Risk-Based Capital Guidelines; Market Risk

The Bank of New York Mellon Corporation
Market Risk Disclosures

As of March 31, 2013

Basel II.5 Market Risk Quarterly Disclosure

Introduction

Since January 1, 2013, BNY Mellon (the "Company") has operated under the revised risk-based capital guidelines for market risk, referred to as Basel II.5, issued jointly by the Office of the Comptroller of the Currency ("OCC"), Board of Governors of the Federal Reserve System ("FRB"), and Federal Deposit Insurance Corporation ("FDIC"), and published in the Federal Register (Vol. 77, No. 169) on August 30, 2012[1] (the "Final Market Risk Capital Rule").

The Final Market Risk Capital Rule requires us to make publicly available quantitative disclosures at least quarterly. Specifically, we are required to disclose among other items, certain quantitative information on the following measures as applicable to the Company:

- Value-at-Risk ("VaR") based measures:

  VaR is a measure of the dollar amount of potential loss at a specified confidence level from adverse market movements in an ordinary market environment.

- Stressed VaR based measures:

  Stressed VaR is a measure of the dollar amount of potential loss at a specified confidence level from adverse market movements in an environment of significant market stress.

- Incremental risk capital ("IRC") requirements:

  IRC is a measure of the dollar amount of potential loss from the exposure to default and migration risks for fixed income positions in our trading book.

- Comprehensive risk measure ("CRM") capital requirements:

  CRM is a measure of the dollar amount of potential loss from the exposure to all price risks for the correlation trading portfolio.

The quantitative and qualitative information included in this quarterly disclosure is provided at the Company consolidated level.

Covered Positions

The Final Market Risk Capital Rule requires us to calculate the market risk regulatory capital based on the population of covered positions. Covered positions include all foreign exchange and commodity positions as well as assets and liabilities in our trading book that meet minimum regulatory requirements for inclusion in the market risk regulatory capital.

Due to the regulatory requirements for covered positions, the population of positions included in our regulatory VaR is different from the population of positions in management VaR we disclose in our 10-Q and Annual Reports. Management VaR includes positions subject to internal management VaR limits. The population of covered positions in our regulatory VaR is a subset of the population of positions included in our management VaR.

Securitizations

As of the end of the first quarter of 2013, BNY Mellon's population of covered positions does not include any positions that meet the definition of a securitization position in the Final Market Risk Capital Rule.

Correlation Trading Positions

During the first quarter of 2013, BNY Mellon's population of covered positions did not include any correlation trading positions.

[1]https://www.federalregister.gov/articles/2012/08/30/2012-16759/risk-based-capital-guidelines-market-risk#h-61

Measurement and Monitoring

The following table summarizes the minimum capital requirement and risk-weighted assets ("RWA") for market risk as of the end of the first quarter of 2013 calculated in accordance with the Final Market Risk Capital Rule.

Component	Mar. 31, 2013	
($ in millions)	Capital	RWA
VaR	$ 103.2	$ 1,290.0
Stressed VaR	135.6	1,695.0
Specific Risk Standard Charge	313.2	3,915.0
Total Market Risk Capital and RWA	$ 552.0	$6,900.0

VaR Based Measures

VaR is a measure of the dollar amount of potential loss at a specified confidence level from adverse market movements in an ordinary market environment. Our VaR methodology is based on a Monte Carlo simulation. The calculation of our regulatory VaR assumes a ten-day holding period, utilizes a 99% confidence level, and incorporates the non-linear characteristics of options. The ten-day regulatory VaR is derived by scaling one-day VaR to a ten-day holding period.

The following table indicates the calculated regulatory VaR amounts for the overall portfolio of covered positions as well as separate measures for interest rate, foreign exchange, equity and credit components of VaR for the first quarter of 2013.

VaR *(a)*	Q1 2013			
($ in millions)	Mean	Low	High	Mar. 31 *(b)*
Interest rate	$ 34.0	$ 25.5	$ 44.4	$ 38.1
Foreign exchange	2.8	1.2	6.4	2.9
Equity	6.0	3.4	12.2	9.7
Credit	0.0	0.0	0.0	0.0
Diversification	(8.4)	N/M	N/M	(10.7)
Overall portfolio	$ 34.4	$ 25.2	$ 45.4	$ 40.0

(a) Ten-day, 99% confidence regulatory VaR.
(b) VaR is calculated on last business date of quarter.
N/M – Because the minimum and maximum may occur on different days for different risk components, it is not meaningful to compute a portfolio diversification effect.

The interest rate component of VaR represents instruments whose values predominantly vary with the level or volatility of interest rates. These instruments include, but are not limited to: debt securities, mortgage-backed securities, swaps, swaptions, forward rate agreements, exchange traded futures and options, and other interest rate derivative products.

The foreign exchange component of VaR represents instruments whose values predominantly vary with the level or volatility of currency exchange rates or interest rates. These instruments include, but are not limited to: currency balances, spot and forward transactions, currency options, and exchange traded futures and options, and other currency derivative products.

