

# Second Quarter 2020

## *Financial Highlights*

July 15, 2020

# 2Q20 Financial Results

## PROFITS

- › Net Income: \$901 million
- › Diluted EPS: \$1.01

## RETURNS

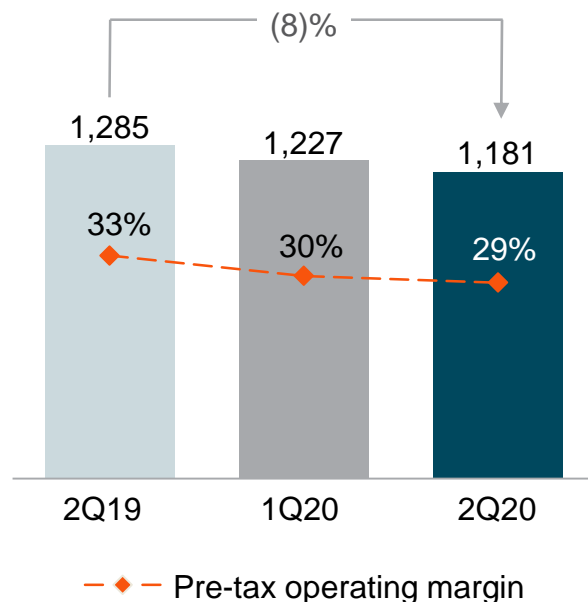
- › ROE: 9.4%
- › ROTCE: 18.5%<sup>(a)</sup>
- › Returned \$0.3 billion to shareholders in dividends<sup>(b)</sup>

## BALANCE SHEET

- › CET1: 12.6%
- › Tier 1 Leverage: 6.2%
- › Average LCR: 112%

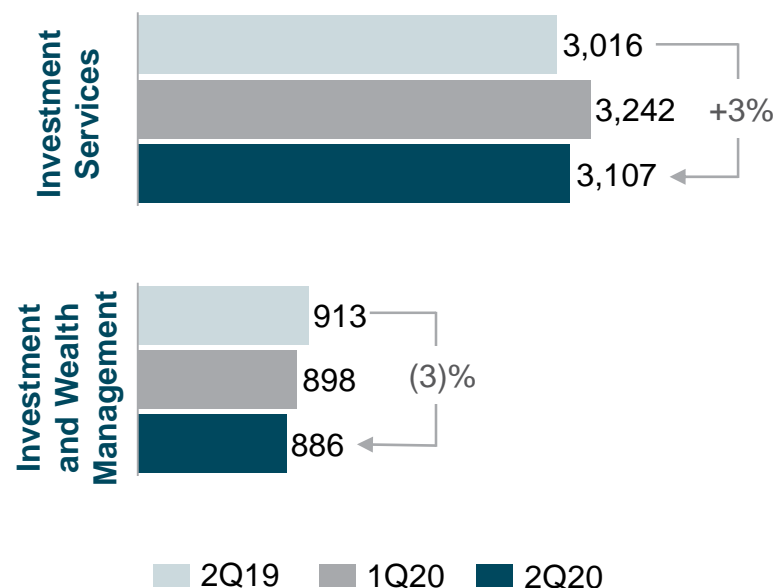
## PRE-TAX INCOME

(\$ millions)



## TOTAL REVENUE

(\$ millions)



- › Investment Services revenue up due to higher fee and other revenue, offset by MMF<sup>(c)</sup> fee waivers and lower net interest revenue
- › Investment and Wealth Management revenue primarily impacted by change in AUM mix, MMF fee waivers and lower net interest revenue
- › Provision for credit losses of \$143 million; no charge-offs and stable nonperforming assets
- › Expenses slightly higher
- › CCAR and DFAST results
  - › Maintaining quarterly cash dividend of \$0.31
  - › No share buybacks in 3Q20
  - › Stress capital buffer of 2.5% from October 1<sup>(d)</sup>

(a) Represents a non-GAAP measure. See page 14 for corresponding reconciliation of ROTCE (b) Share buybacks temporarily suspended for 2Q as announced jointly with the Financial Services Forum on March 15, 2020

(c) Money market fund (d) Final SCB expected to be confirmed by the Federal Reserve later in 2020

# 2Q20 Financial Highlights

(\$ millions, except per share data)

