



The Bank of New York Mellon SA/NV  
*The European Bank*

# Pillar 3 Disclosure

December 31, 2023

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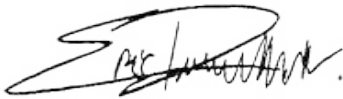
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## **Attestation Statement**

The 31 December 2023 Pillar 3 Disclosure meets the relevant regulatory requirements as described in section 1 of this report and it has been prepared in accordance with the internal policies and controls in place.

As set out in section 4 of this report, the Board of Directors (the 'Board') is responsible for approving policies and procedures as may be required by law or otherwise appropriate and for reviewing The Bank of New York Mellon SA/NV's (the 'European Bank') processes for compliance with applicable laws, regulations and the internal policies including the Code of Conduct.

The disclosure was approved by the Board of the European Bank and signed on its behalf on 25 April 2024 by:



Eric Pulinx

Chief Financial Officer and Deputy Chief Executive Officer  
Member of the Executive Committee

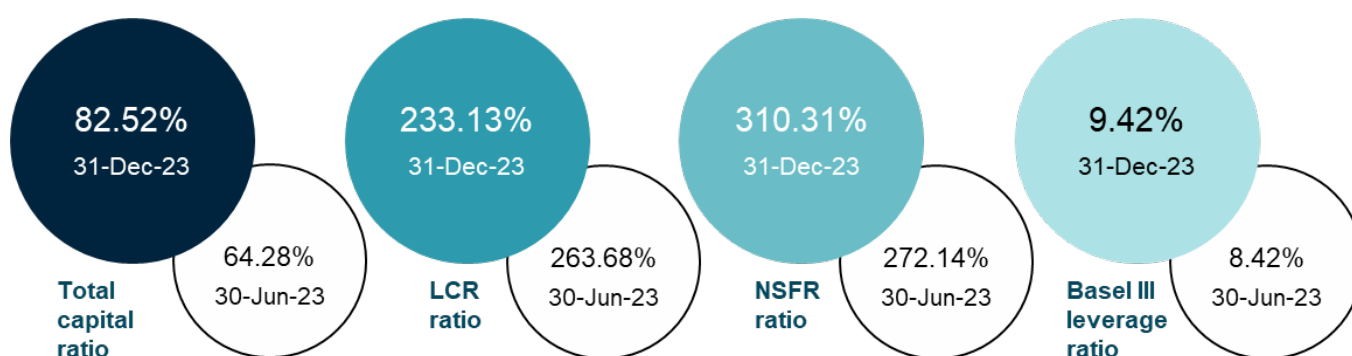
## 1 Article 431 CRR II - Disclosure requirements and policies

This Pillar 3 disclosure is published for the European Bank, in accordance with the disclosure principles of the National Bank of Belgium<sup>1,2</sup> ('NBB'), the Capital Requirements Directive<sup>3</sup> ('CRD V') and the Capital Requirements Regulation<sup>4</sup> ('CRR II'), complementing the annual disclosures of the financial statements.

When assessing the appropriateness of these disclosures in the application of Article 431(3) of CRR II, the European Bank has ensured adherence to the principles of clarity, meaningfulness, consistency over time, and comparability across institutions. The European Bank considers its risk management arrangements and systems are adequate with regards to its profile and strategy. This disclosure is consistent with formal policies adopted regarding production and validation.

The disclosure covers the European Bank, its consolidated subsidiary undertaking and branches as at 31 December 2023. Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by CRD V.

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



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

### 1.1 Purpose of Pillar 3

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

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

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

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

<sup>3</sup> Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019, amending Directive 2013/36/EU.

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



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

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

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

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

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

Pillar 3 disclosures are prepared solely to meet Pillar 3 disclosure requirements and for no other purpose. These disclosures do not constitute any form of financial statement on the business nor do they constitute any form of contemporary or forward looking record or opinion about the business. The European Bank undertakes no obligation to revise or to update any forward-looking or other statement contained within this report regardless of whether or not those statements are affected as a result of new information or future events.

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

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

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

[BNY Mellon Investor Relations - Pillar 3](#)

See the Additional Country Disclosures section.

## 1.4 Scope of consolidation

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

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

Established in 1784, BNY Mellon is America's oldest bank and the first company listed on the New York Stock Exchange (NYSE: BK). Today, BNY Mellon powers capital markets around the world through comprehensive solutions that help clients manage and service their financial assets throughout the investment life cycle. BNY Mellon had \$47.8 trillion in assets under custody and/or administration and \$2.0 trillion in assets under management as of 31 December 2023. BNY Mellon has been named among Fortune's World's Most Admired Companies and Fast Company's Best Workplaces for Innovators. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation. Additional information is available on [www.bnymellon.com](http://www.bnymellon.com). Follow us on LinkedIn or visit our Newsroom for the latest company news.

The European Bank is subject to dual supervision in Belgium: for market conduct matters, supervision is exercised by the Financial Services and Markets Authority (the 'FSMA') while for prudential matters, supervision is exercised by the European Central Bank (the 'ECB') together with the National Bank of Belgium (the 'NBB'), acting as National Competent Authority, as the European Bank has been identified as a significant bank within the Single Supervisory Mechanism. In addition, the European Bank's resolution authority is the Single Resolution Board ('SRB'). The European Bank also qualifies as a Belgian custodian bank and is directly supervised by the NBB in this respect. Its nine branches and consolidated subsidiary ('BNY Mellon KVG') all are regulated entities with banking licenses subject to local supervision by national regulators with the exception of the Poland branch (non-regulated). As of 1 February 2024, the German subsidiary BNY Mellon KVG merged into the European bank and since then continues its activities in the Frankfurt branch of the European Bank.

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

## 1.5 Organisational structure

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

The European Bank provides services on a passported basis through its headquarters in Brussels and its branches in Amsterdam, Dublin, Frankfurt, Luxembourg, Milan, Madrid, Copenhagen and Paris. Until January 31, 2024, the European Bank also had a subsidiary in Frankfurt, BNY Mellon KVG. Pursuant to the EU single market directives, the European Bank is authorised to provide financial services in the European Economic Area, being the EU 27 countries plus Iceland, Lichtenstein, and Norway. Some of those countries apply restrictions to passporting rights, in accordance with the local transpositions of the EU directives. The European Bank complies

## The Bank of New York Mellon SA/NV (the 'European Bank')

with these restrictions and adapts its operations accordingly. A non-regulated branch was opened in the first quarter of 2023 in Wrocław (Poland). This branch does not benefit of the banking license and provides support to the European Bank's operations. Conversely, on the 4th July 2023 the European Bank's London Branch received local regulatory confirmation of the removal of licenses.

### History

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

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

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

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

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

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

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

As of December 21, 2022, approval was granted from the European Bank's Executive Committee, the Branch Management of the Frankfurt Branch of the European Bank, the Supervisory Board of the KVG and the Board of Directors of the KVG for the sale of the Legal KVG business to a third party. This being part of a multi leg plan with the intention to also sell the KVG Risk Control business and to merge the remaining KVG into the parent company. The transfer of the business took place post year end on 1 February 2024. Accordingly, the business being disposed of is accounted as held for sale.

To support future growth, a non-contracting and non-deposit taking branch was opened in the first quarter of 2023 in Wrocław (Poland). Conversely, on the 4th July 2023 the European Bank's London Branch received local regulatory confirmation of the removal of licenses.

### Supervision

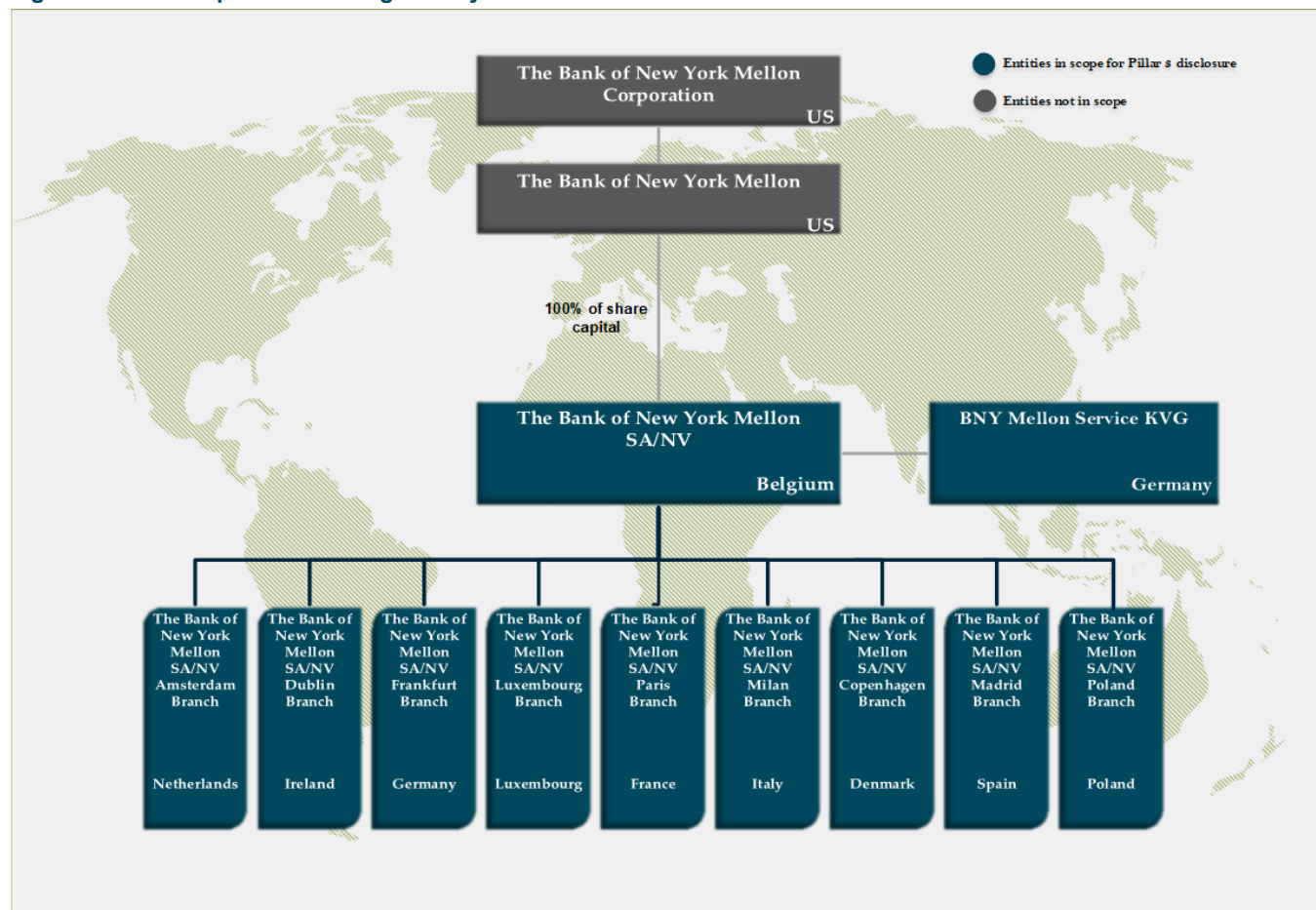
Effective November 4, 2014, the ECB as part of Single Supervisory Mechanism ('SSM') became the principal regulator for the European Bank along with the NBB. The European Bank is also supervised by the FSMA which is responsible for the integrity of the financial markets and fair treatment of financial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

On November 20, 2015, the European Bank is also licensed as a Custodian Bank by the NBB pursuant to article 36/26/1, § 6, of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium.



# The Bank of New York Mellon SA/NV (the 'European Bank')

Figure 1: The European Bank's legal entity structure at 31 December 2023



Note: The BNY Mellon KVG subsidiary merged with its parent, the European Bank, as of 1 February 2024. As of year-end, the part of the business being disposed of is presented as held for sale. Further, the European Bank's non-consolidated subsidiary BNYM AIS Nominees Limited is not shown.

## Basis of consolidation

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

Note: Until January 31, 2024, the European Bank's subsidiary, BNY Mellon KVG, was a consolidated subsidiary.

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

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

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

## 1.6 Operating model

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

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

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

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

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

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

## 1.7 Core business lines

With activities focussed on Asset Servicing, Issuer Services, Clearance and Collateral Management, Markets and Treasury Services, the European Bank has a number of core business lines. Its main activity is Asset Servicing, which is provided both to third party and to internal clients within BNY Mellon, the European Bank provides these products to its international client base. European Bank clients contract with the European Bank for all of the below services except Depositary Receipt Services and Treasury Services. For Depositary Receipt Services, the European Bank only provides these to other legal entities within BNY Mellon. For Treasury Services, the 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.

Line of business	Description
<b>Asset Servicing &amp; Digital ('AS')</b>	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
<b>Treasury Services</b>	The European Bank provides Relationship Management and Business Development, Global Client Support and Global Product Management Support.

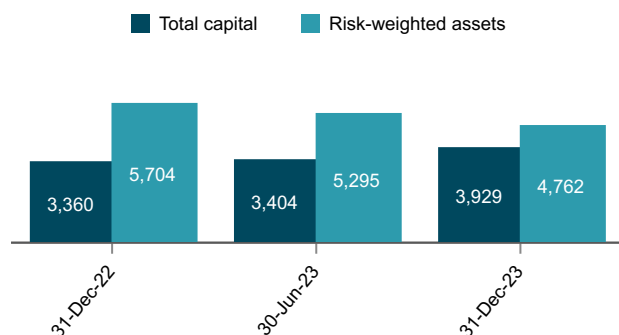
## The Bank of New York Mellon SA/NV (the 'European Bank')

Line of business	Description
<b>Issuer Services</b>	
Corporate Trust ('CT')	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, common depository, exchange agent, custodian and collateral / portfolio administration.
Depository Receipt Services	The European Bank's Dublin Branch performs certain operational activities relating to Depository Receipts, predominantly issuance and cancellation. Depository Receipts facilitate cross-border investment solutions for companies and investors. They are negotiable financial securities issued by a bank to represent foreign companies' publicly traded securities, allowing them to have their stocks traded in foreign markets.
<b>Clearance and Collateral Management</b>	
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.
International Clearance	International Clearance provides settlement and custody services for fixed- income and equity securities.
<b>Markets</b>	
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.
Foreign Exchange ('FX')	The European Bank provides foreign exchange services, which enable clients to achieve their investment, financing and cross-border objectives.
Securities Finance	The European Bank provides standard agency lending including Third Party lending; cash collateral reinvestment and agency investment products.

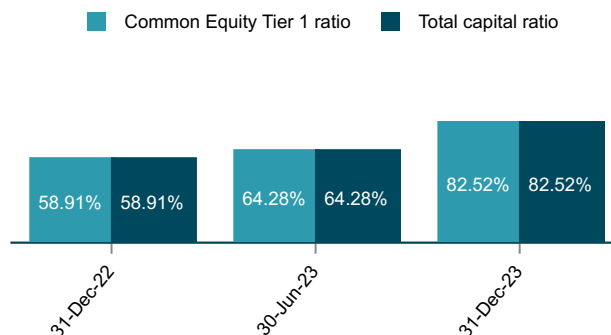
### 1.8 Article 447 CRR II - Key metrics

The following key metrics reflect the European Bank's risk profile:

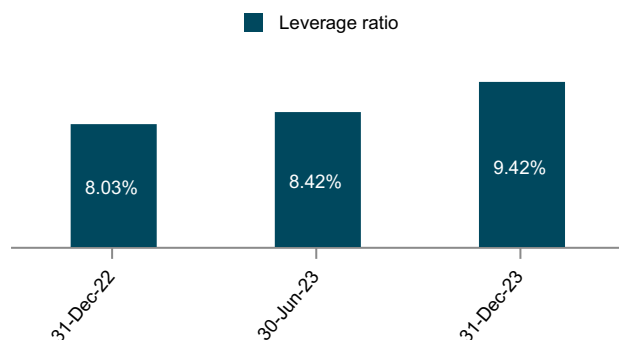
#### Regulatory capital and Risk-weighted assets (€m)



#### Capital ratios



#### Leverage ratio



#### Liquidity ratios

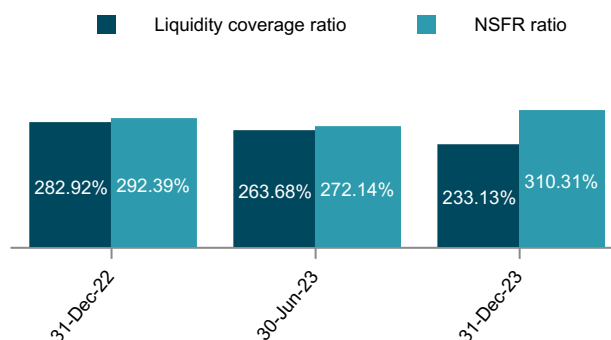


Table 1: EU KM1 Key metrics template

(€m)		31-Dec-23	30-Jun-23	31-Dec-22
<b>Available own funds</b>				
1	Common Equity Tier 1 ('CET1') capital	3,929	3,404	3,360
2	Tier 1 capital	3,929	3,404	3,360
3	Total capital	3,929	3,404	3,360
<b>Risk-weighted exposure amounts</b>				
4	Total risk-weighted exposure amount	4,762	5,295	5,704
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>				
5	Common Equity Tier 1 ratio (%)	82.52 %	64.28 %	58.91 %
6	Tier 1 ratio (%)	82.52 %	64.28 %	58.91 %
7	Total capital ratio (%)	82.52 %	64.28 %	58.91 %
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount) <sup>1</sup></b>				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.10 %	2.10 %	2.00 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.18 %	1.18 %	1.13 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.58 %	1.58 %	1.50 %
EU 7d	Total SREP own funds requirements (%)	10.10 %	10.10 %	10.00 %
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>				
8	Capital conservation buffer (%)	2.50 %	2.50 %	2.50 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	— %	— %	— %
9	Institution specific countercyclical capital buffer (%)	0.56 %	0.49 %	0.27 %
EU 9a	Systemic risk buffer (%)	— %	— %	— %
10	Global Systemically Important Institution buffer (%)	— %	— %	— %
EU 10a	Other Systemically Important Institution buffer (%)	0.75 %	0.75 %	0.75 %
11	Combined buffer requirement (%)	3.81 %	3.74 %	3.52 %
EU 11a	Overall capital requirements (%)	13.91 %	13.84 %	13.52 %
12	CET1 available after meeting the total SREP own funds requirements (%)	72.42 %	54.18 %	48.91 %
<b>Leverage ratio</b>				
13	Total exposure measure	41,711	40,420	41,855
14	Leverage ratio (%)	9.42 %	8.42 %	8.03 %
<b>Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)</b>				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	— %	— %	— %
EU 14b	of which: to be made up of CET1 capital (percentage points)	—	—	—
EU 14c	Total SREP leverage ratio requirements (%)	3.00 %	3.00 %	3.00 %
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>				
EU 14d	Leverage ratio buffer requirement (%)	— %	— %	— %
EU 14e	Overall leverage ratio requirement (%)	3.00 %	3.00 %	3.00 %
<b>Liquidity Coverage Ratio</b>				
15	Total high-quality liquid assets (Weighted value - average)	25,438	26,471	27,196
EU 16a	Cash outflows - Total weighted value	18,743	18,737	18,647
EU 16b	Cash inflows - Total weighted value	7,596	8,534	8,785
16	Total net cash outflows (adjusted value)	11,147	10,203	9,862
17	Liquidity coverage ratio (%)	233.13 %	263.68 %	282.92 %
<b>Net Stable Funding Ratio</b>				
18	Total available stable funding	14,085	13,651	14,988
19	Total required stable funding	4,539	5,016	5,126
20	NSFR ratio (%)	310.31 %	272.14 %	292.39 %

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

<sup>1</sup> Represents the European Bank's Pillar 2 additional capital requirement.

Pillar 1 CET1 ratio (4.5%) plus Pillar 2 requirement CET1 ratio (1.18%).

Pillar 1 Tier 1 ratio (6%) plus Pillar 2 requirement Tier 1 ratio (1.58%).

TSCR CET1 ratio (5.68%) plus the combined buffer (3.81%).

TSCR Tier 1 ratio (7.57%)<sup>2</sup> plus the combined buffer (3.81%).

OCR CET1 ratio (9.49%) plus Pillar 2 guidance (2.5%).

OCR T1 ratio (11.38%) plus Pillar 2 guidance (2.5%).

<sup>2</sup> Subject to rounding.

## The Bank of New York Mellon SA/NV (the 'European Bank')

At the end of December 2023 the European Bank's consolidated Regulatory Own Funds saw an increase of €492 million on the September 2023 position which was largely attributable to the recognition of profit for the year of €373 million, and a reduction in unrealized losses by €115 million. Risk weighted assets also decreased by €1.26 billion which collectively resulted in an increase in the European Bank's capital ratio by 25.4% points.

Overall for the year to December 2023 the European Bank's consolidated Regulatory Own Funds increased by €569 million, largely attributable to the recognition of profit for the year of €373 million and a reduction in unrealised losses in Other Comprehensive Income reserves of €188 million. Risk weighted assets decreased by €942 million mainly due to lower credit risk, partially offset by the annual recalculation of operational risk. Overall, this resulted in an increase in the European Bank's capital ratio by 23.6% points.

### Key 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. The Bank of England and other Central Banks made similar rate hikes.

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

The value of the US dollar against Euro was 1.08 on average in 2023, in line with 2022 (1.07).

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 (up €90.8 million), higher gain from hedge transactions (up €27.8 million), lower loss from sales of FVOCI debt instruments (+€10.3 million), lower contribution to the Single Resolution Fund (+€8.1 million), and lower Expected Credit Losses (+€5.5 million).

The increase is partially offset by lower net recovery of a German Withholding Tax claim provision (down €21.3 million), originally recorded in 2019, higher Personal Expenses (including net impact from restructuring costs) (up €14.3 million), lower Fee and Commission Income (down €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% (down €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).

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

## Business Evolution in 2023

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 the branches in The Netherlands and Germany referred to above. This notably aligns with our goal of optimizing our workforce, better serving our clients and fostering a high-performing culture. Impacts of these reductions have been carefully considered and mitigated within the related business.

As of 1 January 2023 the European Bank's Pillar 2 requirement increased from 2% to 2.1%.

The European Bank has successfully registered the brand-new branch of the European bank in Wroclaw (Poland). The branch will deliver administrative and operational support services to the European Bank and other BNY Mellon legal entities. It was officially opened in the first quarter of 2023, after a select group of existing employees in Poland have 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.

Following a strategic decision to close the London branch of the European Bank, the branch's license was removed as of the 4th of July 2023, notification of the branch closure was filed on 19th July 2023 at Company House.

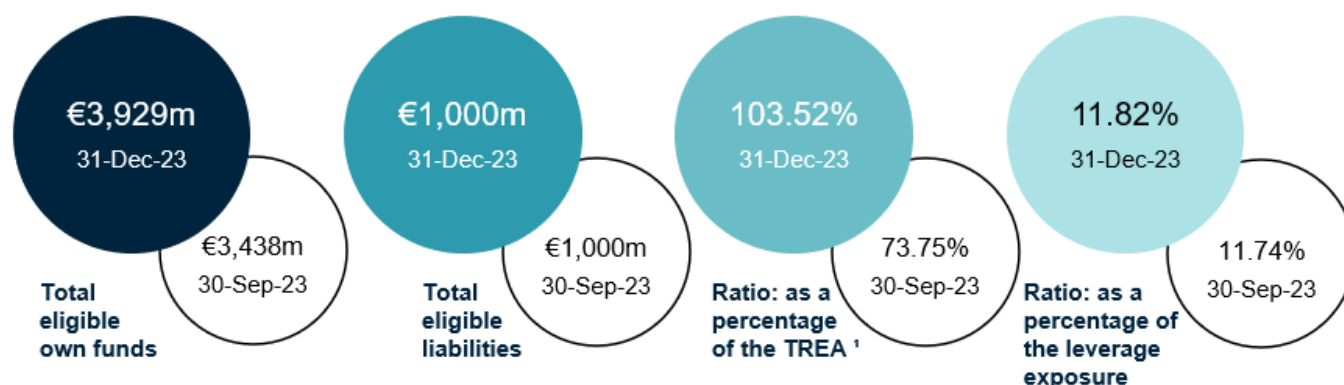
On 1 February 2024, the European Bank's subsidiary, BNY Mellon KVG, has merged with the European Bank and continues its activity in the Frankfurt Branch of the European bank.

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).

Looking towards the near term, the Market Risk Alternative Standardised Approach ('MKR-ASA') will become binding on the European Bank as part of the next iteration of Capital Requirements Regulation reforms effective from 2025 ('CRR III'). Market risk calculations under this new framework are reported but are not required to be disclosed presently. Within CRR III, disclosure elements relating to the Own Funds requirement, including the MKR-ASA, and ESG related disclosures, will also become binding. The European Bank continues to prepare and monitor for updates in relation to CRR III. Additionally, revisions to the disclosure requirements of MREL/TLAC will take effect from June 2024.

## Capital

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



<sup>1</sup> Total Risk Exposure Amount

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

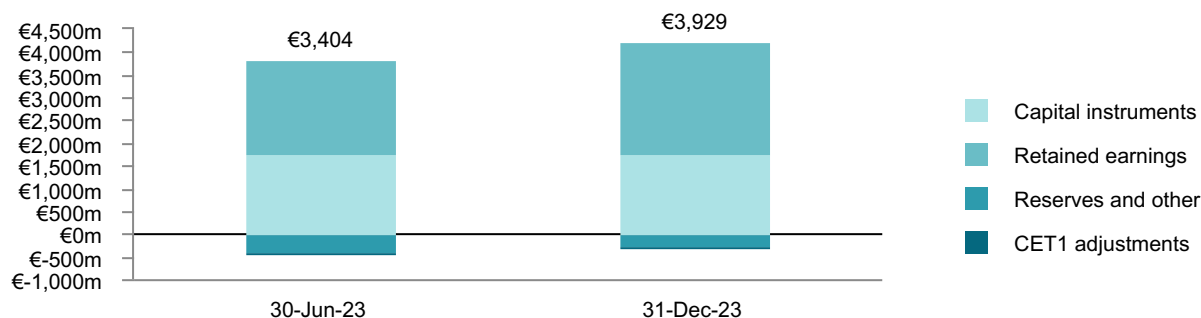


## The Bank of New York Mellon SA/NV (the 'European Bank')

Own Funds comprise tier 1 capital less deductions.

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

### Composition of regulatory capital



**Table 2: EU CC1 Composition of regulatory own funds**

This table shows the composition of the European Bank's regulatory capital including all regulatory adjustments and a reference as to where these elements can be identified in the European Bank's financial statements in Table 3: EU CC2.

At 31 December 2023 (€m)	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
1 Capital instruments and the related share premium accounts	1,788	
of which: instrument type 1 - ordinary shares	1,755	(a)
of which: instrument type 2 - share premium	33	(b)
of which: Instrument type 3		
2 Retained earnings	2,060	(c)
3 Accumulated other comprehensive income (and other reserves)	(245)	(d)
EU-3a Funds for general banking risk	—	
4 Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	—	
5 Minority interests (amount allowed in consolidated CET1)	—	
EU-5a Independently reviewed interim profits net of any foreseeable charge or dividend	373	(c)
<b>6 Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>3,976</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
7 Additional value adjustments	(11)	(e)
8 Intangible assets (net of related tax liability)	(58)	(f)
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	—	
11 Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	—	
12 Negative amounts resulting from the calculation of expected loss amounts	—	
13 Any increase in equity that results from securitised assets (negative amount)	—	
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—	
15 Defined-benefit pension fund assets (negative amount)	(13)	(g)
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	—	
17 Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	
18 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	
19 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	

# The Bank of New York Mellon SA/NV (the 'European Bank')

At 31 December 2023 (€m)		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Amounts	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	—
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	—
EU-20c	of which: securitisation positions (negative amount)	—
EU-20d	of which: free deliveries (negative amount)	—
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	—
22	Amount exceeding the 17,65% threshold (negative amount)	—
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	—
25	of which: deferred tax assets arising from temporary differences	—
EU-25a	Losses for the current financial year (negative amount)	—
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	—
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	—
27a	Other regulatory adjustments	35 (d)
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(47)</b>
29	<b>Common Equity Tier 1 (CET1) capital</b>	<b>3,929</b>
<b>Additional Tier 1 (AT1) capital: instruments</b>		
30	Capital instruments and the related share premium accounts	—
31	of which: classified as equity under applicable accounting standards	—
32	of which: classified as liabilities under applicable accounting standards	—
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	—
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	—
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	—
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	—
35	of which: instruments issued by subsidiaries subject to phase out	—
36	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	—
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	—
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	—
42a	Other regulatory adjustments to AT1 capital	—
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	—
44	<b>Additional Tier 1 (AT1) capital</b>	—
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>3,929</b>
<b>Tier 2 (T2) capital: instruments</b>		
46	Capital instruments and the related share premium accounts	—
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	—
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	—
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	—
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	—
49	of which: instruments issued by subsidiaries subject to phase out	—
50	Credit risk adjustments	—
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>	—
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	—
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	—



# The Bank of New York Mellon SA/NV (the 'European Bank')

At 31 December 2023 (€m)		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Amounts	
56b Other regulatory adjustments to T2 capital	—	
57 Total regulatory adjustments to Tier 2 (T2) capital	—	
<b>58 Tier 2 (T2) capital</b>	<b>—</b>	
<b>59 Total capital (TC = T1 + T2)</b>	<b>3,929</b>	
<b>60 Total risk exposure amount</b>	<b>4,762</b>	
<b>Capital ratios and requirements including buffers</b>		
61 Common Equity Tier 1 (as a percentage of total risk exposure amount)	82.52 %	
62 Tier 1 (as a percentage of total risk exposure amount)	82.52 %	
63 Total capital (as a percentage of total risk exposure amount)	82.52 %	
64 Institution CET1 overall capital requirements	9.49 %	
65 of which: capital conservation buffer requirement	2.50 %	
66 of which: countercyclical buffer requirement	0.56 %	
67 of which: systemic risk buffer requirement	— %	
EU-67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.75 %	
EU-67b of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.18 %	
<b>68 Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements</b>	<b>72.42 %</b>	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
72 Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	—	
73 Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	—	
75 Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	85	(h)
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	—	
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	38	
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	—	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	—	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>		
80 Current cap on CET1 instruments subject to phase out arrangements	—	
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	—	
82 Current cap on AT1 instruments subject to phase out arrangements	—	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—	
84 Current cap on T2 instruments subject to phase out arrangements	—	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	

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

In accordance with article 48, deferred tax assets arising from temporary differences that are equal to or less than 10% of the CET1 are exempted from deduction from CET1. The European Bank's deferred tax assets amount of €85 million is below the thresholds for deduction and is subject to a 250% risk weighting. Deferred tax assets arising from temporary differences are the only items exempted from own funds deduction by the European Bank.

