

**BUILDING ON**

**TRUST EXECUTION GROWTH OPPORTUNITY**  
INNOVATION CLIENTS RESILIENCE EFFICIENCY  
CULTURE SOLUTIONS TALENT TRANSFORMATION

RESILIENCE **DEAR** OPPORTUNITY CLIENTS W  
CIENCY TRUST **FELLOW** COMPANY GROWTH  
TALENT CULTURE **SHAREHOLDERS,** EXECUTIO



**Robin Vince**  
总裁兼  
首席执行官

去年是我担任 BNY Mellon 首席执行官的第一年。我很荣幸能够领导这家拥有辉煌的历史、令人羡慕的特许经营权，并且在世界资本市场处于中心地位的公司。

240 年来，BNY Mellon 推动了现代金融体系的许多重大发展。BNY Mellon 最初由 Alexander Hamilton 以 50 万美元的资产创立，如今已成为全球金融服务领域的一位领导者。它拥有多条业务线，我们由此为客户管理、转移和保护近 50 万亿美元的资产，这些客户包括政府、养老基金、共同基金、工会、捐赠基金、企业、金融服务公司和全球人民。

## 全球影响力和规模

# 47.8 万亿美元

资产托管和 / 或管理规模<sup>1</sup>

# 2.0 万亿美元

资产管理规模<sup>2</sup>

# 12.5 万亿美元

日均清算值<sup>3</sup>

# 5.7 万亿美元

平均第三方余额<sup>3</sup>

# 2.4 万亿美元

日均美元支付额<sup>3</sup>

# 3120 亿美元

财富管理客户资产<sup>4</sup>

我们在金融体系中扮演的独特角色——涉及全球约五分之一的可投资资产——赋予了我们巨大的责任，我们的成功不仅对客户成功至关重要，而且对全球经济也至关重要。

这种责任每天都在激励着我们。帮助我们的客户实现他们的宏伟目标。让他们获得最前沿的效率，同时考虑到各种风险——从宏观经济变化到网络威胁。改善财务表现，为我们的股东谋利益。并确保我们的员工有资源和动力为自己的工作感到自豪，不断推动我们前进。

尽管如此，我和我的许多利益相关者一样，都认为我们蕴藏着未开发的潜力。当我思考 BNY Mellon 带给我们的属性时——从我们在业务上的行业领先地位，到我们庞大的客户群，再到我们在推动金融未来方面的重要作用——我知道，要使我们成为一家充分释放潜力的公司，还有很多工作要做。

在去年的寄语中，我思考了关于公司未来的一系列问题，这些问题奠定了我们领导团队过去一年集体工作的基础。我们现在已经更清晰地确定了公司将继续保持优势的领域，更重要的是，在这些领域，我们看到了加快增长、为未来更好地做好准备的机会。

我们的工作之一是组建一支强大的人才队伍，并把他们放在正确的位置上，以创造必要的价值。虽然这项工作永远不会结束，但我们已经采取了一些重要的措施来充实我们的顶级人才队伍。

整个 2023 年，我们同时在几个方面发力，因为我们坚持加快组织的内部节奏，提供卓越的财务业绩，同时为将持续多年的转型奠定一定的基础。在执行这项工作时，我们提出了三个战略支柱来指导我们：

- 为客户做得更多
- 把公司经营得更好
- 巩固我们的文化

<sup>1</sup> 截至 2023 年 12 月 31 日。包括托管和/或管理资产（以下简称“AUC/A”），主要来自资产服务业务，以及在更小范围内，包括清算和抵押品管理、发行人服务、Pershing 和财富管理业务。包括 CIBC Mellon 全球证券服务公司（以下简称“CIBC Mellon”）的 AUC/A，该公司是一家与 Canadian Imperial Bank of Commerce 合营的合资企业，截至 2023 年 12 月 31 日规模达 1.7 万亿美元。

<sup>2</sup> 截至 2023 年 12 月 31 日。不包括投资和财富管理业务部门之外的管理资产。

<sup>3</sup> 截至 2023 年 12 月 31 日的年度平均值。

<sup>4</sup> 截至 2023 年 12 月 31 日。包括财富管理业务部门的资产管理规模和 AUC/A。

这些支柱不是一场关于我们能做什么的自上而下的咨询指导活动，相反，它们是对我们目前以什么为中心，以及未来必须以什么为中心的表达。客户至上、出色的执行力，以及不断提醒我们，是我们的员工使我们成功。我们对公司各个团队拥抱这些支柱的方式感到欣慰，它们在公司内部的影响已经显而易见。

## 我们广泛的客户 特许经营权

91%

的《财富》100强企业

92%

的前100家投资管理机构

94%

的100强银行

资料来源：《财富》100强企业榜单：2023年《财富杂志》，Time Inc. ©2023；投资管理机构：养老金和投资，截至2022年12月31日管理的全球资产；P&I Crain Communications Inc. ©2023；银行：S&P Global，截至2022年12月31日的资产总额\*，©2023 S&P Global；客户渗透率评估基于客户公司或母公司/控股公司2023年的正收入。  
\*根据 S&P Global 的数据，为了即将进行的合并、收购和资产剥离，以及在报告期结束后至2023年3月31日期间完成的并购交易，尽力对公司资产进行了调整。非美元提交人报告的资产按期末汇率换算成美元。总资产按“报告现状”的原则计算，没有根据不同的会计准则进行调整。没有根据不同的会计准则进行调整。大部分银行按截至2022年12月31日的总资产排名，数据于2023年4月12日编制完成。

# 财务业绩和 2024年优先事项

## 市场地位

### 证券服务

#1

全球托管人<sup>1</sup>

#1

全球发行人服务提供商<sup>2</sup>

#1

前五大

#1

### 市场和财富服务

经纪交易商清算公司以及  
前三大注册投资顾问  
(RIA) 托管人<sup>3</sup>

全球美元支付清算机构<sup>4</sup>

全球清算和抵押品  
管理提供商<sup>5</sup>

### 投资和财富管理

前15大

全球资产管理人<sup>6</sup>

前十大

美国私人银行<sup>7</sup>

<sup>1</sup> 排名基于最新的同行公司备案资料。参与排名分析的同行公司包括：State Street、JPMorgan Chase、Citigroup、BNP Paribas、HSBC、Northern Trust 以及 RBC。

<sup>2</sup> 本文引用的 2023 年全年交易量数据包括 BNY Mellon 积极参与以及公共受托人和/或付款代理数据市场可用市场中的长期计划和独立债券发行数据。来源包括：Refinitiv、Dealogic、Asset-Backed Alert 和 Concept ABS。存托凭证市场份额排名第一是根据 BNY Mellon 内部分析得出。

<sup>3</sup> LaRoche Research Partners，《2022 年美国经纪交易商清算关系变化》，基于经纪交易客户的数量。根据 Cerulli Associates 发布的《Cerulli 报告：2023 年美国注册投资顾问 (RIA) 市场》(Cerulli Report, U.S. RIA Marketplace 2023) 得出的 RIA 排名。

<sup>4</sup> 清算所 (The Clearing House)。基于截至 2023 年 12 月 31 日本年度的清算所银行间支付系统 (CHIPS) 交易量。

<sup>5</sup> 截至 2023 年 6 月的 Finadium 市场分析。

<sup>6</sup> 《养老金与投资》(Pensions & Investments)，2023 年 10 月 23 日。按照截至 2022 年 12 月 31 日的全球资产管理总额排名。

<sup>7</sup> 基于公司备案资料和《2022 年 Cerulli 报告》(The Cerulli Report, 2022)。按照截至 2022 年 12 月 31 日的财富管理资产管理排名。

## 实现 2023 年目标

过去一年的特点是通胀路径发生了重大变化，经济学家现在预测，许多发达经济体的央行将在 2024 年降息。美国市场对这一转向的前景反应热烈，S&P 500 指数截至 2023 年上涨 24%。

尽管如此，过去一年出现了许多全球性挑战，从地区银行业的动荡到地缘政治危机，等等。我们看到的是一个喜忧参半的经济格局，尤其是在美国以外的地区，欧洲的经济增长基本持平，而中国在从人口到房地产等几个方面仍然负担沉重。在全球范围内，生成式人工智能 (AI) 的步伐加快是 2023 年的另一个分水岭，引发了一系列问题——从提高生产力的巨大潜力，到考虑和管理新风险的巨大治理需求，再到对劳动力市场的潜在影响。我们正在接纳这些问题，由于未来几年要为公司探索 AI 领域的机会，我们还有大量工作要做。

我们今年的业绩不仅凸显了 BNY Mellon 特有的适应力，而且还展示了当我们确保适当的组织和专注时的执行力优势。我们公布的每股收益 (EPS) 为 3.87 美元，收入为 175 亿美元，同比增长 7%，支出为 133 亿美元，同比增长 2%，普通股股本回报率为 9%。根据重要项目的影响调整后，每股收益为 5.05 美元，增长 10%，收入为 177 亿美元，同比增长 5%，支出为 123 亿美元，有形普通股股本回报率为 22%。<sup>1,2</sup>

去年年初，我们提出了 2023 年的三大财务目标：

- 首先，我们预期净利息收入同比增长 20%——**我们实际实现了 24% 的增长。**
- 其次，我们计划在 2023 年将 2022 年固定汇率支出增长率减半至约年同比 4%（不包括重要项目）——**我们的实际增长率为 2.7%。<sup>3</sup>**
- 第三，我们寻求通过股息和回购将 2023 年收益的 100% 以上返还给普通股股东——**我们实际按 127% 执行。**

我们正以积极而谦逊的态度对待公司的发展。我们不可能事事顺利。虽然我们仍处于发挥公司最大潜力的征程开端，但过去一年的初步证据表明，我们不仅有能力履行承诺，而且有能力超越承诺，这确实给了我们信心，我们可以影响有意义的改变，并随着时间的推移不断改善我们的财务业绩。

<sup>1</sup> 调整后 (Non-GAAP) 指标不包括重要项目。

请参阅《补充信息：GAAP 和非 GAAP 财务指标的解释》(Supplemental Information: Explanation of GAAP and non-GAAP financial measures)，从第 111 页开始，了解对账情况。

<sup>2</sup> 非 GAAP 指标“有形普通股股本回报率”不包括商誉和无形资产，扣除递延所得税负债。

请参阅《补充信息：GAAP 和非 GAAP 财务指标的解释》(Supplemental Information: Explanation of GAAP and non-GAAP financial measures)，从第 111 页开始，了解对账情况。

<sup>3</sup> 调整后 (非 GAAP) 固定汇率支出增长率不包括重要项目和货币折算。

请参阅《补充信息：GAAP 和非 GAAP 财务指标的解释》(Supplemental Information: Explanation of GAAP and non-GAAP financial measures)，从第 111 页开始，了解对账情况。

## 证券服务

我们的证券服务部门是我们最大的部门，而且我们看到了该业务未来进一步成长和盈利的能力。在过去两年中，我们将税前利润率从 2021 年的 21% 提高到 2023 年的 25%。我们的中期目标是税前利润率达到 30%，虽然我们承认下一阶段的增长将需要更加努力的工作，但我们有明确的计划来实现这一目标。

- **降低服务成本：**客户依靠我们来帮助他们提高效率，而在这样做的过程中，我们自己也提高了效率。2023 年，我们对主要客户进行了一项调查，结果显示，绝大多数客户将我们视为合作伙伴以实现战略目标并支持长期业务需求。在此基础上，我们将继续投资托举几个支持核心服务的平台，并专注于减少效率低下的流程。
- **采用更具战略性的策略来加深客户关系：**这包括使用增强的工具来更好地了解客户行为、服务质量、经济性和收入机会，以扩大钱包份额并改善客户成果。
- **加快潜在增长：**通过在 ETF 服务领域的大量投资，我们已成为全球市场的主要提供商，并希望通过持续创新保持强劲势头。同样，我们已经在快速增长的私人市场领域建立了稳固地位，我们正在继续优化我们的产品，扩大我们的能力。

## 市场和财富服务

在市场和财富服务方面，我们的重点是在不影响盈利能力的情况下，通过对客户平台的审慎投资来推动增长。该领域包括三项业务：Pershing、资金服务和清算和抵押品管理业务。

Pershing 受益于其在美国财富市场的强势地位，美国财富市场是金融服务业增长最快的领域之一。尽管近期我们的一些客户面临不利因素，但我们相信，随着时间的推移，我们在核心平台和客户体验方面的投资将进一步推动市场份额的增长，包括在不断增长的 10 亿美元+ RIA 和混合经纪交易商市场。此外，我们的财富咨询平台 Wove 继续保持增长势头，我们正在从现有客户和新机会中获取业务，以提供我们的平台、数据和投资解决方案。

在资金服务方面，我们继续受益于在金融机构的强势地位。我们是全球前五大美元支付清算公司之一，平均每天清算约 2.4 万亿美元的美金支付。在这一强势地位的基础上，我们有选择地通过瞄准新客户、地域和产品细分领域来扩大我们的业务范围。例如，我们一直在扩大能力，以推动在电子商务和非银行金融机构领域的业务增长，而且，我们的支付平台持续数年的服务提升顺利完成，预计将通过几个地区的增长推动我们的 SWIFT 市场份额的增加。

我们的清算和抵押品管理业务在金融市场中扮演着特殊的角色，是美国政府证券交易结算的主要提供商，也是全球最大的抵押品管理公司。我们相信，通过继续推出新的灵活的抵押品管理解决方案，使我们的客户能够满足其不断增长的流动性需求，并通过继续提高全球客户场所的抵押品流动性和优化，这项业务可以保持其健康的成长轨迹。



## 投资和 财富管理

投资和财富管理仍然是公司的一个重要业务部门。虽然这些业务受到市场环境、客户去风险化以及投资管理业务剥离的影响，但我们已采取行动，为未来的增长做好准备。

我们认识到，在这一领域还有很多工作要做，我们一直在为提高整个投资管理业务的可扩展性和效率打基础，重点是消除碎片化的流程，向集成的平台和解决方案迈进。

我们看到了充分发挥我们分销能力的巨大潜力，因此我们正在创建一个全公司范围的分销平台，将内部产品与精选第三方管理公司的产品相结合，提供一流的解决方案。在财富管理方面，我们正在进一步扩大针对超高净值和家族办公室客户的能力，并向目标增长市场扩张。

# 我们的战略支柱

为客户  
做得更多

把公司经营  
得更好

巩固  
我们的文化

我上任后的目标之一是制定路线图和切实可行的目标，以重振公司下一阶段的增长。我们的团队将几个主题明确并提炼成我们的三大战略支柱：**为客户做得更多，把公司经营得更好和巩固我们的文化**。这些支柱并没有从根本上改变我们从事的业务，也不是一系列孤立的举措。相反，它们定义了我们如何运营，并将推动我们的运营，而且是我们 BNY Mellon 如何开展各方面工作的框架。

## 为客户做得更多

作为一家经营了近两个半世纪的商业企业，我们能够蓬勃发展只有一个原因——为客户服务。

我们从客户那里听到的一个一致的说法是，他们想和我们做更多的生意，我们有责任让他们更容易做到这一点，但情况并非总是如此。我们的目标是成为值得信赖的合作伙伴，帮助他们实现他们的宏伟目标——但我们还可以做更多事情来加深这些关系，减少障碍，这样我们就可以在整个金融生命周期中真正为他们服务。

长期以来，BNY Mellon 一直以开拓金融服务行业的新解决方案而闻名——从向美国政府提供第一笔贷款到最近将实时支付推向美国市场。

我们在 2023 年推出了一系列产品和合作，包括发布 Wove 和推出买方交易解决方案。但还远不止于此。我们所有的业务都在努力为市场带来新的客户解决方案——从 Bankify 到 FedNow 上的实时支付，从白标的 LiquidityDirect 到 BNY Mellon 顾问——我们在 2023 年申请的专利比以往任何时候都多。

我们专注于寻找新的方法，为每一个群体的客户提供更多的服务。例如，我们的团队正在努力挖掘将数据付诸行动的巨大未开发机会：通过我们助力实现的每周数百万笔的交易，为客户提供更好的见解和视角。我们还继续投资于核心客户平台，包括基金会计、税务服务、公司诉讼和贷款管理。

除了新的解决方案，我们正在整个公司努力提高客户体验，并面向我们的客户进一步推广 BNY Mellon 的综合平台，其中许多客户目前只使用我们的一项服务。我们聘请了我们的第一位首席商务官，他正在推动我们的战略，为现有客户提供更广泛的服务，并寻求机会扩大我们的客户群。

与此同时，我们需要抓住成长型市场的机遇，继续努力争取目前尚未与我们合作的客户。我们公司目前在 100 多个市场提供服务，我们近 40% 的收入来自美国以外的市场。今年，我们的团队更加专注于在新的地区和客户群体中赢得市场份额。

## 把公司经营得更好

其次，我们采取了有意义的措施，在 2023 年更好地经营公司，加强支出纪律，以便使我们在业务上的投资走得更远。与前一年相比，我们实现了两倍的效率节约，这使我们得以自筹 5 亿美元的增量投资。

在我们 2024 年的预算中，我们将保护未来最重要的投资，我们将采用新技术，同时随着时间推移坚定地致力于利润率扩大和保持积极的经营杠杆。这绝不能以牺牲客户服务为代价；我们坚信，数字化和对效率的更广泛关注可以提高服务质量，帮助我们降低风险，这对我们的客户来说都是宝贵的产出。

随着 BNY Mellon 多年来的发展，我们的业务和职能部门一直在以垂直整合的方式运作，变得彼此孤立。为了更好地调整我们的能力并为客户优化结果，我们在 2023 年为运营模式的演变奠定了基础。这一转变将围绕我们交付的平台统一业务，旨在更无缝地为客户提供服务，并帮助我们作为一个更加一体化的组织拓展与客户的关系。

这种新的工作方式将成为我们所有三大战略支柱不可或缺的一部分。它不仅能帮助我们更好地经营公司，更多地为客户服务，还能巩固我们的文化——简化复杂的流程，降低风险，改善员工体验，使我们的员工专注于为客户创新。

此外，我们认识到 AI 有可能改变我们的工作方式。我们正在积极提升我们的能力，并考虑 AI 如何改善客户和员工体验，丰富现有的和新的产品和解决方案。2023 年，我们成立了一个企业 AI 中心，使我们世界级的数据集处于更好的地位，以便将洞察力转化为客户的行动——所有这些都集中在一个强大的风险管理和治理框架内，并考虑到了 AI 合规、负责任和合乎道德的 AI 应用，以及该技术带来的新风险。

韧性是我们更好地经营公司的基础。我们是全球政府的一大关键服务提供商，并且在全球市场中发挥着不可或缺的作用，因此这既是我们需要认真对待的一项责任，也是我们认为高度商业化的一个属性。我们的客户告诉我们，

我们公司的适应力为他们增加了差异化价值——我们知道，在保护客户资产和帮助市场平稳运行方面，我们的工作永远不会结束。尤其是在充满不确定性的一年里，保持谦逊和适应力至关重要。我们继续优先考虑我们的系统、平台、商业模式和全球团队的实力和稳健性。

# 巩固 我们的 文化

虽然我们专注于为客户提供更多服务，并将公司经营得更好，但我们所做的一切都取决于我们的员工，重要的是，BNY Mellon 是一个让员工为工作感到自豪、为职业发展感到振奋的地方。我们的目标是确保营造充满活力、做到既人性化又高效的企业文化。

团队专注于提供卓越和快速的解决方案，但同时也要有一种共同奋斗意识和协作精神。我们从大公司的规模和力量中受益，同时又保持着足够小的规模，以保持个性化。

其他人也认可我们这种特殊的文化。我们很荣幸第 27 次被《财富》杂志评为“最受赞赏公司”之一，并连续第二年被 JUST Capital 评为“最公正公司”，在所有受评公司中排名前四分之一，在“资本市场”类别中排名第一。

- **顶尖人才目的地：**我们在提升招聘和人才保留计划方面取得了长足进步，特别注重早期职业人才。作为证据之一，我们迎来了 BNY Mellon 历史上规模最大的校园分析师班——人数是前一年的两倍，我们很荣幸在 2024 年将其再翻一番。我们还在薪酬实践中增加了对绩效薪酬和差异化的关注，确保那些持续推动业务成果的人得到相应的报酬，并改进那些没有做到的人的薪酬纪律。
- **提升体验和归属感：**我们希望我们的员工每天上班都感到振奋和受到支持，在一个可以展现真实自我的环境中茁壮成长。2023 年，令我们很自豪的是，我们扩大了我们的福利，包括为年收入低于 7.5 万美元的员工提供零保费保健计划，以及看护假和 16 周带薪育儿假等政策。我们还启动了一项新的健康支持计划，以提供更有针对性、个性化和更便利的心理健康服务。
- **投资于员工：**我们去年推出了 BK 股票计划，向 45,000 名以前薪酬中不包含股票的员工发放股票。我特别为这一举措感到自豪，它进一步推动了我们整个公司的主人翁文化和问责制，同时使我们的员工能够参与到他们帮助服务的资本市场中。我们还在强化学习、发展和反馈工具方面进行了有意义的投资，以加强职业发展。

# 社区解决方案 与可持续发展

增加对金融市场的参与使每个人受益，推动增长并扩大经济。  
鉴于我们独特的作用和地位，我们有机会也有责任帮助世界各地的人民和社区扩大获得资本、市场和技术的渠道。

这项工作的重要组成部分是与我们的客户合作，并赋能于其他金融机构，包括更小和更专业的市场参与者。我们致力于利用我们的平台和专业知识，帮助建设有韧性和包容性的经济，而且我们已经在多个倡议中这样做了。



**组织了一次历史性的债务发行：**2023 年 5 月，我们组织了一次完全由女性、少数族裔和退伍军人所有的金融机构主导的债务发行，成为第一家这样做的全球系统性重要银行 (G-SIB)。这建立在我们前一年奠定的基础上，当时有 8 家经验丰富的经纪交易商参与了价值 7.5 亿美元的高级银行票据发行。在与这些恰好也是我们客户的公司合作的过程中，我们了解了他们的专业知识和能力，而他们在为我们提供服务的同时，也得以充分利用这个角色为他们提供的机会。



**支持更好的付款：**我们正在为机构和它们所服务的社区创造新的机会，让这些社区能够使用我们帮助开创的实时支付功能。这些创新使真实的人受益——让他们对付款的时间和方式有更多的控制权，这是一项有意义的发展，尤其是对那些靠薪水过日子的人来说。例如，我们正在努力向少数族裔存款机构 (MDI) 提供这项服务，例如位于南卡罗来纳州的 Optus Bank，它是我们在美国财政部计划下的受保护储蓄银行。

**将影响力与商业成功结合起来：**我们也在开发创新的解决方案，包括 SPARK<sup>SM</sup> Shares，它使客户能够将其流动性投资与慈善目标相结合，将我们的部分收入贡献给他们选择的符合条件的非营利组织。<sup>1</sup>这建立在黑人学习和发展机会 (BOLD<sup>®</sup>) 股份的成功基础之上，将我们的德雷福斯货币市场基金的部分收益转化为对霍华德大学经济上有困难的学生的支持。<sup>2</sup>



**进一步推进可持续发展：**对于我们的全球客户来说，BNY Mellon 如何帮助他们实现可持续发展目标是一个日益重要的问题。我们从韧性的角度来看待可持续发展，重点关注三个主要领域：为客户提供可持续解决方案，促进包容性经济，并通过高标准的治理和风险管理继续赢得客户的信任。

<sup>1</sup> BNY Mellon Investment Adviser, Inc. (该基金的投资顾问) 将每年向由 SPARK<sup>SM</sup> 股权持有人选择的慈善机构和其他非营利组织捐款 (捐赠)。根据 1986 年修订的《国内税收法典》第 501(c)(3) 条规定，股东选择的捐赠组织必须免税，并由 BNY Mellon 确定符合条件 (合格组织)。该捐赠将以 BNY Mellon Investment Adviser 净收入的 10% 为基础，该净收入应归属于该基金持有的 SPARK<sup>SM</sup> 股份。“净收入”是指在 BNY Mellon Investment Adviser 免除任何费用和/或报销费用后，本基金向 BNY Mellon Investment Adviser 支付的有关 SPARK<sup>SM</sup> 股份的管理费，该管理费将从 BNY Mellon Investment Adviser 自己过去的利润中支付。

<sup>2</sup> BOLD<sup>®</sup> 股份支持霍华德大学的 GRACE 奖学金，即“毕业保留访问持续卓越计划”，每年将过往利润的 10% 捐赠给慈善机构。“净收入”是指在 BNY Mellon Investment Adviser 免除任何费用和/或报销费用，并减去由 BNY Mellon Investment Adviser 或其附属公司支付的任何收入分成款项后，本基金向 BNY Mellon Investment Adviser, Inc. 支付的有关本基金的 BOLD 股份的管理费。

# 总而言之

我们还处于起步阶段，未来还有很多工作要做。但如果您走进我们公司的大厅，我相信您会对一切可能感到振奋和活力。

随着我们的战略支柱就位，我们的员工们正在就我们需要做的事情达成一致。战略、文化和执行力三者合在一起，是实现这一目标的要素。我们对今后的工作始终保持谦虚谨慎，但我们已经为实现我们的宏伟目标迈出了第一步。

我们肩负着实现这些目标的巨大责任。随着宏观经济的不确定性、地缘政治冲突的加剧以及围绕技术对人类影响的问题，我们的客户需要我们履行我们的使命——管理他们的资金、转移这些资金并确保其安全。

**致我们的客户：**感谢您的支持。我们期待以更好的方式为您服务。

**致我们的员工：**感谢你们在公司前进的道路上所付出的努力和担当精神。

**致我们的股东：**感谢您一直以来对我们公司的信任和坚定信念。

现在，执行的艰苦工作仍需继续推进。虽然我们还有很多工作要做，但最初抽象的东西如今已开始在我们的业务结果中显现出可能性，我们的员工看到了公司取得成就的机会。在我们庆祝公司成立 240 周年之际，我们真诚地希望并相信，最好的还在未来。

## 砥砺前行，



Robin Vince  
总裁兼首席执行官



# FINANCIAL HIGHLIGHTS

The Bank of New York Mellon Corporation (and its subsidiaries)  
(dollars in millions, except per common share amounts or unless otherwise noted)

	2023	2022
<b>SELECTED INCOME STATEMENT INFORMATION</b>		
Fee and other revenue	\$ 13,157	\$ 12,873
Net interest revenue	4,345	3,504
Total revenue	17,502	16,377
Provision for credit losses	119	39
Total noninterest expense	13,168	13,010
Income before income taxes	4,215	3,328
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	\$ 3,148	\$ 2,362
Earnings per common share – <i>diluted</i>	\$ 4.00	\$ 2.90
Cash dividends per common share	\$ 1.58	\$ 1.42
<b>FINANCIAL RATIOS</b>		
Pre-tax operating margin	24%	20%
Return on common equity	8.8%	6.5%
Return on tangible common equity – non-GAAP (a)	17.1%	13.4%
<b>NON-GAAP MEASURES, EXCLUDING NOTABLE ITEMS (b)</b>		
Adjusted total revenue	\$ 17,652	\$ 16,888
Adjusted total expenses	12,302	11,981
Adjusted earnings per common share – <i>diluted</i>	5.05	4.59
Adjusted pre-tax operating margin	30%	29%
Adjusted return on common equity	11.1%	10.3%
Adjusted return on tangible common equity	21.6%	21.0%
<b>KEY METRICS AT DECEMBER 31</b>		
Year-end assets under custody and/or administration (“AUC/A”) (in trillions) (c)	\$ 47.8	\$ 44.3
Year-end assets under management (in trillions) (d)	\$ 2.0	\$ 1.8
<b>BALANCE SHEET AT DECEMBER 31</b>		
Total assets	\$ 409,953	\$ 405,783
Total deposits	283,669	278,970
Total The Bank of New York Mellon Corporation common shareholders’ equity	36,628	35,896
<b>CAPITAL RATIOS AT DECEMBER 31</b>		
<b>Consolidated regulatory capital ratios:</b>		
Common Equity Tier 1 (“CET1”) ratio (e)	11.6%	11.2%
Tier 1 capital ratio (e)	14.3	14.1
Total capital ratio (e)	15.0	14.9
Tier 1 leverage ratio	6.0	5.8
Supplementary leverage ratio (“SLR”)	7.4	6.8
<b>MARKET INFORMATION AT DECEMBER 31</b>		
Closing stock price per common share	\$ 52.05	\$ 45.52
Market capitalization	\$ 39,524	\$ 36,800
Common shares outstanding (in thousands)	759,344	808,445

(a) Return on tangible common equity, a Non-GAAP measure, excludes goodwill and intangible assets, net of deferred tax liabilities. See “Supplemental information – Explanation of GAAP and Non-GAAP financial measures” beginning on page \_\_\_ for a reconciliation.

(b) Adjusted (Non-GAAP) measures exclude notable items. See Supplemental information – Explanation of GAAP and Non-GAAP financial measures” beginning on page \_\_\_.

(c) Consists of AUC/A primarily from the Asset Servicing business and, to a lesser extent, the Clearance and Collateral Management, Issuer Services, Pershing and Wealth Management businesses. Includes the AUC/A of CIBC Mellon Global Securities Services Company, a joint venture.

(d) Excludes assets managed outside of the Investment and Wealth Management business segment.

(e) For our CET1, Tier 1 capital and Total capital ratios, our effective capital ratios under U.S. capital rules are the lower of the ratios as calculated under the Standardized and Advanced Approaches, which was the Advanced Approaches for the periods presented.

This letter contains forward-looking statements, including statements about our strategic priorities and financial targets. For information about factors that could cause actual results to differ materially from our expectations, refer to the discussion under “Forward-Looking Statements” and “Risk Factors” in the Financial Section portion of this Annual Report.

# FINANCIAL SECTION

**THE BANK OF NEW YORK MELLON CORPORATION**  
**2023 Annual Report**  
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# The Bank of New York Mellon Corporation (and its subsidiaries)

## Financial Summary

<i>(dollars in millions, except per share amounts and unless otherwise noted)</i>	<b>2023</b>	2022	2021
<b>Selected income statement information:</b>			
Fee and other revenue	\$ 13,157	\$ 12,873	\$ 13,313
Net interest revenue	4,345	3,504	2,618
Total revenue	17,502	16,377	15,931
Provision for credit losses	119	39	(231)
Noninterest expense	13,295	13,010	11,514
Income before income taxes	4,088	3,328	4,648
Provision for income taxes	800	768	877
Net income	3,288	2,560	3,771
Net (income) loss attributable to noncontrolling interests related to consolidated investment management funds	(2)	13	(12)
Preferred stock dividends	(235)	(211)	(207)
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	\$ 3,051	\$ 2,362	\$ 3,552
<b>Earnings per share applicable to common shareholders of The Bank of New York Mellon Corporation:</b>			
Basic	\$ 3.89	\$ 2.91	\$ 4.17
Diluted	\$ 3.87	\$ 2.90	\$ 4.14
<b>Average common shares and equivalents outstanding (in thousands):</b>			
Basic	784,069	811,068	851,905
Diluted	787,798	814,795	856,359
<b>At Dec. 31</b>			
Assets under custody and/or administration ("AUC/A") (in trillions) (a)	\$ 47.8	\$ 44.3	\$ 46.7
Assets under management ("AUM") (in trillions) (b)	2.0	1.8	2.4
<b>Selected ratios:</b>			
Return on common equity	8.5%	6.5%	8.9%
Return on tangible common equity – Non-GAAP (c)	16.6	13.4	17.1
Pre-tax operating margin	23	20	29
Net interest margin	1.25	0.97	0.68
Cash dividends per common share	\$ 1.58	\$ 1.42	\$ 1.30
Common dividend payout ratio	41%	49%	32%
Common dividend yield	3.0%	3.1%	2.2%
<b>At Dec. 31</b>			
Closing stock price per common share	\$ 52.05	\$ 45.52	\$ 58.08
Market capitalization	\$ 39,524	\$ 36,800	\$ 46,705
Book value per common share	\$ 48.11	\$ 44.40	\$ 47.50
Tangible book value per common share – Non-GAAP (c)	\$ 25.39	\$ 23.11	\$ 24.31
Full-time employees	53,400	51,700	49,100
Common shares outstanding (in thousands)	759,344	808,445	804,145
<b>Regulatory capital ratios (d)</b>			
Common Equity Tier 1 ("CET1") ratio	11.5%	11.2%	11.2%
Tier 1 capital ratio	14.2	14.1	14.0
Total capital ratio	15.0	14.9	14.9
Tier 1 leverage ratio	6.0	5.8	5.5
Supplementary leverage ratio ("SLR")	7.3	6.8	6.6

(a) Consists of AUC/A primarily from the Asset Servicing line of business and, to a lesser extent, the Clearance and Collateral Management, Issuer Services, Pershing and Wealth Management lines of business. Includes the AUC/A of CIBC Mellon Global Securities Services Company ("CIBC Mellon"), a joint venture with the Canadian Imperial Bank of Commerce, of \$1.7 trillion at Dec. 31, 2023, \$1.5 trillion at Dec. 31, 2022 and \$1.7 trillion at Dec. 31, 2021.

(b) Excludes assets managed outside of the Investment and Wealth Management business segment.

(c) Return on tangible common equity and tangible book value per common share, both Non-GAAP measures, exclude goodwill and intangible assets, net of deferred tax liabilities. See "Supplemental Information – Explanation of GAAP and Non-GAAP financial measures" beginning on page 111 for the reconciliation of these Non-GAAP measures.

(d) For our CET1, Tier 1 and Total capital ratios, our effective capital ratios under U.S. capital rules are the lower of the ratios as calculated under the Standardized and Advanced Approaches. For additional information on our regulatory capital ratios, see "Capital" beginning on page 39.

## Results of Operations

### General

In this Annual Report, references to “our,” “we,” “us,” “BNY Mellon,” the “Company” and similar terms refer to The Bank of New York Mellon Corporation and its consolidated subsidiaries. The term “Parent” refers to The Bank of New York Mellon Corporation but not its subsidiaries.

The following should be read in conjunction with the Consolidated Financial Statements included in this report. BNY Mellon’s actual results of future operations may differ from those estimated or anticipated in certain forward-looking statements contained herein due to the factors described under the headings “Forward-looking Statements” and “Risk Factors,” both of which investors should read.

Certain business terms used in this Annual Report are defined in the Glossary.

This Annual Report generally discusses 2023 and 2022 items and comparisons between 2023 and 2022. Discussions of 2021 items and comparisons between 2022 and 2021 that are not included in this Annual Report can be found in our 2022 Annual Report, which was filed as an exhibit to our Form 10-K for the year ended Dec. 31, 2022.

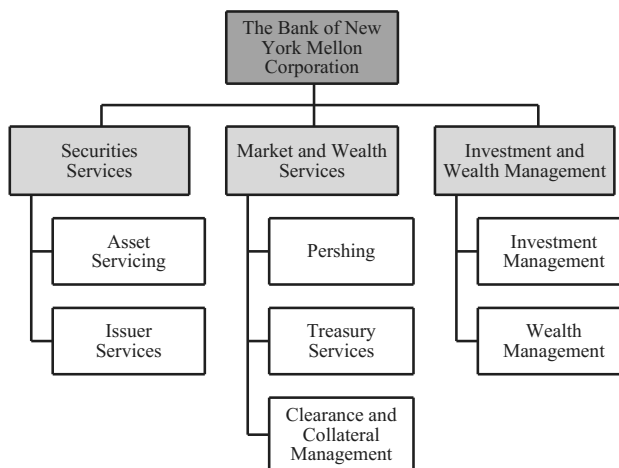
### Overview

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 Dec. 31, 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.

BNY Mellon has three business segments, Securities Services, Market and Wealth Services and Investment and Wealth Management, which offer a comprehensive set of capabilities and deep expertise across the investment lifecycle, enabling the Company to provide solutions to buy-side and sell-

side market participants, as well as leading institutional and wealth management clients globally.

The diagram below presents our three business segments and lines of business, with the remaining operations in the Other segment.



For additional information on our business segments, see “Review of business segments” and Note 24 of the Notes to Consolidated Financial Statements.

### Subsequent event

In February 2024, BNY Mellon adjusted its financial results for the fourth quarter and full year ended Dec. 31, 2023 to include an additional \$127 million pre-tax (\$97 million after-tax) increase in noninterest expense related to a revised estimate of the FDIC special assessment as a result of new information published by the FDIC in February 2024 relating to an increase in their estimate of losses associated with the closures of Silicon Valley Bank and Signature Bank which are expected to impact the FDIC special assessment. See Note 27 of the Notes to Consolidated Financial Statements for information on the adjustment to our previously reported 2023 financial results.

### Summary of financial highlights

We reported net income applicable to common shareholders of \$3.1 billion, or \$3.87 per diluted common share, in 2023, including the negative impact of notable items. Notable items in 2023 include the Federal Deposit Insurance Corporation (“FDIC”) special assessment, severance expense, the reduction in the fair value of a contingent

consideration receivable related to a prior year divestiture, litigation reserves and net losses on disposals. Excluding notable items, net income applicable to common shareholders was \$4.0 billion (Non-GAAP), or \$5.05 (Non-GAAP) per diluted common share, in 2023. In 2022, net income applicable to common shareholders of BNY Mellon was \$2.4 billion, or \$2.90 per diluted common share, including the negative impact of notable items. Notable items in 2022 include goodwill impairment in the Investment Management reporting unit, the net loss from repositioning the securities portfolio, severance expense, litigation reserves, the accelerated amortization of deferred costs for depositary receipts services related to Russia and net gains on disposals. Excluding notable items, net income applicable to common shareholders was \$3.7 billion (Non-GAAP), or \$4.59 (Non-GAAP) per diluted common share, in 2022.

The highlights below are based on 2023 compared with 2022, unless otherwise noted.

- Total revenue increased 7%, primarily reflecting:
    - Fee revenue decreased 1%, primarily reflecting lower foreign exchange volatility, the mix of AUM flows and the impact of a prior year divestiture, partially offset by the abatement of money market fee waivers, net new business and the accelerated amortization of deferred costs for depositary receipts services related to Russia in the first quarter of 2022. (See “Fee and other revenue” beginning on page 5.)
    - Investment and other revenue increased primarily reflecting the net loss from repositioning the securities portfolio in the fourth quarter of 2022, partially offset by the reduction in the fair value of a contingent consideration receivable related to a prior year divestiture in the fourth quarter of 2023. (See “Fee and other revenue” beginning on page 5.)
    - Net interest revenue increased 24%, primarily reflecting higher interest rates, partially offset by changes in balance sheet size and mix. (See “Net interest revenue” beginning on page 8.)
  - The provision for credit losses was \$119 million, primarily driven by reserve increases related to commercial real estate exposure and changes in the macroeconomic forecast. (See “Consolidated
- balance sheet review – Allowance for credit losses” beginning on page 33.)
  - Noninterest expense increased 2%, primarily reflecting the FDIC special assessment in the fourth quarter of 2023, higher investments and revenue-related expenses, as well as inflation, partially offset by the impacts of the goodwill impairment in the Investment Management reporting unit in the third quarter of 2022, efficiency savings and a prior year divestiture. Excluding notable items, noninterest expense increased 3% (Non-GAAP). (See “Noninterest expense” on page 11.)
  - Effective tax rate of 19.6% in 2023. (See “Income taxes” on page 11.)
  - Return on common equity (“ROE”) was 8.5% for 2023. Excluding notable items, the adjusted ROE was 11.1% (Non-GAAP) for 2023.
  - Return on tangible common equity (“ROTCE”) was 16.6% (Non-GAAP) for 2023. Excluding notable items, the adjusted ROTCE was 21.6% (Non-GAAP) for 2023.

See “Supplemental Information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 111 for reconciliations of the Non-GAAP measures.

### Metrics

- AUC/A totaled \$47.8 trillion at Dec. 31, 2023 compared with \$44.3 trillion at Dec. 31, 2022. The 8% increase primarily reflects higher market values. (See “Fee and other revenue” beginning on page 5.)
- AUM totaled \$2.0 trillion at Dec. 31, 2023 compared with \$1.8 trillion at Dec. 31, 2022. The 8% increase primarily reflects higher market values and the favorable impact of a weaker U.S. dollar, partially offset by cumulative net outflows. (See “Review of business segments – Investment and Wealth Management business segment” beginning on page 17.)

### Capital and liquidity

- Our CET1 ratio calculated under the Advanced Approaches was 11.5% at Dec. 31, 2023 and 11.2% at Dec. 31, 2022. The increase was primarily driven by capital generated through earnings and a net increase in accumulated other comprehensive income, partially offset by capital

deployed through common stock repurchases and dividends. (See “Capital” beginning on page 39.)

- Our Tier 1 leverage ratio was 6.0% at Dec. 31, 2023, compared with 5.8% at Dec. 31, 2022. The

increase was driven by lower average assets. (See “Capital” beginning on page 39.)

## Fee and other revenue

<b>Fee and other revenue</b> <i>(dollars in millions, unless otherwise noted)</i>	<b>2023</b>	2022	2021	<b>2023 vs. 2022</b>	<b>2022 vs. 2021</b>
Investment services fees	<b>\$ 8,843</b>	\$ 8,529	\$ 8,284	<b>4%</b>	3%
Investment management and performance fees <i>(a)</i>	<b>3,058</b>	3,299	3,588	<b>(7)</b>	(8)
Foreign exchange revenue	<b>631</b>	822	799	<b>(23)</b>	3
Financing-related fees	<b>192</b>	175	194	<b>10</b>	(10)
Distribution and servicing fees	<b>148</b>	130	112	<b>14</b>	16
Total fee revenue	<b>12,872</b>	12,955	12,977	<b>(1)</b>	—
Investment and other revenue	<b>285</b>	(82)	336	<b>N/M</b>	N/M
Total fee and other revenue	<b>\$ 13,157</b>	\$ 12,873	\$ 13,313	<b>2%</b>	(3)%
Fee revenue as a percentage of total revenue	<b>74%</b>	79%	81%		
AUC/A at period end <i>(in trillions) (b)</i>	<b>\$ 47.8</b>	\$ 44.3	\$ 46.7	<b>8%</b>	(5)%
AUM at period end <i>(in billions) (c)</i>	<b>\$ 1,974</b>	\$ 1,836	\$ 2,434	<b>8%</b>	(25)%

*(a) Excludes seed capital gains (losses) related to consolidated investment management funds.*

*(b) Consists of AUC/A primarily from the Asset Servicing line of business and, to a lesser extent, the Clearance and Collateral Management, Issuer Services, Pershing and Wealth Management lines of business. Includes the AUC/A of CIBC Mellon of \$1.7 trillion at Dec. 31, 2023, \$1.5 trillion at Dec. 31, 2022 and \$1.7 trillion at Dec. 31, 2021.*

*(c) Excludes assets managed outside of the Investment and Wealth Management business segment.  
N/M – Not meaningful.*

Fee revenue decreased 1% compared with 2022, primarily reflecting lower foreign exchange volatility, the mix of AUM flows and the impact of a prior year divestiture, partially offset by the abatement of money market fee waivers, net new business and the accelerated amortization of deferred costs for depositary receipts services related to Russia in the first quarter of 2022.

Investment and other revenue increased \$367 million in 2023 compared with 2022, primarily reflecting the net loss from repositioning the securities portfolio in the fourth quarter of 2022, partially offset by the reduction in the fair value of a contingent consideration receivable related to a prior year divestiture in the fourth quarter of 2023.

### *Investment services fees*

Investment services fees increased 4% compared with 2022, primarily reflecting the abatement of money market fee waivers, net new business, the accelerated amortization of deferred costs for depositary receipts services related to Russia recorded in the first quarter of 2022, higher clearance volumes and collateral management balances and higher fees on sweep

balances, partially offset by lower client activity, and lost business in Pershing.

AUC/A totaled \$47.8 trillion at Dec. 31, 2023, an increase of 8% compared with Dec. 31, 2022, primarily reflecting higher market values. AUC/A consisted of 35% equity securities and 65% fixed-income securities at Dec. 31, 2023 and 33% equity securities and 67% fixed-income securities at Dec. 31, 2022.

See “Securities Services business segment” and “Market and Wealth Services business segment” in “Review of business segments” for additional details.

### *Investment management and performance fees*

Investment management and performance fees decreased 7% compared with 2022, primarily reflecting the impact of a prior year divestiture and the mix of AUM flows, partially offset by the abatement of money market fee waivers. Performance fees were \$81 million in 2023 and \$75 million in 2022. On a constant currency basis (Non-GAAP), investment management and performance fees decreased 7% compared with 2022. See

“Supplemental Information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 111 for the reconciliation of Non-GAAP measures.

AUM was \$2.0 trillion at Dec. 31, 2023, an increase of 8% compared with Dec. 31, 2022, primarily reflecting higher market values and the favorable impact of a weaker U.S. dollar, partially offset by cumulative net outflows.

See “Investment and Wealth Management business segment” in “Review of business segments” for additional details regarding the drivers of investment management and performance fees, AUM and AUM flows.

#### *Foreign exchange revenue*

Foreign exchange revenue is primarily driven by the volume of client transactions and the spread realized on these transactions, both of which are impacted by market volatility, the impact of foreign currency hedging activities and foreign currency remeasurement gain (loss). In 2023, foreign exchange revenue decreased 23% compared with 2022, primarily reflecting lower volatility and volumes. Foreign exchange revenue is primarily reported in the Securities Services business segment and, to a lesser extent, the Market and Wealth Services and Investment and Wealth Management business segments and the Other segment.

#### *Financing-related fees*

Financing-related fees, which are primarily reported in the Market and Wealth Services and Securities Services business segments, include capital market fees, loan commitment fees and credit-related fees. Financing-related fees increased 10% in 2023 compared with 2022, primarily reflecting higher fees on commitments and standby letters of credit, partially offset by lower underwriting fees.

#### *Distribution and servicing fees*

Distribution and servicing fees earned from mutual funds are primarily based on average assets in the funds and the sales of funds that we manage or administer, and are primarily reported in the Investment Management business. These fees, which

include 12b-1 fees, fluctuate with the overall level of net sales, the relative mix of sales between share classes, the funds’ market values and money market fee waivers.

Distribution and servicing fees were \$148 million in 2023 compared with \$130 million in 2022, driven by the abatement of money market fee waivers. The impact of distribution and servicing fees on income in any one period is partially offset by distribution and servicing expense paid to other financial intermediaries to cover their costs for distribution and servicing of mutual funds. Distribution and servicing expense is recorded as noninterest expense on the income statement.

#### *Investment and other revenue*

Investment and other revenue includes income or loss from consolidated investment management funds, seed capital gains or losses, other trading revenue or loss, renewable energy investments losses, income from corporate and bank-owned life insurance contracts, other investment gains or losses, gains or losses from disposals, expense reimbursements from our CIBC Mellon joint venture, other income or loss and net securities gains or losses. The income or loss from consolidated investment management funds should be considered together with the net income or loss attributable to noncontrolling interests, which reflects the portion of the consolidated funds for which we do not have an economic interest and is reflected below net income as a separate line item on the consolidated income statement. Other trading revenue or loss primarily includes the impact of market-risk hedging activity related to our seed capital investments in investment management funds, non-foreign currency derivative and fixed income trading, and other hedging activity. Investments in renewable energy generate losses in investment and other revenue that are more than offset by benefits and credits recorded to the provision for income taxes. Other investment gains or losses includes fair value changes of non-readily marketable strategic equity, private equity and other investments. Expense reimbursements from our CIBC Mellon joint venture relate to expenses incurred by BNY Mellon on behalf of the CIBC Mellon joint venture. Other income includes various miscellaneous revenues.

The following table provides the components of investment and other revenue.

<b>Investment and other revenue</b> <i>(in millions)</i>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Income (loss) from consolidated investment management funds	\$ <b>30</b>	\$ (42)	\$ 32
Seed capital gains (losses) <i>(a)</i>	<b>29</b>	(37)	40
Other trading revenue	<b>231</b>	149	6
Renewable energy investment (losses)	<b>(167)</b>	(164)	(201)
Corporate/bank-owned life insurance	<b>118</b>	128	140
Other investment gains <i>(b)</i>	<b>47</b>	159	159
Disposal (losses) gains	<b>(6)</b>	26	13
Expense reimbursements from joint venture	<b>117</b>	108	96
Other (loss) income	<b>(46)</b>	34	46
Net securities (losses) gains	<b>(68)</b>	(443) <i>(c)</i>	5
Total investment and other revenue	<b>\$ 285</b>	<b>\$ (82)</b>	<b>\$ 336</b>

*(a) Includes gains (losses) on investments in BNY Mellon funds which hedge deferred incentive awards.*

*(b) Includes strategic equity, private equity and other investments.*

*(c) Includes a net loss of \$449 million related to the repositioning of the securities portfolio.*

Investment and other revenue was \$285 million in 2023 compared with a loss of \$82 million in 2022. The increase primarily reflects the net loss from repositioning the securities portfolio in the fourth quarter of 2022, partially offset by the reduction in the fair value of a contingent consideration receivable related to a prior year divestiture in the fourth quarter of 2023.



**Net interest revenue**

<b>Net interest revenue</b> <i>(dollars in millions)</i>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2023 vs.</b> <b>2022</b>	<b>2022 vs.</b> <b>2021</b>
Net interest revenue	\$ 4,345	\$ 3,504	\$ 2,618	<b>24%</b>	34%
Add: Tax equivalent adjustment	<b>2</b>	11	13	<b>N/M</b>	N/M
Net interest revenue on a fully taxable equivalent (“FTE”) basis – Non-GAAP (a)	<b>\$ 4,347</b>	\$ 3,515	\$ 2,631	<b>24%</b>	34%
Average interest-earning assets	<b>\$ 348,160</b>	\$ 362,180	\$ 387,023	<b>(4)%</b>	(6)%
Net interest margin	<b>1.25%</b>	0.97%	0.68%	<b>28 bps</b>	29 bps
Net interest margin (FTE) – Non-GAAP (a)	<b>1.25%</b>	0.97%	0.68%	<b>28 bps</b>	29 bps

(a) Net interest revenue (FTE) – Non-GAAP and net interest margin (FTE) – Non-GAAP include the tax equivalent adjustments on tax-exempt income which allows for comparisons of amounts arising from both taxable and tax-exempt sources and is consistent with industry practice. The adjustment to an FTE basis has no impact on net income.

N/M – Not meaningful.

bps – basis points.

Net interest revenue increased 24% compared with 2022, primarily reflecting higher interest rates, partially offset by changes in the balance sheet size and mix.

Net interest margin increased 28 basis points compared with 2022. The increase primarily reflects the factors mentioned above.

Average interest-earning assets decreased 4% compared with 2022. The decrease primarily reflects lower securities and loan balances and interest-bearing deposits with banks, partially offset by higher interest-bearing deposits with the Federal Reserve and other central banks.

Average non-U.S. dollar deposits comprised approximately 25% of our average total deposits in 2023 and 2022. Approximately 45% of the average non-U.S. dollar deposits in 2023 and 40% in 2022 were euro-denominated.

Net interest revenue in 2024 will largely depend on the level and mix of client deposits. Based on market implied forward interest rates as of Dec. 31, 2023, we expect net interest revenue for 2024 to decrease when compared with 2023.

## Results of Operations (continued)

Average balances and interest rates	2023			2022		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
<i>(dollars in millions)</i>						
<b>Assets</b>						
Interest-earning assets:						
Interest-bearing deposits with the Federal Reserve and other central banks:						
Domestic offices	\$ 59,492	\$ 3,085	5.19%	\$ 46,270	\$ 810	1.75%
Foreign offices	44,412	1,456	3.28	51,172	209	0.41
Total interest-bearing deposits with the Federal Reserve and other central banks	103,904	4,541	4.37	97,442	1,019	1.05
Interest-bearing deposits with banks	13,620	523	3.84	16,826	221	1.31
Federal funds sold and securities purchased under resale agreements (a)	26,077	7,141	27.38	24,953	1,200	4.81
Loans:						
Domestic offices	59,487	3,663	6.16	62,640	1,878	3.00
Foreign offices	4,609	253	5.49	5,185	121	2.33
Total loans (b)	64,096	3,916	6.11	67,825	1,999	2.95
Securities:						
U.S. government obligations	33,434	1,021	3.05	40,583	607	1.49
U.S. government agency obligations	60,586	1,695	2.80	64,041	1,157	1.81
Other securities:						
Domestic offices (c)	17,168	803	4.68	18,979	629	3.31
Foreign offices	23,505	695	2.96	26,283	154	0.59
Total other securities (c)	40,673	1,498	3.68	45,262	783	1.73
Total investment securities (c)	134,693	4,214	3.13	149,886	2,547	1.70
Trading securities (primarily domestic) (c)	5,770	315	5.46	5,248	143	2.73
Total securities (c)	140,463	4,529	3.22	155,134	2,690	1.73
Total interest-earning assets (c)	\$ 348,160	\$ 20,650	5.93%	\$ 362,180	\$ 7,129	1.97%
Noninterest-earning assets	58,790			64,721		
Total assets	\$ 406,950			\$ 426,901		
<b>Liabilities and equity</b>						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Domestic offices	\$ 123,513	\$ 4,703	3.81%	\$ 111,491	\$ 980	0.88%
Foreign offices	88,829	2,421	2.73	101,916	607	0.60
Total interest-bearing deposits	212,342	7,124	3.35	213,407	1,587	0.74
Federal funds purchased and securities sold under repurchase agreements (a)	20,540	6,699	32.62	12,940	934	7.21
Trading liabilities	3,396	156	4.60	3,432	68	1.98
Other borrowed funds:						
Domestic offices	676	44	6.49	181	7	4.12
Foreign offices	426	3	0.74	324	2	0.51
Total other borrowed funds	1,102	47	4.27	505	9	1.80
Commercial paper	5	—	4.81	5	—	2.06
Payables to customers and broker-dealers	14,449	566	3.91	17,111	156	0.91
Long-term debt	31,021	1,711	5.51	27,448	860	3.13
Total interest-bearing liabilities	\$ 282,855	\$ 16,303	5.76%	\$ 274,848	\$ 3,614	1.31%
Total noninterest-bearing deposits	59,227			85,652		
Other noninterest-bearing liabilities	24,106			25,278		
Total liabilities	366,188			385,778		
Total The Bank of New York Mellon Corporation shareholders' equity	40,701			41,013		
Noncontrolling interests	61			110		
Total liabilities and equity	\$ 406,950			\$ 426,901		
Net interest revenue (FTE) – Non-GAAP (c)(d)		\$ 4,347			\$ 3,515	
Net interest margin (FTE) – Non-GAAP (c)(d)			1.25%			0.97%
Less: Tax equivalent adjustment		2			11	
Net interest revenue – GAAP		\$ 4,345			\$ 3,504	
Net interest margin – GAAP			1.25%			0.97%
Percentage of assets attributable to foreign offices	24%			26%		
Percentage of liabilities attributable to foreign offices	27%			30%		

(a) Includes the average impact of offsetting under enforceable netting agreements of approximately \$111 billion in 2023 and \$43 billion in 2022. On a Non-GAAP basis, excluding the impact of offsetting, the yield on federal funds sold and securities purchased under resale agreements would have been 5.22% for 2023 and 1.77% for 2022, and the rate on federal funds purchased and securities sold under repurchase agreements would have been 5.10% for 2023 and 1.67% for 2022. We believe providing the rates excluding the impact of netting is useful to investors as it is more reflective of the actual rates earned and paid.

(b) Interest income includes fees of \$1 million in 2023 and \$2 million in 2022. Nonaccrual loans are included in average loans; the associated income, which was recognized on a cash basis, is included in interest income.

(c) Average rates were calculated on an FTE basis, at tax rates of approximately 21% for both 2023 and 2022.

(d) See "Net interest revenue" on page 8 for the reconciliation of this Non-GAAP measure.

## Results of Operations (continued)

Average balances and interest rates	2021		
	Average balance	Interest	Average rate
<i>(dollars in millions)</i>			
<b>Assets</b>			
Interest-earning assets:			
Interest-bearing deposits with the Federal Reserve and other central banks:			
Domestic offices	\$ 47,070	\$ 60	0.13%
Foreign offices	66,276	(137)	(0.21)
Total interest-bearing deposits with the Federal Reserve and other central banks	113,346	(77)	(0.07)
Interest-bearing deposits with banks	20,757	48	0.23
Federal funds sold and securities purchased under resale agreements <i>(a)</i>	28,530	120	0.42
Loans:			
Domestic offices	55,073	892	1.62
Foreign offices	5,741	66	1.15
Total loans <i>(b)</i>	60,814	958	1.58
Securities:			
U.S. government obligations	34,383	261	0.76
U.S. government agency obligations	72,552	985	1.36
Other securities:			
Domestic offices <i>(c)</i>	19,768	387	1.95
Foreign offices	30,183	123	0.41
Total other securities <i>(c)</i>	49,951	510	1.02
Total investment securities <i>(c)</i>	156,886	1,756	1.12
Trading securities (primarily domestic) <i>(c)</i>	6,690	53	0.80
Total securities <i>(c)</i>	163,576	1,809	1.11
Total interest-earning assets <i>(c)</i>	\$ 387,023	\$ 2,858	0.74%
Noninterest-earning assets	65,209		
Total assets	\$ 452,232		
<b>Liabilities and equity</b>			
Interest-bearing liabilities:			
Interest-bearing deposits:			
Domestic offices	\$ 124,716	\$ (27)	(0.02)%
Foreign offices	112,493	(148)	(0.13)
Total interest-bearing deposits	237,209	(175)	(0.07)
Federal funds purchased and securities sold under repurchase agreements <i>(a)</i>	13,716	(4)	(0.03)
Trading liabilities	2,590	8	0.31
Other borrowed funds:			
Domestic offices	160	5	2.99
Foreign offices	223	3	1.48
Total other borrowed funds	383	8	2.11
Commercial paper	3	—	0.07
Payables to customers and broker-dealers	16,887	(2)	(0.01)
Long-term debt	25,788	392	1.52
Total interest-bearing liabilities	\$ 296,576	\$ 227	0.08%
Total noninterest-bearing deposits	86,606		
Other noninterest-bearing liabilities	24,381		
Total liabilities	407,563		
Total The Bank of New York Mellon Corporation shareholders' equity	44,358		
Noncontrolling interests	311		
Total liabilities and equity	\$ 452,232		
Net interest revenue (FTE) – Non-GAAP <i>(c)(d)</i>		\$ 2,631	
Net interest margin (FTE) – Non-GAAP <i>(c)(d)</i>			0.68%
Less: Tax equivalent adjustment		13	
Net interest revenue – GAAP		\$ 2,618	
Net interest margin – GAAP			0.68%
Percentage of assets attributable to foreign offices <i>(e)</i>	30%		
Percentage of liabilities attributable to foreign offices <i>(e)</i>	31%		

*(a)* Includes the average impact of offsetting under enforceable netting agreements of approximately \$45 billion in 2021. On a Non-GAAP basis, excluding the impact of offsetting, the yield on federal funds sold and securities purchased under resale agreements would have been 0.16%, and the rate on federal funds purchased and securities sold under repurchase agreements would have been (0.01)% for 2021. We believe providing the rates excluding the impact of netting is useful to investors as it is more reflective of the actual rates earned and paid.

*(b)* Interest income includes fees of \$3 million in 2021. Nonaccrual loans are included in average loans; the associated income, which was recognized on a cash basis, is included in interest income.

*(c)* Average rates were calculated on an FTE basis, at tax rates of approximately 21% in 2021.

*(d)* See "Net interest revenue" on page 8 for the reconciliation of this Non-GAAP measure.

*(e)* Includes the Cayman Islands branch office, which existed through August 2021.

**Noninterest expense**

<b>Noninterest expense</b> <i>(dollars in millions)</i>	<b>2023</b>		<b>2022</b>		<b>2021</b>		<b>2023 vs.</b>	<b>2022 vs.</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Staff	\$ 7,095	\$ 6,800	\$ 6,337				4%	7%
Software and equipment	1,817	1,657	1,478				10	12
Professional, legal and other purchased services	1,527	1,527	1,459				—	5
Net occupancy	542	514	498				5	3
Sub-custodian and clearing	475	485	505				(2)	(4)
Distribution and servicing	353	343	298				3	15
Business development	183	152	107				20	42
Bank assessment charges	788	126	133				N/M	(5)
Goodwill impairment	—	680	—				N/M	N/M
Amortization of intangible assets	57	67	82				(15)	(18)
Other	458	659	617				(31)	7
<b>Total noninterest expense</b>	<b>\$ 13,295</b>	<b>\$ 13,010</b>	<b>\$ 11,514</b>				<b>2%</b>	<b>13%</b>
Full-time employees at year-end	<b>53,400</b>	51,700	49,100				<b>3%</b>	5%

Total noninterest expense increased 2% compared with 2022, primarily reflecting a \$632 million accrual for the FDIC special assessment, higher investments and revenue-related expenses, as well as inflation, partially offset by the impacts of the 2022 goodwill impairment in the Investment Management reporting unit, efficiency savings and a prior year divestiture. Excluding notable items, noninterest expense increased 3% (Non-GAAP). The investments in growth, infrastructure and efficiency initiatives are primarily included in staff, software and equipment, and professional, legal and other purchased services expenses. See “Supervision and Regulation – Deposit Insurance” on page 69 for information on the FDIC special assessment. See “Supplemental Information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 111 for the reconciliation of the Non-GAAP measure.

We expect total noninterest expense for 2024 to decrease compared with 2023, primarily reflecting the impact of notable expense items recorded in 2023, including the FDIC special assessment, severance expense and litigation reserves. Excluding the impact of notable items, total noninterest expense is expected to be flat in 2024 compared with 2023.

**Income taxes**

BNY Mellon recorded an income tax provision of \$800 million (19.6% effective tax rate) in 2023. The income tax provision was \$768 million (23.1% effective tax rate) in 2022. Excluding notable items, the income tax provision was \$930 million (19.1% effective tax rate) (Non-GAAP) in 2022. See “Supplemental Information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 111 for the reconciliation of the Non-GAAP measure. For additional information on income taxes, see Note 12 of the Notes to Consolidated Financial Statements.

## Review of business segments

We have an internal information system that produces performance data along product and service lines for our three principal business segments: Securities Services, Market and Wealth Services and Investment and Wealth Management, and the Other segment.

### *Business segment accounting principles*

Our business segment data has been determined on an internal management basis of accounting, rather than the generally accepted accounting principles (“GAAP”) used for consolidated financial reporting. These measurement principles are designed so that reported results of the business will track their economic performance.

For information on the accounting principles of our business segments, the primary products and services in each line of business, the primary types of revenue by line of business and how our business segments are presented and analyzed, see Note 24 of the Notes to Consolidated Financial Statements.

Business segment results are subject to reclassification when organizational changes are made, or for refinements in revenue and expense allocation methodologies. Refinements are typically reflected on a prospective basis. There were no reclassification or organizational changes in 2023.

The results of our business segments may be influenced by client and other activities that vary by quarter. In the first quarter, long-term stock awards for retirement-eligible employees vest which increases staff expense. The timing of our annual employee merit increases also impacts staff expense. In 2023, the merit increase was effective at the beginning of the second quarter, compared with prior years when it was effective at the beginning of the third quarter. For 2024, the merit increase will be effective in March, thus partially impacting the first quarter and second quarter staff expense variances.

In the third quarter, volume-related fees may decline due to reduced client activity. In the fourth quarter, we typically incur higher business development and marketing expenses. In our Investment and Wealth Management business segment, performance fees are typically higher in the fourth and first quarters, as those quarters represent the end of the measurement period for many of the performance fee-eligible relationships.

The results of our business segments may also be impacted by the translation of financial results denominated in foreign currencies to the U.S. dollar. We are primarily impacted by activities denominated in the British pound and the euro. On a consolidated basis and in our Securities Services and Market and Wealth Services business segments, we typically have more foreign currency-denominated expenses than revenues. However, our Investment and Wealth Management business segment typically has more foreign currency-denominated revenues than expenses. Overall, currency fluctuations impact the year-over-year growth rate in the Investment and Wealth Management business segment more than the Securities Services and Market and Wealth Services business segments. However, currency fluctuations, in isolation, are not expected to significantly impact net income on a consolidated basis.

Fee revenue in the Investment and Wealth Management business segment, and to a lesser extent, the Securities Services and Market and Wealth Services business segments, is impacted by the global market fluctuations. At Dec. 31, 2023, we estimated that a 5% change in global equity markets, spread evenly throughout the year, would impact fee revenue by less than 1% and diluted earnings per common share by \$0.04 to \$0.07.

See Note 24 of the Notes to Consolidated Financial Statements for the consolidating schedules which show the contribution of our business segments to our overall profitability.

**Securities Services business segment**

<i>(dollars in millions, unless otherwise noted)</i>	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
<b>Revenue:</b>					
Investment services fees:					
Asset Servicing	\$ 3,898	\$ 3,918	\$ 3,876	(1)%	1%
Issuer Services	1,121	1,009	1,061	11	(5)
Total investment services fees	5,019	4,927	4,937	2	—
Foreign exchange revenue	488	584	574	(16)	2
Other fees <i>(a)</i>	215	202	113	6	79
Total fee revenue	5,722	5,713	5,624	—	2
Investment and other revenue	333	291	194	N/M	N/M
Total fee and other revenue	6,055	6,004	5,818	1	3
Net interest revenue	2,569	2,028	1,426	27	42
Total revenue	8,624	8,032	7,244	7	11
Provision for credit losses	99	8	(134)	N/M	N/M
Noninterest expense (excluding amortization of intangible assets)	6,345	6,266	5,820	1	8
Amortization of intangible assets	31	33	32	(6)	3
Total noninterest expense	6,376	6,299	5,852	1	8
Income before income taxes	\$ 2,149	\$ 1,725	\$ 1,526	25%	13%
Pre-tax operating margin	25%	21%	21%		
Securities lending revenue <i>(b)</i>	\$ 189	\$ 182	\$ 173	4%	5%
<b>Total revenue by line of business:</b>					
Asset Servicing	\$ 6,638	\$ 6,323	\$ 5,699	5%	11%
Issuer Services	1,986	1,709	1,545	16	11
Total revenue by line of business	\$ 8,624	\$ 8,032	\$ 7,244	7%	11%
<b>Selected average balances:</b>					
Average loans	\$ 11,207	\$ 11,245	\$ 8,756	—%	28%
Average deposits	\$ 168,411	\$ 183,990	\$ 200,482	(8)%	(8)%
<b>Selected metrics:</b>					
AUC/A at period end <i>(in trillions) (c)</i>	\$ 34.2	\$ 31.4	\$ 34.6	9%	(9)%
Market value of securities on loan at period end <i>(in billions) (d)</i>	\$ 450	\$ 449	\$ 447	—%	—%
<b>Issuer Services:</b>					
Total debt serviced at period end <i>(in trillions)</i>	\$ 13.3	\$ 12.6	\$ 12.6	6%	—%
Number of sponsored Depositary Receipts programs at period end	543	589	656	(8)%	(10)%

*(a) Other fees primarily includes financing-related fees.*

*(b) Included in investment services fees reported in the Asset Servicing line of business.*

*(c) Consists of AUC/A primarily from the Asset Servicing line of business and, to a lesser extent, the Issuer Services line of business. Includes the AUC/A of CIBC Mellon of \$1.7 trillion at Dec. 31, 2023, \$1.5 trillion at Dec. 31, 2022 and \$1.7 trillion at Dec. 31, 2021.*

*(d) Represents the total amount of securities on loan in our agency securities lending program. Excludes securities for which BNY Mellon acts as agent on behalf of CIBC Mellon clients, which totaled \$63 billion at Dec. 31, 2023, \$68 billion at Dec. 31, 2022 and \$71 billion at Dec. 31, 2021.*

N/M – Not meaningful.

### *Business segment description*

The Securities Services business segment consists of two distinct lines of business, Asset Servicing and Issuer Services, which provide business solutions across the transaction lifecycle to our global asset owner and asset manager clients. We are one of the leading global investment services providers with \$34.2 trillion of AUC/A at Dec. 31, 2023. For information on the drivers of the Securities Services fee revenue, see Note 10 of the Notes to Consolidated Financial Statements.

The Asset Servicing business provides a comprehensive suite of solutions. We are one of the largest global custody, fund administrator and front-to-back outsourcing partners. We offer services for the safekeeping of assets in capital markets globally as well as fund accounting services, exchange-traded funds servicing, transfer agency, trust and depository, front-to-back capabilities as well as data and analytics solutions for our clients. We deliver foreign exchange, and securities lending and financing solutions, on both an agency and principal basis. Our agency securities lending program is one of the largest lenders of U.S. and non-U.S. securities, servicing a lendable asset pool of approximately \$4.9 trillion in 34 separate markets. Our market-leading liquidity services portal enables cash investments for institutional clients and includes fund research and analytics.

Our Digital Asset Custody platform offers custody and administration services for Bitcoin and Ether for select U.S. institutional clients. Our Digital Assets Funds Services provides accounting and administration, transfer agency and ETF services to digital asset funds. We expect to continue developing our digital asset capabilities and to work closely with clients to address their evolving digital asset needs. As of and for the year ended Dec. 31, 2023, our Digital Asset Custody platform and related initiative had a de minimis impact on our assets, liabilities, revenues and expenses.

The Issuer Services business includes Corporate Trust and Depository Receipts. Our Corporate Trust business delivers a full range of issuer and related investor services, including trustee, paying

agency, fiduciary, escrow and other financial services. We are a leading provider to the debt capital markets, providing customized and market-driven solutions to investors, bondholders and lenders. Our Depository Receipts business drives global investing by providing servicing and value-added solutions that enable, facilitate and enhance cross-border trading, clearing, settlement and ownership. We are one of the largest providers of depository receipts services in the world, partnering with leading companies from more than 50 countries.

### *Review of financial results*

AUC/A of \$34.2 trillion increased 9% compared with Dec. 31, 2022, primarily reflecting higher market values.

Total revenue of \$8.6 billion increased 7% compared with 2022. The drivers of total revenue by line of business are indicated below.

Asset Servicing revenue of \$6.6 billion increased 5% compared with 2022, primarily reflecting higher net interest revenue, net new business and the abatement of money market fee waivers, partially offset by lower foreign exchange revenue and client activity.

Issuer Services revenue of \$2.0 billion increased 16% compared with 2022, primarily reflecting higher net interest revenue, the accelerated amortization of deferred costs for depository receipts services related to Russia recorded in 2022, net new business and the abatement of money market fee waivers.

Market and regulatory trends are driving investable assets toward lower fee asset management products at reduced margins for our clients. These dynamics are also negatively impacting our investment services fees. However, at the same time, these trends are providing additional outsourcing opportunities as clients and other market participants seek to comply with regulations and reduce their operating costs.

Noninterest expense of \$6.4 billion increased 1% compared with 2022, primarily reflecting higher investments and the impact of inflation, partially offset by efficiency savings.

**Market and Wealth Services business segment**

<i>(dollars in millions, unless otherwise noted)</i>	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
<b>Revenue:</b>					
Investment services fees:					
Pershing	\$ 2,007	\$ 1,908	\$ 1,737	5%	10%
Treasury Services	691	689	662	—	4
Clearance and Collateral Management	1,090	971	918	12	6
Total investment services fees	3,788	3,568	3,317	6	8
Foreign exchange revenue	81	88	88	(8)	—
Other fees <i>(a)</i>	212	176	131	20	34
Total fee revenue	4,081	3,832	3,536	6	8
Investment and other revenue	63	40	47	N/M	N/M
Total fee and other revenue	4,144	3,872	3,583	7	8
Net interest revenue	1,712	1,410	1,158	21	22
Total revenue	5,856	5,282	4,741	11	11
Provision for credit losses	41	7	(67)	N/M	N/M
Noninterest expense (excluding amortization of intangible assets)	3,191	2,924	2,655	9	10
Amortization of intangible assets	6	8	21	(25)	(62)
Total noninterest expense	3,197	2,932	2,676	9	10
Income before income taxes	\$ 2,618	\$ 2,343	\$ 2,132	12%	10%
Pre-tax operating margin	45%	44%	45%		
<b>Total revenue by line of business:</b>					
Pershing	\$ 2,789	\$ 2,537	\$ 2,314	10%	10%
Treasury Services	1,611	1,483	1,293	9	15
Clearance and Collateral Management	1,456	1,262	1,134	15	11
Total revenue by line of business	\$ 5,856	\$ 5,282	\$ 4,741	11%	11%
<b>Selected average balances:</b>					
Average loans	\$ 37,502	\$ 41,300	\$ 38,344	(9)%	8%
Average deposits	\$ 85,785	\$ 91,749	\$ 102,948	(7)%	(11)%
<b>Selected metrics:</b>					
AUC/A at period end <i>(in trillions) (b)</i>	\$ 13.3	\$ 12.7	\$ 11.8	5%	8%
<b>Pershing:</b>					
AUC/A at period end <i>(in trillions)</i>	\$ 2.5	\$ 2.3	\$ 2.6	9%	(12)%
Net new assets (U.S. platform) <i>(in billions) (c)</i>	\$ 22	\$ 121	\$ 161	N/M	N/M
Average active clearing accounts <i>(in thousands)</i>	7,946	7,483	7,257	6%	3%
<b>Treasury Services:</b>					
Average daily U.S. dollar payment volumes	236,696	239,630	235,971	(1)%	2%
<b>Clearance and Collateral Management:</b>					
Average tri-party collateral management balances <i>(in billions)</i>	\$ 5,658	\$ 5,285	\$ 4,260	7%	24%

*(a) Other fees primarily include financing-related fees.*

*(b) Consists of AUC/A from the Clearance and Collateral Management and Pershing businesses.*

*(c) Net new assets represent net flows of assets (e.g., net cash deposits and net securities transfers, including dividends and interest) in customer accounts in Pershing LLC, a U.S. broker-dealer.*

N/M – Not meaningful.



### *Business segment description*

The Market and Wealth Services business segment consists of three distinct lines of business, Pershing, Treasury Services and Clearance and Collateral Management, which provide business services and technology solutions to entities including financial institutions, corporations, foundations and endowments, public funds and government agencies. For information on the drivers of the Market and Wealth Services fee revenue, see Note 10 of the Notes to Consolidated Financial Statements.

Pershing provides execution, clearing, custody, business and technology solutions, delivering operational support to broker-dealers, wealth managers and registered investment advisors (“RIAs”) globally.

Our Treasury Services business is a leading provider of global payments, liquidity management and trade finance services for financial institutions, corporations and the public sector.

Our Clearance and Collateral Management business clears and settles equity and fixed-income transactions globally and serves as custodian for tri-party repo collateral worldwide. We are the primary provider of U.S. government securities clearance and a provider of non-U.S. government securities clearance. Our collateral services include collateral management, administration and segregation. We offer innovative solutions and industry expertise which help financial institutions and institutional investors with their financing, risk and balance sheet challenges. We are a leading provider of tri-party collateral management services with an average of \$5.7 trillion serviced

globally including approximately \$4.6 trillion of the U.S. tri-party repo market at Dec. 31, 2023.

### *Review of financial results*

AUC/A of \$13.3 trillion increased 5% compared with Dec. 31, 2022, primarily reflecting higher market values and net client inflows.

Total revenue of \$5.9 billion increased 11% compared with 2022. The drivers of total revenue by line of business are indicated below.

Pershing revenue of \$2.8 billion increased 10% compared with 2022, primarily reflecting the abatement of money market fee waivers, higher net interest revenue and higher fees on sweep balances, partially offset by lower client activity and lost business. Net new assets of \$22 billion in 2023 reflects the deconversion of a regional bank client that was acquired in May.

Treasury Services revenue of \$1.6 billion increased 9% compared with 2022, primarily reflecting higher net interest revenue.

Clearance and Collateral Management revenue of \$1.5 billion increased 15% compared with 2022, primarily reflecting higher net interest revenue, U.S. collateral management balances and U.S. government clearance volumes.

Noninterest expense of \$3.2 billion increased 9% compared with 2022, primarily reflecting higher investments and revenue-related expenses, as well as the impact of inflation, partially offset by efficiency savings.

*Investment and Wealth Management business segment*

<i>(dollars in millions)</i>	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
<b>Revenue:</b>					
Investment management fees	\$ 2,971	\$ 3,215	\$ 3,483	(8)%	(8)%
Performance fees	81	75	107	8	(30)
Investment management and performance fees (a)	3,052	3,290	3,590	(7)	(8)
Distribution and servicing fees	241	192	112	26	71
Other fees (b)	(214)	(133)	80	N/M	N/M
Total fee revenue	3,079	3,349	3,782	(8)	(11)
Investment and other revenue (c)	(102)	(27)	67	N/M	N/M
Total fee and other revenue (c)	2,977	3,322	3,849	(10)	(14)
Net interest revenue	166	228	193	(27)	18
Total revenue	3,143	3,550	4,042	(11)	(12)
Provision for credit losses	(4)	1	(13)	N/M	N/M
Noninterest expense (excluding goodwill impairment and amortization of intangible assets)	2,746	2,795	2,796	(2)	—
Goodwill impairment	—	680	—	N/M	N/M
Amortization of intangible assets	20	26	29	(23)	(10)
Total noninterest expense	2,766	3,501	2,825	(21)	24
Income before income taxes	\$ 381	\$ 48	\$ 1,230	694% (d)	(96)% (d)
Pre-tax operating margin	12%	1%	30%		
Adjusted pre-tax operating margin – Non-GAAP (e)	14% (f)	2% (f)	33%		

**Total revenue by line of business:**

Investment Management	\$ 2,068	\$ 2,390	\$ 2,834	(13)%	(16)%
Wealth Management	1,075	1,160	1,208	(7)	(4)
Total revenue by line of business	\$ 3,143	\$ 3,550	\$ 4,042	(11)%	(12)%

**Selected average balances:**

Average loans	\$ 13,718	\$ 14,055	\$ 12,120	(2)%	16%
Average deposits	\$ 14,280	\$ 19,214	\$ 18,068	(26)%	6%

- (a) On a constant currency basis, investment management and performance fees decreased 7% (Non-GAAP) compared with 2022. See “Supplemental Information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 111 for the reconciliation of this Non-GAAP measure.
- (b) Other fees primarily includes investment services fees.
- (c) Investment and other revenue and total fee and other revenue are net of income attributable to noncontrolling interests related to consolidated investment management funds.
- (d) Excluding notable items, income before income taxes decreased 28% (Non-GAAP) in 2023 compared with 2022 and 39% (Non-GAAP) in 2022 compared with 2021. See “Supplemental Information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 111 for the reconciliation of these Non-GAAP measures.
- (e) Net of distribution and servicing expense. See “Supplemental Information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 111 for the reconciliation of these Non-GAAP measures.
- (f) Excluding notable items and net of distribution and servicing expense, the adjusted pre-tax operating margin was 19% (Non-GAAP) in 2023 and 24% (Non-GAAP) in 2022. See “Supplemental Information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 111 for the reconciliation of these Non-GAAP measures.

N/M – Not meaningful.

## Results of Operations (continued)

<b>AUM trends</b>			
<i>(in billions)</i>	<b>2023</b>	2022	2021
<b>AUM by product type (a):</b>			
Equity	\$ 145	\$ 135	\$ 187
Fixed income	205	198	267
Index	459	395	467
Liability-driven investments	605	570	890
Multi-asset and alternative investments	170	153	228
Cash	390	385	395
<b>Total AUM</b>	<b>\$1,974</b>	\$1,836	\$2,434
<b>Changes in AUM (a):</b>			
Beginning balance of AUM	\$1,836	\$2,434	\$2,211
Net inflows (outflows):			
Long-term strategies:			
Equity	(12)	(18)	(12)
Fixed income	(4)	(21)	17
Liability-driven investments	12	78	36
Multi-asset and alternative investments	(9)	(11)	(2)
Total long-term active strategies (outflows) inflows	(13)	28	39
Index	(12)	2	(7)
Total long-term strategies (outflows) inflows	(25)	30	32
Short-term strategies:			
Cash	5	(12)	70
Total net (outflows) inflows	(20)	18	102
Net market impact	121	(471)	143
Net currency impact	37	(113)	(22)
Divestiture	—	(32)	—
<b>Ending balance of AUM</b>	<b>\$1,974</b>	\$1,836	\$2,434
<b>Wealth Management client assets (b)</b>			
	\$ 312	\$ 269	\$ 321

(a) Excludes assets managed outside of the Investment and Wealth Management business segment.

(b) Includes AUM and AUC/A in the Wealth Management line of business.

### Business segment description

Our Investment and Wealth Management business segment consists of two distinct lines of business, Investment Management and Wealth Management, which have a combined AUM of \$2.0 trillion as of Dec. 31, 2023.

BNY Mellon Investment Management is a leading global asset manager and consists of seven specialist investment firms and a global distribution platform to deliver a diversified range of investment capabilities to institutional and retail clients globally.

Our Investment Management model provides specialist expertise from seven investment firms offering solutions across major asset classes, backed by the strength, scale and proven stewardship of BNY

Mellon. Each investment firm has its own individual culture, investment philosophy and proprietary investment process. This approach brings our clients clear, independent thinking from highly experienced investment professionals.

The investment firms offer a broad range of actively managed equity, fixed income, multi-asset and liability-driven investments, along with passive products and cash management. Our six majority-owned investment firms are as follows: ARX, Dreyfus, Insight Investment, Mellon, Newton Investment Management and Walter Scott. BNY Mellon owns a noncontrolling interest in Siguler Guff.

In November 2022, BNY Mellon sold Alcentra. As part of the sale agreement, Investment Management will continue to offer Alcentra's capabilities in BNY Mellon's sub-advised funds and in select regions via its global distribution platform. BNY Mellon continues to provide Alcentra with ongoing asset servicing support. Additionally, Investment Management exclusively distributes Alcentra products in Japan.

Investment Management has multiple global distribution entities, which are responsible for distributing the investment solutions developed and managed by the investment firms, as well as responsibility for management and distribution of our U.S. mutual funds, ETFs and certain offshore money market funds.

BNY Mellon Wealth Management provides investment management, custody, wealth and estate planning, private banking services, investment servicing and information management. BNY Mellon Wealth Management has \$312 billion in client assets as of Dec. 31, 2023, and more than 30 offices in the U.S. and internationally.

Wealth Management clients include individuals, families and institutions. Institutions include family offices, charitable gift programs and endowments and foundations. We work with clients to build, manage and sustain wealth across generations and market cycles.

The wealth business differentiates itself with a comprehensive wealth management framework called Active Wealth that seeks to empower clients to build and sustain long-term wealth.

The results of the Investment and Wealth Management business segment are driven by a blend of daily, monthly and quarterly AUM by product type. The overall level of AUM for a given period is determined by:

- the beginning level of AUM;
- the net flows of new assets during the period resulting from new business wins and existing client inflows, reduced by the loss of clients and existing client outflows; and
- the impact of market price appreciation or depreciation, foreign exchange rates and investment firm acquisitions or divestitures.

The mix of AUM is a result of the historical growth rates of equity and fixed income markets and the cumulative net flows of our investment firms as a result of client asset allocation decisions. Actively managed equity, multi-asset and alternative assets typically generate higher percentage fees than fixed-income and liability-driven investments and cash. Also, actively managed assets typically generate higher management fees than indexed or passively managed assets of the same type. Market and regulatory trends have resulted in increased demand for lower fee asset management products and for performance-based fees.

Investment management fees are dependent on the overall level and mix of AUM and the management fees expressed in basis points (one-hundredth of one percent) charged for managing those assets. Management fees are typically subject to fee schedules based on the overall level of assets managed for a single client or by individual asset class and style. This is most common for institutional clients where we typically manage substantial assets for individual accounts.

Performance fees are generally calculated as a percentage of a portfolio's performance in excess of a benchmark index or a peer group's performance.

A key driver of organic growth in investment management and performance fees is the amount of net new AUM flows. Overall market conditions are also key drivers, with a significant long-term economic driver being growth of global financial assets.

Net interest revenue is determined by loan and deposit volumes and the interest rate spread between customer rates and internal funds transfer rates on loans and deposits. Expenses in the Investment and Wealth Management business segment are mainly driven by staff and distribution and servicing expenses.

### *Review of financial results*

AUM of \$2.0 trillion increased 8% compared with Dec. 31, 2022, primarily reflecting higher market values and the favorable impact of a weaker U.S. dollar, partially offset by cumulative net outflows.

Net long-term strategy outflows were \$25 billion in 2023, driven by outflows of equity, index and multi-asset and alternative investments, partially offset by inflows of liability-driven investments. Short-term strategy inflows were \$5 billion in 2023.

Total revenue of \$3.1 billion decreased 11% compared with 2022. The drivers of total revenue by line of business are indicated below.

Investment Management revenue of \$2.1 billion decreased 13% compared with 2022, primarily reflecting the reduction in the fair value of a contingent consideration receivable and the impact of the prior year divestiture, as well as the mix of AUM flows, partially offset the abatement of money market fee waivers and seed capital gains.

Wealth Management revenue of \$1.1 billion decreased 7% compared with 2022, primarily reflecting changes in product mix and lower net interest revenue.

Revenue generated in the Investment and Wealth Management business segment included 33% from non-U.S. sources in 2023, compared with 35% in 2022.

Noninterest expense of \$2.8 billion decreased 21% compared with 2022, primarily reflecting the goodwill impairment in the Investment Management reporting unit in 2022, the impact of a prior year divestiture and efficiency savings, partially offset by higher investments and revenue-related expenses, as well as inflation.

*Other segment*

<i>(in millions)</i>	2023	2022	2021
Fee revenue	\$ (10)	\$ 61	\$ 36
Investment and other revenue	(11)	(373)	15
Total fee and other revenue	(21)	(312)	51
Net interest expense	(102)	(162)	(159)
Total revenue	(123)	(474)	(108)
Provision for credit losses	(17)	23	(17)
Noninterest expense	956	278	161
(Loss) before income taxes	\$ (1,062)	\$ (775)	\$ (252)
Average loans and leases	\$ 1,669	\$ 1,225	\$ 1,594

*Segment description*

The Other segment primarily includes:

- the leasing portfolio;
- corporate treasury activities, including our securities portfolio;
- derivatives and other trading activity;
- corporate and bank-owned life insurance;
- renewable energy and other corporate investments; and
- certain business exits.

Revenue primarily reflects:

- net interest revenue (expense) and lease-related gains (losses) from leasing operations;
- net interest revenue (expense) and derivatives and other corporate treasury activities;
- other revenue from certain business exits;
- investment and other revenue from corporate and bank-owned life insurance, gains (losses) associated with investment securities and other assets, including renewable energy; and
- fee revenue from the elimination of the results of certain services provided between segments, which are also provided to third parties.

