The Bank of New York Mellon Corporation

Mid-cycle Dodd-Frank Act Stress Test Results

October 23, 2017

Severely Adverse Scenario

Introduction

Throughout this document The Bank of New York Mellon Corporation on a consolidated basis is referred to as "BNY Mellon," the "Firm," "we," "our" and "us." BNY Mellon is a global investments company dedicated to improving lives through investing. We manage and service assets for financial institutions, corporations and individual investors in 35 countries and more than 100 markets.

BNY Mellon is focused on enhancing our clients' experience by leveraging our scale and expertise to deliver innovative and strategic solutions for our clients, building trusted relationships that drive value. We hold a unique position in the global financial services industry. We service both the buy-side and sell-side, providing us with unique marketplace insights that enable us to support our clients' success.

BNY Mellon's global client base consists of corporations, high-net-worth individuals and families, public funds and government agencies, foundations and endowments; global financial institutions, including banks, broker-dealers, asset managers, insurance companies and central banks; and financial intermediaries, independent registered investment advisors, and hedge fund managers. BNY Mellon is not focused on lending as a primary business and does not have a dedicated retail bank.

BNY Mellon is proud of the vital role that it plays in the global financial markets, enabling the markets to efficiently allocate capital by providing an infrastructure that facilitates the movement of cash and securities through these markets. As a global systemically important financial institution, we understand the critical function we perform for the marketplace, and embrace our leadership responsibility in terms of capital strength, liquidity risk management and integrity. In particular, we recognize the pivotal role that we play in the financial system with respect to payment, clearing and settlement activities. BNY Mellon's key business model differentiators include the following:

- BNY Mellon serves as a single point of contact for clients that create, trade, hold, manage, service, distribute or restructure investments.
- BNY Mellon has diverse streams of income, with a strategic focus on the Investment Management and Investment Services businesses.
- The Firm's income statement is driven by non-interest income; fee revenue as a percentage of total revenue was 79% through June 30, 2017.
- The Firm does not provide traditional banking services to retail clients other than high-net-worth individuals within the Wealth Management business. BNY Mellon does not lend to consumers in scale nor operate consumer banking branches.
- BNY Mellon's trading activities are focused on acting as a market-maker for our customers and facilitating customer trades in compliance with the Volcker Rule.
- BNY Mellon does not have a stand-alone proprietary trading business that is material to the overall results of operations.

BNY Mellon's businesses benefit from the global growth in financial assets, the globalization of the investment process, changes in demographics and the continued evolution of the regulatory landscape - each providing us with opportunities to advise and service clients.

Our strategy is designed to create economic value by differentiating our services to create competitive advantages that will deliver value to our clients and shareholders. Our top priorities include:

- Driving profitable revenue growth by leveraging our expertise and scale to offer broad-based, innovative solutions to clients;

- Executing our business improvement processes to increase productivity and effectiveness while controlling expenses and enhancing our efficiency;
- Being a strong, trusted counterparty by maintaining our safety and soundness, low-risk profile, and strong liquidity and capital positions;
- Generating excess capital and deploying it effectively; and
- Attracting, developing and retaining top talent.

Additional financial and other information about BNY Mellon and its principal business activities can be found in its 2016 Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q and other filings, referred to as SEC filings, with the Securities and Exchange Commission, which we make available on the Investor Relations section of our corporate website at https://www.bnymellon.com.

BNY Mellon is required to conduct company-run stress tests semi-annually (an "annual stress test" and a "mid-cycle stress test") pursuant to the requirements of 12 CFR Part 252 (the "Regulation"). The Regulation implements the Dodd-Frank Act Wall Street Reform and Consumer Protection Act stress test ("DFAST") requirements. Whereas the annual stress test is conducted as part of the Federal Reserve's Comprehensive Capital Analysis and Review ("CCAR") exercise, the mid-cycle stress test is conducted two quarters later, or between each annual CCAR exercise, utilizing a different as-of date. The mid-cycle stress test utilizes three hypothetical economic scenarios that are developed and run independently by each individual bank holding company ("BHC") in contrast to the annual stress test, which utilize three scenarios provided by the Federal Reserve in addition to at least one internally-developed stress scenario. The Federal Reserve evaluates each BHC's mid-cycle stress test in its ongoing assessment of the BHC; however, the mid-cycle stress test is not conducted under the Federal Reserve's capital plan rule (12 C.F.R. § 225.8) and is separate from the annual CCAR exercise. BNY Mellon is required to disclose a summary of the results, including a description of the types of risks included and the methodologies used, under the Severely Adverse Scenarios of both the annual and mid-cycle stress tests.