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

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

At 31 December 2023 (€m)	Balance sheet as in the published financial statements	Reference
<b>Assets - Breakdown by asset classes according to the balance sheet in the published financial statements</b>		
1 Cash and cash balances with central banks	21,096	
2 Derivative financial instruments <sup>1</sup>	693	(e)
3 Loans and advances to customers	5,368	
4 Investment securities <sup>2</sup>	11,729	(e)
5 Current tax assets	26	
6 Other assets <sup>4</sup>	566	(g)
7 Property and equipment	37	
8 Deferred tax assets	85	(h)
9 Goodwill and other intangible assets <sup>5, 6</sup>	59	(f)
<b>10 Total assets</b>	<b>39,659</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements</b>		
1 Derivative financial instruments <sup>3</sup>	738	(e)
2 Deposits from central banks	136	
3 Deposits from financial institutions	32,995	
4 Deposits from non-financial institutions	235	
5 Subordinated liabilities	1,000	
6 Long term debt	—	
7 Other financial liabilities	28	
8 Current tax liabilities	49	
9 Other liabilities	406	
10 Provisions	60	
11 Deferred tax liabilities <sup>4, 6</sup>	1	(f)
<b>12 Total liabilities</b>	<b>35,648</b>	
<b>Shareholders' Equity</b>		
1 Issued capital	1,755	(a)
2 Share premium	33	(b)
3 Retained earnings <sup>8</sup>	2,424	(c)
4 Other reserves <sup>7, 8</sup>	(201)	(d)
<b>5 Total shareholders' equity</b>	<b>4,011</b>	

<sup>1</sup> Of which €371 million is subject to capital deduction of 0.1% as a Prudential Valuation Adjustment.

<sup>2</sup> Of which €10,237 million is subject to capital deduction of 0.1% as a Prudential Valuation Adjustment.

<sup>3</sup> Of which €417 million is subject to capital deduction of 0.1% as a Prudential Valuation Adjustment.

<sup>4</sup> Of which €17 million is subject to capital deduction as a defined benefit pension fund asset, with associated deferred tax liability of €4 million.

<sup>5</sup> Of which €4 million is subject to capital deduction as goodwill.

<sup>6</sup> Of which €55 million is subject to capital deduction as other intangible assets, with associated deferred tax liability of €1 million.

<sup>7</sup> Of which €(245) million relates to accumulated other comprehensive income and €35 million relates to share based payments.

<sup>8</sup> Table CC1 differs by approximately 9 million due to a reclass which is accounted for within Other Reserves in the financial accounts.

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

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

In accordance with Article 436 CRR II, the table on the following page illustrates the mapping of the balance sheet categories with prudential risk categories.

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

At 31 December 2023 (€m)	Carrying values as reported in published financial statements	Carrying values of items					Not subject to own funds requirements or subject to deduction from own funds
		Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework		
Breakdown by asset classes according to the balance sheet in the published financial statements							
1	Cash and cash balances with central banks	21,096	21,096	—	—	3,794	—
2	Derivative financial instruments	693	—	693	—	342	—
3	Loans and advances to customers	5,368	4,664	704	—	907	—
4	Investment securities	11,729	11,601	—	128	5,267	—
5	Current tax assets	26	26	—	—	3	—
6	Other assets	566	553	—	—	320	13
7	Property and equipment	37	37	—	—	—	—
8	Deferred tax assets	85	85	—	—	35	—
9	Goodwill and other intangible assets	59	1	—	—	41	58
10	<b>Total assets</b>	<b>39,659</b>	<b>38,063</b>	<b>1,397</b>	<b>128</b>	<b>10,709</b>	<b>71</b>
Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Derivatives financial instruments	738	—	738	—	315	—
2	Deposits from central banks	136	—	—	—	18,224	136
3	Deposits from financial institutions	32,995	—	324	—	—	32,671
4	Deposits from non-financial institutions	235	—	—	—	—	235
5	Subordinated liabilities	1,000	—	—	—	—	1,000
6	Long term debt	—	—	—	—	—	—
7	Other financial liabilities	28	—	—	—	9	28
8	Current tax liabilities	49	—	—	—	—	49
9	Other liabilities	406	—	—	—	218	406
10	Provisions	60	—	—	—	—	60
11	Deferred tax liabilities	1	—	—	—	—	1
12	<b>Total liabilities</b>	<b>35,648</b>	<b>—</b>	<b>1,062</b>	<b>—</b>	<b>18,766</b>	<b>34,586</b>

Note: A presentational reclass from the credit risk framework to the CCR framework in relation to loans and advances has been made for 31 December 2023.

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

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

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

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

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

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

At 31 December 2023 (€m)	Total	Items subject to			
		Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1 Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	39,588	38,063	128	1,397	10,709
2 Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	(1,062)	—	—	(1,062)	(18,766)
3 Total net amount under the scope of prudential consolidation	38,526	38,063	128	335	(8,057)
4 Off-balance-sheet amounts	40	40	—	—	
5 Differences in valuations	(11)	(11)	—	—	
6 Differences due to different netting rules, other than those already included in row 2	—	—	—	—	
7 Differences due to consideration of provisions	—	—	—	—	
8 Differences due to the use of credit risk mitigation techniques (CRMs)	(2,750)	(2,750)	—	—	
9 Differences due to credit conversion factors	(32)	(32)	—	—	
10 Differences due to Securitisation with risk transfer	—	—	—	—	
11 Differences due to CCR calculations under the SA-CCR methodology	388	—	—	388	
12 Other differences	(8)	(7)	—	(1)	
13 Exposure amounts considered for regulatory purposes	36,153	35,303	128	722	126

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

The difference in regards to the market risk exposure amount considered for regulatory purposes relates in principle to the methodologies applied in determining the exposure value under Article 325 of CRR II. This considers the carrying amounts of currencies on the balance sheet to be either net long or net short positions. The higher of all net long or net short currencies, after exclusion of the reporting currency (EUR), then forms the basis of the regulatory exposure.

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

Off-balance sheet amounts largely relate to a guarantee to external customers, which is subject to a 20% credit conversion factor. Differences due to CRMs mostly relates to Master Netting Agreements ('MNAs') in place and other eligible collaterals. Other differences are generally comprised of accrued interest, default fund contributions and other immaterial differences.

**Table 6: EU PV1 - Prudent valuation adjustments (PVA)**

The following table shows the European Bank's application of additional valuation adjustments by category and uncertainty in application of Article 436(e) of CRR II.

At 31 December 2023 (€m)	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification	
	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1 Market price uncertainty	—	—	—	—	—	—	—	—	—
2 Not applicable	—	—	—	—	—	—	—	—	—
3 Close-out cost	—	—	—	—	—	—	—	—	—
4 Concentrated positions	—	—	—	—	—	—	—	—	—
5 Early termination	—	—	—	—	—	—	—	—	—
6 Model risk	—	—	—	—	—	—	—	—	—
7 Operational risk	—	—	—	—	—	—	—	—	—
8 Not applicable	—	—	—	—	—	—	—	—	—
9 Not applicable	—	—	—	—	—	—	—	—	—
10 Future administrative costs	—	—	—	—	—	—	—	—	—
11 Not applicable	—	—	—	—	—	—	—	—	—
12 Total Additional Valuation Adjustments (AVAs)								11	—

**Table 7: EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments**

This table provides a description of the main features of the European Bank's regulatory instruments issued and eligible liabilities as at 31 December 2023 in accordance with Annex VII of Regulation (EU) No. 575/2013.

Refer to Appendix 4 for full terms and conditions of Common Equity Tier 1 instruments in accordance with Article 437(c) CRR II.

Main features of reg capital instruments		Ordinary Shares	Eligible Liabilities
1	Issuer	The Bank of New York Mellon SA/NV	The Bank of New York Mellon SA/NV
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
2a	Public or private placement	N/A	N/A
3	Governing law(s) of the instrument	Belgian law	Belgian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	Yes
<b>Regulatory treatment</b>			
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	N/A
5	Post-transitional CRR rules	Common Equity Tier 1	Eligible liabilities
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type	Ordinary Shares	Subordinated
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	€ 1,754	€ 1,000
9	Nominal amount of instrument	€ 1,754	€ 1,000
EU-9a	Issue price	€ 1,038.50	N/A
EU-9b	Redemption price	N/A	N/A
10	Accounting classification	Shareholders' equity	Liability - amortised cost
11	Original date of issuance	30-September-2008 <sup>2</sup>	28-March-2022
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	25-March-2032
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	N/A	See footnote 2
16	Subsequent call dates, if applicable	N/A	N/A
<b>Coupons / dividends</b>			
17	Fixed or floating dividend/coupon	N/A	Fixed
18	Coupon rate and any related index	N/A	2.75 %
19	Existence of a dividend stopper	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	N/A
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	N/A
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	Non-convertible	Convertible
24	If convertible, conversion trigger(s)	N/A	Bail-in power by the relevant resolution authority (Single Resolution Board)
25	If convertible, fully or partially	N/A	Fully or Partially
26	If convertible, conversion rate	N/A	To determine in conversion
27	If convertible, mandatory or optional conversion	N/A	Optional
28	If convertible, specify instrument type convertible into	N/A	Common Equity Tier 1 or other instruments
29	If convertible, specify issuer of instrument it converts into	N/A	The Bank of New York Mellon SA/NV
30	Write-down features	No	Yes
31	If write-down, write-down trigger(s)	N/A	Bail-in power by the relevant resolution authority (Single Resolution Board)
32	If write-down, full or partial	N/A	Fully or Partially
33	If write-down, permanent or temporary	N/A	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	Contractual
EU-34b	Ranking of the instrument in normal insolvency proceedings	1	4
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Common Equity Tier 1
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Appendix 4	Available on request

<sup>1</sup> Since the original date of issuance the European Bank has issued further ordinary shares to the amount currently listed in regulatory capital.

<sup>2</sup> Optional redemption may occur should a change in Belgian and or EU laws or regulations render the loan ineligible for meeting MREL/TLAC requirements, or upon occurrence of a tax event which either prevents payment of interest due and or increases the amount due. Redemption is in whole, not in part.

# The Bank of New York Mellon SA/NV (the 'European Bank')

<b>Authorised, issued and fully paid</b>	<b>2,023</b>	<b>2,022</b>
Ordinary shares of €1,038.5 each (2022: €1,038.5)	1,689	1,689

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

**Table 8: EU ILAC Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs**

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

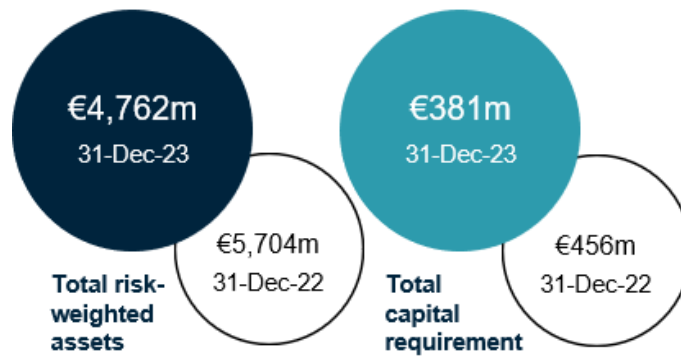
The European Bank is not classified as a resolution entity but carries an eligible liability of €1 billion as defined by Article 45 to 45i of Directive (EU) No 2014/59, being the total amount of that issuance. The information is presented on a consolidated basis. Internal TLAC requirements are based on a fully loaded target applicable as of 1 January 2022: 90% of 18% RWA and 6.75% Leverage Ratio Exposure, whichever is higher. The European Bank complies with the current (and draft future) target levels for iMREL and iTLAC.

<b>At 31 December 2023 (€m)</b>	<b>Minimum requirement for own funds and eligible liabilities (internal MREL)</b>	<b>Non-EU G-SII Requirement for own funds and eligible liabilities (internal TLAC)</b>	<b>Qualitative information</b>
<b>Applicable requirement and level of application</b>			
EU 1 Is the entity subject to a Non-EU G-SII Requirement for own funds and eligible liabilities?			Y
EU 2 If EU 1 is answered by 'Yes', is the requirement applicable on a consolidated or individual basis?			C
EU 2a Is the entity subject to an internal MREL requirement?			Y
EU 2b If EU 2a is answered by 'Yes', is the requirement applicable on a consolidated or individual basis?			C
<b>Own funds and eligible liabilities</b>			
EU 3 Common Equity Tier 1 capital (CET1)	3,929	3,929	
EU 4 Eligible Additional Tier 1 instruments	—	—	
EU 5 Eligible Tier 2 instruments	—	—	
EU 6 Eligible own funds	3,929	3,929	
EU 7 Eligible liabilities	1,000	1,000	
EU 8 of which permitted guarantees	—		
EU 9a (Adjustments)	—		
EU 9b Own funds and eligible liabilities items after adjustments	4,929	4,929	
<b>Total risk exposure amount and total exposure measure</b>			
EU 10 Total risk exposure amount	4,762	4,762	
EU 11 Total exposure measure	41,711	41,711	
<b>Ratio of own funds and eligible liabilities</b>			
EU 12 Own funds and eligible liabilities (as a percentage of TREA)	103.52 %	103.52 %	
EU 13 of which permitted guarantees	— %		
EU 14 Own funds and eligible liabilities (as a percentage of leverage exposure)	11.82 %	11.82 %	
EU 15 of which permitted guarantees	— %		
EU 16 CET1 (as a percentage of TREA) available after meeting the entity's requirements	60.42 %	60.42 %	
EU 17 Institution-specific combined buffer requirement		3.81 %	
<b>Requirements</b>			
EU 18 Requirement expressed as a percentage of the total risk exposure amount	22.10 %	16.20 %	
EU 19 of which may be met with guarantees	— %		
EU 20 Internal MREL expressed as percentage of the total exposure measure	5.90 %	6.075 %	
EU 21 of which may be met with guarantees	— %		
<b>Memorandum items</b>			
EU 22 Total amount of excluded liabilities referred to in Article 72a(2) CRR		34,416	

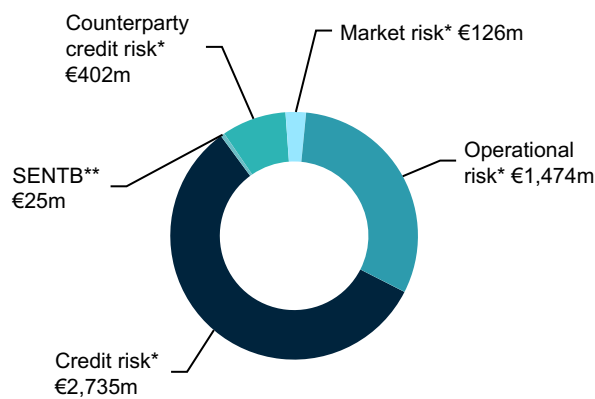
Note: Due to rounding there may be immaterial variations between Pillar 3 and regulatory submissions.

In comparison to September 2023, the European Bank's Own Funds position increased largely due to recognition of annual profits. Conversely, the Total Risk Exposure Amount ('TREA') declined mostly due to credit risk drivers, collectively resulting in a 29.93% point increase in the own funds and eligible liabilities ratio as a percentage of the TREA. The Total Exposure Measure ('TEM') increased, which when considered with the increase in Own Funds resulted in a broadly static movement in the eligible liabilities ratio as a percentage of TEM, up 0.08% points. CET1 available after complying with MREL targets is consequently influenced by variations in TREA, TEM, and Own Funds. The underlying components of excluded liabilities varied over the quarter with the net effect being an increase of 10.4% points, broadly in line with balance sheet variation. Overall, excluded liabilities increased by €3.2 billion with sight deposits and short term deposits being the main driver.

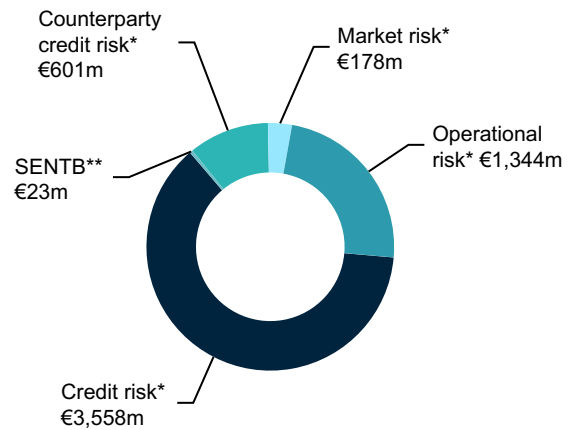
### 3 Article 438 CRR II - Own funds requirements and risk-weighted exposure amounts



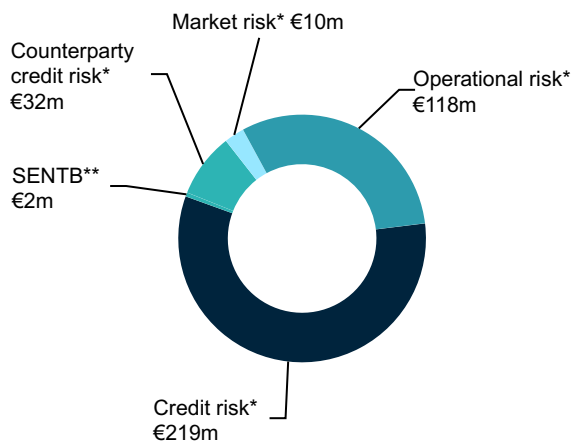
**Risk exposure by risk type at 31 December 2023**



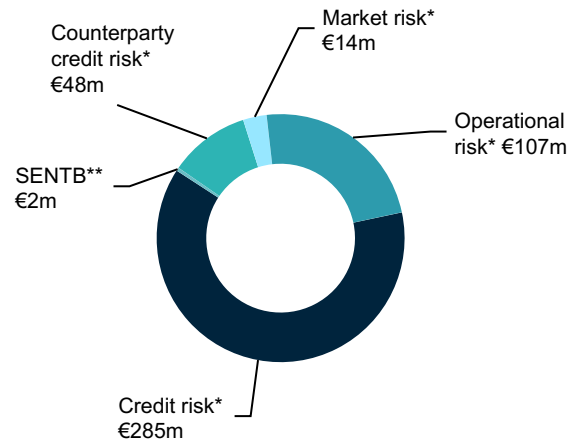
**Risk exposure by risk type at 31 December 2022**



**Capital requirements by risk type at 31 December 2023**



**Capital requirements by risk type at 31 December 2022**



\* Standardised approach framework

\*\* SEC-ERBA framework

SENTB: Securitisation exposures in the non-trading book



## The Bank of New York Mellon SA/NV (the 'European Bank')

The European Bank's capital management strategy is to maintain appropriate capital commensurate with its risks and business strategy and to ensure capital is sufficient to meet the risk appetite requirements in relation to the regulatory expectations and internally assessed capital requirements. Balance sheet management decisions, such as the deployment of excess capital considers capital adequacy requirements and the need to ensure compliance with the Board's Risk Appetite. Decisions are made after comprehensive reviews of key capital ratios and metrics to ensure strategic and regulatory objectives are satisfied.

Each year European Bank Treasury, together with the Finance and Risk teams, develops a capital plan that includes forecast capital levels and ratios, with specific plans for any capital issuances, distributions, or deployment. The plan includes economic and financial forecasts under normal (base) circumstances, as well as the results of any applicable sensitivities in order to assess the impact on available headroom given various plausible risks to the capital position or capital requirements.

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

### 3.1 Calculating capital requirements

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

**Table 9: EU OV1 Overview of total risk exposure amounts**

This table shows the European Bank's risk-weighted assets ('RWAs') using the stated approaches and their respective capital requirements. The European Bank has an immaterial exposure to central counterparties ('CCP'). There are also no risk-weighted assets relating to settlement risk or large exposures in the trading book for both the current and comparative disclosure period.

(€m)	Risk weighted assets (RWAs)		Total own funds requirements
	31-Dec-23	31-Dec-22	31-Dec-23
<b>1 Credit risk (excluding CCR)</b>	<b>2,735</b>	<b>3,558</b>	<b>219</b>
2 Of which the standardised approach	2,735	3,558	219
3 Of which the foundation IRB (FIRB) approach	—	—	—
4 Of which: slotting approach	—	—	—
EU 4a Of which: equities under the simple riskweighted approach	—	—	—
5 Of which the advanced IRB (AIRB) approach	—	—	—
<b>6 Counterparty credit risk - CCR</b>	<b>402</b>	<b>601</b>	<b>32</b>
7 Of which the standardised approach	301	471	24
8 Of which internal model method (IMM)	—	—	—
EU 8a Of which exposures to a CCP	0	—	0
EU 8b Of which credit valuation adjustment - CVA	95	129	8
9 Of which other CCR	6	1	0
<b>15 Settlement risk</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>16 Securitisation exposures in the non-trading book (after the cap)</b>	<b>25</b>	<b>23</b>	<b>2</b>
17 Of which SEC-IRBA approach	—	—	—
18 Of which SEC-ERBA (including IAA)	25	23	2
19 Of which SEC-SA approach	—	—	—
EU 19a Of which 1250%	—	—	—
<b>20 Position, foreign exchange and commodities risks (Market risk)</b>	<b>126</b>	<b>178</b>	<b>10</b>
21 Of which the standardised approach	126	178	10
22 Of which IMA	—	—	—
<b>EU 22a Large exposures</b>	<b>—</b>	<b>—</b>	<b>—</b>



## The Bank of New York Mellon SA/NV (the 'European Bank')

(€m)	Risk weighted assets (RWAs)		Total own funds requirements
	31-Dec-23	31-Dec-22	31-Dec-23
<b>23 Operational risk</b>	<b>1,474</b>	<b>1,344</b>	<b>118</b>
EU 23a Of which basic indicator approach	—	—	—
EU 23b Of which standardised approach	1,474	1,344	118
EU 23c Of which advanced measurement approach	—	—	—
<b>24</b> Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	<b>212</b>	<b>370</b>	<b>17</b>
<b>29 Total</b>	<b>4,762</b>	<b>5,704</b>	<b>381</b>

Risk-weighted assets for credit risk and counterparty credit risk declined year on year. This was mostly driven by reductions in exposures to institutions of approximately €483 million largely due to variations in third party and affiliate deposits, nostros, derivatives, securities, and overdraft exposures. Risk-weighted exposures to corporates also declined by around €379 million mostly in relation to securities, overdraft and derivatives activity. Other asset risk-weighted exposures also declined largely due to deferred tax related exposures.

Counterparty credit risk-weighted assets saw a decline of around €199 million primarily due to lower derivative related activity. This also led to a reduction in credit valuation adjustments.

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

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

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

## 4 Article 435 CRR II - Risk management objectives and policies

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

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

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

### Risk statement

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

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

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

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

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

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

<sup>1</sup> Committee for Systemic Risks and System-relevant Financial Institutions ('NBB'), Circular to SIFIs, CSRSFI, 26 October 2010.

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

Given the capital adequacy ratios and capital surplus, the European Bank concludes that the capital is sufficient at 31 December 2023 to face the risks of the entity. At 31 December 2023:

- the Pillar 1 capital requirement was €381 million (31 December 2022: €456 million); CET1 was €3,929 million (31 December 2022: €3,360 million); the CET1 ratio was 82.52% (31 December 2022: 58.91%).
- the Pillar 2 capital requirement was €2,093 million (31 December 2022, €2,324 million) compared to available resources of €3,846 million (31 December 2022: €3,212 million); the Pillar 2 capital ratio was 14.7% (31 December 2022: 11.1%) with a capital surplus against the risk appetite of €1,399 million (31 December 2022: €423 million).

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

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

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

The European Bank's business model ensures that its revenues are mainly driven by the fees and commissions it receives, and less on the net interest income, and this ensures more stability in case of a macro-economic event.

### 4.1 Risk objectives

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

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

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

### 4.2 Risk governance

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

### 4.2.1 Board of Directors

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

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

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

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

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

The table below shows the members of the Board and its committees as at 31 December 2023.

External functions exercised by directors, senior managers and heads of independent functions are regularly published in accordance with Belgian Banking Law of 25 April 2014 on the legal status and supervision of credit institutions and brokerage firms, NBB Regulation of 9 November 2021 on the Exercise of External Functions by managers of Regulated Companies and NBB Communication on the exercise of external functions by managers and persons responsible for independent control functions of regulated companies NBB\_2022\_19.

## The Bank of New York Mellon SA/NV (the 'European Bank')

Board member	Function at the European Bank	Name of the other company in which an external function is exercised	Registered address	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
<b>Non-Executive Directors</b>							
Olivier Lefebvre	Independent Chair of the Board, Independent Member of the Audit and Remuneration Committees, Independent Chair of the Nomination and Environmental Social Governance Committee	An Other Look To Efficiency SRL	Chausée de Tervueren 111, 1160 Auderghem, Belgium	Management company	N	Administrator	N
		Climact SA	Place de l'Université 16 Bte 11, 1348 Louvain-la-Neuve, Belgium	Environmental consultancy	N	Chair of the Board	N
		Ginkgo Management II SARL	Boulevard Emmanuel Servais 20 L - 2535 Luxembourg, Luxembourg	Real Estate Fund Management	N	Independent Director	N
		Perma-Project SRL	Chausée de Tervueren 111, 1160 Auderghem, 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	102 bis, Rue de Miromesnil, 75008 Paris, France	Management company	N	President	N
		Global Reporting Company	31 Hove Park Way, Hove, England, BN3 6PW, United Kingdom	Finance consultancy	N	Director	N
Marcia Cantor-Grable	Independent Chair of the Risk Committee and independent member of the Audit Committee	AXA XL Insurance Company UK Limited and AXA XL Underwriting Agencies Limited	20 Gracechurch Street, London EC3V 0BG	General Insurance	N	Independent Director	N
		Brown Shipley & Co. Ltd.	2 Moorgate, London, England, EC2R 6AG, United Kingdom	Wealth planning and Investment Management	N	Independent Director	N
		Modulr FS Ltd.	Scale Space, 58 Wood Lane, London, W12 7RZ, United Kingdom	E-money institution	N	Independent Director	N
Roderick Munsters	Independent Chair of the Remuneration Committee, Independent member of the Risk Committee and Independent member of the Nomination and Environmental Social Governance Committees	Athora Netherlands NV	Burgemeester Rijnderslaan 7 1185 MD Amstelveen, the Netherlands	Insurance company	N	Chairman of the Supervisory Board	N
		Unibail-Rodamco-Westfield SE	7 Place du Chancelier Adenauer, 75116 Paris, France	Real Estate company	Y	Independent Director	N
		Wisayah Global Investment Company	P.O Box 5000, Dhahran, Postal Code 3131, Kingdom of Saudi Arabia	Investment Company	N	Independent Director	N
Caroline Butler	Member of the Audit Committee and member of the Nomination and Environmental Social Governance Committee	Access Fintech	122 Grand Street New York, NY 10013 USA	Fintech company	N	Independent Director	N
Hani Kablawi <sup>1</sup>	Member of the Remuneration Committee and of the Risk Committee	OMFIF Advisory Council	6-9 Snow Hill, London, EC1A 2AY, United Kingdom	Independent financial think tank for central banks and public investment	N	Deputy Chairman	N
		Quantum Wealth Holding SVP Limited (Alpheya)	Ministries Complex, Sheikh Zayed Road, Zone 1, Abu Dhabi	Wealth Tech	N	Non-Executive Board Member	Y
Senthilkumar Santhanakrishnan <sup>2</sup>	Member of the Risk Committee						
<b>Executive Directors</b>							
Björn Storim	Chief Executive Officer and Chair of the Executive Committee						
Rachel Zahra	Chief Operations Officer and Member of the Executive Committee						

## The Bank of New York Mellon SA/NV (the 'European Bank')

Board member	Function at the European Bank	Name of the other company in which an external function is exercised	Registered address	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
John Hennessy <sup>3</sup>	Chief Risk Officer and Member of the Executive Committee						
Eric Pulinx <sup>4</sup>	Chief Financial Officer, Deputy Chief Executive Officer and Member of the Executive Committee	Delen Private Bank	Jan Van Rijswijklaan 184, 2020 Antwerp, Belgium	Credit Institution	N	Independent Director	N
		Finax	Begijnenvest 113, 2000 Antwerp, Belgium	Financial Holding	N	Independent Director	N

<sup>1</sup> Hani Kablawi - Has 3 internal mandates as Director in addition to the external mandates stated in the disclosure.

