Operator
Conference Operator

Good morning and welcome to the 2026 Third Quarter Earnings Conference Call hosted by BNY. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. Please note that this conference call and webcast will be recorded and will consist of copyrighted material. You may not record or rebroadcast these materials without BNY's consent. I will now turn the call over to Marius Merz, BNY Head of Investor Relations. Please go ahead.

Marius Merz
Head of Investor Relations

Thank you, operator. Good morning, everyone. Welcome to our third quarter earnings call. I'm here with Robin Vince, our CEO, and Dermot McDonogh, our CFO. As always, we will reference the quarterly update presentation, which can be found on the investor relations page of our website at bny.com. and I'll note that our remarks will contain forward-looking statements and non-GAAP measures. Actual results may differ materially from those projected in the forward-looking statements. Information about these statements and non-GAAP measures is available in the earnings press release, financial supplement and quarterly update presentation, all of which can be found on the investor relations page of our website. Forward-looking statements made on this call speak only as of today, October 15, 2026 and will not be updated. With that, I will turn the call over to Robin. Thank you, Marius, and good morning, everyone.

Robin Vince
Chief Executive Officer

I'll start with an overview of BNY's performance in the third quarter, and then Dermot will walk you through our financial results and outlook in greater detail. Referring to page two of the quarterly update presentation, BNY delivered strong results in the third quarter. Earnings per share of $2.34 grew by 24% year over year, at a very solid pre-tax margin of 39%, and with a strong return on tangible common equity of 29%. Once again, our growth was broad-based across our business segments, resulting in firm-wide revenue of $5.7 billion, up 12% year-over-year, generating approximately 390 basis points of positive operating leverage in the quarter, Demonstrating the scalability of our business as well as our continued work to enable greater productivity. As another signal to the diversification and resilience of our business model, we delivered these results against the backdrop of an overall constructive but uneven operating environment in the third quarter. Equity markets remain strong, supported by corporate earnings growth as well as continued investments in AI capabilities and related infrastructure. At the same time, persistent inflation, a sharp repricing in interest rates, geopolitical tensions and trade uncertainty contributed to volatility in fixed income markets and rotations across equity markets. Turning to our business performance. As many of you know, over the past few years, we have changed how BNY works. With two key building blocks for the reimagination of our company in place, Thank you for joining us today. The third quarter was our 15th consecutive quarter of year-over-year sales growth, with new mandates deepening existing relationships from digital native clients like Revolut to established institutions such as ING that are finding more ways to work with BNY in more places across more

products. This continued momentum is driving higher organic growth and enabling an even more resilient and vibrant business built to support our clients with excellence through economic and market cycles. Changing how we worked was a prerequisite, but innovation is an increasingly important element of the BNY story. With everyone in the company now working in our new operating models, our focus has shifted to realizing the benefits with product, Engineering, operations, and commercial teams coming together to develop more integrated and innovative solutions and deliver them for clients at greater speed and scale. At its heart, BNY powers markets and advances the global financial system. We have done this over the entire history of the United States. BNY supports the entire capital markets lifecycle from managing assets and collateral We view some of the current inflection points in market structure and technology as opportunities. As markets evolve, we have the vantage point and positioning to connect our capabilities in new ways, helping clients to adapt to changing market structures and pursue growth on infrastructure that they already trust. Several launches illustrate what that can look like. In July, we announced the launch of our global digital transfer agency capabilities, which extend our leading position in traditional fund servicing to the on-chain world, enabling a unified client servicing experience and ultimately growth into new asset classes and technologies. In the spirit of build it once, use it many, enabled by BNY Digital TA, We ourselves now offer a new digitally native money market fund through BNY Dreyfus with our new BeLiquid tokens representing shares in the fund on-chain. Bailey Gifford co-designed its recent on-chain offering with us and has already launched a fully native UK regulated tokenized fund. And BlackRock is using our capabilities for a recently launched tokenized share class of one of their existing money market funds. and just last month, our payments and trade business launched a new pay-to-wallet capability that allows banks to send cross-border payments directly from bank accounts to participating retail digital wallets using the payment messages and correspondent banking infrastructure from us that they already rely on. This gives banks another way to reach customers who use digital wallets and grow their cross-border payments businesses on BNY's global payments platform. Our thesis in digital assets remains simple. Innovate the capabilities and act as a partner to our clients as we help them bridge to the digital world. On a related note, we couldn't have picked a better time to reimagine BNY than in this age of AI. We have said it consistently. At BNY, AI is for everyone, everywhere and everything. and so we are embedding AI in every aspect of our business. That's why we've built our enterprise AI platform ELIZA and invested in our people so we can develop capabilities, govern them consistently and put them to work at scale. Over the past quarter, we've continued to move AI deeper into the processes that run our company. By deeply understanding our activity, Including process steps, system interactions, workflow patterns, and more, ELIZA is helping our teams reimagine how work gets done. In fact, over time, we see an opportunity to extend these AI capabilities to our clients to help them solve similar challenges and optimize workflows end to end. This work ultimately creates more capacity for our teams to better serve our clients. and earn BNY a greater role in client relationships through improved features and capabilities. We are also pairing our ambition with the governance and accountability needed to scale AI responsibly. Last month, we opened the BNY AI Lab at Carnegie Mellon University, advancing research on topics like verifying AI-generated code and evaluating agents for use in critical systems. All of this reflects our broader approach to AI, moving with ambition, intensity, and discipline. All with the objective of running BNY better to drive enhanced commercial, operational, and financial performance. I'll conclude by summarizing where I see our company at this point in time. Our performance in the third quarter demonstrates what this team and this BNY are all about. Deliberate, innovative, and never satisfied. Our work to enable higher performance, greater connectivity between our platforms, and more seamless delivery of holistic solutions from across BNY to our clients continues. And we can already see that these foundational investments have laid the groundwork for our further growth. With our resilient and trusted platforms, deeply embedded in workflows and the breadth of capital markets worldwide, BNY's diversified businesses enable our clients to adapt and thrive. All of this laid against the secular trend of financial markets growing, deepening, and evolving. Collectively, this allows us to go after the white space across products, client segments, and regions better than ever before, creating value for our clients and shareholders. Put simply,

we remain excited and energized by our momentum and the opportunity ahead. With that, I'll turn it over to Dermot.

