INVESTOR DAY 2014: MARKETS GROUP

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Well, thank you, Curtis; and again, good morning to you, all. The Markets Group is a powerful story. We offer the most comprehensive set of securities finance and collateral management solutions. We're innovative. We're benefiting from market trends; and most importantly, we're driving profitable growth for our shareholders today.

The group was established in June of 2014 by bringing together the capabilities and talents of BNY Mellon's Global Collateral Services business, our Global Markets business and our Capital Markets business.

This newly formed business is dedicated to provide high value, high return to our clients and our shareholders.

This is a strategy that's already in motion and we're seeing positive results. So what are we doing? We're divesting off businesses where you are subscale, as Gerald mentioned before, that are not relevant to our clients, in order to focus our resources and our investments on what is important to our clients and provide appropriate return of capital to our shareholders.

Our recent announcements around the exit of the derivatives clearing and trading businesses are indications of the disciplined approach we'll impose in our portfolio on a consistent basis.

We're deepening our alignment with our Investment Services franchise; we have a client franchise that is the envy of the industry. We value our relationships with our clients and we strive to remain important to them by tailoring our solutions to help them meet their objectives. We're pivoting to places where we have competitive advantage, where regulation gives us a favored position. We're focused on manufacturing and distributing capital-efficient products and solutions to guide our clients through the complexities and evolving regulatory and capital adequacy framework.

We are right-sizing the business. The newly combined organization offers numerous opportunities to further streamline our structure and reduce redundant costs. We are convinced we have something very special, which will allow us to grow our Markets business at an attractive rate of between 8% and 10% and a profit margin of 40% plus.

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One last point, an important one, before I walk you through the details of how we are going to meet these objectives. Everything I share with you today is either in place or in final stages of implementation. We're generating value for our clients and our shareholders right now. And our plan is designed to maximize these benefits and make them even more meaningful to all concerned.

So, who are we? The Markets Group is a set of unique capabilities and solutions targeted to enhance and preserve the business performance of our Investment Services clients.

We are laser focused on four capabilities:

- Our securities finance business, which lends our clients' securities, provides collateral financing, allows them access to liquidity and transforms their assets by helping our clients finding appropriate assets to pledge against the obligations they've assumed.
- Our collateral management business, which is instrumental in helping clients segregate and optimize collateral utilizing our innovative and industry-leading technology. We provide the solutions to our clients to finance collateral, post-initial margin and collateralize any synthetic structure that they may be issuing. All these very important capabilities in a post Dodd-Frank/EMIR world.
- There's foreign exchange trading, where we offer an array of products to support cross-border investing of our Investment Services clients. We are transforming this business to a more e-centric model and offering a broad set of solutions such as currency administration, payment services; and improving transparency by building post-trade analytics for trade cost measurement purposes.
- And it's our capital markets business, offering a broad set of trading capabilities for Pershing and our institutional clients, including fixed income, equity trading as well as underwriting.

Markets is a significant contributor to Investment Services' financial performance, generating approximately $1.3 billion in high-margin revenues to the franchise.

Why are we focused on these capabilities? Well, we have significant scale in these businesses. As you can see on this slide, we've been growing across the board in building a strong base. The term loan book continues to grow at a rapid pace as clients search for new stable financing alternatives. We've posted a 38% CAGR in this, with expectations to grow and expand the collateral types we finance. We administer the world's largest securities lending program as measured by availability securities to lend. Assets on loans increased 2% between 2012 and 2014 during difficult markets.

Let me add some color here regarding the make-up of this business. BNY Mellon is the world's largest lender of fixed income securities as reported by market, which is a provider of securities financing benchmarks. This gives us an unrivaled access to high-quality assets to facilitate collateral transformation, a need that will grow in time as demand for high-quality liquid assets increase because of new regulations. It's the collateral management and segregation products that span 35 different markets. These capabilities, used by the world's most sophisticated broker-dealers, banks, intermediaries, sovereigns and hedge funds, have grown significantly. Collateral balances have increased 19% between 2012 and 2014. And our segregation balances were over $26 billion for the period ended September 2014. The surging growth can be attributed in part to increased demand for these solutions. And it's also a reflection of our innovative approach, our leadership and our experience in helping our clients in the area of equity financing solutions and posting initial margin for OTC derivatives.

This last graph depicts the growth of the FX franchise, which has reported an increase in trading volumes of 21% between 2012 and 2014. This is a business that is going through significant change across the industry, capturing volumes and connecting to liquidity venues, is and continues to be an important element for success. Our investments in electronic trading are driving an increase in trading volumes, which we expect to continue. And we expect to connect to further additional liquidity venues in the market. Our scale was great. However, you don't win with scale alone. We're especially proud of the recognition we've received as a leader in each of these core businesses. It's an exceptional combination of talent, ingenuity, products and scale which has allowed us to successfully benefit from these industry changes as well as reaffirm our position of relevance with our clients.

Our strategies and capabilities are focused on helping the asset gatherers of tomorrow right now today. In our view alternative managers, sovereign wealth funds and financial market infrastructures such as CME or ICE are all well positioned to benefit from structural changes transforming the world's financial markets by growing their asset base faster than others. So it goes without saying, we want to be where the assets are, and you can see that we're well positioned.

