Bank of New York Mellon Corp
Form 10-Q
August 07, 2015

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2015

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 incorporation or organization)	(I.R.S. Employer Identification No.)

One Wall 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 X 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 X No ___

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

Large accelerated filer [X] Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ ]

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

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 June 30, 2015
Common Stock, $0.01 par value	1,106,517,658

THE BANK OF NEW YORK MELLON CORPORATION

Second Quarter 2015 Form 10-Q
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The Bank of New York Mellon Corporation (and its subsidiaries)

Consolidated Financial Highlights (unaudited)

	Quarter ended			Year-to-date	
(dollar amounts in millions, except per common share amounts and unless otherwise noted)	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Results applicable to common shareholders of The Bank of New York Mellon Corporation:					
Net income	$830	$766	$554	$1,596	$1,215
Basic earnings per share	0.74	0.67	0.48	1.41	1.05
Diluted earnings per share	0.73	0.67	0.48	1.40	1.04
Fee and other revenue (a)	$3,067	$3,012	$2,980	$6,079	$5,863
Income from consolidated investment management funds (a)	40	52	46	92	82
Net interest revenue	779	728	719	1,507	1,447
Total revenue (a)	$3,886	$3,792	$3,745	$7,678	$7,392
Return on common equity (annualized) (b)	9.4 %	8.8 %	6.1 %	9.1 %	6.7 %
Non-GAAP (b)(c)	10.3 %	9.2 %	8.4 %	9.8 %	8.1 %
Return on tangible common equity (annualized) – Non-GAAP (b)	21.5 %	20.3 %	14.5 %	20.9 %	16.0 %
Non-GAAP adjusted (b)(c)	22.5 %	20.2 %	18.4 %	21.4 %	17.9 %
Return on average assets (annualized) (a)	0.88 %	0.84 %	0.60 %	0.86 %	0.68 %
Fee revenue as a percentage of total revenue excluding net securities gains (a)	79 %	79 %	79 %	79 %	79 %
Percentage of non-U.S. total revenue (d)	36 %	36 %	38 %	36 %	37 %
Pre-tax operating margin (a)(b)	30 %	29 %	22 %	29 %	24 %
Non-GAAP (b)(c)	33 %	30 %	30 %	31 %	28 %
Net interest margin (FTE)	1.00 %	0.97 %	0.98 %	0.98 %	1.02 %
Assets under management at period end (in billions) (e)	$1,724	$1,741	$1,636	$1,724	$1,636
Assets under custody and/or administration ("AUC/A") at period end (in trillions) (f)	$28.6	$28.5	$28.5	$28.6	$28.5
Market value of securities on loan at period end (in billions) (g)	$283	$291	$280	$283	$280
Average common shares and equivalents outstanding (in thousands):					
Basic	1,113,790	1,118,602	1,133,556	1,116,183	1,136,086
Diluted	1,122,135	1,126,306	1,139,800	1,124,154	1,141,948

Capital ratios

	June 30, 2015		March 31, 2015		Dec. 31, 2014	
Consolidated regulatory capital ratios: (a)(h)						
Common equity Tier 1 (“CET1”) ratio	10.9	%	10.8	%	11.2	%
Tier 1 capital ratio	12.5	%	11.7	%	12.2	%
Total (Tier 1 plus Tier 2) capital ratio	12.8	%	12.0	%	12.5	%
Leverage capital ratio	5.8	%	5.7	%	5.6	%
BNY Mellon shareholders’ equity to total assets ratio – GAAP (a)(b)	9.7	%	9.5	%	9.7	%
BNY Mellon common shareholders’ equity to total assets ratio – GAAP (a)(b)	9.0	%	9.1	%	9.3	%
BNY Mellon tangible common shareholders’ equity to tangible assets of operations ratio – Non-GAAP (b)	6.2	%	6.0	%	6.5	%
Selected regulatory capital ratios – fully phased-in – Non-GAAP: (a)						
Estimated CET1 ratio: (i)						
Standardized Approach	10.0	%	10.0	%	10.6	%
Advanced Approach	9.9	%	9.9	%	9.8	%
Estimated supplementary leverage ratio (“SLR”) (j)	4.6	%	4.6	%	4.4	%

Consolidated Financial Highlights (unaudited) (continued)

(dollar amounts in millions, except per common share amounts and unless otherwise noted)	Quarter ended June 30, 2015	March 31, 2015	June 30, 2014	Year-to-date June 30, 2015	June 30, 2014
Selected average balances					
Interest-earning assets	$318,596	$308,104	$300,758	$313,379	$292,691
Assets of operations (a)	$375,999	$366,083	$357,807	$371,068	$350,760
Total assets (a)	$378,279	$368,411	$369,212	$373,372	$362,140
Interest-bearing deposits	$170,716	$159,520	$162,674	$165,149	$157,856
Noninterest-bearing deposits	$84,890	$89,592	$77,820	$87,228	$79,615
Preferred stock	$2,313	$1,562	$1,562	$1,940	$1,562
Total The Bank of New York Mellon Corporation common shareholders' equity	$35,516	$35,486	$36,565	$35,501	$36,428
Other information at period end					
Cash dividends per common share	$0.17	$0.17	$0.17	$0.34	$0.32
Common dividend payout ratio	23%	25%	35%	24%	31%
Common dividend yield (annualized)	1.6%	1.7%	1.8%	1.6%	1.7%
Closing stock price per common share	$41.97	$40.24	$37.48	$41.97	$37.48
Market capitalization	$46,441	$45,130	$42,412	$46,441	$42,412
Book value per common share – GAAP (b)	$32.28	$31.89	$32.49	$32.28	$32.49
Tangible book value per common share – Non-GAAP (b)	$14.86	$14.82	$14.88	$14.86	$14.88
Full-time employees	50,700	50,500	51,100	50,700	51,100
Common shares outstanding (in thousands)	1,106,518	1,121,512	1,131,596	1,106,518	1,131,596

(a) The financial statements and ratios for the three months ended March 31, 2015 were restated to reflect the retrospective application of adopting new accounting guidance in the second quarter of 2015 related to Consolidations (ASU 2015-02). See Note 2 of the Notes to Consolidated Financial Statements and "Capital" for additional information of the new accounting guidance.

(b) See "Supplemental information – Explanation of GAAP and Non-GAAP financial measures" beginning on page 52 for a reconciliation of Non-GAAP measures.

(c) Non-GAAP excludes net income attributable to noncontrolling interests of consolidated investment management funds, amortization of intangible assets, M&I, litigation and restructuring charges and the charge related to investment management funds, net of incentives, if applicable.

(d) Includes fee revenue, net interest revenue and income of consolidated investment management funds, net of net income attributable to noncontrolling interests.

(e) Excludes securities lending cash management assets and assets managed in the Investment Services business.

(f) Includes the AUC/A of CIBC Mellon Global Securities Services Company ("CIBC Mellon"), a joint venture with the Canadian Imperial Bank of Commerce, of $1.1 trillion at June 30, 2015 and March 31, 2015 and $1.2 trillion at June 30, 2014.

(g) Represents the total amount of securities on loan managed by the Investment Services business. Excludes securities for which BNY Mellon acts as an agent on behalf of CIBC Mellon clients, which totaled $68 billion at June 30, 2015, $69 billion at March 31, 2015 and $64 billion at June 30, 2014.

(h) The CET1, Tier 1 and Total risk-based consolidated regulatory capital ratios are based on Basel III components of capital, as phased-in, and credit risk asset risk-weightings using the U.S. capital rules' advanced approaches framework (the "Advanced Approach"). The leverage capital ratios are based on Basel III's definition of Tier 1 capital, as phased-in, and quarterly average total assets. For additional information on these ratios, see "Capital" beginning on page 41.

(i) The estimated fully phased-in CET1 ratios (Non-GAAP) are based on our interpretation of U.S. capital rules, which are being gradually phased-in over a multi-year period. For additional information on these Non-GAAP ratios, see "Capital" beginning on page 41.

(j) The estimated fully phased-in SLR (Non-GAAP) is based on our interpretation of the U.S. capital rules. When the SLR is fully phased-in, we expect to maintain an SLR of over 5%. The minimum required SLR is 3% and there is a 2% buffer, in addition to the minimum, that is applicable to U.S. global systemically important banks (“G-SIBs”). For additional information on these Non-GAAP ratios, see “Capital” beginning on page 41.

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

General

In this Quarterly Report on Form 10-Q, references to "our," "we," "us," "BNY Mellon," the "Company" and similar terms refe to The Bank of New York Mellon Corporation and its consolidated subsidiaries. The term "Parent" refers to The Bank of New York Mellon Corporation but not its subsidiaries.

Certain business terms used in this report are defined in the Glossary included in our Annual Report on Form 10-K for the year ended Dec. 31, 2014 ("2014 Annual Report").

The following should be read in conjunction with the Consolidated Financial Statements included in this report. Investors should also read the section titled "Forward-looking Statements."

How we reported results

Throughout this Form 10-Q, certain measures, which are noted as "Non-GAAP financial measures," exclude certain items or otherwise include components that differ from U.S. generally accepted accounting principles ("GAAP"). BNY Mellon believes that these measures are useful to investors because they permit a focus on period-to-period comparisons using measures that relate to our ability to enhance revenues and limit expenses in circumstances where such matters are within our control. We also present the net interest margin on a fully taxable equivalent ("FTE") basis. We believe that this presentation allows for comparison of amounts arising from both taxable and tax-exempt sources and is consistent with industry practice. Certain immaterial reclassifications have been made to prior periods to place them on a basis comparable with the current period presentation. See "Supplemental information - Explanation of GAAP and Non-GAAP financial measures" beginning on page 52 for a reconciliation of financial measures presented in accordance with GAAP to adjusted Non-GAAP financial measures.

In the second quarter of 2015, BNY Mellon elected to early adopt the new accounting guidance included in Accounting Standards Update ("ASU") 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" retrospectively to Jan. 1,

2015. As a result, we restated the first quarter 2015 financial statements. See Note 2 of the Notes to Consolidated Financial Statements for additional information.

When in this Form 10-Q we refer to BNY Mellon's or our bank subsidiary's "Basel I" capital measures, we mean those capital measures, as calculated under the Board of Governors of the Federal Reserve System's (the "Federal Reserve") risk-based capital rules that are based on the 1988 Basel Accord, which is often referred to as "Basel I." When we refer to BNY Mellon's "Basel III" capital measures (e.g., Basel III CET1), we mean those capital measures as calculated under the U.S. capital rules.

Overview

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE symbol: BK). BNY Mellon is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of June 30, 2015, BNY Mellon had $28.6 trillion in assets under custody and/or administration, and $1.7 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to

create, trade, hold, manage, service, distribute or restructure investments.

Key second quarter 2015 and subsequent events

Sale of Meriten Investment Management

On July 31, 2015, BNY Mellon completed the sale of Meriten Investment Management GmbH, a German-based investment management boutique with approximately $23 billion in assets under management.

Outsourcing agreement

As announced on June 2, 2015, BNY Mellon was selected to provide portfolio and fund accounting services to support T. Rowe Price’s investment operation, which had assets valued in excess of $770 billion as of March 31, 2015. In addition to supporting T. Rowe Price’s portfolio accounting services through its Eagle/OnCore platform, BNY Mellon will provide a range of fund accounting and administration services.

Under the terms of the agreement, approximately 220 T. Rowe Price associates – the majority based in the Baltimore area – became BNY Mellon employees.

Foreign exchange litigation settlement

On May 21, 2015, BNY Mellon reached a settlement in principle on a previously disclosed pending foreign exchange-related putative class action lawsuit asserting securities law violations. Under the terms of the settlement, BNY Mellon will make a payment of $180 million, which resulted in a pre-tax charge of $50 million in the second quarter of 2015. This settlement effectively resolves virtually all of the currently pending foreign exchange-related actions, with the exception of several lawsuits brought by individual customers. The settlement is subject to court approval.

Capital plan and issuance of preferred stock

In conjunction with our 2015 comprehensive capital plan, on April 28, 2015, we completed a $1 billion offering of preferred stock. Dividends on the Series E noncumulative perpetual preferred stock will be paid, if declared by our board of directors, at an annual rate equal to 4.950% on each June 20 and December 20, commencing Dec. 20, 2015, to and including June 20, 2020; and a floating rate equal to three-month LIBOR plus 342 basis points on each March 20, June 20, September 20 and December 20, commencing Sept. 20, 2020. See Note 13 for additional information.

Settlement agreement with the UK Financial Conduct Authority

The UK Financial Conduct Authority (the “FCA”) has been conducting an investigation into compliance by subsidiaries of the Company, The Bank of New York Mellon, London Branch and The Bank of New

York Mellon (International) Limited (the “firms”), with the FCA’s Client Assets Sourcebook (“CASS Rules”), which sets out the regime in the UK for the protection of client interests. On April 15, 2015, the FCA and the firms entered into a settlement agreement in which the firms agreed to pay a fine in the amount of £126 million (or approximately $190 million), after reduction for an early stage settlement, and to the issuance of a Final Notice by the FCA for failing to comply with the FCA’s CASS Rules. This amount was fully covered by pre-existing Company legal reserves.

The firms engaged in a remediation process and have put in place a framework of new and improved policies and operational procedures as well as enhanced their specialist resources across many functions to reinforce their compliance with CASS Rules. The firms’ clients suffered no loss as a result of the identified areas of CASS non-compliance.

Highlights of second quarter 2015 results

We reported net income applicable to common shareholders of $830 million, or $0.73 per diluted common share, in the second quarter of 2015. Excluding the after tax impact of litigation and restructuring of $38 million, net income applicable to common shareholders, on a Non-GAAP basis, was $868 million or $0.77 per diluted common share, in the second quarter of 2015. In the second quarter of 2014, net income applicable to common shareholders was $554 million, or $0.48 per diluted common share. Excluding the after-tax impact of charges related to investment

management funds, net of incentives, and severance of $161 million, on a Non-GAAP basis, net income applicable to common shareholders was $715 million, or $0.62 per diluted common share, in the second quarter of 2014. In the first quarter of 2015, net income applicable to common shareholders totaled $766 million, or $0.67 per diluted common share. See "Supplemental information - Explanation of GAAP and Non-GAAP financial measures" beginning on page 52 for the reconciliation of Non-GAAP measures.

Highlights of the second quarter of 2015 include:

- AUC/A totaled $28.6 trillion compared with $28.5 trillion at June 30, 2014. The slight increase primarily reflects higher market values and organic growth, partially offset by the unfavorable impact of a stronger U.S. dollar.

(See “Investment Services business” beginning on page 21).

- AUM, excluding securities lending cash management assets and assets managed in the Investment Services business, totaled $1.72 trillion compared with $1.64 trillion at June 30, 2014. The 5% increase resulted from higher market values, net new business and the acquisition of Cutwater Asset Management (“Cutwater”) in the first quarter of 2015, partially offset by the unfavorable impact of a stronger U.S. dollar. (See “Investment Management business” beginning on page 18).
- Investment services fees totaled $1.79 billion in the second quarter of 2015, an increase of 4% compared with $1.72 billion in the second quarter of 2014. The increase reflects organic growth, due in part to Global Collateral Services, higher clearing services revenue, net new business and higher market values, partially offset by the unfavorable impact of a stronger U.S. dollar. (See “Investment Services business” beginning on page 21).
- Investment management and performance fees totaled $878 million compared with $883 million in the second quarter of 2014, a decrease of 1%, or an increase of 5% on a constant currency basis (Non-GAAP). The increase was primarily driven by higher equity market values, the impact of the Cutwater acquisition in the first quarter of 2015, and strategic initiatives, partially offset by lower performance fees. (See “Investment Management business” beginning on page 18).
- Foreign exchange and other trading revenue totaled $187 million compared with $130 million in the second quarter of 2014. Foreign exchange revenue totaled $181 million, an increase of 40% compared with $129 million in the second quarter of 2014. The increase was driven by higher volatility and volumes, as well as higher Depositary Receipts-related activity. (See “Fee and other revenue” beginning on page 7).
- Financing-related fees totaled $58 million compared with $44 million in the second quarter of 2014. The increase was primarily driven by higher fees related to secured intraday credit provided to dealers in connection with their tri-party repo activity. (See “Fee and other revenue” beginning on page 7).
- Investment and other income totaled $104 million compared with $142 million in the second quarter

of 2014. The decrease primarily reflects lower other revenue, equity investment revenue and asset-related gains, partially offset by higher leasing gains. (See “Fee and other revenue” beginning on page 7).

- Net interest revenue totaled $779 million compared with $719 million in the second quarter of 2014. The increase primarily reflects higher securities and loans, lower interest expense incurred on deposits and the impact of interest rate hedging activities, partially offset by lower yields on interest-earning assets. (See “Net interest revenue” beginning on page 10).
- The provision for credit losses was a credit of $6 million in the second quarter of 2015 and a credit of $12 million in the second quarter of 2014. (See “Asset quality and allowance for credit losses” beginning on page 34).
- Noninterest expense totaled $2.73 billion compared with $2.95 billion in the second quarter of 2014. The decrease reflects lower expenses in all categories, except incentives, software and business development expenses, primarily reflecting the favorable impact of a stronger U.S. dollar and the benefit of the business improvement process. (See “Noninterest expense” beginning on page 13).
- The provision for income taxes was $276 million (23.7% effective tax rate). The effective tax rate was reduced by 1.4% due to the income statement presentation of consolidated investment management funds and the benefit related to litigation expense. (See “Income taxes” on page 14).
- The net unrealized pre-tax gain on the investment securities portfolio was $752 million compared with $1.7 billion at March 31, 2015. The decrease was primarily driven by higher market interest rates. (See “Investment securities” beginning on page 29).
- Our estimated CET1 ratio (Non-GAAP) calculated under the Advanced Approach on a fully phased-in basis was 9.9% at both June 30, 2015 and March 31, 2015. Our estimated CET1 ratio (Non-GAAP) calculated under the Standardized Approach on a fully phased-in basis was 10.0% at both June 30, 2015 and March 31, 2015. (See “Capital” beginning on page 41).

Fee and other revenue

Fee and other revenue				2Q15 vs.		Year-to-date		YTD15 vs.
(dollars in millions, unless otherwise noted)	2Q15	1Q15	2Q14	2Q14	1Q15	2015	2014	YTD14
Investment services fees:								
Asset servicing (a)	$1,060	$1,038	$1,022	4 %	2 %	$2,098	$2,031	3 %
Clearing services	347	344	326	6	1	691	651	6
Issuer services	234	232	231	1	1	466	460	1
Treasury services	144	137	141	2	5	281	277	1
Total investment services fees	1,785	1,751	1,720	4	2	3,536	3,419	3
Investment management and performance fees (b)	878	867	883	(1)	1	1,745	1,726	1
Foreign exchange and other trading revenue	187	229	130	44	(18)	416	266	56
Financing-related fees	58	40	44	32	45	98	82	20
Distribution and servicing	39	41	43	(9)	(5)	80	86	(7)
Investment and other income (b)	104	60	142	N/M	N/M	164	244	N/M
Total fee revenue (b)	3,051	2,988	2,962	3	2	6,039	5,823	4
Net securities gains	16	24	18	N/M	N/M	40	40	N/M
Total fee and other revenue (b)	$3,067	$3,012	$2,980	3 %	2 %	$6,079	$5,863	4 %
AUM at period end (in billions) (c)	$1,724	$1,741	$1,636	5 %	(1)%	$1,724	$1,636	5 %
AUC/A at period end (in trillions) (d)	$28.6	$28.5	$28.5	— %	— %	$28.6	$28.5	— %

(a) Asset servicing fees include securities lending revenue of $49 million in the second quarter of 2015, $43 million in the first quarter of 2015, $46 million in the second quarter of 2014, $92 million in the first six months of 2015 and $84 million in the first six months of 2014.

(b) The first quarter of 2015 was restated to reflect the retrospective application of adopting new accounting guidance related to Consolidations (ASU 2015-02). See Note 2 of the Notes to Consolidated Financial Statements for additional information.

(c) Excludes securities lending cash management assets and assets managed in the Investment Services business.

(d) Includes the AUC/A of CIBC Mellon of $1.1 trillion at June 30, 2015 and March 31, 2015 and $1.2 trillion at June 30, 2014.

N/M - Not meaningful.

Fee and other revenue increased 3% compared with the second quarter of 2014 and 2% (unannualized) compared with the first quarter of 2015. The year-over-year increase was driven by higher foreign exchange and other trading revenue, asset servicing fees, clearing services fees and financing-related fees, partially offset by lower investment and other income. Sequentially, the increase primarily reflects higher investment and other income, asset servicing fees, financing-related fees and investment management and performance fees, partially offset by lower foreign exchange and other trading revenue.

Investment services fees

Investment services fees were impacted by the following compared with the second quarter of 2014 and the first quarter of 2015:

•

Asset servicing fees increased 4% compared with the second quarter of 2014 and 2% (unannualized) compared with the first quarter of 2015. The year-over-year increase primarily reflects organic growth, due in part to Global Collateral Services, net new business and higher market values, partially offset by the unfavorable

impact of a stronger U.S. dollar. The sequential increase primarily reflects organic growth and seasonally higher securities lending revenue.

- Clearing services fees increased 6% compared with the second quarter of 2014 and 1% (unannualized) compared with the first quarter of 2015. The year-over-year increase was primarily driven by higher mutual fund and asset-based fees, clearance revenue and custody fees. The sequential increase was primarily driven by two additional trading days in the second quarter of 2015.
- Issuer services fees increased 1% compared with the second quarter of 2014 and 1% (unannualized) compared with the first quarter of 2015. Both increases primarily reflect higher Depositary Receipts revenue, partially offset by lower Corporate Trust fees. The year-over-year decrease in Corporate Trust fees primarily reflects the unfavorable impact of a stronger U.S. dollar.
- Treasury services fees increased 2% compared with the second quarter of 2014 and 5% (unannualized) compared with the first quarter of 2015. The year-over-year increase primarily reflects higher payment volumes. The sequential

increase primarily reflects three additional business days in the second quarter of 2015.

See the “Investment Services business” in “Review of businesses” for additional details.

Investment management and performance fees

Investment management and performance fees totaled $878 million in the second quarter of 2015, a decrease of 1% compared with the second quarter of 2014, or an increase of 5% on a constant currency basis (Non-GAAP). The increase was driven by higher equity market values, the impact of the acquisition of Cutwater in the first quarter of 2015 and strategic initiatives, partially offset by lower performance fees. Compared with the first quarter of 2015, investment management and performance fees increased 1% (unannualized) primarily reflecting higher equity market values and higher performance fees. Performance fees were $20 million in the second quarter of 2015 compared with $29 million in the second quarter of 2014 and $15 million in the first quarter of 2015.

Total AUM for the Investment Management business was $1.72 trillion at June 30, 2015, an increase of 5% compared with June 30, 2014 and a decrease of 1% compared with March 31, 2015. The year-over-year increase primarily resulted from higher market values, net new business and the Cutwater acquisition, partially offset by the unfavorable impact of a stronger U.S. dollar. Net long-term outflows were $15 billion in the second quarter of 2015 driven by equity, index and fixed income investments, partially offset by liability-driven and alternative investments. Net short-term outflows were $11 billion in the second quarter of 2015.

See the “Investment Management business” in “Review of businesses” for additional details.

Foreign exchange and other trading revenue

Foreign exchange and other trading revenue				Year-to-date	
(in millions)	2Q15	1Q15	2Q14	2015	2014
Foreign exchange	$181	$217	$129	$398	$259
Other trading revenue (loss):					
Fixed income	—	11	(1)	11	—
Equity/other	6	1	2	7	7
Total other trading revenue	6	12	1	18	7
Total foreign exchange and other trading revenue	$187	$229	$130	$416	$266

Foreign exchange and other trading revenue totaled $187 million in the second quarter of 2015, $130 million in the second quarter of 2014 and $229 million in the first quarter of 2015. Foreign exchange revenue totaled $181 million in the second quarter of 2015, an increase of 40% compared with the second quarter of 2014 and a decrease of 17% (unannualized) compared with the first quarter of 2015. The year-over-year increase primarily reflects higher volatility and volumes, as well as higher Depositary Receipts-related activity. The sequential decrease primarily reflects the benefit of unusually high volatility in the first quarter of 2015. Foreign exchange revenue and fixed income trading revenue are reported in the Investment Services business and the Other segment. Other trading revenue is primarily reported in the Investment Management business and the Other segment.

Our foreign exchange trading generates revenues which are influenced by the volume of client transactions and the spread realized on these transactions. Revenues are impacted by market pressures which continue to be increasingly competitive. The level of volume and spreads is affected by market volatility, the level of cross-border assets held in custody for clients, the level and nature of underlying cross-border investments and other transactions undertaken by corporate and institutional clients. These revenues also depend on our ability to manage the risk associated with the currency transactions we execute. Generally speaking, custody clients enter into foreign exchange transactions in one

of three ways: negotiated trading with BNY Mellon, BNY Mellon's standing instruction programs, or transactions with third-party foreign exchange providers. For a description of these foreign exchange trading options, see "Fee and other revenue" in our 2014 Annual Report.

A shift by custody clients from the standing instruction programs to other trading options combined with competitive market pressures on the foreign exchange business may negatively impact our foreign exchange revenue. For the quarter ended June 30, 2015, our total revenue for all types of foreign exchange trading transactions was $181 million, or approximately 5% of our total revenue, and approximately 38% of our foreign exchange revenue resulted from foreign exchange transactions undertaken through our standing instruction programs.

We continue to invest in our foreign exchange trading and execution capabilities, which is leading towards enhanced client service and higher volumes.

Financing-related fees

Financing-related fees, which are primarily reported in the Other segment, include capital markets fees, loan commitment fees and credit-related fees. Financing-related fees totaled $58 million in the second quarter of 2015, $44 million in the second quarter of 2014 and $40 million in the first quarter of 2015. Both increases primarily reflect higher fees related to secured intraday credit provided to dealers in connection with their tri-party repo activity.

Distribution and servicing fees

Distribution and servicing fee revenue was $39 million in the second quarter of 2015, $43 million in the second quarter of 2014 and $41 million in the first quarter of 2015.

Investment and other income

Investment and other income				Year-to-date	
(in millions)	2Q15	1Q15	2Q14	2015	2014
Corporate/bank-owned life insurance	$31	$33	$30	$64	$60
Lease residual gains (losses)	54	(1)	4	53	39
Expense reimbursements from joint venture	17	14	15	31	27
Seed capital gains (a)	2	16	15	18	21
Asset-related gains	1	3	17	4	16
Private equity gains (losses)	3	(3)	(2)	—	3
Equity investment revenue (loss)	(7)	(4)	17	(11)	15
Other income (a)	3	2	46	5	63
Total investment and other income (a)	$104	$60	$142	$164	$244

(a) The first quarter of 2015 was restated to reflect the retrospective application of adopting new accounting guidance related to Consolidations (ASU 2015-02). See Note 2 of the Notes to Consolidated Financial Statements for additional information.

Investment and other income, which is primarily reported in the Other segment and Investment Management business, includes corporate and bank-owned life insurance contracts, lease residual gains and losses, expense reimbursements from our CIBC Mellon joint venture, seed capital gains, asset-related gains, gains and losses on private equity investments, equity investment revenue (loss) and other income.

Expense reimbursements from our CIBC Mellon joint venture relate to expenses incurred by BNY Mellon on behalf of the CIBC Mellon joint venture. Asset-related gains include real estate, loans and other asset dispositions. Other income primarily includes foreign currency remeasurement gain (loss), other investments and various miscellaneous revenues. Investment and other income was $104 million in the second quarter of 2015 compared with $142 million in the second quarter of 2014 and $60 million in the first quarter of 2015. The year-over-year decrease primarily reflects lower other revenue, equity investment revenue and asset-related gains, partially offset by higher lease residual gains. The sequential increase primarily reflects higher lease residual gains, partially offset by lower seed capital gains.

Year-to-date 2015 compared with year-to-date 2014

Fee and other revenue for the first six months of 2015 totaled $6.1 billion compared with $5.9 billion in the first six months of 2014. The increase primarily reflects higher foreign exchange and other trading revenue, asset servicing

fees, clearing services fees, investment management and performance fees, and financing-related fees, partially offset by lower investment and other income.

The increase in foreign exchange and other trading revenue primarily reflects reflects higher volatility and volumes, as well as higher Depositary Receipts-related activity. The increase in asset servicing fees primarily reflects organic growth, due in part to Global Collateral Services, net new business and higher market values, partially offset by the unfavorable impact of a stronger U.S. dollar. The increase in clearing services fees reflects higher mutual fund and asset-based fees and higher clearance revenue. The increase in investment management and performance fees primarily reflects higher equity market values, the impact of the acquisition of Cutwater in the first quarter of 2015 and strategic initiatives, partially offset by the unfavorable impact of a stronger U.S. dollar and lower performance fees. The increase in financing-related fees primarily reflects higher fees related to secured intraday credit provided to dealers in connection with their tri-party repo activity. The decrease in investment and other income primarily reflects lower other revenue and equity investment revenue.

Net interest revenue

Net interest revenue				2Q15 vs.		Year-to-date		YTD15 vs.
(dollars in millions)	2Q15	1Q15	2Q14	2Q14	1Q15	2015	2014	YTD14
Net interest revenue (non-FTE)	$779	$728	$719	8 %	7 %	$1,507	$1,447	4 %
Tax equivalent adjustment	15	15	17	(12)	—	30	33	(9)
Net interest revenue (FTE) – Non-GAAP	$794	$743	$736	8 %	7 %	$1,537	$1,480	4 %
Average interest-earning assets	$318,596	$308,104	$300,758	6 %	3 %	$313,379	$292,691	7 %
Net interest margin (FTE)	1.00 %	0.97 %	0.98 %	2 bps	3 bps	0.98 %	1.02 %	(4) bps

FTE - fully taxable equivalent.
bps - basis points.

Net interest revenue totaled $779 million in the second quarter of 2015, an increase of $60 million compared with the second quarter of 2014 and an increase of $51 million compared with the first quarter of 2015. Both increases primarily reflect higher securities and loans due to higher deposits, lower interest expense incurred on deposits, and the impact of interest rate hedging activities. The year-over-year increase also reflects the shift out of cash and into investments in securities and loans, which was partially offset by lower yields on interest-earning assets.

The net interest margin (FTE) was 1.00% in the second quarter of 2015 compared with 0.98% in the second quarter of 2014 and 0.97% in the first quarter of 2015. Both increases were primarily driven by the shift out of cash and into investments in securities and loans and lower interest expense incurred on deposits. The year-over-year increase was partially offset by lower yields on interest-earning assets.

Year-to-date 2015 compared with year-to-date 2014

Net interest revenue totaled $1.51 billion in the first six months of 2015, an increase of 4% compared with the first six months of 2014. The increase in net interest revenue primarily resulted from higher securities and loans due to higher deposits and the shift out of cash, lower interest expense incurred on deposits, and the impact of interest rate hedging activities, partially offset by lower yields on interest-earning assets. The net interest margin (FTE) was 0.98% in the first six months of 2015, compared with 1.02% in the first six months of 2014. The decrease in the net interest margin (FTE) primarily reflects lower yields on interest-earning assets, partially offset by lower deposit rates.

Average balances and interest rates	Quarter ended			
	June 30, 2015		March 31, 2015		June 30, 2014	
(dollar amounts in millions, presented on an FTE basis)	Average balance	Average rates	Average balance	Average rates	Average balance	Average rates
Assets						
Interest-earning assets:						
Interest-bearing deposits with banks (primarily foreign banks)	$20,235	0.56 %	$22,071	0.56 %	$41,424	0.74 %
Interest-bearing deposits held at the Federal Reserve and other central banks	81,846	0.21	81,160	0.23	85,546	0.26
Federal funds sold and securities purchased under resale agreements	23,545	0.61	20,416	0.59	13,387	0.58
Margin loans	20,467	1.01	20,051	1.00	17,050	1.05
Non-margin loans:						
Domestic offices	26,716	2.06	25,256	2.14	22,566	2.30
Foreign offices	13,893	1.19	12,628	1.24	13,833	1.34
Total non-margin loans	40,609	1.77	37,884	1.84	36,399	1.94
Securities:						
U.S. Government obligations	28,331	1.42	27,454	1.38	17,462	1.63
U.S. Government agency obligations	56,332	1.77	52,744	1.68	43,167	1.67
State and political subdivisions – tax-exempt	5,021	2.67	5,213	2.64	6,473	2.58
Other securities	38,957	1.24	38,065	1.33	34,318	1.55
Trading securities	3,253	2.63	3,046	2.46	5,532	2.19
Total securities	131,894	1.59	126,522	1.57	106,952	1.71
Total interest-earning assets	$318,596	1.08 %	$308,104	1.07 %	$300,758	1.10 %
Allowance for loan losses	(190)		(191)		(197)	
Cash and due from banks	6,785		6,204		5,064	
Other assets (a)	50,808		51,966		52,182	
Assets of consolidated investment management funds (a)	2,280		2,328		11,405	
Total assets (a)	$378,279		$368,411		$369,212	
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Money market rate accounts	$7,213	0.09 %	$6,819	0.09 %	$5,177	0.12 %
Savings	1,326	0.27	1,429	0.30	1,185	0.27
Demand deposits	3,109	0.20	3,202	0.19	2,406	0.14
Time deposits	46,807	0.03	43,259	0.04	42,824	0.04
Foreign offices	112,261	—	104,811	0.03	111,082	0.06
Total interest-bearing deposits	170,716	0.02	159,520	0.04	162,674	0.06
Federal funds purchased and securities sold under repurchase agreements	16,732	(0.02)	13,877	(0.09)	19,030	(0.05)
Trading liabilities	632	1.84	795	1.07	2,993	0.97
Other borrowed funds	903	1.26	995	0.96	1,272	0.47
Commercial paper	2,892	0.10	1,113	0.09	1,970	0.08
Payables to customers and broker-dealers	11,234	0.07	10,932	0.07	8,916	0.09
Long-term debt	20,625	0.99	20,199	1.21	20,361	1.16
Total interest-bearing liabilities	$223,734	0.12 %	$207,431	0.15 %	$217,216	0.17 %
Total noninterest-bearing deposits	84,890		89,592		77,820	
Other liabilities	29,840		32,341		24,854	

Liabilities and obligations of consolidated investment management funds (a)	857	1,004	10,180
Total liabilities (a)	339,321	330,368	330,070
Temporary equity			
Redeemable noncontrolling interests	235	233	225
Permanent equity			
Total BNY Mellon shareholders’ equity	37,829	37,048	38,127
Noncontrolling interests (a)	894	762	790
Total permanent equity (a)	38,723	37,810	38,917
Total liabilities, temporary equity and permanent equity (a)	$378,279	$368,411	$369,212
Net interest margin (FTE)	1.00 %	0.97 %	0.98 %

(a) The first quarter of 2015 was restated to reflect the retrospective application of adopting new accounting guidance related to Consolidations (ASU 2015-02). See Note 2 of the Notes to Consolidated Financial Statements for additional information.

Note: Interest and average rates were calculated on a taxable equivalent basis, at tax rates approximating 35%, using dollar amounts in thousands and actual number of days in the year.

Average balances and interest rates	Year-to-date			
	June 30, 2015		June 30, 2014	
(dollar amounts in millions, presented on an FTE basis)	Average balance	Average rates	Average balance	Average rates
Assets				
Interest-earning assets:				
Interest-bearing deposits with banks (primarily foreign banks)	$21,148	0.56 %	$41,520	0.73 %
Interest-bearing deposits held at the Federal Reserve and other central banks	81,505	0.22	80,004	0.25
Federal funds sold and securities purchased under resale agreements	21,989	0.60	12,259	0.59
Margin loans	20,260	1.01	16,448	1.06
Non-margin loans:				
Domestic offices	25,990	2.10	22,286	2.31
Foreign offices	13,265	1.21	13,819	1.30
Total non-margin loans	39,255	1.80	36,105	1.92
Securities:				
U.S. Government obligations	27,894	1.40	17,339	1.62
U.S. Government agency obligations	54,548	1.73	42,940	1.77
State and political subdivisions – tax-exempt	5,116	2.65	6,581	2.54
Other securities	38,514	1.28	34,120	1.60
Trading securities	3,150	2.55	5,375	2.39
Total securities	129,222	1.58	106,355	1.77
Total interest-earning assets	$313,379	1.08 %	$292,691	1.14 %
Allowance for loan losses	(191)		(204)	
Cash and due from banks	6,496		5,473	
Other assets	51,384		52,800	
Assets of consolidated investment management funds	2,304		11,380	
Total assets	$373,372		$362,140	
Liabilities				
Interest-bearing liabilities:				
Interest-bearing deposits:				
Money market rate accounts	$7,017	0.09 %	$5,417	0.12 %
Savings	1,377	0.29	1,110	0.26
Demand deposits	3,155	0.20	3,036	0.10
Time deposits	45,044	0.03	42,187	0.04
Foreign offices	108,556	0.01	106,106	0.06
Total interest-bearing deposits	165,149	0.03	157,856	0.06
Federal funds purchased and securities sold under repurchase agreements	15,312	(0.05)	16,780	(0.08)
Trading liabilities	713	1.41	2,489	1.22
Other borrowed funds	949	1.10	1,154	0.49
Commercial paper	2,007	0.10	1,041	0.08
Payables to customers and broker-dealers	11,084	0.07	8,900	0.09
Long-term debt	20,414	1.10	20,391	1.13
Total interest-bearing liabilities	$215,628	0.14 %	$208,611	0.17 %
Total noninterest-bearing deposits	87,228		79,615	
Other liabilities	31,082		24,730	
Liabilities and obligations of consolidated investment management funds	930		10,154	
Total liabilities	334,868		323,110	

Temporary equity		
Redeemable noncontrolling interests	234	236
Permanent equity		
Total BNY Mellon shareholders' equity	37,441	37,990
Noncontrolling interests	829	804
Total permanent equity	38,270	38,794
Total liabilities, temporary equity and permanent equity	$373,372	$362,140
Net interest margin (FTE)	0.98 %	1.02 %

Note: Interest and average rates were calculated on a taxable equivalent basis, at tax rates approximating 35%, using dollar amounts in thousands and actual number of days in the year.

Noninterest expense

Noninterest expense				2Q15 vs.		Year-to-date		YTD15 vs.
(dollars in millions)	2Q15	1Q15	2Q14	2Q14	1Q15	2015	2014	YTD14
Staff:								
Compensation	$877	$871	$903	(3)%	1 %	$1,748	$1,828	(4)%
Incentives	349	425	313	12	(18)	774	672	15
Employee benefits	208	189	223	(7)	10	397	450	(12)
Total staff	1,434	1,485	1,439	—	(3)	2,919	2,950	(1)
Professional, legal and other purchased services	299	302	314	(5)	(1)	601	626	(4)
Software	158	158	154	3	—	316	306	3
Net occupancy	149	151	152	(2)	(1)	300	306	(2)
Distribution and servicing	96	98	112	(14)	(2)	194	219	(11)
Sub-custodian	75	70	81	(7)	7	145	149	(3)
Furniture and equipment	70	70	82	(15)	—	140	167	(16)
Business development	72	61	68	6	18	133	132	1
Other	250	242	347	(28)	3	492	570	(14)
Amortization of intangible assets	65	66	75	(13)	(2)	131	150	(13)
M&I, litigation and restructuring charges	59	(3)	122	N/M	N/M	56	110	N/M
Total noninterest expense – GAAP	$2,727	$2,700	$2,946	(7)%	1 %	$5,427	$5,685	(5)%
Total staff expense as a percentage of total revenue	37 %	39 %	38 %			38 %	40 %	
Full-time employees at period end	50,700	50,500	51,100	(1)%	— %	50,700	51,100	(1)%
Memo:								
Total noninterest expense excluding amortization of intangible assets, M&I, litigation and restructuring charges and the charge related to investment management funds, net of incentives – Non-GAAP	$2,603	$2,637	$2,640	(1)%	(1)%	$5,240	$5,321	(2)%

N/M - Not meaningful.

Total noninterest expense was $2.7 billion in the second quarter of 2015, a decrease of 7% compared with the second quarter of 2014 and an increase of 1% (unannualized) compared with the first quarter of 2015. Excluding amortization of intangible assets, M&I, litigation and restructuring charges and the charge related to investment management funds, net of incentives (Non-GAAP), noninterest expense decreased 1% compared with the second quarter of 2014 and 1% (unannualized) compared with the first quarter of 2015. The year-over-year decrease primarily reflects lower expenses in all categories, except incentives, software and business development expenses. The lower expenses primarily reflect the favorable impact of a stronger U.S. dollar and the benefit of the business improvement process which focuses on reducing structural costs. The sequential decrease primarily reflects lower staff expense, partially offset by higher business development expense.

We continue to invest in our compliance, risk and other control functions in light of increasing

regulatory requirements and expect an increase in our expense run rate in the second half of 2015.

Staff expense

Given our mix of fee-based businesses, which are staffed with high-quality professionals, staff expense comprised 55% of total noninterest expense in both the second quarter of 2015 and the second quarter of 2014 and 56% in the first quarter of 2015, excluding amortization of intangible assets, M&I, litigation and restructuring charges and the charge related to investment management funds, net of incentives (Non-GAAP).

Staff expense was $1.4 billion in the second quarter of 2015, a slight decrease compared with the second quarter of 2014 and a decrease of 3% (unannualized) compared with the first quarter of 2015. The decrease compared with the second quarter of 2014 primarily reflects the favorable impact of a stronger U.S. dollar, lower headcount and the impact of curtailing the U.S. pension plan, partially offset by higher incentive expense reflecting better

performance. The decrease compared with the first quarter primarily reflects lower incentive expense driven by the impact of vesting of long-term stock awards for retirement eligible employees recorded in the first quarter of 2015. The decrease was partially offset by higher employee benefits expense reflecting the curtailment gain recorded in the first quarter of 2015.

Non-staff expense

Non-staff expense, excluding amortization of intangible assets, M&I, litigation and restructuring charges, and the charge related to investment management funds, net of incentives (Non-GAAP), totaled $1.2 billion in the second quarter of 2015, a decrease of 1% compared with the second quarter of 2014 and an increase of 1% (unannualized) compared with the first quarter of 2015. The decrease compared with the second quarter of 2014 reflects lower expenses in nearly all categories primarily as a result of the favorable impact of a stronger U.S. dollar and the benefit of the business improvement process which focuses on reducing structural costs. The decrease was partially offset by higher software and business development expenses. The increase compared with the first quarter primarily reflects higher business development expense.

In the second quarter of 2015, we recorded a pre-tax litigation charge of $50 million related to the settlement that effectively resolves virtually all of the currently pending foreign exchange-related actions.

In the second quarter of 2014, we recorded a pre-tax restructuring charge of $120 million, primarily reflecting severance expense related to streamlining actions. For additional information on restructuring charges, see Note 10 of the Notes to Consolidated Financial Statements.

Year-to-date 2015 compared with year-to-date 2014

Noninterest expense totaled $5.4 billion in the first six months of 2015, a decrease of $258 million, or 5%, compared with $5.7 billion in the first six months of 2014. The decrease primarily reflects lower expenses in nearly all categories, except incentives, software and business development expenses. The lower expenses primarily reflect the favorable impact of a stronger U.S. dollar, the benefit of the business improvement process which focuses on reducing structural costs, the charge related to investment

management funds, net of incentives, which was recorded in 2014 and the impact of curtailing the U.S. pension plan, partially offset by the impact of the new EU Single Resolution Fund. The increase in incentives reflects better performance.

Income taxes

BNY Mellon recorded an income tax provision of $276 million (23.7% effective tax rate) in the second quarter of 2015. The effective tax rate in the second quarter of 2015 was reduced by 1.4% due to the income statement presentation of consolidated investment management funds and the impact related to the separately disclosed litigation expense. The income tax provision was $217 million (26.7% effective tax rate) in the second quarter of 2014 and $280 million (25.7% effective tax rate) in the first quarter of 2015. The effective tax rate in the first quarter of 2015 was revised to reflect the retrospective application of adopting new accounting guidance related to Consolidations (ASU 2015-02). See Note 2 of the Notes to Consolidated Financial Statements for additional information on the new accounting guidance.

We expect the effective tax rate to be approximately 26% in the third quarter of 2015.

Review of businesses

We have an internal information system that produces performance data along product and service lines for our two principal businesses and the Other segment.

Business accounting principles

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

For information on the accounting principles of our businesses, the primary types of revenue by business and how our businesses are presented and analyzed, see Note 19 of the Notes to Consolidated Financial Statements.

Business results are subject to reclassification whenever organizational changes are made or when

improvements are made in the measurement principles.

The results of our businesses may be influenced by client activities that vary by quarter. In the second quarter, we typically experience an increase in securities lending fees due to an increase in demand to borrow securities outside of the United States. In the third quarter, Depositary Receipts and related foreign exchange revenue is typically higher due to an increased level of client dividend payments paid in the quarter. Also in the third quarter, volume-related fees may decline due to reduced client activity. In the fourth quarter, we typically incur higher business development and marketing expenses. In our Investment Management business, performance fees are typically higher in the fourth quarter, as the fourth quarter represents the end of the measurement period for many of the performance fee-eligible relationships.

The results of our businesses may also be impacted by the translation of financial results denominated in foreign currencies to the U.S. dollar. We are primarily impacted by activities denominated in the British pound, Euro and the Indian Rupee. On a consolidated basis and in our Investment Services business, we typically have more foreign currency denominated expenses than revenues. However, our Investment Management business typically has more foreign currency denominated revenues than expenses. As a result, currency fluctuations impact the Investment Management business more than the Investment Services business. However, currency fluctuations, in isolation, are not expected to significantly impact net income on a consolidated basis.

The following table presents key market metrics at period end and on an average basis.

Key market metrics	2Q15	1Q15	4Q14	3Q14	2Q14	2Q15 vs. 2Q14	2Q15 vs. 1Q15	Year-to-date 2015	Year-to-date 2014	YTD15 vs. YTD14
S&P 500 Index (a)	2063	2068	2059	1972	1960	5 %	—	2063	1960	5 %
S&P 500 Index – daily average	2102	2064	2009	1976	1900	11	2	2083	1868	12
FTSE 100 Index (a)	6521	6773	6566	6623	6744	(3)	(4)	6521	6744	(3)
FTSE 100 Index – daily average	6920	6793	6526	6756	6764	2	2	6855	6722	2
MSCI World Index (a)	1736	1741	1710	1698	1743	—	—	1736	1743	—
MSCI World Index – daily average	1780	1726	1695	1733	1698	5	3	1754	1673	5
Barclays Capital Global Aggregate Bond^{SM} Index (a)(b)	342	348	357	361	376	(9)	(2)	342	376	(9)
NYSE and NASDAQ share volume (in billions)	185	187	198	173	187	(1)	(1)	372	383	(3)
JPMorgan G7 Volatility Index – daily average (c)	10.06	10.40	8.54	6.21	6.22	62	(3)	10.23	7.01	46
Average Fed Funds effective rate	0.13 %	0.11 %	0.10 %	0.09 %	0.09 %	4 bps	2 bps	0.12 %	0.08 %	4 bps
Foreign exchange rates vs. U.S. dollar:										
British pound - average rate	$1.53	$1.51	$1.58	$1.67	$1.68	(9) %	1 %	$1.52	$1.67	(9) %
Euro - average rate	1.11	1.13	1.25	1.33	1.37	(19)	(2)	1.12	1.37	(18)

(a) Period end.
(b) Unhedged in U.S. dollar terms.
(c) The JPMorgan G7 Volatility Index is based on the implied volatility in 3-month currency options.
bps – basis points.

Fee revenue in Investment Management, and to a lesser extent in Investment Services, is impacted by the value of market indices. At June 30, 2015, using the Standard & Poor's ("S&P") 500 Index as a proxy for the global equity markets, we estimate that a 100-point change in the value of the S&P 500 Index spread evenly throughout the year, would impact fee revenue by less than 1% and diluted earnings per common share by $0.02 to $0.04. If, however, global

equity markets do not perform in line with the S&P 500 Index, the impact to fee revenue and earnings per share could be different.