Dermot McDonogh

Chief Financial Officer

Thank you, Robin, and good morning, everyone. I'll start with our consolidated financial results for the third quarter on page three of the presentation. Total revenue of $5.7 billion was up 12% year over year. Fee revenue was also up 12%. That included 15% growth in investment services fees reflecting net new business, Higher Client Activity and Higher Market Values Investment management and performance fees were up 3%, primarily driven by higher market values, partially offset by the mix of AUM flows. Fermat AUCA of $63.4 trillion were up 10% year-over-year. This increase was primarily driven by higher market values, net client inflows and net new business. Partially offset by the unfavorable impact of a stronger U.S. dollar. Assets under management of $2.2 trillion were up 2% year-over-year, primarily driven by higher market values, partially offset by cumulative net outflows and the unfavorable impact of the stronger dollar. Foreign exchange revenue was up 19% year-over-year, reflecting higher client volumes supported by continuous product innovation. Investment and other revenue was $175 million in the quarter. Net interest income was up 15% year over year, primarily driven by reinvestment of investment securities at higher yields as well as balance sheet growth, partially offset by deposit margin compression. The provision for credit losses was negligible in the quarter. Expenses of $3.5 billion were up 8% year over year, Both on a reported basis and excluding notable items. More than three quarters of the increase represents revenue-related expenses. The remainder reflects higher investments, partially offset by efficiency savings. Taken together, we reported earnings per share of $2.34, up 24% year over year. Excluding the impact of notable items, earnings per share were $2.37, also up 24%. On the back of approximately 390 basis points of positive operating leverage, pre-tax margin expanded to 39% and return on tangible common equity was 29%. Turning to capital and liquidity on page four. Our tier one leverage ratio for the third quarter was 5.7%, down 24 basis points sequentially. Tier one capital decreased by $1.1 billion primarily driven by capital returns through common stock repurchases and dividends, a decline in accumulated other comprehensive income, and a preferred stock redemption net of issuance, partially offset by capital generated through earnings. Average assets were approximately flat sequentially. Our CET1 ratio was 10.9%, down six basis points quarter over quarter. Over the course of the third quarter, we returned approximately $1.4 billion of capital to our common shareholders, resulting in an 85% total payout ratio in the quarter. Next, net interest income and balance sheet trends on page 5. Net interest income of $1.4 billion was up 15% year-over-year and down 2% quarter-over-quarter. I talked about the drivers for the year-over-year increase earlier. Sequentially, the decrease was primarily driven by seasonally lower deposit balances in the third quarter, partially offset by reinvestment of investment securities at higher yields. Average deposit balances decreased by 1% sequentially, including a 1% decrease in interest-bearing deposits and a 3% decrease in non-interest-bearing deposits. Average interest-reining assets were flat sequentially. Turning to our business segments starting on page six. Security services reported total revenue of $2.8 billion up 15% year over year. Total investment services fees were up 19%. In asset servicing, investment services fees increased by 12% reflecting higher client activity, net new business and higher market values. ETF servicing AUCA grew by 26% year over year Alternatives AUCA grew by 14% and across both segments we are well positioned to win new funds as they come to market. This past quarter, we were pleased to onboard Aviva Investors to our middle office solutions platform as we neared the completion of implementing a fully integrated operating model for them. Meanwhile, sales momentum continued with a good mix of larger transformational mandates as well as numerous tactical wins supporting the durability of organic growth in this business. In issuer services, investment services fees were up 43%, primarily driven by higher corporate trust fees, notably including fees accounting for pass-through expenses associated with our role as financial agent for Trump accounts, but also reflecting broad-based