	2 Q 2 0	Δ 1 Q 2 0	Δ 2 Q 1 9
<b>TOTAL REVENUE</b>	<b>\$4,010</b>	<b>(2)%</b>	<b>2%</b>
<i>Fee revenue</i>	3,167	(5)	2
<i>Net interest revenue</i>	780	(4)	(3)
Provision for credit losses	143	N/M	N/M
Noninterest expense	2,686	(1)	1
Income before income taxes	1,181	(4)	(8)
<b>Net income applicable to common shareholders</b>	<b>\$901</b>	<b>(5)%</b>	<b>(7)%</b>
<b>EARNINGS PER COMMON SHARE</b>	<b>\$1.01</b>	<b>(4)%</b>	<b>- %</b>
Operating leverage <sup>(a)</sup>		(143) bps	72 bps
Pre-tax operating margin	29%	(44) bps	(334) bps
Return on common equity <i>(annualized)</i>	9.4%	(67) bps	(95) bps
Return on tangible common equity <i>(annualized)</i> <sup>(b)</sup>	18.5%	(182) bps	(266) bps

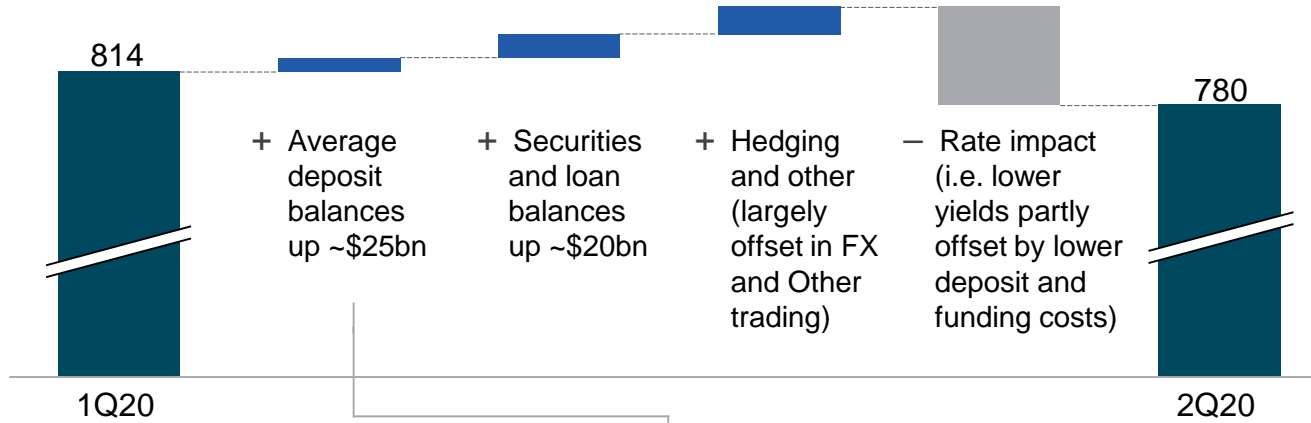
# Capital and Liquidity

	2 Q 20	1 Q 20	2 Q 19
Consolidated regulatory capital ratios: <sup>(a)</sup>			
Common Equity Tier 1 (“CET1”) ratio	12.6%	11.3%	11.1%
Tier 1 capital ratio	15.4	13.5	13.2
Total capital ratio	16.3	14.3	14.0
Tier 1 leverage ratio	6.2	6.0	6.8
Supplementary leverage ratio (“SLR”) <sup>(b)</sup>	8.2	5.6	6.3
Average liquidity coverage ratio (“LCR”)	112%	115%	117%
Book value per common share	\$44.21	\$42.47	\$40.30
Tangible book value per common share – non-GAAP <sup>(c)</sup>	\$23.31	\$21.53	\$20.45
Cash dividends per common share	\$0.31	\$0.31	\$0.28
Common shares outstanding ( <i>thousands</i> )	885,862	885,443	942,662

