BNY MELLON

Quarterly Earnings Review

July 18, 2012

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SECOND QUARTER 2012 FINANCIAL HIGHLIGHTS

(comparisons are unannualized 2Q12 vs. 1Q12 unless otherwise stated)

- **Earnings**
  - Earnings per common share was $0.39, including the previously announced litigation charge of $0.18, compared with $0.52.
  - Net income applicable to common shareholders was $466 million, including the previously announced litigation charge of $212 million (after-tax), compared with $619 million.
  - Total revenue of $3.6 billion, down 1%.
    - Fee and other revenue unchanged.
      - Investment services fees increased 2% primarily due to higher Depositary Receipts revenue, net new business, seasonally higher securities lending revenue and higher Clearing Services fees, partially offset by lower equity market values and transaction volumes.
      - Investment management and performance fees increased 7% driven by higher performance fees. Excluding performance fees, investment management fees increased 2% primarily reflecting net new business and higher money market fees, partially offset by lower equity market values.
      - Foreign exchange revenue increased 15% primarily resulting from higher volumes.
      - Investment and other income decreased 65% primarily as a result of lower leasing gains, seed capital gains and equity investment revenue.
    - Net interest revenue decreased 4% primarily reflecting the impact of narrower spreads and lower accretion.
  - Provision for credit losses was a credit of $19 million primarily resulting from a decline in the expected loss related to a broker-dealer customer that previously filed for bankruptcy, as well as improvements in the mortgage portfolio.
  - Noninterest expense increased 11% (up 1% excluding amortization of intangible assets and M&I, litigation and restructuring charges). The 1% increase was primarily driven by the costs of certain tax credits, higher business development expenses and a deposit levy imposed on Belgium banks, including our Belgium bank subsidiary, largely offset by lower staff expense.
  - The effective tax rate of 15.8% includes a reduction in the tax rate of approximately 9% related to the litigation charge. The operating tax rate – Non-GAAP was 26.1% and includes an increased benefit of certain tax credits.

- **Assets under custody/administration and Assets under management**
  - AUC/A of a record $27.1 trillion, an increase of 2% reflecting net new business, partially offset by lower equity market values.
  - AUM of $1.3 trillion, a decrease of 1% driven by lower equity market values, partially offset by net inflows.
    - Long-term inflows totaled $26 billion.
    - Short-term outflows totaled $14 billion.

- **Capital**
  - Return on tangible common equity – Non-GAAP 15.7%. *(a)*
  - Repurchased 12.2 million common shares for $286 million.
  - Estimated Basel III Tier 1 common equity ratio 8.7%. *(b)*

(a) See "Supplemental information – Explanation of Non-GAAP financial measures" beginning on page 20 for GAAP to Non-GAAP reconciliations.
(b) See "Capital" beginning on page 11 for additional information.

FINANCIAL SUMMARY

(dollars in millions, common shares in thousands)	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q12 vs. 2Q11**	**2Q12 vs. 1Q12**
Revenue:							
Fee and other revenue	$ 3,056	$ 2,887	$ 2,765	$ 2,838	**$ 2,826**	**(8)%**	**-%**
Income (loss) from consolidated investment management funds	63	32	(5)	43	**57**		
Net interest revenue	731	775	780	765	**734**		
Total revenue – GAAP	3,850	3,694	3,540	3,646	**3,617**	**(6)**	**(1)**
Less: Net income (loss) attributable to noncontrolling interests related to consolidated investment management funds	21	13	(28)	11	**29**		
Fee and other revenue related to Shareowner Services *(a)*	54	44	142	-	**(3)**		
Total revenue – Non-GAAP	3,775	3,637	3,426	3,635	**3,591**	**(5)**	**(1)**
Provision for credit losses	-	(22)	23	5	**(19)**		
Expense:							
Noninterest expense – GAAP	2,816	2,771	2,828	2,756	**3,047**	**8**	**11**
Less: Amortization of intangible assets	108	106	106	96	**97**		
M&I, litigation and restructuring charges	63	92	176	109	**378**		
Direct expense related to Shareowner Services	47	37	46	-	**-**		
Total noninterest expense – Non-GAAP	2,598	2,536	2,500	2,551	**2,572**	**(1)%**	**1%**
Income:							
Income before income taxes	1,034	945	689	885	**589**		
Provision for income taxes	277	281	211	254	**93**		
Net income	$ 757	$ 664	$ 478	$ 631	**$ 496**		
Net (income) loss attributable to noncontrolling interests *(b)*	(22)	(13)	27	(12)	**(30)**		
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	$ 735	$ 651	$ 505	$ 619	**$ 466**		
Key Metrics:							
Pre-tax operating margin *(c)*	27%	26%	19%	24%	**16%**		
Non-GAAP adjusted *(c)*	31%	31%	28%	30%	**29%**		
Return on common equity *(annualized) (c)*	8.8%	7.6%	5.9%	7.4%	**5.5%**		
Non-GAAP *(c)*	10.1%	9.0%	8.0%	8.9%	**8.9%**		
Return on tangible common equity *(annualized)*							
Non-GAAP *(c)*	26.3%	22.1%	17.7%	21.0%	**15.7%**		
Non-GAAP adjusted *(c)*	27.6%	23.8%	21.1%	23.0%	**22.4%**		
Fee revenue as a percentage of total revenue excluding net securities gains (losses)	79%	78%	78%	78%	**78%**		
Percentage of non-U.S. total revenue *(d)*	37%	39%	34%	37%	**37%**		
Period end:							
Full-time employees	48,900	49,600	48,700	47,800	**48,200**		
Market capitalization	$ 31,582	$ 22,543	$ 24,085	$ 28,780	**$ 25,929**		
Common shares outstanding	1,232,691	1,212,632	1,209,675	1,192,716	**1,181,298**		

(a) Results in the fourth quarter of 2011 include a $98 million pre-tax gain on the sale.
(b) Includes net income of $21 million in the second quarter of 2011, net income of $13 million in the third quarter of 2011, a net loss of $28 million in the fourth quarter of 2011, net income of $11 million in the first quarter of 2012 and net income of $29 million in the second quarter of 2012, respectively, attributable to noncontrolling interests related to consolidated investment management funds.
(c) See "Supplemental information – Explanation of Non-GAAP financial measures" beginning on page 20 for GAAP to Non-GAAP reconciliations.
(d) Includes fee revenue, net interest revenue and income from consolidated investment management funds, net of noncontrolling interests.

Certain immaterial reclassifications have been made to prior periods to place them on a basis comparable with the current period presentation. Unless otherwise noted, the results for all periods in 2011 include the impact of Shareowner Services.

BUSINESS METRICS

Investment Management metrics	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q12 vs. 2Q11**	**2Q12 vs. 1Q12**
Changes in market value of assets under management *(in billions) (a)*:							
Beginning balance	$ 1,229	$ 1,274	$ 1,198	$ 1,260	**$1,308**		
Net inflows (outflows):							
Long-term	32	4	16	7	**26**		
Money market	(1)	(15)	7	(9)	**(14)**		
Total net inflows (outflows)	31	(11)	23	(2)	**12**		
Net market/currency impact	14	(65)	39	50	**(21)**		
Ending balance	$1,274	$ 1,198	$ 1,260	$ 1,308	**$ 1,299** *(b)*	**2%**	**(1)%**
Composition of assets under management at period end *(a):*							
Equity securities	34%	30%	31%	33%	**32%**		
Fixed income securities	31	35	35	35	**37**		
Money market	26	27	26	24	**23**		
Alternative investments and overlay	9	8	8	8	**8**		
Total	100 %	100 %	100 %	100 %	**100%**		
Wealth management:							
Average loans *(in millions)*	$ 6,884	$ 6,958	$ 7,209	$ 7,430	**$ 7,763**	**13%**	**4%**
Average deposits *(in millions)*	$ 8,996	$ 10,392	$ 11,761	$ 11,491	**$ 11,259**	**25%**	**(2)%**

(a) Excludes securities lending cash management assets.
(b) Preliminary.