growth across the business. Total debt service grew by 6% year over year to $15.4 trillion at quarter end. And in depository receipts, we have won approximately two-thirds of capital raising year to date, and investment services fees in the quarter grew by double digits year over year. For the segment overall, foreign exchange revenue was up 20% year over year on the back of higher client volumes, and net interest income was up 14% year over year. Segment expenses of $1.8 billion were up 10% year-over-year, primarily driven by higher revenue-related expenses and investments, partially offset by efficiency savings and lower severance expenses. Security services reported pre-tax income of $1 billion, up 24% year-over-year, and a pre-tax margin of 36%. On to Marks and Wealth Services on page 7. In our market and wealth services segment, we reported total revenue of $2 billion, up 12% year over year. Total investment services fees were up 10%. In wealth solutions, investment services fees were up 7%, reflecting higher market values and client activity, as well as net new business. Net new assets were $48 billion in the quarter, representing an annualized growth rate of 7%, Reflecting inflows from existing and new clients Wealth Solutions continued to win new logos and signed multi-year contract renewals with a number of significant clients in the quarter In clearance and collateral management, investment services fees were up 17% Reflecting broad-based growth in collateral management balances and clearance volumes Average collateral balances grew by 14% year-over-year to $8.3 trillion Reflecting growth from both existing and new clients. And average daily transaction volumes grew by 10% year over year, reflecting higher client activity across both international and US platforms. In payments and trade, investment services fees were up 8% reflecting net new business. This solid performance is supported by new client wins, higher payment volumes, and growth in our cash management and liquidity solutions. Net interest income for the segment was up 16% year-over-year. Segment expenses of $963 million were up 6% year-over-year, primarily driven by higher revenue-related expenses and investments, partially offset by efficiency savings. Taken together, our Marks and Wealth Services segment reported pre-tax income of $1 billion, up 17% year-over-year, and a pre-tax margin of 51%. Turning to investment and wealth management on page 8. Investment and wealth management reported total revenue of $857 million, up 4% year over year. Investment management fees were up 3%, primarily driven by higher market values, partially offset by the mix of AUM flows. Segment expenses of $655 million were up 2% year over year, primarily driven by higher revenue-related expenses and investments, Partially offset by efficiency savings. Investment and wealth management reported pre-tax income of $205 million, up 11% year over year, and the pre-tax margin improved to 24%. As I mentioned earlier, assets under management of $2.2 trillion were up 2% year over year. In the third quarter, we saw $6 billion of net inflows in long-term active strategies, $4 billion of net inflows in index and $22 billion of net outflows in cash. Wealth management client assets of $354 billion increased by 2% year over year, primarily driven by higher market values, partially offset by cumulative net outflows. Page 9 shows the results of the other segment. I'll close with an update on our financial outlook for the year. On the back of another strong performance in the third quarter and with only two and a half months left in the year, we are once again raising our outlook for growth and operating leverage in 2026. We now expect to generate nearly 500 basis points of positive operating leverage in 2026, up from 400 basis points just three months ago and clearly up from the slightly over 100 basis points we guided to at the beginning of the year. This reflects our current expectation for full year 2026 total revenue growth excluding notable items to land somewhere around the middle of a 12 to 13% range market dependent. And that includes our current expectation for full year 2026 net interest income to be up 15% year over year. Accordingly, We expect higher revenue related expenses associated with this approximately 200 basis point improvement in revenue growth. Therefore, we are increasing our expectation for full year 2026 expense growth, excluding notable items by 100 basis points to somewhere around the middle of a 7-8% range. As usual, our central case assumes current market implied forward interest rates and that the operating environment remains broadly constructive. To wrap up, we are encouraged by our performance in the third quarter and the underlying momentum across our businesses. While we remain mindful of the dynamic operating environment, we continue to see our investments and execution translate into stronger client engagement, growth across our platforms and greater scalability. With that, operator, can you please open the line for questions?

Operator
Conference Operator

If you would like to ask a question, please press star one on your telephone keypad. As a reminder, we ask that you please limit yourself to one question and one related follow-up question. We'll take our first question from Mike Mayo with Wells Fargo Securities.

Mike Mayo
Analyst, Wells Fargo Securities

Hi, I guess this follows on that last comment about the expense guide being a little bit higher. Now, how much are you spending on AI What sort of benefits are you getting from that? What do you see as the potential? And Robin, I know you say AI for everyone, everywhere, AI for everyone, everywhere and in everything. That's a nice kind of high level statement. But, you know, how does that actually impact the financials or if and when will you actually see it impact the financials? Thank you.

Robin Vince
Chief Executive Officer

Sure, Mike. Good morning. I'm happy to happy to talk through all of that for a second. So let me just like Zoom out for a moment. So we spend $4 billion a year on technology. We have a $13 billion expense base. And so if you just put AI into that context, sort of a few different things. So number one, it's a catalyst for transformational change, frankly, for the world, for all companies, and for people. And so we think we're going to be a significant beneficiary of this technology, given the fact that we think is going to sort of sweep over our business in a positive way, give us the opportunity to reduce friction, improve outcomes, create capacity internally, and frankly, deliver for clients. We're excited about it for obvious reasons. Now, it's moving very rapidly. We think adoption and integration ultimately can become limiting factors, which is why we have focused so much on our platform and this cultural philosophy, which you just quoted, to really make sure that we are A fertile ground for adoption because if people have shields up, walls up, that's not going to help the process. And we've been investing in this for, as you know, we've been talking about it for three years, but we've been investing in it for over that. Now when we actually think about the inputs and measuring them and the outputs, I sort of break it into two categories. So now I'm really going to get to the heart of the answer to your question. The first thing that matters when we measure how much we spend and we think about how much we spend is are we spending too much or too little? We don't need false precision around exact perfection. What we really need to understand is are we investing appropriately and are we generating return from that? And if the answer is yes, then we need to understand should we carry on and lean in more? The answer to the question is yes, we're generating return and yes, we want to lean in more. and at the end of the day, the precise measurement, internal transfer, pricing, et cetera, isn't super important. So frankly, we don't spend calories worrying about that as an input. The second thing that matters a lot is good FinOps, financial operations, managing the token cost, et cetera. And for that, we've put a lot of precision in because we want to be very, very careful to make sure we're using the right models for the right tasks, the routing engines, and that's all built into ELISA so there we're very precise and we measure very carefully so that we're making the optimal decision at every moment of consumption of AI intelligence so that's how I'm thinking about it and we're thinking about it and as a result we're not breaking it out but it sort of folds into the inputs

across our expense base and frankly we think it could be counterproductive to break it out and to start obsessing about it publicly and even within the company as an input.

Mike Mayo
Analyst, Wells Fargo Securities

So one follow-up as it relates to token costs and this gets to the benefits of scale. Are there benefits to scale when you're purchasing tokens or at the enterprise level do you get kind of discounts or something versus a smaller player that's trying to use AI tokens and how are you managing that to become more price effective?

