “Interest Income on Investment Securities”.

To qualify for hedge accounting, each hedge relationship is required to be highly effective at reducing the risk associated with the exposure being hedged, both prospectively and retrospectively. European Bank formally document all relationships, including hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking each hedging transaction. At inception, the potential cause of ineffectiveness related to each of its hedges is assessed to determine if it can expect the hedge to be highly effective over the life of the transaction. At hedge inception, European Bank document the methodology to be utilised for evaluating effectiveness on an ongoing basis, and monitor ongoing hedge effectiveness at least quarterly. European Bank discontinue hedge accounting prospectively when it has been determined that the hedge is no longer effective or the derivative expires, is sold, or management discontinues the derivative's hedge designation. Subsequent gains and loss on these derivatives are recognized in "Net trading income" line in the statement of profit and loss and other comprehensive income and the accumulated gain or loss on the hedged item is amortised on a yield basis over the remaining life of the hedged item.

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

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

European Bank does not hold derivatives embedded in other financial instruments.

1.6.3.3. Financial Liabilities

European Bank classifies its financial liabilities as measured at amortised cost.
Financial liabilities are measured at FVPL if they meet one of the following conditions:

a. Financial liabilities held for trading (including derivatives); and
b. Financial liabilities that on initial recognition are designated at FVPL.

1.6.4. Derecognition of Financial Assets and Financial Liabilities

1.6.4.1. Financial Assets

European Bank derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

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

European Bank has derecognized financial assets in 2023 and 2022.

1.6.4.2. Financial Liabilities

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

1.6.5. Repurchase and Reverse Repurchase Agreements

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

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

European Bank receives collateral in reverse repurchase transactions, and if eligible for re-use, may post it as collateral in a further transaction.

1.6.6. Commitments and financial guarantees given and received

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

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

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

1.6.7. Determination of Fair Value

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

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

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

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

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

1.6.8. Impairment of Financial Assets

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

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

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

1.6.8.1 Measurement of ECL

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

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

Given European Bank’s very low ECL rate overall, the effect of ECL on trade receivables is insignificant. Accordingly, no ECL is calculated centrally for such exposures.

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

1.6.9. Offsetting Financial Instruments

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

1.6.10 Leasing

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

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

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

Additionally, for certain equipment leases, European Bank applies a portfolio approach to account for the operating lease ROU assets and liabilities.

European Bank does not engage in subleasing activities.

1.6.11. Cash and Cash Equivalents

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

1.6.12. Property and Equipment

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

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

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

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

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

1.6.13. Business Combinations and Goodwill

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

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

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

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

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

1.6.13.1. Assets and Liabilities held for sale

European Bank's assets and liabilities, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.
Such assets and liabilities, or disposal groups, are generally measured at the lower of their carrying amount and fair values less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to property and equipment, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the European Bank's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Assets and liabilities held for sale are presented in the caption Other assets and Other liabilities unless material in which case these are presented on the face of the consolidated financial statement.

1.6.13.2. Discontinued operation

A discontinued operation is a component of the European Bank's business, the operations and cash flows of which can be clearly distinguished from the rest of European Bank and which is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.
When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year, when deemed material.

1.6.14. Intangible Assets other than Goodwill

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

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

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

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

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

European Bank has no intangible assets other than goodwill with an indefinite useful life.

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

1.6.15. Impairment of Non-Financial Assets

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

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

European Bank identified value in use as being the recoverable amount of a cash-generating Unit (CGU). In assessing value in use of a CGU, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

1.6.16. Pension Benefits

1.6.16.1. Defined Benefit Plan

European Bank operated multiple defined benefit plans during the year. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary. A valuation by a qualified independent actuary is carried out every year for each of the plans.

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

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

European Bank determines the net interest for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit obligation (asset).

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

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

1.6.16.2. Defined Contribution Plan

European Bank also operates multiple defined contribution plans. The contributions payable to those plans are recognized as an expense under ‘Personnel expenses’ when they fall due. Unpaid contributions are recorded as a liability.

1.6.17. Provisions

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

Restructuring provisions

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

1.6.18. Share-Based Payments

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

European Bank uses a lattice-based binomial method to calculate the fair value of options on the date of the grant. Stock units are valued based on the quoted price of the relevant stock at grant date.

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

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

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

Compensation expense relating to share-based payments is recognized in staff expense on the income statement, on an accelerated basis, over the applicable vesting period.
Certain stock compensation grants vest when the employee retires. New grants with this feature are expensed by the first date the employee is eligible to retire. We estimate forfeitures when recording compensation cost related to share-based payment awards.

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

1.6.19. Taxes

1.6.19.1. Current Tax

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

Current tax assets and current tax liabilities are offset if a legally enforceable right exists and there is an intention to settle on a net basis.

1.6.19.2. Deferred Tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

1.6.19.3. Sales Tax

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

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

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

1.6.20. Dividends on Ordinary Shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by European Bank’s shareholders. Dividends for the year that are approved after the reporting date are disclosed as a subsequent event.

1.6.21. Equity Reserves

The reserves recorded in equity of European Bank include:

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

1.6.22. Segment Reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Net Interest Income

Interest income	2023	2022
	in € '000	in € '000
Investment securities	237,712	128,113
Loans and advances to customers	789,712	168,285
Interest income on liabilities	4,335	68,716
Total	**1,031,759**	**365,115**
Interest expense		
Deposits from credit institutions	201,903	57,266
Deposits from other financial institutions	578,491	142,950
Deposits from non-financial institutions	2,172	491
Subordinated loans	27,882	21,312
Long term debt	—	0
Interest expense on assets	2,504	56,205
Interest expense on leases (note 26.4)	375	249
Total	**813,327**	**278,473**
Net interest income	**218,432**	**86,641**

The net interest income has increased by €132Mio compared to last year, following the shift of ECB EUR rate from negative to positive rate from Q3 2022 and as well as the increase in FED USD rate. This is partially offset by higher funding cost (€11 Mio) as a result of the new subordinated loan with BNYM Head Office originated in March 2022 and contracted at a higher funding rate and as well as the impact of the maturity of the 3-year long term debt[21] in Q1 2023 (where BNYM Head Office was earning from EUR negative interest).

In 2023, European Bank continued charging negative interest rate to clients for currencies that remained negative during the year, hence better reflecting the cost of maintaining deposits. Interest income on liabilities line shows the negative interest charged to the clients by the European Bank and the interest expense on assets line presents negative interest charged by third party banks on nostros and placements (2022: majority relates to negative interest charged by central banks).

[21] At the end of 2022 the residual maturity was less than 3 months, hence classified as deposit.

3. Net Fee and Commission Income

	2023 In € '000	2022 In € '000
Fee and commission income- contract revenue		
INVESTMENT SERVICES	817,087	839,741
Asset Servicing	524,724	565,913
Clearance and Collateral Management	176,995	160,243
Issuer Services	115,368	113,585
of which ADR	39,982	46,762
of which Corporate Trust	75,386	66,823
OTHER CONTRACT REVENUE	64,822	65,407
Markets	57,301	56,546
of which Foreign exchange commissions	31,031	43,910
Treasury Services	7,521	8,862
Total fee and commission income - contract revenue	**881,909**	**905,149**
Fee and commission expenses		
Custody	121,294	123,827
Clearing and settlement	742	593
Servicing, processing and support fees re-charged	206,787	221,920
Other	—	—
Total fee and commission expense	328,823	346,340
Net fee and commission income	**553,085**	**558,809**

The overall net decrease of €6 Mio in fee and commission income is primarily driven by lower Custody revenue, lower Foreign exchange commission revenue and lower American Depositary Receipts (ADR) revenue. The revenue is further decreased due to the adverse impact of a weaker US dollar FX rate against Euro, since a large part of revenue is billed in US dollar. This is partially offset by the organic growth in Markets, Corporate Trust and Collateral Management.

Custody revenue has decreased due to lower AUC compared to prior year, negative repricing impact and lost business. Custody fees paid to sub-custodians have decreased in line with the revenue movement.

In Issuer Services, the ADR results were down due to lower cancellation volume partially offset by the non-repeat of prior year's Dublin Branch's share of ADR asset impairment recognized by BNY Mellon Group in relation to Russia-Ukraine conflict. Corporate Trust revenue, on the other hand, increased due to new business.

Foreign exchange commission revenue has decreased due to lower volume of transactions executed during the year.

Servicing, processing and support fees are fees re-charged by other group companies. This is mainly related to operations and overhead charges from group entities charging European Bank for Asset Servicing, Clearance and Collateral Management, Corporate Trust and ADR services. The decrease in this caption is mainly due to lower recharge for custody/operations support in line with lower volume of activity/revenue, and partly due to weaker US dollar FX rate against Euro as majority of these expenses are billed in USD by group companies.

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

	2023	2022
	In € '000	In € '000
Net trading income		
Forward foreign exchange contracts	3,299	2,758
Gains (Losses) from hedge accounting, net	24,495	(3,304)
Gains on Non Qualifying Economic Hedges		
Forward foreign exchange contracts	73,671	114,801
	101,465	**114,256**

Realized and unrealized result of currency swaps that act as non-qualifying economic hedges are recorded in this caption totaling €73.67 Mio, net of any FX revaluation on client and treasury balances. The decrease in FX swap revenue is primarily driven by EUR-USD and EUR-GBP currency pair resulting from the decrease in swap yield and partly volume.

Gains (Losses) from hedge accounting pertains relates to interest rate swap that are used to mitigate interest rate risk within the banking book. The increase of gains from hedge accounting is driven by higher volume of activity in 2023.

FX Trading desk activities generated a net trading income of €3.3 Mio in 2023 (2022: €2.8 Mio).

5. Other Operating Income

	2023	2022
	In € '000	In € '000
Gains / (losses) on non trading assets (FVPL, FVOCI, non financial assets)	469	(9,546)
Miscellaneous income	18,114	11,649
	18,584	**2,103**

In prior year, a €10.0 Mio net loss from sales of FVOCI debt instruments was incurred primarily driven by the sale of corporate bond portfolios.

Miscellaneous income included mainly impacts from "cum-ex" postings. For further details please refer to Note 26.1 Legal Claims. In addition, Luxembourg Branch received an amount of €1.5 Mio from the insurance company as compensation for losses incurred caused by flooding.

6. Personnel Expenses

	2023 In € '000	2022 In € '000
Wages and salaries	151,674	145,167
Social security contributions	24,307	23,549
Pension costs – Defined benefit plan (Note 22.2)	2,195	2,793
Pension costs – Defined contribution plan (Note 22.1)	6,666	5,817
Share-based payments (Note 25)	4,436	3,093
Other	11,246	10,062
	200,524	**190,481**

The Personnel expenses increased compared with prior year by €10 Mio mainly attributed to additional staffs in Luxembourg and Poland (following the opening of a new branch), partially offset by less headcount in the Belgium. Salaries have also increased in Luxembourg and Dublin, due to inflation linked salary indexation and merit increases, respectively.

Other expenses consist principally of medical insurance costs of €4 Mio (2022: €4 Mio), and commuting programs for employees of €2 Mio (2022: €2 Mio).

7. Other Operating Expenses

	2023 In € '000	2022 In € '000
Professional fees	21,267	20,764
IT expenses	6,240	4,202
Bank levies	23,641	31,712
Operational lease expenses (note 26.4)	4,354	4,903
Non trading exchange differences	2,526	1,379
Shared services support (overhead)	120,494	109,495
Temporary clerical assistance	5,953	6,320
Non recoverable VAT	16,900	14,037
Miscellaneous, including marketing	13,193	13,658
	214,567	**206,471**

Other operating expenses increased by €8 Mio compared to previous year. The bulk of the other operating expenses consist of inter-company service support charges mainly related to technology and business partner recharges from BNY Mellon group.

The increase is primarily driven by technology and business partner recharges from the BNY Mellon group (+13 Mio) observed in shared services support (overhead) and IT expenses caption and increase in Non recoverable VAT (+2.9 Mio).This is partially offset by the decrease in bank levies (-€8 Mio) due to the SRF contribution decrease for the year.

The major components of other miscellaneous expenses are: lease expense allocation from other BNY group entities of €2.1Mio (2022: €1.1 Mio), market data usage service fee of €1.9Mio (2022: €1.8 Mio), travel related costs of €1.9 Mio (2022: €1.4M Mio), operational losses of €1.5Mio (2022: €1.9 Mio), and foreign business tax of €1.0Mio (2022: €1.1 Mio).

The fees incurred towards the statutory auditor including related entities are: audit fees of €1.4 Mio (2022:€1.4 Mio), audit related fees of 0.03 Mio (2022: €0.05 Mio) and non-audit fees of 2.2 Mio (2022: €1.3 Mio).