Investment Services metrics	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q12 vs. 2Q11**	**2Q12 vs. 1Q12**
Market value of assets under custody and administration at period-end *(in trillions)*	$ 26.3	$ 25.9	$ 25.8	$ 26.6	**$ 27.1**	**3%**	**2%**
Market value of securities on loan at period-end *(in billions) (a)*	$ 273	$ 250	$ 269	$ 265	**$ 275**	**1%**	**4%**
Average loans *(in millions)*	$ 22,891	$ 22,879	$ 26,804	$ 25,902	**$ 24,981**	**9%**	**(4)%**
Average deposits *(in millions)*	$ 153,863	$ 181,848	$ 188,539	$ 175,055	**$ 172,435**	**12%**	**(1)%**
Asset servicing:							
New business wins (AUC) *(in billions)*	$ 196	$ 96	$ 431	$ 453	**$ 314**		
Corporate Trust:							
Total debt serviced *(in trillions)*	$ 11.8	$ 11.9	$ 11.8	$ 11.9	**$ 11.5**	**(3)%**	**(3)%**
Number of deals administered	133,262	134,843	133,850	133,319	**133,301**	**-%**	**-%**
Depositary Receipts:							
Number of sponsored programs	1,386	1,384	1,389	1,391	**1,393**	**1%**	**-%**
Clearing services:							
DARTS volume *(in thousands)*	196.5	207.7	178.7	196.6	**189.8**	**(3)%**	**(3)%**
Average active clearing accounts U.S. *(in thousands)*	5,486	5,503	5,429	5,413	**5,427**	**(1)%**	**-%**
Average long-term mutual fund assets (U.S. platform) *(in millions)*	$306,193	$ 287,573	$ 287,562	$ 306,212	**$ 306,973**	**-%**	**-%**
Average margin loans *(in millions)*	$ 7,506	$ 7,351	$ 7,548	$ 7,900	**$ 8,231**	**10%**	**4%**
Broker-Dealer:							
Average collateral management balances *(in billions)*	$ 1,845	$ 1,872	$ 1,866	$ 1,929	**$ 1,997**	**8%**	**4%**
Treasury services:							
Global payments transaction volume *(in thousands)*	10,944	11,088	10,856	10,838	**11,117**	**2%**	**3%**

(a) Represents the securities on loan managed by the Investment Services business.

Market indices						**2Q12 vs.**	
	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q11**	**1Q12**
S&P 500 Index *(a)*	1321	1131	1258	1408	**1362**	**3%**	**(3)%**
S&P 500 Index – daily average	1318	1227	1224	1347	**1351**	**3**	**-**
FTSE 100 Index *(a)*	5946	5128	5572	5768	**5571**	**(6)**	**(3)**
FTSE 100 Index – daily average	5906	5470	5424	5818	**5555**	**(6)**	**(5)**
MSCI World Index *(a)*	1331	1104	1183	1312	**1236**	**(7)**	**(6)**
MSCI World Index – daily average	1332	1217	1169	1268	**1235**	**(7)**	**(3)**
Barclays Capital Aggregate Bond[SM] Index *(a)*	341	346	347	351	**353**	**4**	**1**
NYSE and NASDAQ share volume *(in billions)*	213	250	206	186	**192**	**(10)**	**3**
JPMorgan G7 Volatility Index – daily average *(b)*	11.21	12.60	12.95	10.39	**10.30**	**(8)**	**(1)**

(a) Period end.

(b) The JPMorgan G7 Volatility Index is based on the implied volatility in 3-month currency options.

FEE AND OTHER REVENUE

Fee and other revenue *(a)*						**2Q12 vs.**	
(dollars in millions)	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q11**	**1Q12**
Investment services fees:							
Asset servicing *(b)*	$ 973	$ 922	$ 885	$ 943	**$ 950**	**(2)%**	**1%**
Issuer services	365	442	287	251	**275**	**N/M**	**10**
Memo: Issuer services excluding Shareowner Services	*314*	*400*	*245*	*251*	*275*	*(12)*	*10*
Clearing services	292	297	278	303	**309**	**6**	**2**
Treasury services	134	133	134	136	**134**	**-**	**(1)**
Total investment services fees	1,764	1,794	1,584	1,633	**1,668**	**(5)**	**2**
Investment management and performance fees	779	729	730	745	**797**	**2**	**7**
Foreign exchange and other trading revenue	222	200	228	191	**180**	**(19)**	**(6)**
Distribution and servicing	49	43	42	46	**46**	**(6)**	**-**
Financing-related fees	49	40	38	44	**37**	**(24)**	**(16)**
Investment and other income	145	83	146	139	**48**	**(67)**	**(65)**
Total fee revenue	3,008	2,889	2,768	2,798	**2,776**	**(8)**	**(1)**
Net securities gains (losses)	48	(2)	(3)	40	**50**	**N/M**	**N/M**
Total fee and other revenue - GAAP	3,056	2,887	2,765	2,838	**2,826**	**(8)**	**-**
Less: Fee and other revenue related to Shareowner Services *(c)*	54	44	142	-	**(3)**		
Total fee and other revenue – Non-GAAP	$ 3,002	$ 2,843	$ 2,623	$ 2,838	**$ 2,829**	**(6)%**	**-%**
Fee revenue as a percentage of total revenue excluding net securities gains (losses)	79%	78%	78%	78%	**78%**		

(a) See "Supplemental information – Explanation of Non-GAAP financial measures" beginning on page 20 for fee and other revenue excluding Shareowner Services – Non-GAAP.
(b) Asset servicing fees include securities lending revenue of $62 million in the second quarter of 2011, $41 million in the third quarter of 2011, $43 million in the fourth quarter of 2011, $49 million in the first quarter of 2012 and $59 million in the second quarter of 2012.
(c) The Shareowner Services business was sold on Dec. 31, 2011. Results in the fourth quarter of 2011 include a $98 million pre-tax gain on the sale.
N/M - Not meaningful.

KEY POINTS

- Asset servicing fees were $950 million, a decrease of 2% year-over-year and an increase of 1% (unannualized) sequentially. The year-over year decrease primarily reflects lower equity market values and securities lending revenue, partially offset by net new business. The sequential increase was primarily driven by net new business and seasonally higher securities lending revenue, partially offset by lower equity market values.

- Issuer services fees excluding Shareowner Services were $275 million, a decrease of 12% year-over-year and an increase of 10% (unannualized) sequentially. The year-over-year decrease primarily resulted from lower Depositary Receipts revenue, lower money market related fees and lower trust fees related to the weakness in structured products in Corporate Trust. The increase sequentially resulted from higher Depositary Receipts revenue as well as higher money market related fees in Corporate Trust.

- Clearing services fees were $309 million, an increase of 6% year-over-year and 2% (unannualized) sequentially. The year-over-year increase was driven by higher mutual fund fees, partially offset by the impact of lower DARTS volume and higher money market fee waivers. The sequential increase primarily reflects higher mutual fund fees and lower money market fee waivers, partially offset by the impact of lower DARTS volume.

- Investment management and performance fees were $797 million, an increase of 2% year-over-year and 7% (unannualized) sequentially. Both increases reflect higher performance fees. Excluding performance fees, investment management fees decreased 2% year-over-year and increased 2% (unannualized) sequentially. The decrease year-over-year was primarily due to lower equity market values, partially offset by net new business. Sequentially, the increase was primarily due to net new business and higher money market fees, partially offset by lower equity market values.

- **Foreign exchange and other trading revenue**

(dollars in millions)	2Q11	3Q11	4Q11	1Q12	**2Q12**
Foreign exchange	$ 184	$ 221	$ 183	$ 136	**$ 157**
Fixed income	28	(21)	41	47	**16**
Credit derivatives (Used as economic hedges of loans)	(1)	1	(2)	(2)	**1**
Other	11	(1)	6	10	**6**
Total	$ 222	$ 200	$ 228	$ 191	**$ 180**

Foreign exchange and other trading revenue totaled $180 million compared with $222 million in the second quarter of 2011 and $191 million in the first quarter of 2012. In the second quarter of 2012, foreign exchange revenue totaled $157 million, a decrease of 15% year-over-year and an increase of 15% (unannualized) sequentially. The year-over-year decrease reflects lower volatility and volumes, while the sequential increase primarily resulted from higher volumes. Other trading revenue was $23 million in the second quarter of 2012 compared with $38 million in the second quarter of 2011 and $55 million in the first quarter of 2012. Both decreases were primarily driven by lower fixed income trading.