Robin Vince
Chief Executive Officer

Yeah, the short answer is yes, but the benefits of scale accrue in a few different ways. So first of all, yes, if you've got a good relationship with the providers of this intelligence, and in fact, frankly, more of a partnership mentality, which we have with several of the labs, where we're actually giving them ideas, collaborating with them, helping them with product development in some cases, That sets the scene for better commercial arrangements and that's for sure. And you can only really do those things if you have the scale and frankly the R&D capability to be able to be effective in that regard. The second thing that matters for price a lot is to be able to put the models against each other and to be able to really use the right model for the job. And that isn't just in terms of one lab versus another. It's labs versus the appropriate open source potentially. It might be using a six month old model or a 12 month old model. You don't need a sledgehammer to crack a nut. And the routing logic built into that is very important. Now you can't do that Thank you for watching. that all of your agents operate in, all of your people operate through in order to manage that. And so that's a very important part of essentially managing tokenomics and you've got to have scale to be able to make that type of investment.

Mike Mayo
Analyst, Wells Fargo Securities

All right, thank you.

Operator
Conference Operator

We'll take our next question from Ibrahim Poonawalla with Bank of America.

Ibrahim Poonawalla
Analyst, Bank of America

Hey, good morning. Good morning. Maybe just sticking with AI and the broader sort of all the employees that are on the platform now. As we look forward over the next year or two, how should we think about the benefit of the platform and add to that any AI related productivity gains? Is it a client wallet share opportunity? Does it open up new revenue pools? Or is it mostly about more capacity, more efficient

Robin Vince
Chief Executive Officer

It's about all three of those and you happen to have hit on our three AI strategic vectors and so I'll reframe them for you. The first one is generating internal capacity and it's a very important word capacity because in some companies they frame AI for themselves, you know I defer to their expertise for their own environments, as being an efficiency gain. We don't think about it that way. We think about it as a capacity generator. If we can free up our people to be able to do more things, we're a growth company these days. We've got plenty of things to do and so whenever we can generate capacity to provide for that growth without having to grow the expense base, that's phenomenal. We're so lucky to be reinventing AI Reinventing this company and reimagining BNY in this age of AI. So that's capacity and we're very excited about that. What happened more recently, and as I mentioned, we've got 400 plus AI solutions in production. More recently, there's become a tilt of some of those towards the second category, which is creating improvements in products, features, and actually doing things that are helping our products deliver better for customers. And that we think is going to be one that's going to accelerate more from here. And then the third one, which we also have some examples of, although it's very early, is doing new things for clients that we wouldn't previously have done without AI. So actually applying our AI across ourselves and our clients on an end-to-end basis. Or delivering certain solutions that just didn't make full economic sense in a non-AI world that now might make more economic sense. So that's the third vector. And we actually view the opportunity across all three. It started more in the first, it's evolving more into the second, and ultimately we think it'll cross all three.

Ibrahim Poonawalla
Analyst, Bank of America

maybe just sticking with that means you obviously have a unique lens both in terms of how front footed you've been on AI deployment, your seat as part of the open AI board, Robin. Just talk to us one, how do you protect against like the headlines we read about rogue agents when you're sort of all signs go in terms of deploying AI internally. So one, how do you protect against rogue agents and as we think about the debate around open weight models versus The Closed Ones. Is there one way to think about it, given you said that you don't need, I guess, the frontier models to solve the issues that I guess industry is dealing with? Thanks.

Robin Vince
Chief Executive Officer

Sure. I'll give you sort of three parts to that. So number one, if you just step back from the current debate about speeding up, slowing down, pacing the frontier and all of that, There are three sciences in AI these days. One is the frontier model science itself, new models, more capabilities, more better intelligence, etc. That one's obviously talked about a lot. But the second and the third are very important and they haven't really been as much as part of the mainstream conversation, although of course you hear about them. The second science is the science of alignment and making sure basically that the models do what we would want them to do, behave as humans would like them to. And this is a science that needs more investment and frankly needs to catch up with the science of the model frontier. And you're seeing the labs starting to really invest in that. You're seeing some of the hardware companies talk about it more as well. Jensen's talked about it in the context of NVIDIA. Some of that alignment might need to be built into the hardware chipset in order to make it fully enduring. And then the third science is the science of observability. You want to know what the models

are actually thinking and doing, and that science is also lagged and also needs to catch up with the frontier. So I view the safety package of alignment and observability needing to catch up with the frontier, that's important investment and it has to happen. The second frame that you mentioned is open source. Open source essentially means open weight, which means user customization, which is terrific and powerful. We do it. We use open source models as part of our ecosystem, so we're using the right tool for the job. But open weight means that the users can essentially, certainly a sophisticated user, can take off some of that safety package that I was just talking about, and so we need to be very thoughtful about that in the future because if you have very powerful frontier capable models that have open weights, it does mean that bad actors can essentially adjust them so that they would behave maybe in a manner differently to the way that we would like them to behave. And then the third question which is how all of that applies to our environment which is essentially what you asked, that's where the power of ELISA comes in because we've got the chassis, the harnesses, the safety protocols, We also have the benefit of all of our existing controls. We don't make payments at BNY without a lot of validation. The fact that an AI model wants to make a payment, that's nice. We don't fully trust even people. to do things solely by themselves. We have maker checker processes. We have challenger processes. AI can operate the same way. So having the chassis, the safety harnesses wrapped around AI at the platform level, again, back to Mike's question, some of that investment's about scale. That's how we do it well, deliberately, and intensely over time.

Ibrahim Poonawalla
Analyst, Bank of America

Great, Harold. Thank you so much.