8. Income Tax

The components of income tax expense for the years ended 31 December 2022 and 2023 are:

	2023 In € '000	2022 In € '000
Current tax		
Current income tax	83,220	52,819
Deferred tax		
Relating to origination and reversal of temporary differences	*215*	*(367)*
	83,435	**52,452**

8.1. Reconciliation of the Total Tax Charge

Reconciliation between the tax expense and the accounting profit multiplied by Belgium's domestic tax rate for the years ended 31st of December 2022 and 2023 is as follows:

	2023 In € '000	2022 In € '000
Accounting profit before taxes	**456,339**	**356,400**
1. Tax expense using Belgian statutory rate of 25% (2022:25%)	114,085	92,914
2. Effect of different tax rates in other jurisdictions	(22,391)	(14,720)
3. Income not subject to tax	(6,941)	(14,168)
4. Non tax deductible expenses	1,554	792
5. Effect of utilization of previously unrecognized tax losses	(3,362)	0
6. Adjustment in respect of current income tax of prior year	(251)	189
7. Other increase (decrease) in statutory tax charge	742	(12,556)
Income tax expense reported in the consolidated of comprehensive statement	**83,435**	**52,452**

The effective income tax rate from continuing operations of 2023 is 18.28% (2022: 14.72%). Excluding income not subject to tax, the increase of the effective tax rate is mainly driven by an increase in effective tax rates German and Italian branches.
Newly opened branch in Poland and higher revenues in Luxembourg and Ireland contributed to higher tax expense in 2023 compared to 2022.

8.2. Income Tax Effects relating to Comprehensive Income

	2023			2022		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Net gain/(loss) on actuarial gains and losses	(1,250)	9	(1,241)	8,363	(1,417)	6,946
Financial instruments at FVTOCI	252,361	(63,090)	189,271	(621,934)	155,322	(466,612)
Total	**251,111**	**(63,081)**	**188,030**	**(613,570)**	**153,905**	**(459,666)**

8.3. Current and Deferred Tax

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

	2023 In € '000	2022 In € '000
Current tax assets		
Pending tax refunds	16,302	39,411
VAT tax receivables	8,232	9,066
Other	1,779	(21,027)
Total	**26,312**	**27,450**
Current tax liabilities		
Reserve for taxes	41,155	24,461
VAT tax payables	7,913	10,750
Total	**49,067**	**35,210**

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

	Deferred tax assets 31 December 2023 In € '000	Deferred tax liabilities 31 December 2023 In € '000	Statement of Profit and Loss 2023 In € '000	Other Comprehensive Income 2023 In € '000	Deferred tax assets Dec 2022 In € '000	Deferred tax liabilities Dec 2022 In € '000
Pensions	(3,770)		(545)	9	(3,233)	
Temporary difference on intangibles assets deductible	1,658	(800)	(1,185)	—	2,912	(869)
Other liabilities not recognized for tax purposes			—	—		
Revaluation of financial instruments	84,484		(824)	(63,090)	148,398	
Other temporary differences	2,550		2,459	—	91	
	84,923	**(800)**	**(95)**	**(63,081)**	**148,168**	**(869)**
Amounts offset						
Total	**84,923**	**(800)**			**148,168**	**(869)**

8.4. Tax Reform - Global minimum top-up tax

The European Bank operates in countries that have enacted new legislation to implement the global minimum top-up tax. The European Bank expects to be subject to the top-up tax in relation to its operations in Ireland, where the statutory tax rate is 12.5%. However, since the newly enacted tax legislation is only effective from 1 January 2024, there is no current tax impact for the year ended 31 December 2023.
If the top-up tax had applied in 2023, then the profits relating to the Dublin branch for the year ended 31 December 2023, i.e. €216,367,361, would be subject to it, with the average effective tax rate applicable to those profits during 2023 being 13%.

9. Financial Assets and Financial Liabilities

9.1 Classification of financial assets and financial liabilities

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

31 December 2023	Mandatorily at FVTPL	FVOCI - debt instruments	Amortised cost	Total carrying value
In € '000				
Cash and cash balances with central banks	—	—	21,096,199	21,096,199
Financial assets held for trading	692,754	—	—	692,754
Loans and advances to customers	—	—	5,367,936	5,367,936
Investment securities	—	10,233,604	1,495,638	11,729,241
Total financial assets	**692,754**	**10,233,604**	**27,959,772**	**38,886,130**
Financial liabilities held for trading	738,266	—	—	738,266
Deposits by central banks	—	—	135,652	135,652
Deposits by credit and other financial institutions	—	—	32,994,422	32,994,422
Due to non-financial customers	—	—	235,055	235,055
Subordinated liabilities	—	—	1,000,229	1,000,229
Long term debt	—	—	—	—
Total financial liabilities	**738,266**	**—**	**34,365,357**	**35,103,624**

31 December 2022	Mandatorily at FVTPL	FVOCI - debt instruments	Amortised cost	Total carrying value
In € '000				
Cash and cash balances with central banks	—	—	18,493,927	18,493,927
Financial assets held for trading	1,131,799	—	—	1,131,799
Loans and advances to customers	—	—	7,643,466	7,643,466
Investment securities	—	10,922,802	1,344,729	12,267,531
Total financial assets	**1,131,799**	**10,922,802**	**27,482,122**	**39,536,724**
Financial liabilities held for trading	1,338,777	—	—	1,338,777
Deposits by central banks	—	—	77,892	77,892
Deposits by credit and other financial institutions	—	—	33,591,403	33,591,403
Due to non-financial customers	—	—	310,260	310,260
Subordinated liabilities	—	—	1,000,153	1,000,153
Long term debt			—	—
Total financial liabilities	**1,338,777**	**—**	**34,979,708**	**36,318,486**

10. Cash and Cash Balances with Central Banks

	2023 In € '000	2022 In € '000
Cash balances with the National Bank of Belgium	7,429,688	7,718,021
Placements with other central banks	13,666,512	10,775,906
	21,096,199	**18,493,927**

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

	2023 In € '000	2022 In € '000
Cash and cash balances with central banks	21,096,199	18,493,927
Monetary reserves	*(316,365)*	*(334,039)*
Cash and cash equivalents at the end of the period	**20,779,834**	**18,159,888**

Deposits with central banks mainly represent placements and are available for use in the day-to-day operations of European Bank and part of European Bank liquid assets buffer. The increase of €2.6B is mainly due to an increase in the placement with the National Bank of Germany €3.5B, compensated by a decrease with National Bank of the Netherlands by (€0.6B)B and decrease with National Bank of Belgium (€0.3B). The increase in Central bank placements are generated by higher customer deposits inflow over the year.

11. Loans and Advances to Customers

	2023 In € '000	2022 In € '000
Loans and advances to		
Central Governments	11,005	19,503
Central banks	73,555	—
Credit institutions	4,908,322	6,892,821
Other financial institutions	377,191	736,297
Less: Allowance for impairment losses	(2,138)	(5,156)
	5,367,936	**7,643,466**

European Bank balance sheet is liquidity driven. Deposits are mainly invested in bonds' portfolio and placements with central banks. As of 31 December 2023, the decrease of loans and advance to customers is principally due to a decrease in interest bearing deposits balances with third party counterparties by (€1.5B) and a decrease in balances with affiliated companies by (€0.8B). As of 31 December 2023, there are reverse repurchase agreement transactions amounting to €0.4B.

A loss allowance arising from ECL of €2.14Mio is reported for loans and advances with customers at 31 December 2023 (2022: €5.16 Mio). The small allowance reflects the limited credit risk associated with these assets. European Bank deals with high quality rated counterparts and on a very short term basis (as described in more detail in note 28). As a result, there is limited risk that a loan or advance will become non-performing and result in impairment. No non-performing loans and advances exist as of 31 December 2023 and 2022 respectively.

12. Investment Securities

	2023	2022
	In € '000	In € '000
FVOCI investment securities issued by	**10,233,604**	**10,922,802**
Central governments	3,001,595	3,239,053
Credit institutions	6,418,740	6,751,312
Non credit institutions	813,268	932,437
Investment securities at amortized cost issued by	**1,495,638**	**1,344,729**
Central governments	1,021,683	970,002
Credit institutions	375,185	327,687
Non credit institutions	98,771	47,040
	11,729,241	**12,267,531**

European Bank invests in highly liquid debt securities to improve the interest margin and to have an adequate liquid asset buffer. Overall the composition of the investment portfolio remains stable compared to last year.

The increase in central bank reserves (Note 10) and the investment portfolio, is a reflection of the increase in third party deposits on the liability side of the balance sheet (Note 18). Please refer to Note 28.3 for discussion on European Bank’s approach to managing liquidity.
In 2023 a minor portion of matured FVOCI investment securities have been replaced by investment securities at amortized cost to reduce the impact of increasing interest rates.

13. Asset Encumbrance

European Bank has signed a collateral agreement with Euroclear to cover an intraday credit line for $2.1B. European Bank invests in various bonds (please see note 12); these have been further pledged as collateral to Euroclear and Clearstream to cover uncommitted credit facilities during 2022 and 2023. The encumbered bonds also include those pledged under repo deals amounted to €0.45bn and provided as a collateral for initial margin posted amounted to €40 Mio. European Bank is providing initial margin to the institutional bank in the form of securities in the framework of the non-centrally cleared OTC derivatives. European Bank is providing this collateral since September'22.

To mitigate credit risk in foreign exchange business, European Bank increased the volume of collateralized netting agreements since 2017. Hence European Bank has foreign exchange cash collateral presented in encumbered other assets in 2022 and 2023.

As of 31 December 2023 the carrying and fair value of encumbered assets by type of assets were as follows:

	2023			2022		
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets
Assets	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Debt securities	3,133,109	3,114,928	8,596,133	3,084,784	3,065,060	9,182,747
Other assets	602,111	—	27,327,541	886,177	—	27,179,935
	3,735,220	**3,114,928**	**35,923,674**	**3,970,960**	**3,065,060**	**36,362,683**

Other assets encumbered refer to monetary reserves, mainly placed with National Bank of Belgium, Banque Centrale du Luxembourg, Central Bank of Ireland treated as encumbered assets as these cannot be freely withdrawn by the bank. In 2023, other assets include foreign exchange cash collateral of €312 Mio (2022: €535 Mio).

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

	2023		2022	
Encumbered assets/collateral received and associated liabilities	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued
	In € '000	In € '000	In € '000	In € '000
Carrying amount of financial liabilities				
Derivatives	619,762	311,561	625,259	534,535
Repurchase agreements	408,311	411,569	296,006	298,883
Collateralized deposits	7,044	7,044	45,724	45,724
Other sources of encumbrance	—	3,044,063	—	3,091,818
Total sources of encumbrance	**1,035,118**	**3,774,237**	**966,989**	**3,970,960**

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

14. Derivative Financial Instruments

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

Derivatives held for trading In € '000	Assets 2023	Liabilities 2023	Notional amount 2023	Assets 2022	Liabilities 2022	Notional amount 2022
Options	403	403	70,000	325	325	20,000
Interest rate	19,217	41,338	2,240,121	27,447	1,847	1,618,445
Forward foreign exchange contracts	673,134	696,371	69,978,177	1,104,027	1,336,396	89,107,929
Other	—	154	40,762	—	209	41,605
	692,754	**738,266**	**72,329,061**	**1,131,799**	**1,338,777**	**90,787,978**

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

Over-the-counter derivatives may expose European Bank to the risks associated with the absence of an exchange market on which to close out an open position.

European Bank's exposure under derivative contracts is closely monitored as part of the overall management of European Bank's market risk. Currently, concerning over-the-counter derivatives, European Bank has forward foreign exchange contracts related to: a) its treasury activity and b) customer transactions. The latter were mirrored on a back to back basis with BNY Mellon until November 16th, 2020. Until this point in time, no market risk resided in the trading book of 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 European Bank since the aforementioned go-live date. Please refer to Note 4 regarding the corresponding profit and loss impact.

In 2021 European Bank has on-boarded two new derivative products: FX options and Interest Rate Swaps (IRS). FX options are contracted with our clients and mirrored on a back to back basis with BNY Mellon. IRS have been entered in the context of hedging interest rate risk on the investment portfolio.

At 31 December 2023, European Bank had guarantee commitments provided in connection to fund accounting and other fund administration services for tax-exempt retirement savings accounts to Postbank's retail clients. These guarantees are presented in other derivatives caption and amounted to €0.15Mio at 31 December 2023. The notional amount of this derivative was €40.76 Mio.

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

15. Other Assets

	2023	2022
	In € '000	In € '000
Equity securities	3,779	3,543
Prepaid charges	1,753	815
Accrued income (other than interest income from financial assets)	129,976	155,348
Accounts receivable, including:	400,250	354,668
From affiliate companies	*50,020*	*58,609*
Suspense accounts	29,422	425
Miscellaneous	653	1,144
	565,833	**515,944**

The accounts receivable balance at year end is highly driven by day-to-day operations. European Bank's customers are billed based on fee schedules that are agreed upon in each customer contract. Accounts receivables included at 31 December 2023 balances related to securities sold and not yet settled amounting to €45.8 Mio (2022: €2.1 Mio), Also includes receivables from customers in a total amount of €139.24 Mio at 31 December 2023 (2022: €158.46 Mio). Next to this amount, accounts receivables include receivables from brokers in a total amount of €154.2 Mio at 31 December 2023 (2022: €142.7 Mio).