Fee waivers are highly sensitive to changes in the federal funds effective rate. Assuming no change in client behavior, we expect to recover approximately 70% of the pre-tax income related to fee waivers with a 50 basis point increase in the fed funds rate.

The following consolidating schedules show the contribution of our businesses to our overall profitability.

For the quarter ended June 30, 2015 (dollar amounts in millions)	Investment Management		Investment Services		Other		Consolidated	
Fee and other revenue	$926	(a)	$2,020		$124		$3,070	(a)
Net interest revenue	78		635		66		779	
Total revenue	1,004	(a)	2,655		190		3,849	(a)
Provision for credit losses	—		—		(6	)	(6	)
Noninterest expense	739		1,881		106		2,726	(b)
Income before taxes	$265	(a)	$774		$90		$1,129	(a)(b)
Pre-tax operating margin (c)	26	%	29	%	N/M		29	%
Average assets	$30,512		$290,102		$57,665		$378,279	
Excluding amortization of intangible assets:								
Noninterest expense	$714		$1,841		$106		$2,661	
Income before taxes	290	(a)	814		90		1,194	(a)(b)
Pre-tax operating margin (c)	29	%	31	%	N/M		31	%

(a) Both total fee and other revenue and total revenue include the net income from consolidated investment management funds of $3 million, representing $40 million of income and noncontrolling interests of $37 million. Income before taxes is net of noncontrolling interests of $37 million.

(b) Includes income (loss) attributable to noncontrolling interest of $(1) million related to other consolidated subsidiaries.

(c) Income before taxes divided by total revenue.

N/M - Not meaningful.

For the quarter ended March 31, 2015 (dollar amounts in millions)	Investment Management		Investment Services		Other	Consolidated	
Fee and other revenue	$936	(a)	$1,993		$104	$3,033	(a)
Net interest revenue	74		600		54	728	
Total revenue	1,010	(a)	2,593		158	3,761	(a)
Provision for credit losses	—		—		2	2	
Noninterest expense	746		1,838		116	2,700	
Income before taxes	$264	(a)	$755		$40	$1,059	(a)
Pre-tax operating margin (b)	26	%	29	%	N/M	28	%
Average assets (c)	$31,017		$284,978		$52,416	$368,411	
Excluding amortization of intangible assets:							
Noninterest expense	$721		$1,797		$116	$2,634	
Income before taxes	289	(a)	796		40	1,125	(a)
Pre-tax operating margin (b)	29	%	31	%	N/M	30	%

(a) Both total fee and other revenue and total revenue include the net income from consolidated investment management funds of $21 million, representing $52 million of income and noncontrolling interests of $31 million. Income before taxes is net of noncontrolling interests of $31 million.

(b) Income before taxes divided by total revenue.

(c) Average assets were restated to reflect the retrospective application of adopting new accounting guidance related to Consolidations (ASU 2015-02). See Note 2 of the Notes to Consolidated Financial Statements for additional information.

N/M - Not meaningful.

For the quarter ended June 30, 2014 (dollar amounts in millions)	Investment Management		Investment Services		Other		Consolidated	
Fee and other revenue	$970	(a)	$1,920		$119		$3,009	(a)
Net interest revenue	66		593		60		719	
Total revenue	1,036	(a)	2,513		179		3,728	(a)
Provision for credit losses	—		—		(12	)	(12	)
Noninterest expense	865		1,868		213		2,946	
Income (loss) before taxes	$171	(a)	$645		$(22	)	$794	(a)
Pre-tax operating margin (b)	16	%	26	%	N/M		21	%
Average assets	$37,750		$264,221		$67,241		$369,212	
Excluding amortization of intangible assets:								
Noninterest expense	$834		$1,824		$213		$2,871	
Income (loss) before taxes	202	(a)	689		(22	)	869	(a)
Pre-tax operating margin (b)	19	%	27	%	N/M		23	%

(a) Both total fee and other revenue and total revenue include net income from consolidated investment management funds of $29 million, representing $46 million of income and noncontrolling interests of $17 million. Income before taxes is net of noncontrolling interests of $17 million.

(b) Income before taxes divided by total revenue.

N/M - Not meaningful.

For the six months ended June 30, 2015 (dollar amounts in millions)	Investment Management		Investment Services		Other		Consolidated	
Fee and other revenue	$1,862	(a)	$4,013		$228		$6,103	(a)
Net interest revenue	152		1,235		120		1,507	
Total revenue	2,014	(a)	5,248		348		7,610	(a)
Provision for credit losses	—		—		(4	)	(4	)
Noninterest expense	1,485		3,719		222		5,426	(b)
Income before taxes	$529	(a)	$1,529		$130		$2,188	(a)(b)
Pre-tax operating margin (c)	26	%	29	%	N/M		29	%
Average assets	$30,985		$287,571		$54,816		$373,372	
Excluding amortization of intangible assets:								
Noninterest expense	$1,435		$3,638		$222		$5,295	
Income before taxes	579	(a)	1,610		130		2,319	(a)(b)
Pre-tax operating margin (c)	29	%	31	%	N/M		30	%

(a) Both total fee and other revenue and total revenue include the net income from consolidated investment management funds of $24 million, representing $92 million of income and noncontrolling interests of $68 million. Income before taxes is net of noncontrolling interests of $68 million.

(b) Includes income (loss) attributable to noncontrolling interest of $(1) million related to other consolidated subsidiaries.

(c) Income before taxes divided by total revenue.

N/M - Not meaningful.

For the six months ended June 30, 2014 (dollar amounts in millions)	Investment Management		Investment Services		Other		Consolidated	
Fee and other revenue	$1,870	(a)	$3,807		$231		$5,908	(a)
Net interest revenue	136		1,183		128		1,447	
Total revenue	2,006	(a)	4,990		359		7,355	(a)
Provision for credit losses	—		—		(30	)	(30	)

Noninterest expense	1,589	3,690	406	5,685
Income (loss) before taxes	$417 (a)	$1,300	$(17)	$1,700 (a)
Pre-tax operating margin (b)	21 %	26 %	N/M	23 %
Average assets	$38,602	$261,362	$62,176	$362,140
Excluding amortization of intangible assets:				
Noninterest expense	$1,527	$3,602	$406	$5,535
Income (loss) before taxes	479 (a)	1,388	(17)	1,850 (a)
Pre-tax operating margin (b)	24 %	28 %	N/M	25 %

(a) Both total fee and other revenue and total revenue include net income from consolidated investment management funds of $45 million, representing $82 million of income and noncontrolling interests of $37 million. Income before taxes is net of noncontrolling interests of $37 million.

(b) Income before taxes divided by total revenue.

N/M - Not meaningful.

Investment Management business

(dollar amounts in millions)	2Q15	1Q15	4Q14	3Q14	2Q14	2Q15 vs. 2Q14	2Q15 vs. 1Q15	Year-to-date 2015	Year-to-date 2014	YTD15 vs. YTD14
Revenue:										
Investment management fees:										
Mutual funds	$307	$301	$306	$315	$311	(1)%	2 %	$608	$610	— %
Institutional clients	376	376	375	382	385	(2)%	— %	752	757	(1)
Wealth management	161	158	157	158	156	3 %	2 %	319	309	3
Investment management fees	844	835	838	855	852	(1)%	1 %	1,679	1,676	—
Performance fees	20	15	44	22	29	(31)%	33 %	35	49	(29)
Investment management and performance fees	864	850	882	877	881	(2)%	2 %	1,714	1,725	(1)
Distribution and servicing	37	39	40	41	41	(10)%	(5)%	76	81	(6)
Other (a)	25	47	7	16	48	N/M	N/M	72	64	N/M
Total fee and other revenue (a)	926	936	929	934	970	(5)%	(1)%	1,862	1,870	—
Net interest revenue	78	74	69	69	66	18 %	5 %	152	136	12
Total revenue	1,004	1,010	998	1,003	1,036	(3)%	(1)%	2,014	2,006	—
Noninterest expense (ex. amortization of intangible assets and the charge related to investment management funds, net of incentives)	714	721	729	727	725	(2)%	(1)%	1,435	1,423	1
Income before taxes (ex. amortization of intangible assets and the	290	289	269	276	311	(7)%	— %	579	583	(1)

charge related to investment management funds, net of incentives)										
Amortization of intangible assets	25	25	30	31	31	(19)%	— %	50	62	(19)
Charge related to investment management funds, net of incentives	—	—	—	—	109	N/M	N/M	—	104	N/M
Income before taxes	$265	$264	$239	$245	$171	55 %	— %	$529	$417	27 %
Pre-tax operating margin	26 %	26 %	24 %	24 %	16 %			26 %	21 %	
Adjusted pre-tax operating margin (b)	34 %	34 %	32 %	33 %	36 %			34 %	35 %	
Average balances:										
Average loans	$12,298	$11,634	$11,124	$10,772	$10,372	19 %	6 %	$11,968	$10,224	17 %
Average deposits	$14,640	$15,218	$14,604	$13,764	$13,458	9 %	(4)%	$14,928	$14,128	6 %

(a) Total fee and other revenue includes the impact of the consolidated investment management funds, net of noncontrolling interests. See "Supplemental information – Explanation of GAAP and Non-GAAP financial measures" beginning on page 52 for the reconciliation of Non-GAAP measures. Additionally, other revenue includes asset servicing, treasury services, foreign exchange and other trading revenue and investment and other income.

(b) Excludes the net negative impact of money market fee waivers, amortization of intangible assets and the charge related to investment management funds, net of incentives, and is net of distribution and servicing expense. See "Supplemental information – Explanation of GAAP and Non-GAAP financial measures" beginning on page 52 for the reconciliation of this Non-GAAP measure.

N/M - Not meaningful.

AUM trends (a)						2Q15 vs.	
(dollar amounts in billions)	2Q15	1Q15	4Q14	3Q14	2Q14	2Q14	1Q15
AUM at period end, by product type:							
Equity	$254	$264	$264	$267	$282	(10)%	(4)%
Fixed income	232	227	222	221	224	4	2
Index	367	383	357	345	353	4	(4)
Liability-driven investments (b)	520	510	504	455	436	19	2
Alternative investments	62	59	66	65	66	(6)	5
Cash	289	298	297	293	275	5	(3)
Total AUM	$1,724	$1,741	$1,710	$1,646	$1,636	5 %	(1)%
AUM at period end, by client type:							
Institutional	$1,185	$1,210	$1,187	$1,131	$1,109	7 %	(2)%
Mutual funds	454	445	438	430	440	3	2
Private client	85	86	85	85	87	(2)	(1)
Total AUM	$1,724	$1,741	$1,710	$1,646	$1,636	5 %	(1)%
Changes in AUM:							
Beginning balance of AUM	$1,741	$1,710	$1,646	$1,636	$1,620		
Net inflows (outflows):							
Long-term:							
Equity	(12)	(6)	(4)	(2)	(4)		
Fixed income	(2)	4	4	—	(1)		
Index	(9)	8	1	(3)	7		
Liability-driven investments (b)	5	8	24	18	(17)		
Alternative investments	3	2	2	—	2		
Total long-term inflows (outflows)	(15)	16	27	13	(13)		
Short term:							
Cash	(11)	1	5	19	(18)		
Total net inflows (outflows)	(26)	17	32	32	(31)		
Net market/currency impact/acquisition	9	14	32	(22)	47		
Ending balance of AUM	$1,724	$1,741	$1,710	$1,646	$1,636	5 %	(1)%

(a) Excludes securities lending cash management assets and assets managed in the Investment Services business.
(b) Includes currency overlay assets under management.

Business description

Our Investment Management business consists of our affiliated investment management boutiques, wealth management business and global distribution companies. See pages 24 and 25 of our 2014 Annual Report for additional information on our Investment Management business.

Review of financial results

Investment management and performance fees are dependent on the overall level and mix of AUM and the management fees expressed in basis points (one-hundredth of one percent) charged for managing those assets. Assets under management were $1.72 trillion compared with $1.64 trillion at June 30, 2014 and $1.74 trillion at March 31, 2015. The year-over-year increase primarily resulted from higher market values, net new business and the impact of the first quarter 2015 acquisition of Cutwater, partially offset by the unfavorable impact of a stronger U.S. dollar. Net long-term outflows were $15 billion driven by

equity, index and fixed income investments, partially offset by liability-driven and alternative investments. Net short-term outflows were $11 billion.

Total revenue was $1.0 billion, a decrease of 3% compared with the second quarter of 2014 and 1% (unannualized) compared with the first quarter of 2015. The decrease compared with the second quarter of 2014 primarily reflects the unfavorable impact of a stronger U.S. dollar, lower seed capital gains and performance fees, partially offset by higher equity market values, the impact of the first quarter 2015 acquisition of Cutwater and strategic initiatives. The sequential decrease primarily reflects lower seed capital gains, partially offset by higher equity market values.

Revenue generated in the Investment Management business included 43% from non-U.S. sources compared with 45% in the second quarter of 2014 and 42% in the first quarter of 2015.

Investment management fees in the Investment Management business were $844 million, a decrease of 1%, or an increase of 5% on a constant currency basis (Non-GAAP) compared with $852 million in the second quarter of 2014. The increase was primarily driven by higher equity market values, the impact of the first quarter 2015 acquisition of Cutwater and strategic initiatives. Investment management fees increased 1% (unannualized) compared with the first quarter of 2015 reflecting higher equity market values.

In the second quarter of 2015, 36% of investment management fees in the Investment Management business were generated from managed mutual fund fees. These fees are based on the daily average net assets of each fund and the management fee paid by that fund. Managed mutual fund fee revenue was $307 million compared with $311 million in the second quarter of 2014 and $301 million in the first quarter of 2015. The decrease compared with the second quarter of 2014 primarily resulted from the unfavorable impact of a stronger U.S. dollar, partially offset by higher equity market values. The increase compared with the first quarter of 2015 reflects higher equity market values.

Performance fees were $20 million compared with $29 million in the second quarter of 2014 and $15 million in the first quarter of 2015.

Distribution and servicing fees were $37 million compared with $41 million in the second quarter of 2014 and $39 million in the first quarter of 2015.

Other fee revenue was $25 million compared with $48 million in the second quarter of 2014 and $47 million in the first quarter of 2015. Both decreases primarily reflect lower seed capital gains, partially offset by gains on hedging activities within a boutique.

Net interest revenue was $78 million compared with $66 million in the second quarter of 2014 and $74 million in the first quarter of 2015. Both increases primarily reflect higher loan levels. The increase compared with the second quarter of 2014 also reflects higher average deposits.

Average loans increased 19% compared with the second quarter of 2014 and 6% compared with the first quarter of 2015, while average deposits increased 9% compared with the second quarter of 2014 and decreased 4% compared with the first quarter of 2015.

Noninterest expense, excluding amortization of intangible assets and the charge related to investment management funds, net of incentives, was $714 million compared with $725 million in the second quarter of 2014 and $721 million in the first quarter of 2015. The decrease compared with the second quarter of 2014 primarily reflects the favorable impact of a stronger U.S. dollar and lower distribution and servicing expense, partially offset by the impact of the first quarter 2015 acquisition of Cutwater and strategic initiatives. The decrease compared with the first quarter of 2015 primarily resulted from lower incentive expense.

Year-to-date 2015 compared with year-to-date 2014

Income before taxes totaled $529 million in the first six months of 2015 compared with $417 million in the first six months of 2014. Income before taxes excluding amortization of intangible assets and the charge related to investment management funds, net of incentives, was $579 million compared with $583 million in the first six months of 2014. Fee and other revenue decreased $8 million compared with the first six months of 2014, primarily due to the unfavorable impact of a stronger U.S. dollar, partially offset by higher equity market values. Net interest revenue increased $16 million compared to the first six months of 2014, primarily due to higher average loans and deposits. Noninterest expense excluding amortization of intangible assets and the charge related to investment management funds, net of incentives, increased $12 million compared to the first six months of 2014, primarily reflecting the impact of the first quarter 2015 acquisition of Cutwater and strategic initiatives, partially offset by the favorable

impact of a stronger U.S. dollar.

Investment Services business

(dollars in millions, unless otherwise noted)	2Q15	1Q15	4Q14	3Q14	2Q14	2Q15 vs. 2Q14	2Q15 vs. 1Q15	Year-to-date 2015	Year-to-date 2014	YTD15 vs. YTD14
Revenue:										
Investment services fees:										
Asset servicing	$1,035	$1,013	$992	$998	$993	4 %	2 %	$2,048	$1,978	4 %
Clearing services	346	342	346	336	324	7	1	688	647	6
Issuer services	234	231	193	314	231	1	1	465	459	1
Treasury services	141	135	142	139	140	1	4	276	274	1
Total investment services fees	1,756	1,721	1,673	1,787	1,688	4	2	3,477	3,358	4
Foreign exchange and other trading revenue	179	209	165	159	145	23	(14)	388	303	28
Other (a)	85	63	69	59	87	(2)	35	148	146	1
Total fee and other revenue	2,020	1,993	1,907	2,005	1,920	5	1	4,013	3,807	5
Net interest revenue	635	600	574	583	593	7	6	1,235	1,183	4
Total revenue	2,655	2,593	2,481	2,588	2,513	6	2	5,248	4,990	5
Noninterest expense (ex. amortization of intangible assets)	1,841	1,797	2,512	1,835	1,824	1	2	3,638	3,602	1
Income (loss) before taxes (ex. amortization of intangible assets)	814	796	(31)	753	689	18	2	1,610	1,388	16
Amortization of intangible assets	40	41	43	44	44	(9)	(2)	81	88	(8)
Income (loss) before taxes	$774	$755	$(74)	$709	$645	20 %	3 %	$1,529	$1,300	18 %
Pre-tax operating margin	29 %	29 %	(3)%	27 %	26 %			29 %	26 %	

Pre-tax operating margin (ex. amortization of intangible assets)	31 %	31 %	(1)%	29 %	27 %			31 %	28 %	
Investment services fees as a percentage of noninterest expense (b)	98 %	96 %	92 %	100 %	93 %			97 %	93 %	
Securities lending revenue	$40	$34	$28	$27	$35	14 %	18 %	$74	$65	14 %
Metrics:										
Average loans	$38,264	$37,699	$35,448	$33,785	$33,115	16 %	1 %	$37,983	$32,296	18 %
Average deposits	$237,193	$234,183	$228,282	$221,734	$220,701	7 %	1 %	$235,696	$217,840	8 %
AUC/A at period end (in trillions) (c)	$28.6	$28.5	$28.5	$28.3	$28.5	— %	— %			
Market value of securities on loan at period end (in billions) (d)	$283	$291	$289	$282	$280	1 %	(3)%			
Asset servicing: Estimated new business wins (AUC/A) (in billions)	$1,024	$131	$130	$115	$130					
Depositary Receipts: Number of sponsored programs	1,206	1,258	1,279	1,302	1,316	(8)%	(4)%			
Clearing services: Global DARTS volume	242	261	242	209	207	17 %	(7)%			

(in thousands)							
Average active clearing accounts (U.S. platform) (in thousands)	6,046	5,979	5,900	5,805	5,752	5 %	1 %
Average long-term mutual fund assets (U.S. platform)	$466,195	$456,954	$450,305	$442,827	$433,047	8 %	2 %
Average investor margin loans (U.S. platform)	$11,890	$11,232	$10,711	$9,861	$9,236	29 %	6 %
Broker-Dealer:							
Average tri-party repo balances (in billions)	$2,174	$2,153	$2,101	$2,063	$2,022	8 %	1 %

(a) Other revenue includes investment management fees, financing-related fees, distribution and servicing revenue and investment and other income.

(b) Noninterest expense excludes amortization of intangible assets and litigation expense.

(c) Includes the AUC/A of CIBC Mellon of $1.1 trillion at June 30, 2015, March 31, 2015 and Dec. 31, 2014 and $1.2 trillion at Sept. 30, 2014 and June 30, 2014.

(d) Represents the total amount of securities on loan managed by the Investment Services business. Excludes securities for which BNY Mellon acts as agent on behalf of CIBC Mellon clients, which totaled $68 billion at June 30, 2015, $69 billion at March 31, 2015, $65 billion at Dec. 31, 2014 and Sept. 30, 2014 and $64 billion at June 30, 2014.

Business description

Our Investment Services business provides global custody and related services, government clearing, global collateral services, corporate trust and depositary receipt and clearing services, as well as global payment/working capital solutions to global financial institutional clients.

Our comprehensive suite of financial solutions includes: global custody, global fund services, securities lending, investment manager outsourcing, performance and risk analytics, alternative investment services, securities clearance, collateral management, corporate trust, American and global depositary receipt programs, cash management solutions, payment services, liquidity services and other linked revenues, principally foreign exchange, global clearing and execution, managed account services and global prime brokerage solutions. Our clients include corporations, public funds and government agencies, foundations and endowments; global financial institutions including banks, broker-dealers, asset managers, insurance companies and central banks; financial intermediaries and independent registered investment advisors; and hedge fund managers. We help our clients service their financial assets through a network of offices and service delivery centers in 35 countries across six continents.

The results of this business are driven by a number of factors, which include: the level of transaction activity; the range of services provided, which may include custody, accounting, fund administration, daily valuations, performance measurement and risk analytics, securities lending, and investment manager back-office outsourcing; the number of accounts; and the market value of assets under custody and/or administration. Market interest rates impact both securities lending revenue and the earnings on client balances. Business expenses are driven by staff, technology investment, equipment and space required to support the services provided by the business and the cost of execution, clearance and custody of securities.

We are one of the leading global securities servicing providers with $28.6 trillion of AUC/A at June 30, 2015. We are the largest custodian for U.S. corporate and public pension plans and we service 54% of the top 50 endowments. We are a leading custodian in the UK and service 20% of UK pensions that require a custodian. Globalization tends to drive cross-border

investment and capital flows, which increases the opportunity to provide solutions to our clients. The changing regulatory environment is also driving client demand for new solutions and services.

BNY Mellon is a leader in both global and U.S. Government securities clearance. We settle securities transactions in over 100 markets, act as a clearing agent for 18 of the 22 primary dealers and handle most of the transactions cleared through the Federal Reserve Bank of New York (by volume).

We are a leader in offering tri-party collateral agency services to dealers and cash investors active in the tri-party repurchase, or repo, market with approximately $2.2 trillion serviced globally. We currently service approximately $1.3 trillion, or 85%, of the $1.6 trillion tri-party repo market in the U.S.

Global Collateral Services serves broker-dealers and institutional investors facing expanding collateral management needs as a result of current and emerging regulatory and market requirements. Global Collateral Services brings together BNY Mellon’s global capabilities in segregating, optimizing, financing and transforming collateral on behalf of clients, including its market leading broker-dealer collateral management, securities lending, collateral financing, liquidity and derivatives services teams.

In securities lending, we are one of the largest lenders of U.S. Treasury securities and depositary receipts and service a lending pool of approximately $3.1 trillion in 33 markets.

We serve as depositary for 1,206 sponsored American and global depositary receipt programs at June 30, 2015, acting in partnership with leading companies from 65 countries - an estimated 58% global market share.

Pershing and its affiliates provide business solutions to approximately 1,500 financial organizations globally by delivering dependable operational support; robust trading services; flexible technology; and an expansive array of investment solutions, practice management support and service excellence.

Role of BNY Mellon, as a trustee, for mortgage-backed securitizations

BNY Mellon acts as trustee and document custodian for certain mortgage-backed security ("MBS") securitization trusts. The role of trustee for MBS securitizations is limited; our primary role as trustee is to calculate and distribute monthly bond payments to bondholders. As a document custodian, we hold the mortgage, note, and related documents provided to us by the loan originator or seller and provide periodic reporting to these parties. BNY Mellon, either as document custodian or trustee, does not receive mortgage underwriting files (the files that contain information related to the creditworthiness of the borrower). As trustee or custodian, we have no responsibility or liability for the quality of the portfolio; we are liable only for performance of our limited duties as described above and in the trust documents. BNY Mellon is indemnified by the servicers or directly from trust assets under the governing agreements. BNY Mellon may appear as the named plaintiff in legal actions brought by servicers in foreclosure and other related proceedings because the trustee is the nominee owner of the mortgage loans within the trusts.