- **Investment and other income**

(dollars in millions)	2Q11	3Q11	4Q11	1Q12	**2Q12**
Corporate/bank-owned life insurance	$ 42	$ 40	$ 35	$ 34	**$ 32**
Lease residual gains (losses)	(5)	14	20	34	**3**
Seed capital gains (losses)	3	(8)	3	24	**-**
Expense reimbursements from joint ventures	8	11	10	10	**9**
Equity investment revenue (loss)	19	12	8	6	**(5)**
Private equity gains (losses)	12	(7)	3	4	**1**
Asset-related gains (losses)	66	28	69	(2)	**-**
Other income (loss)	-	(7)	(2)	29	**8**
Total	$ 145	$ 83	$ 146	$ 139	**$ 48**

Investment and other income totaled $48 million compared with $145 million in the second quarter of 2011 and $139 million in the first quarter of 2012. The year-over-year decrease primarily resulted from lower asset-related gains and equity investment revenue. Sequentially, the decline primarily resulted from lower leasing gains, seed capital gains and equity investment revenue.

NET INTEREST REVENUE

Net interest revenue *(dollars in millions)*	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q12 vs. 2Q11**	**2Q12 vs. 1Q12**
Net interest revenue (non-FTE)	$ 731	$ 775	$ 780	$ 765	**$ 734**	**-%**	**(4)%**
Net interest revenue (FTE)	737	782	790	776	**747**	**1**	**(4)**
Net interest margin (FTE)	1.41 %	1.30 %	1.27 %	1.32 %	**1.25%**	**(16) bps**	**(7) bps**
Selected average balances:							
Cash/interbank investments	$ 97,936	$126,392	$121,017	$103,795	**$101,871**	**4%**	**(2)%**
Trading account securities	2,877	2,509	2,490	2,519	**3,033**	**5**	**20**
Securities	68,782	70,863	79,981	86,808	**91,859**	**34**	**6**
Loans	40,328	40,489	44,236	43,209	**42,992**	**7**	**(1)**
Interest-earning assets	209,923	240,253	247,724	236,331	**239,755**	**14**	**1**
Interest-bearing deposits	125,958	125,795	130,343	125,438	**130,482**	**4**	**4**
Noninterest-bearing deposits	43,038	73,389	76,309	66,613	**62,860**	**46**	**(6)**
Selected average yields/rates:							
Cash/interbank investments	0.73 %	0.66 %	0.61 %	0.64 %	**0.56%**		
Trading account securities	2.44	2.62	2.94	2.78	**2.57**		
Securities	2.89	2.87	2.60	2.44	**2.25**		
Loans	2.02	1.96	1.87	1.95	**1.98**		
Interest-earning assets	1.70	1.55	1.50	1.56	**1.48**		
Interest-bearing deposits	0.22	0.21	0.18	0.14	**0.13**		
Average cash/interbank investments as a percentage of average interest-earning assets	47%	53%	49%	44%	**42%**		
Average noninterest-bearing deposits as a percentage of average interest-earning assets	21%	31%	31%	28%	**26%**		

bps – basis points.
FTE – fully taxable equivalent.

KEY POINTS

- Net interest revenue totaled $734 million in 2Q12, an increase of $3 million compared with 2Q11 and a decrease of $31 million sequentially. The year-over-year increase in net interest revenue was primarily driven by higher average client deposits, increased investment in high quality investment securities and higher loan levels, partially offset by narrower spreads and lower accretion. Compared with the first quarter of 2012, net interest revenue was adversely impacted by narrower spreads and lower accretion.

    - Average noninterest-bearing client deposits increased $20 billion, or 46%, compared with 2Q11 and decreased $4 billion, or 6%, compared with 1Q12.

- The net interest margin (FTE) was 1.25% in 2Q12 compared with 1.41% in 2Q11 and 1.32% in 1Q12. The year-over-year decrease in the net interest margin (FTE) was primarily driven by increased client deposits which were invested in lower-yielding assets reflecting the current market environment. The sequential decrease in the net interest margin (FTE) reflects the impact of narrower spreads and lower accretion.

NONINTEREST EXPENSE

Noninterest expense *(a)* *(dollars in millions)*	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q12 vs. 2Q11**	**2Q12 vs. 1Q12**
Staff:							
Compensation	$ 903	$ 903	$ 885	$ 861	**$ 866**	**(4)%**	**1%**
Incentives	328	328	281	352	**311**	**(5)**	**(12)**
Employee benefits	232	226	216	240	**238**	**3**	**(1)**
Total staff	1,463	1,457	1,382	1,453	**1,415**	**(3)**	**(3)**
Professional, legal and other purchased services	301	311	322	299	**309**	**3**	**3**
Software and equipment	203	193	213	205	**209**	**3**	**2**
Net occupancy	161	151	159	147	**141**	**(12)**	**(4)**
Distribution and servicing	109	100	96	101	**103**	**(6)**	**2**
Sub-custodian	88	80	62	70	**70**	**(20)**	**-**
Business development	73	57	75	56	**71**	**(3)**	**27**
Other	247	224	237	220	**254**	**3**	**15**
Amortization of intangible assets	108	106	106	96	**97**	**(10)**	**1**
M&I, litigation and restructuring charges	63	92	176	109	**378**	**N/M**	**N/M**
Total noninterest expense – GAAP	$ 2,816	$ 2,771	$ 2,828	$ 2,756	**$ 3,047**	**8%**	**11%**
Total staff expense as a percentage of total revenue	38%	39%	39%	40%	**39%**		
Memo:							
Total noninterest expense excluding amortization of intangible assets, M&I, litigation and restructuring charges and direct expense related to Shareowner Services – Non-GAAP	$ 2,598	$ 2,536	$ 2,500	$ 2,551	**$ 2,572**	**(1)%**	**1%**

(a) See "Supplemental information – Explanation of Non-GAAP financial measures" beginning on page 20 for noninterest expense excluding the direct expense related to Shareowner Services – Non-GAAP.

N/M – Not meaningful.

KEY POINTS

- Total noninterest expense (excluding amortization of intangible assets, merger and integration ("M&I"), litigation and restructuring charges and direct expense related to Shareowner Services) – (Non-GAAP) decreased 1% compared with the prior year period, reflecting the impact of our operational excellence initiatives, and increased 1% (unannualized) sequentially.

  - Sequentially, noninterest expenses increased slightly primarily due to the costs of certain tax credits, higher business development expenses and a deposit levy imposed on Belgium banks, including our Belgium bank subsidiary, largely offset by lower staff expense.

OPERATIONAL EXCELLENCE INITIATIVES UPDATE

Expense initiatives (pre-tax)	**Program savings** *(a)*			**Annualized targeted savings**
(dollar amounts in millions)	**1Q12**	**2Q12**	**through 2Q12**	**by the end of 2012**
Business operations	$ 45	$ 55	$ 100	$ 225 - 240
Technology	16	21	37	$ 75 - 85
Corporate services	14	18	32	$ 60 - 65
Gross savings	75	94	169	$ 360 - 390
Less: Incremental program costs *(b)*	5	23	28	$ 120 - 130
Net savings	$ 70	$ 71	$ 141 *(c)*	$ 240 - 260

(a) Represents the estimated annual pre-tax run rate expense savings for 2012. Total Company actual operating expense may increase or decrease due to other factors.

(b) Represents incremental program costs incurred to implement the operational excellence initiatives. These costs will fluctuate by quarter.

(c) Net savings cannot be annualized due to the variability of program costs.

Accomplishments

Business Operations

- Consolidated Treasury Services functions from New York, Philadelphia, Atlanta and Boston to Pittsburgh.
- Continued global footprint position migrations.
- Reengineered Dreyfus and Global Fund Accounting operations to reduce headcount.
- Realized synergies in custody operations and clearing related to the Global Investment Servicing (“GIS”) acquisition.

Technology

- Migrated GIS systems to BNY Mellon platforms - over 90% of the production applications have been successfully migrated as of June 30, 2012.
- Insourced software engineers to Global Delivery Centers.
- Standardized infrastructure through server elimination and software rationalization.

Corporate Services

- Consolidated real estate in Los Angeles and New York.
- Benefited from the new global procurement program.

CAPITAL

The following table presents our Basel I Tier 1 common equity generated.

Basel I Tier 1 common equity generation *(dollars in millions)*	2Q11	3Q11	4Q11	1Q12	**2Q12**
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	$ 735	$ 651	$ 505	$ 619	**$ 466**
Add: Amortization of intangible assets, net of tax	68	67	66	61	**61**
Gross Basel I Tier 1 common equity generated	803	718	571	680	**527**
Less capital deployed:					
Common stock dividends	163	160	159	158	**156**
Common stock repurchased	272	462	69	371	**286**
Goodwill and intangible assets related to acquisitions/dispositions	-	16	(241)	-	**-**
Total capital deployed	435	638	(13)	529	**442**
Add: Other	139	(43)	(114)	146	**(53)**
Net Basel I Tier 1 common equity generated	$ 507	$ 37	$ 470	$ 297	**$ 32**

The following table presents our capital ratios.

Capital ratios	June 30, 2011	March 31, 2012	**June 30, 2012** *(a)*
Estimated Basel III Tier 1 common equity ratio *(b)*	N/A	N/A	**8.7%**
Basel I Tier 1 common equity to risk-weighted assets ratio – Non-GAAP	12.6 %	13.9 %	**13.2**
Basel I Tier 1 capital ratio	14.1	15.6	**14.7**
Basel I Total (Tier 1 plus Tier 2) capital ratio	16.7	17.5	**16.4**
Basel I leverage capital ratio	5.8	5.6	**5.5**
BNY Mellon shareholders' equity to total assets ratio *(c)*	11.1	11.3	**10.5**
BNY Mellon common shareholders' equity to total assets ratio *(c)*	11.1	11.3	**10.3**
Tangible common shareholders' equity to tangible assets of operations ratio – Non-GAAP *(c)*	6.0	6.5	**6.1**

(a) Preliminary.

(b) The estimated Basel III Tier 1 common equity ratio at June 30, 2012 is based on the Notices of Proposed Rulemaking ("NPRs") and final market risk rule released on June 7, 2012. The estimated Basel III Tier 1 common equity ratios of 6.5% at June 30, 2011 and 7.6% at March 31, 2012 were based on prior Basel III guidance and the proposed market risk rule.

(c) See "Supplemental information – Explanation of Non-GAAP financial measures" beginning on page 20 for a calculation of these ratios.

The following table presents the calculation of our Basel I Tier 1 common equity ratio.

Calculation of Basel I Tier 1 common equity to risk-weighted assets ratio – Non-GAAP *(dollars in millions)*	June 30, 2011	March 31, 2012	**June 30, 2012** *(a)*
Total Tier 1 capital – Basel I	$ 14,892	$ 15,695	**$ 15,722**
Less: Trust preferred securities	1,669	1,669	**1,164**
Preferred stock	-	-	**500**
Total Tier 1 common equity	$ 13,223	$ 14,026	**$ 14,058**
Total risk-weighted assets – Basel I	$ 105,316	$ 100,763	**$ 106,790**
Basel I Tier 1 common equity to risk-weighted assets ratio – Non-GAAP	12.6%	13.9%	**13.2%**

(a) Preliminary.

The following table presents the calculation of our estimated Basel III Tier 1 common equity ratio on a fully-phased-in basis.

Estimated Basel III Tier 1 common equity ratio *(a)* *(dollars in millions)*	June 30, 2011	March 31, 2012	**June 30, 2012** *(b)*
Total Tier 1 capital – Basel I	$ 14,892	$ 15,695	**$ 15,722**
Less: Trust preferred securities	1,669	1,669	**1,164**
Preferred stock	-	-	**500**
Adjustments related to available-for-sale securities and pension liabilities included in accumulated other comprehensive income *(c)*	551	700	**513**
Adjustments related to equity method investments *(c)*	578	571	**558**
Deferred tax assets	-	-	**46**
Net pensions fund assets *(c)*	542	100	**43**
Other	(4)	(2)	**2**
Total estimated Basel III Tier 1 common equity	$ 11,556	$ 12,657	**$ 12,896**
Total risk-weighted assets – Basel I	$105,316	$ 100,763	**$ 106,790**
Add: Adjustments *(d)*	71,965	65,997	**41,467**
Total estimated Basel III risk-weighted assets	$177,281	$ 166,760	**$ 148,257**
Estimated Basel III Tier 1 common equity ratio	6.5%	7.6%	**8.7%**

(a) The estimated Basel III Tier 1 common equity ratio at June 30, 2012 is based on the NPRs and final market risk rule released on June 7, 2012. The estimated Basel III Tier 1 common equity ratios at June 30, 2011 and March 31, 2012 were based on our interpretation of prior Basel III guidance and proposed market risk rule.

(b) Preliminary.

(c) The NPRs and prior Basel III guidance do not add back to capital the adjustment to other comprehensive income that Basel I makes for pension liabilities and available-for-sale securities. Also, under the NPRs and prior Basel III guidance, pension assets recorded on the balance sheet and adjustments related to equity method investments are a deduction from capital.

(d) Primary differences between risk-weighted assets determined under Basel I compared with the NPRs and prior Basel III guidance include: the determination of credit risk under Basel I uses predetermined risk weights and asset classes, while the NPRs use an investment grade standard and internal risk models. Securitization exposure receives a higher risk-weighting under the NPRs and prior Basel III guidance than Basel I; also, the NPRs and prior Basel III guidance includes additional adjustments for operational risk, market risk, counterparty credit risk and equity exposures.

We generated $527 million of gross Basel I Tier 1 common equity in the second quarter of 2012.

Our estimated Basel III Tier 1 common equity ratio was 8.7% at June 30, 2012 based on the NPRs and final market risk rule. The increase in the ratio from 7.6% at March 31, 2012, which was calculated under prior Basel III guidance and the proposed market risk rule, was primarily due to the reduction in risk-weighted assets related to treatment of sub-investment grade securities. This benefit was partially offset by the treatment of investment grade securitizations and financial institution exposure, as well as balance sheet growth in the second quarter.

INVESTMENT SECURITIES PORTFOLIO

At June 30, 2012, the fair value of our investment securities portfolio totaled $93.0 billion. The unrealized pre-tax net gain on our total securities portfolio was $1.4 billion at June 30, 2012 compared with $1.2 billion at March 31, 2012. During the second quarter of 2012, we received $246 million of paydowns and sold approximately $24 million of sub-investment grade securities.

The following table shows the distribution of our investment securities portfolio.

Investment securities portfolio

(dollars in millions)	March 31, 2012 Fair value	2Q12 change in unrealized gain/(loss)	June 30, 2012 Amortized cost	June 30, 2012 Fair value	Fair value as a % of amortized cost *(a)*	Unrealized gain/(loss)	Ratings AAA/ AA-	Ratings A+/ A-	Ratings BBB+/ BBB-	Ratings BB+ and lower	Ratings Not rated
Agency RMBS	$ 34,538	$ 187	$ 38,598	$ 39,441	102%	$ 843	100%	-%	-%	-%	-%
U.S. Treasury securities	15,173	43	14,777	15,073	102	296	100	-	-	-	-
Sovereign debt/ sovereign guaranteed *(b)*	12,171	(57)	8,782	8,935	102	153	100	-	-	-	-
Non-agency RMBS *(c)*	3,232	(72)	2,745	3,037	67	292	1	1	2	96	-
Non-agency RMBS	1,787	41	1,900	1,692	81	(208)	17	15	11	57	-
European floating rate notes *(d)*	3,405	37	4,337	4,053	92	(284)	79	15	3	3	-
Commercial MBS	3,161	(2)	2,905	3,012	104	107	82	16	2	-	-
State and political subdivisions	4,067	32	5,640	5,684	101	44	84	14	1	1	-
Foreign covered bonds *(e)*	3,207	22	3,870	3,928	101	58	99	1	-	-	-
Corporate bonds	1,696	3	1,571	1,628	104	57	17	73	9	1	-
CLO	1,118	(1)	1,025	1,013	99	(12)	100	-	-	-	-
U.S. Government agency debt	1,108	2	1,066	1,097	103	31	100	-	-	-	-
Consumer ABS	447	5	1,051	1,060	101	9	77	22	-	1	-
Other *(f)*	3,093	18	3,285	3,339	102	54	31	60	2	1	6
Total investment securities	$ 88,203 *(g)*	$ 258	$ 91,552	$ 92,992 *(g)*	99%	$ 1,440	89%	6%	1%	4%	-%

(a) Amortized cost before impairments.
(b) Primarily comprised of exposure to UK, France, Germany and Netherlands.
(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 enhancement, the difference between the written-down amortized cost and the current face amount of each of these securities.
(d) Includes RMBS, commercial MBS and other securities. Primarily comprised of exposure to UK and Netherlands.
(e) Primarily comprised of exposure to Germany, Canada and UK.
(f) Includes commercial paper of $2.0 billion, fair value, and money market funds of $917 million, fair value, at June 30, 2012.
(g) Includes net unrealized losses on derivatives hedging securities available-for-sale of $20 million at March 31, 2012 and $417 million at June 30, 2012.

NONPERFORMING ASSETS

Nonperforming assets *(dollars in millions)*	June 30, 2011	March 31, 2012	**June 30, 2012**
Nonperforming loans:			
Other residential mortgages	$ 236	$ 188	**$ 177**
Wealth management	31	35	**35**
Commercial	31	32	**31**
Commercial real estate	28	39	**30**
Foreign	13	10	**9**
Financial institutions	4	14	**3**
Total nonperforming loans	343	318	**285**
Other assets owned	8	13	**9**
Total nonperforming assets *(a)*	$ 351	$ 331	**$ 294**
Nonperforming assets ratio	0.83 %	0.77 %	**0.65%**
Allowance for loan losses/nonperforming loans	128.6	121.4	**127.0**
Total allowance for credit losses/nonperforming loans	156.0	155.3	**163.9**

(a) Loans of consolidated investment management funds are not part of BNY Mellon's loan portfolio. Included in these loans are nonperforming loans of $216 million at June 30, 2011, $180 million at March 31, 2012 and $155 million at June 30, 2012. 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.

ALLOWANCE FOR CREDIT LOSSES, PROVISION AND NET CHARGE-OFFS

Allowance for credit losses, provision and net charge-offs *(dollars in millions)*	2Q11	1Q12	**2Q12**
Allowance for credit losses – beginning of period	$ 554	$ 497	**$494**
Provision for credit losses	-	5	**(19)**
Net (charge-offs) recoveries:			
Other residential mortgages	(9)	(8)	**(5)**
Financial institutions	-	-	**(4)**
Commercial	(3)	-	**1**
Foreign	(6)	-	**-**
Commercial real estate	(1)	-	**-**
Net (charge-offs) recoveries	(19)	(8)	**(8)**
Allowance for credit losses – end of period	$ 535	$ 494	**$ 467**
Allowance for loan losses	$ 441	$ 386	**$ 362**
Allowance for lending-related commitments	94	108	**105**

The provision for credit losses was a credit of $19 million in the second quarter of 2012 primarily resulting from a decline in the expected loss related to a broker-dealer customer that previously filed for bankruptcy, as well as improvements in the mortgage portfolio. There was no provision in the second quarter of 2011 and a charge of $5 million in the first quarter of 2012.

REVIEW OF BUSINESSES

INVESTMENT MANAGEMENT provides investment management services to institutional and retail investors, as well as investment management, wealth and estate planning and private banking solutions to high net worth individuals and families, and foundations and endowments.

						2Q12 vs.	
(dollars in millions, unless otherwise noted)	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q11**	**1Q12**
Revenue:							
Investment management fees:							
Mutual funds	$ 290	$ 263	$ 237	$ 260	**$ 270**	**(7)%**	**4%**
Institutional clients	319	311	299	322	**321**	**1**	**-**
Wealth management	163	157	154	157	**158**	**(3)**	**1**
Investment management fees	772	731	690	739	**749**	**(3)**	**1**
Performance fees	18	11	47	16	**54**	**N/M**	**N/M**
Distribution and servicing	48	41	41	45	**45**	**(6)**	**-**
Other *(a)*	24	(26)	(11)	52	**13**	**N/M**	**N/M**
Total fee and other revenue *(a)*	862	757	767	852	**861**	**-**	**1**
Net interest revenue	48	51	55	55	**52**	**8**	**(5)**
Total revenue	910	808	822	907	**913**	**-**	**1**
Provision for credit losses	1	-	-	-	**-**	**N/M**	**N/M**
Noninterest expense (ex. amortization of intangible assets)	641	622	632	619	**642**	**-**	**4**
Income before taxes (ex. amortization of intangible assets)	268	186	190	288	**271**	**1**	**(6)**
Amortization of intangible assets	53	53	53	48	**48**	**(9)**	**-**
Income before taxes	$ 215	$ 133	$ 137	$ 240	**$ 223**	**4%**	**(7)%**
Pre-tax operating margin	24%	16%	17%	26%	**24%**		
Pre-tax operating margin (ex. amortization of intangible assets and net of distribution and servicing expense) *(b)*	33%	26%	26%	36%	**34%**		
Metrics:							
Changes in market value of assets under management *(in billions) (c)*:							
Beginning balance	$ 1,229	$ 1,274	$ 1,198	$ 1,260	**$1,308**		
Net inflows (outflows):							
Long-term	32	4	16	7	**26**		
Money market	(1)	(15)	7	(9)	**(14)**		
Total net inflows (outflows)	31	(11)	23	(2)	**12**		
Net market/currency impact	14	(65)	39	50	**(21)**		
Ending balance	$ 1,274	$ 1,198	$ 1,260	$ 1,308	**$ 1,299** *(d)*	**2%**	**(1)%**
Composition of assets under management at period end *(c):*							
Equity securities	34%	30%	31%	33%	**32%**		
Fixed income securities	31	35	35	35	**37**		
Money market	26	27	26	24	**23**		
Alternative investments and overlay	9	8	8	8	**8**		
Total	100 %	100 %	100 %	100%	**100%**		
Wealth management:							
Average loans	$ 6,884	$ 6,958	$ 7,209	$ 7,430	**$ 7,763**	**13%**	**4%**
Average deposits	$ 8,996	$ 10,392	$ 11,761	$ 11,491	**$ 11,259**	**25%**	**(2)%**

(a) Total fee and other revenue includes the impact of the consolidated investment management funds. See "Supplemental information – Explanation of Non-GAAP financial measures" beginning on page 20. Additionally, other revenue includes asset servicing and treasury services revenue.

(b) Distribution and servicing expense is netted with distribution and servicing revenue for the purpose of this calculation of pre-tax operating margin. Distribution and servicing expense totaled $108 million, $99 million, $95 million, $100 million and $102 million, respectively.

(c) Excludes securities lending cash management assets.

(d) Preliminary.

N/M – Not meaningful.

INVESTMENT MANAGEMENT KEY POINTS

- Assets under management were $1.3 trillion at June 30, 2012, an increase of 2% year-over-year and a decrease of 1% sequentially. Year-over-year, net inflows were partially offset by lower equity market values. On a sequential basis, the decrease resulted from lower equity market values, partially offset by net inflows.

  - Net long-term inflows were $26 billion and short-term outflows were $14 billion in 2Q12. Long-term inflows benefited from fixed income and equity indexed products.

- Investment management and performance fees were $803 million, an increase of 2% year-over-year and 6% (unannualized) sequentially. Both increases reflect higher performance fees. Excluding performance fees, investment management fees decreased 3% year-over-year and increased 1% (unannualized) sequentially. The decrease year-over-year was primarily due to lower equity market values, partially offset by net new business. Sequentially, the increase was primarily due to net new business and higher money market fees, partially offset by lower equity market values.

- Other revenue was $13 million in 2Q12 compared with revenue of $24 million in 2Q11 and $52 million in 1Q12. Both decreases primarily reflect lower seed capital gains.

- Net interest revenue increased 8% year-over-year and decreased 5% (unannualized) sequentially. The year-over-year increase primarily resulted from higher average loans and deposits partially offset by tighter spreads. The sequential decrease reflects tighter spreads and lower deposit balances, partially offset by higher average loans.

  - Average loans increased 13% year-over-year and 4% sequentially; average deposits increased 25% year-over-year and decreased 2% sequentially.

- Total noninterest expense (ex. amortization of intangible assets) was unchanged year-over-year and increased 4% (unannualized) sequentially. The sequential increase primarily resulted from higher incentive expense driven by an increase in performance fees, as well as higher business development and distribution and servicing expenses.

- 44% non-U.S. revenue in 2Q12 vs. 41% in 2Q11.

- Ranked #1 for providing liability-driven investment strategies by *Pensions & Investments* (published 6/11/2012).

INVESTMENT SERVICES provides global custody and related services, broker-dealer services, alternative investment services, corporate trust, depositary receipt and clearing services as well as global payment/working capital solutions to global financial institutions.

(dollars in millions, unless otherwise noted)	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q12 vs. 2Q11**	**2Q12 vs. 1Q12**
Revenue:							
Investment services fees:							
Asset servicing	$ 943	$ 894	$ 858	$ 915	**$ 920**	**(2)%**	**1%**
Issuer services	314	401	245	251	**275**	**(12)**	**10**
Clearing services	292	297	278	303	**309**	**6**	**2**
Treasury services	134	132	133	136	**132**	**(1)**	**(3)**
Total investment services fees	1,683	1,724	1,514	1,605	**1,636**	**(3)**	**2**
Foreign exchange and other trading revenue	203	236	196	176	**179**	**(12)**	**2**
Other *(a)*	81	68	71	71	**66**	**(19)**	**(7)**
Total fee and other revenue *(a)*	1,967	2,028	1,781	1,852	**1,881**	**(4)**	**2**
Net interest revenue	649	661	634	642	**607**	**(6)**	**(5)**
Total revenue	2,616	2,689	2,415	2,494	**2,488**	**(5)**	**-**
Provision for credit losses	-	-	-	16	**(14)**	**N/M**	**N/M**
Noninterest expense (ex. amortization of intangible assets)	1,777	1,849	1,706	1,779	**2,097**	**18**	**18**
Income before taxes (ex. amortization of intangible assets)	839	840	709	699	**405**	**(52)**	**(42)**
Amortization of intangible assets	50	49	50	48	**49**	**(2)**	**2**
Income before taxes	$ 789	$ 791	$ 659	$ 651	**$ 356**	**(55)%**	**(45)%**
Pre-tax operating margin	30%	29%	27%	26%	**14%**		
Pre-tax operating margin (ex. amortization of intangible assets)	32%	31%	29%	28%	**16%**		
Investment services fees as a percentage of noninterest expense *(b)*	96%	98%	90%	94%	**94%**		
Securities lending revenue	$ 52	$ 32	$ 35	$ 39	**$ 48**	**(8)%**	**23%**
Metrics:							
Market value of assets under custody and administration at period-end *(in trillions)*	$ 26.3	$ 25.9	$ 25.8	$ 26.6	**$ 27.1**	**3%**	**2%**
Market value of securities on loan at period-end *(in billions) (c)*	$ 273	$ 250	$ 269	$ 265	**$ 275**	**1%**	**4%**
Average loans	$ 22,891	$ 22,879	$ 26,804	$ 25,902	**$ 24,981**	**9%**	**(4)%**
Average deposits	$ 153,863	$ 181,848	$ 188,539	$ 175,055	**$ 172,435**	**12%**	**(1)%**
Asset servicing:							
New business wins (AUC) *(in billions)*	$ 196	$ 96	$ 431	$ 453	**$ 314**		
Corporate Trust:							
Total debt serviced *(in trillions)*	$ 11.8	$ 11.9	$ 11.8	$ 11.9	**$ 11.5**	**(3)%**	**(3)%**
Number of deals administered	133,262	134,843	133,850	133,319	**133,301**	**-%**	**-%**
Depositary Receipts:							
Number of sponsored programs	1,386	1,384	1,389	1,391	**1,393**	**1%**	**-%**
Clearing services:							
DARTS volume *(in thousands)*	196.5	207.7	178.7	196.6	**189.8**	**(3)%**	**(3)%**
Average active clearing accounts U.S. *(in thousands)*	5,486	5,503	5,429	5,413	**5,427**	**(1)%**	**-%**
Average long-term mutual fund assets (U.S. platform)	$306,193	$ 287,573	$ 287,562	$ 306,212	**$ 306,973**	**-%**	**-%**
Average margin loans	$ 7,506	$ 7,351	$ 7,548	$ 7,900	**$ 8,231**	**10%**	**4%**
Broker-Dealer:							
Average collateral management balances *(in billions)*	$ 1,845	$ 1,872	$ 1,866	$ 1,929	**$ 1,997**	**8%**	**4%**
Treasury services:							
Global payments transaction volume *(in thousands)*	10,944	11,088	10,856	10,838	**11,117**	**2%**	**3%**

(a) Total fee and other revenue includes investment management fees and distribution and servicing revenue.
(b) Noninterest expense excludes amortization of intangible assets, support agreement charges and litigation expense.
(c) Represents the securities on loan managed by the Investment Services business.

INVESTMENT SERVICES KEY POINTS

- Investment services fees totaled $1.6 billion, a decrease of 3% year-over-year and an increase of 2% (unannualized) sequentially.

  - Asset servicing fees (global custody, broker-dealer services and alternative investment services) were $920 million in 2Q12 compared with $943 million in 2Q11 and $915 million in 1Q12. The year-over year decrease primarily reflects lower equity market values and securities lending revenue, partially offset by net new business. The sequential increase was primarily driven by net new business and seasonally higher securities lending revenue, partially offset by lower equity market values.

  - Issuer services fees (Corporate Trust and Depositary Receipts) were $275 million in 2Q12 compared with $314 million in 2Q11 and $251 million in 1Q12. The year-over-year decrease primarily resulted from lower Depositary Receipts revenue, lower money market related fees and lower trust fees related to the weakness in structured products in Corporate Trust. The increase sequentially resulted from higher Depositary Receipts revenue as well as money market related fees in Corporate Trust.

  - Clearing services fees (Pershing) were $309 million in 2Q12 compared with $292 million in 2Q11 and $303 million in 1Q12. The year-over-year increase was driven by higher mutual fund fees, partially offset by the impact of lower DARTS volume and higher money market fee waivers. The sequential increase primarily reflects higher mutual fund fees and lower money market fee waivers, partially offset by the impact of lower DARTS volume.

- Foreign exchange and other trading revenue was $179 million in 2Q12 compared with $203 million in 2Q11 and $176 million in 1Q12. The year-over-year decrease reflects lower volatility and volumes, while the sequential increase primarily resulted from higher volumes.

- Net interest revenue was $607 million in 2Q12 compared with $649 million in 2Q11 and $642 million in 1Q12. The year-over-year decrease reflects lower spreads and accretion, partially offset by higher average interest-earning deposits. The sequential decrease reflects lower spreads, average interest-earning deposits and accretion.

- The provision for credit losses was a credit of $14 million in the second quarter of 2012 primarily resulting from a decline in the expected loss related to a broker-dealer customer that previously filed for bankruptcy.

- Noninterest expense (excluding amortization of intangible assets) was $2.1 billion in 2Q12 compared with $1.8 billion in both 2Q11 and 1Q12. Both increases primarily reflect higher litigation expense and a deposit levy imposed on Belgium banks, including our Belgium bank subsidiary.

- 36% non-U.S. revenue in 2Q12 vs. 39% in 2Q11.

- Ranked #1 global custodian in 17 categories in the 2012 *Global Investor* global custody survey.

OTHER SEGMENT primarily includes credit-related services, the leasing portfolio, corporate treasury activities, business exits, M&I expenses and other corporate revenue and expense items. Results in 2011 include the Shareowner Services business.

(dollars in millions)	2Q11	3Q11	4Q11	1Q12	**2Q12**
Revenue:					
Fee and other revenue	$ 269	$ 121	$ 240	$ 166	**$ 112**
Net interest revenue	34	63	91	68	**75**
Total revenue	303	184	331	234	**187**
Provision for credit losses	(1)	(22)	23	(11)	**(5)**
Noninterest expense (ex. amortization of intangible assets and M&I and restructuring charges)	272	182	245	253	**189**
Income (loss) before taxes (ex. amortization of intangible assets and M&I and restructuring charges)	32	24	63	(8)	**3**
Amortization of intangible assets	5	4	3	-	**-**
M&I and restructuring charges	18	12	139	9	**22**
Income (loss) before taxes	$ 9	$ 8	$ (79)	$ (17)	**$ (19)**
Average loans and leases	$ 10,553	$ 10,652	$ 10,223	$ 9,877	**$ 10,248**

KEY POINTS

- Total fee and other revenue decreased $157 million compared with 2Q11 and $54 million compared with 1Q12. The year-over-year decrease reflects lower asset-related gains, the impact of the sale of the Shareowner Services business and lower equity investment revenue. The sequential decrease was driven by lower leasing gains and equity investment revenue and a lower credit valuation adjustment.

- The provision for credit losses was a credit of $5 million in the second quarter of 2012 primarily resulting from improvements in the mortgage portfolio.

- Noninterest expense (excluding amortization of intangible assets and M&I and restructuring charges) decreased $83 million compared with 2Q11 and $64 million compared with 1Q12. The decrease compared with 2Q11 resulted from the impact of the sale of the Shareowner Services business and lower incentive expense. The decrease compared with 1Q12 reflects lower incentives and benefits expense.

SUPPLEMENTAL INFORMATION – EXPLANATION OF NON-GAAP FINANCIAL MEASURES

BNY Mellon has included in this Earnings Review certain Non-GAAP financial measures based upon tangible common shareholders' equity. 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 BNY Mellon's performance in reference to those assets which are productive in generating income. The tangible common shareholders' equity 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 calculation has excluded certain assets which are given a zero percent risk-weighting for regulatory purposes. BNY Mellon has provided a measure of tangible book value per share, which it believes provides additional useful information as to the level of such 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 other revenue related to the Shareowner Services business, which was sold on Dec. 31 201l; and expense measures which exclude M&I expenses, litigation charges, restructuring charges and amortization of intangible assets and direct expense related to the Shareowner Services business. Return on equity measures and operating margin measures, which exclude some or all of these items, are also presented. 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 ongoing charges as a result of prior transactions or where we have incurred charges. M&I expenses primarily relate to the acquisitions of Global Investment Servicing on July 1, 2010 and BHF Asset Servicing GmbH on Aug. 2, 2010. M&I expenses generally continue for approximately three years after the transaction and can vary on a year-to-year basis depending on the stage of the integration. BNY Mellon believes that the exclusion of M&I expenses provides investors with a focus on BNY Mellon's business as it would appear on a consolidated going-forward basis, after such M&I expenses have ceased. Future periods will not reflect such M&I expenses, and thus may be more easily compared to our current results if M&I expenses are excluded. 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 operational excellence initiatives and migrating positions to global delivery centers. Excluding these charges permits investors to view expenses on a basis consistent with how management views the business. BNY Mellon also presents revenue and noninterest expense results relating to the Shareowner Services business so that an investor may compare those results with other periods, which do not include the Shareowner Services business.

The presentation of income (loss) from consolidated investment management funds, net of net income (loss) attributable to noncontrolling interest related to the consolidation of certain investment management funds permits investors to view revenue on a basis consistent with prior periods. 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 Earnings Review, 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.

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 a reconciliation of the tax rate from an effective rate to an operating rate for the second quarter of 2012.

Reconciliation of effective tax rate	**2Q12**
Effective tax rate – GAAP	**15.8%**
Tax reduction related to litigation charge	**8.7**
Other	**1.6**
Effective tax rate – Operating basis – Non-GAAP	**26.1%**

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

Pre-tax operating margin *(dollars in millions)*	2Q11	3Q11	4Q11	1Q12	**2Q12**
Income before income taxes – GAAP	$ 1,034	$ 945	$ 689	$ 885	**$ 589**
Less: Net income (loss) attributable to noncontrolling interests of consolidated investment management funds	21	13	(28)	11	**29**
Add: Amortization of intangible assets	108	106	106	96	**97**
M&I, litigation and restructuring charges	63	92	176	109	**378**
Income before income taxes excluding net income (loss) attributable to noncontrolling interests of consolidated investment management funds, amortization of intangible assets, M&I, litigation and restructuring charges – Non-GAAP	$ 1,184	$ 1,130	$ 999	$ 1,079	**$ 1,035**
Fee and other revenue – GAAP	$ 3,056	$ 2,887	$ 2,765	$ 2,838	**$ 2,826**
Income (loss) from consolidated investment management funds – GAAP	63	32	(5)	43	**57**
Net interest revenue – GAAP	731	775	780	765	**734**
Total revenue – GAAP	3,850	3,694	3,540	3,646	**3,617**
Less: Net income (loss) attributable to noncontrolling interests of consolidated investment management funds	21	13	(28)	11	**29**
Total revenue excluding net income (loss) attributable to noncontrolling interests of consolidated investment management funds – Non-GAAP	$ 3,829	$ 3,681	$ 3,568	$ 3,635	**$ 3,588**
Pre-tax operating margin *(a)*	27%	26%	19%	24%	**16%**
Pre-tax operating margin excluding net income (loss) attributable to noncontrolling interests of consolidated investment management funds, amortization of intangible assets, M&I, litigation and restructuring charges – Non-GAAP *(a)*	31%	31%	28%	30%	**29%**

(a) Income before taxes divided by total revenue.

The following table presents the calculation of the return on common equity and the return on tangible common equity.

Return on common equity and tangible common equity *(dollars in millions)*	2Q11	3Q11	4Q11	1Q12	**2Q12**
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	$ 735	$ 651	$ 505	$ 619	**$ 466**
Add: Amortization of intangible assets, net of tax	68	67	66	61	**61**
Net income applicable to common shareholders of The Bank of New York Mellon Corporation excluding amortization of intangible assets – Non-GAAP	803	718	571	680	**527**
Add: M&I, litigation and restructuring charges	41	55	110	65	**225**
Net income applicable to common shareholders of The Bank of New York Mellon Corporation excluding amortization of intangible assets and M&I, litigation and restructuring charges – Non-GAAP	$ 844	$ 773	$ 681	$ 745	**$ 752**
Average common shareholders' equity	$ 33,464	$ 34,008	$ 33,761	$ 33,718	**$ 34,123**
Less: Average goodwill	18,193	18,156	18,044	17,962	**17,941**
Average intangible assets	5,547	5,453	5,333	5,121	**5,024**
Add: Deferred tax liability – tax deductible goodwill	895	915	967	972	**982**
Deferred tax liability – non-tax deductible intangible assets	1,630	1,604	1,459	1,428	**1,400**
Average tangible common shareholders' equity – Non-GAAP	$ 12,249	$ 12,918	$ 12,810	$ 13,035	**$ 13,540**
Return on common equity– GAAP *(a)*	8.8%	7.6%	5.9%	7.4%	**5.5%**
Return on common equity excluding amortization of intangible assets and M&I, litigation and restructuring charges – Non-GAAP *(a)*	10.1%	9.0%	8.0%	8.9%	**8.9%**
Return on tangible common equity – Non-GAAP *(a)*	26.3%	22.1%	17.7%	21.0%	**15.7%**
Return on tangible common equity excluding M&I, litigation and restructuring charges – Non-GAAP *(a)*	27.6%	23.8%	21.1%	23.0%	**22.4%**

(a) Annualized.