Operator
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Our next question comes from Brendan Hawkin with BMO Capital Markets.

Brendan Hawkin
Analyst, BMO Capital Markets

Good morning. Thanks for taking my question. I would love to hear your updated perspective on the platform operating model. So you guys had a phase rollout and you spoke in the past about 12 to 18 months of seasoning that new users need to maximize the model. How tangible should we expect the benefits to unit cost reduction or cross-selling or other metrics to impact ultimately BNY's results as we enter into 27 and through 28.

Dermot McDonogh
Chief Financial Officer

Thanks for the question, Brennan. So as we've said, we're fully live in the model now. 100% of the firm is active in the platform operating model. It's been a long journey and I will congratulate everybody at BNY to kind of make it a reality. It was a very big undertaking. Thank you very much. and you're beginning to see that the commercial model alongside the platform operating model is delivering the growth that's resulting in that 15 consecutive quarters of year over year sales growth that Robin alluded to in his prepared remarks. Also, I

would draw attention to the fact that over the last few years, and I say it every quarter in my prepared remarks, we've harvested efficiency gains that we've reinvested in the business. and this year particularly you're beginning to see the payback and the benefit of those investments. If you take security services, that segment that has a margin of 36% this quarter, that's as a result of moving into the model, investment in strategic technology, delivering more for clients, delivering more mandates that security services are then bringing in other platforms to deliver more products from other platforms to the clients. So we kind of think of platform operating model beside the commercial model alongside AI is a very, very compelling strategic opportunity for us in the forward. So we're very excited about the platform and where it is now and how we can grow the firm from here with that in place.

Brendan Hawkin
Analyst, BMO Capital Markets

Thanks for all that color, Dermot. And a bit more mundane question for my follow up. Deposit trends were a bit stronger than we had expected. Can you speak to quarter-to-date trends and what you're thinking for the fourth quarter? And also, you took up the NAI guide. We've certainly seen rates back up, but in the past you've spoken to less rate sensibility. So could you maybe speak about what drove the upside to the prior guide on NAI?

Dermot McDonogh
Chief Financial Officer

So yeah, sure. So we talk a lot about narrowing the cone of outcomes and interest rate volatility, plus or minus 50-100 basis points. We're kind of, we always like to stay close to home as it were, and that's been a strategic philosophy of ours over the last few years, and we feel very comfortable with where we're at in that. And really, our NII is really, we don't lead with deposits, we don't lead with pricing, it's as a result of client activity coming to Thank you very much for joining us. We have roughly about $5 billion of securities rolling off per quarter and we do expect the seasonal pick up to deposits to pick up into Q4 a little bit relative to Q3 as Q4 is quite an active quarter. So we've seen that in early doors in terms of deposits picking up so far this quarter.

Brendan Hawkin
Analyst, BMO Capital Markets

Great. Thanks for that, Colin.

Operator
Conference Operator

We'll take our next question from Alex Blastein with Goldman Sachs.

Alex Blastein
Analyst, Goldman Sachs

Hey, good morning. Thank you for the questions. Well, I was hoping to dig into a couple of businesses for you guys. So first, I guess clearance collateral management continues to pop really nice growth. It's been a super volatile year, obviously in rates markets as well. So curious how you think about the durability of this kind of growth we've seen and then more near term as we move closer to mandatory treasury clearing. What are the puts and takes, both kind of near term impact on that business and a bit longer term?

Dermot McDonogh
Chief Financial Officer

The last question first, central clearing. We believe we're going to earn our way through that and so far we've seen that because you see more volume on the platform as a result of the initiative and so actually we don't see that in the near term, medium term, long term as a particular headwind. Also a lot of rate volatility this year but that has encouraged a lot of volume and so the more volume and people trading treasuries and debt issuance, you kind of see that coming onto our platform so we're very pleased with the volume that has supported the platform this year. Then you have the mix of international and domestic. International is something that we've talked about for several quarters and we made some strategic investments in the platform internationally and we're beginning to see clients come to us and do more activity with us. It's been nice growth internationally and we expect that to continue. Also, we've talked about this on prior calls, debt issuance globally, more debt issuance equals more activity, more volume, and so we feel good for that platform. And the last thing I would say on the collateral side, people are always looking for funding, $8.3 trillion of balances on the collateral platform. It's a record for us. So clients are coming to us for funding needs. We're developing new solutions, different ways of doing things, using new technologies, new products. And so there's a certain element of a halo effect of clients wanting to do more with BNY in this space. So we're very pleased where it's at. And it may moderate from time to time from here, but the long-term outlook for that platform is particularly good.

Alex Blastein
Analyst, Goldman Sachs

Yep. All right. Loud and clear. Second question is around wealth solutions, the old Persian business. You know, growth has obviously been pretty good, but partially held by both markets and just the level of client activity. Curious if you can zone in on how you think about improving kind of NNA growth in this business, and to what extent do you think some of the capacity constraints at other large RA custodians on the long-short tax-aware strategies could improve? Help you bring in incremental business as you help potentially fill that void.