Accordingly, we have developed the following disclosure, which contains the information required by the Regulation to be disclosed publicly. The information contained in this disclosure has been prepared in accordance with the Regulation. Any differences in the presentation of information concerning BNY Mellon contained herein relative to how the Firm presents such information for other purposes are solely due to our efforts to comply with the Regulation. The information presented herein does not, in any way, reflect changes to our organizational structure, business plans or practices, or strategy.

The projections contained in this disclosure are based on BNY Mellon's internally-developed Severely Adverse Scenario. The results of its mid-cycle stress test under this scenario represent estimates of potential outcomes based on hypothetical economic conditions. BNY Mellon's mid-cycle stress test seeks to incorporate loss events tailored to its unique risk profile. To capture the unique risks inherent in our core activities, BNY Mellon developed an idiosyncratic Severely Adverse Scenario that is premised on counterparty credit risk and includes additional idiosyncratic operational risk events. The Firm relies on various models to forecast performance under stressed conditions. These models cover loss estimates, revenue projections, scenario infrastructure, and risk-weighted asset calculations. The projections contained within this disclosure represent hypothetical estimates that involve an economic outcome that is more adverse than expected, and accordingly these projections are not forecasts.

As required by the Regulation, the Severely Adverse Scenario described in this document includes certain capital action assumptions ("Dodd-Frank Capital Actions") when computing pro forma capital ratios across the nine quarter planning horizon. These Dodd-Frank Capital Actions include:

- For the third quarter of 2017, actual capital actions;
- For the second through ninth quarters of the stress test horizon, the following capital actions:

    1. Common stock dividends equal to the quarterly average dollar amount of common stock dividends that BNY Mellon paid in the previous four quarters plus common stock dividends attributable to issuances related to expensed employee compensation or in connection with a planned merger or acquisition to the extent that the merger or acquisition is reflected in our pro forma balance sheet estimates;
    2. Payments on all other instruments eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest, or principal due on such instrument during the quarter;
    3. No redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and
    4. No new issuances of capital instruments over the second through ninth quarters of the planning horizon, except for issuances related to expensed employee compensation or in connection with a planned merger or acquisition to the extent that the merger or acquisition is reflected in our pro forma balance sheet estimates.

In practice, if a severely adverse economic scenario were to in fact occur, it is highly likely that we would respond with certain capital conservation actions consistent with internal policy, and could change planned distributions. The stress test results summarized in this report should not be interpreted as expected or likely outcomes, but rather as a possible result under hypothetical, highly adverse economic conditions.

A description of the types of risks included in the stress test, a general description of methodologies applied and a summary of our company-run stress test results under the Severely Adverse Scenario follows.

Description of types of risk included in the mid-cycle stress test

When conducting the company-run stress test under the Severely Adverse Scenario, which, as noted above, incorporates Dodd-Frank Capital Actions, we evaluated and incorporated the principal risks that have been determined to influence us. These risks include operational risk, market risk, credit risk, liquidity risk, and strategic risk.

Operational Risk. Operational risk is the risk of loss resulting from inadequate or failed internal processes, human factors and systems, breaches of technology and information systems, or from external events. Operational risk also includes fiduciary risk, reputational risk, and litigation risk.

Market Risk. Market risk is the risk of loss due to adverse changes in the financial markets. Our market risks are primarily interest rate, foreign exchange, and equity risk. Market risk particularly impacts our exposures that are marked-to-market such as the securities portfolio, trading book, and equity investments.

Credit Risk. Credit risk is the risk of loss if any of our borrowers or other counterparties were to default on their obligations to us. Credit risk is resident in the majority of our assets, but primarily concentrated in the loan and securities books, as well as off-balance sheet exposures such as lending commitments, letters of credit, and securities lending indemnifications.