Expenses include:

- direct expenses supporting leasing, investing and funding activities; and
- expenses not directly attributable to Securities Services, Market and Wealth Services and Investment and Wealth Management operations.

*Review of financial results*

Loss before taxes was \$1.1 billion in 2023 compared with \$775 million in 2022.

Investment and other revenue increased \$362 million compared with 2022, primarily reflecting the net loss from repositioning the security portfolio recorded in 2022.

Noninterest expense increased \$678 million compared with 2022, primarily driven by the FDIC special assessment.

**International operations**

Our primary international activities consist of asset servicing in our Securities Services business segment, global payment services in our Market and Wealth Services business segment and investment management in our Investment and Wealth Management business segment.

Our clients include central banks and sovereigns, financial institutions, asset managers, insurance companies, corporations, local authorities and high-net-worth individuals and family offices. Through our global network of offices, we have developed a deep understanding of local requirements and cultural needs, and we pride ourselves on providing dedicated service through our multilingual sales, marketing and client service teams.

At Dec. 31, 2023, approximately 55% of our total employees (full-time and part-time employees) were based outside the U.S., with approximately 11,000 employees in EMEA, approximately 18,400 employees in APAC and approximately 800 employees in other global locations, primarily Brazil.

We are a leading global asset manager. Our international operations managed 51% of BNY

Mellon's AUM at Dec. 31, 2023 and 53% at Dec. 31, 2022.

In Europe, we maintain capabilities to service Undertakings for Collective Investment in Transferable Securities and alternative investment funds. We offer a full range of tailored solutions for investment companies, financial institutions and institutional investors across most European markets.

We are a provider of non-U.S. government securities, fixed income and equities clearance, settling securities transactions directly in European markets, and using a high-quality and established network of local agents in non-European markets.

We have extensive experience providing trade and cash services to financial institutions and central banks outside of the U.S. In addition, we offer a broad range of servicing and fiduciary products to financial institutions, corporations and central banks. In emerging markets, we lead with custody, global payments and issuer services, introducing other products as the markets mature. For more established markets, our focus is on global investment services.

We are also a full-service global provider of foreign exchange services, actively trading in over 100 of the world's currencies. We serve clients from trading desks located in Europe, Asia and North America.

Our financial results, as well as our levels of AUC/A and AUM, are impacted by translation from foreign currencies to the U.S. dollar. We are primarily impacted by activities denominated in the British pound and the euro. If the U.S. dollar depreciates against these currencies, the translation impact is a higher level of fee revenue, net interest revenue, noninterest expense and AUC/A and AUM. Conversely, if the U.S. dollar appreciates, the translated levels of fee revenue, net interest revenue, noninterest expense and AUC/A and AUM will be lower.

<b>Foreign exchange rates vs. U.S. dollar</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Spot rate (at Dec. 31):			
British pound	<b>\$ 1.2749</b>	\$ 1.2096	\$ 1.3543
Euro	<b>1.1046</b>	1.0708	1.1373
Yearly average rate:			
British pound	<b>\$ 1.2432</b>	\$ 1.2375	\$ 1.3755
Euro	<b>1.0813</b>	1.0550	1.1994

International clients accounted for 36% of revenues in 2023 and 2022. Net income from international operations was \$2.0 billion in 2023, compared with \$1.7 billion in 2022.

In 2023, revenues from EMEA were \$4.1 billion, compared with \$4.0 billion in 2022. The 4% increase primarily reflects higher net interest revenue and net new business in the Securities Services and Market and Wealth Services business segments. The increase was partially offset by lower revenue in the Investment and Wealth Management business segment. The decrease in revenue in the Investment and Wealth Management business segment primarily reflects the impact of the prior year divestiture, mix of AUM flows and lower market values.

The Securities Services, Market and Wealth Services and Investment and Wealth Management business segments generated 60%, 21% and 19% of EMEA revenues, respectively. Net income from EMEA was \$1.1 billion in 2023, compared with \$880 million in 2022.

Revenues from APAC were \$1.3 billion in 2023, compared with \$1.1 billion in 2022. The 14% increase primarily reflects higher net interest revenue in the Securities Services and Market and Wealth Services business segments.

The Securities Services, Market and Wealth Services and Investment and Wealth Management business segments generated 56%, 32% and 12% of APAC revenues, respectively. Net income from APAC was \$547 million in 2023, compared with \$432 million in 2022.

For additional information regarding our international operations, including certain key subjective assumptions used in determining the results, see Note 25 of the Notes to Consolidated Financial Statements.

**Country risk exposure**

The following table presents BNY Mellon’s top 10 exposures by country (excluding the U.S.) as of Dec. 31, 2023, as well as certain countries with higher-risk profiles, and is presented on an internal risk management basis. We monitor our exposure to these and other countries as part of our internal country risk management process.

The country risk exposure below reflects the Company’s risk to an immediate default of the counterparty or obligor based on the country of residence of the entity which incurs the liability. If there is credit risk mitigation, the country of residence of the entity providing the risk mitigation is the country of risk. The country of risk for securities is generally based on the domicile of the issuer of the security.

Country risk exposure at Dec. 31, 2023 (in billions)	Interest-bearing deposits		Lending (a)	Securities (b)	Other (c)	Total exposure
	Central banks	Banks				
<b>Top 10 country exposure:</b>						
Germany	\$ 16.9	\$ 0.6	\$ 0.8	\$ 3.8	\$ 0.3	\$ 22.4
United Kingdom (“UK”)	10.9	0.7	1.4	3.0	2.3	18.3
Belgium	8.2	0.8	0.1	0.8	—	9.9
Canada	—	1.3	0.1	3.9	1.2	6.5
Netherlands	3.4	—	0.2	1.1	0.2	4.9
Japan	1.2	0.8	0.1	0.4	0.3	2.8
Luxembourg	0.1	—	1.4	0.1	1.2	2.8
South Korea	0.1	—	2.0	0.1	0.5	2.7
Australia	—	1.0	0.3	0.7	0.5	2.5
France	—	—	0.1	1.9	0.5	2.5
Total Top 10 country exposure	\$ 40.8	\$ 5.2	\$ 6.5	\$ 15.8	\$ 7.0	\$ 75.3 (d)
<b>Select country exposure:</b>						
Brazil	\$ —	\$ 0.2	\$ 0.9	\$ 0.1	\$ 0.1	\$ 1.3
Russia	—	0.4 (e)	—	—	—	0.4

- (a) Lending includes loans, acceptances, issued letters of credit, net of participations, and lending-related commitments.  
(b) Securities include both the available-for-sale and held-to-maturity portfolios.  
(c) Other exposure includes over-the-counter (“OTC”) derivative and securities financing transactions, net of collateral.  
(d) The top 10 country exposure comprises approximately 70% of our total non-U.S. exposure.  
(e) Represents cash balances with exposure to Russia.

Events in recent years have resulted in increased focus on Brazil. The country risk exposure to Brazil is primarily short-term trade finance loans extended to large financial institutions. We also have operations in Brazil providing investment services and investment management services.

The war in Ukraine has increased our focus on Russia. The country risk exposure to Russia consists of cash balances related to our securities services businesses and may increase in the future to the extent cash is received for the benefit of our clients that is subject to distribution restrictions. BNY Mellon has ceased new banking business in Russia and suspended investment management purchases of Russian securities. At Dec. 31, 2023, less than 0.1% of our AUC/A and less than 0.01% of our AUM consisted of Russian securities. We will continue to work with multinational clients that depend on our custody and record keeping services to manage their exposures.

We are also monitoring our exposure to Israel as part of our internal country risk management process. At Dec. 31, 2023, our total exposure to Israel was \$165 million and primarily consisted of investment grade short-term interest-bearing deposits and OTC derivatives maturing within six months.

**Critical accounting estimates**

Our significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements. Certain of these policies include critical accounting estimates which require management to make subjective or complex judgments about the effect of matters that are inherently uncertain and may change in subsequent periods. Our critical accounting estimates are those related to the allowance for credit losses, goodwill and other intangibles and litigation and regulatory contingencies. Management has discussed the

development and selection of the critical accounting estimates with the Company's Audit Committee.

### *Allowance for credit losses*

The allowance for credit losses covers financial assets subject to credit losses and measured at amortized cost, including loans and lending-related commitments, held-to-maturity securities, certain securities financing transactions and deposits with banks. The allowance for credit losses is intended to adjust the carrying value of these assets by an estimated amount of credit losses that we expect to incur over the life of the asset. Similarly, the allowance for credit losses on lending-related commitments and other off-balance sheet financial instruments is meant to capture the credit losses that we expect to recognize in these portfolios as of the balance sheet date.

A quantitative methodology and qualitative framework is used to estimate the allowance for credit losses.

The quantitative component of our estimate uses models and methodologies that categorize financial assets based on product type, collateral type, and other credit trends and risk characteristics, including relevant information about past events, current conditions and reasonable and supportable forecasts of future economic conditions that affect the collectability of the recorded amounts. For the quantitative component, we segment portfolios into various major components including commercial loans and lease financing, commercial real estate, financial institutions, residential mortgages, and other. The segmentation of our debt securities portfolios is by major asset class and is influenced by whether the security is structured or non-structured (i.e., direct obligation), as well as the issuer type. The components of the credit loss calculation for each major portfolio or asset class include a probability of default, loss given default and exposure at default, as applicable, and their values depend on the forecast behavior of variables in the macroeconomic environment. We utilize a multi-scenario macroeconomic forecast which includes a weighting of three scenarios: a baseline and upside and downside scenarios and allows us to develop our estimate using a wide span of economic variables. Our baseline scenario reflects a view on likely performance of each global region and the other two scenarios are designed relative to the baseline

scenario. This approach incorporates a reasonable and supportable forecast period spanning the life of the asset, and includes both an initial estimated economic outlook component as well as a reversion component for each economic input variable. The length of each of the two components depends on the underlying financial instrument, scenario, and underlying economic input variable. In general, the initial economic outlook period for each economic input variable under each scenario ranges between several months and two years. The speed at which the scenario-specific forecasts revert to long-term historical mean is based on observed historical patterns of mean reversion at the economic variable input level that are reflected in our model parameter estimates. Certain macroeconomic variables such as unemployment or home prices take longer to revert after a contraction, though specific recovery times are scenario-specific. Reversion will usually take longer the further away the scenario-specific forecast is from the historical mean. On a quarterly basis, and within a developed governance structure, we update these scenarios for current economic conditions and may adjust the scenario weighting based on our economic outlook. The Company uses judgment to assess these economic conditions and loss data in determining the best estimate of the allowance for credit losses and these estimates are subject to periodic refinement based on changes to underlying external or Company-specific historical data.

In the quantitative component of our estimate, we measure expected credit losses using an individual evaluation method if the risk characteristics of the asset is no longer consistent with the portfolio or class of asset. For these assets, we do not employ the macroeconomic model calculation but consider factors such as payment status, collateral value, the obligor's financial condition, guarantor support, the probability of collecting scheduled principal and interest payments when due, and recovery expectations if they can be reasonably estimated. For loans, we measure the expected credit loss as the difference between the amortized cost basis of the loan and the present value of the expected future cash flows from the borrower which is generally discounted at the loan's effective interest rate, or the fair value of the collateral, if the loan is collateral-dependent. We generally individually evaluate nonperforming loans as well as loans that have been or are anticipated to be modified given the risk characteristics of such loans.



Available-for-sale debt securities are recorded at fair value. When an available-for-sale debt security is in an unrealized loss position, we employ a methodology to identify and estimate the credit loss portion of the unrealized loss position. The measurement of expected credit losses is performed at the security level and is based on our best single estimate of cash flows, on a discounted basis; however, we do not specifically employ the macroeconomic forecasting models and scenarios summarized above.

The qualitative component of our estimate for the allowance for credit losses is intended to capture expected losses that may not have been fully captured in the quantitative component. Through an established governance structure, management determines the qualitative allowance each period based on an evaluation of various internal and environmental factors which include: scenario weighting and sensitivity risk, credit concentration risk, economic conditions and other considerations. We have made and may continue to make adjustments for idiosyncratic risks.

To the extent actual results differ from forecasts or management's judgment, the allowance for credit losses may be greater or less than future charge-offs and recoveries.

Our allowance for credit losses is sensitive to a number of inputs, most notably the macroeconomic forecast assumptions that are incorporated into our estimate of credit losses through the expected life of the loan portfolio, as well as credit ratings assigned to each borrower. As the macroeconomic environment and related forecasts change, the allowance for credit losses may change materially. The following sensitivity analyses do not represent management's expectations of the deterioration of our portfolios or the economic environment, but are provided as hypothetical scenarios to assess the sensitivity of the allowance for credit losses to changes in key inputs. If commercial real estate property values were increased 10% and all other credits were rated one grade better, the quantitative allowance would have decreased by \$47 million, and if commercial real estate property values were decreased 10% and all other credits were rated one grade worse, the quantitative allowance would have increased by \$83 million. Our multi-scenario based macroeconomic forecast used in determining the Dec. 31, 2023 allowance for credit losses consisted of three

scenarios. The baseline scenario reflects slightly increasing GDP growth, stable unemployment and declining commercial real estate prices through the end of 2024. The upside scenario reflects faster GDP growth, declining unemployment through the second quarter of 2024 before moderating and higher commercial real estate prices compared with the baseline. The downside scenario contemplates negative GDP growth through the first quarter of 2024 with subsequent stabilization through the third quarter of 2024, as well as rapidly increasing unemployment through 2024 and sharply lower commercial real estate prices than the baseline. At Dec. 31, 2023, we placed the most weight on our downside scenario, followed by the baseline scenario, with the remaining weighting placed on the upside scenario. From a sensitivity perspective, at Dec. 31, 2023, if we had applied 100% weighting to the downside scenario, the quantitative allowance for credit losses would have been approximately \$88 million higher.

See Notes 1 and 5 of the Notes to Consolidated Financial Statements for additional information regarding the allowance for credit losses.

### *Goodwill and other intangibles*

We initially record all assets and liabilities acquired in purchase acquisitions, including goodwill, indefinite-lived intangibles and other intangibles, in accordance with Accounting Standards Codification ("ASC") 805, *Business Combinations*. Goodwill, indefinite-lived intangibles and other intangibles are subsequently accounted for in accordance with ASC 350, *Intangibles – Goodwill and Other*. The initial measurement of goodwill and intangibles requires judgment concerning estimates of the fair value of the acquired assets and liabilities. Goodwill (\$16.3 billion at Dec. 31, 2023) and indefinite-lived intangible assets (\$2.6 billion at Dec. 31, 2023) are not amortized but are subject to tests for impairment annually or more often if events or circumstances indicate it is more likely than not they may be impaired. Other intangible assets are amortized over their estimated useful lives and are subject to impairment if events or circumstances indicate a possible inability to realize the carrying value.

### *Goodwill*

BNY Mellon's business segments include six reporting units for which annual goodwill impairment

testing is performed. An interim goodwill impairment test is performed when events or circumstances occur that may indicate that it is more likely than not that the fair value of any reporting unit may be less than its carrying value.

The goodwill impairment test compares the estimated fair value of the reporting unit with its carrying amount, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. However, if the carrying amount of the reporting unit were to exceed its estimated fair value, an impairment loss would be recorded for the difference.

In each quarter of 2023, we completed an interim goodwill impairment test of the Investment Management reporting unit, which had \$6.1 billion of allocated goodwill as of Dec. 31, 2023. In all cases, we determined the fair value of the Investment Management reporting unit exceeded its carrying value and no goodwill impairment was recorded.

For the Dec. 31, 2023 test, the fair value of the Investment Management reporting unit exceeded its carrying value by approximately 5%. We determined the fair value of the Investment Management reporting unit using an income approach based on management's projections as of Dec. 31, 2023. The discount rate applied to these cash flows was 10.5%.

As of Dec. 31, 2023, if the discount rate applied to the estimated cash flows was increased or decreased by 25 basis points, the fair value of the Investment Management reporting unit would decrease or increase by 4%, respectively. Similarly, if the long-term growth rate was increased or decreased by 10 basis points, the fair value of the Investment Management reporting unit would increase or decrease by approximately 1%, respectively.

In the second quarter of 2023, we performed our annual goodwill impairment test on the remaining five reporting units using an income approach to estimate the fair values of each reporting unit. Estimated cash flows used in the income approach were based on management's projections as of April 1, 2023. The discount rate applied to these cash flows was 10%.

As a result of the annual goodwill impairment test, no goodwill impairment was recognized. The fair values of the Company's remaining five reporting units were substantially in excess of the respective reporting units' carrying value.

### *Intangible assets*

Key judgments in accounting for intangible assets include determining the useful life and classification between goodwill and indefinite-lived intangible assets or other amortizing intangible assets.

Indefinite-lived intangible assets (\$2.6 billion at Dec. 31, 2023) are evaluated for impairment at least annually by comparing their fair values, estimated using discounted cash flow analyses, to their carrying values. As a result of the annual evaluation, no impairment was recognized, however, a \$698 million indefinite-lived intangible asset related to customer relationships in the Investment Management business exceeded its carrying value by approximately 7%.

Other amortizing intangible assets (\$274 million at Dec. 31, 2023) are evaluated for impairment if events and circumstances indicate a possible impairment. Such evaluation of other intangible assets would be initially based on undiscounted cash flow projections.

Determining the fair value of a reporting unit or indefinite-lived intangible assets is subject to uncertainty as it is reliant on estimates of cash flows that extend far into the future, and, by their nature, are difficult to estimate over such an extended time frame. In the future, changes in the assumptions or the discount rate could produce a material non-cash goodwill or intangible asset impairment.

See Notes 1 and 7 of the Notes to Consolidated Financial Statements for additional information regarding goodwill, intangible assets and the annual and interim impairment testing.

### *Litigation and regulatory contingencies*

Significant estimates and judgments are required in establishing an accrued liability for litigation and regulatory contingencies. For additional information on our policy, see "Legal proceedings" in Note 22 of the Notes to Consolidated Financial Statements.

## Consolidated balance sheet review

One of our key risk management objectives is to maintain a balance sheet that remains strong throughout market cycles to meet the expectations of our major stakeholders, including our shareholders, clients, creditors and regulators.

We also seek to undertake overall liquidity risk, including intraday liquidity risk, that stays within our risk appetite. The objective of our balance sheet management strategy is to maintain a balance sheet that is characterized by strong liquidity and asset quality, ready access to external funding sources at competitive rates and a strong capital structure that supports our risk-taking activities and is adequate to absorb potential losses. 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 profitability.

At Dec. 31, 2023, total assets were \$410 billion, compared with \$406 billion at Dec. 31, 2022. The increase in total assets was primarily driven by higher interest-bearing deposits with the Federal Reserve and other central banks and federal funds sold and securities purchased under resale agreements, partially offset by lower securities and interest-bearing deposits with banks. Deposits totaled \$284 billion at Dec. 31, 2023, compared with \$279 billion at Dec. 31, 2022. The increase primarily reflects higher interest-bearing deposits in U.S. offices and non-U.S. offices, partially offset by lower non-interest bearing deposits (principally U.S. offices). Total interest-bearing deposit liabilities as a percentage of total interest-earning assets were 66% at Dec. 31, 2023 and 58% at Dec. 31, 2022.

At Dec. 31, 2023, available funds totaled \$158 billion and includes cash and due from banks, interest-bearing deposits with the Federal Reserve and other central banks, interest-bearing deposits with banks and federal funds sold and securities purchased under resale agreements. This compares with available funds of \$138 billion at Dec. 31, 2022. Total

available funds as a percentage of total assets were 38% at Dec. 31, 2023 and 34% at Dec. 31, 2022. For additional information on our available funds, see “Liquidity and dividends.”

Securities were \$126 billion, or 31% of total assets, at Dec. 31, 2023, compared with \$143 billion, or 35% of total assets, at Dec. 31, 2022. The decrease primarily reflects lower U.S. Treasury and non-U.S. government securities, partially offset by unrealized pre-tax gains. For additional information on our securities portfolio, see “Securities” and Note 4 of the Notes to Consolidated Financial Statements.

Loans were \$67 billion, or 16% of total assets, at Dec. 31, 2023, compared with \$66 billion, or 16% of total assets, at Dec. 31, 2022. Increases in nearly all loan portfolios were partially offset by lower overdrafts and wealth management loans. For additional information on our loan portfolio, see “Loans” and Note 5 of the Notes to Consolidated Financial Statements.

Long-term debt totaled \$31 billion at Dec. 31, 2023 and \$30 billion at Dec. 31, 2022. The increase primarily reflects issuances, partially offset by maturities and repurchases. For additional information on long-term debt, see “Liquidity and dividends” and Note 13 of the Notes to Consolidated Financial Statements.

The Bank of New York Mellon Corporation total shareholders’ equity totaled \$41 billion at Dec. 31, 2023 and Dec. 31, 2022. For additional information, see “Capital” and Note 15 of the Notes to Consolidated Financial Statements.

## *Securities*

In the discussion of our securities portfolio, we have included certain credit ratings information because the information can indicate the degree of credit risk to which we are exposed. Significant changes in ratings classifications could indicate increased credit risk for us and could be accompanied by an increase in the allowance for credit losses and/or a reduction in the fair value of our securities portfolio.

The following table shows the distribution of our total securities portfolio.

Securities portfolio <i>(dollars in millions)</i>	Dec. 31, 2022	2023 change in unrealized gain (loss)	Dec. 31, 2023		Fair value as a % of amortized cost (a)	Unrealized gain (loss)	% Floating rate (b)	Ratings (c)					
	Fair value		Amortized cost (a)	Fair value				AAA/ AA-	A+/ A-	BBB+/ BBB-	BB+ and lower	Not rated	
Agency residential mortgage-backed securities ("RMBS")	\$ 38,916	\$ 796	\$ 43,197	\$ 39,333	91%	\$ (3,864)	21%	100%	—%	—%	—%	—%	—%
U.S. Treasury	41,503	623	27,316	26,476	97	(840)	62	100	—	—	—	—	—
Non-U.S. government (d)	22,361	342	21,135	20,543	97	(592)	42	94	3	2	1	—	—
Agency commercial mortgage-backed securities ("MBS")	11,864	214	11,602	11,010	95	(592)	45	100	—	—	—	—	—
Collateralized loan obligations ("CLOs")	6,300	123	7,125	7,119	100	(6)	100	100	—	—	—	—	—
U.S. government agencies	6,115	137	7,199	6,780	94	(419)	42	100	—	—	—	—	—
Foreign covered bonds (e)	5,776	93	6,489	6,317	97	(172)	57	100	—	—	—	—	—
Non-agency commercial MBS	3,054	32	3,245	2,997	92	(248)	53	100	—	—	—	—	—
Non-agency RMBS	2,060	24	1,909	1,766	92	(143)	46	85	3	—	6	6	6
Other asset-backed securities ("ABS")	1,319	41	1,026	943	92	(83)	18	100	—	—	—	—	—
Other	24	—	13	11	88	(2)	—	—	—	—	—	—	100
<b>Total securities</b>	<b>\$ 139,292</b> (f)	<b>\$ 2,425</b>	<b>\$ 130,256</b>	<b>\$ 123,295</b> (f)	<b>95%</b>	<b>\$ (6,961)</b> (f)(g)	<b>44%</b>	<b>99%</b>	<b>1%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>

(a) Amortized cost reflects historical impairments, and is net of the allowance for credit losses.

(b) Includes the impact of hedges.

(c) Represents ratings by Standard & Poor's ("S&P") or the equivalent.

(d) Includes supranational securities. Primarily consists of exposure to Germany, France, UK, Canada, the Netherlands and Belgium.

(e) Primarily consists of exposure to Canada, UK, Australia, Germany, Singapore and Norway.

(f) Includes net unrealized gains on derivatives hedging securities available-for-sale (including terminated hedges) of \$2,678 million at Dec. 31, 2022 and net unrealized gain (including terminated hedges) of \$1,767 million at Dec. 31, 2023.

(g) At Dec. 31, 2023, includes pre-tax net unrealized losses of \$2,094 million related to available-for-sale securities, net of hedges, and \$4,867 related to held-to-maturity securities. The after-tax unrealized losses, net of hedges, related to available-for-sale securities is \$1,580 million and the after-tax equivalent related to held-to-maturity securities is \$3,711 million.

The fair value of our securities portfolio, including related hedges, was \$123.3 billion at Dec. 31, 2023, compared with \$139.3 billion at Dec. 31, 2022. The decrease primarily reflects lower U.S. Treasury and non-U.S. government securities, partially offset by unrealized pre-tax gains.

At Dec. 31, 2023, the securities portfolio had a net unrealized loss, including the impact of related hedges, of \$7.0 billion, compared with \$9.4 billion at Dec. 31, 2022. The decrease in the unrealized loss, including the impact of related hedges, primarily reflects securities moving closer to maturity.

The fair value of the available-for-sale securities totaled \$78.6 billion at Dec. 31, 2023, net of hedges, or 64% of the securities portfolio, net of hedges. The fair value of the held-to-maturity securities totaled \$44.7 billion at Dec. 31, 2023, or 36% of the securities portfolio, net of hedges.

The unrealized loss (after-tax) on our available-for-sale securities portfolio, net of hedges, included in accumulated other comprehensive income was \$1.6 billion at Dec. 31, 2023, compared with \$2.4 billion at Dec. 31, 2022. Net unrealized loss, including the

impact of hedges, decreased as securities moved closer to maturity.

At Dec. 31, 2023, 99% of the securities in our portfolio were rated AAA/AA-, unchanged compared with Dec. 31, 2022.

See Note 4 of the Notes to Consolidated Financial Statements for the pre-tax net securities gains (losses) by security type. See Note 20 of the Notes to Consolidated Financial Statements for securities by level in the fair value hierarchy.

The following table presents the amortizable purchase premium (net of discount) and net amortization related to the securities portfolio.

<b>Amortizable purchase premium (net of discount) and net amortization of securities (a)</b>			
<i>(in millions)</i>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Amortizable purchase premium, net of discount	<b>\$ 821</b>	<b>\$ 1,109</b>	<b>\$ 1,863</b>
Net amortization	<b>\$ 167</b>	<b>\$ 362</b>	<b>\$ 655</b>

(a) Amortization of purchase premium decreases net interest revenue while accretion of discount increases net interest revenue. Both are recorded on a level yield basis.

### Equity investments

We have several equity investments recorded in other assets. These include equity method investments, including renewable energy, investments in qualified affordable housing projects, Federal Reserve Bank stock, seed capital and other investments. The following table presents the carrying values at Dec. 31, 2023 and Dec. 31, 2022.

Equity investments (in millions)	Dec. 31,	
	2023	2022
Renewable energy investments	\$ 1,049	\$ 871
Qualified affordable housing project investments	1,213	1,298
Equity method investments:		
CIBC Mellon	607	545
Siguler Guff	234	242
Other	32	16
Total equity method investments	873	803
Federal Reserve Bank stock	480	478
Other equity investments (a)	741	695
Seed capital (b)	232	218
Federal Home Loan Bank stock	7	6
Total equity investments	\$ 4,595	\$ 4,369

(a) Includes strategic equity, private equity and other investments.

(b) Includes investments in BNY Mellon funds which hedge deferred incentive awards.

For additional information on certain seed capital investments and our private equity investments, see “Investments valued using net asset value (“NAV”) per share” in Note 8 of the Notes to Consolidated Financial Statements.

### Renewable energy investments

We invest in renewable energy projects to receive an expected after-tax return, which consists of allocated renewable energy tax credits, tax deductions and cash distributions based on the operations of the project. The pre-tax losses on these investments are recorded in investment and other revenue on the consolidated income statement. The corresponding tax benefits and credits are recorded to the provision for income taxes on the consolidated income statement.

### Loans

Total exposure – consolidated (in billions)	Dec. 31, 2023			Dec. 31, 2022		
	Loans	Unfunded commitments	Total exposure	Loans	Unfunded commitments	Total exposure
Financial institutions	\$ 10.5	\$ 29.2	\$ 39.7	\$ 9.7	\$ 31.7	\$ 41.4
Commercial	2.1	11.4	13.5	1.7	11.7	13.4
Wealth management loans	9.1	0.5	9.6	10.3	0.6	10.9
Wealth management mortgages	9.1	0.3	9.4	9.0	0.2	9.2
Commercial real estate	6.8	3.4	10.2	6.2	3.9	10.1
Lease financings	0.6	—	0.6	0.7	—	0.7
Other residential mortgages	1.2	—	1.2	0.4	—	0.4
Overdrafts	3.1	—	3.1	4.8	—	4.8
Capital call financing	3.7	3.6	7.3	3.4	3.5	6.9
Other	2.7	—	2.7	3.0	—	3.0
Margin loans	18.0	—	18.0	16.9	—	16.9
Total	\$ 66.9	\$ 48.4	\$ 115.3	\$ 66.1	\$ 51.6	\$ 117.7

At Dec. 31, 2023, total lending-related exposure was \$115.3 billion, a decrease of 2% compared with Dec. 31, 2022, primarily reflecting lower exposure in the financial institutions portfolio, lower overdrafts and lower exposure in the wealth management loans portfolio, partially offset by higher margin loans and other residential mortgage loans.

Our financial institutions and commercial portfolios comprise our largest concentrated risk. These portfolios comprised 46% of our total exposure at Dec. 31, 2023 and 47% at Dec. 31, 2022. Additionally, most of our overdrafts relate to financial institutions.

*Financial institutions*

The financial institutions portfolio is shown below.

Financial institutions portfolio exposure (dollars in billions)	Dec. 31, 2023						Dec. 31, 2022		
	Loans	Unfunded commitments	Total exposure	% Inv. grade	% due <1 yr.	Loans	Unfunded commitments	Total exposure	
Securities industry	\$ 2.3	\$ 14.8	\$ 17.1	91%	96%	\$ 1.6	\$ 17.5	\$ 19.1	
Asset managers	1.4	8.0	9.4	97	81	1.6	7.6	9.2	
Banks	6.4	1.4	7.8	84	96	6.1	1.5	7.6	
Insurance	0.1	3.9	4.0	100	13	0.1	3.8	3.9	
Government	—	0.2	0.2	100	43	—	0.2	0.2	
Other	0.3	0.9	1.2	98	47	0.3	1.1	1.4	
Total	\$ 10.5	\$ 29.2	\$ 39.7	92%	83%	\$ 9.7	\$ 31.7	\$ 41.4	

The financial institutions portfolio exposure was \$39.7 billion at Dec. 31, 2023, a decrease of 4% compared with Dec. 31, 2022, primarily reflecting lower exposure in the securities industry portfolio.

Financial institution exposures are high-quality, with 92% of the exposures meeting the investment grade equivalent criteria of our internal credit rating classification at Dec. 31, 2023. Each customer is assigned an internal credit rating, which is mapped to an equivalent external rating agency grade based upon a number of dimensions, which are continually evaluated and may change over time. For ratings of non-U.S. counterparties, our internal credit rating is generally capped at a rating equivalent to the sovereign rating of the country where the counterparty resides, regardless of the internal credit rating assigned to the counterparty or the underlying collateral.

The exposure to financial institutions is generally short-term, with 83% of the exposures expiring within one year. At Dec. 31, 2023, 19% of the exposure to financial institutions had an expiration within 90 days, compared with 17% at Dec. 31, 2022.

In addition, 62% of the financial institutions exposure is secured at Dec. 31, 2023. For example, securities

industry clients and asset managers often borrow against marketable securities held in custody.

At Dec. 31, 2023, the secured intraday credit provided to dealers in connection with their tri-party repo activity totaled \$13.5 billion and was included in the securities industry portfolio. Dealers secure the outstanding intraday credit with high-quality liquid collateral having a market value in excess of the amount of the outstanding credit. Secured intraday credit facilities represent 34% of the exposure in the financial institutions portfolio and are reviewed and reapproved annually.

The asset managers portfolio exposure is high-quality, with 97% of the exposures meeting our investment grade equivalent ratings criteria as of Dec. 31, 2023. These exposures are generally short-term liquidity facilities, with the majority to regulated mutual funds.

Our banks portfolio exposure primarily relates to our global trade finance. These exposures are short-term in nature, with 96% due in less than one year. The investment grade percentage of our banks exposure was 84% at Dec. 31, 2023, compared with 86% at Dec. 31, 2022. Our non-investment grade exposures are primarily trade finance loans in Brazil.

*Commercial*

The commercial portfolio is presented below.

Commercial portfolio exposure <i>(dollars in billions)</i>	Dec. 31, 2023						Dec. 31, 2022		
	Loans	Unfunded commitments	Total exposure	% Inv. grade	% due <1 yr.	Loans	Unfunded commitments	Total exposure	
Services and other	\$ 1.2	\$ 3.4	\$ 4.6	98%	41%	\$ 0.8	\$ 3.2	\$ 4.0	
Manufacturing	0.5	3.6	4.1	96	19	0.5	4.1	4.6	
Energy and utilities	0.4	3.7	4.1	89	6	0.3	3.7	4.0	
Media and telecom	—	0.7	0.7	88	3	0.1	0.7	0.8	
Total	\$ 2.1	\$ 11.4	\$ 13.5	94%	22%	\$ 1.7	\$ 11.7	\$ 13.4	

The commercial portfolio exposure was \$13.5 billion at Dec. 31, 2023, an increase of 1% from Dec. 31, 2022, primarily driven by higher exposure in the services and other portfolios, partially offset by lower exposure in the manufacturing portfolio.

Our credit strategy is to focus on investment grade clients that are active users of our non-credit services. The following table summarizes the percentage of the financial institutions and commercial portfolio exposures that are investment grade.

Investment grade percentages	Dec. 31,		
	2023	2022	2021
Financial institutions	92%	95%	96%
Commercial	94%	95%	94%

*Wealth management loans*

Our wealth management loan exposure was \$9.6 billion at Dec. 31, 2023, compared with \$10.9 billion at Dec. 31, 2022. Wealth management loans primarily consist of loans to high-net-worth

individuals, a majority of which are secured by the customers' investment management accounts or custody accounts.

*Wealth management mortgages*

Our wealth management mortgage exposure was \$9.4 billion at Dec. 31, 2023, compared with \$9.2 billion at Dec. 31, 2022. Wealth management mortgages primarily consist of loans to high-net-worth individuals, which are secured by residential property. Wealth management mortgages are primarily interest-only, adjustable-rate mortgages with a weighted-average loan-to-value ratio of 61% at origination. Less than 1% of the mortgages were past due at Dec. 31, 2023.

At Dec. 31, 2023, the wealth management mortgage portfolio consisted of the following geographic concentrations: California – 21%; New York – 14%; Florida – 11%; Massachusetts – 8%; and other – 46%.

*Commercial real estate*

The composition of the commercial real estate portfolio by asset class, including percentage secured, is presented below.

Composition of commercial real estate portfolio by asset class <i>(dollars in billions)</i>	Dec. 31, 2023		Dec. 31, 2022	
	Total exposure	Percentage secured <i>(a)</i>	Total exposure	Percentage secured <i>(a)</i>
Residential	\$ 4.3	88%	\$ 4.1	85%
Office	2.6	74	2.8	75
Retail	0.8	63	0.9	58
Mixed-use	0.8	31	0.8	33
Hotels	0.6	40	0.6	42
Healthcare	0.5	57	0.4	49
Other	0.6	71	0.5	66
Total commercial real estate	\$ 10.2	73%	\$ 10.1	71%

*(a) Represents the percentage of secured exposure in each asset class.*

Our commercial real estate exposure totaled \$10.2 billion at Dec. 31, 2023 and \$10.1 billion at Dec. 31, 2022. Our income-producing commercial real estate facilities are focused on experienced owners and are structured with moderate leverage based on existing cash flows. Our commercial real estate lending activities also include construction and renovation facilities. Our client base consists of experienced developers and long-term holders of real estate assets. Loans are approved on the basis of existing or projected cash flows and supported by appraisals and knowledge of local market conditions. Development loans are structured with moderate leverage, and in many instances, involve some level of recourse to the developer.

At Dec. 31, 2023, the unsecured portfolio consisted of real estate investment trusts (“REITs”) and real estate operating companies, which are both primarily investment grade.

At Dec. 31, 2023, our commercial real estate portfolio consisted of the following concentrations: New York metro – 36%; REITs and real estate operating companies – 27%; and other – 37%.

*Lease financings*

The lease financings portfolio exposure totaled \$599 million at Dec. 31, 2023 and \$657 million at Dec. 31, 2022. At Dec. 31, 2023, nearly all of leasing exposure was investment grade, or investment grade equivalent, and primarily consisted of exposures backed by well-diversified assets, primarily real estate and large-ticket transportation equipment.

Assets are both domestic and foreign-based, with primary concentrations in Germany and the U.S.

*Other residential mortgages*

The other residential mortgages portfolio primarily consists of 1-4 family residential mortgage loans and totaled \$1.2 billion at Dec. 31, 2023 and \$345 million at Dec. 31, 2022.

*Overdrafts*

Overdrafts primarily relate to custody and securities clearance clients and are generally repaid within two business days.

*Capital call financing*

Capital call financing includes loans to private equity funds that are secured by the fund investors’ capital commitments and the funds’ right to call capital.

*Other loans*

Other loans primarily include loans to consumers that are fully collateralized with equities, mutual funds and fixed-income securities.

*Margin loans*

Margin loan exposure of \$18.0 billion at Dec. 31, 2023 and \$16.9 billion at Dec. 31, 2022 was collateralized with marketable securities. Borrowers are required to maintain a daily collateral margin in excess of 100% of the value of the loan. Margin



## Results of Operations (continued)

loans included \$7 billion at Dec. 31, 2023 and \$6 billion at Dec. 31, 2022 related to a term loan

program that offers fully collateralized loans to broker-dealers.

### *Maturity of loan portfolio*

The following table shows the maturity structure of our loan portfolio.

<b>Maturity of loan portfolio at Dec. 31, 2023</b> <i>(in millions)</i>	Within 1 year	Between 1 and 5 years	Between 5 and 15 years	After 15 years	Total
Commercial	\$ 1,472	\$ 579	\$ 61	\$ —	\$ 2,112
Commercial real estate	1,708	3,909	1,143	—	6,760
Financial institutions	8,953	1,568	—	—	10,521
Lease financings	1	258	340	—	599
Wealth management loans	8,634	273	202	—	9,109
Wealth management mortgages	—	20	375	8,736	9,131
Other residential mortgages	—	5	137	1,024	1,166
Overdrafts	3,053	—	—	—	3,053
Capital call financing	2,469	1,231	—	—	3,700
Other	2,712	5	—	—	2,717
Margin loans	17,983	28	—	—	18,011
<b>Total</b>	<b>\$ 46,985</b>	<b>\$ 7,876</b>	<b>\$ 2,258</b>	<b>\$ 9,760</b>	<b>\$ 66,879</b>

### *Interest rate characteristic*

The following table shows the interest rate characteristic of loans maturing after one year.

<b>Interest rate characteristic of loan portfolio maturing &gt; 1 year at Dec. 31, 2023</b> <i>(in millions)</i>	Fixed rates	Floating rates	Total
Commercial	\$ 61	\$ 579	\$ 640
Commercial real estate	112	4,940	5,052
Financial institutions	—	1,568	1,568
Lease financings	598	—	598
Wealth management loans	10	465	475
Wealth management mortgages	3,821	5,310	9,131
Other residential mortgages	1,142	24	1,166
Capital call financing	—	1,231	1,231
Other	—	5	5
Margin Loans	—	28	28
<b>Total</b>	<b>\$ 5,744</b>	<b>\$ 14,150</b>	<b>\$ 19,894</b>

**Allowance for credit losses**

Our credit strategy is to focus on investment grade clients who are active users of our non-credit services. Our primary exposure to the credit risk of a customer consists of funded loans, unfunded contractual commitments to lend, standby letters of credit and overdrafts associated with our custody and securities clearance businesses.

The following table presents the changes in our allowance for credit losses.

<b>Allowance for credit losses activity</b> <i>(dollars in millions)</i>	<b>2023</b>	<b>2022</b>
Beginning balance of allowance for credit losses	\$ 292	\$ 260
Provision for credit losses	119	39
Charge-offs:		
Loans:		
Other residential mortgages	(3)	—
Other financial instruments	(2)	(11)
Total charge-offs	(5)	(11)
Recoveries:		
Loans:		
Commercial	1	—
Other residential mortgages	2	4
Other	5	—
Other financial instruments	—	—
Total recoveries	8	4
Net recoveries (charge-offs)	3	(7)
Ending balance of allowance for credit losses	\$ 414	292
Allowance for loan losses	\$ 303	\$ 176
Allowance for lending-related commitments	87	78
Allowance for financial instruments <i>(a)</i>	24	38
Total allowance for credit losses	\$ 414	\$ 292
Total loans	\$ 66,879	\$ 66,063
Average loans outstanding	\$ 64,096	\$ 67,825
Net recoveries (charge-offs) of loans to average loans outstanding	— %	(0.01)%
Net recoveries (charge-offs) of loans to total allowance for loan losses and lending-related commitments	0.77	(2.76)
Allowance for loan losses as a percentage of total loans	0.45	0.27
Allowance for loan losses and lending-related commitments as a percentage of total loans	0.58	0.38
Net (charge-offs) to average loans by loan category: <i>(b)</i>		
Other residential mortgages:	(0.11)%	N/A
Net (charge-offs) during the year	\$ (1)	N/A
Average loans outstanding	\$ 908 <i>(b)</i>	N/A

*(a)* Includes allowance for credit losses on federal funds sold and securities purchased under resale agreements, available-for-sale securities, held-to-maturity securities, accounts receivable, cash and due from banks and interest-bearing deposits with banks.

*(b)* Average loans based on month-end balances.

N/A – Not applicable. There were no net charge-offs in 2022.

The provision for credit losses was \$119 million in 2023, primarily driven by reserve increases related to commercial real estate exposure and changes in the macroeconomic forecast.

The allowance for loan losses and allowance for lending-related commitments represent

management's estimate of lifetime expected losses in our credit portfolio. This evaluation process is subject to numerous estimates and judgments. To the extent actual results differ from forecasts or management's judgment, the allowance for credit losses may be greater or less than future charge-offs.

Based on an evaluation of the allowance for credit losses as discussed in “Critical accounting estimates” and Note 1 of the Notes to Consolidated Financial Statements, we have allocated our allowance for loans and lending-related commitments as presented below.

<i>(dollars in millions)</i>	<b>Allocation of allowance for loan losses and lending-related commitments (a)</b>			
	Dec. 31,			
	2023		2022	
	\$	%	\$	%
Commercial real estate	\$ 325	83%	\$ 184	72%
Commercial	27	7	18	7
Financial institutions	19	4	24	9
Wealth management mortgages	9	2	12	5
Other residential mortgages	4	1	8	3
Capital call financing	4	1	6	2
Wealth management loans	1	1	1	1
Lease financings	1	1	1	1
<b>Total</b>	<b>\$ 390</b>	<b>100%</b>	<b>\$ 254</b>	<b>100%</b>

(a) *The allowance allocated to margins loans, overdrafts and other loans was insignificant at both Dec. 31, 2023 and Dec. 31, 2022. We have rarely suffered a loss on these types of loans.*

The allocation of the allowance for credit losses is inherently judgmental, and the entire allowance for credit losses is available to absorb credit losses regardless of the nature of the losses.

### Nonperforming assets

The table below presents our nonperforming assets.

<b>Nonperforming assets</b> <i>(dollars in millions)</i>	Dec. 31,	
	2023	2022
Nonperforming loans:		
Commercial real estate	\$ 189	\$ 54
Other residential mortgages	24	31
Wealth management mortgages	19	22
<b>Total nonperforming loans</b>	<b>232</b>	<b>107</b>
Other assets owned	5	2
<b>Total nonperforming assets</b>	<b>\$ 237</b>	<b>\$ 109</b>
Nonperforming assets ratio	0.35%	0.16%
Allowance for loan losses/ nonperforming loans	130.6	164.5
Allowance for loan losses/ nonperforming assets	127.8	161.5
Allowance for credit losses/ nonperforming loans	168.1	237.4
Allowance for credit losses/ nonperforming assets	164.6	233.0

Nonperforming assets increased \$128 million in 2023 compared with 2022, primarily reflecting higher nonperforming commercial real estate loans.

See “Nonperforming assets” in Note 1 of the Notes to Consolidated Financial Statements for our policy for placing loans on nonaccrual status.

### Deposits

We receive client deposits through the businesses in the Securities Services, Market and Wealth Services and Investment and Wealth Management segments and we rely on those deposits as a low-cost and stable source of funding.

Total deposits were \$283.7 billion at Dec. 31, 2023, an increase of 2%, compared with \$279.0 billion at Dec. 31, 2022. The increase primarily reflects higher interest-bearing deposits in U.S. offices and non-U.S. offices, partially offset by lower non-interest bearing deposits (principally U.S. offices).

Noninterest-bearing deposits were \$58.3 billion at Dec. 31, 2023, compared with \$78.0 billion at Dec. 31, 2022, reflecting client activity. Interest-bearing deposits were primarily demand deposits and totaled \$225.4 billion at Dec. 31, 2023, compared with \$201.0 billion at Dec. 31, 2022.

The aggregate amount of deposits by foreign customers in domestic offices was \$55.1 billion at Dec. 31, 2023 and \$61.2 billion at Dec. 31, 2022.

Deposits in foreign offices totaled \$96.6 billion at Dec. 31, 2023 and \$98.3 billion at Dec. 31, 2022. These deposits were primarily overnight deposits.

Uninsured deposits are the portion of domestic deposits accounts that exceed the FDIC insurance limit. Uninsured deposits in domestic deposit accounts are generally demand deposits and totaled \$168.4 billion at Dec. 31, 2023 and \$156.6 billion at Dec. 31, 2022.

The following table presents the amount of uninsured domestic and foreign time deposits disaggregated by time remaining until maturity.

<b>Uninsured time deposits at Dec. 31, 2023</b>			
<i>(in millions)</i>	Domestic		Foreign
Less than 3 months	\$	331	\$ 661
3 to 6 months		161	5
6-12 months		154	9
Over 12 months		1	—
<b>Total</b>	<b>\$</b>	<b>647</b>	<b>\$ 675</b>

### *Short-term borrowings*

We fund ourselves primarily through deposits and, to a lesser extent, other short-term borrowings and long-term debt. Short-term borrowings consist of federal funds purchased and securities sold under repurchase agreements, payables to customers and broker-dealers, commercial paper and other borrowed funds. Certain short-term borrowings, for example, securities sold under repurchase agreements, require the delivery of securities as collateral.

Federal funds purchased and securities sold under repurchase agreements include repurchase agreement activity with the Fixed Income Clearing Corporation (“FICC”), where we record interest expense on a gross basis, but the ending and average balances reflect the impact of offsetting under enforceable netting agreements. This activity primarily relates to government securities collateralized resale and repurchase agreements executed with clients that are novated to and settle with the FICC.

Payables to customers and broker-dealers represent funds awaiting reinvestment and short sale proceeds payable on demand. Payables to customers and broker-dealers are driven by customer trading activity and market volatility.

The Bank of New York Mellon may issue commercial paper that matures within 397 days from the date of issue and is not redeemable prior to maturity or subject to voluntary prepayment.

Other borrowed funds primarily include borrowings from the Federal Home Loan Bank, overdrafts of sub-custodian account balances in our Securities Services businesses, finance lease liabilities and borrowings under lines of credit by our Pershing subsidiaries. Overdrafts typically relate to timing differences for settlements.

### **Liquidity and dividends**

BNY Mellon defines liquidity as the ability of the Parent and its subsidiaries to access funding or 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, and in order to meet its short-term (up to one year) obligations. Funding liquidity risk is the risk that BNY Mellon cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flow and collateral needs without adversely affecting daily operations or our financial condition. Funding liquidity risk can arise from funding mismatches, market constraints from the inability to convert assets into cash, the inability to hold or raise cash, low overnight deposits, deposit run-off or contingent liquidity events.

Changes in economic conditions or exposure to credit, market, operational, legal and reputational risks also can affect BNY Mellon’s liquidity risk profile and are considered in our liquidity risk framework. For additional information, see “Risk Management – Liquidity Risk.”

The Parent’s policy is to have access to sufficient unencumbered cash and cash equivalents at each quarter-end to cover maturities and other forecasted debt redemptions, net interest payments and net tax payments for the following 18-month period, and to provide sufficient collateral to satisfy transactions subject to Section 23A of the Federal Reserve Act.

We monitor and control liquidity exposures and funding needs within and across significant legal entities, branches, currencies and business lines, taking into account, among other factors, any applicable restrictions on the transfer of liquidity among entities.

BNY Mellon also manages potential intraday liquidity risks. We monitor and manage intraday liquidity against existing and expected intraday liquid resources (such as cash balances, remaining intraday credit capacity, intraday contingency funding and available collateral) to enable BNY Mellon to meet its intraday obligations under normal and reasonably severe stressed conditions.

We define available funds for internal liquidity management purposes as cash and due from banks, interest-bearing deposits with the Federal Reserve and other central banks, interest-bearing deposits with banks and federal funds sold and securities purchased under resale agreements. The following table presents our total available funds at period end and on an average basis.

Available funds (dollars in millions)	Dec. 31,	Dec. 31,	Average		
	2023	2022	2023	2022	2021
Cash and due from banks	\$ 4,922	\$ 5,030	\$ 5,287	\$ 5,542	\$ 5,922
Interest-bearing deposits with the Federal Reserve and other central banks	111,550	91,655	103,904	97,442	113,346
Interest-bearing deposits with banks	12,139	17,169	13,620	16,826	20,757
Federal funds sold and securities purchased under resale agreements	28,900	24,298	26,077	24,953	28,530
Total available funds	\$157,511	\$ 138,152	\$148,888	\$ 144,763	\$ 168,555
Total available funds as a percentage of total assets	38%	34%	37%	34%	37%

Total available funds were \$157.5 billion at Dec. 31, 2023, compared with \$138.2 billion at Dec. 31, 2022. The increase was primarily due to higher interest-bearing deposits with the Federal Reserve and other central banks and federal funds sold and securities purchased under resale agreements, partially offset by lower interest-bearing deposits with banks.

Average non-core sources of funds, such as federal funds purchased and securities sold under repurchase agreements, trading liabilities, other borrowed funds and commercial paper, were \$25.0 billion for 2023 and \$16.9 billion for 2022. The increase primarily reflects higher federal funds purchased and securities sold under repurchase agreements and other borrowed funds.

Average interest-bearing domestic deposits were \$123.5 billion for 2023 and \$111.5 billion for 2022.

Average foreign deposits, primarily from our European-based businesses included in the Securities Services and Market and Wealth Services segments, were \$88.8 billion for 2023, compared with \$101.9 billion for 2022. The decrease primarily reflects client activity.

Average payables to customers and broker-dealers were \$14.4 billion for 2023 and \$17.1 billion for

2022. Payables to customers and broker-dealers are driven by customer trading activity and market volatility.

Average long-term debt was \$31.0 billion for 2023 and \$27.4 billion for 2022.

Average noninterest-bearing deposits decreased to \$59.2 billion for 2023 from \$85.7 billion for 2022, primarily reflecting client activity.

A significant reduction of client activity in our Securities Services and Market and Wealth Services business segments would reduce our access to deposits. See “Asset/liability management” for additional factors that could impact our deposit balances.

#### *Sources of liquidity*

The Parent’s major sources of liquidity are access to the debt and equity markets, dividends from its subsidiaries, and cash on hand and cash otherwise made available in business-as-usual circumstances to the Parent through a committed credit facility with our intermediate holding company (“IHC”).

Our ability to access the capital markets on favorable terms, or at all, is partially dependent on our credit ratings, which are as follows:

<b>Credit ratings at Dec. 31, 2023</b>				
	Moody's	S&P	Fitch	DBRS
<b>Parent:</b>				
Long-term senior debt	A1	A	AA-	AA
Subordinated debt	A2	A-	A	AA (low)
Preferred stock	Baa1	BBB	BBB+	A
<b>Outlook – Parent</b>	Positive	Stable	Stable	Stable
<b>The Bank of New York Mellon:</b>				
Long-term senior debt	Aa2	AA-	AA	AA (high)
Subordinated debt	NR	A	NR	NR
Long-term deposits	Aa1	AA-	AA+	AA (high)
Short-term deposits	P-1	A-1+	F1+	R-1 (high)
Commercial paper	P-1	A-1+	F1+	R-1 (high)
<b>BNY Mellon, N.A.:</b>				
Long-term senior debt	Aa2 (a)	AA-	AA (a)	AA (high)
Long-term deposits	Aa1	AA-	AA+	AA (high)
Short-term deposits	P-1	A-1+	F1+	R-1 (high)
<b>Outlook – Banks</b>	Negative (multiple) (b)	Stable	Stable	Stable

(a) Represents senior debt issuer default rating.

(b) Positive outlook on long-term senior debt ratings. Negative outlook on long-term deposits ratings. Positive outlook on senior unsecured rating for The Bank of New York Mellon.

NR – Not rated.

In November 2023, Moody's Investor Service ("Moody's") confirmed the long-term issuer ratings, debt ratings, counterparty risk ratings and counterparty risk assessments of the Parent and our rated subsidiaries. Following the confirmation, the rating outlook for the Parent and The Bank of New York Mellon's issuer and senior unsecured ratings is positive. In August 2023, Moody's affirmed all Prime-1 short-term ratings of the Parent and rated subsidiaries as well as the long-term deposit ratings for The Bank of New York Mellon and BNY Mellon, N.A.

Long-term debt totaled \$31.3 billion at Dec. 31, 2023 and \$30.5 billion at Dec. 31, 2022. Issuances of \$6.5 billion and an increase in the fair value of hedged long-term debt were partially offset by maturities and repurchases of \$6.1 billion. The Parent has \$4.9 billion of long-term debt that will mature in 2024.

The following table presents the long-term debt issued in 2023.

<b>Debt issuances</b>	<b>2023</b>
<i>(in millions)</i>	
4.947% fixed-to-floating callable senior notes due 2027	\$ 1,500
6.474% fixed-to-floating callable senior notes due 2034	1,100
4.967% fixed-to-floating callable senior notes due 2034	1,000
6.317% fixed-to-floating callable senior notes due 2029	900
4.706% fixed-to-floating callable senior notes due 2034	750
4.543% fixed-to-floating callable senior notes due 2029	750
5.148% fixed-to-floating callable senior bank notes due 2026	500
<b>Total debt issuances</b>	<b>\$ 6,500</b>

In December 2023, the Parent redeemed all outstanding shares of its Series D Noncumulative Perpetual Preferred Stock. See Note 15 of the Notes to Consolidated Financial Statements for additional information on the Parent's preferred stock.

The Bank of New York Mellon may issue notes and CDs. At Dec. 31, 2023 and Dec. 31, 2022, \$1.3 billion and \$780 million, respectively, of notes were outstanding. At Dec. 31, 2023 and Dec. 31, 2022, \$397 million and \$122 million of CDs were outstanding, respectively.

The Bank of New York Mellon also issues commercial paper that matures within 397 days from the date of issue and is not redeemable prior to maturity or subject to voluntary prepayment. There was no commercial paper outstanding at Dec. 31, 2023 and Dec. 31, 2022. The average commercial paper outstanding was \$5 million for 2023 and 2022.

Subsequent to Dec. 31, 2023, our U.S. bank subsidiaries could declare dividends to the Parent of approximately \$1.7 billion, without the need for a regulatory waiver. In addition, at Dec. 31, 2023, non-bank subsidiaries of the Parent had liquid assets of approximately \$3.2 billion. Restrictions on our ability to obtain funds from our subsidiaries are discussed in more detail in “Supervision and Regulation – Capital Planning and Stress Testing – Payment of Dividends, Stock Repurchases and Other Capital Distributions” and in Note 19 of the Notes to Consolidated Financial Statements.

Pershing LLC has one uncommitted line of credit in place for liquidity purposes which is guaranteed by the Parent for \$300 million. Average borrowings under this line were less than \$1 million in 2023. Pershing Limited, an indirect UK-based subsidiary of BNY Mellon, has two separate uncommitted lines of credit amounting to \$261 million in aggregate. Average borrowings under these lines were \$16 million, in aggregate, in 2023.

The double leverage ratio is the ratio of our equity investment in subsidiaries divided by our consolidated Parent company equity, which includes our noncumulative perpetual preferred stock. In short, the double leverage ratio measures the extent to which equity in subsidiaries is financed by Parent company debt. As the double leverage ratio increases, this can reflect greater demands on a company’s cash flows in order to service interest payments and debt maturities. BNY Mellon’s double leverage ratio is managed in a range considering the high level of unencumbered available liquid assets held in its principal subsidiaries (such as central bank deposit placements and government securities), the Company’s cash generating fee-based business model, with fee revenue representing 74% of total revenue in 2023, and the dividend capacity of our banking subsidiaries. Our double leverage ratio was 120.5% at Dec. 31, 2023 and Dec. 31, 2022, and within the range targeted by management.

### *Uses of funds*

The Parent’s major uses of funds are repurchases of common stock, payment of dividends, principal and interest payments on its borrowings, acquisitions and additional investments in its subsidiaries.

In 2023, we paid \$1.5 billion in dividends on our common and preferred stock. Our common stock dividend payout ratio was 41% for 2023.

In 2023, we repurchased 55.8 million common shares at an average price of \$46.66 per common share for a total cost of \$2.6 billion.

### *Liquidity coverage ratio (“LCR”)*

U.S. regulators have established an LCR that requires certain banking organizations, including BNY Mellon, to maintain a minimum amount of unencumbered high-quality liquid assets (“HQLA”) sufficient to withstand the net cash outflow under a hypothetical standardized acute liquidity stress scenario for a 30-day time horizon.

The following table presents BNY Mellon’s consolidated HQLA at Dec. 31, 2023, and the average HQLA and average LCR for the fourth quarter of 2023.

<b>Consolidated HQLA and LCR</b> <i>(dollars in billions)</i>	<b>Dec. 31,</b> <b>2023</b>	<b>Sept. 30,</b> <b>2023</b>
Cash <i>(a)</i>	\$ 111	\$ 107
Securities <i>(b)</i>	72	70
Total consolidated HQLA <i>(c)</i>	\$ 183	\$ 177
Total consolidated HQLA – average <i>(c)</i>	\$ 192	\$ 180
Average consolidated LCR	117%	121%

- (a) Primarily includes cash on deposit with central banks.*  
*(b) Primarily includes securities of U.S. government-sponsored enterprises, U.S. Treasury, sovereigns and U.S. agencies.*  
*(c) Consolidated HQLA presented before adjustments. After haircuts and the impact of trapped liquidity, consolidated HQLA totaled \$153 billion at Dec. 31, 2023 and \$140 billion at Sept. 30, 2023, and averaged \$143 billion for the fourth quarter of 2023 and \$129 billion for the third quarter of 2023.*

BNY Mellon and each of our affected domestic bank subsidiaries were compliant with the U.S. LCR requirements of at least 100% throughout 2023.

*Net stable funding ratio (“NSFR”)*

The NSFR is a liquidity requirement applicable to large U.S. banking organizations, including BNY Mellon. The NSFR is expressed as a ratio of the available stable funding to the required stable funding amount over a one-year horizon. Our average consolidated NSFR was 135% for the fourth quarter of 2023 and 136% for the third quarter of 2023.

BNY Mellon and each of our affected domestic bank subsidiaries were compliant with the NSFR requirement of at least 100% throughout the fourth quarter of 2023.

*Statement of cash flows*

The following summarizes the activity reflected on the consolidated statement of cash flows. While this information may be helpful to highlight certain macro trends and business strategies, the cash flow analysis may not be as relevant when analyzing changes in our net earnings and net assets. We believe that in addition to the traditional cash flow analysis, the discussion related to liquidity and dividends and asset/liability management herein may provide more useful context in evaluating our liquidity position and related activity.

Net cash provided by operating activities was \$5.9 billion in 2023, compared with \$15.1 billion in 2022. In 2023, cash flows provided by operations primarily

resulted from earnings and changes in accruals and other, net. In 2022, cash flows provided by operations primarily resulted from changes in trading assets and liabilities, changes in accruals and other, net and earnings.

Net cash used for investing activities was \$5.8 billion in 2023, compared with net cash provided by investing activities of \$19.9 billion in 2022. In 2023, net cash used for investing activities primarily reflects changes in interest-bearing deposits with the Federal Reserve and other central banks and changes in federal funds sold and securities purchased under resale agreements, partially offset by a decrease in the securities portfolio. In 2022, net cash provided by investing activities primarily reflects changes in interest-bearing deposits with the Federal Reserve and other central banks, a net decrease in the securities portfolio and change in federal funds sold and securities purchased under resale agreements.

Net cash used for financing activities was \$3.5 billion in 2023, compared with \$33.7 billion in 2022. In 2023, net cash used for financing activities primarily reflects repayments of long-term debt, changes in payables to customers and broker-dealers and common stock repurchases, partially offset by issuances of long-term debt and changes in deposits. In 2022, net cash used for financing activities primarily reflects changes in deposits and repayments of long-term debt, partially offset by issuances of long-term debt.

**Capital**

<b>Capital data</b> <i>(dollars in millions, except per share amounts; common shares in thousands)</i>	<b>2023</b>	<b>2022</b>
<b>At Dec. 31:</b>		
BNY Mellon shareholders' equity to total assets ratio	<b>10.0%</b>	10.0%
BNY Mellon common shareholders' equity to total assets ratio	<b>8.9%</b>	8.8%
Total BNY Mellon shareholders' equity	<b>\$ 40,874</b>	\$ 40,734
Total BNY Mellon common shareholders' equity	<b>\$ 36,531</b>	\$ 35,896
BNY Mellon tangible common shareholders' equity – Non-GAAP (a)	<b>\$ 19,278</b>	\$ 18,686
Book value per common share	<b>\$ 48.11</b>	\$ 44.40
Tangible book value per common share – Non-GAAP (a)	<b>\$ 25.39</b>	\$ 23.11
Closing stock price per common share	<b>\$ 52.05</b>	\$ 45.52
Market capitalization	<b>\$ 39,524</b>	\$ 36,800
Common shares outstanding	<b>759,344</b>	808,445
<b>Full-year:</b>		
Cash dividends per common share	<b>\$ 1.58</b>	\$ 1.42
Common dividend payout ratio	<b>41%</b>	49%
Common dividend yield	<b>3.0%</b>	3.1%

(a) See “Supplemental Information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 111 for the reconciliation of these Non-GAAP measures.



The Bank of New York Mellon Corporation total shareholders' equity increased to \$40.9 billion at Dec. 31, 2023 from \$40.7 billion at Dec. 31, 2022. The increase primarily reflects earnings and unrealized gain on securities available-for-sale, partially offset by common stock repurchase activity and dividend payments.

The unrealized loss (after-tax) on our available-for-sale securities portfolio, net of hedges, included in accumulated other comprehensive income was \$1.6 billion at Dec. 31, 2023, compared with \$2.4 billion at Dec. 31, 2022. Net unrealized loss, including the impact of hedges, decreased as securities moved closer to maturity.

We repurchased 55.8 million common shares at an average price of \$46.66 per common share for a total of \$2.6 billion in 2023.

In January 2023, we announced a share repurchase program approved by our Board of Directors providing for the repurchase of up to \$5.0 billion of common shares beginning Jan. 1, 2023. This new share repurchase plan replaced all previously authorized share repurchase plans.

In July 2023, our Board of Directors approved a 14% increase in the quarterly cash dividend on common stock, from \$0.37 to \$0.42 per share. We began paying the increased quarterly cash dividend in the third quarter of 2023.

In December 2023, the Parent redeemed all outstanding shares of its Series D Noncumulative Perpetual Preferred Stock. See Note 15 of the Notes

to Consolidated Financial Statements for additional information on the Parent's preferred stock.

### *Capital adequacy*

Regulators establish certain levels of capital for bank holding companies ("BHCs") and banks, including BNY Mellon and our bank subsidiaries, in accordance with established quantitative measurements. For the Parent to maintain its status as a financial holding company ("FHC"), our U.S. bank subsidiaries and BNY Mellon must, among other things, qualify as "well capitalized." As of Dec. 31, 2023 and Dec. 31, 2022, BNY Mellon and our U.S. bank subsidiaries were "well capitalized." Failure to satisfy regulatory standards, including "well capitalized" status or capital adequacy rules more generally, could result in limitations on our activities and adversely affect our financial condition. See the discussion of these matters in "Supervision and Regulation – Regulated Entities of BNY Mellon and Ancillary Regulatory Requirements" and "Risk Factors – Capital and Liquidity Risk – Failure to satisfy regulatory standards, including "well capitalized" and "well managed" status or capital adequacy and liquidity rules more generally, could result in limitations on our activities and adversely affect our business and financial condition."

The U.S. banking agencies' capital rules are based on the framework adopted by the Basel Committee on Banking Supervision ("BCBS"), as amended from time to time. For additional information on these capital requirements, see "Supervision and Regulation."

The table below presents our consolidated and largest bank subsidiary regulatory capital ratios.

Consolidated and largest bank subsidiary regulatory capital ratios	Dec. 31, 2023			Dec. 31, 2022
	Well capitalized	Minimum required (a)	Capital ratios	Capital ratios
<b>Consolidated regulatory capital ratios: (b)</b>				
<b>Advanced Approaches:</b>				
CET1 ratio	N/A (c)	8.5%	<b>11.5%</b>	11.2%
Tier 1 capital ratio	6%	10	<b>14.2</b>	14.1
Total capital ratio	10	12	<b>15.0</b>	14.9
<b>Standardized Approach:</b>				
CET1 ratio	N/A (c)	8.5%	<b>11.9%</b>	11.3%
Tier 1 capital ratio	6%	10	<b>14.7</b>	14.4
Total capital ratio	10	12	<b>15.7</b>	15.3
Tier 1 leverage ratio	N/A (c)	4	<b>6.0</b>	5.8
SLR (d)	N/A (c)	5	<b>7.3</b>	6.8
<b>The Bank of New York Mellon regulatory capital ratios: (b)</b>				
<b>Advanced Approaches:</b>				
CET1 ratio	6.5%	7%	<b>16.2%</b>	15.6%
Tier 1 capital ratio	8	8.5	<b>16.2</b>	15.6
Total capital ratio	10	10.5	<b>16.3</b>	15.7
Tier 1 leverage ratio	5	4	<b>6.6</b>	6.2
SLR (d)	6	3	<b>8.6</b>	7.7

(a) Minimum requirements for Dec. 31, 2023 include minimum thresholds plus currently applicable buffers. The U.S. global systemically important banks (“G-SIB”) surcharge of 1.5% is subject to change. The countercyclical capital buffer is currently set to 0%. The stress capital buffer (“SCB”) requirement is 2.5%, equal to the regulatory minimum for Standardized Approach capital ratios.

(b) For our CET1, Tier 1 capital and Total capital ratios, our effective capital ratios under U.S. capital rules are the lower of the ratios as calculated under the Standardized and Advanced Approaches. The Tier 1 leverage ratio is based on Tier 1 capital and quarterly average total assets.

(c) The Federal Reserve’s regulations do not establish well capitalized thresholds for these measures for BHCs.

(d) The SLR is based on Tier 1 capital and total leverage exposure, which includes certain off-balance sheet exposures.

N/A - Not applicable.

Our CET1 ratio determined under the Advanced Approaches was 11.5% at Dec. 31, 2023 and 11.2% at Dec. 31, 2022. The increase was primarily driven by capital generated through earnings and a net increase in accumulated other comprehensive income, partially offset by capital deployed through common stock repurchases and dividends.

The Tier 1 leverage ratio was 6.0% at Dec. 31, 2023, compared with 5.8% at Dec. 31, 2022. The increase was driven by lower average assets.

Risk-based capital ratios vary depending on the size of the balance sheet at period end and the levels and types of investments in assets, and leverage ratios vary based on the average size of the balance sheet over the quarter. The balance sheet size fluctuates from period to period based on levels of customer and market activity. In general, when servicing clients are more actively trading securities, deposit balances and the balance sheet as a whole are higher. In addition, when markets experience significant

volatility or stress, our balance sheet size may increase considerably as client deposit levels increase.

Our capital ratios are necessarily subject to, among other things, anticipated compliance with all necessary enhancements to model calibration, approval by regulators of certain models used as part of RWA calculations, other refinements, further implementation guidance from regulators, market practices and standards and any changes BNY Mellon may make to its businesses. As a consequence of these factors, our capital ratios may materially change, and may be volatile over time and from period to period.

Under the Advanced Approaches, our operational loss risk model is informed by external losses, including fines and penalties levied against institutions in the financial services industry, particularly those that relate to businesses in which we operate, and as a result external losses have impacted and could in the

## Results of Operations (continued)

future impact the amount of capital that we are required to hold.

The following table presents our capital components and RWAs.

Capital components and risk-weighted assets (in millions)	Dec. 31,	
	2023	2022
<b>CET1:</b>		
Common shareholders' equity	\$ 36,531	\$ 35,896
Adjustments for:		
Goodwill and intangible assets (a)	(17,253)	(17,210)
Net pension fund assets	(297)	(317)
Embedded goodwill	(275)	(279)
Deferred tax assets	(62)	(56)
Other	(6)	(2)
<b>Total CET1</b>	<b>18,638</b>	<b>18,032</b>
<b>Other Tier 1 capital:</b>		
Preferred stock	4,343	4,838
Other	(14)	(14)
<b>Total Tier 1 capital</b>	<b>\$ 22,967</b>	<b>\$ 22,856</b>
<b>Tier 2 capital:</b>		
Subordinated debt	\$ 1,148	\$ 1,248
Allowance for credit losses	414	291
Other	(11)	(11)
<b>Total Tier 2 capital – Standardized Approach</b>	<b>1,551</b>	<b>1,528</b>
Excess of expected credit losses	85	50
Less: Allowance for credit losses	414	291
<b>Total Tier 2 capital – Advanced Approaches</b>	<b>\$ 1,222</b>	<b>\$ 1,287</b>
<b>Total capital:</b>		
Standardized Approach	\$ 24,518	\$ 24,384
Advanced Approaches	\$ 24,189	\$ 24,143
<b>Risk-weighted assets:</b>		
Standardized Approach	\$ 156,254	\$ 159,096
Advanced Approaches:		
Credit Risk	\$ 87,299	\$ 90,243
Market Risk	3,380	2,979
Operational Risk	70,925	68,450
<b>Total Advanced Approaches</b>	<b>\$ 161,604</b>	<b>\$ 161,672</b>
<b>Average assets for Tier 1 leverage ratio</b>	<b>\$ 383,899</b>	<b>\$ 396,643</b>
<b>Total leverage exposure for SLR</b>	<b>\$ 313,749</b>	<b>\$ 336,049</b>

(a) Reduced by deferred tax liabilities associated with intangible assets and tax-deductible goodwill.

The table below presents the factors that impacted CET1 capital.

<b>CET1 generation</b> (in millions)	2023
CET1 – Beginning of period	\$ 18,032
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	3,051
Goodwill and intangible assets, net of related deferred tax liabilities	(43)
<b>Gross CET1 generated</b>	<b>3,008</b>
Capital deployed:	
Common stock repurchases	(2,604)
Common stock dividends (a)	(1,262)
<b>Total capital deployed</b>	<b>(3,866)</b>
Other comprehensive gain (loss):	
Unrealized gain on assets available-for-sale	881
Foreign currency translation	272
Unrealized gain on cash flow hedges	6
Defined benefit plans	(86)
<b>Total other comprehensive gain</b>	<b>1,073</b>
Additional paid-in capital (b)	400
Other additions (deductions):	
Net pension fund assets	20
Embedded goodwill	4
Deferred tax assets	(6)
Other	(27)
<b>Total other (deductions)</b>	<b>(9)</b>
<b>Net CET1 generated</b>	<b>606</b>
<b>CET1 – End of period</b>	<b>\$ 18,638</b>

(a) Includes dividend-equivalents on share-based awards.

(b) Primarily related to stock awards and stock issued for employee benefit plans.

The following table shows the impact on the consolidated capital ratios at Dec. 31, 2023 of a \$100 million increase or decrease in common equity, or a \$1 billion increase or decrease in RWAs, quarterly average assets or total leverage exposure.

Sensitivity of consolidated capital ratios at Dec. 31, 2023 (in basis points)	Increase or decrease of	
	\$100 million in common equity	\$1 billion in RWA, quarterly average assets or total leverage exposure
<b>CET1:</b>		
Standardized Approach	6 bps	8 bps
Advanced Approaches	6	7
<b>Tier 1 capital:</b>		
Standardized Approach	6	9
Advanced Approaches	6	9
<b>Total capital:</b>		
Standardized Approach	6	10
Advanced Approaches	6	9
<b>Tier 1 leverage</b>	3	2
<b>SLR</b>	3	2

*Stress capital buffer*

In July 2023, the Federal Reserve announced that BNY Mellon’s SCB requirement would remain at 2.5%, equal to the regulatory floor, for the period from Oct. 1, 2023 through Sept. 30, 2024. The SCB replaced the static 2.5% capital conservation buffer for Standardized Approach capital ratios for Comprehensive Capital Analysis and Review (“CCAR”) BHCs. The SCB does not apply to bank subsidiaries, which remain subject to the static 2.5% capital conservation buffer. See “Supervision and Regulation” for additional information.

The SCB final rule generally eliminates the requirement for prior approval of common stock repurchases in excess of the distributions in a firm’s capital plan, provided that such distributions are consistent with applicable capital requirements and buffers, including the SCB.

*Total Loss-Absorbing Capacity (“TLAC”)*

The following summarizes the minimum requirements for BNY Mellon’s external TLAC and external long-term debt (“LTD”) ratios, plus currently applicable buffers.

	As a % of RWAs (a)	As a % of total leverage exposure
<b>Eligible external TLAC ratios</b>	Regulatory minimum of 18% plus a buffer (b) equal to the sum of 2.5%, the method 1 G-SIB surcharge (currently 1%), and the countercyclical capital buffer, if any	Regulatory minimum of 7.5% plus a buffer (c) equal to 2%
<b>Eligible external LTD ratios</b>	Regulatory minimum of 6% plus the greater of the method 1 or method 2 G-SIB surcharge (currently 1.5%)	4.5%

(a) *RWA is the greater of the Standardized Approach and Advanced Approaches.*

(b) *Buffer to be met using only CET1.*

(c) *Buffer to be met using only Tier 1 capital.*

External TLAC consists of the Parent’s Tier 1 capital and eligible unsecured LTD issued by it that has a remaining term to maturity of at least one year and satisfies certain other conditions. Eligible LTD consists of the unpaid principal balance of eligible unsecured debt securities, subject to haircuts for amounts due to be paid within two years, that satisfy certain other conditions. Debt issued prior to Dec. 31, 2016 has been permanently grandfathered to the extent these instruments otherwise would be ineligible only due to containing impermissible acceleration rights or being governed by foreign law.

The following table presents our external TLAC and external LTD ratios.

TLAC and LTD ratios	Dec. 31, 2023		
	Minimum required	Minimum ratios with buffers	Ratios
Eligible external TLAC:			
As a percentage of RWA	18.0%	21.5%	30.3%
As a percentage of total leverage exposure	7.5%	9.5%	15.6%
Eligible external LTD:			
As a percentage of RWA	7.5%	N/A	15.0%
As a percentage of total leverage exposure	4.5%	N/A	7.7%

*N/A – Not applicable.*

If BNY Mellon maintains risk-based ratio or leverage TLAC measures above the minimum required level, but with a risk-based ratio or leverage below the minimum level with buffers, we will face constraints on dividends, equity repurchases and discretionary executive compensation based on the amount of the shortfall and eligible retained income.

*Issuer purchases of equity securities*

<b>Share repurchases – fourth quarter of 2023</b>			Total shares repurchased as part of a publicly announced plan or program	Maximum approximate dollar value of shares that may yet be purchased under the publicly announced plans or programs at Dec. 31, 2023
<i>(dollars in millions, except per share amounts; common shares in thousands)</i>	Total shares repurchased	Average price per share		
October 2023	3,450	\$ 42.28	3,450	\$ 2,700
November 2023	4,823	45.09	4,823	2,483
December 2023	1,763	49.26	1,763	2,396
<b>Fourth quarter of 2023 (a)</b>	<b>10,036</b>	<b>\$ 44.85</b>	<b>10,036</b>	<b>\$ 2,396 (b)</b>

(a) Includes 64 thousand shares repurchased at a purchase price of \$3 million from employees, primarily in connection with the employees' payment of taxes upon the vesting of restricted stock. The average price of open market share repurchases was \$44.83.

(b) Represents the maximum value of the shares to be repurchased under the share repurchase plan announced in January 2023 and includes shares repurchased in connection with employee benefit plans.

In January 2023, we announced a share repurchase program approved by our Board of Directors providing for the repurchase of up to \$5.0 billion of common shares beginning Jan. 1, 2023. This new share repurchase plan replaced all previously authorized share repurchase plans.

Share repurchases may be executed through open market repurchases, in privately negotiated transactions or by other means, including through repurchase plans designed to comply with Rule 10b5-1 and other derivative, accelerated share repurchase and other structured transactions. The timing and exact amount of any common stock repurchases will depend on various factors, including market conditions and the common stock trading price; the Company's capital position, liquidity and financial performance; alternative uses of capital; and legal and regulatory limitations and considerations.

### Trading activities and risk management

Our trading activities are focused on acting as a market-maker for our customers, facilitating customer trades and risk-mitigating hedging in compliance with the Volcker Rule. The risk from market-making activities for customers is managed by our traders and limited in total exposure through a system of position limits, value-at-risk ("VaR") methodology and other market sensitivity measures. VaR is the potential loss in value due to adverse market movements over a defined time horizon with a specified confidence level. The calculation of our VaR used by management and presented below assumes a one-day holding period, utilizes a 99% confidence level and incorporates non-linear product characteristics. VaR facilitates comparisons across portfolios of different risk characteristics. VaR also captures the

diversification of aggregated risk at the firm-wide level.

VaR represents a key risk management measure and it is important to note the inherent limitations to VaR, which include:

- VaR does not estimate potential losses over longer time horizons where moves may be extreme;
- VaR does not take into account the potential variability of market liquidity; and
- Previous moves in market risk factors may not produce accurate predictions of all future market moves.

See Note 23 of the Notes to Consolidated Financial Statements for additional information on the VaR methodology.

The following tables indicate the calculated VaR amounts for the trading portfolio for the designated periods using the historical simulation VaR model.

<b>VaR (a)</b> <i>(in millions)</i>	<b>2023</b>			<b>Dec. 31, 2023</b>
	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	
Interest rate	\$ 3.2	\$ 1.9	\$ 7.6	\$ 2.6
Foreign exchange	2.9	2.0	5.7	2.9
Equity	0.2	—	1.5	0.1
Credit	1.5	0.7	3.5	1.3
Diversification	(5.0)	N/M	N/M	(4.7)
Overall portfolio	2.8	1.3	8.9	2.2

## Results of Operations (continued)

VaR (a) (in millions)	2022			Dec. 31, 2022
	Average	Minimum	Maximum	
Interest rate	\$ 4.1	\$ 1.6	\$ 9.3	\$ 2.3
Foreign exchange	3.8	2.0	10.2	3.0
Equity	0.2	—	0.9	0.1
Credit	2.1	1.0	4.4	1.8
Diversification	(5.0)	N/M	N/M	(3.5)
Overall portfolio	5.2	2.5	11.4	3.7

(a) VaR exposure does not include the impact of the Company's consolidated investment management funds and seed capital investments.

N/M – Because the minimum and maximum may occur on different days for different risk components, it is not meaningful to compute a minimum and maximum portfolio diversification effect.

The interest rate component of VaR represents instruments whose values are predominantly driven by interest rate levels. These instruments include, but are not limited to, U.S. Treasury 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 other currency derivative products.

The equity component of VaR consists 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, preferred stock, listed equity options (puts and calls), OTC equity options, equity total return swaps, equity index futures and other equity derivative products.

The credit component of VaR represents instruments whose values are predominantly driven by credit spread levels, i.e., idiosyncratic default risk. These instruments include, but are not limited to, single issuer credit default swaps, and securities with exposures from corporate and municipal credit spreads.

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 2023, interest rate risk generated 41% of average gross VaR, foreign exchange risk generated 37% of average gross VaR, equity risk generated 3% of average gross VaR and credit risk generated 19% of average gross VaR. During 2023, our daily trading loss did not exceed our calculated VaR amount of the overall portfolio.

The following table of total daily trading revenue or loss illustrates the number of trading days in which our trading revenue or loss fell within particular ranges during the past five quarters.

(dollars in millions)	Distribution of trading revenue (loss) (a)				
	Quarter ended				
	Dec. 31, 2023	Sept. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022
<b>Revenue range:</b>	<b>Number of days</b>				
Less than \$(2.5)	<b>2</b>	—	—	—	2
\$(2.5) – \$0	<b>3</b>	5	2	1	4
\$0 – \$2.5	<b>18</b>	14	15	20	13
\$2.5 – \$5.0	<b>25</b>	24	37	26	24
More than \$5.0	<b>15</b>	20	9	15	20

(a) Trading revenue (loss) includes realized and unrealized gains and losses primarily related to spot and forward foreign exchange transactions, derivatives and securities trades for our customers and excludes any associated commissions, underwriting fees and net interest revenue.

Trading assets include debt and equity instruments and derivative assets, primarily foreign exchange and interest rate contracts, not designated as hedging instruments. Trading assets were \$10.1 billion at Dec. 31, 2023 and \$9.9 billion at Dec. 31, 2022.

Trading liabilities include debt and equity instruments and derivative liabilities, primarily foreign exchange and interest rate contracts, not designated as hedging instruments. Trading liabilities were \$6.2 billion at Dec. 31, 2023 and \$5.4 billion at Dec. 31, 2022.

Under our fair value methodology for derivative contracts, an initial “risk-neutral” valuation is performed on each position assuming time-discounting based on a AA credit curve. In addition, we consider credit risk in arriving at the fair value of our derivatives.

We reflect external credit ratings as well as observable credit default swap spreads for both ourselves and our counterparties when measuring the fair value of our derivative positions. Accordingly, the valuation of our derivative positions is sensitive to the current changes in our own credit spreads, as well as those of our counterparties.

At Dec. 31, 2023, our OTC derivative assets, including those in hedging relationships, of \$2.3 billion included a credit valuation adjustment (“CVA”) deduction of \$16 million. Our OTC derivative liabilities, including those in hedging relationships, of \$3.8 billion included a debit valuation adjustment (“DVA”) of \$4 million related to our own credit spread. Net of hedges, the CVA increased by \$1 million and the DVA increased by \$1 million in 2023, which increased other trading revenue by less than \$1 million in 2023. During 2023, no realized loss was charged off against CVA reserves.

At Dec. 31, 2022, our OTC derivative assets, including those in hedging relationships, of \$2.9 billion included a CVA deduction of \$18 million. Our OTC derivative liabilities, including those in hedging relationships, of \$3.0 billion included a DVA of \$6 million related to our own credit spread. Net of hedges, the CVA increased by \$4 million and the DVA increased by \$7 million in 2022, which increased other trading revenue by \$3 million in 2022. During 2022, no realized loss was charged off against CVA reserves.

The table below summarizes our exposure, net of collateral related to our derivative counterparties, as determined on an internal risk management basis. Significant changes in counterparty credit ratings could alter the level of credit risk faced by BNY Mellon.

**Foreign exchange and other trading counterparty risk rating profile**

	Dec. 31, 2023		Dec. 31, 2022	
	Exposure, net of collateral	Percentage of exposure, net of collateral	Exposure, net of collateral	Percentage of exposure, net of collateral
<i>(dollars in millions)</i>				
Investment grade	\$ 2,062	95%	\$ 2,553	98%
Non-investment grade	103	5%	63	2%
Total	\$ 2,165	100%	\$ 2,616	100%

**Asset/liability management**

Our diversified business activities include processing securities, accepting deposits, investing in securities, lending, raising money as needed to fund assets and other transactions. The market risks from these activities include interest rate risk and foreign exchange risk. Our primary market risk is exposure to movements in U.S. dollar interest rates and certain

foreign currency interest rates. We actively manage interest rate sensitivity and use earnings simulation and discounted cash flow models to identify interest rate exposures.

An earnings simulation model is the primary tool used to assess changes in pre-tax net interest revenue between a baseline scenario and hypothetical interest rate scenarios. Interest rate sensitivity is quantified by calculating the change in pre-tax net interest revenue between the scenarios over a 12-month measurement period.

The baseline scenario incorporates the market’s forward rate expectations and management’s assumptions regarding client deposit rates, credit spreads, changes in the prepayment behavior of loans and securities and the impact of derivative financial instruments used for interest rate risk management purposes as of each respective quarter-end. These assumptions have been developed through a combination of historical analysis and future expected pricing behavior and are inherently uncertain. Actual results may differ materially from projected results due to timing, magnitude and frequency of interest rate changes, and changes in market conditions and management’s strategies, among other factors. Client deposit levels and mix are key assumptions impacting net interest revenue in the baseline as well as the hypothetical interest rate scenarios. The earnings simulation model assumes static deposit levels and mix, and it also assumes that no management actions will be taken to mitigate the effects of interest rate changes. Typically, the baseline scenario uses the average deposit balances of the quarter.

In the table below, we use the earnings simulation model to assess the impact of various hypothetical interest rate scenarios compared to the baseline scenario. In each of the scenarios, all currencies’ interest rates are instantaneously shifted higher or lower at the start of the forecast. Long-term interest rates are defined as all tenors equal to or greater than three years and short-term interest rates are defined as all tenors equal to or less than three months. Interim term points are interpolated where applicable. The impact of interest rate shifts may not be linear. The results of this earnings simulation should therefore not be extrapolated for more severe interest rate scenarios than those presented in the table below.

The following table shows net interest revenue sensitivity for BNY Mellon.

Estimated changes in net interest revenue (in millions)	Dec. 31, 2023	Sept. 30, 2023	Dec. 31, 2022
Up 100 bps rate shock vs. baseline	\$ 254	\$ 166	\$ 214
Long-term up 100 bps, short-term unchanged	71	13	30
Short-term up 100 bps, long-term unchanged	183	153	184
Long-term down 100 bps, short-term unchanged (a)	(73)	(14)	(30)
Short-term down 100 bps, long-term unchanged	(270)	(214)	(251)
Down 100 bp rate shock vs. baseline	(343)	(228)	(281)

(a) The sensitivity for Dec. 31, 2022 has been updated to reflect the impact of a 100 basis point decrease in long-term rates while short-term rates were unchanged.

At Dec. 31, 2023, the impact of a 100 basis point upward shift in rates on net interest revenue increased compared with Sept. 30, 2023 primarily due to higher cash and deposit balances in the most recent quarter, which increased the benefit of rising interest rates. The impact of a 100 basis point downward shift in rates on net interest revenue worsened compared with Sept. 30, 2023 primarily due higher cash and deposit balances.

While the net interest revenue sensitivity scenario calculations assume static deposit balances to facilitate consistent period-over-period comparisons, net interest revenue is impacted by changes in deposit balances. Noninterest-bearing deposits are particularly sensitive to changes in short-term rates.

To illustrate the net interest revenue sensitivity to deposit run-off, we estimate that a \$5 billion instantaneous reduction or increase in U.S. dollar-denominated noninterest-bearing deposits would reduce or increase the net interest revenue sensitivity results in the up 100 basis point scenario in the table above by approximately \$290 million. The impact would be smaller if the run-off was assumed to be a mixture of interest-bearing and noninterest-bearing deposits.

Additionally, during periods of low short-term interest rates, money market mutual fund fees and other similar fees are typically waived to protect investors from negative returns.

For a discussion of factors impacting the growth or contraction of deposits, see “Risk Factors – Capital and Liquidity Risk – Our business, financial condition and results of operations could be adversely affected if we do not effectively manage our liquidity.”

We also project future cash flows from our assets and liabilities over a long-term horizon and then discount these cash flows using instantaneous parallel shocks to prevailing interest rates. This measure reflects the structural balance sheet interest rate sensitivity by discounting all future cash flows. The aggregation of these discounted cash flows is the economic value of equity (“EVE”). The following table shows how EVE would change in response to changes in interest rates.

Estimated changes in EVE	Dec. 31, 2023
Rate change:	
Up 200 bps vs. baseline	2.5%
Up 100 bps vs. baseline	2.2%
Down 100 bps vs. baseline	(2.7)%
Down 200 bps vs. baseline	(6.1)%

The asymmetrical accounting treatment of the impact of a change in interest rates on our balance sheet may create a situation in which an increase in interest rates can adversely affect reported equity and regulatory capital, even though economically there may be no impact on our economic capital position. For example, an increase in rates will result in a decline in the value of our available-for-sale securities portfolio. In this example, there is no corresponding change on our fixed liabilities, even though economically these liabilities are more valuable as rates rise.

These results do not reflect strategies that management could employ to limit the impact as interest rate expectations change.

To manage foreign exchange risk, we fund foreign currency-denominated assets with liability instruments denominated in the same currency. We utilize various foreign exchange contracts if a liability denominated in the same currency is not available or desired, and to minimize the earnings impact of translation gains or losses created by investments in foreign markets. We use forward foreign exchange contracts to protect the value of our net investment in foreign operations. At Dec. 31, 2023, net investments in foreign operations totaled \$14 billion and were spread across 19 foreign currencies.



### Overview

BNY Mellon plays a vital role in the global financial markets, and effective risk management is critical to our success. BNY Mellon operates under the Enterprise Risk Management Framework (“risk management framework”) which is the foundation of our risk management approach. Risk management begins with a strong risk culture, and we reinforce our culture through principle-based policies including the Code of Conduct, which are grounded in our core values of passion for excellence, integrity, strength in diversity and courage to lead.

These values are critical to our success. They not only explain what we stand for and our shared culture, but also help us to think and act globally. They serve as a representation of the promises we have made to our clients, communities, shareholders and each other.

BNY Mellon’s Risk Identification process is a core component of BNY Mellon’s risk framework and is the foundation for understanding and managing risk. We utilize a common risk language, our Risk Taxonomy, to identify risks across our six primary risk categories: Operational Risk, Market Risk, Credit Risk, Liquidity Risk, Model Risk and Strategic Risk. Quarterly, the Company engages in a process designed to document identification and assessment of its risks, and to determine the set of risks material to BNY Mellon. Outputs from the Risk Identification process inform elements of our risk framework such as our Risk Appetite as well as Enterprise-wide Stress Testing and Capital Planning.

BNY Mellon’s Risk Appetite expresses the level of risk we are willing to tolerate to meet our strategic objectives in a manner that balances risk and reward while considering our risk capacity and maintaining a balance sheet that remains resilient throughout market cycles. This guides BNY Mellon’s risk-taking activities and informs key decision-making processes, including the manner by which we pursue our business strategy and the methods by which we manage risk. The Risk Appetite Statement and associated key risk metrics to monitor our risk profile are updated and approved by the Risk Committee of the Board at least annually.

BNY Mellon conducts Enterprise-wide Stress Testing as part of its Internal Capital Adequacy Assessment Process in accordance with CCAR, and as required by

the enhanced prudential standards issued pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). Enterprise-wide Stress Testing considers the Company’s lines of business, products, geographic areas and risk types incorporating the results from underlying models and projections for a range of stress scenarios. Additional details on Capital Planning and Stress Testing are included in “Supervision and Regulation.”

### Three Lines of Defense

BNY Mellon’s Three Lines of Defense model is a critical component of our risk management framework to clarify roles and responsibilities across the organization.

BNY Mellon’s first line of defense includes senior management and business and corporate staff, excluding management and employees in Risk Management, Compliance and Internal Audit. Senior management in the first line is responsible for maintaining and implementing an effective risk management framework and appropriately managing risk consistent with its strategy and risk tolerance, including establishing clear responsibilities and accountability for the identification, measurement, management and control of risk.

Risk and Compliance is the independent second line of defense, reporting to the Chief Risk Officer. The Chief Risk Officer reports to both the Chief Executive Officer and the Risk Committee of the Company’s Board of Directors. Risk and Compliance is responsible for establishing a framework that outlines expectations and provides guidance for the effective management of risk at BNY Mellon while also independently testing, reviewing and challenging the first line. To facilitate the comprehensive global application of consistent standards for each risk or compliance topic, independent oversight is provided by Risk and Compliance across three perspectives – lines of business; legal entities; and enterprise-wide risk and compliance disciplines.

Internal Audit is BNY Mellon’s third line of defense and serves as an independent, objective assurance function that reports directly to the Audit Committee of the Company’s Board of Directors. It assists the Company in accomplishing its objectives by bringing a systematic, disciplined, risk-based approach to evaluate and improve the effectiveness of the

Company’s risk management, control and governance processes. The scope of Internal Audit’s work includes the review and evaluation of the adequacy,

effectiveness and sustainability of risk management procedures, internal control systems, information systems and governance processes.

**Governance**

BNY Mellon’s management is responsible for execution of the Company’s risk management framework and the governance structure that supports it, with oversight provided by BNY Mellon’s Board of Directors through two key Board committees: the Risk Committee and the Audit Committee.

A summary of the governance structure is provided below.



The Risk Committee is comprised entirely of independent directors and meets on a regular basis to review and assess the control processes with respect to the Company’s inherent risks. It also reviews and assesses the Company’s risk management policies and practices. The roles and responsibilities of the Risk Committee are described in more detail in its charter, a copy of which is available on our website, [www.bnymellon.com](http://www.bnymellon.com).

The SRCC is the most senior management level risk governance group at the Company and is responsible for oversight of all Risk Management, Compliance & Ethics activities and processes, including the Enterprise Risk Management Framework. The committee is chaired by the Chief Risk Officer and its members include the Chief Executive Officer, Chief Financial Officer and General Counsel.

The Audit Committee is also comprised entirely of independent directors. The Audit Committee meets on a regular basis to perform an oversight review of the integrity of the financial statements and financial reporting process, compliance with legal and regulatory requirements, the Company’s independent registered public accountant’s qualifications and independence, and the performance of our internal audit function and the independent registered public accountant. The Audit Committee also reviews management’s assessment of the adequacy of internal controls. The functions of the Audit Committee are described in more detail in its charter, a copy of which is available on our website, [www.bnymellon.com](http://www.bnymellon.com).

Subcommittees of the SRCC include:

- **Anti-Money Laundering Oversight Committee:** Oversees the systems and controls relating to all aspects of anti-money laundering and terrorist financing compliance (including Know Your Customer, suspicious activity reporting and sanctions) within the Company.
- **Asset Liability Committee (“ALCO”):** The senior management committee responsible for balance sheet oversight, including capital, liquidity and interest rate risk management.
- **Balance Sheet Risk Committee (the “BSRC”):** Reviews and receives escalation relating to balance sheet risk management frameworks

associated with the assets, liabilities and capital of the Company. There is a focus on treasury risk topics, including matters related to liquidity risk, capital management, investment portfolio risk, and interest rate risk in the banking book.

- **Business Risk Committees:** Review and assess risk and control issues observed from existing business practices or activities or arising from new business practices or activities in our various lines of business and supporting operations.
- **Compliance and Ethics Oversight Committee:** Provides governance and oversight of the operations of the Compliance and Ethics function and the management and reporting of compliance risk-related issues, as well as Compliance & Ethics processes, policies, procedures and standards.
- **Contract Management Committee:** The governance and escalation body for the Company's Customer Contract Management policy and determines the client contract management policies and infrastructure for the Company.
- **Credit Portfolio Management Committees:** Seven Portfolio Management Committees, governed by the same charter and rules, manage, monitor and review each of Credit Risk's primary portfolio segments, including underwriting criteria, portfolio limits and composition, risk metrics, concentration, credit strategy, quality and exposure, stress test outcomes and wrong way risk.
- **Enterprise Insider Threat Steering Committee:** Provides enterprise-wide governance and oversight related to the Enterprise Insider Threat Program and related initiatives, as well as provides visibility to senior leadership related to the enterprise risk profile as it relates to insider threat risks.
- **Enterprise Risk Committee:** Oversees the Enterprise Risk Management Framework and related activities, including comprehensive discussions, deliberations and collaboration on material and emerging risks, limit setting, risk reporting, issues management, escalation and relevant decision making.
- **International Senior Risk and Control Committee:** Provides risk management oversight, and acts as a point of convergence for the coordination, transparency and communication of material issues (live or emerging) across international entities.
- **Operational Risk Committee:** Oversees the operational risk profile and is responsible for monitoring and managing the appropriateness of the operational risk framework, policy design, adherence tracking and mitigating controls.
- **Product Approval and Review Committee:** Responsible for reviewing and approving proposals to introduce new and modify or retire existing products.
- **Regulatory Oversight Committee:** Provides strategic direction, oversight, challenge, and coordination across regulatory remediation initiatives within the Company's Regulatory Oversight Program.
- **Resolvability Steering Committee:** Oversees recovery and resolution planning, including but not limited to the project governance and oversight framework for all recovery and resolution planning requirements in relevant jurisdictions where BNY Mellon operates.
- **Technology Risk Committee:** Oversees the review and assessment of technology risk and control issues observed from existing business practices or activities, or arising from new business practices or activities in our various lines of business and supporting operations so as to assist the Company in managing and monitoring technology risk and control issues.

*Risk Types Overview*

The understanding, identification, measurement and mitigation of risk are essential elements for the successful management of BNY Mellon. We leverage a comprehensive risk taxonomy to support consistent language for defining and understanding risks. The primary categories in our risk taxonomy are:

<b>Type of risk</b>	<b>Description</b>
<b>Operational</b>	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes risks, such as compliance and financial crimes, technology risks and third party risks.
<b>Market</b>	The risk of financial loss or adverse change to the economic condition of BNY Mellon resulting from movements in market risk factors. Market risk factors include but are not limited to interest rates, credit spreads, foreign exchanges rates, commodity prices, and equity prices. The potential loss in value for the BNY Mellon financial portfolio caused by adverse movements in market prices of foreign exchange, fixed income and equity assets, credit spreads, commodities and liabilities accounted for under fair value and equivalent methods.
<b>Credit</b>	Credit risk denotes a broad category of adverse financial outcomes arising from credit events (default, bankruptcy, ratings migration) associated with obligor/counterparty not meeting (inability/unwilling) its contractual obligations. 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 lending commitments, letters of credit and securities lending indemnifications.
<b>Liquidity</b>	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. Liquidity risk includes the inability to access funding sources or manage fluctuations in funding levels. 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.
<b>Model</b>	The potential loss arising from incorrectly designing/using a model or stress conditions that invalidate the assumptions of a model.
<b>Strategic</b>	The risk arising from the flawed design, decision or implementation of a business strategy, and potential disruption to business strategy by external factors and/or internal decisions. More specifically, the risks arising from adverse business decisions, poor implementation of business decisions or lack of responsiveness to changes in the financial industry and operating environment. Strategic 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.

*Operational Risk*

In providing a comprehensive array of products and services, we are exposed to operational risk. Operational risk may result from, but is not limited to, errors related to transaction processing, failure of internal control systems and meeting compliance requirements, fraud by employees or persons outside BNY Mellon or business interruption due to system failures or other events. Operational risk may also include breaches of our technology and information systems resulting in unauthorized access to confidential information or from internal or external threats, such as cyberattacks. Operational risk also includes potential legal or regulatory actions that could arise. In the case of an operational event, we could suffer financial losses as well as reputational damage.

framework designed to provide a sound operational environment. These controls have been designed to manage operational risk at appropriate levels given our financial strength, the business environment and markets in which we operate, and the nature of our businesses, and considering factors such as competition and regulation.

The organizational framework for operational risk is based upon a strong risk culture that incorporates both governance and risk management activities comprising:

- Accountability of Businesses – Business managers are responsible for maintaining an effective system of internal controls commensurate with the business risk profiles and in accordance with BNY Mellon policies and procedures.

To address these risks, we maintain comprehensive policies and procedures and an internal control

- Operational Risk Management is the independent second line function responsible for developing risk management policies and tools for assessing, measuring, monitoring and managing operational risk for BNY Mellon. The primary objectives of the Operational Risk Management Framework are to promote effective risk management, identify emerging risks and drive improvement in controls and to reduce operational risk. The Operational Risk Management function includes independent operational risk oversight of all lines of business and functions, as well as specialist oversight of areas such as data risk, fraud risk, and third party risk.
- Technology risk is a subset of operational risk. Technology Risk Management is the independent second line function that is responsible for independent risk oversight of the technology footprint, bringing expertise to bear across some of BNY Mellon's most significant risk exposures. The function also conducts integrated independent assessments on multiple cyber and digital initiatives within the Company. They partner with businesses and legal entities to drive better understanding and a more accurate assessment of operational risks that can occur from technology operations. Technology Risk Management also acts as a catalyst to drive the development of global technology policies, key controls and methods to assess, measure and monitor information and technology risk for BNY Mellon.
- Operational resiliency is a top priority for the Company. Foundational to our enterprise resiliency strategy is the Business Services Framework, governed by the first line Enterprise Resiliency Office, with second line oversight from Resiliency Risk Management. First line business management is accountable for maintaining effective resiliency capabilities under this framework, while Technology and Operations are responsible for successful execution in coordination with the business. Elements of the resiliency strategy include the Business Services Framework, IT Asset Management, Application transformation and Mainframe modernization, as well as Disaster Recovery Testing and Business Continuity capabilities. We are also focused on the resiliency capabilities of our most important service providers. These capabilities are intended to enable the Company to deliver services to our clients by the ability to prevent, respond to and recover from business disruptions and threats.
- Compliance and financial crimes risk is also a subset of operational risk with second line Compliance and Ethics and Financial Crime Compliance ("FCC") teams. Compliance and financial crimes risk is defined as the risk of legal or regulatory sanctions, material financial loss, or a financial institution's reputational loss as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct or organizational standards of practice. We seek to comply with all obligations through a comprehensive, integrated Compliance and Ethics Management Framework.

### *Market Risk*

Our business activity tends to minimize outright our direct exposure to market risk, with such risk primarily limited to market volatility from trading activity in support of clients. More significant market risk is assumed in the form of interest rate and credit spread risk within the investment portfolio as a means for asset/liability management and net interest revenue generation, and also through the interest rate risk associated with BNY Mellon's balance sheet position which is sensitive to adverse movements in interest rates.

The Company has indirect market risk exposure associated with the change in the value of financial collateral underlying securities financing and derivatives positions. The Collateral Margin Review Committee reviews and approves the standards for collateral received or paid in respect of collateralized derivative agreements and securities financing transactions.

Oversight of market risk is performed by the SRCC, BSRC, ALCO and through executive review meetings. Stress tests results for the trading portfolio are reviewed during the Markets Weekly Risk meeting, which is attended by senior managers from Risk Management, Finance and Sales and Trading. Oversight of the risk management framework associated with the Corporate Treasury and Portfolio Management functions is performed by the BSRC. Detailed aspects of this oversight are conducted by the Treasury Risk Committee, a subcommittee of the BSRC.

The Business Risk Committee for the Markets business reviews key risk and control issues and related initiatives facing all Markets lines of business. Also addressed during the Business Risk Committee meetings are trading VaR and trading stressed VaR exposures against limits.

Finally, the Risk Quantification Review Group reviews back-testing results for the Company's VaR model.

### *Credit Risk*

We extend direct credit in order to foster client relationships and as a method by which to generate interest income from the deposits that result from business activity. We extend and incur intraday credit exposure in order to facilitate our various processing activities.

To balance the value of our activities with the credit risk incurred in pursuing them, we set and monitor internal credit limits for activities that entail credit risk, most often on the size of the exposure and the quality of the counterparty. For credit exposures driven by changing market rates and prices, exposure measures include an add-on for such potential changes.

We manage credit risk exposure at a counterparty, industry, country and portfolio level. Credit risk exposure at the counterparty level is managed through our credit approval framework and involves four approval levels up to and including the Chief Risk Officer of the Company. The requisite approvals are based upon the size and relative risk of the aggregate exposure under consideration. The Credit Risk Group is responsible for approving the size, terms and maturity of all credit exposures proposed by the business, as well as the ongoing monitoring of the creditworthiness of the counterparty. In addition, it is responsible for challenging and approving the internal risk ratings on each exposure.

The calculation of a fundamental credit measure is based on a projection of a statistically probable credit loss, used to help determine the appropriate loan loss reserve and to measure customer profitability. Credit loss considers three basic components: the estimated size of the exposure whenever default might occur, the probability of default before maturity and the severity of the loss we would incur, commonly called "loss given default." For institutional lending, where

most of our credit risk is created, unfunded commitments are assigned a usage given default percentage. Borrowers/counterparties are assigned ratings by the business and reviewed, challenged and approved by the Credit Portfolio Managers on an 18-grade scale, which translate to a scaled probability of default. Additionally, transactions are assigned loss given default ratings (on a 5-grade scale) that reflect the transactions' structures, including the effects of guarantees, collateral and relative seniority of position.

The Risk Modeling and Analytics Group is responsible for the calculation methodologies and the estimates of the inputs used in those methodologies for the determination of expected loss. These methodologies and input estimates are regularly evaluated for appropriateness and accuracy. As new techniques and data become available, the Risk Modeling and Analytics Group incorporates, where appropriate, those techniques or data.

BNY Mellon seeks to limit both on- and off-balance sheet credit risk through prudent underwriting and the use of capital only where risk-adjusted returns warrant. We seek to manage risk and improve our portfolio diversification through syndications, asset sales, credit enhancements and active collateralization and netting agreements. In addition, we have a separate Credit Risk Review Group, which is an independent group within Internal Audit, composed of experienced loan review officers who perform timely reviews of the loan files and credit ratings assigned to the loans.

### *Liquidity Risk*

Adequate liquidity is vital to BNY Mellon's ability to process payments as well as settle and clear transactions on behalf of clients. The Company's liquidity position can be affected by multiple factors, including funding mismatches, market conditions that impact our ability to convert our investment portfolio to cash, inability to issue debt or roll over funding, run-off of core deposits, and contingent liquidity events such as additional collateral posting requirements. Additionally, a downgrade in our credit rating can not only lead to an outflow of deposits, which are a major source of our funding, but also increase our margin requirements on secured transactions and have a broader adverse impact on our overall brand that may further impair our ability to refinance maturing liabilities. Changes in

economic conditions or exposure to other risks can also affect our liquidity.

The Board of Directors approves liquidity risk tolerance and is responsible for oversight of liquidity risk management of the Company. ALCO provides governance for the appropriate execution of Board-approved strategies, policies and procedures for managing liquidity. Senior management is responsible for executing those Board-approved strategies, policies and procedures for managing liquidity which ALCO oversees, as well as regularly reporting the liquidity position of the Company to the Board of Directors. The BSRC provides governance over independent risk oversight of liquidity risks, and oversees the establishment of control frameworks. The Treasury Risk Committee, which is chaired by independent risk management, validates and approves internal stress testing methodologies and assumptions, and an independent Liquidity Risk function is responsible for providing ongoing review and oversight of liquidity risk management.

BNY Mellon actively manages and monitors its cash position, quality of the investment portfolio, intraday liquidity positions and potential liquidity needs in order to support the timely payment and settlement of obligations under both normal and stressed conditions. The Company uses a range of stress testing measures in connection with its efforts to maintain sufficient liquidity relative to risk appetite, including the Liquidity Coverage Ratio and Internal Liquidity Stress Testing.

### *Model Risk*

Models support our infrastructure for managing risk. Among their functions, models help us value securities, rate the quality of an obligor's credit, establish capital needs and monitor liquidity trends. Model failure might stem from faulty design, misuse, or environmental conditions that invalidate our assumptions. When this happens, the Company could be exposed to losses and other adverse consequences resulting from operational, market, credit and liquidity risk, as well as reputational harm. We aim to maintain a low-risk environment.

BNY Mellon's processes are designed to identify the conditions under which model risk incidents could occur and to establish controls that are designed to minimize or prevent loss in case of such an event. These processes include enforcement of standards for

developing models, a process to validate new models, change controls for existing models, and a monitoring system to assess performance throughout a model's life.

When evaluating the degree of model risk, we consider multiple dimensions including the quality of design, the robustness of controls, and indications of underperformance. Based on these measures, we create an overall metric that is intended to measure the health of the Company's modeling environment and set thresholds around it. This allows us to manage model risk, not only at the level of the individual model, but also in aggregate, across all the Company's businesses.

Model Risk Management, an independent risk management function, is responsible for executing Board-approved strategies, policies, and procedures for managing model risk. Senior management is responsible for regularly reporting on the Company's modeling infrastructure to the Risk Committee of the Board of Directors. The Board of Directors approves risk tolerances and is responsible for oversight.

### *Strategic Risk*

Our strategy includes, but is not limited to, improving organic growth across our businesses, driving quality solutions and operating efficiencies, and expanding technology-enabled solutions. Successful realization of our strategy requires that we provide expertise and insight through market-leading solutions that drive economies of scale and attract, develop and retain highly talented people capable of executing our strategy, while protecting our financial profile. We must understand and meet market and client expectations with suitable products and offerings that are financially viable and scalable and that integrate into our business model. Failure to do so could impact both our growth strategy and our ability to service our existing clients, resulting in potential financial loss or litigation.

Changes in the markets in which we and our clients operate can evolve quickly. The introduction of new or disruptive technologies, geopolitical events and slowing economies are examples of events that can produce market uncertainty. Failure to either anticipate or participate in transformational change within a given market or appropriately and promptly react to market conditions or client preferences could result in poor strategic positioning and potential

negative financial impact. While it is essential that we continue to innovate and respond to changing markets and client demand, we seek to do so in a manner that does not affect our financial position or jeopardize our fundamental business strategy.

### *Other Risk Considerations*

In addition to the primary risk categories and sub-categories noted above, we consider risks that have thematic significance and may manifest across multiple categories of risk. These risk considerations include data risk, environmental, social and governance risk and reputational risk.

#### *Data Risk*

We are exposed to data risk when we fail to consistently manage and control our data assets through the entire lifecycle, including managing the production, confidentiality, quality, integrity, availability, and retention of data information.

Our risk management approach considers data risks within our business activities. Our enterprise data framework and supporting policies address management of data in key areas of data architecture, data governance, data quality management, data protection, data usage and ethics.

We also consider data risks in the execution of our business objectives and processes, including the development of new products and services, including AI applications. We remain committed to increasing the effectiveness of our data management practices which are designed to enable us to deliver products and services to our clients across the investment lifecycle.

#### *Environmental, Social and Governance*

We are exposed to environmental, social and governance (“ESG”) risks factors that may lead to

increased risk levels across one or more enterprise risk categories and may impact our risk management frameworks. For example, climate risks include physical risks from acute and chronic weather-related effects as well as transition risks from changes such as fiscal policy, legislation and regulation, technological development, and investor and customer preference changes. Social and governance risks could also impact our risk categories and risk management frameworks.

ESG effects may be wide-ranging with potential financial and operational resilience implications that could negatively impact the Company’s strategic objectives and financial performance, reputation, business operations, ability to service clients and broad stakeholder relationships. Potential risk outcomes include, but are not limited to, adverse publicity, loss of business, financial loss, litigation, employee impacts, and other operational impacts. For example, key climate-related impacts have been identified across our credit portfolios, strategic positioning, operational resiliency, and the pace and volume of regulatory change, with the potential for reputational impacts across these areas. ESG is considered when managing risk within appetite and limits across the enterprise risk categories.

#### *Reputational Risk*

We are exposed to Reputational Risk as a result of negative stakeholder perception which may result from any decision, action, or inaction by BNY Mellon, any of our employees, or through other associated parties, such as clients, strategic partners, and third parties. Reputational impacts can result in risks to current or anticipated earnings, capital, liquidity, brand, and enterprise value, and can stem from any line of business, corporate function, legal entity, product, or service.



BNY Mellon maintains a broad range of defenses aimed at remaining abreast of and responding to evolving cybersecurity threats impacting the Company, its operations, its clients, its third-party service providers and the broader financial services sector. During 2023, cybersecurity threats did not have a material effect on the Company's business strategy or operations. However, the financial services sector is prone to cybersecurity threats, and there can be no assurance that the Company will be able to successfully protect its information systems against material cybersecurity incidents in the future. Given the increasing prevalence and severity of cybersecurity incidents affecting financial institutions, other companies and governmental agencies as well as the evolving and adaptive nature of cybersecurity threats, cybersecurity risk management is a priority for the Company that impacts its allocation of resources, operations and risk management strategy. For a further discussion of the various risks related to cybersecurity threats and the potential impact on the Company's business strategy, results of operations or financial condition, see "Risk Factors – Risk Types Overview – Operational Risk."

### *Risk Management strategy and procedures*

BNY Mellon has implemented policies and procedures designed to detect, prevent and respond to malicious and accidental disruptions to the delivery of critical technology services. BNY Mellon's cybersecurity strategy and procedures are embedded in the Company's Three Lines of Defense model.

As part of its first line of defense, the Company maintains a dedicated Information Security Division ("ISD"), led by the Chief Information Security Officer (the "CISO"), that is responsible for the day-to-day management of risks from cybersecurity threats. ISD's responsibilities include cyber threat intelligence, incident response and other cybersecurity operations aimed at enabling the Company to identify, assess and manage existing and emerging cybersecurity threats. ISD monitors for potential threats and communicates relevant risks to the CISO and other members of executive management. Additionally, ISD maintains a cybersecurity incident response and reporting process pursuant to which cybersecurity incidents are classified according to their severity based upon an assessment of multiple factors. Certain cybersecurity incidents may activate enterprise-wide resiliency

processes, which include, among other things, escalation through the management and Board committee structures described below. The Company also has standing arrangements with third parties to assist the Company in identifying, assessing and managing cybersecurity threats, including in connection with risk assessments, penetration testing, legal advice and other aspects of the Company's cybersecurity risk management and incident response processes.

BNY Mellon has a defined third-party governance framework to help manage the risk posed to the Company by the use of third-party service providers. The Company evaluates the risk posed by third-party service engagements based on multiple factors. The Company has protocols that seek to mitigate cybersecurity risks associated with third-party service providers based on the risk level assigned to such third party, which may include mandatory contractual obligations or the implementation of additional controls by the Company and/or the applicable service provider.

ISD is subject to ongoing review and challenge from Technology Risk Management, which is a part of the independent second line of defense risk function. Technology Risk Management, together with the broader Risk & Compliance group, is responsible for and manages the Company's risk management framework and establishes guidance for ISD and management designed to help identify, assess and manage cybersecurity risk. For more information on how we monitor and manage our risk management framework, see "Risk Management – Overview."

Internal Audit serves as the third line of defense and provides an independent view on how effectively the organization as a whole manages cybersecurity risk.

For a further discussion of BNY Mellon's Three Lines of Defense model, see "Risk Management – Three Lines of Defense."

### *Risk Management oversight and governance*

The Company's management is responsible for assessing and managing the Company's material risks from cybersecurity threats with oversight provided by the Parent's Board of Directors and the Board committees. The Risk Committee of the Board has primary responsibility for oversight of the overall operation of the Company's risk management

framework, including policies and practices addressing cybersecurity risk, and is responsible for the oversight of the second line of defense with respect to its cybersecurity risk management responsibilities. The Technology Committee of the Board and the full Board regularly receive reports and briefings from management concerning cybersecurity matters, including any significant changes to the Company's cybersecurity program. The Company also has protocols for escalating cybersecurity threats and incidents to the Technology Committee of the Board and the full Board. In addition, the Audit Committee monitors and oversees the performance of Internal Audit, including with respect to its cybersecurity risk management responsibilities.

At the management level, the Technology Oversight Committee, which is the senior management committee responsible for the governance and oversight of the Company's significant technology projects and initiatives, reviews reports from management concerning ISD and is responsible for, among other things, escalating issues, including significant cybersecurity threats and incidents, to the Technology Committee of the Board. The Technology Oversight Committee is chaired by the Chief Information Officer (the "CIO") and its members include the CISO.

The Technology Risk Committee is responsible for, among other things, overseeing and reviewing significant cybersecurity incidents. The Technology

Risk Committee receives reports from management and has protocols for escalating certain issues and risks to the SRCC and the Risk Committee of the Board of Directors. The Technology Risk Committee is co-chaired by the Head of Technology Risk and Control and the Chief Technology Risk Officer, and the CISO is a member.

BNY Mellon's CIO, CISO and Chief Technology Risk Officer each have extensive experience in assessing and managing risks from cybersecurity threats. The Company's CISO joined BNY Mellon in 2022 and previously served as head of information security at a Fortune 500 biopharmaceutical company and an information technology company, as well as the Global Chief Technology Officer at a large cybersecurity company. The Company's CIO has served in that position since 2017 and previously held roles as Chief Information Officer, Chief Technology Officer, and numerous other technology management positions at other large financial institutions. The Company's Chief Technology Risk Officer joined BNY Mellon in 2021 and previously served as Global Head of Technology Risk Management, Chief Information Security Officer, Global Head of Cyber Risk and Operational Resilience and Chief Risk Officer for Technology and Operations at other large financial institutions.

For a further discussion of BNY Mellon's risk management governance structure, see "Risk Management – Governance."

### *Evolving Regulatory Environment*

BNY Mellon engages in banking, investment advisory and other financial activities across the globe and is subject to extensive regulation in the jurisdictions in which it operates. Global supervisory authorities generally are charged with ensuring the safety and soundness of financial institutions, protecting the interests of customers, including depositors in banking entities and investors in mutual funds and other pooled vehicles, safeguarding the integrity of securities and other financial markets and promoting systemic resiliency and financial stability in the relevant country. They are not, however, generally charged with protecting the interests of our shareholders or non-depositor creditors. This discussion outlines the material elements of selected laws and regulations applicable to us. The impact of certain other laws and regulations, such as tax law, is discussed elsewhere in this Annual Report. Changes in these standards, or in their application, cannot be predicted, but may have a material effect on our businesses and results of operations.

The financial services industry has been the subject of enhanced regulatory oversight in the past 15 years globally, and this enhanced oversight environment is likely to continue in the future. Our businesses have been subject to a significant number of global reform measures. Moreover, political developments have resulted and may continue to result in legislative and regulatory changes to key aspects of laws and regulations affecting large banking and financial institutions and in laws or regulations relating to environmental, social and governance (“ESG”) matters.

### *Enhanced Prudential Standards*

The Federal Reserve has adopted rules (“SIFI Rules”) to implement liquidity requirements, capital stress testing and overall risk management requirements affecting U.S. systemically important financial institutions (“SIFIs”). BNY Mellon must comply with enhanced liquidity and overall risk management standards, which include maintenance of a buffer of highly liquid assets based on projected funding needs for 30 days. The liquidity buffer is in addition to the rules regarding the LCR and net stable funding ratio (“NSFR”), discussed below, and is described by the Federal Reserve as being “complementary” to these liquidity standards.

### *Capital Planning and Stress Testing*

#### *Payment of Dividends, Stock Repurchases and Other Capital Distributions*

The Parent is a legal entity separate and distinct from its banks and other subsidiaries. Therefore, the Parent primarily relies on dividends, interest, distributions and other payments from its subsidiaries, including extensions of credit from the IHC, to meet its obligations, including its obligations with respect to its securities, and to provide funds for share repurchases and payment of common and preferred dividends to its stockholders, to the extent declared by the Board of Directors. Various federal and state laws and regulations limit the amount of dividends that may be paid to the Parent by our U.S. bank subsidiaries without regulatory consent. If, in the opinion of the applicable federal regulatory agency, a depository institution under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), the regulator may require, after notice and hearing, that the bank cease and desist from such practice. The Federal Reserve, the FDIC and the Office of the Comptroller of the Currency (“OCC,” and together, the “Agencies”) have indicated that the payment of dividends would constitute an unsafe and unsound practice if the payment would reduce a depository institution’s capital to an inadequate level. Moreover, under the FDI Act, an insured depository institutions (“IDI”) may not pay any dividends if the institution is undercapitalized or if the payment of the dividend would cause the institution to become undercapitalized. In addition, the Agencies have issued policy statements which provide that FDIC-insured depository institutions and their holding companies should generally pay dividends only out of their current operating earnings.

In general, the amount of dividends that may be paid by our U.S. banking subsidiaries, including to the Parent, is limited to the lesser of the amounts calculated under a “recent earnings” test and an “undivided profits” test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared and paid by the entity in any calendar year exceeds the current year’s net income combined with the retained net income of the two preceding years, unless the entity obtains prior regulatory approval. Under the undivided profits test, a dividend may not be paid in excess of the entity’s “undivided profits” (generally, accumulated net

profits that have not been paid out as dividends or transferred to surplus). The ability of our U.S. bank subsidiaries to pay dividends to the Parent may also be affected by the capital adequacy standards applicable to those subsidiaries, which include minimum requirements and buffers.

There are also limitations specific to the IHC's ability to make distributions or extend credit to the Parent. The IHC is not permitted to pay dividends to the Parent if certain key capital or liquidity indicators are breached. Additionally, if our projected financial resources deteriorate so severely that resolution of the Parent becomes imminent, the committed lines of credit provided by the IHC to the Parent will automatically terminate, with all outstanding amounts becoming due.

BNY Mellon's capital distributions are subject to Federal Reserve oversight. The major component of that oversight is the Federal Reserve's CCAR, implementing its capital plan rule. That rule requires BNY Mellon to submit annually a capital plan to the Federal Reserve. We are also required to collect and report certain related data on a quarterly basis to allow the Federal Reserve to monitor progress against the annual capital plan.

On March 4, 2020, the Federal Reserve finalized an SCB rule, which made changes to the capital plan rule. The SCB rule eliminated the quantitative grounds for objection to a firm's CCAR capital plan and introduced an SCB that became part of quarterly capital requirements of CCAR firms on Oct. 1, 2020. The final rule replaced the 2.5% capital conservation buffer with an SCB requirement for capital ratios under the U.S. capital rules' standardized approach risk-weightings framework ("Standardized Approach") that is based on the largest projected decrease in a firm's CET1 ratio in the nine-quarter CCAR supervisory severely adverse scenario plus four quarters of planned common stock dividends as percentage of RWAs. The SCB is subject to a 2.5% floor. Each CCAR firm, including BNY Mellon, will be notified of its SCB by August 31, and the SCB will become effective on October 1 of the applicable calendar year. In July 2023, the Federal Reserve announced BNY Mellon's SCB requirement of 2.5%, which equals the regulatory floor. The SCB requirement was confirmed via further announcement from the Federal Reserve in August 2023. The SCB rule requires that firms reduce their planned capital actions if those distributions would cause the firm to fall below applicable buffer requirements based on

the firm's own baseline scenario projections and allows firms to increase certain planned capital distributions if they are forecasted to be above capital buffer constraints. The SCB rule also eliminates the requirement for prior approval of capital distributions in excess of the distributions in a firm's capital plan, provided that such distributions do not cause a breach of the firm's capital ratios, including applicable buffers. In addition, the SCB rule provides that a firm must receive prior approval for any dividend, stock repurchase or other capital distribution, other than a capital distribution on a newly issued capital instrument, if a firm is required to resubmit its capital plan. See "Results of Operations – Capital" for information about our share repurchase program.

The Agencies revised the definition of "eligible retained income" in 2020 to limit the potential for sudden and severe limitations on capital distributions if a banking organization's capital ratios fall below the applicable buffer requirements. To the extent a banking organization's capital buffer is less than 100% of its applicable buffer requirements, its distributions and discretionary bonus payments are constrained by the amount of the shortfall and its eligible retained income. Under the final rule, eligible retained income is defined as the greater of (i) a banking organization's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (ii) the average of a banking organization's net income over the preceding four quarters. The Federal Reserve made corresponding changes to the definition of "eligible retained income" in the Total Loss-Absorbing Capacity ("TLAC") buffer requirements. For more information on TLAC, see "Total Loss-Absorbing Capacity" below.

### *Regulatory Stress-Testing Requirements*

In addition to the CCAR stress testing requirements, Federal Reserve regulations also include complementary Dodd-Frank Act Stress Tests ("DFAST"). The CCAR and DFAST requirements substantially overlap, and the Federal Reserve implements them at the BHC level on a coordinated basis. Under these DFAST regulations, we are required to undergo an annual regulatory stress test conducted by the Federal Reserve. The BHC is required to conduct an annual company-run stress test. In addition, The Bank of New York Mellon is required to conduct an annual company-run stress test (although the bank is permitted to combine certain

reporting and disclosure of its stress test results with the results of BNY Mellon). Results from our annual company-run stress tests are reported to the appropriate regulators and published.

#### *Capital Requirements – Generally*

As a BHC, we are subject to U.S. capital rules, administered by the Federal Reserve. Our bank subsidiaries are subject to similar capital requirements administered by the Federal Reserve in the case of The Bank of New York Mellon and by the OCC in the case of our national bank subsidiaries, BNY Mellon, N.A. and The Bank of New York Mellon Trust Company, National Association. These requirements are intended to ensure that banking organizations have adequate capital given the risk levels of their assets and off-balance sheet exposures.

Notwithstanding the detailed U.S. capital rules, the Agencies retain significant discretion to set higher capital requirements for categories of BHCs or banks or for an individual BHC or bank as warranted.

#### *U.S. Capital Rules – Minimum Risk-Based Capital Ratios and Capital Buffers*

The U.S. capital rules require banking organizations subject to the advanced approaches risk-weighting framework (the “Advanced Approaches”), such as BNY Mellon, to satisfy minimum risk-based capital ratios using both the Standardized Approach and the Advanced Approaches. See “Results of Operations – Capital” for details on these requirements. In addition, for CCAR firms, these minimum ratios are supplemented by (i) the SCB (which, for BNY Mellon, is 2.5%, as noted), in the case of a firm’s Standardized Approach capital ratios, and (ii) a capital conservation buffer of 2.5%, in the case of a firm’s Advanced Approaches capital ratios. The capital conservation buffer can only be satisfied with CET1 capital.

When systemic vulnerabilities are meaningfully above normal, the SCB and capital conservation buffer may be expanded up to an additional 2.5% through the imposition of a countercyclical capital buffer. For internationally active banks such as BNY Mellon, the countercyclical capital buffer required threshold is a weighted average of the countercyclical capital buffers deployed in each of the jurisdictions in which the bank has private sector credit exposures. The Federal Reserve, in consultation with the OCC and FDIC, has affirmed the current countercyclical

capital buffer level for U.S. exposures of 0% and noted that any future modifications to the buffer would generally be subject to a 12-month phase-in period. Any countercyclical capital buffer required threshold arising from exposures outside the U.S. will also generally be subject to a 12-month phase-in period.

For G-SIBs like BNY Mellon, the U.S. capital rules’ buffers are also supplemented by a G-SIB risk-based capital surcharge, which is the higher of the surcharges calculated under two methods (referred to as “method 1” and “method 2”). Method 1 is based on the Basel Committee on Banking Supervision (“BCBS”) framework and considers a G-SIB’s size, interconnectedness, cross-jurisdictional activity, substitutability and complexity. Method 2 uses similar inputs but is calibrated to result in significantly higher surcharges and replaces substitutability with a measure of reliance on short-term wholesale funding. The G-SIB surcharge applicable to BNY Mellon for 2023 was 1.5%.

#### *U.S. Capital Rules – Deductions from and Adjustments to Capital Elements*

The U.S. capital rules provide for a number of deductions from and adjustments to CET1 capital. These include, for example, providing that unrealized gains and losses on all available-for-sale debt securities may not be filtered out for regulatory capital purposes, and the requirement that deferred tax assets dependent upon future taxable income and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1.

In addition, the Agencies adopted a final rule that generally requires certain Advanced Approaches banking organizations, including BNY Mellon, to deduct from Tier 2 capital, subject to certain exceptions, direct, indirect and synthetic exposures to covered debt instruments, including TLAC instruments.

#### *U.S. Capital Rules – Advanced Approaches Risk-Based Capital Rules*

Under the U.S. capital rules’ Advanced Approaches framework, credit risk-weightings are generally based on risk-sensitive approaches that largely rely on the use of internal credit models and parameters, whereas under the Standardized Approach credit risk-

weightings are generally based on supervisory risk-weightings which vary primarily by counterparty type and asset class. BNY Mellon is required to comply with Advanced Approaches reporting and public disclosures. For purposes of determining whether we meet minimum risk-based capital requirements under the U.S. capital rules, our CET1 ratio, Tier 1 capital ratio, and total capital ratio is the lower of each ratio as calculated under the Standardized Approach and under the Advanced Approaches framework (based on currently applicable buffers).

### *U.S. Capital Rules – Standardized Approach*

The Standardized Approach calculates risk-weighted assets in the denominator of capital ratios using a broad array of risk-weighting categories that are intended to be risk sensitive. The risk-weights for the Standardized Approach generally range from 0% to 1,250%. Higher risk-weights under the Standardized Approach apply to a variety of exposures, including certain securitization exposures, equity exposures, claims on securities firms and exposures to counterparties on OTC derivatives.

Securities finance transactions, including transactions in which we serve as agent and provide securities replacement indemnification to a securities lender, are treated as repo-style transactions under the U.S. capital rules. The rules do not permit a banking organization to use a simple VaR approach to calculate exposure amounts for repo-style transactions or to use internal models to calculate the exposure amount for the counterparty credit exposure for repo-style transactions under the Standardized Approach (although these methodologies are allowed in the Advanced Approaches). Under the Standardized Approach, a banking organization may use a collateral haircut approach to recognize the credit risk mitigation benefits of financial collateral that secures a repo-style transaction, including an agent securities lending transaction, among other transactions. To apply the collateral haircut approach, a banking organization must determine the exposure amount and the relevant risk weight for the counterparty and collateral posted.

### *Standardized Approach for Measuring Counterparty Credit Risk Exposures for Derivatives*

The Agencies jointly issued the Standardized Approach for Counterparty Credit Risk (“SA-CCR”) in January 2020 amending the U.S. capital rules to implement a modified approach for calculating the

exposure amount for derivative contracts. The final rule also incorporates SA-CCR into the determination of exposure amount of derivatives for total leverage exposure under the SLR and the cleared transaction framework under the U.S. capital rules. SA-CCR was implemented in the first quarter of 2022.

### *Leverage Ratios*

The U.S. capital rules require a minimum 4% leverage ratio for all banking organizations, as well as a 3% Basel III-based SLR for Advanced Approaches banking organizations, including BNY Mellon. Unlike the Tier 1 leverage ratio, the SLR includes certain off-balance sheet exposures in the denominator, including the potential future credit exposure of derivative contracts and 10% of the notional amount of unconditionally cancelable commitments.

The U.S. G-SIBs (including BNY Mellon) are subject to an enhanced SLR, which requires us to maintain an SLR of greater than 5% (composed of the current minimum requirement of 3% plus a greater than 2% buffer) and requires bank subsidiaries of those BHCs to maintain at least a 6% SLR in order to qualify as “well capitalized” under the prompt corrective action regulations discussed below.

The Agencies adopted a final rule to exclude certain central bank deposits from the total leverage exposure, the SLR denominator, and related TLAC and LTD measures of custody banks, including BNY Mellon and The Bank of New York Mellon. Under the final rule, qualifying central banks include a Federal Reserve Bank, the European Central Bank or a central bank of a member country of the Organisation for Economic Co-operation and Development (“OECD”), provided that an exposure to the OECD member country receives a 0% risk-weighting and the sovereign debt of such country is not, and has not been, in default in the past five years. The central bank deposit exclusion from the SLR denominator equals the average daily balance over the applicable quarter of all deposits placed with a qualifying central bank up to an amount equal to the on-balance sheet deposit liabilities that are linked to fiduciary or custodial and safekeeping accounts.

On April 11, 2018, the Federal Reserve and the OCC issued a joint notice of proposed rulemaking that would recalibrate the enhanced SLR standards that apply to U.S. G-SIBs and certain of their IDI subsidiaries. The proposed rule would replace the 2%

SLR buffer that currently applies to all U.S. G-SIBs with a buffer equal to 50% of the firm's risk-based G-SIB surcharge. For IDI subsidiaries of U.S. G-SIBs regulated by the Federal Reserve or the OCC, the proposal would replace the current 6% SLR threshold requirement for those institutions to be considered "well capitalized" under the prompt corrective action framework with an SLR of at least 3% plus 50% of the G-SIB surcharge applicable to their top-tier holding companies. The proposed rule would also make corresponding changes to the TLAC SLR buffer and LTD requirements for U.S. G-SIBs. The Federal Reserve and OCC have not yet issued a final rule.

*BCBS Revisions to Components of Basel III and U.S. Implementation*

In December 2017, the BCBS released revisions to Basel III intended to reduce variability of RWA and improve the comparability of banks' risk-based capital ratios. In January 2019, the BCBS released revised minimum capital requirements for market risk.

On July 27, 2023, the Federal Reserve, the OCC, and the FDIC proposed for comment substantial revisions to the capital requirements applicable to large banking organizations and to banking organizations with significant trading activity, including BNY Mellon, to implement the international capital standards issued by the BCBS. Large banking organizations would be required to calculate risk-based capital ratios under both a new Expanded Risk-based Approach (replacing the current Advanced Approaches framework) and the current Standardized Approach. A large banking organization's capital ratios would be the lower of each ratio calculated under the Standardized Approach and Expanded Risk-Based Approach. All applicable capital buffer requirements, including the stress capital buffer, would apply regardless of which approach produces the lower result.

The proposal would replace existing models-based Advanced Approaches for calculating RWA for credit risk and operational risk with new standardized approaches that are part of the Expanded Risk-based approach. Under the proposed Expanded Risk-based Approach, RWAs would be calculated using: (i) a new standardized approach for credit risk; (ii) one of two non-models-based approaches for credit valuation adjustment risk; (iii) a new standardized approach for operational risk that is not based on

internal models; and (iv) a revised approach to market risk. For market risk, the proposal would implement a standardized approach, adopt a new models-based approach and would allow use of internal models for certain risks subject to enhanced requirements for model approval and performance.

The proposal would also indirectly impact several other regulations, including the requirements for total loss-absorbing capacity, long-term debt requirements, and the surcharge for G-SIBs. It would remove the option of using internal models in the calculation of derivatives exposure amounts under single-counterparty credit limit rules. Under the proposal, the revisions would become effective on July 1, 2025, subject to a three-year transition period for calculating RWAs under the Expanded Risk-based Approach. We are assessing the potential impact of the proposal.

*Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies*

On July 27, 2023, the Federal Reserve proposed for comment amendments to its rule regarding risk-based capital surcharges for G-SIBs, including BNY Mellon. For certain systemic indicators currently measured only as of year-end, the proposal would change to measurement of average daily or monthly values over the full year. The proposal would also revise various aspects of the systemic indicators and measure G-SIB surcharges in 10-basis point increments rather than 50-basis point increments. The proposal provides the amendments would become effective two calendar quarters after adoption of a final rule. We are assessing the potential impact of the proposal.

*Total Loss-Absorbing Capacity*

The Federal Reserve imposes external TLAC and related requirements for U.S. G-SIBs, including BNY Mellon, at the top-tier holding company.

U.S. G-SIBs are required to maintain a minimum eligible external TLAC equal to the greater of (i) 18% of RWAs plus a buffer (to be met using only CET1) equal to the sum of 2.5% of RWAs, the G-SIB surcharge calculated under method 1 and any applicable countercyclical buffer; and (ii) 7.5% of their total leverage exposure (the denominator of the SLR) plus a buffer (to be met using only Tier 1 Capital) equal to 2%.

U.S. G-SIBs are also required to maintain minimum external eligible LTD equal to the greater of (i) 6% of RWAs plus the G-SIB surcharge (calculated using the greater of method 1 and method 2), and (ii) 4.5% of total leverage exposure. In order to be deemed eligible LTD, debt instruments must, among other requirements, be unsecured, not be structured notes, and have a maturity of at least one year from the date of issuance. In addition, LTD issued on or after Dec. 31, 2016 must (i) not have acceleration rights, other than in the event of non-payment or the bankruptcy or insolvency of the issuer and (ii) be governed by U.S. law. However, debt issued by a U.S. G-SIB prior to Dec. 31, 2016 is permanently grandfathered to the extent these securities would be ineligible only due to containing impermissible acceleration rights or being governed by foreign law.

Further, the top-tier holding companies of U.S. G-SIBs are not permitted to issue certain guarantees of subsidiary liabilities, incur liabilities guaranteed by subsidiaries, issue short-term debt to third parties, or enter into derivatives and certain other financial contracts with external counterparties. Certain liabilities are capped at 5% of the value of the U.S. G-SIB's eligible external TLAC instruments.

On Aug. 29, 2023, the Federal Reserve proposed for comment amendments to TLAC rule applicable to U.S. G-SIBs, including BNY Mellon. Among other requirements, the proposal would: (i) require a \$400,000 minimum denomination for newly issued long-term debt of G-SIBs used to satisfy TLAC and LTD requirements; (ii) allow only 50% of the amount of eligible long-term debt with a maturity of one year or more but less than two years to count towards TLAC requirements; and (iii) subject to notice and comment procedures, require a G-SIB to maintain an amount of eligible TLAC or long-term debt instruments greater or less than generally required under the rule. The proposal would also exempt certain agreements from the scope of the TLAC rule's clean holding company prohibitions with respect to qualified financial contracts with third parties. We are evaluating the potential impact of the proposed rule.

Certain foreign jurisdictions impose internal TLAC requirements on the foreign subsidiaries of U.S. G-SIBs. The European Union's Capital Requirements Regulation 2 ("EU CRR2") requires EU material subsidiaries of non-EU G-SIBs (including BNY Mellon) to maintain a minimum level of internal loss absorbing capacity; this requirement will continue

under the EU's proposed Capital Requirements Regulation 3 ("EU CRR3). The BNY Mellon SA/NV is considered an EU material subsidiary for purposes of this regulation and is, therefore, subject to an internal TLAC requirement.

#### *Prompt Corrective Action*

The FDI Act, as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), requires the Agencies to take "prompt corrective action" in respect of depository institutions that do not meet specified capital requirements. FDICIA establishes five capital categories for FDIC-insured banks: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." The FDI Act imposes progressively more restrictive constraints on operations, management and capital distributions the less capital the institution holds. While these regulations apply only to banks, such as The Bank of New York Mellon and BNY Mellon, N.A., the Federal Reserve is authorized to take appropriate action against the parent BHC, such as the Parent, based on the undercapitalized status of any banking subsidiary. In certain circumstances, the Parent would be required to guarantee the performance of the capital restoration plan if one of our banking subsidiaries were undercapitalized.

The Agencies' prompt corrective action framework contains "well capitalized" thresholds for IDIs. Under these rules, an IDI must have the capital ratios as detailed in the "Capital" disclosure in order to satisfy the quantitative ratio requirements to be deemed "well capitalized."

#### *Liquidity Standards – Basel III and U.S. Rules*

BNY Mellon is subject to the U.S. LCR Rule, which is designed to ensure that BNY Mellon and certain domestic bank subsidiaries maintain an adequate level of unencumbered HQLA equal to their expected net cash outflow for a 30-day time horizon under an acute liquidity stress scenario. As of Dec. 31, 2023, the Parent and its domestic bank subsidiaries were in compliance with applicable LCR requirements.

The Agencies have issued a final NSFR rule that implements a quantitative long-term liquidity requirement applicable to large and internationally active banking organizations, including BNY Mellon. Under the final rule, BNY Mellon's NSFR is expressed as a ratio of its available stable funding to



its required stable funding amount, and BNY Mellon is required to maintain an NSFR of 1.0. The effective date of the final NSFR rule was July 1, 2021, with the exception of certain disclosure requirements, which began to apply in 2023. As of Dec. 31, 2023, BNY Mellon was in compliance with the NSFR rule.

Separately, as noted above, the SIFI Rules impose additional liquidity requirements for BHCs with \$100 billion or more in total assets, including BNY Mellon, including an independent review of liquidity risk management; establishment of cash flow projections; a contingency funding plan and liquidity risk limits; liquidity stress testing under multiple stress scenarios and time horizons tailored to the specific products and profile of the company; and maintenance of a liquidity buffer of unencumbered highly liquid assets sufficient to meet projected net cash outflows over 30 days under a range of stress scenarios.

#### *Volcker Rule*

The provisions of the Dodd-Frank Act commonly referred to as the “Volcker Rule” prohibit “banking entities,” including BNY Mellon, from engaging in proprietary trading and limit our sponsorship of, and investments in, private equity and hedge funds (“covered funds”), including our ability to own or provide seed capital to covered funds. In addition, the Volcker Rule restricts us from engaging in certain transactions with covered funds (including, without limitation, certain U.S. funds for which BNY Mellon acts as both sponsor/manager and custodian). These restrictions are subject to certain exceptions.

The restrictions concerning proprietary trading contain limited exceptions for, among other things, bona fide liquidity risk management and risk-mitigating hedging activities, as well as certain classes of exempted instruments, including government securities. Ownership interests in covered funds are generally limited to 3% of the total number or value of the outstanding ownership interests of any individual fund at any time more than one year after the date of its establishment. The aggregate value of all such ownership interests in covered funds is limited to 3% of the banking organization’s Tier 1 capital, and such interests are subject to a deduction from its Tier 1 capital. The 2019 amendments to the Volcker Rule (discussed below) remove the requirements that ownership interests in third-party covered funds held under the underwriting and market-making exemptions be subject to the aggregate limit and capital deduction

but preserve these requirements for ownership interests in covered funds sponsored or organized by BNY Mellon.

The Volcker Rule regulations also require us to develop and maintain a compliance program. In 2019, the Agencies, the Commodity Futures Trading Commission (“CFTC”) and the SEC modified the regulations implementing the Volcker Rule. The most impactful aspects of the revisions with respect to BNY Mellon concern the compliance requirements applicable to institutions with moderate exposure to trading assets and trading liabilities, which are institutions with less than \$20 billion and more than \$1 billion of trading assets and trading liabilities. Specifically, among other revisions, such “moderate trading” banks are no longer required to file an annual CEO attestation and quantitative metrics. Furthermore, the comprehensive six-pillar compliance program associated with the Volcker Rule will no longer apply to “moderate trading” banks; rather, such banks are permitted to tailor their compliance programs to the size and nature of their activities. BNY Mellon is treated as a “moderate trading” bank under the revised Volcker Rule. The final revisions also clarified and amended certain definitions, requirements and exemptions.

On June 25, 2020, a second set of amendments to the Volcker Rule was released, which is principally focused on the restrictions on banking entities’ investments in, sponsorship of, and other relationships with covered funds. Generally, the changes establish new exclusions from the covered fund definition for certain types of investment vehicles, modify the eligibility criteria for certain existing exclusions, and clarify and modify other provisions with respect to investment in, sponsoring of and transactions with covered funds.

#### *Derivatives*

Title VII of the Dodd-Frank Act imposes a comprehensive regulatory structure on the OTC derivatives markets in which BNY Mellon operates, including requirements relating to the business conduct of dealers, trade reporting, margin and recordkeeping. Title VII also requires persons acting as swap dealers, including The Bank of New York Mellon, to register with the CFTC and become subject to the CFTC’s supervisory, examination and enforcement powers. Additionally, Title VII requires persons acting as security-based swap dealers to

register with the SEC. The Bank of New York Mellon is registered as a security-based swap dealer.

In addition, because BNY Mellon is subject to supervision by the Federal Reserve, we must comply with the U.S. prudential margin rules for variation and initial margin with respect to its OTC swap transactions. Furthermore, various BNY Mellon subsidiaries are also subject to OTC derivatives regulation by local authorities in Europe and Asia.

#### *Single Counterparty Credit Limits*

The Federal Reserve adopted a rule in June 2018 imposing single-counterparty credit limits (“SCCLs”) on, among other organizations, domestic BHCs, including BNY Mellon, that are G-SIBs. The SCCLs apply to the credit exposure of a covered firm and all of its subsidiaries to a single counterparty and all of its affiliates and connected entities.

The rule established two primary credit exposure limits: (i) a covered domestic BHC may not have aggregate net credit exposure to any unaffiliated counterparty in excess of 25% of its Tier 1 capital; and (ii) a U.S. G-SIB is further prohibited from having aggregate net credit exposure in excess of 15% of its Tier 1 capital to any “major counterparty” (defined as a G-SIB or a nonbank SIFI). The rule provides a cure period of 90 days (or, with prior notice from the Federal Reserve, a longer or shorter period) for breaches of the SCCL rule. During the cure period, a company may not engage in additional credit transactions with the particular counterparty unless the company has obtained a temporary credit exposure limit increase from the Federal Reserve.

#### *SEC Rules on Mutual Funds and Registered Investment Advisers*

SEC regulations impose requirements on mutual funds, exchange-traded funds and other registered investment companies (“RICs”) under the Investment Company Act of 1940, as amended (the “1940 Act”). Among other things, these rules require mutual funds (other than money market funds) to provide portfolio-wide and position-level holdings data to the SEC on a monthly basis.

The regulations also impose liquidity risk management requirements that are intended to reduce the risk that funds will not be able to meet

shareholder redemptions and to minimize the impact of redemptions on remaining shareholders.

On July 12, 2023, the SEC adopted amendments to rules that govern money market funds. The amendments became effective Oct. 2, 2023, with tiered compliance dates. The amendments include, among other things: (i) a mandatory liquidity fee for institutional prime and institutional tax-exempt money market funds, which will apply when a fund experiences daily net redemptions that exceed 5% of net assets (effective Oct. 2, 2023); (ii) maintenance of a fund board’s ability to impose liquidity fees (not to exceed 2% of the value of the shares redeemed) on a discretionary basis for non-government money market funds (effective April 2, 2024); (iii) substantially increasing the required minimum levels of daily and weekly liquid assets for all money market funds from 10% and 30%, to 25% and 50%, respectively (effective April 2, 2024); and (iv) removal of a money market fund’s ability to impose temporary “gates” to suspend redemptions in order to prevent dilution and remove the link between a money market fund’s liquidity level and its imposition of liquidity fees (effective Oct. 2, 2023).

On Sept. 20, 2023, the SEC adopted amendments expanding the scope of terms that the SEC considers materially deceptive and misleading in a fund’s name without a corresponding policy and related controls to invest at least 80% of the fund’s net asset value (plus certain borrowings) in the manner suggested by the fund’s name (“80% Policy”), including names that reference “growth” or “value,” or a name indicating that investment decisions incorporate any environmental, social and governance factors. The amendments became effective Dec. 10, 2023 and fund groups will have either 24 months or 30 months to come into compliance, depending upon their net asset size.

On Oct. 26, 2022, the SEC proposed for comment new rules to prohibit registered investment advisers (“RIAs”) from outsourcing certain services and functions without first meeting certain threshold requirements, including conducting due diligence, and thereafter requiring ongoing monitoring of the service providers. The proposal would apply to RIAs that outsource select “covered functions,” which include those services or functions that are necessary for providing advisory services in compliance with federal securities laws and that, if not performed or performed negligently, would result in potential harm to clients. The proposal would further require RIAs

to conduct due diligence and monitoring for all third-party recordkeepers and obtain reasonable assurances that the recordkeepers will meet certain standards. Finally, it would require RIAs to maintain books and records related to the new rule's oversight obligations and to report census-type information about the service providers covered under the rule. We continue to evaluate the impact of the proposed rule.

On Nov. 2, 2022, the SEC proposed for public comment rule amendments that would require the adoption of "swing pricing" and a "hard close" by all open-end RICs other than money market funds and exchange-traded funds ("Open-End Funds"). The requirements would alter the manner in which shares in Open-End Funds are traded, as shareholders would no longer receive the net asset value ("NAV") per share for their transactions but instead could receive a price more or less than the NAV depending on whether a "swing factor" was applied to their transaction. This swing factor would be the amount by which the Open-End Fund adjusts its per-share NAV and would represent a good-faith estimate of the transaction costs imposed on current shareholders of the Open-End Fund by the transacting shareholders. To facilitate the operation of swing pricing, the SEC also proposed to require a "hard close" for Open-End Funds, which would make a purchase or sale order for shares of an Open-End Fund eligible for a given day's price only if the Open-End Fund or certain designated agents receive the order before the time when the Open-End Fund calculates its NAV, which is typically as of 4:00 PM Eastern Time. We continue to evaluate the impact of the proposed rule.

#### *Exchange-Traded Funds Rule*

SEC Rule 6c-11 (the "ETF Rule") under the 1940 Act permits exchange traded funds ("ETFs") that satisfy certain conditions to organize and operate without first obtaining an exemptive order from the SEC and requires an ETF to make certain disclosures, including historical data on an ETF's premiums, discounts and bid-ask spread information, as well as the ETF's daily portfolio holdings. The ETF Rule also requires ETFs using custom baskets to put written policies and procedures in place establishing that the custom baskets are in the best interests of the ETF and its shareholders. Pursuant to the ETF Rule, BNY Mellon has launched a number of ETFs.

#### *Recovery and Resolution Planning*

As required by the Dodd-Frank Act, large domestic financial institutions, such as BNY Mellon, are required to submit periodically to the Federal Reserve and the FDIC a plan – referred to as the 165(d) resolution plan – for their rapid and orderly resolution in the event of material financial distress or failure. In addition, certain large IDIs, such as The Bank of New York Mellon, are required to submit periodically to the FDIC a separate plan for resolution in the event of the institution's failure. The public portions of these resolution plans are available on the Federal Reserve's and FDIC's websites. BNY Mellon also maintains a comprehensive recovery plan, which describes actions it could take to seek to avoid failure if faced with financial stress.

On Aug. 29, 2023, the FDIC proposed for comment revisions to the resolution plan rule applicable to covered IDIs. The proposed amendment would expand certain IDI resolution plan content requirements, adjust the frequency of resolution plan submissions from a 3-year cycle to a 2-year cycle, and require supplemental submissions of information in the interim period between filing years. We are evaluating the potential impact of the proposed rule.

In 2019, the Federal Reserve and FDIC issued a final rule modifying certain requirements for the 165(d) resolution plan. The final rule requires U.S. G-SIBs, such as BNY Mellon, to file alternating full and more limited, targeted resolution plans every two years. BNY Mellon submitted a targeted resolution plan on July 1, 2021. The Federal Reserve and FDIC found no deficiencies or shortcomings in BNY Mellon's 2021 resolution plan submission. BNY Mellon submitted a full resolution plan dated July 1, 2023. The final rule does not materially modify the components or informational requirements of full resolution plans.

If the Federal Reserve and FDIC jointly determine that our 165(d) resolution plan is not credible and we fail to address the deficiencies in a timely manner, the FDIC and the Federal Reserve may jointly impose more stringent capital, leverage or liquidity requirements or restrictions on our growth, activities or operations. If we continue to fail to adequately remedy any deficiencies, we could be required to divest assets or operations that the regulators determine necessary to facilitate our orderly resolution.

The resolution strategy set out in our 165(d) resolution plan is a single point of entry strategy, whereby certain key operating subsidiaries would be provided with sufficient capital and liquidity to operate in the event of material financial stress or failure, and only our parent holding company would file for bankruptcy. In connection with our single point of entry resolution strategy, we have established the IHC to facilitate the provision of capital and liquidity resources to certain key subsidiaries in the event of material financial distress or failure. In addition, we have a binding support agreement in place that requires the IHC to provide that support. The support agreement required the Parent to transfer its intercompany loans and most of its cash to the IHC and requires the Parent to continue to transfer cash and other liquid financial assets to the IHC on an ongoing basis.

BNY Mellon and the other U.S. G-SIBs are also subject to heightened supervisory expectations for recovery and resolution preparedness under Federal Reserve rules and guidance. The Federal Reserve incorporates reviews of our capabilities in respect of recovery and resolution preparedness as part of its ongoing supervision of BNY Mellon.

In the European Economic Area (“EEA”) and in the UK, the Bank Recovery and Resolution Directive, as amended by the Bank Resolution and Recovery Directive 2 (“BRRD”), provides the legal framework for recovery and resolution planning, including a set of harmonized powers to resolve or implement recovery of in-scope institutions, such as EEA and UK subsidiaries of third country banks. The UK transposed most requirements of BRRD into local legislation and regulation following the UK exit from the EU on Dec. 31, 2020.

BRRD gives relevant EEA and UK regulators various powers, including: (i) powers to intervene pre-resolution to require an institution to take remedial steps to avoid the need for resolution; (ii) resolution tools and powers to facilitate the resolution of failing entities, such as the power to “bail-in” the debt of an institution (including certain deposit obligations); (iii) the power to require a firm to change its structure to remove impediments to resolvability; and (iv) powers to require in-scope institutions to prepare recovery plans. Under the BRRD, resolution authorities (rather than the institutions themselves) are responsible for drawing up resolution plans based on information provided by relevant institutions.

Under BRRD, in-scope institutions are required to maintain a minimum requirement for their own funds, (defined as regulatory capital), and eligible liabilities (“MREL”) that can be written down or bailed-in to absorb losses. MREL is set on a case-by-case basis for each institution subject to BRRD and is applicable to certain EU and UK domiciled credit institutions and certain other firms subject to BRRD. BNY Mellon SA/NV is subject to MREL. The EU is legislating further revisions to the BRRD to amend internal MREL requirements in bank resolution groups. BNY Mellon will assess the potential impact of the final rules.

### *Rules on Resolution Stays for Qualified Financial Contracts*

The Agencies’ regulations require U.S. G-SIBs (and their subsidiaries and controlled entities) and the U.S. operations of foreign G-SIBs to amend their covered qualified financial contracts (“QFCs”), thereby facilitating the application of U.S. special resolution regimes as necessary.

The regulations allow these G-SIBs to comply by amending covered QFCs (with the consent of relevant counterparties) using the International Swaps and Derivatives Association (“ISDA”) 2018 U.S. Resolution Stay Protocol, ISDA 2015 Universal Stay Protocol or by executing appropriate bilateral amendments to the covered QFCs. BNY Mellon entities which have been confirmed to engage in covered QFC activities have adhered to the Protocol and, where necessary, have executed bilateral amendments to cover QFCs.

### *Insolvency of an Insured Depository Institution or a Bank Holding Company; Orderly Liquidation Authority*

If the FDIC is appointed as conservator or receiver for an IDI such as The Bank of New York Mellon or BNY Mellon, N.A., upon its insolvency or in certain other circumstances, the FDIC has the power to:

- Transfer any of the depository institution’s assets and liabilities to a new obligor, including a newly formed “bridge” bank without the approval of the depository institution’s creditors;
- Enforce the terms of the depository institution’s contracts pursuant to their terms without regard to any provisions triggered by the appointment of the FDIC in that capacity; or

- Repudiate or disaffirm any contract or lease to which the depository institution is a party, the performance of which is determined by the FDIC to be burdensome and the disaffirmance or repudiation of which is determined by the FDIC to promote the orderly administration of the depository institution.

In addition, under federal law, the claims of holders of domestic deposit liabilities and certain claims for administrative expenses against an IDI would be afforded a priority over other general unsecured claims against such an institution, including claims of debt holders of the institution, in the “liquidation or other resolution” of such an institution by any receiver. As a result, whether or not the FDIC ever sought to repudiate any debt obligations of The Bank of New York Mellon or BNY Mellon, N.A., the debt holders would be treated differently from, and could receive, if anything, substantially less than, the depositors of the bank.

The Dodd-Frank Act created a resolution regime (known as the “orderly liquidation authority”) for systemically important financial companies, including BHCs and their affiliates. Under the orderly liquidation authority, the FDIC may be appointed as receiver for the systemically important institution, and its failed nonbank subsidiaries, for purposes of liquidating the entity if, among other conditions, it is determined that the institution is in default or in danger of default and the failure poses a risk to the stability of the U.S. financial system.

If the FDIC is appointed as receiver under the orderly liquidation authority, then the powers of the receiver, and the rights and obligations of creditors and other parties who have dealt with the institution, would be determined under the Dodd-Frank Act’s orderly liquidation authority provisions, and not under the insolvency law that would otherwise apply. The powers of the receiver under the orderly liquidation authority were based on the powers of the FDIC as receiver for depository institutions under the FDI Act. However, the provisions governing the rights of creditors under the orderly liquidation authority were modified in certain respects to reduce disparities with the treatment of creditors’ claims under the U.S. Bankruptcy Code as compared to the treatment of those claims under the new authority. Nonetheless, substantial differences in the rights of creditors exist between these two regimes, including the right of the FDIC to disregard the strict priority of creditor claims in some circumstances, the use of an administrative

claims procedure to determine creditors’ claims (as opposed to the judicial procedure utilized in bankruptcy proceedings), and the right of the FDIC to transfer assets or liabilities of the institution to a third party or a “bridge” entity.

#### *Depositor Preference*

Under U.S. federal law, claims of a receiver of an IDI for administrative expenses and claims of holders of U.S. deposit liabilities (including foreign deposits that are payable in the U.S. as well as in a foreign branch of the depository institution) are afforded priority over claims of other unsecured creditors of the institution, including depositors in non-U.S. branches. As a result, such depositors could receive, if anything, substantially less than the depositors in U.S. offices of the depository institution.

#### *2023 Bank Failures*

On March 12 and 13, 2023, following the closures of Silicon Valley Bank (“SVB”) and Signature Bank, respectively, and the appointment of the FDIC as the receiver for those banks, the FDIC announced that, under the systemic risk exception set forth in the Federal Deposit Insurance Act, as amended (the “FDI Act”), all insured and uninsured deposits of those banks were transferred to the respective bridge banks for SVB and Signature Bank.

On May 1, 2023, the FDIC released a comprehensive overview of the deposit insurance system and options for reform to address financial stability concerns stemming from recent bank failures. The FDIC evaluated three primary options: limited coverage, unlimited coverage and targeted coverage. The proposed options would require Congressional action, though some aspects of the report lie within the scope of the FDIC’s rulemaking authority. We are evaluating the impact of the proposed reforms.

In addition, also on May 1, 2023, the FDIC was appointed as receiver for First Republic Bank. The FDIC has indicated that the estimated losses to the DIF of resolving First Republic Bank are expected to be \$13 billion. These recent bank failures and other related developments in the banking industry, such as the acquisition of Credit Suisse by UBS in 2023, has resulted and may continue to result in increased regulatory activity, supervisory focus, and related restrictions on banking organizations.

### *Deposit Insurance*

Our U.S. banking subsidiaries, including The Bank of New York Mellon and BNY Mellon, N.A., accept deposits, and those deposits have the benefit of FDIC insurance up to the applicable limit. The current limit for FDIC insurance for deposit accounts is \$250,000 per depositor at each insured bank. Under the FDI Act, insurance of deposits may be terminated by the FDIC upon a finding that the IDI has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by a bank's federal regulatory agency.

The FDIC's DIF is funded by assessments on IDIs. The FDIC assesses DIF premiums based on a bank's average consolidated total assets, less the average tangible equity of the IDI during the assessment period. For larger institutions, such as The Bank of New York Mellon and BNY Mellon, N.A., assessments are determined based on CAMELS ratings and forward-looking financial measures to calculate the assessment rate, which is subject to adjustments by the FDIC, and the assessment base.

Under the FDIC's regulations, a custody bank, including The Bank of New York Mellon and BNY Mellon, N.A., may deduct from its assessment base 100% of cash and balances due from depository institutions, securities, federal funds sold, and securities purchased under agreement to resell with a Standardized Approach risk-weight of 0% and may deduct 50% of such asset types with a Standardized Approach risk-weight of greater than 0% and up to and including 20%. This assessment base deduction may not exceed the average value of deposits that are classified as transaction accounts and are identified by the bank as being directly linked to a fiduciary or custodial and safekeeping account.

Following the closures of SVB and Signature Bank in March 12 and 13, 2023, the FDIC announced that, as required by the FDI Act, any losses to the DIF to support uninsured depositors would be recovered by a special assessment prescribed through regulation. Under the FDI Act, the FDIC has discretion with respect to the design and timeframe for any special assessment, which may be on insured depository institutions, depository institution holding companies (with the concurrence of the Treasury Secretary), or both, as the FDIC determines to be appropriate. The FDIC may consider the types of entities that benefit

from the action taken, economic conditions, the effects on the industry, and such other factors as the FDIC deems appropriate.

On Nov. 16, 2023, the FDIC adopted a final rule, effective April 1, 2024, implementing a special assessment on IDIs to recover losses to the DIF associated with the closures of SVB and Signature Bank. When the rule was adopted, the FDIC estimated that the assessed losses would total approximately \$16.3 billion. Under the rule, the FDIC will collect from each IDI a special assessment at a quarterly rate of 3.36 basis points (or an annual rate of approximately 13.4 basis points) of the IDI's estimated uninsured deposits (excluding the first \$5 billion of estimated uninsured deposits) as of Dec. 31, 2022. For an IDI that is part of a holding company containing multiple IDIs, the \$5 billion deduction would be apportioned based on the IDI's estimated uninsured deposits as a percentage of total estimated uninsured deposits held by all IDI affiliates in the consolidated banking organization. The special assessment will be collected during an initial special assessment period of eight quarters, with the first quarterly assessment period beginning on Jan. 1, 2024, subject to potential extension and a potential one-time final special assessment for any shortfall to the DIF. In February 2024, the FDIC estimated the assessed losses would total approximately \$20.4 billion. We recorded an accrual to noninterest expense of approximately \$632 million in the fourth quarter of 2023 for this special assessment.

### *Source of Strength and Liability of Commonly Controlled Depository Institutions*

BHCs are required by law to act as a source of financial and managerial strength to their bank subsidiaries. BNY Mellon has a statutory obligation to commit resources to its bank subsidiaries in times of financial distress. In addition, any loans by BNY Mellon to its bank subsidiaries would be subordinate in right of payment to depositors and to certain other indebtedness of its banks. In the event of a BHC's bankruptcy, any commitment by the BHC to a federal bank regulator to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment. In addition, in certain circumstances, BNY Mellon's IDI subsidiaries could be held liable for losses incurred by another BNY Mellon IDI subsidiary. In the event of impairment of the capital stock of one of BNY Mellon's national bank subsidiaries or The Bank of

New York Mellon, BNY Mellon, as the banks' stockholder, could be required to pay such deficiency.

#### *Transactions with Affiliates*

Transactions between BNY Mellon's banking subsidiaries, on the one hand, and the Parent and its nonbank subsidiaries and affiliates, on the other, are subject to certain restrictions, limitations and requirements, which include limits on the types and amounts of transactions (including extensions of credit and asset purchases by our banking subsidiaries) that may take place and generally require those transactions to be on arm's-length terms. In general, extensions of credit by a BNY Mellon banking subsidiary to any nonbank affiliate, including the Parent, must be secured by designated amounts of specified collateral and are limited in the aggregate to 10% of the relevant bank's capital and surplus for transactions with a single affiliate and to 20% of the relevant bank's capital and surplus for transactions with all affiliates. There are also limitations on affiliate credit exposures arising from derivative transactions and securities lending and borrowing transactions.

#### *Incentive Compensation Arrangements*

Section 956 of the Dodd-Frank Act requires federal regulators to prescribe regulations or guidelines regarding incentive-based compensation practices at certain financial institutions, including BNY Mellon. In April 2016, a joint proposed rule was released, replacing a previous 2011 proposal, which each of six agencies must separately approve. The time frame for final implementation, if any, is currently unknown.

On Oct. 22, 2022, the SEC adopted a final rule requiring national securities exchanges and national securities associations to adopt listing standards requiring issuers listed on an exchange or an association to establish a policy for recovering erroneously awarded incentive-based compensation paid to executive officers under certain circumstances. Accordingly, in June 2023, the New York Stock Exchange adopted listing standards, effective Oct. 2, 2023, requiring listed issuers, including BNY Mellon, to adopt a policy on recovery of erroneously awarded compensation by Dec. 1, 2023. The policy would apply to executive incentive compensation received on or after Oct. 2, 2023. BNY Mellon adopted a policy designed to comply with the listing standards.

#### *Anti-Money Laundering ("AML") and the USA PATRIOT Act*

A major focus of governmental policy on financial institutions has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 contains numerous AML requirements for financial institutions that are applicable to BNY Mellon's bank, broker-dealer and investment adviser subsidiaries and mutual funds and private investment companies advised or sponsored by our subsidiaries. Those regulations impose obligations on financial institutions to maintain a broad AML program that includes internal controls, independent testing, compliance management personnel, training, and customer due diligence processes, as well as appropriate policies, procedures and controls to detect, prevent and report money laundering, terrorist financing and other suspicious activity, and to verify the identity of their customers. Certain of those regulations impose specific due diligence requirements on financial institutions that maintain correspondent or private banking relationships with non-U.S. financial institutions or persons.

The Anti-Money Laundering Act of 2020 ("AMLA"), which amends the Bank Secrecy Act ("BSA"), was enacted to comprehensively reform and modernize U.S. AML laws. Among other things, the AMLA codifies a risk-based approach to AML compliance for financial institutions; requires the development of standards by the U.S. Department of the Treasury for evaluating technology and internal processes for BSA compliance; and expands enforcement- and investigation-related authority, including a significant expansion in the available sanctions for certain BSA violations and instituting BSA whistleblower incentives and protections. The AMLA contains many statutory provisions that require additional rulemakings, reports and other measures, and the rulemaking process has begun for several of these provisions. In June 2021, the first government-wide priorities for anti-money laundering and countering the financing of terrorism ("AML/CFT Priorities") were published. These AML/CFT Priorities will need to be incorporated into banks' risk-based BSA compliance programs after completion of the rulemaking process and on the effective date of the final regulations. The impact of the AMLA will depend on, among other things, the completion of the rulemaking process and the issuing of implementation guidance.

*Financial Crimes Enforcement Network (“FinCEN”)*

FinCEN issued rules under the BSA that apply to covered financial institutions, including The Bank of New York Mellon and BNY Mellon, N.A., setting forth five pillars of an effective AML program: development of internal policies, procedures and related controls; designation of a compliance officer; a thorough and ongoing training program; independent review for compliance; and customer due diligence (“CDD”). CDD requires a covered financial institution to implement and maintain risk-based procedures for conducting CDD that include the identification and verification of any beneficial owner(s) of each legal entity customer at the time a new account is opened.

*NYSDFS Anti-Money Laundering and Anti-Terrorism Regulations*

The New York State Department of Financial Services (“NYSDFS”) issued regulations requiring regulated institutions, including The Bank of New York Mellon, to maintain a transaction monitoring program to monitor transactions for potential BSA and AML violations and suspicious activity reporting, and a watch list filtering program to interdict transactions prohibited by applicable sanctions programs.

The regulations require a regulated institution to maintain programs to monitor and filter transactions for potential BSA and AML violations and prevent transactions with sanctioned entities. The regulations also require institutions to submit annually a board resolution or senior officer compliance finding confirming steps taken to ascertain compliance with the regulation.

*Cybersecurity and Computer Security Regulation*

The NYSDFS requires financial institutions regulated by NYSDFS, including The Bank of New York Mellon, to establish a cybersecurity program, adopt a written cybersecurity policy, designate a chief information security officer, and have policies and procedures in place to ensure the security of information systems and non-public information accessible to, or held by, third parties. The NYSDFS rule also includes a variety of other requirements to protect the confidentiality, integrity and availability of information systems, as well as the annual delivery of a certificate of compliance.

The Agencies have adopted a final rule imposing notification requirements for significant computer security incidents on banking organizations. Under the final rule, a BHC, state member bank or national bank, including the Parent, The Bank of New York Mellon and BNY Mellon, N.A., are required to notify the Federal Reserve or OCC, as applicable, within 36 hours of incidents that could result in the banking organization’s inability to deliver services to a material portion of its customer base, disrupt the banking organization’s lines of businesses the failure of which would result in material losses, or disrupt operations the failure of which would threaten the financial stability of the U.S.

On July 26, 2023, the SEC adopted rules, effective on Sept. 5, 2023, requiring public companies, including the Parent, to disclose cybersecurity incidents and details regarding their cybersecurity risk management, strategy and governance. Under the rules, public companies must disclose material cybersecurity incidents on Form 8-K. Disclosure of material incidents generally is due within four business days after a public company determines that a cybersecurity incident is material. On an annual basis, public companies must describe in their annual report on Form 10-K their processes for assessing, identifying, and managing, and management’s role and expertise in assessing and managing, material cybersecurity risks; whether any cybersecurity risks have materially affected or are reasonably likely to material affect the company; and the board of directors’ oversight of cybersecurity risks.

On March 15, 2023, the SEC proposed a new rule regarding cybersecurity risk management for entities including broker-dealers, security-based swap dealers, and transfer agents. The proposed rule would require such entities to maintain written policies and procedures to address their cybersecurity risk, immediately notify the SEC of significant cybersecurity incidents, and publicly disclose descriptions of their cybersecurity risks and significant cybersecurity incidents.

In addition, also on March 15, 2023, the SEC also proposed amendments to Regulation S-P, including a requirement for broker-dealers, investment companies, RIAs, and transfer agents to adopt written policies and procedures for an incident response program with respect to unauthorized access to or use of customer information. The proposal would require these entities to notify individuals whose sensitive customer information was accessed or used without



authorization not later than 30 days after becoming aware that the information has been compromised. BNY Mellon is evaluating the potential impact of the proposals.

### *Privacy and Data Protection*

The privacy provisions of the Gramm-Leach-Bliley Act generally prohibit financial institutions, including BNY Mellon, from disclosing nonpublic personal financial information of consumer customers to third parties for certain purposes (primarily marketing) unless customers have the opportunity to “opt out” of the disclosure. The Fair Credit Reporting Act restricts information sharing among affiliates for marketing purposes.

In the EU, privacy law is primarily regulated by the General Data Protection Regulation (“GDPR”). The GDPR contains enhanced compliance obligations and increased penalties for non-compliance compared to prior EU data protection legislation.

### *Acquisitions/Transactions*

Federal and state laws impose notice and approval requirements for mergers and acquisitions involving depository institutions or BHCs. The Bank Holding Company Act of 1956, as amended by the Gramm-Leach-Bliley Act and by the Dodd-Frank Act (the “BHC Act”), requires the prior approval of the Federal Reserve for the direct or indirect acquisition by a BHC of more than 5% of any class of the voting shares or all or substantially all of the assets of a commercial bank, savings and loan association or BHC. In reviewing bank acquisition and merger applications, the bank regulatory authorities will consider, among other things, the competitive effect of the transaction, financial and managerial resources, including the capital position of the combined organization, convenience and needs of the community factors, including the applicant’s record under the Community Reinvestment Act of 1977 (the “CRA”), the effectiveness of the subject organizations in combating money laundering activities and the risk to the stability of the U.S. banking or financial system. In addition, prior Federal Reserve approval would be required for BNY Mellon to acquire direct or indirect ownership or control of any voting shares of a company with assets of \$10 billion or more that is engaged in activities that are “financial in nature.”

### *Climate and ESG Regulations*

As the global regulatory framework for Climate and ESG disclosure and risk management practices continues to evolve, we continue to evaluate the impacts of new regulations on our business and operations.

In the U.S., the SEC proposed rules to enhance consistency of climate-related disclosures among registered companies. On March 21, 2022, the SEC proposed climate-related disclosure requirements that would require SEC reporting companies to disclose, among other things and as applicable, direct and indirect greenhouse gas emissions, climate-related scenario analysis, climate transition plans or climate-related targets or goals and related progress, climate-related risks over the short-, medium- and long-term, qualitative and quantitative information regarding climate-related risks and historical impacts in audited financial statements, corporate governance of climate-related risks, and climate-related risk-management processes. Further, on May 25, 2022, the SEC proposed rule and form amendments that would require certain funds, including RICs such as mutual funds, closed end funds and ETFs, that consider ESG factors in their investment process to provide additional ESG disclosures in their fund prospectuses and annual shareholder reports. These proposed amendments would also require certain advisers, including RIAs, that consider ESG factors as part of their advisory business to disclose the ESG factors they consider in providing advisory services and how they are incorporated when formulating investment advice.

A number of states have proposed or enacted laws and regulations addressing climate disclosure. For example, on Oct. 7, 2023, California enacted three statutes imposing extensive new climate-related disclosure obligations, which became effective on Jan. 1, 2024. The Climate Corporate Data Accountability Act (“SB 253”) requires U.S. companies with total annual revenues in excess of \$1 billion that do business in California to disclose annually their Scope 1 (owned and controlled sources) and Scope 2 (from energy purchased and used) greenhouse gas emissions beginning in 2026, and Scope 3 (up and down value chain) greenhouse gas emissions beginning in 2027. The Climate-Related Financial Risk Act (“SB 261”) requires U.S. companies (other than insurance companies) with total annual revenues in excess of \$500 million that do business in California to publish biennial reports

disclosing climate-related financial risks and the measures adopted to mitigate the disclosed risks beginning on Jan. 1, 2026. The California State Air Resources Board is authorized to adopt implementing regulations under SB 253 and SB 261. The Voluntary Carbon Market Disclosures Act (“AB 1305”) requires, among other things, companies operating within California to disclose certain information on accuracy of claims made, including regarding carbon neutrality, net zero emissions or reduction of greenhouse gas emissions, interim progress measures, third-party verification and, if applicable, certain information on the voluntary carbon offsets marketed, used, purchased or sold.

In Europe, EU entities in-scope for the Corporate Sustainability Reporting Directive will soon be subject to new requirements to disclose information about sustainability matters, including information on BNY Mellon’s impact on the environment and information on related financial risks and opportunities to BNY Mellon. Five EU subsidiaries of BNY Mellon are subject to these requirements, with BNY Mellon SA/NV required to report in 2025 and the remaining four subsidiaries required to report in 2026. In addition, EU lawmakers are in the process of adopting the Corporate Sustainability Due Diligence Directive (“CS3D”), which will likely impose new due diligence obligations on our global operations, including in relation to our supply chains. The CS3D will also require us to adopt and put into effect a transition plan for climate change mitigation. Our regulated banking subsidiary in the EU is also subject to supervisory expectations and potential enforcement actions for the prudent management of climate-related and environmental risks and related disclosure.

In addition, our UK supervisory authorities have adopted new disclosure requirements and supervisory expectations that currently apply or will apply to our subsidiaries and branches that are regulated by the UK Financial Conduct Authority (“FCA”) and the UK Prudential Regulation Authority (“PRA”). For example, since the end of 2021 our PRA regulated branch and banking subsidiary have been subject to the PRA’s supervisory expectations for the management of climate-related financial risks, including as regards governance, risk management, scenario analysis and disclosure. Further, new FCA rules on anti-greenwashing will require that from May 31, 2024, any sustainability-related claims made about our products and services by our FCA regulated entities are consistent with the sustainability

characteristics of such products or services and are fair, clear and not misleading.

In addition, recent published guidance from our regulators, including the Agencies and NYSDFS, has primarily focused on climate-related financial risk management, including with respect to, among other things, governance, policies and procedures, strategy, risk management, data and reporting, and scenario analysis. We continue to assess guidance from regulators and its potential impact.

### *Rating System for the Supervision of Large Financial Institutions*

The Federal Reserve’s rating system for the supervision of large financial institutions (“LFIs”) applies to, among other entities, all BHCs with total consolidated assets of \$100 billion or more, including BNY Mellon.

The LFI rating system includes a four-level rating scale and three component ratings. The four levels are: Broadly Meets Expectations; Conditionally Meets Expectations; Deficient-1; and Deficient-2. The component ratings are assigned for: Capital Planning and Positions; Liquidity Risk Management and Positions; and Governance and Controls. A firm must be rated “Broadly Meets Expectations” or “Conditionally Meets Expectations” for each of its component ratings to be considered “well managed” in accordance with various statutes and regulations that permit additional activities, prescribe expedited procedures or provide other benefits for “well managed” firms.

### *Regulated Entities of BNY Mellon and Ancillary Regulatory Requirements*

BNY Mellon is registered as an FHC under the BHC Act. We are subject to supervision by the Federal Reserve. In general, the BHC Act limits an FHC’s business activities to banking, managing or controlling banks, performing certain servicing activities for subsidiaries, engaging in activities incidental to banking, and engaging in any activity, or acquiring and retaining the shares of any company engaged in any activity, that is either financial in nature or complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

A BHC's ability to maintain FHC status is dependent on: (i) its U.S. depository institution subsidiaries qualifying on an ongoing basis as "well capitalized" and "well managed" under the prompt corrective action regulations of the appropriate regulatory agency (discussed above under "Prompt Corrective Action"); (ii) the BHC itself qualifying on an ongoing basis as "well capitalized" and "well managed" under applicable Federal Reserve regulations; and (iii) its U.S. depository institution subsidiaries continuing to maintain at least a "satisfactory" rating under the CRA.

An FHC that does not continue to meet all the requirements for FHC status will, depending on which requirements it fails to meet, lose the ability to undertake new activities, continue current activities, or make acquisitions, that are not generally permissible for BHCs without FHC status. As of Dec. 31, 2022, BNY Mellon and our U.S. bank subsidiaries were "well capitalized" based on the ratios and rules applicable to them.

The Bank of New York Mellon, BNY Mellon's largest banking subsidiary, is a New York state-chartered bank, and a member of the Federal Reserve System and is subject to regulation, supervision and examination by the Federal Reserve, the FDIC and the NYSDDFS. BNY Mellon's national bank subsidiaries, BNY Mellon, N.A. and The Bank of New York Mellon Trust Company, National Association, are chartered as national banking associations subject to primary regulation, supervision and examination by the OCC.

On Aug. 8, 2023, the Federal Reserve issued a Supervision and Regulation Letter (SR 23-7) announcing the establishment of its Novel Activities Supervision Program ("NASP") to complement its existing supervision and oversight of supervised banking organizations, including BNY Mellon. The NASP will encompass risk-based monitoring and examination and focus on novel activities related to crypto-assets, distributed ledger technology, and complex, technology-driven partnerships with nonbank providers of banking products and services to customers. The Federal Reserve will also evaluate the concentrated provision of banking services to crypt-asset-related entities and fintechs. We are evaluating the potential impact of the NASP.

We operate a number of broker-dealers that engage in securities underwriting and other broker-dealer activities in the U.S. These companies are SEC-

registered broker-dealers and members of Financial Industry Regulatory Authority, Inc. ("FINRA"), a securities industry self-regulatory organization. BNY Mellon's nonbank subsidiaries engaged in securities-related activities are regulated by supervisory agencies in the countries in which they conduct business, where required.

Certain of BNY Mellon's public finance and advisory activities are regulated by the Municipal Securities Rulemaking Board and the relevant BNY Mellon affiliates have registered with the SEC, as required under the SEC's Municipal Advisors Rule if they provide advice to municipal entities or certain other persons on the issuance of municipal securities, or about certain investment strategies or municipal derivatives.

Certain of BNY Mellon's subsidiaries are registered with the CFTC as commodity pool operators, introducing brokers and/or commodity trading advisors and, as such, are subject to CFTC regulation. The Bank of New York Mellon is registered as a swap dealer (as defined in the Dodd-Frank Act) with the CFTC and is a member of the National Futures Association ("NFA") in that same capacity. As a swap dealer, The Bank of New York Mellon is subject to regulation, supervision and examination by the CFTC and NFA.

On Dec. 13, 2023, the SEC approved a final rule requiring covered clearing agencies that clear transactions in U.S. Treasuries ("CCPs") to establish policies requiring their direct participants, including BNY Mellon, to submit for clearing all "eligible secondary market transactions" in U.S. Treasuries to which such direct participant is a counterparty, which include all repurchase and reverse repurchase agreements collateralized by U.S. Treasuries and all inter-dealer cash market trades. Eligible secondary market transactions, however, exclude (i) transactions with affiliates (under certain conditions), central banks, sovereign entities, and CCPs, (ii) cash market transactions with hedge funds, and (iii) securities lending transactions involving U.S. Treasuries. Implementation of the rules will be phased beginning March 2025 through June 2026.

Certain of our subsidiaries are RIAs, and as such are supervised by the SEC. They are also subject to various U.S. federal and state laws and regulations and to the laws and regulations of any countries in which they conduct business. Our subsidiaries advise both RICs, including the BNY Mellon Family of

Funds and BNY Mellon ETF Funds, and private investment companies which are not registered under the 1940 Act.

Certain of our investment management, trust and custody operations provide services to employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), administered by the U.S. Department of Labor. ERISA imposes certain statutory duties, liabilities, disclosure obligations and restrictions on fiduciaries, as applicable, related to the services being performed and fees being paid.

SEC Regulation Best Interest (“Reg BI”) requires a broker-dealer to act in the “best interest” of a retail customer when making a recommendation of any securities transaction or investment strategy to any such customer. The Form CRS Relationship Summary (“Form CRS”) requires RIAs and broker-dealers to provide retail investors with a brief summary about the nature of their relationship with their investment professional and supplements other more detailed disclosures.

On Feb. 15, 2023, the SEC adopted final rule amendments to shorten the standard settlement cycle for certain broker-dealer securities transactions to T+1. The rule includes additional amendments designed to accelerate the confirmation of such trades. We continue to assess the potential impacts of the final rule.

On Dec. 14, 2022, the SEC proposed four rulemakings related to market structure, including a proposed Regulation Best Execution, which would establish a best execution regulatory framework for broker-dealers, and proposals regarding order competition and disclosure of order execution information. We continue to assess the potential impacts of the proposals.

On Feb. 15, 2023, the SEC proposed amendments to the custody rule under the 1940 Act, which generally requires RIAs deemed to have custody of client funds or securities to, among other requirements, maintain client funds or securities with a qualified custodian. The proposal would expand the types of investments covered by the custody rule to include any client “assets.” It would also require RIAs to enter into a written agreement with, and obtain reasonable assurances from, the qualified custodian that the custodian will comply with protections in the proposed rule, including with respect to

indemnification of the client, responsibility for subcustodians and central securities depositaries, asset segregation, and not subjecting client assets to any liens. In addition, the SEC proposed amendments to the investment adviser recordkeeping rule to require advisers to keep additional, more detailed records. We continue to evaluate the potential impact of the proposals.

On July 26, 2023, the SEC proposed new rules intended to address certain conflicts of interest associated with the use of “Covered Technology” by broker-dealers and investment advisers (“Firms”) in investor interactions (“Proposed AI Rules”). Covered Technology is generally described as applying to “artificial intelligence” or “AI” and is broadly defined under the Proposed AI Rules to include the use of analytical, technological, or computational functions, algorithms, models, correlation matrices, or similar methods or processes that optimize for, predict, guide, forecast, or direct investment-related behaviors or outcomes of an investor. If adopted, the Proposed AI Rules would: (i) generally apply when a Firm uses a Covered Technology in engaging or communicating with an investor, including by exercising discretion with respect to an investor’s account, providing an investor with information, or soliciting an investor and (ii) require Firms to (among other things) identify conflicts of interests when using Covered Technology in interactions with investors, and adopt policies and procedures to eliminate or neutralize those conflicts of interest. We are evaluating the potential impact of the proposed rules.

### *Post-Brexit UK Regulatory Framework*

The UK left the EU on Jan. 31, 2020, and the transition period ended on Dec. 31, 2020 (“Brexit Transition Period”). Existing EU regulations that were in force and applicable in the UK on Dec. 31, 2020, were “on-shored” into the UK regulatory framework (and adapted as appropriate for the UK context) as “retained EU law.” EU rules and regulations that came into effect on or after Jan. 1, 2021, do not apply to financial activities within the UK. The UK and EU financial services regulatory frameworks have started diverging from each other after the conclusion of the Brexit Transition Period.

The Financial Services Act 2021 made several changes to the UK financial services regulatory framework, including the prudential frameworks for credit institutions and investment firms. In particular, the Financial Services Act 2021 grants substantial

prudential rulemaking powers to the Prudential Regulatory Authority (“PRA”) with respect to UK credit institutions, and the FCA with respect to UK investment firms.

In December 2022, the UK Chancellor of the Exchequer announced the Edinburgh Reforms, a series of measures to promote stability and competitive growth in the UK financial markets post-Brexit. As part of the Edinburgh Reforms, HM Treasury published ‘Building a Smarter Financial Services Framework for the UK,’ a policy statement on the government’s approach to replacing EU law on financial services with regulations tailored to the UK, and set out measures to determine structuring of a post-Brexit UK financial services regulatory framework. Following up on its statement of approach, in July 2023, HM Treasury published ‘Building a Smarter Financial Services Regulatory Framework for the UK,’ detailing its plan on how the government will deliver this approach in practice. To further the post-Brexit transition, the UK enacted the Financial Services and Markets Act 2023 (FSMA 23) on June 29, 2023, implementing the Edinburgh Reforms, including a framework for revoking and replacing retained EU law for financial services, delegating rulemaking authority to UK regulators, strengthening the regulatory accountability framework, and establishing a new Designated Activities Regime regulating financial market related activities. We continue to evaluate the potential impact of these measures.

### *Operations and Regulations Outside the U.S.*

We maintain a presence in the UK through the London branch of The Bank of New York Mellon, The Bank of New York Mellon (International) Limited, a credit institution incorporated and authorized in the UK, and a number of our investment firms. We maintain a presence in the EU through the Frankfurt branch of The Bank of New York Mellon, BNY Mellon SA/NV, which is headquartered in Belgium and has a branch network in a number of other EU countries, and through certain of our investment firms.

BNY Mellon SA/NV is a public limited liability company incorporated under the laws of Belgium, holds a banking license issued by the National Bank of Belgium and is authorized to carry out all banking and savings activities as a credit institution. The European Central Bank (the “ECB”) has responsibility for the direct supervision of significant

banks and banking groups in the Euro area, including BNY Mellon SA/NV. The ECB’s supervision is carried out in conjunction with the relevant national prudential regulator (the National Bank of Belgium in BNY Mellon SA/NV’s case), as part of the Single Supervisory Mechanism. BNY Mellon SA/NV conducts its activities in Belgium as well as through its branch offices in Denmark, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Poland and Spain. In Europe, branches of The Bank of New York Mellon are subject to regulation in the countries in which they are established, in addition to being subject to oversight by BNY Mellon’s U.S. regulators.

Certain of our financial services operations in the UK are subject to regulation and supervision by the FCA and the PRA. The PRA is responsible for the authorization and prudential regulation of firms that carry on PRA-regulated activities, including banks. PRA-authorized firms are also subject to regulation by the FCA for conduct purposes. In contrast, FCA-authorized firms (such as investment management firms) have the FCA as their sole regulator for both prudential and conduct purposes. As a result, FCA-authorized firms must comply with FCA prudential and conduct rules and the FCA’s Principles for Businesses, while dual-regulated firms must comply with the FCA conduct rules and FCA Principles, as well as the applicable PRA prudential rules and the PRA’s Principles for Businesses.

The PRA regulates The Bank of New York Mellon (International) Limited, our UK-incorporated bank, as well as the London branch of The Bank of New York Mellon. Certain of BNY Mellon’s UK-incorporated subsidiaries are authorized to conduct investment business in the UK. Their investment management advisory activities and their sale and marketing of retail investment products are regulated by the FCA. Certain UK investment funds, including investment funds of BNY Mellon, are registered with the FCA and are offered for sale to retail investors in the UK.

The types of activities in which the foreign branches of our banking subsidiaries and our international subsidiaries may engage are subject to various restrictions imposed by the Federal Reserve. Those foreign branches and international subsidiaries are also subject to the laws and regulatory authorities of the countries in which they operate and, in the case of banking subsidiaries, may be subject to regulatory capital requirements in the jurisdictions in which they operate.

The primary prudential framework in the EU is provided by the Capital Requirements Directive 5 (“CRD5”) and EU CRR2, both of which implement many elements of the Basel III framework. Aspects of EU CRD5 and EU CRR2 are currently proposed to be amended as part of the EU’s plans to implement the Basel 3.1 standards and to enhance the harmonization of banking supervision in the EU. The final regulations, to be known as the Capital Requirements Directive 6 and EU CRR3 are due to be published in 2024 and set to apply from Jan. 1, 2025.

The UK’s version of the EU Capital Requirements Regulation (“UK CRR”) provides the prudential framework for credit institutions in the UK. Aspects of UK CRR are currently proposed to be amended as part of the PRA’s plans to implement the Basel 3.1 standards in the UK. The final regulations are due to be published in 2024 and set to apply from Jan. 7, 2025.

The lines of business included in our Securities Services, Market and Wealth Services and Investment and Wealth Management business segments are subject to significant regulation in numerous jurisdictions around the world relating to, among other things, the safeguarding, administration and management of client assets and client funds.

Various existing and/or proposed EU directives and regulations have or will have a significant impact on the provision of many of our products and services, including the revised Markets in Financial Instruments Directive II and Markets in Financial Instruments Regulation (collectively, “MiFID II”), the revised Alternative Investment Fund Managers Directive (“AIFMD”), the Directive on Undertakings for Collective Investment in Transferable Securities (“UCITS V”), the revised Central Securities Depositories Regulation, the revised regulation on OTC derivatives, central counterparties and trade repositories (commonly known as “EMIR”), the Payment Services Directive II and the revised Benchmarks Regulation. These EU directives and regulations may impact our operations and risk profile. Some of these EU directives and regulations are subject to review, and the outcome of these reviews is not yet certain.

### *Investment Firms Directive and Investment Firms Regulation*

In the EU, the Investment Firms Directive/Investment Firms Regulation (“IFD/IFR”), previously referred to

as the “new prudential regime for investment firms,” is a more tailored, proportionate prudential regime for investment firms. BNY Mellon has several UK-domiciled investment firms that are subject to UK IFPR.

The main change under both IFD/IFR and UK IFPR is that capital requirements for most investment firms are no longer based on Basel standards for banks such as credit risk, market risk or operational risk. Instead, the capital requirements are based on factors that are more tailored to the risks that investment firms face.

### *European and UK Financial Markets and Market Infrastructure*

The EU and UK continue to develop and implement changes in relation to their existing financial markets and market infrastructure regulations. EU and UK MiFID II/MIFIR apply to financial institutions conducting investment business in the EEA and UK respectively and have historically required and continue to require significant changes to comply with relevant regulatory requirements, including extensive transaction reporting and market transparency obligations and a heightened focus on how financial institutions conduct business with and disclose information to their clients.

### *Funds Regulation in Europe*

The AIFMD has a direct effect on our alternative fund manager clients and our depository business and other products offered across Europe as well as upon our Investment Management business. AIFMD imposes heightened obligations upon depositories, which have operational effects.

Our businesses servicing regulated funds in Europe and our Investment Management businesses in Europe are also affected by the revised directive governing UCITS V.

Under the regulations for depository safekeeping duties under AIFMD and UCITS V, the European Commission recognizes the use of omnibus account structures when accounting for assets in a chain of custody, but requires that depositories and trustees, such as BNY Mellon, maintain their own books and records.

An investment in securities issued by us involves certain risks that you should carefully consider and evaluate both at the time of initial purchase and throughout the holding period of such securities. The following discussion sets forth the most material risk factors that could affect our business, financial condition or results of operations. Some of these risks are interrelated and the occurrence of one may exacerbate the effect of others. Additionally, factors other than those discussed below or in our other reports filed with or furnished to the SEC could also adversely affect our business, financial condition or results of operations. We cannot assure you that the risk factors described below or elsewhere in our reports address all potential risks that we may face. These risk factors also serve to describe considerations which may cause our results to differ materially from those described in forward-looking statements included herein or in other documents or statements that make reference to this Annual Report. See “Forward-looking Statements.”

### *Summary*

Investing in our securities and in the securities of banks and financial services companies more broadly is inherently risky. Our business, financial condition and results of operations may be materially and adversely affected by various risk types and considerations, including operational risk, market risk, credit risk, capital and liquidity risk, strategic risk and additional risks, including as a result of the following:

#### *Operational Risk*

- Errors or delays in our operational and transaction processing, or those of third parties.
- Our risk management framework, models and processes not being effective in identifying or mitigating risk and reducing the potential for losses and any inadequacy or lapse in our risk management framework, models and processes exposing us to unexpected losses.
- A communications or technology disruption or failure within our infrastructure or the infrastructure of third parties that results in a loss of information, delays our ability to access information or impacts our ability to provide services to our clients.
- A cybersecurity incident, or failure in our computer systems, networks and information, or those of third parties, resulting in the theft, loss,

disclosure, use or alteration of information, unauthorized access to or loss of information, or system or network failures.

- Extensive government rulemaking, policies, regulation and supervision that impact our operations, and changes to and introduction of new rules and regulations compelling us to change how we manage our businesses.
- Regulatory or enforcement actions or litigation.
- Failure to attract, retain, develop and motivate employees.
- Failure or circumvention of our controls, policies and procedures.

#### *Market Risk*

- Weakness and volatility in financial markets and the economy generally.
- Dependence on fee-based business and fee-based revenues, which could be adversely affected by slowing market activity, weak financial markets, underperformance and/or negative trends in savings rates or in investment preferences.
- Levels of and changes in interest rates impacting our profitability and capital levels.
- Unrealized or realized losses on securities related to volatile and illiquid market conditions, reducing our capital levels and/or earnings.
- Reform of interest rate benchmarks and the use of alternative reference rates by us and our clients.

#### *Credit Risk*

- Failure or perceived weakness of any of our significant clients or counterparties, and our assumption of credit, counterparty and concentration risk.
- Inadequacy in our allowance for credit losses, including loan and lending-related commitment reserves and a deterioration in our expectations of future economic conditions.

#### *Capital and Liquidity Risk*

- Failure to effectively manage our liquidity.
- Failure to satisfy regulatory standards, including “well capitalized” and “well managed” status or capital adequacy and liquidity rules more generally.

- The Parent's dependence on dividends from its subsidiaries and extensions of credit from its IHC to meet its obligations, including with respect to its securities, and to provide funds for share repurchases, payment of income taxes and payment of dividends to its stockholders.
- Ability to return capital to shareholders, which is subject to the discretion of our Board of Directors and may be limited by U.S. banking laws and regulations, including those governing capital and capital planning, applicable provisions of Delaware law and our failure to pay full and timely dividends on our preferred stock.
- Any material reduction in our credit ratings or the credit ratings of our principal bank subsidiaries, The Bank of New York Mellon, BNY Mellon, N.A. or The Bank of New York Mellon SA/NV, which could increase the cost of funding and borrowing to us and our rated subsidiaries.
- The application of our Title I preferred resolution strategy or resolution under the Title II orderly liquidation authority.

#### *Strategic Risk*

- New lines of business, new products and services or transformational or strategic project initiatives, and the failure to implement these initiatives.
- Competition in all aspects of our business.
- Our strategic transactions.

#### *Additional Risks*

- Adverse events, publicity, government scrutiny or other reputational harm.
- ESG concerns, including climate change, which could adversely affect our business, affect client activity levels, subject us to additional regulatory requirements and damage our reputation.
- Impacts from geopolitical events, acts of terrorism, natural disasters, the physical effects of climate change, pandemics and other similar events.
- Tax law changes or challenges to our tax positions with respect to historical transactions.
- Changes in accounting standards governing the preparation of our financial statements and future events.

#### *Operational Risk*

***Errors or delays in our operational and transaction processing, or those of third parties, may materially adversely affect our business, financial condition, results of operations and reputation.***

We are required to accurately process large numbers of transactions each day on a timely basis. The transactions we process or execute are operationally complex and can involve numerous parties, jurisdictions, regulations and systems, and, therefore, are subject to execution and processing errors and failures. In situations reliant upon manual processes, the risk of execution and processing errors and failures is heightened. Manual processes are inherently more prone to human and other processing error, malfeasance, fraud and other misconduct than automated processes. With more complex and voluminous transactions at ever increasing speeds, which present an increased risk of error or significant operational delay, we must continuously evolve our processes, controls, systems and workforce in a manner designed to achieve accurate and timely execution of these transactions. When errors or delays do occur, they may be difficult to detect and remediate in a timely manner. The use of automation, artificial intelligence and other emerging technologies in connection with automated processes may amplify the impact of any such error or delay, as the failure to timely discover and respond to an operational error relating to an automated process can have dramatic consequences in light of the speed and volume of transactions involved. Furthermore, the risks resulting from an operational error may be heightened with respect to certain asset classes, such as some digital assets, with respect to which it may be impossible to retrieve wrongfully or erroneously transferred digital assets.

Operational errors or significant operational delays could have a material and negative impact on our ability to conduct our business or service our clients, which could adversely affect our results due to potentially higher expenses and lower revenues, lower our capital ratios, create liability for us or our clients or negatively impact our reputation. We also recognize that service reliability and systems resilience are essential components to processing transactions and safeguarding financial assets, and an operational error impacting a large number of transactions could have unfavorable ripple effects in the financial markets, which could exacerbate the adverse effects of the error on us.



Affiliates or third parties (including their downstream service providers) with which we do business or that facilitate our business activities, including by providing data, information, technology or infrastructure services, could also be sources of execution and processing errors, failures or significant operational delays. These risks are heightened to the extent that we rely on a limited, or otherwise concentrated, set of third parties with respect to certain processes or business activities. In certain jurisdictions, we may be deemed to be statutorily or criminally liable for operational errors, fraud, breakdowns or delays by these affiliates or third parties. Additionally, as a result of regulations, including the Alternative Investment Fund Managers Directive and the Undertakings for Collective Investment in Transferable Securities V, when we act as depositary in the European Economic Area, we could be exposed to restitution risk for, among other things, errors or fraud perpetrated by a sub-custodian resulting in a loss or delay in return of client's securities. When we are not acting as a European Economic Area depositary, we may accept similar liabilities to that of a European Economic Area depositary as a matter of contract in connection with our custody services.

***Our risk management framework, models and processes may not be effective in identifying or mitigating risk and reducing the potential for losses and any inadequacy or lapse in our risk management framework, models and processes could expose us to unexpected losses that could materially adversely affect our results of operations or financial condition.***

Our risk management framework seeks to identify and mitigate risk and loss to us. We have established comprehensive policies and procedures and an internal control framework designed to provide a sound operational environment for the types of risk to which we are subject, including operational risk, credit risk, market risk, liquidity risk, model risk and strategic risk. We have also established frameworks designed to mitigate risk and loss to us as a result of the actions of affiliates or third parties with which we do business (including their downstream service providers) or that facilitate our business activities. However, as with any risk management framework, there are inherent limitations to our current and future risk management strategies, including risks that we may not have appropriately anticipated or identified.

Our regulators remain focused on ensuring that financial institutions build and maintain robust risk management policies. Regulators' views of the quality of our risk models and framework affect our regulators' evaluations of us, and we are exposed to the risk of adverse regulatory and supervisory developments, including enforcement actions and increased costs in connection with remediation efforts, if our regulators view our risk models and framework to be insufficient or if remediation is not completed in a timely manner. Accurate and timely enterprise-wide risk information is necessary to enhance management's decision-making in times of crisis. If our risk management framework or governance structure proves ineffective or if our enterprise-wide management information is incomplete or inaccurate, we could suffer unexpected losses, which could materially adversely affect our results of operations or financial condition.

In certain instances, we rely on models to measure, monitor and predict risks including as part of our overall asset/liability management. However, these models are inherently limited because they involve techniques, including the use of historical data and trends, assumptions, estimates, judgments and forecasts, which may be incomplete or may not prove to be accurate. Further, these models cannot anticipate every economic and financial outcome in the markets in which we operate, nor can they anticipate the specifics and timing of such outcomes, especially during severe market downturns, sudden geopolitical events or other stress events, such as those experienced during the COVID-19 pandemic or in connection with the insolvencies of Silicon Valley Bank and Signature Bank in the first half of 2023. These models may not appropriately capture all relevant risks or accurately predict future events or exposures. The risk of the unsuccessful design, development or implementation of our models, systems or processes, as well as the risk associated with oversight, monitoring and application of models, cannot be completely eliminated. Inaccuracies in the input data or parameters used in our models may further increase the risks to which we are subject. We may also experience unexpected losses if our models, estimates or judgments used or applied in connection with our risk management activities or in the preparation of our financial statements prove to have been inadequate or incorrect. All models have some degree of inaccuracy, which can be further exacerbated when environmental conditions or stress conditions push theory beyond its limits. The models that we use to assess and control our market risk

exposures also reflect assumptions about the degree of correlation among prices of various asset classes or other market indicators. The 2008 financial crisis and resulting regulatory reform highlighted both the importance and some of the limitations of managing unanticipated risks. In times of market stress, limited liquidity or other unforeseen circumstances, previously uncorrelated indicators may become correlated, or previously correlated indicators may move in different directions. Additionally, sudden illiquidity in markets or declines in prices of certain assets may make it more difficult to value certain financial instruments. These types of market movements have at times limited the effectiveness of our hedging strategies and have caused us to incur significant losses, and they may do so in the future.

In addition, our businesses and the markets in which we operate are continuously evolving. We may fail to fully understand the implications of changes in our businesses or the financial markets or fail to adequately or timely enhance our risk framework to address those changes. If our risk framework is ineffective because it fails to keep pace with changes in the financial markets, regulatory requirements, our businesses, our counterparties, clients or service providers or for other reasons, we could incur losses, suffer reputational damage, face significant remediation expenses or find ourselves out of compliance with applicable regulatory or contractual mandates or supervisory expectations.

Our control environment and related systems, from time to time, have in the past not sufficiently detected, and may in the future not sufficiently detect, each error, omission, or other mistake made by us. These have in the past included, and may in the future include, calculation errors, errors in software or model development or implementation, data or informational errors or incompleteness, or errors in judgment. Human errors, malfeasance, failure to follow applicable policies, laws, rules or procedures and other misconduct in connection with our risk management framework, models and processes, even if promptly discovered and remediated, may result in reputational damage and losses and liabilities for us.

An important aspect of our risk management framework is creating a risk culture that is sustainable and appropriate to our role as a major financial institution in which our employees understand that there is risk in every aspect of our business and the importance of managing risk as it relates to their job functions. If we fail to create the appropriate

environment that sensitizes our employees to managing risk, our business could be adversely impacted. For more information on how we monitor and manage our risk management framework, see “Risk Management – Overview.”

***A communications or technology disruption or failure within our infrastructure or the infrastructure of third parties that results in a loss of information, delays our ability to access information or impacts our ability to provide services to our clients may materially adversely affect our business, financial condition and results of operations.***

We extensively rely on communications and information systems to conduct our business. Our businesses are highly dependent on our ability to process large volumes of data in an accurate, complete and timely manner, which requires global capabilities and scale from our technology platforms. If our technology or communications fail, or those of industry utilities or our service providers fail, we have in the past experienced, and could in the future experience, production and system outages or failures, or other significant operational delays. In addition, any technology disruption or failure could result in the loss of confidential or customer data, as a result of which we could incur losses, suffer reputational damage, face significant remediation expenses or find ourselves out of compliance with applicable regulatory or contractual mandates or supervisory expectations with respect to the preservation of confidential information. Any such disruption, outage, failure or delay could adversely affect our ability to effect transactions or service our clients, which could expose us to liability for damages, result in the loss of business, damage our reputation, subject us to regulatory scrutiny or sanctions or expose us to litigation, any of which could have a material adverse effect on our business, financial condition and results of operations. Remote work arrangements have increased our reliance on remote access systems and video conferencing services, and, as a result, we are exposed to similar risks if the technology and communications systems our employees or employees of third parties use while working remotely fail. Security or technology disruptions, failures or delays that impact our communications or information systems could also adversely affect our ability to manage our exposure to risk or expand our business. These incidents are unpredictable and can arise from numerous sources, not all of which are in our control, including, among

others, human error, malfeasance and other misconduct, as well as operational disruptions at a third party or third party's downstream service provider.

Upgrading our computer systems, software and networks subjects us to the risk of disruptions, failures or delays due to the complexity and interconnectedness of our computer systems, software and networks. The failure to properly upgrade or maintain these computer systems, software and networks could result in greater susceptibility to cyberattacks, particularly in light of the greater frequency and severity of cyberattacks in recent years, as well as the growing prevalence of cyberattacks affecting third-party software and information service providers. Additionally, cloud technologies are becoming increasingly critical to the operation of our systems and platforms, and, as our reliance on this technology continues to grow, we will continue to be increasingly subject to evolving risks relating to the use of cloud technologies. Our new product initiatives, including in connection with digital asset services, may further expose us to new evolving technology risks and may lead to dependencies on, and compatibility issues with, decentralized or third-party blockchains and their protocols, which we do not control. Although we have programs and processes to identify such risks, there can be no assurance that any such disruptions, failures or delays will not occur or, if they do occur, that actions taken to mitigate their impact will be timely or adequate. Although we maintain insurance covering certain technology infrastructure losses, there can be no assurance that liabilities or losses we may incur will be covered under such policies or that the amount of insurance will be adequate.

We continue to evaluate and strengthen our business continuity and operational resiliency capabilities and have increased our investments in technology to steadily enhance those capabilities, including our ability to resume and sustain our operations. There can be no guarantee, however, that a technology outage will not occur, including as a result of failures related to upgrades and maintenance, or that our business continuity and operational resiliency capabilities will enable us to maintain our operations and appropriately respond to events. For a discussion of operational risk, see "Risk Management – Risk Types Overview – Operational Risk."

Third parties with which we do business or that facilitate our business activities, including exchanges,

clearing houses, financial intermediaries or vendors that provide services or security solutions for our operations, have in the past been, and could in the future also be, sources of technology risk to us, including from breakdowns, capacity constraints, attacks (including cyberattacks targeted at third-party service providers), failures or delays of their own systems or other services that impair our ability to process transactions and communicate with customers and counterparties. This risk may be intensified to the extent that there is concentration in a single unique product or service provided by a single vendor, or to the extent we rely on service providers from a single geographic area or due to the nature of the third-party's industry and operations (e.g., firms that may have less robust scale, financial and operational resiliency standards with which to defend against a cyberattack). In addition, we are exposed to the risk that a technology disruption or other information security event at our vendor, or a downstream service provider or other vendor common to our third-party service providers, could impede their ability to provide products or services to us. We may not be able to effectively monitor or mitigate operational risks impacting our vendors or relating to the use of common and other vendors by third-party service providers, which could result in potential liability to clients and customers, regulatory fines, penalties or other sanctions, increased operational costs or harm to our reputation.

As our business areas evolve, whether due to the introduction of technology, new service offering requirements for our clients, interactions with third-party service providers, or changes in regulation relative to these service offerings, unforeseen risks materially impacting our business operations could arise. For example, we have begun to incorporate artificial intelligence technologies, including generative artificial intelligence, into some of our products, services and processes, and we may in the future expand such offerings. The use of artificial intelligence may expose us to new risks and greater potential liabilities including as a result of enhanced governmental or regulatory scrutiny, litigation, ethical concerns, confidentiality or other security risks, intellectual property concerns and data rights and protection concerns, as well as other factors that could adversely affect our business, reputation and financial results. Additionally, the technology used has become increasingly complex and relies on the continued effectiveness of the programming code and integrity of the inputted data. Rapid technological changes and competitive pressures require us to make

significant and ongoing investments in technology not only to develop competitive new products and services or adopt new technologies, but to sustain our current businesses. Our financial performance depends in part on our ability to develop and market these new products and services in a timely manner at a competitive price and adopt or develop new technologies that differentiate our products or provide cost efficiencies. The failure to adequately review and consider critical business changes prior to and during introduction and deployment of key technological systems or the failure to adequately align operational capabilities with evolving client commitments and expectations, subjects us to the risk of an adverse impact on our ability to service and retain customers and on our operations. The costs we incur in enhancing our technology could be substantial and may not ultimately improve our competitiveness or profitability.

As a result of financial entities, central agents, clearing agents and houses, exchanges and technology systems across the globe becoming more interdependent and complex, a technology failure or other operational incident that significantly degrades, deletes or compromises the systems or data of one or more financial entities or suppliers could have a material impact on counterparties or other market participants, including us. A disruptive event, failure or delay experienced by one institution could disrupt the functioning of the overall financial system and has in the past impaired, and could in the future impair, our ability to settle transactions, which could, in turn, increase our counterparty credit and other exposures.

***A cybersecurity incident, or a failure in our computer systems, networks and information, or those of third parties, could result in the theft, loss, disclosure, use or alteration of information, unauthorized access to or loss of information, or system or network failures. Any such incident or failure could adversely impact our ability to conduct our businesses, damage our reputation and cause losses.***

We have been, and we expect to continue to be, the target of varying degrees of attempted cyberattacks, computer viruses or other malicious software, denial of service efforts, phishing attacks, penetration attempts and other information security threats intended to disrupt our operations, including unauthorized access attempts and cyberattacks targeted at third-party service providers and their

downstream service providers. Remote working arrangements, our employees' usage of mobile and cloud technologies and our reliance on third-party service providers leave our networks susceptible to greater access points for attackers to exploit. This further increases the risk of unauthorized access to our networks and results in greater amounts of information being available for access. Although we deploy a broad range of sophisticated defenses and continue to expend significant resources to bolster these protections, there can be no assurance that these security measures will provide absolute security or prevent breaches and attacks, and we could suffer a material adverse impact or disruption as a result of a cybersecurity incident.

Cybersecurity incidents may occur through or as a result of system errors, lack of adequate policies and procedures, human error, software vulnerabilities (which may be unknown), potential lapses in information security practices or other irregularities, and intentional or unintentional acts by individuals or groups (including employees, vendors, customers and state actors, as well as others with malicious intent) having authorized or unauthorized access to our systems, data-bearing devices or facilities as well as the systems, devices or facilities of our clients, counterparties or third-party service providers. Malicious actors may also attempt to place individuals within BNY Mellon or fraudulently induce employees, vendors, customers or other users of our systems through social engineering, such as phishing, to disclose sensitive information in order to gain access to our data or that of our clients, or to send funds or authorize the sending of funds. A cybersecurity incident that results in the theft, loss, disclosure, use or alteration of information (which may include confidential or proprietary information), system or network failures, or unauthorized access or loss of access to information, may require us to reconstruct lost data (which may not be possible) or reimburse clients for data and credit monitoring services, or result in loss of customer business or damage to our computers or systems and those of our customers and counterparties. Further, although the application of distributed ledger technology is growing, such technology is nascent and may be vulnerable to cyberattacks or have other weaknesses, which could result in the loss of customer assets, including customer funds or custodied digital assets. Losses of certain types of assets, such as digital assets, may be distinctly difficult to recover and could subject us to customer disputes, claims for reimbursement, losses, negative publicity,

reputational damage and governmental and regulatory scrutiny, investigations and enforcement actions.

The risk of an occurrence of a cybersecurity incident is inherent to a decision to invest in our company and the financial services sector as a whole. These impacts could be costly and time-consuming and could materially adversely affect our business, financial condition and results of operations.

While we seek to mitigate these risks to ensure the integrity of our systems and information and continuously evolve our cybersecurity capabilities, there can be no assurance that our mitigation strategies will be effective against all forms of cyberattacks. It is possible that employees or services providers may not follow our policies and procedures and we may not anticipate or implement effective preventive measures against all cybersecurity threats, or detect all such threats, including because the techniques used change, develop and evolve frequently or are not recognized until after they are launched. Moreover, attacks can originate from a wide variety of sources, including malicious actors who are involved with organized crime or who may be linked to terrorist organizations or foreign governments, or from cross-contamination of legitimate parties (including vendors and their service providers, clients, financial market utilities, and other financial institutions). Risks relating to attacks on our vendors, including supply chain attacks affecting our software and information technology service providers, have been rising as such attacks become increasingly frequent and severe and as financial entities and technology systems have become increasingly consolidated, interdependent and complex.

The failure to maintain an adequate technology infrastructure and applications with effective cybersecurity controls relative to the type, size and complexity of operations, markets and products traded, access to trading venues and our market interconnectedness could impact operations and impede our productivity and growth, which could cause our earnings to decline or could impact our ability to comply with regulatory obligations, leading to regulatory fines and sanctions. We may be required to expend significant additional resources to modify, investigate or remediate vulnerabilities or other exposures arising from cybersecurity risks and threats. Despite our procedures intended to identify and mitigate the impact of cybersecurity incidents, a cybersecurity incident, including as a result of a

successful cyberattack, could occur and persist for an extended period of time before being detected. In addition, we may not be able to identify and fully assess the impact of a cybersecurity incident in a timely manner. An investigation of a cybersecurity incident is inherently unpredictable and the extent of a particular cybersecurity incident and the path of investigating the incident may not be immediately clear. It may take a significant amount of time before such an investigation can be completed and reliable information about the incident is known. While such an investigation is ongoing, we may not necessarily know the source and extent of the harm or how best to contain and remediate it, certain errors or actions could be repeated or compounded before they are discovered and remediated, and communication to the public, clients, regulators and other stakeholders may not be sufficiently timely or accurate, any or all of which could further increase the costs and consequences of a cybersecurity incident. Moreover, recently adopted cybersecurity regulations by the SEC require us, as a public company subject to Exchange Act reporting requirements, to publicly disclose certain information about a material cybersecurity event, including the impact or reasonably likely impact. Disclosure may be required before the incident has been resolved or fully investigated. As with the determination of materiality of any other type of event, the determination regarding the materiality of any particular cybersecurity incident or series of related incidents entails a facts and circumstances test that takes a number of quantitative and qualitative factors into account. As a result, our management may determine that certain cybersecurity incidents are immaterial and not subject to disclosure under the new SEC cybersecurity regulations. For example, depending on the particular facts and circumstances, our management may reach such a determination if, among other things, the incident (or a series of related incidents) does not substantially disrupt our ability to operate normally, or deliver our products and services to our clients and the market on a timely basis, or result in the loss or compromise of a significant amount of data or potentially significant expenses or liabilities. As a result, investors should not assume that the absence of disclosure under the new regulations means that our defenses have been successful in preventing and defending every cyberattack directed at us or our third-party service providers.

In addition, we rely on a variety of measures to protect our intellectual property and proprietary

information, including copyrights, trademarks, patents and controls on access and distribution. These measures may not prevent misappropriation or infringement of our intellectual property or proprietary information and a resulting loss of competitive advantage. Furthermore, if a third party were to assert a claim of infringement or misappropriation of its proprietary rights, obtained through patents or otherwise, against us, we could be required to spend a significant amount of resources to defend such claims, develop alternative methods of operations, pay substantial money damages, obtain a license from the third party or possibly stop providing one or more products or services. Furthermore, given intellectual property ownership and license rights surrounding artificial intelligence, such as generative artificial intelligence, are currently not fully addressed by courts or regulators, the use or adoption of artificial intelligence into our products or services may result in exposure to claims by third parties of copyright infringement or other intellectual property misappropriation, which may require us to pay compensation or license fees to third parties. The evolving legal, regulatory and compliance framework for artificial intelligence may also impact our ability to protect our own data and intellectual property against infringing use. In addition, we conduct business in various jurisdictions that may not have comparable levels of protection for intellectual property and proprietary information as the U.S. The protection afforded in those jurisdictions may be less established and/or predictable. As a result, there may also be heightened risks associated with the potential theft of data, proprietary information, technology and intellectual property in those jurisdictions by domestic or foreign actors, including private parties and those affiliated with or controlled by state actors. Any theft of data, proprietary information, technology or intellectual property may negatively impact our operations and reputation, including disrupting our business activities in those jurisdictions.

We are also subject to laws and regulations relating to the protection and privacy of the information of clients, employees and others, and any failure to comply with these laws and regulations could expose us to liability, increased regulatory oversight and/or reputational damage.

***We are subject to extensive government rulemaking, policies, regulation and supervision that impact our operations. Changes to and introduction of new rules and regulations have compelled, and in the future may compel, us to change how we manage***

***our businesses, which could have a material adverse effect on our business, financial condition and results of operations.***

As a large, internationally active financial services company, we operate in a highly regulated environment, and are subject to a comprehensive statutory and regulatory regime affecting all aspects of our business and operations, including oversight by governmental agencies both inside and outside the U.S. Regulations and related regulatory guidance and supervisory oversight impact how we analyze certain business opportunities, our capital and liquidity requirements, the revenue profile of certain of our core activities, the products and services we provide, how we manage our balance sheet, how we return capital to shareholders, how we monitor and manage risk and how we promote a sound governance and control environment. Any changes to the regulatory frameworks and environment in which we operate and the significant management attention and resources necessary to address those changes could materially adversely affect our business, financial condition and results of operations and have other negative consequences.

In the future, we could become subject to additional laws, rules and regulations, including related to the safekeeping of client assets, cybersecurity and data protection, digital assets, artificial intelligence and other emerging technologies, climate risk management and ESG governance and reporting, including additional disclosure requirements with respect to sustainability-related goals, investment strategies, risk management and emissions. In addition, certain regulatory initiatives within and outside of the U.S. may overlap and/or conflict with each other, which could subject us to additional compliance costs and regulatory risk. This reflects the pace of developments relating to cybersecurity, digital assets, artificial intelligence and climate regulation, including the increased focus globally by regulators and other governmental authorities on these topics and the relatively uncertain, distinct and novel nature of the associated principles.

The evolving regulatory environment and uncertainty about the timing and scope of future regulations may contribute to decisions we may make to suspend, reduce or withdraw from existing businesses, activities or initiatives, which may result in potential lost revenue or significant restructuring or related costs or exposures. We also face the risk of becoming subject to new or more stringent

requirements in connection with the introduction of new regulations or modification of existing regulations, which could require us to hold more capital or liquidity or have other adverse effects on our businesses or profitability. In addition, regulatory responses in connection with severe market downturns or unforeseen stress events may alter or disrupt our planned future strategies and actions.

The monetary, tax and other policies of various governments, agencies and regulatory authorities both in the U.S. and globally have a significant impact on interest rates, currencies, commodity pricing (including oil), the imposition of tariffs or other limitations on international trade and travel, and overall financial market performance, which can impact our business, results of operations and capital. Changes in these policies are beyond our control and can be difficult to predict and we cannot determine the ultimate effect that any such changes would have upon our business, financial condition or results of operations. Legal or regulatory changes affecting access to financial markets can also adversely affect us. For example, under the Holding Foreign Companies Accountable Act, the SEC must prohibit trading in the securities of companies identified by the SEC for three consecutive years as having retained an auditor located in a foreign jurisdiction that the Public Company Accounting Oversight Board (“PCAOB”) has determined it is unable to inspect or investigate completely. In December 2022, the PCAOB vacated an earlier determination with respect to mainland China and Hong Kong. However, the PCAOB has indicated it expects to continue to have complete access going forward and will consider the need to issue a new determination if needed. As a result of this legislation, companies located in mainland China, Hong Kong or potentially other jurisdictions may decide, or eventually be required, to delist or otherwise remove their securities from U.S. financial markets, which would adversely affect our businesses, particularly our Issuer Services line of business.

The regulatory and supervisory focus of U.S. banking agencies is primarily intended to protect the safety and soundness of the banking system and federally insured deposits, and not to protect investors in our securities. Regulatory and supervisory standards and expectations both within jurisdictions (in relation to national versus non-national financial services providers) and across jurisdictions may be divergent and otherwise may not be applied in a manner that is consistent and harmonized. Additionally, banking

regulators have wide supervisory discretion in the ongoing examination and enforcement of applicable banking statutes, regulations, and guidelines, and may restrict our ability to engage in certain activities or acquisitions or may require us to limit our capital distributions, maintain more capital or hold more highly liquid assets.

The U.S. capital rules subject us and our U.S. banking subsidiaries to stringent capital requirements, which could restrict growth, activities or operations, trigger divestiture of assets or operations or limit our ability to return capital to shareholders.

The LCR and NSFR require us to maintain significant holdings of high-quality and generally lower-yielding liquid assets. In calculating the LCR and NSFR, we must also determine which deposits should be considered stable deposits. Stable deposits must meet a series of requirements and typically receive favorable treatment under the LCR and NSFR. We use qualitative and quantitative analysis to identify core stable deposits. It is possible that our LCR and NSFR could fall below applicable regulatory requirements as a consequence of the inherent uncertainties associated with this analysis (including as a result of regulatory changes or additional guidance from our regulators). In addition to facing potential regulatory consequences (which could be significant), we may be required to remedy this shortfall by liquidating assets in our investment portfolio or raising additional debt, each of which could have a material negative impact on our net interest revenue.

We develop and submit plans for our rapid and orderly resolution in the event of material financial distress or failure to the Federal Reserve and the FDIC. If the agencies determine that our submissions are not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code, and we fail to address any such deficiencies in a timely manner, we may be subject to more stringent capital or liquidity requirements or restrictions on our growth, activities or operations, or may be required to divest assets or operations, which could adversely affect our business, financial condition and results of operations.

Our global activities are also subject to extensive regulation by various non-U.S. regulators, including governments, securities exchanges, central banks and other regulatory bodies in the jurisdictions in which we operate, relating to, among other things, the

safeguarding, administration and management of client assets and client funds, regulation of markets, recovery and resolution planning and payments and financial market infrastructure.

Various laws, regulations, rules and directives effective in the jurisdictions in which we operate have an impact on our provision of many products and services. Implementation of, and revisions to, these laws, regulations, rules and directives have affected our operations and risk profile. For example, the key regulatory frameworks impacting our operations in the EU and UK continue to diverge in a number of respects. Further divergence in the nature and scope of these regulations could have an adverse impact on our results of operations and business prospects.

In addition, we are subject in our global operations to rules and regulations relating to corrupt and illegal payments and money laundering, economic sanctions and embargo programs administered by the U.S. Office of Foreign Assets Control and similar bodies and governmental agencies worldwide, and laws relating to doing business with certain individuals, groups and countries, such as the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, as amended by the USA PATRIOT Act, the Iran Threat Reduction and Syria Human Rights Act of 2012 and the UK Bribery Act. While we have invested and continue to invest significant resources in training and in compliance monitoring, the geographical diversity of our operations, employees, clients and customers, as well as the vendors and other third parties that we deal with, presents the risk that we may be found in violation of such rules, regulations or laws and any such violation could subject us to significant penalties or adversely affect our reputation. In addition, such rules could impact our ability to engage in business with certain individuals, entities, groups and countries, which could materially adversely affect certain of our businesses and results of operations. Government sanctions and our actions in response to them have had, and in the future could continue to have, a negative impact on our revenue and business. For example, following Russia's invasion of Ukraine in 2022, we ceased new banking business in Russia.

As a result of the implementation of data protection-related laws and regulations, including the EU GDPR, the California Consumer Privacy Act of 2018 and the New York Department of Financial Services' cybersecurity regulation, we need to allocate additional time and resources to comply with such laws and regulations, and our potential liability for

non-compliance and reporting obligations in the case of data breaches has significantly increased. In addition, our businesses are increasingly subject to laws and regulations relating to privacy, surveillance, encryption and data localization in the jurisdictions in which we operate. Compliance with these laws and regulations has required us to change our policies, procedures and technology for information security and segregation of data, which, among other things, makes us more vulnerable to operational failures, and to monetary penalties for breach of such laws and regulations.

Additionally, our settlement-related activities and obligations are also subject to regulatory risk, including the risk of regulators globally accelerating the timeline to settlement, such as the SEC's recent rule to shorten the standard settlement cycle for securities transactions in the U.S. from trade date plus two business days (T+2) to trade date plus one business day (T+1) for compliance in 2024. This rule presents the risk of non-compliance, and heightens the need for careful coordination with and dependencies on other industry participants as well as additional risks associated with technology development and implementation, change management and operational errors, any of which could be material in light of the magnitude and volume of our settlement-related activities and obligations.

Failure to comply with laws, regulations or policies, or meet supervisory expectations, applicable to us and our businesses could result in civil or criminal sanctions or enforcement proceedings by regulatory or governmental authorities, money penalties and reputational damage, which could have a material adverse effect on our business, financial condition and results of operations. If violations of legal or regulatory requirements do occur, they could damage our reputation, increase our legal and compliance costs, including requiring us to devote substantial resources towards remediation efforts, and ultimately adversely impact our results of operations. Laws, regulations or policies currently affecting us and our subsidiaries, supervisory expectations, or regulatory and governmental authorities' interpretation of statutes and regulations may change at any time, which may adversely impact our business and results of operations. See "Supervision and Regulation" for additional information regarding the potential impact of the regulatory environment on our business.



***Regulatory or enforcement actions or litigation could materially adversely affect our results of operations or harm our businesses or reputation.***

Like many major financial institutions, we and our affiliates are the subject of inquiries, investigations, lawsuits and proceedings by counterparties, clients, other third parties, tax authorities and regulatory and other governmental agencies in the U.S. and abroad, as well as the Department of Justice and state attorneys general. See “Legal proceedings” in Note 22 of the Notes to Consolidated Financial Statements for a discussion of material legal and regulatory proceedings in which we are involved. The number of these investigations and proceedings, as well as the amount of penalties and fines sought, has remained elevated for many firms in the financial services industry, including us. We have in the past been, and may in the future become, subject to heightened regulatory scrutiny, inquiries or investigations, and potentially client-related inquiries or claims, relating to broad, industry-wide concerns that could lead to increased expenses or reputational damage. Regulators and other governmental authorities may also be more likely to pursue enforcement actions, or seek admissions of wrongdoing or guilty pleas, in connection with the resolution of an inquiry or investigation to the extent a firm has previously been subject to other governmental investigations or enforcement actions. The current trend of large settlements by financial institutions with governmental entities may adversely affect the outcomes for other financial institutions in similar actions, especially where governmental officials have announced that the large settlements will be used as the basis or a template for other settlements. Separately, policymakers globally continue to focus on protection of client assets, cybersecurity and data protection, the improper use of electronic communications as well as tax avoidance and evasion.

The complexity of the federal and state regulatory and enforcement regimes in the U.S., coupled with the global scope of our operations and the increased aggressiveness of the tax and regulatory environment worldwide, also means that a single event may give rise to a large number of overlapping investigations and regulatory proceedings, either by multiple federal and state agencies in the U.S. or by multiple regulators and other governmental entities or tax authorities in different jurisdictions. Responding to inquiries, investigations, lawsuits and proceedings, regardless of the ultimate outcome of the matter, is

time consuming and expensive and can divert the attention of our senior management from our business. The outcome of such proceedings may be difficult to predict or estimate until late in the proceedings, which may last a number of years.

Certain of our subsidiaries are subject to periodic examination, special inquiries and potential proceedings by regulatory authorities. If compliance failures or other violations are found during an examination, inquiry or proceeding, a regulatory agency could initiate actions and impose sanctions for violations, including, for example, regulatory agreements, remediation undertakings, cease and desist orders, civil monetary penalties or termination of a license and could lead to litigation by investors or clients, any of which could cause our earnings to decline.

Our businesses involve the risk that clients or others may sue us, claiming that we or third parties for whom they say we are responsible have failed to perform under a contract or otherwise failed to carry out a duty perceived to be owed to them, including perceived fiduciary or contractual duties. This risk may be heightened during periods when credit, equity or other financial markets are deteriorating in value or are particularly volatile, when clients or investors are experiencing losses or as public attention on issues such as climate change or other ESG matters intensifies. As a publicly held company, we are also subject to the risk of claims under the federal securities laws. Volatility in our stock price increases this risk.

Increasingly, regulators, tax authorities and courts have sought to hold financial institutions liable for the misconduct of their clients where such regulators and courts have determined that the financial institution should have detected that the client was engaged in wrongdoing, even though the financial institution had no direct knowledge of the wrongdoing.

Actions brought against us may result in lawsuits, enforcement actions, injunctions, settlements, damages, fines or penalties, which could have a material adverse effect on our financial condition or results of operations or require changes to our business. Claims for significant monetary damages are asserted in many of these legal actions, while claims for disgorgement, penalties and/or other remedial sanctions may be sought in regulatory matters. These risks may be more acute when operating in foreign jurisdictions or in instances

where adversaries to such disputes are government or quasi-government actors otherwise motivated in whole or in part by non-commercial incentives. Although we establish accruals for our litigation and regulatory matters in accordance with applicable accounting guidance, our exposure to such litigation and regulatory matters can be unpredictable, and when those matters proceed to a stage where they present loss contingencies that are both probable and reasonably estimable, there may be a material exposure to loss in excess of any amounts accrued, or in excess of any loss contingencies disclosed as reasonably possible. Such loss contingencies may not be probable and reasonably estimable until the proceedings have progressed significantly, which could take several years and occur close to resolution of the matter.

Each of the risks outlined above could result in increased regulatory supervision and affect our ability to attract and retain customers or maintain access to the capital markets.

***Our business may be adversely affected if we are unable to attract, retain, develop and motivate employees.***

Our success depends, in large part, on our ability to attract new employees, retain, develop and motivate our existing employees, have a diverse and inclusive workplace and continue to compensate our employees competitively amid heightened regulatory restrictions and an inflationary environment. Competition for the most skilled employees in most activities in which we engage can be intense, and we may not be able to recruit and retain key personnel. In addition, third-party suppliers and service providers on which we rely may face challenges in attracting and retaining their employees, which may have a negative impact on our operations and our resiliency capabilities.

We rely on certain employees with subject matter expertise to assist in the implementation of important initiatives and to support the development of new products and services, including in connection with our technology initiatives. As focus on technology and risk management increases in the financial industry, competition for technologists and risk personnel has intensified, which could constrain our ability to execute on certain of our strategic initiatives.

Our ability to attract, retain and motivate key executives and other employees may be negatively

affected by continuous changes to immigration policies and restrictions applicable to incentive and other compensation programs, including deferral, clawback requirements and other limits on incentive compensation. Some of these restrictions may not apply to some of our competitors and to other institutions with which we compete for talent, in particular as we are more often competing for personnel with financial technology providers and other entities that may not be publicly traded or regulated banking organizations and, in either case, may not have the same limitations on compensation as we do. Furthermore, because a portion of our annual incentive compensation paid to some of our employees is deferred equity that is subject to the value of our common stock, declines in our profitability or outlook could adversely affect the ability to attract and retain employees.

The loss of employees' skills, knowledge of the market, industry experience, and the cost of finding replacements, particularly in a protracted inflationary environment with a competitive labor market, have led, and we expect will continue to lead, to an increase in labor costs and hurt our business. In addition, our current or future approach to in-office and remote-work arrangements may not meet the needs or expectations of our current or prospective employees, may not be perceived as favorable as compared to the arrangements offered by competitors and may not be conducive to a collaborative working environment, which could adversely affect our ability to attract, retain, develop and motivate employees. If we are unable to continue to attract, retain, develop and motivate highly qualified employees, our performance, including our competitive position, could be adversely affected.

***A failure or circumvention of our controls, policies and procedures could have a material adverse effect on our business, financial condition, results of operations and reputation.***

Management regularly reviews and updates our internal controls, disclosure controls and procedures, and corporate policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system will be met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, reputation, results of operations and

financial condition. Moreover, if we identify material weaknesses in our internal control over financial reporting or are otherwise required to restate our financial statements, we could be required to implement expensive and time-consuming remedial measures and could lose investor confidence in the accuracy and completeness of our financial reports. In addition, there are risks that individuals, either employees or contractors, may circumvent established control mechanisms in order to, for example, exceed exposure, liquidity, trading or investment management limitations, or commit fraud.

Additionally, although we have policies and procedures prohibiting the use of unauthorized personal devices and applications by our employees and contractors, we are subject to inquiries by regulators with respect to recordkeeping obligations and are subject to additional risks related to the use of personal devices and non-approved platforms, applications and tools by our employees or by third parties with which we do business for work-related activities, including risks related to information security and potential violations of record retention, reporting and other requirements. Any failure to comply with such policies and procedures could adversely affect our business.

### *Market Risk*

***Weakness and volatility in financial markets and the economy generally may materially adversely affect our business, financial condition and results of operations.***

As a financial institution, our Investment Management, Wealth Management, Pershing, Depository Receipts and Markets, including Securities Lending, businesses are particularly sensitive to economic and market conditions, including in the capital and credit markets. Further, when these markets are volatile or disruptive, we have experienced declines in our fair valued assets, including in our securities portfolio and seed capital, as well as a fair value reduction in the portfolios that we manage that generate investment and wealth management fees. Conditions in the financial markets and the economy generally, both in the U.S. and elsewhere around the world have materially affected, and may continue to affect, our results of operations, including investment management fees.

Foreign exchange trading that we execute for clients generates revenues which are primarily driven by the

volume of client transactions and the spread realized on these transactions, both of which are impacted by market volatility and the impact of foreign exchange hedging activities. Our clients' cross-border investing activity could decrease in reaction to economic and political uncertainties, including changes in laws or regulations governing cross-border transactions, such as currency controls or tariffs. Volumes and/or spreads in some of our products tend to benefit from currency volatility and are likely to decrease during times of lower currency volatility. Such revenues also depend on our ability to manage the risk associated with the currency transactions we execute and program pricing.

A variety of factors impact global economies and financial markets, including interest rates and their associated yield curves, commodity pricing, market and political instabilities, volatile debt and equity market values, inflation, expectations relating to inflation trends and monetary policy actions taken by central banks, the strength of the U.S. dollar, geopolitical tensions, the imposition of tariffs or other limitations on international trade or travel, including changes to international trade and investment policies by the U.S. the EU or other large economies (which could disrupt world trade and lead to trade retaliation), unemployment levels, labor strikes, declining business, investor and consumer confidence, recessionary fears, the impact of volatility in digital asset markets on the broader market, governmental budget deficits (including, in the U.S., at the federal, state and municipal levels), partial or full government shutdowns (including concerns about the stability of funding for the U.S. federal government), and contagion risk from possible default on sovereign debt. More specifically, in January 2023, the outstanding national debt of the U.S. government reached its statutory limit. Before the U.S. government suspended the debt ceiling, the U.S. Treasury Department used extraordinary measures to prevent the U.S. government's default on its payment obligations. Future delays to raise or suspend the federal debt ceiling could have severe repercussions within the U.S. and to global credit and financial markets and could result in a variety of adverse effects for our business, results of operations, liquidity and financial condition.

Any resulting economic pressure on market participants and lack of confidence in the financial markets may adversely affect our business, financial condition and results of operations. Additionally, global economies and financial markets may be

adversely affected by widespread health emergencies, pandemics, natural disasters, climate-related incidents, conflicts and acts of war (such as the conflicts in Ukraine and in the Middle East), terrorism, economic sanctions, other geopolitical events or concerns over the possibility of such events, for example, the economic and geopolitical challenges related to China, including developing tensions between China and Taiwan and/or between China and the U.S. In particular, we face the following risks in connection with these factors, some of which are discussed at greater length in separate risk factors:

- Geopolitical tension and economic instability in countries around the world can at times increase the demand for low-risk investments, particularly in U.S. Treasuries and the dollar. A “flight to safety” has historically increased our balance sheet, which has negatively impacted, and could continue to negatively impact, our leverage-based regulatory capital measures. A sustained “flight to safety” has historically triggered a decline in trading, capital markets and cross-border activity which would likely decrease our revenue, negatively impacting our results of operations, financial condition and, if sustained in the long term, our business.
- The fees earned by our Investment Management and Wealth Management businesses are higher as assets under management and/or investment performance increase. Those fees are also impacted by the composition of the assets under management, with higher fees for some asset categories as compared to others. Uncertain and volatile capital markets, particularly declines, could result in movements from higher to lower fee products and/or reductions in our assets under management because of investors’ decisions to withdraw assets or from simple declines in the value of assets under management as markets decline.
- Market conditions resulting in lower transaction volumes could have an adverse effect on the revenues and profitability of certain of our businesses such as clearing, settlement, payments and trading.
- Uncertain and volatile capital markets, particularly declines in equity prices, could reduce the value of our investments in securities, including pension and other post-retirement plan assets and produce downward pressure on our

stock price and credit availability without regard to our underlying financial strength.

- Derivative instruments we hold for our own account to hedge and manage our exposure to market risks, including interest rate risk, equity price risk, foreign currency risk and credit risk associated with our products and businesses might not perform as intended or expected, resulting in higher realized losses and unforeseen stresses on liquidity. Our derivatives-based hedging strategies also rely on the performance of counterparties to such derivatives. These counterparties may fail to perform for various reasons resulting in losses on under-collateralized positions.
- The process we use to estimate our expected credit losses is subject to uncertainty in that it requires use of statistical models and difficult, subjective and complex judgments, including forecasts of economic conditions and how these conditions might impair the ability of our borrowers and others to meet their obligations. In uncertain and volatile economic environments, and especially in environments that differ significantly from the historical environments upon which the models we use to estimate our expected credit losses were developed, our ability to estimate our expected credit losses may be impaired, which could adversely affect our overall profitability and results of operations.

For a discussion of our management of market risk, see “Risk Management – Risk Types Overview – Market Risk.”

***We are dependent on fee-based business for a substantial majority of our revenue and our fee-based revenues could be adversely affected by slowing market activity, weak financial markets, underperformance and/or negative trends in savings rates or in investment preferences.***

Our principal commercial focus is on fee-based business, which is distinct from commercial banking institutions that earn most of their revenues from loans and other traditional interest-generating products and services. For the year ended Dec. 31, 2023, 74% of our total revenue was fee-based. Our fee-based businesses include investment and wealth management, custody, corporate trust, depository receipts, clearing, collateral management and treasury services, which are highly competitive businesses.

Fees for many of our products and services are based on the volume of transactions processed, the market value of assets managed and/or administered, securities lending volume and spreads, and fees for other services rendered. Corporate actions, cross-border investing, global mergers and acquisitions activity, new debt and equity issuances, and secondary trading volumes, among other things, all affect the level of our fee revenue. As the volume of these activities decreases due to low client activity, weak financial markets or otherwise, our fee-based revenues also decrease, which negatively impacts our results of operations.

If our Investment and Wealth Management businesses experience poor investment returns due to weak market conditions or underperformance (relative to competitors or benchmarks), the market values of the portfolios that we manage will be lower (on a relative basis) and our ability to retain existing assets and/or attract new client assets may be impacted. Market and regulatory trends have also resulted in increased demand for lower fee investment and wealth management products and services, and lower performance-fee structures, both of which have impacted and may continue to impact our fee revenue. Some of these dynamics have also negatively impacted fees in our Market and Wealth Services and Securities Services businesses and any of these dynamics may also occur in the future. Significant declines in the volume of capital markets activity would reduce the number of transactions we process and the amount of securities we lend and therefore would also have an adverse effect on our results of operations. Our business may be adversely impacted by decreases in the rate at which individuals invest in mutual funds and other collective funds, unit investment trusts or exchange-traded funds, or contribute to defined contribution plans. Changes in economic and market conditions, including as a result of higher market volatility, inflationary pressures, recessionary conditions or declines in equity values, could result in changes in the investment patterns of our clients or negatively impact the market value of client portfolios, each of which could have a negative impact on our results of operations.

When our investment management revenues decline, interest rates rise or other market factors affect the value of our investment management business, we may have, and in the past have had, declines in the fair value in our Investment Management reporting unit, one of the two reporting units in our Investment and Wealth Management segment. If the fair value of

the Investment Management reporting unit declines below its carrying value, we would be required to take, and in the past have taken, an impairment charge.

***Levels of and changes in interest rates have impacted, and will in the future continue to impact, our profitability and capital levels, at times adversely.***

We earn revenue, known as “net interest revenue,” on the difference between the interest income earned on our interest-earning assets, such as the loans we make and the securities we hold in our investment securities portfolio, and the interest expense incurred on our interest-bearing liabilities, such as deposits and borrowed money. Additionally, we earn net interest revenue on other activities relating to interest-earning assets and interest-bearing liabilities, such as reverse repurchase agreements and repurchase agreements, respectively. Our net interest margin, which is the result of dividing net interest revenue by average interest-earning assets, is sensitive to the shape of the yield curve and whether the interest rate paid or received is fixed or moves with changes in market interest rates.

The continued prevalence of higher rates, and any future rate increases, including unexpectedly precipitous increases, could adversely impact our business, financial condition and results of operations, due to:

- higher market volatility, recessionary conditions and declines in equity values, resulting in a decline in the valuation of assets under management;
- reduced liquidity in bonds and fixed-income funds, resulting in lower performance and fees;
- increased number of delinquencies, bankruptcies or defaults and more nonperforming assets and net charge-offs, as borrowers may have more difficulty making higher interest payments;
- higher redemptions from our fixed-income funds or separate accounts, as clients move funds into investments with higher rates of return;
- lower net interest revenue and net interest margin due to lower non-interest bearing deposit levels, as non-interest bearing deposits leave or shift to interest-bearing deposits;

- declines in deposit levels, resulting in reduced internal and regulatory liquidity buffers and lower revenues;
- reductions in the value of our fixed-income securities held for liquidity purposes;
- further increases in accumulated other comprehensive loss in our shareholders' equity and therefore our tangible common equity due to the impact of rising long-term rates on the available-for-sale securities in our investment portfolio, which would negatively affect our risk-based and leverage based regulatory capital ratios; or
- higher funding cost.

Conversely, a material decline in the short-term rate environment, and/or a flat or inverted yield curve, in the future could adversely impact, and has in the past adversely impacted, our net interest revenue and results of operations due to:

- compression of our net interest margin, depending on our balance sheet position and the speed and size of the interest rate decline;
- sustained weakness of our spread-based revenues, resulting in continued voluntary waiving of fees on certain money market mutual funds and related distribution fees, in order to prevent the yields on such funds from becoming uneconomic; or
- adverse impacts on the value of our fixed-rate mortgage-backed securities, driven by higher mortgage prepayment speeds.

A more detailed discussion of the interest rate and market risks we face is contained in "Risk Management – Risk Types Overview – Market Risk."

***We have experienced, and may continue to experience, unrealized or realized losses on securities related to volatile and illiquid market conditions, reducing our capital levels and/or earnings.***

We maintain an investment securities portfolio of various holdings, types and maturities. At Dec. 31, 2023, approximately 61% of these securities were classified as available-for-sale, which are recorded on our balance sheet at fair value with unrealized gains or losses reported as a component of accumulated other comprehensive income, net of tax. The securities in our held-to-maturity portfolio, recorded

on our balance sheet at amortized cost, were approximately 39% of our securities portfolio at Dec. 31, 2023. Our available-for-sale securities portfolio, to the extent unhedged, may result in increased volatility in our accumulated other comprehensive income or earnings than a loan portfolio that is accounted for at amortized cost.

Our investment securities portfolio represents a greater proportion of our consolidated total assets (approximately 31% at Dec. 31, 2023), in comparison to many other major U.S. financial institutions due to our custody and trust bank business model. Accordingly, our capital levels and results of operations and financial condition are materially exposed to the risks associated with our investment securities portfolio, including interest rate-related risks.

We reserve for current expected credit losses with respect to our available-for-sale and held-to-maturity securities. Credit losses in excess of our allowance for credit losses would impact our results of operations.

Under the U.S. capital rules, after-tax changes in the fair value of available-for-sale investment securities are included in CET1 capital. Since held-to-maturity securities are not subject to fair-value accounting, changes in the fair value of these instruments (other than expected credit losses) are not similarly included in the determination of CET1 capital. As a result, we may experience increased variability in our CET1 capital relative to those major financial institutions who maintain a lower proportion of their consolidated total assets in an available-for-sale accounting classification.

Generally, the fair value of available-for-sale securities is determined based on market prices available from third-party sources. During periods of market disruption, it may be difficult to value certain of our investment securities if trading becomes less frequent and/or market data becomes less observable. As a result, valuations may include inputs and assumptions that are less observable or require greater estimation and judgment as well as valuation methods which are more complex. These values may not be ultimately realizable in a market transaction, and such values may change very rapidly as market conditions change and valuation assumptions are modified. Decreases in value may have a material adverse effect on our results of operations or financial condition. The estimate of expected credit losses is determined

in part by management's assessment of the financial condition and prospects of a particular issuer, projections of future cash flows and recoverability of the particular security. Management's conclusions on such assessments are highly judgmental and include assumptions and projections of future cash flows which may ultimately prove to be incorrect as assumptions, facts and circumstances change. On the other hand, we are limited in the actions we can take related to our held-to-maturity securities absent a significant deterioration in the issuer's creditworthiness. Therefore, we may be constrained in our ability to liquidate a held-to-maturity security that is deteriorating in value. If our determinations change about our intention or ability to not sell available-for-sale securities that have experienced a reduction in fair value below their amortized cost, we could be required to recognize a loss in earnings for the entire difference between fair value and amortized cost.

For information regarding our investment securities portfolio, refer to "Results of Operations – Consolidated balance sheet review – Securities."

***Reform of interest rate benchmarks and the use of alternative reference rates by us and our clients could adversely affect our business, financial condition and results of operations.***

Regulators, industry groups and market participants in the U.S. and other countries continue to engage in initiatives to introduce and encourage the use of alternative reference rates to replace certain interest rates that were used as benchmarks in debt securities, loans and other financial instruments. Certain of the alternative reference rates appear to have gained acceptance among market participants. However, interest rate benchmark reforms may have unexpected adverse consequences that could be contrary to market expectations. Alternative reference rates may be based upon indices, and may have characteristics, different from the benchmarks they replace. In some cases, financial instruments may perform less predictably after alternative reference rates have replaced the original benchmarks. Further, given the limited performance and historical data of new alternative rates, there can be no assurance that:

- any of the new rates will be similar to, perform the same as, produce the economic equivalent of, or be an adequate substitute for the benchmarks that they replace;

- a particular alternative reference rate will be widely accepted or adopted by market participants;
- market participants will effectively implement operational and other arrangements to transition from historical benchmarks, such as LIBOR, to new alternative reference rates;
- market acceptance of an alternative reference rate will not be hindered by the introduction of other reference rates; or
- any particular use of hedges will be effective.

In addition, we may be adversely impacted by the use of alternative reference rates as a result of our business activities and our underlying operations. We utilize reference rates in a variety of agreements and instruments and are responsible for the use of reference rates in a variety of capacities, as well as in our operational functions. We could be subject to claims from customers, counterparties, investors or regulators alleging that we did not correctly discharge our responsibilities in interpreting and implementing contractual interest rate provisions or in selecting new alternative reference rates. These types of claims could subject us to increased legal and operational expenses and could damage our reputation.

Uncertainty relating to alternative reference rates could result in pricing volatility, increased capital requirements, loss of market share in certain products, adverse tax or accounting consequences, higher compliance, legal and operational costs, increased difficulty in estimating our net interest revenue, and risks associated with client disclosures, discretionary actions taken or negotiation of fallback provisions, and disruption of business continuity, systems and models, all of which may adversely impact our business and results of operations.

***Credit Risk***

***The failure or perceived weakness of any of our significant clients or counterparties, many of whom are major financial institutions or sovereign entities, and our assumption of credit, counterparty and concentration risk, could expose us to credit losses and adversely affect our business.***

We have credit exposure to clients and counterparties in many different industries, particularly financial institutions, as a result of trading, clearing and financing, providing custody services, securities

lending services or other relationships. We routinely execute transactions with global clients and counterparties in the financial industry as well as sovereigns and other governmental or quasi-governmental entities. Our direct credit exposure consists of extensions of secured and unsecured credit to clients and use of our balance sheet. In addition to traditional credit activities, we also extend intraday credit in order to facilitate our various processing, settlement and intermediation activities. We could be adversely affected by the actions and commercial soundness of organizations to whom we have lent funds, as defaults or non-performance (or even uncertainty concerning such default or non-performance) by one or more of these institutions, or the markets generally, have in the past led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions (including our counterparties and/or clients) in the future. The consolidation and failures of financial institutions during the 2008 financial crisis increased the concentration of our client and counterparty risk.

As a result of our membership in several industry clearing or settlement exchanges and central counterparty clearinghouses, we may be required to guarantee obligations and liabilities or provide financial support in the event that other members do not honor their obligations or default. These obligations may be limited to members that dealt with the defaulting member or to the amount (or a multiple of the amount) of our contribution to a clearing or settlement exchange guarantee fund, or, in a few cases, the obligation may be unlimited. Additionally, we are exposed to settlement risks, particularly in our payments and foreign exchange activities. Those activities may lead to extensions of credit and consequent losses in the event of a counterparty breach or an operational error, including the failure to provide credit. We are exposed to risk of short-term credit extensions to, or overdrafts by, our clients in connection with the process to facilitate settlement of trades and related foreign exchange activities, particularly when contractual settlement has been agreed with our clients. The occurrence of overdrafts at peak volatility could create significant credit exposure to our clients depending upon the value of such clients' collateral pledged to us at the time. This risk may be heightened during periods of market volatility, during which collateral values may decrease suddenly.

When we provide credit to clients in connection with providing cash management, clearing, custodial and

other services, we are exposed to potential loss if the client experiences credit difficulties. Higher market volatility, inflationary pressures, recessionary conditions or declines in equity values could negatively affect the creditworthiness of our clients, which, in turn, would increase our credit risk. We are also generally not able to net exposures across affiliated clients or counterparties and may not be able to net exposures to the same legal entity across multiple products. In addition, we may incur a loss in relation to one entity or product even though our exposure to one of the entity's affiliates is over-collateralized. Moreover, not all of our client or counterparty credit exposure is secured.

In our agency securities lending program, we act as agent on behalf of our clients, the lenders of securities, in securities lending transactions with our clients' counterparties (including broker-dealers), acting as borrowers, wherein securities are lent by our clients and the securities loans are collateralized by cash or securities posted by such counterparties. Typically, in the case of cash collateral, our clients authorize us as their agent to invest the cash collateral in approved investments pursuant to each client's investment guidelines and instructions. Such approved investments may include reverse repurchase transactions with repo counterparties. In many cases, in the securities loans we enter into on behalf of our clients, we agree to replace the client's loaned securities that the borrower fails to return due to certain defaults by the borrower, mainly the borrower's insolvency. Therefore, in situations where the market value of the loaned securities that the borrower fails to return to a client (which loaned securities we are obligated to replace and return to the client) exceeds the amount of proceeds resulting from the liquidation of the client's approved investments and cash and non-cash collateral of such client, we may be responsible for the shortfall amount necessary to purchase any replacement securities. In addition, in certain cases, we may also assume the risk of loss related to approved investments that are reverse repurchase transactions as described above. In these two scenarios, we, rather than our clients, are exposed to the risks of the defaulting counterparty in the securities lending transactions and, where applicable, in the reverse repurchase transactions. For further discussion on our securities lending indemnifications, see "Commitments and contingent liabilities – Off-balance sheet arrangements" in Note 22 of the Notes to Consolidated Financial Statements.



From time to time, we assume concentrated credit risk at the individual obligor, counterparty or group level, potentially exposing us to a single market or political event or a correlated set of events. For example, we may be exposed to defaults by companies located in countries with deteriorating economic conditions or by companies in certain industries. Our commercial real estate portfolio also exposes us to concentrated credit risk, including to the New York metro market. Such concentrations may be material. Our counterparty exposures change daily, and the counterparties or groups of related counterparties to which our risk exposure is material also vary during any reported period; however, our largest exposures tend to be to other financial institutions, clearing organizations, and governmental entities, both inside and outside the U.S. Concentration of counterparty exposure presents significant risks to us and to our clients because the failure or perceived weakness of our counterparties (or in some cases of our clients' counterparties) has the potential to expose us to risk of financial loss. Changes in market perception of the financial strength of particular financial institutions or sovereign issuers can occur rapidly, are often based on a variety of factors and are difficult to predict.

Although our overall business is subject to these interdependencies, several of our businesses are particularly sensitive to them, including our currency and other trading activities, our securities lending and securities finance businesses and our investment management business. If we experience any of the losses described above, it may materially and adversely affect our results of operations.

We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. In addition, deterioration in the credit quality of third parties whose securities or obligations we hold, including a deterioration in the value of collateral posted by third parties to secure their obligations to us under derivatives contracts and other agreements, could result in losses and/or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. Disputes with clients and counterparties as to the valuation of collateral can significantly increase in times of market stress and illiquidity. In addition, disruptions in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate or realize the value of our positions, thereby leading to increased concentrations. An inability to reduce our positions may not only increase the market

and credit risks associated with such positions but may also increase the level of RWA on our balance sheet, thereby increasing our capital requirements and funding costs, all of which could adversely affect the operations and profitability of our businesses.

Under U.S. regulatory restrictions on credit exposure, which include a broadening of the measure of credit exposure, we are required to limit our exposures to specific obligors or groups, including financial institutions. These regulatory credit exposure restrictions may adversely affect our businesses and may require us to modify our operating models or the policies and practices we use.

Further, we maintain sub-custodian relationships in certain jurisdictions, including emerging and other underdeveloped markets. Our use of sub-custodians exposes us to operational, reputational and regulatory risk, as we are dependent upon such sub-custodians to perform certain services to clients in those markets. The risks of maintaining custody services in such markets are amplified due to evolving regulatory and sanctions requirements, which may increase our financial exposures, in the event those sub-custodians, or we, are unable to return, transfer or reinvest clients' assets. Under certain regulatory regimes, we may be held responsible for resulting losses suffered by our clients, and we may agree to similar or more stringent standards with clients that are not subject to such regulations. Where we have client deposit liabilities related to non-U.S. currencies in jurisdictions where we maintain sub-custodian relationships, we generally maintain a corresponding amount of cash on deposit with the relevant sub-custodian or clearing agency, which increases our credit exposure to that entity and can accumulate over time based upon distributions on, or other activities related to, our clients' assets. If the sub-custodian or clearing agency were to become insolvent in circumstances not involving expropriation of assets or other circumstances that may excuse performance under relevant client agreements, the risk of loss on such cash on deposit could be ours rather than the clients'.

***We could incur losses if our allowance for credit losses, including loan and lending-related commitment reserves, is inadequate or if our expectations of future economic conditions deteriorate.***

When we loan money, commit to loan money or provide credit or enter into another contract with a

counterparty, we incur credit risk, or the risk of loss if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their agreements. Our profitability is adversely affected when our borrowers default, in whole or in part, on their loan obligations to us or when there is a significant deterioration in the credit quality of our loan portfolio. We reserve for potential future credit losses by recording a provision for credit losses through earnings. The allowance for loan losses and allowance for lending-related commitments represents management's estimate of current expected credit losses over the lifetime of the related credit exposure taking into account relevant information about past events, current conditions and reasonable and supportable forecasts of future economic conditions that affect the collectability of our loans and lending commitments. We use a quantitative methodology and qualitative framework for determining the allowance for loan losses and the allowance for lending-related commitments. Within this qualitative framework, management applies judgment when assessing internal risk factors and environmental factors to compute an additional allowance for each component of the loan portfolio. As is the case with any such judgments, we could fail to identify these factors or accurately estimate their impact. We cannot provide any assurance as to whether charge-offs related to our credit exposure may occur in the future. Current and future market and economic developments may increase default and delinquency rates and negatively impact the quality of our credit portfolio, which may impact our charge-offs. Although our estimates contemplate current conditions and how we expect them to change over the life of the portfolio, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. See "Results of Operations – Critical accounting estimates."

### *Capital and Liquidity Risk*

***Our business, financial condition and results of operations could be adversely affected if we do not effectively manage our liquidity.***

Our operating model and overall strategy rely heavily on our access to financial market utilities and global capital markets. Without such access, it would be difficult to process payments and settle and clear transactions on behalf of our clients. Deterioration in our liquidity position, whether actual or perceived,

can impact our market access by affecting participants' willingness to transact with us. Changes to our liquidity can be caused by various factors, such as funding mismatches, a failure in our asset/liability management, market constraints disabling asset to cash conversion, inability to issue debt, run-offs of core deposits, and contingent liquidity events such as additional collateral posting. Changes in economic conditions or exposure to credit, market, operational, legal and reputational risks can also affect our liquidity.

Our business is dependent in part on our ability to meet our cash and collateral obligations at a reasonable cost for both expected and unexpected cash flows. We also must manage liquidity risks on an intraday basis, in a manner designed to ensure that we can access required funds during the business day to make payments or settle immediate obligations, often in real time. We receive client deposits through a variety of investment management and investment servicing businesses and we rely on those deposits as a low-cost and stable source of funding. Our ability to continue to receive those deposits, and other short-term funding sources, is subject to variability based on a number of factors, including volume and volatility in the global securities markets, the relative interest rates that we are prepared to pay for those deposits, and the perception of the safety of those deposits or other short-term obligations relative to alternative short-term investments available to our clients. We could lose deposits if we suffer a significant decline in the level of our business activity, our credit ratings are materially downgraded, interest rates continue to rise or remain at elevated levels, or if we or our peers become subject to significant negative press or significant regulatory action or litigation, among other reasons. Our liquidity could also be adversely affected by customers' withdrawal of deposits in response to volatility and disruptions in the financial markets or a stress event such as that experienced by regional depository institutions in the first half of 2023. Further, deposit outflows could increase if our clients and customers with uninsured deposits look for alternative placements for their funds amidst market and financial industry volatility. A perceived loss of confidence in the BNY Mellon as a depository institution may be additionally exacerbated by the speed and pervasiveness with which inaccurate or incomplete information is disseminated through social media or other internet forums. If we were to lose a significant amount of deposits, we may need to replace such funding with more expensive funding

and/or reduce assets, which would reduce our net interest revenue.

The degree of client demand for short-term credit tends to increase during periods of market turbulence. For example, investors in mutual funds for which we act as custodian may engage in significant redemption activity due to adverse market or economic conditions. We may then extend intraday credit to our fund clients in order to facilitate their ability to pay such redemptions. In addition, during periods of market turbulence, draws under committed revolving credit facilities that we provide to our institutional clients may increase, and have in the past increased, substantially. Such client demand may negatively impact our leverage-based capital ratios, and in times of sustained market volatility, may result in significant leverage-based ratio declines.

In addition, our access to the debt and equity capital markets and credit markets is a significant source of liquidity. Events or circumstances often outside of our control, such as market disruptions, lack of liquidity in the markets, government fiscal and monetary policies, uncertainty over the U.S. government debt ceiling or loss of confidence by securities purchasers or counterparties in us or in the funds markets, could limit our access to capital markets and credit markets, increase our cost of borrowing, adversely affect our liquidity, or impair our ability to execute our business plan. In addition, clearing organizations, regulators, clients and financial institutions with which we interact may exercise the right to require additional collateral based on market perceptions or market conditions, which could further impair our access to and cost of funding. Market perception of sovereign default risks can also lead to inefficient money markets and capital markets, which could further impact our funding availability and cost. Conversely, excess liquidity inflows could increase interest expense, limit our financial flexibility, and increase the size of our total assets in a manner that could have a negative impact on our capital ratios.

Under the U.S. capital rules, the size of the capital surcharge that applies to a U.S. G-SIB is based in part on its reliance on short-term wholesale funding, including certain types of deposit funding, which may increase the cost of such funding. Furthermore, certain non-U.S. authorities require large banks to incorporate a separate subsidiary in countries in which they operate, and to maintain independent capital and liquidity at foreign subsidiaries. These

requirements could hinder our ability to efficiently manage our funding and liquidity in a centralized manner, requiring us to hold more capital and liquidity overall.

In addition, our cost of funding could be affected by actions that we may take in order to satisfy applicable LCR and NSFR requirements, to lower our G-SIB score, to satisfy the amount of eligible long-term debt outstanding under the TLAC rule, to address obligations under our resolution plan or to satisfy regulatory requirements in non-U.S. jurisdictions relating to the pre-positioning of liquidity in certain subsidiaries. Further, the regulatory or stress test liquidity value associated with the securities we hold subject to a held-to-maturity accounting designation could be reduced in the future through regulatory or supervisory action, exposing us to relatively greater capital ratio volatility attributable to interest rate movements to the extent we designate a relatively larger percentage of our securities portfolio as available-for-sale going forward in response to such regulatory or supervisory changes.

If we are unable to raise funds using the methods described above, we would likely need to finance, reduce or liquidate unencumbered assets, such as our central bank deposits and bank placements, or securities in our investment portfolio to meet funding needs. We may be unable to sell some of our assets, or we may have to sell assets at a discount from market value, either of which could adversely affect our business, financial condition and results of operations. Further, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time, which could occur in a liquidity or other market crisis. Additionally, if we experience cash flow mismatches, deposit run-off or market constraints resulting from our inability to convert assets to cash or access capital markets, our liquidity could be severely impacted. During periods of market uncertainty, our level of client deposits has in recent years tended to increase; however, because these deposits have high potential run-off rates, we have historically deposited these so-called excess deposits with central banks and in other highly liquid and low-yielding instruments.

If we are unable to continue to fund our assets through deposits or access capital markets on favorable terms or if we suffer an increase in our borrowing costs or otherwise fail to manage our liquidity effectively, our liquidity, net interest margin, financial results and condition may be materially

adversely affected. In certain cases, this could require us to raise additional capital through the issuance of preferred or common stock, which could dilute the ownership of existing stockholders and/or reduce common stock repurchases or our common stock dividend, to preserve capital. For a further discussion of our liquidity, see “Results of Operations – Liquidity and dividends.”

***Failure to satisfy regulatory standards, including “well capitalized” and “well managed” status or capital adequacy and liquidity rules more generally, could result in limitations on our activities and adversely affect our business and financial condition.***

Under U.S. and international regulatory capital adequacy rules and other regulatory requirements, we and our subsidiary banks must meet or exceed thresholds that include quantitative measures of assets, liabilities, and certain off-balance sheet items, subject to qualitative judgments by regulators about components, risk weightings and other factors. As discussed in “Supervision and Regulation,” BNY Mellon is registered with the Federal Reserve as a BHC and an FHC. An FHC’s ability to maintain its status as an FHC is dependent upon a number of factors, including its U.S. bank subsidiaries qualifying on an ongoing basis as “well capitalized” and “well managed” under the banking agencies’ prompt corrective action regulations as well as applicable Federal Reserve regulations. Failure by an FHC or one of its U.S. bank subsidiaries to qualify as “well capitalized” and “well managed,” if unremedied over a period, would cause it to lose its status as an FHC and could affect the confidence of clients in it, compromising its competitive position. Additionally, an FHC that does not continue to meet all the requirements for FHC status could lose the ability to undertake new activities or make acquisitions that are not generally permissible without FHC status or to continue such activities.

The failure by one of our U.S. bank subsidiaries to maintain its status as “well capitalized” could lead to, among other things, higher FDIC assessments and could have reputational and associated business consequences.

If we or our subsidiary banks fail to meet U.S. and international minimum capital rules and other regulatory requirements, we may not be able to deploy capital in the operation of our business or

distribute capital to stockholders, which may adversely affect our business.

Failure to meet any current or future capital or liquidity requirements, including those imposed by the U.S. capital rules, the LCR or the NSFR, or by regulators in implementing other portions of the Basel III framework, could materially adversely affect our financial condition. Compliance with U.S. and international regulatory capital and liquidity requirements may impact our ability to return capital to shareholders and may impact our operations by requiring us to liquidate assets, increase borrowings, issue additional equity or other securities, or cease or alter certain operations, which may adversely affect our results of operations.

Finally, our regulatory capital ratios, liquidity metrics, and related components are based on our current interpretation, expectations, and understanding of the applicable rules and are subject to, among other things, ongoing regulatory review, regulatory approval of certain statistical models, additional refinements, modifications or enhancements (whether required or otherwise) to our models, and further implementation guidance. Any modifications resulting from these ongoing reviews, the adoption of new or heightened prudential regulatory requirements, or the continued implementation of the U.S. capital rules (such as the proposed revisions in the third quarter of 2023 by the Federal Reserve, the OCC and the FDIC to implement and finalize the Basel III reforms and the revised standard for market risk capital requirements), the LCR, the NSFR, the resolution planning process and related amendments, could result in changes in our RWAs, capital components, liquidity inflows and outflows, HQLA, or other elements involved in the calculation of these measures, which could impact regulatory capital and liquidity ratios. Further, because operational risk is currently measured based not only upon our historical operational loss experience but also upon ongoing events in the banking industry generally, our level of operational RWAs could significantly increase or otherwise remain elevated and may potentially be subject to significant volatility, negatively impacting our capital ratios. Additionally, our liquidity position could be significantly impacted by changes to the liquidity framework itself, as regulators may seek to evaluate potential changes to the regulatory framework following the regional bank failures in the first half of 2023. The uncertainty caused by these factors could

ultimately impact our ability to meet our goals, supervisory requirements, and regulatory standards.

***The Parent is a non-operating holding company and, as a result, is dependent on dividends from its subsidiaries and extensions of credit from its IHC to meet its obligations, including with respect to its securities, and to provide funds for share repurchases, payment of income taxes and payment of dividends to its stockholders.***

The Parent is a non-operating holding company, whose principal assets and sources of income are its principal U.S. bank subsidiaries—The Bank of New York Mellon and BNY Mellon, N.A.—and its other subsidiaries, including Pershing and the IHC. The Parent is a legal entity separate and distinct from its banks, the IHC and other subsidiaries. Therefore, the Parent primarily relies on dividends, interest, distributions, and other payments from its subsidiaries, including extensions of credit from the IHC, to meet its payment obligations, including with respect to its securities, and to provide funds for share repurchases, the payment of income taxes and payment of common and preferred dividends to its stockholders, to the extent declared by the Board of Directors.

There are various limitations on the extent to which our banks and other subsidiaries can finance or otherwise supply funds to the Parent (by dividend or otherwise) and certain of our affiliates. Each of these restrictions can reduce the amount of funds available to meet the Parent’s obligations. Many of our subsidiaries, including our bank subsidiaries, are subject to laws and regulations that restrict dividend payments or authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to the Parent or other subsidiaries. In addition, our bank subsidiaries would not be permitted to distribute a dividend if doing so would constitute an unsafe and unsound practice or if the payment would reduce their capital to an inadequate level. Our subsidiaries may also choose to restrict dividend payments to the Parent in order to increase their own capital or liquidity levels. Our bank subsidiaries are also subject to restrictions on their ability to lend to or transact with non-bank affiliates, minimum regulatory capital and liquidity requirements, and restrictions on their ability to use funds deposited with them in bank or brokerage accounts to fund their businesses. See “Supervision and Regulation” and “Results of Operations – Liquidity and dividends,” as well as Note 19 of the Notes to Consolidated Financial

Statements. Further, we evaluate and manage liquidity on a legal entity basis, which may place legal and other limitations on our ability to utilize liquidity from one legal entity to satisfy the liquidity requirements of another, including the Parent.

There are also limitations specific to the IHC’s ability to make distributions or extend credit to the Parent. The IHC is not permitted to pay dividends to the Parent if certain key capital and liquidity indicators are breached, and if the resolution of the Parent is imminent, the committed lines of credit provided by the IHC to the Parent will automatically terminate, with all outstanding amounts becoming due.

Because the Parent is a holding company, its rights and the rights of its creditors, including the holders of its securities, to a share of the assets of any subsidiary upon the liquidation or recapitalization of the subsidiary, will be subject to the prior claims of the subsidiary’s creditors (including, in the case of our banking subsidiaries, their depositors) except to the extent that the Parent may itself be a creditor with recognized claims against the subsidiary. The rights of holders of securities issued by the Parent to benefit from those distributions will also be junior to those prior claims. Consequently, securities issued by the Parent will be effectively subordinated to all existing and future liabilities of our subsidiaries.

***Our ability to return capital to shareholders is subject to the discretion of our Board of Directors and may be limited by U.S. banking laws and regulations, including those governing capital and capital planning, applicable provisions of Delaware law and our failure to pay full and timely dividends on our preferred stock.***

Holders of our common and preferred stock are only entitled to receive such dividends or other distributions of capital as our Board of Directors may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common and preferred stock, we are not required to do so. In addition to the Board of Directors’ approval, our ability to take certain actions, including our ability to declare dividends or repurchase our common stock, may be subject to the buffers under the Federal Reserve’s capital and TLAC rules. The buffers under the capital rules are affected by the results of CCAR. Through the CCAR process, we may be, and have in the past been, required to resubmit our capital plan in the event of a deterioration in the general financial markets or

economy or changes in our risk profile (including a material change in business strategy or risk exposure), financial condition or corporate structure. The Federal Reserve is also able, outside the CCAR process, to restrict our ability to make capital distributions and subject us to other supervisory or enforcement actions.

A Federal Reserve determination that our capital planning processes were weak or otherwise fail to meet supervisory expectations could have a variety of adverse consequences, including, without limitation, ratings downgrades, ongoing heightened supervisory scrutiny, expenses associated with remediation activities, and potentially an enforcement action.

A failure to increase dividends along with our competitors, or any reduction of, or elimination of, our common stock dividend would likely adversely affect the market price of our common stock, our return on equity and market perceptions of BNY Mellon.

Our ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of our common stock will be prohibited, subject to certain exceptions, in the event that we do not declare and pay in full dividends for the then-current dividend period (in the case of dividends) or most recently completed dividend period (in the case of repurchases) of our Series A preferred stock or the last preceding dividend period (in the case of dividends) or most recently completed dividend period (in the case of repurchases) of our Series F, Series G, Series H or Series I preferred stock.

In addition, regulatory capital rules that are or will be applicable to us, including the U.S. capital rules risk-based capital requirements, the SLR, the stress capital buffer, the enhanced SLR, the TLAC rule and the U.S. G-SIB surcharge, may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases, and may require us to increase or alter the mix of our outstanding regulatory capital instruments. Changes in the composition of our balance sheet, including as a result of changing economic conditions and market values, may further require us to increase or alter the mix of our outstanding regulatory capital, which in turn could impact our ability to return capital to shareholders.

Any requirement to increase our regulatory capital ratios or alter the composition of our capital could

require us to liquidate assets or otherwise change our business and/or investment plans, which may negatively affect our financial results. Further, any requirement to maintain higher levels of capital may constrain our ability to return capital to shareholders either in the form of common stock dividends or stock repurchases.

***Any material reduction in our credit ratings or the credit ratings of our principal bank subsidiaries, The Bank of New York Mellon, BNY Mellon, N.A. or The Bank of New York Mellon SA/NV, could increase the cost of funding and borrowing to us and our rated subsidiaries and have a material adverse effect on our business, financial condition and results of operations and on the value of the securities we issue.***

Our debt and preferred stock and the debt and deposits of our principal bank subsidiaries, The Bank of New York Mellon, BNY Mellon, N.A. and The Bank of New York Mellon SA/NV, are currently rated investment grade by the major rating agencies. These rating agencies regularly evaluate us and our rated subsidiaries. Their credit ratings are based on a number of factors, including our financial strength, performance, prospects and operations, as well as factors not entirely within our control, including conditions affecting the financial services industry generally and the U.S. government. Rating agencies employ different models and formulas to assess the financial strength of a rated company, and from time to time rating agencies have, in their discretion, altered these models. Changes to rating agency models, general economic conditions, regulatory developments or other circumstances outside our control could negatively impact a rating agency's judgment of the rating or outlook it assigns to us or our rated subsidiaries. As a result, we or our rated subsidiaries may not be able to maintain our respective credit ratings or outlook on our securities. For further discussion of our and our principal bank subsidiaries' credit ratings, see "Results of Operations – Liquidity and dividends."

A material reduction in our credit ratings or the credit ratings of our rated subsidiaries, which can occur at any time without notice, could have a material adverse effect on our access to credit markets, the related cost of funding and borrowing, our credit spreads, our liquidity and certain trading revenues, particularly in those businesses where counterparty creditworthiness is critical. In addition, in connection with certain over-the-counter derivatives contracts

and other trading agreements, counterparties may require us or our rated subsidiaries to provide additional collateral or to terminate these contracts and agreements and collateral financing arrangements in the event of a credit ratings downgrade below certain ratings levels, which could impair our liquidity. A downgrade by any one rating agency, depending on the agency's relative ratings of the entity at the time of the downgrade, may have an impact comparable to the impact of a downgrade by all rating agencies. If a rating agency downgrade or a review for downgrade were to occur during broader market instability, our options for responding to events may be more limited and more expensive, possibly significantly. An increase in the costs of our funding and borrowing, or an impairment of our liquidity, could have a material adverse effect on our results of operations and financial condition. A material reduction in our credit ratings also could decrease the number of investors and counterparties willing or permitted to do business with or lend to us and adversely affect the value of the securities we have issued or may issue in the future.

We cannot predict what actions rating agencies may take, or what actions we may elect or be required to take in response thereto, which may adversely affect us. For further discussion on the impact of a credit rating downgrade, see "Disclosure of contingent features in OTC derivative instruments" in Note 23 of the Notes to Consolidated Financial Statements.

***The application of our Title I preferred resolution strategy or resolution under the Title II orderly liquidation authority could adversely affect the Parent's liquidity and financial condition and the Parent's security holders.***

In 2017, in connection with our single point of entry resolution strategy under Title I of the Dodd-Frank Act, the Parent entered into a binding support agreement with certain key subsidiaries to facilitate the provision of capital and liquidity resources to them in the event of material financial distress or failure. The support agreement requires the Parent to transfer cash and other liquid financial assets to the IHC on an ongoing basis, subject to certain amounts retained by the Parent to meet its near-term cash needs, in exchange for unsecured subordinated funding notes issued by the IHC as well as a committed line of credit to the Parent to service its near-term obligations. The Parent's and the IHC's obligations under the support agreement are secured.

If our projected liquidity resources deteriorate so severely that resolution of the Parent becomes imminent, the committed line of credit the IHC provided to the Parent will automatically terminate, with all amounts outstanding becoming due and payable, and the support agreement will require the Parent to transfer most of its remaining assets (other than stock in subsidiaries and a cash reserve to fund bankruptcy expenses) to the IHC. As a result, during a period of severe financial stress, the Parent could become unable to meet its debt and payment obligations (including with respect to its securities), causing the Parent to seek protection under bankruptcy laws earlier than it otherwise would have.

If the Parent were to become subject to a bankruptcy proceeding and our single point of entry strategy is successful, our material entities will not be subject to insolvency proceedings and their creditors would not be expected to suffer losses, while the Parent's security holders, including unsecured debt holders, could face significant losses, potentially including the loss of their entire investment. The single point of entry strategy, in which the Parent would be the only legal entity to enter resolution proceedings, is designed to result in greater risk of loss to holders of the Parent's unsecured senior debt securities and certain other securities than would be the case under a different resolution strategy.

Further, if the single point of entry strategy is not successful, our liquidity and financial condition would be adversely affected and all security holders may, as a consequence, be in a worse position than if the strategy had not been implemented.

In addition, Title II of the Dodd-Frank Act established an orderly liquidation process in the event of the failure of a large systemically important financial institution, such as BNY Mellon, in order to avoid or mitigate serious adverse effects on the U.S. financial system. Specifically, if BNY Mellon is in default or danger of default, and certain specified conditions are met, the FDIC may be appointed receiver under the orderly liquidation authority, and we would be resolved under that authority instead of the U.S. Bankruptcy Code.

U.S. supervisors have indicated that a single point of entry strategy may be a desirable strategy to resolve a large financial institution such as BNY Mellon under Title II in a manner that would, similar to our preferred strategy under our Title I resolution plan, impose losses on shareholders, unsecured debt

holders and other unsecured creditors of the Parent, while permitting the holding company's subsidiaries to continue to operate and remain solvent. Under such a strategy, assuming the Parent entered resolution proceedings and its subsidiaries remained solvent, losses at the subsidiary level would be absorbed by the Parent and ultimately borne by the Parent's security holders (including holders of the Parent's unsecured debt securities), while third-party creditors of the Parent's subsidiaries would not be expected to suffer losses. Accordingly, the Parent's security holders (including holders of unsecured debt securities and other unsecured creditors) could face losses in excess of what otherwise would have been the case.

### *Strategic Risk*

***New lines of business, new products and services or transformational or strategic project initiatives subject us to new or additional risks, and the failure to implement these initiatives could affect our results of operations.***

From time to time, we have launched new lines of business, offered new products and services within existing lines of business or undertaken transformational or strategic projects. There are substantial risks and uncertainties associated with these efforts. We invest significant time and resources in developing and marketing new lines of business, products and services and executing on our transformational and strategic initiatives. For example, we have devoted considerable resources to developing new technology solutions for our clients, including our initiatives related to real-time electronic payments and global collateral management, as well as Wove, our integrative wealth management advisory platform. If these technology solutions are not successful, it could adversely impact our reputation, business and results of operations. In 2022, we announced the launch of our Digital Asset Custody platform for select U.S. institutional clients to hold and transfer Bitcoin and Ether. Developing and providing new products and services, including those relating to digital assets, increases our operational risk exposures. These risks are often heightened in connection with asset classes, such as digital assets, that are not only new for BNY Mellon but also relatively new to the financial markets more broadly. Compared with our activities involving traditional assets, digital asset-related products or services may introduce incremental or unique risks, particularly those associated with cybersecurity

exposures and third-party dependencies, as well as reputational, technology, legal and regulatory risks.

Regulatory requirements can affect whether initiatives are able to be brought to market in a manner that is timely and attractive to our customers. Initial timetables for the development and introduction of new lines of business or new products or services and price and profitability targets may not be met. Furthermore, our revenues and costs may fluctuate because new businesses or products and services generally require startup costs while revenues may take time to develop, which may adversely impact our results of operations.

Significant effort and resources are necessary to manage and oversee the successful completion of transformational or strategic project initiatives. If management makes choices about these initiatives that prove to be incorrect, are based on incomplete, inaccurate or fraudulent information, fail to accurately assess the competitive landscape and industry trends or are unable to address the expectations of various stakeholders, then the value and growth prospects of our business may be affected. Further, these initiatives often place significant demands on management and a limited number of employees with subject matter expertise and may involve significant costs to implement, as well as increase operational risk as we develop and implement related controls, processes and procedures and employees learn to operate under new systems, controls, processes and procedures. The failure to successfully execute on these transformational or strategic initiatives could adversely impact our business, reputation and results of operations.

Legal, regulatory and reputational risks may also exist in connection with dealing with new products or markets, or clients and customers whose businesses focus on such products or markets, where there is regulatory uncertainty or different or conflicting regulations depending on the regulator or the jurisdiction. We may invest significant time and resources into the expansion of existing or creation of new compliance and risk management systems with respect to new products or markets.

***We are subject to competition in all aspects of our business, which could negatively affect our ability to maintain or increase our profitability.***

The businesses in which we operate are intensely competitive around the world. Larger and more



geographically diverse companies, and financial technology firms that invest substantial resources in developing and designing new technology and that are not subject to the same level of regulation, may be able to offer financial products and services at more competitive prices than we are able to offer. We have also experienced, and anticipate that we will continue to experience, pricing and other competitive pressures in several of our businesses. Pricing pressures, as a result of the willingness of competitors to offer comparable or improved products or services at a lower price, may result in a reduction in the price we can charge for our products and services, which could, and in some cases has, negatively affected our ability to maintain or increase our profitability.

In addition, technological advances have made it possible for other types of non-depository institutions, such as financial technology firms, outsourcing companies and data processing companies, to offer a variety of products and services competitive with certain areas of our business, including with respect to our clearing, settlement, payments and trading activities. In the future, financial technology firms may be able to provide traditional banking products and services by obtaining a bank-like charter, such as the OCC's fintech charter, or offer cryptocurrencies.

Moreover, new or disruptive technologies may quickly impact markets, and the manner in which our clients interact and transact within markets. For example, the emergence, adoption and evolution of new technologies that do not require intermediation, including distributed ledgers, as well as advances in robotic process automation, could significantly affect the competition for payments processing and other financial services. Our failure to either anticipate, or participate in, the transformational change within a given market or adapt these technologies as successfully as our peers, could make us less competitive and result in potential negative financial impact. Increased competition in any of these areas may require us to make additional capital investments in our businesses in order to remain competitive.

Furthermore, regulations could impact our ability to conduct certain of our businesses in a cost-effective manner or at all. The more restrictive laws and regulations applicable to the largest U.S. financial services institutions, including the U.S. capital rules, can put us at a competitive disadvantage relative to both our non-U.S. competitors and U.S. competitors

not subject to the same laws and regulations. See "Supervision and Regulation."

***Our strategic transactions present risks and uncertainties and could have an adverse effect on our business, financial condition and results of operations.***

From time to time, to achieve our strategic objectives, we have acquired, disposed of, or invested in (including through joint venture relationships) companies and businesses and have entered into strategic alliances or other collaborations with third-party service providers to deliver products and services to clients, and may do so in the future. Our ability to pursue or complete strategic transactions is in certain instances subject to regulatory approval and we cannot be certain when or if, or on what terms and conditions, any required regulatory approvals would be granted. Moreover, to the extent we pursue a strategic transaction, there can be no guarantee that the transaction will close when anticipated, or at all. If a strategic transaction does not close, or if the strategic transaction fails to maximize shareholder value or required regulatory approval is not obtained, it could have an adverse effect on our business, financial condition and results of operations. Anticipated challenges in obtaining any required governmental approvals, or uncertainty as to the prospects for obtaining such approvals, could also prevent us from pursuing a strategic transaction we may otherwise view as attractive.

Each acquisition poses integration challenges, including successfully retaining and assimilating clients and key employees, capitalizing on certain revenue synergies and integrating the acquired company's employees, culture, control functions, systems and technology. These risks may be heightened if we are unable to, or fail to, conduct sufficient or appropriate due diligence in connection with a potential acquisition. In some cases, acquisitions involve entry into new businesses or new geographic or other markets, and these situations also present risks and uncertainties in instances where we may be inexperienced in these new areas. We may be required to spend a significant amount of time and resources to integrate these acquisitions. The anticipated integration benefits may take longer to achieve than projected and the time and cost needed to consolidate control functions, platforms and systems may significantly exceed our estimates. If we fail to successfully integrate strategic acquisitions, including doing so in a timely and cost-effective

manner, we may not realize the expected benefits, which could have an adverse impact on our business, financial condition and results of operations. In addition, we may incur expenses, costs, losses, penalties, taxes and other liabilities related to the conduct of the acquired businesses prior to the date of our ownership (including in connection with the defense and/or settlement of legal and regulatory claims, investigations and proceedings) which may not be recoverable through indemnification or otherwise. If the purchase price we pay in an acquisition exceeds the fair value of assets acquired less the liabilities we assume, then we may need to recognize goodwill on our consolidated balance sheet. Goodwill is an intangible asset that is not eligible for inclusion in regulatory capital under applicable requirements. Further, if the value of the acquisition declines, we may be required to record an impairment charge.

Each disposition also poses challenges, including separating the disposed businesses, products and systems in a way that is cost-effective and is not disruptive to us or our customers. The inherent uncertainty involved in the process of evaluating, negotiating or executing a potential sale of one of our companies or businesses may cause the loss of key clients, employees, vendors and other business partners, which could have an adverse impact on our business, financial condition and results of operations. In addition, a portion of the purchase price we expect to receive in a disposition may be contingent or based on an earnout (e.g., dependent on the profitability or results of operation of the business over a period of time after the sale is completed). In such cases, we may not realize all, or any, contingent or earnout payments we anticipate receiving if the future performance of the business does not meet our expectations or if other contingent payment conditions are not satisfied.

Joint ventures, noncontrolling investments, strategic alliances and other collaborations contain potentially increased financial, legal, reputational, operational, regulatory and/or compliance risks. We may be dependent on joint venture partners, firms with which we collaborate, controlling shareholders or management who may have business interests, strategies or goals that are inconsistent with ours. Such dependencies, particularly in the case of establishing de novo joint ventures, may delay the launch of a new venture and result in the loss of a market opportunity. Business decisions or other actions or omissions of the joint venture partner, the

firms with which we collaborate, controlling shareholders or management may adversely affect the value of our investment (or, in the case of strategic alliances or other collaborations, the value of our products or services), impact our results of operations, result in litigation or regulatory action against us and otherwise damage our reputation and brand.

#### *Additional Risks*

***Our businesses may be negatively affected by adverse events, publicity, government scrutiny or other reputational harm.***

We are subject to reputational, legal, compliance and regulatory risk in the ordinary course of our business. Harm to our reputation can result from numerous sources, including adverse publicity or negative information, whether or not true, arising from events occurring at BNY Mellon, other financial institutions or in the financial markets, perceived failure to comply with legal and regulatory requirements or deliver appropriate standards of service and quality, or a failure to appropriately describe our products and services, how we address environmental, social and sustainability concerns in our business activities or in our relationships with clients, the purported inappropriate or unlawful actions of our employees or the use of social media by our employees, the consequences of using emerging technologies, such as generative artificial intelligence or blockchain technology, alleged financial reporting irregularities involving ourselves or other large and well-known companies and perceived conflicts of interest. For example, a cybersecurity event impacting us or our customers' data could have a negative impact on our reputation and customer confidence in BNY Mellon and our cybersecurity defenses and business continuity and resiliency capabilities. Our reputation could also be harmed by the failure of an affiliate, joint venture or a vendor or other third party with which we do business to comply with laws or regulations. Our reputation may be significantly damaged by adverse publicity or negative information regarding BNY Mellon, whether or not true, that may be published or broadcast by the media or posted on social media, non-mainstream news services or other internet forums. The speed and pervasiveness with which information, misinformation or rumors can be disseminated through these channels, in particular social media, may magnify risks relating to negative publicity or media scrutiny. Damage to our reputation could affect the confidence of clients,

rating agencies, regulators, employees, stockholders and other stakeholders and could in turn have an impact on our business and results of operations.

Additionally, governmental scrutiny from regulators, tax authorities, legislative bodies and law enforcement agencies with respect to financial services companies has remained at elevated levels. Press coverage and other public statements, including information posted on social media or other internet forums, that allege some form of wrongdoing (including, in some cases, press coverage and public statements that do not directly involve BNY Mellon) often result in some type of investigation or in lawsuits. Certain enforcement authorities have recently required admissions of wrongdoing, and in some cases, criminal pleas, as part of the resolution of matters brought by them against financial institutions. Any such resolution of a matter involving BNY Mellon could lead to increased exposure to civil litigation, could adversely affect our reputation and ability to do business in certain products and in certain jurisdictions and could have other negative effects.

***ESG concerns, including climate change, could adversely affect our business, affect client activity levels, subject us to additional regulatory requirements and damage our reputation.***

Global efforts to mitigate climate damage, support climate adaptation, slow the loss of biodiverse natural ecosystems, and promote other ESG causes and standards have led and are likely to continue to lead to new legislative and regulatory requirements, heightened expectations among regulators and supervisors, and changes in consumers' and businesses' behaviors and business preferences. As a result, we may face heightened regulatory, legal and reputational scrutiny in the U.S., the E.U. and other jurisdictions in which we operate, and our business and financial condition may be adversely impacted.

The governmental and supervisory focus on these and other ESG-related issues has resulted and could continue to result in our becoming subject to new or heightened regulatory requirements or supervisory guidance, such as requirements relating to risk management, operational resiliency or stress testing for various climate stress scenarios, or additional, potentially costly, reporting requirements. In particular, financial institutions have come under increased scrutiny regarding the management and disclosure of climate risks, both directly and

indirectly, and new regulations may expand required disclosure of actual and potential climate-related impact on suppliers, clients and other third parties in our value chain. For example, in October 2023, the Federal Reserve, the OCC and the FDIC jointly issued interagency guidance for large financial institutions, including BNY Mellon, on principles for climate-related financial risk management and California enacted three climate-related bills imposing extensive new climate-related disclosure obligations applicable to companies doing business in California. In addition, in March 2022, the SEC proposed expansive climate-related disclosure rules. Any such new or heightened requirements could result in increased regulatory, compliance or other costs or higher capital requirements, and may subject us to diverging and evolving requirements in the various jurisdictions in which we operate. Moreover, we may face conflicting ESG and anti-ESG initiatives from local, state and national governments that may impact our ability to conduct certain business within those jurisdictions.

Our Investment Management line of business offers a range of solutions and advice for professional and personal investors to better manage risk-adjusted returns and, where applicable, achieve their sustainable investment goals and invest responsibly. Certain lawmakers and public officials have suggested that ESG-related investing practices may result in violations of antitrust laws and breaches of fiduciary duty. In addition, we face compliance risks presented by the SEC's recent adoption of new naming conventions for ESG-related funds and other regulations that are intended to address "greenwashing" that may be promulgated in the future. We have in the past been, and may in the future become, subject to enforcement actions by the SEC and other regulators regarding our ESG investing practices. Governmental enforcement action could also lead to civil litigation claims by clients, fund shareholders and other third parties asserting violations of law or breaches of fiduciary duties and contractual obligations.

Further, as some regulators seek to mandate additional disclosure of climate-related information, our ability to comply with such requirements and to conduct more robust climate-related risk analyses may be hampered by lack of information and reliable data. Climate data, particularly greenhouse gas emissions for clients and direct and indirect counterparties, may be limited in availability, based on estimated or unverified figures, which may have

been derived from information or factors released by third-party sources, collected and reported on a lag, and variable in quality. Moreover, the methodologies and standards used to measure and report such data are still in early stages, rapidly evolving and subject to change. In addition, modeling capabilities to analyze climate-related risks remain incomplete and there can be no assurance that accurate predictive tools or capabilities will be developed. These and other factors could cause results to differ materially from those expressed in the estimates and beliefs made by third parties and by us, which could also impact our management of risk in this area and could result in us amending or restating our sustainability targets or baselines, including those related to greenhouse gas emissions, carbon neutrality, diversion of waste from landfills, paper neutrality and water consumption.

In the transition to a low carbon economy, changes in public policy, regulatory environment, stakeholder preferences, market pressures and advancements in technology may affect our business practices or result in additional costs or other adverse consequences to our business operations. Such changes could affect whether and on what terms and conditions we will engage in certain activities or offer certain products or services. Failure to adequately consider transition risks in developing and executing on our business strategy could lead to a loss of market share, lower revenues, decreased asset values and higher credit costs.

Views about ESG are diverse and changing, and our business, reputation and ability to attract and retain clients and employees may be harmed if our actions are perceived to be ineffective, insufficient or otherwise inappropriate, or if we are unable to achieve our stated objectives and commitments. Moreover, our reputation may be damaged as a result of our association with certain industries, individuals or products perceived to be causing or exacerbating climate change or contributing to other ESG issues, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change or other ESG issues. At the same time, certain financial institutions have also been subject to criticism and negative publicity as a result of their decisions to reduce their involvement in certain industries or projects perceived to be causing or exacerbating climate change or contributing to other ESG issues. Further, political pressure may be placed upon governmental clients not to use certain providers, such as us, if the legislators or

governmental officials in such jurisdictions believe our positions are not consistent with the views of such legislators or officials. The continuously evolving societal and political perspectives on ESG make the ultimate impact on us difficult to predict, identify and monitor and may be detrimental to us.

***Impacts from geopolitical events, acts of terrorism, natural disasters, the physical effects of climate change, pandemics and other similar events may have a negative impact on our business and operations.***

In conducting our business and maintaining and supporting our global operations, which includes clients, counterparties, vendors and other third parties, we are subject to risks of loss from the outbreak of war, escalation or continuation of hostilities, global conflicts, acts of terrorism, natural disasters, the physical effects of climate change, pandemics and other similar catastrophic events that could have a negative impact on our business and operations. We may also be impacted by unfavorable political, economic, legal or other developments, including social or political instability, changes in governmental policies or policies of central banks, sanctions, expropriation, nationalization, confiscation of assets, price, capital and exchange controls, the imposition of tariffs or other limitations on international trade and travel, which could disrupt world trade and lead to trade retaliation, and changes in laws and regulations.

For example, as a result of Russia's invasion of Ukraine in the first quarter of 2022, we ceased originating new banking business in Russia and suspended investment management purchases of Russian securities. An escalation or continuation of hostilities, the imposition of additional sanctions or other laws prohibiting or limiting operations in certain jurisdictions or an elevated volume and complexity of cyberattacks as a result of the conflict in Ukraine, or conflicts or tensions in other regions such as the Middle East, could lead to unexpected disruptions to our businesses and could adversely affect the global economy and financial markets generally, diminish levels of economic activity and increase volatility in commodity prices, credit and capital markets. The extent and duration of any such military action, and the responses to such action by governments, central banks and the markets, are difficult to predict and may magnify the impact of other risks described in this section.

Our operations, business, clients, supply chain and other stakeholders, as well as the finance sector and the global economy, could be adversely affected by the physical manifestations of climate change. Climate-related physical risks include the increased frequency or severity of acute weather events, such as hurricanes, floods, heatwaves and wildfires, and chronic shifts in the climate, such as increases in average global temperatures, rising sea levels, persistent changes in precipitation levels, prolonged drought, food and water insecurity, and any resulting population migration. Such changes could have adverse financial, operational and other impacts on us, both directly on our business, operations and employees, and indirectly as a result of impacts to our clients, vendors and other third parties on which we rely or as a result of market volatility. Climate change risks can also lead to a deterioration in our credit risk exposures, for example, in our wealth management mortgage and commercial real estate portfolios. Our headquarters is located in New York near the Hudson River waterfront. Such location and the location of our other properties may subject us to more frequent or severe weather events, which could lead to declines in the asset values of our properties and the reduced availability or increased cost of insurance.

While we have business continuity and disaster recovery plans in place, catastrophic events, whether or not caused by climate change, could damage our facilities, disrupt or delay for prolonged periods normal business operations (including communications, technology and physical access to our facilities), or result in harm to or cause travel limitations on our employees, with a similar impact on our clients, suppliers and counterparties. Notwithstanding our efforts to maintain business continuity and disaster recovery plans, to the extent a catastrophic event occurs and our remote work arrangements fail or are otherwise impaired, our ability to service and interact with our clients may suffer. If we are unable to implement and maintain remote work arrangements, including, for example, because of an internal or external failure of our information technology infrastructure or increased rates of employee illness or unavailability, our business continuity status would be adversely impacted and there would be a disruption to our businesses.

Catastrophic events, including those caused by climate change, could also negatively impact the purchase of our products and services if those events

result in reduced capital markets activity, lower asset price levels, or disruptions in general economic activity, or in financial market settlement functions, which could negatively impact our business and results of operations. In addition, such catastrophic events may lead, and in some cases have led, to higher market volatility, reduced availability or increased cost of insurance for our clients, as well as an increase in delinquencies, bankruptcies or defaults that could result in our experiencing higher levels of non-performing assets, net charge-offs and provisions for credit losses, negatively impacting our business and operations. Furthermore, we invest in renewable energy projects, which have been and may in the future be adversely affected by extreme weather events, natural disasters and other catastrophic events.

***Tax law changes or challenges to our tax positions with respect to historical transactions may adversely affect our net income, effective tax rate and our overall results of operations and financial condition.***

In the course of our business, we receive inquiries and challenges from both U.S. and non-U.S. tax authorities on the amount of taxes we owe. If we are not successful in defending these inquiries and challenges, we may be required to adjust the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions, all of which can require a greater provision for taxes or otherwise negatively affect earnings. Probabilities and outcomes are reviewed as events unfold, and adjustments to the reserves are made, when necessary, but the reserves may prove inadequate because we cannot necessarily accurately predict the outcome of any challenge, settlement or litigation or the extent to which it will negatively affect us or our business. Future tax laws or the expiration of or changes in existing tax laws, or the interpretation of those laws worldwide, could also have a material impact on our business or net income. Our actions taken in response to, or reliance upon, such changes in the tax laws may impact our tax position in a manner that may result in lower earnings. In addition, upon any change in tax law, we must recognize the effect of the change on our deferred tax assets and liabilities. An increase in the U.S. tax rate would likely result in an increase in our net deferred tax liabilities and a reduction in our net income in the period of enactment of the change. In addition, changes in tax rates or tax law could also impact the method and amount of capital that we return to shareholders. See Note 12 of the Notes to

Consolidated Financial Statements for further information.

***Changes in accounting standards governing the preparation of our financial statements and future events could have a material impact on our reported financial condition, results of operations, cash flows and other financial data.***

From time to time, the Financial Accounting Standards Board (“FASB”), the SEC and bank regulators change the financial accounting and reporting standards governing the preparation of our financial statements or the interpretation of those standards. These changes are difficult to predict and can materially impact how we record and report our financial condition, results of operations, cash flows and other financial data. In some cases, the FASB, the SEC and bank regulators may change financial accounting and reporting standards governing the preparation of our financial statements or the interpretation of those standards that may require us to apply a new or revised standard retrospectively, potentially resulting in the restatement of our prior period financial statements and our related disclosures.

Additionally, our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates based upon assumptions and use judgments and models about future economic and market conditions,

which affect reported amounts and related disclosures in our financial statements. Amounts subject to estimates are items such as the allowance for credit losses, goodwill and other intangibles and litigation and regulatory contingencies. Among other effects, such changes in estimates could result in further impairments of goodwill and intangible assets and establishment of allowances for credit losses as well as litigation and regulatory contingencies. In performing our annual and interim goodwill impairment tests, we may use an income approach to estimate the fair values of each reporting unit. Estimated cash flows used in the income approach are based on management’s projections. Estimated cash flows extend far into the future, and, by their nature, are difficult to estimate over such an extended time frame. Factors that may significantly affect the cash flow estimates include, among others, market values of assets we manage, the level and mix of those assets, customer behaviors and attrition, operating margins, changes in revenue growth trends, certain money market fee waiver practices, cost structures and technology, regulatory and legislative changes, specific industry or market sector conditions, competition and changes in interest rates. In the future, small changes in the assumptions, such as changes in the cash flow estimates, discount rate or long-term growth rate, or a prolonged macroeconomic downturn may produce a material non-cash goodwill impairment. If actual or subsequent events occur that are materially different than the assumptions, judgments and estimates we used, our results of operation may be materially and negatively impacted.

## Recent Accounting Developments

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The following accounting guidance issued by FASB has not yet been adopted as of Dec. 31, 2023.

*Accounting Standards Update (“ASU”) 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*

In March 2023, the FASB issued ASU 2023-02, *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, which permits reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the income tax credits and other income tax benefits received, and recognizes the net amortization and income tax credits and other income tax benefits in the income statement as a component of the provision for income taxes.

We will adopt the new standard as of Jan. 1, 2024 on a retrospective basis for our investments in renewable energy projects that have met the eligibility criteria. When we report our 2024 results, the comparative results for 2023 and 2022 will be updated to reflect the application of the requirements of the new standard to these periods. We do not expect the impact to our consolidated restated net income or earnings per share for 2022 and 2023 to be material. We estimate that the impact of adopting this standard will result in an after-tax decrease to retained earnings through Dec. 31, 2023 of approximately \$100 million, but that impact is expected to be recovered through positive impacts to net income over future periods. Based on our current investment portfolio, we estimate the impact of adopting this new guidance to increase investment and other revenue and the provision for income taxes on the consolidated income statement by \$40 million to \$50 million per quarter in 2024.

Prior to Jan 1, 2024, these investments generated losses in investment and other revenue that were more than offset by benefits and credits recorded to the provision for income taxes.

*ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*

In November 2023, the FASB issued ASU 2023-07, *Improvements to Reportable Segment Disclosures*, which requires a public entity to disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”) and included within each reported measure of segment profit or loss (collectively referred to as the “significant expense principle”). In addition, disclosure will be required of the title and position of CODM, and how the CODM uses the reported measure of segment profit or loss in assessing segment performance and deciding how to allocate resources.

This ASU is effective for annual periods beginning after Dec. 15, 2023 with early adoption permitted. BNY Mellon is currently evaluating this guidance and the impact on the business segment disclosures.

*ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures*

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*, which requires a company to disclose, on an annual basis, additional disaggregated information related to the existing disclosures for the effective income tax rate reconciliation and income taxes paid.

This ASU is effective on a prospective basis, with a retrospective option, for annual periods beginning after Dec. 15, 2024, and interim periods within fiscal years beginning after Dec. 15, 2025. BNY Mellon is currently evaluating this guidance and the impact on the income tax disclosures.

## Explanation of GAAP and Non-GAAP financial measures

BNY Mellon has included in this Annual Report certain Non-GAAP financial measures on a tangible basis as a supplement to GAAP information, which exclude goodwill and intangible assets, net of deferred tax liabilities. We believe that the return on tangible common equity – Non-GAAP is additional useful information for investors because it presents a measure of those assets that can generate income, and the tangible book value per common share – Non-GAAP is additional useful information because it presents the level of tangible assets in relation to shares of common stock outstanding.

BNY Mellon included revenue measures excluding notable items, including a net loss from repositioning the securities portfolio, the reduction in the fair value of a contingent consideration receivable related to a prior year divestiture, disposal gains and losses and the revenue reduction related to Russia, primarily accelerated amortization of deferred costs for depositary receipts services. Expense measures, excluding notable items, including goodwill impairment, FDIC special assessment, severance expense and litigation reserves, are also presented. Litigation reserves represent accruals for loss contingencies that are both probable and reasonably estimable, but exclude standard business-related legal fees. Income before taxes, net income applicable to common shareholders of The Bank of New York Mellon Corporation, diluted earnings per share, return on common equity, return on tangible common equity, pre-tax operating margin and effective tax rate, excluding the notable items mentioned above, are also provided. These measures are provided to permit investors to view the financial measures on a basis consistent with how management views the businesses.

The presentation of the growth rates of investment management and performance fees and noninterest

expense on a constant currency basis permits investors to assess the significance of changes in foreign currency exchange rates. Growth rates on a constant currency basis were determined by applying the current period foreign currency exchange rates to the prior period revenue. We believe that this presentation, as a supplement to GAAP information, gives investors a clearer picture of the related revenue results without the variability caused by fluctuations in foreign currency exchange rates.

BNY Mellon has also included the adjusted pre-tax operating margin – Non-GAAP, which is the pre-tax operating margin for the Investment and Wealth Management business segment, net of distribution and servicing expense that was passed to third parties who distribute or service our managed funds. We believe that this measure is useful when evaluating the performance of the Investment and Wealth Management business segment relative to industry competitors.

### *Forward-looking Non-GAAP financial measures*

From time to time we may present or discuss forward-looking Non-GAAP financial measures, such as targets for expenses excluding notable items. We are unable to provide a reconciliation of forward-looking Non-GAAP financial measures to the comparable GAAP financial measures because we are unable to provide, without unreasonable effort, a meaningful or accurate estimation of amounts that would be necessary for the reconciliation effort, a meaningful or accurate calculation or estimation of amounts that would be necessary for the reconciliation due to the inherent difficulty quantifying future amounts or when they may occur. Such unavailable information could be significant to future results.



**Supplemental Information (unaudited)** (continued)

<b>Reconciliation of Non-GAAP measures, excluding notable items</b> <i>(dollars in millions)</i>	<b>2023</b>	<b>2022</b>	<b>2023 vs. 2022</b>
Total revenue – GAAP	\$ 17,502	\$ 16,377	7%
Less: Reduction in the fair value of a contingent consideration receivable related to a prior year divestiture <i>(a)</i>	(144)	—	
Disposal (loss) gain <i>(a)</i>	(6)	26	
Revenue reduction related to Russia, primarily accelerated amortization of deferred costs for depositary receipts services <i>(b)</i>	—	(88)	
Net loss from repositioning the securities portfolio <i>(a)</i>	—	(449)	
Adjusted total revenue – Non-GAAP	\$ 17,652	\$ 16,888	5%
Total noninterest expense – GAAP	\$ 13,295	\$ 13,010	2%
Less: Severance <i>(c)</i>	267	215	
Litigation reserves <i>(c)</i>	94	134	
FDIC special assessment <i>(c)</i>	632	—	
Goodwill impairment	—	680	
Adjusted total noninterest expense – Non-GAAP	\$ 12,302	\$ 11,981	2.7% <i>(d)</i>
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	\$ 3,051	\$ 2,362	29%
Less: Reduction in the fair value of a contingent consideration receivable related to a prior year divestiture <i>(a)</i>	(144)	—	
Disposal (loss) gain <i>(a)</i>	(5)	(12)	
Revenue reduction related to Russia, primarily accelerated amortization of deferred costs for depositary receipts services <i>(b)</i>	—	(67)	
Net loss from repositioning the securities portfolio <i>(a)</i>	—	(343)	
Severance <i>(c)</i>	(205)	(166)	
Litigation reserves <i>(c)</i>	(91)	(125)	
FDIC special assessment <i>(c)</i>	(482)	—	
Goodwill impairment	—	(665)	
Adjusted net income applicable to common shareholders of The Bank of New York Mellon Corporation – Non-GAAP	\$ 3,978	\$ 3,740	6%
Diluted earnings per share – GAAP	\$ 3.87	\$ 2.90	33%
Less: Reduction in the fair value of a contingent consideration receivable related to a prior year divestiture <i>(a)</i>	(0.18)	—	
Disposal (loss) gain <i>(a)</i>	(0.01)	(0.01)	
Revenue reduction related to Russia, primarily accelerated amortization of deferred costs for depositary receipts services <i>(b)</i>	—	(0.08)	
Net loss from repositioning the securities portfolio <i>(a)</i>	—	(0.42)	
Severance <i>(c)</i>	(0.26)	(0.20)	
Litigation reserves <i>(c)</i>	(0.12)	(0.15)	
FDIC special assessment <i>(c)</i>	(0.61)	—	
Goodwill impairment	—	(0.82)	
Total diluted earnings per common share impact of notable items	\$ (1.18)	\$ (1.69) <i>(e)</i>	
Adjusted diluted earnings per share – Non-GAAP	\$ 5.05	\$ 4.59	10%

*(a)* Reflected in Investment and other revenue.

*(b)* Primarily reflected in Investment services fees.

*(c)* Severance is reflected in Staff expense, Litigation reserves in Other expense, and FDIC special assessment in Bank assessment charges, respectively.

*(d)* The growth rate was not significantly impacted by changes in foreign currency exchange rates.

*(e)* Does not foot due to rounding.

**Supplemental Information (unaudited)** (continued)

The following table presents the reconciliation of noninterest expense excluding notable items and changes in foreign currency exchange rates.

<b>Noninterest expense reconciliation, excluding notable items and the impact of changes in foreign currency exchange rates</b> <i>(dollars in millions)</i>	<b>2022</b>	<b>2021</b>	<b>2022 vs. 2021</b>
Total noninterest expense – GAAP	\$ 13,010	\$ 11,514	13%
Less: Severance <i>(a)</i>	215	31	
Litigation reserves <i>(a)</i>	134	98	
Goodwill impairment	680	—	
Impact of changes in foreign currency exchange rates	—	292	
Adjusted total noninterest expense, excluding notable items and impact of changes in foreign exchange rates – Non-GAAP	\$ 11,981	\$ 11,093	8%

*(a) Severance is reflected in Staff expense and Litigation reserves in Other expense, respectively.*

The following table presents the reconciliation of the pre-tax operating margin.

<b>Pre-tax operating margin reconciliation</b> <i>(dollars in millions)</i>	<b>2023</b>	<b>2022</b>
Income before taxes – GAAP	\$ 4,088	\$ 3,328
Less: Impact of notable items <i>(a)</i>	(1,143)	(1,540)
Adjusted income before taxes, excluding notable items – Non-GAAP	\$ 5,231	\$ 4,868
Total revenue – GAAP	\$17,502	\$ 16,377
Less: Impact of notable items <i>(a)</i>	(150)	(511)
Adjusted total revenue, excluding notable items – Non-GAAP	\$17,652	\$ 16,888
Pre-tax operating margin – GAAP <i>(b)</i>	23%	20%
Adjusted pre-tax operating margin – Non-GAAP <i>(b)</i>	30%	29%

*(a) See page 112 for details of notable items and line items impacted.*

*(b) Income before taxes divided by total revenue.*

The following table presents the reconciliation of effective tax rate.

<b>Effective tax rate reconciliation</b> <i>(dollars in millions)</i>	<b>2023</b>	<b>2022</b>
Provision for income taxes - GAAP	\$ 768	\$ 768
Less: Impact of notable items <i>(a)</i>	(162)	(162)
Adjusted provision for income taxes, excluding notable items – Non-GAAP	\$ 930	\$ 930
Income before taxes – GAAP	\$ 3,328	\$ 3,328
Less: Impact of notable items <i>(a)</i>	(1,540)	(1,540)
Adjusted income before taxes, excluding notable items – Non-GAAP	\$ 4,868	\$ 4,868
Effective tax rate – GAAP	23.1%	23.1%
Adjusted effective tax rate – Non-GAAP	19.1%	19.1%

*(a) See page 112 for details of notable items and line items impacted.*

**Supplemental Information (unaudited)** (continued)

The following table presents the reconciliation of the return on common equity and tangible common equity.

<b>Return on common equity and tangible common equity reconciliation</b> <i>(dollars in millions)</i>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	\$ 3,051	\$ 2,362	\$ 3,552
Add: Amortization of intangible assets	57	67	82
Less: Tax impact of amortization of intangible assets	14	16	20
Adjusted net income applicable to common shareholders of The Bank of New York Mellon Corporation, excluding amortization of intangible assets – Non-GAAP	\$ 3,094	\$ 2,413	\$ 3,614
Less: Impact of notable items <i>(a)</i>	(927)	(1,378)	(85)
Adjusted net income applicable to common shareholders of The Bank of New York Mellon Corporation, excluding amortization of intangible assets and notable items – Non-GAAP	\$ 4,021	\$ 3,791	\$ 3,699
Average common shareholders' equity	\$ 35,880	\$ 36,175	\$ 39,695
Less: Average goodwill	16,204	17,060	17,492
Average intangible assets	2,880	2,939	2,979
Add: Deferred tax liability – tax deductible goodwill	1,205	1,181	1,178
Deferred tax liability – intangible assets	657	660	676
Average tangible common shareholders' equity – Non-GAAP	\$ 18,658	\$ 18,017	\$ 21,078
Return on common shareholders' equity – GAAP	8.5%	6.5%	8.9%
Adjusted return on common shareholders' equity – Non-GAAP	11.1%	10.3%	9.2%
Return on tangible common shareholders' equity – Non-GAAP	16.6%	13.4%	17.1%
Adjusted return on tangible common shareholders' equity – Non-GAAP	21.6%	21.0%	17.6%

*(a) See page 112 for details of notable items and line items impacted in 2023 and 2022. Notable items in 2021 include litigation reserves, severance expense and gains on disposals (reflected in investment and other revenue).*

The following table presents the reconciliation of book value and tangible book value per common share.

<b>Book value and tangible book value per common share reconciliation</b> <i>(dollars in millions, except per share amounts and unless otherwise noted)</i>	<b>Dec. 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
BNY Mellon shareholders' equity at year end – GAAP	\$ 40,874	\$ 40,734	\$ 43,034
Less: Preferred stock	4,343	4,838	4,838
BNY Mellon common shareholders' equity at year end – GAAP	36,531	35,896	38,196
Less: Goodwill	16,261	16,150	17,512
Intangible assets	2,854	2,901	2,991
Add: Deferred tax liability – tax deductible goodwill	1,205	1,181	1,178
Deferred tax liability – intangible assets	657	660	676
BNY Mellon tangible common shareholders' equity at year end – Non-GAAP	\$ 19,278	\$ 18,686	\$ 19,547
Year-end common shares outstanding <i>(in thousands)</i>	759,344	808,445	804,145
Book value per common share – GAAP	\$ 48.11	\$ 44.40	\$ 47.50
Tangible book value per common share – Non-GAAP	\$ 25.39	\$ 23.11	\$ 24.31

The following table presents the impact of changes in foreign currency exchange rates on our consolidated investment management and performance fees.

<b>Constant currency reconciliation – Consolidated</b> <i>(dollars in millions)</i>	<b>2023</b>	<b>2022</b>	<b>2023 vs. 2022</b>
Investment management and performance fees – GAAP	\$ 3,058	\$ 3,299	(7)%
Impact of changes in foreign currency exchange rates	—	(4)	
Adjusted investment management and performance fees – Non-GAAP	\$ 3,058	\$ 3,295	(7)%

**Supplemental Information (unaudited)** (continued)

The following table presents the impact of changes in foreign currency exchange rates on investment management and performance fees reported in the Investment and Wealth Management business segment.

<b>Constant currency reconciliation – Investment and Wealth Management business segment</b>			<b>2023 vs.</b>
<i>(dollars in millions)</i>			<b>2022</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>
Investment management and performance fees – GAAP	\$ 3,052	\$ 3,290	(7)%
Impact of changes in foreign currency exchange rates	—	(4)	
Adjusted investment management and performance fees – Non-GAAP	\$ 3,052	\$ 3,286	(7)%

The following table presents the reconciliation of the pre-tax operating margin for the Investment and Wealth Management business segment.

<b>Pre-tax operating margin reconciliation – Investment and Wealth Management business segment</b>					
<i>(dollars in millions)</i>					
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2023 vs.</b>	<b>2022 vs.</b>
				<b>2022</b>	<b>2021</b>
Income before income taxes – GAAP	\$ 381	\$ 48	\$ 1,230	694%	(96)%
Less: Reduction in the fair value of a contingent consideration receivable related to a prior year divestiture (a)	(144)	—	—		
Disposal (loss) (a)	—	(11)	(1)		
Revenue reduction related to Russia (b)	—	(6)	—		
Severance (c)	(19)	(12)	—		
Litigation reserves (c)	(1)	—	(4)		
Goodwill impairment	—	(680)	—		
Adjusted income before income taxes – Non-GAAP	\$ 545	\$ 757	\$ 1,235	(28)%	(39)%
Total revenue – GAAP	\$ 3,143	\$ 3,550	\$ 4,042		
Less: Distribution and servicing expense	355	345	300		
Adjusted total revenue, net of distribution and servicing expense – Non-GAAP	\$ 2,788	\$ 3,205	\$ 3,742		
Less: Reduction in the fair value of a contingent consideration receivable related to a prior year divestiture (a)	(144)	—	—		
Disposal (loss) (a)	—	(11)	(1)		
Revenue reduction related to Russia (b)	—	(6)	—		
Adjusted total revenue, excluding notable items and net of distribution and servicing expense – Non-GAAP	\$ 2,932	\$ 3,222	\$ 3,743		
Pre-tax operating margin – GAAP (d)	12%	1%	30%		
Adjusted pre-tax operating margin, net of distribution and servicing expense – Non-GAAP (d)	14%	2%	33%		
Adjusted pre-tax operating margin, net of distribution and servicing expense and excluding notable items – Non-GAAP (d)	19%	24%	33%		

(a) Reflected in Investment and other revenue.

(b) Primarily reflected in Investment management and performance fees.

(c) Severance is reflected in Staff expense and Litigation reserves in Other expense.

(d) Income before taxes divided by total revenue.

## Rate/volume analysis

Rate/volume analysis (a)	2023 over (under) 2022			2022 over (under) 2021		
	Due to change in			Due to change in		
	Average balance	Average rate	Net change	Average balance	Average rate	Net change
<i>(in millions)</i>						
<b>Interest revenue</b>						
Interest-earning assets:						
Interest-bearing deposits with the Federal Reserve and other central banks:						
Domestic offices	\$ 289	\$ 1,986	\$ 2,275	\$ (1)	\$ 751	\$ 750
Foreign offices	(31)	1,278	1,247	25	321	346
Total interest-bearing deposits with the Federal Reserve and other central banks	258	3,264	3,522	24	1,072	1,096
Interest-bearing deposits with banks	(50)	352	302	(11)	184	173
Federal funds sold and securities purchased under resale agreements	57	5,884	5,941	(17)	1,097	1,080
Loans:						
Domestic offices	(99)	1,884	1,785	137	849	986
Foreign offices	(15)	147	132	(7)	62	55
Total loans	(114)	2,031	1,917	130	911	1,041
Securities:						
U.S. government obligations	(123)	537	414	54	292	346
U.S. government agency obligations	(65)	603	538	(125)	297	172
Other securities:						
Domestic offices (b)	(65)	239	174	(17)	259	242
Foreign offices	(18)	559	541	(18)	49	31
Total other securities (b)	(83)	798	715	(35)	308	273
Total investment securities (b)	(271)	1,938	1,667	(106)	897	791
Trading securities (primarily domestic) (b)	16	156	172	(14)	104	90
Total securities (b)	(255)	2,094	1,839	(120)	1,001	881
Total interest revenue (b)	\$ (104)	\$ 13,625	\$ 13,521	\$ 6	\$ 4,265	\$ 4,271
<b>Interest expense</b>						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Domestic offices	\$ 117	\$ 3,606	\$ 3,723	\$ 2	\$ 1,005	\$ 1,007
Foreign offices	(87)	1,901	1,814	12	743	755
Total interest-bearing deposits	30	5,507	5,537	14	1,748	1,762
Federal funds purchased and securities sold under repurchase agreements	824	4,941	5,765	1	937	938
Trading liabilities	(1)	89	88	3	57	60
Other borrowed funds:						
Domestic offices	30	7	37	—	2	2
Foreign offices	—	1	1	1	(2)	(1)
Total other borrowed funds	30	8	38	1	—	1
Commercial paper	—	—	—	—	—	—
Payables to customers and broker-dealers	(28)	438	410	—	158	158
Long-term debt	125	726	851	26	442	468
Total interest expense	\$ 980	\$ 11,709	\$ 12,689	\$ 45	\$ 3,342	\$ 3,387
Changes in net interest revenue (b)	\$ (1,084)	\$ 1,916	\$ 832	\$ (39)	\$ 923	\$ 884

(a) Changes which are solely due to balance changes or rate changes are allocated to such categories on the basis of the respective percentage changes in average balances and average rates. Changes in interest revenue or interest expense arising from the combination of rate and volume variances are allocated proportionately to rate and volume based on their relative absolute magnitudes.

(b) Presented on an FTE basis.

Some statements in this Annual Report are forward-looking. These include statements about the usefulness of Non-GAAP measures, the future results of BNY Mellon, our businesses, financial, liquidity and capital condition, results of operations, liquidity, risk and capital management and processes, goals, strategies, outlook, objectives, expectations (including those regarding our performance results, expenses, nonperforming assets, products, impacts of currency fluctuations, impacts of securities portfolio repositioning, impacts of trends on our businesses, regulatory, technology, market, economic or accounting developments and the impacts of such developments on our businesses, legal proceedings and other contingencies), human capital management (including related ambitions, objectives, aims and goals), effective tax rate, net interest revenue, estimates (including those regarding expenses, losses inherent in our credit portfolios and capital ratios), intentions (including those regarding our capital returns and expenses, including our investments in technology and pension expense), targets, opportunities, potential actions, growth and initiatives.

In this report, any other report, any press release or any written or oral statement that BNY Mellon or its executives may make, 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,” “ambition,” “aspiration,” “objective,” “aim,” “future,” “potentially,” “outlook” and words of similar meaning, may signify forward-looking statements.

These forward-looking statements, and other forward-looking statements contained in other public disclosures of BNY Mellon, are not guarantees of future results or occurrences, are inherently uncertain and are based upon current beliefs and expectations of future events, many of which are, by their nature, difficult to predict, outside of our control and subject to change. By identifying these statements in this manner, we are alerting investors to the possibility that our actual results may differ, possibly materially, from the anticipated results expressed or implied in these forward-looking statements as a result of a number of important factors, including those factors described in “Risk Factors,” such as:

- errors or delays in our operational and transaction processing, or those of third parties, may

materially adversely affect our business, financial condition, results of operations and reputation;

- our risk management framework, models and processes may not be effective in identifying or mitigating risk and reducing the potential for losses and any inadequacy or lapse in our risk management framework, models and processes could expose us to unexpected losses that could materially adversely affect our results of operations or financial condition;
- a communications or technology disruption or failure within our infrastructure or the infrastructure of third parties that results in a loss of information, delays our ability to access information or impacts our ability to provide services to our clients may materially adversely affect our business, financial condition and results of operations;
- a cybersecurity incident, or a failure in our computer systems, networks and information, or those of third parties, could result in the theft, loss, disclosure, use or alteration of information, unauthorized access to or loss of information, or system or network failures. Any such incident or failure could adversely impact our ability to conduct our businesses, damage our reputation and cause losses;
- we are subject to extensive government rulemaking, policies, regulation and supervision that impact our operations. Changes to and introduction of new rules and regulations have compelled, and in the future may compel, us to change how we manage our businesses, which could have a material adverse effect on our business, financial condition and results of operations;
- regulatory or enforcement actions or litigation could materially adversely affect our results of operations or harm our businesses or reputation;
- our business may be adversely affected if we are unable to attract, retain, develop and motivate employees;
- a failure or circumvention of our controls, policies and procedures could have a material adverse effect on our business, financial condition, results of operations and reputation;
- weakness and volatility in financial markets and the economy generally may materially adversely affect our business, financial condition and results of operations;

- we are dependent on fee-based business for a substantial majority of our revenue and our fee-based revenues could be adversely affected by slowing market activity, weak financial markets, underperformance and/or negative trends in savings rates or in investment preferences;
- levels of and changes in interest rates have impacted, and will in the future continue to impact, our profitability and capital levels, at times adversely;
- we have experienced, and may continue to experience, unrealized or realized losses on securities related to volatile and illiquid market conditions, reducing our capital levels and/or earnings;
- reform of interest rate benchmarks and the use of alternative reference rates by us and our clients could adversely affect our business, financial condition and results of operations;
- the failure or perceived weakness of any of our significant clients or counterparties, many of whom are major financial institutions or sovereign entities, and our assumption of credit, counterparty and concentration risk, could expose us to credit losses and adversely affect our business;
- we could incur losses if our allowance for credit losses, including loan and lending-related commitment reserves, is inadequate or if our expectations of future economic conditions deteriorate;
- our business, financial condition and results of operations could be adversely affected if we do not effectively manage our liquidity;
- failure to satisfy regulatory standards, including “well capitalized” and “well managed” status or capital adequacy and liquidity rules more generally, could result in limitations on our activities and adversely affect our business and financial condition;
- the Parent is a non-operating holding company and, as a result, is dependent on dividends from its subsidiaries and extensions of credit from its IHC to meet its obligations, including with respect to its securities, and to provide funds for share repurchases, payment of income taxes and payment of dividends to its stockholders;
- our ability to return capital to shareholders is subject to the discretion of our Board of Directors and may be limited by U.S. banking laws and regulations, including those governing capital and capital planning, applicable provisions of Delaware law and our failure to pay full and timely dividends on our preferred stock;
- any material reduction in our credit ratings or the credit ratings of our principal bank subsidiaries, The Bank of New York Mellon, BNY Mellon, N.A. or The Bank of New York Mellon SA/NV, could increase the cost of funding and borrowing to us and our rated subsidiaries and have a material adverse effect on our business, financial condition and results of operations and on the value of the securities we issue;
- the application of our Title I preferred resolution strategy or resolution under the Title II orderly liquidation authority could adversely affect the Parent’s liquidity and financial condition and the Parent’s security holders;
- new lines of business, new products and services or transformational or strategic project initiatives subject us to new or additional risks, and the failure to implement these initiatives could affect our results of operations;
- we are subject to competition in all aspects of our business, which could negatively affect our ability to maintain or increase our profitability;
- our strategic transactions present risks and uncertainties and could have an adverse effect on our business, financial condition and results of operations;
- our businesses may be negatively affected by adverse events, publicity, government scrutiny or other reputational harm;
- ESG concerns, including climate change, could adversely affect our business, affect client activity levels, subject us to additional regulatory requirements and damage our reputation;
- impacts from geopolitical events, acts of terrorism, natural disasters, the physical effects of climate change, pandemics and other similar events may have a negative impact on our business and operations;
- tax law changes or challenges to our tax positions with respect to historical transactions may adversely affect our net income, effective tax rate and our overall results of operations and financial condition; and
- changes in accounting standards governing the preparation of our financial statements and future events could have a material impact on our reported financial condition, results of operations, cash flows and other financial data.

Investors should not place undue reliance on any forward-looking statement and should consider all risk factors discussed in the 2023 Annual Report and any subsequent reports filed with the SEC by BNY Mellon pursuant to the Exchange Act. All forward-looking statements speak only as of the date on which such statements are made, and BNY Mellon undertakes no obligation to update any statement to reflect events or circumstances after the date on which such forward-looking statement is made or to reflect the occurrence of unanticipated events. The contents of BNY Mellon's website or any other website referenced herein are not part of this report.



**Assets under custody and/or administration (“AUC/A”)** – Assets that we hold directly or indirectly on behalf of clients under a safekeeping or custody arrangement or for which we provide administrative services for clients. The following types of assets under administration are not and historically have not been included in AUC/A: performance and risk analytics, transfer agency and asset aggregation services. To the extent that we provide more than one AUC/A service for a client’s assets, the value of the asset is only counted once in the total amount of AUC/A.

**Assets under management (“AUM”)** – Includes assets beneficially owned by our clients or customers which we hold in various capacities that are either actively or passively managed, as well as the value of hedges supporting customer liabilities. These assets and liabilities are not on our balance sheet.

**CAMELS** – An international bank-rating system where bank supervisory authorities rate institutions according to six factors. The six factors are Capital adequacy, Asset quality, Management quality, Earnings, Liquidity and Sensitivity to market risk.

**Collateral management** – A comprehensive program designed to simplify collateralization and expedite securities transfers for buyers and sellers.

**Credit valuation adjustment (“CVA”)** – The market value of counterparty credit risk on OTC derivative transactions.

**Debit valuation adjustment (“DVA”)** – The market value of our credit risk on OTC derivative transactions.

**Depository receipt** – A negotiable security that generally represents a non-U.S. company’s publicly traded equity.

**Economic capital** – The amount of capital required to absorb potential losses and reflects the probability of remaining solvent with a target debt rating over a one-year time horizon.

**Global systemically important bank (“G-SIB”)** – A financial institution whose distress or disorderly failure, because of its size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity.

**High-quality liquid assets (“HQLA”)** – Unencumbered assets of the types identified in the U.S. LCR rule, which the U.S. banking agencies describe as able to be convertible into cash with little or no expected loss of value during a period of liquidity stress.

**Investment grade** – Represents Moody’s long-term rating of Baa3 or better; and/or a Standard & Poor’s, Fitch or DBRS long-term rating of BBB- or better; or if unrated, an equivalent rating using our internal risk ratings. Instruments that fall below these levels are considered to be non-investment grade.

**Real estate investment trust (“REIT”)** – An investor-owned corporation, trust or association that sells shares to investors and invests in income-producing property.

**Repurchase agreement (“Repo”)** – An instrument used to raise short-term funds whereby securities are sold with an agreement for the seller to buy back the securities at a later date.

**Reverse repurchase agreement** – The purchase of securities with the agreement to sell them at a higher price at a specific future date.

**Sub-custodian** – A local provider (e.g., a bank) contracted to provide specific custodial-related services in a selected country or geographic area.

Management of BNY Mellon is responsible for establishing and maintaining adequate internal control over financial reporting for BNY Mellon, as such term is defined in Rule 13a-15(f) under the Exchange Act.

BNY Mellon's management, including its principal executive officer and principal financial officer, has assessed the effectiveness of BNY Mellon's internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)*. Based upon such assessment, management believes that, as of December 31, 2023, BNY Mellon's internal control over financial reporting is effective based upon those criteria.

KPMG LLP, the independent registered public accounting firm that audited BNY Mellon's 2023 financial statements included in this Annual Report under "Financial Statements" and "Notes to Consolidated Financial Statements," has issued a report with respect to the effectiveness of BNY Mellon's internal control over financial reporting. This report begins on page 122.



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
The Bank of New York Mellon Corporation:

### *Opinion on Internal Control Over Financial Reporting*

We have audited The Bank of New York Mellon Corporation and subsidiaries' (BNY Mellon) internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, BNY Mellon maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of BNY Mellon as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements), and our report dated February 28, 2024, expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

BNY Mellon's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on BNY Mellon's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to BNY Mellon in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.



Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP

New York, New York  
February 28, 2024

Consolidated Income Statement

<i>(in millions)</i>	Year ended Dec. 31,		
	2023	2022	2021
<b>Fee and other revenue</b>			
Investment services fees	\$ 8,843	\$ 8,529	\$ 8,284
Investment management and performance fees	3,058	3,299	3,588
Foreign exchange revenue	631	822	799
Financing-related fees	192	175	194
Distribution and servicing fees	148	130	112
Total fee revenue	12,872	12,955	12,977
Investment and other revenue	285	(82)	336
Total fee and other revenue	13,157	12,873	13,313
<b>Net interest revenue</b>			
Interest revenue	20,648	7,118	2,845
Interest expense	16,303	3,614	227
Net interest revenue	4,345	3,504	2,618
Total revenue	17,502	16,377	15,931
<b>Provision for credit losses</b>	119	39	(231)
<b>Noninterest expense</b>			
Staff	7,095	6,800	6,337
Software and equipment	1,817	1,657	1,478
Professional, legal and other purchased services	1,527	1,527	1,459
Net occupancy	542	514	498
Sub-custodian and clearing	475	485	505
Distribution and servicing	353	343	298
Business development	183	152	107
Bank assessment charges	788	126	133
Goodwill impairment	—	680	—
Amortization of intangible assets	57	67	82
Other	458	659	617
Total noninterest expense	13,295	13,010	11,514
<b>Income</b>			
Income before income taxes	4,088	3,328	4,648
Provision for income taxes	800	768	877
Net income	3,288	2,560	3,771
Net (income) loss attributable to noncontrolling interests related to consolidated investment management funds	(2)	13	(12)
Net income applicable to shareholders of The Bank of New York Mellon Corporation	3,286	2,573	3,759
Preferred stock dividends	(235)	(211)	(207)
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	\$ 3,051	\$ 2,362	\$ 3,552

## The Bank of New York Mellon Corporation (and its subsidiaries)

### Consolidated Income Statement (continued)

Net income applicable to common shareholders of The Bank of New York Mellon Corporation used for the earnings per share calculation (in millions)	Year ended Dec. 31,		
	2023	2022	2021
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	\$ 3,051	\$ 2,362	\$ 3,552
Less: Earnings allocated to participating securities	—	—	2
Net income applicable to common shareholders of The Bank of New York Mellon Corporation after required adjustment for the calculation of basic and diluted earnings per common share	\$ 3,051	\$ 2,362	\$ 3,550

Average common shares and equivalents outstanding of The Bank of New York Mellon Corporation (in thousands)	Year ended Dec. 31,		
	2023	2022	2021
Basic	784,069	811,068	851,905
Common stock equivalents	3,821	3,904	4,900
Less: Participating securities	(92)	(177)	(446)
Diluted	787,798	814,795	856,359
Anti-dilutive securities (a)	1,334	3,142	642

(a) Represents stock options, restricted stock units and participating securities outstanding but not included in the computation of diluted average common shares because their effect would be anti-dilutive.

Earnings per share applicable to common shareholders of The Bank of New York Mellon Corporation (in dollars)	Year ended Dec. 31,		
	2023	2022	2021
Basic	\$ 3.89	\$ 2.91	\$ 4.17
Diluted	\$ 3.87	\$ 2.90	\$ 4.14

See accompanying Notes to Consolidated Financial Statements.

Consolidated Comprehensive Income Statement

<i>(in millions)</i>	Year ended Dec. 31,		
	2023	2022	2021
Net income	\$ 3,288	\$ 2,560	\$ 3,771
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	272	(603)	(376)
Unrealized gain (loss) on assets available-for-sale:			
Unrealized gain (loss) arising during the period	829	(3,245)	(1,147)
Reclassification adjustment	52	338	(4)
Total unrealized gain (loss) on assets available-for-sale	881	(2,907)	(1,151)
Defined benefit plans:			
Net (loss) gain arising during the period	(75)	(306)	219
Foreign exchange adjustment	(1)	—	—
Amortization of prior service credit, net loss and initial obligation included in net periodic benefit cost	(10)	56	88
Total defined benefit plans	(86)	(250)	307
Net unrealized gain (loss) on cash flow hedges	6	(6)	(6)
Total other comprehensive income (loss), net of tax <i>(a)</i>	1,073	(3,766)	(1,226)
Total comprehensive income (loss)	4,361	(1,206)	2,545
Net (income) loss attributable to noncontrolling interests	(2)	13	(12)
Other comprehensive loss (income) attributable to noncontrolling interests	—	13	(2)
Comprehensive income (loss) applicable to shareholders of The Bank of New York Mellon Corporation	\$ 4,359	\$ (1,180)	\$ 2,531

*(a) Other comprehensive income (loss) attributable to The Bank of New York Mellon Corporation shareholders was \$1,073 million for the year ended Dec. 31, 2023, \$(3,753) million for the year ended Dec. 31, 2022 and \$(1,228) million for the year ended Dec. 31, 2021.*

See accompanying Notes to Consolidated Financial Statements.

# The Bank of New York Mellon Corporation (and its subsidiaries)

## Consolidated Balance Sheet

<i>(dollars in millions, except per share amounts)</i>	Dec. 31,	
	2023	2022
<b>Assets</b>		
Cash and due from banks, net of allowance for credit losses of \$18 and \$29	\$ 4,922	\$ 5,030
Interest-bearing deposits with the Federal Reserve and other central banks	111,550	91,655
Interest-bearing deposits with banks, net of allowance for credit losses of \$2 and \$4 (includes restricted of \$3,420 and \$6,499)	12,139	17,169
Federal funds sold and securities purchased under resale agreements	28,900	24,298
Securities:		
Held-to-maturity, at amortized cost, net of allowance for credit losses of \$1 and less than \$1 (fair value of \$44,711 and \$49,992)	49,578	56,194
Available-for-sale, at fair value (amortized cost of \$80,678 and \$92,484, net of allowance for credit losses of less than \$1 and \$1)	76,817	86,622
Total securities	126,395	142,816
Trading assets	10,058	9,908
Loans	66,879	66,063
Allowance for credit losses	(303)	(176)
Net loans	66,576	65,887
Premises and equipment	3,163	3,256
Accrued interest receivable	1,150	858
Goodwill	16,261	16,150
Intangible assets	2,854	2,901
Other assets, net of allowance for credit losses on accounts receivable of \$3 and \$4 (includes \$1,261 and \$971, at fair value)	25,985	25,855
Total assets	\$ 409,953	\$ 405,783
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing (principally U.S. offices)	\$ 58,274	\$ 78,017
Interest-bearing deposits in U.S. offices	132,616	108,362
Interest-bearing deposits in non-U.S. offices	92,779	92,591
Total deposits	283,669	278,970
Federal funds purchased and securities sold under repurchase agreements	14,507	12,335
Trading liabilities	6,226	5,385
Payables to customers and broker-dealers	18,395	23,435
Other borrowed funds	479	397
Accrued taxes and other expenses	5,567	5,410
Other liabilities (including allowance for credit losses on lending-related commitments of \$87 and \$78, also includes \$195 and \$221, at fair value)	8,844	8,543
Long-term debt	31,257	30,458
Total liabilities	368,944	364,933
<b>Temporary equity</b>		
Redeemable noncontrolling interests	85	109
<b>Permanent equity</b>		
Preferred stock – par value \$0.01 per share; authorized 100,000,000 shares; issued 43,826 and 48,826 shares	4,343	4,838
Common stock – par value \$0.01 per share; authorized 3,500,000,000 shares; issued 1,402,429,447 and 1,395,725,198 shares	14	14
Additional paid-in capital	28,908	28,508
Retained earnings	39,653	37,864
Accumulated other comprehensive loss, net of tax	(4,893)	(5,966)
Less: Treasury stock of 643,085,355 and 587,280,598 common shares, at cost	(27,151)	(24,524)
Total The Bank of New York Mellon Corporation shareholders' equity	40,874	40,734
Nonredeemable noncontrolling interests of consolidated investment management funds	50	7
Total permanent equity	40,924	40,741
Total liabilities, temporary equity and permanent equity	\$ 409,953	\$ 405,783

See accompanying Notes to Consolidated Financial Statements.



# The Bank of New York Mellon Corporation (and its subsidiaries)

## Consolidated Statement of Cash Flows

<i>(in millions)</i>	Year ended Dec. 31,		
	2023	2022	2021
<b>Operating activities</b>			
Net income	\$ 3,288	\$ 2,560	\$ 3,771
Net (income) loss attributable to noncontrolling interests	(2)	13	(12)
Net income applicable to shareholders of The Bank of New York Mellon Corporation	3,286	2,573	3,759
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Provision for credit losses	119	39	(231)
Pension plan contributions	(6)	(7)	(6)
Depreciation and amortization	1,748	1,636	1,867
Goodwill impairment	—	680	—
Deferred tax (benefit)	(423)	155	257
Net securities losses (gains)	68	443	(5)
Change in trading assets and liabilities	436	7,015	(1,898)
Change in accruals and other, net	684	2,534	(905)
Net cash provided by operating activities	5,912	15,068	2,838
<b>Investing activities</b>			
Change in interest-bearing deposits with banks	1,943	1,540	1,225
Change in interest-bearing deposits with the Federal Reserve and other central banks	(18,730)	7,812	35,073
Purchases of securities held-to-maturity	(341)	(2,497)	(8,921)
Paydowns of securities held-to-maturity	4,675	7,168	11,339
Maturities of securities held-to-maturity	1,766	1,610	1,872
Purchases of securities available-for-sale	(23,422)	(32,336)	(54,239)
Sales of securities available-for-sale	11,229	14,990	13,545
Paydowns of securities available-for-sale	3,898	5,215	12,775
Maturities of securities available-for-sale	19,748	11,573	17,221
Net change in loans	(801)	1,423	(11,350)
Sales of loans and other real estate	49	—	1
Change in federal funds sold and securities purchased under resale agreements	(4,597)	5,294	1,233
Net change in seed capital investments	25	64	171
Purchases of premises and equipment/capitalized software	(1,220)	(1,346)	(1,215)
Proceeds from the sale of premises and equipment	—	45	34
Acquisitions, net of cash	—	—	(170)
Dispositions, net of cash	—	446	8
Other, net	(32)	(1,127)	1,070
Net cash (used for) provided by investing activities	(5,810)	19,874	19,672
<b>Financing activities</b>			
Change in deposits	3,456	(37,009)	(17,896)
Change in federal funds purchased and securities sold under repurchase agreements	2,148	790	418
Change in payables to customers and broker-dealers	(5,030)	(1,488)	128
Change in other borrowed funds	73	(344)	397
Net proceeds from the issuance of long-term debt	6,487	9,929	5,186
Repayments of long-term debt	(6,059)	(4,000)	(4,650)
Proceeds from the exercise of stock options	—	9	50
Issuance of common stock	16	14	13
Issuance of preferred stock	—	—	1,287
Treasury stock acquired	(2,604)	(124)	(4,567)
Preferred stock redemption	(500)	—	(1,000)
Common cash dividends paid	(1,262)	(1,165)	(1,126)
Preferred cash dividends paid	(225)	(211)	(197)
Amortization of preferred stock discount	5	—	10
Other, net	(24)	(55)	(15)
Net cash (used for) financing activities	(3,519)	(33,654)	(21,962)
Effect of exchange rate changes on cash	230	358	(84)
<b>Change in cash and due from banks and restricted cash</b>	<b>(3,187)</b>	<b>1,646</b>	<b>464</b>
Change in cash and due from banks and restricted cash	(3,187)	1,646	464
Cash and due from banks and restricted cash at beginning of period	11,529	9,883	9,419
Cash and due from banks and restricted cash at end of period	\$ 8,342	\$ 11,529	\$ 9,883
<b>Cash and due from banks and restricted cash</b>			
Cash and due from banks at end of period (unrestricted cash)	\$ 4,922	\$ 5,030	\$ 6,061
Restricted cash at end of period	3,420	6,499	3,822
Cash and due from banks and restricted cash at end of period	\$ 8,342	\$ 11,529	\$ 9,883
<b>Supplemental disclosures</b>			
Interest paid	\$ 16,021	\$ 3,307	\$ 233
Income taxes paid	882	449	473
Income taxes refunded	17	11	42

See accompanying Notes to Consolidated Financial Statements.

# The Bank of New York Mellon Corporation (and its subsidiaries)

## Consolidated Statement of Changes in Equity

<i>(in millions, except per share amount)</i>	The Bank of New York Mellon Corporation shareholders						Nonredeemable noncontrolling interests of consolidated investment management funds	Total permanent equity	Redeemable noncontrolling interests/temporary equity
	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income, net of tax	Treasury stock			
Balance at Dec. 31, 2022	\$ 4,838	\$ 14	\$ 28,508	\$ 37,864	\$ (5,966)	\$(24,524)	\$ 7	\$ 40,741	(a) \$ 109
Shares issued to shareholders of noncontrolling interests	—	—	—	—	—	—	—	—	38
Redemption of subsidiary shares from noncontrolling interests	—	—	—	—	—	—	—	—	(54)
Other net changes in noncontrolling interests	—	—	16	—	—	—	41	57	(12)
Net income	—	—	—	3,286	—	—	2	3,288	—
Other comprehensive income	—	—	—	—	1,073	—	—	1,073	—
Dividends:									
Common stock at \$1.58 per share (b)	—	—	—	(1,262)	—	—	—	(1,262)	—
Preferred stock	—	—	—	(225)	—	—	—	(225)	—
Repurchase of common stock	—	—	—	—	—	(2,604)	—	(2,604)	—
Common stock issued under employee benefit plans	—	—	20	—	—	—	—	20	—
Preferred stock redemption	(500)	—	—	—	—	—	—	(500)	—
Stock-based compensation	—	—	364	—	—	—	—	364	—
Amortization of preferred stock discount	5	—	—	(5)	—	—	—	—	—
Excise tax on share repurchases	—	—	—	—	—	(23)	—	(23)	—
Excise tax on preferred stock redemption	—	—	—	(5)	—	—	—	(5)	—
Other	—	—	—	—	—	—	—	—	4
<b>Balance at Dec. 31, 2023</b>	<b>\$ 4,343</b>	<b>\$ 14</b>	<b>\$ 28,908</b>	<b>\$ 39,653</b>	<b>\$ (4,893)</b>	<b>\$(27,151)</b>	<b>\$ 50</b>	<b>\$ 40,924</b>	<b>(a) \$ 85</b>

(a) Includes total The Bank of New York Mellon Corporation common shareholders' equity of \$35,896 million at Dec. 31, 2022 and \$36,531 million at Dec. 31, 2023.

(b) Includes dividend-equivalents on share-based awards.

<i>(in millions, except per share amount)</i>	The Bank of New York Mellon Corporation shareholders						Nonredeemable noncontrolling interests of consolidated investment management funds	Total permanent equity	Redeemable noncontrolling interests/temporary equity
	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss), net of tax	Treasury stock			
Balance at Dec. 31, 2021	\$ 4,838	\$ 14	\$ 28,128	\$ 36,667	\$ (2,213)	\$(24,400)	\$ 196	\$ 43,230	(a) \$ 161
Shares issued to shareholders of noncontrolling interests	—	—	—	—	—	—	—	—	31
Redemption of subsidiary shares from noncontrolling interests	—	—	—	—	—	—	—	—	(31)
Other net changes in noncontrolling interests	—	—	44	—	—	—	(176)	(132)	(37)
Net income (loss)	—	—	—	2,573	—	—	(13)	2,560	—
Other comprehensive (loss)	—	—	—	—	(3,753)	—	—	(3,753)	(13)
Dividends:									
Common stock at \$1.42 per share (b)	—	—	—	(1,165)	—	—	—	(1,165)	—
Preferred stock	—	—	—	(211)	—	—	—	(211)	—
Repurchase of common stock	—	—	—	—	—	(124)	—	(124)	—
Common stock issued under employee benefit plans	—	—	20	—	—	—	—	20	—
Stock awards and options exercised	—	—	316	—	—	—	—	316	—
Other	—	—	—	—	—	—	—	—	(2)
<b>Balance at Dec. 31, 2022</b>	<b>\$ 4,838</b>	<b>\$ 14</b>	<b>\$ 28,508</b>	<b>\$ 37,864</b>	<b>\$ (5,966)</b>	<b>\$(24,524)</b>	<b>\$ 7</b>	<b>\$ 40,741</b>	<b>(a) \$ 109</b>

(a) Includes total The Bank of New York Mellon Corporation common shareholders' equity of \$38,196 million at Dec. 31, 2021 and \$35,896 million at Dec. 31, 2022.

(b) Includes dividend-equivalents on share-based awards.

# The Bank of New York Mellon Corporation (and its subsidiaries)

## Consolidated Statement of Changes in Equity (continued)

<i>(in millions, except per share amount)</i>	The Bank of New York Mellon Corporation shareholders						Nonredeemable noncontrolling interests of consolidated investment management funds	Total permanent equity	Redeemable non-controlling interests/ temporary equity
	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss), net of tax	Treasury stock			
Balance at Dec. 31, 2020	\$ 4,541	\$ 14	\$ 27,823	\$ 34,241	\$ (985)	\$(19,833)	\$ 143	\$ 45,944	(a) \$ 176
Shares issued to shareholders of noncontrolling interests	—	—	—	—	—	—	—	—	48
Redemption of subsidiary shares from noncontrolling interests	—	—	—	—	—	—	—	—	(94)
Other net changes in noncontrolling interests	—	—	(36)	—	—	—	41	5	29
Net income	—	—	—	3,759	—	—	12	3,771	—
Other comprehensive (loss) income	—	—	—	—	(1,228)	—	—	(1,228)	2
Dividends:									
Common stock at \$1.30 per share (b)	—	—	—	(1,126)	—	—	—	(1,126)	—
Preferred stock	—	—	—	(197)	—	—	—	(197)	—
Repurchase of common stock	—	—	—	—	—	(4,567)	—	(4,567)	—
Common stock issued under employee benefit plans	—	—	18	—	—	—	—	18	—
Preferred stock redemption	(1,000)	—	—	—	—	—	—	(1,000)	—
Preferred stock issued	1,287	—	—	—	—	—	—	1,287	—
Stock awards and options exercised	—	—	323	—	—	—	—	323	—
Amortization of preferred stock discount	10	—	—	(10)	—	—	—	—	—
Balance at Dec. 31, 2021	\$ 4,838	\$ 14	\$ 28,128	\$ 36,667	\$ (2,213)	\$(24,400)	\$ 196	\$ 43,230	(a) \$ 161

(a) Includes total The Bank of New York Mellon Corporation common shareholders' equity of \$41,260 million at Dec. 31, 2020 and \$38,196 million at Dec. 31, 2021.

(b) Includes dividend-equivalents on share-based awards.

See accompanying Notes to Consolidated Financial Statements.

### Note 1—Summary of significant accounting and reporting policies

In this Annual Report, references to “our,” “we,” “us,” “BNY Mellon,” the “Company” and similar terms refer to The Bank of New York Mellon Corporation and its consolidated subsidiaries. The term “Parent” refers to The Bank of New York Mellon Corporation but not its subsidiaries.

#### *Nature of operations*

BNY Mellon is a global leader in providing a broad range of financial products and services in domestic and international markets. Through our three principal business segments, Securities Services, Market and Wealth Services and Investment and Wealth Management, we serve institutions, corporations and high-net-worth individuals. See Note 24 for the primary products and services of our lines of business and other information.

#### *Basis of presentation*

The accounting and financial reporting policies of BNY Mellon, a global financial services company, conform to U.S. generally accepted accounting principles (“GAAP”) and prevailing industry practices.

In the opinion of management, all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the periods presented have been made.

#### *Use of estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates based upon assumptions about future economic and market conditions which affect reported amounts and related disclosures in our financial statements. Our most significant estimates pertain to our allowance for credit losses, goodwill and other intangibles and litigation and regulatory contingencies. Although our current estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition.

#### *Foreign currency translation*

Assets and liabilities denominated in foreign currencies are translated to U.S. dollars at the rate of exchange on the balance sheet date. Translation gains and losses on investments in foreign entities with functional currencies that are not the U.S. dollar are recorded as foreign currency translation adjustments in other comprehensive income (“OCI”). Revenue and expense transactions are translated at the applicable daily rate or the weighted average monthly exchange rate when applying the daily rate is not practical. For transactions that are denominated in a currency other than the functional currency, the effects of exchange rate changes are included in foreign exchange revenue in the income statement.

#### *Acquisitions and divestitures*

The income statement and balance sheet include results of acquired businesses accounted for under the acquisition method of accounting pursuant to Accounting Standards Codification (“ASC”) 805, *Business Combinations*, and equity investments from the dates of acquisition. Contingent purchase consideration is measured at its fair value and recorded on the purchase date. Any subsequent changes in the fair value of a contingent consideration liability are recorded to other noninterest expense. Gains or losses on divested business are reflected in investment and other revenue. For businesses that are determined to be held-for-sale and the fair value less costs to sell is less than its carrying value, a loss is recognized for that difference. Contingent consideration received is measured at fair value and recorded at the date of sale. Any subsequent changes in the fair value of a contingent consideration receivable are recorded to investment and other revenue.

#### *Consolidation*

We evaluate an entity for possible consolidation in accordance with ASC 810, *Consolidation*. We first determine whether or not we have variable interests in the entity, which are investments or other interests that absorb portions of an entity’s expected losses or receive portions of the entity’s expected returns. Our variable interests may include decision-maker or service provider fees, direct and indirect investments and investments made by related parties, including related parties under common control. If it is determined that we do not have a variable interest in

the entity, no further analysis is required and the entity is not consolidated.

If we hold a variable interest in the entity, further analysis is performed to determine if the entity is a variable interest entity (“VIE”) or a voting model entity (“VME”).

We consider the underlying facts and circumstances of individual entities when assessing whether or not an entity is a VIE. An entity is determined to be a VIE if the equity investors:

- do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support; or
- lack one or more of the following characteristics of a controlling financial interest:
  - the power, through voting rights or similar rights, to direct the activities of an entity that most significantly impact the entity’s economic performance;
  - the obligation to absorb the expected losses of the entity; and
  - the right to receive the expected residual returns of the entity.

We reconsider and reassess whether or not we are the primary beneficiary of a VIE when governing documents or contractual arrangements are changed that would reallocate the obligation to absorb expected losses or receive expected residual returns between BNY Mellon and the other investors. This could occur when BNY Mellon disposes of any portion of its variable interests in the VIE, when we acquire additional variable interests in the VIE, when additional variable interests are issued to other investors or when other investors liquidate their variable interest in the VIE.

We consolidate a VIE if it is determined that we have a controlling financial interest in the entity. We have a controlling financial interest in a VIE when we have both (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to that VIE.

For entities that do not meet the definition of a VIE, the entity is considered a VME. We consolidate these entities if we can exert control over the financial and

operating policies of an investee, which typically occurs if we have a 50% or more voting interest in the entity.

See Note 14 for additional disclosures related to our variable interests.

*Equity method investments, including renewable energy investments*

Equity investments of less than a majority but at least 20% ownership or where we are deemed to have significant influence are accounted for by the equity method and included in other assets. Earnings on these investments are reflected as investment services fees, investment management and performance fees or investment and other revenue, as appropriate, in the period earned.

A loss in value of an equity investment that is determined to be other-than-temporary is recognized by reducing the carrying value of the equity investment to its fair value.

Investments in renewable energy projects through limited liability companies are accounted for using the equity method of accounting. The hypothetical liquidation at book value (“HLBV”) methodology is used to determine the pre-tax loss that is recognized in each period. HLBV estimates the liquidation value at the beginning and end of each period, with the difference recognized as the amount of loss under the equity method.

The pre-tax losses are reported in investment and other revenue on the income statement. The corresponding tax benefits and credits are recorded as a reduction to provision for income taxes on the income statement.

See Note 8 for the amount of our renewable energy investments. Below are our most significant equity method investments, other than the investments in renewable energy.

<b>Equity method investments at Dec. 31, 2023</b>		
<i>(dollars in millions)</i>	Percentage ownership	Book value
CIBC Mellon Global Securities Services Company (“CIBC Mellon”)	<b>50%</b>	<b>\$ 607</b>
Siguler Guff	<b>20%</b>	<b>\$ 234</b>

### *Restricted cash and securities*

Cash and securities may be segregated under federal and other regulatory requirements and primarily consists of excess client funds held by our broker-dealer entities. Restricted cash is included in interest-bearing deposits with banks on the balance sheet and with cash and due from banks when reconciling the beginning and end-of-period balances on the consolidated statement of cash flows.

### *Securities purchased under resale agreements and securities sold under repurchase agreements*

Securities purchased under resale agreements and securities sold under repurchase agreements are accounted for as collateralized financings. Generally, these agreements are recorded at the amounts at which the securities will be subsequently resold or repurchased, plus accrued interest.

Securities purchased under resale agreements are fully collateralized with high-quality liquid securities. Collateral requirements are monitored and additional collateral is received or provided, as required. As such, these transactions carry minimal credit risk and are generally not allocated an allowance for credit losses.

Where an enforceable netting agreement exists, resale and repurchase agreements executed with the same counterparty and the same maturity date are reported on a net basis on the balance sheet.

### *Securities – Debt*

Debt securities are classified as available-for-sale, held-to-maturity or trading securities when they are purchased. Debt securities are classified as available-for-sale when we intend to hold them for an indefinite period of time or when they may be used for tactical asset/liability purposes and may be sold from time to time to effectively manage interest rate exposure, prepayment risk and liquidity needs. Debt securities are classified as held-to-maturity when we intend and have the ability to hold them until maturity. Debt securities are classified as trading when we intend to resell them.

Available-for-sale securities are measured at fair value. The difference between fair value and amortized cost representing unrealized gains or losses is recorded net of tax as an addition to, or deduction

from, OCI, unless an expected credit loss is recognized. Realized gains and losses on sales of available-for-sale securities are reported in investment and other revenue on the income statement. The cost of debt securities sold is determined on a specific identification method. Held-to-maturity securities are measured at amortized cost, net of expected credit loss, if any.

From time to time our intention to hold available-for-sale securities has changed such that we intend, and have the ability to, hold the securities to maturity. Transfers of securities from available-for-sale to held-to-maturity are accounted for at fair value and creates a new cost basis. The unrealized gains or losses at date of transfer continue to be recorded in accumulated other comprehensive income and are subsequently amortized into net interest revenue over the contractual lives of the securities.

The Company's policy for recognition of expected credit losses for securities available-for-sale and securities held-to-maturity is contained within "Allowance for credit losses – Securities – Debt" and "Allowance for credit losses – Other" below.

Trading securities are measured at fair value and included in trading assets on the balance sheet. Trading revenue, which is reflected in investment and other revenue, includes both realized and unrealized gains and losses. The liability incurred on short-sale transactions, representing the obligation to deliver securities, is included in trading liabilities at fair value.

Income on securities purchased is adjusted for amortization of premium and accretion of discount on a level yield basis, generally over their contractual life.

Debt securities that are beneficial interests in securitized financial assets and are not high credit quality are discounted at the current yield used to accrete the beneficial interest. A credit loss is recognized when there is an adverse change in expected cash flows.

If we intend to sell a debt security or it is more likely than not that we will be required to sell a debt security prior to recovery of its cost basis, the security is written down to fair value and the credit and non-credit components of the unrealized loss are recognized in earnings and subsequently accreted to

interest revenue on an effective yield basis over the life of the security. Subsequent increases in the fair value of the security after the write-down are included in OCI.

#### *Securities – Equity*

Investments in equity securities that do not result in consolidation and are not accounted for under the equity method are measured at fair value with changes in the fair value recognized through earnings, unless one of two available exceptions applies. The first exception, a scope exception, allows Federal Reserve Bank stock, Federal Home Loan Bank stock and exchange memberships to remain accounted for at cost, less impairment. The second practicability exception is an election available for equity investments that do not have readily determinable fair values. For certain investments where the Company has chosen the practicability exception, such investments are accounted for in other assets on the balance sheet at cost adjusted for impairment, if any, plus or minus observable price changes in orderly transactions for an identical or similar investment of the same issuer with any such changes reflected in investment and other revenue. Equity securities with readily determinable fair values are classified in trading assets with changes in fair value reflected in other trading revenue, which is included in investment and other revenue in the consolidated income statement.

#### *Loans*

Loans are reported at amortized cost, net of any unearned income and deferred fees and costs. Certain loan origination and upfront commitment fees, as well as certain direct loan origination and commitment costs, are deferred and amortized as a yield adjustment over the lives of the related loans. Loans held for sale are carried at the lower of cost or fair value.

#### *Loan modifications*

A loan may be modified if the debtor is experiencing financial difficulties and the modification results in more than an insignificant delay in payment. A determination of whether a debtor is experiencing financial difficulty is based on payment status, and for commercial borrowers, the determination also considers debtor risk ratings. The determination of whether the modification results in more than an

insignificant delay in payment is based on analysis of the payment amount subject to delay, the time span of the modified terms, and well as a review of modification activity in the previous 12-month period.

Credit losses related to modified loans are generally accounted for under an individual evaluation methodology (see “Allowance for credit losses” below).

#### *Nonperforming assets*

Commercial loans are placed on nonaccrual status when principal or interest is past due 90 days or more, or when there is reasonable doubt that interest or principal will be collected.

When a first or second lien residential mortgage loan reaches 90 days delinquent, it is subject to an individual evaluation of credit loss and placed on nonaccrual status.

When a loan is placed on nonaccrual status, previously accrued and uncollected interest is reversed against current period interest revenue. Interest receipts on nonaccrual loans are recognized as interest revenue or are applied to principal when we believe the ultimate collectability of principal is in doubt. Nonaccrual loans generally are restored to an accrual basis when principal and interest become current and remain current for a specified period.

“Allowance for credit losses” below provides additional information regarding the individual evaluation of credit losses for nonperforming loans.

#### *Allowance for credit losses*

The accounting policy for determining the allowances has been identified as a “critical accounting estimate” as it requires us to make numerous complex and subjective estimates and assumptions relating to amounts which are judgmental and inherently uncertain.

The allowance for credit losses represents management’s estimate of expected credit losses over the expected contractual life of the financial instruments as of the balance sheet date. The allowance methodology is designed to provide procedural discipline in assessing the appropriateness of the allowance.

A quantitative methodology and qualitative framework is used to estimate the allowance for credit losses. The qualitative framework is described in further detail within “Allowance for credit losses – Other” below. The quantitative component of our estimate uses models and methodologies that categorize financial assets based on product type, collateral type, and other credit trends and risk characteristics, including relevant information about past events, current conditions and reasonable and supportable forecasts of future economic conditions that affect the collectability of the recorded amounts. The allowance may be determined using various methods, including discounted cash flow methods, loss-rate methods, probability of default methods or other methods that we determine to be appropriate. We estimate our expected credit losses using the probability of default method for the majority of our financial assets. We measure expected credit losses of financial assets on a collective (pool) basis when similar risk characteristics exist. For a financial asset that does not share risk characteristics with other assets, expected credit losses are measured based on an individual evaluation method.

In our estimate, with the exception of our small home equity line of credit portfolio, available-for-sale debt securities, and individually evaluated financial assets, we utilize a multi-scenario macroeconomic forecast which includes a weighting of three scenarios: a baseline and upside and downside scenarios and allows us to develop our estimate using a wide span of economic variables. Our baseline scenario reflects a view on likely performance of each global region and the other two scenarios are designed relative to the baseline scenario. This approach incorporates a reasonable and supportable forecast period spanning the life of the asset, and this period includes both an initial estimated economic outlook component as well as a reversion component for each economic input variable. The length of each of the two components depends on the underlying financial instrument, scenario and underlying economic input variable. In general, the initial economic outlook period for each economic input variable under each scenario ranges between several months and two years. The speed at which the scenario-specific forecasts revert to long-term historical mean is based on observed historical patterns of mean reversion at the economic variable input level that are reflected in our model parameter estimates. Certain macroeconomic variables such as unemployment or home prices take longer to revert after a contraction, though specific recovery times are

scenario-specific. Reversion will usually take longer the further away the scenario-specific forecast is from the historical mean. On a quarterly basis, within a developed governance structure, we update these scenarios for current economic conditions and may adjust the scenario weighting based on our economic outlook.

#### *Allowance for credit losses – Loans and lending-related commitments*

The allowance for credit losses on loans is presented as a valuation allowance to loans, and the allowance for credit losses on lending-related commitments is recorded in other liabilities. The components of the allowance for credit losses on loans and lending-related commitments consist of the following three elements:

- a pooled allowance component for higher risk-rated and pass-rated commercial and institutional credits and loans secured by commercial real estate;
- a pooled allowance component for residential mortgage loans; and
- an asset-specific allowance component involving individually evaluated credits of \$1 million or greater which no longer share risk characteristics with other loans.

The first element, a pooled allowance component for higher risk-rated and pass-rated commercial and institutional credits and loans secured by commercial real estate, is based on our expected credit loss model using the probability of default method, which has been adjusted for the forecast of economic conditions. Individual credit analyses are performed on such loans before being assigned a credit rating. Segmentation is established based on risk characteristics of the loans and how risk is monitored. In estimating the terms of the exposures and resulting effect on the measurement of expected credit loss, we consider the impact of potential prepayments as well as the effect of borrower extension options. Borrower ratings are reviewed at least annually and are mapped to third-party databases, including rating agency and default and recovery databases, to support ongoing consistency and validity. Higher risk-rated loans and lending-related commitments are reviewed quarterly.

For the higher-risk rated and pass-rated commercial and institutional credits, the loss expected in each loan incorporates the borrower’s credit rating, facility



rating and maturity. The loss given default, derived from the facility rating, incorporates a recovery expectation, and for unfunded lending exposures, an estimate of the use of the facility at default (usage given default). The borrower's probability of default is derived from the associated credit rating. The probability of default and the loss given default are applied to the estimated facility amount at default to determine the quantitative component of the allowance. For each of the different parameters, specific credit models are developed for each segment of our portfolio, including commercial loans and lease financing, financial institutions and other. We use both internal and external data in the development of these parameters.

For loans secured by commercial real estate, a separate modeled approach is used that considers collateral specific data and loan maturity, as well as commercial real estate market factors by geographical region and property type under different macroeconomic scenarios. A statistical method is used to simulate the property value and income of each property, and to estimate the probability of default, loss given default and expected credit loss for each loan. The model outputs are established by using a baseline, upside and downside macroeconomic scenario to generate projected property values and incomes.

The second element, a pooled allowance component for residential mortgage loans, is determined by first segregating our mortgage pools into two categories: (i) our wealth management mortgages and other residential mortgages purchased primarily in 2023 and (ii) our legacy mortgage portfolio disclosed as other residential mortgages. We then apply models to each portfolio to predict prepayments, default rates and loss severity. We consider historical loss experience and use a loan-level, multi-period default model which further segments each portfolio by product type, including first lien fixed rate mortgages, first lien adjustable rate mortgages, second lien mortgages and interest-only mortgages. We calculate the mortgage loss up to loan contractual maturity and embed a reasonable and supportable forecast and macroeconomic variable inputs which are described above. For home equity lines of credit, probability of default and loss given default are based on external data from third-party databases due to the small size of the portfolio and limited internal data. Our legacy mortgage portfolio and home equity line of credit

portfolios represent small sub-segments of our mortgage loans.

The third element, individually evaluated credits, is based on individual analysis of loans of \$1 million and greater which no longer share risk characteristics with other loans. Factors we consider in measuring the extent of expected credit loss include the payment status, collateral value, the borrower's financial condition, guarantor support, the probability of collecting scheduled principal and interest payments when due, anticipated modifications of payment structure or term for troubled borrowers, and recoveries if they can be reasonably estimated. We measure the expected credit loss as the difference between the amortized cost basis of the loan and the present value of the expected future cash flows from the borrower which is generally discounted at the loan's effective interest rate, or the fair value of the collateral, if the loan is collateral dependent. We generally individually evaluate nonperforming loans as well as loans that have been or are anticipated to be modified given the risk characteristics of such loans.

#### *Allowance for credit losses – Securities – Debt*

When estimating expected credit losses, we segment our available-for-sale and held-to-maturity debt securities portfolios by major asset class. This is influenced by whether the security is structured or non-structured (i.e., direct obligation), as well as the issuer type.

For available-for-sale debt securities with an unrealized loss at the balance sheet date, if we determine that a credit loss exists, the amount is recognized as an allowance for credit losses in securities – available-for-sale, with a corresponding adjustment to the provision for credit losses. We evaluate credit losses at the individual security level and do not recognize credit losses if the fair value exceeds amortized cost, and if we determine that a credit loss exists, we limit the recognition of the loss to the difference between fair value and amortized cost. In our determination of whether an expected credit loss exists for a non-structured security, we routinely conduct periodic reviews and examine various quantitative and qualitative factors that are unique to each portfolio, including the severity of the unrealized loss position, agency rating, credit enhancement, cash flow deterioration and other factors. For a structured security, a credit loss model is utilized and the components of the credit loss

calculation for each major portfolio or asset class include a probability of default and loss given default (severity). These values depend on forecasted behavior of variables in the macroeconomic environment that are incorporated into our baseline forecast scenario described in “Allowance for credit losses” above. Generally, cash flows are discounted at the effective interest rate implicit in the debt security. Changes to the present value of cash flows due to the passage of time are recognized within the allowance for credit losses.

We estimate expected credit losses for held-to-maturity debt securities using a similar multi-scenario macroeconomic forecast methodology as described in “Allowance for credit losses” above. The allowance for credit losses on held-to-maturity debt securities is recorded in securities – held-to-maturity. The components of the modeled credit loss calculation for each major portfolio or asset class include a probability of default and loss given default and their values depend on the forecast behavior of variables in the macroeconomic environment. For structured debt securities, we estimated expected credit losses at the individual security level and use a cash flow model to project principal losses. Generally, cash flows are discounted at the effective interest rate implicit in the debt security. The difference is reflected in the allowance for credit losses, and changes to the present value of cash flows due to the passage of time are recognized within the allowance for credit losses.

We currently do not require an estimate of expected credit losses to be measured and recorded for U.S. Treasury securities, agency debt securities, and other debt securities that meet certain conditions that are based on a combination of factors such as guarantees, credit ratings and other credit quality factors. These assets are monitored within our established governance structure on a recurring basis to determine if any changes are warranted.

#### *Allowance for credit losses – Other financial instruments*

We also estimate expected credit losses associated with margin loans, reverse repurchase agreements, security lending indemnifications, and deposits with third-party financial institutions using a similar risk rating-based modeling approach as described in the first allowance element within “Allowance for credit losses – Loans and lending-related commitments” above. The allowance for credit losses on reverse

repurchase agreements is recorded in federal funds sold and securities purchased under resale agreements; the allowance for credit losses on securities lending indemnifications is recorded in other liabilities and the allowance for credit losses on deposits with third-party financial institutions is recorded in cash and due from banks or interest-bearing deposits with banks. Our reverse repurchase agreements are short-term and subject to continuous over-collateralization by our counterparties and timely collateral replenishment, when necessary. As a result, we estimate the expected credit loss related to the uncollateralized portion of the asset at the balance sheet date, if any, and when there is a reasonable expectation that the counterparty will not replenish the collateral in compliance with the terms of the repurchase agreement. This method is also applied to margin lending arrangements and securities lending indemnifications.

#### *Allowance for credit losses – Other*

We do not apply our credit loss measurement methodologies to accrued interest receivable balances related to our loan, debt securities and deposits with third-party financial institution assets given our nonaccrual policy that requires charge-off of interest receivable when deemed uncollectible. Accrued interest receivable related to these instruments, along with other interest-bearing instruments, is included on the consolidated balance sheet. Accrued interest receivable related to each major loan class is disclosed in our credit quality disclosure in Note 5.

Our policy for credit losses related to purchased financial assets requires an evaluation to be performed prior to the effective purchase date to determine if more than an insignificant decline in credit quality has occurred during the period between the origination and purchase date, or, in the case of debt securities, the period between the issuance and purchase date. If we purchase a financial asset with more than insignificant deterioration in credit quality, the measurement of expected credit loss is performed using the methodologies described above, and the credit loss is recorded as an allowance for credit losses on the purchase date. Subsequent to purchase, changes (favorable and unfavorable) in expected cash flows are recognized immediately in net income by adjusting the allowance. We evaluate various factors in the determination of whether a more than an insignificant decline in credit quality has occurred and these factors vary depending upon the type of

asset purchased. Such factors include changes in risk rating and/or agency rating, collateral deterioration, payment status, purchase price, credit spreads and other factors. We did not purchase any such assets in 2023 or 2022 and did not own such assets as of Dec. 31, 2023 or Dec. 31, 2022.

We apply a separate credit loss methodology to accounts receivables to estimate the expected credit losses associated with these short-term receivables which historically have not resulted in significant credit losses. The allowance for credit losses on accounts receivables is reflected in other assets.

The qualitative component of our estimate for the allowance for credit losses is intended to capture expected losses that may not have been fully captured in the quantitative component. Through an established governance structure, management determines the qualitative allowance each period based on an evaluation of various internal and environmental factors which include: scenario weighting and sensitivity risk, credit concentration risk, economic conditions and other considerations. We may also make adjustments for idiosyncratic risks. Once determined in the aggregate, our qualitative allowance is then allocated to each of our financial instrument portfolios except for debt securities and those instruments carried in other assets based on the respective instruments' quantitative allowance balances. The allocation of this additional allowance for credit losses is inherently judgmental, and the entire allowance for credit losses is available to absorb credit losses regardless of the nature of the loss.

#### *Premises and equipment*

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful life of the owned asset and, for leasehold improvements, over the lesser of the remaining term of the leased facility or the estimated economic life of the improvement. For owned and capitalized assets, estimated useful lives range from two to 40 years. Maintenance and repairs are charged to expense as incurred, while major improvements are capitalized and amortized to operating expense over their identified useful lives.

#### *Leasing*

We determine if an arrangement is a lease at inception. Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments. The ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date or at lease modification date for certain lease modifications. For all leases, we use a discount rate that represents a collateralized borrowing rate based on similar terms and information available at lease commencement date or at the modification date for certain lease modifications in determining the present value of lease payments. In addition to the lease payments, the determination of an ROU asset may also include certain adjustments related to lease incentives and initial direct costs incurred. Options to extend or terminate a lease are included in the determination of the ROU asset and lease liability only when it is reasonably certain that we will exercise that option.

Lease expense for operating leases is recognized on a straight-line basis over the lease term, while the lease expense for finance leases is recognized using the effective interest method. ROU assets are reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. For operating leases, if deemed impaired, the ROU asset is written down and the remaining balance is subsequently amortized on a straight-line basis which results in lease expense recognition that is similar to finance leases.

For all leases, we have elected to account for the contractual lease and non-lease components as a single lease component and include them in the calculation of the lease liability. The non-lease variable components, such as maintenance expense and other variable costs, including non-index or rate escalations, have been excluded from the calculation and disclosed separately. Additionally, for certain equipment leases, we apply a portfolio approach to account for the operating lease ROU assets and liabilities.

For subleasing activities, the rental income is reported as part of net occupancy expense, as this activity is not a significant business activity and is part of the Company's customary business practice.

For direct finance leases, unearned revenue is accreted over the lives of the leases in decreasing amounts to provide a constant rate of return on the net investment in the leases. We have leveraged lease transactions that were entered into prior to Dec. 31, 2018. These leases are grandfathered under ASC 842, *Leases*, which became effective Jan. 1, 2019, and will continue to be accounted for under the prior guidance unless the leases are subsequently modified. Revenue on leveraged leases is recognized on a basis to achieve a constant yield on the outstanding investment in the lease, net of the related deferred tax liability, in the years in which the net investment is positive. Gains and losses on residual values of leased equipment sold are included in investment and other revenue. Impairment of leveraged lease residual values that is deemed other-than-temporary is reflected in net interest revenue. Considering the nature of these leases and the number of significant assumptions, there is risk associated with the income recognition on these leases should any of the assumptions change materially in future periods.

#### *Software*

We capitalize costs relating to acquired software and internal-use software development projects that provide new or significantly improved functionality. We capitalize projects that are expected to result in longer-term operational benefits, such as replacement systems or new applications that result in significantly increased operational efficiencies or functionality. All other costs incurred in connection with an internal-use software project are expensed as incurred. Capitalized software is recorded in other assets on the balance sheet. We record amortization of capitalized software in software and equipment expense on the income statement.

#### *Identified intangible assets and goodwill*

Identified intangible assets with estimable lives are amortized in a pattern consistent with the assets' identifiable cash flows or using a straight-line method over their remaining estimated benefit periods if the pattern of cash flows is not estimable. Intangible assets with estimable lives are reviewed for possible impairment when events or changed circumstances may affect the underlying basis of the asset. Goodwill and intangibles with indefinite lives are not amortized, but are assessed annually for impairment, or more often if events and circumstances indicate it is more likely than not they may be impaired and to

determine if the lives are no longer indefinite and should be amortized. The amount of goodwill impairment, if any, is determined by the excess of the carrying value of the reporting unit over its fair value. The accounting policy for valuing and impairment testing of identified intangible assets and goodwill has been identified as a "critical accounting estimate" as it requires us to make numerous complex and subjective estimates.

#### *Investments in qualified affordable housing projects*

Investments in qualified affordable housing projects through a limited liability entity are accounted for utilizing the proportional amortization method. Under the proportional amortization method, the initial cost of the investment is amortized to the provision for income taxes in proportion to the tax credits and other tax benefits received. The net investment performance, including tax credits and other benefits received, is recognized in the income statement as a component of the provision for income taxes. Additionally, the value of the commitments to fund qualified affordable housing projects is included in other assets on the balance sheet and a liability is recorded for the unfunded portion.

#### *Seed capital*

Seed capital investments are generally classified as other assets and carried at fair value unless we are required to consolidate the investee due to having a controlling financial interest. Unrealized gains and losses on seed capital investments are recorded in investment and other revenue.

#### *Noncontrolling interests*

Noncontrolling interests represent the portion of consolidated entities that are owned by parties other than BNY Mellon. Noncontrolling interests included in permanent equity are adjusted for the income or loss attributable to the noncontrolling interest holders and any distributions to those shareholders. Redeemable noncontrolling interests are reported as temporary equity and represent the redemption value resulting from equity-classified share-based payment arrangements that are currently redeemable or are expected to become redeemable. We recognize changes in the redemption value of the redeemable noncontrolling interests as they occur and adjust the carrying value to be equal to the redemption value.

### *Fee revenue*

Investment services fee revenue and investment management and performance fee revenue are based on terms specified in a contract with a customer and are shown net of fee waivers and exclude any amounts collected on behalf of third parties. Revenue is recognized when, or as, a performance obligation is satisfied by transferring control of a good or service to a customer. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring our progress in satisfying the performance obligation in a manner that reflects the transfer of goods and services to the customer. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time the customer obtains control of the promised good or service. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for the promised goods and services. Taxes assessed by a governmental authority, that are both imposed on, and concurrent with, a specific revenue-producing transaction, are collected from a customer and are excluded from revenue.

Performance fees are recognized in the period in which the performance fees are earned and become determinable. Performance fees are constrained until all uncertainties are resolved and reversal of previously recorded amounts is not probable. Performance fees are generally calculated as a percentage of the applicable portfolio's performance in excess of a benchmark index or a peer group's performance. When a portfolio underperforms its benchmark or fails to generate positive performance, subsequent years' performance must generally exceed this shortfall prior to fees being earned. Amounts billable, which are subject to a clawback if future performance thresholds in current or future years are not met, are not recognized since the fees are potentially uncollectible. These fees are recognized when it is determined that they will be collected. When a multi-year performance contract provides that fees earned are billed ratably over the performance period, only the portion of the fees earned that are non-refundable are recognized.

Additionally, we recognize revenue from non-refundable, implementation fees under outsourcing contracts using a straight-line method, commencing in the period the ongoing services are performed through the expected term of the contractual

relationship. Incremental direct set-up costs of implementation, up to the related customer margin or minimum fee revenue amount, are deferred and amortized over the same period that the related implementation fees are recognized. If a client terminates an outsourcing contract prematurely, the unamortized deferred incremental direct set-up costs and the unamortized deferred implementation fees related to that contract are recognized in the period the contract is terminated.

We record foreign exchange revenue, financing-related fees and other revenue when the services are provided and earned based on contractual terms, when amounts are determined and collectability is reasonably assured.

### *Net interest revenue*

Revenue on interest-earning assets and expense on interest-bearing liabilities are recognized based on the effective yield of the related financial instrument. The amortization of premiums and accretion of discounts are included in interest revenue and are adjusted for prepayments when they occur, such that the effective yield remains constant throughout the contractual life of the security. Negative interest incurred on assets or charged on liabilities is presented as contra interest revenue and contra interest expense, respectively.

### *Pension*

The measurement date for BNY Mellon's pension plans is December 31. Plan assets are determined based on fair value generally representing observable market prices. The projected benefit obligation is determined based on the present value of projected benefit distributions at an assumed discount rate. The discount rate utilized is based on the yield curves of high-quality corporate bonds available in the marketplace. The net periodic pension expense or credit includes service costs (if applicable), interest costs based on an assumed discount rate, an expected return on plan assets based on an actuarially derived market-related value, amortization of prior service cost and amortization of prior years' actuarial gains and losses.

Actuarial gains and losses include gains or losses related to changes in the amount of the projected benefit obligation or plan assets resulting from demographic or investment experience different than

assumed, changes in the discount rate or other assumptions. To the extent an actuarial gain or loss exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets, the excess is generally recognized over the future service periods of active employees. Benefit accruals under the U.S. pension plans and the largest foreign pension plan in the UK are frozen. Future unrecognized actuarial gains and losses for these frozen plans that exceed a threshold amount are amortized over the average future life expectancy of plan participants with a maximum of 15 years.

Our expected long-term rate of return on plan assets is based on anticipated returns for each applicable asset class. Anticipated returns are weighted for the expected allocation for each asset class and are based on forecasts for prospective returns in the equity and fixed-income markets, which should track the long-term historical returns for these markets. We also consider the growth outlook for U.S. and global economies, as well as current and prospective interest rates.

The market-related value utilized to determine the expected return on plan assets is based on the fair value of plan assets adjusted for the difference between expected returns and actual performance of plan assets. The difference between actual experience and expected returns on plan assets is included as an adjustment in the market-related value over a five-year period.

#### *Stock-based compensation*

Compensation expense relating to share-based payments is generally recognized in staff expense on the income statement, on a straight-line basis, over the applicable vesting period.

Certain stock compensation grants vest when the employee retires. New grants with this feature are expensed by the first date the employee is eligible to retire. We estimate forfeitures when recording compensation cost related to share-based payment awards.

A portion of performance share unit awards are granted with performance conditions and for which the ultimate payout is subject to the discretion of the Human Resources and Compensation Committee. These awards are classified as equity and marked-to-market to earnings over the vesting period due to this

discretion. A portion of performance share unit awards contain market conditions. The grant date fair value of this portion of the awards is recognized on a straight-line-basis to staff expense unless the requisite service period is not rendered.

#### *Severance*

BNY Mellon provides separation benefits for U.S.-based employees through The Bank of New York Mellon Corporation Supplemental Unemployment Benefit Plan. These benefits are provided to eligible employees separated from their jobs for business reasons not related to individual performance. Basic separation benefits are generally based on the employee's years of continuous benefited service. Severance for employees based outside of the U.S. is determined in accordance with local agreements and legal requirements. Severance expense is recorded when management commits to an action that will result in separation and the amount of the liability can be reasonably estimated.

#### *Income taxes*

We record current tax liabilities or assets through charges or credits to the current tax provision for the estimated taxes payable or refundable for the current year. Deferred tax assets and liabilities are recorded for future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A deferred tax valuation allowance is established if it is more likely than not that all or a portion of the deferred tax assets will not be realized. A tax position that fails to meet a more-likely-than-not recognition threshold will result in either reduction of current or deferred tax assets, and/or recording of current or deferred tax liabilities. Interest and penalties related to income taxes are recorded as income tax expense.

#### *Derivative financial instruments*

Derivatives are recorded on the balance sheet at fair value and include futures, forwards, interest rate swaps, foreign currency swaps and options and similar products. Derivatives in an unrealized gain position are recognized as assets while derivatives in unrealized loss position are recognized as liabilities.

Derivatives are reported net by counterparty and after consideration of cash collateral, to the extent subject to legally enforceable netting agreements.

Derivatives designated and effective in qualifying hedging relationships are classified in other assets or other liabilities on the balance sheet. All other derivatives are classified within trading assets or trading liabilities on the balance sheet. Gains and losses on trading derivatives are generally included in foreign exchange revenue or investment and other revenue, as applicable.

We enter into various derivative financial instruments for non-trading purposes primarily as part of our asset/liability management process. These non-trading derivatives are designated as one of three types of hedge activities: fair value, cash flow or net investment hedges.

To qualify for hedge accounting, each hedge relationship is required to be highly effective at reducing the risk associated with the exposure being hedged, both prospectively and retrospectively. We formally document all relationships, including hedging instruments and hedged items, as well as our risk management objectives and strategy for undertaking each hedging transaction. At inception, the potential cause of ineffectiveness related to each of our hedges is assessed to determine if we can expect the hedge to be highly effective over the life of the transaction. At hedge inception, we document the methodology to be utilized for evaluating effectiveness on an ongoing basis, and we monitor ongoing hedge effectiveness at least quarterly.

For qualifying fair value hedges, changes in the fair value of the derivative, and changes in the value of the hedged item associated with the designated risks being hedged, are recognized in earnings. Certain amounts excluded from the assessment of effectiveness are recorded in OCI and recognized in earnings through an amortization approach over the life of the derivative. We discontinue hedge accounting prospectively when we determine that the hedge is no longer effective or the derivative expires, is sold, or management discontinues the derivative's hedge designation. Subsequent gains and losses on these derivatives are included in foreign exchange revenue or other trading revenue, as applicable. For discontinued fair value hedges, the accumulated gain or loss on the hedged item is amortized on a yield basis over the remaining life of the hedged item.

For qualifying cash flow hedges, changes in the fair value of the derivative are recorded in OCI, until reclassified into earnings in the same period the hedged item impacts earnings. If the hedge relationship is terminated, then the change in value will be reclassified from OCI to earnings when the cash flows that were previously hedged affect earnings. If cash flow hedge accounting is discontinued as a result of a forecasted transaction no longer being probable to occur, then the amount reported in OCI is immediately reclassified to current earnings.

Derivative amounts affecting earnings are recognized in the same income statement line as the hedged item affects earnings, principally interest revenue, interest expense, foreign exchange revenue and staff expense.

Foreign currency transaction gains and losses related to qualifying hedges of net investments in a foreign operation are recorded with cumulative foreign currency translation adjustments within OCI net of their tax effect. We evaluate the effectiveness of foreign currency derivatives designated as hedges of net investments utilizing the forward rate method.

#### *Earnings per common share*

Earnings per common share is calculated using the two-class method under which earnings are allocated to common shareholders and holders of participating securities. Unvested stock-based compensation awards that contain non-forfeitable rights to dividends or dividend equivalents are considered participating securities under the two-class method.

Basic earnings per share is calculated by dividing net income allocated to common shareholders of BNY Mellon by the average number of common shares outstanding and vested stock-based compensation awards where recipients have satisfied either the explicit vesting terms or retirement-eligibility requirements.

Diluted earnings per common share is computed under the more dilutive of either the treasury stock method or the two-class method. We increase the average number of shares of common stock outstanding by the assumed number of shares of common stock that would be issued assuming the exercise of stock options and the issuance of shares related to stock-based compensation awards using the treasury stock method, if dilutive. Diluted earnings

per share is calculated by dividing net income allocated to common shareholders of BNY Mellon by the adjusted average number of common shares outstanding.

#### *Statement of cash flows*

We have defined cash as cash and due from banks. Distributions received from equity method investees are classified as cash inflows from operating activities on the statement of cash flows. Excess returns on investments of equity method investments are classified as cash flows from investing activities on the statement of cash flows.

### **Note 2—Accounting changes and new accounting guidance**

The following accounting guidance was adopted in 2023.

#### *Accounting Standards Update (“ASU”) 2022-01, Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method*

In March 2022, the FASB issued ASU 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method*, which provides guidance that expands the ability to hedge interest rate risk by permitting the use of multiple hedged layers of a single closed portfolio of assets and will (1) Allow multiple layer hedging within the same closed portfolio, (2) Expand the scope of the portfolio layer method to include non-prepayable assets, (3) Expand the eligible hedging instruments to be utilized in a single-layer hedge, and (4) Permit held-to-maturity debt securities to be transferred to available-for-sale at the date of adoption, provided such transferred securities are designated in a portfolio layer method hedge within 30 days of the adoption date.

The standard also provides further guidance and disclosure requirements with respect to hedge basis adjustments related to portfolio layer method hedges.

We adopted this guidance as of Jan. 1, 2023. The Company did not choose to make the one-time election to reclassify securities classified as held-to-maturity to available-for-sale as of Jan. 1, 2023 and can choose to prospectively apply portfolio layer method hedging.

#### *ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which provides post-implementation guidance related to the adoption of ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, which was effective Jan. 1, 2020. This ASU amends the guidance related to two issues: Troubled Debt Restructurings (“TDRs”) and disclosure requirements for the credit profile of the loan portfolio. This ASU eliminates the accounting guidance for TDRs by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. An entity must apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan.

This ASU also requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments – Credit Losses – Measured at Amortized Cost*.

We adopted the revised guidance related to loan modifications on Jan. 1, 2023. The impact was immaterial.



### Note 3—Acquisitions and dispositions

We sometimes structure our acquisitions and divestitures with both an initial payment or receipt and later contingent payments or receipts tied to post-closing revenue or income growth.

At Dec. 31, 2023, we are potentially obligated to pay additional consideration which is recorded at a fair value totaling approximately \$20 million and, using reasonable assumptions and estimates, could range from \$20 million to \$25 million over the next year. During 2023, we made contingent payments that totaled \$15 million and recorded \$7 million of increases to contingent earnout payables reflected in other expense.

At Dec. 31, 2023, we could potentially receive additional consideration which is recorded at fair value totaling approximately \$30 million and, using reasonable assumptions and estimates, could range from \$20 million to \$45 million over the next four years. During 2023, there were no contingent receipts and we recorded approximately \$140 million of net decreases to contingent earnout receivables as a reduction of investment and other revenue based on reduced expectations of collecting future earnouts.

#### *Transactions in 2022*

On Nov. 1, 2022, BNY Mellon completed the sale of BNY Alcentra Group Holdings, Inc. (together with its subsidiaries, “Alcentra”) for \$350 million cash consideration at close and contingent consideration dependent on the achievement of certain performance thresholds. We recorded an \$11 million pre-tax loss and a \$40 million after-tax loss on this transaction. At Oct. 31, 2022, Alcentra had \$32 billion in assets

under management (“AUM”) concentrated in senior secured loans, high yield bonds, private credit, structured credit, special situations and multi-strategy credit strategies. In addition, goodwill related to Alcentra of \$434 million was removed from the consolidated balance sheet as a result of this sale.

On Aug. 1, 2022, BNY Mellon completed the sale of HedgeMark Advisors, LLC (“HedgeMark”), and recorded a \$37 million pre-tax gain. As part of the sale, BNY Mellon received an equity interest in the acquiring firm. In addition, goodwill related to HedgeMark of \$13 million was removed from the consolidated balance sheet as result of this sale.

#### *Transactions in 2021*

On Oct. 1, 2021, BNY Mellon completed the acquisition of Milestone Group Pty Ltd., a business solutions provider for the funds industry, which is included in the Securities Services business segment.

On Oct. 29, 2021, BNY Mellon completed the acquisition of the depositary and custody activities of Nykredit, which is included in the Securities Services business segment.

On Dec. 23, 2021, BNY Mellon completed the acquisition of Optimal Asset Management, an investment advisor that developed patented software to deliver customized investment solutions for investors, particularly direct indexing solutions, which is included in the Market and Wealth Services business segment.

Goodwill and intangible assets related to the 2021 acquisitions totaled \$99 million and \$70 million, respectively.

## Note 4—Securities

The following tables present the amortized cost, the gross unrealized gains and losses and the fair value of securities at Dec. 31, 2023 and Dec. 31, 2022.

<b>Securities at Dec. 31, 2023</b>				
<i>(in millions)</i>	Amortized cost	Gross unrealized		Fair value
		Gains	Losses	
<b>Available-for-sale:</b>				
Non-U.S. government (a)	\$ 18,998	\$ 68	\$ 684	\$ 18,382
U.S. Treasury	18,193	63	1,652	16,604
Agency residential mortgage-backed securities (“RMBS”)	13,457	119	465	13,111
Agency commercial mortgage-backed securities (“MBS”)	8,191	69	531	7,729
Foreign covered bonds	6,489	25	180	6,334
Collateralized loan obligations (“CLOs”)	6,142	5	10	6,137
Non-agency commercial MBS	3,245	1	311	2,935
U.S. government agencies	3,053	42	194	2,901
Non-agency RMBS	1,883	32	175	1,740
Other asset-backed securities (“ABS”)	1,026	1	84	943
Other debt securities	1	—	—	1
Total securities available-for-sale (b)(c)	<b>\$ 80,678</b>	<b>\$ 425</b>	<b>\$ 4,286</b>	<b>\$ 76,817</b>
<b>Held-to-maturity:</b>				
Agency RMBS	\$ 29,740	\$ 1	\$ 3,493	\$ 26,248
U.S. Treasury	9,123	—	612	8,511
U.S. government agencies	4,146	—	401	3,745
Agency commercial MBS	3,411	1	296	3,116
Non-U.S. government (a)	2,137	3	67	2,073
CLOs	983	—	1	982
Non-agency RMBS	26	1	1	26
Other debt securities	12	—	2	10
Total securities held-to-maturity	<b>\$ 49,578</b>	<b>\$ 6</b>	<b>\$ 4,873</b>	<b>\$ 44,711</b>
Total securities	<b>\$ 130,256</b>	<b>\$ 431</b>	<b>\$ 9,159</b>	<b>\$ 121,528</b>

- (a) Includes supranational securities.
- (b) The amortized cost of available-for-sale securities is net of the allowance for credit loss of less than \$1 million. The allowance for credit loss primarily relates to non-agency RMBSs.
- (c) Includes gross unrealized gains of \$250 million and gross unrealized losses of \$146 million recorded in accumulated other comprehensive income related to securities that were transferred from available-for-sale to held-to-maturity. The unrealized gains primarily relate to agency RMBS, agency commercial MBS and U.S. Treasury securities. The unrealized losses primarily relate to agency RMBS and U.S. Treasury securities. The unrealized gains and losses will be amortized into net interest revenue over the contractual lives of the securities.

<b>Securities at Dec. 31, 2022</b>				
<i>(in millions)</i>	Amortized cost	Gross unrealized		Fair value
		Gains	Losses	
<b>Available-for-sale:</b>				
U.S. Treasury	\$ 32,103	\$ 93	\$ 2,663	\$ 29,533
Non-U.S. government (a)	21,398	10	1,069	20,339
Agency RMBS	9,388	113	544	8,957
Agency commercial MBS	8,656	89	685	8,060
Foreign covered bonds	6,041	3	286	5,758
CLOs	5,446	1	104	5,343
Non-agency commercial MBS	3,334	—	357	2,977
U.S. government agencies	2,465	52	223	2,294
Non-agency RMBS	2,197	43	211	2,029
Other ABS	1,443	—	124	1,319
Other debt securities	13	—	—	13
Total securities available-for-sale (b)(c)	<b>\$ 92,484</b>	<b>\$ 404</b>	<b>\$ 6,266</b>	<b>\$ 86,622</b>
<b>Held-to-maturity:</b>				
Agency RMBS	\$ 34,188	\$ 1	\$ 4,229	\$ 29,960
U.S. Treasury	10,863	—	895	9,968
U.S. government agencies	4,206	—	534	3,672
Agency commercial MBS	4,014	—	411	3,603
Non-U.S. government (a)	1,897	—	107	1,790
CLOs	983	—	26	957
Non-agency RMBS	30	2	1	31
Other debt securities	13	—	2	11
Total securities held-to-maturity	<b>\$ 56,194</b>	<b>\$ 3</b>	<b>\$ 6,205</b>	<b>\$ 49,992</b>
Total securities	<b>\$ 148,678</b>	<b>\$ 407</b>	<b>\$ 12,471</b>	<b>\$ 136,614</b>

- (a) Includes supranational securities.
- (b) The amortized cost of available-for-sale securities is net of the allowance for credit loss of \$1 million. The allowance for credit loss primarily relates to non-agency RMBS.
- (c) Includes gross unrealized gains of \$347 million and gross unrealized losses of \$179 million recorded in accumulated other comprehensive income related to securities that were transferred from available-for-sale to held-to-maturity. The unrealized gains primarily relate to agency RMBS, U.S. Treasury securities, and agency commercial MBS. The unrealized losses primarily relate to agency RMBS and U.S. Treasury securities. The unrealized gains and losses will be amortized into net interest revenue over the contractual lives of the securities.

The following table presents the realized gains and losses, on a gross basis.

<b>Net securities gains (losses)</b>			
<i>(in millions)</i>	2023	2022	2021
Realized gross gains	\$ 20	\$ 92	\$ 28
Realized gross losses	(88)	(535)	(23)
Total net securities (losses) gains	<b>\$ (68)</b>	<b>\$ (443)</b>	<b>\$ 5</b>

The following table presents pre-tax net securities gains (losses) by type.

<b>Net securities gains (losses)</b> <i>(in millions)</i>	<b>2023</b>	2022	2021
U.S. Treasury	\$ (76)	\$ 12	\$ (3)
Non-agency RMBS	2	49	2
Non-U.S. government	2	3	3
Other	4	(507) <i>(a)</i>	3
<b>Total net securities (losses) gains</b>	<b>\$ (68)</b>	<b>\$ (443)</b>	<b>\$ 5</b>

*(a) Includes net securities losses from repositioning the securities portfolio which was comprised of \$337 million related to state and political subdivisions and \$177 million related to corporate bonds.*

In 2022, agency RMBS, U.S. government agencies and agency commercial MBS with an aggregate amortized cost of \$6.2 billion and fair value of \$6.1 billion were transferred from available-for-sale securities to held-to-maturity securities. This transfer reduced the impact of changes in interest rates on accumulated other comprehensive income.

#### *Allowance for credit losses – Securities*

The allowance for credit losses related to securities was \$1 million at Dec. 31, 2023 and \$1 million at Dec. 31, 2022, and relates to other debt securities and non-agency RMBS securities.

#### *Credit quality indicators – Securities*

At Dec. 31, 2023, the gross unrealized losses on the securities portfolio were primarily attributable to an increase in interest rates from the date of purchase, and for certain securities that were transferred from available-for-sale to held-to-maturity, an increase in interest rates through the date they were transferred. Specifically, \$146 million of the unrealized losses at Dec. 31, 2023 and \$179 million at Dec. 31, 2022 reflected in the tables below relate to certain securities that were previously transferred from available-for-sale to held-to-maturity. As the transfers created a new cost basis for the securities, if these securities have experienced unrealized losses since the date of transfer, the corresponding unrealized losses would be reflected in the held-to-maturity securities portfolio in the following tables.

The following tables show the aggregate fair value of available-for-sale securities with a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or more without an allowance for credit losses.

<b>Available-for-sale securities in an unrealized loss position without an allowance for credit losses at Dec. 31, 2023</b> <i>(in millions)</i>	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury	\$ 694	\$ 48	\$ 14,862	\$ 1,604	\$ 15,556	\$ 1,652
Non-U.S. government <i>(a)</i>	2,756	24	11,767	660	14,523	684
Agency RMBS	2,753	27	6,793	438	9,546	465
Agency commercial MBS	328	5	7,060	526	7,388	531
CLOs	784	—	3,158	10	3,942	10
Foreign covered bonds	268	1	3,603	179	3,871	180
Non-agency commercial MBS	187	2	2,607	309	2,794	311
U.S. government agencies	573	4	1,779	190	2,352	194
Non-agency RMBS	30	1	1,300	174	1,330	175
Other ABS	—	—	832	84	832	84
<b>Total securities available-for-sale <i>(b)</i></b>	<b>\$ 8,373</b>	<b>\$ 112</b>	<b>\$ 53,761</b>	<b>\$ 4,174</b>	<b>\$ 62,134</b>	<b>\$ 4,286</b>

*(a) Includes supranational securities.*

*(b) Includes \$146 million of gross unrealized losses for 12 months or more recorded in accumulated other comprehensive income related to securities that were transferred from available-for-sale to held-to-maturity. There were no gross unrealized losses for less than 12 months. The unrealized losses are primarily related to agency RMBS and U.S. Treasury securities and will be amortized into net interest revenue over the contractual lives of the securities.*

**Notes to Consolidated Financial Statements** (continued)

Available-for-sale securities in an unrealized loss position without an allowance for credit losses at Dec. 31, 2022 (in millions)	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	U.S. Treasury	\$ 14,058	\$ 824	\$ 15,236	\$ 1,839	\$ 29,294
Non-U.S. government (a)	8,775	336	7,372	733	16,147	1,069
Agency RMBS	7,929	376	789	168	8,718	544
Agency commercial MBS	6,088	389	1,878	296	7,966	685
CLOs	4,806	94	403	10	5,209	104
Foreign covered bonds	2,830	83	1,977	203	4,807	286
Non-agency commercial MBS	1,914	201	932	156	2,846	357
U.S. government agencies	1,710	186	208	37	1,918	223
Non-agency RMBS	588	16	1,148	193	1,736	209
Other ABS	333	18	876	106	1,209	124
Other debt securities	—	—	12	—	12	—
<b>Total securities available-for-sale (b)</b>	<b>\$ 49,031</b>	<b>\$ 2,523</b>	<b>\$ 30,831</b>	<b>\$ 3,741</b>	<b>\$ 79,862</b>	<b>\$ 6,264</b>

(a) Includes supranational securities.

(b) Includes \$120 million of gross unrealized losses for less than 12 months and \$59 million of gross unrealized losses for 12 months or more recorded in accumulated other comprehensive income related to securities that were transferred from available-for-sale to held-to-maturity. The unrealized losses are primarily related to agency RMBS and U.S. Treasury securities and will be amortized into net interest revenue over the contractual lives of the securities.

The following tables show the credit quality of the held-to-maturity securities. We have included certain credit ratings information because the information can indicate the degree of credit risk to which we are exposed. Significant changes in ratings classifications could indicate increased credit risk for us and could be accompanied by an increase in the allowance for credit losses and/or a reduction in the fair value of our securities portfolio.

Held-to-maturity securities portfolio at Dec. 31, 2023 (dollars in millions)	Amortized cost	Net unrealized gain (loss)	Ratings (a)				
			AAA/AA-	A+/A-	BBB+/BBB-	BB+ and lower	Not rated
Agency RMBS	\$ 29,740	\$ (3,492)	100%	—%	—%	—%	—%
U.S. Treasury	9,123	(612)	100	—	—	—	—
U.S. government agencies	4,146	(401)	100	—	—	—	—
Agency commercial MBS	3,411	(295)	100	—	—	—	—
Non-U.S. government (b)(c)	2,137	(64)	100	—	—	—	—
CLOs	983	(1)	100	—	—	—	—
Non-agency RMBS	26	—	25	54	2	17	2
Other debt securities	12	(2)	—	—	—	—	100
<b>Total held-to-maturity securities</b>	<b>\$ 49,578</b>	<b>\$ (4,867)</b>	<b>100%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>

(a) Represents ratings by Standard & Poor's ("S&P") or the equivalent.

(b) Includes supranational securities.

(c) Primarily consists of exposure to Germany, France, UK and the Netherlands.

**Notes to Consolidated Financial Statements** (continued)

**Held-to-maturity securities portfolio at Dec. 31, 2022**

<i>(dollars in millions)</i>	Amortized cost	Net unrealized gain (loss)	Ratings <i>(a)</i>					Not rated
			AAA/AA-	A+/A-	BBB+/BBB-	BB+ and lower		
Agency RMBS	\$ 34,188	\$ (4,228)	100%	—%	—%	—%	—%	
U.S. Treasury	10,863	(895)	100	—	—	—	—	
U.S. government agencies	4,206	(534)	100	—	—	—	—	
Agency commercial MBS	4,014	(411)	100	—	—	—	—	
Non-U.S. government <i>(b)(c)</i>	1,897	(107)	100	—	—	—	—	
CLOs	983	(26)	100	—	—	—	—	
Non-agency RMBS	30	1	22	58	2	17	1	
Other debt securities	13	(2)	2	2	3	—	93	
<b>Total held-to-maturity securities</b>	<b>\$ 56,194</b>	<b>\$ (6,202)</b>	<b>100%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>	

*(a) Represents ratings by S&P or the equivalent.*

*(b) Includes supranational securities.*

*(c) Primarily consists of exposure to Germany, UK and France.*

**Maturity distribution**

The following table shows the maturity distribution by carrying amount and yield (on a tax equivalent basis) of our securities portfolio.

<b>Maturity distribution and yields on securities at Dec. 31, 2023</b> <i>(dollars in millions)</i>	Within 1 year		1-5 years		5-10 years		After 10 years		Total	
	Amount	Yield <i>(a)</i>	Amount	Yield <i>(a)</i>	Amount	Yield <i>(a)</i>	Amount	Yield <i>(a)</i>	Amount	Yield <i>(a)</i>
<b>Available-for-sale:</b>										
U.S. Treasury	\$ 2,142	1.32%	\$ 10,617	1.23%	\$ 1,818	2.37%	\$ 2,027	2.92%	\$ 16,604	1.59%
Non-U.S. government <i>(b)</i>	4,198	2.04	11,470	2.54	2,679	2.57	35	3.42	18,382	2.43
Foreign covered bonds	807	2.83	5,187	3.39	340	1.41	—	—	6,334	3.20
U.S. government agencies	25	1.74	1,671	3.49	1,091	2.90	114	2.73	2,901	3.21
Other debt securities	—	—	—	—	—	—	1	4.85	1	4.85
<b>Mortgage-backed securities:</b>										
Agency RMBS									13,111	5.15
Non-agency RMBS									1,740	4.53
Agency commercial MBS									7,729	3.08
Non-agency commercial MBS									2,935	3.53
CLOs									6,137	6.89
Other ABS									943	2.43
<b>Total securities available-for-sale</b>	<b>\$ 7,172</b>	<b>1.91%</b>	<b>\$ 28,945</b>	<b>2.24%</b>	<b>\$ 5,928</b>	<b>2.50%</b>	<b>\$ 2,177</b>	<b>2.91%</b>	<b>\$ 76,817</b>	<b>3.29%</b>
<b>Held-to-maturity:</b>										
U.S. Treasury	\$ 3,176	1.56%	\$ 5,032	1.18%	\$ 915	1.24%	\$ —	—%	\$ 9,123	1.32%
U.S. government agencies	470	1.31	2,877	1.45	586	1.73	213	1.99	4,146	1.50
Non-U.S. government <i>(b)</i>	704	1.15	1,357	1.16	76	0.59	—	—	2,137	1.14
Other debt securities	—	—	—	—	12	4.75	—	—	12	4.75
<b>Mortgage-backed securities:</b>										
Agency RMBS									29,740	2.32
Non-agency RMBS									26	2.71
Agency commercial MBS									3,411	2.43
CLOs									983	6.81
<b>Total securities held-to-maturity</b>	<b>\$ 4,350</b>	<b>1.47%</b>	<b>\$ 9,266</b>	<b>1.26%</b>	<b>\$ 1,589</b>	<b>1.42%</b>	<b>\$ 213</b>	<b>1.99%</b>	<b>\$ 49,578</b>	<b>2.12%</b>
<b>Total securities</b>	<b>\$ 11,522</b>	<b>1.74%</b>	<b>\$ 38,211</b>	<b>2.01%</b>	<b>\$ 7,517</b>	<b>2.29%</b>	<b>\$ 2,390</b>	<b>2.84%</b>	<b>\$126,395</b>	<b>2.84%</b>

*(a) Yields are based upon the amortized cost of securities and consider the contractual coupon, amortization of premiums and accretion of discounts, excluding the effect of related hedging derivatives.*

*(b) Includes supranational securities.*

*Pledged assets*

At Dec. 31, 2023, BNY Mellon had pledged assets of \$134 billion, including \$93 billion pledged as collateral for potential borrowings at the Federal Reserve Discount Window and \$9 billion pledged as collateral for borrowing at the Federal Home Loan Bank. The components of the assets pledged at Dec. 31, 2023 included \$116 billion of securities, \$13 billion of loans, \$4 billion of trading assets and \$1 billion of interest-bearing deposits with banks.

If there has been no borrowing at the Federal Reserve Discount Window, the Federal Reserve generally allows banks to freely move assets in and out of their pledged assets account to sell or repledge the assets for other purposes. BNY Mellon regularly moves assets in and out of its pledged assets account at the Federal Reserve.

At Dec. 31, 2022, BNY Mellon had pledged assets of \$138 billion, including \$106 billion pledged as collateral for potential borrowing at the Federal Reserve Discount Window and \$8 billion pledged as collateral for borrowing at the Federal Home Loan Bank. The components of the assets pledged at Dec. 31, 2022 included \$121 billion of securities, \$12 billion of loans, \$4 billion of trading assets and \$1 billion of interest-bearing deposits with banks.

At Dec. 31, 2023 and Dec. 31, 2022, pledged assets included \$24 billion and \$24 billion, respectively, for which the recipients were permitted to sell or repledge the assets delivered.

We also obtain securities as collateral, including receipts under resale agreements, securities borrowed, derivative contracts and custody agreements, on terms which permit us to sell or repledge the securities to others. At Dec. 31, 2023 and Dec. 31, 2022, the market value of the securities received that can be sold or repledged was \$212 billion and \$115 billion, respectively. We routinely sell or repledge these securities through delivery to third parties. As of Dec. 31, 2023 and Dec. 31, 2022, the market value of securities collateral sold or repledged was \$180 billion and \$78 billion, respectively.

*Restricted cash and securities*

Cash and securities may be segregated under federal and other regulations or requirements. At Dec. 31, 2023 and Dec. 31, 2022, cash segregated under

federal and other regulations or requirements was \$3 billion and \$7 billion, respectively. Restricted cash is primarily included in interest-bearing deposits with banks on the consolidated balance sheet. Securities segregated under federal and other regulations or requirements were \$3 billion at Dec. 31, 2023 and \$3 billion at Dec. 31, 2022. Restricted securities were sourced from securities purchased under resale agreements and are included in federal funds sold and securities purchased under resale agreements on the consolidated balance sheet.

**Note 5—Loans and asset quality**

*Loans*

The table below provides the details of our loan portfolio.

<b>Loans</b> <i>(in millions)</i>	Dec. 31,	
	<b>2023</b>	2022
Commercial	\$ 2,112	\$ 1,732
Commercial real estate	6,760	6,226
Financial institutions	10,521	9,684
Lease financings	599	657
Wealth management loans	9,109	10,302
Wealth management mortgages	9,131	8,966
Other residential mortgages	1,166	345
Capital call financing	3,700	3,438
Other	2,717	2,941
Overdrafts	3,053	4,839
Margin loans	18,011	16,933
<b>Total loans (a)</b>	<b>\$ 66,879</b>	<b>\$ 66,063</b>

(a) Net of unearned income of \$268 million at Dec. 31, 2023 and \$225 million at Dec. 31, 2022, primarily related to lease financings.

We disclose information related to our loans and asset quality by the class of financing receivable in the following tables.

*Allowance for credit losses*

Activity in the allowance for credit losses on loans and lending-related commitments is presented below. This does not include activity in the allowance for credit losses related to other financial instruments, including cash and due from banks, interest-bearing deposits with banks, federal funds sold and securities purchased under resale agreements, held-to-maturity securities, available-for-sale securities and accounts receivable.

**Notes to Consolidated Financial Statements** (continued)

**Allowance for credit losses activity for the year ended Dec. 31, 2023**

<i>(in millions)</i>	Commercial	Commercial real estate	Financial institutions	Lease financings	Wealth management loans	Wealth management mortgages	Other residential mortgages	Capital call financing	Other	Total
Beginning balance	\$ 18	\$ 184	\$ 24	\$ 1	\$ 1	\$ 12	\$ 8	\$ 6	\$ —	\$ 254
Charge-offs	—	—	—	—	—	—	(3)	—	—	(3)
Recoveries	1	—	—	—	—	—	2	—	5	8
Net recoveries (charge-offs)	1	—	—	—	—	—	(1)	—	5	5
Provision (a)	8	141	(5)	—	—	(3)	(3)	(2)	(5)	131
Ending balance	\$ 27	\$ 325	\$ 19	\$ 1	\$ 1	\$ 9	\$ 4	\$ 4	\$ —	\$ 390
Allowance for:										
Loan losses	\$ 12	\$ 266	\$ 9	\$ 1	\$ 1	\$ 8	\$ 4	\$ 2	\$ —	\$ 303
Lending-related commitments	15	59	10	—	—	1	—	2	—	87
Individually evaluated for impairment:										
Loan balance (b)	\$ —	\$ 290	\$ —	\$ —	\$ —	\$ 12	\$ 1	\$ —	\$ —	\$ 303
Allowance for loan losses	—	76	—	—	—	—	—	—	—	76

(a) Does not include provision for credit losses benefit related to other financial instruments of \$12 million for the year ended Dec. 31, 2023.

(b) Includes collateral dependent loans of \$303 million with \$348 million of collateral at fair value.

**Allowance for credit losses activity for the year ended Dec. 31, 2022 (a)**

<i>(in millions)</i>	Commercial	Commercial real estate	Financial institutions	Lease financings	Wealth management loans	Wealth management mortgages	Other residential mortgages	Capital call financing	Other	Total
Beginning balance	\$ 12	\$ 199	\$ 13	\$ 1	\$ 1	\$ 6	\$ 7	\$ 2	\$ —	\$ 241
Charge-offs	—	—	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	4	—	—	4
Net recoveries	—	—	—	—	—	—	4	—	—	4
Provision (b)	6	(15)	11	—	—	6	(3)	4	—	9
Ending balance	\$ 18	\$ 184	\$ 24	\$ 1	\$ 1	\$ 12	\$ 8	\$ 6	\$ —	\$ 254
Allowance for:										
Loan losses	\$ 4	\$ 137	\$ 10	\$ 1	\$ 1	\$ 11	\$ 8	\$ 4	\$ —	\$ 176
Lending-related commitments	14	47	14	—	—	1	—	2	—	78
Individually evaluated for impairment:										
Loan balance (c)	\$ —	\$ 62	\$ —	\$ —	\$ —	\$ 16	\$ 1	\$ —	\$ —	\$ 79
Allowance for loan losses	—	—	—	—	—	—	—	—	—	—

(a) There was no activity in the other loan portfolio.

(b) Does not include provision for credit losses related to other financial instruments of \$30 million for the year ended Dec. 31, 2022.

(c) Includes collateral dependent loans of \$79 million with \$126 million of collateral at fair value.

**Allowance for credit losses activity for the year ended Dec. 31, 2021**

<i>(in millions)</i>	Commercial	Commercial real estate	Financial institutions	Lease financings	Wealth management loans	Wealth management mortgages	Other residential mortgages	Capital call financing	Other	Total
Beginning balance	\$ 16	\$ 430	\$ 10	\$ 2	\$ 1	\$ 7	\$ 13	\$ —	\$ —	\$ 479
Charge-offs	—	—	—	—	—	(1)	(1)	—	(16)	(18)
Recoveries	—	—	2	—	—	—	6	—	—	8
Net recoveries (charge-offs)	—	—	2	—	—	(1)	5	—	(16)	(10)
Provision (a)	(4)	(231)	1	(1)	—	—	(11)	2	16	(228)
Ending balance	\$ 12	\$ 199	\$ 13	\$ 1	\$ 1	\$ 6	\$ 7	\$ 2	\$ —	\$ 241
Allowance for:										
Loan losses	\$ 3	\$ 171	\$ 6	\$ 1	\$ 1	\$ 5	\$ 7	\$ 2	\$ —	\$ 196
Lending-related commitments	9	28	7	—	—	1	—	—	—	45
Individually evaluated for impairment:										
Loan balance (b)	\$ —	\$ 111	\$ —	\$ —	\$ —	\$ 18	\$ 1	\$ —	\$ —	\$ 130
Allowance for loan losses	—	5	—	—	—	—	—	—	—	5

(a) Does not include provision for credit losses benefit related to other financial instruments of \$3 million for the year ended Dec. 31, 2021.

(b) Includes collateral dependent loans of \$130 million with \$149 million of collateral at fair value.

### Nonperforming assets

The table below presents our nonperforming assets.

Nonperforming assets  (in millions)	Dec. 31, 2023			Dec. 31, 2022		
	Recorded investment			Recorded investment		
	With an allowance	Without an allowance	Total	With an allowance	Without an allowance	Total
Nonperforming loans:						
Commercial real estate	\$ 189	\$ —	\$ 189	\$ —	\$ 54	\$ 54
Other residential mortgages	23	1	24	30	1	31
Wealth management mortgages	7	12	19	8	14	22
Total nonperforming loans	219	13	232	38	69	107
Other assets owned	—	5	5	—	2	2
Total nonperforming assets	\$ 219	\$ 18	\$ 237	\$ 38	\$ 71	\$ 109

### Past due loans

The table below presents our past due loans.

Past due loans and still accruing interest  (in millions)	Dec. 31, 2023				Dec. 31, 2022			
	Days past due			Total past due	Days past due			Total past due
	30-59	60-89	≥90		30-59	60-89	≥90	
Financial institutions	\$ 339 (a)	\$ —	\$ —	\$ 339	\$ —	\$ —	\$ —	\$ —
Wealth management loans	52	—	—	52	43	1	—	44
Wealth management mortgages	26	3	—	29	54	1	—	55
Commercial real estate	9	3	—	12	11	—	—	11
Other residential mortgages	7	1	—	8	5	—	—	5
Total past due loans	\$ 433	\$ 7	\$ —	\$ 440	\$ 113	\$ 2	\$ —	\$ 115

(a) The past due financial institutions loans have been collected since Dec. 31, 2023.

### Loan modifications

Modified loans are evaluated to determine whether a modification or restructuring with a borrower experiencing financial difficulty results in principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or a term extension. The modification could result in a new loan or a continuation of the existing loan.

In 2023, we modified two commercial real estate loans, with an aggregate recorded investment of \$71 million and an unfunded lending commitment of \$15 million, by extending the maturity dates. One of these loans matured in 2023 after the modification.

Also in 2023, we modified six other residential mortgage loans, with an aggregate recorded investment of \$2 million, by providing payment

modifications, extending maturity dates, reducing the interest rate, or a combination of these modifications.

Loans modified prior to 2023 are considered to be TDRs if the debtor is experiencing financial difficulties and the creditor grants a concession to the debtor that would not otherwise be considered. A TDR may include a transfer of real estate or other assets from the debtor to the creditor, or a modification of the term of the loan. Not all modified loans are considered TDRs.

We modified 10 loans in 2022 with an aggregate recorded investment of \$14 million. The modifications of the other residential and commercial real estate loans in 2022 consisted of reducing the stated interest rates and, in certain cases, forbearance of default and extending the maturity dates.



**Credit quality indicators**

Our credit strategy is to focus on investment-grade clients that are active users of our non-credit services. Each customer is assigned an internal credit rating, which is mapped to an external rating agency grade equivalent, if possible, based upon a number of dimensions, which are continually evaluated and may change over time.

The tables below provide information about the credit profile of the loan portfolio by the period of origination.

<i>(in millions)</i>	Originated, at amortized cost						Dec. 31, 2023			
							Revolving loans		Converted to term loans – Amortized cost	Total (a)
	2023	2022	2021	2020	2019	Prior to 2019	Amortized cost			
<b>Credit profile of the loan portfolio</b>										
<b>Commercial:</b>										
Investment grade	\$ 193	\$ 114	\$ 70	\$ —	\$ —	\$ 45	\$ 1,483	\$ —	\$ 1,905	
Non-investment grade	52	18	—	—	—	—	137	—	207	
<b>Total commercial</b>	<b>245</b>	<b>132</b>	<b>70</b>	<b>—</b>	<b>—</b>	<b>45</b>	<b>1,620</b>	<b>—</b>	<b>2,112</b>	<b>\$ 3</b>
<b>Commercial real estate:</b>										
Investment grade	1,518	864	585	152	271	875	136	22	4,423	
Non-investment grade	1,172	685	154	43	47	152	84	—	2,337	
<b>Total commercial real estate</b>	<b>2,690</b>	<b>1,549</b>	<b>739</b>	<b>195</b>	<b>318</b>	<b>1,027</b>	<b>220</b>	<b>22</b>	<b>6,760</b>	<b>30</b>
<b>Financial institutions:</b>										
Investment grade	616	74	57	—	—	10	6,948	—	7,705	
Non-investment grade	134	10	—	—	—	—	2,672	—	2,816	
<b>Total financial institutions</b>	<b>750</b>	<b>84</b>	<b>57</b>	<b>—</b>	<b>—</b>	<b>10</b>	<b>9,620</b>	<b>—</b>	<b>10,521</b>	<b>120</b>
<b>Wealth management loans:</b>										
Investment grade	39	30	110	26	7	167	8,542	101	9,022	
Non-investment grade	—	2	—	—	—	—	85	—	87	
<b>Total wealth management loans</b>	<b>39</b>	<b>32</b>	<b>110</b>	<b>26</b>	<b>7</b>	<b>167</b>	<b>8,627</b>	<b>101</b>	<b>9,109</b>	<b>57</b>
Wealth management mortgages	850	1,689	1,909	863	736	3,066	18	—	9,131	22
Lease financings	230	—	—	40	7	322	—	—	599	—
Other residential mortgages (b)	184	561	200	5	—	216	—	—	1,166	5
Capital call financing	10	—	—	—	—	—	3,690	—	3,700	15
Other loans	—	—	—	—	—	—	2,717	—	2,717	7
Margin loans	7,283	—	—	—	—	—	10,728	—	18,011	41
<b>Total loans</b>	<b>\$ 12,281</b>	<b>\$ 4,047</b>	<b>\$ 3,085</b>	<b>\$ 1,129</b>	<b>\$ 1,068</b>	<b>\$ 4,853</b>	<b>\$ 37,240</b>	<b>\$ 123</b>	<b>\$ 63,826</b>	<b>\$ 300</b>

(a) Excludes overdrafts of \$3,053 million. Overdrafts occur on a daily basis primarily in the custody and securities clearance business and are generally repaid within two business days.

(b) The gross write-offs primarily related to other residential mortgage loans were \$3 million in 2023.

<i>(in millions)</i>	Originated, at amortized cost						Dec. 31, 2022			
	2022	2021	2020	2019	2018	Prior to 2018	Revolving loans			Accrued interest receivable
							Amortized cost	Converted to term loans – Amortized cost	Total (a)	
<b>Credit profile of the loan portfolio</b>										
Commercial:										
Investment grade	\$ 379	\$ 148	\$ —	\$ —	\$ 43	\$ 45	\$ 963	\$ —	\$ 1,578	
Non-investment grade	78	6	—	—	—	—	70	—	154	
Total commercial	457	154	—	—	43	45	1,033	—	1,732	\$ 2
Commercial real estate:										
Investment grade	1,265	973	407	739	204	904	183	—	4,675	
Non-investment grade	431	511	145	323	93	6	20	22	1,551	
Total commercial real estate	1,696	1,484	552	1,062	297	910	203	22	6,226	25
Financial institutions:										
Investment grade	126	389	—	—	—	25	7,216	—	7,756	
Non-investment grade	20	—	—	—	—	—	1,896	12	1,928	
Total financial institutions	146	389	—	—	—	25	9,112	12	9,684	78
Wealth management loans:										
Investment grade	45	57	22	45	—	217	9,887	—	10,273	
Non-investment grade	—	—	—	—	—	—	29	—	29	
Total wealth management loans	45	57	22	45	—	217	9,916	—	10,302	49
Wealth management mortgages	1,775	1,976	918	775	485	3,012	25	—	8,966	20
Lease financings	17	—	49	11	7	573	—	—	657	—
Other residential mortgages	27	70	—	—	—	248	—	—	345	1
Capital call financing	—	—	—	—	—	—	3,438	—	3,438	17
Other loans	—	—	—	—	—	—	2,941	—	2,941	6
Margin loans	5,984	—	—	—	—	—	10,949	—	16,933	33
Total loans	\$ 10,147	\$ 4,130	\$ 1,541	\$ 1,893	\$ 832	\$ 5,030	\$ 37,617	\$ 34	\$ 61,224	\$ 231

(a) Excludes overdrafts of \$4,839 million. Overdrafts occur on a daily basis primarily in the custody and securities clearance business and are generally repaid within two business days.

### Commercial loans

The commercial loan portfolio is divided into investment grade and non-investment grade categories based on the assigned internal credit ratings, which are generally consistent with those of the public rating agencies. Customers with ratings consistent with BBB- (S&P)/Baa3 (Moody's) or better are considered to be investment grade. Those clients with ratings lower than this threshold are considered to be non-investment grade.

### Commercial real estate

Our income-producing commercial real estate facilities are focused on experienced owners and are structured with moderate leverage based on existing cash flows. Our commercial real estate lending activities also include construction and renovation facilities.

### Financial institutions

Financial institution exposures are high-quality, with 92% of the exposures meeting the investment grade equivalent criteria of our internal credit rating classification at Dec. 31, 2023. In addition, 62% of the financial institutions exposure is secured. For example, securities industry clients and asset managers often borrow against marketable securities held in custody. The exposure to financial institutions is generally short-term, with 83% expiring within one year.

### Wealth management loans

Wealth management loans are not typically rated by external rating agencies. A majority of the wealth management loans are secured by the customers' investment management accounts or custody accounts. Eligible assets pledged for these loans are typically investment grade fixed-income securities, equities and/or mutual funds. Internal ratings for this portion of the wealth management loan portfolio, therefore, would equate to investment grade external

ratings. Wealth management loans are provided to select customers based on the pledge of other types of assets. For the loans collateralized by other assets, the credit quality of the obligor is carefully analyzed, but we do not consider this portion of wealth management loan portfolio to be investment grade.

#### *Wealth management mortgages*

Credit quality indicators for wealth management mortgages are not correlated to external ratings. Wealth management mortgages are typically loans to high-net-worth individuals, which are secured primarily by residential property. These loans are primarily interest-only, adjustable rate mortgages with a weighted-average loan-to-value ratio of 61% at origination. Delinquency rate is a key indicator of credit quality in the wealth management portfolio. At Dec. 31, 2023, less than 1% of the mortgages were past due.

At Dec. 31, 2023, the wealth management mortgage portfolio consisted of the following geographic concentrations: California – 21%; New York – 14%; Florida – 11%; Massachusetts – 8%; and other – 46%.

#### *Lease financings*

At Dec. 31, 2023, the lease financings portfolio consisted of exposures backed by well-diversified assets. At Dec. 31, 2023, nearly all of leasing exposure was investment grade, or investment grade equivalent and primarily consisted of exposures backed by well-diversified assets, primarily real estate and large-ticket transportation equipment. Assets are both domestic and foreign-based, with primary concentrations in Germany and the U.S.

#### *Other residential mortgages*

The other residential mortgage portfolio primarily consists of 1-4 family residential mortgage loans and

totalled \$1.2 billion at Dec. 31, 2023 and \$345 million at Dec. 31, 2022. These loans are not typically correlated to external ratings.

#### *Capital call financing*

Capital call financing includes loans to private equity funds that are secured by the fund investors' capital commitments and the funds' right to call capital.

#### *Other loans*

Other loans primarily include loans to consumers that are fully collateralized with equities, mutual funds and fixed-income securities.

#### *Margin loans*

We had \$18.0 billion of secured margin loans at Dec. 31, 2023, compared with \$16.9 billion at Dec. 31, 2022. Margin loans are collateralized with marketable securities, and borrowers are required to maintain a daily collateral margin in excess of 100% of the value of the loan. We have rarely suffered a loss on these types of loans.

#### *Overdrafts*

Overdrafts primarily relate to custody and securities clearance clients and totalled \$3.1 billion at Dec. 31, 2023 and \$4.8 billion at Dec. 31, 2022. Overdrafts occur on a daily basis and are generally repaid within two business days.

#### *Reverse repurchase agreements*

Reverse repurchase agreements at Dec. 31, 2023 and Dec. 31, 2022 were fully secured with high-quality collateral. As a result, there was no allowance for credit losses related to these assets at Dec. 31, 2023 and Dec. 31, 2022.

**Note 6—Leasing**

We have operating and finance leases for corporate offices, data centers and certain equipment. Our leases have remaining lease terms up to 15 years, some of which include options to extend or terminate the lease. In some of our corporate office locations, we may enter into sublease arrangements for portions or all of the space and/or lease term.

The table below presents the consolidated balance sheet information related to operating and finance leases.

Balance sheet information <i>(dollars in millions)</i>	Dec. 31, 2023			Dec. 31, 2022		
	Operating leases	Finance leases	Total	Operating leases	Finance leases	Total
ROU assets (a)	\$ 1,125	\$ —	\$ 1,125	\$ 1,152	\$ 11	\$ 1,163
Lease liability (b)	\$ 1,356	\$ —	\$ 1,356	\$ 1,336	\$ —	\$ 1,336
Weighted average:						
Remaining lease term	9.4 years	N/A		10.0 years	0.8 years	
Discount rate (annualized)	3.11%	N/A		2.68%	1.27%	

(a) Included in premises and equipment on the consolidated balance sheet.

(b) Operating lease liabilities are included in other liabilities and finance lease liabilities are included in other borrowed funds, both on the consolidated balance sheet.

N/A - Not applicable.

The table below presents the components of lease expense.

Lease expense <i>(in millions)</i>	Year ended Dec. 31,		
	2023	2022	2021
Operating lease expense	\$ 215	\$ 224	\$ 236
Variable lease expense	43	36	39
Sublease income	(34)	(33)	(33)
Finance lease expense:			
Amortization of ROU assets	—	6	3
Total lease expense	\$ 224	\$ 233	\$ 245

The table below presents cash flow information related to leases.

Cash flow information <i>(in millions)</i>	Year ended Dec. 31,		
	2023	2022	2021
Cash paid for amounts included in measurement of liabilities:			
Operating cash flows from operating leases	\$ 224	\$ 224	\$ 260
Financing cash flows from finance leases	\$ —	\$ 23	\$ 13

See Note 26 for information on non-cash operating and/or finance lease transactions.

The table below presents the maturities of lease liabilities.

Maturities of lease liabilities <i>(in millions)</i>	Operating leases
For the year ended Dec. 31,	
2024	\$ 196
2025	192
2026	185
2027	158
2028	133
2029 and thereafter	692
Total lease payments	1,556
Less: Imputed interest	200
Total	\$ 1,356

**Note 7—Goodwill and intangible assets***Goodwill*

The table below provides a breakdown of goodwill by business segment.

<b>Goodwill by business segment</b>	Securities Services		Market and Wealth Services		Investment and Wealth Management		Consolidated
<i>(in millions)</i>							
Balance at Dec. 31, 2022							
Goodwill	\$	6,973	\$	1,424	\$	8,433	\$ 16,830
Accumulated impairment losses		—		—		(680)	(680)
Net goodwill	\$	6,973	\$	1,424	\$	7,753	\$ 16,150
Foreign currency translation		31		5		75	111
<b>Balance at Dec. 31, 2023</b>							
Goodwill		7,004		1,429		8,508	16,941
Accumulated impairment losses		—		—		(680)	(680)
Net goodwill	\$	<b>7,004</b>	\$	<b>1,429</b>	\$	<b>7,828</b>	\$ <b>16,261</b>

<b>Goodwill by business segment</b>	Securities Services		Market and Wealth Services		Investment and Wealth Management		Consolidated
<i>(in millions)</i>							
Balance at Dec. 31, 2021	\$	7,062		1,435	\$	9,015	\$ 17,512
Impairment loss		—		—		(680)	(680)
Dispositions		(13)		—		(434)	(447)
Foreign currency translation		(76)		(11)		(148)	(235)
Balance at Dec. 31, 2022							
Goodwill	\$	6,973	\$	1,424	\$	8,433	\$ 16,830
Accumulated impairment losses		—		—		(680)	(680)
Net goodwill	\$	6,973	\$	1,424	\$	7,753	\$ 16,150

*Goodwill impairment testing*

The goodwill impairment test is performed at least annually at the reporting unit level. BNY Mellon's business segments include six reporting units for which goodwill impairment testing is performed. An interim goodwill impairment test is performed when events or circumstances occur that may indicate that it is more likely than not that the fair value of any reporting unit may be less than its carrying value.

In each quarter of 2023, we completed an interim goodwill impairment test of the Investment Management reporting unit, which had \$6.1 billion of allocated goodwill as of Dec. 31, 2023. In all cases, we determined the fair value of the Investment Management reporting unit exceeded its carrying value and no goodwill impairment was recorded.

For the Dec. 31, 2023 test, the fair value of the Investment Management reporting unit exceeded its carrying value by approximately 5%. We determined the fair value of the Investment Management reporting unit using an income approach based on

management's projections as of Dec. 31, 2023. The discount rate applied to these cash flows was 10.5%.

The cash flow estimates for the Investment Management reporting unit are impacted by projections of the level and mix of assets under management, market values, operating margins and long-term growth rates.

In the second quarter of 2023, we performed our annual goodwill impairment test on the remaining five reporting units using an income approach to estimate the fair values of each reporting unit. Estimated cash flows used in the income approach were based on management's projections as of April 1, 2023. The discount rate applied to these cash flows was 10%.

As a result of the annual goodwill impairment test, no goodwill impairment was recognized. The fair values of the Company's remaining five reporting units were substantially in excess of the respective reporting units' carrying value.

Determining the fair value of a reporting unit is subject to uncertainty as it is reliant on estimates of cash flows that extend far into the future, and, by their nature, are difficult to estimate over such an extended time frame. In the future, changes in the assumptions or the discount rate could produce a material non-cash goodwill impairment.

In the third quarter 2022, based on results of an interim goodwill impairment test we recorded an impairment charge of \$680 million. This goodwill impairment represents a non-cash charge and did not affect BNY Mellon's liquidity position, tangible common equity or regulatory capital ratios.

### Intangible assets

The table below provides a breakdown of intangible assets by business segment.

<b>Intangible assets – net carrying amount by business segment</b> <i>(in millions)</i>	Securities Services	Market and Wealth Services	Investment and Wealth Management	Other	Consolidated
Balance at Dec. 31, 2021	\$ 230	\$ 392	\$ 1,520	\$ 849	\$ 2,991
Disposition	—	—	(1)	—	(1)
Amortization	(33)	(8)	(26)	—	(67)
Foreign currency translation	(4)	—	(18)	—	(22)
Balance at Dec. 31, 2022	\$ 193	\$ 384	\$ 1,475	\$ 849	\$ 2,901
Amortization	(31)	(6)	(20)	—	(57)
Foreign currency translation	2	—	8	—	10
<b>Balance at Dec. 31, 2023</b>	<b>\$ 164</b>	<b>\$ 378</b>	<b>\$ 1,463</b>	<b>\$ 849</b>	<b>\$ 2,854</b>

Intangible assets decreased in 2023 compared with 2022, primarily reflecting amortization, partially offset by foreign currency translation.

The table below provides a breakdown of intangible assets by type.

<b>Intangible assets</b> <i>(dollars in millions)</i>	<b>Dec. 31, 2023</b>				<b>Dec. 31, 2022</b>		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Remaining weighted-average amortization period	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Subject to amortization: (a)</b>							
Customer contracts—Securities Services	\$ 731	\$ (567)	\$ 164	10 years	\$ 731	\$ (539)	\$ 192
Customer contracts—Market and Wealth Services	280	(273)	7	3 years	280	(267)	13
Customer relationships—Investment and Wealth Management	553	(479)	74	8 years	553	(461)	92
Other	41	(12)	29	13 years	41	(9)	32
Total subject to amortization	1,605	(1,331)	274	10 years	1,605	(1,276)	329
<b>Not subject to amortization: (b)</b>							
Tradenames	1,292	N/A	1,292	N/A	1,290	N/A	1,290
Customer relationships	1,288	N/A	1,288	N/A	1,282	N/A	1,282
Total not subject to amortization	2,580	N/A	2,580	N/A	2,572	N/A	2,572
Total intangible assets	\$ 4,185	\$ (1,331)	\$ 2,854	N/A	\$ 4,177	\$ (1,276)	\$ 2,901

(a) Excludes fully amortized intangible assets.

(b) Intangible assets not subject to amortization have an indefinite life.

N/A – Not applicable.

Estimated annual amortization expense for current intangibles for the next five years is as follows:

For the year ended Dec. 31,	Estimated amortization expense (in millions)
2024	\$ 49
2025	43
2026	34
2027	28
2028	24

### *Intangible asset impairment testing*

Intangible assets not subject to amortization are tested for impairment annually or more often if events or circumstances indicate they may be impaired.

### **Note 8—Other assets**

The following table provides the components of other assets presented on the consolidated balance sheet.

<b>Other assets</b> (in millions)	Dec. 31,	
	2023	2022
Accounts receivable (a)	\$ 6,567	\$ 4,924
Corporate/bank-owned life insurance	5,480	5,417
Software	2,430	2,260
Prepaid pension assets	1,818	1,651
Fails to deliver	1,514	2,569
Qualified affordable housing project investments	1,213	1,298
Renewable energy investments	1,049	871
Equity method investments	873	803
Other equity investments (b)	741	695
Prepaid expense	737	764
Cash collateral receivable on derivative transactions	621	1,014
Assets of consolidated investment management funds	526	209
Federal Reserve Bank stock	480	478
Income taxes receivable	270	481
Fair value of hedging derivatives	236	319
Seed capital (c)	232	218
Other (d)	1,198	1,884
<b>Total other assets</b>	<b>\$ 25,985</b>	<b>\$ 25,855</b>

(a) Includes receivables for securities sold or matured that have not yet settled.

(b) Includes strategic equity, private equity and other investments.

(c) Includes investments in BNY Mellon funds which hedge deferred incentive awards.

(d) At Dec. 31, 2023 and Dec. 31, 2022, other assets include \$7 million and \$6 million, respectively, of Federal Home Loan Bank stock, at cost.

### *Non-readily marketable equity securities*

Non-readily marketable equity securities do not have readily determinable fair values. These investments are valued using a measurement alternative where the investments are carried at cost, less any impairment, and plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. The observable price changes are recorded in investment and other revenue on the consolidated income statement. Our non-readily marketable equity securities totaled \$479 million at Dec. 31, 2023 and \$445 million at Dec. 31, 2022 and are included in other equity investments in the table above.

The following table presents the adjustments on the non-readily marketable equity securities.

<b>Adjustments on non-readily marketable equity securities</b> (in millions)	2023	2022	2021	Life-to-date
Upward adjustments	\$ 52	\$ 125	\$ 105	\$ 335
Downward adjustments	(41)	(8)	—	(53)
<b>Net adjustments</b>	<b>\$ 11</b>	<b>\$ 117</b>	<b>\$ 105</b>	<b>\$ 282</b>

### *Qualified affordable housing project investments*

We invest in affordable housing projects primarily to satisfy the Company's requirements under the Community Reinvestment Act. Our total investment in qualified affordable housing projects totaled \$1.2 billion at Dec. 31, 2023 and \$1.3 billion at Dec. 31, 2022. Commitments to fund future investments in qualified affordable housing projects totaled \$596 million at Dec. 31, 2023 and \$614 million at Dec. 31, 2022 and are recorded in other liabilities on the consolidated balance sheet. A summary of the commitments to fund future investments is as follows: 2024 – \$297 million; 2025 – \$184 million; 2026 – \$44 million; 2027 – \$28 million; 2028 – \$1 million; and 2029 and thereafter – \$42 million.

Tax credits and other tax benefits recognized were \$185 million in 2023, \$145 million in 2022 and \$148 million in 2021.

Amortization expense included in the provision for income taxes was \$154 million in 2023, \$123 million in 2022 and \$124 million in 2021.

*Investments valued using net asset value (“NAV”) per share*

In our Investment and Wealth Management business segment, we make seed capital investments in certain funds we manage. We also hold private equity investments, primarily small business investment companies (“SBICs”), which are compliant with the

Volcker Rule, and certain other corporate investments. Seed capital, private equity and other corporate investments are included in other assets on the consolidated balance sheet. The fair value of certain of these investments was estimated using the NAV per share for our ownership interest in the funds.

The table below presents information on our investments valued using NAV.

<i>(in millions)</i>	Dec. 31, 2023		Dec. 31, 2022	
	Fair value	Unfunded commitments	Fair value	Unfunded commitments
Seed capital (a) (b)	\$ 3	\$ —	\$ 3	\$ —
Private equity investments (c)	143	42	130	53
Other	7	—	5	—
Total	\$ 153	\$ 42	\$ 138	\$ 53

(a) Seed capital investments at Dec. 31, 2023 are generally redeemable on request. Distributions are received as the underlying investments in the funds, which have redemption notice periods of seven days, are liquidated.

(b) Includes investments in funds that relate to deferred compensation arrangements with employees.

(c) Private equity investments primarily include Volcker Rule-compliant investments in SBICs that invest in various sectors of the economy. Private equity investments do not have redemption rights. Distributions from such investments will be received as the underlying investments in the private equity investments, which have a life of 10 years, are liquidated.

**Note 9—Deposits**

Time deposits in denominations of \$250,000 or more totaled \$1.5 billion at Dec. 31, 2023 and \$1.4 billion at Dec. 31, 2022.

At Dec. 31, 2023, the scheduled maturities of total time deposits are \$1.9 billion in 2024, \$277 million in 2025, \$143 million in 2026, \$94 million in 2027 and \$78 million in 2028. No time deposits are scheduled to mature after 2028.

**Note 10—Contract revenue**

Fee and other revenue in the Securities Services, Market and Wealth Services and Investment and Wealth Management business segments is primarily variable, based on levels of assets under custody and/or administration (“AUC/A”), AUM and the level of client-driven transactions, as specified in fee schedules.

Investment services fees are based primarily on the market value of AUC/A; client accounts, balances and the volume of transactions; securities lending volume and spreads; and fees for other services. Certain fees based on the market value of assets are calculated in arrears on a monthly or quarterly basis. Investment services fees also include transaction-based fees, which are driven by customer actions and

are delivered at a point-in-time. These transaction-based fees are generally recognized on trade date. Other contractual investment services fees are driven by the amount of AUC/A or the number of accounts or securities positions and are billed on a monthly or quarterly basis.

Substantially all services within the Securities Services and Market and Wealth Services business segments are provided over time. Revenue on these services is recognized using the time elapsed method, equal to the expected invoice amount, which typically represents the value provided to the customer for our performance completed to date.

Investment management fees are dependent on the overall level and mix of AUM. The management fees, expressed in basis points, are charged for managing those assets. Management fees are typically subject to fee schedules based on the overall level of assets managed and products in which those assets are invested.

Investment management fee revenue also includes transactional- and account-based fees. These fees, along with distribution and servicing fees, are recognized when the services have been completed. Clients are generally billed for services performed on a monthly or quarterly basis.



Performance fees are generally calculated as a percentage of the applicable portfolio's performance in excess of a benchmark index or a peer group's performance. Performance fees are recognized at the end of the measurement period when they are determinable.

See Note 24 for additional information on our principal business segments, Securities Services, Market and Wealth Services and Investment and Wealth Management, and the primary services provided.

### Disaggregation of contract revenue

Contract revenue is included in fee and other revenue on the consolidated income statement. The following tables present fee and other revenue related to contracts with customers, disaggregated by type of fee revenue, for each business segment. Business segment data has been determined on an internal management basis of accounting, rather than GAAP which is used for consolidated financial reporting.

<i>(in millions)</i>	Disaggregation of contract revenue by business segment									
	2023					2022				
	Securities Services	Market and Wealth Services	Investment and Wealth Management	Other	Total	Securities Services	Market and Wealth Services	Investment and Wealth Management	Other	Total
Fee and other revenue – contract revenue:										
Investment services fees	\$ 4,959	\$ 3,805	\$ 99	\$ (63)	\$ 8,800	\$ 4,890	\$ 3,564	\$ 99	\$ (65)	\$ 8,488
Investment management and performance fees	—	18	3,057	(12)	3,063	—	23	3,290	(14)	3,299
Financing-related fees	37	14	1	—	52	30	23	1	1	55
Distribution and servicing fees	6	(98)	241	—	149	4	(66)	192	—	130
Investment and other revenue	236	207	(323)	1	121	215	143	(245)	1	114
Total fee and other revenue – contract revenue	5,238	3,946	3,075	(74)	12,185	5,139	3,687	3,337	(77)	12,086
Fee and other revenue – not in scope of ASC 606 (a)(b)	817	198	(98)	53	970	865	185	(15)	(235)	800
Total fee and other revenue	\$ 6,055	\$ 4,144	\$ 2,977	\$ (21)	\$ 13,155	\$ 6,004	\$ 3,872	\$ 3,322	\$ (312)	\$ 12,886

(a) Primarily includes investment services fees, foreign exchange revenue, financing-related fees and investment and other revenue, all of which are accounted for using other accounting guidance.

(b) The Investment and Wealth Management business segment is net of income (loss) attributable to noncontrolling interests related to consolidated investment management funds of \$2 million in 2023 and \$(13) million in 2022.

<i>(in millions)</i>	Disaggregation of contract revenue by business segment				
	Year ended Dec. 31, 2021				
	Securities Services	Market and Wealth Services	Investment and Wealth Management	Other	Total
Fee and other revenue – contract revenue:					
Investment services fees	\$ 4,919	\$ 3,284	\$ 100	\$ (70)	\$ 8,233
Investment management and performance fees	—	18	3,553	(19)	3,552
Financing-related fees	19	48	—	1	68
Distribution and servicing fees	5	(5)	113	(1)	112
Investment and other revenue	132	4	(35)	—	101
Total fee other revenue – contract revenue	5,075	3,349	3,731	(89)	12,066
Fee and other revenue – not in scope of ASC 606 (a)(b)	743	234	118	140	1,235
Total fee and other revenue	\$ 5,818	\$ 3,583	\$ 3,849	\$ 51	\$ 13,301

(a) Primarily includes investment services fees, foreign exchange revenue, financing-related fees and investment and other revenue, all of which are accounted for using other accounting guidance.

(b) The Investment and Wealth Management business segment is net of income attributable to noncontrolling interests related to consolidated investment management funds of \$12 million in 2021.

*Contract balances*

Our clients are billed based on fee schedules that are agreed upon in each customer contract. Receivables from customers were \$2.6 billion at Dec. 31, 2023 and Dec. 31, 2022.

Contract assets represent accrued revenues that have not yet been billed to the customers due to certain contractual terms other than the passage of time and were \$27 million at Dec. 31, 2023 and \$48 million at Dec. 31, 2022. Accrued revenues recorded as contract assets are usually billed on an annual basis.

Both receivables from customers and contract assets are included in other assets on the consolidated balance sheet.

Contract liabilities represent payments received in advance of providing services under certain contracts and were \$172 million at Dec. 31, 2023 and \$164 million at Dec. 31, 2022. Contract liabilities are included in other liabilities on the consolidated balance sheet. Revenue recognized in 2023 relating to contract liabilities as of Dec. 31, 2022 was \$114 million.

Changes in contract assets and liabilities primarily relate to either party's performance under the contracts.

*Contract costs*

Incremental costs for obtaining contracts that are deemed recoverable are capitalized as contract costs. Such costs result from the payment of sales incentives, primarily in the Wealth Management business, and totaled \$46 million at Dec. 31, 2023 and \$58 million at Dec. 31, 2022. Capitalized sales incentives are amortized based on the transfer of goods or services to which the assets relate. The amortization of capitalized sales incentives, which is primarily included in staff expense on the consolidated income statement, totaled \$16 million in 2023, \$19 million in 2022 and \$20 million in 2021.

Costs to fulfill a contract are capitalized when they relate directly to an existing contract or a specific anticipated contract, generate or enhance resources that will be used to fulfill performance obligations, and are recoverable. Such costs generally represent set-up costs, which include any direct cost incurred at the inception of a contract which enables the

fulfillment of the performance obligation, and totaled \$90 million at Dec. 31, 2023 and \$77 million at Dec. 31, 2022. These capitalized costs are amortized on a straight-line basis over the expected contract period.

*Unsatisfied performance obligations*

We do not have any unsatisfied performance obligations other than those that are subject to a practical expedient election under ASC 606, *Revenue From Contracts With Customers*. The practical expedient election applies to (i) contracts with an original expected length of one year or less, and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

**Note 11—Net interest revenue**

The following table provides the components of net interest revenue presented on the consolidated income statement.

Net interest revenue (in millions)	Year ended Dec. 31,		
	2023	2022	2021
<b>Interest revenue</b>			
Deposits with the Federal Reserve and other central banks	\$ 4,541	\$ 1,019	\$ (77)
Deposits with banks	523	221	48
Federal funds sold and securities purchased under resale agreements	7,141	1,200	120
Loans	3,916	1,999	958
Securities:			
Taxable	4,213	2,502	1,702
Exempt from federal income taxes	1	35	42
Total securities	4,214	2,537	1,744
Trading securities	313	142	52
<b>Total interest revenue</b>	<b>20,648</b>	<b>7,118</b>	<b>2,845</b>
<b>Interest expense</b>			
Deposits in domestic offices	4,703	980	(27)
Deposits in foreign offices	2,421	607	(148)
Federal funds purchased and securities sold under repurchase agreements	6,699	934	(4)
Trading liabilities	156	68	8
Other borrowed funds	47	9	8
Customer payables	566	156	(2)
Long-term debt	1,711	860	392
<b>Total interest expense</b>	<b>16,303</b>	<b>3,614</b>	<b>227</b>
Net interest revenue	4,345	3,504	2,618
Provision for credit losses	119	39	(231)
Net interest revenue after provision for credit losses	\$ 4,226	\$ 3,465	\$ 2,849

**Note 12—Income taxes**

The components of the income tax provision are as follows:

Provision for income taxes (in millions)	Year ended Dec. 31,		
	2023	2022	2021
Current tax expense:			
Federal	\$ 588	\$ 190	\$ 160
Foreign	443	404	353
State and local	192	19	107
Total current tax expense	1,223	613	620
Deferred tax expense (benefit):			
Federal	(379)	104	208
Foreign	31	(5)	22
State and local	(75)	56	27
Total deferred tax expense (benefit)	(423)	155	257
Provision for income taxes	\$ 800	\$ 768	\$ 877

The deferred tax benefit for 2023 is primarily driven by depreciation and amortization, the accrual for the FDIC special assessment and unrealized gains on securities.

The components of income before taxes are as follows:

Income before taxes (in millions)	Year ended Dec. 31,		
	2023	2022	2021
Domestic	\$ 2,001	\$ 1,697	\$ 2,965
Foreign	2,087	1,631	1,683
Income before taxes	\$ 4,088	\$ 3,328	\$ 4,648

The components of our net deferred tax liability are as follows:

Net deferred tax liability (in millions)	Dec. 31,	
	2023	2022
Depreciation and amortization	\$ 1,811	\$ 2,063
Pension obligation	388	374
Other liabilities	149	145
Renewable energy investment	156	205
Equity investments	56	57
Securities valuation	(29)	(31)
Leasing	(41)	(25)
Other assets	(55)	(31)
Credit losses on loans	(106)	(70)
Reserves not deducted for tax	(314)	(154)
Tax credit carryforward	—	(224)
Employee benefits	(252)	(253)
U.S. foreign tax credits	(96)	(100)
Valuation allowance	130	100
Net deferred tax liability	\$ 1,797	\$ 2,056

As of Dec. 31, 2023, BNY Mellon had \$96 million of U.S. foreign tax credit carryforwards which will begin to expire in 2029. In addition, we have an unrealized capital loss of \$34 million. We believe it is more likely than not that the benefit from these items will not be realized. Accordingly, we have recorded a valuation allowance of \$130 million. We believe it is more likely than not that we will fully realize our remaining deferred tax assets. This conclusion is based on historical financial results and profit forecasts.

As of Dec. 31, 2023, we had approximately \$1.2 billion of earnings attributable to foreign subsidiaries that have been permanently reinvested abroad and for which no local distribution tax provision has been recorded. If these earnings were to be repatriated, the estimated tax liability as of Dec. 31, 2023 would be up to \$150 million.

The statutory federal income tax rate is reconciled to our effective income tax rate below:

Effective tax rate	Year ended Dec. 31,		
	2023	2022	2021
Federal rate	21.0%	21.0%	21.0%
State and local income taxes, net of federal income tax benefit	2.3	1.8	2.3
Foreign operations	1.1	2.1	0.8
Tax credits	(5.6)	(6.1)	(4.6)
Tax-exempt income	(0.7)	(1.0)	(1.0)
Federal Deposit Insurance Corporation (“FDIC”) assessment	0.5	0.4	0.3
Stock compensation	(0.2)	(0.6)	(0.1)
Goodwill impairment	—	3.9	—
Divestiture of stock in subsidiary	0.7	1.0	—
Other – net	0.5	0.6	0.2
Effective tax rate	19.6%	23.1%	18.9%

Unrecognized tax positions (in millions)	2023	2022	2021
	Beginning balance at Jan. 1, – gross	\$ 106	\$ 138
Prior period tax positions:			
Increases	—	—	18
Decreases	(5)	(11)	(3)
Current period tax positions	8	8	9
Settlements	—	(16)	(5)
Statute expiration	—	(13)	—
Ending balance at Dec. 31, – gross	\$ 109	\$ 106	\$ 138

Our total tax reserves as of Dec. 31, 2023 were \$109 million compared with \$106 million at Dec. 31, 2022. If these tax reserves were unnecessary, \$109 million would affect the effective tax rate in future periods. We recognize accrued interest and penalties, if

applicable, related to income taxes in income tax expense. Included in the balance sheet at Dec. 31, 2023 is accrued interest, where applicable, of \$39 million. The additional tax expense related to interest for the year ended Dec. 31, 2023 was \$6 million, compared with \$5 million for the year ended Dec. 31, 2022.

It is reasonably possible the total reserve for uncertain tax positions could decrease within the next 12

### Note 13—Long-term debt

The table below presents information on our long-term debt.

Long-term debt (dollars in millions)	Dec. 31, 2023			Dec. 31, 2022	
	Rate	Maturity	Amount	Rate	Amount
Senior debt:					
Fixed rate	0.50 - 6.47%	2024 - 2034	\$ 28,886	0.35 - 5.83%	\$ 28,108
Floating rate	5.39 - 6.00%	2024 - 2038	1,226	4.50 - 4.92%	1,229
Subordinated debt (a)	3.00 - 3.30%	2028 - 2029	1,145	3.00 - 3.30%	1,121
Total			\$ 31,257		\$ 30,458

(a) Fixed rate.

Total long-term debt maturing during the next five years is as follows: 2024 – \$4.9 billion; 2025 – \$4.4 billion; 2026 – \$4.5 billion; 2027 – \$3.1 billion; and 2028 – \$5.2 billion.

### Note 14—Variable interest entities

We have variable interests in variable interest entities (“VIEs”), which include investments in retail, institutional and alternative investment funds.

We earn management fees from these funds, as well as performance fees in certain funds, and may also provide start-up capital for new funds. The funds are primarily financed by our customers’ investments in the funds’ equity or debt.

Additionally, we invest in qualified affordable housing and renewable energy projects, which are designed to generate a return primarily through the realization of tax credits. The projects, which are structured as limited partnerships and limited liability companies, are also VIEs, but are not consolidated.

The following table presents the incremental assets and liabilities included in the consolidated balance sheet as of Dec. 31, 2023 and Dec. 31, 2022. The net

months by approximately \$9 million as a result of adjustments related to tax years that are still subject to examination.

Our federal income tax returns are closed to examination through 2016. Our New York State and New York City income tax returns are closed to examination through 2014. Our UK income tax returns are closed to examination through 2020.

assets of any consolidated VIE are solely available to settle the liabilities of the VIE and to settle any investors’ ownership liquidation requests, including any seed capital we invested in the VIE.

Consolidated investment management funds (in millions)	Dec. 31,	
	2023	2022
Trading assets	\$ 510	\$ 203
Other assets	16	6
Total assets (a)	\$ 526	\$ 209
Other liabilities	\$ 1	\$ 1
Total liabilities (b)	\$ 1	\$ 1
Nonredeemable noncontrolling interests (c)	\$ 50	\$ 7

(a) Includes VMEs with assets of \$91 million at Dec. 31, 2023 and \$86 million at Dec. 31, 2022.

(b) Includes VMEs with liabilities of \$1 million at Dec. 31, 2023 and \$1 million at Dec. 31, 2022.

(c) Includes VMEs with nonredeemable noncontrolling interests of \$12 million at Dec. 31, 2023 and \$7 million at Dec. 31, 2022.

We have not provided financial or other support that was not otherwise contractually required to be provided to our VIEs. Additionally, creditors of any consolidated VIEs do not have any recourse to the general credit of BNY Mellon.

*Non-consolidated VIEs*

As of Dec. 31, 2023 and Dec. 31, 2022, the following assets and liabilities related to the VIEs where we are not the primary beneficiary were included in our consolidated balance sheets and primarily related to accounting for our investments in qualified affordable housing and renewable energy projects.

The maximum loss exposure indicated in the following table relates solely to our investments in, and unfunded commitments to, the VIEs.

<b>Non-consolidated VIEs</b> <i>(in millions)</i>	<b>Dec. 31,</b> <b>2023</b>	<b>Dec. 31,</b> <b>2022</b>
Other assets	\$ 2,337	\$ 2,235
Other liabilities	596	614
Maximum loss exposure	2,934	2,850

**Note 15—Shareholders’ equity**

*Common stock*

BNY Mellon has 3.5 billion authorized shares of common stock with a par value of \$0.01 per share. At Dec. 31, 2023, 759,344,092 shares of common stock were outstanding.

In July 2023, our Board of Directors approved a 14% increase in the quarterly cash dividend on common stock, from \$0.37 to \$0.42 per share.

*Common stock repurchase program*

In January 2023, we announced a share repurchase program approved by our Board of Directors providing for the repurchase of up to \$5.0 billion of common shares beginning Jan. 1, 2023. This new share repurchase plan replaced all previously authorized share repurchase plans.

In 2023, we repurchased 55.8 million common shares at an average price of \$46.66 per common share for a total of \$2.6 billion.

Share repurchases may be executed through open market repurchases, in privately negotiated transactions or by other means, including through repurchase plans designed to comply with Rule 10b5-1 and other derivative, accelerated share repurchase and other structured transactions.

Preferred stock

The Parent has 100 million authorized shares of preferred stock with a par value of \$0.01 per share. The following table summarizes the Parent's preferred stock issued and outstanding at Dec. 31, 2023 and Dec. 31, 2022.

Preferred stock summary (a)		Total shares issued and outstanding		Carrying value (b) (in millions)	
		Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
	Per annum dividend rate (c)				
Series A	Greater of (i) SOFR plus 0.565% and (ii) 4.000%	5,001	5,001	\$ 500	\$ 500
Series D	SOFR plus 2.46%	—	5,000	—	494
Series F	4.625% to but excluding Sept. 20, 2026, then SOFR plus 3.131%	10,000	10,000	990	990
Series G	4.700% to but excluding Sept. 20, 2025, then a floating rate equal to the five-year treasury rate plus 4.358%	10,000	10,000	990	990
Series H	3.700% to but excluding March 20, 2026, then a floating rate equal to the five-year treasury rate plus 3.352%	5,825	5,825	576	577
Series I	3.750% to but excluding Dec. 20, 2026, then a floating rate equal to the five-year treasury rate plus 2.630%	13,000	13,000	1,287	1,287
Total		43,826	48,826	\$ 4,343	\$ 4,838

(a) All outstanding preferred stock is noncumulative perpetual preferred stock with a liquidation preference of \$100,000 per share.

(b) The carrying value of the Series D, Series F, Series G, Series H and Series I preferred stock is recorded net of issuance costs.

(c) References to SOFR are to a floating rate equal to the three-month CME Term SOFR (plus a spread adjustment of 0.26161% per annum).

Holders of the Series A preferred stock are entitled to receive dividends, if declared by the Parent's Board of Directors, on each March 20, June 20, September 20 and December 20. Holders of the Series F preferred stock are entitled to receive dividends, if declared by the Parent's Board of Directors, on each March 20 and September 20, to and including Sept. 20, 2026; and on each March 20, June 20, September 20 and December 20, from and including Dec. 20, 2026. Holders of the Series G preferred stock are entitled to receive dividends, if declared by the Parent's Board of Directors, on each March 20 and September 20. Holders of the Series H preferred stock are entitled to receive dividends, if declared by the Parent's Board of Directors, on each March 20, June 20, September 20 and December 20, commencing on March 20, 2021. Holders of the Series I preferred stock are entitled to receive dividends, if declared by the Parent's Board of Directors, on each March 20, June 20, September 20 and December 20, commencing on March 20, 2022.

BNY Mellon's ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of our common stock or any of our shares that rank junior to the preferred stock as to the payment of dividends and/or the distribution of any assets on any liquidation, dissolution or winding-up of the Parent will be prohibited, subject to certain restrictions, in

the event that we do not declare and pay in full preferred dividends for the then current dividend period (in the case of dividends) or most recently completed dividend period (in the case of repurchases) of the Series A preferred stock or the last preceding dividend period (in the case of dividends) or most recently completed dividend period (in the case of repurchases) of the Series F, Series G, Series H and Series I preferred stock.

All of the outstanding shares of the Series A preferred stock are owned by Mellon Capital IV, a 100% owned financing subsidiary of the Parent, which will pass through any dividend on the Series A preferred stock to the holders of its Normal Preferred Capital Securities. The Parent's obligations under the trust and other agreements relating to Mellon Capital IV have the effect of providing a full and unconditional guarantee, on a subordinated basis, of payments due on the Normal Preferred Capital Securities. No other subsidiary of the Parent guarantees the securities of Mellon Capital IV. All of the outstanding shares of the Series F, Series G, Series H and Series I preferred stock are held by the depositary of the depositary shares, which will pass through the applicable portion of any dividend on the Series F, Series G, Series H and Series I preferred stock to the holders of record of their respective depositary shares.

In December 2023, the Parent redeemed all outstanding shares of its Series D preferred stock, \$100,000 liquidation preference per share. Deferred fees of approximately \$10 million were realized as preferred stock dividends upon redemption.

In December 2021, the Parent redeemed all outstanding shares of its Series E preferred stock, \$100,000 liquidation preference per share. Deferred fees of approximately \$10 million were realized as preferred stock dividends upon redemption.

The table below presents the Parent's preferred dividends.

<b>Preferred dividends</b>		<b>2023</b>		<b>2022</b>		<b>2021</b>	
<i>(dollars in millions, except per share amounts)</i>	Depository shares per share	Total		Total		Total	
		Per share	dividend	Per share	dividend	Per share	dividend
Series A	100 <i>(a)</i>	\$ 5,866.23	\$ 29	\$ 4,088.49	\$ 20	\$ 4,044.44	\$ 20
Series D	100	6,339.20	42 <i>(b)</i>	4,500.00	23	4,500.00	23
Series E	100	N/A	N/A	N/A	N/A	3,630.34	47 <i>(c)</i>
Series F	100	4,625.00	46	4,625.00	46	4,625.00	46
Series G	100	4,700.00	47	4,700.00	47	4,700.00	47
Series H	100	3,700.00	22	3,700.00	22	4,186.06	24
Series I	100	3,750.00	49	4,083.33	53	N/A	N/A
	Total		\$ 235		\$ 211		\$ 207

*(a) Represents Normal Preferred Capital Securities.*

*(b) Includes deferred fees of approximately \$10 million related to the redemption of the Series D preferred stock.*

*(c) Includes deferred fees of approximately \$10 million related to the redemption of the Series E preferred stock.*

*N/A – Not applicable.*

The preferred stock is not subject to the operation of a sinking fund and is not convertible into, or exchangeable for, shares of our common stock or any other class or series of our other securities. We may redeem the Series A preferred stock, in whole or in part, at our option. We may also, at our option, redeem the shares of the Series F preferred stock on any dividend payment date, in whole or in part, on or after the dividend payment date in September 2026, the Series G preferred stock on any dividend payment date, in whole or in part, on or after the dividend payment date in September 2025, the Series H preferred stock on any dividend payment date, in whole or in part, on or after the dividend payment date in March 2026 and the Series I preferred stock on any dividend payment date, in whole or in part, on or after the dividend payment date in December 2026. The Series F, Series G, Series H or Series I preferred stock can be redeemed, in whole but not in part, at any time within 90 days following a regulatory capital treatment event. Redemption of the preferred stock is subject to the prior approval of the Federal Reserve.

#### *Temporary equity*

Temporary equity was \$85 million at Dec. 31, 2023 and \$109 million at Dec. 31, 2022. Temporary equity represents the redemption value recorded for redeemable noncontrolling interests resulting from equity-classified share-based payment arrangements that are currently redeemable or are expected to become redeemable.

#### *Capital adequacy*

Regulators establish certain levels of capital for bank holding companies (“BHCs”) and banks, including BNY Mellon and our bank subsidiaries, in accordance with established quantitative measurements. For the Parent to maintain its status as a financial holding company, our U.S. bank subsidiaries and BNY Mellon must, among other things, qualify as “well capitalized.” As of Dec. 31, 2023 and Dec. 31, 2022, BNY Mellon and our U.S. bank subsidiaries were “well capitalized.”

The regulatory capital ratios of our consolidated and largest bank subsidiary, The Bank of New York Mellon, are shown below.

Consolidated and largest bank subsidiary regulatory capital ratios <sup>(a)</sup>	Dec. 31,	
	2023	2022
<b>Consolidated regulatory capital ratios:</b>		
Common Equity Tier 1 (“CET1”) ratio	11.5%	11.2%
Tier 1 capital ratio	14.2	14.1
Total capital ratio	15.0	14.9
Tier 1 leverage ratio	6.0	5.8
Supplementary leverage ratio (“SLR”) <sup>(b)</sup>	7.3	6.8
<b>The Bank of New York Mellon regulatory capital ratios:</b>		
CET1 ratio	16.2%	15.6%
Tier 1 capital ratio	16.2	15.6
Total capital ratio	16.3	15.7
Tier 1 leverage ratio	6.6	6.2
SLR <sup>(b)</sup>	8.6	7.7

- (a) For our CET1, Tier 1 capital and Total capital ratios, our effective capital ratios under U.S. capital rules are the lower of the ratios as calculated under the Standardized and Advanced Approaches. The Tier 1 leverage ratio is based on Tier 1 capital and quarterly average total assets. For BNY Mellon to qualify as “well capitalized,” its Tier 1 capital and Total capital ratios must be at least 6% and 10%, respectively. For The Bank of New York Mellon, our largest bank subsidiary, to qualify as “well capitalized,” its CET1, Tier 1 capital, Total capital and Tier 1 leverage ratios must be at least 6.5%, 8%, 10% and 5%, respectively.
- (b) The SLR is based on Tier 1 capital and total leverage exposure, which includes certain off-balance sheet exposures. For The Bank of New York Mellon to qualify as “well capitalized,” its SLR must be at least 6%.

Failure to satisfy regulatory standards, including “well capitalized” status or capital adequacy rules more generally, could result in limitations on our activities and adversely affect our financial condition. If a BHC such as BNY Mellon, or a bank such as The Bank of New York Mellon or BNY Mellon, N.A., fails to satisfy minimum capital requirements or qualify as “adequately capitalized,” regulatory sanctions and limitations will be imposed.

The following table presents our capital components and risk-weighted assets determined under the Standardized and Advanced Approaches, the average assets used for leverage capital purposes and leverage exposure used for SLR purposes.

Capital components and risk-weighted assets <i>(in millions)</i>	Dec. 31,	
	2023	2022
<b>CET1:</b>		
Common shareholders’ equity	\$ 36,531	\$ 35,896
Adjustments for:		
Goodwill and intangible assets <sup>(a)</sup>	(17,253)	(17,210)
Net pension fund assets	(297)	(317)
Embedded goodwill	(275)	(279)
Deferred tax assets	(62)	(56)
Other	(6)	(2)
Total CET1	18,638	18,032
<b>Other Tier 1 capital:</b>		
Preferred stock	4,343	4,838
Other	(14)	(14)
Total Tier 1 capital	\$ 22,967	\$ 22,856
<b>Tier 2 capital:</b>		
Subordinated debt	\$ 1,148	\$ 1,248
Allowance for credit losses	414	291
Other	(11)	(11)
Total Tier 2 capital – Standardized Approach	1,551	1,528
Excess of expected credit losses	85	50
Less: Allowance for credit losses	414	291
Total Tier 2 capital – Advanced Approaches	\$ 1,222	\$ 1,287
<b>Total capital:</b>		
Standardized Approach	\$ 24,518	\$ 24,384
Advanced Approaches	\$ 24,189	\$ 24,143
<b>Risk-weighted assets:</b>		
Standardized Approach	\$ 156,254	\$ 159,096
Advanced Approaches:		
Credit Risk	\$ 87,299	\$ 90,243
Market Risk	3,380	2,979
Operational Risk	70,925	68,450
Total Advanced Approaches	\$ 161,604	\$ 161,672
<b>Average assets for Tier 1 leverage ratio</b>	<b>\$ 383,899</b>	<b>\$ 396,643</b>
<b>Total leverage exposure for SLR</b>	<b>\$ 313,749</b>	<b>\$ 336,049</b>

- (a) Reduced by deferred tax liabilities associated with intangible assets and tax deductible goodwill.

The following table presents the amount of capital by which BNY Mellon and our largest bank subsidiary, The Bank of New York Mellon, exceeded the capital thresholds determined under U.S. capital rules.

<i>(in millions)</i>	Capital above thresholds at Dec. 31, 2023	
	Consolidated <sup>(a)</sup>	The Bank of New York Mellon
CET1	\$ 4,902	\$ 11,962 <sup>(a)</sup>
Tier 1 capital	6,807	10,017 <sup>(a)</sup>
Total capital	4,797	7,572 <sup>(a)</sup>
Tier 1 leverage ratio	7,611	5,158 <sup>(b)</sup>
SLR	7,280	6,286 <sup>(b)</sup>

- (a) Based on minimum required standards, with applicable buffers.
- (b) Based on well capitalized standards.



## Note 16—Other comprehensive income (loss)

Components of other comprehensive income (loss)	Year ended Dec. 31,								
	2023			2022			2021		
	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
<i>(in millions)</i>									
Foreign currency translation:									
Foreign currency translation adjustments arising during the period <i>(a)</i>	\$ 204	\$ 68	\$ 272	\$ (455)	\$ (148)	\$ (603)	\$ (313)	\$ (63)	\$ (376)
Total foreign currency translation	204	68	272	(455)	(148)	(603)	(313)	(63)	(376)
Unrealized gain (loss) on assets available-for-sale:									
Unrealized gain (loss) arising during the period	1,100	(271)	829	(4,292)	1,047	(3,245)	(1,515)	368	(1,147)
Reclassification adjustment <i>(b)</i>	68	(16)	52	443	(105)	338	(5)	1	(4)
Net unrealized gain (loss) on assets available-for-sale	1,168	(287)	881	(3,849)	942	(2,907)	(1,520)	369	(1,151)
Defined benefit plans:									
Net (loss) gain arising during the period	(107)	32	(75)	(400)	94	(306)	296	(77)	219
Foreign exchange adjustment	(1)	—	(1)	—	—	—	—	—	—
Amortization of prior service credit, net loss and initial obligation included in net periodic benefit cost <i>(b)</i>	(18)	8	(10)	68	(12)	56	113	(25)	88
Total defined benefit plans	(126)	40	(86)	(332)	82	(250)	409	(102)	307
Unrealized gain (loss) on cash flow hedges:									
Unrealized hedge gain (loss) arising during the period	7	(2)	5	(16)	4	(12)	3	—	3
Reclassification of net loss (gain) to net income:									
Foreign exchange (“FX”) contracts – investment and other revenue	2	(1)	1	(1)	—	(1)	—	—	—
FX contracts – staff expense	—	—	—	9	(2)	7	(12)	3	(9)
Total reclassifications to net income	2	(1)	1	8	(2)	6	(12)	3	(9)
Net unrealized gain (loss) on cash flow hedges	9	(3)	6	(8)	2	(6)	(9)	3	(6)
Total other comprehensive income (loss)	\$ 1,255	\$ (182)	\$ 1,073	\$ (4,644)	\$ 878	\$ (3,766)	\$ (1,433)	\$ 207	\$ (1,226)

*(a)* Includes the impact of hedges of net investments in foreign subsidiaries. See Note 23 for additional information.

*(b)* The reclassification adjustment related to the unrealized gain (loss) on assets available-for-sale is recorded as net securities gains (losses) in investment and other revenue on the consolidated income statement. The amortization of prior service credit, net loss and initial obligation included in net periodic benefit cost is recorded as other expense on the consolidated income statement.

## Changes in accumulated other comprehensive income (loss) attributable to The Bank of New York Mellon Corporation shareholders

<i>(in millions)</i>	Foreign currency translation	Pensions	Other post-retirement benefits	Unrealized gain (loss) on assets available-for-sale	Unrealized gain (loss) on cash flow hedges	Total accumulated other comprehensive (loss) income, net of tax
2020 ending balance	\$ (1,146)	\$ (1,299)	\$ (55)	\$ 1,508	\$ 7	\$ (985)
Change in 2021	(378)	283	24	(1,151)	(6)	(1,228)
2021 ending balance	(1,524)	(1,016)	(31)	357	1	(2,213)
Change in 2022	(590)	(240)	(10)	(2,907)	(6)	(3,753)
2022 ending balance	(2,114)	(1,256)	(41)	(2,550)	(5)	(5,966)
Change in 2023	272	(87)	1	881	6	1,073
2023 ending balance	\$ (1,842)	\$ (1,343)	\$ (40)	\$ (1,669)	\$ 1	\$ (4,893)

**Note 17—Stock-based compensation**

Our Long-Term Incentive Plans provide for the issuance of restricted stock, restricted stock units (“RSUs”) and other stock-based awards, including options, to employees and directors of BNY Mellon. At Dec. 31, 2023, under the Long-Term Incentive Plan approved in April 2023, we may issue 44,948,591 new stock-based awards, all of which may be issued as restricted stock or RSUs. Stock-based compensation expense related to retirement eligibility vesting totaled \$81 million in 2023, \$72 million in 2022 and \$64 million in 2021.

*RSUs and Performance share units*

RSUs are granted under our long-term incentive plans at no cost to the recipient. These awards are subject to forfeiture until certain restrictions have lapsed, including continued employment, for a specified period. An RSU entitles the recipient to receive a share of common stock after the applicable restrictions lapse. The recipient generally is entitled to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSU is outstanding but does not receive voting rights. The cash dividends are paid at the time of vesting.

The fair value of RSUs is equal to the fair market value of our common stock on the date of grant. The expense is recognized over the vesting period, which is generally zero to four years. The total compensation expense recognized for RSUs was \$332 million in 2023, \$293 million in 2022 and \$260 million in 2021. The total income tax benefit recognized in the consolidated income statement related to compensation costs was \$79 million in 2023, \$69 million in 2022 and \$62 million in 2021.

BNY Mellon’s Executive Committee members were granted a target award of 577,549 performance share units (“PSUs”) in 2023, 513,101 in 2022 and 648,973 in 2021. The Executive Committee PSUs will vest based on two separate and distinct measurements, a performance condition and a market condition split 70% based on return on tangible common shareholders’ equity (“ROTCE”) and 30% on Total Shareholder Return (“TSR”). The TSR portion was valued using a Monte Carlo simulation method, while the ROTCE portion was measured based on the fair market value on the date of grant. Each condition only impacts its applicable portion (70%/30%) of the

total PSU award. The performance and market conditions are measured after three years to determine the final percentage of the total PSUs to vest. The final total amount of vested PSUs will be the sum of the two separate and distinct performance and market-based portions of the PSU awards, but will be capped at 150% of the total PSUs awarded. The ultimate payout is subject to the discretion of the Human Resources and Compensation Committee. These awards are classified as equity and the ROTCE portion is marked-to-market to earnings as a result of this discretion. The TSR portion of the award contains a market condition, and as a result the grant date fair value is recognized over the service period unless the requisite service is not rendered.

The following table summarizes our non-vested PSU and RSU activity for 2023.

Non-vested PSU and RSU activity	Number of shares (a)	Weighted-average fair value at grant date
Non-vested PSUs and RSUs at Dec. 31, 2022	15,086,135	\$ 50.38
<b>Granted</b>	<b>8,295,173</b>	<b>50.71</b>
<b>Vested</b>	<b>(6,238,671)</b>	<b>48.74</b>
<b>Forfeited</b>	<b>(685,921)</b>	<b>49.70</b>
Non-vested PSUs and RSUs at Dec. 31, 2023	16,456,716	\$ 51.20

(a) Includes dividend shares earned on the Executive Committee PSUs and Board of Director’s stock awards.

As of Dec. 31, 2023, \$350 million of total unrecognized compensation costs related to non-vested PSUs and RSUs is expected to be recognized over a weighted-average period of 2.3 years.

The total fair value of RSUs and PSUs that vested was \$305 million in 2023, \$264 million in 2022 and \$240 million in 2021. The actual excess tax benefit (expense) realized for the tax deductions from shares vested totaled \$3 million in 2023, \$16 million in 2022 and \$(8) million in 2021. The tax impacts were recognized in the provision for income taxes.

*Subsidiary Long-Term Incentive Plans*

BNY Mellon also has several subsidiary Long-Term Incentive Plans which have issued restricted subsidiary shares to certain employees. These share awards are subject to forfeiture until certain restrictions have lapsed, including continued employment for a specified period of time. The shares are generally non-voting and non-dividend

paying. Once the restrictions lapse, which generally occurs in three to five years, the shares can only be sold, at the option of the employee, to BNY Mellon at a price based generally on the fair value of the subsidiary at the time of repurchase. In certain instances, BNY Mellon has an election to call the shares.

#### *Stock options*

Our Long-Term Incentive Plans provide for the issuance of stock options at fair market value at the date of grant to officers and employees of BNY Mellon. No stock options were granted in 2023 or 2022, and no stock options were outstanding at Dec. 31, 2023 or Dec. 31, 2022. At Dec. 31, 2021, 407,905 options were exercisable at a weighted-average price per common share of \$22.03 and aggregate intrinsic value of \$15 million.

The total intrinsic value of options exercised was \$15 million in 2022 and \$48 million in 2021. Cash received from option exercises totaled \$9 million in 2022 and \$50 million in 2021. The actual excess tax benefit realized for the tax deductions from options exercised totaled \$3 million in 2022 and \$8 million in 2021 and was recognized in the provision for income taxes.

#### **Note 18—Employee benefit plans**

BNY Mellon has defined benefit and/or defined contribution retirement plans and other post-retirement plans providing healthcare benefits.

The defined benefit pension plans cover approximately 7,400 U.S. employees and approximately 18,000 non-U.S. employees.

BNY Mellon has one qualified and several non-qualified defined benefit pension plans in the U.S. and several pension plans overseas.

Effective June 30, 2015, the benefit accruals under the U.S. qualified and non-qualified defined benefit plans were frozen. This change resulted in no additional benefits being earned by participants in those plans based on service or pay after June 30, 2015. These plans were previously closed to new participants effective Dec. 31, 2010.

Effective Dec. 31, 2018, the benefit accruals were frozen under our largest foreign plan, which covers certain UK employees. This change resulted in no additional benefits being earned by participants in that plan based on service or pay after Dec. 31, 2018. Most UK employees currently earn benefits only on a defined contribution basis. UK employees impacted by the pension plan freeze began earning benefits on a defined contribution basis on Jan. 1, 2019.

*Pension and post-retirement healthcare plans*

The following tables report the combined data for our domestic and foreign defined benefit pension and post-retirement healthcare plans.

<i>(dollars in millions)</i>	Pension Benefits				Healthcare Benefits			
	Domestic		Foreign		Domestic		Foreign	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Weighted-average assumptions used to determine benefit obligations</b>								
Discount rate	5.25%	5.61%	4.44%	4.62%	5.25%	5.61%	4.65%	4.75%
Rate of compensation increase	N/A	N/A	3.71	3.72	3.00	3.00	N/A	N/A
Cash balance interest crediting rate	4.00	4.00	N/A	N/A	N/A	N/A	N/A	N/A
<b>Change in benefit obligation (a)</b>								
Benefit obligation at beginning of period	\$ (3,527)	\$ (4,747)	\$ (768)	\$ (1,456)	\$ (95)	\$ (134)	\$ (2)	\$ (3)
Service cost	—	—	(10)	(11)	(1)	(1)	—	—
Interest cost	(190)	(140)	(36)	(28)	(5)	(4)	—	—
Actuarial (loss) gain	(122)	1,105	(67)	554	(2)	35	(1)	1
Curtailements	—	—	1	—	—	—	—	—
Benefits paid	237	255	26	30	11	9	—	—
Foreign exchange adjustment	N/A	N/A	(35)	143	N/A	N/A	1	—
Benefit obligation at end of period	(3,602)	(3,527)	(889)	(768)	(92)	(95)	(2)	(2)
<b>Change in fair value of plan assets</b>								
Fair value at beginning of period	4,806	6,129	975	1,807	116	144	—	—
Actual return on plan assets	501	(1,082)	43	(631)	19	(28)	—	—
Employer contributions	19	14	11	10	11	9	—	—
Benefit payments	(237)	(255)	(26)	(30)	(11)	(9)	—	—
Foreign exchange adjustment	N/A	N/A	49	(181)	N/A	N/A	—	—
Fair value at end of period	5,089	4,806	1,052	975	135	116	—	—
Funded status at end of period	\$ 1,487	\$ 1,279	\$ 163	\$ 207	\$ 43	\$ 21	\$ (2)	\$ (2)
<b>Amounts recognized in accumulated other comprehensive loss (income) consist of:</b>								
Net (gain) loss	\$ 1,637	\$ 1,645	\$ 243	\$ 109	\$ 38	\$ 41	\$ (1)	\$ (2)
Prior service (credit) cost	—	—	(1)	4	(6)	(13)	—	—
Total loss (gain) (before tax effects)	\$ 1,637	\$ 1,645	\$ 242	\$ 113	\$ 32	\$ 28	\$ (1)	\$ (2)

(a) The benefit obligation for pension benefits is the projected benefit obligation, and for healthcare benefits, it is the accumulated benefit obligation. N/A – Not applicable.

A number of key assumptions and measurement date values determine pension expense. The key elements include the long-term rate of return on plan assets, the discount rate, the market-related value of plan assets and the price used to value stock in the Employee Stock Ownership Plan (“ESOP”).

The discount rate for U.S. pension plans was determined after reviewing equivalent rates obtained by discounting the pension plans’ expected cash flows using various high-quality, long-term corporate bond yield curves. We also reviewed the results of several models that matched bonds to our pension cash flows. After reviewing the various indices and models, we selected a discount rate of 5.25% as of Dec. 31, 2023.

The discount rates for foreign pension plans are based on high-quality corporate bond rates in countries that have an active corporate bond market. In those countries with no active corporate bond market, discount rates are based on local government bond rates plus a credit spread.

Actuarial losses on the benefit obligation for the domestic pension plans in 2023 are primarily attributable to decreases in discount rates. Actuarial losses on the benefit obligation for the foreign pension plans in 2023 are primarily attributable to decreases in discount rates and increases in assumed inflation rates. Actuarial gains on the benefit obligation for the domestic and foreign pension plans in 2022 are primarily attributable to increases in discount rates.

**Notes to Consolidated Financial Statements** (continued)

Net periodic benefit (credit) cost	Pension Benefits						Healthcare Benefits					
	Domestic			Foreign			Domestic			Foreign		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
<i>(dollars in millions)</i>												
<b>Weighted-average assumptions as of Jan. 1:</b>												
Market-related value of plan assets	\$5,757	\$5,924	\$5,710	\$1,358	\$1,627	\$1,586	\$135	\$133	\$123	N/A	N/A	N/A
Discount rate	5.61%	3.03%	2.80%	4.62%	2.11%	1.59%	5.61%	3.03%	2.80%	4.75%	2.15%	1.65%
Expected rate of return on plan assets	6.75	5.375	5.375	6.38	2.40	2.17	6.75	5.375	5.375	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	3.72	3.43	3.12	3.00	3.00	3.00	N/A	N/A	N/A
Cash balance interest crediting rate	4.00	4.00	4.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Components of net periodic benefit (credit) cost:</b>												
Service cost	\$ —	\$ —	\$ —	\$ 10	\$ 11	\$ 14	\$ 1	\$ 1	\$ 1	\$ —	\$ —	\$ —
Interest cost	190	140	137	36	28	25	5	4	4	—	—	—
Expected return on assets	(380)	(312)	(300)	(89)	(35)	(34)	(9)	(7)	(7)	—	—	—
Amortization of:												
Prior service cost (credit)	—	—	—	—	—	1	(7)	(7)	(6)	—	—	—
Net actuarial loss (gain)	8	69	98	(14)	3	13	(5)	3	6	—	—	—
Settlement (gain) loss	1	—	—	(1)	—	1	—	—	—	—	—	—
Curtailment (gain)	—	—	—	(1)	—	—	—	—	—	—	—	—
Net periodic benefit (credit) cost	\$ (181)	\$ (103)	\$ (65)	\$ (59)	\$ 7	\$ 20	\$ (15)	\$ (6)	\$ (2)	\$ —	\$ —	\$ —

N/A – Not applicable.

Changes in other comprehensive (income) loss in 2023	Pension Benefits		Healthcare Benefits	
	Domestic	Foreign	Domestic	Foreign
<i>(in millions)</i>				
Net loss (gain) arising during period	\$ 1	\$ 113	\$ (8)	\$ 1
Recognition of prior years' net (loss) gain	(9)	15	5	—
Recognition of prior years' service credit	—	—	7	—
Foreign exchange adjustment	N/A	1	N/A	—
Total recognized in other comprehensive (income) loss (before tax effects)	\$ (8)	\$ 129	\$ 4	\$ 1

	Domestic		Foreign	
	2023	2022	2023	2022
<i>(in millions)</i>				
<b>Pension benefits:</b>				
Prepaid benefit cost	\$ 1,599	\$ 1,399	\$ 219	\$ 252
Accrued benefit cost	(112)	(120)	(56)	(45)
Total pension benefits	\$ 1,487	\$ 1,279	\$ 163	\$ 207
<b>Healthcare benefits:</b>				
Accrued benefit cost	\$ 43	\$ 21	\$ (2)	\$ (2)
Total healthcare benefits	\$ 43	\$ 21	\$ (2)	\$ (2)

The accumulated benefit obligation for all defined benefit plans was \$4.5 billion at Dec. 31, 2023 and \$4.3 billion at Dec. 31, 2022.

Plans with obligations in excess of plan assets	Pension Benefits				Healthcare Benefits			
	Domestic		Foreign		Domestic		Foreign	
	2023	2022	2023	2022	2023	2022	2023	2022
<i>(in millions)</i>								
Projected benefit obligation	\$ 112	\$ 120	\$ 172	\$ 64	N/A	N/A	N/A	N/A
Fair value of plan assets	—	—	116	19	N/A	N/A	N/A	N/A
Accumulated benefit obligation	112	120	55	50	\$ 62	\$ 62	\$ 2	\$ 2
Fair value of plan assets	—	—	17	18	—	—	—	—

N/A – Not applicable.

*Assumed healthcare cost trend*

The assumed healthcare cost trend rate used in determining domestic benefit expense for 2024 is 7.00%, decreasing to 4.04% in 2075 for pre-Medicare costs and 6.60% decreasing to 4.04% in 2075 for Medicare costs. The initial trend rate assumption represents an estimate of short term cost increases based on recent health care marketplace experience, and taking into consideration the cost characteristics of plans available to retirees. The long-term assumptions and trends were developed using the Getzen Model of Long-Run Medical Cost Trends and consider expectations of long-term health care costs and various other economic assumptions.

The following benefit payments for the pension and healthcare plans, which reflect expected future service as appropriate, are expected to be paid over the next 10 years:

<b>Expected benefit payments</b>			
<i>(in millions)</i>		<b>Domestic</b>	<b>Foreign</b>
<b>Pension benefits:</b>			
Year	2024	\$ 274	\$ 32
	2025	271	32
	2026	270	34
	2027	268	36
	2028	266	40
	2029-2033	1,279	226
<b>Total pension benefits</b>		<b>\$ 2,628</b>	<b>\$ 400</b>
<b>Healthcare benefits:</b>			
Year	2024	\$ 8	\$ —
	2025	8	—
	2026	8	—
	2027	8	—
	2028	8	—
	2029-2033	33	1
<b>Total healthcare benefits</b>		<b>\$ 73</b>	<b>\$ 1</b>

*Plan contributions*

We expect to make cash contributions to fund our defined benefit pension plans in 2024 of \$12 million for the domestic plans and \$9 million for the foreign plans.

We expect to make cash contributions to fund our post-retirement healthcare plans in 2024 of \$8 million for the domestic plans and less than \$1 million for the foreign plans.

*Investment strategy and asset allocation*

We are responsible for the administration of various employee pension and healthcare post-retirement benefits plans, both domestically and internationally. The domestic plans are administered by BNY Mellon's Benefits Administration Committee, a named fiduciary. Subject to the following, at all relevant times, BNY Mellon's Benefits Investment Committee, another named fiduciary to the domestic plans, is responsible for the investment of plan assets. The Benefits Investment Committee's responsibilities include the investment of all domestic defined benefit plan assets, as well as the determination of investment options offered to participants in all domestic defined contribution plans. The Benefits Investment Committee conducts periodic reviews of investment performance, asset allocation and investment manager suitability. In addition, the Benefits Investment Committee has oversight of the Regional Governance Committees for the foreign defined benefit plans.

Our investment objective for U.S. and foreign plans is to maximize total return while maintaining a broadly diversified portfolio for the primary purpose of satisfying obligations for future benefit payments. Our plans are primarily invested in fixed income and equity securities. In general, for the domestic plan's portfolio, fixed income securities can range from 35% to 100% of plan assets, equity securities and alternative investments can range from 0% to 65% of plan assets and cash equivalents can be held in amounts ranging from 0% to 10% of plan assets. Actual asset allocation within the approved ranges varies from time to time based on economic conditions (both current and forecast), the timing of transitional reallocations and the advice of professional advisors.

Our pension assets were invested as follows:

<b>Asset allocations</b>	<b>Domestic</b>		<b>Foreign</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Fixed income	<b>62%</b>	60%	<b>74%</b>	74%
Equities	<b>34</b>	36	<b>13</b>	12
Alternative investments	<b>3</b>	3	<b>11</b>	12
Cash	<b>1</b>	1	<b>2</b>	2
<b>Total pension assets</b>	<b>100%</b>	100%	<b>100%</b>	100%

We held no The Bank of New York Mellon Corporation stock in our pension plans at Dec. 31, 2023 and Dec. 31, 2022. Assets of the U.S. postretirement healthcare plan are invested in an insurance contract.

#### *Fair value measurement of plan assets*

We have established a three-level hierarchy for fair value measurements of our pension plan assets based upon the transparency of inputs to the valuation of an asset as of the measurement date.

The following is a description of the valuation methodologies used for assets measured at fair value, as well as the general classification of such assets pursuant to the valuation hierarchy.

#### *Cash and currency*

This category consists primarily of foreign currency balances and is included in Level 1 of the valuation hierarchy. Foreign currency is translated monthly based on current foreign exchange rates.

#### *Common and preferred stock and exchange-traded funds*

These investments include equities and are valued at the closing price reported in the active market in which the individual securities are traded, if available. Common and preferred stock and exchange-traded funds are included in Level 1 of the valuation hierarchy.

#### *Collective trust funds*

Collective trust funds include commingled and U.S. equity funds that have no readily available market quotations. The fair value of the funds is based on the securities in the portfolio, which typically are the amount that the fund might reasonably expect to receive for the securities upon a sale. These funds are valued using observable inputs on either a daily or monthly basis. Collective trust funds are included in Level 2 of the valuation hierarchy.

#### *Fixed-income investments*

Fixed-income investments include U.S. Treasury securities, U.S. government agencies, non-U.S. government securities, sovereign government obligations, state and political subdivisions, U.S. corporate bonds and foreign corporate debt funds. U.S. Treasury and certain non-U.S. government securities that are actively traded in highly liquid over-the-counter (“OTC”) markets are valued at the closing price reported in the active market in which the individual security is traded and included as Level 1 of the valuation hierarchy. U.S. government agencies, non-U.S. government securities, sovereign government obligations, state and political subdivisions, U.S. corporate bonds and foreign corporate debt funds are valued based on quoted prices for comparable securities with similar yields and credit ratings. When quoted prices are not available for identical or similar bonds, the bonds are valued using discounted cash flows that maximize observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks. U.S. government agencies, non-U.S. government securities, sovereign government obligations, state and political subdivisions, U.S. corporate bonds and foreign corporate debt funds are primarily included in Level 2 of the valuation hierarchy.

#### *Other assets measured at NAV per share, as a practical expedient*

Other assets measured at NAV, as a practical expedient, include funds of funds, venture capital and partnership interests and other funds. There are no readily available market quotations for these funds. The fair value of the funds of funds is based on NAVs of the funds in the portfolio, which reflects the value of the underlying investments held by the fund, less its liabilities. The fair value of the underlying investments is typically the amount that the fund might reasonably expect to receive upon selling those hard to value or illiquid investments within the portfolios. These funds are either valued on a daily or monthly basis. The fair value of the venture capital and partnership interests is based on the pension plan’s ownership percentage of the fair value of the underlying funds as provided by the fund managers. These funds are typically valued on a quarterly basis.

The following tables present the fair value of each major category of plan assets as of Dec. 31, 2023 and Dec. 31, 2022, by captions and by ASC 820, *Fair Value Measurement*, valuation hierarchy.

<b>Plan assets measured at fair value on a recurring basis— domestic plans at Dec. 31, 2023</b>				
<i>(in millions)</i>	Level 1	Level 2	Level 3	Total fair value
Common and preferred stock:				
U.S. equity	\$ 920	\$ —	\$ —	\$ 920
Non-U.S. equity	373	—	—	373
Collective trust funds:				
U.S. equity	—	116	—	116
Commingled	—	530	—	530
Fixed income:				
U.S. corporate bonds	—	2,539	—	2,539
U.S. Treasury securities	233	—	—	233
State and political subdivisions	—	110	—	110
Non-U.S. government	3	27	—	30
U.S. government agencies	—	26	—	26
Other	—	35	—	35
Exchange-traded funds	8	—	—	8
Total domestic plan assets in the fair value hierarchy	\$ 1,537	\$ 3,383	\$ —	\$ 4,920
Other assets measured at NAV:				
Funds of funds				164
Venture capital and partnership interests				5
Total domestic plan assets, at fair value				\$ 5,089

<b>Plan assets measured at fair value on a recurring basis— foreign plans at Dec. 31, 2023</b>				
<i>(in millions)</i>	Level 1	Level 2	Level 3	Total fair value
Corporate debt funds	\$ —	\$ 659	\$ —	\$ 659
Equity funds	—	137	—	137
Sovereign/government obligation funds	—	123	—	123
Cash and currency	19	—	—	19
Total foreign plan assets in the fair value hierarchy	\$ 19	\$ 919	\$ —	\$ 938
Other assets measured at NAV				
Total foreign plan assets, at fair value				\$ 1,052

<b>Plan assets measured at fair value on a recurring basis— domestic plans at Dec. 31, 2022</b>				
<i>(in millions)</i>	Level 1	Level 2	Level 3	Total fair value
Common and preferred stock:				
U.S. equity	\$ 897	\$ —	\$ —	\$ 897
Non-U.S. equity	351	—	—	351
Collective trust funds:				
U.S. equity	—	169	—	169
Commingled	—	493	—	493
Fixed income:				
U.S. corporate bonds	—	2,333	—	2,333
U.S. Treasury securities	214	—	—	214
State and political subdivisions	—	88	—	88
Non-U.S. government	6	38	—	44
U.S. government agencies	—	21	—	21
Other	—	28	—	28
Exchange-traded funds	8	—	—	8
Total domestic plan assets in the fair value hierarchy	\$ 1,476	\$ 3,170	\$ —	\$ 4,646
Other assets measured at NAV:				
Funds of funds				154
Venture capital and partnership interests				6
Total domestic plan assets, at fair value				\$ 4,806

<b>Plan assets measured at fair value on a recurring basis— foreign plans at Dec. 31, 2022</b>				
<i>(in millions)</i>	Level 1	Level 2	Level 3	Total fair value
Corporate debt funds	\$ —	\$ 611	\$ —	\$ 611
Equity funds	—	117	—	117
Sovereign/government obligation funds	—	111	—	111
Cash and currency	16	—	—	16
Total foreign plan assets in the fair value hierarchy	\$ 16	\$ 839	\$ —	\$ 855
Other assets measured at NAV				
Total foreign plan assets, at fair value				\$ 975

*Other assets measured at NAV per share, as a practical expedient*

Certain pension and post-retirement plan assets are invested in funds of funds, venture capital and partnership interests and other contracts valued using NAV, as a practical expedient. The funds of funds investments are redeemable at NAV under agreements with the funds of funds managers.



Assets valued using NAV at Dec. 31, 2023				
<i>(dollars in millions)</i>	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Funds of funds (a)	\$ 164	\$ —	Monthly	30-45 days
Venture capital and partnership interests (b)	83	—	N/A	N/A
Other contracts (c)	36	—	N/A	N/A
<b>Total</b>	<b>\$ 283</b>	<b>\$ —</b>		

Assets valued using NAV at Dec. 31, 2022				
<i>(dollars in millions)</i>	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Funds of funds (a)	\$ 154	\$ —	Monthly	30-45 days
Venture capital and partnership interests (b)	91	—	N/A	N/A
Other contracts (c)	35	—	N/A	N/A
<b>Total</b>	<b>\$ 280</b>	<b>\$ —</b>		

(a) Funds of funds includes multi-strategy hedge funds that utilize investment strategies that invest over both long-term investment and short-term investment horizons.

(b) Venture capital and partnership interests do not have redemption rights. Distributions from such funds will be received as the underlying investments are liquidated.

(c) Other contracts include assets invested in pooled accounts at insurance companies that are privately valued by the asset manager. N/A – Not applicable.

### Defined contribution plans

We sponsor defined contribution plans in the U.S. and in certain non-U.S. locations, all of which are administered in accordance with local laws. The most significant defined contribution plan is The Bank of New York Mellon Corporation 401(k) Savings Plan sponsored by the Company in the U.S. and covers substantially all U.S. employees.

Under The Bank of New York Mellon Corporation 401(k) Savings Plan for 2023, 2022 and 2021, the Company matched 100% of participant contributions up to 7% of an employee's eligible base pay with a monetary limit of \$16,000 per participant. In addition, an annual non-elective contribution of \$750 was made in 2023, 2022 and 2021 to each participant with eligible base pay of less than \$100,000 a year and who are credited with at least one year of service.

At Dec. 31, 2023 and Dec. 31, 2022, The Bank of New York Mellon Corporation 401(k) Savings Plan owned 8.7 million and 9.2 million shares of our common stock, respectively. The fair value of total assets was \$8.8 billion at Dec. 31, 2023 and \$7.8 billion at Dec. 31, 2022. We recorded expenses of \$282 million in 2023, \$276 million in 2022 and \$258

million in 2021, primarily for contributions to our defined contribution plans.

We also have an ESOP covering certain domestic full-time employees hired on or before July 1, 2008. The ESOP works in conjunction with the defined benefit pension plan. Employees are entitled to the higher of their benefit under the ESOP or such defined benefit pension plan at retirement. Benefits payable under the defined benefit pension plan are offset by the equivalent value of benefits earned under the ESOP.

At Dec. 31, 2023 and Dec. 31, 2022, the ESOP owned 3.5 million and 3.7 million shares of our common stock, respectively. The fair value of total ESOP assets was \$185 million at Dec. 31, 2023 and \$171 million at Dec. 31, 2022. The Company is not permitted to make contributions to the ESOP.

The Benefits Investment Committee appointed Fiduciary Counselors Inc. to serve as the independent fiduciary to (i) make all fiduciary decisions related to the continued prudence of offering the common stock of BNY Mellon or its affiliates as an investment option under the plans, other than plan sponsor decisions, and (ii) select and monitor any actively or passively managed investments that are managed by BNY Mellon or its affiliates to be offered to participants as investment options under the plans, excluding self-directed accounts.

### Note 19—Company financial information (Parent Corporation)

In connection with our single point of entry resolution strategy, we have established an intermediate holding company (“IHC”) to facilitate the provision of capital and liquidity resources to certain key subsidiaries in the event of material financial distress or failure. In 2017, we entered into a binding support agreement with those key subsidiaries and other related entities that requires the IHC to provide that support. The support agreement requires the Parent to transfer cash and other liquid financial assets to the IHC on an ongoing basis, subject to certain amounts retained by the Parent to meet its near-term cash needs. The Parent's and the IHC's obligations under the support agreement are secured. The IHC has provided unsecured subordinated funding notes to the Parent as well as a committed line of credit that allows the Parent to draw funds necessary to service near-term obligations. As a result, during business-as-usual

circumstances, the Parent is expected to continue to have access to the funds necessary to pay dividends, repurchase common stock, service its debt and satisfy its other obligations. If our projected financial resources deteriorate so severely that resolution of the Parent becomes imminent, the committed line of credit the IHC provided to the Parent will automatically terminate, with all amounts outstanding becoming due and payable, and the support agreement will require the Parent to transfer most of its remaining assets (other than stock in subsidiaries and a cash reserve to fund bankruptcy expenses) to the IHC. As a result, during a period of severe financial stress, the Parent could become unable to meet its debt and payment obligations (including with respect to its securities), causing the Parent to seek protection under bankruptcy laws earlier than it otherwise would have.

Our bank subsidiaries are subject to dividend limitations under the federal and state banking laws. Under these statutes, prior regulatory consent is required for dividends in any year that would exceed the bank's net profits for such year combined with retained net profits for the prior two years. Additionally, such bank subsidiaries may not declare dividends in excess of net profits on hand, as defined, after deducting the amount by which the principal amount of all loans, on which interest is past due for a period of six months or more, exceeds the allowance for credit losses.

The payment of dividends also is limited by minimum capital requirements and buffers imposed on banks. As of Dec. 31, 2023, our bank subsidiaries exceeded these requirements.

Subsequent to Dec. 31, 2023, our U.S. bank subsidiaries could declare dividends to the Parent of approximately \$1.7 billion, without the need for a regulatory waiver. In addition, at Dec. 31, 2023, non-bank subsidiaries of the Parent had liquid assets of approximately \$3.2 billion.

The bank subsidiaries declared dividends of \$3.5 billion in 2023, \$1.0 billion in 2022 and \$2.5 billion in 2021. The Federal Reserve and the Office of the Comptroller of the Currency have issued additional guidelines that require BHCs and national banks to continually evaluate the level of cash dividends in relation to their respective operating income, capital needs, asset quality and overall financial condition.

The Federal Reserve policy with respect to the payment of cash dividends by BHCs provides that, as a matter of prudent banking, a BHC should not maintain a rate of cash dividends unless its net income available to common shareholders has been sufficient to fully fund the dividends, and the prospective rate of earnings retention appears to be consistent with the holding company's capital needs, asset quality and overall financial condition. The Federal Reserve can also prohibit a dividend if payment would constitute an unsafe or unsound banking practice.

In January 2023, we announced a share repurchase program approved by our Board of Directors providing for the repurchase of up to \$5.0 billion of common shares beginning Jan. 1, 2023. This new share repurchase plan replaced all previously authorized share repurchase plans.

The Federal Reserve Act limits, and requires collateral for, extensions of credit by our insured subsidiary banks to the Parent and certain of its non-bank affiliates. Also, there are restrictions on the amounts of investments by such banks in stock and other securities of BNY Mellon and such affiliates, and restrictions on the acceptance of their securities as collateral for loans by such banks. Extensions of credit by the banks to each of our affiliates are limited to 10% of such bank's regulatory capital, and in the aggregate for BNY Mellon and all such affiliates to 20%, and collateral must be between 100% and 130% of the amount of the credit, depending on the type of collateral.

In the event of impairment of the capital stock of one of the Parent's national banks or The Bank of New York Mellon, the Parent, as the banks' stockholder, could be required to pay such deficiency.

The Parent guarantees the uncommitted lines of credit of Pershing LLC and Pershing Limited subsidiaries. The Parent guarantees described above are full and unconditional and contain the standard provisions relating to parent guarantees of subsidiary debt. Additionally, the Parent guarantees or indemnifies obligations of its consolidated subsidiaries as needed. Generally, there are no stated notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. As a result, we are unable to develop an estimate of the maximum payout under these indemnifications.

However, we believe the possibility is remote that we will have to make any material payment under these guarantees and indemnifications.

The Parent's condensed financial statements are as follows:

**Condensed Income Statement—The Bank of New York Mellon Corporation (Parent Corporation)**

<i>(in millions)</i>	Year ended Dec. 31,		
	2023	2022	2021
Dividends from bank subsidiaries	\$ 3,472	\$ 1,006	\$ 2,490
Dividends from nonbank subsidiaries	1,070	880	1,106
Interest revenue from bank subsidiaries	71	25	—
Interest revenue from nonbank subsidiaries	64	37	30
(Loss) on securities held for sale	(1)	—	—
Other revenue	83	57	56
Total revenue	4,759	2,005	3,682
Interest expense (including \$23, \$10 and \$6, to subsidiaries, respectively)	1,716	853	339
Other expense	291	433	153
Total expense	2,007	1,286	492
Income before income taxes and equity in undistributed net income of subsidiaries	2,752	719	3,190
(Benefit) for income taxes	(258)	(190)	(92)
Equity in undistributed net income:			
Bank subsidiaries	(313)	1,696	282
Nonbank subsidiaries	589	(32)	195
Net income	3,286	2,573	3,759
Preferred stock dividends and redemption charge	(235)	(211)	(207)
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	\$ 3,051	\$ 2,362	\$ 3,552

**Condensed Balance Sheet—The Bank of New York Mellon Corporation (Parent Corporation)**

<i>(in millions)</i>	Dec. 31,	
	2023	2022
<b>Assets:</b>		
Cash and due from banks	\$ 229	\$ 376
Securities	—	1
Investment in and advances to subsidiaries and associated companies:		
Banks	34,184	33,795
Other	38,838	38,119
Subtotal	73,022	71,914
Corporate-owned life insurance	796	793
Other assets	363	610
Total assets	\$ 74,410	\$ 73,694
<b>Liabilities:</b>		
Deferred compensation	\$ 367	\$ 372
Affiliate borrowings	1,294	914
Other liabilities	1,889	1,995
Long-term debt	29,986	29,679
Total liabilities	33,536	32,960
<b>Shareholders' equity</b>	<b>40,874</b>	<b>40,734</b>
Total liabilities and shareholders' equity	\$ 74,410	\$ 73,694

**Condensed Statement of Cash Flows—The Bank of New York Mellon Corporation (Parent Corporation)**

<i>(in millions)</i>	Year ended Dec. 31,		
	2023	2022	2021
<b>Operating activities:</b>			
Net income	\$ 3,286	\$ 2,573	\$ 3,759
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Equity in undistributed net (income) of subsidiaries	(276)	(1,664)	(477)
Change in accrued interest receivable	24	(8)	75
Change in accrued interest payable	24	78	(15)
Change in taxes payable (a)	395	(3)	(142)
Other, net	86	221	(260)
Net cash provided by operating activities	3,539	1,197	2,940
<b>Investing activities:</b>			
Acquisitions of, investments in, and advances to subsidiaries (b)	592	(1,962)	870
Net cash provided by (used for) investing activities	592	(1,962)	870
<b>Financing activities:</b>			
Proceeds from issuance of long-term debt	5,988	9,179	5,186
Repayments of long-term debt	(6,055)	(4,000)	(4,250)
Change in advances from subsidiaries	364	(2,917)	820
Issuance of common stock	16	23	63
Issuance of preferred stock	—	—	1,287
Treasury stock acquired	(2,604)	(124)	(4,567)
Redemption of preferred stock	(500)	—	(1,000)
Cash dividends paid	(1,487)	(1,376)	(1,323)
Net cash (used for) provided by financing activities	(4,278)	785	(3,784)
Change in cash and due from banks	(147)	20	26
Cash and due from banks at beginning of year	376	356	330
Cash and due from banks at end of year	\$ 229	\$ 376	\$ 356
<b>Supplemental disclosures</b>			
Interest paid	\$ 1,693	\$ 774	\$ 354
Income taxes refunded	2	—	1

- (a) Includes payments received from subsidiaries for taxes of \$986 million in 2023, \$70 million in 2022 and \$21 million in 2021.
- (b) Includes \$1,963 million of cash outflows, net of \$2,555 million of cash inflows in 2023, \$2,778 million of cash outflows, net of \$816 million of cash inflows in 2022 and \$10 million of cash outflows, net of \$880 million of cash inflows in 2021.

## Note 20—Fair value measurement

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 utilized based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. BNY Mellon's own creditworthiness is considered when valuing liabilities.

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. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The objective is to determine from weighted indicators of fair value a reasonable point within the range that is most representative of fair value under current market conditions.

### *Determination of fair value*

We have established processes for determining fair values. Fair value is based upon quoted market prices in active markets, where available. For financial instruments where quotes from recent exchange transactions are not available, we determine fair value based on discounted cash flow analysis, comparison to similar instruments and the use of financial models. Discounted cash flow analysis is dependent upon estimated future cash flows and the level of interest rates. Model-based pricing uses inputs of observable prices, where available, for interest rates, foreign exchange rates, option volatilities and other factors. Models are benchmarked and validated by an independent internal risk management function. Our valuation process takes into consideration factors such as counterparty credit quality, liquidity, concentration concerns and observability of model parameters. Valuation adjustments may be made to record financial instruments at fair value.

Most derivative contracts are valued using models which are calibrated to observable market data and

employ standard market pricing theory for their valuations. Valuation models incorporate counterparty credit risk by discounting each trade's expected exposures to the counterparty using the counterparty's credit spreads, as implied by the credit default swap market. We also adjust expected liabilities to the counterparty using BNY Mellon's own credit spreads, as implied by the credit default swap market. Accordingly, the valuation of our derivative positions is sensitive to the current changes in our own credit spreads, as well as those of our counterparties.

In certain cases, recent prices may not be observable for instruments that trade in inactive or less active markets. Upon evaluating the uncertainty in valuing financial instruments subject to liquidity issues, we make an adjustment to their value. The determination of the liquidity adjustment includes the availability of external quotes, the time since the latest available quote and the price volatility of the instrument.

Certain parameters in some financial models are not directly observable and, therefore, are based on management's estimates and judgments. These financial instruments are normally traded less actively. We apply valuation adjustments to mitigate the possibility of error and revision in the model-based estimate value. Examples include products where parameters such as correlation and recovery rates are unobservable.

The methods described above for instruments that trade in inactive or less active markets may produce a current fair value calculation that may not be indicative of net realizable value or reflective of future fair values. We believe our methods of determining fair value are appropriate and consistent with other market participants. However, the use of different methodologies or different assumptions to value certain financial instruments could result in a different estimate of fair value.

### *Valuation hierarchy*

A three-level valuation hierarchy is used for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are described below.

*Level 1:* Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or

liabilities in active markets. Level 1 assets and liabilities include certain debt and equity securities, derivative financial instruments actively traded on exchanges and highly liquid government bonds.

*Level 2:* Observable inputs other than Level 1 prices, for example, quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs that are observable or can be corroborated, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 assets and liabilities include debt instruments that are traded less frequently than exchange-traded securities and derivative financial instruments whose model inputs are observable in the market or can be corroborated by market-observable data.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

### *Valuation methodology*

Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

### *Securities*

We determine fair value primarily based on pricing sources with reasonable levels of price transparency. Where quoted prices are available in an active market, we classify the securities within Level 1 of the valuation hierarchy. Securities include both long and short positions. Level 1 securities include U.S. Treasury and certain non-U.S. government debt securities that are actively traded in highly liquid OTC markets, money market funds and exchange-traded equities.

If quoted market prices are not available, fair values are primarily determined using pricing models using observable trade data, market data, quoted prices of securities with similar characteristics or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include RMBS, MBS, certain

non-U.S. government debt, foreign covered bonds and CLOs.

Specifically, the pricing sources obtain recent transactions for similar types of securities (e.g., vintage, position in the securitization structure) and ascertain variables such as discount rate and speed of prepayment for the types of transaction and apply such variables to similar types of bonds. We view these as observable transactions in the current marketplace and classify such securities as Level 2. Pricing sources discontinue pricing any specific security whenever they determine there is insufficient observable data to provide a good-faith opinion on price.

At Dec. 31, 2023, approximately 99% of our securities were valued by pricing sources with reasonable levels of price transparency. The remaining securities were generally valued using observable inputs. Additional disclosures of securities are provided in Note 4.

In certain cases where there is limited activity or less transparency around inputs to the valuation, we classify those securities in Level 3 of the valuation hierarchy. As of Dec. 31, 2023, we have no instruments included in Level 3 of the valuation hierarchy.

### *Derivative financial instruments*

We classify exchange-traded derivative financial instruments valued using quoted prices in Level 1 of the valuation hierarchy. Examples include exchange-traded equity and foreign exchange options. Since few other classes of derivative contracts are listed on an exchange, most of our derivative positions are valued using models that use as their basis readily observable market parameters, and we classify them in Level 2 of the valuation hierarchy. Such derivative financial instruments include swaps and options, foreign exchange spot and forward contracts and credit default swaps.

Derivatives valued using models with significant unobservable market parameters in markets that lack two-way flow are classified in Level 3 of the valuation hierarchy. Examples may include long-dated swaps and options, where parameters may be unobservable for longer maturities; and certain highly structured products, where correlation risk is unobservable. As of Dec. 31, 2023, we have no

Level 3 derivatives. Additional disclosures of derivative instruments are provided in Note 23.

*Seed capital*

In our Investment and Wealth Management business segment, we make seed capital investments in certain funds we manage. Seed capital is generally included in other assets on the consolidated balance sheet.

When applicable, we value seed capital based on the published NAV of the fund.

For other types of investments in funds, we consider all of the rights and obligations inherent in our ownership interest, including the reported NAV as well as other factors that affect the fair value of our interest in the fund.

*Other assets measured at NAV*

We hold private equity investments, primarily SBICs, which are compliant with the Volcker Rule. There

are no readily available market quotations for these investment partnerships. The fair value of the SBICs is based on our ownership percentage of the fair value of the underlying investments as provided by the partnership managers. These investments are typically valued on a quarterly basis. Our SBIC private equity investments are valued at NAV as a practical expedient for fair value.

The following tables present the financial instruments carried at fair value at Dec. 31, 2023 and Dec. 31, 2022, by caption on the consolidated balance sheet and by the three-level valuation hierarchy. We have included credit ratings information in certain of the tables because the information indicates the degree of credit risk to which we are exposed, and significant changes in ratings classifications could result in increased risk for us.

**Notes to Consolidated Financial Statements** (continued)

<b>Assets and liabilities measured at fair value on a recurring basis at Dec. 31, 2023</b> (dollars in millions)	Level 1	Level 2	Level 3	Netting (a)	Total carrying value
<b>Assets</b>					
Available-for-sale securities:					
U.S. Treasury	\$ 16,604	\$ —	\$ —	\$ —	\$ 16,604
Non-U.S. government (b)	2,439	15,943	—	—	18,382
Agency RMBS	—	13,111	—	—	13,111
Agency commercial MBS	—	7,729	—	—	7,729
Foreign covered bonds	—	6,334	—	—	6,334
CLOs	—	6,137	—	—	6,137
Non-agency commercial MBS	—	2,935	—	—	2,935
U.S. government agencies	—	2,901	—	—	2,901
Non-agency RMBS	—	1,740	—	—	1,740
Other ABS	—	943	—	—	943
Other debt securities	—	1	—	—	1
<b>Total available-for-sale securities</b>	<b>19,043</b>	<b>57,774</b>	<b>—</b>	<b>—</b>	<b>76,817</b>
Trading assets:					
Debt instruments	1,246	2,255	—	—	3,501
Equity instruments	4,518	—	—	—	4,518
Derivative assets not designated as hedging:					
Interest rate	7	1,053	—	(751)	309
Foreign exchange	—	9,227	—	(7,498)	1,729
Equity and other contracts	—	8	—	(7)	1
<b>Total derivative assets not designated as hedging</b>	<b>7</b>	<b>10,288</b>	<b>—</b>	<b>(8,256)</b>	<b>2,039</b>
<b>Total trading assets</b>	<b>5,771</b>	<b>12,543</b>	<b>—</b>	<b>(8,256)</b>	<b>10,058</b>
Other assets:					
Derivative assets designated as hedging:					
Interest rate	—	214	—	—	214
Foreign exchange	—	22	—	—	22
<b>Total derivative assets designated as hedging</b>	<b>—</b>	<b>236</b>	<b>—</b>	<b>—</b>	<b>236</b>
Other assets (c)	486	386	—	—	872
<b>Total other assets</b>	<b>486</b>	<b>622</b>	<b>—</b>	<b>—</b>	<b>1,108</b>
<b>Assets measured at NAV (c)</b>					<b>153</b>
<b>Total assets</b>	<b>\$ 25,300</b>	<b>\$ 70,939</b>	<b>\$ —</b>	<b>\$ (8,256)</b>	<b>\$ 88,136</b>
Percentage of total assets prior to netting	26%	74%	—%		
<b>Liabilities</b>					
Trading liabilities:					
Debt instruments	\$ 2,508	\$ 12	\$ —	\$ —	\$ 2,520
Equity instruments	23	—	—	—	23
Derivative liabilities not designated as hedging:					
Interest rate	8	1,339	—	(635)	712
Foreign exchange	—	9,282	—	(6,341)	2,941
Equity and other contracts	9	135	—	(114)	30
<b>Total derivative liabilities not designated as hedging</b>	<b>17</b>	<b>10,756</b>	<b>—</b>	<b>(7,090)</b>	<b>3,683</b>
<b>Total trading liabilities</b>	<b>2,548</b>	<b>10,768</b>	<b>—</b>	<b>(7,090)</b>	<b>6,226</b>
Other liabilities					
Derivative liabilities designated as hedging:					
Interest rate	—	—	—	—	—
Foreign exchange	—	173	—	—	173
<b>Total derivative liabilities designated as hedging</b>	<b>—</b>	<b>173</b>	<b>—</b>	<b>—</b>	<b>173</b>
Other liabilities	—	22	—	—	22
<b>Total other liabilities</b>	<b>—</b>	<b>195</b>	<b>—</b>	<b>—</b>	<b>195</b>
<b>Total liabilities</b>	<b>\$ 2,548</b>	<b>\$ 10,963</b>	<b>\$ —</b>	<b>\$ (7,090)</b>	<b>\$ 6,421</b>
Percentage of total liabilities prior to netting	19%	81%	—%		

(a) ASC 815, Derivatives and Hedging, permits the netting of derivative receivables and derivative payables under legally enforceable master netting agreements and permits the netting of cash collateral. Netting is applicable to derivatives not designated as hedging instruments included in trading assets or trading liabilities and derivatives designated as hedging instruments included in other assets or other liabilities. Netting is allocated to the derivative products based on the net fair value of each product.

(b) Includes supranational securities.

(c) Includes seed capital, private equity investments and other assets.

**Notes to Consolidated Financial Statements** (continued)

<b>Assets and liabilities measured at fair value on a recurring basis at Dec. 31, 2022</b> (dollars in millions)	Level 1	Level 2	Level 3	Netting (a)	Total carrying value
<b>Assets</b>					
Available-for-sale securities:					
U.S. Treasury	\$ 29,533	\$ —	\$ —	\$ —	\$ 29,533
Non-U.S. government (b)	4,237	16,102	—	—	20,339
Agency RMBS	—	8,957	—	—	8,957
Agency commercial MBS	—	8,060	—	—	8,060
Foreign covered bonds	—	5,758	—	—	5,758
CLOs	—	5,343	—	—	5,343
Non-agency commercial MBS	—	2,977	—	—	2,977
U.S. government agencies	—	2,294	—	—	2,294
Non-agency RMBS	—	2,029	—	—	2,029
Other ABS	—	1,319	—	—	1,319
Other debt securities	—	13	—	—	13
<b>Total available-for-sale securities</b>	<b>33,770</b>	<b>52,852</b>	<b>—</b>	<b>—</b>	<b>86,622</b>
Trading assets:					
Debt instruments	1,590	1,901	—	—	3,491
Equity instruments	3,791	—	—	—	3,791
Derivative assets not designated as hedging:					
Interest rate	10	1,287	—	(986)	311
Foreign exchange	—	9,433	—	(7,215)	2,218
Equity and other contracts	4	98	—	(5)	97
<b>Total derivative assets not designated as hedging</b>	<b>14</b>	<b>10,818</b>	<b>—</b>	<b>(8,206)</b>	<b>2,626</b>
<b>Total trading assets</b>	<b>5,395</b>	<b>12,719</b>	<b>—</b>	<b>(8,206)</b>	<b>9,908</b>
Other assets:					
Derivative assets designated as hedging:					
Interest rate	—	205	—	—	205
Foreign exchange	—	114	—	—	114
<b>Total derivative assets designated as hedging</b>	<b>—</b>	<b>319</b>	<b>—</b>	<b>—</b>	<b>319</b>
Other assets (c)	294	220	—	—	514
<b>Total other assets</b>	<b>294</b>	<b>539</b>	<b>—</b>	<b>—</b>	<b>833</b>
<b>Assets measured at NAV (c)</b>					<b>138</b>
<b>Total assets</b>	<b>\$ 39,459</b>	<b>\$ 66,110</b>	<b>\$ —</b>	<b>\$ (8,206)</b>	<b>\$ 97,501</b>
<b>Percentage of total assets prior to netting</b>	<b>37%</b>	<b>63%</b>	<b>—%</b>		
<b>Liabilities</b>					
Trading liabilities:					
Debt instruments	\$ 2,373	\$ 101	\$ —	\$ —	\$ 2,474
Equity instruments	97	—	—	—	97
Derivative liabilities not designated as hedging:					
Interest rate	6	1,578	—	(798)	786
Foreign exchange	—	9,456	—	(7,444)	2,012
Equity and other contracts	—	17	—	(1)	16
<b>Total derivative liabilities not designated as hedging</b>	<b>6</b>	<b>11,051</b>	<b>—</b>	<b>(8,243)</b>	<b>2,814</b>
<b>Total trading liabilities</b>	<b>2,476</b>	<b>11,152</b>	<b>—</b>	<b>(8,243)</b>	<b>5,385</b>
Other liabilities:					
Derivative liabilities designated as hedging:					
Foreign exchange	—	220	—	—	220
<b>Total derivative liabilities designated as hedging</b>	<b>—</b>	<b>220</b>	<b>—</b>	<b>—</b>	<b>220</b>
Other liabilities	—	1	—	—	1
<b>Total other liabilities</b>	<b>—</b>	<b>221</b>	<b>—</b>	<b>—</b>	<b>221</b>
<b>Total liabilities</b>	<b>\$ 2,476</b>	<b>\$ 11,373</b>	<b>\$ —</b>	<b>\$ (8,243)</b>	<b>\$ 5,606</b>
<b>Percentage of total liabilities prior to netting</b>	<b>18%</b>	<b>82%</b>	<b>—%</b>		

(a) ASC 815, *Derivatives and Hedging*, permits the netting of derivative receivables and derivative payables under legally enforceable master netting agreements and permits the netting of cash collateral. Netting is applicable to derivatives not designated as hedging instruments included in trading assets or trading liabilities and derivatives designated as hedging instruments included in other assets or other liabilities. Netting is allocated to the derivative products based on the net fair value of each product.

(b) Includes supranational securities.

(c) Includes seed capital, private equity investments and other assets.



**Notes to Consolidated Financial Statements** (continued)

Details of certain available-for-sale securities measured at fair value on a recurring basis <i>(dollars in millions)</i>	Dec. 31, 2023						Dec. 31, 2022					
	Total carrying value (b)	Ratings (a)					Total carrying value (b)	Ratings (a)				
		AAA/AA-	A+/A-	BBB+/BBB-	BB+ and lower	Not rated		AAA/AA-	A+/A-	BBB+/BBB-	BB+ and lower	Not rated
Non-agency RMBS, originated in:												
2008-2023	\$ 1,487	100%	—%	—%	—%	—%	\$ 1,728	100%	—%	—%	—%	—%
2007 and earlier	253	5	13	1	40	41	301	5	13	1	45	36
Total non-agency RMBS	\$ 1,740	86%	2%	—%	6%	6%	\$ 2,029	86%	2%	—%	7%	5%
Non-agency commercial MBS originated in:												
2009-2023	\$ 2,935	100%	—%	—%	—%	—%	\$ 2,977	100%	—%	—%	—%	—%
Foreign covered bonds:												
Canada	\$ 2,473	100%	—%	—%	—%	—%	\$ 2,384	100%	—%	—%	—%	—%
UK	1,035	100	—	—	—	—	1,215	100	—	—	—	—
Australia	689	100	—	—	—	—	696	100	—	—	—	—
Germany	664	100	—	—	—	—	542	100	—	—	—	—
Other	1,473	100	—	—	—	—	921	100	—	—	—	—
Total foreign covered bonds	\$ 6,334	100%	—%	—%	—%	—%	\$ 5,758	100%	—%	—%	—%	—%
Non-U.S. government:												
Germany	\$ 2,658	100%	—%	—%	—%	—%	\$ 3,103	100%	—%	—%	—%	—%
France	1,562	100	—	—	—	—	1,905	100	—	—	—	—
Canada	1,336	95	5	—	—	—	1,354	92	8	—	—	—
UK	1,316	100	—	—	—	—	2,225	100	—	—	—	—
Belgium	511	100	—	—	—	—	9	100	—	—	—	—
Japan	410	—	100	—	—	—	475	—	100	—	—	—
Norway	374	100	—	—	—	—	427	100	—	—	—	—
Netherlands	334	100	—	—	—	—	416	100	—	—	—	—
Singapore	302	100	—	—	—	—	797	100	—	—	—	—
Spain	293	—	17	83	—	—	214	—	40	60	—	—
Finland	282	100	—	—	—	—	194	100	—	—	—	—
Other (c)	1,348	70	3	17	10	—	1,486	64	2	26	8	—
Supranational	7,656	100	—	—	—	—	7,734	100	—	—	—	—
Total non-U.S. government	\$ 18,382	94%	3%	2%	1%	—%	\$ 20,339	93%	3%	3%	1%	—%

(a) Represents ratings by S&P or the equivalent.

(b) At Dec. 31, 2023 and Dec. 31, 2022, non-U.S. government securities were included in Level 1 and Level 2 in the valuation hierarchy. All other assets in the table are Level 2 assets in the valuation hierarchy.

(c) Includes non-investment grade non-U.S. government securities related to Brazil of \$140 million at Dec. 31, 2023 and \$123 million at Dec. 31, 2022.

**Assets and liabilities measured at fair value on a nonrecurring basis**

Under certain circumstances, we make adjustments to the fair value of our assets, liabilities and unfunded lending-related commitments, although they are not measured at fair value on an ongoing basis. The following table presents the carrying value as of Dec. 31, 2023 and Dec. 31, 2022 of financial instruments for which nonrecurring adjustments to fair value have been recorded during 2023 and/or 2022 and all non-readily marketable equity securities carried at cost with upward or downward adjustments by balance sheet caption and level in the fair value hierarchy.

Assets measured at fair value on a nonrecurring basis <i>(in millions)</i>	Dec. 31, 2023				Dec. 31, 2022			
	Level 1	Level 2	Level 3	Total carrying value	Level 1	Level 2	Level 3	Total carrying value
Loans (a)	\$ —	\$ 28	\$ —	\$ 28	\$ —	\$ 33	\$ —	\$ 33
Other assets (b)	—	481	—	481	—	448	—	448
Total assets at fair value on a nonrecurring basis	\$ —	\$ 509	\$ —	\$ 509	\$ —	\$ 481	\$ —	\$ 481

(a) The fair value of these loans decreased \$3 million in 2023 and was unchanged in 2022, based on the fair value of the underlying collateral, as required by guidance in ASC 326, Financial Instruments – Credit Losses, with an offset to the allowance for credit losses.

(b) Includes non-readily marketable equity securities carried at cost with upward or downward adjustments and other assets received in satisfaction of debt.

**Estimated fair value of financial instruments**

The following tables present the estimated fair value and the carrying amount of financial instruments not carried at fair value on the consolidated balance sheet at Dec. 31, 2023 and Dec. 31, 2022, by caption on the consolidated balance sheet and by the valuation hierarchy.

Summary of financial instruments  (in millions)	Dec. 31, 2023				
	Level 1	Level 2	Level 3	Total estimated fair value	Carrying amount
<b>Assets:</b>					
Interest-bearing deposits with the Federal Reserve and other central banks	\$ —	\$ 111,550	\$ —	\$ 111,550	\$ 111,550
Interest-bearing deposits with banks	—	12,134	—	12,134	12,139
Federal funds sold and securities purchased under resale agreements	—	28,900	—	28,900	28,900
Securities held-to-maturity	9,545	35,166	—	44,711	49,578
Loans (a)	—	65,026	—	65,026	65,977
Other financial assets	4,922	2,149	—	7,071	7,071
<b>Total</b>	<b>\$ 14,467</b>	<b>\$ 254,925</b>	<b>\$ —</b>	<b>\$ 269,392</b>	<b>\$ 275,215</b>
<b>Liabilities:</b>					
Noninterest-bearing deposits	\$ —	\$ 58,274	\$ —	\$ 58,274	\$ 58,274
Interest-bearing deposits	—	221,463	—	221,463	225,395
Federal funds purchased and securities sold under repurchase agreements	—	14,507	—	14,507	14,507
Payables to customers and broker-dealers	—	18,395	—	18,395	18,395
Borrowings	—	1,274	—	1,274	1,274
Long-term debt	—	30,596	—	30,596	31,257
<b>Total</b>	<b>\$ —</b>	<b>\$ 344,509</b>	<b>\$ —</b>	<b>\$ 344,509</b>	<b>\$ 349,102</b>

(a) Does not include the leasing portfolio.

Summary of financial instruments  (in millions)	Dec. 31, 2022				
	Level 1	Level 2	Level 3	Total estimated fair value	Carrying amount
<b>Assets:</b>					
Interest-bearing deposits with the Federal Reserve and other central banks	\$ —	\$ 91,655	\$ —	\$ 91,655	\$ 91,655
Interest-bearing deposits with banks	—	17,167	—	17,167	17,169
Federal funds sold and securities purchased under resale agreements	—	24,298	—	24,298	24,298
Securities held-to-maturity	10,948	39,044	—	49,992	56,194
Loans (a)	—	64,668	—	64,668	65,230
Other financial assets	5,030	1,817	—	6,847	6,847
<b>Total</b>	<b>\$ 15,978</b>	<b>\$ 238,649</b>	<b>\$ —</b>	<b>\$ 254,627</b>	<b>\$ 261,393</b>
<b>Liabilities:</b>					
Noninterest-bearing deposits	\$ —	\$ 78,017	\$ —	\$ 78,017	\$ 78,017
Interest-bearing deposits	—	196,258	—	196,258	200,953
Federal funds purchased and securities sold under repurchase agreements	—	12,335	—	12,335	12,335
Payables to customers and broker-dealers	—	23,435	—	23,435	23,435
Borrowings	—	911	—	911	911
Long-term debt	—	28,977	—	28,977	30,458
<b>Total</b>	<b>\$ —</b>	<b>\$ 339,933</b>	<b>\$ —</b>	<b>\$ 339,933</b>	<b>\$ 346,109</b>

(a) Does not include the leasing portfolio.

**Note 21—Fair value option**

We elected fair value as an alternative measurement for selected financial assets and liabilities that are not otherwise required to be measured at fair value, including the assets and liabilities of consolidated

investment management funds and subordinated notes associated with certain equity investments.

The following table presents the assets and liabilities of consolidated investment management funds, at fair value.

Assets and liabilities of consolidated investment management funds, at fair value <i>(in millions)</i>	Dec. 31,	
	2023	2022
Assets of consolidated investment management funds:		
Trading assets	\$ 510	\$ 203
Other assets	16	6
Total assets of consolidated investment management funds	\$ 526	\$ 209
Liabilities of consolidated investment management funds:		
Other liabilities	\$ 1	\$ 1
Total liabilities of consolidated investment management funds	\$ 1	\$ 1

The assets and liabilities of the consolidated investment management funds are included in other assets and other liabilities on the consolidated balance sheet. We value the assets and liabilities of consolidated investment management funds using quoted prices for identical assets or liabilities in active markets or observable inputs such as quoted prices for similar assets or liabilities. Quoted prices for either identical or similar assets or liabilities in inactive markets may also be used. Accordingly, fair value best reflects the interests BNY Mellon holds in the economic performance of the consolidated investment management funds. Changes in the fair value of the assets and liabilities are recorded as income (loss) from consolidated investment management funds, which is included in investment and other revenue in the consolidated income statement.

We elected the fair value option on subordinated notes associated with certain equity investments. The fair value of these subordinated notes was \$4 million at Dec. 31, 2023 and \$10 million at Dec. 31, 2022, and are included in other assets on the consolidated balance sheet. The subordinated notes were valued using observable market inputs and included in Level 2 of the valuation hierarchy.

## Note 22—Commitments and contingent liabilities

### *Off-balance sheet arrangements*

In the normal course of business, various commitments and contingent liabilities are outstanding that are not reflected in the accompanying consolidated balance sheets.

Our significant trading and off-balance sheet risks are securities, foreign currency and interest rate risk management products, commercial lending commitments, letters of credit and securities lending indemnifications. We assume these risks to reduce interest rate and foreign currency risks, to provide customers with the ability to meet credit and liquidity needs and to hedge foreign currency and interest rate risks. These items involve, to varying degrees, credit, foreign currency and interest rate risks not recognized on the balance sheet. Our off-balance sheet risks are managed and monitored in manners similar to those used for on-balance sheet risks.

The following table presents a summary of our off-balance sheet credit risks.

Off-balance sheet credit risks <i>(in millions)</i>	Dec. 31, 2023	Dec. 31, 2022
Lending commitments	\$ 46,518	\$ 49,750
Standby letters of credit (“SBLC”) (a)	1,816	1,918
Commercial letters of credit	41	19
Securities lending indemnifications (b)(c)	492,739	491,043

(a) Net of participations totaling \$163 million at Dec. 31, 2023 and \$175 million at Dec. 31, 2022.

(b) Excludes the indemnification for securities for which BNY Mellon acts as an agent on behalf of CIBC Mellon clients, which totaled \$59 billion at Dec. 31, 2023 and \$64 billion at Dec. 31, 2022.

(c) Includes cash collateral, invested in indemnified repurchase agreements, held by us as securities lending agent of \$45 billion at Dec. 31, 2023 and \$43 billion at Dec. 31, 2022.

The total potential loss on undrawn lending commitments, standby and commercial letters of credit, and securities lending indemnifications is equal to the total notional amount if drawn upon, which does not consider the value of any collateral.

Since many of the lending commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements. A summary of lending commitment maturities is as follows: \$27.2 billion in less than one year, \$18.9 billion in one to five years and \$421 million over five years.

SBLCs principally support obligations of corporate clients and were collateralized with cash and securities of \$158 million at Dec. 31, 2023 and \$144 million at Dec. 31, 2022. At Dec. 31, 2023, \$1.3 billion of the SBLCs will expire within one year, \$512 million in one to five years and \$8 million over five years.

We must recognize, at the inception of an SBLC and foreign and other guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The fair value of the liability, which was recorded with a corresponding asset in other assets, was estimated as the present value of contractual customer fees. The estimated liability for losses related to SBLCs and foreign and other guarantees, if any, is included in the allowance for lending-related commitments.

Payment/performance risk of SBLCs is monitored using both historical performance and internal ratings criteria. BNY Mellon’s historical experience is that SBLCs typically expire without being funded. SBLCs below investment grade are monitored closely for payment/performance risk. The table below shows SBLCs by investment grade:

Standby letters of credit	Dec. 31, 2023	Dec. 31, 2022
Investment grade	74%	75%
Non-investment grade	26%	25%

A commercial letter of credit is normally a short-term instrument used to finance a commercial contract for the shipment of goods from a seller to a buyer. Although the commercial letter of credit is contingent upon the satisfaction of specified conditions, it represents a credit exposure if the buyer defaults on the underlying transaction. As a result, the total contractual amounts do not necessarily represent future cash requirements. Commercial letters of credit totaled \$41 million at Dec. 31, 2023 and \$19 million at Dec. 31, 2022.

We expect many of the lending commitments and letters of credit to expire without the need to advance any cash. The revenue associated with guarantees frequently depends on the credit rating of the obligor and the structure of the transaction, including collateral, if any. The allowance for lending-related commitments was \$87 million at Dec. 31, 2023 and \$78 million at Dec. 31, 2022.

A securities lending transaction is a fully collateralized transaction in which the owner of a security agrees to lend the security (typically through an agent, in our case, The Bank of New York Mellon) to a borrower, usually a broker-dealer or bank, on an open, overnight or term basis, under the terms of a prearranged contract.

We typically lend securities with indemnification against borrower default. We generally require the borrower to provide collateral with a minimum value of 102% of the fair value of the securities borrowed, which is monitored on a daily basis, thus reducing credit risk. Market risk can also arise in securities lending transactions. These risks are controlled through policies limiting the level of risk that can be undertaken. Securities lending transactions are generally entered into only with highly rated counterparties. Securities lending indemnifications were secured by collateral of \$518 billion at Dec. 31, 2023 and \$515 billion at Dec. 31, 2022.

CIBC Mellon, a joint venture between BNY Mellon and the Canadian Imperial Bank of Commerce (“CIBC”), engages in securities lending activities. CIBC Mellon, BNY Mellon and CIBC jointly and severally indemnify securities lenders against specific types of borrower default. At Dec. 31, 2023 and Dec. 31, 2022, \$59 billion and \$64 billion, respectively, of borrowings at CIBC Mellon, for which BNY Mellon acts as agent on behalf of CIBC Mellon clients, were secured by collateral of \$62 billion and \$68 billion, respectively. If, upon a default, a borrower’s collateral was not sufficient to cover its related obligations, certain losses related to the indemnification could be covered by the indemnitors.

*Unsettled repurchase and reverse repurchase agreements*

In the normal course of business, we enter into repurchase agreements and reverse repurchase agreements that settle at a future date. In repurchase agreements, BNY Mellon receives cash from and provides securities as collateral to a counterparty at settlement. In reverse repurchase agreements, BNY Mellon advances cash to and receives securities as collateral from the counterparty at settlement. These transactions are recorded on the consolidated balance sheet on the settlement date. At Dec. 31, 2023, we had no unsettled repurchase agreements and \$77.9 billion of unsettled reverse repurchase agreements. At Dec. 31, 2022, we had \$4.0 billion of unsettled repurchase agreements and \$11.3 billion of unsettled reverse repurchase agreements.

*Industry concentrations*

We have significant industry concentrations related to credit exposure at Dec. 31, 2023. The tables below

present our credit exposure in the financial institutions and commercial portfolios.

Financial institutions portfolio exposure (in billions)	Dec. 31, 2023		
	Loans	Unfunded commitments	Total exposure
Securities industry	\$ 2.3	\$ 14.8	\$ 17.1
Asset managers	1.4	8.0	9.4
Banks	6.4	1.4	7.8
Insurance	0.1	3.9	4.0
Government	—	0.2	0.2
Other	0.3	0.9	1.2
Total	\$ 10.5	\$ 29.2	\$ 39.7

Commercial portfolio exposure (in billions)	Dec. 31, 2023		
	Loans	Unfunded commitments	Total exposure
Services and other	\$ 1.2	\$ 3.4	\$ 4.6
Manufacturing	0.5	3.6	4.1
Energy and utilities	0.4	3.7	4.1
Media and telecom	—	0.7	0.7
Total	\$ 2.1	\$ 11.4	\$ 13.5

Major concentrations in securities lending are primarily to broker-dealers and are generally collateralized with cash and/or securities.

#### *Sponsored member repo program*

BNY Mellon is a sponsoring member in the Fixed Income Clearing Corporation (“FICC”) sponsored member program, where we submit eligible repurchase and reverse repurchase transactions in U.S. Treasury and agency securities (“Sponsored Member Transactions”) between BNY Mellon and our sponsored member clients for novation and clearing through FICC pursuant to the FICC Government Securities Division rulebook (the “FICC Rules”). We also guarantee to FICC the prompt and full payment and performance of our sponsored member clients’ respective obligations under the FICC Rules in connection with such clients’ Sponsored Member Transactions. We minimize our credit exposure under this guaranty by obtaining a security interest in our sponsored member clients’ collateral and rights under Sponsored Member Transactions. See “Offsetting assets and liabilities” in Note 23 for additional information on our repurchase and reverse repurchase agreements.

#### *Indemnification arrangements*

We have provided standard representations for underwriting agreements, acquisition and divestiture agreements, sales of loans and commitments, and other similar types of arrangements and customary indemnification for claims and legal proceedings related to providing financial services that are not otherwise included above. Insurance has been purchased to mitigate certain of these risks. Generally, there are no stated or notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. Furthermore, often counterparties to these transactions provide us with comparable indemnifications. We are unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, we are unable to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. We believe, however, that the possibility that we will have to make any material payments for these indemnifications is remote. At Dec. 31, 2023 and Dec. 31, 2022, we have not recorded any material liabilities under these arrangements.

#### *Clearing and settlement exchanges*

We are a noncontrolling equity investor in, and/or member of, several industry clearing or settlement exchanges through which foreign exchange, securities, derivatives or other transactions settle. Certain of these industry clearing and settlement exchanges require their members to guarantee their obligations and liabilities and/or to provide liquidity support in the event other members do not honor their obligations. We believe the likelihood that a clearing or settlement exchange (of which we are a member) would become insolvent is remote. Additionally, certain settlement exchanges have implemented loss allocation policies that enable the exchange to allocate settlement losses to the members of the exchange. It is not possible to quantify such mark-to-market loss until the loss occurs. Any ancillary costs that occur as a result of any mark-to-market loss cannot be quantified. In addition, we also sponsor clients as members on clearing and settlement exchanges and guarantee their obligations. At Dec. 31, 2023 and Dec. 31, 2022, we did not record any material liabilities under these arrangements.

### *Legal proceedings*

In the ordinary course of business, The Bank of New York Mellon Corporation and its subsidiaries are routinely named as defendants in or made parties to pending and potential legal actions. We also are subject to governmental and regulatory examinations, information-gathering requests, investigations and proceedings (both formal and informal). Claims for significant monetary damages are often asserted in many of these legal actions, while claims for disgorgement, restitution, penalties and/or other remedial actions or sanctions may be sought in governmental and regulatory matters. It is inherently difficult to predict the eventual outcomes of such matters given their complexity and the particular facts and circumstances at issue in each of these matters. However, on the basis of our current knowledge and understanding, we do not believe that judgments, settlements or orders, if any, arising from these matters (either individually or in the aggregate, after giving effect to applicable reserves and insurance coverage) will have a material adverse effect on the consolidated financial position or liquidity of BNY Mellon, although they could have a material effect on our results of operations in a given period.

In view of the inherent unpredictability of outcomes in litigation and regulatory matters, particularly where (i) the damages sought are substantial or indeterminate, (ii) the proceedings are in the early stages, or (iii) the matters involve novel legal theories or a large number of parties, as a matter of course there is considerable uncertainty surrounding the timing or ultimate resolution of litigation and regulatory matters, including a possible eventual loss, fine, penalty or business impact, if any, associated with each such matter. In accordance with applicable accounting guidance, we establish accruals for litigation and regulatory matters when those matters proceed to a stage where they present loss contingencies that are both probable and reasonably estimable. In such cases, there may be a possible exposure to loss in excess of any amounts accrued. We regularly monitor such matters for developments that could affect the amount of the accrual, and will adjust the accrual amount as appropriate. If the loss contingency in question is not both probable and reasonably estimable, we do not establish an accrual and the matter continues to be monitored for any developments that would make the loss contingency both probable and reasonably estimable. We believe that our accruals for legal proceedings are appropriate

and, in the aggregate, are not material to the consolidated financial position of BNY Mellon, although future accruals could have a material effect on the results of operations in a given period. In addition, if we have the potential to recover a portion of an estimated loss from a third party, we record a receivable up to the amount of the accrual that is probable of recovery.

For certain of those matters described here for which a loss contingency may, in the future, be reasonably possible (whether in excess of a related accrued liability or where there is no accrued liability), BNY Mellon is currently unable to estimate a range of reasonably possible loss. For those matters described here where BNY Mellon is able to estimate a reasonably possible loss, the aggregate range of such reasonably possible loss is up to \$700 million in excess of the accrued liability (if any) related to those matters. For matters where a reasonably possible loss is denominated in a foreign currency, our estimate is adjusted quarterly based on prevailing exchange rates. We do not consider potential recoveries when estimating reasonably possible losses.

The following describes certain judicial, regulatory and arbitration proceedings involving BNY Mellon:

#### Mortgage-Securitization Trusts Proceedings

BNY Mellon has been named as a defendant in a number of legal actions brought by MBS investors alleging that the trustee has expansive duties under the governing agreements, including the duty to investigate and pursue breach of representation and warranty claims against other parties to the MBS transactions. Two actions commenced in December 2015 and February 2017 are pending in New York federal court. An action commenced in December 2014 in New York federal court was dismissed and the dismissal was affirmed on appeal in April 2023. In New York state court, six actions are pending: one case commenced in May 2016; two related cases commenced in September 2021 and October 2022; and three related cases commenced in October 2021, December 2021 and February 2022.

#### Matters Related to R. Allen Stanford

In late December 2005, Pershing LLC (“Pershing”) became a clearing firm for Stanford Group Co. (“SGC”), a registered broker-dealer that was part of a group of entities ultimately controlled by R. Allen Stanford (“Stanford”). Stanford International Bank, also controlled by Stanford, issued certificates of

deposit (“CDs”). Some investors allegedly wired funds from their SGC accounts to purchase CDs. In 2009, the Securities and Exchange Commission charged Stanford with operating a Ponzi scheme in connection with the sale of CDs, and SGC was placed into receivership. Alleged purchasers of CDs have filed two putative class action proceedings against Pershing: one in November 2009 in Texas federal court, and one in May 2016 in New Jersey federal court. On Nov. 5, 2021, the court dismissed the class action filed in New Jersey and that matter has concluded. Three lawsuits remain against Pershing in Louisiana and New Jersey federal courts, which were filed in January 2010, October 2015 and May 2016. The purchasers allege that Pershing, as SGC’s clearing firm, assisted Stanford in a fraudulent scheme and assert contractual, statutory and common law claims. In March 2019, a group of investors filed a putative class action against The Bank of New York Mellon in New Jersey federal court, making the same allegations as in the prior actions brought against Pershing. On Nov. 12, 2021, the court dismissed the class action against The Bank of New York Mellon; on Dec. 15, 2022, an appeals court reversed the dismissal and returned the case to the trial court for further proceedings. All the cases that have been brought in federal court against Pershing have been consolidated in Texas federal court for discovery purposes. Various alleged Stanford CD purchasers asserted similar claims in Financial Industry Regulatory Authority, Inc. (“FINRA”) arbitration proceedings.

#### Brazilian Postalis Litigation

BNY Mellon Servicos Financeiros DTVM S.A. (“DTVM”), a subsidiary that provides asset services in Brazil, acts as administrator for certain investment funds in which a public pension fund for postal workers called Postalis-Instituto de Seguridade Social dos Correios e Telégrafos (“Postalis”) invested. On Aug. 22, 2014, Postalis sued DTVM in Rio de Janeiro, Brazil for losses related to a Postalis fund for which DTVM is administrator. Postalis alleges that DTVM failed to properly perform duties, including to conduct due diligence of and exert control over the manager. On March 12, 2015, Postalis filed a lawsuit in Rio de Janeiro against DTVM and BNY Mellon Administração de Ativos Ltda. (“Ativos”) alleging failure to properly perform duties relating to another fund of which DTVM is administrator and Ativos is manager. On Dec. 14, 2015, Associação dos Profissionais dos Correios (“ADCAP”), a Brazilian postal workers association, filed a lawsuit in São

Paulo against DTVM and other defendants alleging that DTVM improperly contributed to Postalis investment losses. On March 20, 2017, the lawsuit was dismissed without prejudice, and ADCAP appealed. On Aug. 4, 2021, the appellate court overturned the dismissal and sent the lawsuit to a state lower court. On March 2, 2023, DTVM appealed the August 4 decision to Brazil’s Superior Court of Justice. On Dec. 17, 2015, Postalis filed three lawsuits in Rio de Janeiro against DTVM and Ativos alleging failure to properly perform duties with respect to investments in several other funds. On May 20, 2021, the court in one of those lawsuits entered a judgment of approximately \$3 million against DTVM and Ativos. On Aug. 23, 2021, DTVM and Ativos filed an appeal of the May 20 decision. On June 7, 2022, the appellate court partially granted and partially denied the appeal, reducing the judgment to approximately \$2 million. On July 13, 2023, DTVM and Ativos filed a further appeal to Brazil’s Superior Court of Justice. On Aug. 24, 2022, the court dismissed one of the other lawsuits. On Nov. 24, 2022, Postalis appealed that decision. On Oct. 24, 2023, Postalis’s appeal was denied. On Feb. 4, 2016, Postalis filed a lawsuit in Brasilia against DTVM, Ativos and BNY Mellon Alocação de Patrimônio Ltda. (“Alocação de Patrimônio”), an investment management subsidiary, alleging failure to properly perform duties and liability for losses with respect to investments in various funds of which the defendants were administrator and/or manager. On Jan. 16, 2018, the Brazilian Federal Prosecution Service (“MPF”) filed a civil lawsuit in São Paulo against DTVM alleging liability for Postalis losses based on alleged failures to properly perform certain duties as administrator to certain funds in which Postalis invested or as controller of Postalis’s own investment portfolio. On April 18, 2018, the court dismissed the lawsuit without prejudice. On Aug. 4, 2021, the appellate court overturned the dismissal and returned the lawsuit to the lower court. On April 11, 2022, DTVM appealed the Aug. 4 decision to Brazil’s Superior Court of Justice. On Aug. 21, 2023, DTVM’s appeal was denied. In addition, the Tribunal de Contas da União (“TCU”), an administrative tribunal, has initiated proceedings with the purpose of determining liability for losses to three investment funds administered by DTVM in which Postalis was an investor. On Sept. 9, 2020, TCU rendered a decision in one of the proceedings, finding DTVM and two former Postalis directors jointly and severally liable for approximately \$50 million. TCU

also imposed on DTVM a fine of approximately \$2 million. DTVM's administrative appeal of the decision was denied. On Feb. 25, 2022, DTVM filed a lawsuit in Brazil federal court in Brasilia seeking annulment of TCU's decision and an injunction preventing TCU from enforcing the judgment. On Aug. 24, 2022, the Brazilian Federal Attorneys filed an action in Rio de Janeiro court seeking to enforce the fine portion of the judgment. On Nov. 8, 2022, the Brasilia federal court in the annulment action granted DTVM's request for an injunction, suspending the Sept. 9, 2020 TCU decision until the annulment action is decided. On Oct. 4, 2019, Postalis and another pension fund filed a request for arbitration in São Paulo against DTVM and Ativos alleging liability for losses to an investment fund for which DTVM was administrator and Ativos was manager. On March 26, 2021, DTVM and Ativos filed a lawsuit in São Paulo challenging the decision rendered by the Arbitration Court with respect to its jurisdiction over the case. On Feb. 24, 2023, the São Paulo court annulled the Arbitration Court's decision that it had jurisdiction, and Postalis and the other pension fund have appealed. On Sept. 21, 2023, the São Paulo court issued an order suspending the arbitration; the Arbitration Court implemented the suspension on Oct. 6, 2023. On Oct. 25, 2019, Postalis filed a lawsuit in Rio de Janeiro against DTVM and Alocação de Patrimônio, alleging liability for losses in another fund for which DTVM was administrator and Alocação de Patrimônio and Ativos were managers. On May 9, 2022, the court found DTVM and Alocação de Patrimônio jointly and severally liable for approximately \$20 million. On Aug. 12, 2022, DTVM and Alocação de Patrimônio appealed the decision. On June 19, 2020, a lawsuit was filed in federal court in Rio de Janeiro against DTVM, Postalis, and various other defendants alleging liability against DTVM for certain Postalis losses in an investment fund of which DTVM was administrator. On Feb. 10, 2021, Postalis and another pension fund served DTVM in a lawsuit filed in Rio de Janeiro, alleging liability for losses in another investment fund for which DTVM was administrator and the other defendant was manager.

#### Brazilian Silverado Litigation

DTVM acts as administrator for the Fundo de Investimento em Direitos Creditórios Multisetorial Silverado Maximum ("Silverado Maximum Fund"), which invests in commercial credit receivables. On June 2, 2016, the Silverado Maximum Fund sued DTVM in its capacity as administrator, along with

Deutsche Bank S.A. - Banco Alemão in its capacity as custodian and Silverado Gestão e Investimentos Ltda. in its capacity as investment manager. The Fund alleges that each of the defendants failed to fulfill its respective duty, and caused losses to the Fund for which the defendants are jointly and severally liable.

#### German Tax Matters

German authorities are investigating past "cum/ex" trading, which involved the purchase of equity securities on or shortly before the dividend date, but settled after that date, potentially resulting in an unwarranted refund of withholding tax. German authorities have taken the view that past cum/ex trading may have resulted in tax avoidance or evasion. European subsidiaries of BNY Mellon have been informed by German authorities about investigations into potential cum/ex trading by certain third-party investment funds, where one of the subsidiaries had acquired entities that served as depositary and/or fund manager for those third-party investment funds. We have received information requests from the authorities relating to pre-acquisition activity and are cooperating fully with those requests. In August 2019, the District Court of Bonn ordered that one of these subsidiaries be joined as a secondary party in connection with the prosecution of unrelated individual defendants. Trial commenced in September 2019. In March 2020, the court stated that it would refrain from taking action against the subsidiary in order to expedite the conclusion of the trial. The court convicted the unrelated individual defendants, and determined that the cum/ex trading activities of the relevant third-party investment funds were unlawful. In November and December 2020 and February 2023, we received secondary liability notices from the German tax authorities totaling approximately \$150 million (at then-prevailing exchange rates) related to pre-acquisition activity in various funds for which the entities we acquired were depositary and/or fund manager. We have appealed the notices. In connection with the acquisition of the subject entities, we obtained an indemnity for liabilities from the sellers that we intend to pursue as necessary.

#### Off-Channel Business-Related Communications

The Company has been responding to a request for information from the SEC concerning compliance with recordkeeping obligations relating to business communications transmitted on unapproved electronic communication platforms. SEC Staff has



stated that it is conducting similar inquiries into recordkeeping practices at other financial institutions. The Company is cooperating with the inquiry. In April 2023, the Company received a similar request from the Commodity Futures Trading Commission and is cooperating with that inquiry as well.

#### Pershing Rule 15c3-3 Matter

The Company has been responding to investigative requests for information and records from the SEC concerning Pershing LLC's compliance with its obligations under SEC Rule 15c3-3, among other regulatory rules and statutes. The Company continues to cooperate with the inquiry.

### **Note 23—Derivative instruments**

We use derivatives to manage exposure to market risk, including interest rate risk, equity price risk and foreign currency risk, as well as credit risk. Our trading activities are focused on acting as a market-maker for our customers and facilitating customer trades in compliance with the Volcker Rule.

The notional amounts for derivative financial instruments express the dollar volume of the transactions; however, credit risk is much smaller. We perform credit reviews and enter into netting agreements and collateral arrangements to minimize the credit risk of derivative financial instruments. We enter into offsetting positions to reduce exposure to foreign currency, interest rate and equity price risk.

Use of derivative financial instruments involves reliance on counterparties. Failure of a counterparty to honor its obligation under a derivative contract is a risk we assume whenever we engage in a derivative contract. There were no counterparty default losses recorded in 2023.

#### *Hedging derivatives*

We utilize interest rate swap agreements to manage our exposure to interest rate fluctuations. We enter into fair value hedges as an interest rate risk management strategy to reduce fair value variability by converting certain fixed rate interest payments associated with available-for-sale securities and long-term debt to floating interest rates. We also utilize interest rate swaps and forward foreign exchange contracts as cash flow hedges to manage our exposure to interest rate and foreign exchange rate changes.

The available-for-sale securities hedged consist of U.S. Treasury, agency and non-agency commercial MBS, non-U.S. government and foreign covered bonds. At Dec. 31, 2023, \$30.1 billion par value of available-for-sale securities were hedged with interest rate swaps designated as fair value hedges that had notional values of \$30.1 billion.

The fixed rate long-term debt instruments hedged generally have original maturities of five to 30 years. In fair value hedging relationships, fixed rate debt is hedged with "receive fixed rate, pay variable rate" swaps. At Dec. 31, 2023, \$22.7 billion par value of debt was hedged with interest rate swaps designated as fair value hedges that had notional values of \$22.7 billion.

In addition, we utilize forward foreign exchange contracts as hedges to mitigate foreign exchange exposures. We use forward foreign exchange contracts as cash flow hedges to convert certain forecasted non-U.S. dollar revenue and expenses into U.S. dollars. We use forward foreign exchange contracts with maturities of 18 months or less as cash flow hedges to hedge our foreign exchange exposure to currencies such as the Indian rupee, Polish zloty, Hong Kong dollar, Singapore dollar, British pound and euro used in revenue and expense transactions for entities that have the U.S. dollar as their functional currency. As of Dec. 31, 2023, the hedged forecasted foreign currency transactions and designated forward foreign exchange contract hedges were \$674 million (notional), with a pre-tax gain of \$3 million recorded in accumulated OCI. Over the next 12 months, a gain of \$4 million will be reclassified into earnings.

From time-to-time, we have utilized forward foreign exchange contracts as fair value hedges of the foreign exchange risk associated with available-for-sale securities. Forward points are designated as an excluded component and amortized into earnings over the hedge period. At Dec. 31, 2023, there were no remaining foreign exchange contracts hedging securities.

Forward foreign exchange contracts are also used to hedge the value of our net investments in foreign subsidiaries. These forward foreign exchange contracts have maturities of less than one year. The derivatives employed are designated as hedges of changes in value of our foreign investments due to exchange rates. The change in fair market value of these forward foreign exchange contracts is reported

within foreign currency translation adjustments in shareholders' equity, net of tax. At Dec. 31, 2023, forward foreign exchange contracts with notional amounts totaling \$10.4 billion were designated as net investment hedges.

From time-to-time, we also designate non-derivative financial instruments as hedges of our net investments in foreign subsidiaries. At Dec. 31, 2023, there were no non-derivative financial instruments hedging our net investments in foreign subsidiaries.

The following table presents the pre-tax gains (losses) related to our fair value and cash flow hedging activities recognized in the consolidated income statement.

<b>Income statement impact of fair value and cash flow hedges</b>				
<i>(in millions)</i>	Location of gains (losses)	2023	2022	2021
Interest rate fair value hedges of available-for-sale securities				
Derivative	Interest revenue	\$ (631)	\$ 3,530	\$ 786
Hedged item	Interest revenue	629	(3,517)	(785)
Interest rate fair value hedges of long-term debt				
Derivative	Interest expense	366	(1,441)	(646)
Hedged item	Interest expense	(365)	1,438	645
Foreign exchange fair value hedges of available-for-sale securities				
Derivative (a)	Foreign exchange revenue	—	(2)	11
Hedged item	Foreign exchange revenue	—	4	(10)
Cash flow hedges of forecasted FX exposures				
(Loss) gain reclassified from OCI into income	Staff expense	—	(9)	12
(Loss) gain reclassified from OCI into income	Investment and other revenue	(2)	1	—
(Loss) gain recognized in the consolidated income statement due to fair value and cash flow hedging relationships		\$ (3)	\$ 4	\$ 13

(a) There was no amortization associated with the excluded component in 2023. Includes gains of \$1 million in 2022 and 2021 associated with the amortization of the excluded component.

The following table presents the impact of hedging derivatives used in net investment hedging relationships.

<b>Impact of derivative instruments used in net investment hedging relationships</b>							
<i>(in millions)</i>							
Derivatives in net investment hedging relationships	Gain or (loss) recognized in accumulated OCI on derivatives			Location of gain or (loss) reclassified from accumulated OCI into income	Gain or (loss) reclassified from accumulated OCI into income		
	2023	2022	2021		2023	2022	2021
FX contracts	\$ (285)	\$ 631	\$ 261	Net interest revenue	\$ —	\$ —	\$ —

The following table presents information on the hedged items in fair value hedging relationships.

<b>Hedged items in fair value hedging relationships</b>	Carrying amount of hedged asset or liability		Hedge accounting basis adjustment increase (decrease) (a)	
	Dec. 31,		Dec. 31,	
	2023	2022	2023	2022
<i>(in millions)</i>				
Available-for-sale securities (b)(c)	\$ 29,941	\$ 31,370	\$ (1,767)	\$ (2,678)
Long-term debt	\$ 21,854	\$ 23,510	\$ (846)	\$ (1,232)

(a) Includes a \$434 million decrease and less than \$1 million increase of basis adjustment on discontinued hedges associated with available-for-sale securities at Dec. 31, 2023 and Dec. 31, 2022, respectively, and \$26 million and \$48 million of basis adjustment decreases on discontinued hedges associated with long-term debt at Dec. 31, 2023 and Dec. 31, 2022, respectively.

(b) Carrying amount represents the amortized cost.

(c) At Dec. 31, 2023, the amortized cost of the available-for-sale securities included in closed portfolios subject to portfolio layer method hedging was \$2.0 billion, of which \$1.0 billion was designated as hedged. The cumulative basis adjustments for active hedging relationships associated with such hedges as of Dec. 31, 2023 was an increase of \$24 million.

The following table summarizes the notional amount and carrying values of our total derivatives portfolio.

Impact of derivative instruments on the balance sheet	Notional value		Asset derivatives fair value		Liability derivatives fair value	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
<i>(in millions)</i>						
<b>Derivatives designated as hedging instruments: (a)(b)</b>						
Interest rate contracts	\$ 52,808	\$ 56,142	\$ 214	\$ 205	\$ —	\$ —
Foreign exchange contracts	11,099	10,096	22	114	173	220
Total derivatives designated as hedging instruments			\$ 236	\$ 319	\$ 173	\$ 220
<b>Derivatives not designated as hedging instruments: (b)(c)</b>						
Interest rate contracts	\$ 155,535	\$ 190,917	\$ 1,060	\$ 1,297	\$ 1,347	\$ 1,584
Foreign exchange contracts	944,241	880,948	9,227	9,433	9,282	9,456
Equity contracts	3,886	2,993	8	102	138	13
Credit contracts	220	200	—	—	6	4
Total derivatives not designated as hedging instruments			\$ 10,295	\$ 10,832	\$ 10,773	\$ 11,057
Total derivatives fair value (d)			\$ 10,531	\$ 11,151	\$ 10,946	\$ 11,277
Effect of master netting agreements (e)			(8,256)	(8,206)	(7,090)	(8,243)
Fair value after effect of master netting agreements			\$ 2,275	\$ 2,945	\$ 3,856	\$ 3,034

- (a) The fair value of asset derivatives and liability derivatives designated as hedging instruments is recorded as other assets and other liabilities, respectively, on the consolidated balance sheet.
- (b) For derivative transactions settled at clearing organizations, cash collateral exchanged is deemed a settlement of the derivative each day. The settlement reduces the gross fair value of derivative assets and liabilities and results in a corresponding decrease in the effect of master netting agreements, with no impact to the consolidated balance sheet.
- (c) The fair value of asset derivatives and liability derivatives not designated as hedging instruments is recorded as trading assets and trading liabilities, respectively, on the consolidated balance sheet.
- (d) Fair values are on a gross basis, before consideration of master netting agreements, as required by ASC 815, Derivatives and Hedging.
- (e) Effect of master netting agreements includes cash collateral received and paid of \$2,353 million and \$1,187 million, respectively, at Dec. 31, 2023, and \$1,786 million and \$1,823 million, respectively, at Dec. 31, 2022.

#### Trading activities (including trading derivatives)

Our trading activities are focused on acting as a market-maker for our customers, facilitating customer trades and risk-mitigating economic hedging in compliance with the Volcker Rule. The change in the fair value of the derivatives utilized in our trading activities is recorded in foreign exchange revenue and investment and other revenue on the consolidated income statement.

The following table presents our foreign exchange revenue and other trading revenue.

Foreign exchange revenue and other trading revenue	Year ended Dec. 31,		
	2023	2022	2021
Foreign exchange revenue	\$ 631	\$ 822	\$ 799
Other trading revenue	231	149	6

Foreign exchange revenue includes income from purchasing and selling foreign currencies, currency forwards, futures and options, as well as foreign currency remeasurement. Other trading revenue reflects results from trading in cash instruments, including fixed income and equity securities, and

trading and economic hedging activity with non-foreign exchange derivatives.

We also use derivative financial instruments as risk-mitigating economic hedges, which are not formally designated as accounting hedges. This includes hedging the foreign currency, interest rate or market risks inherent in some of our balance sheet exposures, such as seed capital investments and deposits, as well as certain investment management fee revenue streams. We also use total return swaps to economically hedge obligations arising from the Company's deferred compensation plan whereby the participants defer compensation and earn a return linked to the performance of investments they select. The gains or losses on these total return swaps are recorded in staff expense on the consolidated income statement and were a gain of \$22 million in 2023, a loss of \$43 million in 2022 and a gain of \$35 million in 2021.

We manage trading risk through a system of position limits, a value-at-risk ("VaR") methodology based on historical simulation and other market sensitivity measures. Risk is monitored and reported to senior management by a separate unit, independent from

trading, on a daily basis. Based on certain assumptions, the VaR methodology is designed to capture the potential overnight pre-tax dollar loss from adverse changes in fair values of all trading positions. The calculation assumes a one-day holding period, utilizes a 99% confidence level and incorporates non-linear product characteristics. The VaR model is one of several statistical models used to develop economic capital results, which are allocated to lines of business for computing risk-adjusted performance.

VaR methodology does not evaluate risk attributable to extraordinary financial, economic or other occurrences. As a result, the risk assessment process includes a number of stress scenarios based upon the risk factors in the portfolio and management's assessment of market conditions. Additional stress scenarios based upon historical market events are also performed. Stress tests may incorporate the impact of reduced market liquidity and the breakdown of historically observed correlations and extreme scenarios. VaR and other statistical measures, stress testing and sensitivity analysis are incorporated into other risk management materials.

#### Counterparty credit risk and collateral

We assess the credit risk of our counterparties through regular examination of their financial statements, confidential communication with the management of those counterparties and regular monitoring of publicly available credit rating information. This and other information is used to develop proprietary credit rating metrics used to assess credit quality.

Collateral requirements are determined after a comprehensive review of the credit quality of each counterparty. Collateral is generally held or pledged in the form of cash and/or highly liquid government securities. Collateral requirements are monitored and adjusted daily.

Additional disclosures concerning derivative financial instruments are provided in Note 20.

#### Disclosure of contingent features in OTC derivative instruments

Certain OTC derivative contracts and/or collateral agreements contain credit risk-contingent features triggered upon a rating downgrade in which the

counterparty has the right to request additional collateral or the right to terminate the contracts in a net liability position.

The following table shows the aggregate fair value of OTC derivative contracts in net liability positions that contained credit risk-contingent features and the value of collateral that has been posted.

<i>(in millions)</i>	<b>Dec. 31, 2023</b>	Dec. 31, 2022
Aggregate fair value of OTC derivatives in net liability positions (a)	<b>\$ 1,003</b>	\$ 3,069
Collateral posted	<b>\$ 1,001</b>	\$ 3,484

(a) Before consideration of cash collateral.

The aggregate fair value of OTC derivative contracts containing credit risk-contingent features can fluctuate from quarter to quarter due to changes in market conditions, composition of counterparty trades, new business or changes to the contingent features.

The Bank of New York Mellon, our largest banking subsidiary, enters into the substantial majority of our OTC derivative contracts and/or collateral agreements. As such, the contingent features may be triggered if The Bank of New York Mellon's long-term issuer rating were downgraded.

The following table shows the fair value of contracts falling under early termination provisions that were in net liability positions for three key ratings triggers.

<b>Potential close-out exposures (fair value) (a)</b>		
<i>(in millions)</i>	<b>Dec. 31, 2023</b>	Dec. 31, 2022
If The Bank of New York Mellon's rating changed to: (b)		
A3/A-	<b>\$ 115</b>	\$ 20
Baa2/BBB	<b>\$ 792</b>	\$ 545
Ba1/BB+	<b>\$ 1,920</b>	\$ 1,803

(a) The amounts represent potential total close-out values if The Bank of New York Mellon's long-term issuer rating were to immediately drop to the indicated levels, and do not reflect collateral posted.

(b) Represents ratings by Moody's/S&P.

If The Bank of New York Mellon's debt rating had fallen below investment grade on Dec. 31, 2023 and Dec. 31, 2022, existing collateral arrangements would have required us to post additional collateral of \$235 million and \$214 million, respectively.

**Offsetting assets and liabilities**

The following tables present derivative and financial instruments and their related offsets. There were no derivative instruments or financial instruments subject to a legally enforceable netting agreement for which we are not currently netting.

<i>(in millions)</i>	Gross assets recognized	Gross amounts offset in the balance sheet	<i>(a)</i>	Net assets recognized in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
					Financial instruments	Cash collateral received	
<b>Offsetting of derivative assets and financial assets at Dec. 31, 2023</b>							
Derivatives subject to netting arrangements:							
Interest rate contracts	\$ 979	\$ 751		\$ 228	\$ 60	\$ —	\$ 168
Foreign exchange contracts	8,552	7,498		1,054	320	—	734
Equity and other contracts	7	7		—	—	—	—
Total derivatives subject to netting arrangements	9,538	8,256		1,282	380	—	902
Total derivatives not subject to netting arrangements	993	—		993	—	—	993
Total derivatives	10,531	8,256		2,275	380	—	1,895
Reverse repurchase agreements	169,092	150,667	<i>(b)</i>	18,425	18,422	—	3
Securities borrowing	10,475	—		10,475	10,011	—	464
Total	\$ 190,098	\$ 158,923		\$ 31,175	\$ 28,813	\$ —	\$ 2,362

*(a)* Includes the effect of netting agreements and net cash collateral received. The offset related to the OTC derivatives was allocated to the various types of derivatives based on the net positions.

*(b)* Offsetting of reverse repurchase agreements relates to our involvement in the FICC, where we settle government securities transactions on a net basis for payment and delivery through the Fedwire system.

<i>(in millions)</i>	Gross assets recognized	Gross amounts offset in the balance sheet	<i>(a)</i>	Net assets recognized in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
					Financial instruments	Cash collateral received	
<b>Offsetting of derivative assets and financial assets at Dec. 31, 2022</b>							
Derivatives subject to netting arrangements:							
Interest rate contracts	\$ 1,208	\$ 986		\$ 222	\$ 33	\$ —	\$ 189
Foreign exchange contracts	8,920	7,215		1,705	314	—	1,391
Equity and other contracts	95	5		90	—	—	90
Total derivatives subject to netting arrangements	10,223	8,206		2,017	347	—	1,670
Total derivatives not subject to netting arrangements	928	—		928	—	—	928
Total derivatives	11,151	8,206		2,945	347	—	2,598
Reverse repurchase agreements	75,614	60,322	<i>(b)</i>	15,292	15,182	—	110
Securities borrowing	9,006	—		9,006	8,531	—	475
Total	\$ 95,771	\$ 68,528		\$ 27,243	\$ 24,060	\$ —	\$ 3,183

*(a)* Includes the effect of netting agreements and net cash collateral received. The offset related to the OTC derivatives was allocated to the various types of derivatives based on the net positions.

*(b)* Offsetting of reverse repurchase agreements relates to our involvement in the FICC, where we settle government securities transactions on a net basis for payment and delivery through the Fedwire system.

**Notes to Consolidated Financial Statements** (continued)

**Offsetting of derivative liabilities and financial liabilities at Dec. 31, 2023**

<i>(in millions)</i>	Gross liabilities recognized	Gross amounts offset in the balance sheet	<i>(a)</i>	Net liabilities recognized in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
					Financial instruments	Cash collateral pledged	
Derivatives subject to netting arrangements:							
Interest rate contracts	\$ 1,118	\$ 635		\$ 483	\$ 78	\$ —	\$ 405
Foreign exchange contracts	8,454	6,341		2,113	93	—	2,020
Equity and other contracts	128	114		14	—	—	14
Total derivatives subject to netting arrangements	9,700	7,090		2,610	171	—	2,439
Total derivatives not subject to netting arrangements	1,246	—		1,246	—	—	1,246
Total derivatives	10,946	7,090		3,856	171	—	3,685
Repurchase agreements	162,661	150,667	<i>(b)</i>	11,994	11,966	28	—
Securities lending	2,513	—		2,513	2,404	—	109
Total	\$ 176,120	\$ 157,757		\$ 18,363	\$ 14,541	\$ 28	\$ 3,794

*(a)* Includes the effect of netting agreements and net cash collateral paid. The offset related to the OTC derivatives was allocated to the various types of derivatives based on the net positions.

*(b)* Offsetting of repurchase agreements relates to our involvement in the FICC, where we settle government securities transactions on a net basis for payment and delivery through the Fedwire system.

**Offsetting of derivative liabilities and financial liabilities at Dec. 31, 2022**

<i>(in millions)</i>	Gross liabilities recognized	Gross amounts offset in the balance sheet	<i>(a)</i>	Net liabilities recognized in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
					Financial instruments	Cash collateral pledged	
Derivatives subject to netting arrangements:							
Interest rate contracts	\$ 1,306	\$ 798		\$ 508	\$ 67	\$ —	\$ 441
Foreign exchange contracts	9,261	7,444		1,817	51	—	1,766
Equity and other contracts	15	1		14	—	—	14
Total derivatives subject to netting arrangements	10,582	8,243		2,339	118	—	2,221
Total derivatives not subject to netting arrangements	695	—		695	—	—	695
Total derivatives	11,277	8,243		3,034	118	—	2,916
Repurchase agreements	70,830	60,322	<i>(b)</i>	10,508	10,476	31	1
Securities lending	1,827	—		1,827	1,754	—	73
Total	\$ 83,934	\$ 68,565		\$ 15,369	\$ 12,348	\$ 31	\$ 2,990

*(a)* Includes the effect of netting agreements and net cash collateral paid. The offset related to the OTC derivatives was allocated to the various types of derivatives based on the net positions.

*(b)* Offsetting of repurchase agreements relates to our involvement in the FICC, where we settle government securities transactions on a net basis for payment and delivery through the Fedwire system.

*Secured borrowings*

The following table presents the contract value of repurchase agreements and securities lending transactions accounted for as secured borrowings by the type of collateral provided to counterparties.

<i>(in millions)</i>	<b>Dec. 31, 2023</b>					<b>Dec. 31, 2022</b>				
	Remaining contractual maturity				Total	Remaining contractual maturity				Total
	Overnight and continuous	Up to 30 days	30-90 days	Over 90 days		Overnight and continuous	Up to 30 days	30-90 days	Over 90 days	
<b>Repurchase agreements and securities lending transactions accounted for as secured borrowings</b>										
Repurchase agreements:										
U.S. Treasury	\$ 128,304	\$ 15	\$ 1,409	\$ 510	\$130,238	\$ 62,401	\$ 7	\$ 827	\$ 553	\$ 63,788
Agency RMBS	25,815	—	896	120	26,831	1,460	493	—	—	1,953
Corporate bonds	103	72	1,315	590	2,080	99	88	782	306	1,275
Sovereign debt/sovereign guaranteed	1,049	—	—	—	1,049	1,008	—	—	—	1,008
State and political subdivisions	37	38	449	257	781	38	49	443	159	689
Other debt securities	4	180	73	24	281	13	102	92	7	214
U.S. government agencies	44	—	61	32	137	161	—	—	—	161
Equity securities	—	10	1,172	82	1,264	—	61	1,681	—	1,742
<b>Total</b>	<b>\$ 155,356</b>	<b>\$ 315</b>	<b>\$ 5,375</b>	<b>\$ 1,615</b>	<b>\$162,661</b>	<b>\$ 65,180</b>	<b>\$ 800</b>	<b>\$ 3,825</b>	<b>\$ 1,025</b>	<b>\$ 70,830</b>
Securities lending:										
Agency RMBS	\$ 111	\$ —	\$ —	\$ —	\$ 111	\$ 110	\$ —	\$ —	\$ —	\$ 110
Other debt securities	25	—	—	—	25	66	—	—	—	66
Equity securities	2,377	—	—	—	2,377	1,651	—	—	—	1,651
<b>Total</b>	<b>\$ 2,513</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,513</b>	<b>\$ 1,827</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,827</b>
<b>Total secured borrowings</b>	<b>\$ 157,869</b>	<b>\$ 315</b>	<b>\$ 5,375</b>	<b>\$ 1,615</b>	<b>\$165,174</b>	<b>\$ 67,007</b>	<b>\$ 800</b>	<b>\$ 3,825</b>	<b>\$ 1,025</b>	<b>\$ 72,657</b>

BNY Mellon's repurchase agreements and securities lending transactions primarily encounter risk associated with liquidity. We are required to pledge collateral based on predetermined terms within the agreements. If we were to experience a decline in the fair value of the collateral pledged for these transactions, we could be required to provide additional collateral to the counterparty, therefore decreasing the amount of assets available for other liquidity needs that may arise. BNY Mellon also offers tri-party collateral agency services in the tri-party repo market where we are exposed to credit risk. In order to mitigate this risk, we require dealers to fully secure intraday credit.

**Note 24—Business segments**

We have an internal information system that produces performance data along product and service lines for our three principal business segments and the Other segment.

The primary products and services and types of revenue in each line of business and a description of the Other segment are presented below.

**Securities Services business segment**

<i>Line of business</i>	<i>Primary products and services</i>	<i>Primary types of revenue</i>
Asset Servicing	Custody, Trust & Depositary, accounting, ETF services, middle-office solutions, transfer agency, services for private equity and real estate funds, foreign exchange, securities lending, liquidity/lending services and data analytics	<ul style="list-style-type: none"> <li>– Investment services fees (includes securities lending revenue)</li> <li>– Net interest revenue</li> <li>– Foreign exchange revenue</li> <li>– Financing-related fees</li> </ul>
Issuer Services	Corporate Trust (trustee, paying agency, fiduciary, escrow and other financial services) and Depositary Receipts (issuer services and support for brokers and investors)	<ul style="list-style-type: none"> <li>– Investment services fees</li> <li>– Net interest revenue</li> <li>– Foreign exchange revenue</li> </ul>

**Market and Wealth Services business segment**

<i>Line of business</i>	<i>Primary products and services</i>	<i>Primary types of revenue</i>
Pershing	Clearing and custody, investment, wealth and retirement solutions, technology and enterprise data management, trading services and prime brokerage	<ul style="list-style-type: none"> <li>– Investment services fees</li> <li>– Net interest revenue</li> </ul>
Treasury Services	Integrated cash management solutions including payments, foreign exchange, liquidity management, receivables processing and payables management and trade finance and processing	<ul style="list-style-type: none"> <li>– Investment services fees</li> <li>– Net interest revenue</li> <li>– Foreign exchange revenue</li> </ul>
Clearance and Collateral Management	Clearance (including U.S. government and global clearing services) and Global Collateral Management (including tri-party services)	<ul style="list-style-type: none"> <li>– Investment services fees</li> <li>– Net interest revenue</li> </ul>

**Investment and Wealth Management business segment**

<i>Line of business</i>	<i>Primary products and services</i>	<i>Primary types of revenue</i>
Investment Management	Diversified investment management strategies and distribution of investment products	<ul style="list-style-type: none"> <li>– Investment management fees</li> <li>– Performance fees</li> <li>– Distribution and servicing fees</li> </ul>
Wealth Management	Investment management, custody, wealth and estate planning, private banking services, investment services and information management	<ul style="list-style-type: none"> <li>– Investment management fees</li> <li>– Net interest revenue</li> </ul>

**Other segment**

<i>Description</i>	<i>Primary types of revenue</i>
Includes leasing portfolio, corporate treasury activities including our securities portfolio, derivatives and other trading activity, corporate and bank-owned life insurance, renewable energy and other corporate investments and certain business exits	<ul style="list-style-type: none"> <li>– Foreign exchange revenue</li> <li>– Investment and other revenue <ul style="list-style-type: none"> <li>– Other trading revenue</li> <li>– Net gain (loss) on securities</li> </ul> </li> <li>– Net interest revenue (expense)</li> </ul>



*Business accounting principles*

Our business data has been determined on an internal management basis of accounting, rather than GAAP, which is used for consolidated financial reporting. These measurement principles are designed so that reported results of the businesses will track their economic performance.

Business segment results are subject to reclassification when organizational changes are made, or for refinements in revenue and expense allocation methodologies. Refinements are typically reflected on a prospective basis. There were no reclassification or organizational changes in 2023.

The accounting policies of the businesses are the same as those described in Note 1.

The results of our business segments are presented and analyzed on an internal management reporting basis.

- Revenue amounts reflect fee and other revenue generated by each business and include revenue for services provided between the segments that are also provided to third parties. Fee and other revenue transferred between businesses under revenue transfer agreements is included within other fees in each segment.
- Revenues and expenses associated with specific client bases are included in those businesses. For example, foreign exchange activity associated with clients using custody products is included in the Securities Services segment.
- Net interest revenue is allocated to businesses based on the yields on the assets and liabilities generated by each business. We employ a funds transfer pricing system that matches funds with the specific assets and liabilities of each business based on their interest sensitivity and maturity characteristics.
- The provision for credit losses associated with the respective credit portfolios is reflected in each segment.
- Incentives expense related to restricted stock and RSUs is allocated to the segments.
- Support and other indirect expenses, including services provided between segments that are not provided to third parties or not subject to a revenue transfer agreement, are allocated to businesses based on internally developed methodologies and reflected in noninterest expense.
- Recurring FDIC expense is allocated to the businesses based on average deposits generated within each business.
- Severance expense is recorded in the segments based on the business or function the impacted employees reside, with severance related to corporate staff, technology and operations reflected in the Other segment.
- Litigation expense is generally recorded in the business in which the charge occurs.
- Management of the securities portfolio is a shared service contained in the Other segment. As a result, gains and losses associated with the valuation of the securities portfolio are generally included in the Other segment.
- Client deposits serve as the primary funding source for our securities portfolio. We typically allocate all interest revenue to the businesses generating the deposits.
- Balance sheet assets and liabilities and their related income or expense are specifically assigned to each business. Segments with a net liability position have been allocated assets.
- Goodwill and intangible assets are reflected within individual businesses.

## Notes to Consolidated Financial Statements (continued)

The following consolidating schedules present the contribution of our segments to our overall profitability.

<b>For the year ended Dec. 31, 2023</b>						
<i>(dollars in millions)</i>	Securities Services	Market and Wealth Services	Investment and Wealth Management		Other	Consolidated
Total fee and other revenue	\$ 6,055	\$ 4,144	\$ 2,977	(a)	\$ (21)	\$ 13,155 (a)
Net interest revenue (expense)	2,569	1,712	166		(102)	4,345
Total revenue (loss)	8,624	5,856	3,143	(a)	(123)	17,500 (a)
Provision for credit losses	99	41	(4)		(17)	119
Noninterest expense	6,376	3,197	2,766		956	13,295
Income (loss) before income taxes	\$ 2,149	\$ 2,618	\$ 381	(a)	\$ (1,062)	\$ 4,086 (a)
Pre-tax operating margin (b)	25%	45%	12%		N/M	23%
Average assets	\$ 197,434	\$ 131,518	\$ 26,594		\$ 51,404	\$ 406,950

(a) Total fee and other revenue, total revenue and income before taxes are net of income attributable to noncontrolling interests related to consolidated investment management funds of \$2 million.

(b) Income before income taxes divided by total revenue.

N/M – Not meaningful.

<b>For the year ended Dec. 31, 2022</b>						
<i>(dollars in millions)</i>	Securities Services	Market and Wealth Services	Investment and Wealth Management		Other	Consolidated
Total fee and other revenue	\$ 6,004	\$ 3,872	\$ 3,322	(a)	\$ (312)	\$ 12,886 (a)
Net interest revenue (expense)	2,028	1,410	228		(162)	3,504
Total revenue (loss)	8,032	5,282	3,550	(a)	(474)	16,390 (a)
Provision for credit losses	8	7	1		23	39
Noninterest expense	6,299	2,932	3,501		278	13,010
Income (loss) before income taxes	\$ 1,725	\$ 2,343	\$ 48	(a)	\$ (775)	\$ 3,341 (a)
Pre-tax operating margin (b)	21%	44%	1%		N/M	20%
Average assets	\$ 212,575	\$ 138,386	\$ 31,920		\$ 44,020	\$ 426,901

(a) Total fee and other revenue, total revenue and income before taxes are net of (loss) attributable to noncontrolling interests related to consolidated investment management funds of \$(13) million.

(b) Income before income taxes divided by total revenue.

N/M – Not meaningful.

<b>For the year ended Dec. 31, 2021</b>						
<i>(dollars in millions)</i>	Securities Services	Market and Wealth Services	Investment and Wealth Management		Other	Consolidated
Total fee and other revenue	\$ 5,818	\$ 3,583	\$ 3,849	(a)	\$ 51	\$ 13,301 (a)
Net interest revenue (expense)	1,426	1,158	193		(159)	2,618
Total revenue (loss)	7,244	4,741	4,042	(a)	(108)	15,919 (a)
Provision for credit losses	(134)	(67)	(13)		(17)	(231)
Noninterest expense	5,852	2,676	2,825		161	11,514
Income (loss) before income taxes	\$ 1,526	\$ 2,132	\$ 1,230	(a)	\$ (252)	\$ 4,636 (a)
Pre-tax operating margin (b)	21%	45%	30%		N/M	29%
Average assets	\$ 228,915	\$ 145,123	\$ 30,980		\$ 47,214	\$ 452,232

(a) Total fee and other revenue, total revenue and income before taxes are net of income attributable to noncontrolling interests related to consolidated investment management funds of \$12 million.

(b) Income before taxes divided by total revenue.

N/M – Not meaningful.

### Note 25—International operations

International activity includes investment services fee revenue and investment management and performance fee revenue generating businesses, foreign exchange trading activity, loans and other

revenue producing assets and transactions in which the customer is domiciled outside of the U.S. and/or the international activity is resident at an international entity. Due to the nature of our international and domestic activities, it is not possible to precisely distinguish our international operations between

internationally and domestically domiciled customers. As a result, it is necessary to make certain subjective assumptions such as:

- Income from international operations is determined after internal allocations for interest revenue, taxes, expenses and provision for credit losses.
- Expense charges to international operations include those directly incurred in connection with such activities, as well as an allocable share of general support and overhead charges.

Total assets, total revenue, income before income taxes and net income of our international operations are shown in the table below.

International operations (in millions)	International						Total Domestic	Total
	Europe, the Middle East and Africa	Asia-Pacific region	Other	Total International				
<b>2023</b>								
Total assets at period end (a)	\$ 76,297 (b)	\$ 9,617	\$ 1,687	\$ 87,601	\$ 322,352	\$ 409,953		
Total revenue	4,112 (b)	1,281	893	6,286	11,216	17,502		
Income before income taxes	1,367	707	569	2,643	1,445	4,088		
Net income	1,057	547	440	2,044	1,244	3,288		
<b>2022</b>								
Total assets at period end (a)	\$ 78,074 (b)	\$ 11,623	\$ 1,622	\$ 91,319	\$ 314,464	\$ 405,783		
Total revenue	3,954 (b)	1,127	805	5,886	10,491	16,377		
Income before income taxes	1,164	572	481	2,217	1,111	3,328		
Net income	880	432	364	1,676	884	2,560		
<b>2021</b>								
Total assets at period end (a)	\$ 94,507 (b)	\$ 20,280	\$ 2,519	\$ 117,306	\$ 327,132	\$ 444,438		
Total revenue	4,119 (b)	1,144	744	6,007	9,924	15,931		
Income before income taxes	1,293	572	447	2,312	2,336	4,648		
Net income	1,005	445	348	1,798	1,973	3,771		

(a) Total assets include long-lived assets, which are not considered by management to be significant in relation to total assets. Long-lived assets are primarily located in the U.S.

(b) Includes assets of approximately \$29.1 billion, \$31.7 billion and \$37.9 billion and revenue of approximately \$2.4 billion, \$2.2 billion and \$2.4 billion in 2023, 2022 and 2021, respectively, of international operations domiciled in the UK, which is 7%, 8% and 9% of total assets and 14%, 14% and 15% of total revenue, respectively.

## Note 26—Supplemental information to the Consolidated Statement of Cash Flows

Non-cash investing and financing transactions that, appropriately, are not reflected in the consolidated statement of cash flows are listed below.

Non-cash investing and financing transactions (in millions)	Year ended Dec. 31,		
	2023	2022	2021
Transfers from loans to other assets for other real estate owned	\$ 2	\$ 1	\$ 1
Change in assets of consolidated investment management funds	317	253	25
Change in liabilities of consolidated investment management funds	—	2	—
Change in nonredeemable noncontrolling interests of consolidated investment management funds	43	189	53
Securities purchased not settled	174	22	—
Securities matured not settled	1,840	385	—
Available-for-sale securities transferred to held-to-maturity	—	6,067	13,800
Premises and equipment/capitalized software funded by finance lease obligations	—	—	27
Premises and equipment/operating lease obligations	251	307	97
Contingent consideration and residual interests from divestiture	—	222	—
Excise tax on share repurchases	28	—	—

**Note 27—Subsequent event**

As a result of new information published by the FDIC subsequent to Dec. 31, 2023 (in February 2024) relating to an increase in their estimate of losses associated with the closures of Silicon Valley Bank and Signature Bank which are expected to impact the FDIC special assessment, we adjusted our 2023 financial results, which were previously reported on Jan. 12, 2024, to reflect an additional \$127 million pre-tax (\$97 million after-tax) increase in noninterest expense to revise the estimate of the FDIC special assessment. The FDIC special assessment was originally estimated at \$505 million and reflected in the results for the fourth quarter of 2023. BNY Mellon's results of operations and financial condition for the full year 2023, as reported in this Annual Report on Form 10-K for the year ended Dec. 31, 2023, reflect the impact of this adjustment.



KPMG LLP  
345 Park Avenue  
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## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
The Bank of New York Mellon Corporation:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of The Bank of New York Mellon Corporation and subsidiaries (BNY Mellon) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BNY Mellon as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), BNY Mellon's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2024, expressed an unqualified opinion on the effectiveness of BNY Mellon's internal control over financial reporting.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of BNY Mellon's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to BNY Mellon in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.



## Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### *Quantitative component of BNY Mellon's pooled allowance for credit losses for loans and lending-related commitments related to higher risk-rated and pass-rated commercial and institutional credits and loans secured by commercial real estate*

As discussed in Notes 1 and 5 to the consolidated financial statements, BNY Mellon's allowance for credit losses for loans and lending-related commitments (ACL), is presented as a valuation allowance to loans and is recorded in other liabilities for lending-related commitments. At December 31, 2023, BNY Mellon had an allowance for loan losses of \$303 million and an allowance for lending-related commitments of \$87 million. BNY Mellon utilizes a quantitative methodology and qualitative framework for determining the ACL for loans and lending-related commitments that share similar risk characteristics (pooled allowance). In estimating the quantitative component, BNY Mellon uses models and methodologies that categorize financial assets based on product type, collateral type, and other credit trends and risk characteristics, including relevant information about past events, current conditions and reasonable and supportable forecasts of future economic conditions that affect the collectability of the recorded amounts. The quantitative component of the ACL for loans and lending-related commitments consists of the following three elements: (1) a pooled allowance for higher risk-rated and pass-rated commercial and institutional credits and loans secured by commercial real estate; (2) a pooled allowance for residential mortgage loans; and (3) an asset-specific allowance involving individually evaluated credits of \$1 million or greater. In estimating the quantitative component of the pooled allowance for higher risk-rated and pass-rated commercial and institutional credits and loans secured by commercial real estate, BNY Mellon uses a methodology that applies the probability of default (PD) and loss given default (LGD) to the estimated facility amount at default. In order to capture the unique risks of the portfolios within the PD and LGD models, and the model used to estimate the facility amount at default, BNY Mellon segments the portfolio into major components based on risk characteristics of the loans and how risk is monitored. For each commercial and institutional credit, the expected loss considers the credit's risk rating. For each loan secured by commercial real estate, the expected loss considers collateral specific data and loan maturity, as well as commercial real estate market factors by geographical region and property type. The methodology incorporates a multi-scenario macroeconomic forecast of economic input variables over a reasonable and supportable forecast period spanning the life of the asset. The reasonable and supportable forecast period includes both an initial estimated economic outlook component as well as a reversion component for each economic input variable. A portion of the ACL is comprised of qualitative adjustments, based on various internal and external factors, intended to capture expected losses not reflected in the quantitative models but are likely to impact the measurement of estimated credit losses.

We identified the assessment of the quantitative component of the pooled allowance for higher risk-rated and pass-rated commercial and institutional credits and loans secured by commercial real estate as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment of the pooled allowance for higher risk-rated and pass-rated commercial and institutional credits and loans secured by commercial real estate due to significant measurement uncertainty. Specifically, the assessment encompassed the evaluation of the methodology, including the methods and models used to estimate the PD and LGD, the macroeconomic forecast scenarios and weighting of each scenario, used in the reasonable and supportable forecast, and credit risk ratings for commercial and institutional credits. The assessment also included an evaluation of



the conceptual soundness and performance of the PD and LGD models as well as the macroeconomic assumptions. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to BNY Mellon's measurement of the quantitative component of the pooled allowance for higher risk-rated and pass-rated commercial and institutional credits and loans secured by commercial real estate, including controls related to the:

- development and approval of the ACL methodology
- development of certain PD and LGD models
- continued use and appropriateness of certain PD and LGD models and macroeconomic forecasts
- performance monitoring of the PD and LGD models and macroeconomic forecast methodology
- determination and measurement of the significant factors and assumptions used in the PD and LGD models and macroeconomic forecasts
- determination of the multi-scenario macroeconomic forecasts and their respective weights
- assessment of credit risk ratings
- computation, analysis, and approval of the ACL results, trends, and ratios.

We evaluated BNY Mellon's process to develop the quantitative component of the pooled allowance for higher risk-rated and pass-rated commercial and institutional credits and loans secured by commercial real estate by testing certain sources of data, factors, and assumptions that BNY Mellon used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the quantitative component of BNY Mellon's pooled allowance for higher risk-rated and pass-rated commercial and institutional credits and loans secured by commercial real estate for compliance with U.S. generally accepted accounting principles
- evaluating judgments made by BNY Mellon relative to the development and performance monitoring of the PD and LGD models and macroeconomic forecasts by comparing them to relevant company-specific metrics and trends and the applicable industry and regulatory practices
- assessing the conceptual soundness and performance testing of the PD and LGD models and macroeconomic forecast methodology by inspecting the model documentation to determine whether they are suitable for their intended use
- testing the reasonable and supportable forecast period to evaluate the length of the period by comparing to specific portfolio risk characteristics and trends
- testing individual loan risk ratings for a selection of higher risk-rated and pass-rated commercial and institutional credits by evaluating the financial performance of the borrower, sources of repayment, and any relevant guarantees or underlying collateral.



We also assessed the sufficiency of the audit evidence obtained related to the quantitative component of the pooled allowance for higher risk-rated and pass-rated commercial and institutional credits and loans secured by commercial real estate by evaluating the:

- Cumulative results of the audit procedures
- Qualitative aspects of BNY Mellon's accounting practices
- Potential bias in the accounting estimate.

*Identification and measurement of accruals for litigation and regulatory contingencies*

As discussed in Note 22 to the consolidated financial statements, BNY Mellon establishes accruals for litigation and regulatory matters when those matters present loss contingencies that are both probable and reasonably estimable. BNY Mellon has disclosed that for those matters described where BNY Mellon is able to estimate reasonably possible losses, the aggregate range of such reasonably possible losses at December 31, 2023, is up to \$700 million in excess of the accrued liability (if any) related to those matters.

We identified the assessment of the identification and measurement of BNY Mellon's accruals for litigation and regulatory contingencies as a critical audit matter. Due to the measurement uncertainty, subjective and complex auditor judgment was required to evaluate the sufficiency of audit evidence obtained. Specifically, this assessment included the evaluation of the subjective estimates used to determine the range of possible exposure and the probability of the predicted outcome based on the particular facts and circumstances at issue in each of the matters.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to BNY Mellon's process to identify, evaluate and measure accruals for litigation and regulatory contingencies and the reasonably possible losses. We performed inquiries of BNY Mellon to gain an understanding of any asserted or unasserted litigation, claims and assessments, and significant changes in individual accruals for litigation and regulatory contingencies. We performed inquiries of BNY Mellon's regulators and examined regulatory reports to gain an understanding of developments of regulatory activity and related matters that may result in the assessment of regulatory fines or penalties. We obtained and read letters received directly from BNY Mellon's internal legal counsel and a selection of external legal counsel that identified and described BNY Mellon's potential exposure to certain legal or regulatory proceedings. For cases that have settled, we performed back-testing analyses of BNY Mellon's litigation and regulatory contingency accruals recorded compared to amounts paid. We assessed the accrual for litigation and regulatory contingencies and evaluated the cumulative results of the procedures performed to assess the sufficiency of audit evidence obtained. We also evaluated the information included within the disclosures.

*Valuation of goodwill for the Investment Management reporting unit*

As discussed in Notes 1 and 7 to the consolidated financial statements, the goodwill balance as of December 31, 2023, was \$16.3 billion, of which \$6.1 billion is allocated to the Investment Management reporting unit. BNY Mellon performs goodwill impairment testing on an annual basis and an interim test is performed when events or circumstances occur that may indicate that it is more likely than not that the fair value of any reporting unit may be less than its carrying value. This involves estimating the fair value of the reporting units using an income approach which discounts estimated future cash flows that incorporate various assumptions including a long-term growth rate.

We identified the assessment of the valuation of goodwill for the Investment Management reporting unit as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the evaluation of goodwill and determination of fair value for the Investment Management reporting unit due to significant measurement uncertainty relating





to specific assumptions used in the valuation. Specifically, these assumptions included the discount rate and the long-term growth rate.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to BNY Mellon's determination of the discount rate and long-term growth rate assumptions for the Investment Management reporting unit.

We evaluated the reasonableness of BNY Mellon's long-term growth rate for the Investment Management reporting unit, by comparing BNY Mellon's growth rates within historical revenue forecasts to actual results to assess BNY Mellon's ability to accurately forecast. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in:

- Assessing the reasonableness of the valuation approach including the discount rate and long-term growth rate assumptions used by BNY Mellon to calculate the fair value of the Investment Management reporting unit for compliance with U.S. generally accepted accounting principles
- Evaluating the discount rate by developing an independent assumption for the discount rate used in the valuation and comparing the inputs to the discount rate to publicly available data and assessing the resulting discount rate
- Testing the long-term growth rate by developing an independent range of appropriate long-term growth rates and comparing the long-term growth rate to publicly available data.

**KPMG LLP**

We have served as BNY Mellon's auditor since 2007.

New York, New York  
February 28, 2024

## Directors, Executive Committee and Other Executive Officers

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Effective February 28, 2024

### Directors

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**Linda Z. Cook**

Chief Executive Officer and Board member of Harbour Energy plc, a global independent oil and gas company

**Joseph J. Echevarria**

Chair  
The Bank of New York Mellon Corporation  
Retired Chief Executive Officer of Deloitte LLP, a global provider of professional services

**M. Amy Gilliland**

President, General Dynamics Information Technology, a business unit of General Dynamics Corporation, a provider of technology networks and systems and professional services for U.S. defense, intelligence, federal agency, and state and local government customers

**Jeffrey A. Goldstein**

Senior Advisor and member of the Investment Committee, Canapi Ventures, a venture capital fund; and Advisor Emeritus, Hellman & Friedman LLC, a private equity firm

**K. Guru Gowrappan**

President, Viasat, Inc., a global satellite communications company

**Ralph Izzo**

Retired Chairman, President and Chief Executive Officer, Public Service Enterprise Group Incorporated, a diversified energy holding company

**Sandra E. (Sandie) O'Connor**

Retired Chief Regulatory Affairs Officer of JPMorgan Chase, a financial holding company

**Elizabeth E. Robinson**

Retired Global Treasurer of The Goldman Sachs Group, Inc., a global financial services company

**Robin Vince**

President and Chief Executive Officer, The Bank of New York Mellon Corporation

**Alfred W. (Al) Zollar**

Executive Advisor at Siris Capital Group, LLC, a private equity firm

### Executive Committee and Other Executive Officers

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**Jennifer Barker**

Global Head of Treasury Services

**James (Jim) T. Crowley**

Global Head of Pershing

**Bridget E. Engle**

Chief Information Officer and Global Head of Engineering

**Hani A. Kablawi**

Head of International

**Catherine M. Keating \***

Global Head of Wealth Management

**Jayee Koffey \***

Global Head of Enterprise Execution and Chief Corporate Affairs Officer

**Senthil Kumar \***

Chief Risk Officer

**Kurtis R. Kurimsky \***

Corporate Controller

**J. Kevin McCarthy \***

General Counsel

**Dermot McDonogh \***

Chief Financial Officer

**Alejandro Perez**

Chief Administrative Officer and Interim Chief People Officer

**Joseph Pizzuto**

Chief Auditor

**Emily Portney**

Global Head of Asset Servicing

**Roman Regelman \***

Global Head of Securities Services and Digital

**Brian Ruane**

Global Head of Clearance and Collateral Management

**Akash Shah**

Chief Growth Officer and Global Head of Growth Ventures

**Hanneke Smits \***

Global Head of Investment Management

**Robin Vince \***

President and Chief Executive Officer

**Adam Vos**

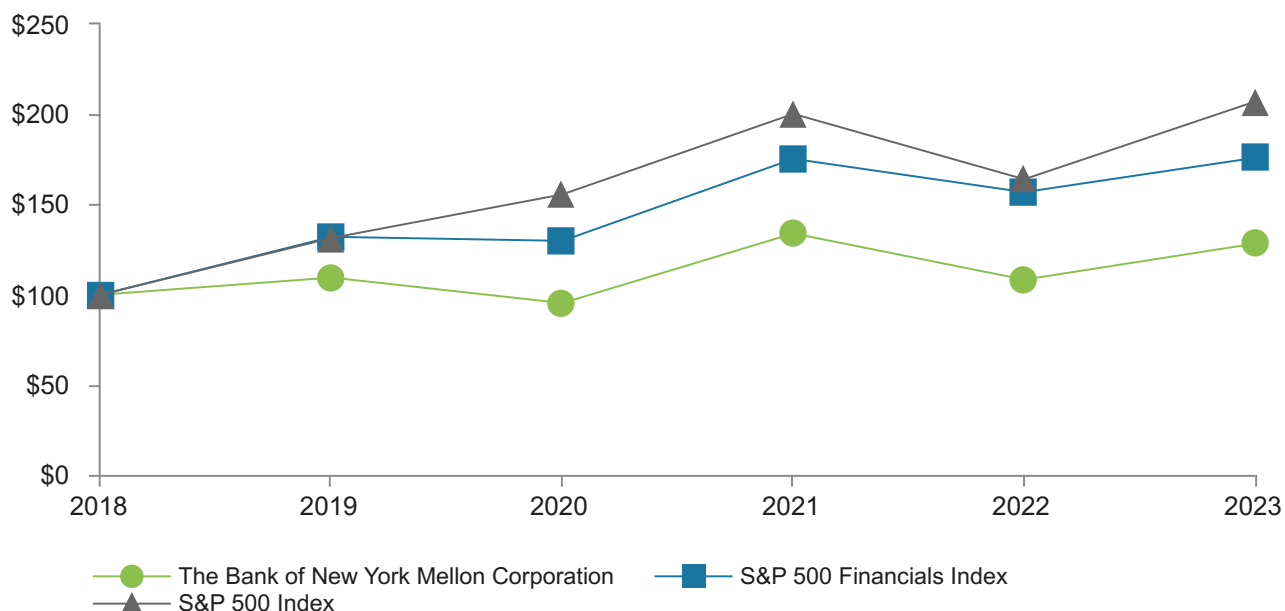
Global Head of Markets

**Cathinka Wahlstrom**

Chief Commercial Officer

\* Designated as an Executive Officer.

Cumulative Total Shareholder Return (5 Years)



Cumulative shareholder returns (in dollars)	Dec. 31,					
	2018	2019	2020	2021	2022	2023
The Bank of New York Mellon Corporation	\$ 100.0	\$ 109.5	\$ 95.4	\$ 134.0	\$ 108.4	\$ 128.4
S&P 500 Financials Index (a)	100.0	132.1	129.9	175.4	156.9	176.0
S&P 500 Index (a)	100.0	131.5	155.7	200.4	164.1	207.2

(a) Returns are weighted by market capitalization at the beginning of the measurement period.

This graph shows The Bank of New York Mellon Corporation’s cumulative total shareholder returns over the five-year period from Dec. 31, 2018 to Dec. 31, 2023. We utilize the S&P 500 Financials Index as a benchmark against our performance. The graph shows the cumulative total returns for the same five-year period of the S&P 500 Financials Index and the S&P 500 Index. The comparison assumes a \$100 investment on Dec. 31, 2018 in The Bank of New York Mellon Corporation common stock, in the S&P 500 Financials Index and in the S&P 500 Index and assumes that all dividends were reinvested.

# CORPORATE INFORMATION

BNY Mellon is a global financial services company that helps make money work for the world — managing it, moving it and keeping it safe. For 240 years we have partnered alongside our clients, putting our expertise and platforms to work to help them achieve their ambitions. Today we help over 90% of Fortune 100 companies and nearly all the top 100 banks globally access the money they need. We support governments in funding local projects and work with over 90% of the top 100 pension plans to safeguard investments for millions of individuals, and so much more. As of December 31, 2023, we oversee \$47.8 trillion in assets under custody and/or administration and \$2.0 trillion in assets under management.

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). We are headquartered in New York City, employ over 50,000 people globally and have been named among Fortune's World's Most Admired Companies and Fast Company's Best Workplaces for Innovators. Additional information is available on <https://link.edgepilot.com/s/e053ea9a/qiBjhkSjwkStmc-vtRGaMA?u=http://www.bnymellon.com/>. Follow us on LinkedIn or visit our Newsroom for the latest company news.

## CORPORATE HEADQUARTERS

240 Greenwich Street, New York, NY 10286  
+ 1 212 495 1784  
[www.bnymellon.com](http://www.bnymellon.com)

## ANNUAL MEETING

On behalf of our Board of Directors, we cordially invite you to our 2024 Annual Meeting of Stockholders on Tuesday, April 9, 2024, at 9:00 a.m., Eastern Time at 240 Greenwich Street, New York, New York 10286.

## EXCHANGE LISTING

BNY Mellon's common stock is traded on the New York Stock Exchange under the trading symbol BK. Mellon Capital IV's 6.244% Fixed-to-Floating Rate Normal Preferred Capital Securities (symbol BK/P), fully and unconditionally guaranteed by BNY Mellon, is also listed on the New York Stock Exchange.

## STOCK PRICES

Prices for BNY Mellon's common stock can be viewed at [www.bnymellon.com/us/en/investor-relations/overview.html](http://www.bnymellon.com/us/en/investor-relations/overview.html).

## CORPORATE GOVERNANCE

Corporate governance information is available at [www.bnymellon.com/us/en/investor-relations/corporate-governance.html](http://www.bnymellon.com/us/en/investor-relations/corporate-governance.html).

## ENTERPRISE SUSTAINABILITY

Information about BNY Mellon's commitment to sustainability is available at <https://www.bnymellon.com/us/en/about-us/esg-and-responsible-investment/enterprise-esg.html>. This includes a listing of our statements and policies, such as our Equal Employment Opportunity/Affirmative Action policies.

## INVESTOR RELATIONS

Visit [www.bnymellon.com/us/en/investor-relations/overview.html](http://www.bnymellon.com/us/en/investor-relations/overview.html).

## COMMON STOCK DIVIDEND PAYMENTS

Subject to approval of the board of directors, dividends are paid on BNY Mellon's common stock quarterly in February, May, August and November.

## FORM 10-K AND SHAREHOLDER PUBLICATIONS

For a free copy of BNY Mellon's Annual Report on Form 10-K, including the financial statements and the financial statement schedules, or quarterly reports on Form 10-Q as filed with the Securities and Exchange Commission, send a request by email to [investorrelations@bnymellon.com](mailto:investorrelations@bnymellon.com), or by mail to Investor Relations at The Bank of New York Mellon Corporation, 240 Greenwich Street, New York, NY 10286. The 2023 Annual Report, as well as Forms 10-K, 10-Q and 8-K and quarterly earnings and other news releases can be viewed and printed at [www.bnymellon.com/us/en/investor-relations/overview.html](http://www.bnymellon.com/us/en/investor-relations/overview.html).

## TRANSFER AGENT AND REGISTRAR

Computershare  
P.O. Box 43006  
Providence, RI 02940-3006  
[www.computershare.com/investor](http://www.computershare.com/investor)

## SHAREHOLDER SERVICES

Computershare maintains the records for our registeredshareholders and can provide a variety of services such as those involving:

- Change of name or address
- Consolidation of accounts
- Duplicate mailings
- Dividend reinvestment enrollment
- Direct deposit of dividends
- Transfer of stock to another person

For assistance from Computershare, visit [www.computershare.com/investor](http://www.computershare.com/investor) or call +1 800 205 7699.

## DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

The Direct Stock Purchase and Dividend Reinvestment Plan (the Plan) provides a way to purchase shares of common stock directly from BNY Mellon at the current market value. New shareholders may purchase their first shares of BNY Mellon's common stock through the Plan, and shareholders may increase their shareholding by reinvesting cash dividends and through optional cash investments. Plan details are in a prospectus, which may be viewed at [www.computershare.com/investor](http://www.computershare.com/investor), or obtained in printed form by calling +1 800 205 7699.

## ELECTRONIC DEPOSIT OF DIVIDENDS

Registered shareholders may have quarterly dividends paid on BNY Mellon's common stock deposited electronically to their checking or savings accounts. To have dividends deposited electronically, go to [www.computershare.com/investor](http://www.computershare.com/investor) to set up your account(s) for direct deposit. If you prefer, you may also send a request by mail to Computershare, P.O. Box 43006, Providence, RI 02940-3006. For more information, call +1 800 205 7699.

## SHAREHOLDER ACCOUNT ACCESS

### BY INTERNET

[www.computershare.com/investor](http://www.computershare.com/investor)  
Shareholders can register to receive shareholder information electronically. To enroll, visit [www.computershare.com/investor](http://www.computershare.com/investor).

### BY PHONE

Toll-free in the U.S. +1 800 205 7699  
Outside the U.S. +1 617 360 6990

### BY MAIL

Computershare  
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Providence, RI 02940-3006

The contents of the listed Internet sites are not incorporated in this Annual Report.

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[BNYMELLON.COM](https://www.bnymellon.com)