# Net Interest Revenue

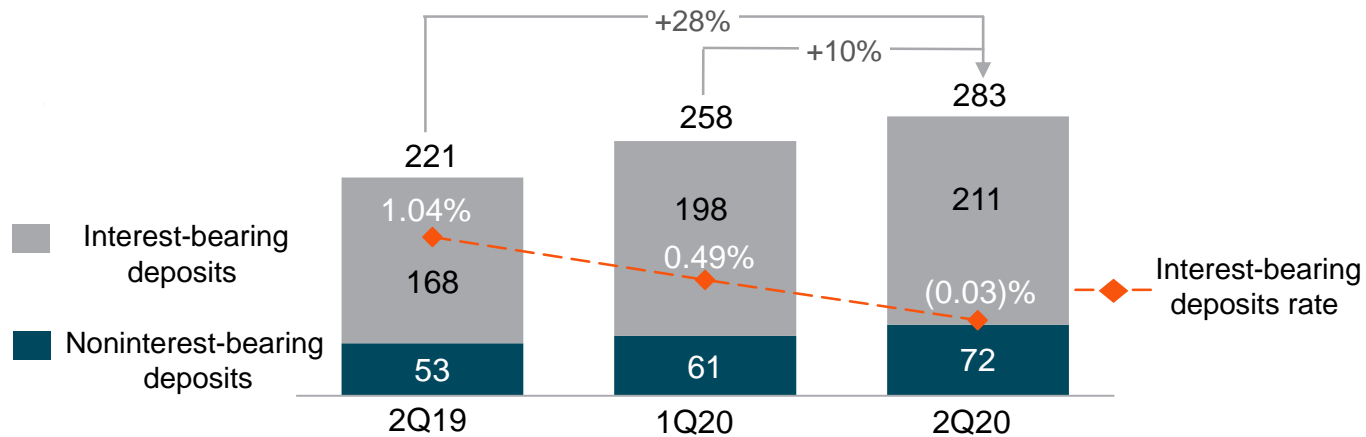
## DRIVERS OF SEQUENTIAL NIR CHANGE

(\$ millions)



## AVERAGE DEPOSITS

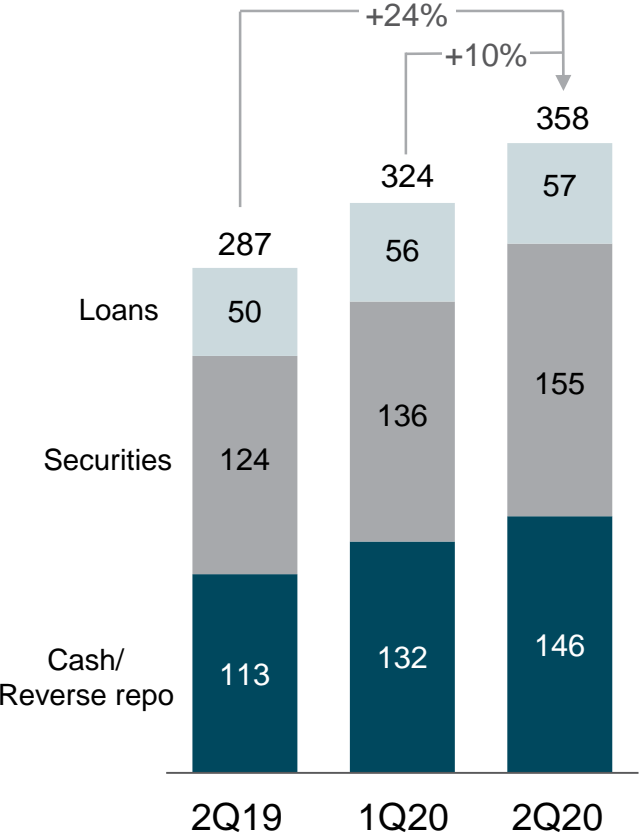
(\$ billions)