Liquidity Risk. Liquidity risk is the risk that we cannot meet our cash and collateral obligations at a reasonable cost for both expected and unexpected cash flows, without adversely affecting daily operations or financial

conditions. 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.

Strategic Risk. Strategic risk is the risk that we do not effectively manage and protect our market positioning and stability. This includes risks associated with the inability to maintain a strong understanding of clients' needs, provide suitable product offerings that are financially viable and fit within the Firm's operating model, and adapt to transformational change in the industry.

The following table presents the primary types of risk typically embedded in on- and off-balance-sheet instruments.

Table 1: Risks of BNY Mellon's On-and Off-balance Sheet Instruments

Balance Sheet Instruments	**Types of Risk**
Assets	
Interest-bearing deposits with banks	Credit
Federal funds sold and securities purchased under resale agreements	Market, Credit
Securities	Market, Credit, Liquidity
Trading Assets	Market, Credit, Liquidity
Loans	Credit, Liquidity
Goodwill	Operational, Market
Intangible Assets	Operational, Market
Liabilities	
Deposits	Liquidity
Federal funds purchased and securities sold under repurchase agreements	Market, Liquidity
Trading liabilities	Market, Liquidity
Payables to customers and broker-dealers	Liquidity
Off-balance Sheet Instruments	
Lending commitments	Credit, Liquidity
Standby letters of credit	Credit, Liquidity
Commercial letter of credit	Credit, Liquidity
Securities lending indemnifications	Market, Credit

Overview of Stress Testing

It is the policy of BNY Mellon to perform Enterprise-Wide Stress Testing at regular intervals as part of its Internal Capital Adequacy Assessment Process ("ICAAP"). Additionally, the Firm performs an analysis of capital adequacy in a stressed environment in its Enterprise-Wide Stress Test Framework, as required by the enhanced prudential standards issued pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Enterprise-Wide Stress Testing produces analyses across the Firm's lines of business, products, geographic areas, and risk types incorporating the results from the different underlying models and projections given a certain stress-test scenario. It is an important component of assessing the capital adequacy as well as identifying any high risk touch points in business activities.

BNY Mellon's mid-cycle stress test under the Severely Adverse Scenario with Dodd-Frank Capital Actions contained wide-ranging impacts across multiple risk areas, including the principal risk types identified above. To incorporate these risks into our mid-cycle stress test, BNY Mellon identified and stressed key risk drivers and assumptions to estimate how losses might be incurred and how an event in one risk may migrate into other areas. The following section discusses BNY Mellon's methodology for translating the Severely Adverse Scenario's variables into various financial impacts including expected losses, net income, on- or off-balance sheet exposure, liquidity, leverage, and capital positions. Please refer to BNY Mellon's Annual Report on Form 10-K for the year ended December 31, 2016 for a broader description of the BNY Mellon's capital planning and risk management process

General Description of Methodologies

We have forecasted projected losses, pre-provision net revenue ("PPNR"), and other items affecting capital using a series of models and estimation techniques that translate the economic and financial variables in the Severely Adverse Scenario to losses and revenues.

Occasionally it is necessary to supplement modeled projections with expert judgment where historical data may be inadequate to project loss and revenue estimates or historical relationships may not hold up under forward-looking hypothetical scenarios. In these cases, we ensure consistency of projections with the conditions of the stress test through a cross-functional governance structure and control environment that incorporates multiple levels of review, challenge, and approval.

Loan Losses. We have developed a series of models to estimate losses on various types of loans. Loss projection methods are product-specific and link economic variables to credit performance based on historical and expected relationships. The table below identifies major loan types and key assumptions used to derive loss estimates.