BNY Mellon also has been named as a defendant in legal actions brought by MBS investors alleging that the trustee has expansive duties under the governing agreements, including to investigate and pursue claims against other parties to the MBS transaction. For additional information on our legal proceedings related to this matter, see Note 18 of the Notes to Consolidated Financial Statements.

Review of financial results

AUC/A totaled $28.6 trillion, a slight increase from $28.5 trillion at both June 30, 2014 and March 31, 2015. The increase compared with June 30, 2014 was primarily driven by higher market values and organic growth, partially offset by the unfavorable impact of a stronger U.S. dollar. AUC/A consisted of 36% equity securities and 64% fixed income securities at both June 30, 2015 and June 30, 2014.

Investment services fees were $1.8 billion, an increase of 4% compared with the second quarter of 2014 and 2% compared with the first quarter of 2015 (unannualized) reflecting the following factors:

- Asset servicing fees (global custody, broker-dealer services and Global Collateral Services) were $1.04 billion compared with $993 million in the second quarter of 2014 and $1.01 billion in the first quarter of 2015. The year-over-year increase primarily reflects organic growth, due in part to Global Collateral Services, net new business and higher market values, partially offset by the unfavorable impact of a stronger U.S. dollar. The sequential increase primarily reflects organic growth and seasonally higher securities lending revenue.
- Clearing services fees were $346 million compared with $324 million in the second quarter of 2014 and $342 million in the first quarter of 2015. The year-over-year increase was primarily driven by higher mutual fund and asset-based fees, clearance revenue and custody fees. The sequential increase was primarily driven by two additional trading days in the second quarter of 2015.
- Issuer services fees (Corporate Trust and Depositary Receipts) were $234 million compared with $231 million in both the second quarter of 2014 and the first quarter of 2015. Both increases primarily reflect higher Depositary Receipts revenue, partially offset by lower Corporate Trust fees. The year-over-year decrease in Corporate Trust fees primarily reflects the unfavorable impact of a stronger U.S. dollar.
- Treasury services fees were $141 million compared with $140 million in the second quarter of 2014 and $135 million in the first quarter of 2015. The year-over-year increase primarily reflects higher payment volumes. The sequential increase primarily reflects three additional business days in the second quarter of 2015.

Foreign exchange and other trading revenue totaled $179 million compared with $145 million in the second quarter of 2014 and $209 million in the first quarter of 2015. The year-over-year increase primarily reflects higher volatility and volumes, as well as higher Depositary Receipts-related activity. The sequential decrease primarily reflects the benefit of unusually high volatility in the first quarter of 2015.

Net interest revenue was $635 million compared with $593 million in the second quarter of 2014 and $600 million in the first quarter of 2015. Both increases

primarily reflect higher average deposits and higher internal crediting rates for deposits.

Noninterest expense, excluding amortization of intangible assets, was $1.84 billion compared with $1.82 billion in the second quarter of 2014 and $1.80 billion in the first quarter of 2015. The year-over-year increase reflects higher litigation expense, partially offset by lower consulting expense and the favorable impact of a stronger U.S. dollar. The sequential increase primarily reflects higher litigation expense.

Year-to-date 2015 compared with year-to-date 2014

Income before taxes totaled $1.5 billion in the first six months of 2015 compared with $1.3 billion in the first six months of 2014. Excluding intangible amortization, income before taxes increased $222 million. Fee and other revenue increased $206 million reflecting higher foreign exchange and other trading revenue driven by higher volatility and volumes, higher asset servicing fees driven by organic growth and net new business, and higher clearing services fees. The $52 million increase in net interest revenue primarily reflects higher average loans and deposits. Noninterest expense, excluding intangible amortization, increased $36 million primarily due to higher litigation and incentive expenses, partially offset by the favorable impact of a stronger U.S. dollar.

Other segment

						Year-to-date	
(dollars in millions)	2Q15	1Q15	4Q14	3Q14	2Q14	2015	2014
Revenue:							
Fee and other revenue	$124	$104	$117	$928	$119	$228	$231
Net interest revenue	66	54	69	69	60	120	128
Total revenue	190	158	186	997	179	348	359
Provision for credit losses	(6)	2	1	(19)	(12)	(4)	(30)
Noninterest expense (ex. M&I and restructuring charges)	98	120	210	274	93	218	286
Income (loss) before taxes (ex. M&I and restructuring charges)	98	36	(25)	742	98	134	103
M&I and restructuring charges (recoveries)	8	(4)	—	57	120	4	120
Income (loss) before taxes	$90	$40	$(25)	$685	$(22)	$130	$(17)
Average loans and leases	$10,515	$8,602	$10,272	$10,278	$9,962	$9,564	$10,033

See page 31 of our 2014 Annual Report for a description of the Other segment.

Review of financial results

Total fee and other revenue increased $5 million compared with the second quarter of 2014 and $20 million compared with the first quarter of 2015. Both increases primarily reflect higher leasing gains. The year-over-year increase was partially offset by lower other revenue. The sequential increase was partially offset by lower other trading revenue and net securities gains.

Net interest revenue increased $6 million compared with the second quarter of 2014 and $12 million compared with the first quarter of 2015. Both

increases primarily reflect higher interest-earning assets, partially offset by higher internal crediting rates to the business for deposits.

The provision for credit losses was a credit of $6 million in the second quarter of 2015 driven by the continued improvement in the credit quality of the loan portfolio.

Noninterest expense, excluding M&I and restructuring charges, increased $5 million compared with the second quarter of 2014 and decreased $22 million compared with the first quarter of 2015. The year-over-year increase primarily reflects higher corporate donations. The sequential decrease was driven by lower incentive expense driven by the impact of vesting of long-term stock awards for

retirement eligible employees recorded in the first quarter of 2015, partially offset by higher employee benefits expense reflecting the curtailment gain also recorded in the first quarter of 2015.

Year-to-date 2015 compared with year-to-date 2014

Income before taxes in the Other segment was $130 million in the first six months of 2015 compared with a pre-tax loss of $17 million in the first six months of 2014. Total revenue decreased $11 million primarily resulting from lower other revenue and net interest revenue, partially offset by higher other trading revenue. The provision for credit losses was a credit of $4 million in the first six months of 2015 compared with a credit of $30 million in the first six months of 2014 driven by the continued improvement in the credit quality of the loan portfolio. Noninterest expense, excluding M&I and restructuring charges, decreased $68 million, primarily reflecting lower staff expense. In the first six months of 2014, we recorded a $120 million restructuring charge for streamlining actions.

Critical accounting estimates

Our significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements in our 2014 Annual Report. Our critical accounting estimates are those related to the allowance for loan losses and allowance for lending-related commitments, fair value of financial instruments and derivatives, other-than-temporary impairment (“OTTI”), goodwill and other intangibles, and pension accounting, as referenced below.

Critical policy	Reference
Allowance for loan losses and allowance for lending-related commitments	2014 Annual Report, pages 36 - 38.
Fair value of financial instruments and derivatives	2014 Annual Report, pages 38 - 40.
OTTI	2014 Annual Report, pages 40 and 41.
Goodwill and other intangibles	2014 Annual Report, pages 41 and 42.
Pension accounting	2014 Annual Report, pages 42 and 43.

Consolidated balance sheet review

At June 30, 2015, total assets were $395 billion compared with $385 billion at Dec. 31, 2014. The increase in total assets was primarily driven by an increase in client deposits partially offset by the impact of the adoption of new accounting guidance related to consolidations. Deposits totaled $284 billion at June 30, 2015 and $266 billion at Dec. 31, 2014. At both June 30, 2015 and Dec. 31, 2014, total interest-bearing deposits were 51% of total interest-earning assets.

Total assets averaged $378 billion in the second quarter of 2015 compared with $369 billion in the second quarter of 2014 and $368 billion in the first quarter of 2015. The increase in average total assets compared with the second quarter of 2014 was primarily driven by an increase in average total deposits partially offset by the impact of the adoption of new accounting guidance related to consolidations. The increase in average total assets compared with the first quarter of 2015 was driven by an increase in interest-bearing deposits. Total deposits averaged $256 billion in the second quarter of 2015 compared with $240 billion in the second quarter of 2014 and $249 billion in the first quarter of 2015. The increase in average total deposits compared with the second quarter of 2014 primarily reflects higher levels of noninterest-bearing deposits and time deposits. The increase compared with the first quarter of 2015 was driven by an increase in deposits located in foreign offices and time deposits, partially offset by lower levels of noninterest-bearing deposits.

At June 30, 2015, we had $43 billion of liquid funds (which include interest-bearing deposits with banks and federal funds sold and securities purchased under resale agreements) and $112 billion of cash (including $103 billion of overnight deposits with the Federal Reserve and other central banks) for a total of $155 billion of available funds. This compares with available funds of $143 billion at Dec. 31, 2014. The increase in available funds primarily reflects a higher level of interest-bearing deposits with the Federal Reserve and other central banks.

Total available funds as a percentage of total assets was 39% at June 30, 2015 compared with 37% at Dec. 31, 2014. Of the $43 billion in liquid funds held at June 30, 2015, $19 billion was placed in interest-bearing deposits with large, highly-rated global financial institutions with a weighted-average life to

maturity of approximately 43 days. Of the $19 billion, $4 billion was placed with banks in the Eurozone.

Investment securities were $123 billion, or 31% of total assets, at June 30, 2015, compared with $119 billion, or 31% of total assets, at Dec. 31, 2014. The increase primarily reflects additional investments in Agency RMBS and U.S. Government agencies debt, partially offset by a decrease in state and political subdivisions investments.

Loans were $63 billion, or 16% of total assets, at June 30, 2015, compared with $59 billion, or 15% of total assets, at Dec. 31, 2014. The increase primarily reflects higher levels of loans in the financial institutions portfolio and an increased level of wealth management loans and mortgages.

Long-term debt totaled $20.4 billion at June 30, 2015 and $20.3 billion at Dec. 31, 2014. In the first six months of 2015, the Parent issued $2.8 billion of senior debt and $2.65 billion of long-term debt matured.

Total The Bank of New York Mellon Corporation shareholders’ equity increased to $38.3 billion from $37.4 billion at Dec. 31, 2014. The increase primarily reflects earnings retention, the issuance of $1 billion of noncumulative perpetual preferred stock and approximately $485 million resulting from stock awards, the exercise of stock options and stock issued for employee benefit plans, partially offset by share repurchases, foreign currency translation adjustments, a decrease in the unrealized gain on our investment securities portfolio and the impact of the decrease in our pension benefit obligation.

Exposure in Ireland, Italy, Spain, Portugal, Greece, Russia, Ukraine and Puerto Rico

We have provided expanded disclosure on countries and territories that have experienced particular market focus on credit quality and are experiencing economic concerns. Where appropriate, we are offsetting the risk associated with the gross exposure in these countries with collateral that has been pledged, which primarily consists of cash or marketable securities, or by transferring the risk to a third-party guarantor in another country or territory. See “Risk management” in our 2014 Annual Report for additional information on how our exposures are managed.

BNY Mellon has a limited economic interest in the performance of assets of consolidated investment management funds, and therefore they are excluded from this disclosure. The assets of consolidated investment management funds are solely available to settle the liabilities of the fund and to settle any investors’ ownership liquidation requests, including any seed capital invested by BNY Mellon. Loss in the value of assets of consolidated investment management funds would only be incurred by BNY Mellon to the extent of our limited ownership interest.

Events in Russia and Ukraine significantly increased geopolitical tensions in Central and Eastern Europe. Recent declines in oil prices could also negatively impact companies located in that region. In addition to the exposures in the following table, we provide investments services, including acting as a depositary receipt bank, for companies in Russia, and investment management services primarily through our noncontrolling interest in an asset manager. To date, our businesses with Russian exposure have not been materially impacted by the ongoing tensions, sanctions or impact of the decline in oil prices. Future developments including additional sanctions against Russian entities or a prolonged decrease in oil prices could adversely impact these businesses and our results of operations.

Recent concerns regarding financial conditions in Puerto Rico have resulted in increased focus on its ability to repay its debt. At June 30, 2015, BNY Mellon had margin loan exposure of approximately $175 million where the collateral received has a concentration of Puerto Rican securities. We have increased our margin requirements and believe the impact of potential negative outcomes in Puerto Rico would not be material.

At June 30, 2015 and Dec. 31, 2014, BNY Mellon had exposure of less than $1 million in each of Portugal, Greece and Ukraine.

The following tables present our on- and off-balance sheet exposure in Ireland, Italy, Spain and Russia at both June 30, 2015 and Dec. 31, 2014. Exposure in the tables below reflects the country of operations and risk of the immediate counterparty.

On- and off-balance sheet exposure at June 30, 2015 (in millions)	Ireland	Italy	Spain	Russia	Total
On-balance sheet exposure					
Gross:					
Deposits with banks (primarily interest-bearing) (a)	$99	$350	$452	$20	$921
Investment securities (primarily sovereign debt and European Floating Rate Notes) (b)	1,010	1,345	1,966	—	4,321
Loans and leases (c)	201	3	1	50	255
Trading assets (d)	188	2	8	—	198
Total gross on-balance sheet exposure	1,498	1,700	2,427	70	5,695
Less:					
Collateral	90	2	5	—	97
Guarantees	—	2	1	—	3
Total collateral and guarantees	90	4	6	—	100
Total net on-balance sheet exposure	$1,408	$1,696	$2,421	$70	$5,595
Off-balance sheet exposure					
Gross:					
Lending-related commitments (e)	$84	$—	$—	$—	$84
Letters of credit (f)	56	3	13	—	72
Total gross off-balance sheet exposure	140	3	13	—	156
Less:					
Collateral	70	—	13	—	83
Total net off-balance sheet exposure	$70	$3	$—	$—	$73
Total exposure:					
Total gross on- and off-balance sheet exposure	$1,638	$1,703	$2,440	$70	$5,851
Less: Total collateral and guarantees	160	4	19	—	183
Total net on- and off-balance sheet exposure	$1,478	$1,699	$2,421	$70	$5,668

(a) Interest-bearing deposits with banks represent a $42 million placement with an Irish financial institution, $250 million placements with financial institutions in Italy, $446 million placements with financial institutions in Spain and $183 million of nostro accounts related to our depositary receipts, custody and treasury services activities located in Ireland, Italy, Spain and Russia.

(b) Investment securities represent $131 million, fair value, of residential mortgage-backed securities located in Ireland and Italy, $4.1 billion, fair value, of sovereign debt located in Ireland, Italy and Spain and $45 million, fair value, of investment grade corporate bonds located in Ireland, Italy and Spain. The investment securities were 97% investment grade.

(c) Loans and leases primarily include $123 million of overdrafts in Ireland resulting from our custody business, a $76 million commercial lease to a company located in Ireland, which was fully collateralized by U.S. Treasuries and $50 million of a syndicated loan to a large, state-owned financial institution in Russia. There is no impairment associated with these loans and leases. Overdrafts occur on a daily basis in our Investment Services businesses and are generally repaid within two business days.

(d) Trading assets represent the receivable related to over-the-counter ("OTC") foreign exchange and interest rate derivatives, net of master netting agreements. Trading assets include $188 million of receivables primarily due from Irish-domiciled investment funds and $10 million of receivables primarily due from financial institutions in Italy and Spain. Trading assets in Ireland and Spain were collateralized by $19 million of cash and U.S. Treasuries. Additionally, cash collateral on trading assets represents $2 million in Italy.

(e)

Lending-related commitments include $84 million to an insurance company in Ireland, collateralized by $18 million of marketable securities.

(f) Letters of credit primarily represent $51 million extended to an insurance company in Ireland, collateralized by $49 million of marketable securities and $13 million extended to an insurance company in Spain, fully collateralized by marketable securities. Risk participations with counterparties in the above countries are excluded.

On- and off-balance sheet exposure at Dec. 31, 2014 (in millions)	Ireland	Italy	Spain	Russia	Total
On-balance sheet exposure					
Gross:					
Deposits with banks (primarily interest-bearing) (a)	$147	$186	$195	$44	$572
Investment securities (primarily sovereign debt and European Floating Rate Notes) (b)	818	1,458	1,992	—	4,268
Loans and leases (c)	198	3	1	199	401
Trading assets (d)	239	7	12	—	258
Total gross on-balance sheet exposure	1,402	1,654	2,200	243	5,499
Less:					
Collateral	109	7	11	—	127
Guarantees	—	2	1	—	3
Total collateral and guarantees	109	9	12	—	130
Total net on-balance sheet exposure	$1,293	$1,645	$2,188	$243	$5,369
Off-balance sheet exposure					
Gross:					
Lending-related commitments (e)	$91	$—	$—	$—	$91
Letters of credit (f)	61	3	14	—	78
Total gross off-balance sheet exposure	152	3	14	—	169
Less:					
Collateral	82	—	14	—	96
Total net off-balance sheet exposure	$70	$3	$—	$—	$73
Total exposure:					
Total gross on- and off-balance sheet exposure	$1,554	$1,657	$2,214	$243	$5,668
Less: Total collateral and guarantees	191	9	26	—	226
Total net on- and off-balance sheet exposure	$1,363	$1,648	$2,188	$243	$5,442

(a) Interest-bearing deposits with banks represent a $94 million placement with an Irish subsidiary of a UK holding company, a $37 million placement with an Irish financial institution, a $100 million placement with a financial institution in Italy, a $195 million placement with a financial institution in Spain, $146 million of nostro accounts related to our depositary receipts, custody and treasury services activities located in Ireland, Italy, Spain and Russia.

(b) Investment securities represent $146 million, fair value, of residential mortgage-backed securities located in Ireland and Italy, $4.1 billion, fair value, of sovereign debt located in Ireland, Italy and Spain and $45 million, fair value, of investment grade corporate bonds located in Ireland, Italy and Spain. The investment securities were 97% investment grade.

(c) Loans and leases primarily include $124 million of overdrafts primarily to Irish-domiciled investment funds resulting from our custody business, a $74 million commercial lease to a company located in Ireland, which was fully collateralized by U.S. Treasuries and $199 million of trade finance and syndicated loans primarily to large, state-owned financial institutions in Russia. There is no impairment associated with these loans and leases. Overdrafts occur on a daily basis in our Investment Services businesses and are generally repaid within two business days.

(d) Trading assets represent the receivable related to OTC foreign exchange and interest rate derivatives, net of master netting agreements. Trading assets include $239 million of receivables primarily due from Irish-domiciled investment funds and $19 million of receivables primarily due from financial institutions in Italy and Spain. Trading assets in Ireland and Spain were collateralized by $46 million of cash and U.S. Treasuries. Additionally, cash collateral on trading assets represents $7 million in Italy.

(e) Lending-related commitments include $79 million to an insurance company in Ireland, collateralized by $14 million of marketable securities, and $12 million to an investment company in Ireland, secured by a lien on the client's collateral portfolio.

(f) Letters of credit primarily represent $56 million extended to an insurance company in Ireland, collateralized by $54 million of marketable securities and $13 million extended to an insurance company in Spain, fully collateralized by marketable securities. Risk participations with counterparties in the above countries are excluded.

Investment securities

In the discussion of our investment securities portfolio, we have included certain credit ratings information because the information indicates the degree of credit risk to which we are exposed, and

significant changes in ratings classifications for our investment securities portfolio could indicate increased credit risk for us and could be accompanied by a reduction in the fair value of our investment securities portfolio.

The following table presents the distribution of our total investment securities portfolio:

Investment securities portfolio	March 31, 2015	2Q15 change in unrealized gain (loss)	June 30, 2015		Fair value as a % of amortized cost (a)	Unrealized gain (loss)	Ratings				
(dollars in millions)	Fair value		Amortized cost	Fair value			AAA/ AA-	A+/ A-	BBB+/ BBB-	BB+ and lower	Not rated
Agency RMBS	$51,101	$(431)	$49,983	$50,018	100 %	$35	100 %	— %	— %	— %	— %
U.S. Treasury	28,680	(183)	24,139	24,222	100	83	100	—	—	—	—
Sovereign debt/sovereign guaranteed (b)	18,469	(142)	18,466	18,516	100	50	77	1	22	—	—
Non-agency RMBS (c)	2,138	(25)	1,626	2,040	81	414	—	1	2	90	7
Non-agency RMBS	1,070	(1)	1,007	1,024	94	17	2	9	19	69	1
European floating rate notes (d)	1,723	(6)	1,748	1,737	99	(11)	71	22	—	7	—
Commercial MBS	5,901	(49)	5,866	5,888	100	22	94	5	1	—	—
State and political subdivisions	5,159	(29)	4,492	4,548	101	56	77	22	—	—	1
Foreign covered bonds (e)	2,804	(15)	2,666	2,723	102	57	100	—	—	—	—
Corporate bonds	1,745	(32)	1,784	1,802	101	18	19	69	12	—	—
CLO	2,258	(4)	2,241	2,245	100	4	100	—	—	—	—
U.S. Government agencies	1,554	(5)	1,858	1,856	100	(2)	100	—	—	—	—
Consumer ABS	3,400	(1)	3,347	3,348	100	1	100	—	—	—	—
Other (f)	2,890	(3)	3,000	3,008	100	8	41	—	55	—	4
Total investment securities	$128,892 (g)	$(926)	$122,223	$122,975 (g)	100 %	$752 (g)(h)	90 %	3 %	5 %	2 %	— %

(a) Amortized cost before impairments.

(b) Primarily consists of exposure to UK, France, Germany, Spain, and Belgium.

(c) These RMBS were included in the former Grantor Trust and were marked-to-market in 2009. We believe these RMBS would receive higher credit ratings if these ratings incorporated, as additional credit enhancements, the difference between the written-down amortized cost and the current face amount of each of these securities.

(d) Includes RMBS and commercial MBS. Primarily consists of exposure to UK and Netherlands.

(e) Primarily consists of exposure to Canada, UK and Netherlands.

(f) Includes commercial paper with a fair value of $1.6 billion and $1.7 billion and money market funds with a fair value of $814 million and $779 million at March 31, 2015 and June 30, 2015, respectively.

(g) Includes net unrealized losses on derivatives hedging securities available-for-sale of $501 million at March 31, 2015 and $71 million at June 30, 2015.
(h) Unrealized gains of $740 million at June 30, 2015 related to available-for-sale securities.

The fair value of our investment securities portfolio was $123.0 billion compared with $119.1 billion at Dec. 31, 2014. The increase primarily reflects additional investments in Agency RMBS and U.S. Government agencies debt, partially offset by a decrease in state and political subdivisions investments.

At June 30, 2015, the total investment securities portfolio had a net unrealized pre-tax gain of $752 million compared with $1.3 billion at Dec. 31, 2014, including the impact of related hedges. The decrease in the net unrealized pre-tax gain was primarily driven by higher market interest rates. The unrealized gain net of tax on our investment securities available-

for-sale portfolio included in accumulated other comprehensive income was $494 million compared with $675 million at Dec. 31, 2014.

At both June 30, 2015 and Dec. 31, 2014, 90% of the securities in our portfolio were rated AAA/AA-.

We routinely test our investment securities for OTTI. (See “Critical accounting estimates” for additional information regarding OTTI.)

The following table presents the amortizable purchase premium (net of discount) related to the investment securities portfolio and accretable discount related to the 2009 restructuring of the investment securities portfolio.

Net premium amortization and discount accretion of investment securities (a)					
(dollars in millions)	2Q15	1Q15	4Q14	3Q14	2Q14
Amortizable purchase premium (net of discount) relating to investment securities:					
Balance at period end	$2,492	$2,559	$2,432	$2,317	$2,225
Estimated average life remaining at period end (in years)	4.7	4.5	4.8	4.6	4.8
Amortization	$183	$173	$166	$159	$156
Accretable discount related to the prior restructuring of the investment securities portfolio:					
Balance at period end	$420	$386	$413	$465	$510
Estimated average life remaining at period end (in years)	6.0	6.0	5.9	6.6	6.2
Accretion	$32	$32	$36	$40	$41

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

The following table presents pre-tax net securities gains (losses) by type.

Net securities gains (losses)					
(in millions)	2Q15	1Q15	2Q14	YTD15	YTD14
U.S. Treasury	$11	$23	$1	$34	$11
Non-agency RMBS	(1)	(1)	(2)	(2)	(4)
Other	6	2	19	8	33
Total net securities gains	$16	$24	$18	$40	$40

On a quarterly basis, we perform our impairment analysis using several factors, including projected loss severities and default rates. In the second quarter of 2015, this analysis resulted in other-than-temporary credit losses of less than $1 million primarily related to our non-agency RMBS portfolio. At June 30, 2015, if we were to increase or decrease each of our projected loss severities and default rates by 100 basis points on each of the positions in our non-agency RMBS portfolios, including the securities previously held by the Grantor Trust, credit-related impairment charges on these securities would have increased or decreased by less than $1 million (pre-tax). See Note 4 of the Notes to Consolidated

Financial Statements for the projected weighted-average default rates and loss severities.

The following table shows the fair value of the European floating rate notes by geographical location at June 30, 2015. The unrealized loss on these securities was $11 million at June 30, 2015, compared with $8 million at Dec. 31, 2014.

European floating rate notes at June 30, 2015 (a)

(in millions)	RMBS	Other	Total fair value
United Kingdom	$1,059	$79	$1,138
Netherlands	447	—	447
Ireland	129	—	129

Other	23	—	23
Total fair value	$1,658	$79	$1,737

(a) 71% of these securities are in the AAA to AA- ratings category.

See Note 15 of the Notes to Consolidated Financial Statements for details of securities by level in the fair value hierarchy.

Loans

Total exposure – consolidated	June 30, 2015			Dec. 31, 2014		
(in billions)	Loans	Unfunded commitments	Total exposure	Loans	Unfunded commitments	Total exposure
Non-margin loans:						
Financial institutions	$15.9	$42.7	$58.6	$13.3	$15.5	$28.8
Commercial	1.8	19.6	21.4	1.7	18.7	20.4
Subtotal institutional	17.7	62.3	80.0	15.0	34.2	49.2
Wealth management loans and mortgages	12.2	1.7	13.9	11.2	1.7	12.9
Commercial real estate	3.5	2.7	6.2	2.5	2.7	5.2
Lease financings	1.9	—	1.9	2.2	—	2.2
Other residential mortgages	1.2	—	1.2	1.2	—	1.2
Overdrafts	5.0	—	5.0	5.9	—	5.9
Other	1.2	—	1.2	1.1	—	1.1
Subtotal non-margin loans	42.7	66.7	109.4	39.1	38.6	77.7
Margin loans	20.4	0.7	21.1	20.0	0.7	20.7
Total	$63.1	$67.4	$130.5	$59.1	$39.3	$98.4

Total exposures were $130.5 billion, an increase of 33% from $98.4 billion at Dec. 31, 2014. The increase in total exposure primarily reflects higher unfunded commitments in the financial institutions portfolio related to secured intraday credit provided to dealers in connection with their tri-party repo activity.

Our financial institutions and commercial portfolios comprise our largest concentrated risk. These portfolios comprised 61% of our total lending exposure at June 30, 2015 and 50% at Dec. 31, 2014. The increase reflects higher unfunded commitments related to secured intraday credit provided to dealers in connection with their tri-party repo activity. Additionally, a substantial portion of our overdrafts relate to financial institutions.

Financial institutions

The diversity of the financial institutions portfolio is shown in the following table.

Financial institutions portfolio exposure	June 30, 2015					Dec. 31, 2014		
(dollar amounts in billions)	Loans	Unfunded commitments	Total exposure	% Inv. grade	% due <1 yr	Loans	Unfunded commitments	Total exposure
Securities industry	$4.2	$28.0	$32.2	98 %	99 %	$3.1	$1.1	$4.2
Banks	9.1	2.3	11.4	89	96	7.6	1.7	9.3
Asset managers	1.8	5.0	6.8	99	81	2.0	4.8	6.8
Insurance	0.1	3.9	4.0	99	27	0.1	4.0	4.1
Government	0.1	2.5	2.6	95	62	0.1	2.9	3.0
Other	0.6	1.0	1.6	97	31	0.4	1.0	1.4
Total	$15.9	$42.7	$58.6	96 %	88 %	$13.3	$15.5	$28.8

The financial institutions portfolio exposure was $58.6 billion at June 30, 2015 compared with $28.8 billion at Dec. 31, 2014. The increase primarily reflects higher unfunded commitments in the securities industry portfolio related to secured intraday credit provided to dealers in connection with their tri-party repo activity.

In April 2015, we fully converted the secured intraday credit provided to dealers in connection with

their tri-party repo activity from uncommitted credit to committed credit. The committed credit requires dealers to fully secure the outstanding intraday credit with high-quality liquid assets having a market value in excess of the amount of the outstanding credit. At June 30, 2015, the secured intraday credit provided to dealers in connection with their tri-party repo activity totaled $27.3 billion and was primarily included in the securities industry portfolio.

BNY Mellon has reduced the amount of secured intraday credit it provides to dealers in connection with their tri-party repo activity in a number of ways, including limiting the collateral used to secure intraday credit to certain more liquid asset classes, reducing the amount of time during which we extend intraday credit, reducing the amount of credit provided in connection with processing collateral substitutions, introducing a functionality that enables us to "roll" maturing trades into new trades without extending credit, and requiring dealers to prefund their repayment obligations in connection with trades collateralized by Depository Trust Company sourced securities. This combination of measures, together with the technological enhancements put in place in 2014, have practically eliminated intraday credit related to tri-party repo processing. Moving forward, BNY Mellon will continue to invest in and enhance its tri-party repo capabilities, including working closely with market participants to improve the process for settling Interbank General Collateral Finance repo trades.

Financial institution exposures are high-quality, with 96% of the exposures meeting the investment grade equivalent criteria of our internal credit rating classification at June 30, 2015. Each customer is assigned an internal credit rating, which is mapped to an equivalent external rating agency grade based

upon a number of dimensions which are continually evaluated and may change over time. The exposure to financial institutions is generally short-term. Of these exposures, 88% expire within one year and 19% expire within 90 days. In addition, 69% of the financial institutions exposure is secured. For example, securities industry and asset managers often borrow against marketable securities held in custody.

For ratings of non-U.S. counterparties, as a conservative measure, our internal credit rating is generally capped at a rating equivalent to the sovereign rating of the country where the counterparty resides regardless of the internal credit rating assigned to the counterparty or the underlying collateral.

Our bank exposure primarily relates to our global trade finance and U.S. dollar-clearing businesses. These exposures are predominately to investment grade counterparties and are short term in nature.

The asset manager portfolio exposures are high-quality with 99% of the exposures meeting our investment grade equivalent ratings criteria as of June 30, 2015. These exposures are generally short-term liquidity facilities, with the vast majority to regulated mutual funds.

Commercial

The diversity of the commercial portfolio is presented in the following table.

Commercial portfolio exposure	June 30, 2015					Dec. 31, 2014		
(dollar amounts in billions)	Loans	Unfunded commitments	Total exposure	% Inv. grade	% due <1 yr	Loans	Unfunded commitments	Total exposure
Services and other	$0.6	$ 7.4	$ 8.0	96 %	34 %	$0.8	$ 5.9	$ 6.7
Manufacturing	0.5	5.4	5.9	91	8	0.3	5.7	6.0
Energy and utilities	0.4	5.4	5.8	97	9	0.5	5.6	6.1
Media and telecom	0.3	1.4	1.7	93	6	0.1	1.5	1.6
Total	$1.8	$ 19.6	$ 21.4	95 %	18 %	$1.7	$ 18.7	$ 20.4

The commercial portfolio exposure increased 5% to $21.4 billion at June 30, 2015, from $20.4 billion at Dec. 31, 2014, primarily reflecting an increase in the services and other portfolio, partially offset by a decrease in the energy

and utilities portfolio. Utilities-related exposure represents approximately three-quarters of the energy and utilities portfolio.

The table below summarizes the percentage of the financial institutions and commercial portfolio exposures that are investment grade.

Percentage of the portfolios that are investment grade

	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014
Financial institutions	96 %	92 %	93 %	93 %	93 %
Commercial	95 %	94 %	94 %	94 %	94 %

Our credit strategy is to focus on investment grade names to support cross-selling opportunities and avoid single name/industry concentrations and our goal is to maintain a predominantly investment grade loan portfolio. The execution of our strategy has resulted in 96% of our financial institutions portfolio and 95% of our commercial portfolio rated as investment grade at June 30, 2015.

Wealth management loans and mortgages

Our wealth management exposure was $13.9 billion at June 30, 2015 compared with $12.9 billion at Dec. 31, 2014. Wealth management loans and mortgages primarily consist of loans to high-net-worth individuals, which are secured by marketable securities and/or residential property. Wealth management mortgages are primarily interest-only adjustable rate mortgages with a weighted-average loan-to-value ratio of 60% at origination. In the wealth management portfolio, less than 1% of the mortgages were past due at June 30, 2015.

At June 30, 2015, the wealth management mortgage portfolio consisted of the following geographic concentrations: California - 22%; New York - 20%; Massachusetts - 14%; Florida - 8%; and other - 36%.

Commercial real estate

Our income producing commercial real estate facilities are focused on experienced owners and are structured with moderate leverage based on existing cash flows. Our commercial real estate lending activities also include construction and renovation facilities. Our client base consists of experienced developers and long-term holders of real estate assets. Loans are approved on the basis of existing or projected cash flows, and supported by appraisals and knowledge of local market conditions. Development loans are structured with moderate leverage, and in many instances, involve some level of recourse to the developer. Our commercial real estate exposure totaled $6.2 billion at June 30, 2015 compared with $5.2 billion at Dec. 31, 2014.

At June 30, 2015, 61% of our commercial real estate portfolio was secured. The secured portfolio is diverse by project type, with 52% secured by residential buildings, 25% secured by office buildings, 11% secured by retail properties and 12% secured by other categories. Approximately 98% of the unsecured portfolio consists of real estate

investment trusts (“REITs”), which are predominantly investment grade, and real estate operating companies.

At June 30, 2015, our commercial real estate portfolio consists of the following concentrations: REITs and real estate operating companies - 45%; New York metro - 36%; and other - 19%.

Lease financings

The leasing portfolio exposure totaled $1.9 billion and included $122 million of airline exposures at June 30, 2015, compared with $2.2 billion of leasing exposures, including $146 million of airline exposures, at Dec. 31, 2014. At June 30, 2015, approximately 85% of the leasing portfolio exposure was investment grade.

At June 30, 2015, the $1.8 billion non-airline lease financing portfolio consisted of exposures backed by well-diversified assets, primarily large-ticket transportation equipment.

At June 30, 2015, our $122 million of exposure to the airline industry consisted of $52 million to major U.S. carriers, $61 million to foreign airlines and $9 million to U.S. regional airlines.

Our airline lease customers experienced a recent recovery in the industry. However, a significant portion of these customers remain highly leveraged and vulnerable to economic downturns. We continue to closely monitor this portfolio.

We utilize the lease financing portfolio as part of our tax management strategy.

Other residential mortgages

The other residential mortgages portfolio primarily consists of 1-4 family residential mortgage loans and totaled $1.2 billion at both June 30, 2015 and Dec. 31, 2014. Included in this portfolio at June 30, 2015 are $323 million of mortgage loans purchased in 2005, 2006 and the first quarter of 2007 that are predominantly prime mortgage loans, with a small portion of Alt-A loans. As of June 30, 2015, the purchased loans in this portfolio had a weighted-average loan-to-value ratio of 76% at origination and 17% of the serviced loan balance was at least 60 days delinquent. The properties securing the prime and Alt-A mortgage loans were located (in order of

concentration) in California, Florida, Virginia, the tri-state area (New York, New Jersey and Connecticut) and Maryland.

To determine the projected loss on the prime and Alt-A mortgage portfolios, we calculate the total estimated defaults of these mortgages and multiply that amount by an estimate of realizable value upon sale in the marketplace (severity).

Overdrafts

Overdrafts primarily relate to custody and securities clearance clients. Overdrafts occur on a daily basis in the custody and securities clearance business and are generally repaid within two business days.

Other loans

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

Margin loans

Margin loans are collateralized with marketable securities and borrowers are required to maintain a

daily collateral margin in excess of 100% of the value of the loan. Margin loans included $8.0 billion of loans at June 30, 2015 and $8.7 billion at Dec. 31, 2014 related to a term loan program that offers fully collateralized loans to broker-dealers.

Asset quality and allowance for credit losses

Over the past several years, we have improved our risk profile through greater focus on clients who are active users of our non-credit services, de-emphasizing broad-based loan growth. Our primary exposure to the credit risk of a customer consists of funded loans, unfunded formal contractual commitments to lend, standby letters of credit and overdrafts associated with our custody and securities clearance businesses.

The role of credit has shifted to one that complements our other services instead of as a lead product. We believe credit solidifies customer relationships and, through a disciplined allocation of capital, can earn acceptable rates of return as part of an overall relationship.

The following table details changes in our allowance for credit losses.

Allowance for credit losses activity (dollar amounts in millions)	June 30, 2015	March 31, 2015	Dec. 31, 2014	June 30, 2014
Margin loans	$20,449	$19,566	$20,034	$17,685
Non-margin loans	42,425	42,620	39,077	41,563
Total loans	$62,874	$62,186	$59,111	$59,248
Beginning balance of allowance for credit losses	$283	$280	$288	$326
Provision for credit losses	(6)	2	1	(12)
Net (charge-offs) recoveries:				
Financial institutions	1	—	1	—
Other residential mortgages	—	1	—	(1)
Commercial	—	—	(8)	1

Wealth management loans and mortgages	—	—	—	(1)
Foreign	—	—	—	(2)
Commercial real estate	—	—	(2)	—
Net (charge-offs) recoveries	$1	$1	$(9)	$(3)
Ending balance of allowance for credit losses	$278	$283	$280	$311
Allowance for loan losses	$183	$190	$191	$187
Allowance for lending-related commitments	95	93	89	124
Allowance for loan losses as a percentage of total loans	0.29%	0.31%	0.32%	0.32%
Allowance for loan losses as a percentage of non-margin loans	0.43	0.45	0.49	0.45
Total allowance for credit losses as a percentage of total loans	0.44	0.46	0.47	0.52
Total allowance for credit losses as a percentage of non-margin loans	0.66	0.66	0.72	0.75

Net recoveries of $1 million in the second quarter of 2015 were reflected in the financial institutions portfolio. Net recoveries of $1 million in the first quarter of 2015 were reflected in the other residential mortgages portfolio. Net charge-offs were $3 million in the second quarter of 2014.

The provision for credit losses was a credit of $6 million in the second quarter of 2015, a provision of $2 million in the first quarter of 2015 and a credit of $12 million in the second quarter of 2014.

The total allowance for credit losses was $278 million at June 30, 2015, $280 million at Dec. 31, 2014 and $311 million at June 30, 2014. The ratio of the total allowance for credit losses to non-margin loans was 0.66% at June 30, 2015, 0.72% at Dec. 31, 2014 and 0.75% at June 30, 2014. The ratio of the allowance for loan losses to non-margin loans was 0.43% at June 30, 2015 compared with 0.49% at Dec. 31, 2014 and 0.45% at June 30, 2014. The decrease in the total allowance for credit losses and the lower ratios at June 30, 2015 compared with June 30, 2014 primarily reflects an improvement in the credit quality in the loan portfolio.

We had $20.4 billion of secured margin loans on our balance sheet at June 30, 2015 compared with $20.0 billion at Dec. 31, 2014 and $17.7 billion at June 30, 2014. We have rarely suffered a loss on these types of loans and do not allocate any of our allowance for credit losses to them. As a result, we believe that the ratio of total allowance for credit losses as a percentage of non-margin loans is a more appropriate metric to measure the adequacy of the reserve.

The allowance for loan losses and allowance for lending-related commitments represent management's estimate of probable losses inherent in our credit portfolio. This evaluation process is subject to numerous estimates and judgments. For additional information on this process, see "Critical accounting estimates" in our 2014 Annual Report.

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

Based on an evaluation of the allowance for credit losses as discussed in "Critical accounting estimates" and Note 1 of the Notes to Consolidated Financial Statements, both in our 2014 Annual Report, we have allocated our allowance for credit losses as follows:

Allocation of allowance	June 30, 2015	March 31, 2015	Dec. 31, 2014	June 30, 2014
Commercial	27 %	23 %	21 %	24 %
Commercial real estate	21	19	18	14
Foreign	13	14	16	15
Other residential mortgages	13	14	14	15
Financial institutions	11	12	11	14
Wealth management (a)	8	7	8	7
Lease financing	7	11	12	11
	100 %	100 %	100 %	100 %

(a) Includes the allowance for wealth management mortgages.

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

The credit rating assigned to each credit is a significant variable in determining the allowance. If each credit were rated one grade better, the allowance would have decreased by $84 million, while if each credit were rated one grade worse, the allowance would have increased by $197 million. Similarly, if the loss given default were one rating worse,

the allowance would have increased by $33 million, while if the loss given default were one rating better, the allowance would have decreased by $27 million. For impaired credits, if the net carrying value of the loans was 10% higher or lower, the allowance would have decreased or increased by less than $1 million, respectively.

Nonperforming assets

The following table shows the distribution of nonperforming assets.

Nonperforming assets (dollars in millions)	June 30, 2015	March 31, 2015	Dec. 31, 2014
Loans:			
Other residential mortgages	$110	$111	$112
Wealth management loans and mortgages	11	12	12
Commercial real estate	1	1	1
Total nonperforming loans	122	124	125
Other assets owned	5	4	3
Total nonperforming assets (a)	$127	$128	$128
Nonperforming assets ratio	0.20%	0.21%	0.22%
Nonperforming assets ratio, excluding margin loans	0.3	0.3	0.3
Allowance for loan losses/nonperforming loans	150.0	153.2	152.8
Allowance for loan losses/nonperforming assets	144.1	148.4	149.2
Total allowance for credit losses/nonperforming loans	227.9	228.2	224.0
Total allowance for credit losses/nonperforming assets	218.9	221.1	218.8

(a) Loans of consolidated investment management funds are not part of BNY Mellon's loan portfolio. Included in the loans of consolidated investment management funds are nonperforming loans of $53 million at Dec. 31, 2014. These loans are recorded at fair value and therefore do not impact the provision for credit losses and allowance for loan losses, and accordingly are excluded from the nonperforming assets table above. In the second quarter of 2015, BNY Mellon adopted the new accounting guidance included in ASU 2015-02, Consolidations. As a result, we deconsolidated substantially all of the loans of consolidated investment management funds retrospectively to Jan. 1, 2015. See Note 2 to Notes to Consolidated Financial Statements for additional information of the new accounting guidance.

Nonperforming assets activity (in millions)	June 30, 2015	March 31, 2015	Dec. 31, 2014
Balance at beginning of period	$128	$128	$147
Additions	4	5	4
Return to accrual status	(1)	—	(1)
Charge-offs	—	—	(3)
Paydowns/sales	(4)	(5)	(19)
Balance at end of period	$127	$128	$128

Nonperforming assets were $127 million at June 30, 2015, a decrease of $1 million compared with $128 million at March 31, 2015.

Deposits

Total deposits were $284.4 billion, an increase of 7% compared with $265.9 billion at Dec. 31, 2014. The increase in deposits reflects higher noninterest-bearing and interest-bearing deposits principally in U.S. offices and higher interest-bearing deposits principally in non-U.S. offices.

Noninterest-bearing deposits were $114.8 billion at June 30, 2015 compared with $104.3 billion at Dec. 31, 2014. Interest-bearing deposits were $169.6 billion at June 30, 2015 compared with $161.6 billion at Dec. 31, 2014.

Short-term borrowings

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

See "Liquidity and dividends" below for a discussion of long-term debt and liquidity metrics that we monitor.

Information related to federal funds purchased and securities sold under repurchase agreements is presented below.

Federal funds purchased and securities sold under repurchase agreements

	Quarter ended		
(dollars in millions)	June 30, 2015	March 31, 2015	June 30, 2014
Maximum daily balance during the quarter	$27,864	$23,527	$29,522
Average daily balance	$16,732	$13,877	$19,030
Weighted-average rate during the quarter	(0.02)%	(0.09)%	(0.05)%
Ending balance	$10,020	$7,919	$10,301
Weighted-average rate at period end	0.02%	(0.10)%	(0.04)%

Fluctuations of federal funds purchased and securities sold under repurchase agreements between periods resulted from overnight borrowing opportunities. The weighted-average rates in all

periods presented reflect revenue earned on securities sold under repurchase agreements related to certain securities for which we were able to charge for lending them.

Information related to payables to customers and broker-dealers is presented below.

Payables to customers and broker-dealers	Quarter ended		
(dollars in millions)	June 30, 2015	March 31, 2015	June 30, 2014
Maximum daily balance during the quarter	$26,988	$22,648	$17,746
Average daily balance (a)	$22,062	$21,581	$16,727
Weighted-average rate during the quarter (a)	0.07 %	0.07 %	0.09 %
Ending balance	$22,050	$21,959	$17,242
Weighted-average rate at period end	0.07 %	0.07 %	0.09 %

(a) The weighted-average rate is calculated based on, and is applied to, the average interest-bearing payables to customers and broker-dealers, which were $11,234 million in the second quarter of 2015, $10,932 million in the first quarter of 2015 and $8,916 million in the second quarter of 2014.

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

Information related to commercial paper is presented below.

Commercial paper	Quarter ended		
(dollars in millions)	June 30, 2015	March 31, 2015	June 30, 2014
Maximum daily balance during the quarter	$4,849	$4,369	$4,932
Average daily balance	$2,892	$1,113	$1,970
Weighted-average rate during the quarter	0.10 %	0.09 %	0.08 %
Ending balance	$—	$—	$27
Weighted-average rate at period end	— %	— %	0.01 %

The increase in the average daily balance of commercial paper in the second quarter of 2015 was primarily driven by attractive short-term borrowing opportunities. Our commercial paper matures within 397 days from date of issue and is not redeemable prior to maturity or subject to voluntary prepayment.

Information related to other borrowed funds is presented below.

Other borrowed funds	Quarter ended		
(dollars in millions)	June 30, 2015	March 31, 2015	June 30, 2014
Maximum daily balance during the quarter	$2,231	$3,821	$1,983
Average daily balance	$903	$995	$1,272
Weighted-average rate during the quarter	1.26 %	0.96 %	0.47 %
Ending balance	$706	$869	$1,458
Weighted-average rate at period end	1.62 %	1.17 %	0.45 %

Other borrowed funds primarily include overdrafts of sub-custodian account balances in our Investment Services businesses and borrowings under lines of credit by our Pershing subsidiaries. Overdrafts typically relate to timing

differences for settlements. Fluctuations of other borrowed funds from prior periods primarily reflect changes in overdrafts of sub-custodian account balances in our Investment Services businesses.

Liquidity and dividends

BNY Mellon defines liquidity as the ability of the Parent and its subsidiaries to access funding or convert assets to cash quickly and efficiently, or to rollover or issue new debt, especially during periods of market stress and in order to meet its short-term (up to one year) obligations. Liquidity risk is the risk that BNY Mellon cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flows, without adversely affecting daily operations or our financial condition. Liquidity risk can arise from cash flow mismatches, market constraints from the inability to convert assets to cash, inability to raise cash in the markets, deposit run-off, or contingent liquidity events. Changes in economic conditions or exposure to credit, market, operational, legal, and reputational risks also can affect BNY Mellon’s liquidity risk profile and are considered in our liquidity risk framework.

For additional information on our liquidity policy, see “Risk Management - Liquidity risk” in our 2014 Annual Report.

Our overall approach to liquidity management is further described in “Liquidity and Dividends” in our 2014 Annual Report.

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

The following table presents the Company's consolidated HQLA and LCR as of June 30, 2015.