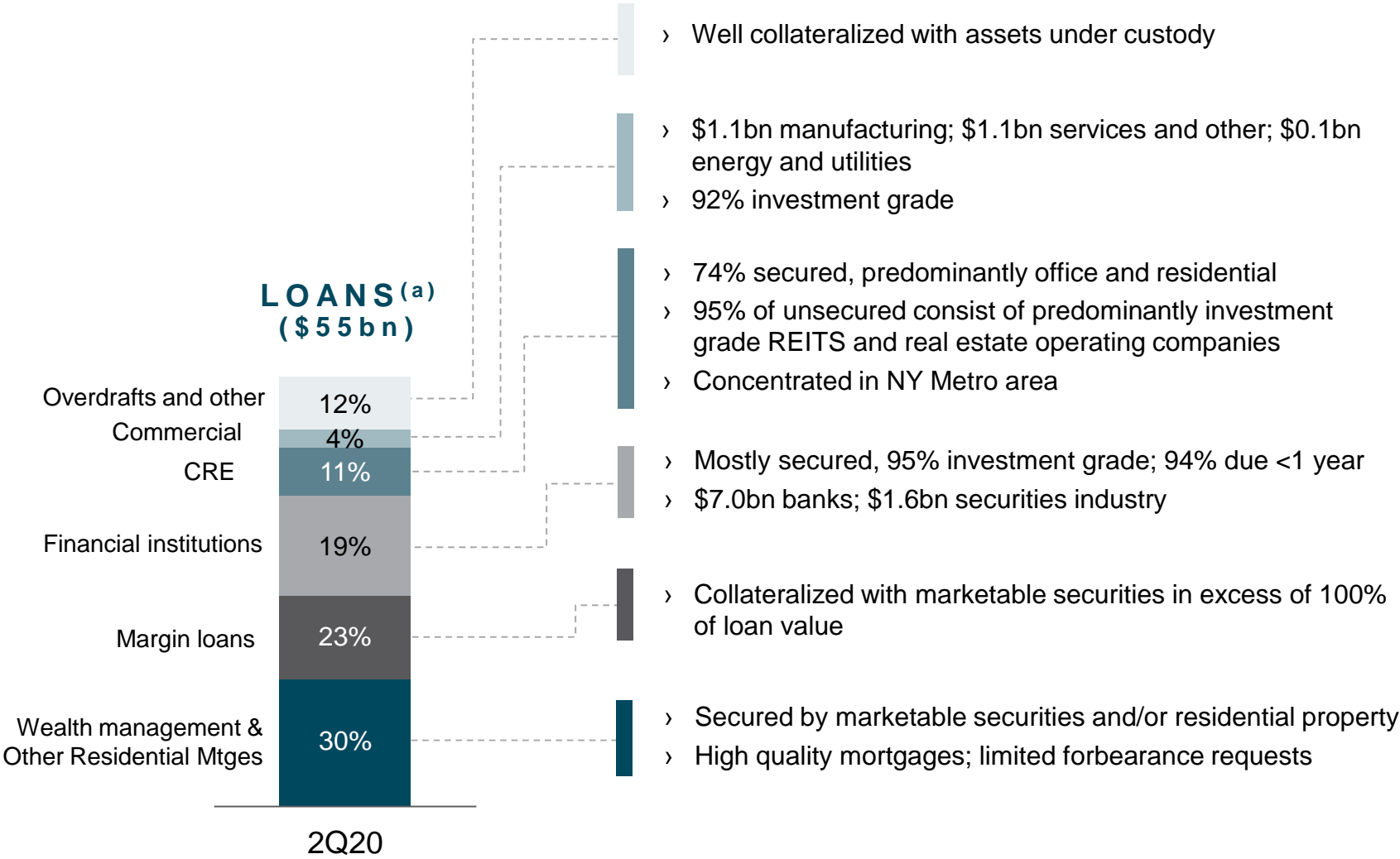
- › Client-driven deposit growth more than offset by impact of lower interest rates across the yield curve
- › Strong growth in average deposit balances sequentially and year-over-year
  - › Broad-based across all business lines and linked to operational and fee-generating activities
- › Negative interest-bearing deposits rate a result of significant growth in low rate USD deposits and negative rates on Euro denominated deposits
- › Incrementally deploying increasing deposits into investment securities

# Credit Risk Profile

## AVERAGE INTEREST-EARNING ASSETS (\$358 bn)



## LOANS (a) (\$55 bn)



(a) Preliminary data as of 6/30/20. May not foot due to rounding.  
Second Quarter 2020 – Financial Highlights

# Noninterest Expense

(\$ millions)	2 Q 2 0	△ 1 Q 2 0	△ 2 Q 1 9
Staff	\$1,464	(1)%	3%
Software and equipment	345	6	13
Professional, legal and other purchased services	337	2	-
Net occupancy	137	1	(1)
Sub-custodian and clearing	120	14	4
Distribution and servicing	85	(7)	(10)
Bank assessment charges	35	-	13
Business development	20	(52)	(64)
Amortization of intangible assets	26	-	(13)
Other	117	(16)	(3)
<b>Total noninterest expense</b>	<b>\$2,686</b>	<b>(1)%</b>	<b>1%</b>

- › Noninterest expenses up year-over-year
  - › Primarily reflecting continued investments in technology and higher staff and pension expenses, partially offset by lower business development (travel and marketing) expense and the favorable impact of a stronger U.S. dollar
  - › Technology expenses are included in staff, software and equipment and professional, legal and other purchased services

# Investment Services

<b>FINANCIAL HIGHLIGHTS</b> (\$ millions unless otherwise noted)	<b>2 Q 2 0</b>	<b>△ 1 Q 2 0</b>	<b>△ 2 Q 1 9</b>
<b>Total revenue by line of business:</b>			
Asset Servicing	\$1,463	(4)%	5%
Pershing	578	(11)	1
Issuer Services	431	3	(3)
Treasury Services	340	-	7
Clearance and Collateral Management	295	(2)	4
<b>Total revenue</b>	<b>3,107</b>	<b>(4)</b>	<b>3</b>
Provision for credit losses	145	N/M	N/M
Noninterest expense	1,989	-	1
<b>Income before taxes</b>	<b>\$973</b>	<b>(12)%</b>	<b>(8)%</b>
Pre-tax operating margin	31%	(279) bps	(370) bps

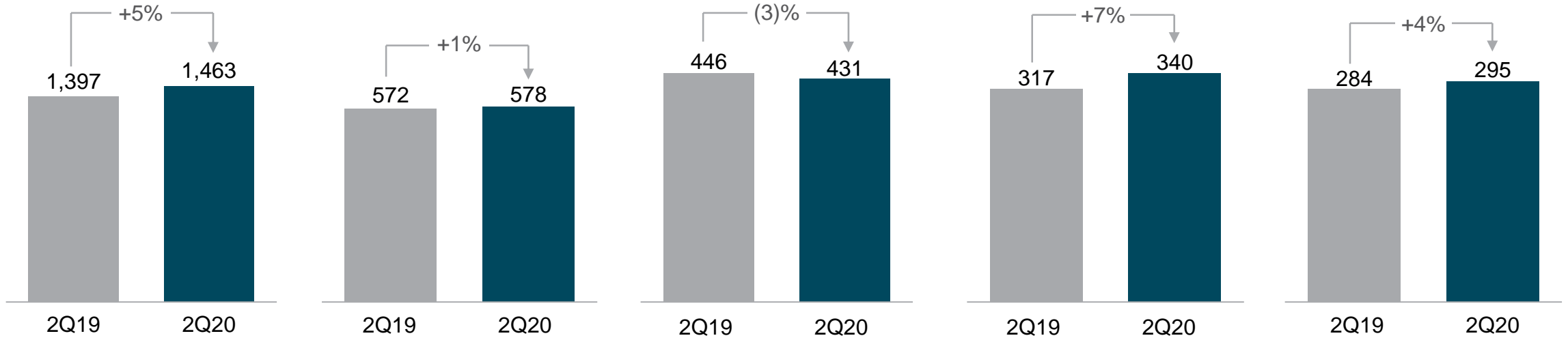
<b>KEY METRICS</b>			
Foreign exchange and other trading revenue	\$178	(32)%	16%
Securities lending revenue	51	11	28
Average loans	43,113	3	18
Average deposits	268,467	11	33
AUC/A at period end <i>(tr)</i> <sup>(a)</sup>	37.3	6	5
Market value of securities on loan at period end <i>(bn)</i> <sup>(b)</sup>	\$384	(1)%	4%
<b>Pershing</b>			
Net new assets (U.S. platform) <i>(bn)</i> <sup>(c)</sup>	\$11	N/M	N/M
Average active clearing accounts (U.S. platform) <i>(thousands)</i>	6,507	1	4
<b>Clearance and Collateral Management</b>			
Average tri-party collateral mgmt. balances <i>(tr)</i>	\$3.6	(4)%	5%

- › Asset Servicing up year-over-year on higher foreign exchange and other trading revenue, higher client volumes and a one-time fee, partially offset by lower net interest revenue
- › Pershing up due to higher MMF balances and clearing volumes, partially offset by the impact of rate-driven MMF fee waivers
- › Issuer Services down due to lower Depositary Receipts and Corporate Trust fees
- › Treasury Services up on higher net interest revenue and fees
- › Clearance and Collateral Management up due to higher net interest revenue and growth in collateral management and clearance volumes, mostly from non-U.S. clients
- › AUC/A of \$37.3 trillion up primarily reflecting higher client inflows, market values and new business, partially offset by the unfavorable impact of a stronger U.S. dollar



# Investment Services - Revenue Drivers

(\$ millions)



## ASSET SERVICING

- + FX and other trading revenue
- + Liquidity services
- + Client volumes
- + AUC/A
- + Deposit and loan balances
- Interest rates

## PERSHING

- + Money market fund balances
- + Clearing volumes
- Money market fund fee waivers

## ISSUER SERVICES

- + Depository Receipts cross border volumes
- + Corporate Trust new business
- Corporate Trust volumes
- Depository Receipts dividend fees

## TREASURY SERVICES

- + Deposit and loan balances
- + Liquidity services
- Payment volumes

## CLEARANCE AND COLLATERAL

- + Clearance volumes
- + Average tri-party balances
- + NIB deposits

# Investment and Wealth Management

<b>FINANCIAL HIGHLIGHTS</b> (\$ millions unless otherwise noted)	<b>2 Q 20</b>	<b>Δ 1 Q 20</b>	<b>Δ 2 Q 19</b>
<b>Total revenue by line of business:</b>			
Investment Management (formerly Asset Management)	\$621	- %	- %
Wealth Management	265	(5)	(9)
<b>Total revenue</b>	<b>886</b>	<b>(1)</b>	<b>(3)</b>
Provision for credit losses	7	N/M	N/M
Noninterest expense	658	(5)	-
<b>Income before taxes</b>	<b>\$221</b>	<b>14%</b>	<b>(15)%</b>
Pre-tax operating margin	25%	324 bps	(371) bps
Adjusted pre-tax operating margin – non-GAAP <sup>(a)</sup>	28%	345 bps	(433) bps

<b>KEY METRICS</b>			
Average loans	\$11,791	(3)%	(3)%
Average deposits	17,491	8	20
Wealth Management client assets <sup>(bn)</sup> <sup>(b)</sup>	\$254	8%	(1)%

<b>CHANGES IN AUM</b> <sup>(bn)</sup> <sup>(c)</sup>	<b>2 Q 20</b>	<b>1 Q 20</b>	<b>2 Q 19</b>
<b>Beginning balance</b>	<b>\$1,796</b>	<b>\$1,910</b>	<b>\$1,841</b>
Equity	(2)	(2)	(2)
Fixed income	4	-	(4)
Liability-driven investments	(2)	(5)	1
Multi-asset and alternatives investments	-	(1)	1
Index	9	3	(22)
Cash	11	43	2
<b>Total net inflows (outflows)</b>	<b>20</b>	<b>38</b>	<b>(24)</b>
Net market impact	143	(91)	42
Net currency impact	2	(61)	(16)
<b>Ending balance</b>	<b>\$1,961</b>	<b>\$1,796</b>	<b>\$1,843</b>

- › Investment Management (formerly Asset Management) decreased year-over-year primarily reflecting the unfavorable change in the mix of AUM since 2Q19 and the impact of MMF fee waivers, partially offset by equity investment gains (net of hedges), including seed capital
- › Wealth Management down primarily reflecting lower net interest revenue and a shift within portfolios to lower fee asset classes
- › Noninterest expense increased slightly primarily reflecting higher continued investments in technology
- › AUM of \$2.0 trillion up primarily reflecting higher market values and net inflows, partially offset by the unfavorable impact of a stronger U.S. dollar

# Other Segment

<b>FINANCIAL HIGHLIGHTS</b> <i>(\$ millions unless otherwise noted)</i>	<b>2 Q 20</b>	<b>1 Q 20</b>	<b>2 Q 19</b>
Fee revenue	\$29	\$21	\$24
Net securities gains	9	9	7
<b>Total fee and other revenue</b>	<b>38</b>	<b>30</b>	<b>31</b>
Net interest (expense)	(36)	(44)	(40)
<b>Total revenue (loss)</b>	<b>2</b>	<b>(14)</b>	<b>(9)</b>
Provision for credit losses	(9)	11	(2)
Noninterest expense	39	30	29
<b>(Loss) before taxes</b>	<b>\$(28)</b>	<b>\$(55)</b>	<b>\$(36)</b>

- › Fee revenue increased year-over-year primarily reflecting higher equity investment income, partially offset by sequentially lower foreign currency translation gains
- › Net interest expense decreased year-over-year primarily reflecting corporate treasury activity
- › Noninterest expense increased year-over-year reflecting higher staff expense

# Appendix

# Footnotes

## 2Q20 Financial Highlights, Page 3

- (a) Operating leverage is the rate of increase (decrease) in total revenue less the rate of increase (decrease) in total noninterest expense.
- (b) See page 14 for corresponding reconciliation of this non-GAAP measure.

## Capital and Liquidity, Page 4

- (a) Regulatory capital ratios for June 30, 2020 are preliminary. For our CET1, Tier 1 capital and Total capital ratios, our effective capital ratios under the U.S. capital rules are the lower of the ratios as calculated under the Standardized and Advanced Approaches, which for June 30, 2020 and June 30, 2019 was the Advanced Approaches, and for March 31, 2020 was the Standardized Approach for the CET1 and Tier 1 capital ratios and the Advanced Approaches for the Total capital ratio.
- (b) Reflects the application of a new rule effective April 1, 2020 to exclude certain central bank placements as well as the temporary exclusion of U.S. Treasury securities from the leverage exposure used in the SLR calculation. The temporary exclusion of U.S. Treasury securities from the SLR's leverage exposure increased our SLR by 40 basis points.
- (c) Tangible book value per common share – non-GAAP – excludes goodwill and intangible assets, net of deferred tax liabilities. See page 14 for corresponding reconciliation of this non-GAAP measure.

## Investment Services, Page 8

- (a) Current period is preliminary. Includes the AUC/A of CIBC Mellon Global Securities Services Company ("CIBC Mellon"), a joint venture with the Canadian Imperial Bank of Commerce, of \$1.3 trillion at June 30, 2020, \$1.2 trillion at March 31, 2020 and \$1.4 trillion at June 30, 2019.
- (b) Represents the total amount of securities on loan in our agency securities lending program managed by the Investment Services business. Excludes securities for which BNY Mellon acts as agent on behalf of CIBC Mellon clients, which totaled \$62 billion at June 30, 2020, \$59 billion at March 31, 2020 and \$64 billion at June 30, 2019.
- (c) Net new assets represents net flows of assets (e.g., net cash deposits and net securities transfers) in customer accounts in Pershing LLC, a U.S. broker-dealer.

## Investment and Wealth Management, Page 10

- (a) Net of distribution and servicing expense. See page 15 for corresponding reconciliation of this non-GAAP measure.
- (b) Current period is preliminary. Includes AUM and AUC/A in the Wealth Management business.
- (c) Current period is preliminary. Excludes securities lending cash management assets and assets managed in the Investment Services business.

# Return on Common Equity and Tangible Common Equity Reconciliation

(\$ millions)	2 Q 20	1 Q 20	2 Q 19
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	\$901	\$944	\$969
Add: Amortization of intangible assets	26	26	30
Less: Tax impact of amortization of intangible assets	6	6	7
Adjusted net income applicable to common shareholders of The Bank of New York Mellon Corporation, excluding amortization of intangible assets – non-GAAP	\$921	\$964	\$992
Average common shareholders' equity	\$38,476	\$37,664	\$37,487
Less: Average goodwill	17,243	17,311	17,343
Average intangible assets	3,058	3,089	3,178
Add: Deferred tax liability – tax deductible goodwill	1,119	1,109	1,094
Deferred tax liability – intangible assets	664	666	687
Average tangible common shareholders' equity – non-GAAP	\$19,958	\$19,039	\$18,747
Return on common equity ( <i>annualized</i> ) – GAAP	9.4%	10.1%	10.4%
Return on tangible common equity ( <i>annualized</i> ) – non-GAAP	18.5%	20.4%	21.2%

# Book Value and Tangible Book Value Per Common Share Reconciliation

(\$ millions, except common shares)	June 30, 2020	March 31, 2020	June 30, 2019
BNY Mellon shareholders' equity at period end – GAAP	\$43,697	\$41,145	\$41,533
Less: Preferred stock	4,532	3,542	3,542
BNY Mellon common shareholders' equity at period end – GAAP	39,165	37,603	37,991
Less: Goodwill	17,253	17,240	17,337
Intangible assets	3,045	3,070	3,160
Add: Deferred tax liability – tax deductible goodwill	1,119	1,109	1,094
Deferred tax liability – intangible assets	664	666	687
BNY Mellon tangible common shareholders' equity at period end – non-GAAP	\$20,650	\$19,068	\$19,275
Period-end common shares outstanding ( <i>in thousands</i> )	885,862	885,443	942,662
Book value per common share – GAAP	\$44.21	\$42.47	\$40.30
Tangible book value per common share – non-GAAP	\$23.31	\$21.53	\$20.45