At 31 December 2023, the accrued income refers mainly to unbilled receivables, which amounted to €116.40 Mio and considered due to the passage of time rather than due to contingent factors; hence there were no contract assets or associated impairment in 2023. At 31 December 2022 the unbilled receivables were €110.50 Mio. Next to this, at 31 December 2023, other accruals not related to unbilled receivables amounted €11.8 Mio (2022: €44.9 Mio).Miscellaneous assets include operating transactions that are in a suspense account until clarification that result from day-to-day operations of European Bank.

16. Property and Equipment

2023	Buildings and Leasehold improvements[22]	Computer equipment	Furniture, fixtures and other equipment	Total
Net Book Value	In € '000	In € '000	In € '000	In € '000
At 1 January	34,786	980	6,459	42,228
Additions	1,565	269	4,374	6,208
Disposals	0	(72)	—	(72)
Depreciation charge for the year	(7,524)	—	(3,388)	(10,911)
Impairment loss	0	(41)	(68)	(109)
Other movements	(6)	(737)	347	(396)
At 31 December	**28,821**	**399**	**7,725**	**36,947**
Gross carrying amount	67,602	5,480	26,311	99,393
Accumulated depreciation and impairment	(38,781)	(5,081)	(18,587)	(62,446)

2022	Buildings and Leasehold improvements	Computer equipment	Furniture, fixtures and other equipment	Total
Net Book Value	In € '000	In € '000	In € '000	In € '000
At 1 January	33,193	1,060	6,309	40,562
Additions	10,094	1,329	3,596	15,020
Business combinations	—	—	—	—
Disposals	—	(783)	(219)	(1,002)
Depreciation charge for the year	(8,501)	(1,281)	(3,353)	(13,135)
Impairment loss	0	-99	—	-99
Other movements	1	754	127	882
At 31 December	**34,786**	**980**	**6,459**	**42,228**
Gross carrying amount	66,076	5,719	22,444	94,241
Accumulated depreciation and impairment	(31,290)	(4,739)	(15,985)	(52,014)

[22] As at 31 December 2023, property and equipment includes right-of-use assets of €26.4 Mio, (2022: €30.7 Mio) mainly related to leased branches and office premises (see note 26.4).

17. Goodwill and Other Intangible Assets

2023	Goodwill	Computer software	Client Contracts	Total
Net Book Value	In € '000	In € '000	In € '000	In € '000
At 1 January	**4,552**	**174**	**58,405**	**63,130**
Acquisitions	—	1,648	—	1,648
Amortization charge for the year	—	(431)	(5,441)	(5,872)
Other movements	(158)	—		(158)
At 31 December	**4,393**	**1,391**	**52,964**	**58,748**
Gross carrying amount	299,761	32,309	118,763	450,833
Accumulated depreciation and impairment	(295,368)	(30,917)	(65,800)	(392,085)

2022	Goodwill	Computer software	Client Contracts	Total
Net Book Value	In € '000	In € '000	In € '000	In € '000
At 1 January	**4,403**	**268**	**63,962**	**68,633**
Acquisitions	—	10	—	10
Amortization charge for the year	—	(104)	(5,558)	(5,662)
Other movements	149	—		149
At 31 December	**4,552**	**174**	**58,405**	**63,130**
Gross carrying amount	340,595	30,569	122,118	493,282
Accumulated depreciation and impairment	(336,043)	(30,395)	(63,714)	(430,153)

17.1. Impairment Testing of Goodwill and Other Intangible Assets

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

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

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

The recoverable amount for European Bank was calculated based on the value in use. This value in use was determined by discounting the future cash flows expected to be generated from the cash generating unit's continuing use. Value in use in 2023 was determined in a similar manner as in prior years based on updated assumptions, summarized as follows:

- Cash flows were projected based on net earnings after taxes (corrected for "non-cash" gains/losses) as of 31 December 2023, an updated assessment of the cash flows for the 5-year business plan.
- Terminal cash flows were extrapolated using a constant growth rate of 1.9 percent, which is based on the long-term growth assumption of the European Bank.

- A discount rate of 10.75 percent was applied in determining the recoverable amounts for the cash generating unit. European Bank used a WACC based on European risk free rate.

For 2023, management has used year-end actuals combined with latest available forecasted figures.

To mitigate against the uncertainty, the Company has a lower-risk diversified fee-based business model which benefits from heightened volatility and a flight-to-quality on a relative basis compared with other credit-focused financial institutions. Our Investment Services businesses were favorably impacted by higher client volumes in 2023 compared with the prior year.

Hence, for 2023 European Bank did not identify any impairment triggers on other intangibles and as a result of it, no impairment test was considered necessary as of 31 December 2023.

18. Financial Liabilities Measured at Amortized Costs

	2023	2022
	In € '000	In € '000
Deposits from central banks	**135,652**	**77,892**
Deposits from credit institutions	**4,828,237**	**6,604,056**
Current accounts / overnight deposits	4,389,533	3,483,125
Deposits with agreed maturity	254,929	2,824,924
Repurchase agreements	183,775	296,006
Deposits from other financial institutions	**28,166,185**	**26,987,348**
Current accounts / overnight deposits	28,000,482	26,963,150
Deposits with agreed maturity	25,531	**24,198**
Repurchase agreements	**140,172**	—
Deposits from non-financial institutions	**235,055**	**310,260**
Current accounts / overnight deposits	235,055	310,260
Subordinated liabilities (Note 21)	**1,000,229**	**1,000,153**
Long term debt	—	—
Other financial liabilities (Lease liabilities)	**28,379**	**32,988**
	34,393,736	**35,012,697**

All the liabilities were issued by European Bank.

European Bank has not had any defaults of principal, interest or other breaches with regard to all liabilities during 2023 and 2022. The decrease of €0.6B in deposits results from a decrease in deposits from Credit institutions (€1.7B) offset by an increase in deposits from Other Financial institutions €1.2B. Repurchase agreements were €324 Mio at 31 December 2023 (2022: €296 Mio). Other financial liabilities consist of lease liabilities as per IFRS 16 (note 26.4).

19. Other Liabilities

	2023	2022
	In € '000	In € '000
Employee benefits – Defined benefit obligation (Note 22.2)	2,572	2,081
Liabilities - Held for sale	203	203
Other employee benefits and social charges	11,399	30,054
Accrued charges (other than from interest expenses on financial liabilities)	70,826	47,689
Accounts Payables	143,136	145,588
Suspense accounts	162,186	158,201
Other	15,817	6,181
	406,138	**389,996**

Other liabilities caption slightly decreased mainly due to the accounts payables that decreased by €2 Mio, Other employees benefits and social charges, which decreased by €19 Mio and Accrued charges, which increased by €23 Mio. Suspense accounts, which increased by €4 Mio contain, amongst others, holdover accounts representing unsettled amounts of trades executed by several businesses at year end (where settlement occurred in the next period). This activity is volatile by nature. The accrued charges mostly contain intercompany recharges that have been recognized, but not yet settled.

Contract liabilities were €0.91 Mio at 31 December 2023 (2022: €1.02 Mio). Revenue recognised in 2023 relating to contract liabilities was €0.40 Mio (2022: €0.40 Mio).

20. Provisions

	Restructuring Costs	Pending legal issues	Other provisions	Total
	In € '000	In € '000	In € '000	In € '000
At 1 January 2023	26,600	**83,550**	373	110,522
Amounts provisioned	20,565	25,893	527	46,985
Amounts utilized	(30,381)	(21,673)	(577)	(52,631)
Unused amounts reversed during the period	(40)	(44,824)	(43)	(44,907)
Other movements	—	—	—	—
At 31 December 2023	**16,743**	**42,946**	**280**	**59,969**
At 1 January 2022	173	141,089	534	141,796
Amounts provisioned	28,542	3,507	2,339	34,388
Amounts utilized	(2,090)	(13,640)	(1,698)	(17,428)
Unused amounts reversed during the period	(25)	(47,406)	(588)	(48,019)
Other movements	—	—	(214)	(214)
At 31 December 2022	**26,600**	**83,550**	**373**	**110,522**

Provision amounts for 2023 are mainly impacted by the German "cum-ex" postings. Please refer to Note 26.1 for the description of these pending legal issues as at 31 December 2023.

European Bank has implemented a restructuring plan over the past years that has led to job relocation and re-organization of certain functions across different locations. The Brussels office maintains client facing functions, specialized processing activities and numerous shared services functions.

21. Subordinated and Long term Liabilities

21.1. Subordinated loans

On March 28, 2022 European Bank entered into a 10-year subordinated loan arrangement with The Bank of New York Mellon ("BNYM") for the purposes of ensuring compliance with internal risk appetite 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 of an existing €800 Mio loan from BNYM to European Bank originated in February 2021 with a 10-year maturity (see note 21.2 below). The total carrying amount of subordinated loan was €1,000 Mio at 31 December 2023 and 2022.

On February 26, 2021, European Bank repaid two subordinated loans from a related party amounting to €345.5 Mio (perpetual loan of €92.5 Mio and a loan maturing July 22, 2040 of €253 Mio), replaced by a €800 Mio borrowing with a 10-year maturity (see note 21.2 below).

21.2. Long-term debt

The two-short term intercompany trades for $1 billion and €1.5 billion, with the carrying amount of €2,418.4 Mio at 31 December 2022, matured on March 27, 2023. At the end of 2022 the residual maturity was less than 3 months, hence classified as deposit.

22. Retirement Benefit Plan

22.1. Defined Contribution Plan

European Bank has various defined contribution plans to which European Bank pays fixed contributions (two plans in the Netherlands, one in Luxembourg, one in Ireland, one in Italy, one in Spain and one in Denmark); there is no legal or constructive obligation to pay further contributions. Moreover, in Belgium, a part of a hybrid scheme has a contribution base part, with a guaranteed return. This part is therefore a cash balance scheme. This kind of Belgian scheme is treated as a defined benefit plan under the IAS19 Standard.

The assets of the plans are held separately from those of European Bank in funds under the control of the plans trustees.

The total expense of €6.7 Mio (2022: €5.8 Mio) charged to the consolidated statement of profit and loss and other comprehensive income represents contributions payable to these plans by European Bank at rates specified in the rules of the plan. Please refer to Note 6.

22.2. Defined Benefit Plan

Employee benefits

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

Nature of benefits provided by the Plans

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

Regulatory framework in which the Plans operates

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

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

Other European Bank's responsibilities for governance of the Plans

German Plans: None.

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

Risks to which the Plans expose the European Bank

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

Plan amendments, curtailments or settlements

No plan amendments, curtailments or settlements occurred during the financial year of 2023.

Funding arrangements and funding policy that would affect future contributions

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

Asset-liability matching strategies

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

Movement in net defined benefit (asset) liability

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

	Defined benefit obligations		Fair value of plan assets		Net defined benefit (liability)/ asset	
	2023	2022	2023	2022	2023	2022
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Balance at 1 January	**(64,070)**	**(84,063)**	**76,114**	**85,022**	**12,044**	**959**
Included in profit or loss						
Current service cost	(2,195)	(2,793)	—	—	(2,195)	(2,793)
Administrative expenses	—	—	(89)	(67)	(89)	(67)
Losses/(gains) on non routine settlements	—	—	—	—	—	—
Curtailments	—	877	—	—	0	877
Operating expense/ (income)	**(2,195)**	**(1,916)**	**(89)**	**(67)**	**(2,284)**	**(1,983)**
Net interest on the net benefit obligation/ (asset)	(2,467)	(1,023)	2,959	1,034	492	11
Cost of termination benefits paid from the plan	—	(241)	—	—	0	(241)
Finance expense/ (income)	**(2,467)**	**(1,264)**	**2,959**	**1,034**	**492**	**(230)**
Net benefit expense	**(4,662)**	**(3,180)**	**2,870**	**967**	**(1,792)**	**(2,213)**
Included in other comprehensive income						
Return on plan assets excluding interest income	—	—	6,621	(9,822)	6,621	(9,822)
Experience gains/ (losses)	(1,836)	(11,062)	—	—	(1,836)	(11,062)
Actuarial gains/(losses) arising from changes in financial assumptions	(6,497)	31,579	—	—	(6,497)	31,579
Actuarial gains/(losses) arising from changes in demographic assumptions	—	651	—	—	—	651
Total gains/ (losses) recognized	**(8,333)**	**21,168**	**6,621**	**(9,822)**	**(1,712)**	**11,346**
Other						
Net transfers (in)/out	—	—	—	—	—	—
Contribution paid by the employer	—	—	5,382	1,952	5,382	1,952
Benefits paid	3,457	2,005	(3,457)	(2,005)	—	—
	3,457	**2,005**	**1,925**	**(53)**	**5,382**	**1,952**
Balance at 31 December	**(73,608)**	**(64,070)**	**87,530**	**76,114**	**13,922**	**12,044**

The financial assumption loss is explained by a decrease in the discount rate.

