

December 20, 2022

**Rating Object**

Bank of New York Mellon Corporation

**Rating incl. Outlook / Watch**

A+ / stable

**Date of Inception / Disclosure to Rated Entity / Maximum Validity:****Rating Object**

Bank of New York Mellon Corporation

**Date of Inception**

20.12.2022

**Disclosure to Rated Entity**

20.12.2022

**Maximum Validity**

until withdrawn

There occurred no changes after the communication of the rating to the rating object.

**Rating Summary:**

The Long-Term Issuer Rating of Bank of New York Mellon Corporation (BNYM) is affirmed at 'A+' and the outlook is 'stable'. BNYM was able to increase net income in 2021 compared to the previous year. Although operating income was lower than in the previous year due to higher personnel costs, net risk provisions were reduced compared with the previous year and even made a positive contribution to earnings. Fee revenue increased further, mainly reflecting higher market values. Fee revenue remained stable in the first nine months of 2022 despite the adverse market conditions, while interest income increased strongly under the impact of the rapid rise in interest rates. However, the bank continues to come under cost pressure due to inflation; personnel costs were over 6% higher than the corresponding year-earlier figure. Furthermore, expenses for software and equipment increased significantly.

**Key Rating Drivers:**

BNYM remains the world's largest custodian with nearly \$47tn in Assets Under Custody and/or administration (AUC/A) in 2021. Further, BNYM acts as a major clearinghouse for \$10 trillion of securities and processes \$2 trillion of payments each day. As of year-end 2021, there were \$2.4 trillion in assets under management. These values have decreased significantly as of Q3/22 under the impact of sharply increased interest rates in the wake of supply chain bottlenecks and the war in Ukraine; however, fee revenue could be kept stable. Interest income increased strongly, the constant decrease in interest income in the recent past is thus expected to reverse long-term under the new interest rate regime. Under the impression of dividends and buybacks, capitalization is decreasing, but remains at a solid level. Asset quality remains very good, with items providing the main line of income being off-balance sheet.

**Rating Scenarios:**

*Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.*

In a scenario analysis, a best-case and a worst-case scenario were considered. In the best-case scenario, the bank can expect an upgrade of the long-term issuer rating to 'AA-'. This could be achieved in particular in the context of an improvement in earnings power and capitalization.

In the worst-case scenario, the bank may expect a downgrade of the long-term issuer rating to 'A'. This could be triggered by sustained lower profitability, e.g. due to lower AUC/A or AUM or significantly eroded capitalization.

**Environmental, Social and Governance (ESG) Score Card**

Bank of New York Mellon has one significant and two moderate ESG rating drivers

Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the Corporate Governance Factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated positive due to BNYM's strong and sustainable earnings figures, the widespread ESG policies and its ambitious ESG targets.

**ESG Score**

4,1 / 5

Corporate Behavior and Green Financing / Promotion are identified as moderate rating drivers. Green Financing / Promoting is rated very positive due to the large volume of green bonds and Corporate Behavior is rated positive due to the ethics principles applied.

ESG Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
<= 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2022	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	3	(+ +)
	1.2 Exposure to Environmental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated positive in terms of the CRA ESG criteria.	4	(+)
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

ESG Relevance Scale		ESG Evaluation Guidance	
5	Highest Relevance	(+ +)	Strong positive
4	High Relevance	(+)	Positive
3	Moderate Relevance	( )	Neutral
2	Low Relevance	( - )	Negative
1	No significant Relevance	( - - )	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage <https://creditreform-rating.de/en/about-us/regulatory-requirements.html>. In addition, we refer to CRA's position paper "Considering the Impact of ESG Factors".

A general valid description of Creditreform Rating AG, as well as a valid description of bank ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here: <https://www.creditreform-rating.de/de/wir-ueber-uns/regulatorische-anforderungen.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/DE/Ratingmethodiken%20DE/The%20Impact%20of%20ESG%20Factors%20on%20Credit%20Ratings.pdf>

**Analysts / Person Approving (PAC):**

Name	Funktion	Email Address
Felix Schürmann	Lead-Analyst	f.schuermann@creditreform-rating.de
Philipp J. Beckmann	Analyst	p.beckmann@creditreform-rating.de
Christian Konieczny	PAC	c.konieczny@creditreform-rating.de

**Rating History:**

Bank Issuer Rating	Rating Date	Result
Initialrating	02.05.2018	A / stable / L2
Rating Update	22.05.2019	A / stable / L2
Rating Update	24.03.2020	A / watch negative / L2
Rating Update	30.11.2020	A / stable / L2
Rating Update	03.12.2021	A+ / stable / L2
Rating Update	20.12.2022	A+ / stable / L2

Please consult our website [www.creditreform-rating.de](http://www.creditreform-rating.de) for additional information regarding the dates of publication.

**Status of Solicitation and Information Basis:**

The present rating is an **unsolicited** rating. The rating object participated in the creation of the rating as follows:

With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

**Rating Methodology:**

Rating Methodology	Version	Website
<a href="https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html">Rating Methodology Bank Ratings</a>	3.1	<a href="https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html">https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html</a>
<a href="https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html">Methodology Environmental, Social and Governance Score for Banks</a>	1.0	<a href="https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html">https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html</a>
<a href="https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html">Rating Criteria and Definitions</a>	1.3	<a href="https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html">https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html</a>

## **Regulatory requirements:**

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Rating Endorsement Status: The rating of Bank of New York Mellon Corporation was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

## **Conflict of interests**

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

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To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate
2. Annual Report and interim reports
3. Investors relations information and other publications
4. Website of the rated bank
5. Public and internal market analyses
6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within „Basic data“ information card.

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Requested data are available at the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

An explanatory statement of the meaning of Creditreform's default rates are available in the credit rating methodologies disclosed on the website.

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Creditreform Rating AG

### Contact Information

Creditreform Rating AG  
Europadamm 2-6  
D-41460 Neuss

Phone +49 (0) 2131 / 109-626

Fax +49 (0) 2131 / 109-627

E-Mail [info@creditreform-rating.de](mailto:info@creditreform-rating.de)  
[www.creditreform-rating.de](http://www.creditreform-rating.de)

CEO: Dr. Michael Munsch

Chairman of the Board: Michael Bruns  
HR Neuss B 10522