Dermot McDonogh
Chief Financial Officer

Okay, so I don't know. The old purging business, it is the new wealth solutions business. So we're very proud of that business. Nearly $4 trillion of assets under custody. We have a right to play. We have a right to win. We have strategic ambition. First of all, I would like to kudos to the team for a really strong quarter in this space. 48 billion dollars of net new assets that's kind of a seven percent annualized growth rate we've been asked before on calls what do we see the medium term outlook on for this business we kind of said mid single digits of net new assets so kind of feel good about that new clients i think if i remember correctly we we signed roughly seven new logos onto the platform this quarter so clients are coming to us they they like what we

have to offer and so we're partnering A lot with big RIAs, and as I said in my prepared remarks, we've re-signed several clients to long-term contracts. So we like the business. We kind of feel we're a big player in the business. We have fresh leadership in there, taking a fresh look at things and kind of coming up with different strategies. Also, you may recall from our call in January, we've pushed the acquisition we made a couple of years ago, Archer Separately Management Accounts, We've moved that over into Well Solutions so we can give a more unified product delivery in separately managed accounts. To your point, we're very active in the long-short tax strategy as well, which is a good product for us for our clients.

Alex Blastein
Analyst, Goldman Sachs

Great. All right. Thanks, Dermot.

Operator
Conference Operator

Our next question comes from Ken Houston with Autonomous Research.

Ken Houston
Analyst, Autonomous Research

Hey, thanks. Good morning. Dermot, just wondering two things on the guide and the outlook. If I just do the applied math for the fourth quarter, if I'm doing it right, it implies that fourth quarter fees would be down sequentially from the third. And I'm just wondering, is there any seasonality there? Are there any items in the third quarter that might have just been like strong because of the environment or not, I guess, just in terms of how you're seeing the environment play out? Thanks.

Dermot McDonogh
Chief Financial Officer

So I guess we... I guess Robin said in his prepared remarks, we have a healthy pipeline. We come into Q4 on the back of a strong Q3. Clearly, there is a lot of volatility in the markets, but as Robin has said, we're set up for these kinds of things and the durability of the revenue stream. So we're kind of just trucking along, executing our strategy, and there's nothing really that I see in Q4 that's outlier relative to Q3. The pipeline is there, the healthy dialogue is there. Actually, I think we're kind of flattish, not down, but I would say overall we go into the last two and a half months of the year feeling very good about where the overall firm is and where our businesses are operating and that gave us the confidence to update our guide as I gave in my prepared remarks.

Ken Houston
Analyst, Autonomous Research

Yeah, thanks for that. I appreciate that. And then same point on the expenses. It kind of implies a typical year-end step up in the fourth quarter, and you have so much room in the operating leverage, it would make all the

sense in the world if you are, in fact, pulling forward some investments. But can you just kind of talk us through fourth quarter seasonality on cost, and if you're, in fact, kind of moving some of the investments forward just because you have such a strong revenue base? Thanks.

Dermot McDonogh
Chief Financial Officer

I don't believe we're pulling forward. It's typically seasonal. There are a few idiosyncratic items that happen in the fourth quarter, and then there's some things around compensation matters, so one-off stuff, some vendor-related stuff. There are three or four things that are in there, none of them meaningful in itself, but when you add it up, it kind of gives that uptick. But it wouldn't be a place where you would start your jumping off point for next year.

Ken Houston
Analyst, Autonomous Research

Right. Okay. Understood. Thanks again, Dermot.

Operator
Conference Operator

Our next question comes from Scott Seifers with TD Cowen Securities.

Scott Seifers
Analyst, TD Cowen Securities

Good morning, everybody. Thank you for taking the question. I think only one left for me. I was hoping you could speak a little to capital management priorities from here. Capital levels remain very strong. You all have such strong internal generation rates, but the ratios have inched down a bit, and you've been very active on repurchase. Just curious as to how you're thinking about the balance from here.

Dermot McDonogh
Chief Financial Officer

So the philosophy for a number of years now is you know tier one leverage ratio five and a half to six percent. We're at the upper end of that range and so the firm was set up you know we run a lot of stress tests up down shocking making sure that we we can deal with a lot of different situations and so This backup in rates, we were able to take it entirely in our stride. Most of our peers and ourselves took a bit of a mark to market in the AOCI book, but that was entirely within our comfort zone. And we were able to continue our buybacks as a very healthy clip. Year to date, I think it's roughly 86% and 85% of the quarters. Everything is in line with our capital management philosophy and we feel good about where the firm is in terms of capital positioning and liquidity as we go into Q4. Perfect.

Scott Seifers
Analyst, TD Cowen Securities

All right. Thank you very much.

Operator
Conference Operator

We'll take our next question from Manan Ghazalia with Morgan Stanley.

Manan Ghazalia
Analyst, Morgan Stanley

Hey, good morning. On the issuer services side, I mean, clearly really strong growth there of over 40% year on year. And I know you noted that there's some pass-through expenses associated with the Trump accounts in there. But is this level a good level to grow off of from here? And what would the drivers be?

Dermot McDonogh
Chief Financial Officer

So I think there are three aspects to this. within issuer services you have corporate trust where we're servicing roughly 15 trillion dollars of debt and as debt issuance has been growing you know some of those within those sub-sectors we have market leading positions so feel very good about a the investments that we've made in corporate trust over the last couple of years and b the client dialogue and the client engagement so business is in good shape and then you have depository receipts which is somewhat of a seasonal business with Q2 being the outlier due to dividends but our Q3 was good as well and we've managed to win quite a good number of mandates in the APAC region which I kind of alluded to in my prepared remarks. And the last comment I would say is our proud participation in Trump accounts and that is where that shows up. and while we don't disclose specific numbers, there is the gross up of revenue and expenses there with the pass through, et cetera, et cetera. And so overall, that is quite a good segment, strong segment and we like what we have and we will look to continue to grow it.

Manan Ghazalia
Analyst, Morgan Stanley

Got it. And then you spoke about deposits, but if you can drill into non-interest bearing deposits a little bit here. So, you know, as rates rise, can we still expect NIB to stay at high teens as a percentage of deposits? And can we still expect that to grow?