The following table presents the calculation 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, 2011	March 31, 2012	**June 30, 2012**
BNY Mellon shareholders' equity at period end – GAAP	$ 33,851	$ 34,000	**$ 34,533**
Less: Preferred stock	-	-	**500**
BNY Mellon common shareholders' equity at period-end – GAAP	33,851	34,000	**34,033**
Less: Goodwill	18,191	18,002	**17,909**
Intangible assets	5,514	5,072	**4,962**
Add: Deferred tax liability – tax deductible goodwill	895	972	**982**
Deferred tax liability – non-tax deductible intangible assets	1,630	1,428	**1,400**
Tangible BNY Mellon common shareholders' equity at period end – Non-GAAP	$ 12,671	$ 13,326	**$ 13,544**
Total assets at period end – GAAP	$ 304,706	$ 300,169	**$ 330,283**
Less: Assets of consolidated investment management funds	13,533	11,609	**10,955**
Subtotal assets of operations – Non-GAAP	291,173	288,560	**319,328**
Less: Goodwill	18,191	18,002	**17,909**
Intangible assets	5,514	5,072	**4,962**
Cash on deposit with the Federal Reserve and other central banks *(a)*	56,478	61,992	**72,838**
Tangible total assets of operations at period end – Non-GAAP	$ 210,990	$ 203,494	**$ 223,619**
BNY Mellon shareholders' equity to total assets – GAAP	11.1%	11.3%	**10.5%**
BNY Mellon common shareholders' equity to total assets – GAAP	11.1%	11.3%	**10.3%**
Tangible BNY Mellon common shareholders' equity to tangible assets of operations – Non-GAAP	6.0%	6.5%	**6.1%**
Period end common shares outstanding *(in thousands)*	1,232,691	1,192,716	**1,181,298**
Book value per common share	$ 27.46	$ 28.51	**$ 28.81**
Tangible book value per common share – Non-GAAP	$ 10.28	$ 11.17	**$ 11.47**

(a) Assigned a zero percent 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 *(dollars in millions)*	2Q11	3Q11	4Q11	1Q12	**2Q12**
Income (loss) from consolidated investment management funds	$ 63	$ 32	$ (5)	$ 43	**$ 57**
Less: Net income (loss) attributable to noncontrolling interests of consolidated investment management funds	21	13	(28)	11	**29**
Income from consolidated investment management funds, net of noncontrolling interests	$ 42	$ 19	$ 23	$ 32	**$ 28**

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

Income from consolidated investment management funds, net of noncontrolling interests *(dollars in millions)*	2Q11	3Q11	4Q11	1Q12	**2Q12**
Investment management and performance fees	$ 29	$ 27	$ 20	$ 22	**$ 20**
Other (Investment income)	13	(8)	3	10	**8**
Income from consolidated investment management funds, net of noncontrolling interests	$ 42	$ 19	$ 23	$ 32	**$ 28**

The following table presents investment management fees net of performance fees.

Investment management and performance fees *(dollars in millions)*	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q12 vs. 2Q11**	**2Q12 vs. 1Q12**
Investment management and performance fees	$ 779	$ 729	$ 730	$ 745	**$ 797**	**2%**	**7%**
Less: Performance fees	18	11	47	16	**54**	**N/M**	**N/M**
Investment management fees	$ 761	$ 718	$ 683	$ 729	**$ 743**	**(2)%**	**2%**

The following tables present fee and other revenue and noninterest expense excluding Shareowner Services.

Fee and other revenue excluding Shareowner Services *(dollars in millions)*	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q12 vs. 2Q11**	**2Q12 vs. 1Q12**
Investment services fees:							
Asset servicing	$ 973	$ 922	$ 885	$ 943	**$ 950**	**(2)%**	**1%**
Issuer services	314	400	245	251	**275**	**(12)**	**10**
Clearing services	292	297	278	303	**309**	**6**	**2**
Treasury services	134	133	134	136	**134**	**-**	**(1)**
Total investment services fees	1,713	1,752	1,542	1,633	**1,668**	**(3)**	**2**
Investment management and performance fees	779	729	730	745	**797**	**2**	**7**
Foreign exchange and other trading revenue	221	200	227	191	**180**	**(19)**	**(6)**
Distribution and servicing	49	43	42	46	**46**	**(6)**	**-**
Financing-related fees	47	38	37	44	**37**	**(21)**	**(16)**
Investment and other income	145	83	48	139	**51**	**(65)**	**(63)**
Total fee revenue	2,954	2,845	2,626	2,798	**2,779**	**(6)**	**(1)**
Net securities gains (losses)	48	(2)	(3)	40	**50**	**N/M**	**N/M**
Total fee and other revenue	$ 3,002	$ 2,843	$ 2,623	$ 2,838	**$ 2,829**	**(6)%**	**-%**

Noninterest expense excluding Shareowner Services *(dollars in millions)*	2Q11	3Q11	4Q11	1Q12	**2Q12**	**2Q12 vs. 2Q11**	**2Q12 vs. 1Q12**
Staff:							
Compensation	$ 888	$ 889	$ 871	$ 861	**$ 866**	**(2)%**	**1%**
Incentives	327	327	278	352	**311**	**(5)**	**(12)**
Employee benefits	229	222	213	240	**238**	**4**	**(1)**
Total staff	1,444	1,438	1,362	1,453	**1,415**	**(2)**	**(3)**
Professional, legal and other purchased services	289	300	310	299	**309**	**7**	**3**
Software and equipment	201	189	208	205	**209**	**4**	**2**
Net occupancy	158	149	156	147	**141**	**(11)**	**(4)**
Distribution and servicing	109	100	96	101	**103**	**(6)**	**2**
Sub-custodian	88	80	62	70	**70**	**(20)**	**-**
Business development	72	57	74	56	**71**	**(1)**	**27**
Other	237	223	232	220	**254**	**7**	**15**
Amortization of intangible assets	104	103	103	96	**97**	**(7)**	**1**
M&I, litigation and restructuring charges	63	92	176	109	**378**	**N/M**	**N/M**
Total noninterest expense	$ 2,765	$ 2,731	$ 2,779	$ 2,756	**$ 3,047**	**10%**	**11%**

Cautionary Statement

A number of statements (i) in this Quarterly Earnings Review, (ii) in our presentations and (iii) in the responses to questions on our conference call discussing our quarterly results and other public events may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 including statements made regarding our estimated capital ratios and our operational excellence initiatives, including targeted savings by the end of 2012. These statements may be expressed in a variety of ways, including the use of future or present tense language. These statements and other forward-looking statements contained in other public disclosures of The Bank of New York Mellon Corporation which make reference to the cautionary factors described in this Earnings Review, are based upon current beliefs and expectations and are subject to significant risks and uncertainties (some of which are beyond BNY Mellon’s control). Actual results may differ materially from those expressed or implied as a result of these risks and uncertainties, including, but not limited to, the risk factors and other uncertainties set forth in BNY Mellon’s Annual Report on Form 10-K for the year ended Dec. 31, 2011 and BNY Mellon’s other filings with the Securities and Exchange Commission. All forward-looking statements in this Earnings Review speak only as of July 18, 2012, and BNY Mellon undertakes no obligation to update any forward-looking statement to reflect events or circumstances after that date or to reflect the occurrence of unanticipated events.