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Table 2: Credit Portfolio Loss Methodologies and Assumptions

Loan Type	Description of Methodology	Key Assumptions
First-lien, Closed End Domestic Residential Mortgages	Statistical model estimated using loan-level data on mortgage characteristics and performance supplemented by macroeconomic indicators and house price data.	Macroeconomic factors such as: – Housing Price Index ("HPI") – Unemployment rate – Mortgage rates
Home Equity Lines of Credit ("HELOCs")	Regression approach based on historical relationships between macroeconomic factors and all U.S. bank HELOC losses. The estimated loss rate for all U.S. banks is then pro-rated to calculate the internal loss for BNY Mellon.	Macroeconomic factors such as: – HPI – Unemployment rate – Consumer Price Index ("CPI") inflation rate – Mortgage rates
Domestic Commercial Real Estate Loans	Individually assigning counterparties stressed ratings by adjusting the inputs to BNY Mellon's commercial real estate ("CRE") probability of default ("PD") scorecard, which produces a stressed PD for each quarter. For each impaired exposure, a downturn loss given default ("LGD") percentage is applied to the exposure at default ("EAD") to generate an immediate credit loss.	Macroeconomic factors such as: – Unemployment rate – BBB corporate yield – Commercial real estate price index – Prime rate
Wholesale and Other*	Expected loss model relying on stressed transition matrix, PD, LGD, and usage given default ("UGD"). In the stressed transition matrix, LGD and UGD were linked to macroeconomic factors through statistical models. For each impaired exposure, a stressed LGD percentage is applied to the EAD to generate an immediate credit loss, where EAD is stressed UGD times exposure.	Macroeconomic factors such as: – CBOE Volatility Index ("VIX") – Equity indices – GDP growth rate – Treasury yields – Unemployment

**Commercial and industrial, loans to depositories and other financial institutions, loans for purchasing or carrying securities, overdrafts, and leases.*

Provision for Loan Losses. The credit loss allowance is our estimate of incurred losses inherent in our portfolio. We use a quantitative methodology (product of the long run PD, LGD, and EAD) and a qualitative framework in determining the allowance. The qualitative framework employs management judgment when assessing internal risk factors and environmental factors to compute an additional allowance for each component of the loan portfolio. Changes in the allowance balance are reflected through the provision to provide adequate coverage for potential future losses.

Realized Gains/Losses on Securities. We use instrument-specific methodologies to forecast other-than-temporary impairment ("OTTI") on the securities investment portfolio. Loss estimates are recognized in accordance with our established accounting policy. The table below identifies major security types and key assumptions used to derive loss estimates.

Table 3: Securities Portfolio OTTI Methodologies and Assumptions

Security Type	Description of Methodology	Key Assumptions
Domestic Non-Agency Residential Mortgage-Backed Securities ("RMBS")	Statistical model estimated using loan-level data on mortgage characteristics and performance supplemented by macroeconomic indicators and house price data. Cash flow is discounted to obtain the net present value ("NPV"). OTTI is then computed as the difference between book value and the NPV of the cash flow.	Collateral type and characteristics Macroeconomic factors such as: – HPI – Unemployment rate – Mortgage rates
Foreign RMBS	Combines macroeconomic variables, historical pool performance, and the pool level characteristics to generate monthly performance measures such as delinquencies, conditional prepayment rate (“CPR”), constant default rate (“CDR”), and charge offs. The performance measures are then used in a waterfall tool to determine losses on foreign RMBS tranches. Cash flow is discounted to obtain the NPV. OTTI is then computed as the difference between book value and NPV of the cash flow.	Collateral type and characteristics Macroeconomic factors such as: – HPI – Unemployment rate – CPI inflation rate
Commercial Mortgage-Backed Securities ("CMBS")	Combines macroeconomic variables, CRE market factors and loan-level details to generate the credit risk measures including PD and LGD. PD and LGD are then used to determine losses on CMBS. Cash flow is discounted to obtain the NPV. OTTI is then computed as the difference between book value and NPV of the cash flow.	Loan details Property type and characteristics Macroeconomic factors such as: – HPI – Unemployment rate – Federal Funds rate – Treasury 10-year
Consumer Asset-Backed Securities ("ABS")	Combines macroeconomic variables, historical pool performance and the pool-level characteristics to generate monthly performance measures such as delinquencies, CPR, CDR and charge offs. The performance measures are then used in a waterfall tool to determine losses on ABS tranches. Cash flow is discounted to obtain the NPV. OTTI is then computed as the difference between book value and NPV of the cash flow.	Collateral type and characteristics Macroeconomic factors such as: – Unemployment rate – Treasury rates – LIBOR rates