Dermot McDonogh
Chief Financial Officer

So we don't look, we don't guide on the specifics of IBs or NIBs. I think We have grown deposits 26 over 25. We feel good where our current level is. And as I said, in answer to another question, we've seen an uptick in

going into Q4. In Q3, NIBs did adjust seasonally, but were a little bit better than expected relative to the seasonal decline. So feel good about that. And really, you have to remember that The deposit base is a result of clients doing more with us. So when you just to your earlier question on corporate trust, we have a lot of kind of natural deposits with that as clients kind of place cash with us to service their debt. And so when you take into account the whole ecosystem, we feel very good about our ability to quote deposits from here in line with the overall growth of the business.

Manan Ghazalia
Analyst, Morgan Stanley

Got it. Thank you.

Operator
Conference Operator

We'll take our next question from David Smith with Truist Securities.

David Smith
Analyst, Truist Securities

Hi, good morning.

Robin Vince
Chief Executive Officer

Morning, David.

David Smith
Analyst, Truist Securities

It's nice to see the long-stretch continued year-on-year sales growth. How is organic fee growth trending against the 4.5% mark that you saw in the first half? Clearly, there was a trickier backdrop in September during the quarter, but how do you frame the organic growth against the 12% total fee growth, including market benefits you saw in the third quarter? and then any expectations for 4Q given the strong pipeline you mentioned. Thank you.

Robin Vince
Chief Executive Officer

So organic growth is sort of a, I'll call it the longer term story for us is how we look at it. We just don't report it on a quarterly basis. We don't guide to it on a quarterly basis. It's really the long term trend that we think is the focus area in terms of the progress of the company. You'll remember we were at zero in organic growth in 22 and 23. 2% in 2024. We increased that by 50% from two to three in 2025. And then we increased it by 50%

again, from 3% to four and a half for the first half of this year. And I just say that the long term momentum, the 2026 momentum continues.

David Smith
Analyst, Truist Securities

Okay, so you expect further momentum, you know, through 26 into 2027, even if it's, you know, maybe a little bit lumpy on a quarterly basis. Is that fair?

Robin Vince
Chief Executive Officer

I'm not going to guide to the extrapolation. We feel good about where we were in the first half. And I will say that our momentum in 2026 has sort of continued to be good. The growth, organic growth has continued to be good. There's no shock factor in the third quarter.

David Smith
Analyst, Truist Securities

Got it. Thanks.

Operator
Conference Operator

Our next question comes from Glenn Shore with Evercore ISI.

Glenn Shore
Analyst, Evercore ISI

Hi, thanks very much. Just circling back on the RA custody biz, it's kind of interesting that a business like that would get an influx of two or three really big New competitors or well-funded competitors. But I also know that these are long-dated, established relationships and business doesn't change that often. So maybe you could talk a little bit towards the investments you're making, what you think you have to do going forward to keep growing that business. Because I think when you see the influx of competition, you go, ah, and you start thinking pricing is going to come under pressure. But... Maybe you could just kind of talk to what you're seeing and how we should think about it.

Dermot McDonogh
Chief Financial Officer

Thanks. So maybe I'll start, but one thing I would say is Wealth Solutions, the platform, which used to be known as Pershing, has become much, much closer to BNY. And so when we have clients of Wealth Solutions, they're also clients of the firm. and I would say over the last couple of years we've been able to offer

more products from the broader BNY family than we've ever done before and so clients are coming to us because we're also a bank and we can do lending and we can do different things and so it's the relationship is not with purging as in the old days it's now with BNY and the platform as well solutions I think that's important fact number one Important fact number two is we have nearly 1500 clients, nearly 9 million investor accounts, and we do over 2 million trades per day with those clients. And as I said in my answer to the last question, $4 trillion of AUCA. And when you take Robin's answer to the first couple of questions on the call about our AI strategy and our AI vision, we believe that just with traditional technological investment, and bringing AI to the fore, we can develop new products and new ways of doing things for that community that will allow us to be very, very competitive relative to competition coming in. As I always say, we love competition because it makes us stronger and it makes us better and we feel like we have a really strong base from which to move forward from.

Robin Vince
Chief Executive Officer

Let me just add to it briefly, which is, you know, I just want to underline this has always been a competitive industry and always been a competitive business. But the evolution of what clients want, an open architecture solution, the ability to bring strong capabilities, the fact that it isn't just a custody clearing business, but is evolving in to also being able to connect with asset management and with banking and the AI capabilities that Dermot mentioned. it's sort of moving in our direction because it's at the right time given the evolution of BNY given our platform and commercial models unlocking the whole firm to deliver to any client of the firm that's a good trend for us in this business and it's not by coincidence that we've been evolving the name in fact interestingly when I used to talk to clients of Pershing three years ago They would say, oh, please, the Pershing brand is really strong. Please keep the brand. And now when I speak to those same clients, they say to me, oh, please, BNY, it's a much more useful brand for us running our businesses when we're talking to clients because of the power and strength of that brand. And we want to access the rest of the company. We don't just want the traditional services from Pershing. We want the full breadth. of BNY Delivered Through Wealth Solutions.

Glenn Shore
Analyst, Evercore ISI

Good perspective. Maybe that's a good lead into the quickie follow-up I had. So average loans are up 19%. How much of that is coming through some of your other platforms and where you're extending balance sheet to help? I don't want to fully tie it to the Tier 1 leverage. Declined in the quarter because I think this is coming at pretty low RWA securitized loans, but I'm putting words in your mouth. So maybe just talk to us where the 19% average loan growth is coming from and the density of them.