Consolidated HQLA and LCR (in billions)	June 30, 2015	
Securities (a)	$106	
Cash (b)	100	
Total consolidated HQLA (c)	$206	
Liquidity coverage ratio (d)	110	%

(a) Primarily includes U.S. Treasury, U.S. agency, sovereign securities, securities of U.S. Government-sponsored enterprises, investment-grade corporate debt and publicly traded common equity.
(b) Primarily includes cash on deposit with central banks.
(c) Consolidated HQLA presented before haircuts. After haircuts, consolidated HQLA totaled $180 billion.
(d) Based on our interpretation of the final rule issued by the U.S. federal banking agencies to implement the LCR in the U.S. ("Final LCR Rule").

Starting on Jan. 1, 2015, we and our domestic bank subsidiaries are required to meet an LCR of 80% calculated monthly for a six month period, after which the LCR must be calculated daily. The required minimum LCR level will increase annually by 10% increments until Jan. 1, 2017, at which time, we will be required to meet an LCR of 100%. As of June 30, 2015, based on our interpretation of the Final LCR Rule, we believe we and our domestic bank subsidiaries are in compliance with applicable LCR requirements on a fully phased-in basis. We are evaluating the FDIC's brokered deposits' FAQ to determine the implications, if any, on our deposit balances relative to the LCR and other requirements.

For additional information on the LCR, see "Supervision and Regulation - Liquidity Standards - Basel III and U.S. Proposals" in our 2014 Annual Report.

We also perform liquidity stress tests to ensure the Company maintains sufficient liquidity resources under multiple stress scenarios. Stress tests are based on scenarios that measure liquidity risks under unlikely but plausible events. We perform these tests under various time horizons ranging from one day to one year in a base case, as well as supplemental tests to determine whether the Company's liquidity is sufficient for severe market events and firm-specific events. Under our scenario testing program, the results of the tests indicate that the Company has sufficient liquidity.

Beginning on Jan. 1, 2015, BHCs with total consolidated assets of $50 billion or more are subject to the Federal Reserve's Enhanced Prudential Standards, which include liquidity standards, described under "Supervision and Regulation - Enhanced Prudential Standards" in our 2014 Annual Report. BNY Mellon has taken actions to comply with these standards, various liquidity risk management standards and maintain a liquidity buffer of unencumbered highly liquid assets based on the results of internal liquidity stress testing.

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

at June 30, 2015 compared with Dec. 31, 2014 primarily resulted from a higher level of client deposits.

Available and liquid funds	June 30,	Dec. 31,	Average		
(in millions)	2015	2014	2Q15	1Q15	2Q14
Available funds:					
Liquid funds:					
Interest-bearing deposits with banks	$19,179	$19,495	$20,235	$22,071	$41,424
Federal funds sold and securities purchased under resale agreements	23,930	20,302	23,545	20,416	13,387
Total liquid funds	43,109	39,797	43,780	42,487	54,811
Cash and due from banks	8,353	6,970	6,785	6,204	5,064
Interest-bearing deposits with the Federal Reserve and other central banks	103,137	96,682	81,846	81,160	85,546
Total available funds	$154,599	$143,449	$132,411	$129,851	$145,421
Total available funds as a percentage of total assets	39 %	37 %	35 %	35 %	39 %

On an average basis for the six months ended June 30, 2015 and the six months ended June 30, 2014, non-core sources of funds, such as money market rate accounts, federal funds purchased and securities sold under repurchase agreements, trading liabilities, commercial paper and other borrowings, were $26.0 billion and $26.9 billion, respectively. The decrease primarily reflects lower trading liabilities and securities sold under repurchase agreements, partially offset by higher money market rate accounts. Average foreign deposits, primarily from our European-based Investment Services business, were $108.6 billion for the six months ended June 30, 2015 compared with $106.1 billion for the six months ended June 30, 2014. The increase primarily reflects growth in client deposits. Domestic savings, interest-bearing demand and time deposits averaged $49.6 billion for the six months ended June 30, 2015 compared with $46.3 billion for the six months ended June 30, 2014. The increase primarily reflects higher time deposits.

Average payables to customers and broker-dealers were $11.1 billion for the six months ended June 30, 2015 and $8.9 billion for the six months ended June 30, 2014. Payables to customers and broker-dealers are driven by customer trading activity and market volatility. Long-term debt averaged $20.4 billion for both the six months ended June 30, 2015 and the six months ended June 30, 2014. Average noninterest-bearing deposits increased to $87.2 billion for the six months ended June 30, 2015 from $79.6 billion for the six months ended June 30, 2014, reflecting growth in client deposits. A significant reduction in our Investment Services business would reduce our access to deposits. See “Asset/liability management” for additional factors that could impact our deposit balances.

The Parent has four major sources of liquidity:

- cash on hand;
- dividends from its subsidiaries;
- access to the commercial paper market; and
- access to the debt and equity markets.

Subsequent to June 30, 2015, our bank subsidiaries could declare dividends to the Parent of approximately $2.2 billion, without the need for a regulatory waiver. The amount of dividends declared by our bank subsidiaries may be impacted by their path to compliance with the SLR. In addition, at

June 30, 2015, non-bank subsidiaries of the Parent had liquid assets of approximately $1.5 billion.

In May 2015, BNY Mellon paid a quarterly common stock cash dividend of $0.17 per common share. Our common stock dividend payout ratio was 24% for the first six months of 2015. The Federal Reserve’s current guidance provides that, for large bank holding companies like us, dividend payout ratios exceeding 30% of after-tax net income will receive particularly close scrutiny.

Restrictions on our ability to obtain funds from our subsidiaries are discussed in more detail in “Supervision and Regulation - Capital Planning and Stress Testing - Payment of Dividends, Stock Repurchases and Other Capital Distributions” and in Note 19 of the Notes to Consolidated Financial Statements in our 2014 Annual Report.

The Parent’s average commercial paper borrowings were $2.9 billion in the second quarter of 2015 and $2.0 billion in the second quarter of 2014. There was no overnight commercial paper outstanding issued by the Parent at June 30, 2015 and Dec. 31, 2014.

The Parent had cash of $8.7 billion at June 30, 2015, compared with $7.4 billion at Dec. 31, 2014, an increase of $1.3 billion primarily reflecting the issuance of preferred stock and a net increase in loans from subsidiaries, partially offset by net common share repurchases.

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

In the second quarter of 2015, we repurchased 19.4 million common shares at an average price of $43.07 per common share for a total cost of $834 million.

The Parent’s liquidity policy is to have sufficient unencumbered cash and cash equivalents on hand to meet its forecasted debt redemptions, net interest payments and net tax payments over a minimum of the next 18 months without the need to receive dividends from its bank subsidiaries or issue debt. As of June 30, 2015, the Parent was in compliance with its liquidity policy.

Our ability to access the capital markets on favorable terms, or at all, is partially dependent on our credit ratings, which, as of June 30, 2015, were as follows:

Credit ratings	Moody's	S&P	Fitch		DBRS
Parent:					
Long-term senior debt	A1	A+	AA-		AA (low)
Subordinated debt	A2	A	A+		A (high)
Preferred stock	Baa1	BBB	BBB		A (low)
Trust preferred securities	A3	BBB	BBB+		A (high)
Short-term debt	P1	A-1	F1+		R-1 (middle)
Outlook - Parent:	Stable	Negative	Stable		Stable
The Bank of New York Mellon:					
Long-term senior debt	Aa2	AA-	AA		AA
Long-term deposits	Aa1	AA-	AA+		AA
Short-term deposits	P1	A-1+	F1+		R-1 (high)
BNY Mellon, N.A.:					
Long-term senior debt	Aa2	AA-	AA	(a)	AA
Long-term deposits	Aa1	AA-	AA+		AA
Short-term deposits	P1	A-1+	F1+		R-1 (high)
Outlook - Banks:	Stable	Stable	Stable		Stable

(a) Represents senior debt issuer default rating.

As a result of S&P's government support assumptions on certain U.S. financial institutions, the Parent's S&P ratings benefit from one notch of "lift". Similarly, The Bank of New York Mellon's and BNY Mellon, N.A.'s ratings benefit from one notch of "lift" from S&P.

In March 2015, S&P indicated that it could remove assumed government support in its ratings on the eight U.S. G-SIBs, including the Parent. The eight U.S. G-SIBs, including the Parent, could be placed on CreditWatch as S&P nears a decision regarding whether to withdraw its government support assumptions. The withdrawal of assumed government support may result in a one-notch downgrade of the Parent. S&P indicated that its outlooks on The Bank of New York Mellon and BNY Mellon, N.A. are stable. For further discussion on the impact of a credit rating downgrade, see Note 17 of the Notes to Consolidated Financial Statements and in our 2014 Annual Report, see our credit ratings Risk Factor.

In addition, in May 2015, Moody's Investors Service ("Moody's") announced that it had concluded its review of the Parent, The Bank of New York Mellon and BNY Mellon, N.A. As a result of a revised methodology for rating banks globally, government

support assumptions which had provided The Bank of New York Mellon and BNY Mellon, N.A.'s ratings with two notches of "lift" were eliminated. The Parent, The Bank of New York Mellon and BNY Mellon, N.A.'s ratings did not change.

Long-term debt totaled $20.4 billion at June 30, 2015 and $20.3 billion at Dec. 31, 2014. In the first six months of 2015, the Parent issued $2.8 billion of senior debt. Additionally, $2.65 billion of long-term debt matured. The Parent has $1.0 billion of long-term debt that will mature in the remainder of 2015.

The following table presents the long-term debt issued by the Parent in the second quarter of 2015.

Debt issuances (in millions)	Quarter ended June 30, 2015
Senior medium-term notes:	
1.6% senior medium-term notes due 2018	$500
3-month LIBOR + 38 bps senior medium-term notes due 2018	300
Total debt issuances	$800

On April 28, 2015, BNY Mellon issued 1,000,000 depository shares, each representing a 1/100th interest in a share of BNY Mellon's Series E noncumulative perpetual preferred stock. The Series E preferred stock has an aggregate liquidation preference of $1 billion. BNY Mellon will pay dividends on the Series E preferred stock, if declared by our board of directors, at an annual rate equal to 4.950% on each June 20 and December 20, commencing Dec. 20, 2015, to and including June 20, 2020; and a floating rate equal to three-month LIBOR plus 342 basis points on each March 20, June 20, September 20 and December 20, commencing Sept. 20, 2020.

The double leverage ratio is the ratio of investment in subsidiaries divided by our consolidated equity, which includes our noncumulative perpetual preferred stock plus trust preferred securities. Our double leverage ratio was 112.4% at June 30, 2015 and 112.0% at Dec. 31, 2014. The double leverage ratio is monitored by regulators and rating agencies and is an important constraint on our ability to invest in our subsidiaries and expand our businesses.

Pershing LLC, an indirect subsidiary of BNY Mellon, has uncommitted lines of credit in place for liquidity purposes which are guaranteed by the Parent. Pershing LLC has eight separate uncommitted lines

of credit amounting to $1.5 billion in aggregate. Average daily borrowing under these lines was $5 million, in aggregate, in the second quarter of 2015.
Pershing Limited, an indirect UK-based subsidiary of BNY Mellon, has two separate uncommitted lines of credit amounting to $250 million in aggregate in place for liquidity purposes, which are guaranteed by the Parent. Average borrowings under these lines was $47 million, in aggregate, in the second quarter of 2015.

Statement of cash flows

Cash provided by operating activities was $2.6 billion in the six months ended June 30, 2015 compared with $2.4 billion in the six months ended June 30, 2014. In both the first six months of 2015 and first six months of 2014, cash flows from operations were principally the result of earnings and changes in trading activities.

Cash used for investing activities was $18.1 billion in the six months ended June 30, 2015 compared with $26.3 billion in the six months ended June 30, 2014. In the first six months of 2015, purchases of securities, changes in interest-bearing deposits with

the Federal Reserve and other central banks, changes in loans and changes in federal funds sold and securities purchased under resale agreements were a significant use of funds, partially offset by sales, paydowns and maturities of securities available-for-sale. In the first six months of 2014, purchases of securities available-for-sale, changes in loans, interest-bearing deposits with banks and federal funds sold and securities purchased under resale agreements, were significant uses of funds, partially offset by sales, paydowns and maturities of securities available-for-sale.

Cash provided by financing activities was $16.8 billion in the six months ended June 30, 2015 compared with $23.6 billion in the six months ended June 30, 2014. In both the first six months of 2015 and the first six months of 2014, changes in deposits and the issuance of long-term debt were significant sources of funds, partially offset by the repayment of long-term debt and treasury stock repurchases. In the six months ended June 30, 2015, changes in federal funds purchased and securities sold under repurchase agreements was also a significant use of funds.

Capital

Capital data (dollar amounts in millions except per share amounts; common shares in thousands)	June 30, 2015		March 31, 2015		Dec. 31, 2014	
Average common equity to average assets (a)	9.4	%	9.6	%	9.6	%
At period end:						
BNY Mellon shareholders' equity to total assets ratio – GAAP (a)(b)	9.7	%	9.5	%	9.7	%
BNY Mellon common shareholders' equity to total assets ratio – GAAP (a)(b)	9.0	%	9.1	%	9.3	%
BNY Mellon tangible common shareholders' equity to tangible assets of operations ratio – Non-GAAP (b)	6.2	%	6.0	%	6.5	%
Total BNY Mellon shareholders' equity – GAAP	$38,270		$37,328		$37,441	
Total BNY Mellon common shareholders' equity – GAAP	$35,718		$35,766		$35,879	
BNY Mellon tangible common shareholders' equity – Non-GAAP (b)	$16,441		$16,618		$16,439	
Book value per common share – GAAP (b)	$32.28		$31.89		$32.09	
Tangible book value per common share – Non-GAAP (b)	$14.86		$14.82		$14.70	
Closing stock price per common share	$41.97		$40.24		$40.57	
Market capitalization	$46,441		$45,130		$45,366	
Common shares outstanding	1,106,518		1,121,512		1,118,228	

Cash dividends per common share	$0.17	$0.17	$0.17
Common dividend payout ratio	23 %	25 %	94 %
Common dividend yield (annualized)	1.6 %	1.7 %	1.7 %

(a) Capital ratios for the first quarter of 2015 were revised to reflect the retrospective application of adopting new accounting guidance related to Consolidations (ASU 2015-02). See Note 2 of the Notes to Consolidated Financial Statements for additional information.

(b) See "Supplemental information – Explanation of GAAP and Non-GAAP financial measures" beginning on page 52 for a reconciliation of GAAP to Non-GAAP.

Total The Bank of New York Mellon Corporation shareholders' equity increased to $38.3 billion from $37.4 billion at Dec. 31, 2014. The increase primarily reflects earnings retention, the issuance of $1 billion of noncumulative perpetual preferred stock and approximately $485 million resulting from stock awards, the exercise of stock options and stock issued for employee benefit plans, partially offset by share repurchases, foreign currency translation adjustments, a decrease in the unrealized gain on our investment securities portfolio and the impact of the decrease in our pension benefit obligation.

The unrealized gain net of tax on our investment securities portfolio recorded in accumulated other comprehensive income was $494 million compared with $675 million at Dec. 31, 2014. The decrease in the valuation of the investment securities portfolio was primarily driven by higher market interest rates.

In the first six months of 2015, we repurchased 29.7 million common shares at an average price of $41.60 per common share for a total cost of $1.2 billion.

On July 21, 2015, The Bank of New York Mellon Corporation declared a quarterly common stock dividend of $0.17 per common share. This cash dividend is payable on Aug. 13, 2015 to shareholders of record as of the close of business on Aug. 3, 2015.

BNY Mellon's tangible common shareholders' equity to tangible assets of operations ratio was 6.2% at June 30, 2015 and 6.5% at Dec. 31, 2014. The decrease primarily reflects an increase in total assets.

Capital adequacy

Regulators establish certain levels of capital for bank holding companies and banks, including BNY Mellon and our bank subsidiaries, in accordance with established quantitative measurements. For the Parent to maintain its status as a financial holding company, our bank subsidiaries and BNY Mellon must, among other things, qualify as "well capitalized".

As of June 30, 2015, March 31, 2015 and Dec. 31, 2014, BNY Mellon and our bank subsidiaries were considered "well capitalized" on the basis of the Tier 1 and Total capital ratios and, in the case of our bank subsidiaries, the CET1 ratio and the leverage capital ratio (Tier 1 capital to quarterly average assets as defined for regulatory purposes).

Failure to satisfy regulatory standards, including "well capitalized" status or capital adequacy rules more generally, could result in limitations on our activities and adversely affect our financial condition. See the discussion of these matters in our 2014 Annual Report in "Supervision and Regulation-Regulated Entities of BNY Mellon and Ancillary Regulatory Requirements" and "Risk Factors-Operational and Business Risk-Failure to satisfy regulatory standards, including "well capitalized" and "well managed" status or capital adequacy rules more generally, could result in limitations on our activities and adversely affect our business and financial condition."

The U.S. banking agencies' capital rules have been based on guidance from the Basel Committee on Banking Supervision, as amended from time to time. For additional information on these capital requirements see "Supervision and Regulation" in our 2014 Annual Report. BNY Mellon is subject to Basel III under the U.S. capital rules, which are being gradually phased-in over a multi-year period through 2018. Effective in the second quarter of 2014, BNY Mellon was approved to exit parallel run reporting for U.S. regulatory capital purposes related to the U.S. capital rules' Advanced Approaches. In the first quarter of 2015, we implemented the Basel III Standardized Approach which replaced the Basel I-based calculation of risk-weighted assets ("RWA") with a revised methodology using a broader array of more risk sensitive risk-weighting categories.

In the second quarter of 2015, we retrospectively adopted as of Jan. 1, 2015, ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." As a result of the new accounting guidance, the RWA as of March

31, 2015 decreased $13.3 billion under the Advanced Approach and $7.0 billion under the Standardized Approach. See Note 2 of the Notes to Consolidated Financial Statements for additional information on the new accounting guidance.

Our estimated Basel III CET1 ratios on a fully phased-in basis are based on our current interpretation of the U.S. capital rules. The estimated fully phased-in Basel III CET1 ratios assume all relevant regulatory model approvals. The U.S. capital rules require approval by banking regulators of certain models used as part of RWA calculations. If these models are not approved, the estimated fully phased-in capital ratios would likely be adversely

impacted. RWA at June 30, 2015, March 31, 2015 and Dec. 31, 2014 under the transitional Advanced Approach do not reflect the use of a simple value-at-risk ("VaR") methodology for repo-style transactions (including agented indemnified securities lending transactions), eligible margin loans, and similar transactions. The Company has requested written approval to use this methodology. The estimated net impact of such a VaR methodology for June 30, 2015 regulatory capital ratios calculated under the transitional Advanced Approach would have been an increase of approximately 30 basis points to the CET1, Tier 1 and Total capital ratios. The leverage capital ratio is not impacted.

Our risk-based capital adequacy is determined using the higher of RWA determined using the Advanced Approach and Standardized Approach. The consolidated and The Bank of New York Mellon ratios included in the table below are based on the Advanced Approach as the related RWA were higher using that framework at June 30, 2015, March 31, 2015 and Dec. 31, 2014. Our consolidated and largest bank subsidiary, The Bank of New York Mellon, regulatory capital ratios are shown below.

Consolidated and largest bank subsidiary regulatory capital ratios	June 30, 2015 Well capitalized	Minimum required	Capital ratios	March 31, 2015	Dec. 31, 2014
Consolidated regulatory capital ratios: (a)					
CET1 ratio	N/A (b)	4.5 %	10.9 %	10.8 %	11.2 %
Tier 1 capital ratio	6 %	6 %	12.5 %	11.7 %	12.2 %
Total (Tier 1 plus Tier 2) capital ratio	10 %	8 %	12.8 %	12.0 %	12.5 %
Leverage capital ratio	N/A (b)	4 %	5.8 %	5.7 %	5.6 %
Selected regulatory capital ratios – fully phased-in – Non-GAAP: (a)					
Estimated CET1 ratio:					
Standardized Approach	(c)	(c)	10.0 %	10.0 %	10.6 %
Advanced Approach	(c)	(c)	9.9 %	9.9 %	9.8 %
Estimated SLR	N/A	3 %	4.6 %	4.6 %	4.4 %
The Bank of New York Mellon regulatory capital ratios: (d)					
CET1 ratio	6.5 %	4.5 %	11.4 %	10.9 %	N/A
Tier 1 capital ratio	8 %	6 %	11.9 %	11.3 %	12.4 %
Total (Tier 1 plus Tier 2) capital ratio	10 %	8 %	12.1 %	11.6 %	12.6 %
Leverage capital ratio	5 %	4 %	5.4 %	5.3 %	5.2 %

(a) Capital ratios for the first quarter of 2015 were revised to reflect the retrospective application of adopting new accounting guidance related to Consolidations (ASU 2015-02). See Note 2 of the Notes to Consolidated Financial Statements for additional information on the new accounting guidance.

(b) The federal banking agencies' regulatory capital requirements do not establish well-capitalized thresholds for these measures for bank holding companies.

(c) See page 45 for the capital ratios with the phase-in of the capital conservation buffer and the estimated U.S. G-SIB surcharge.

(d) The Bank of New York Mellon CET1, Tier 1 capital and Total capital ratios were each reduced by approximately 70 basis points as of March 31, 2015 and The Bank of New York Mellon Tier 1 capital and Total capital ratios

were each reduced by approximately 60 basis points as of Dec. 31, 2014, to correctly reflect the allocation of operational risk Advanced Approach RWA to this entity. There was no impact to the consolidated regulatory capital ratios.

N/A – Not applicable.

Our estimated Basel III CET1 ratio (Non-GAAP) calculated under the Advanced Approach on a fully phased-in basis was 9.9% at June 30, 2015 and 9.8% at Dec. 31, 2014. Our estimated Basel III CET1 ratio (Non-GAAP) calculated under the Standardized Approach on a fully phased-in basis was 10.0% at June 30, 2015 and 10.6% at Dec. 31, 2014. The increase in the estimated Basel III CET1 ratio (Non-GAAP) calculated under the Advanced Approach

from Dec. 31, 2014 was primarily driven by lower RWA resulting from the deconsolidation of certain consolidated investment management funds, partially offset by an increase in operational risk RWA.

The estimated fully phased-in SLR (Non-GAAP) of 4.6% at June 30, 2015 and 4.4% at Dec. 31, 2014 was based on our interpretation of the U.S. capital rules,

as supplemented by the Federal Reserve's final rules on the SLR.

For additional information on the U.S. capital rules, see "Supervision and Regulation - Capital Requirement - Existing U.S. Requirements" in our 2014 Annual Report.

The Basel III Advanced Approach capital ratios are significantly impacted by operational losses. Our operational loss risk model is informed by external losses, including fines and penalties levied against institutions in the financial services industry, particularly those that relate to businesses in which we operate, and as a result external losses have impacted and could in the future impact the amount of capital that we are required to hold.

Management views the estimated fully phased-in Basel III CET1 and other risk-based capital ratios and SLR as key measures in monitoring BNY Mellon's capital position and progress against future regulatory capital standards. Additionally, the presentation of the estimated fully phased-in Basel III CET1 and other risk-based capital ratios and SLR are intended to allow investors to compare these ratios with estimates presented by other companies.

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

Minimum capital ratios and capital buffers

The U.S. capital rules include a series of buffers and surcharges over required minimums that apply to bank holding companies, including BNY Mellon, which are being phased-in over time. Banking organizations with a CET1 ratio or SLR above the minimum required level, but with a CET1 ratio or SLR below the minimum level with buffers, will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. Different regulatory capital minimums, buffers and surcharges apply to our banking subsidiaries.

The U.S. capital rules introduced a capital conservation buffer and countercyclical capital buffer that add to the minimum regulatory capital ratios presented above. The capital conservation buffer is designed to absorb losses during periods of economic stress and applies to all banking organizations. During periods of excessive growth, the capital conservation buffer may be expanded up to an additional 2.5% through the imposition of a countercyclical capital buffer. The countercyclical capital buffer, when applicable, applies only to Advanced Approaches banking organizations. The countercyclical capital buffer is initially set to zero, but it could increase if the banking agencies determine that excessive credit in the broader markets could result in systemic disruption.

BNY Mellon will also be subject to an additional G-SIB surcharge, which will be implemented as an extension of the capital conservation buffer and must be satisfied with CET1 capital. On July 20, 2015, the Federal Reserve published final rules to implement the G-SIB surcharge. BNY Mellon may be subject to a G-SIB surcharge that is greater than the prior estimate of 1% under the Basel G-SIB framework and the estimate of 1% under the final G-SIB rule release.

In addition, the U.S. capital rules include an SLR to become effective on Jan. 1, 2018, although commencing in January 2015 each Advanced Approaches banking organization is required to calculate and report its SLR. BNY Mellon, and its insured depository institution subsidiaries, will be subjected to an enhanced SLR, which will require a buffer in excess of 2% over the minimum SLR. The insured depository institution subsidiaries of the U.S. G-SIBs, including those of BNY Mellon, must maintain a 6% SLR to be considered "well capitalized."

These buffers, other than the SLR buffer, and surcharge will be phased in beginning on Jan. 1, 2016 until fully implemented on Jan. 1, 2019. The following table presents the minimum capital ratio requirements with buffers and

surcharge, as phased-in. This does not include the imposition of a countercyclical capital buffer. The U.S. capital rules also provide for transitional arrangements for qualifying instruments, deductions, and adjustments, which are not reflected in this table. Buffers and surcharges are not applicable to the leverage capital ratio.

Consolidated capital ratio requirements	Minimum ratios	Minimum ratios with buffers, as phased-in 2015	2016	2017	2018	2019
Capital conservation buffer (CET1)		N/A	0.625 %	1.25 %	1.875 %	2.5 %
U.S. G-SIB surcharge (CET1) (Federal Reserve published estimate)		N/A	0.250 %	0.50 %	0.750 %	1.0 %
CET1 ratio	4.5 %	4.5 %	5.375 %	6.25 %	7.125 %	8.0 %
Tier 1 capital ratio	6.0 %	6.0 %	6.875 %	7.75 %	8.625 %	9.5 %
Total capital ratio	8.0 %	8.0 %	8.875 %	9.75 %	10.625 %	11.5 %
Enhanced SLR buffer (Tier 1 capital)		N/A	N/A	N/A	2.0 %	2.0 %
SLR	3.0 %	N/A	N/A	N/A	5.0 %	5.0 %

N/A - Not applicable.

The table below presents the factors that impacted fully phased-in Basel III CET1 (Non-GAAP).

Estimated Basel III CET1 generation presented on a fully phased-in basis – Non-GAAP (in millions)	Quarter ended June 30, 2015
Estimated fully phased-in Basel III CET1 – Non-GAAP – Beginning of period	$ 16,123
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	830
Goodwill and intangible assets, net of related deferred tax liabilities	(129)
Gross Basel III CET1 generated	701
Capital deployed:	
Dividends	(192)
Common stock repurchased	(834)
Total capital deployed	(1,026)
Other comprehensive income (loss):	
Foreign currency translation	295
Unrealized (loss) on assets available-for-sale	(368)
Pension liabilities	21
Unrealized gain on cash flow hedges	9
Total other comprehensive (loss)	(43)
Additional paid-in capital (a)	191
Other additions (deductions):	
Net pension fund assets	(4)
Deferred tax assets	(2)
Cash flow hedges	(10)
Embedded goodwill	1
Other	—
Total other (deductions)	(15)
Net Basel III CET1 generated	(192)
Estimated fully phased-in Basel III CET1 – Non-GAAP – End of period	$ 15,931

(a) Primarily related to stock awards, the exercise of stock options and stock issued for employee benefit plans.

The following table presents the components of our transitional and fully phased-in Basel III CET1, Tier 1 and Tier 2 capital, the Basel III RWA determined under both the Standardized and Advanced Approaches, the average assets used for leverage capital purposes and the total leverage exposure for estimated SLR purposes.

Basel III capital components and ratios (a)	June 30, 2015		Dec. 31, 2014	
(dollars in millions)	Transitional Approach (a)	Fully phased-in Basel III - Non-GAAP	Transitional Approach (a)	Fully phased-in Basel III - Non-GAAP
CET1:				
Common shareholders' equity	$36,253	$35,718	$36,326	$35,879
Goodwill and intangible assets	(17,584)	(19,277)	(17,111)	(19,440)
Net pension fund assets	(44)	(109)	(17)	(87)
Equity method investments	(315)	(374)	(314)	(401)
Deferred tax assets	(7)	(18)	(4)	(18)
Other	(5)	(9)	4	(2)
Total CET1	18,298	15,931	18,884	15,931
Other Tier 1 capital:				
Preferred stock	2,552	2,552	1,562	1,562
Trust preferred securities	79	—	156	—
Disallowed deferred tax assets	(11)	—	(14)	—
Net pension fund assets	(65)	—	(69)	—
Other	(11)	(7)	(17)	(12)
Total Tier 1 capital	20,842	18,476	20,502	17,481
Tier 2 capital:				
Trust preferred securities	236	—	156	—
Subordinated debt	248	248	298	298
Allowance for credit losses	278	278	280	280
Other	(7)	(6)	(11)	(11)
Total Tier 2 capital - Standardized Approach	755	520	723	567
Excess of expected credit losses	30	30	13	24
Less: Allowance for credit losses	278	278	280	280
Total Tier 2 capital - Advanced Approach	$507	$272	$456	$311
Total capital:				
Standardized Approach	$21,597	$18,996	$21,225	$18,048
Advanced Approach	$21,349	$18,748	$20,958	$17,792
Risk-weighted assets:				
Standardized Approach (b)	$161,576	$159,769	$125,562	$150,881
Advanced Approach:				
Credit Risk	$108,935	$102,112	$120,122	$114,105
Market Risk	3,067	3,067	3,046	3,046
Operational Risk	55,338	55,338	45,112	45,112
Total Advanced Approach	$167,340	$160,517	$168,280	$162,263
Standardized Approach:				
Estimated Basel III CET1 ratio	11.3%	10.0%	15.0%	10.6%
Tier 1 capital ratio	12.9%	11.6%	16.3%	11.6%

Total (Tier 1 plus Tier 2) capital ratio	13.4 %	11.9 %	16.9 %	12.0 %
Advanced Approach:				
Estimated Basel III CET1 ratio	10.9 %	9.9 %	11.2 %	9.8 %
Tier 1 capital ratio	12.5 %	11.5 %	12.2 %	10.8 %
Total (Tier 1 plus Tier 2) capital ratio	12.8 %	11.7 %	12.5 %	11.0 %
Average assets for leverage capital purposes	$360,787		$368,140	
Total leverage exposure for estimated SLR purposes - Non-GAAP		$401,562		$398,813

(a) Reflects transitional adjustments to CET1, Tier 1 capital and Tier 2 capital required in 2015 under the U.S. capital rules.

(b) RWA under the Standardized Approach at Dec. 31, 2014 was determined using a Basel I-based calculation. Effective Jan. 1, 2015, we implemented the Basel III Standardized Approach which used a broader array of more risk sensitive risk-weighting categories.

The following table presents the amount of capital by which BNY Mellon and our largest bank subsidiary, The Bank of New York Mellon, exceeded the capital thresholds determined under the transitional rules at June 30, 2015.

Capital above thresholds at June 30, 2015

(in millions)	Consolidated		The Bank of New York Mellon (b)
CET1	$10,768	(a)	$6,614
Tier 1 capital	10,802	(b)	5,174
Total capital	4,615	(b)	2,796
Leverage capital	6,411	(a)	1,085

(a) Based on minimum required standards.
(b) Based on well-capitalized standards.

The following table shows the impact of a $1 billion increase or decrease in RWA, quarterly average assets or total leverage exposure, or a $100 million increase or decrease in common equity on the consolidated capital ratios at June 30, 2015.

Sensitivity of consolidated capital ratios at June 30, 2015

	Increase or decrease of			
(basis points)	$100 million in common equity		$1 billion in RWA, quarterly average assets, or total leverage exposure	
CET1:				
Standardized Approach	6	bps	7	bps
Advanced Approach	6		7	
Tier 1 capital:				
Standardized Approach	6		8	
Advanced Approach	6		7	
Total capital:				
Standardized Approach	6		8	
Advanced Approach	6		8	
Leverage capital	3		2	
Estimated CET1 ratio, fully phased-in – Non-GAAP:				
Standardized Approach	6		6	
Advanced Approach	6		6	
Estimated SLR, fully phased-in – Non-GAAP	2		1	

At June 30, 2015, we had $315 million of trust preferred securities outstanding, of which 25% currently qualify as Tier 1 capital and 75% as Tier 2 capital. Under the U.S. capital rules, these trust preferred securities may continue to be included in Tier 1 capital up to the following percentages: calendar year 2015 - 25% and calendar year 2016 and beyond - 0%. Certain amounts of trust preferred securities that are excluded from additional Tier 1 capital due to this phase-in schedule may be eligible for inclusion in Tier 2 capital, pursuant to the standards established in the U.S.

capital rules. Any decision to take action with respect to these trust preferred securities will be based on several considerations including interest rates and the availability of cash and capital.

Capital ratios vary depending on the size of the balance sheet at quarter-end and the level and types of investments in assets. The balance sheet size fluctuates from quarter to quarter based on levels of customer and market activity. In general, when servicing clients are more actively trading securities, deposit balances and the balance sheet as a whole are higher. In addition, when markets experience significant volatility or stress, our balance sheet size may increase considerably as client deposit levels increase.

Supplementary leverage ratio

BNY Mellon has presented its estimated fully phased-in Basel III SLR based on its interpretation of the U.S. capital rules, which are being gradually phased-in over a multi-year period, as supplemented by the Federal Reserve's final rules concerning the SLR published on Sept. 3, 2014, and on the application of such rules to BNY Mellon's businesses as currently conducted. When the SLR is fully phased-in, we expect to maintain an SLR of over 5%. The minimum SLR is 3% and there is a 2% buffer, in addition to the minimum, that is applicable to U.S. G-SIBs.

The following table presents the components of our estimated SLR using fully phased-in Basel III components of capital.

Estimated fully phased-in SLR – Non-GAAP (dollars in millions)	June 30, 2015	March 31, 2015	Dec. 31, 2014
Total estimated fully phased-in Basel III CET1 – Non-GAAP	$15,931	$16,123	$15,931
Additional Tier 1 capital	2,545	1,560	1,550
Total Tier 1 capital	$18,476	$17,683	$17,481
Total leverage exposure:			
Quarterly average total assets (a)	$378,279	$368,411	$385,232
Less: Amounts deducted from Tier 1 capital	19,779	19,644	19,947
Total on-balance sheet assets, as adjusted (a)	358,500	348,767	365,285
Off-balance sheet exposures:			
Potential future exposure for derivatives contracts (plus certain other items)	9,222	9,295	11,376
Repo-style transaction exposures included in SLR	6,589	6,474	302
Credit-equivalent amount of other off-balance sheet exposures (less SLR exclusions)	27,251	22,046	21,850
Total off-balance sheet exposures	43,062	37,815	33,528
Total leverage exposure (a)	$401,562	$386,582	$398,813
Estimated fully phased-in SLR – Non-GAAP (a)	4.6 %	4.6 %	4.4 %

(a) The first quarter of 2015 was restated to reflect the retrospective application of adopting new accounting guidance related to Consolidations (ASU 2015-02). See Note 2 of the Notes to Consolidated Financial Statements for additional information of the new accounting guidance.

Trading activities and risk management

Our trading activities are focused on acting as a market maker for our customers and facilitating customer trades in compliance with the Volcker Rule. The risk from market-making activities for customers is managed by our traders and limited in total exposure through a system of position limits, VaR methodology based on a Monte Carlo simulation, stop loss advisory triggers, and other market sensitivity measures. The calculation of our VaR used by management and presented below assumes a one-day holding period, utilizes a 99% confidence level, and incorporates the non-linear characteristics of options. See Note 17 of the Notes to Consolidated Financial Statements for additional information on the VaR methodology.

The following tables indicate the calculated VaR amounts for the trading portfolio for the designated periods:

VaR (a) (in millions)	2Q15 Average	Minimum	Maximum	June 30, 2015
Interest rate	$5.3	$4.1	$7.8	$4.1
Foreign exchange	0.8	0.5	1.4	0.7
Equity	1.1	0.9	1.4	1.1
Diversification	(1.8)	N/M	N/M	(1.5)
Overall portfolio	5.4	4.1	8.1	4.4

VaR (a) 1Q15

(in millions)	Average	Minimum	Maximum	March 31, 2015
Interest rate	$5.2	$3.6	$8.0	$6.3
Foreign exchange	0.9	0.6	1.4	0.7
Equity	1.4	0.8	1.9	1.3
Diversification	(2.0)	N/M	N/M	(2.2)
Overall portfolio	5.5	3.9	8.5	6.1

VaR (a)	2Q14			June 30,
(in millions)	Average	Minimum	Maximum	2014
Interest rate	$7.7	$5.5	$10.5	$6.4
Foreign exchange	1.0	0.6	2.7	1.1
Equity	1.8	1.3	2.9	1.8
Diversification	(2.6)	N/M	N/M	(3.0)
Overall portfolio	7.9	5.7	10.3	6.3

VaR (a)	YTD15		
(in millions)	Average	Minimum	Maximum
Interest rate	$5.2	$3.6	$8.0
Foreign exchange	0.8	0.5	1.4
Equity	1.3	0.8	1.9
Diversification	(1.9)	N/M	N/M
Overall portfolio	5.4	3.9	8.5

VaR (a)	YTD14		
(in millions)	Average	Minimum	Maximum
Interest rate	$8.2	$5.5	$13.4
Foreign exchange	1.1	0.5	2.7
Equity	2.0	1.3	4.0
Diversification	(2.8)	N/M	N/M
Overall portfolio	8.5	5.7	13.0

(a) VaR figures do not reflect the impact of the credit valuation adjustment ("CVA") guidance in Accounting Standards Codification ("ASC") 820. This is consistent with the regulatory treatment. VaR exposure does not include the impact of the Company's consolidated investment management funds and seed capital investments.

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

The interest rate component of VaR represents instruments whose values predominantly vary with the level or volatility of interest rates. These instruments include, but are not limited to: debt securities, mortgage-backed securities, swaps, swaptions, forward rate agreements, exchange-traded futures and options, and other interest rate derivative products.

The foreign exchange component of VaR represents instruments whose values predominantly vary with the level or volatility of currency exchange rates or interest rates. These instruments include, but are not limited to: currency balances, spot and forward transactions, currency options, and exchange-traded futures and options, and other currency derivative products.

The equity component of VaR consists of instruments that represent an ownership interest in the form of domestic and foreign common stock or other equity-linked instruments. These instruments include, but are not limited to: common stock, exchange-traded funds, Depositary Receipts, listed equity options (puts and calls), OTC equity options, equity total return swaps, equity index futures and other equity derivative products.

The diversification component of VaR is the risk reduction benefit that occurs when combining portfolios and offsetting positions, and from the correlated behavior of risk factor movements.

During the second quarter of 2015, interest rate risk generated 74% of average VaR, equity risk generated 15% of average VaR and foreign exchange risk accounted for 11% of average VaR. During the

second quarter of 2015, our daily trading loss did not exceed our calculated VaR amount of the overall portfolio on any given day.

The following table of total daily trading revenue or loss illustrates the number of trading days in which our trading revenue or loss fell within particular ranges during the past five quarters. The year-over-year variances are driven by higher volatility. The sequential variances are driven by lower volatility.

Distribution of trading revenue (loss) (a)

(dollar amounts in millions)	Quarter ended June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014
Revenue range:	Number of days				
Less than $(2.5)	—	1	—	—	—
$(2.5) - $0	3	2	7	3	6
$0 - $2.5	27	18	28	34	31

$2.5 - $5.0	26	24	18	20	26
More than $5.0	8	16	9	7	1

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

Trading assets include debt and equity instruments and derivative assets, primarily interest rate and foreign exchange contracts, not designated as hedging instruments. Trading assets were $8 billion at June 30, 2015 and $10 billion at Dec. 31, 2014.

Trading liabilities include debt and equity instruments, and derivative liabilities, primarily interest rate and foreign exchange contracts, not designated as hedging instruments. Trading liabilities were $5 billion at June 30, 2015 and $7 billion at Dec. 31, 2014.

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

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

impaired, further analyses are performed to value such positions.

At June 30, 2015, our OTC derivative assets of $4.8 billion included a CVA deduction of $36 million. Our OTC derivative liabilities of $5.3 billion included a debit valuation adjustment ("DVA") of $6 million related to our own credit spread. Net of hedges, the CVA and DVA were unchanged in the second quarter of 2015. Foreign exchange and other trading revenue was not impacted by the CVA and DVA in the second quarter of 2015.

In the first quarter of 2015, net of hedges, the CVA decreased $2 million and the DVA increased $1 million. The net impact of these adjustments increased foreign exchange and other trading revenue by $3 million in the first quarter of 2015.

In the second quarter of 2014, net of hedges, the CVA increased $2 million and the DVA was unchanged. The net impact of these adjustments decreased foreign exchange and other trading revenue by $2 million in the second quarter of 2014.

The table below summarizes the risk ratings for our foreign exchange and interest rate derivative counterparty credit exposure. This information indicates the degree of risk to which we are exposed. Significant changes in ratings classifications for our foreign exchange and other trading activity could result in increased risk for us.

Foreign exchange and other trading counterparty risk rating profile (a)

	Quarter ended				
	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014
Rating:					
AAA to AA-	41 %	37 %	37 %	37 %	44 %
A+ to A-	42	47	46	45	35
BBB+ to BBB-	13	14	14	14	16
Non-investment grade (BB+ and lower)	4	2	3	4	5
Total	100 %	100 %	100 %	100 %	100 %

(a) Represents credit rating agency equivalent of internal credit ratings.

Asset/liability management

Our diversified business activities include processing securities, accepting deposits, investing in securities, lending, raising money as needed to fund assets, and other transactions. The market risks from these activities are interest rate risk and foreign exchange risk. Our primary market risk is exposure to movements in U.S. dollar interest rates and certain foreign currency interest rates. We actively manage interest rate sensitivity and use earnings simulation and discounted cash flow models to identify interest rate exposures.

An earnings simulation model is the primary tool used to assess changes in pre-tax net interest revenue. The model incorporates management's assumptions regarding interest rates, balance changes on core deposits, market spreads, changes in the prepayment behavior of loans and securities and the impact of derivative financial instruments used for interest rate risk management purposes. These assumptions have been developed through a combination of historical analysis and future expected pricing behavior and are inherently uncertain. As a result, the earnings simulation model cannot precisely estimate net interest revenue or the impact of higher or lower interest rates on net interest revenue.

Actual results may differ from projected results due to timing, magnitude and frequency of interest rate changes, and changes in market conditions and management's strategies, among other factors.

These scenarios do not reflect strategies that management could employ to limit the impact as interest rate expectations change. The table below relies on certain critical assumptions regarding the balance sheet and depositors' behavior related to interest rate fluctuations and the prepayment and extension risk in certain of our assets. To the extent that actual behavior is different from that assumed in the models, there could be a change in interest rate sensitivity.

We evaluate the effect on earnings by running various interest rate ramp scenarios from a baseline scenario. These scenarios are reviewed to examine the impact of large interest rate movements. Interest rate sensitivity is quantified by calculating the change in pre-tax net interest revenue between the scenarios over a 12-month measurement period.

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

Estimated changes in net interest revenue (dollars in millions)	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014
up 200 bps parallel rate ramp vs. baseline (a)	$224	$210	$363	$457	$426
up 100 bps parallel rate ramp vs. baseline (a)	245	262	326	365	364
Long-term up 50 bps, short-term unchanged (b)	28	14	28	37	47
Long-term down 50 bps, short-term unchanged (b)	(73)	(69)	(54)	(44)	(40)

(a) In the parallel rate ramp, both short-term and long-term rates move in four equal quarterly increments.
(b) Long-term is equal to or greater than one year.
bps – basis points.

Incremental investment in fixed rate assets has resulted in higher net interest revenue projections in the baseline scenario; however, it has lowered net interest revenue sensitivity. Further, increased deposit run-off assumptions in our scenarios also reduced net interest revenue sensitivity. These assumptions are highly sensitive to the future course of monetary policy.

The 100 basis point ramp scenario assumes rates increase 25 basis points in each of the next four quarters and the 200 basis point ramp scenario assumes a 50 basis point per quarter increase.

Our net interest revenue sensitivity table above incorporates assumptions about the impact of changes in interest rates on depositor behavior based on historical experience. Given the current historically low interest rate environment and the potential change to implementation of monetary policy, the impact of depositor behavior is highly uncertain.

Growth or contraction of deposits could also be affected by the following factors:

- Monetary policy;
- Global economic uncertainty;
- Our ratings relative to other financial institutions' ratings; and
- Money market mutual fund and other regulatory reform.

Any of these events could change our assumptions about depositor behavior and have a significant impact on our balance sheet and net interest revenue.

Off-balance sheet arrangements

Off-balance sheet arrangements discussed in this section are limited to guarantees, retained or contingent interests and obligations arising out of unconsolidated variable interest entities ("VIEs"). For BNY Mellon, these items include certain credit guarantees and securitizations. Guarantees include: lending-related guarantees issued as part of our corporate banking business and securities lending indemnifications issued as part of our Investment Services business. See Note 18 of the Notes to Consolidated Financial Statements for a further discussion of our off-balance sheet arrangements.

Supplemental information - Explanation of GAAP and Non-GAAP financial measures

BNY Mellon has included in this Form 10-Q certain Non-GAAP financial measures based on fully phased-in Basel III CET1 and other risk-based capital ratios, SLR and tangible common shareholders' equity. BNY Mellon believes that the Basel III CET1 and other risk-based capital ratios on a fully phased-in basis, the SLR on a fully phased-in basis and the ratio of tangible common shareholders' equity to tangible assets of operations are measures of capital strength that provide additional useful information to investors, supplementing the capital ratios which are, or were, required by regulatory authorities. The tangible common shareholders' equity ratio includes changes in investment securities valuations which are reflected in total shareholders' equity. In addition, this ratio is expressed as a percentage of the actual book value of assets, as opposed to a percentage of a risk-based reduced value established in accordance with regulatory requirements, although BNY Mellon in its reconciliation has excluded certain assets which are given a zero percent risk-weighting for regulatory purposes and the assets of consolidated investment management funds to which BNY Mellon has limited economic exposure. Further, BNY Mellon believes that the return on tangible common equity measure, which excludes goodwill and intangible assets net of deferred tax liabilities, is a useful additional measure for investors because it presents a measure of those assets that can generate income. BNY Mellon has provided a measure of tangible book value per share, which it believes provides additional useful information as to the level of tangible assets in relation to shares of common stock outstanding.

BNY Mellon has presented revenue measures which exclude the effect of noncontrolling interests related to consolidated investment management funds; and expense measures which exclude M&I expenses, litigation charges, restructuring charges, amortization of intangible assets and the charge related to investment management funds, net of incentives. Earnings per share, return on equity measures and operating margin measures, which exclude some or all of these items, are also presented. Operating margin measures may also exclude amortization of intangible assets and the net negative impact of money market fee waivers, net of distribution and servicing expense. BNY Mellon believes that these measures are useful to investors because they permit

a focus on period-to-period comparisons, which relate to the ability of BNY Mellon to enhance revenues and limit expenses in circumstances where such matters are within BNY Mellon's control. The excluded items, in general, relate to certain charges as a result of prior transactions. M&I expenses primarily relate to acquisitions and generally continue for approximately three years after the transaction. Litigation charges represent accruals for loss contingencies that are both probable and reasonably estimable, but exclude standard business-related legal fees. Restructuring charges relate to our streamlining actions, Operational Excellence Initiatives and migrating positions to Global Delivery Centers. Excluding these charges mentioned above permits investors to view expenses on a basis consistent with how management views the business.

The presentation of revenue growth on a constant currency basis permits investors to assess the significance of changes in foreign currency exchange rates. Growth rates on a constant currency basis were determined by applying the current period foreign currency exchange rates to the prior period revenue. BNY Mellon believes that this presentation, as a supplement to GAAP information, gives investors a clearer picture of the related revenue results without the variability caused by fluctuations in foreign currency exchange rates.