<sup>2</sup> Senthilkumar Santhanakrishnan - Has 2 internal mandates as Director.

<sup>3</sup> John Hennessy - Appointed CRO of the European Bank on the 22 December 2023

<sup>4</sup> Eric Pulinx - Has 1 internal mandate as Chair of the Board in addition to the external mandates stated in the disclosure.

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

The European Bank is committed to diversity and inclusion. This commitment is not only important to the European Bank's culture and to each director as individuals, it is also critical to the European Bank's ability to serve its clients and grow its business. The European Bank recognises the importance of having diversity, including gender diversity, on the Board. Aligned with its engagement in and signature of the 'Gender Diversity Charter' 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 ('the Nomination & ESGCo') 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.

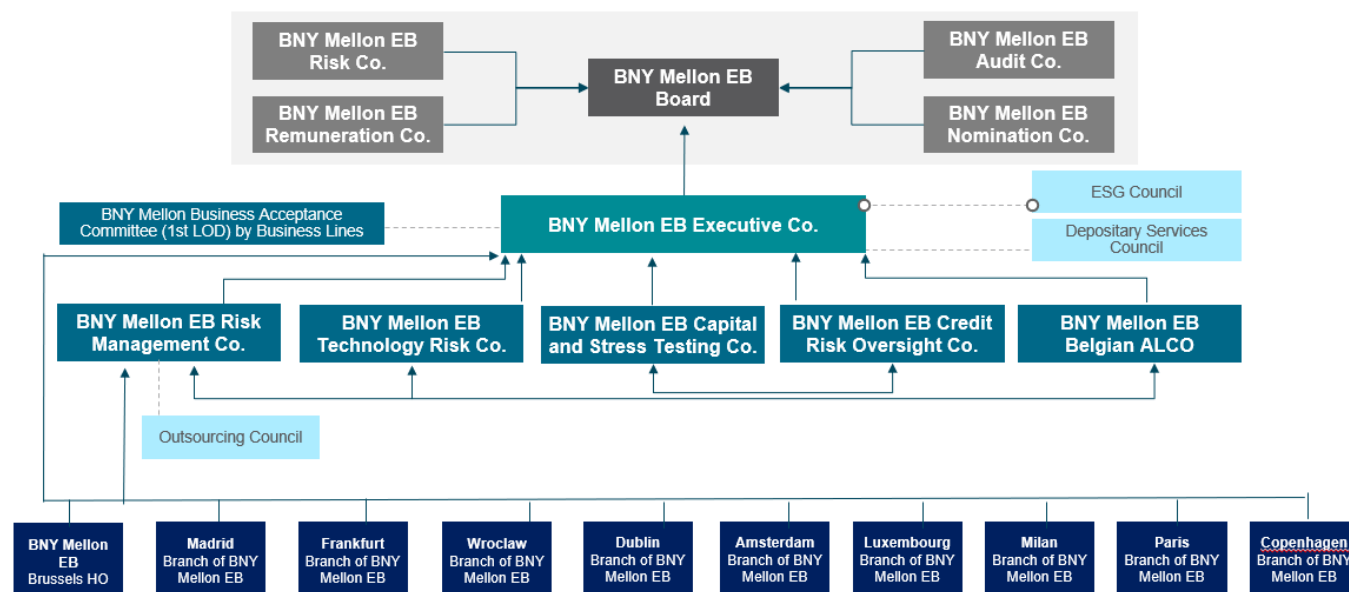
The Nomination & ESGCo is responsible for reviewing the structure, size and composition of the Board (including its skills, knowledge, experience and diversity) and making recommendations to the Board with respect to any Board member's appointment. In identifying suitable candidates for a particular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

In 2023, the Nomination & ESGCo 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 the general composition of the Board and its committees and the suitability assessments of those directors exercising responsibilities on the Board Committees. The Nomination & ESGCo 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.



## 4.2.2 Legal Entity Risk Management

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.



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 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 the European Bank's directors and the composition of the Board and its committees, (ii) oversees and assesses the overall governance of the European Bank and recommends any changes to the Board and (iii) oversees and assesses the ESG developments and impact thereof on the European Bank'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 ExCo has been established by the Board in accordance with Article 24 of the Banking 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 meets formally at least once a month, and reports to the Board.

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

## **The Bank of New York Mellon SA/NV (the 'European Bank')**

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

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

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

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

### **Risk Management Committee ('RMC')**

The European Bank's RMC meet on a monthly basis, with the key purpose of the RMC being to provide oversight of the 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 material change that has the potential to affect the European Bank is identified in a timely manner and managed in an appropriate fashion.

The aim of the RMC is to establish and maintain a capable and effective forward-looking risk organization that is well placed to identify and manage emerging risks for the legal entity including its branches and subsidiary. The RMC provides risk-based challenge to the Business (First Line of Defense) establishes and maintains a risk culture, advises the ExCo on risk matters. The RMC is responsible for ensuring that risk and compliance activities undertaken by the European Bank and its underlying branches, and businesses are executed in accordance with the European Bank's Risk Appetite Statement ('RAS'), policies, and regulations.

### **Asset and Liability Committee ('ALCO')**

The European Bank's ALCO is responsible for overseeing the asset and liability management activities on the balance sheet of the European Bank (including its branches and subsidiary), and for ensuring 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.

### **Technology Risk Committee ('TRC')**

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

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

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

During Q1 2024, the decision was taken to include the TRC into the RMC. To ensure continuation of activities and oversight, the RMC takes over all activities and responsibilities of the TRC and voting members of the TRC are integrated in the quorum of the RMC.

### **Capital and Stress Testing Committee ('CSTC')**

The purpose of the CSTC is to ensure adequate governance and understanding of, and ownership for the processes and documentation pertaining to, the European Bank's capital requirements (economic, regulatory, adequacy and allocation), the risk economic capital model methodologies and stress testing. This is achieved in



## The Bank of New York Mellon SA/NV (the 'European Bank')

accordance, where applicable, with the ICAAP governance, the European Bank Stress Testing policies and framework whilst taking into consideration the Group's over-arching capital, profit and strategic plans.

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

### Credit Risk Oversight Committee ('CROC')

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

### Business Acceptance Committee ('BAC')

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

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

### Depositary Services Council

The purpose of the Depositary Services Council (the 'Council') is to provide independent guidance, support, and expertise to the management of the European Bank and The Bank of New York Mellon (International) Limited ('UK Bank') with respect to its Trustee and Depositary ('T&D') business.

The principal objectives of the Council, relating to the T&D business are: escalate significant or otherwise important matters; make recommendations to both the ExCo of the European Bank and UK Bank in respect of any material decisions or the adoption of any strategies and plans; and provide counsel and support to both ExCos, from which it has been bestowed a limited role. To that end, the Council shall provide the company, and in particular its management, operating through the ExCos, with:

- Recommendations and objective, impartial, constructive, and informed advice with respect to matters requiring decision in terms of each Company's T&D business.
- Guidance and input in terms of strategies and plans to be adopted by each Company with respect to its T&D business; and
- Reports, updates, and other information with respect to each Company's T&D business, its performance as against plans and that of its peers, industry developments, and associated matters.

The Council is an advisory body and does not have any authority to represent, bind, or direct the European Bank or UK Bank in its operations in any way.

### Outsourcing Council

The purpose of the Outsourcing Council is to:

- Oversee the key outsourcing risks supported by the European Bank.
- Ensure that the key outsourcing risks are identified, monitored and reported.
- Ensure that appropriate actions and activities are in place to manage the identified risks.

The Council derives its authority and mandate from the European Bank RMC.

The aim of the Council is to establish and maintain a capable, effective and forward-looking outsourcing organisation that is well placed to identify and manage current and emerging risks for the legal entity, including its branches.

The Council establishes and maintains a risk culture, advises, and escalates to the European Bank RMC (or European Bank TRC - where appropriate) on risk matters.

The Council is responsible for ensuring that the outsourcing activities undertaken by the European Bank are executed in accordance with its risk appetite, policies and regulations.

### ESG Council

The European Bank has established an ESG Council in charge of advising the ExCo in ensuring climate related, social and environmental risks and opportunities are fully identified, understood and incorporated into management decisions and strategy definition.

## The Bank of New York Mellon SA/NV (the 'European Bank')

The ESG council advises the ExCo 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 the European Bank's plan to address financial risks and other climate change implications, leveraging existing governance structure, policies, and procedures.

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

### Branch Management <sup>1</sup>

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

### 4.2.3 Risk Management in the Lines of Business

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The oversight of risk management within each of the lines of business is governed via a Business Acceptance Committee and a Business Risk Committee, namely:

A **Business Acceptance Committee ('BAC')** is responsible for performing due diligence when accepting, on-boarding, monitoring and off-boarding client relationships and business. Members will review and approve new and incremental business opportunities. The European Bank's ExCo has delegated authority for business acceptance to the "BNY Mellon SA/NV Business Acceptance Committee ('BAC') Delegates" (members of the the extended European Bank's ExCo, Branch Managers or members of the second line of defence). The European Bank's BAC delegate must approve each non-standard client acceptance and each business opportunity proposal which is to be booked to the European Bank.

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

### 4.3 Risk identification ('Risk ID')

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

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

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<sup>1</sup> The BNY Mellon KVG subsidiary was merged into the Frankfurt Branch of the European bank on 1 February 2024.

## 4.4 Risk management framework

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

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

The European Bank's Risk Management Framework is organised around the 'Three Lines of Defense' and the European Bank has, in accordance with the Banking Act requirements, put in place the following independent control functions: internal audit, compliance and risk management.

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

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

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

**Figure 2: Managing Three Lines of Defense**



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

### 4.5 Risk appetite

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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 Risk Appetite Statement ('RAS') defines metrics and controls to measure and monitor risks relative to the risk appetite. These metrics establish risk thresholds through qualitative and quantitative expressions of risk appetite to monitor risk-taking activities.

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

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

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

### 4.6 Risk assessment methodology and reporting systems

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

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

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

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

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

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

Pillar 1 capital requirement is calculated according to the Basel standardised 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 the European Bank's Capital and Stress Testing Committee and by the Board as part of the annual ICAAP approval. The European Bank also conducts stress tests in order to assess the resilience of the capital base (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 process have been reviewed and challenged by the relevant stakeholders and governance committees.

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

### **New and modified businesses / products assessment process**

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

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

### **Significant new client process**

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

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

### **Risk and Control Self-Assessment ('RCSA')**

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

### **Operational risk events**

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

### **Key Risk Indicators**

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

### **Credit risk monitoring process**

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

### **Large exposure process**

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

### **Market risk monitoring process**

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

### **Interest rate risk monitoring process**

The interest rate sensitivities are monitored against the risk appetite limit, as well as the compliance with regulatory guidance.

### **Liquidity risk management process**

The European Bank's overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount and diversity, such that changes in funding requirements can be accommodated routinely without a

material adverse impact on earnings, daily operations, or on the financial condition of the European Bank. In this context, the European Bank has set certain practices, metrics, and limits to measure and manage liquidity risk. Through these measures, it seeks to ensure that the overall liquidity risk undertaken stays within its risk tolerance.

### Top risk process

On a quarterly basis, the top risks of the European Bank are identified through a specific process, and reported to European Bank governance committees.

### Risk dashboard

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

### Stress testing

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

## 4.7 Escalation of risks and issues

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

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

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

## 4.8 Recovery and resolution planning

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

Every two years, BNY Mellon submits its Title I Resolution Plan as prescribed by supervisory policy, which includes the European Bank as a material entity of BNY Mellon. The 2023 Title I Resolution Plan was submitted to the regulators on 1 July 2023.

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



### 4.9 Climate and environmental related disclosures

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#### Our climate ambition and strategy

Guided by our Corporate purpose, the European Bank 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.

#### 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' ('Nomination & ESGCo') 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 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 the Nomination & ESG Co. 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.

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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 Table 1 'Key areas in the the European Bank Climate and Environmental Strategy'.

To deliver on this strategy, members of the Board have undertaken climate-risk training to ensure that they are sufficiently and appropriately equipped to have effective oversight of climate and environmental related risks and opportunities. In 2023, Board Members also received a training on the Corporate Social responsibility Directive with focus on the Double Materiality Assessment.

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

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

- The ESG Council advises the ExCo on ESG matters, specifically the identification and management of climate and environmental risks impacting the European Bank – and to assist the ExCo in its oversight of the European Bank'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 European Bank's 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's Board of Directors and senior management with the assurance that the governance structures, risk management and internal controls are effective.



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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's businesses and lead implementation of ESG activities, two new ESG roles were created, reporting into the Chief Operating Officer. The newly created roles will lead and coordinate implementation of ESG activities across the European Bank and work with relevant parties to ensure ESG is embedded across the business (1st line) in a standardised, consistent manner, aligned to enterprise level activities and in accordance with all regulations, policies, and procedures.

To support embedding consideration of climate and environmental sustainability risks and opportunities into business operations and decision making, the Remuneration Committee in 2022 approved a Climate and Environmental Sustainability goal for the Executive Committee, members of the ESG Council and key individuals with ESG responsibilities within the European Bank.

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.

### Strategy

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

A key component of the European Bank's strategy is the ability to identify and assess climate-related and environmental risks and opportunities. 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's risk profile at the current time, while recognising that this may change in future. The materiality assessment considered quantitative KRIs, historical evidence and the result of qualitative assessment, especially with respect to non-financial risks. In measuring financial risks, the European Bank's exposure in sectors or geographies that are marginally more likely to be impacted by climate change represents 0.65% of total credit exposure. The European Bank's exposure in sectors or geographies that are marginally more

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likely to be impacted by environmental risks<sup>1</sup> represents 0.03% of total Credit Exposure. Other financial risks, including market and liquidity risk, have been assessed using sensitivity analysis with results immaterial compared to sensitivities based on other macroeconomic or market events. As a result, no changes to strategy with respect to our business model have been identified at this stage.

In terms of opportunities, the European Bank recognises that as a provider of financial services, it has a role to play by ensuring products and services developed help clients integrate climate 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.

### **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 the Risk Management section, 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<sup>2</sup> 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.

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 level of transition policies to reduce physical risk. This is due to our low exposure to CO2 higher and moderate risk sectors which has been further reduced by the disposal of the corporate securities portfolio in November 2022.

<sup>1</sup> Natural Capital (Biodiversity, Land Use, Raw Material Sourcing, Water Stress) & Pollution & Waste (Electronic Waste, Packaging Material & Waste, Toxic Emissions and Waste).

<sup>2</sup> 4th Party or indirect as the European Bank has only few direct non-critical external service providers.

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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	<b>Reducing our own carbon footprint and environmental impact</b> <ul style="list-style-type: none"> <li>Contribute to reduce the Group carbon footprint in line with Group 2025 operational targets and publicly disclosed commitments</li> <li>Contribute to maintain carbon neutrality commitment of the Group</li> <li>Contribute to reduce the Group GHG emissions (scope 1 and 2) by 20% by 2025 from 2018 base</li> <li>Divert 80% of office waste from landfills by 2025</li> <li>Zero technology waste to landfill through 2025</li> <li>Contribute to achieve Group paper neutrality</li> <li>Drive water use reduction in building operations</li> </ul> <p>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 the Metrics and Targets section and to on the Group's 2023 Sustainability Report for additional details.</p> <b>Improving our understanding of Scope 3 GHG emissions</b>
	<b>Further strengthening of our climate and environmental risk monitoring framework</b> <ul style="list-style-type: none"> <li>Measure and monitor exposures to sectors and geographies identified as presenting potential moderate and high risk of climate change and environmental impact</li> <li>Measure and monitor our credit and investment portfolio's Weighted Average Carbon Intensity</li> <li>Measure and monitor fair value stress loss based on climate scenarios</li> <li>Measure and monitor operational risk events or contingency arrangements invoked due to natural disasters</li> <li>Measure and monitor Third Party Vendors ESG ratings</li> </ul> <b>Enhanced due diligence and governance</b> <ul style="list-style-type: none"> <li>Identification and monitoring of sectors and geographies that may present higher risk of climate change impact, particularly in the long-term</li> <li>Monitoring of our existing exposure in these categories,</li> <li>Enhanced due diligence and governance to new investments proposed by the European Bank in these sectors and geographies.</li> </ul>
Global Approach to Clients and Products	<b>Partnering with our clients across our lines of business, we allow them to analyse and understand the environmental impacts of their portfolios</b> <ul style="list-style-type: none"> <li>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:</li> <li>LiquidityDirect<sup>SM</sup> 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.</li> <li>RULE®, our electronic collateral schedule manager, offers clients the ability to incorporate ESG factors into their collateral negotiations and decisions.</li> <li>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</li> </ul>

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

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

Furthermore, 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's 2024 strategy.

### 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.

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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 modelling. 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.

### 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:

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- 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.

### 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 Nomination & ESGCo on a quarterly basis, as described in the Governance section. 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.

Risk Type	Definitions	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.	<p>Impact on operational resilience through physical events, in turn impacting ability to deliver on strategic objectives</p> <p>Ability to deliver on existing strategy and maintain profitability as part of climate transition.</p> <p>Adverse publicity from interactions with clients, activities or vendors who themselves attract negative attention</p> <p>Failure to keep pace with changes in client demands for products that incorporate climate-related considerations.</p> <p>Loss of business due to failure to meet investor and client expectations around climate risk considerations</p> <p>Inability to attract or retain staff, or impacts on client relationships, due to a failure to maintain a suitable climate- related strategy</p>	<p>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.</p> <p>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.</p> <p>New Product Approval process incorporates climate risk considerations.</p>	Value Value of revenue derived from clients in industries with high carbon- weighted intensities.
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.	<p>Losses driven by changes in market risk factors from systemic market changes in case of natural disasters or climate related events.</p> <p>Losses driven by changes in market risk factors from systemic market changes in case of changes in market perception of future profitability for underlying issuers of positions held on balance sheet .</p>	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.

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Liquidity Risk	<p>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.</p>	<p>Changes in value of corporate bonds within the portfolio of assets held by the European Bank to support liquidity management whose valuations may be impacted by physical risk events.</p> <p>Outflows of cash due to client demands following physical risk events.</p>	<p>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.</p> <p>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.</p>	<p>Stress impact assessment on liquidity metrics based on a designated NGFS climate scenario.</p> <p>Scenarios have been considered in the European Bank's ILAAP from a liquidity perspective</p>
Operational Risk	<p>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.</p>	<p>Additional operational losses as a result of increased severity of physical disruption events.</p> <p>Losses due to resilience implications of physical impacts on internal, inter-affiliate or other third-party failures.</p> <p>Litigation and/or loss of business resulting from a failure to achieve stated objectives, misreporting or fiduciary requirements/ expectations.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Enhancements across multiple 2LoD policies include ensuring marketing materials align with regulatory scrutiny.</p>	<p>Number and € value of losses associated with operational risk events recorded due to weather related causes.</p> <p>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.</p> <p>Number or third parties with higher risk physical and reputation risks.</p>
Credit Risk	<p>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.</p>	<p>Key vulnerabilities due to both physical and transitional risks may exist in relation to exposures to:</p> <p>Direct credit provision or the purchase of assets issued by corporates operating in industries or geographies vulnerable to structural change or physical risk events.</p> <p>Impacts on collateral valuations due to physical events, or changes in market demands.</p> <p>Holding of corporate bonds within the own portfolio of assets to support liquidity management, whose valuations may be impacted by physical or transitional risks.</p>	<p>The climate sensitivity key risk indicator (HIGH) is reported to the BNYM SA/NV Credit Risk Oversight Committee on a monthly basis</p>	<p>Value and percentage of in scope credit portfolio in high and moderate carbon intensive sectors/geographies.</p> <p>Weighted Average Carbon Intensity ('WACI') to monitor climate risk related concentrations in the credit and investment portfolios.</p>



### 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 CO2 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 the European Bank's 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's credit risk assessment covers a long-term outlook for underlying positions. The approach relies on credit migration and stressed loss given default linked to the three scenarios described above. The accumulation of yearly profits in retained earnings more than counterbalances the increase of capital requirements, even with the stress assumptions. Other capital ratios are also supported by this increase in available capital.

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

### Processes for managing climate 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<sup>3</sup>, 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.

### 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 European Bank staff.

<sup>3</sup> As stated above, the European Bank has only few direct non-critical external service providers. The assessment relates to 4th parties or indirect vendors.

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

### Metrics and targets

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

As described in section 'Risk Management', monitoring and reporting are primarily focused on risks that could emerge based on identification of on-balance sheet exposures with a potentially high risk to physical and transitional risks across time horizon, in line with analysis and metrics produced at Group Level. We define higher risk sectors<sup>4</sup> based on the potential impact on carbon emissions, climate change vulnerability and carbon footprint from business activity. In producing the KRIs described above (table 2), we use both actual and estimated data. There are a number of challenges associated with the production of KRIs due to a number of limitations relating to geographic, sector and counterparty data. Accordingly, the results include a number of assumptions, extrapolations, or aggregation at subsector levels. We continue to enhance data, measurement capabilities and assessment methodologies to improve climate risk and environmental 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 in 2 medium-risk countries and to one exposure to sector "Real Estate".

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<sup>4</sup> 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.

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

	As at Q4 2023	As at Q4 2022
<b>Total Exposure (in €000s)</b>	€39,658,893	€40,333,643
<b>Exposures to Higher and Moderate Sectors (Credit + Investment Portfolios) (% of Total)</b>	0.65 %	0.40 %
<b>Credit Risk (Loans and Unfunded Commitments)</b>		
Exposures to High and Moderate risk sectors (% of Total)	0.01 %	0.00 %
- of which Higher risk	0.00 %	0.00 %
- of which Moderate risk	0.01 %	0.00 %
Sovereign exposures to High and Moderate risk countries (% of Total)	0.07 %	0.00 %
- of which High risk	0.02 %	0.00 %
- of which Moderate risk	0.05 %	0.00 %
<b>Credit Weighted Average Carbon Intensity</b>	<b>0.59</b>	<b>0.04</b>
<b>Credit Risk (Investment Portfolio)</b>		
Exposures to High and Moderate risk sectors (Corporate bonds) (% of Total)	0.34 %	0.03 %
- of which High risk	0.03 %	0.03 %
- of which Moderate risk	0.31 %	0.00 %
Sovereign exposures to High and Moderate risk countries (% of Total)	0.23 %	0.37 %
- of which High risk	0.00 %	0.15 %
- of which Moderate risk	0.23 %	0.22 %
<b>Investment portfolio's Weighted Average Carbon Intensity</b>	<b>14.73</b>	<b>2.38</b>
<b>Operational Risk</b>	<b>FY 2023</b>	<b>FY 2022</b>
Number of weather-related events recorded	0	0
Losses from weather related events	€0	€0
	<b>As at Q4 2023</b>	<b>As at Q4 2022</b>
Number of Vendors rated High and Moderate Risk *	4 Higher / 3 Moderate	4 Higher / 2 Moderate
<b>Strategic Risk</b>	<b>% Total revenue Q4 2023</b>	<b>% Total revenue Q4 2022</b>
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.

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

	<b>As at Q4 2023</b>
<b>Total Exposure (in €000s)</b>	€39,658,893
<b>Total LE Exposures to High and Moderate Sectors (Credit + Investment Portfolios) (in €000s)</b>	0.03 %
<b>Credit Risk (Loans and Unfunded Commitments)</b>	
<b>Exposures to High and Moderate risk sectors (% of Total)</b>	0.00 %
- of which Higher risk	0.00 %
- of which Moderate risk	0.00 %
<b>Credit Risk (Investment Portfolio)</b>	
<b>Exposures to High and Moderate risk sectors (Corporate bonds) (% of Total)</b>	0.03 %
- of which Higher risk	0.00 %
- 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**

	<b>As at Q4 2023</b>
<b>Total Exposure (in €000s)</b>	€39,658,893
<b>Total LE Exposures to High and Moderate Sectors (Credit + Investment Portfolios) (in €000s)</b>	0.03 %
<b>Credit Risk (Loans and Unfunded Commitments)</b>	
<b>Exposures to High and Moderate risk sectors (% of Total)</b>	0.00 %
- of which Higher risk	0.00 %
- of which Moderate risk	0.00 %
<b>Credit Risk (Investment Portfolio)</b>	
<b>Exposures to High and Moderate risk sectors (Corporate bonds) (% of Total)</b>	0.03 %
- of which Higher risk	0.00 %
- 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 Bank of New York Mellon SA/NV (the 'European Bank')

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.

### Scope 1, Scope 2 and 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 the European Bank emissions and methodology				
All units in metric tonnes of carbon dioxide equivalent (MtCO <sub>2</sub> e)	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	(724.80)	(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](#).

#### 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 1<sup>st</sup>, 2023, and December 31<sup>st</sup>, 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.



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### 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)	<ul style="list-style-type: none"> <li>The European Bank 2023 estimated Scope 1, Scope 2 and Scope 3 (Category 6) emissions are reported above.</li> <li>Commercial Real Estate makes up a large share of our operational footprint, and consequently our Scope 1 &amp; 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.</li> <li>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.</li> </ul>
Maintain carbon neutrality commitment For Scope 1 and Scope 2 GHG emissions, including our data centers, as well as Scope 3 business travel emissions	<p>European Bank's estimated Scope 1 &amp; Scope 2 are reported above. The following initiatives contributes to the achievement to this goal:</p> <ul style="list-style-type: none"> <li>Real Estate: Environmental Sustainability considerations as part of our due-diligence process for evaluating potential new offices space.</li> <li>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.</li> </ul>
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)	<p>The following initiatives contribute to the achievement of this goal:</p> <ul style="list-style-type: none"> <li>Adoption of an exception-only print policy, in line with the Group.</li> <li>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.</li> </ul>

### 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 in the group's [2023 Sustainability Report](#).

### 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 will be available in the group's [2023 Sustainability Report](#).

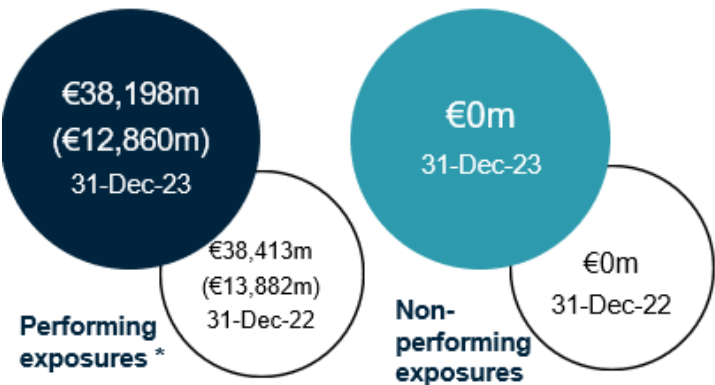
At time of writing this report, BNY Mellon is continuing to refine the group's methodology for measuring financed emissions. This includes exploring which legal entity's on-balance sheet financing activities should be included, if at all, and how financed emissions can be disaggregated at the legal entity 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.<sup>5</sup>

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.

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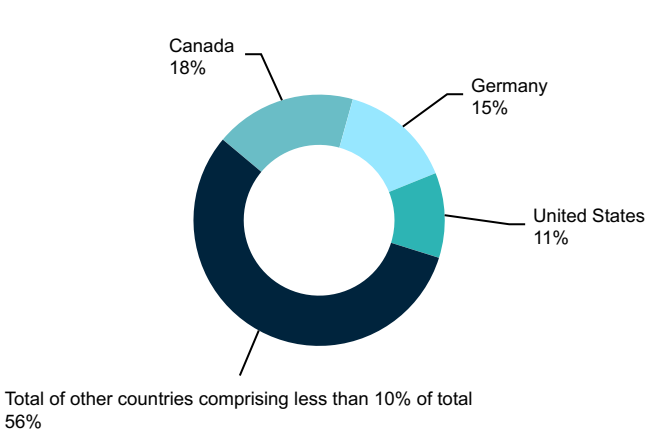
<sup>5</sup> Business model of the European Bank is mainly to provide custodial services to the global finance community and our balance sheet reflects no lending, limited trading activity, and an investment portfolio consisting largely of strongly rated government bonds and cash services.

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

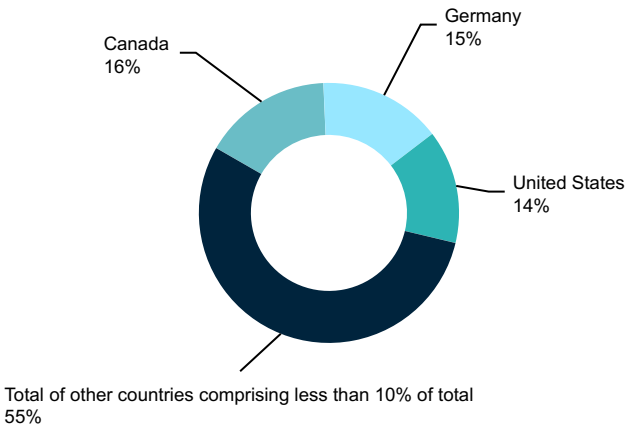


The values presented in brackets represent carrying values of loans and advances, and debt securities, but excluding placements at central banks and other demand deposits.

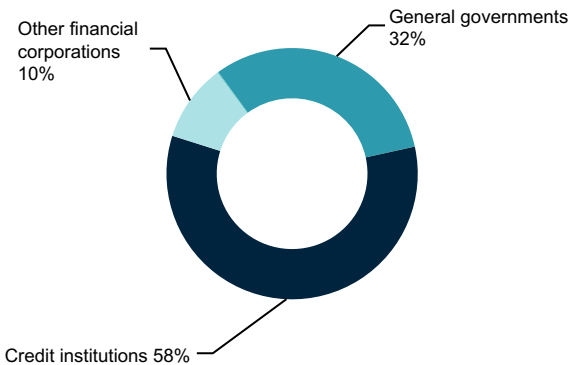
Performing exposures by country at 31 December 2023



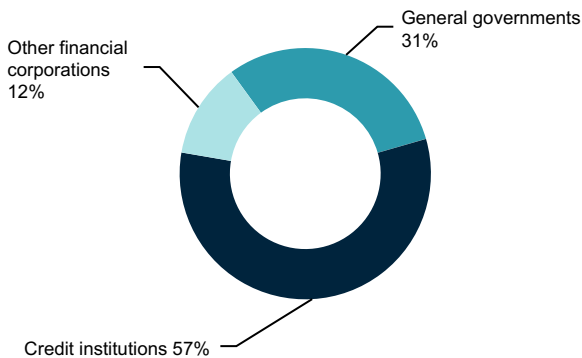
Performing exposures by country at 31 December 2022



Performing exposures by counterparty at 31 December 2023



Performing exposures by counterparty at 31 December 2022



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

## 5.1 Definition and identification

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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.

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

The principles, methodologies, and process outlined in this section relating to Credit risk are reviewed as part of the annual review process of Credit policy, if applicable. The European Bank generates the following forms of credit exposure:

- The European Bank provides significant intraday credit facilities to clients in order to settle transactions settling in a wide variety of global markets. These facilities are generally secured, unadvised and uncommitted. Although end of day balances (overdrafts) are relatively small, intraday exposures can be extensive, albeit spread across a very wide portfolio of clients;
- Client overdrafts and contractual cash on failing securities' trades, resulting from unfunded intraday activity (trade sales & purchases, FX and payment activity, collateral substitutions etc);
- Placements to (central) banks, money markets and (reverse-) repo: credit risk is assumed by the European Bank in placing funds with banks for a fixed term or overnight. This may be by way of cash placement or through the purchase of certificates of deposits issued by these banks;
- Investments in securities (government (equivalent or guaranteed) bonds, supranational bonds, covered bonds and RMBS).
- Intercompany exposures (overdrafts, nostro balances, placements, Netting Agreement use and receivables);
- Derivatives in the trading book: Spot FX, FX forwards, NDF, interest rate and currency swaps and options in support of the bank's treasury management as well as spot FX, FX forwards and currency swaps in support of the customer's custody business;
- Interest rate swaps with BNY Mellon Institutional Bank in protection of the interest rate risk in the European Bank's securities' portfolio;
- Securities' Finance trades (repo and reverse repo) in support of the bank's treasury management. 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 securities financing activity.
- Guarantee: A guarantee underwritten to German pension fund investors covering the market risk of the portfolio.

## 5.2 Credit risk management framework

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

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

## 5.3 Credit risk management

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

- Nostro accounts are maintained at the minimum possible level and within large exposure limits commensurate with the smooth operation of client and own fund needs. The banks used are all major, well rated banks in their relevant countries;
- For custody clients, most limits (including derivatives) are calculated as a percentage of AUC (subject to certain maximum levels). All cash payments are checked against a limit on a real-time basis. Any excesses are referred to a credit officer for approval. Most clients have, within their Global Custody Agreement ('GCA'), provided the bank with a contractual right of set-off across currency accounts, a custodial lien on the assets held with right of retention and sale if debts are not repaid;
- Certain clients may not be able to provide a lien on their assets, or there may be some other inability to encumber the asset pool which may be held ultimately for the benefit of other parties (e.g. insurance companies, etc.). However, these clients are usually also highly rated financial institutions. Therefore, the risk is mitigated by their high credit rating rather than access to a collateralised bond portfolio;
- In some instances, the provision of intraday credit can lead to an overnight overdraft to a client which in turn could contribute to a large exposure breach. To mitigate this risk, the European Bank makes use of CRR II art. 390§6c ("next business day exclusions"). Though lien and/or pledge language in the custody contract is considered to being effective economic risk mitigation, this is not taken into account for regulatory risk mitigation. Where the European Bank have signed an on-balance netting agreement with the customer, its overdrawn balance(s) in a given currency will be netted off with its long balances in the same currency;
- A Master Netting Agreement is in place to cover intragroup exposure to The Bank of New York Mellon (International) Limited and The Bank of New York Mellon; and,
- Placement activity with third party banks is subject to credit approval and is only permitted after careful consideration of the quality of the counterparty bank, large exposure issues and exposure elsewhere within the BNY Mellon enterprise. Relationships with, and limits for, all banks are managed globally by BNY Mellon. The European Bank's counterparty bank limits are managed as a subset within the overall limits approved by the parent.
- The derivatives and securities finance trades are subject to third-party counterparty credit limits calibrated in accordance with the outcome of the underwriting analysis and right-sized to the expected trading volume and credit protection offered.

## 5.4 Monitoring and reporting

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Intraday credit risk is monitored and controlled in real time via a number of systems to ensure that approved exposure levels are not exceeded, or are pre-approved by an appropriate Credit Officer in light of individual circumstances.

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

For all other products, credit controls are put in place to ensure that trading remains within the limits or formal excess approval are given pre-trading. Limit excess reports exist and are actively being monitored to detect, validate and follow up on limit breaches.

The metrics supporting the management of Credit risk are reported to the Credit Risk Oversight Committee ('CROC'), a sub-committee of ExCo.

## 5.5 Governance

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

- Credit Risk Policy for each legal entity describes the outsourcing and delegation of credit risk tasks, defines roles and responsibilities and required reporting to be carried out to each business line and entity that the policy applies to. Any deviation from approved policy requires either senior business or senior legal entity approval depending on the type of event;
- Approvals for excesses are controlled using a matrix of Credit risk approval authorities held within the Credit Risk Policy - each Credit Risk Officer has their own individual delegated approval authority granted by the Chief Credit Officer. They must act within those limits when making approvals. If an excess is beyond the Officer's approval limit, it is escalated to a more senior officer as per the applicable Credit Risk Policy. The outsourcing of credit responsibility to Credit risk is through the Board approved Credit Risk Policy; and,
- Overdraft monitoring is a daily task and conducted within each legal entity - significant overdrafts are chased on a daily basis in line with the European Bank's risk appetite. All significant overdrafts and exposures are recorded and form part of the credit risk management information produced on a monthly basis for various management committees.

## 5.6 Analysis of credit risk

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

The definitions below are used in the following tables:

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

## 5.7 Analysis of past due and impaired exposures

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

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

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

## The Bank of New York Mellon SA/NV (the 'European Bank')

As at 31 December 2023, the European Bank had no materially impaired exposures for which a specific or general provision was required. There were no assets past due greater than 90 days which were not considered as impaired. The European Bank did not incur any write-offs of bad debts or make any recovery of amounts previously written-off during the reporting period. Further, the European Bank did not carry any exposures considered forborne, either performing or non-performing, and consequently did not obtain any collateral through taking possession. Equally, the European Bank also had an immaterial amount of loans and advances to non-financial corporations.

The European Bank applies specific credit risk adjustments in its regulatory reporting which relate to IFRS 9 ECL assessments and a guarantee commitment accounted for as a derivative at fair value through profit and loss.

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

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



## The Bank of New York Mellon SA/NV (the 'European Bank')

**Table 10: EU CQ3 Credit quality of performing and non-performing exposures by past due days**

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

At 31 December 2023 (€m)		Gross carrying amount/nominal amount										
		Performing exposures			Non-performing exposures							
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
5	Cash balances at central banks and other demand deposits	25,338	25,338	—	—	—	—	—	—	—	—	—
10	Loans and advances	1,128	1,128	—	—	—	—	—	—	—	—	—
20	Central banks	74	74	—	—	—	—	—	—	—	—	—
30	General governments	11	11	—	—	—	—	—	—	—	—	—
40	Credit institutions	666	666	—	—	—	—	—	—	—	—	—
50	Other financial corporations	377	377	—	—	—	—	—	—	—	—	—
60	Non-financial corporations	0	0	—	—	—	—	—	—	—	—	—
70	Of which SMEs	—	—	—	—	—	—	—	—	—	—	—
80	Households	—	—	—	—	—	—	—	—	—	—	—
90	Debt securities	11,729	11,729	—	—	—	—	—	—	—	—	—
100	Central banks	—	—	—	—	—	—	—	—	—	—	—
110	General governments	4,023	4,023	—	—	—	—	—	—	—	—	—
120	Credit institutions	6,794	6,794	—	—	—	—	—	—	—	—	—
130	Other financial corporations	900	900	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	12	12	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	3			—							—
160	Central banks	—			—							—
170	General governments	—			—							—
180	Credit institutions	—			—							—
190	Other financial corporations	3			—							—
200	Non-financial corporations	—			—							—
210	Households	—			—							—
220	Total	38,198	38,195	—	—	—	—	—	—	—	—	—

## The Bank of New York Mellon SA/NV (the 'European Bank')

**Table 11: EU CQ4 Quality of non-performing exposures by geography**

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

At 31 December 2023 (€m)	Gross carrying/Nominal amount			Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non- performing	of which: defaulted	of which: subject to impairment		
<b>10 On-balance-sheet exposures</b>	<b>12,857</b>	—	—	<b>12,857</b>	<b>0</b>	—
Australia	423	—	—	423	0	—
Austria	265	—	—	265	0	—
Belgium	268	—	—	268	0	—
Brazil	0	—	—	0	0	—
Canada	2,344	—	—	2,344	0	—
Cayman Islands	5	—	—	5	0	—
Cyprus	0	—	—	0	0	—
Denmark	142	—	—	142	0	—
Finland	206	—	—	206	0	—
France	1,181	—	—	1,181	0	—
Germany	1,868	—	—	1,868	0	—
Hungary	13	—	—	13	—	—
Ireland	26	—	—	26	0	—
Italy	1	—	—	1	—	—
Japan	313	—	—	313	0	—
Jersey	0	—	—	0	—	—
Korea, Republic Of	99	—	—	99	0	—
Luxembourg	183	—	—	183	0	—
Netherlands	829	—	—	829	0	—
Norway	573	—	—	573	0	—
Other Countries	1,601	—	—	1,601	0	—
Singapore	129	—	—	129	0	—
Slovakia	138	—	—	138	0	—
Spain	151	—	—	151	0	—
Sweden	213	—	—	213	0	—
Switzerland	188	—	—	188	0	—
United Kingdom	291	—	—	291	0	—
United States	1,407	—	—	1,407	0	—
<b>80 Off-balance-sheet exposures</b>	<b>3</b>	—	—		—	
90 Germany	3	—	—		—	
<b>320 Total</b>	<b>12,860</b>	—	—	<b>12,857</b>	<b>0</b>	—

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

**Table 12: EU CR1-A Maturity of exposures**

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

At 31 December 2023 (€m)	Net exposure value					Total
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
1 Loans and advances	174	950	—	3	4	1,131
2 Debt securities	—	2,718	7,919	1,092	—	11,729
<b>3 Total</b>	<b>174</b>	<b>3,668</b>	<b>7,919</b>	<b>1,095</b>	<b>4</b>	<b>12,860</b>

**Table 13: EU CQ5 Credit quality of loans and advances to non-financial corporations by industry**

This table shows the amounts of performing and non-performing exposures by industry, with any associated impairment.

At 31 December 2023 (€m)	Gross carrying amount			of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	of which: non- performing	of which: defaulted				
10 Agriculture, forestry and fishing	—	—	—	—	—	—
20 Mining and quarrying	—	—	—	—	—	—
30 Manufacturing	—	—	—	—	—	—
40 Electricity, gas, steam and air conditioning supply	—	—	—	—	—	—
50 Water supply	—	—	—	—	—	—
60 Construction	—	—	—	—	—	—
70 Wholesale and retail trade	—	—	—	—	—	—
80 Transport and storage	—	—	—	—	—	—
90 Accommodation and food service activities	—	—	—	—	—	—
100 Information and communication	—	—	—	—	—	—
110 Real estate activities	—	—	—	—	—	—
120 Financial and insurance activities	—	—	—	—	—	—
130 Professional, scientific and technical activities	0	—	—	0	0	—
140 Administrative and support service activities	—	—	—	—	—	—
150 Public administration and defense, compulsory social security	—	—	—	—	—	—
160 Education	—	—	—	—	—	—
170 Human health services and social work activities	—	—	—	—	—	—
180 Arts, entertainment and recreation	—	—	—	—	—	—
190 Other services	—	—	—	—	—	—
<b>200 Total</b>	<b>0</b>	<b>—</b>	<b>—</b>	<b>0</b>	<b>0</b>	<b>—</b>

**Table 14: EU CR1 Performing and non-performing exposures and related provisions**

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

At 31 December 2023 (€m)		Gross carrying amount/nominal amount											Accumulated partial write-off	Collateral and financial guarantees received		
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value			On performing exposures	On non- performing exposures	
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3				
5	Cash balances at central banks and other demand deposits	25,338	25,174	164	—	—	—	(2)	0	(2)	—	—	—	—	—	—
10	Loans and advances	1,128	1,128	—	—	—	—	0	0	—	—	—	—	—	512	—
20	Central banks	74	74	—	—	—	—	—	—	—	—	—	—	—	—	—
30	General governments	11	11	—	—	—	—	—	—	—	—	—	—	—	—	—
40	Credit institutions	666	666	—	—	—	—	—	—	—	—	—	—	—	452	—
50	Other financial corporations	377	377	—	—	—	—	0	0	—	—	—	—	—	60	—
60	Non-financial corporations	0	0	—	—	—	—	—	—	—	—	—	—	—	—	—
70	Of which SMEs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
80	Households	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
90	Debt securities	11,729	11,729	—	—	—	—	0	0	—	—	—	—	—	1,827	—
100	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	4,023	4,023	—	—	—	—	0	0	—	—	—	—	—	451	—
120	Credit institutions	6,794	6,794	—	—	—	—	0	0	—	—	—	—	—	1,141	—
130	Other financial corporations	900	900	—	—	—	—	0	0	—	—	—	—	—	223	—
140	Non-financial corporations	12	12	—	—	—	—	0	0	—	—	—	—	—	12	—
150	Off-balance-sheet exposures	3	3	—	—	—	—	—	—	—	—	—	—		—	—
160	Central banks	—	—	—	—	—	—	—	—	—	—	—	—		—	—
170	General governments	—	—	—	—	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—		—	—
190	Other financial corporations	3	3	—	—	—	—	—	—	—	—	—	—		—	—
200	Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—		—	—
210	Households	—	—	—	—	—	—	—	—	—	—	—	—		—	—
220	Total	38,198	38,034	164	—	—	—	(2)	0	(2)	—	—	—	—	2,339	—

## 5.8 Article 440 CRR II - Countercyclical capital buffers

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

**Table 15: EU CCYB1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer**

The European Bank has exposures to the following countries relevant to the calculation of the countercyclical buffer. Other countries represent relevant private sector exposures which do not have a domestic countercyclical buffer rate in place as at 31 December 2023.

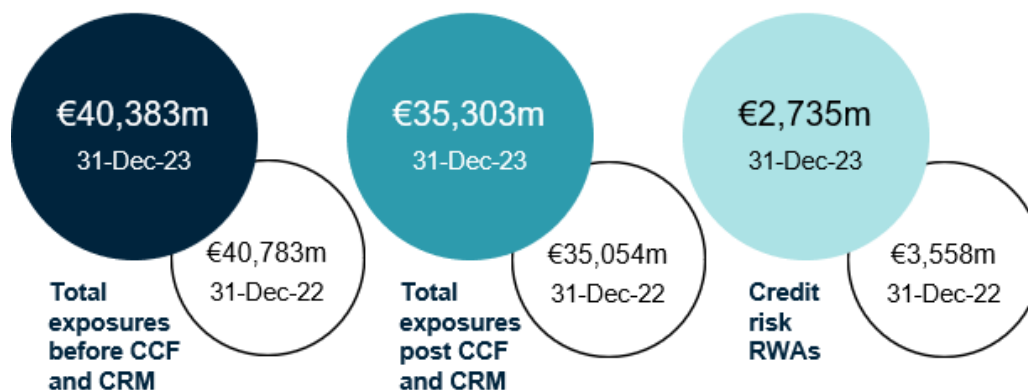
At 31 December 2023 (€m)	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposure value (non- trading book)	Total exposure value	Own fund requirements				Risk- weighted exposure amounts <sup>1</sup>	Own fund requirements weights (%) <sup>1</sup>	Countercyclical buffer rate (%)
	Exposure value (standardised approach)	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures	Relevant credit exposures – Market risk	Relevant securitisation positions (non-trading book)	Total			
10 Breakdown by country:													
1 Australia	0	—	—	—	—	0	0	—	—	0	0	— %	1.00 %
2 Cyprus	0	—	—	—	—	0	0	—	—	0	0	0.01 %	0.50 %
3 Denmark	71	—	—	—	—	71	6	—	—	6	71	3.72 %	2.50 %
4 France	16	—	—	—	—	16	—	—	—	—	5	0.25 %	0.50 %
5 Germany	525	—	—	—	—	525	18	—	—	18	224	11.73 %	0.75 %
6 Ireland	45	—	—	—	—	45	4	—	—	4	45	2.37 %	1.00 %
7 Luxembourg	173	—	—	—	—	173	13	—	—	13	168	8.81 %	0.50 %
8 Netherlands	256	—	—	—	128	384	9	—	2	11	137	7.18 %	1.00 %
9 Norway	262	—	—	—	—	262	2	—	—	2	26	1.37 %	2.50 %
10 Slovakia	95	—	—	—	—	95	1	—	—	1	10	0.50 %	1.50 %
11 Sweden	13	—	—	—	—	13	—	—	—	—	3	0.18 %	2.00 %
12 United Kingdom	328	—	—	—	—	328	15	—	—	15	184	9.61 %	2.00 %
13 Other countries	1,337	—	—	—	—	1,337	83	—	—	83	1,040	54.27 %	
<b>20 Total</b>	<b>3,121</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>128</b>	<b>3,249</b>	<b>151</b>	<b>—</b>	<b>2</b>	<b>153</b>	<b>1,913</b>	<b>100.00 %</b>	

<sup>1</sup> Calculated with un-rounded figures for casting purposes.

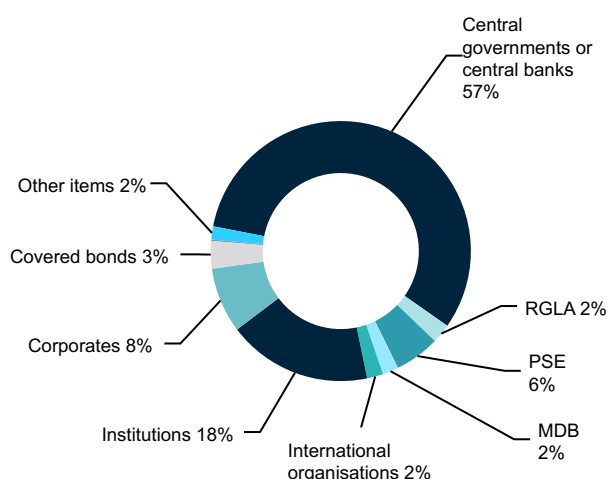
**Table 16: EU CCYB2 Amount of institution-specific countercyclical capital buffer**

At 31 December 2023 (€m)	
1 Total risk exposure amount	4,762
2 Institution specific countercyclical capital buffer rate (%)	0.56 %
3 Institution specific countercyclical capital buffer requirement	27

## 6 Article 444 CRR II - Use of the Standardised Approach

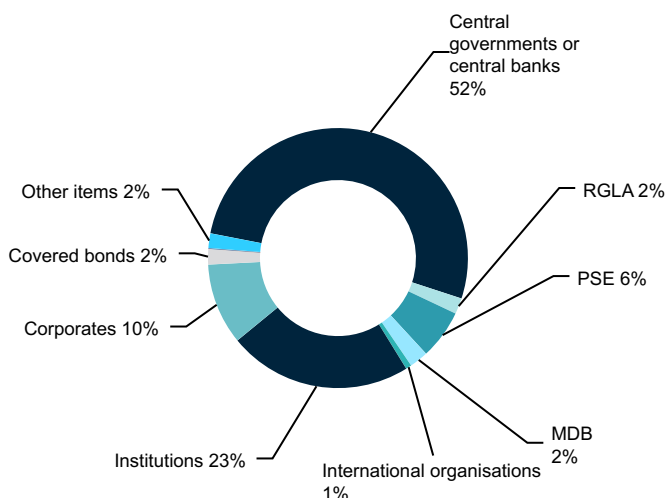


**Standardised net credit exposure by counterparty at 31 December 2023**



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

**Standardised net credit exposure by counterparty at 31 December 2022**



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

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

Whilst the underlying composition of credit-risk weighted assets by counterparty type has remained broadly similar, please refer to page 24 for an outline of the overall reduction in credit-risk weighted exposure amounts.

## The Bank of New York Mellon SA/NV (the 'European Bank')

**Table 17: EU CR4 Standardised approach – Credit risk exposure and CRM effects**

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

At 31 December 2023 (€m)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWEA	RWEA density (%)
1 Central governments or central banks	22,898	—	24,348	—	44	0.18 %
2 Regional government or local authorities	964	—	1,243	—	18	1.45 %
3 Public sector entities	2,275	—	1,108	—	171	15.43 %
4 Multilateral development banks	787	—	787	—	—	— %
5 International organisations	814	—	814	—	—	— %
6 Institutions	7,256	—	4,115	—	847	20.58 %
7 Corporates	3,280	3	811	1	622	76.60 %
8 Retail	—	—	—	—	—	— %
9 Secured by mortgages on immovable property	—	—	—	—	—	— %
10 Exposures in default	—	—	—	—	—	— %
11 Exposures associated with particularly high risk	—	—	—	—	—	— %
12 Covered bonds	1,395	—	1,395	—	139	9.96 %
13 Institutions and corporates with a short-term credit assessment	—	—	—	—	—	— %
14 Collective investment undertakings	—	37	—	7	93	1328.57 %
15 Equity	4	—	4	—	4	100.00 %
16 Other items	670	—	670	—	797	118.96 %
<b>17 Total</b>	<b>40,343</b>	<b>40</b>	<b>35,295</b>	<b>8</b>	<b>2,735</b>	<b>7.75 %</b>



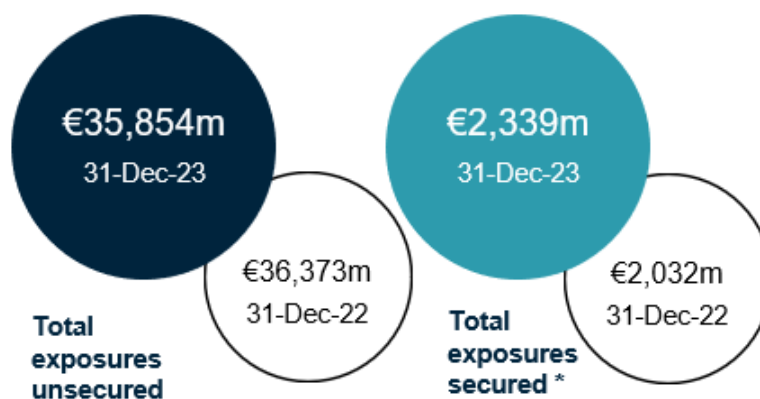
## The Bank of New York Mellon SA/NV (the 'European Bank')

**Table 18: EU CR5 Standardised approach**

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

At 31 December 2023 (€m)	Risk weight															Total	Unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1 Central governments or central banks	24,125	—	0	0	223	—	0	—	—	—	0	—	—	—	—	24,348	—
2 Regional government or local authorities	1,153	—	—	—	90	—	—	—	—	—	—	—	—	—	—	1,243	—
3 Public sector entities	255	—	—	—	852	—	1	—	—	—	—	—	—	—	—	1,108	6
4 Multilateral development banks	787	—	—	—	—	—	—	—	—	—	—	—	—	—	—	787	—
5 International organisations	814	—	—	—	—	—	—	—	—	—	—	—	—	—	—	814	—
6 Institutions	—	—	—	—	4,036	—	79	—	—	—	—	—	—	—	—	4,115	486
7 Corporates	—	—	—	—	181	—	154	—	—	413	64	—	—	—	—	812	403
8 Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9 Secured by mortgages on immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 Exposures in default	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11 Exposures associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12 Covered bonds	—	—	—	1,395	—	—	—	—	—	—	—	—	—	—	—	1,395	—
13 Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14 Collective investment undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	7	—	7	7
15 Equity	—	—	—	—	—	—	—	—	—	4	—	—	—	—	—	4	4
16 Other items	—	—	—	—	—	—	—	—	—	585	—	85	—	—	—	670	670
<b>17 Total</b>	<b>27,134</b>	<b>—</b>	<b>0</b>	<b>1,395</b>	<b>5,382</b>	<b>—</b>	<b>234</b>	<b>—</b>	<b>—</b>	<b>1,002</b>	<b>64</b>	<b>85</b>	<b>—</b>	<b>7</b>	<b>—</b>	<b>35,303</b>	<b>1,576</b>

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



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

### 7.1 Netting

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

The European Bank facilitates customer settlement activity which gives rise to receivables and payables across multiple accounts. On-balance sheet netting agreements have a similar effect to a 'cash-pooling' arrangement, insofar as the amounts due from customers can be recorded on a net basis across accounts. The European Bank does not apply any off-balance sheet netting.

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

International Swaps and Derivatives Association ('ISDA') Master Agreements as well as Global Master Repurchase Agreements ('GMRA'), both including terms and conditions for netting, can be used to mitigate counterparty credit risk. The ISDA/GMRA agreements incorporate schedules that allow the contracting parties to customise the terms and conditions to their mutual satisfaction to cover termination events, netting arrangements, security and other matters.

### 7.2 Collateral valuation and management

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

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

The European Bank operates a detailed 'collateral eligibility' policy describing in detail the requirements in terms of maximum amount per counterparty/geography, minimum counterparty credit quality, maximum residual maturity, haircuts, concentration and wrong way risk. These requirements are product-specific, i.e. specific to currency and interest derivatives and to (reverse-) repo. A dedicated collateral eligibility grid exists for centrally cleared (reverse-) repo.

### 7.3 Guarantors and credit derivative counterparty

**Table 19: EU CR3 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques**

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

At 31 December 2023 (€m)	Unsecured carrying amount		Secured carrying amount		
			Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1 Loans and advances	25,952	512	512	—	—
2 Debt securities	9,902	1,827	—	1,827	—
<b>3 Total</b>	<b>35,854</b>	<b>2,339</b>	<b>512</b>	<b>1,827</b>	<b>—</b>
4 Of which non-performing exposures	—	—	—	—	—
EU-5 Of which defaulted	—	—	—	—	—

The amount secured at year-end relates to financial guarantees primarily stemming from exposures to credit institutions, central governments and other financial corporations. Collateral received on loans and advances was primarily in the form of equity and debt securities.

There are no exposures covered by credit derivatives at 31 December 2023. Using guarantees has the effect of replacing the risk-weight of the underlying exposure with that of the institution providing the credit protection. Guarantors are primarily rated as investment grade.

The 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.

### 7.4 Wrong-way risk

The European Bank takes particular care to ensure that general and specific wrong-way risk between collateral and exposures does not exist (specific) or is monitored and stress tested periodically (general). Wrong-way credit risk arises for credit exposure to a counterparty that is negatively correlated with the credit quality of that same counterparty.

### 7.5 Credit concentration risk

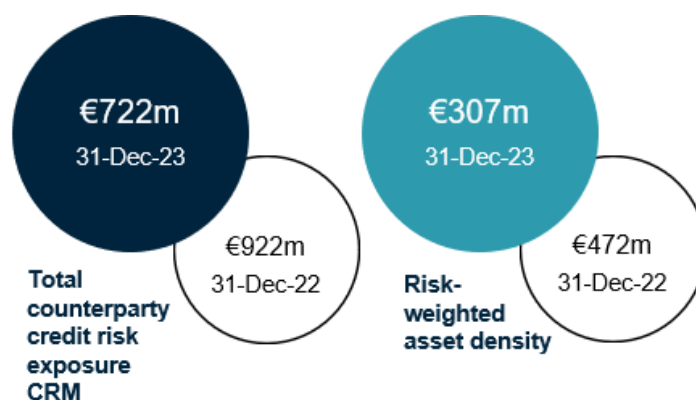
Credit concentration risk results from concentration of exposures to a single counterparty, borrower or group of connected counterparties or borrowers. This includes on- and off-balance sheet exposures. In addition, industry, country and collateral concentration bear additional credit risk as the systemic credit quality issue in a sector will create losses for the whole sector. The European Bank has an appetite to place funds only with institutions having an internal rating of 10 or better (equivalent to Moody's/S&P external rating of Baa3/BBB- respectively). Whilst this approach undoubtedly constrains the number of eligible placement counterparties as well as the deposit spread, it also ensures that exposures are well controlled and less likely to default.

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. Shadow banking exposure follows the same rule.

In addition, to ensure compliance with the Large Exposures and Shadow Banking Regime, the European Bank's Credit Policy limits credit risk approvals to internally defined thresholds to ensure that exposures are kept below the maximum of 25% of Tier 1 capital, in line with Article 395 as amended by CRR II.

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. The European Bank calculates, manages and reports 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.

## 8 Article 439 CRR II - Exposures to counterparty credit risk



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

As at 31 December 2023 the European Bank's prudential reporting did not have any counterparty credit risk exposures to credit derivatives. Consequently, the following table has no reportable values and is not disclosed:

- EU CCR6: Credit derivatives exposures

The European Bank does not apply any internal model approaches to the prudential reporting of counterparty credit risk therefore the following tables have no reportable values and are not disclosed:

- EU CCR4: IRB approach - CCR exposures by exposure class and PD scale
- EU CCR7: RWEA flow statements of CCR exposures under the IMM

**Table 20: EU CCR1 Analysis of CCR exposure by approach**

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

SA-CCR is a non-modelled approach for measuring the counterparty credit risk exposure associated with derivatives. The calculated derivative exposure amount is used for further calculating Risk Weighted Assets, Credit Value Adjustment, Large Exposures and Leverage exposures.

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

The European Bank also applies the Financial Collateral Comprehensive Method for its exposures to SFTs.

At 31 December 2023 (€m)		Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre- CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	—	—	1.4	—	—	—	—
EU2	EU - Simplified SA-CCR (for derivatives)	—	—	1.4	—	—	—	—
1	SA-CCR (for derivatives)	94	414	1.4	1,417	711	711	301
2	IMM (for derivatives and SFTs)	—	—	—	—	—	—	—
2a	Of which securities financing transactions netting sets	—	—	—	—	—	—	—
2b	Of which derivatives and long settlement transactions netting sets	—	—	—	—	—	—	—
2c	Of which from contractual cross-product netting sets	—	—	—	—	—	—	—
3	Financial collateral simple method (for SFTs)	—	—	—	—	—	—	—
4	Financial collateral comprehensive method (for SFTs)	—	—	—	539	11	11	6
5	VaR for SFTs	—	—	—	—	—	—	—
6	<b>Total</b>	—	—	—	1,956	722	722	307

## The Bank of New York Mellon SA/NV (the 'European Bank')

**Table 21: EU CCR3 Standardised approach – CCR exposures by regulatory exposure class and risk weights**

The table below shows the European Bank's (Consolidated) derivative and SFT exposures subject to counterparty credit risk, presented by exposure class and risk-weights under CRR II where applicable.

At 31 December 2023 (€m)	0%	2 %	4 %	10 %	20 %	50 %	70 %	75 %	100 %	150 %	Others	Total exposure value
1 Central governments or central banks	138	—	—	6	—	9	—	—	—	—	—	153
2 Regional government or local authorities	—	—	—	—	9	—	—	—	—	—	—	9
3 Public sector entities	—	—	—	—	0	—	—	—	—	—	—	0
4 Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—
5 International organisations	—	—	—	—	—	—	—	—	—	—	—	—
6 Institutions	—	—	—	—	322	4	—	—	0	—	—	326
7 Corporates	—	—	—	—	—	1	—	—	233	—	—	234
8 Retail	—	—	—	—	—	—	—	—	—	—	—	—
9 Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—
10 Other items	—	—	—	—	—	—	—	—	—	—	—	—
<b>11 Total exposure value</b>	<b>138</b>	<b>—</b>	<b>—</b>	<b>6</b>	<b>331</b>	<b>14</b>	<b>—</b>	<b>—</b>	<b>233</b>	<b>—</b>	<b>—</b>	<b>722</b>

**Table 22: EU CCR5 Composition of collateral for CCR exposures**

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

At 31 December 2023 (€m)	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency	—	147	—	148	—	—	—	10
2 Cash – other currencies	—	111	—	107	—	—	—	4
3 Domestic sovereign debt	—	—	—	—	—	—	—	—
4 Other sovereign debt	37	—	42	0	—	526	—	415
5 Government agency debt	—	—	—	—	—	—	—	—
6 Corporate bonds	—	—	—	—	—	—	—	—
7 Equity securities	—	—	—	—	—	—	—	—
8 Other collateral	—	—	—	—	—	—	—	—
<b>9 Total</b>	<b>37</b>	<b>258</b>	<b>42</b>	<b>255</b>	<b>—</b>	<b>526</b>	<b>—</b>	<b>429</b>

**Table 23: EU CCR8 Exposures to CCPs**

This table provides a comprehensive picture of the European Bank's derivatives, SFTs, and default fund contributions to central counterparty clearing houses.

At 31 December 2023 (€m)		
	Exposure value	RWEA
<b>1 Exposures to QCCPs (total)</b>		0
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	—	—
3 OTC derivatives	—	—
4 Exchange-traded derivatives	—	—
5 SFTs	—	—
6 Netting sets where cross-product netting has been approved	—	—
7 Segregated initial margin	—	—
8 Non-segregated initial margin	—	—
9 Prefunded default fund contributions	1	0
10 Unfunded default fund contributions	—	—
<b>11 Exposures to non-QCCPs (total)</b>		—
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	—	—
13 OTC derivatives	—	—
14 Exchange-traded derivatives	—	—
15 SFTs	—	—
16 Netting sets where cross-product netting has been approved	—	—
17 Segregated initial margin	—	—
18 Non-segregated initial margin	—	—
19 Prefunded default fund contributions	—	—
20 Unfunded default fund contributions	—	—

## 8.1 Credit valuation adjustment

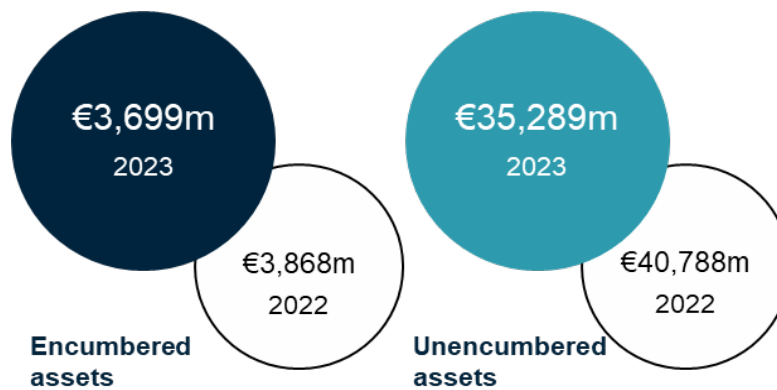
The credit valuation adjustment is the capital charge for potential mark-to-market losses due to the credit quality deterioration of a counterparty. The standardised approach uses the external credit rating of each counterparty and includes the effective maturity and exposure at default.

**Table 24: EU CCR2 Transactions subject to own funds requirements for CVA risk**

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

At 31 December 2023 (€m)		
	Exposure value	RWEA
1 Total transactions subject to the Advanced method	—	—
2 (i) VaR component (including the 3× multiplier)	—	—
3 (ii) stressed VaR component (including the 3× multiplier)	—	—
4 Transactions subject to the Standardised method	711	95
EU4 Transactions subject to the Alternative approach (Based on the Original Exposure Method)	—	—
<b>5 Total transactions subject to own funds requirements for CVA risk</b>	<b>711</b>	<b>95</b>

## 9 Article 443 CRR II - Encumbered and unencumbered assets



The European Bank has a collateral agreement with Euroclear and Clearstream to cover uncommitted credit facilities. This includes the European Bank's various bond investments; these have been further pledged as collateral to Euroclear and Clearstream during 2023. The encumbered bonds also include those pledged under repo deals amounting to €0.45 billion and provided collateral for initial margin posted amounting to €40 million. The European Bank is providing initial margin to BNY Mellon in the form of securities in the framework of the non-centrally cleared OTC derivatives. Overall, €3.12 billion of securities were pledged as at 31 December 2023.

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

**Table 25: EU AE1 Encumbered and unencumbered assets**

At 31 December 2023 (€m)	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
<b>10 Assets of the reporting institution</b>	<b>3,699</b>	<b>3,327</b>			<b>35,289</b>	<b>26,292</b>		
30 Equity instruments	—	—	—	—	4	—	4	—
40 Debt securities	3,079	2,995	3,056	2,972	9,088	8,833	9,061	8,805
50 of which: covered bonds	325	325	325	325	840	828	840	828
60 of which: securitisations	—	—	—	—	132	—	132	—
70 of which: issued by general governments	1,115	1,115	1,106	1,106	3,169	3,161	3,151	3,143
80 of which: issued by financial corporations	2,004	1,920	1,988	1,904	5,802	5,554	5,793	5,545
90 of which: issued by non-financial corporations	—	—	—	—	12	12	12	12
120 Other assets	605	314			26,419	17,350		

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

**Table 26: EU AE2 Collateral received and own debt securities issued**

At 31 December 2023 (€m)	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
		of which notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
<b>130 Collateral received by the disclosing institution</b>	—	—	<b>419</b>	<b>41</b>
140 Loans on demand	—	—	—	—
150 Equity instruments	—	—	—	—
160 Debt securities	—	—	89	41
170 of which: covered bonds	—	—	—	—
180 of which: securitisations	—	—	—	—
190 of which: issued by general governments	—	—	41	41
200 of which: issued by financial corporations	—	—	3	—
210 of which: issued by non-financial corporations	—	—	—	—
220 Loans and advances other than loans on demand	—	—	327	—
230 Other collateral received	—	—	—	—
240 Own debt securities issued other than own covered bonds or securitisations	—	—	—	—
241 Own covered bonds and securitisation issued and not yet pledged	—	—	—	—
<b>250 Total collateral received and debt securities issued</b>	<b>3,699</b>	<b>3,327</b>		



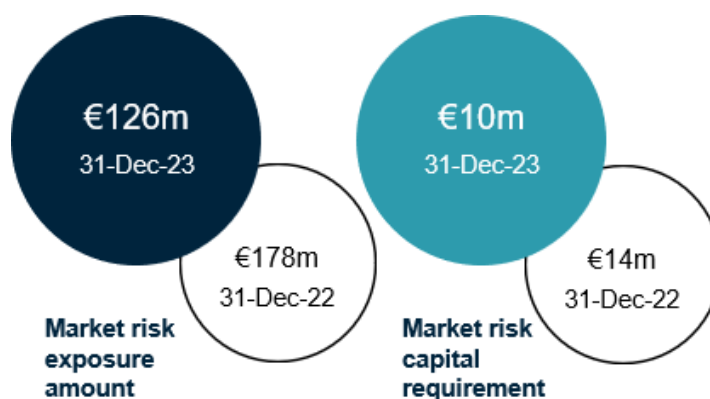
Table 27: EU AE3 Sources of encumbrance

At 31 December 2023 (€m)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
10 Carrying amount of selected financial liabilities	852	716

Table 28: EU AE4 Accompanying narrative information

<b>General narrative information on asset encumbrance</b>	<p>Disclosed amounts are based on median values derived from the four quarter end reporting points in the year. Exposure values reflect the carrying values of the European Bank's Financial Reporting ('FinRep'). There is only one notable difference in amounts pledged under applicable accounting frameworks and amounts considered encumbered, being a facility in place with the Bundesbank. The nature of this arrangement is such that securities pledged overnight for access to a credit facility remain unencumbered as long as the corresponding credit remains undrawn. As at the reporting date this value was €4.6 billion (2022: €266 million).</p> <p>There is no difference in consolidation scope between asset encumbrance and liquidity.</p>
<b>Narrative information on the impact of the business model on assets encumbrance and the importance of encumbrance to the institution's business model, which provides users with the context of the disclosures required in Template EU AE1 and EU AE2.</b>	<p>As at 31 December 2023, the carrying amount of the encumbered debt securities primarily relates to collateral pledged to Euroclear and Clearstream in respect of uncommitted credit facilities and initial margin posted. Similarly, the European bank had encumbered assets in relation to repurchase agreements throughout the year, approximating to €0.35 billion on a median basis. (2022: €0.3 billion). Unencumbered debt securities are primarily comprised of instruments issued by financial corporations and general governments.</p> <p>Other assets encumbered refer to monetary reserves, mainly placed with National Bank of Belgium, Centrale du Luxembourg and the Central Bank of Ireland, treated as encumbered assets as these cannot be not freely withdrawn by the European Bank. On a median basis this amounted to €314 million (2022: €344 million). Other assets also include cash collateral of €289 million on a median basis (2022: €402 million), largely stemming from variations in derivative related activity and default fund contributions.</p> <p>Similarly, other assets not encumbered refer primarily to cash balances and other demand deposits, other loans and advances, derivative related balances and a comparatively smaller amount representing goodwill &amp; intangibles, tangible assets and misc accruals and prepayments.</p> <p>Selected liabilities reportable under EU AE3 primarily, on a median basis, relates to the European Bank's repurchase and derivative activities in the year with derivative related liabilities down €145 million, partly offset by an increase in repo related liabilities of €79 million.</p> <p>There are no significant differences in scope regarding the European Bank's encumbrance on a consolidated or solo basis other than the KVG subsidiary which is excluded from solo level financial statements. Further, in respect of over-collateralisation the European bank does not issue securitised investments or covered bonds. The European Bank does not have any off-balance sheet sources of encumbrance.</p> <p>The European Bank participates in transactions relating to the re-hypothecation of collateral obtained in repurchase transactions. Re-use and re-hypothecation of collateral has become a major activity in financial markets. It refers to the practice of financial institutions re-using collateral received in one transaction for another transaction. The activity is an integral component of a banking liquidity portfolio and allows the European Bank's Corporate Treasury to effectively utilise balances across a number of different entities and products.</p>

## 10 Article 445 CRR II - Exposure to market risk



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

Market risk is a systemic risk. Movements in markets are beyond the control of the European Bank. The risk to the European Bank is reviewed below in two contexts: impact on balance sheet and impact on revenues and consequently its profitability, 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, utilised to manage banking book FX position, is classified as held for trading from an accounting perspective.

More broadly, and considering market risk outside the trading book, the European Bank is currently exposed to five types of market risk (a) currency risk, (b) Credit Valuation Adjustment ('CVA'), (c) interest rate risk, (d) credit spread risk and (e) pension risk.

- the European Bank's revenues are denominated in a mix of currencies whereas a high proportion of the European Bank's costs are denominated in Euro. Apart from the risk of currency mismatch between revenues and cost, the European Bank is not significantly exposed to this risk. Currency risk also comes from the FX position within the derivatives trading book;
- Credit Valuation Adjustment ('CVA') risk relates to the FX swaps used in the context of Treasury management and derivatives client activity in the trading book;
- 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 European 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 risk. Interest rate risk of the securities portfolio is captured on the banking book interest rate risk; and,
- pension risk in the European Bank arises from the defined benefit pension plans offer to the employees. Defined benefit plans constitute a risk because the European Bank must compensate any shortfall in the fund's guaranteed pensionable amount. Only the Belgium and German plans may result in a liability for the European Bank.

## 10.1 Market risk management framework

The European Bank undertakes market risk within the boundaries of the Risk Appetite approved by the Board of Directors and consistently with the BNY Mellon's Risk Appetite as approved by the Board of Directors of The Bank of New York Mellon Corporation.

The 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).

The European Bank personnel engaging in market risk-taking or exposure management activities must be explicitly authorised or mandated.

Market risk limits are set for market risk consistent with the European Bank's Risk Appetite and are jointly managed by the business units undertaking the risk and the Traded 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.

Traded 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 or to Senior Risk Management and Business Management levels in the organizational hierarchy.

**Table 29: EU MR1 Market risk under the standardised approach**

This table shows the components of the risk-weighted assets for market risk using the standardised approach. The European Bank did not have any Options as at 31 December 2023.

At 31 December 2023 (€m)		RWEAs
<b>Outright products</b>		
1	Interest rate risk (general and specific)	35
2	Equity risk (general and specific)	—
3	Foreign exchange risk	91
4	Commodity risk	—
<b>Options</b>		
5	Simplified approach	—
6	Delta-plus approach	—
7	Scenario approach	—
8	Securitisation (specific risk)	—
9	<b>Total</b>	126

The European Bank is expected to transition the calculation of its market risk to the new Alternative Standardised Approach framework once the requirement becomes binding in 2025. Market risk calculations under this new framework are reported but are not required to be disclosed presently.

## 10.2 Trading portfolios

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

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

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

The following is a summary of the VaR and Stressed VaR position of the European Bank's trading portfolios as at 29 December 2023:

USD millions	29-Dec-23	30-Dec-22
Value at Risk	0.185	0.472
Stressed Value at Risk	0.528	1.188

## 10.3 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 the 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, the 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.

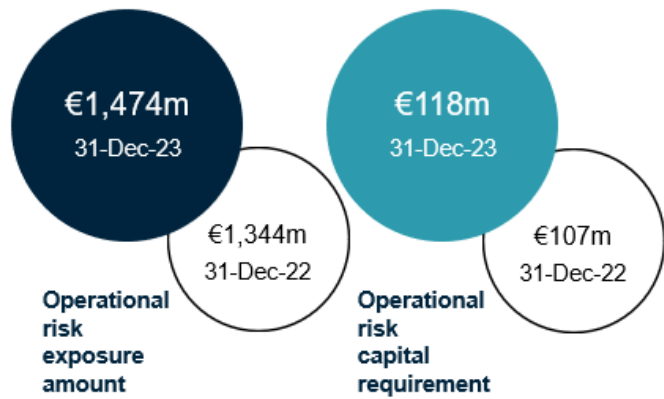
The European Bank is entering into FX Forward for "economic hedge" purposes. So, net exposures after economic hedging are not significant.

The European Bank also manages its liquidity by currency and ensures that the net position in each currency does not exceed internal limits.

## 10.4 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 €731 million (2022: € 983 million), versus the Pillar 1 calculation of €18 million (2022: €25 million).

11 Article 446 CRR II - Operational risk management



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

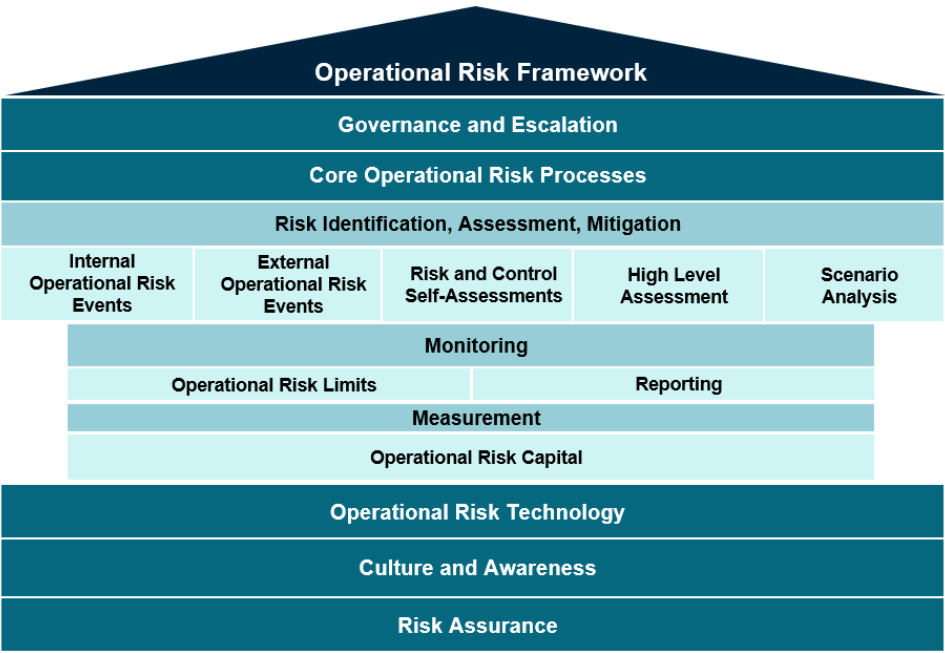
Operational risk may arise from errors in transaction processing, breaches of internal control systems and compliance requirements, internal or external fraud, damage to physical assets, and/or business disruption due to systems failures or other events. Operational risk can also arise from potential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

Given the European Bank’s role as a major custodian, processing and fiduciary service provider, the European Bank considers that operational risk is an important risk.

11.1 Operational risk management framework

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

Figure 3: Operational Risk Management Framework



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

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The European Bank uses the ORMF to capture, analyze and monitor its Operational Risks. The tools used to manage the Operational Risks of the business are mandated through individual Operational Risk Policies and are prescribed through the enterprise Operational Risk programme, 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 the European Bank. Operational Risk Officers oversee the activities undertaken in each of the business lines, with oversight from a Legal Entity point of view.

### **Management of operational risk**

The 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 line of defense. These policies and procedures complement each other to ensure that the operational risks of the business are effectively identified, managed, mitigated (where possible) and reported to the appropriate governance committees on a regular basis.

### **Risk appetite**

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

### **Risk control-self assessments ('RCSA')**

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

### **Operational risk events ('ORE')**

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

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

### **Key risk indicators ('KRI')**

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

### **Line Of Business Risk Identification ('Risk ID')**

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

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

### **Legal Entity Risk Identification ('LE Risk ID')**

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

### Operational risk scenario analysis ('ORSA')

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

### Monitoring and reporting

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

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

Regional Committees such as the International Senior Risk and Control Committee also monitor and incorporate the material risks of the European Bank in forming its regional risk assessment.

### Policies and procedures

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

### Organisation and governance

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

### Technology risk management ('TRM')

TRM is a 2<sup>nd</sup> Line of Defense group that provides oversight and challenge of the 1<sup>st</sup> line's management of technology risk. TRM works in partnership with BNY Mellon Businesses and Business Partners to help protect the European Bank and its clients from cyber and information risks.

### Business continuity planning ('BCP')

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

### Third party governance

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

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

### Regulatory and compliance risk management

The European Bank Compliance Department is comprised of Compliance Officers based in Brussels, Frankfurt, Amsterdam, Dublin, Luxembourg, Amsterdam, Copenhagen, Wroclaw and Milan. BNY Mellon KVG was required to maintain a separate compliance function. However as with the merger of BNYM Service KVG into European Bank in February 2024, the KVG Compliance Officer will move to the European Bank Frankfurt branch. Dedicated Money Laundering Reporting Officers (MLROs) and or AML compliance officers specifically focus on the management of money laundering / terrorist financing risks.



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As part of the second line of defence, the compliance department shares a joint responsibility with Legal, HR, Finance and Risk to implement policies as required in order to ensure that European Bank operates within the scope of its license and in compliance with applicable regulatory requirements.

The key responsibilities of the Compliance Department as part of the second line of defence are defined in the Compliance Mission Statement approved by the European Bank Board of Directors.

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

### 11.2 Capital resource requirement

As at the reporting date, capital requirements for Pillar 2 operational risk (using an internal hybrid model) resulted in an amount of €650 million (2022: €382 million), versus the Pillar 1 calculation of €118 million (2022: €107 million). Restitution risk Pillar 2 capital resulted in an amount of €368 million (2022: €318 million).

**Table 30: EU OR1 Operational risk own funds requirements and risk-weighted exposure amounts**

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

Banking activities  At 31 December 2023 (€m)	Relevant indicator			Own funds requirements	Risk exposure amount
	Year-3	Year-2	Last year		
1 Banking activities subject to basic indicator approach (BIA)	—	—	—	—	—
Banking activities subject to standardised (TSA) / alternative					
2 standardised (ASA) approaches	678	758	888	118	1,474
3 Subject to TSA:	678	758	888		
4 Subject to ASA:	—	—	—		
5 Banking activities subject to advanced measurement approaches AMA	—	—	—	—	—

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

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

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

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

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

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

### 12.1 Identification and measurements

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

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

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

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

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

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

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

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

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

## 12.2 Scenarios and risks tested

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

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

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

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

Simulations include the scenarios and selected descriptions as follows:

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

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Scenarios	Risk Type <sup>1</sup>	NII Sensitivity <sup>2</sup>	EVE Sensitivity <sup>3</sup>	Capital Sensitivity <sup>4</sup>
Regulatory Prescribed Metrics				
EVE Δ / Total Regulatory Capital ± 200bps	Level of interest Rates, Price Risk (Gap Risk)		X	X
BCBS EVE Δ / Tier 1 Capital (Short Down)			X	X
BCBS EVE Δ / Tier 1 Capital (Steeper)			X	X
BCBS EVE Δ / Tier 1 Capital (Up)	Level of interest Rates, Price Risk (Gap Risk), Yield Curve Risk		X	X
BCBS EVE Δ / Tier 1 Capital (Flattener)			X	X
BCBS EVE Δ / Tier 1 Capital (Down)			X	X
BCBS EVE Δ / Tier 1 Capital (Short Up)			X	X
Balance Sheet				
Dynamic (New Business Activity Included)		X		
Static (Current Position Maintained Across Forecast Horizon)		X		
Run-off Balance Sheet Assumption			X	
Horizon				
(1) 36 months for Base, Parallel Rate Shocks: ± 50bps, ± 100bps, ± 200bps, ± 300bps, Steeper, Flattener, Ramps and Base scenarios		X		

<sup>1</sup> Repricing Risk, Option Risk and Client / Product Behavior Risk are embedded in all the listed scenarios.

<sup>2</sup> NII Sensitivity IRRBB Board Risk Appetite Limits are based on a 12 month forecast horizon.

<sup>3</sup> Low level of market rates might result in certain down rate shock scenarios not being run.

<sup>4</sup> Certain Capital Sensitivity Scenarios may be run by Market Risk Management independently or as part of the European Bank's Capital Stress Testing Committee (CSTC) process.

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

## 12.3 IRRBB management and hedging

**Cash Instruments** - The client centric activities (e.g. deposits) and their related implicit maturity leave the European Bank with IRRBB exposures on its balance sheet, which is referred to as the structural balance sheet. If these activities were not managed, the European Bank might experience variations in earnings through different rate environments.

The European Bank invests the net cash provided by client activities to manage the structural balance sheet. Through investments in securities and money market instruments, the European Bank is able to manage and hedge its IRRBB exposures and maintain a source of contingent liquidity. The European Bank can further change its interest rate profile and manage asset and liabilities duration gap through purchases or sales of fixed rate assets and / or the use of Interest Rate Swaps ('IRS').

**Derivatives** - The European Bank may use derivative instruments to mitigate IRRBB exposures. The European Bank shall maintain effective process for managing IRRBB commensurate with its activities and level of risk approved by senior management and the Board. The European Bank's hedging strategies shall be designed to limit downside earnings exposure and/or manage income or EVE volatility.

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

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

**Accounting Policies and Approvals** - The European Bank's finance department is responsible for determining the appropriate accounting treatment for all derivative transactions in compliance with accounting rules and policies.

### 12.4 Risk management and mitigation techniques

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

In addition to the above referenced structural IRRBB limits which are reported and monitored on a monthly basis, interest rate risk at the product level is also subject to sensitivity limits (e.g. DV01, CS01 limits applied to the banking book investment portfolio).