The equity component of VaR is comprised of instruments that represent an ownership interest in the form of domestic and foreign common stock or other equity-linked instruments. These instruments include, but are not limited to: common stock, exchange traded funds, American Depositary Receipts, listed equity options (puts and calls), OTC equity options, equity total return swaps, equity index futures and other equity derivative products.

The diversification component of VaR is the risk reduction benefit that occurs when combining portfolios and offsetting positions, and from the correlated behavior of risk factor movements.

During the first quarter of 2013, interest rate risk generated 79% of average VaR, equity risk generated 14% of average VaR and foreign exchange risk accounted for 7% of average VaR.

Stressed VaR Based Measures

Stressed VaR is a measure of the dollar amount of potential loss at a specified confidence level from adverse market movements in an environment of significant market stress. Stressed VaR uses the same model as our regulatory VaR, but incorporating inputs calibrated to historical data from a continuous one year stress period selected based on empirical studies. The calculation of our regulatory Stressed VaR assumes a ten-day holding period, utilizes a 99% confidence level, and incorporates the non-linear characteristics of options. The ten-day regulatory Stressed VaR is derived by scaling one-day Stressed VaR to a ten-day holding period.

The following table indicates the calculated regulatory Stressed VaR amounts for the overall portfolio of covered positions as well as separate measures for interest rate, foreign exchange, equity and credit components of Stressed VaR for the first quarter of 2013.

Stressed VaR *(a)*	Q1 2013			
($ in millions)	Mean	Low	High	Mar. 31
Interest rate	$ 49.4	$ 41.1	$ 57.8	$ 45.4
Foreign exchange	4.9	1.8	8.1	6.8
Equity	10.5	2.8	31.0	30.3
Credit	0.1	0.0	0.1	0.0
Diversification	(19.6)	N/M	N/M	(29.3)
Overall portfolio	$ 45.2	$ 36.3	$ 64.8	$ 53.3

(a) Ten-day, 99% confidence regulatory Stressed VAR.
N/M – Because the minimum and maximum may occur on different days for different risk components, it is not meaningful to compute a portfolio diversification effect.

During the first quarter of 2013, interest rate risk generated 76% of average Stressed VaR, equity risk generated 16% of average Stressed VaR and foreign exchange risk accounted for 8% of average Stressed VaR.

Specific Risk Measures

Specific risk means the risk of loss on a position that could result from factors other than broad market movements and include event risk, default risk, and idiosyncratic risk. The Final Market Risk Capital Rule requires us to measure the specific risk for debt, equity and securitization positions using either our internal models (e.g., VaR, IRC, CRM) provided our regulators approve the use of these models to measure specific risk, or the standardized measurement method. The following three sections describe our specific risk measures.

Specific Risk Standard Charge

We calculate the specific risk standard charge on a quarterly basis under the standardized measurement method. It measures specific risk pursuant to fixed risk weights, which are prescribed by the Final Market Risk Capital Rule.

IRC Requirements

The IRC model will not be used for the calculation of our market risk regulatory capital until the model is approved by our regulators.

CRM Requirements

The CRM model is not applicable as we do not have correlation trading positions in our population of covered positions.

Regulatory VaR Back-testing

On a daily basis, we compare one-day 99% regulatory VaR to trading profits and losses excluding fees, commissions, reserves, net interest income, and intraday trading to determine the back test multiplier for VaR and Stressed VaR for purposes of calculating the market risk regulatory capital. This daily back-testing is also done at a subportfolio level and facilitates the assessment of the performance of our VaR model.

During the first quarter of 2013, our daily trading loss excluding fees, commissions, reserves, net interest income, and intraday trading did not exceed our calculated regulatory VaR amount of the overall portfolio of covered positions on any given day.

Additional information related to the Company is contained in the Company's reports filed with the Securities and Exchange Commission (the "SEC"), including the Annual Report on Form 10-K for the year ended December 31, 2012 (including the Annual Report to Shareholders (the "Annual Report") included with the 10-K) (the "2012 Form 10-K"), the Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, and the Current Reports on Form 8-K (each, a "'34 Act Report"). These periodic '34 Act Reports can be viewed, as they become available, on the SEC's website at www.sec.gov and at www.bnymellon.com. Information contained in '34 Act Reports that the Company makes with the SEC subsequent to the date of the March 31, 2013 Form 10-Q may modify, update and supersede the information contained in such Form 10-Q and provided in this document.

This document and the Company's '34 Act Reports referred to above contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our IRC model. Words such as "estimate," "forecast," "project," "anticipate," "confident," "target," "expect," "intend," "seek," "believe," "plan," "goal," "could," "should," "may," "will," "strategy," "opportunities," "trends" and words of similar meaning, signify forward-looking statements. These statements are based on the Company's current beliefs and expectations and are subject to significant risks and uncertainties that are subject to change based on various important factors (some of which are beyond the Company's control). Actual results may differ materially from those set forth in the forward-looking statements. Factors that could cause the Company's actual results to differ materially from those described in the forward-looking statements can be found in the "Risk Factors" section of the 2012 Form 10-K and the Company's other filings with the SEC. All forward-looking statements speak only as of the date on which such statements are made and the Company does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements.