

## **The Bank of New York Mellon Corporation**

### **Supplementary Leverage Ratio – Q2 2014**

The following provides additional information about the Supplementary Leverage Ratio and its impact on The Bank of New York Mellon Corporation (“BNY Mellon”) as of June 30, 2014.

#### *Background on the Supplementary Leverage Ratio*

In July 2013, the U.S. federal banking agencies finalized the Basel III-based capital rules in the U.S. (the “Final Capital Rules”). Among other new requirements, the Final Capital Rules introduced a 3% supplementary leverage ratio (“SLR”) for all Advanced Approaches banking organizations. The SLR becomes effective as a binding ratio on Jan. 1, 2018, although commencing in January 2015 each Advanced Approaches banking organization is required to calculate and report its SLR. Unlike the Tier 1 leverage ratio that has long applied to U.S. banking organizations, the SLR includes certain off-balance sheet exposures in the denominator, including the notional amount of commitments and potential future exposure of derivative contracts.

In April 2014, the U.S. federal banking agencies adopted an “enhanced” SLR for banking organizations with total consolidated assets of more than \$700 billion or assets under custody of more than \$10 trillion, as well as their depository institution subsidiaries. The enhanced SLR would apply to the eight U.S. banking organizations that have been identified as G-SIBs by the Financial Stability Board as global systemically important banks (“G-SIBs”) (including BNY Mellon) and their insured depository institution subsidiaries. The enhanced SLR requires BNY Mellon and the other U.S. G-SIB bank holding companies to maintain a 2% buffer over the minimum 3% SLR for a total 5% SLR in order to avoid certain restrictions on capital distributions and discretionary bonus payments. In addition, the eight U.S. G-SIBs’ insured depository institution subsidiaries, regardless of the amount of their consolidated assets or assets under custody, must maintain a 6% SLR to be deemed “well-capitalized” under the “prompt corrective action” framework. The final enhanced SLR rule for U.S. G-SIBs, like the SLR more generally applicable to all Advanced Approaches banking organizations, will become effective on Jan. 1, 2018.

The Basel Committee finalized changes to the denominator of the Basel III leverage ratio in January 2014. These modifications would change the exposure measurement methodology for the on-balance sheet assets and off-balance sheet activities of banking organizations subject to the SLR. Among other changes, the final Basel III denominator allows daily averaging for leverage ratio calculations and adopts more favorable “credit conversion factors” for commitments. In April 2014, the U.S. federal banking agencies issued a notice of proposed rulemaking (“NPR”) to modify the SLR denominator in the U.S. to align with the final Basel III changes to the leverage ratio denominator. The proposed changes would apply to all Advanced Approaches banking organizations subject to the SLR and all the G-SIBs and their insured depository institution subsidiaries subject to the enhanced SLR. The rules proposed in the NPR were finalized on September 3, 2014 with certain revisions and clarifications including using the average of three month-end calculations for off-balance sheet items. Consistent with the NPR,

the final rules do not exempt or limit any categories of balance sheet assets, such as central bank deposits, from the denominator of the SLR.

*Estimate of Supplementary Leverage Ratio – Q2 2014*

Based on our current understanding of the Final Capital Rules, including the NPR, and the revised Basel framework, BNY Mellon estimates that its enhanced SLR would have been approximately 4.7% (Non-GAAP) at June 30, 2014. This estimated enhanced SLR assumes a fully phased-in Basel III Tier 1 capital numerator and a denominator that represents total leverage exposure. Total leverage exposure is estimated by taking the total average on-balance sheet assets, less amounts permitted to be deducted for Tier 1 capital (primarily adjustments for goodwill and intangibles), and adding certain off-balance sheet exposures, such as undrawn commitments and the potential future exposure of derivatives contracts. The estimated enhanced SLR as of June 30, 2014 is calculated consistent with the NPR, except that off-balance sheet exposures included in total leverage exposure reflect the end of period measures, not the daily average.

The estimated enhanced SLR is a non-GAAP financial measure that BNY Mellon considers to be a useful measure for evaluating compliance with new regulatory capital requirements that have not yet become effective. The estimated enhanced SLR, which is based upon BNY Mellon's current interpretation and expectations regarding the NPR, remains subject to ongoing review and revision and may evolve as we discuss our interpretation and application with our regulators. The revised denominator of the enhanced SLR is based on the NPR and may change based on the final rules issued by the U.S. federal banking agencies. As a result, BNY Mellon's expectations regarding the estimated enhanced SLR are subject to risks and uncertainties (some of which are beyond BNY Mellon's control) that may cause actual results to differ materially from estimates based on the proposed denominator revisions. The expectations should not be taken as a projection of what the SLR or earnings or assets will actually be at future dates. Factors that could cause BNY Mellon's results to differ materially can be found in the risk factors set forth in BNY Mellon's Annual Report on Form 10-K for the year ended December 31, 2013 and BNY Mellon's other filings with the Securities and Exchange Commission. All statements in this document speak only as of the date of this document, and BNY Mellon undertakes no obligation to update any statement to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.