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

In instances where IRRBB exposures exceed or approach limits or IRRBB EWTs, risk could be mitigated through balance sheet alteration (e.g. purchase of asset with fixed/ floating rates as necessary), hedging, or both.

**The European Bank's IRRBB Board and ExCo appetite limits** - IRRBB Board and ExCo Risk Appetite limits are established by the Board and ExCo (or a designated Committee), following proposals made by the ALCO. The Board and ExCo Risk Appetite limits are designed and calibrated to directly represent or align to the European Bank's risk appetite, and are the principal tool employed to manage IRRBB. The Board and ExCo Risk Appetite Limits shall be approved not less frequently than annually.

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

The European Bank established also IRRBB EWTs (Amber Thresholds) which act as an early warning indicator of increasing risk levels. In case of an excess of IRRBB EWTs, the respective EWT owner will receive notification with an assessment whether the risk exposures are expected to exceed the Board and ExCo risk appetite and devise appropriate management actions, as deemed necessary. IRRBB EWTs shall be reviewed and approved in line with the Board and ExCo risk appetite levels i.e. at least on an annual basis.

Board Risk Appetite limits and EWTs are reported to the ALCO and ExCo on a monthly basis and quarterly to the Board.

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

**Mitigation actions** - In instances where IRRBB exposures breach or are projected to breach limits or exceed IRRBB EWT, the European Bank's Treasurer supported by the European Bank's Corporate Treasury Team and working in conjunction with lines of business, Corporate Treasury, ALM (IRRBB Team) and Treasury Risk may (in the case of IRRBB EWTs (Amber Thresholds) or must (in the case of Board Risk Appetite Limits) mitigate risk through one or more remediation actions. In such cases, remediation strategies shall be developed and communicated to ExCo or/and the Board depending on limits/ EWTs levels. Remediation may include balance sheet alteration, hedging, or both.

Movements in credit spreads impact the economic value of the investment portfolio held by the European Bank and accounted under the banking book category. As of 31 December 2023 there are no 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 was 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 based on stress shocks 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 amortised cost to monitor, on a daily basis, investment portfolio potential unrealised losses.

**Table 31: EU IRRBB1 Interest rate risks of non-trading book activities**

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

Supervisory shock scenarios (€000s)	Changes of the economic value of equity		Changes of the net interest income	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
1 Parallel up	132,017	(151,827)	25,070	32,818
2 Parallel down	(329,333)	54,669	(140,120)	(131,732)
3 Steepener	58,714	53,717		
4 Flatteners	(85,145)	(149,565)		
5 Short rates up	(4,640)	(195,101)		
6 Short rates down	46,174	93,545		

Note: 2023 NII sensitivities are in accordance with the supervisory outlier test draft EBA/RTS/2022/10

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

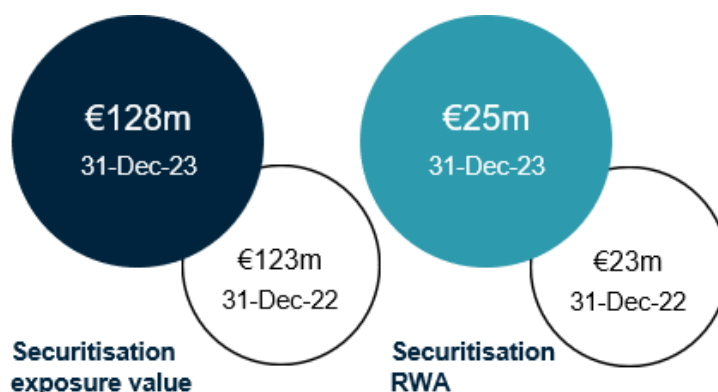
The average repricing tenor of non-maturity deposits is 2.5 years with longest repricing maturity at 10 years.

The EVE sensitivity reflects updated deposit modelling, in line with the revised EBA guidelines on the treatment of financial deposits which were previously modelled overnight, resulting in longer duration deposits. The worst case EVE sensitivity is under a falling interest rate scenario and has increased due to an increase in the mismatch in duration between assets and liabilities.

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



## 13 Article 449 CRR II - Exposures to securitisation positions



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

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

The European Bank accounts for securitisation investments in accordance with recognition, measurement and impairment standards set in IFRS 9, and follows the European Bank's multi-GAAP general accounting policies for investment securities. The major difference between a securitisation compared to a medium term loan note ('MTN') is linked to the repayment structure.

The daily amortisation is similar for both securities. However, for a securitisation the principal is amortised as well, while an MTN would see amortisation on the premium only. The principal of a securitisation would reduce on coupon date.

### 13.1 Securitisation risk management framework

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

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

External credit agencies, Moody's Investors Service, Fitch, and Standard & Poor's are used to assess the credit ratings of all its securitised investments which in turn drive the risk-weighted exposure calculations under the external-ratings based approach.



## The Bank of New York Mellon SA/NV (the 'European Bank')

**Table 32: EU-SEC1 Securitisation exposures in the non-trading book**

This table shows the European Bank's securitisation exposures in the banking book. The European Bank does not originate or sponsor securitisation assets and acts solely as an investor in third party retail securitisations (residential mortgages) and is subject to the risks inherent to such an investment type.

At 31 December 2023 (€m)		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS												
		of which SRT	of which SRT	of which SRT	Sub-total									STS		
1	Total exposures	—	—	—	—	—	—	—	—	—	—	—	128	—	—	128
2	Retail	—	—	—	—	—	—	—	—	—	—	—	128	—	—	128
3	Residential mortgage	—	—	—	—	—	—	—	—	—	—	—	128	—	—	128
4	credit card	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	other retail exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Wholesale (total)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	loans to corporates	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	other wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

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

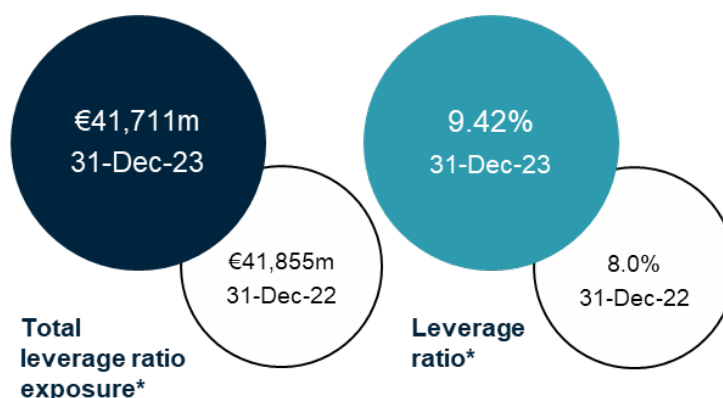
The European Bank's exposures result from investment in RMBS's originating from the Netherlands.

**Table 33: EU-SEC4 Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor**

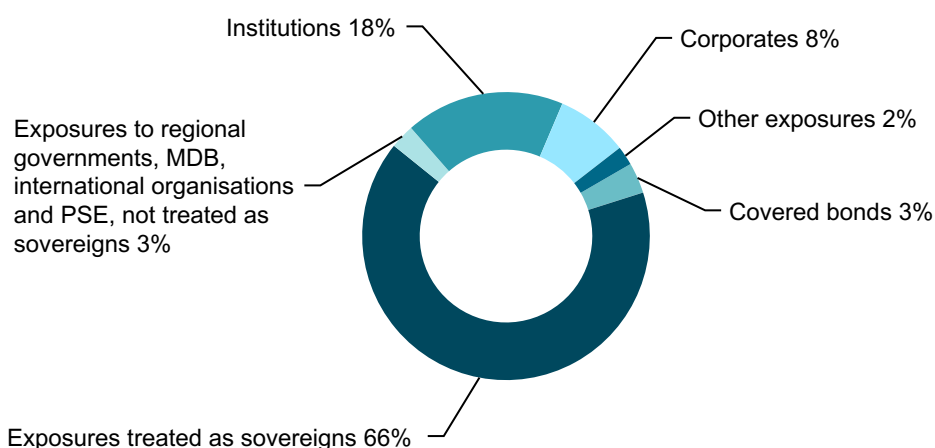
This table shows the securitisation exposures in the banking book, as well as the regulatory approaches used to determine exposure values, risk weighted assets and the associated capital requirements.

At 31 December 2023 (€m)	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/deductions
1 <b>Total exposures</b>	128	—	—	—	—	—	128	—	—	—	25	—	—	—	2	—	—
2 <b>Traditional securitisation</b>	128	—	—	—	—	—	128	—	—	—	25	—	—	—	2	—	—
3   Securitisation	128	—	—	—	—	—	128	—	—	—	25	—	—	—	2	—	—
4     Retail underlying	128	—	—	—	—	—	128	—	—	—	25	—	—	—	2	—	—
5       Of which STS	128	—	—	—	—	—	128	—	—	—	25	—	—	—	2	—	—
6     Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7       Of which STS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8   Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9   Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10   Securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11     Retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12     Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13   Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

## 14 Article 451 CRR II - Leverage ratio



### CRR II banking book leverage ratio exposures at 31 December 2023 \*



\* Excluding derivatives, SFTs and exempted exposures.

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

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

The leverage ratio is calculated in accordance with the requirements of article 429(1) of CRR II. The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework. Total exposure measure is the sum of the exposure values in accordance with article 429(4) of CRR II, and outlined in table LR2 on the following page.

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

The thresholds for reporting excessive leverage in SREP were not exceeded in 2023: securities financing transactions (SFTs) exposure over the total Leverage ratio exposure measure remained below 8%, and Derivatives exposure over the total Leverage ratio exposure measure also remained below 8%. The excessive leverage is also monitored against the risk appetite limit and the early warning threshold of the Leverage ratio.

The European Bank's leverage ratio calculations under the standardised approach as of 31 December 2023 are presented below. The European Bank is required to maintain a minimum leverage ratio of 3.0% of Tier 1 capital relative to its total exposure measure. This ratio is binding on the European Bank.

**Table 34: EU LR1 Summary reconciliation of accounting assets and leverage ratio exposures**

This table shows the European Bank's summary reconciliation of accounting assets and leverage ratio exposures. Cash pooling adjustments primarily relate to €2.3 billion of cash placements and deposits which are subject to netting agreements on the balance sheet but which are grossed for the purposes of calculating the leverage exposure measure. Other adjustments are largely represented by cash variation margin on derivatives of around €0.25 billion.

At 31 December 2023 (€m)	
<b>1 Total assets as per published financial statements</b>	<b>39,659</b>
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	—
3 (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	—
4 (Adjustment for temporary exemption of exposures to central banks (if applicable))	—
5 (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	—
6 Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	—
7 Adjustment for eligible cash pooling transactions	2,298
8 Adjustment for derivative financial instruments	84
9 Adjustment for securities financing transactions (SFTs)	14
10 Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	8
11 (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	—
EU-11a (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	—
EU-11b (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	—
12 Other adjustments	(352)
<b>13 Total exposure measure</b>	<b>41,711</b>

**Table 35: EU LR2 Leverage ratio common disclosure**

Regulatory leverage ratio exposures (€m)		31-Dec-23	31-Dec-22
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1 On-balance sheet items (excluding derivatives, SFTs, but including collateral)		40,793	41,427
2 Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework		—	—
3 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)		(251)	(488)
4 (Adjustment for securities received under securities financing transactions that are recognised as an asset)		—	—
5 (General credit risk adjustments to on-balance sheet items)		—	—
6 (Asset amounts deducted in determining Tier 1 capital)		(82)	(85)
<b>7 Total on-balance sheet exposures (excluding derivatives and SFTs)</b>		<b>40,460</b>	<b>40,854</b>
<b>Derivative exposures</b>			
8 Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)		126	147
EU-8a Derogation for derivatives: replacement costs contribution under the simplified standardised approach		—	—
9 Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions		651	828
EU-9a Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		—	—
EU-9b Exposure determined under Original Exposure Method		—	—
10 (Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		—	—
EU-10a (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)		—	—
EU-10b (Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)		—	—
11 Adjusted effective notional amount of written credit derivatives		—	—
12 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)		—	—
<b>13 Total derivatives exposures</b>		<b>777</b>	<b>975</b>
<b>Securities financing transaction (SFT) exposures</b>			
14 Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions		537	—
15 (Netted amounts of cash payables and cash receivables of gross SFT assets)		(71)	18
16 Counterparty credit risk exposure for SFT assets		—	—
EU-16a Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		—	—
17 Agent transaction exposures		—	—
EU-17a (Exempted CCP leg of client-cleared SFT exposure)		—	—
<b>18 Total securities financing transaction exposures</b>		<b>466</b>	<b>18</b>
<b>Other off-balance sheet exposures</b>			
19 Off-balance sheet exposures at gross notional amount		40	40
20 (Adjustments for conversion to credit equivalent amounts)		(32)	(32)
21 (General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		—	—
<b>22 Off-balance sheet exposures</b>		<b>8</b>	<b>8</b>

# The Bank of New York Mellon SA/NV (the 'European Bank')

Regulatory leverage ratio exposures (€m)		31-Dec-23	31-Dec-22
<b>Excluded exposures</b>			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	—	—
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	—	—
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	—	—
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	—	—
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	—	—
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	—	—
EU-22g	(Excluded excess collateral deposited at triparty agents)	—	—
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	—	—
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	—	—
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	—	—
<b>EU-22k</b>	<b>(Total exempted exposures)</b>	—	—
<b>Capital and total exposure measure</b>			
<b>23</b>	<b>Tier 1 capital</b>	<b>3,929</b>	<b>3,360</b>
<b>24</b>	<b>Total exposure measure</b>	<b>41,711</b>	<b>41,855</b>
<b>Leverage ratio</b>			
25	Leverage ratio (%)	9.42 %	8.03 %
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	9.42 %	8.03 %
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	9.42 %	8.03 %
26	Regulatory minimum leverage ratio requirement (%)	3.00 %	3.00 %
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	— %	— %
EU-26b	of which: to be made up of CET1 capital	— %	— %
27	Leverage ratio buffer requirement (%)	— %	— %
EU-27a	Overall leverage ratio requirement (%)	3.00 %	3.00 %
<b>Choice on transitional arrangements and relevant exposures</b>			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully phased-in	Fully phased-in
<b>Disclosure of mean values</b>			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	90	19
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	466	18
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	41,336	41,856
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	41,336	41,856
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.51 %	8.03 %
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.51 %	8.03 %

The leverage ratio has increased relative to the prior period due to growth in the European Bank's Tier 1 capital, alongside a smaller variation in the total exposure measure. Overall, the numerator, Tier 1 capital, increased by 16.93% largely due to movements in accumulated other comprehensive income and profits for the year. The denominator, total exposures, was broadly static, falling only 0.34%, resulting in the overall increase in the ratio.

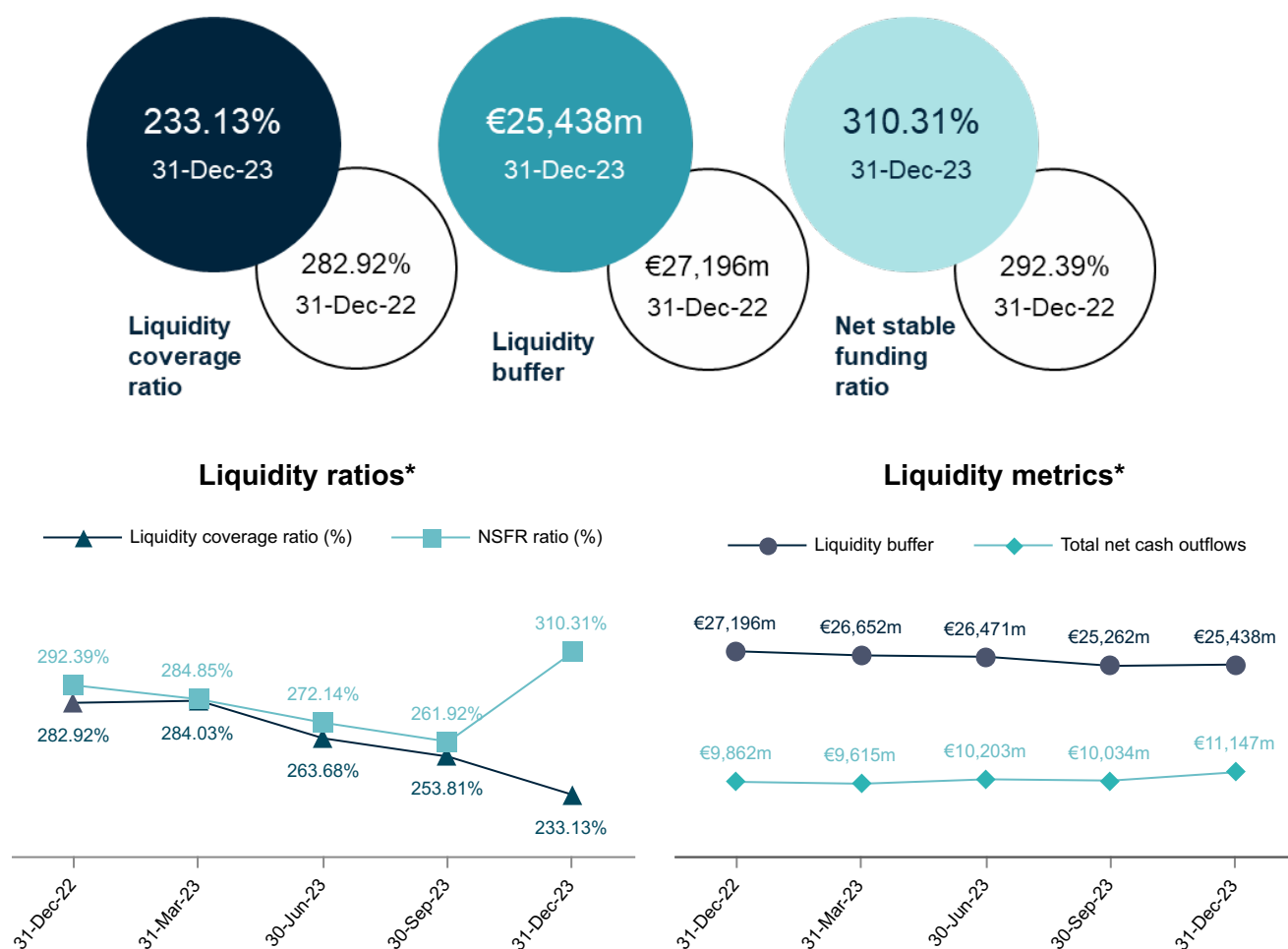
**Table 36: EU LR3 Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)**

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

At 31 December 2023 (€m)		
EU-1	<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	<b>40,542</b>
EU-2	Trading book exposures	—
EU-3	Banking book exposures, of which:	40,542
EU-4	Covered bonds	1,395
EU-5	Exposures treated as sovereigns	26,634
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	1,104
EU-7	Institutions	7,256
EU-8	Secured by mortgages of immovable properties	—
EU-9	Retail exposures	—
EU-10	Corporates	3,280
EU-11	Exposures in default	—
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	873

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

## 15 Article 451a CRR II - Liquidity requirements



\* LCR reflects the total weighted values (average) over a trailing twelve month period.

The European Bank defines liquidity risk as the risk arising from an inability to access funding, convert assets to cash quickly and efficiently, or to roll over or issue new debt, especially during periods of market stress, at a reasonable cost in order to meet its short-term (up to one year) obligations. Liquidity risk includes the inability to access funding sources or manage fluctuations in funding levels.

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

The European Bank seeks to ensure that the overall liquidity risk that it undertakes stays within its risk appetite. In managing the balance sheet, appropriate consideration is given to balancing the competing needs of maintaining sufficient levels of liquidity and complying with applicable regulations and supervisory expectations while optimizing the balance sheet. The European Bank maintains ample liquidity buffers in the form of cash at central bank and highly liquid assets for changes in deposit funding or deposit concentration. Apart from operational client overdrafts, the 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 the European Bank's balance sheet, large deposits offset these amounts.

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

The European Bank has direct access to the ECB liquidity facilities via the Bundesbank which enables enhanced monetisation capabilities with reduced operational risk. Collateral pre-positioned at the Bundesbank remains unencumbered at the disclosure date.



## The Bank of New York Mellon SA/NV (the 'European Bank')

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

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

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

The Liquidity Coverage Ratio ('LCR') is recalculated according to the regulatory formula assessing the liquid assets, weighted according to the regulatory factors, as a fraction of the combination of inflows of assets and outflows of liabilities, each weighted according to regulatory factors over a 30 calendar day time horizon.

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

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

The European Bank's LCR and NSFR remained significantly above the 100% regulatory limits, in addition the liquidity surplus remained well above the internally set risk limits.

The European Bank conducts liquidity stress testing ('LST') as an internal measure, under a currency specific model, to assess its ability to meet cash needs under management-defined assumptions in various stress scenarios over time horizons up to one year. The purpose of LST is to:

- measure and ensure solvency of the Bank during periods of liquidity stress;
- protect the European Bank franchise as an ongoing business;
- assess any potential liquidity vulnerabilities. Limits are set on internal liquidity stress test metrics.

Furthermore, the European Central Bank ('ECB') evaluates the European Bank's intraday liquidity profile under both normal and adverse conditions that may cause an increase in intraday liquidity usage. The goal of the intraday liquidity stress testing is to evaluate the European Bank's ability to meet its payment, clearing and settlement obligations on a timely basis under stressed conditions and to identify any potential vulnerabilities that can be addressed in a proactive manner. Intraday Liquidity Management is performed irrespective of the results from the Intraday Liquidity Stress Tests. The Intraday Liquidity Stress Tests are performed as supplemental analysis and is reported in the European bank ALCO on a monthly basis.

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

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

- BNY Mellon SA/NV Liquidity Policy;
- BNY Mellon SA/NV Contingency Funding Plan;
- BNY Mellon SA/NV Intraday Liquidity Framework; and,
- BNY Mellon SA/NV Investment Portfolio Policy.

## The Bank of New York Mellon SA/NV (the 'European Bank')

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

Quantitative LCR and NSFR information in accordance with Article 451a CRR can be found on the following pages. On this basis, LCR metrics are disclosed on an average basis for a trailing twelve month period for each disclosure point. Conversely, NSFR metrics are disclosed on a point in time basis.

**Table 37: EU LIQ1 Quantitative information of LCR**

Unweighted metrics represent the European Bank's assets and liabilities, on and off-balance sheet, whilst the weighted equivalent represents the same balances after the application of prescribed weightings

	Consolidated (€m)	Total unweighted value (average)				Total weighted value (average)			
		31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23
EU-1a	Quarter ending on								
EU-1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	<b>HIGH-QUALITY LIQUID ASSETS</b>								
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					25,438	25,262	26,471	26,652
	<b>CASH – OUTFLOWS</b>								
2	Retail deposits and deposits from small business customers, of which:	—	—	—	—	—	—	—	—
3	Stable deposits	—	—	—	—	—	—	—	—
4	Less stable deposits	—	—	—	—	—	—	—	—
5	Unsecured wholesale funding	32,040	32,460	33,626	34,080	18,078	17,814	18,085	17,745
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	18,577	19,474	20,669	21,710	4,644	4,868	5,167	5,428
7	Non-operational deposits (all counterparties)	13,463	12,986	12,957	12,370	13,434	12,946	12,918	12,317
8	Unsecured debt	—	—	—	—	—	—	—	—
9	Secured wholesale funding					—	3	3	3
10	Additional requirements	544	551	536	470	544	551	536	470
11	Outflows related to derivative exposures and other collateral requirements	544	551	536	470	544	551	536	470
12	Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
13	Credit and liquidity facilities	—	—	—	—	—	—	—	—
14	Other contractual funding obligations	272	277	277	267	4	5	5	13
15	Other contingent funding obligations	505	500	510	506	117	110	108	105
16	<b>TOTAL CASH OUTFLOWS</b>					18,743	18,483	18,737	18,336
	<b>CASH – INFLOWS</b>								
17	Secured lending (e.g. reverse repos)	45	—	1	21	—	—	—	—
18	Inflows from fully performing exposures	7,310	8,122	8,143	8,314	7,310	8,121	8,142	8,314
19	Other cash inflows	504	544	612	648	286	328	392	407
EU 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					—	—	—	—
EU 19b	(Excess inflows from a related specialised credit institution)					—	—	—	—
20	<b>TOTAL CASH INFLOWS</b>	7,859	8,666	8,756	8,983	7,596	8,449	8,534	8,721
EU 20a	Fully exempt inflows	—	—	—	—	—	—	—	—
EU 20b	Inflows subject to 90% cap	—	—	—	—	—	—	—	—
EU 20c	Inflows subject to 75% cap	7,859	8,666	8,756	8,983	7,596	8,449	8,534	8,721
	<b>TOTAL ADJUSTED VALUE</b>								
21	<b>LIQUIDITY BUFFER</b>					25,438	25,262	26,471	26,652
22	<b>TOTAL NET CASH OUTFLOWS</b>					11,147	10,034	10,203	9,615
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>					233.13 %	253.81 %	263.68 %	284.03 %

Table 38: EU LIQB Qualitative information on LCR which complements template EU LIQ1

<b>Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time</b>	At the end of December 2023, based on a weighted average over 12 monthly reporting periods, the Company's LCR was 233.13%%, down -20.68% points on the previous quarter. This substantially exceeded internal and regulatory minimum requirements. The main drivers of the December 2023 LCR, based on a weighted average over 12 months, included lower inflows overall down approximately €0.9 billion or 10% points, primarily stemming from a drop in fully performing exposures related to monies due from financial customers. In contrast, outflows rose on average by approximately €0.3 billion or 1% point, with increases in non-operational deposits by financial customers being partially offset by a fall in operational deposits. Overall, on a weighted average basis over 12 months, this denominator of the LCR increased by 11% points whilst the numerator remained broadly static up 1% point, via the liquidity buffer.
<b>Explanations on the changes in the LCR over time</b>	Please see the graphs on page 95 for a visualisation of the Company's LCR over time, based on a weighted average over 12 months at each reporting date in accordance with Article 451a(2). On this basis, the Company's LCR has been comfortably above regulatory minimums and is higher than the average LCR for O-SIIs of 165% <sup>1</sup> . It is driven primarily by progressively higher net outflows over the year, up approximately €1.3 billion or 13% points, over a 12 month weighted average period. This is complemented by a relative decrease in the liquidity buffer of approximately €1.8 billion, or 6% points. Overall, central bank placements remain the primary constituent of the liquidity buffer.
<b>Explanations on the actual concentration of funding sources</b>	Liquidity and concentration risk is appropriately managed and diversified according to internal policies and regulatory limits. The European Bank has procedures in place which require both a daily and a monthly analysis of the composition and variation of HQLA, plus the inflows and the outflows. Please see the text on pages 36 and 95 for more information. As of the disclosure date, levels of concentration risk were within internal limits with funding by the top 10 counterparties originating from unsecured wholesale funding, namely intragroup counterparties and a range of financial customers, with the latter having a weighted average residual maturities of approximately 1 day.
<b>High-level description of the composition of the institution's liquidity buffer.</b>	The buffer is primarily composed of Level 1 assets. Reserves at central banks represent the substantial majority of the buffer at the reporting date, trending on average around 67% of the buffer over a 12 month period. Diversification in the buffer is achieved through investments in Level 1 instruments such as government and regional/local bonds, public sector and supranational entities, but also government backed credit institutions and extremely high quality covered bonds. Exposure to Level 2 assets is lower, namely in the form of high quality covered bonds stemming from third countries.
<b>Derivative exposures and potential collateral calls</b>	Derivative exposures in the European Bank's LCR are considered on a net basis where possible, with the exception of cash collateral, which is targeted for inclusion in 2024. Subsequent liquidity outflows and inflows are present which are categorised accordingly.
<b>Currency mismatch in the LCR</b>	The European Bank's significant currencies at the disclosure date largely show a consistent surplus between the liquidity buffer and net outflows for EUR and USD, On an average basis over 12 months the LCR per significant currency remains both above and or similar to EBA averages <sup>1</sup> .
<b>Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile</b>	There are no other items in the LCR calculation not captured in the LCR disclosure template at the reporting date.

<sup>1</sup> EBA Report On Liquidity Measures Under Article 509(1)

Table 39: EU LIQ2 Net Stable Funding Ratio

At 31 December 2023 (€m)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	4,011	—	—	—	4,011
2	Own funds	4,011	—	—	—	4,011
3	Other capital instruments		—	—	—	—
4	Retail deposits		—	—	—	—
5	Stable deposits		—	—	—	—
6	Less stable deposits		—	—	—	—
7	Wholesale funding:		33,249	2	1,000	10,074
8	Operational deposits		18,097	—	—	9,049
9	Other wholesale funding		15,152	2	1,000	1,025
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	22	475	—	—	0
12	NSFR derivative liabilities	22				
13	All other liabilities and capital instruments not included in the above categories		475	—	—	0
14	Total available stable funding (ASF)					14,085
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					3,082
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		5,151	24	155	639
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		453	—	—	—
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		4,690	0	3	472
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		2	—	—	1
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		2	—	—	1
22	Performing residential mortgages, of which:		—	—	—	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		6	24	152	166
25	Interdependent assets		—	—	—	—
26	Other assets:		618	0	810	818
27	Physical traded commodities				—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		—	—	41	35
29	NSFR derivative assets		—			—
30	NSFR derivative liabilities before deduction of variation margin posted		270			14
31	All other assets not included in the above categories		348	—	769	769
32	Off-balance sheet items		—	—	—	—
33	Total RSF					4,539
34	Net Stable Funding Ratio (%)					310.31 %

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

The increase in the NSFR ratio from the previous quarter end (30 September 2023: 261.18%) is primarily driven by a reduction in RSF, down approximately €0.64 billion, largely offset by an increase in ASF, up approximately €0.57 billion. ASF drivers included year-end profit at 31 December 2023 and higher operational deposits in line with LCR movements. RSF was largely influenced by reductions in intercompany loans and encumbered securities.

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

# The Bank of New York Mellon SA/NV (the 'European Bank')

At 30 September 2023 (€m)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
1 Capital items and instruments	3,522	—	—	—	3,522
2 Own funds	3,522	—	—	—	3,522
3 Other capital instruments		—	—	—	—
4 Retail deposits		—	—	—	—
5 Stable deposits		—	—	—	—
6 Less stable deposits		—	—	—	—
7 Wholesale funding:		29,863	—	1,000	9,995
8 Operational deposits		17,965	—	—	8,982
9 Other wholesale funding		11,898	—	1,000	1,013
10 Interdependent liabilities		—	—	—	—
11 Other liabilities:	—	734	—	—	0
12 NSFR derivative liabilities	—				
All other liabilities and capital instruments not included in the above categories		734	—	—	0
14 Total available stable funding (ASF)					13,517
Required stable funding (RSF) Items					
15 Total high-quality liquid assets (HQLA)					3,229
EU-15a Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	—	—
16 Deposits held at other financial institutions for operational purposes		—	—	—	—
17 Performing loans and securities:		8,161	50	149	995
18 Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		0	—	—	—
19 Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		8,142	20	—	824
20 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		0	—	—	0
21 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0	—	—	0
22 Performing residential mortgages, of which:		—	—	—	—
23 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		19	30	149	171
24 Interdependent assets		—	—	—	—
26 Other assets:		829	0	790	937
27 Physical traded commodities				—	—
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		—	—	39	33
29 NSFR derivative assets		134			134
30 NSFR derivative liabilities before deduction of variation margin posted		382			19
31 All other assets not included in the above categories		313	—	751	751
32 Off-balance sheet items		—	—	—	—
33 Total RSF					5,161
34 Net Stable Funding Ratio (%)					261.92 %

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

# The Bank of New York Mellon SA/NV (the 'European Bank')

At 30 June 2023 (€m)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
1 Capital items and instruments	3,490	—	—	—	3,490
2 Own funds	3,490	—	—	—	3,490
3 Other capital instruments		—	—	—	—
4 Retail deposits		—	—	—	—
5 Stable deposits		—	—	—	—
6 Less stable deposits		—	—	—	—
7 Wholesale funding:		32,095	1	1,000	10,161
8 Operational deposits		18,295	—	—	9,147
9 Other wholesale funding		13,800	1	1,000	1,014
10 Interdependent liabilities		—	—	—	—
11 Other liabilities:	10	808	—	—	0
12 NSFR derivative liabilities	10				
All other liabilities and capital instruments not included in the above categories		808	—	—	0
14 Total available stable funding (ASF)					13,651
Required stable funding (RSF) Items					
15 Total high-quality liquid assets (HQLA)					3,108
EU-15a Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	—	—
16 Deposits held at other financial institutions for operational purposes		—	—	—	—
17 Performing loans and securities:		7,580	10	165	936
18 Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		—	—	—	—
19 Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		7,559	4	—	758
20 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		2	—	—	1
21 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		2	—	—	1
22 Performing residential mortgages, of which:		—	—	—	—
23 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
24 Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		19	6	165	177
25 Interdependent assets		—	—	—	—
26 Other assets:		709	0	956	972
27 Physical traded commodities				—	—
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		—	—	1	1
29 NSFR derivative assets		—			0
30 NSFR derivative liabilities before deduction of variation margin posted		332			16
31 All other assets not included in the above categories		377	—	955	955
32 Off-balance sheet items		—	—	—	—
33 Total RSF					5,016
34 Net Stable Funding Ratio (%)					272.14 %

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

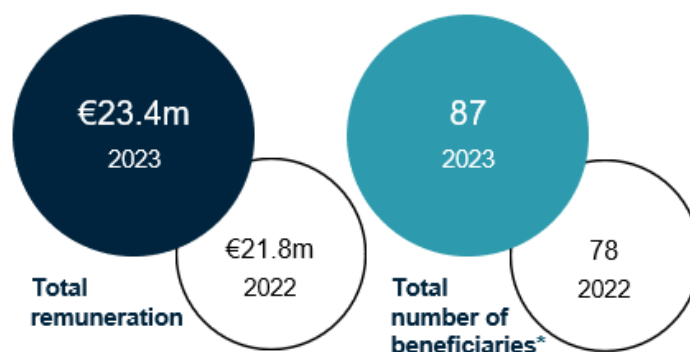
# The Bank of New York Mellon SA/NV (the 'European Bank')

At 31 March 2023 (€m)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
1 Capital items and instruments	3,505	—	—	—	3,505
2 Own funds	3,505	—	—	—	3,505
3 Other capital instruments		—	—	—	—
4 Retail deposits		—	—	—	—
5 Stable deposits		—	—	—	—
6 Less stable deposits		—	—	—	—
7 Wholesale funding:		34,590	12	1,000	10,729
8 Operational deposits		19,391	—	—	9,695
9 Other wholesale funding		15,199	12	1,000	1,034
10 Interdependent liabilities		—	—	—	—
11 Other liabilities:	131	624	—	—	0
12 NSFR derivative liabilities	131				
All other liabilities and capital instruments not included in the above categories		624	—	—	0
14 Total available stable funding (ASF)					14,234
Required stable funding (RSF) Items					
15 Total high-quality liquid assets (HQLA)					3,105
EU-15a Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	—	—
16 Deposits held at other financial institutions for operational purposes		—	—	—	—
17 Performing loans and securities:		8,157	36	168	1,068
18 Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		80	—	—	—
19 Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		7,948	17	—	803
20 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		2	—	—	1
21 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		2	—	—	1
22 Performing residential mortgages, of which:		—	—	—	—
23 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		127	19	168	264
24 Interdependent assets		—	—	—	—
26 Other assets:		590	0	810	824
27 Physical traded commodities				—	—
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		—	—	—	—
29 NSFR derivative assets		—			0
30 NSFR derivative liabilities before deduction of variation margin posted		292			14
31 All other assets not included in the above categories		298	—	810	810
32 Off-balance sheet items		—	—	—	—
33 Total RSF					4,997
34 Net Stable Funding Ratio (%)					284.85 %

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



## 16 Article 450 CRR - Remuneration policy



### 16.1 Governance

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

All RemCo members are non-executive directors of the Board. Corporate Secretary provides the RemCo secretarial duties.

The Board meets at least quarterly and approves the year-end compensation awards of its regulated staff members. The RemCo met ten times during 2023 (including three joint sessions with the RiskCee), whilst other committees listed in the remuneration policy met a total of nine times during the year. Awards in instruments are made in the form of shares in The Bank of New York Mellon Corporation. These shares are listed on the New York Stock exchange under ticker "BK". Deferred shares are made in the form of Restricted Share Units, transferable into BK shares at vesting. These grants also require the approval of the Human Resources and Compensation Committee ('HRCC') of BNY Mellon, since it functions as the remuneration committee of the ultimate shareholder of the European Bank.

### 16.2 Aligning pay with performance

BNY Mellon's compensation philosophy is to offer a total compensation opportunity that supports its values, Passion for Excellence, Integrity, Strength in diversity and Courage to lead. BNY Mellon offers a total rewards program that is externally competitive, internally equitable (gender neutral), and tied both to employee contributions and company success. The company monitors its gender pay gap.

BNY Mellon pays for performance, both at the individual and corporate level. Individual and team contributions are valued and rewarded based on how both contribute to business results. In support of this philosophy, variable compensation is used as a means of recognising performance.

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

### 16.3 Fixed remuneration

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

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

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

### 16.4 Variable remuneration and risk adjustment

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

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

On an exceptional basis, the European Bank may grant guaranteed variable remuneration, limited only to the first year of employment. For Senior Managers, guaranteed variable remuneration needs to be approved by the RemCo.

For MRTs, severance payments provided for the early termination of employment contract will be considered as variable remuneration and hence be considered for the calculations of the maximum leverage ratios and for the application of the regulatory deferral rules, unless the severance payment is mandated under statutory law or mandatory following a decision of court or the severance payment is calculated through an appropriate predefined generic formula laid down in a company arrangement legally applicable to the individual or is due in application of a non-competition clause up to the amount of fixed remuneration which would have been paid for the non-competition period, if the MRT had still been employed.

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

Categories of staff whose professional activities have a material impact on its risk profile ('MRTs') are requested to include in their performance appraisal process one or more "goals" related to their role in the legal entity. MRTs are also assessed, as all staff members are, against feedback on results-based goals and behaviours (BNY Mellon's corporate goals include Risk & Compliance, Diversity, Equity & Inclusion, Values & Behaviours). For MRTs, the performance related to the risk and control aspects of their job is further detailed and documented through the Risk Culture Summary Scorecard ('RCSS'), for which the European Bank uses a system of metrics related to the main control aspects: compliance & ethics, reputational and operational risk, risk exposures, and audit. This allows the control functions of the European Bank to provide more detailed input (to the RiskCee and RemCo) in respect of behavior or incidents that occur within the responsibility of the job holder. One minor incident occurred in 2023 which ultimately resulted in an ex-ante adjustment of variable compensation for performance year 2023.

## 16.5 Ratio between fixed and variable pay

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

## 16.6 Deferral policy and vesting criteria

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

Min Max	Incentive value (USD)				
	0 50,000	50,000 149,999	150,000 249,999	250,000 499,999	500,000 -
Grade					
Vice President/Senior Vice President	0%	10 %	15 %	20 %	25 %
Director	0%	20 %	25 %	30 %	35 %
Senior Director/Managing Director	0%	30 %	35 %	40 %	50%

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

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

- At least 40% of variable remuneration is deferred for at least 4 years (increasing to 60% where the MRT is an Executive Director of the Bank and/or a MRT in receipt of a particularly high variable amount – exceeding EUR 200,000<sup>1</sup>);
- for senior managers (eg. ExCo members, members of branch management, etc.) the deferral period is 5 years; and,
- At least 50% of variable remuneration should be delivered in shares or equivalent instruments (once these instruments have been vested to the individual these will be subject to a further one year holding period before being delivered to the MRT).

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

Up Front (60%)		Deferred (40%)
<b>Cash (30%)</b>	<b>Cash Award (30%):</b> Variable remuneration in respect of the applicable performance year that will be paid to the employee in cash in the January payroll the following year, subject to the usual deductions of income tax and applicable social security contributions. <sup>2</sup>	<b>Deferred Equity (40%):</b> Variable remuneration in respect of the applicable performance year that will be provided to the employee in restricted stock units ("RSUs") (the precise mechanism for delivery will be determined, at the sole discretion of BNY Mellon). The deferred equity will vest as follows: <ul style="list-style-type: none"> <li>For MRTs who are Senior Managers - 5 equal annual installments starting upon the first anniversary of the award</li> <li>For other MRTs - 4 equal annual installments starting upon the first anniversary of the award</li> </ul> For all MRTs each tranche of vested equity will be subject to a 1 year retention period post vesting before it may be sold (referred to in the charts below as the "point of availability").
<b>Equity (70%)</b>	<b>Instant Vest Equity (30%):</b> Variable remuneration in respect of the applicable performance year that will be provided to the employee in BNY Mellon stock which vests on the grant date and is subject to a 1 year retention period before it can be sold.	

<sup>1</sup> Indexed annually on the 31st of December on the basis of the Belgian health index.

<sup>2</sup> Certain local payroll processing schedules resulted in a February incentive payment date (Denmark, Germany, Ireland, Luxembourg, Netherlands).

All equity awards will be subject to the applicable rules of the BNY Mellon long term incentive plan under which they are delivered and the General Incentive Plan Terms and Conditions. All awards are subject to terms and conditions that provide for forfeiture (malus) or clawback in certain circumstances to ensure effective current and future risk adjustments (see section 16.4) are taken into account. The Board may decide to apply forfeiture or malus to unvested deferred awards or clawback to already vested awards in the event of the individual being responsible or taking part in practices that resulted in substantial losses for the Bank, the Bank or the business unit in which the individual works suffering a material downturn in its financial performance, the individual not complying with the applicable standards of professionalism and trustworthiness or the individual participating in a special mechanism with the purpose or consequence to facilitate tax fraud by third parties.

### 16.7 Variable remuneration of control function staff

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

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

### 16.8 Quantitative disclosures

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The tables on the following pages provide details of the aggregate remuneration of senior management and MRTs for the European Bank for the year ended 31 December 2023.

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

**Table 40: EU REM1 - Remuneration awarded for the financial year**

This table shows the total aggregate remuneration<sup>3,4</sup> awarded to MRTs for 2023.

At 31 December 2023 (€000s)		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Number of identified staff	8	5	28	46
2	Total fixed remuneration	472	2,555	6,812	8,383
3	Of which: cash-based	472	2,555	6,812	8,383
4	(Not applicable in the EU)				
EU-4a	Fixed remuneration	—	—	—	—
5	Of which: shares or equivalent ownership interests	—	—	—	—
EU-5x	Of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
6	Of which: other instruments	—	—	—	—
7	(Not applicable in the EU)				
8	Of which: other forms	—	—	—	—
9	(Not applicable in the EU)				
9	Number of identified staff	—	4	27	42
10	Total variable remuneration	—	834	2,119	2,202
11	Of which: cash-based	—	167	773	1,115
12	Of which: deferred	—	—	—	—
EU-13a	Of which: shares or equivalent ownership interests	—	667	1,346	1,087
EU-14a	Of which: deferred	—	500	769	625
EU-13b	Variable remuneration	—	—	—	—
EU-14b	Of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
EU-14c	Of which: deferred	—	—	—	—
EU-14d	Of which: other instruments	—	—	—	—
EU-14e	Of which: deferred	—	—	—	—
15	Of which: other forms	—	—	—	—
16	Of which: deferred	—	—	—	—
17	Total remuneration	472	3,389	8,931	10,585

**Table 41: EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)**

This table shows any special payments made to MRTs for 2023.

At 31 December 2023 (€000s)		MB Supervisory function	MB Management function	Other senior management	Other identified staff
<b>Guaranteed variable remuneration awards</b>					
1	Guaranteed variable remuneration awards - Number of identified staff	—	1	—	—
2	Guaranteed variable remuneration awards - Total amount	—	80	—	—
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
<b>Severance payments awarded in previous periods, that have been paid out during the financial year</b>					
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	—	—	—	—
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	—	—	—	—
<b>Severance payments awarded during the financial year</b>					
6	Severance payments awarded during the financial year - Number of identified staff	—	—	—	1
7	Severance payments awarded during the financial year - Total amount	—	—	—	200
8	Of which paid during the financial year	—	—	—	200
9	Of which deferred	—	—	—	—
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
11	Of which highest payment that has been awarded to a single person	—	—	—	200

<sup>3</sup> Includes base salary and other cash allowances, plus any incentive awarded for full year 2023. Pension contribution is not included.

<sup>4</sup> Includes remuneration of independent non-executive directors who are compensated by the European Bank. Remuneration of non-executive directors are not included in the scope as they are not compensated by the European Bank for the role.

**Table 42: EU REM3 - Deferred remuneration**

This table shows the total deferred remuneration<sup>5</sup> for MRTs outstanding from previous years.

Deferred and retained remuneration At 31 December 2023 (€000s)	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1 <b>MB Supervisory function</b>	—	—	—	—	—	—	—	—
2 Cash-based	—	—	—	—	—	—	—	—
3 Shares or equivalent ownership interests	—	—	—	—	—	—	—	—
4 Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
5 Other instruments	—	—	—	—	—	—	—	—
6 Other forms	—	—	—	—	—	—	—	—
7 <b>MB Management function</b>	<b>1,244</b>	<b>364</b>	<b>880</b>	—	—	—	<b>364</b>	<b>279</b>
8 Cash-based	257	85	172	—	—	—	85	—
9 Shares or equivalent ownership interests	987	279	708	—	—	—	279	279
10 Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
11 Other instruments	—	—	—	—	—	—	—	—
12 Other forms	—	—	—	—	—	—	—	—
13 <b>Other senior management</b>	<b>2,968</b>	<b>1,065</b>	<b>1,903</b>	—	—	—	<b>1,065</b>	<b>876</b>
14 Cash-based	570	189	381	—	—	—	189	—
15 Shares or equivalent ownership interests	2,398	876	1,522	—	—	—	876	876
16 Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
17 Other instruments	—	—	—	—	—	—	—	—
18 Other forms	—	—	—	—	—	—	—	—
19 <b>Other identified staff</b>	<b>2,448</b>	<b>989</b>	<b>1,459</b>	—	—	—	<b>989</b>	<b>832</b>
20 Cash-based	414	157	257	—	—	—	157	—
21 Shares or equivalent ownership interests	2,034	832	1,202	—	—	—	832	832
22 Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
23 Other instruments	—	—	—	—	—	—	—	—
24 Other forms	—	—	—	—	—	—	—	—
25 <b>Total amount</b>	<b>6,660</b>	<b>2,418</b>	<b>4,242</b>	—	—	—	<b>2,418</b>	<b>1,987</b>

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

<sup>5</sup> Includes total vested cash and equity. Equity portion is valued as at the date the award vested.

Table 43: EU REM4 - Remuneration of 1 million EUR or more per year

At 31 December 2023		Identified staff that are high earners as set out in Article 450(i) CRR
(€s)		
1	1,000,000 to below 1,500,000	—
2	1,500,000 to below 2,000,000	1
3	2,000,000 to below 2,500,000	—
4	2,500,000 to below 3,000,000	—
5	3,000,000 to below 3,500,000	—
6	3,500,000 to below 4,000,000	—
7	4,000,000 to below 4,500,000	—
8	4,500,000 to below 5,000,000	—
9	5,000,000 to below 6,000,000	—
10	6,000,000 to below 7,000,000	—
11	7,000,000 to below 8,000,000	—

Table 44: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

At 31 December 2023 (€000s)	Management body remuneration <sup>6</sup>			Business areas						Total
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	
1	<b>Total number of identified staff</b>									<b>87</b>
2	Of which: members of the MB									
3	8	5	13							
4	Of which: other senior management									
5				20	—	—	2	—	6	
6	Of which: other identified staff									
7				7	—	—	11	25	3	
8	<b>Total remuneration of identified staff</b>									
9	472	3,389	3,861	10,332	—	—	2,985	4,475	1,724	
10	Of which: variable remuneration									
11	—	834	834	2,582	—	—	640	819	280	
12	Of which: fixed remuneration									
13	472	2,555	3,027	7,750	—	—	2,345	3,656	1,444	

<sup>6</sup> Includes remuneration of independent non-executive directors who are compensated by the European Bank. Remuneration of non-executive directors are not included in the scope as they are not compensated by the European Bank for the role.



## Restitution risk

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

Restitution risk is the risk that the European Bank is willing to take because it is directly related to the business it wants to offer to our clients. The risk is governed by a robust BNY Mellon process for both selecting and overseeing sub-custodians, as well keeping clients informed during cases of heightened risk

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

## Strategic risk

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

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

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

## Group risk

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

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

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

## Model risk

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

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

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

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

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

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

## Appendix 2 - Glossary of terms

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

Acronym	Description	Acronym	Description
ABS	Asset-Backed Securities	BRC	Business Risk Committee
ACPR	Autorite de Controle Prudentiel et de Resolution	CASS	Client Asset Sourcebook Rules
AFR	Available Financial Resources	CBI	Central Bank of Ireland
AIF	Alternative Investment Fund	CCF	Credit Conversion Factor
ALCO	Asset and Liability Committee	CEO	Chief Executive Officer
ALM	Asset Liability Management	CEF	Critical Economic Function
AML	Anti-Money Laundering	CET1	Common Equity Tier 1
AS	Asset Servicing	CGB	CASS Governance Body
AT1	Additional Tier 1	CIS	Collective Investment Scheme
AUC	Assets Under Custody	CMA	Capital Market Authority
BAC	Business Acceptance Committee	COC	Compensation Oversight Committee
BAU	Business as usual	COOC	CASS Operational Oversight Committee
BaFin	Federal Financial Supervisory Authority / Bundesanstalt für Finanzdienstleistungsaufsicht	COREP	Common Reporting
BDAS	Broker-Dealer and Advisory Services	CQS	Credit Quality Steps
BDF	Banque De France	CRD	Capital Requirements Directive
BEMCO	Belgium Management Council	CRM	Credit Risk Mitigation
BI	Banca D'Italia	CROC	Credit Risk Oversight Committee
BNY Mellon	The Bank of New York Mellon Corporation	CRR	Capital Requirements Regulation
BNY Mellon SA/NV	The Bank of New York Mellon SA/NV	CSD	Client Service Delivery
BNY Mellon TDUKL	BNY Mellon Trust & Depositary (UK) Limited	CSRSFI	Committee for Systemic Risks and System-relevant Financial Institutions
BNYIFC	BNY International Financing Corporation	CSSF	Commission de Surveillance du Secteur Financier
BNY Mellon KVG	BNY Mellon Service Kapitalanlage-Gesellschaft mbH	CSTC	Capital and Stress Testing Committee
		CT	Corporate Trust
		CTS	Client Technology Solutions

## The Bank of New York Mellon SA/NV (the 'European Bank')

Acronym	Description	Acronym	Description
DB	Deutsche Bank	LCR	Liquidity Coverage Ratio
DNB	De Nederlandsche Bank	LERO	Legal Entity Risk Officer
DVP	Delivery versus Payment	LOB	Line of Business
EAD	Exposure at default	LOD	Line of Defense
EC	European Commission	MiFID II	Markets in Financial Instruments Directive II
ECL	Expected Credit Losses	MNA	Master netting agreements
ECAP	Economic Capital	MRMG	Model Risk Management Group
ECB	European Central Bank	MRT	Material Risk Taker
ECM	Embedded Control Management	NAV	Net Asset Value
EEC	EMEA Executive Committee	NBB	National Bank of Belgium
EHQLA	Extremely High Quality Liquid Assets	Nomination & ESGCo	Nomination and Environmental Social Governance Committee
EMEA	Europe, Middle East and Africa	NSFR	Net Stable Funding Ratio
ERGC	EMEA Remuneration Governance Committee	O-SII	Other systemically important institution
ESRMC	EMEA Senior Risk Management Committee	OCI	Other Comprehensive Income
EU	European Union	OEICs	Open-ended Investment Companies
EUR	Euro	ORMF	Operational Risk Management Framework
EWI	Early Warning Indicators	ORSA	Operational Risk Scenario Analysis
ExCo	Executive Committee	P/L	Profit and Loss
FCA	Financial Conduct Authority	PFE	Potential Future Exposure
FMUs	Financial market utilities	PRA	Prudential Regulatory Authority
FRS	Financial Reporting Standard	RAS	Risk Appetite Statement
FSMA	Financial Services and Markets Authority	RCoB	Risk Committee of the Board
FX	Foreign Exchange	RCSA	Risk and Control Self-Assessment
G-SIFI	Global Systemically Important Financial Institution	RM	Risk Manager
GCA	Global Custody Agreement	RMC	Risk Management Committee
GSP	Global Securities Processing	RMP	Risk Management Platform
HQLA	High Quality Liquid Assets	RRP	Recovery and Resolution Planning
HRCC	Human Resources Compensation Committee	RW	Risk-weight
IAS	International Accounting Standards	RWA	Risk Weighted Assets
IASB	International Accounting Standards Board	SA	Standardised Approach
ICA	Internal Capital Assessment	SFT	Security Financing Transaction
ICAAP	Internal Capital Adequacy Assessment Process	SLD	Service Level Description
ICRC	Incentive Compensation Review Committee	SREP	Supervisory review and evaluation process
IFRS	International Financial Reporting Standards	SRO	Senior Risk Officer
ILAAP	Internal Liquidity Adequacy Assessment Process	T&D	Trust & Depositary
ILG	Individual Liquidity Guidance	T1 / T2	Tier 1 / Tier 2
IRRBB	Interest Rate Risk on Banking Book	TCR	Total Capital Requirements
IMMS	International Money Management System	TRC	Technology Risk Committee
ISDA	International Swaps and Derivatives Association	TLAC	Total Loss-Absorbing Capacity
ISM	Investment Services and Markets	UCITS	Undertakings for Collective Investment in Transferable Securities
IT	Information Technology	VaR	Value-at-Risk
KRI	Key Risk Indicator		
KYC	Know your customer		

# The Bank of New York Mellon SA/NV (the 'European Bank')

The following terms may be used in this document:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Appendix 3 - CRR II references

CRR II ref.	Requirement summary	Compliance ref. applicable at 31 December 2023	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosures	5
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	N/A	N/A
431 (3)	The management body shall adopt formal policies to comply with the disclosure requirements. At least one member of the management body shall attest in writing.	Attestation Statement	3
431 (4)	Quantitative disclosures shall be accompanied by a qualitative narrative that may be necessary in order for the users of that information to understand the quantitative disclosures.	Qualitative narrative included where necessary.	N/A
431 (5)	Explanation of ratings decision upon request.	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450).	1.2 Article 432 CRR II - Non-material, proprietary or confidential information	5
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected (except Articles 437 and 450).		
432 (3)	Where 432(1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed.		
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, on the same date of the publication of the financial statements. Semi-annual and quarterly disclosures shall be published on the same date as the financial reports for the period where applicable.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosures	5
433 (a)	Large institutions shall disclose the information outlined in this article on an annual, semi-annual and quarterly basis as applicable.	N/A	N/A
433 (b)	Small and non-complex institutions shall disclose the information outlined in this article on an annual and semi-annual basis as applicable.		
433 (c)	Institutions that are not subject to Article 433(a) or 433(b) shall disclose the information outlined in this article on an annual and semi-annual basis as applicable.		
Means of disclosure			
434 (1)	Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosures	5
434 (2)	Institutions shall make available on their website an archive of the information required to be disclosed in accordance with this Part.	1.3 Article 433/434 CRR II - Frequency, scope and means of disclosures	5
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies.	4 Article 435 CRR II - Risk management objectives and policies	25
435 (1) (a)	Strategies and processes to manage those categories of risks.	4.1 Risk objectives	26
435 (1) (b)	Structure and organisation of the risk management function.	4.2 Risk governance	26
435 (1) (c)	Scope and nature of risk reporting and measurement systems.	4.1 - 4.9	26
435 (1) (d)	Policies for hedging and mitigating risk.	4.3 - 4.9	34
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements.	1 Article 431 CRR II - Disclosure requirements and policies	4
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy.	Risk statement	25
435 (2) (a)	Number of directorships held by directors.	4.2 Risk governance	27
435 (2) (b)	Recruitment policy of Board members, their experience and expertise.	4.2 Risk governance	27
435 (2) (c)	Policy on diversity of Board membership and results against targets.	4.2 Risk governance	27
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	4.2.2 Legal Entity Risk Management	27
435 (2) (e)	Description of information flow on risk to Board.		
Scope of application			
436 (a)	The name of the institution to which this Regulation applies.	Executive summary	3
436 (b)	A reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation.	N/A - There are no differences in scope.	N/A
436 (c)	A breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation broken down by type of risk.	Table 4: EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories	17
436 (d)	A reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation, and the exposure amount used for regulatory purposes.	Table 5: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements	19
436 (e)	For exposures from the trading book and the non-trading book adjusted in accordance with Article 34 and Article 105, a breakdown of the constituent elements of an institution's prudent valuation adjustment, by types of risk.	Table 6: EU PV1 - Prudent valuation adjustments (PVA)	19
436 (f)	Current or expected material impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries.	N/A - No impediment exists.	N/A

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436 (g)	Aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of those subsidiaries.	All entities in scope of consolidation are appropriately capitalised.	N/A
436 (h)	Where applicable, the circumstance under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.	N/A	N/A
Own funds			
437 (a)	Full reconciliation of Common Equity Tier 1 (CET1) items.	Table 3: EU CC2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements	17
437 (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments.	Table 7: EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments	20
437 (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments.	Appendix 4 - Capital instruments terms and conditions	120
437 (d) (i) 437 (d) (ii) 437 (d) (iii)	Each prudent filter applied. Each deduction made. Items not deducted.	Table 2: EU CC1 Composition of regulatory own funds	14
437 (e)	Description of all restrictions applied to the calculation of Own Funds.	N/A - No restrictions apply.	N/A
437 (f)	Explanation of the basis of calculating capital ratios using elements of Own Funds.	N/A - Capital ratios are calculated in accordance with CRR II.	N/A
Own funds and eligible liabilities			
437a (a)	Institutions that are subject to Article 92a or 92b shall disclose the composition of their own funds and eligible liabilities, their maturity and their main features.	Table 8: EU ILAC Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	21
437a (b)	The ranking of eligible liabilities in the creditor hierarchy.	N/A - Only applicable at individual disclosure level.	N/A
437a (c)	The total amount of each issuance of eligible liabilities instruments.	Table 8: EU ILAC Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	21
437a (d)	The total amount of excluded liabilities.		
Own funds requirements and risk weighted exposure amounts			
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	3 Article 438 CRR II - Own funds requirements and risk-weighted exposure amounts	22
438 (b)	The amount of the additional own funds requirements based on the supervisory review process.	Table 1: EU KM1 Key metrics template	11
438 (c)	Result of ICAAP on demand from authorities.	N/A	N/A
438 (d)	The total risk-weighted exposure amount and the corresponding total own funds requirement.	Table 9: EU OV1 Overview of total risk exposure amounts	23
438 (e)	The on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending.	N/A	N/A
438 (f)	The exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds.	N/A	N/A
438 (g)	The supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate.	N/A	N/A
438 (h)	The variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	N/A	N/A
Exposure to counterparty credit risk (CCR)			
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures.	5.5 Governance	59
439 (b)	Discussion of process to secure collateral and establishing reserves.	7.2 Collateral valuation and management	69
439 (c)	Discussion of management of wrong-way exposures.	7.4 Wrong-way risk	70
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	7.2 Collateral valuation and management	69
		7.4 Wrong-way risk	70
		N/A - A credit downgrade of the European Bank and the associated margining required will be dealt with in line with the contractual agreement in place with the counterparties.	
439 (e)	The amount of segregated and unsegregated collateral received and posted.	Table 22: EU CCR5 Composition of collateral for CCR exposures	72
439 (f)	Exposure values before and after the effect of the credit risk mitigation of derivative transactions.	Table 20: EU CCR1 Analysis of CCR exposure by approach	71
439 (g)	Exposure values before and after the effect of the credit risk mitigation of securities financing transactions.		
439 (h)	The exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge.	Table 24: EU CCR2 Transactions subject to own funds requirements for CVA risk	73
439 (i)	Exposure value to central counterparties and the associated risk exposures.	Table 23: EU CCR8 Exposures to CCPs	73
439 (j)	The notional amount and fair value of credit derivative transactions.	N/A	N/A
439 (k)	Estimate of alpha, if applicable.	N/A	N/A
439 (l)	Separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452.	Table 21: EU CCR3 Standardised approach – CCR exposures by regulatory exposure class and risk weights	72
439 (m)	For institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business	Table 20: EU CCR1 Analysis of CCR exposure by approach	71



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<b>Countercyclical capital buffers</b>			
440 (a)	Geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposure	Table 15: EU CCYB1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	65
440 (b)	Amount of the institution specific countercyclical capital buffer.	Table 16: EU CCYB2 Amount of institution-specific countercyclical capital buffer	65
<b>Indicators of global systemic importance</b>			
441	Disclosure of the indicators of global systemic importance.	N/A	N/A
<b>Credit risk adjustments</b>			
442 (a)	Disclosure of bank's scope and definitions of past due and impaired.	5.7 Analysis of past due and impaired exposures	59
442 (b)	Approaches for calculating specific and general credit risk adjustments.		
442 (c)	Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures.	5.6 Analysis of credit risk	59
442 (d)	An ageing analysis of accounting past due exposures.	N/A	N/A
442 (e)	The gross carrying amounts of both defaulted and non-defaulted exposures.	Table 11: EU CQ4 Quality of non-performing exposures by geography	62
442 (f)	Changes in the gross amount of defaulted on- and off-balance-sheet exposures.	Table 14: EU CR1 Performing and non-performing exposures and related provisions	64
442 (g)	The breakdown of loans and debt securities by residual maturity.	Table 12: EU CR1-A Maturity of exposures	62
<b>Unencumbered assets</b>			
443	Institutions shall disclose information concerning their encumbered and unencumbered assets.	9 Article 443 CRR II - Encumbered and unencumbered assets	74
<b>Use of ECAs</b>			
444 (a)	Names of the ECAs used in the calculation of Standardised Approach RWAs, and reasons for any changes.	6 Article 444 CRR II - Use of the Standardised Approach	66
444 (b)	Exposure classes associated with each ECAI.	N/A	N/A
444 (c)	Explanation of the process for translating external ratings into credit quality steps.	N/A - Translation and mapping is as per the guidance in Articles 135-141 of CRR II.	N/A
444 (d)	Mapping of external rating to credit quality steps.		
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step.	Table 18: EU CR5 Standardised approach	68
<b>Exposure to market risk</b>			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	10 Article 445 CRR II - Exposure to market risk	76
<b>Operational risk management</b>			
446 (a)	The approaches for the assessment of own funds requirements for operation risk that the institution qualifies for.	11 Article 446 CRR II - Operational risk management	79
446 (b)	A description of the methodology set out in Article 312(2), including a discussion of the relevant internal and external factors considered in the institution's advanced measurement approach.	N/A	N/A
446 (c)	In the case of partial use, the scope and coverage of the different methodologies used.	N/A	N/A
<b>Key metrics</b>			
447 (a)	Composition of own funds and own funds requirements.	Table 1: EU KM1 Key metrics template	11
447 (b)	The total risk exposure amount.		
447 (c)	Amount and composition of additional own funds.		
447 (d)	Combined buffer requirement which the institutions are required to hold.		
447 (e)	Leverage ratio and the total exposure measure.		
447 (f) (i)	Twelve months averages of the liquidity coverage ratio for each quarter.		
447 (f) (ii)	Twelve months averages of total liquid assets for each quarter.		
447 (f) (iii)	Twelve months averages of the liquidity outflows, inflows and net liquidity outflows for each quarter.		
447 (g) (i)	The net stable funding ratio at the end of each quarter		
447 (g) (ii)	The available stable funding at the end of each quarter		
447 (g) (iii)	The required stable funding at the end of each quarter		
447 (h)	Own funds and eligible liabilities ratios and their components, numerator and denominator	Table 8: EU ILAC Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	21
<b>Exposure to interest rate risk on positions not included in the trading book</b>			
448 (1) (a)	The changes in the economic value of equity calculated under supervisory shock scenarios.	Table 31: EU IRRBB1 Interest rate risks of non-trading book activities	87
448 (1) (b)	The changes in the net interest income calculated under supervisory shock scenarios.		
448 (1) (c)	A description of key modelling and parametric assumptions.	N/A - Tests reflect the scenarios outlined in CRD V Article 98.5a	N/A
448 (1) (d)	An explanation of the significance of the risk measures.	12 Article 448 CRR II - Exposures to interest rate risk on positions not held in the trading book	83
448 (1) (e) (i)	A description of the specific risk measures that are used to evaluate changes economic value of equity and net interest income.		
448 (1) (e) (ii)	A description of the key modelling and parametric assumptions used where they differ from the provisions of Article 448(1)(c).	12.1 Identification and measurements	83



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448 (1) (e) (iii)	A description of the interest rate shock scenarios used to estimate the interest rate risk	12.2 Scenarios and risks tested	84
448 (1) (e) (iv)	The effect of hedges against interest rate risks.	12.3 IRRBB management and hedging	85
448 (1) (e) (v)	An outline of how often the evaluation of the interest rate risk occurs.	12.4 Risk management and mitigation techniques	86
448 (1) (f)	The description of the overall risk management and mitigation strategies.	12.3 IRRBB management and hedging	85
448 (1) (g)	Average and longest repricing maturity assigned to non-maturity deposits.	Table 31: EU IRRBB1 Interest rate risks of non-trading book activities	87
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 shall not apply to institutions that use the standardised methodology or the simplified standardised methodology.	N/A	N/A
<b>Exposures to securitisation positions</b>			
449 (a)	A description of the institution's securitisation and re-securitisation activities including risk management and investment objectives, their role and whether the institution uses STS, and the extent of credit risk transfers to third parties	13 Article 449 CRR II - Exposures to securitisation positions	88
449 (b)	The type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STs positions		
449 (b) (i)	The risk retained in own-originated transactions	N/A	N/A
449 (b) (ii)	The risk incurred in relation to transactions originated by third parties		
449 (c)	Their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities.	13.1 Securitisation risk management framework	88
449 (d)	A list of SSPEs, with a description of their types of exposures to those SSPEs, including derivative contracts:	N/A	N/A
449 (d) (i)	SSPEs which acquire exposures originated by the institutions.	N/A	N/A
449 (d) (ii)	SSPEs sponsored by the institutions.	N/A	N/A
449 (d) (iii)	SSPEs and other legal entities for which the institutions provide securitisation-related services	N/A	N/A
449 (d) (iv)	SSPEs included in the institutions' regulatory scope of consolidation;	N/A	N/A
449 (e)	A list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three	N/A	N/A
449 (f)	A list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions.	N/A	N/A
449 (g)	A summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions.	N/A	N/A
449 (h)	The names of the ECAs used for securitisations and the types of exposure for which each agency is used.	N/A	N/A
449 (i)	Where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three.	N/A	N/A
449 (j)	Separately for the trading book and the non-trading book, the carrying amount of securitisation exposures.	Table 32: EU-SEC1 Securitisation exposures in the non-trading book	89
449 (k) (i)	For the non-trading book activities, the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches.	N/A	N/A
449 (k) (ii)	The aggregate amount of securitisation positions where institutions act as investor and the associated riskweighted assets and capital requirements by regulatory approaches.	Table 33: EU-SEC4 Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	90
449 (l)	For exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	N/A	N/A
<b>Environmental, social and governance risks (ESG risks)</b>			
449a	Large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, shall disclose information on ESG risks, including physical risks and transition risks.	4.9 Climate and environmental related disclosures	42
<b>Remuneration policy</b>			
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy.	16.1 Governance	103
450 (1) (b)	Information about the link between pay of the staff and their performance.	16.2 Aligning pay with performance	103
450 (1) (c)	Important design characteristics of the remuneration system.	16.1 Governance	103
450 (1) (d)	The ratios between fixed and variable remuneration.	16.5 Ratio between fixed and variable pay	105
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based.		
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits.	16.6 Deferral policy and vesting criteria	105
450 (1) (g)	Aggregate quantitative information on remuneration by business area.	Table 44: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	109
450 (1) (h)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile		
450 (1) (h) (i)			
450 (1) (h) (ii)			
450 (1) (h) (iii)			
450 (1) (h) (iv)			
450 (1) (h) (v)			
450 (1) (h) (vi) 450 (1) (h) (vii)		16.8 Quantitative disclosures	106

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450 (1) (i)	Number of individuals that have been remunerated EUR 1 million or more per financial year.	Table 43: EU REM4 - Remuneration of 1 million EUR or more per year	109
450 (1) (j)	Upon demand from the relevant Member State or competent authority, the total remuneration for each member of management or senior management.	N/A	N/A
450 (1) (k)	Information on whether the institution benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU.	N/A	N/A
450 (2)	For large institutions, quantitative information on the remuneration of the collective management body shall be made available to the public, differentiating between executive and non-executive members.	N/A	N/A
<b>Leverage ratio</b>			
451 (1) (a)	Leverage ratio.	Table 35: EU LR2 Leverage ratio common disclosure	92
451 (1) (b)	Breakdown of total exposure measure.	Table 34: EU LR1 Summary reconciliation of accounting assets and leverage ratio exposures	92
451 (1) (c)	Where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7);	Table 35: EU LR2 Leverage ratio common disclosure	92
451 (1) (d)	Description of the process used to manage the risk of excessive leverage.	N/A	N/A
451 (1) (e)	Description of the factors that had an impact on the leverage ratio.	Table 35: EU LR2 Leverage ratio common disclosure	92
451 (2)	Public development credit institutions shall disclose the leverage ratio without the adjustment to the total exposure measure.	N/A	N/A
451 (3)	Large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).	Table 35: EU LR2 Leverage ratio common disclosure	92
<b>Liquidity requirements</b>			
451a (1)	Disclose information on liquidity coverage ratio, net stable funding ratio and liquidity risk management.	15 Article 451a CRR II - Liquidity requirements	95
451a (2) (a)	The average of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period.	Table 37: EU LIQ1 Quantitative information of LCR	97
451a (2) (b)	The average of total liquid assets based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer.		
451a (2) (c)	The averages of liquidity outflows, inflows and net liquidity outflows, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.		
451a (3) (a)	Quarter-end figures of the net stable funding ratio for each quarter of the relevant disclosure period.	Table 39: EU LIQ2 Net Stable Funding Ratio	99
451a (3) (b)	An overview of the amount of available stable funding.		
451a (3) (c)	An overview of the amount of required stable funding.		
451a (4)	Disclosure of the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor liquidity risk.	15 Article 451a CRR II - Liquidity requirements	95
<b>Use of the IRB approach to credit risk</b>			
452 (a)	The competent authority's permission of the approach.	N/A	N/A
452 (b)	The mechanisms for rating systems at the different stages of development, controls and change.	N/A	N/A
452 (c)	For each exposure class referred to in Article 147, the percentage of the total exposure value subject to the Standardised Approach or to the IRB approach.	N/A	N/A
452 (d)	The role of the functions involved in the development, approval and subsequent changes of the credit risk models.	N/A	N/A
452 (e)	The scope and main content of the reporting related to credit risk models.	N/A	N/A
452 (f)	A description of the internal ratings process by exposure class, including the number of key models used and a brief discussion of the main differences between the models.	N/A	N/A
452 (g)	As applicable, information relating to each exposure class referred to in Article 147.	N/A	N/A
452 (h)	Institutions' estimates of PDs against the actual default rate for each class over a longer period.	N/A	N/A
<b>Use of credit risk mitigation techniques</b>			
453 (a)	Use of on- and off-balance sheet netting.	7.1 Netting	69
453 (b)	How collateral valuation is managed.	7.2 Collateral valuation and management	69
453 (c)	Description of types of collateral used.		
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	N/A - BNY Mellon's EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures.	7.5 Credit concentration risk	70
453 (f)	Under either the Standardised or IRB approach, disclose the exposure value not covered by any eligible credit protection and the total exposure valued covered by eligible credit protection.	Table 19: EU CR3 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	70

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453 (g)	Conversion factors and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect.	Table 17: EU CR4 Standardised approach – Credit risk exposure and CRM effects	67
453 (h)	Under the Standardised approach, the on- and off-balance-sheet exposure value by exposure class before and after conversion factors and any associated credit risk mitigation.		
453 (i)	Under the Standardised approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying conversion factors and credit risk mitigation, for each exposure class.		
453 (j)	For risk-weighted exposure amounts under the IRB approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives.	N/A	N/A
<b>Use of the Advanced Measurement Approaches to operational risk</b>			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	N/A Pillar 1 : standardised approach Pillar 2 : self-assessment approach	N/A
<b>Use of internal market risk models</b>			
455	Institutions calculating their capital requirements using internal market risk models.	N/A	N/A

## **Appendix 4 - Capital instruments terms and conditions**

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

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

VAT BE 0806.743.159 RLE Brussels

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

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

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

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

**MODIFICATION OF THE ARTICLES OF ASSOCIATION:** deed executed by Mr Bertrand Nerinx, associated Notary in Brussels on 31 January 2013, realizing a capital increase as result of the merger by acquisition of "The Bank of New York Mellon (Ireland) Limited", the modifications of the Articles of Association being effective as of 1 February 2013, in the process of being published.

**MODIFICATION OF THE ARTICLES OF ASSOCIATION:** deed executed by Mr Bertrand Nerinx, associated Notary in Brussels on 24 March 2017, realizing a capital increase as result of the merger by acquisition of "The Bank of New York Mellon (Luxembourg) S.A.", the modifications of the Articles of Association being effective as of 1 April 2017, in the process of being published.

### **COORDINATED VERSION OF THE ARTICLES OF ASSOCIATION**

#### **TITLE ONE - LEGAL FORM**

##### **ARTICLE 1 - NAME**

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

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

##### **ARTICLE 2 - REGISTERED OFFICE**

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

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

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

##### **ARTICLE 3 - PURPOSE**

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

##### **ARTICLE 4 - TERM**

The company is incorporated for an indefinite term.

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

#### **TITLE TWO - CAPITAL - SHARES**

##### **ARTICLE 5 - CAPITAL**

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

##### **ARTICLE 6 - MODIFICATION OF CAPITAL**

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

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

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

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

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

## ARTICLE 7 - CALLS ON SHARES

Calls for funds are determined by the board itself.

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

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

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

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

## ARTICLE 8 - AUTHORIZED CAPITAL

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

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

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

- (i) the board of directors may not decide on an increase mainly achieved through a contribution in kind exclusively reserved to a shareholder who holds shares in the company to which more than ten per cent of the votes are attached;
- (ii) the board may decide to issue convertible bonds and subscription rights;
- (iii) the board of directors is entitled to limit or suppress the preferential subscription right of the shareholders under the same conditions as those applicable to the general meeting;
- (iv) the board of directors has the right to limit or remove the preferential subscription right in favor of one or more specific persons who are not employees of the company or any of its subsidiaries. In this case the requirements of the Companies Code must be complied with.

## ARTICLE 9 - AMORTIZATION OF CAPITAL

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

### TITLE THREE - SHARES

## ARTICLE 10 - NATURE OF THE SHARES

The shares are registered.

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

The transfer of shares is not subject to any restriction.

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

## ARTICLE 11 - ISSUE OF BONDS

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

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

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

## ARTICLE 12 - SHARES WITHOUT VOTING RIGHTS

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



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

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

## TITLE FOUR - MANAGEMENT AND SUPERVISION

### ARTICLE 13 - COMPOSITION OF THE BOARD OF DIRECTORS

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

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

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

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

### ARTICLE 14 - VACANCY

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

### ARTICLE 15 - CHAIR

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

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

### ARTICLE 16 - MEETINGS

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

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

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

### ARTICLE 17 - COMPANY SECRETARY

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

### ARTICLE 18 - DELIBERATIONS

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

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

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

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

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

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

### ARTICLE 19 - MINUTES

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

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

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

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## ARTICLE 20 - POWERS OF THE BOARD

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

## ARTICLE 21 - ADVISORY COMMITTEES

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

## ARTICLE 22 - EXECUTIVE COMMITTEE

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

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

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

The board of directors must supervise this committee.

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

If a member of the executive committee has a direct or indirect conflicting interest of a financial nature in a decision or a transaction within the competence of the executive committee, it must notify it to the other members prior to the deliberation of the committee. The provisions of Article 524ter of the Companies Code must be taken into account.

## ARTICLE 23 - DAILY MANAGEMENT

In the course of its duties, the executive committee may delegate the daily management of the company as provided for in Article 525 of the Companies Code, the management of one or more transactions of the company, or the implementation of the decisions of the executive committee or of the board of directors to one or more persons, whether a director or not. It may revoke the delegations so conferred.

## ARTICLE 24 - SPECIAL DELEGATES

The board of directors as well as the executive committee and those appointed for the daily management may also, each within the course of their duties, delegate special powers to one or more persons of their choice, acting individually or jointly.

The board of directors, the executive committee and those appointed for the daily management, as the case may be, may at any time revoke the persons and powers that they conferred pursuant to the preceding paragraph.

## ARTICLE 25 - REPRESENTATION - OFFICIAL DEEDS AND LEGAL ACTIONS

The company is validly represented, including for deeds and in litigation:

- either by two directors acting jointly;
- or by one director acting alone if he/she is also member of the executive committee;
- or, but within the limits of the daily management, by the person or persons delegated to this daily management, acting jointly or severally.

These representatives do not need to justify vis-à-vis third parties of a prior decision of the board of directors or of the executive committee.

Furthermore, the company is validly bound by special delegates within the limits of their mandate.

## ARTICLE 26 - CONTROL

The control of the financial situation, of the annual accounts and of the regularity of the transactions to be reported in the annual accounts must be entrusted to one or more statutory auditors, members of the Institute of Chartered Accountants ("*Institut des Réviseurs d'Entreprises*"), appointed by the shareholders' meeting for a renewable term of three years.

## TITLE FIVE - GENERAL MEETINGS OF SHAREHOLDERS

### ARTICLE 27 - COMPOSITION AND POWERS

The shareholders' meeting is composed of all the owners of shares who are entitled to vote by themselves or through proxy holders, subject to having complied with any applicable legal requirements or provisions of the articles of association. Bondholders and holders of subscription rights are entitled to participate in the meeting subject to the same conditions but only in an advisory capacity.

Decisions duly adopted by the shareholders' meeting bind all the shareholders even absent or dissenting ones.

### ARTICLE 28 - MEETING

The annual shareholders' meeting statutorily meets on the last Tuesday of the month of May at 4 (four) PM. If this day is a legal holiday, the meeting is held the following business day.

Except for decisions to be recorded in a deed, the shareholders may unanimously take in writing all decisions which fall within the powers of the shareholders' meeting.

An extraordinary shareholders' meeting can be convened each time the interest of the company so requires.

Shareholders' meetings may be convened by the board of directors or by the statutory auditors and must be so convened upon the request of shareholders representing together one fifth of the statutory capital.





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## ARTICLE 29 - CONVENING NOTICES

Shareholders' meetings are held at the statutory office of the company or at any other place in Belgium, stated in the convening notice to the meeting.

The convening notices to any shareholders' meeting shall contain the agenda, which includes an indication of the topics to be handled and are sent in accordance with the law.

Any person may waive this notice and, in any case, be regarded as having been duly called if he/she/it is present or represented at the meeting.

If the written procedure is used pursuant to Article 536 of the Companies Code, the board will send a circular by mail, fax, e-mail or any other medium, with reference to the agenda and proposals for decisions, to all the shareholders and the auditors, if any, asking the shareholders to approve the proposed decisions and to return the circular duly signed within the term stated therein, to the company's statutory office or to any other place indicated in the circular.

The decision must be regarded as not having been taken, if all shareholders do not approve all items on the agenda and the written procedure, within the aforementioned term.

Shareholders, bondholders, holders of subscription rights or holders of registered certificates are entitled to be informed of the decisions taken at the registered office of the company.

## ARTICLE 30 - ADMISSION TO THE MEETING

The board of directors may require that the shareholders and bondholders inform it in writing (by letter or proxy), at least three days prior to the meeting, of their intent to attend the meeting and that the shareholders specify the number of shares for which they intend to participate in the vote.

If the board of directors uses this right, it must be mentioned in the notices calling for the meeting.

A list of attendance mentioning the name of the shareholders and the number of shares they hold is signed by each of them or by their proxies prior to joining the meeting.

## ARTICLE 31 - REPRESENTATION

Any owner of securities may be represented at the shareholders' meeting by a representative, proxy holder, whether a shareholder or not. A proxy holder may represent more than one shareholder.

The board or the company secretary may adopt the form of proxy and require that they be deposited at the place indicated by it within the term it sets.

Co-owners as well as pledgors and pledgees must be represented by one single person.

## ARTICLE 32 - BUREAU

All shareholders' meetings are chaired by the chairperson of the board or in his/her absence, by another director.

The chairperson may appoint a secretary. If the number of shareholders present allows it, the meeting may choose one or more tellers from amongst its members.

## ARTICLE 33 - POSTPONEMENT OF THE MEETING

Every shareholders' meeting, whether annual or special, may be postponed forthwith for three more weeks by the board of directors. The postponement cancels all decisions taken.

The formalities complied with to attend the first meeting and the proxies will remain valid for the second meeting, without prejudice to the right to comply with these formalities for the second meeting in the event they have not been complied with for the first one.

The second meeting decides on the same agenda. Its decisions are final.

## ARTICLE 34 - RIGHT TO VOTE

Each share gives right to one vote.

## ARTICLE 35 - DELIBERATION OF THE SHAREHOLDERS' MEETING

Except in the cases provided by law, decisions are taken, irrespective of the number of shares represented at the meeting, with a simple majority of the votes validly exercised, disregarding abstentions.

The votes are expressed by show of hands or by calling of names unless the shareholders' meeting decides otherwise by a majority vote.

## ARTICLE 36 - SPECIAL MAJORITY

Whenever the shareholders' meeting must decide on an increase or decrease of the statutory capital, on a de-merger or a merger of the company with other entities, on the winding up or any other modification to the articles of association, it can only deliberate if the purpose of the proposed modifications is specifically mentioned in the notices and if those attending the meeting represent at least one half of the statutory capital.

If this last condition is not met, a new notice is necessary and the second meeting will validly deliberate whatever the portion of the capital represented.

No modification is valid if it is not adopted with a three quarters majority vote.

However, when the deliberation concerns the modification of the corporate purpose, the modification of the respective rights of categories of securities, the winding up of the company resulting from a reduction of the net assets to an amount which is less than one half or one quarter of the capital, the transformation of the company, or a merger, a de-merger, the contribution of universality or of a branch of activity, the meeting is validly constituted and may decide only with the quorum of attendance and the majority of votes required by law.

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## ARTICLE 37 - MINUTES

The minutes of the shareholders' meeting are signed by the members of the bureau and the shareholders who request it. Copies or extracts of minutes of the shareholders' meeting to be produced in court or elsewhere shall be validly authenticated if signed by two directors or by an executive director.

## TITLE SIX - ANNUAL ACCOUNTS - DISTRIBUTION

### ARTICLE 38 - FINANCIAL YEAR

The financial year starts on the first of January and ends on the thirty first of December of each year.

### ARTICLE 39 - VOTE ON THE ANNUAL ACCOUNTS

The annual shareholders' meeting decides on the annual accounts.

Once the annual accounts are adopted, the meeting decides by special vote on the release to be granted to the directors and to the auditor(s).

### ARTICLE 40 - DISTRIBUTION

The profits are determined in accordance with the law. Each year, five percent will be deducted from the profits to constitute the legal reserve. This deduction ceases to be mandatory when this legal reserve fund reaches one tenth of the statutory capital. It must start again if the legal reserve is being used.

The balance is allocated by the shareholders' meeting deciding upon proposal of the board of directors according to the law.

### ARTICLE 41 - PAYMENT OF DIVIDENDS

The payment of dividends, if any, is made annually, at the time and the place indicated by the board of directors, in one or several times.

The board of directors may, under its responsibility, decide the payment of interim dividends by deducting them from the profits of the current financial year. It determines the amount of these interim dividends and their payment date.

## TITLE SEVEN - DISSOLUTION AND LIQUIDATION

### ARTICLE 42 - LIQUIDATION

In case of dissolution of the company for any reason and at any time whatsoever, the liquidation is carried out by the liquidator(s) appointed by the shareholders' meeting or, failing such appointment, by the board of directors in office at that time and acting as a liquidation committee.

For this purpose, the liquidators have the widest powers conferred by law.

The shareholders' meeting shall, where appropriate, determine the remuneration of the liquidator(s).

### ARTICLE 43 - DISTRIBUTION

After settlement of the debts and of the expenses of the liquidation or consignment of the amounts required for this purpose,- the net assets shall first be applied to reimburse, in cash or in securities, the paid up amount on the shares.

If not all shares are paid up in the same proportion, the liquidators, before proceeding with any distribution, will take into account this diversity of situation and re-establish the balance by calling funds or by proceeding with a prior distribution. The balance shall be distributed equally among all shares.

## TITLE EIGHT - GENERAL PROVISIONS

### ARTICLE 44 - ELECTION OF DOMICILE

For the enforcement of these articles of association, all shareholders, bondholders, directors, auditors, managers or liquidators residing abroad, elect domicile at the statutory office where all communications, summonses, subpoenas and notifications can be validly made.

### ARTICLE 45 - JURISDICTION

For all disputes between the company, its shareholders, bondholders, directors, auditors and liquidators relating to the affairs of the company and the enforcement of these articles of association, exclusive jurisdiction is granted to the courts of the statutory office, unless the company expressly waives such jurisdiction.

### ARTICLE 46 - LEGAL PROVISIONS

The company intends to fully comply with the law. Consequently, the legal provisions which would not be legally waived, shall be deemed part of these articles of association while clauses contrary to mandatory provisions of the law are deemed unwritten.

For lawful co-ordination on [•]

I, Nathalie Ryckaert, Secretary General of The Bank of New York Mellon SA/NV do hereby certify that the document is a true and correct copy of the original which I have examined. Brussels, Belgium, this

21 June  
N. Ryckaert



The Bank of New York Mellon SA/NV

1 Boulevard Anspachlaan

1000 Brussels

Belgium

V.A.T. BE 0806.743.159 - Company No.

RPM-RPR Brussels 0806.743.159

[bnymellon.com](http://bnymellon.com)

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