## Pre-tax Operating Margin Reconciliation – Investment and Wealth Management Business

(\$ millions)	2 Q 2 0	1 Q 2 0	2 Q 1 9
Income before income taxes – GAAP	\$221	\$194	\$260
Total revenue – GAAP	\$886	\$898	\$913
Less: Distribution and servicing expense	86	91	94
Adjusted total revenue, net of distribution and servicing expense – non-GAAP	\$800	\$807	\$819
Pre-tax operating margin – GAAP <sup>(a)</sup>	25%	22%	29%
Adjusted pre-tax operating margin, net of distribution and servicing expense – non-GAAP <sup>(a)</sup>	28%	24%	32%

(a) Income before income taxes divided by total revenue.  
Second Quarter 2020 – Financial Highlights

# Cautionary Statement

A number of statements in The Bank of New York Mellon Corporation's (the "Corporation") presentations, the accompanying slides and the responses to your questions are "forward-looking statements." Words such as "estimate," "forecast," "project," "anticipate," "likely," "target," "expect," "intend," "continue," "seek," "believe," "plan," "goal," "could," "should," "would," "may," "might," "will," "strategy," "synergies," "opportunities," "trends," "future" and words of similar meaning may signify forward-looking statements. These statements relate to, among other things, the Corporation's expectations regarding: capital plans, strategic priorities, financial goals, organic growth, performance, organizational quality and efficiency, investments, including in technology and product development, capabilities, resiliency, revenue, net interest revenue, fees, expenses, cost discipline, sustainable growth, company management, deposits, interest rates and yield curves, securities portfolio, taxes, business opportunities, divestments, volatility, preliminary business metrics and regulatory capital ratios and statements regarding the Corporation's aspirations, as well as the Corporation's overall plans, strategies, goals, objectives, expectations, outlooks, estimates, intentions, targets, opportunities and initiatives, including the potential effects of the coronavirus pandemic on any of the foregoing. These forward-looking statements are based on assumptions that involve risks and uncertainties and that are subject to change based on various important factors (some of which are beyond the Corporation's control).

Actual outcomes may differ materially from those expressed or implied as a result of a number of factors, including, but not limited to, those discussed in "Risk Factors" in the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the "First Quarter 2020 Form 10-Q") and the Corporation's Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Annual Report") and in other filings of the Corporation with the Securities and Exchange Commission (the "SEC"). Statements about the effects of the current and near-term market and macroeconomic outlook on the Corporation, including on its business, operations, financial performance and prospects, may constitute forward-looking statements, and are based on assumptions that involve risks and uncertainties and that are subject to change based on various important factors (some of which are beyond the Corporation's control), including the scope and duration of the pandemic, actions taken by governmental authorities in response to the pandemic, and the direct and indirect impact of the pandemic on the Corporation, its clients, customers and third parties. Preliminary business metrics and regulatory capital ratios are subject to change, possibly materially, as the Corporation completes its Form 10-Q for the second quarter of 2020. All forward-looking statements speak only as of July 15, 2020, and the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after that date or to reflect the occurrence of unanticipated events. For additional information regarding the Corporation, please refer to the Corporation's SEC filings available at [www.bnymellon.com/investorrelations](http://www.bnymellon.com/investorrelations).

**Non-GAAP Measures:** In this presentation we discuss some non-GAAP measures in detailing the Corporation's performance, which exclude certain items or otherwise include components that differ from GAAP. We believe these measures are useful to the investment community in analyzing the financial results and trends of ongoing operations. We believe they facilitate comparisons with prior periods and reflect the principal basis on which the Corporation's management monitors financial performance. Additional disclosures relating to non-GAAP measures are contained in the Corporation's reports filed with the SEC, including the First Quarter 2020 Form 10-Q and the 2019 Annual Report, and are available at [www.bnymellon.com/investorrelations](http://www.bnymellon.com/investorrelations).