In the course of my presentation, I'm going to demonstrate how we're positioning and integrating our products and services in order to achieve a higher relevance and value to our clients, and importantly, our margins for BNY Mellon. Now, the success and effectiveness of markets is directly linked to our ability to connect to our invested services client base. A deep knowledge of the clients coupled with our industry expertise makes us a great partner.

I want to use this chart to make two points. Let's start by illustrating the deep and rich coverage of products vis-a-vis the segments we cover. As you can see, we have a complete and mature product set to offer both the buy and sell side. Now as many of you know, we've been providing collateral services to the sell side for decades. We have reengineered these capabilities to assist the buy side as they struggle to cope and comply with new regulatory requirements for collateral and segregation. This is just a great example of the innovative culture here at BNY Mellon.

We also want to demonstrate the stickiness and the occurrence of the revenue stream. We've ordered the horizontal axis with products and revenues derived. Now starting with collateral management, which is typically charged in basis points and average balances to FX and capital markets that benefit from a healthy mix of fee in spread basis to securities finance, which is typically spread based.

We are extremely well positioned in respect to the segments we cover with a mix of high-quality and high-margin products and services. While some of these products are available in limited manner elsewhere, our ability to integrate our products and deliver solutions that support our clients' changing business model is quite unique to us. That business model really is being changed driven by regulatory changes globally. It's creating structural change across the industry affecting the way traditional market participants interact with their clients, position their balance sheet, the way they deploy products, even the products they choose to distribute. These changes result in a diminished capacity for some of the traditional providers to service their clients. We, on the other hand, are well positioned to take advantage of these opportunities because we can provide our clients the ability to segregate and optimize their collateral, create innovative financing structures, promote safer financial market utilities, and offer an array of execution services and analytical tools.

Now EMIR and Dodd-Frank, while similar in their requirements for collateralization of cleared and uncleared derivatives and collateral segregation in general, they differ in a lot of levels. BNY Mellon has deployed an innovative product suite to support these requirements across the board by offering numerous segregation solutions across various jurisdictions. Our collateral management program is unrivaled from the prospective of mobilizing and unlocking any type of collateral, anywhere around the world. Our optimization technology leverages sophisticated algorithms to help clients match the right type of collateral for the right trade. The results being a marked decrease in the cost of funding for our clients. And this is also supplemented by our collateral financing securities lending capabilities that provide valuable alternatives and stable liquidity channels.

Basel III has also brought new challenges across the board from a capital and liquidity perspective which has fueled the need for collateral financing and collateral transformation, securities lending and liquidity services offerings. We are a highly rated counterparty and we have access to massive inventory securities, which we will utilize to assist with balance sheet management and overall securities financing needs of our clients.

And businesses with intermediate trading are facing increasing transparency issues with things like MiFID as one example. As a trust bank, our clients naturally value us for our partnership, and here again, we're well positioned to help market participants and our clients move forward toward a future where costs are reduced, trade processing made more efficient through electronic trading, and the deployment of insightful analytical tools.

These are just a few examples on how we are pivoting our capabilities and solutions to align with the future needs and the direction of the industry.

When it comes to understanding this and being in a position to deliver solutions to help our clients solve for these challenges, it is important to note that not all global custodians are created equal. This requires expertise in products and infrastructure to service both the buy and sell stocks side extremely well, being important to our clients transcends rolling out individual products – the ability to create unique solutions as detailed in the following slide.

I want to take this opportunity really to illustrate a client example, really showing how we're already benefiting from these current market trends.

This is an example of an alternative manager who historically was an asset servicing and prime brokerage client. As their business grew, they considered adding another prime broker. We saw this as an opportunity to efficiently deliver financing from both our
prime broker and the bank. The result was reduced financing costs for our client and the ability to increase the clients' portfolio performance and decrease their overall financing costs.

We've developed a unique solution that optimizes their use of collateral across their enterprise and leveraged multiple financing capabilities across our
franchise.

We've deployed innovative proprietary technology solutions that optimize their use of collateral much like we've done in sell side for decades. And we look to further expand this client into other trade execution services we offer.

We're very excited about the client success, and we're focused on continuing to deliver this unique set of capabilities, which will unlock value for other clients and positions our markets group to outperform. This is a clear and tangible example of the many transactions we're undertaking today and the rewards both our clients and BNY Mellon get with additional revenues and margin expansion.

Just to put this in perspective: this solution is a nine-fold increase to highly-profitable with relevant revenues growing this relationship from a single-digit to $20 million annual relationship. This is meaningful, meaningful impact for client and their ability to outperform and to BNY Mellon.

These transactions are scalable and we anticipate they'll contribute greatly to overall growth objectives.

In summary, we're very optimistic about where we see future growth as we leverage our core financing capabilities and add value by integrating our solutions, and as such, we intend to have complete alignment with our Investment Services client base and seek a deeper penetration of each of our clients by actively expanding those relationships. We also intend to increase return on capital by continuing to deploy capital-efficient products and solutions both for us and for our clients.

We are going to continue to invest in the Markets business and the areas that are capital-efficient and can support double-digit growth.

We're going to aggressively manage our expense base by eliminating redundant activities and unprofitable businesses where we can't make a difference.

We firmly believe that disciplined execution of this strategy results in a continued targeted growth rate in the 8% to 10% range with expected further upside as rates and volatility normalize.

The Markets Group has a really unique and deep set of capabilities that are important to our clients and to our industry at a unique moment in time, making us well positioned to create value for shareholders and our clients alike.

I thank you and I look forward to updating you on our continued progress in the future.

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