Bond Portfolio*	Bond OTTI is projected using the expected loss (PD x LGD) approach. The risk parameters PD and LGD are forecasted using statistical models that are driven by macroeconomic variables.	**Corporate and Covered Bond - National level** Macroeconomic factors such as: – VIX, Equity indices – GDP growth rate – Treasury yields **Sovereign Bond - Country level** Macroeconomic factors such as: – Unemployment rate – CPI – Debt-to-GDP ratio – GDP – Current account balance-to-GDP ratio **Municipal Bond - State level** Macroeconomic factors such as: – Unemployment rate – Median family income – Mortgage delinquency rate
Collateralized Loan Obligations ("CLOs")	CLO collateral performance metrics (CDR, CPR, Severity) are forecasted using credit transition and an LGD model for each underlying loan. Tranche level cash flows are discounted to arrive at present value. OTTI is then calculated as the difference between present value and book value.	Underlying collateral metrics including: – Prepayment rate – Default rate – Severity rate

This portfolio consists of corporate bonds, municipal bonds, sovereign bonds, and covered bonds.

Operational Losses. In addition, we used a methodology to estimate operational losses that incorporates both internal and external data. We forecast both litigation and non-litigation operational losses under separate methodologies.

For non-litigation loss estimates, our forecasting methodology centers on workshops organized around the risks in our operational risk taxonomy. These workshops included participants from our business, business partner, and risk teams. Subject matter experts ("SMEs") considered and discussed the outputs of our operational risk framework elements (*e.g.*, Risk and Control Self-Assessment ("RCSA") data, as well as internal and external event data) and other key information such as risk drivers, including macroeconomic factors, to challenge and supplement our Material Risk Inventory ("MRI"). For idiosyncratic operational loss events, SMEs developed specific storylines and estimates that were considered as part of the development of our stress testing operational loss estimates. Where deemed relevant, statistical models were used as a reference point to develop estimates, supplemented with expert judgment to incorporate anticipated impacts based on risk drivers (*e.g.*, expected interest rate environment and over-all levels of equity market valuations that could potentially alter the financial impact of execution and valuation errors).

For litigation loss estimates, we use a forward-looking, scenario-based process as a core component of our litigation loss estimation methodology. This methodology is centered around the use of expert judgment and

scenario-based determination and leverages subject matter expertise in our Legal department. This methodology generally estimates severe yet reasonably plausible litigation-related costs for key active matters and certain possible claims in stress scenarios.

Balance Sheet. We have developed a suite of models using statistical and qualitative estimation methodologies to project each major balance sheet segment. The statistical models are based on logical relationships to economic drivers. For balance sheet segments where developing a model was inappropriate, a rules-based qualitative approach was developed with pre-determined, repeatable, data-driven processes in order to generate projections. In addition, relevant SMEs develop sound qualitative approaches based on their business expertise and experience for their respective products using the macroeconomic variables of the Severely Adverse Scenario. These are used to challenge the primary model forecasting framework. A structured internal review of model and qualitative results is discussed by a panel of SMEs, risk managers and management at review and challenge meetings to formalize balance sheet composition.

Pre-Provision Net Revenue. Consistent with balance sheet development and exposure assumptions used for loss estimation, we use a suite of models to project all key elements of PPNR including net interest income, non-interest income, and non-interest expense.

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Table 4: PPNR Methodologies and Assumptions

PPNR Component	Description of Methodology	Key Assumptions
Net Interest Income	Forecasted balance sheet positions and cash flows are modeled by product segments and reflect growth, runoff, prepayment, and loss projection assumptions.	Future balance sheet growth Runoff and pricing assumptions Interest rates and macroeconomic indicators Prepayment assumptions
Non-Interest Income	Total non-interest income projection is composed of a series of distinct projection models, each of which creates a fee revenue projection for some aspect of the business using historical fee revenue and business volume data. Regression models were tied to the business and economic drivers, while certain areas are estimated using other techniques such as management judgment, seasonality and historical averages.	Business dynamic and strategy assumptions Relationship to economic drivers such as: – Fixed income and equity asset prices – Interest rates – Volatility measurements – Volume measurements
Non-Interest Expense	Variable expenses were modeled based primarily on historical expense to non-interest revenue relationships. Expenses deemed to be fixed in nature are projected generally in line with inflation.	Non-interest revenue projections Growth rates

