

Edgar Filing: Bank of New York Mellon Corp - Form 10-Q

Bank of New York Mellon Corp  
Form 10-Q  
May 08, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 2018  
or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File No. 001-35651

THE BANK OF NEW YORK MELLON CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware 13-2614959  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

225 Liberty Street  
New York, New York 10286  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code -- (212) 495-1784

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Smaller reporting company   
Accelerated filer  Emerging growth company   
Non-accelerated filer  (Do not check if a smaller reporting company)

Edgar Filing: Bank of New York Mellon Corp - Form 10-Q

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of March 31, 2018
Common Stock, \$0.01 par value	1,010,676,179

---

THE BANK OF NEW YORK MELLON CORPORATION

First Quarter 2018 Form 10-Q  
Table of Contents

	Page
<u>Consolidated Financial Highlights (unaudited)</u>	<u>2</u>
Part I - Financial Information	
Items 2. and 3. Management’s Discussion and Analysis of Financial Condition and Results of Operations; Quantitative and Qualitative Disclosures about Market Risk:	
<u>General</u>	<u>4</u>
<u>Overview</u>	<u>4</u>
Highlights of first quarter 2018 results	<u>4</u>
<u>Fee and other revenue</u>	<u>6</u>
<u>Net interest revenue</u>	<u>8</u>
<u>Average balances and interest rates</u>	<u>9</u>
<u>Noninterest expense</u>	<u>10</u>
<u>Income taxes</u>	<u>10</u>
<u>Review of businesses</u>	<u>11</u>
<u>Critical accounting estimates</u>	<u>18</u>
<u>Consolidated balance sheet review</u>	<u>18</u>
<u>Liquidity and dividends</u>	<u>27</u>
<u>Capital</u>	<u>31</u>
<u>Trading activities and risk management</u>	<u>36</u>
<u>Asset/liability management</u>	<u>38</u>
<u>Off-balance sheet arrangements</u>	<u>39</u>
<u>Supplemental information - Explanation of GAAP and Non-GAAP financial measures</u>	<u>40</u>
<u>Recent accounting and regulatory developments</u>	<u>42</u>
<u>Website information</u>	<u>44</u>
Item 1. Financial Statements:	
<u>Consolidated Income Statement (unaudited)</u>	<u>45</u>
<u>Consolidated Comprehensive Income Statement (unaudited)</u>	<u>47</u>
<u>Consolidated Balance Sheet (unaudited)</u>	<u>48</u>
<u>Consolidated Statement of Cash Flows (unaudited)</u>	<u>49</u>
<u>Consolidated Statement of Changes in Equity (unaudited)</u>	<u>50</u>
	Page
Notes to Consolidated Financial Statements:	
<u>Note 1—Basis of presentation</u>	<u>51</u>
<u>Note 2—Accounting changes and new accounting guidance</u>	<u>51</u>
<u>Note 3—Acquisitions and dispositions</u>	<u>54</u>
<u>Note 4—Securities</u>	<u>54</u>
<u>Note 5—Loans and asset quality</u>	<u>59</u>
<u>Note 6—Goodwill and intangible assets</u>	<u>63</u>
<u>Note 7—Other assets</u>	<u>65</u>
<u>Note 8—Contract revenue</u>	<u>66</u>
<u>Note 9—Net interest revenue</u>	<u>68</u>

Edgar Filing: Bank of New York Mellon Corp - Form 10-Q

<u>Note 10—Employee benefit plans</u>	<u>68</u>
<u>Note 11—Income taxes</u>	<u>69</u>
<u>Note 12—Variable interest entities and securitization</u>	<u>69</u>
<u>Note 13—Preferred stock</u>	<u>71</u>
<u>Note 14—Other comprehensive income (loss)</u>	<u>72</u>
<u>Note 15—Fair value measurement</u>	<u>73</u>
<u>Note 16—Fair value option</u>	<u>79</u>
<u>Note 17—Derivative instruments</u>	<u>80</u>
<u>Note 18—Commitments and contingent liabilities</u>	<u>85</u>
<u>Note 19—Lines of business</u>	<u>89</u>
<u>Note 20—Supplemental information to the Consolidated Statement of Cash Flows</u>	<u>92</u>
<u>Item 4. Controls and Procedures</u>	<u>93</u>
<u>Forward-looking Statements</u>	<u>94</u>
Part II - Other Information	
<u>Item 1. Legal Proceedings</u>	<u>96</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>96</u>
<u>Item 6. Exhibits</u>	<u>96</u>
Index to Exhibits	<u>97</u>
Signature	<u>99</u>

---

Edgar Filing: Bank of New York Mellon Corp - Form 10-Q

The Bank of New York Mellon Corporation (and its subsidiaries)

Consolidated Financial Highlights (unaudited)

(dollars in millions, except per share amounts and unless otherwise noted)	Quarter ended			
	March 31, 2018	Dec. 31, 2017	March 31, 2017	
Results applicable to common shareholders of The Bank of New York Mellon Corporation:				
Net income	\$1,135	\$1,126	\$880	
Basic earnings per share	1.11	1.09	0.83	
Diluted earnings per share	1.10	1.08	0.83	
Fee and other revenue	\$3,270	\$2,860	\$3,018	
(Loss) income from consolidated investment management funds	(11	) 17	33	
Net interest revenue	919	851	792	
Total revenue	\$4,178	\$3,728	\$3,843	
Return on common equity (annualized)	12.2	% 12.1	% 10.2	%
Return on tangible common equity (annualized) – Non-GAAP (a)	25.9	% 25.9	% 22.2	%
Return on average assets (annualized)	1.29	% 1.27	% 1.06	%
Fee revenue as a percentage of total revenue	79	% 77	% 78	%
Percentage of non-U.S. total revenue	37	% 39	% 34	%
Pre-tax operating margin	35	% 20	% 31	%
Net interest margin	1.22	% 1.14	% 1.13	%
Net interest margin on a fully taxable equivalent (“FTE”) basis – Non-GAAP (b)	1.23	% 1.16	% 1.14	%
Assets under custody and/or administration (“AUC/A”) at period end (in trillions) (c)	\$33.5	\$33.3	\$30.6	
Assets under management (“AUM”) at period end (in billions) (d)	\$1,868	\$1,893	\$1,727	
Market value of securities on loan at period end (in billions) (e)	\$436	\$408	\$314	
Average common shares and equivalents outstanding (in thousands):				
Basic	1,016,797	1,024,828	1,041,158	
Diluted	1,021,731	1,030,404	1,047,746	
Selected average balances:				
Interest-earning assets	\$302,069	\$297,166	\$283,421	
Assets of operations	\$357,483	\$350,129	\$335,080	
Total assets	\$358,175	\$350,786	\$336,200	
Interest-bearing deposits	\$155,704	\$147,763	\$139,820	
Long-term debt	\$28,407	\$28,245	\$25,882	
Noninterest-bearing deposits	\$71,005	\$69,111	\$73,555	
Preferred stock	\$3,542	\$3,542	\$3,542	