The presentation of income from consolidated investment management funds, net of net income attributable to noncontrolling interests related to the consolidation of certain investment management funds permits investors to view revenue on a basis consistent with how management views the business. BNY Mellon believes that these presentations, as a supplement to GAAP information, give investors a clearer picture of the results of its primary businesses.

In this Form 10-Q, the net interest margin is presented on an FTE basis. We believe that this presentation provides comparability of amounts arising from both taxable and tax-exempt sources, and is consistent with industry practice. The adjustment to an FTE basis has no impact on net income. Each of these measures as described above is used by

management to monitor financial performance, both on a company-wide and on a business-level basis.

The following table presents the reconciliation of net income and diluted earnings per common share.

Reconciliation of net income and diluted EPS – GAAP to Non-GAAP	2Q15			2Q14		
(in millions, except per common share amounts)	Net income	Diluted EPS		Net income	Diluted EPS	
GAAP results	$830	$0.73		$554	$0.48	
Add: Litigation and restructuring charges	38	0.03		76	0.06	
Charge related to investment management funds, net of incentives	N/A	N/A		85	0.07	
Non-GAAP results	$868	$0.77	(a)	$715	$0.62	(a)

(a) Does not foot due to rounding.
N/A - Not applicable.

The following table presents the reconciliation of the pre-tax operating margin ratio.

Reconciliation of income before income taxes – pre-tax operating margin (dollars in millions)	2Q15		1Q15		2Q14		YTD15		YTD14	
Income before income taxes – GAAP	$1,165		$1,090		$811		$2,255		$1,737	
Less: Net income attributable to noncontrolling interests of consolidated investment management funds	37		31		17		68		37	
Add: Amortization of intangible assets	65		66		75		131		150	
M&I, litigation and restructuring charges	59		(3	)	122		56		110	
Charge related to investment management funds, net of incentives	—		—		109		—		104	
Income before income taxes, as adjusted – Non-GAAP (a)	$1,252		$1,122		$1,100		$2,374		$2,064	
Fee and other revenue – GAAP	$3,067		$3,012		$2,980		$6,079		$5,863	
Income from consolidated investment management funds – GAAP	40		52		46		92		82	
Net interest revenue – GAAP	779		728		719		1,507		1,447	
Total revenue – GAAP	3,886		3,792		3,745		7,678		7,392	
Less: Net income attributable to noncontrolling interests of consolidated investment management funds	37		31		17		68		37	
Total revenue, as adjusted – Non-GAAP (a)	$3,849		$3,761		$3,728		$7,610		$7,355	
Pre-tax operating margin (b)	30	%(c)	29	%(c)	22	%	29	%(c)	24	%
Pre-tax operating margin – Non-GAAP (a)(b)	33	%(c)	30	%(c)	30	%	31	%(c)	28	%

(a) Non-GAAP excludes net income attributable to noncontrolling interests of consolidated investment management funds, amortization of intangible assets, M&I, litigation and restructuring charges, and the charge related to investment management funds, net of incentives, if applicable.
(b) Income before taxes divided by total revenue.
(c) Our GAAP earnings include tax-advantaged investments such as low income housing, renewable energy, bank-owned life insurance and tax-exempt securities. The benefits of these investments are primarily reflected in tax expense. If reported on a tax-equivalent basis these investments would increase revenue and income before taxes by $64 million for the first quarter of 2015, $52 million for the second quarter of 2015 and $116 million for the first six months of 2015 and would increase our pre-tax operating margin by approximately 1.2%, 0.9% and

1.0%, respectively.

The following table presents the reconciliation of the returns on common equity and tangible common equity.

Return on common equity and tangible common equity (dollars in millions)	2Q15	1Q15	2Q14	YTD15	YTD14
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	$830	$766	$554	$1,596	$1,215
Add: Amortization of intangible assets, net of tax	44	43	49	87	98
Net income applicable to common shareholders of The Bank of New York Mellon Corporation excluding amortization of intangible assets – Non-GAAP	874	809	603	1,683	1,313
Add: M&I, litigation and restructuring charges	38	(2)	76	36	69
Charge related to investment management funds, net of incentives	—	—	85	—	81
Net income applicable to common shareholders of The Bank of New York Mellon Corporation, as adjusted – Non-GAAP (a)	$912	$807	$764	$1,719	$1,463
Average common shareholders' equity	$35,516	$35,486	$36,565	$35,501	$36,428
Less: Average goodwill	17,752	17,756	18,149	17,754	18,110
Average intangible assets	4,031	4,088	4,354	4,059	4,388
Add: Deferred tax liability – tax deductible goodwill (b)	1,351	1,362	1,338	1,351	1,338
Deferred tax liability – intangible assets (b)	1,179	1,200	1,247	1,179	1,247
Average tangible common shareholders' equity – Non-GAAP	$16,263	$16,204	$16,647	$16,218	$16,515
Return on common equity – GAAP (c)	9.4%	8.8%	6.1%	9.1%	6.7%
Return on common equity – Non-GAAP (a)(c)	10.3%	9.2%	8.4%	9.8%	8.1%
Return on tangible common equity – Non-GAAP (a)(c)	21.5%	20.3%	14.5%	20.9%	16.0%
Return on tangible common equity – Non-GAAP adjusted (a)(c)	22.5%	20.2%	18.4%	21.4%	17.9%

(a) Non-GAAP excludes amortization of intangible assets, M&I, litigation and restructuring charges and the charge related to investment management funds, net of incentives, if applicable.
(b) Deferred tax liabilities are based on fully phased-in Basel III rules.
(c) Annualized.

The following table presents the reconciliation of the equity to assets ratio and book value per common share.

Equity to assets and book value per common share (dollars in millions, unless otherwise noted)	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014
BNY Mellon shareholders' equity at period end – GAAP	$38,270	$37,328	$37,441	$38,451	$38,326
Less: Preferred stock	2,552	1,562	1,562	1,562	1,562
BNY Mellon common shareholders' equity at period end – GAAP	35,718	35,766	35,879	36,889	36,764
Less: Goodwill	17,807	17,663	17,869	17,992	18,196
Intangible assets	4,000	4,047	4,127	4,215	4,314
Add: Deferred tax liability – tax deductible goodwill (a)	1,351	1,362	1,340	1,317	1,338
Deferred tax liability – intangible assets (a)	1,179	1,200	1,216	1,230	1,247
BNY Mellon tangible common shareholders' equity at period end – Non-GAAP	$16,441	$16,618	$16,439	$17,229	$16,839
Total assets at period end – GAAP	$395,254	$392,337	$385,303	$386,296	$400,740
Less: Assets of consolidated investment management funds	2,231	1,681	9,282	9,562	10,428
Subtotal assets of operations – Non-GAAP	393,023	390,656	376,021	376,734	390,312
Less: Goodwill	17,807	17,663	17,869	17,992	18,196
Intangible assets	4,000	4,047	4,127	4,215	4,314
Cash on deposit with the Federal Reserve and other central banks (b)	106,628	93,044	99,901	90,978	104,916
Tangible total assets of operations at period end – Non-GAAP	$264,588	$275,902	$254,124	$263,549	$262,886
BNY Mellon shareholders' equity to total assets ratio – GAAP	9.7%	9.5%	9.7%	10.0%	9.6%
BNY Mellon common shareholders' equity to total assets ratio – GAAP	9.0%	9.1%	9.3%	9.5%	9.2%
BNY Mellon tangible common shareholders' equity to tangible assets of operations ratio – Non-GAAP	6.2%	6.0%	6.5%	6.5%	6.4%
Period-end common shares outstanding (in thousands)	1,106,518	1,121,512	1,118,228	1,125,710	1,131,596
Book value per common share – GAAP	$32.28	$31.89	$32.09	$32.77	$32.49
Tangible book value per common share – Non-GAAP	$14.86	$14.82	$14.70	$15.30	$14.88

(a) Deferred tax liabilities are based on fully phased-in Basel III rules.
(b) Assigned a zero percentage risk-weighting by the regulators.

The following table presents income from consolidated investment management funds, net of noncontrolling interests.

Income from consolidated investment management funds, net of noncontrolling interests (in millions)	2Q15	1Q15	2Q14	YTD15	YTD14
Income from consolidated investment management funds	$40	$52	$46	$92	$82
Less: Net income attributable to noncontrolling interests of consolidated investment management funds	37	31	17	68	37
	$3	$21	$29	$24	$45

Income from consolidated investment management funds, net
of noncontrolling interests

The following table presents the impact of changes in foreign currency exchange rates on our consolidated investment management and performance fees.

Investment management and performance fees - Consolidated			
(in millions)	2Q15	2Q14	2Q15 vs. 2Q14
Investment management and performance fees - GAAP	$878	$883	(1)%
Impact of changes in foreign currency exchange rates	—	(45)	
Investment management and performance fees, as adjusted - Non-GAAP	$878	$838	5 %

The following table presents the revenue line items in the Investment Management business impacted by the consolidated investment management funds.

Income from consolidated investment management funds, net of noncontrolling interests - Investment Management business					
(in millions)	2Q15	1Q15	2Q14	YTD15	YTD14
Investment management fees	$4	$1	$18	$5	$36
Other (Investment income)	(1)	20	11	19	9
Income from consolidated investment management funds, net of noncontrolling interests	$3	$21	$29	$24	$45

The following table presents the impact of changes in foreign currency exchange rates on investment management fees reported in the Investment Management segment.

Investment management fees - Investment Management business			
(in millions)	2Q15	2Q14	2Q15 vs. 2Q14
Investment management fees - GAAP	$844	$852	(1)%
Impact of changes in foreign currency exchange rates	—	(45)	
Investment management fees, as adjusted - Non-GAAP	$844	$807	5%

The following table presents the reconciliation of the pre-tax operating margin for the Investment Management business.

Pre-tax operating margin - Investment Management business						Year-to-date	
(dollars in millions)	2Q15	1Q15	4Q14	3Q14	2Q14	2015	2014
Income before income taxes – GAAP	$265	$264	$239	$245	$171	$529	$417
Add: Amortization of intangible assets	25	25	30	31	31	50	62
Money market fee waivers	29	34	34	29	28	63	63
Charge related to investment management funds, net of incentives	—	—	—	—	109	—	104
Income before income taxes excluding amortization of intangible assets, money market fee waivers and the charge related to investment management funds, net of incentives – Non-GAAP	$319	$323	$303	$305	$339	$642	$646
Total revenue – GAAP	$1,004	$1,010	$998	$1,003	$1,036	$2,014	$2,006
Less: Distribution and servicing expense	95	97	102	105	111	192	217
Money market fee waivers benefiting distribution and servicing expense	37	38	36	38	37	75	75
Add: Money market fee waivers impacting total revenue	66	72	70	67	65	138	138
Total revenue net of distribution and servicing expense and excluding money market fee waivers – Non-GAAP	$938	$947	$930	$927	$953	$1,885	$1,852
Pre-tax operating margin (a)	26%	26%	24%	24%	16%	26%	21%
	34%	34%	32%	33%	36%	34%	35%

Pre-tax operating margin, excluding amortization of intangible assets, money market fee waivers, the charge related to investment management funds, net of incentives and net of distribution and servicing expense – Non-GAAP (a)

(a) Income before taxes divided by total revenue.

Recent accounting and regulatory developments

Recently Issued Accounting Standards

ASU - 2014-09 - Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued an ASU, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on Jan. 1, 2018 with early adoption permitted no earlier than Jan. 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that this ASU will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Proposed Accounting Standards

Proposed ASU - Improvements to Employee Share-Based Payment Accounting

In June 2015, the FASB issued a proposed ASU, "Improvements to Employee Share-Based Payment Accounting." This proposed ASU would simplify several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Comments are due on this proposed ASU by Aug. 14, 2015. The effective date and whether to permit early adoption will be determined after considering stakeholder feedback.

Proposed ASU - Simplifying the Equity Method of Accounting

In June 2015, the FASB issued a proposed ASU, "Simplifying the Equity Method of Accounting." This proposed ASU would eliminate the requirement to account for the difference between the cost of an investment and the investor's proportionate share of the net assets of the investee (the basis difference), and also eliminates the requirement to retrospectively

apply the equity method when an increase in ownership interest in the investee prompts a change from the cost method to the equity method. Comments were due on this proposed ASU by Aug. 4, 2015. The effective date and whether to permit early adoption will be determined after considering stakeholder feedback.

Proposed ASU - Leases

In May 2013, the FASB and the IASB issued a revised proposed ASU on leases. The proposed ASU introduces new accounting models for both lessees and lessors, primarily to address concerns related to off-balance-sheet financing arrangements available to lessees under current guidance. The proposal would require lessees to account for all leases on the balance sheet, except for certain short-term leases that have a maximum possible lease term of 12 months or less, including any options to renew. A lessee would recognize on its balance sheet (1) an asset for its right to use the underlying asset over the lease term and (2) a liability representing its obligation to make lease payments over the lease term. The income statement impact for lessees would depend on the nature of the underlying asset - that is, whether the underlying asset is property or an asset other than property - and the terms and conditions of the lease. The proposed ASU also introduces new accounting guidance for lessors. Lessors would account for leases under either the new receivable-and-residual approach or an approach similar to current operating-lease accounting. The appropriate approach to use would depend on the nature of the underlying asset - that is, whether the underlying asset is property or an asset other than property - and the terms and conditions of the lease. If finalized, the proposed ASU

would converge the most significant aspects of the FASB's and IASB's accounting for lease contracts. In February 2015, FASB decided to require a modified retrospective method of adoption. A final standard is estimated to be issued in the fourth quarter of 2015. An effective date is not expected before 2018.

Proposed ASU - Financial Instruments - Credit Losses

In December 2012, the FASB issued a proposed ASU, "Financial Instruments-Credit Losses." This proposed ASU would result in a single model to account for credit losses on financial assets. The proposal would remove the probable threshold for recognizing credit losses and require a current

estimate of the expected contractual cash flows an entity does not expect to collect on financial assets that are not measured at fair value through the income statement. The proposal would also change current practice for recognizing OTTI and interest income on debt securities. In addition, the proposal would result in the recognition of an allowance for credit losses for nearly all types of debt instruments. The proposal would expand the credit quality disclosures to require information about changes in the factors that influence estimates of credit losses and the reasons for those changes. The FASB has decided on a current expected credit loss model for financial assets measured at amortized cost. Currently, the FASB is re-deliberating based on comments received. A final standard is estimated to be issued in the fourth quarter of 2015. An effective date has not been determined.

Proposed ASU - Recognition and Measurement of Financial Assets and Financial Liabilities

In February 2013, the FASB issued a proposed ASU, “Recognition and Measurement of Financial Assets and Financial Liabilities.” This proposed ASU would affect entities that hold financial assets and liabilities and would change the methodology related to recognition, classification, measurement and presentation of financial instruments. The scope of the proposed ASU would exclude instruments classified in shareholders’ equity, share-based arrangements, pension plans, leases, guarantees and derivative instruments accounted for under ASC 815, Derivatives and Hedging. Financial assets would be classified and measured based on the instrument’s cash flow characteristics and an entity’s business model for managing the instrument. Financial liabilities would generally be measured initially at their transaction price. The proposal includes three principal classification and measurement categories: (1) fair value for which all changes in fair value are recognized in net income; (2) fair value with qualifying changes in fair value recognized in other comprehensive income; and (3) amortized cost. This proposed ASU requires financial assets and liabilities to be presented separately on the balance sheet by measurement category. In addition, the fair value of financial assets and liabilities accounted for under amortized cost would be presented parenthetically on the balance sheet. The FASB is currently re-deliberating based on the comments received and is expected to issue a final standard in the fourth quarter of 2015. An effective date is not expected before 2017.

IFRS

IFRS are a set of standards and interpretations adopted by the IASB. Commencing with the issuance of the “roadmap” in November 2008, the SEC has considered potential methods of incorporation of IFRS in the United States. The use of IFRS for U.S. companies with global operations would allow for streamlined reporting, easier access to foreign capital markets and investments, and facilitate cross-border acquisitions, ventures or spin-offs.

In July 2012, the SEC staff released its final report on IFRS. This Final Report will be used by the SEC Commissioners to decide whether and, if so, when and how to incorporate IFRS into the financial reporting system for U.S. companies. It is not known when the SEC will make a final decision on the adoption of IFRS in the United States.

While the SEC decides whether IFRS will be required to be used in the preparation of our consolidated financial statements, a number of countries have mandated the use of IFRS by BNY Mellon’s subsidiaries in their statutory reports filed in those countries. Such countries include Belgium, Brazil, the Netherlands, Australia, Hong Kong, Canada and South Korea.

Recent regulatory developments

For a summary of additional regulatory matters relevant to our operations, see “Supervision and regulation” in our 2014 Annual Report and “Recent regulatory developments” in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.

Liquidity Coverage Ratio

The Basel III framework requires banking organizations to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, will be required by regulation. One test, referred to as the LCR, is designed to ensure that certain banking organizations, including the Parent, maintain a minimum amount of unencumbered HQLA sufficient to withstand the net cash outflow under a hypothetical standardized acute liquidity stress scenario for a 30-day time horizon. Since Jan. 1, 2015, covered companies, including BNY Mellon

and our domestic bank subsidiaries, have been required to meet an LCR of 80%. The required minimum LCR level will increase annually by 10% increments until Jan. 1, 2017, at which time we will be required to meet an LCR of 100%. In addition, the Final LCR Rule provided a transition period for compliance with the daily LCR calculation requirement. During this transition period, monthly calculation of the LCR was permitted. This transition period ended on June 30, 2015 and, beginning July 1, 2015, we have been required to calculate the LCR on a daily basis.

As of June 30, 2015, based on our current interpretation of the Final LCR Rule, we believe that we and our domestic bank subsidiaries are in compliance with applicable LCR requirements on a fully phased-in basis. For additional information on HQLA and the LCR, see "Liquidity and Dividends" beginning on page 37.

Capital Planning and Stress Testing

BNY Mellon's capital distributions are subject to supervision and regulation by the Federal Reserve. The Comprehensive Capital Analysis and Review ("CCAR") and the Dodd-Frank Act Stress Tests ("DFAST") are a major component of the Federal Reserve's oversight.

On July 17, 2015, the Federal Reserve proposed a rule to modify aspects of its CCAR and DFAST regulations. Among other proposed changes, this proposed rule would:

- Remove the requirement to calculate a Basel I-based 5% Tier 1 common ratio;
- Delay, for purposes of the DFAST and CCAR, implementation of the SLR as a quantitative measure until the 2017 stress-testing cycle; and
- Indefinitely defer the use of the U.S. capital rules' Advanced Approaches risk-weighted asset framework in CCAR and DFAST.

Comments on the proposal must be received by Sept. 24, 2015.

G-SIB Framework

On July 20, 2015, the Federal Reserve published final rules to implement the G-SIB surcharge (the "Final U.S. G-SIB Rule"). The Final U.S. G-SIB Rule is largely consistent with the Proposed U.S. G-SIB

Rule, although it did change aspects of the Proposed G-SIB Rule. These changes included lowering the maximum weights for wholesale deposits from non-financial clients from 50% to 25%. In addition, the Final U.S. G-SIB Rule reduced the maximum weight for other types of unsecured short-term wholesale funding from 100% to 75%. The Final G-SIB Rule does not add the G-SIB surcharge to post-stress minimum risk-based capital ratios for purposes of DFAST or CCAR.

The Final U.S. G-SIB Rule results in higher surcharges for certain U.S. G-SIBs than would the Basel G-SIB framework. BNY Mellon could be subject to a surcharge that is greater than the prior estimate of 1.0% under the Basel G-SIB framework and the estimate of 1.0% under the Final U.S. G-SIB Rule release.

Volcker Rule

The Dodd-Frank Act imposed broad prohibitions and restrictions on proprietary trading and investments in or sponsorship of hedge funds and private equity funds by banking organizations and their affiliates, commonly referred to as the "Volcker Rule."

On Dec. 10, 2013, final rules to implement the Volcker Rule were adopted. These regulations generally provided banks, including BNY Mellon, and affiliates, with a period for conforming their covered activities and investments

with the final Volcker Rule regulations. This conformance period expired on July 21, 2015. Investments in and relationships with covered funds and foreign funds that were in place prior to Dec. 31, 2013 remain subject to a conformance period that runs until July 21, 2016. The Federal Reserve has stated that it intends to act in 2015 to grant an additional one-year extension of this conformance period until July 21, 2017.

Interest Rate in the Banking Book

On June 8, 2015, the Basel Committee on Banking Supervision ("BCBS") issued a consultative document on the risk management, capital treatment, and supervision of interest rate risk in the banking book ("IRRBB"). This IRRBB proposal expands upon and is intended to replace the BCBS's 2004 Principles for the Management and Supervision of Interest Rate Risk. The proposal presents two options for the capital treatment of IRRBB: (1) a uniform,

Pillar 1 measure for calculating minimum capital requirements, and (2) a Pillar 2 approach that includes quantitative calculation and disclosure of IRRBB using the proposed Pillar 1 approach. Historically, IRRBB has been supervised under a Pillar 2 approach. BNY Mellon is assessing the potential impact of the proposal on regulatory capital and IRRBB management. The BCBS has not yet proposed an implementation timeline.

EU Bank Recovery and Resolution Directive

The EU Bank Recovery and Resolution Directive ("BRRD") became effective on Jan. 1, 2015. Under the BRRD, institutions must maintain a minimum requirement for its own funds and eligible liabilities ("MREL") to allow authorities to use bail-in or other resolution tools. On July 3, 2015, the European Banking Authority ("EBA") issued final draft Regulatory Technical Standards ("RTS") on the criteria to determine MREL. The Single Resolution Board ("SRB"), as resolution authority, will set MREL on a case-by-case basis for Banking Union institutions, which will include, among other entities, The Bank of New York Mellon SA/NV, our Belgian bank. In addition, the Bank of England, as resolution authority, will set MREL on a case-by-case basis for UK institutions, which will include BNY Mellon (International) Limited, our UK-regulated bank. The EBA RTS allows resolution authorities to set a four-year transition period beginning Jan. 1, 2016. The EBA expects these RTS to be broadly compatible with the Financial Stability Board's term sheet for Total Loss Absorbing Capacity for G-SIBs, which is a view shared by the Bank of England.

Recovery and Resolution Planning

In January 2014, the Federal Reserve issued heightened supervisory expectations for recovery and resolution preparedness. The expectations apply to eight domestic bank holding companies designated by the Federal Reserve, including BNY Mellon, and cover the following five topics: collateral management; payment, clearing and settlement activities; liquidity and funding; management information systems; and shared and outsourced services.

BNY Mellon and The Bank of New York Mellon each file annual complementary resolution plans providing for their rapid and orderly resolution in the event of material financial distress or failure. We have been

submitting our resolution plans in conformity with both rules since 2012. BNY Mellon and The Bank of New York Mellon filed their 2015 Resolution Plans with the Federal Reserve and the FDIC on July 1, 2015. The public portions of our resolution plan are available on the FDIC's website.

Website information

Our website is www.bnymellon.com. We currently make available the following information under the Investor Relations portion of our website. With respect to SEC filings, we post such information as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC.

- All of our SEC filings, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports, SEC Forms 3, 4 and 5 and any proxy statement mailed by us in connection with the solicitation of proxies;
- Financial statements and footnotes prepared using Extensible Business Reporting Language ("XBRL");
- Our earnings materials and selected management conference calls and presentations;
- Other regulatory disclosures, including: Pillar 3 Disclosures (and Market Risk Disclosure contained therein); Federal Financial Institutions Examination Council - Consolidated Reports of Condition and Income for a Bank With Domestic and Foreign Offices; Consolidated Financial Statements for Bank Holding Companies; and the Dodd-Frank Act Stress Test Results for BNY Mellon and The Bank of New York Mellon; and
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Our Corporate Governance Guidelines, Directors Code of Conduct and the Charters of the Audit, Finance, Corporate Governance and Nominating, Corporate Social Responsibility, Human Resources and Compensation, Risk and Technology Committees of our Board of Directors.

The contents of the website listed above or any other websites referenced herein are not incorporated into this Quarterly Report on Form 10-Q.

Item 1. Financial Statements