Capital Position. Our forecasting process employed a set of methodologies to layer in the effect of losses and pre-provision net revenue on pro forma capital levels and ratios. Future balance sheet growth, runoff, and pricing assumptions were developed using the framework and suite of models described under the "Balance Sheet" section above and are reflective of the economic and interest rate environments being analyzed under the Severely Adverse Scenario. We forecast risk-weighted assets ("RWA") based on the changes in individual asset components in each quarter of the projection horizon. Credit RWA was projected in a manner consistent with the phased-in transitional provisions of the U.S. capital rules and applicable regulatory guidance, which required us to use the U.S. capital rules' Standardized Approach methodology (the "Standardized Approach") to calculate credit RWA. Additionally, the market risk capital rules were used over the entire projection period for calculating market risk RWA.

The Firm recognizes that the U.S. capital rules' Advanced Approaches risk-weighting framework (the "Advanced Approach") has been the Firm's constraining measure and that the final U.S. capital rules' transitional phase-in timeline for many significant items, including accumulated other comprehensive income ("AOCI"), intangible assets, and required regulatory capital levels and buffers, works to enhance its excess capital position in the near term. Our Severely Adverse Scenario post-stress capital position reflects regulatory capital inclusive of PPNR and stress losses. Additionally, as discussed above, our Severely Adverse Scenario post-stress capital utilizes, in the second through ninth quarters of the planning horizon, the Dodd-Frank

Capital Actions, which prescribe a series of assumptions regarding capital actions, including with respect to common stock dividends, contracted payments, and a general assumption of no redemptions, repurchases, or issuances of capital instruments. These assumptions do not reflect currently planned capital actions, and might not reflect behavior in an actual severely stressed environment. Moreover, we recognize that the DFAST 2017 exercise includes the supplementary leverage ratio (the "SLR") as a binding regulatory capital constraint beginning in 2018.

Description of the Severely Adverse Scenario

For the Severely Adverse Scenario for this mid-cycle stress test, BNY Mellon designed and selected a Severely Adverse Scenario premised on counterparty credit risk that is designed to capture the unique risks inherent in our core activities. As discussed below, key elements of BNY Mellon's Severely Adverse Scenario include the default of a large credit counterparty, a severe macroeconomic downturn, and idiosyncratic operational risk events that emerge simultaneously related to technology, quality resource contention, and fiduciary risk.

BNY Mellon considers the potential intra-day default of a large credit counterparty with a substantial level of unsecured intra-day and term limits to be a key risk. If a top BNY Mellon counterparty fails, BNY Mellon could be exposed to large idiosyncratic default losses on its exposures to the failed counterparty. To effectively capture direct credit counterparty default risk in a stress scenario and assess the potential impact, it is critical to select a counterparty to which BNY Mellon has exposure large enough to generate substantial losses and drive a meaningful stress to our capital. Based on a review of, among other matters, BNY Mellon's particular vulnerabilities and current exposures, considering the type of exposure and potential severity of the loss, and the credit rating of the defaulted institution, BNY Mellon selected a direct credit counterparty whose intra-day default would generate substantial losses and would meaningfully stress regulatory capital.

The Severely Adverse Scenario includes, among other elements, a severe economic downturn lasting for several quarters that leads to further financial pressures for BNY Mellon and is designed to be more prolonged and severe than the Adverse Scenario for this mid-cycle stress test. The Severely Adverse Scenario also includes idiosyncratic operational risk events that emerge simultaneously, related to technology and quality resource contention, as well as a fiduciary risk event that occurs simultaneously to the other operational risks, but is unrelated and leads to additional losses.

The macroeconomic variables used in the Severely Adverse Scenario are consistent with a global economy that enters a significant economic downturn that persists for several quarters; recovery does not begin until late 2018. U.S. GDP growth does not return until the sixth quarter of the projection period, while U.S. equity markets decline for five straight quarters (a decline of over 60% in aggregate from their starting point). U.S. unemployment peaks near 11% while home prices decline throughout the entire projection horizon. U.S. Treasuries see a flight to quality (10-year rates falling initially and remaining low for multiple quarters), while credit spreads widen dramatically, and volatility lingers throughout much of the projection period.