Dermot McDonogh
Chief Financial Officer

Thank you. So I hate to take the short answer to that, Glenn, but you answered the question. It's predominantly in our secured finance bill in short duration, fully collateralized Our final question comes from Gerard Cassidy with RBC. Hi, Robin. Hi, Dermot. Hi, Gerard. Hi, Dermot.

Gerard Cassidy
Analyst, RBC Capital Markets

Can you give us, when you think back to January when you gave us your net interest income forecast, I know you talked about the factors pushing up the net interest income growth in the fourth quarter, but when we turn back the clock to January to today, can you identify the delters for the much better than expected growth in net interest income forecast? that you've achieved this year. Was it primarily better deposit growth from customers, market conditions, but what were some of the key factors?

Dermot McDonogh
Chief Financial Officer

I would say two things. One is just the overall performance of the firm doing more, like as we highlighted at the first half, four and a half percent organic growth We highlighted a number of transactions in the quarter in our both of our prepared remarks and so all of that activity brings deposits onto the platform and so we've grown deposits year over year so I would say that's important point number one and a point number two is and also the mix between IBs and NIBs has held in well and that's benefited us and then on the other side of the ledger it's the the yield pick up going from about 150 basis points to 200 basis points and so we expect that to kind of continue for the next several quarters as we reposition the portfolio with roughly five billion dollars rolling off each quarter and reinvested at higher yields.

Gerard Cassidy
Analyst, RBC Capital Markets

Very good and then just speaking about rates and not asking for a forecast for 27 Can you just paint the interest rate environment that's most ideal for the NII as we go forward into 27?

Dermot McDonogh
Chief Financial Officer

Again, so my short answer to that is we try to narrow the cone of outcomes on interest rates. And so up or down 100 basis points, like there's been quite a move over the last several quarters, particularly the last quarter. and so we're largely immunized from that. So look, tenure goes above 6%. I guess lots of people having different conversations, but we believe where our rates are right now is we're in good shape.

Gerard Cassidy
Analyst, RBC Capital Markets

Very good. Thank you very much.

Operator
Conference Operator

And our last question comes from Stephen Tubach with Wolf Research.

Stephen Tubach
Analyst, Wolfe Research

Hi, good morning. I should say good afternoon now, Robin and Dermot, but thanks for squeezing me in here. It's much appreciated. I was hoping to drill down into the security services segment. Robin, when you started on the transformation journey, you highlighted security services as an area where you were much more focused on driving efficiency versus necessarily having the growth mindset that you are at least outlining for market and wealth services in particular. You've been quite successful improving the margin in that segment the last three years with insecurity services, eclipsed your profitability targets while running with a flattish cost base. As I look at the trend over the last couple of quarters, even adjusting for the impact of Trump accounts, we're starting to see a pretty healthy ramp in investment and we're hoping you get to speak to whether you're pivoting to more of a growth mindset now that you're operating at Full Efficiency. And where do you see the most compelling growth opportunities within the segment? Where are those incremental dollars being deployed?

Robin Vince
Chief Executive Officer

Well, again, a little bit like one of the earlier questions, you sort of answer the question along the way. That's right. I agree with the premise, which is we first set our target to improve pre-tax margin in the segment. If you might remember, it was 21%. In 2021, and we said 30% was our milestone. A lot of people told us that that was ambitious at the time. That was when, you know, the whole narrative was still centered around Trust Bank and world's worst oligopoly and everything all fair potentially back at the time. But we saw a lot more potential and we've started to realize that potential. It was an expense self-help story in part. but you're right we've done a lot of the foundational work and it's really a microcosm of the same thesis as the whole company which is having done the foundational work in operating model and commercial model we can pivot and are pivoting more to growth and as you pointed out that's starting to show through the top line story of the segment and so for the quarter 15% total revenue growth, 500 basis points of positive operating leverage and pre-tax margin expansion to 36% year-on-year, which is obviously a far cry from that milestone because it was originally a milestone. And it's also broad-based inside the whole story. Now, there was a seasonally strong quarter in depository receipts in the second quarter. There's always a little bit of quarter-by-quarter story associated with it. but you're right we see a white space in this play in this segment and there's lots of types of white space for this there's there's connecting more things from around the firm there's going into new regions you'll remember earlier in the year we announced a very important win in Germany that's a good example of us pushing into new regions which is one of the opportunities for us in white space there are new solutions if you think about the Digital Asset Transfer Agency that I mentioned in my prepared remarks. That's essentially a capability ad that's in the segment. And then, of course, you have all of the capital markets growth and activity, including the manufacturing of fixed income growth and the market trends that we've talked about as well. So we've done the work. We've repositioned the business. and the team's doing a fabulous job to now really attack the opportunity and we think that that's the path that we're now going to be on.

Dermot McDonogh
Chief Financial Officer

Yeah, look, I would say my only comment is a leadership change, talent and the business was taken back to the studs by that team four years ago and investing in the core and building from the foundations back up

and the team has got its ability and its belief back in its right to win. And it's been a story of leadership and execution. It's been fantastic.

Stephen Tubach
Analyst, Wolfe Research

A really great caller. Thanks so much for squeezing me in here.

Operator
Conference Operator

And with that, that does conclude our question and answer session for today. I would now like to hand the call back over to Robin for any additional or closing remarks.

Robin Vince
Chief Executive Officer

Thank you, Operator, and thanks everyone for your time today. We appreciate your interest in BNY. Please reach out to Marius and the IR team if you have any follow-up questions. Be well.

Operator
Conference Operator

This does conclude today's conference and webcast. A replay of this conference call and webcast will be available on the BNY Investor Relations website at 3 p.m. Eastern Time today. Have a great day.