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

Net defined benefit (obligation)/asset

31 December	2023	2022	2021	2020	2019
	In € '000	In € '000	In € '000	In € '000	In € '000
Fair value of plan assets	87,530	76,114	85,022	76,283	70,917
Defined benefit obligation	(73,608)	(64,070)	(84,063)	(91,813)	(104,502)
As of 31 December	**13,922**	**12,044**	**959**	**(15,530)**	**(33,585)**

Net defined benefit obligations and assets aren't netted off amongst the plans. Hence, other assets - accounts receivables (note 15) include a net defined benefit asset (€14 Mio) and other liabilities as mentioned in note 19 a net defined benefit obligation (€2.6 Mio).

European Bank contributed €5.38 Mio to its defined benefit pension plan in 2023 (2022: €1.88 Mio). The cumulative amount of gains and losses recognized in other comprehensive income is presented below:

Gains and losses recognized in other comprehensive income

	2023	2022
	In € '000	In € '000
As of 1 January	(15,247)	(6,884)
Recognized during the year	1,250	(8,363)
As of 31 December	**(13,998)**	**(15,247)**

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

	2023	2022
Equity instruments (all quoted), of which:	54.8 %	39.0 %
Domestic equities	*17.5 %*	*13.2 %*
Overseas equities	*33.3 %*	*22.5 %*
Emerging markets equities	*4.0 %*	*3.3 %*
Debt instruments, of which:[23]	34.0 %	50.3 %
Corporate/government bonds	32.5 %	28.8 %
Property (all quoted)	4.9 %	4.0 %
Cash	1.2 %	2.9 %
Quoted	0.3 %	0.8 %
Unquoted	0.9 %	2.2 %
Other *(quoted)*	5.04 %	3.83 %

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

The sector allocation of the equity instruments is as follows:

	2023 In € '000	2022 In € '000
Equity instruments, of which:	**35,145**	**29,688**
Energy, industrial companies and materials	7,345	6,175
Consumer Discretionary and Staples	7,521	5,255
Financials	5,412	4,899
Health Care	3,022	3,800
Information Technology	10,333	7,778
Other	1,512	1,781

Substantially the equity securities and bonds are issued in EUR currency 60.73% (2022: 56.17%) and traded in active markets. All government bonds are issued by European governments.

	2023	2022
AAA	5.2 %	10.3 %
AA	13.7 %	9.2 %
A	20.3 %	21.9 %
Not rated	4.2 %	4.3 %

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on behalf of European Bank at 31 December 2023. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Actuarial assumptions and sensitivity analysis

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

	2023	2022
Discount rate	3.29%	3.90%
Future salary growth	3.20%	3.20%
Future pension increase	2.21%	2.20%

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

	2023	2022
Longevity at age 65 for current pensioners		
Males	21.7	21.7
Females	25.4	25.4
Longevity at age 65 for current members aged 45		
Males	22.4	22.4
Females	26.0	26.0

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

Value of obligations at year end if (In '€000) :	Movement	31 December 2023
Discount rate reduced by	1.00%	85,193
Discount rate increased by	1.00%	64,071
Inflation reduced by	1.00%	70,480
Inflation increased by	1.00%	77,055
Life expectancy decreased by	1 year	72,896
Life expectancy increased by	1 year	74,287

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

23. Issued Capital and Reserves

Authorized, issued and fully paid	2023	2022
	In '000	In '000
Ordinary shares of 1038.5 € each (2022: 1038.5 €)	1.689	1.689
	1.689	**1.689**

BNY Mellon has share option schemes under which options to subscribe for the BNY Mellon's shares have been granted to certain executives and senior employees of European Bank, however share options do not have an impact on the European Bank's issued capital.
Other reserves in total equity were €-200.65 Mio at 31 December 2023 (2022: €(393.09) Mio). The significant decrease in other reserves is driven by change of net fair value of financial assets at FVOCI in amount of €252.11 Mio in 2023.
100% of the European Bank's shares are now held by BNY Mellon. The share that was by BNY International Financing Corporation was transferred to BNY Mellon in 2022. Please also refer to Report of the Board of Directors section 4.

24. Fair Value of Financial Instruments

24.1. Determination of Fair Value and Fair Value Hierarchy

European Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Level 1 prices are available from an exchange, a dealer, broker or a similar counterparty. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Quoted prices in an active market provide the most reliable evidence of fair value and must be used whenever available. The fair value measurement of financial instruments with quoted prices is based on a mark-to-market valuation derived from currently available transaction prices with no valuation (modeling) technique needed.

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

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

European Bank considers that the Level 2 reflects better the valuation techniques used to estimate the value of financial liabilities given that the valuation is not derived directly from currently available transaction prices.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy of European Bank:

2023	Level 1	Level 2	Level 3	Total
	In € '000	In € '000	In € '000	In € '000
Financial assets				
Derivative financial instruments				
Options	—	403	—	403
Forward foreign exchange contracts	—	673,134	—	673,134
Interest rate swaps	—	19,217	—	19,217
Financial investments at FVOCI (Quoted)				
Debt securities	999,483	9,234,120	—	10,233,604
Equity instruments	—	3,779	—	3,779
	999,483	**9,930,653**	**—**	**10,930,136**
Financial liabilities				
Derivative financial instruments				
Options	—	403	—	403
Forward foreign exchange contracts	—	696,371	—	696,371
Other	—	154	—	154
Derivatives - Hedge accounting (Interest rate swaps)	—	41,338		41,338
	—	**738,266**	**—**	**738,266**

2022	Level 1	Level 2	Level 3	Total
	In € '000	In € '000	In € '000	In € '000
Financial assets				
Derivative financial instruments				
Options	—	325	—	325
Forward foreign exchange contracts	—	1,104,027	—	1,104,027
Interest rate swaps	—	27,447	—	27,447
Financial investments at FVOCI (Quoted)				
Debt securities	1,946,542	8,976,260	—	10,922,802
Equity instruments	—	3,543	—	3,543
	1,946,542	**10,111,602**	**—**	**12,058,144**
Financial liabilities				
Derivative financial instruments				
Options	—	325	—	325
Forward foreign exchange contracts	—	1,336,396	—	1,336,396
Other		209		209
Derivatives - Hedge accounting (Interest rate swaps)	—	1,847		1,847
	—	**1,338,777**	**—**	**1,338,777**

In 2022, European Bank changed the Fair Value levelling determination process to align to the Group Fair Value levelling methodology determined under US GAAP (ASC 820) and IFRS (IFRS 13).

The €0.15 Mio disclosed as 'other derivative financial instruments' represent the unrealized losses on the guarantee commitments provided in connection with covering certain pension/ minimum payment commitments as further explained in section 1.6.3.2 of this document.

24.2. Financial Instruments Recorded at Fair Value

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

24.2.1. Derivatives

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

As of December 2023 and 2022, the credit valuation/ debit valuation adjustment (CVA/DVA) was determined to be immaterial, hence it was not adjusted.

24.2.2. Financial Instruments – FVOCI

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

If quoted market prices are not available, the fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For securities where quotes from recent transactions are not available for identical securities, European Bank determines fair value primarily based on pricing sources with reasonable levels of price transparency. Specifically, the pricing sources obtain recent transactions for similar types of securities (e.g. vintage, position in the securitization structure) and ascertain variables such as speed of prepayment and discount rate for the types of transaction and apply them to similar types of bonds. European Bank does not have such securities at 31 December 2022.

At European Bank, any actively traded RMBS with pricing sources derived largely from broker quotes are classified as Level 2 in the Fair Value Hierarchy.

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

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

24.3.1. Assets for which Fair Value Approximates Carrying Value

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

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

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

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

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

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	In € '000	In € '000	In € '000	In € '000
Financial assets				
Cash and cash balances with central banks	21,096,199	21,096,199	18,493,927	18,493,927
Loans and advances to customers	5,367,936	5,367,936	7,643,466	7,643,466
Debt instruments at amortised cost - Quoted	1,495,638	1,468,048	1,344,729	1,344,729
Financial liabilities				
Financial liabilities at amortized cost	34,393,736	34,393,736	35,012,697	35,012,697
Deposits	33,365,128	33,365,128	33,979,556	33,979,556
Subordinated liabilities	1,000,229	1,000,229	1,000,153	1,000,153
Other financial liabilities	28,379	28,379	32,988	32,988

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

Interest income from financial instruments measured at amortized cost	2023	2022
	in € '000	in € '000
Loans and advances to customers	789,712	168,285
Debt instruments at amortised cost - Quoted	26,107	6,975
Total	**815,818**	**175,260**

Interest expense from financial instruments measured at amortized cost	2023	2022
	in € '000	in € '000
Deposits	782,566	200,707
Subordinated loans	27,882	21,312
Lease liabilities (note 26.4)	375	249
Total	**810,823**	**222,268**

25. Share-based Payment

The share-based payment plans are described below. There have been no cancellations of or modifications to, any of the plans during 2023.

A Long-Term Incentive Plan is operated by BNY Mellon (parent company), under which restricted stock units ("RSUs") and other stock-based awards, such as options are granted to employees and directors of BNY Mellon, including the European Bank.

Restricted Stock Units are issued under the plan at no cost to the recipient and are subject to forfeiture until certain restrictions have lapsed, including continued employment, for a specified period. An RSU entitles the recipient to receive a share of common stock after the applicable restriction lapse. The recipient generally is entitled to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSU is outstanding but does not receive voting rights. The cash dividends are paid at the time of vesting.

The fair value of RSUs is equal to the fair market value of BNY Mellon common stock on the date of grant. The expense is recognized over the vesting period, which is generally zero to four years. The expense recognized for employee services received during the year is shown in the following table:

	2023	2022
	In € '000	In € '000
Expense arising from equity-settled share-based payment transactions	4,436	3,093
Total expense arising from share-based payment transactions	**4,436**	**3,093**

Restricted stock

	2023	2022
	No.	No.
Outstanding at the beginning of the year	123,708	123,343
Staff transfers during the year (see footnote 21)	2,371	(2,514)
Granted during the year	88,877	74,415
Vested and exercised during the year	79,815	64,981
Forfeited during the year	3,703	6,555
Outstanding at the end of the year	131,438	123,708
Non vested expected to vest at year end	128,594	121,792

The Long-term Incentive Plan of the European Bank included also stock options before 1st of January 2023, however all options were exercised, forfeited or expired during 2022. There are no stock options on December 31st 2023.The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options for 2022 for comparative purpose only. The WAEP has been converted to EUR based on the monthly average rates.

Options

	2023			2022		
	No.	WAEP USD	WAEP EUR	No.	WAEP USD	WAEP EUR
Outstanding at the beginning of the year	—	—	—	13,063	22.03	19.83
Exercisable at the beginning of the year	—	—	—	13,063	22.03	19.83
Staff transfers due to organisational changes	—	—	—	—	—	—
Granted and vested during the year	—	—	—	—	—	—
Forfeited during the year	—	—	—	—	44.06	41.63
Exercised during the year	—	—	—	11,708	22.03	20.81
Expired during the year	—	—	—	1,355	—	—
Outstanding at the end of the year	—	—	—	—	—	—
Exercisable at the end of the year	—	—	—	—	—	—

26. Other information

26.1. Legal Claims

German authorities are investigating past “cum/ex” trading, which involved the purchase of equity securities on or shortly before the dividend date, but settled after that date, potentially resulting in an unwarranted refund of withholding tax. German authorities have taken the view that past cum/ex trading may have resulted in tax avoidance or evasion. The European Bank and its German subsidiary have been informed by German authorities about investigations into potential cum/ex trading by certain third-party investment funds, where the European Bank had acquired entities that served as depositary and/or fund manager for those third-party investment funds. We have received information requests from the authorities relating to pre-acquisition activity and are cooperating fully with those requests. In August 2019, the District Court of Bonn ordered that the German subsidiary be joined as a secondary party in connection with the prosecution of unrelated individual defendants. The trial commenced in September 2019. In March 2020, the court stated that it would refrain from taking action against the subsidiary in order to expedite the conclusion of the trial. The court convicted the unrelated individual defendants, and determined that the cum/ex trading activities of the relevant third-party investment funds were unlawful. In November and December 2020, we received secondary liability notices from the German tax authorities related to pre-acquisition activity in various funds for which the entities we acquired were depositary and/or fund manager. We have appealed the notices. In connection with the acquisition of the subject entities, the European Bank obtained an indemnity for liabilities from the sellers that the European Bank intends to pursue as necessary. Whilst we continue to pursue our claims under the indemnity, until we have confirmation of payment, we assess recovery as less than virtually certain as referred to in IAS 37. The provision booked with respect to this legal matter has been determined based on management judgment of the most likely liability that will be owed to German authorities (including legal interest at 6%; no penalties are expected). There is estimation uncertainty in the final outcome of this legal matter. Postings to reflect the current situation as of End Dec 2023 were performed and impacted mainly Note 5 Other Operating income and Note 20 Provisions.

26.2. Off-balance Sheet

The off-balance sheet items consist mainly of: (i) the assets under custody (AUC) totaling €3,105B as of 31 December 2023 (2022: €2,834B), and (ii) other given and received commitments.