These macroeconomic variables and parameters were projected in consideration of both historical events and forward-looking circumstances. Where possible, BNY Mellon relied on historically observed reactions of key variables to the default of a primary market participant. In cases where market circumstances varied from historical precedent, expert judgment was used to develop a comprehensive set of assumptions over the projection horizon consistent with the magnitude and nature of such a stress event.

BNY Mellon incorporated a full set of material exposures, activities, and risks, both on and off the balance sheet, in the Severely Adverse Scenario. Certain key risks captured include, among others, the following:

Credit risk was captured through the intra-day default of one of the Firm's largest unsecured credit counterparties, through the general deterioration of its credit portfolio, and through credit-driven devaluations in the securities portfolio due to the scenario's significant economic downturn.

Market risk was captured through the scenario's significant economic downturn (including sharp equity market declines and volatility in foreign exchange and interest rate markets) and its impact on BNY Mellon's Over-the-Counter ("OTC") derivatives portfolio, securities portfolio, trading book, and equity investments, as well as the liquidation of the collateral posted by the defaulting large credit counterparty.

Operational risk was captured in the scenario through the scenario's consideration of the potential for increased litigation and non-litigation operational losses across all BNY Mellon lines of business that may result from such volatility, as well as through the incorporation of idiosyncratic add-on losses related to technology risk, resource contention, and fiduciary risk.

Liquidity risk was considered in the context of a major financial institution default and the impact such an event might have on credit and the general flow of funds. BNY Mellon considered the potential impact on cash flows, liquidity position, profitability, and other aspects of its financial condition to assess the potential for liquidity to become impaired over the projection horizon as a result of the stress event.

Explanation of the Most Significant Causes for Changes in Regulatory Capital

BNY Mellon's results for the mid-cycle DFAST 2017 submission demonstrate that, using the DFAST Capital Actions, the Firm maintains excess regulatory capital in every quarter of the stress test horizon for every scenario. This success is driven by a number of factors, including the Firm's strong capital generation, asset quality, business mix, and risk profile. In addition, as noted above, the U.S. capital rules' transitional arrangements for many significant items, including AOCI, intangible assets, and required regulatory capital levels and buffers, works to enhance our excess capital position in the near term. BNY Mellon also recognizes that its capital results have been enhanced in part because the mid-cycle DFAST 2017 submission approaches risk-weighted assets solely from the perspective of the U.S. capital rules' Standardized Approach, while during recent quarters the U.S. capital rules' Advanced Approaches has been the Firm's constraining measure.

The most significant cause of declines in BNY Mellon's regulatory capital ratios over the planning horizon under the Severely Adverse Scenario is losses related to the default of a major credit counterparty in the first projection quarter. Additionally, impairments within the securities portfolio and trading book losses occurring in the first projection quarter also contribute to the decline in BNY Mellon's regulatory capital ratios.

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Dodd-Frank Act Stress Testing Results

The capital ratios are calculated using the Dodd-Frank Capital Actions. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period from the third quarter of 2017 through the third quarter of 2019.

Table 5: Projected Stressed Capital Ratios Through the Third Quarter of 2019 Under the Severely Adverse Scenario

	Actual[1]	Stressed Capital Ratios	
	2Q17	Ending	Minimum
Common Equity Tier 1 capital ratio (%)	12.0%	7.5%	7.3%
Tier 1 capital ratio (%)	14.3%	10.5%	10.2%
Total capital ratio (%)	14.8%	12.0%	11.6%
Tier 1 leverage ratio (%)	6.7%	5.7%	5.6%
Supplementary leverage ratio[2] (%)	6.2%	5.3%	5.2%

[1]Actual second quarter 2017 Common Equity Tier 1, Tier 1 and Total capital ratios are calculated using the Standardized Approach. At June 30, 2017 BNY Mellon's reported Common Equity Tier 1, Tier 1 capital, and Total capital ratios were 10.8%, 12.9%, and 13.2%, respectively, using the Advanced Approaches, which was the Firm's constraining measure for that quarter.