The increase of AuC in 2023 by €271B is mainly driven by new clients and an increase in market value of the securities.

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

Overview of off balance sheet positions:

CATEGORY	2023	2022
	In € Mio	In € Mio
Commitments given (performance guarantee)	3	3
Financial guarantees received for state guaranteed bonds (Note 28.2.5)	1,891	2,146
Other commitments received (Note 26.3)	1,000	1,000
Assets under custody	3,105,140	2,834,437
TOTAL	**3,108,035**	**2,837,586**

The amount of assets under custody received, split by currency at 31 December 2023, are presented in the table below:

	2023			2022		
	EUR	Other currency	Total	EUR	Other currency	Total
	In € 'Mio	In € 'Mio	In € 'Mio	In € 'Mio	In € 'Mio	In € 'Mio
Assets under custody	1,161,503	1,943,638	3,105,140	995,712	1,838,725	2,834,437
	1,161,503	**1,943,638**	**3,105,140**	**995,712**	**1,838,725**	**2,834,437**

26.3. Collateral and other commitments received

On the 6th of February 2020, European Bank signed an Unfunded Credit Risk Mitigation Agreement with The Bank of New York Mellon to cover the part of exposures exceeding the prudential limit (25% of own funds) on all external counterparties for maximum €1bn. No usage of this guarantee has been recorded as of December 31, 2023 reporting.

26.4. Leasing

European Bank has entered into a number of leases on premises and equipment. These leases typically have an average life of 2.21 for cars and 3.21 years for premises. There are no restrictions placed upon the lessee by entering into these leases.

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

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

	2023 In '000	2022 In '000
Right-of-use assets		
Balance at 1 January	30,676	33,660
Depreciation charge for the year	(7,440)	(9,527)
Additions	3,184	6,543
Balance at 31 December	**26,420**	**30,676**

The amounts recognised in profit or loss for the years 2023 and 2022 were:

	2023 In '000	2022 In '000
Interest on lease liabilities	294	249
Expenses relating to short-term leases/low value assets	7	10
	301	**259**

European Bank has classified cash payments for the principal portion of lease payments as financing activities and cash payments for interest portion as operating activities consistent with the presentation of other interest payments.

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

	2023 In '000	2022 In '000
Outflows for operating activities	294	249
Outflows for financing activities	8,452	8,902
Total cash outflows for leases	**8,746**	**9,151**

27. Related Party Disclosures

27.1. Key Management Compensation

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

	2023	2022
	In € '000	In € '000
Short-term employee benefits	2,961	3,599
Post-employment benefits	102	108
Other long-term benefits	13	19
Share based payments	667	580
	3,744	**4,306**

Short-term employee benefits section consists of salaries of €2.95 Mio (2022: €3.56 Mio) and social charges of €0.02 Mio (2022: €0.04 Mio).

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

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

27.2. Transactions with Key Management Personnel of European Bank

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

27.3. Transactions with Related Parties

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

Amounts payable to and amounts receivable from related parties

	2023			2022		
	Parent	Own subsidiaries	Other entities of the group	Parent	Own subsidiaries	Other entities of the group
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Assets: loans and advances	3,034,671	19	128,629	3,326,472	39	585,289
Current accounts	3,024,022	19	128,629	2,952,947	39	253,186
Term loans	10,650	—	—	373,525	—	332,103
Other assets	327,995	47,007	—	753,791	22,629	4,437
TOTAL ASSETS	**3,362,666**	**47,026**	**128,629**	**4,080,263**	**22,668**	**589,726**
Deposits	3,235,039	59,971	308,174	4,898,488	87,806	367,996
Long term debt / subordinated debt	1,000,229	—	—	1,000,153	—	—
Other liabilities	316,126	438	—	519,497	790	12,577
TOTAL LIABILITIES	**4,551,393**	**60,409**	**308,174**	**6,418,137**	**88,596**	**380,574**

Income and expense generated by transactions with related parties

	2023			2022		
	Parent	Own subsidiaries	Other entities of the group	Parent	Own subsidiaries	Other entities of the group
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Interest income	154,646	1	6,122	54,767	352	8,722
Fees and commissions	234,455	2,170	15,135	255,014	2,505	11,708
Other	3,802	27,783	571	28,075	1,928	438
TOTAL INCOME	**392,903**	**29,954**	**21,827**	**337,856**	**4,785**	**20,868**
Interest expense	191,415	2,535	12,371	68,382	297	4,901
Fees and commissions	153,563	1,191	55,710	172,647	1,207	50,909
Other	146,235	418	15,277	97,846	20,315	13,137
TOTAL EXPENSE	**491,213**	**4,145**	**83,358**	**338,875**	**21,818**	**68,948**

27.4. Terms and Conditions of Transactions with Related Parties

The outstanding balances arise from the ordinary course of business. Outstanding balances at the year-end are unsecured. Nonetheless, the term deposits with BNY Mellon are covered by a master agreement that contains a right to withdraw prior to maturity date subject to early withdrawal penalty (break clause). For the year ended 31 December 2023, receivables from related parties are not considered to be doubtful and hence no provision for doubtful debt has been made.

27.5. Consolidated[24] Subsidiaries and Branches and Key Financial Performance Figures by Geographical Location

The consolidated financial statements include the separate financial statements of European Bank which includes its branches and the subsidiaries in the following table:

Branches and Subsidiary	Country of incorporation	Nature of activity
		2023
The Bank of New York Mellon SA/NV - Amsterdam Branch	Netherlands	Asset Servicing & Digital, Markets
The Bank of New York Mellon SA/NV - London Branch	United Kingdom	Asset Servicing & Digital, Corporate Trust, Markets
The Bank of New York Mellon SA/NV - Frankfurt Branch	Germany	Asset Servicing & Digital, Clearing & Collateral Management Sales, Corporate Treasury, FX Trading, Treasury Services Sales
The Bank of New York Mellon SA/NV - Luxembourg Branch	Luxembourg	Asset Servicing & Digital, Corporate Trust, Markets
The Bank of New York Mellon SA/NV – Milan Branch	Italy	Corporate Trust, Treasury Services, Asset Servicing
The Bank of New York Mellon SA/NV	Belgium	Asset Servicing, Clearance and Collateral Management, Markets, Corporate Trust, Treasury Services
The Bank of New York Mellon SA/NV - Dublin Branch	Ireland	Asset Servicing, Corporate Trust, Depositary Receipts, Markets
The Bank of New York Mellon SA/NV - Paris Branch	France	Corporate Trust, Clearance and Collateral Management, Depositary Receipts, Markets, Treasury Services
BNY Mellon Service Kapitalanlage - Gesellschaft mbH (subsidiary)	Germany	Asset Servicing & Digital
The Bank of New York Mellon SA/NV - Copenhagen Branch	Denmark	Asset Servicing & Digital
The Bank of New York Mellon SA/NV - Madrid Branch	Spain	Clearance and Collateral Management, Treasury Services, Corporate Trust, Asset Servicing
The Bank of New York Mellon SA/NV - Poland Branch	Poland	Non deposit taking branch, service center EB

Name of Subsidiary	Country of incorporation	% equity interest	% equity interest
		2023	2022
BNY Mellon Service Kapitalanlage - Gesellschaft mbH	DE	100 %	100 %

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

[24] BNY AIS Nominees Limited is a non-consolidated subsidiary with 100% equity interest in 2023 and 2022

Branches and Subsidiary	Turnover*	Profit before tax	Profit after tax	No of FTE (equivalent)
2023	In € '000	In € '000	In € '000	
The Bank of New York Mellon SA/NV	666,077	513,097	514,403	366
The Bank of New York Mellon SA/NV - London Branch	—	(10)	308	—
The Bank of New York Mellon SA/NV - Amsterdam Branch	13,005	(11,207)	(25,515)	106
The Bank of New York Mellon SA/NV - Dublin Branch	(11,707)	(78,392)	(106,520)	357
The Bank of New York Mellon SA/NV - Luxembourg Branch	(69,816)	(156,853)	(193,469)	287
BNY Mellon Service Kapitalanlage - Gesellschaft mbH	35,446	(39,878)	(39,878)	73
The Bank of New York Mellon SA/NV - Frankfurt Branch	252,558	278,746	276,240	147
The Bank of New York Mellon SA/NV - Milan Branch	(24,073)	(30,624)	(33,014)	26
The Bank of New York Mellon SA/NV - Paris Branch	1,432	(2,851)	(2,927)	10
The Bank of New York Mellon SA/NV - Madrid Branch	2,018	(2,390)	(2,505)	21
The Bank of New York Mellon SA/NV - Copenhagen Branch	1,751	(1,650)	(1,851)	16
The Bank of New York Mellon SA/NV - Poland Branch	161	(11,650)	(12,370)	288
Total	**866,852**	**456,339**	**372,904**	**1,698**

Branches and Subsidiary	Turnover*	Profit before tax	Profit after tax	No of FTE (equivalent)
2022	In € '000	In € '000	In € '000	
The Bank of New York Mellon SA/NV	433,817	240,915	232,011	482
The Bank of New York Mellon SA/NV - London Branch	0	(17)	(433)	—
The Bank of New York Mellon SA/NV - Amsterdam Branch	57,594	29,832	22,374	120
The Bank of New York Mellon SA/NV - Dublin Branch	124,091	60,222	42,672	385
The Bank of New York Mellon SA/NV - Luxembourg Branch	82,387	4,910	(12,200)	283
BNY Mellon Service Kapitalanlage - Gesellschaft mbH	10,297	(9,283)	(9,283)	83
The Bank of New York Mellon SA/NV - Frankfurt Branch	41,140	37,878	37,878	166
The Bank of New York Mellon SA/NV - Milan Branch	7,381	1,309	797	26
The Bank of New York Mellon SA/NV - Paris Branch	1,177	(2,685)	(2,913)	9
The Bank of New York Mellon SA/NV - Madrid Branch	1,546	(2,005)	(2,181)	17
The Bank of New York Mellon SA/NV - Copenhagen Branch	1,569	(1,212)	(1,309)	16
Total	**760,999**	**359,865**	**307,413**	**1,586**

*Turnover comprises interest income, fee and commission income,gains on non-qualifying economic hedges, gains from sale of FVOCI debt securities and non-trading gains from exchange differences. It is based on consolidated figures, hence eliminating intracompany positions.

27.6. Business Combinations and Discontinued Operations

On 21 December 2022, approval has been granted from the European Bank 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 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 transfer of the business took place post year end on 1 February 2024. Accordingly, the business being disposed of is presented as held for sale.

Loss from discontinued operations as of 31 December 2023 is -€2.5Mio (2022: profit of 3.5Mio)

Liabilities held for sale amounted to €0.2Mio (2022: 0.2Mio)

28. Risk Management

28.1. General

The Board of European Bank recognizes that risk is inherent in all products, activities, processes and systems, and therefore considers effective management of risk as a fundamental element in the management of European Bank.

The Board empowers the Risk Management Function of European Bank to establish a framework which provides sufficient assurance that risks are effectively identified, assessed, monitored, mitigated and reported on.

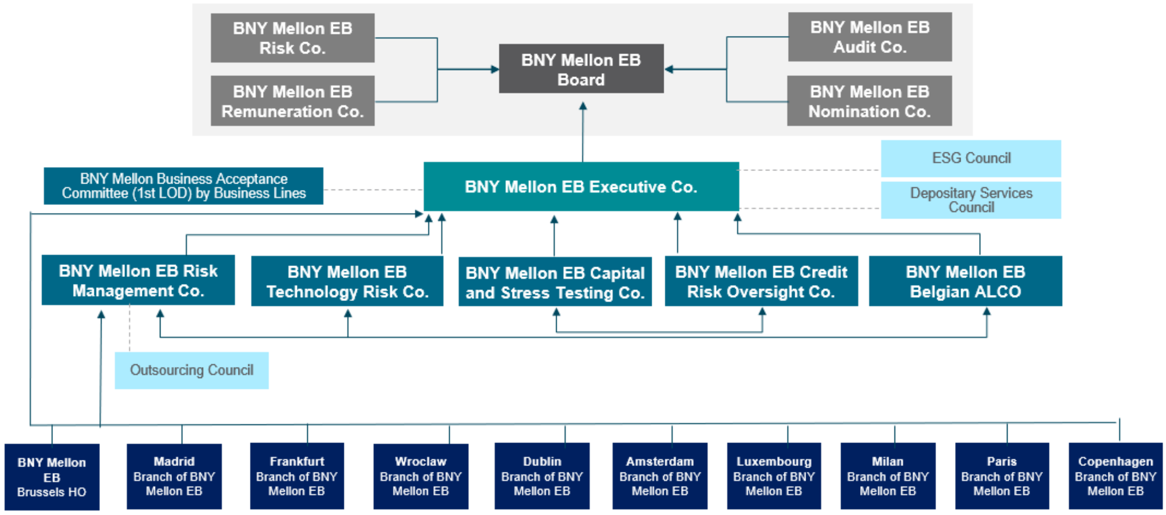
Specifically, the Board empowers the Risk Management Function to ensure that processes and controls are adequate to ensure compliance with the Risk Appetite and its related limits including relevant policies and processes to deal promptly with limit breaches.

The Risk Management Function maintains the European Bank's overarching risk management framework that describes how risk is managed within European Bank, It also sets out how these framework components interact, including within policies, procedures, limits and controls, thus providing adequate, timely and continuous identification, assessment, monitoring, management and reporting of the risks faced by the European Bank.

Given that European Bank is a fully owned subsidiary of BNY Mellon and part of the BNY Mellon Group, the Risk Management Function implements locally a risk management framework consistent with the BNY Mellon Group's framework, articulated around the three lines of defense model.

28.1.1. Description of the Risk Management Framework

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



A designated (Branch) Risk Manager oversees each of the European Bank Branches, the Brussels Head Office and the KVG subsidiary[25].

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

Risk Appetite

Risk appetite articulates the level and nature of the risk we are willing to assume, within risk capacity and regulatory parameters, to meet our strategic objectives.

The Board owns and defines the Risk Appetite Statement (RAS) of the European Bank, and is responsible for annually reviewing it and approve any amendment. The Risk Appetite Metrics Report is actively monitored, and managed by the European Bank Executive Committee through a defined governance and set of delegated controls to ensure that the performance of business activities remains within risk appetite levels. The Risk Appetite is reviewed at least annually or as needed if the risk profile changes. The Risk appetite is developed according to a Group Policy, completed by a specific The European Bank Standard.

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

The 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.

[25] KVG Subsidiary was merged on Feb 1st into the Frankfurt Branch of the European Bank

28.1.2. Committees assisting the Executive Committee

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

Risk Management Committee (“RMC”)

The purpose of the RMC is to provide oversight of the main operational risks supported by European Bank (including head office, branches and representative office), 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 any material change that has the potential to affect European Bank is identified in a timely manner and managed in an appropriate fashion.
The RMC provides risk-based challenge to the Business (first line of defense), oversees the risk culture, and advises the ExCo on risk matters.
The RMC is responsible for overseeing that risk and compliance activities undertaken by European Bank and its underlying branches, and businesses are executed in accordance with European Bank Risk Appetite Statement (RAS), policies, and regulations.

Capital and Stress Testing Committee (“CSTC”)

The purpose of the CSTC is to ensure adequate governance, ownership and understanding of the processes and documentation pertaining to European Bank’s capital requirements (economic, regulatory, adequacy and allocation), risk model methodologies and stress testing in accordance with the ICAAP governance, European Bank Stress Testing policies and Framework It also takes into consideration BNY Mellon’s over-arching capital, profit and strategic plans.
The CSTC is an empowered decision making body under authority delegated by the ExCo and subject to corporate policy, legislation and external regulation.

Asset and Liability Committee (“ALCO”)

“The European Bank Asset and Liability Committee (“ALCO”) is responsible for overseeing the asset and liability management activities of the firm balance sheet (including its branches and subsidiary), and for overseeing compliance with all liquidity, interest rate risk and capital related regulatory requirements.

The ALCO is responsible for ensuring that the BNYM Company policy and guidance set through the Global ALCO is understood and executed at the legal entity level. This includes strategy related to the investment portfolio, placements, capital, interest rate risk, and liquidity risk. The ALCO is responsible for monitoring the asset & liability management activities for European Bank (including its branches and subsidiary). At this point the European Bank Paris, Copenhagen, Poland, and Madrid branches are non-deposit accepting institutions and therefore do not have asset and liability management activities. However, any future activities of these branches will be covered by the ALCO. The ALCO reports to the European Bank ExCo.

Business Acceptance Committees ("BAC")

A BAC is responsible for the acceptance, oversight and guidance of new and existing businesses and clients for each of the following business lines for all BNY Mellon legal entities across European, Middle East and Africa (EMEA): Asset Servicing, Corporate Trust, Depositary Receipts, Markets and Clearance & Collateral Management.

European Bank representatives, selected by the ExCo for their expertise, sit at BACs when European Bank deals have to be approved.

Credit Risk Oversight Committee (“CROC”)

The key purpose of the CROC is to oversee all forms of credit risk, to oversee controls of credit risk associated with European Bank (custody) business and to ensure compliance with European Bank credit policies. The activities of the CROC are reported to the ExCo as well as to the Risk Committee of the Board where relevant.

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 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 organization that is well placed to identify and manage emerging risks for European Bank including its branches. The Committee provides risk-based challenge to the Technology 1st line of defense, establishes and maintains a risk culture, and advises and escalates to European Bank Executive Committee on risk matters.
The Committee is responsible for ensuring that Technology related risk and compliance activities undertaken by European Bank including its branches and service providers are executed in accordance with risk appetite, policies and regulations.

ESG Council

European Bank has established a ESG Council in charge of advising the Executive Committee in ensuring climate related, social and environmental risks and opportunities are fully identified, understood and incorporated into management decisions and strategy definition.
The ESG council advises the Executive Committee on ESG matters, specifically the identification and management of ESG risks impacting the European Bank. Its membership is based on suitability and knowledge of ESG matters, as well as relevant experience, and brings together all Lines of Defence.
The ESG Council has been tasked with developing European Bank’s plan to address financial risks and other climate change implications, leveraging existing governance structure, policies, and procedures.

28.1.4. Risk Assessment Methodology and Reporting Systems

Risk identification and monitoring occur in the business (operational areas) and within focused risk departments. Several processes are in place in order to ensure that the risks are correctly and timely identified and monitored. Monitoring and controlling risks is primarily performed based on limits established by European Bank. These limits reflect the business strategy and market environment of European Bank as well as the level of risk that European Bank is willing to accept. In addition, 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 the businesses is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the Risk Management Committee, the Executive Committee and the Board of Directors.

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

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

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

European Bank monitors its capital adequacy in accordance with Basel Framework on the basis of Pillar 1 requirements as well as Pillar 2 (Economic Capital).

Pillar 1 capital requirement is calculated according to the Basel standardized approach for credit, market and operational risks and for credit value adjustment. The standard formula is based on weighting factors applied to the balance sheet and profit and loss components.
Pillar 2 capital requirement is based on an internal risk assessment of the components of the balance sheet and of the business activities; it uses European Bank methodologies which follow an approval process including independent validation by BNY Mellon’s model validation team. These methodologies are approved by European Bank Capital and Stress Testing Committee and by European Bank Board of Directors during the annual ICAAP approval. European Bank also conducts stress tests in order to assess the resilience of the capital base (both from a regulatory and economic perspective) in the future.

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

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

Dedicated processes are in place within European Bank to align as needed and required ICAAP and ILAAP exercises.

28.1.6. Risk Mitigation

As part of its overall risk management and in addition to the different mitigation measures implemented within the different risk categories, European Bank uses derivatives and other instruments to manage exposures resulting from changes in foreign exchange rates and interest rate risk. The use of interest rate derivatives for hedging purposes is limited to the securities invested within the banking book investment portfolio.

28.2. Credit Risk

28.2.1. Source of Risks

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

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

European Bank credit exposures arise primarily through the following activities:

- 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, resulting from unfunded intraday activity (trade purchases, FX and payment activity, etc).
- Placement to central banks and money market: credit risk assumed by 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 bonds, corporate bonds, covered bonds and RMBS): European Bank has a large securities portfolio.
- Intercompany exposure (placements, Netting Agreement use and receivables).
- Derivatives in the banking book: FX swaps used to manage liquidity and FX swaps coming from the FX client activity.
- Interest rate swaps with BNY Mellon Institutional Bank in protection of the interest rate risk in the Bank's securities' portfolio.
- Guarantee (CIU): A guarantee underwritten to German pension fund investors covering the market risk of the portfolio.
- As part of a continuous improvement to strengthen the European Bank's market access, The European Bank became a clearing member with a central counterparty clearing house (CCP) in 2023, used for repo activity.

28.2.2. Credit Risk Management Framework

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

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

- Clearly defined First and Second Line of Defense roles and responsibilities

- Escalation Requirements
- Evidence of Oversight and Challenge Activities

28.2.3. Credit Risk Monitoring and Control

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

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

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

Derivative financial instruments

European Bank maintains strict control limits on derivative positions by amount and maturity. Credit risk arising from derivative financial instruments is, at any time, limited to the positive current fair values of these financial instruments (plus a regulatory “add-on” reflecting the future credit risk exposure of these derivatives).

European Bank uses (ISDA) netting agreements and CSA's, as credit mitigants for credit risk exposure on derivatives.
Settlement risk arises where a payment in cash, securities or equities is made in the expectation of a corresponding similar receipt. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk exposures resulting from the daily market transactions of European Bank.

The exposure value of derivatives as of 31 December 2023 is €693 Mio (2022: €1,132 Mio).

Offsetting financial assets and financial liabilities
European Bank does not offset any financial assets and financial liabilities except for intragroup exposures where an MNA exists and limited number of customers, where an on balance netting agreement has been signed. The disclosures set out in the table below include financial assets and financial liabilities that are subject to on balance netting

agreements similar to enforceable master netting arrangements, which cover similar financial instruments, irrespective of whether they are offset in the statement of financial position.

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

Financial assets and liabilities subject to offsetting, enforceable master netting agreements for the year 2023 and 2022 are presented in the following table:

2023	Gross amounts of recognized financial instruments In € '000	Gross amounts of recognized financial liabilities/assets offset in the statement of financial position In € '000	Net amounts of financial instruments presented in the statement of financial position In € '000	Related amounts of financial instruments not offset in the statement of financial position In € '000
Financial assets				
Loans and advances to customers	2,299,660	2,297,964	1,696	2,708,230
Financial liabilities				
Deposits	2,864,904	2,782,872	82,032	2,708,230

2022	Gross amounts of recognized financial instruments In € '000	Gross amounts of recognized financial liabilities/assets offset in the statement of financial position In € '000	Net amounts of financial instruments presented in the statement of financial position In € '000	Related amounts of financial instruments not offset in the statement of financial position In € '000
Financial assets				
Loans and advances to customers	2,223,267	2,223,267	0	3,473,360
Financial liabilities				
Deposits	3,137,018	2,223,267	913,751	3,473,360

In prior years European Bank's activities of sale and repurchase, and reverse sale and repurchase transactions, were covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

European Bank received and accepted collateral in the form of cash and marketable securities in respect of the following transactions:

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

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

At 31 December 2023 European Bank had no exposures subject to the above agreements.

28.2.4. Collateral and Other Credit Enhancements

European Bank can receive collateral from a counterparty which can include guarantees, cash and both equity and debt securities. When a right of pledge exists, European Bank has the ability to call on this collateral in the event of a default by the counterparty.
Collateral amounts are adjusted on a daily basis to reflect market activity to ensure they continue to achieve an appropriate mitigation of risk value. Securities are marked-to-market daily and haircuts are applied to protect European Bank in the event of the value of the collateral suddenly reducing in value due to adverse market conditions. Customer agreements can include requirements for the provision of additional collateral should valuations decline.

28.2.5. Risk Concentrations: Maximum Exposure to Credit Risk

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

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

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

In March 2014, a Master Netting Agreement (MNA) was signed between European Bank and BNY Mellon. This agreement has a significant positive impact on the credit risk capital requirement and thereby on European Bank solvency ratio. An additional MNA was signed with BNYM International Limited in July 2015. These MNA were still in place as of 31 December 2023.

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

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

There was no regulatory breach in 2023, neither towards external counterparties nor towards intergroup exposures.

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

Overview of maximum credit risk exposure

	Maximum risk position		Credit risk mitigant	
	2023	2022	2023	2022
	In € '000	In € '000	In € '000	In € '000
Cash and cash balances with central banks (Note 10)	21,096,199	18,493,927	—	—
Derivative financial instruments (asset side) (Note 14)	692,754	1,131,799	300,036	353,109
Investment securities (Note 12/ 26.2)	11,729,241	12,267,531	1,891,243	2,145,659
Loans and advances to customers (Note 11)	5,367,936	7,643,466	547,118	30
of which; Reverse Repo (note 26.2)	452,348	0	487,193	—
Derivative financial instruments (liability side) (Note 14)	738,266	1,338,777	—	—
Financial liabilities measured at amortized cost (Note 18)	34,393,736	35,012,697	—	—
Deposits	33,365,128	33,979,556	—	—
Subordinated liabilities	1,000,229	1,000,153	—	—
Long term debt	—	0	—	—
Other financial liabilities	28,379	32,988	—	—

	Maximum credit risk exposure by region, carrying values:				2023	2022
	Africa	Americas	Europe	Asia Pacific	In € '000	In € '000
FINANCIAL ASSETS						
Cash and cash balances with central banks	1	—	21,096,198	—	**21,096,199**	**18,493,927**
Derivative financial instruments	535	235,614	449,433	7,172	**692,754**	**1,131,799**
Investment securities	55,338	3,487,626	7,056,721	1,129,556	**11,729,241**	**12,267,531**
Loans and advances to customers	199,450	1,365,749	2,440,352	1,362,384	**5,367,936**	**7,643,466**
TOTAL FINANCIAL ASSETS	**255,324**	**5,088,989**	**31,042,705**	**2,499,112**	**38,886,130**	**39,536,723**
FINANCIAL LIABILITIES						
Derivative financial instruments	80	287,072	450,658	457	**738,266**	**1,338,777**
Deposits	47,112	2,786,960	30,169,911	361,144	**33,365,128**	**33,979,556**
Subordinated liabilities	—	1,000,229	—	—	**1,000,229**	**1,000,153**
Long term debt	—	—	—	—	**—**	**0**
Other financial liabilities	—	—	28,379	—	**28,379**	**32,988**
TOTAL FINANCIAL LIABILITIES	**47,192**	**4,074,262**	**30,648,948**	**361,601**	**35,132,003**	**36,351,474**

	Maximum credit risk exposure by industry, carrying value:				2023	2022
	Credit institutions / Central Banks	General Government	Other Financial institution	Non-Financial institution	In € '000	In € '000
FINANCIAL ASSETS						
Cash and cash balances with central banks[26]	21,096,199	—	—	—	**21,096,199**	**18,493,927**
Derivative financial instruments	640,397	353	49,898	2,105	**692,754**	**1,131,799**
Investment securities	6,793,925	4,023,278	900,019	12,020	**11,729,241**	**12,267,531**
Loans and advances to customers	4,979,739	11,005	377,191	—	**5,367,936**	**7,643,466**
TOTAL FINANCIAL ASSETS	**33,510,260**	**4,034,637**	**1,327,108**	**14,125**	**38,886,130**	**39,536,724**
FINANCIAL LIABILITIES						
Derivative financial instruments	516,940	8,697	211,705	925	**738,266**	**1,338,777**
Deposits	4,963,889	231,166	28,166,185	3,888	**33,365,128**	**33,979,556**
Subordinated liabilities	1,000,229	—	—	—	**1,000,229**	**1,000,153**
Long term debt	—	—	—	—	**—**	**0**
Other financial liabilities	28,379	—	—	—	**28,379**	**32,988**
TOTAL FINANCIAL LIABILITIES	**6,509,437**	**239,863**	**28,377,889**	**4,813**	**35,132,003**	**36,351,474**

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

28.2.6. Monitoring Sovereign Risks

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

Overview of exposure to sovereign debt at year-end 2023 and 2022, carrying value (in € 000):

Country	Held-for-trading	Balances with Central Banks[27]	Investment securities		Loans and advances	2023	2022
			FVOCI	Amortised Cost			
Belgium	—	7,429,688	80,701	—	—	**7,510,388**	**7,717,988**
Germany	—	10,421,552	728,431	184,662	—	**11,334,646**	**8,069,592**
Luxembourg	—	87,000	23,372	—	—	**110,372**	**118,051**
Netherlands	—	3,038,752	0	201,107	—	**3,239,859**	**3,844,710**
United States	—	—	584,304	359,803	—	**944,106**	**1,720,939**
France	25,717	—	407,618	30,372	51,285	**514,993**	**409,044**
Ireland	—	83,660	—	—	2	**83,662**	**94,423**
Italy	—	16,730	—	—	—	**16,730**	**5,524**
Spain	—	—	—	—	—	**—**	**0**
United Kingdom	—	—	113,443	—	—	**113,443**	**127,337**
Canada	—	—	230,921	—	—	**230,921**	**150,505**
Japan	—	—	89,920	—	—	**89,920**	**78,917**
Finland	353	—	72,138	16,238	11,004	**99,732**	**93,726**
Other	40,924	18,818	670,748	229,500	22,270	**982,260**	**329,012**
TOTAL	**66,994**	**21,096,199**	**3,001,595**	**1,021,683**	**84,560**	**25,271,032**	**22,759,767**

Other include mainly the investment securities from European Stability Mechanism and some other held for trading positions with China, Macao Special Administrative Region, Hungary and Denmark.

28.2.7. Credit Quality by Class of Financial Assets

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

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

BNY Mellon's internal methodology for borrower ratings is based on external ratings and a dedicated internal assessment. The internal rating scale ranges from 1 to 18 and is mapped to internally estimated probabilities of default. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on European Bank's internal credit rating system. This system can be linked to more common rating systems available on the market. The amounts represent the credit risk exposures as calculated according to regulatory rules. There are no impaired financial assets recognized for European Bank in 2023 (2022: € nil).

Internal BNY Mellon rating	S&P' equivalent grades	Moody's equivalent grades	Held-for-trading	Balances with Central Banks	Investment securities*		Loans and receivables	2023	2022
					FVOCI	Amortised Cost			
								€ Mio	**€ Mio**
1-2	AAA/AA+	Aaa/Aa1	92	13,547	4,114	1,340	288	**19,381**	**20,190**
3-6	AA/AA-/ A+/A-	Aa2/ A2	507	7,513	4,985	128	4,332	**17,465**	**17,803**
7-9	A-/BBB+/ BBB	A3 /Baa2	62	19	1,134	28	369	**1,612**	**1,029**
10-13	BBB-/ BB+/BB/ BB-/B+	Baa3/Ba3	32	17	—	—	245	**294**	**358**
14-16	BBB-/BB-	B1/B3	—	—	—	—	135	**135**	**157**
Total			**693**	**21,096**	**10,234**	**1,496**	**5,368**	**38,886**	**39,537**

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

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

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

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments (2023) split by Stage 1, Stage 2 and Stage 3. Explanations on the stages classification is included in Note 1.6.8.1.

	Stage 1 In € '000	Stage 2 In € '000	Stage 3 In € '000	Total In € '000
Cash with central banks and Loans and advances to customers at amortised cost				
Grades 1-10: Investment grade	26,118,300	32,525	—	26,150,825
Grades 11-14: Non investment grade	183,590	4,077	—	187,667
Grade 15-16: Criticised asset	50	127,731	—	127,781
Grades 17-18: Default	—	—	—	—
	26,301,940	164,333	—	26,466,273
Loss allowance	221	1,917	—	2,138
Carrying amount	**26,301,719**	**162,416**	**—**	**26,464,135**
Debt investment securities at amortised cost				
Grades 1-10: Investment grade	1,495,651	—	—	1,495,651
	1,495,651	—	—	1,495,651
Loss allowance	13	—	—	13
Carrying amount	**1,495,638**	**—**	**—**	**1,495,638**
Debt investment securities carried at FVOCI				
Grades 1-10: Investment grade	10,233,674	—	—	10,233,674
	10,233,674	—	—	10,233,674
Loss allowance	71	—	—	71
Carrying amount	**10,233,604**	**—**	**—**	**10,233,604**

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

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

Definition of default
Under IFRS 9, European Bank will consider a financial asset to be in default when either or both of the following conditions are met:

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

Significant increase in credit risk

Internal credit rating-based approach is used for wholesale exposures.

The European Bank allocates to exposures a credit risk grade that is based on experienced credit judgment and a variety of data that is predictive of the risk of default. European Bank will use its 18 point internal credit rating scale to determine a significant increase in credit risk for wholesale exposures (cash and due from banks, interest bearing deposits, loans including overdrafts and unfunded commitments and letters of credit):

- 1-10 Investment grade
- 15-16 Criticized asset rating
- 17-18 Default rating

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

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

Inputs into measurement of ECL

The key inputs into the measurement of ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

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

The expected credit loss at year ending 31 December 2023 is €2.2 Mio.

Forward-looking information

European Bank incorporates forward-looking information into its determination of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL.

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

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

The following table shows reconciliation of the opening balance to the closing balance of the loss allowance by class of financial instrument. All exposures are in Stage 1, except for the ones mentioned in Stage 2 explicitly. No exposures in Stage 3 existed in 2023.

	Loans and advances	**of which Stage 2**	**Investment securities**	**Total**	**of which Individual**
	In € '000	*In € '000*	In € '000	In € '000	*In € '000*
At 1 January	(5,156)	*(4,851)*	(74)	(5,230)	*(5,230)*
Increase due to origination	(515)	*(433)*	(46)	(560)	*(560)*
Decrease due to de-recognition	600	*506*	12	612	*612*
Change in credit risk	1,275	*1,212*	24	1,298	*1,298*
Net re-measurement	—	—	—	—	—
Foreign exchange and other	1,658	*1,649*	3	1,660	*1,660*
At 31 December	(2,138)	*(1,917)*	(83)	(2,221)	*(2,221)*

	Loans and advances	**Investment securities**	**Total**
	In € '000	*In € '000*	In € '000
Transfers between Stage 1 and Stage 2			
To Stage 2 from Stage 1	43,725	—	**43,725**
To Stage 1 from Stage 2	8,887	—	**8,887**

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

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

War in Ukraine - impacts on Expected Credit Loss framework.

The war in Ukraine impacted the level of ECL in European Bank in two ways:

- It impacted the macroeconomic outlook, which as a result was more pessimistic. This relates to the war in Ukraine (resulting in higher energy and food prices and supply-chain constraints) as well as pandemic considerations, mainly in China, as well as tightening monetary policies.
- The Russian sanctions triggering the creation of S-type accounts. As Russian exposures, the related exposures received the rating of Russia, internally considered a near-default (internal rating 16). The maturity was set to 5 years.

During the year, further legal investigations were conducted and it is considered that European Bank has limited liability for the S-account exposures.

The ECL for European Bank has varied during 2023 in line with the scenario previsions (increasing at times of pessimistic previsions and decreasing with optimistic previsions), as well as when legal opinion evolved. The scenarios take into account the current situation and current view on how the situation could evolve.

Individually assessed allowances

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

European Bank has recorded an individually assessed allowance of €2.2 Mio in 2023 (2022: €5.2 Mio).

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

European Bank has not recorded any allowance on a collective basis in 2023 (2022: € nil).

28.2.9. Commitments and Guarantees

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

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

28.2.10 Regulatory and Economic Capital Requirements

Capital requirement for credit risk Pillar 2 (covering credit risk and intraday credit risk) resulted in an (unaudited) amount of € 246 Mio (2022: € 315 Mio), versus the Pillar 1 calculation of €245Mio (2022: €324 Mio).

28.3. Liquidity Risk and Funding Management

28.3.1. Source of Risks

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

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

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

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

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

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

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

2023	Overnight	On demand	Less than a week	Up till 3 months	3 months 1 year	1 year- 5 years	Over 5 years	Gross nominal inflow/ (outflow)	Book Value
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Non derivative assets									
Cash and cash balances with central banks	—	21,096,199	—	—	—	—	—	21,096,199	21,096,199
Loans and advances to customers	—	4,455,699	639,545	176,547	92,493	—	3,652	5,367,936	5,367,936
Investment securities	—	—	—	—	—	3,987,681	7,741,560	11,729,241	11,729,241
	—	**25,551,898**	**639,545**	**176,547**	**92,493**	**3,987,681**	**7,745,212**	**38,193,376**	**38,193,376**
Non derivative liabilities									
Deposits	0	32,660,181	19,441	127,576	301,186	154,774	—	33,263,158	33,229,476
Deposits from central banks	—	135,652	—	—	—	—	—	135,652	135,652
Subordinated liabilities	—	—	—	6,875	21,236	111,451	1,090,292	1,229,854	1,000,229
Long term debt	—	—	—	—	—	—	—	—	—
Other financial liabilities	—	—	—	2,317	6,184	18,819	—	27,320	28,379
	—	**32,795,833**	**19,441**	**136,768**	**328,606**	**285,045**	**1,090,292**	**34,655,985**	**34,393,736**

2022	Overnight	On demand	Less than a week	Up till 3 months	3 months 1 year	1 year- 5 years	Over 5 years	Gross nominal inflow/ (outflow)	Book Value
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Non derivative assets									
Cash and cash balances with central banks	—	18,493,927	—	—	—	—	—	18,493,927	18,493,927
Loans and advances to customers	304,425	6,028,633	449,264	436,835	424,309	—	—	7,643,466	7,643,466
Investment securities	—	—	—	—	—	4,535,244	7,732,287	12,267,531	12,267,531
	304,425	**24,522,560**	**449,264**	**436,835**	**424,309**	**4,535,244**	**7,732,287**	**38,404,924**	**38,404,924**
Non derivative liabilities									
Deposits	77,357	30,679,178	79,314	12,916	435,385	2,418,498	199,016	33,901,664	33,901,664
Deposits from central banks	—	77,762	—	130	—	—	—	77,892	77,892
Subordinated liabilities	0	0	0	6,951	20,854	111,757	1,118,097	1,257,660	1,000,153
Long term debt	0	0	0	0	0	0	0	0	0
Other financial liabilities	—	—	—	2,245	6,125	20,960	4,755	34,084	32,988
	—	**30,756,940**	**79,314**	**22,242**	**462,363**	**2,551,215**	**1,321,867**	**35,271,299**	**35,012,697**

28.3.2. Liquidity Risk Management Framework

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

The goal of 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, European Bank has established a robust liquidity risk management framework that is fully integrated into its risk management processes.

The liquidity risk management framework is prepared in accordance with the guidelines set forth by the regulators and encompasses the unique structure and characteristics of European Bank.

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

European Bank's liquidity risk management framework is designed to:

a. Ensure that risks are identified, monitored, reported, and managed / controlled properly;
b. Define and communicate the types and amount of risks to take;
c. Communicate to the appropriate level within European Bank the type and amount of risk taken;
d. Maintain a risk management organization that is independent of the risk-taking activities, and
e. Promote a strong risk management culture.

The framework consists of a number of distinct elements which are listed below:

a. Written and approved policies that define the liquidity risk appetite and tolerance, strategy, principles and includes reporting requirements to appropriate management levels. European Bank has in place the following policies, standards and guidelines for managing liquidity and funding risk that are updated at least annually:

    i. European Bank Liquidity Policy;
    ii. European Bank Intraday Liquidity Framework;
    iii. European Bank Contingency Funding Plan;
    iv. European Bank Investments Portfolio Policy.

b. A governance structure that includes: 1) European Bank Board of Directors responsible for the establishment of an appropriate liquidity management framework and risk management process including liquidity policies, risk appetite, strategy and the liquidity stress testing framework 2) Oversight committees (including the European Bank ALCO and European Bank ExCo) that are responsible for execution and monitoring of liquidity strategy consistently with Liquidity policies and limits and to ensure that senior management effectively implements and control these elements, and 3) day-to-day liquidity management, which is the functional responsibility of European Bank Corporate Treasury with independent oversight from European Bank Treasury Risk.

c. A 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.

d. A liquidity stress testing process that is established to examine European Bank's ability to survive a range of plausible but extreme increasingly severe stress scenarios and adverse funding conditions, including specific intraday liquidity stress testing. European Bank undertakes regular assessments of whether its liquidity resources are sufficient to cover the major sources of risk.

e. A management reporting and escalation framework 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.

f. Regulatory reporting performed by the European Bank Finance function in line with home/host regulatory requirements.

g. Formal contingency funding plan (CFP) that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations including identified and tested funding sources in order to survive a period of liquidity stress. The CFP further links into the Recovery Plan should the crisis situation result in European Bank entering into a recovery phase.

h. Regular testing of market access and funding sources available to European Bank in case of a liquidity crisis situation.

28.4. Market Risk

28.4.1. Source of Risks

Market risk is the risk of financial loss arising from movements in 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 European Bank. Market risk to European Bank is reviewed below in the context of: impact on balance sheet and impact on revenues and consequently its profitability, as well as on the trading portfolios.

The European Bank bears market risk, inter alia, through the trading book activity mainly in foreign exchange products. The Corporate Treasury FX swap activity, utilized to manage banking book FX position, is classified as held for trading from an accounting perspective.

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

- European Bank revenues are denominated in a mix of currencies whereas a high proportion of the bank's costs are denominated in Euro. Apart from the risk of currency mismatch between revenues and cost, the bank is not significantly exposed to this risk. Currency risk is also coming from the FX position within the derivatives trading book.
- Credit Valuation Adjustment (CVA) risk relates to derivatives used in the context of Treasury management and FX trading activity.
- Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's earnings and capital arising from movements in interest rates that affect the bank's banking book positions and related repricing mismatches. The primary purpose management of IRRBB is to manage risks from interest rate movements by managing the exposure to volatility in, and optimizing the performance of, Earnings, including Net Interest Income (NII), and by limiting the volatility of the Economic Value of Equity (EVE).The interest rate risk in the trading book is not material.
- The securities portfolio bears additional credit spread. Interest rate risk of the securities portfolio is captured on the banking book interest rate risk.
- Pension risk in European Bank arises from the defined benefit pension plans offer to the employees. Defined benefit plans constitute a risk because European Bank must

compensate any shortfall in the fund's guaranteed pensionable amount. Only the Belgium and German plans my result in a liability for European Bank.

28.4.2. Market Risk Management Framework

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

European Bank personnel engaging in market risk-taking or exposure management activities must be explicitly authorized or mandated.

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

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

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

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

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

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

28.4.3. Market Risk – Trading portfolios

The principal tools used to measure and control market risk, within the Group's trading portfolios are VaR and Stressed VaR. The VaR of the 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.

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

The Group 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 senior management. A summary of the trading book activity is provided to the European Bank 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 trading portfolios as of 29 December 2023:

USD Mio	29/12/2023	30/12/2022
Value At Risk	0.185	0.472
Stressed Value At Risk	0.528	1.188

28.4.4. Market Risk – Non-trading portfolios

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

Interest rate risk framework

Interest rate risk in the banking book will arise from maturity or re-pricing mismatches and from products that include embedded optionality; the risk could crystallize with changes in interest rate risk and the shape of the yield curve.
As of December end 2023, duration on the asset side is generated by the investment portfolio, with a duration of about 2 years, as the remaining of asset items have very short term maturity. European Bank banking book liabilities are predominantly without maturity, i.e. client deposits, and duration comes mainly from client deposits estimated behavioral duration.

Interest rate risk is a standard agenda item of European Bank ALCO. IRRBB Limits are established and monitored on earnings including net interest [28]income (NII) and economic value of equity (EVE). Furthermore, European Bank's monitors the banking book market value sensitivity which measures the impact of the change in market value of banking book positions which impacts equity through Other Comprehensive Income (OCI). This is achieved by projecting the change in market value of, but not exclusive to, Available for Sale positions over 12-month rolling period.

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The IRRBB risk management framework consists of a IRRBB Policy, a set of Risk Appetite metrics at the level of the Board of Directors and Executive Committee, a comprehensive formal second line challenge and review process and escalation processes.

From an economic capital perspective, Pillar II add-on are also estimated for IRRBB.

In 2021 European Bank Corporate Treasury introduced interest rate swap (IRS) derivatives as a new instrument to mitigate interest rate risk within the banking book. As of 31 December 2023, €2.2B IRS notional amount are in place to hedge fixed interest rate risk on the investment portfolio securities. Treasury will continue to use IRS depending on market conditions, our limits and constraints, and our expectations from a forward looking perspective.

Sensitivity analysis

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

European Bank IRRBB metrics, as per below, have been developed to assess the interest rate risk for European Bank using economic value of equity (EVE) measures, Net Interest Income (NII) measures, and Capital (including OCI) measures. Interest Rate Risk results include scenarios that are consistent with corporate Bank Holding Company (BHC) standards and regulatory guidance:
- EVE scenarios include parallel shocks, non-parallel shocks as well as entity specific adaptations of the EBA's Supervisory Outlier Test (SOT) and the Early Warning Indicator (EWI under 6 standardized shock scenarios).
- Earnings scenarios (NII) include parallel shocks, non-parallel shocks, basis risk and EBA parallel up and down shocks.

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

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

Description	Actual (31-12-2023)		Actual (31-12-2022)	
	+	-	+	-
+/-200 bps EVE sensitivity	4.6%	5.6%	4.3%	-8.9%
+/-200 bps NII Sensitivity (12 month forecast)	€56 Mio	€-120 Mio	€33 Mio	€-132 Mio

Furthermore, Investment Portfolio OCI scenario evaluates the Mark-to-market evolution of the fair value of the Securities Portfolio on a rolling 12-month basis.

Credit spread risk and mark to market Investment Portfolio risk.

Movements in credit spreads impact the economic value of the investment portfolio held by the Bank and accounted under the banking book category. As of 31 December 2023 there

are not other material asset or liabilities items subject to banking book credit spread risk other than within the investment portfolio.
In 2023 a new European Bank Credit Spread Risk of the Banking Book Policy has been implemented and approved by the Board of Directors.
Credit spread risks on the investment portfolio is monitored and reported on a daily basis with dedicated limits set in terms of credit spread sensitivity to 1 basis point and weekly stress test shocks assuming a set of different and severe scenarios. Credit Spread limits are set at the Board of Director and Executive Committee's levels.

Furthermore, mark to market limits are in place either on the investment portfolio securities classified within fair value through other comprehensive income and on investment portfolio securities classified at amortized cost to monitor, on a daily basis, investment portfolio potential unrealized losses.

28.4.5. Currency Risk

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

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

Currencies exposures before economic hedge

	EUR	GBP	USD	Other	Total
31 December 2023	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Total assets	28,977,966	1,492,308	5,111,477	4,077,143	39,658,893
Total liabilities and shareholder's equity	21,083,546	2,742,132	10,234,958	5,598,258	39,658,893
The statement of financial position (net)	**7,894,421**	**(1,249,825)**	**(5,123,481)**	**(1,521,115)**	**—**
31 December 2022					
Total assets	25,991,451	2,554,964	7,136,218	4,651,011	40,333,643
Total liabilities and shareholder's equity	20,238,202	2,580,483	12,420,144	5,094,815	40,333,643
The statement of financial position (net)	**5,753,249**	**(25,519)**	**(5,283,926)**	**(443,804)**	**—**

The table below indicates the currencies to which European Bank had significant exposure at 31 December 2023 on its non-trading monetary assets and liabilities and its forecast cash flows.

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

Stress Test before economic hedge

Currency	Variation	Conversion rate at closing	Effect on profit before tax	Effect on equity	Variation	Conversion rate at closing	Effect on profit before tax	Effect on equity
		2023	2023	2023		2022	2022	2022
			€ Mio	€ Mio			€ Mio	€ Mio
Scenario	1%				1%			
USD	0.0111	1.1058	101.31	40.66	0.0107	1.0674	115.64	56.32
GBP	0.0087	0.867	21.84	10.66	0.0089	0.885	16.80	16.03

European Bank is entering into FX Forward for “economic hedge” purposes. So, net exposures after economic hedging are not significant.

European Bank also manages its liquidity by currency and ensures that the net position in each currency does not exceed internal limits.

28.4.6. Regulatory and Economic Capital Requirements

Capital requirement for market risk Pillar 2 (covering FX, CVA, CSRBB, IRRBB and Pension Risk) resulted in an (unaudited) amount of €731Mio (2022: € 983Mio), versus the Pillar 1 calculation of €18 Mio (2022: €25 Mio).

28.5. Operational Risk

28.5.1. Source of Risks

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

28.5.2. Operational Risk Management Framework

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

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

European Bank‘s ORMF relies on a culture of risk awareness, a clear governance structure and on Operational Risk policies and procedures, which define the roles and responsibilities of the First, Second and Third Lines 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 regular basis.

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 program, assessment systems and related processes.

The Corporate Operational Risk Policies are reviewed and enhanced on an ongoing basis, and adopted by all businesses/Legal Entities including European Bank. Operational Risk Officers oversee the activities undertaken in each of the business lines, with oversight from a Legal Entity point of view.

28.5.3. Regulatory and Economic Capital Requirements

Capital requirement for operational risk Pillar 2 (using an internal hybrid model) resulted in an (unaudited) amount of €650Mio (2022: €382Mio), versus the Pillar 1 calculation of €118.0 Mio (2022: €107.5 Mio). Restitution risk Pillar 2 capital resulted in an amount of €368Mio (2022: €318Mio) .

29. Capital

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

29.1. Capital Management

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

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

Regulatory capital

	2023	2022
	€ Mio	€ Mio
Qualifying Core Tier1 capital	4,011	3,446
Qualifying Tier1 capital	—	—
Total qualifying Tier 1 capital	4,011	3,446
Deductions	(82)	(85)
Total qualifying Tier 2 capital	—	—
Total capital	**3,929**	**3,360**
Total Risk Exposure Amount	**4,762**	**5,703**
Risk weighted exposure amount for credit risk	3,067	4,052
Risk exposure amount for foreign exchange risk	126	178
Risk exposure amount for credit valuation adjustment (CVA)	95	129
Risk exposure amount for operational risk	1,475	1,344
Capital Ratios		
Core Tier 1 capital ratio	82.5%	58.9%
Tier 1 capital ratio	82.5%	58.9%
Total capital ratio	82.5%	58.9%
Leverage ratio (fully phased-in)	9.4%	8.0%

Regulatory capital consists of qualifying core Tier 1 capital, which comprises the paid up share capital, share premium, retained earnings, including the profit and loss of the year for 2023, filtering out the valuation reserves, less goodwill and other intangibles. The Board has formally adopted a (non-)dividend policy by which all profits are systematically carried forward and recommended the same for approval to the shareholders' meeting.

The 10-year subordinated loan arranged in March 2022 (see note 21. Subordinated liabilities) is not eligible as Tier 2 capital.

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

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

30. Subsequent Events

On February 01, 2024, our German subsidiary (BNY Mellon KVG) has merged with the European bank and continues its activity in the Frankfurt Branch of the European Bank.

This is an important step in the evolution of the European Bank. It is also a key enabler of helping to run our company better, by simplifying our legal entity structure and realigning the German operating model to the operating model of the European Bank. The move will also ensure we are well positioned to deliver more for our existing clients – German Fund Accounting and AIS Real Estate clients are now being serviced by the Frankfurt Branch of the European Bank. The Frankfurt branch will also take on a small and closed book of retail custody business (Retail Investment Solutions).

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