[2]The supplementary leverage ratio ("SLR") will not become a binding measure until January 1, 2018. The SLR is based on Tier 1 capital, as phased-in, and average quarterly assets and certain off-balance sheet exposures.

Table 6: Projected Q3 2019 Risk-Weighted Assets ("RWA")

	Actual Q2 2017	Projected Q3 2019
RWA[1] ($ in Millions)	$153,179	$116,623

[1]RWA calculated using the U.S. capital rules' Standardized Approach.

Table 7: Projected Loan Losses by Type of Loan for the Third Quarter of 2017 through the Third Quarter of 2019 Under the Severely Adverse Scenario

	Millions of Dollars	Portfolio Loss Rates (%)[1]
Loan Losses	$4,857	9.8%
First-lien mortgages, domestic	$55	0.6%
Junior liens and HELOCs, domestic	$0	0.0%
Commercial real estate, domestic	$436	21.0%
Credit cards	$0	0.0%
Commercial and industrial	$154	4.4%
Other consumer	$52	1.7%
Other loans	$4,160	13.3%

[1]Average loan balance used to calculate portfolio loss rates excludes loans held for sale and loans held for investment under the fair value option, and are calculated over nine quarters. Portfolio loss rates are rounded to the nearest tenth of a percentage point.

Table 8: Projected Losses, Revenue, and Net Income Before Taxes for the Third Quarter of 2017 Through the Third Quarter of 2019 Under the Severely Adverse Scenario

	Millions of Dollars	Percent of Average Assets[5]
PPNR[1]	$133	0.06 %
Other revenue[2]	$0	0.00 %
Less		
Provisions	$4,973	2.07 %
Realized losses/(gains) on securities Available-for-Sale/Held-to-Maturity ("AFS/HTM")	$190	0.08 %
Trading and counterparty losses[3]	$587	0.24 %
Other losses/(gains)[4]	$2,002	0.83 %
Equals		
Net income before taxes	$(7,619)	(3.18)%

[1]PPNR includes losses from operational risk events, mortgage repurchase expenses, and other real estate owned costs.

[2]Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.

[3]Trading and counterparty losses include mark-to-market and credit valuation adjustments losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.

[4]Other losses/gains includes projected change in fair value of loans held for sale and loans held for investment measured under the fair value option, and goodwill impairment losses. In addition, loss on securities sales and counterparty default losses were included.

[5]Average assets are averaged over the nine-quarter planning horizon. Amounts are rounded to the nearest tenth of a percentage point.

Forward-Looking Statements

Additional information related to BNY Mellon is contained in BNY Mellon's reports filed with the Securities and Exchange Commission (the "SEC"), including the Annual Report on Form 10-K for the year ended December 31, 2016 (including the Annual Report to Shareholders (the "Annual Report") included with the 10-K) (the "2016 Form 10-K"), the Quarterly Reports on Form 10-Q and the Current Reports on Form 8-K (each, a "'34 Act Report"). These periodic '34 Act Reports can be viewed, as they become available, on the SEC's website at www.sec.gov and at www.bnymellon.com. Information contained in '34 Act Reports that BNY Mellon provides to the SEC subsequent to the date of the 2016 Form 10-K may modify, update and supersede the information contained in the 2016 Form 10-K and provided in this document.

This document and BNY Mellon's '34 Act Reports referred to above contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "estimate," "forecast," "project," "anticipate," "confident," "target," "expect," "intend," "seek," "believe," "plan," "goal," "could," "should," "may," "will," "strategy," "opportunities," "trends" and words of similar meaning, signify forward-looking statements. These statements are based on the current beliefs and expectations of BNY Mellon's management and are subject to significant risks and uncertainties that are subject to change based on various important factors (some of which are beyond BNY Mellon's control). Actual results may differ materially from those set forth in the forward-looking statements. Factors that

could cause BNY Mellon's actual results to differ materially from those described in the forward-looking statements can be found in the "Risk Factors" section of the 2016 Form 10-K, the Quarterly Report on Form 10-Q for the period ended June 30, 2017, and other subsequent '34 Act Reports filed with the SEC. All forward-looking statements speak only as of the date on which such statements are made and BNY Mellon does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements.