Bank of New York Mellon Corp
Form 10-Q
November 07, 2014

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 September 30, 2014

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 Sept. 30, 2014
Common Stock, $0.01 par value	1,125,709,682

THE BANK OF NEW YORK MELLON CORPORATION

Third Quarter 2014 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)	Sept. 30, 2014	June 30, 2014	Sept. 30, 2013	Sept. 30, 2014	Sept. 30, 2013
Results applicable to common shareholders of The Bank of New York Mellon Corporation: (a)					
Net income	$1,070	$554	$962	$2,285	$1,527
Basic EPS	0.93	0.48	0.82	1.98	1.30
Diluted EPS	0.93	0.48	0.82	1.97	1.30
Fee and other revenue (a)	$3,851	$2,980	$2,979	$9,714	$9,042
Income from consolidated investment management funds	39	46	32	121	147
Net interest revenue	721	719	772	2,168	2,248
Total revenue (a)	$4,611	$3,745	$3,783	$12,003	$11,437
Return on common equity (annualized) (a)(b)	11.6 %	6.1 %	11.1 %	8.4 %	5.9 %
Non-GAAP (a)(b)(c)	8.5 %	8.4 %	8.9 %	8.2 %	9.1 %
Return on tangible common equity (annualized) – Non-GAAP (a)(b)	26.2 %	14.5 %	28.3 %	19.6 %	15.7 %
Non-GAAP adjusted (a)(b)(c)	18.4 %	18.4 %	21.3 %	18.1 %	21.7 %
Return on average assets (annualized) (a)	1.12 %	0.60 %	1.12 %	0.83 %	0.60 %
Fee revenue as a percentage of total revenue excluding net securities gains	83 %	79 %	79 %	81 %	79 %
Percentage of non-U.S. total revenue (a)(d)	43 %	38 %	38 %	39 %	37 %
Pre-tax operating margin (a)(b)	36 %	22 %	26 %	28 %	27 %
Non-GAAP (b)(c)	29 %	30 %	29 %	28 %	29 %
Net interest margin (FTE)	0.94 %	0.98 %	1.16 %	0.99 %	1.14 %
Assets under management at period end (in billions) (e)	$1,646	$1,636	$1,532	$1,646	$1,532
Assets under custody and/or administration (“AUC/A”) at period end (in trillions) (f)	$28.3	$28.5	$27.4	$28.3	$27.4
Market value of securities on loan at period	$282	$280	$255	$282	$255

end (in billions) (g)														
Average common shares and equivalents outstanding (in thousands):														
Basic	1,126,946			1,133,556		1,148,724			1,133,006			1,153,327		
Diluted	1,134,871			1,139,800		1,152,679			1,139,718			1,156,951		
Capital ratios														
Common equity Tier 1 (“CET1”) ratio (h)(i)	11.4	%	(b)	11.2	%	14.2	%	(b)(k)	11.4	%	(b)	14.2	%	(b)(k)
Tier 1 capital ratio (h)(i)	12.3	%	(b)	12.2	%	15.8	%	(k)	12.3	%	(b)	15.8	%	(k)
Total (Tier 1 plus Tier 2) capital ratio (h)(i)	12.7	%	(b)	12.6	%	16.8	%	(k)	12.7	%	(b)	16.8	%	(k)
Leverage capital ratio (i)	5.8	%		5.9	%	5.6	%	(k)	5.8	%		5.6	%	(k)
BNY Mellon shareholders’ equity to total assets ratio (b)	10.0	%		9.6	%	9.9	%		10.0	%		9.9	%	
BNY Mellon common shareholders’ equity to total assets ratio (b)	9.5	%		9.2	%	9.5	%		9.5	%		9.5	%	
BNY Mellon tangible common shareholders’ equity to tangible assets of operations ratio – Non-GAAP (a)(b)	6.5	%		6.4	%	6.3	%		6.5	%		6.3	%	
Estimated CET1, fully phased-in – Non-GAAP: (b)(h)(j)														
Standardized Approach	10.8	%		9.9	%	10.1	%		10.8	%		10.1	%	
Advanced Approach	10.2	%		10.0	%	11.1	%		10.2	%		11.1	%	
Estimated supplementary leverage ratio (“SLR”), fully phased-in – Non-GAAP (b)(l)	4.6	%		4.7	%	N/A			4.6	%		N/A		

Consolidated Financial Highlights (unaudited) (continued)

	Quarter ended			Year-to-date	
(dollar amounts in millions, except per common share amounts and unless otherwise noted)	Sept. 30, 2014	June 30, 2014	Sept. 30, 2013	Sept. 30, 2014	Sept. 30, 2013
Selected average balances					
Interest-earning assets	$311,603	$300,758	$271,150	$299,064	$268,480
Assets of operations	$370,167	$357,807	$329,887	$357,301	$326,020
Total assets	$380,409	$369,212	$341,750	$368,297	$337,651
Interest-bearing deposits	$164,233	$162,674	$153,547	$160,006	$150,853
Noninterest-bearing deposits	$82,334	$77,820	$72,075	$80,531	$71,026
Preferred stock	$1,562	$1,562	$1,562	$1,562	$1,328
Total The Bank of New York Mellon Corporation common shareholders' equity	$36,751	$36,565	$34,264	$36,537	$34,541
Other information at period end					
Cash dividends per common share	$0.17	$0.17	$0.15	$0.49	$0.43
Common dividend payout ratio	18 %	35 %	18 %	25 %	33 %
Common dividend yield (annualized)	1.7 %	1.8 %	2.0 %	1.7 %	1.9 %
Closing stock price per common share	$38.73	$37.48	$30.19	$38.73	$30.19
Market capitalization	$43,599	$42,412	$34,674	$43,599	$34,674
Book value per common share – GAAP (a)(b)	$32.77	$32.49	$30.80	$32.77	$30.80
Tangible book value per common share – Non-GAAP (a)(b)	$15.30	$14.88	$13.34	$15.30	$13.34
Full-time employees	50,900	51,100	50,800	50,900	50,800
Common shares outstanding (in thousands)	1,125,710	1,131,596	1,148,522	1,125,710	1,148,522

(a) The three and nine months ended Sept. 30, 2013 were restated to reflect the retrospective application of adopting new accounting guidance in the first quarter of 2014 related to our investments in qualified affordable housing projects (ASU 2014-01). 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 56 for a reconciliation of these ratios.

(c) Non-GAAP excludes amortization of intangible assets, merger and integration ("M&I"), litigation, restructuring charges, the gain on the sale of our investment in Wing Hang, the gain on the sale of the One Wall Street building, a charge (recovery) related to investment management funds, net of incentives and the (benefit)/net charge related to the disallowance of certain foreign tax credits, 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 $1.2 trillion at Sept. 30, 2014, June 30, 2014 and Sept. 30, 2013.

(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, beginning in the fourth quarter of 2013, on behalf of CIBC Mellon clients, which totaled $65 billion at Sept. 30, 2014 and $64 billion at June 30, 2014.

(h) Beginning with June 30, 2014, risk-based capital ratios include the net impact of including the total consolidated assets of certain consolidated investment management funds in risk-weighted assets. These assets were not included in prior periods. The leverage capital ratio was not affected. The June 30, 2014 risk-based capital ratios also reflect adjustments due to refinements in the data used in determining risk-weighted assets. These adjustments resulted in reductions of approximately 20 basis points to the CET1, Tier 1 capital and Total capital ratios and approximately 40 basis points to the estimated CET1 fully phased-in (Non-GAAP) ratio calculated under the Standardized Approach. For additional information on these ratios, see “Capital” beginning on page 46.

(i) At Sept. 30, 2014 and June 30, 2014, the CET1, Tier 1 and Total risk-based regulatory capital ratios are based on Basel III components of capital, as phased-in, with asset risk-weightings using the Advanced Approach framework. The leverage capital ratios are based on Basel III components of capital and quarterly average total assets, as phased-in. For additional information on these ratios, see “Capital” beginning on page 46.

(j) The estimated fully phased-in Basel III CET1 ratios are based on our interpretation of the final rules released by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) on July 2, 2013 (the “Final Capital Rules”), which are being gradually phased-in over a multi-year period. For additional information on these ratios, see “Capital” beginning on page 46.

(k) The capital ratios for Sept. 30, 2013 are based on Basel I rules (including Basel I Tier 1 common in the case of the CET1 ratio).

(l) The estimated fully phased-in SLR as of Sept. 30, 2014 is based on our interpretation of the Final Capital Rules, as supplemented by the Federal Reserve’s final rules on the SLR. The estimated fully phased-in SLR as of June 30, 2014 is based on our interpretation of the Final Capital Rules, as supplemented by the Notice of Proposed Rulemaking released in April 2014 concerning the SLR, except that off-balance sheet exposures included in total leverage exposure reflect the end of period measures, rather than a daily average. On a fully phased-in basis, we expect to satisfy a minimum SLR of over 5%, 3% attributable to a regulatory minimum SLR, and greater than 2% attributable to a buffer applicable to U.S. global systemically important banks (“G-SIBs”).

N/A – Not available.

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, 2013 (“2013 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. 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 56 for a reconciliation of financial measures presented in accordance with U.S. generally accepted accounting principles (“GAAP”) to adjusted Non-GAAP financial measures.

In the first quarter of 2014, BNY Mellon elected to early adopt the new accounting guidance included in Accounting Standards Update (“ASU”) 2014-01, “Accounting for Investments in Qualified Affordable Housing Projects - a Consensus of the FASB Emerging Issues Task Force.” As a result, we restated the prior period financial statements to reflect the impact of the retrospective application of the new accounting guidance. See Note 2 of the Notes to Consolidated Financial Statements for additional information.

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 Sept. 30, 2014, BNY Mellon had $28.3 trillion in assets under custody and/or administration, and $1.6 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 third quarter 2014 and subsequent events

Acquisition of Cutwater Asset Management

In October 2014, BNY Mellon announced that it has signed an agreement to acquire Cutwater Asset Management, a U.S.-based fixed income and solutions specialist with approximately $23 billion in assets under management. Located in Armonk, NY, the firm is currently a wholly-owned subsidiary of MBIA Inc. The transaction is subject to customary closing conditions, including the receipt of regulatory approvals, and is expected to close by the beginning of the first quarter of 2015.

Exit of the derivatives sales and trading business

In September 2014, BNY Mellon announced that it repositioned the BNY Mellon Markets Groups and will be exiting the derivatives sales and trading business over the next several years. This action will be beneficial to our operating margin and return on capital.

Corporate headquarters

In September 2014, BNY Mellon sold its One Wall Street office building in lower Manhattan for $585 million. BNY Mellon has occupied the 50 story, 1.1 million square foot building since 1989. The sale resulted in an after-tax gain of $204 million, or $346 million pre-tax.

Supplementary leverage ratio

The Final Capital Rules includes a minimum 3% supplementary leverage ratio (“SLR”) to become effective as a binding ratio on Jan. 1, 2018, although commencing in January 2015 each Advanced Approaches banking organization is required to calculate and report its SLR.

On Sept. 3, 2014, the U.S. federal banking agencies issued a final rule implementing the SLR. An enhanced SLR applicable to BNY Mellon and the other U.S. G-SIB bank holding companies will require a buffer in excess of 2% over the minimum 3% SLR for a total SLR in excess of 5%. In addition, the eight U.S. G-SIBs’ insured depository institution subsidiaries, regardless of the amount of their consolidated assets or assets under custody, must maintain a 6% SLR to be considered “well-capitalized.”

BNY Mellon’s estimated fully phased-in SLR of 4.6% at Sept. 30, 2014 was based on our interpretation of the Final Capital Rules, as supplemented by the final rules implementing the SLR.

BNY Mellon expects to fully satisfy the requirements of the SLR on or before it is phased-in. For additional information regarding the SLR, see “Recent accounting and regulatory developments - Regulatory developments.”

Liquidity coverage ratio

The Basel III framework requires banks and bank holding companies (“BHCs”) 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 liquidity coverage ratio (“LCR”), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets relative to the entity’s net stressed cash outflow for a 30-day time horizon under an acute liquidity stress scenario.

On Sept. 3, 2014 the U.S. federal banking agencies issued a final rule (the “Final LCR Rule”) to implement the LCR in the U.S. Starting on Jan. 1, 2015, covered companies, including BNY Mellon, will be required to meet an LCR of 80% percent, increasing annually by 10% increments until Jan. 1, 2017, at which time covered companies would be required to meet a liquidity coverage ratio of 100%.

BNY Mellon expects to fully satisfy the requirement of this new measure of liquidity as it is phased-in without materially impacting our businesses. For additional information regarding the LCR, see “Recent accounting and regulatory developments - Regulatory developments.”

Sale of our equity investment in Wing Hang Bank Limited (“Wing Hang”)

In July 2014, BNY International Financing Corp., a subsidiary of BNY Mellon, sold our equity investment in Wing Hang, which is located in Hong Kong, to Oversea-Chinese Banking Corporation Limited, resulting in an after-tax gain of $315 million, or $490 million pre-tax. Equity income related to our investment in Wing Hang totaled $20 million through July of 2014 and $95 million in full-year 2013, including $37 million from the sale of a property recorded in the third quarter of 2013.

Completion of federal income tax exam

As previously disclosed, our 2006 and 2009 tax years remain open primarily to permit a tax carryback claim. On Nov. 4, 2014, the IRS notified us that our carryback claim was approved and they are processing the refund. We are determining the financial statement impact of the carryback and associated interest but estimate the after-tax benefit will range between $160 million to $190 million in the fourth quarter of 2014.

Highlights of third quarter 2014 results

In the third quarter of 2014, BNY Mellon reported net income applicable to common shareholders of $1.07 billion, or $0.93 per diluted common share, or $734 million, or $0.64 per diluted common share, adjusted for gains related to the sale of our equity investment in Wing Hang and the sale of our One Wall Street building, net of litigation and restructuring charges. In the third quarter of 2013, net income applicable to common shareholders was $962 million, or $0.82 per diluted common share, or $713 million, or $0.61 per diluted common share, adjusted for the benefit related to certain tax matters net of litigation and restructuring charges. In the second quarter of 2014, net income applicable to common shareholders was $554 million, or $0.48 per diluted common share, or $715 million, or $0.62, per diluted common share adjusted for a charge related to investment management funds and severance. See “Supplemental information - Explanation of GAAP and Non-GAAP financial measures” beginning on page 56 for the reconciliation of Non-GAAP measures.

Highlights of the third quarter 2014 include:

- AUC/A totaled $28.3 trillion at Sept. 30, 2014 compared with $27.4 trillion at Sept. 30, 2013. The increase of 3% primarily reflects higher market values. (See the “Investment Services business” beginning on page 23).
- Assets under management (“AUM”), excluding securities lending cash management assets and assets managed in the Investment Services business, totaled a record $1.65 trillion at Sept. 30, 2014 compared with $1.53 trillion at Sept. 30, 2013. The increase of 7% resulted from higher equity market values and net new business. (See the “Investment Management business” beginning on page 20).
- Investment services fees totaled $1.8 billion, an increase of 5% compared with the third quarter of 2013. The increase primarily reflects organic growth, higher market values and net new business. (See the “Investment Services business” beginning on page 23).
- Investment management and performance fees totaled $881 million, a 7% increase compared with the third quarter of 2013. The increase primarily reflects higher equity markets, the impact of a weaker U.S. dollar and higher performance fees. (See the “Investment Management business” beginning on page 20).
- Foreign exchange and other trading revenue totaled $153 million in the third quarter of 2014 compared with $160 million in the third quarter of 2013. Foreign exchange revenue was flat as higher volumes were offset by lower volatility.

Other trading revenue decreased reflecting lower derivatives trading revenue. (See “Fee and other revenue” beginning on page 7).

- Investment and other income totaled $890 million in the third quarter of 2014 compared with $151 million in the third quarter of 2013. The increase primarily reflects the gains on the sales of our equity investment in Wing Hang and our One Wall Street building, partially offset by lower equity investment revenue and seed capital gains. (See “Fee and other revenue” beginning on page 7).
- Net interest revenue totaled $721 million in the third quarter of 2014 compared with $772 million in the third quarter of 2013. The decrease primarily resulted from lower asset yields and lower accretion, partially offset by higher average interest-bearing assets driven by higher deposits. (See “Net interest revenue” beginning on page 11).
- The net unrealized pre-tax gain on our total investment securities portfolio was $1.1 billion at Sept. 30, 2014 compared with $1.2 billion at June 30, 2014. The decrease was primarily driven by an increase in market interest rates. (See “Investment securities” beginning on page 32).
- The provision for credit losses was a credit of $19 million in the third quarter of 2014 driven by the continued improvement in the credit quality of the loan portfolio. (See “Asset quality and allowance for credit losses” beginning on page 37).
- Noninterest expense totaled $3.0 billion in the third quarter of 2014 compared with $2.8 billion in the third quarter of 2013. The increase primarily reflects higher litigation expense, restructuring charges and the impact of a weaker U.S. dollar. Total noninterest expense excluding amortization of intangible assets, M&I, litigation and restructuring charges, and the charge (recovery) related to investment management funds (Non-GAAP) decreased slightly year-over-year. (See “Noninterest expense” beginning on page 14).
- The provision for income taxes was $556 million (33.5% effective tax rate) in the third quarter of 2014. The gains on the sales of our equity investment in Wing Hang and our One Wall Street building, litigation and restructuring charges increased the effective tax rate 7.1% in the third quarter of 2014. (See “Income taxes” on

page 15).

- Our estimated Basel III CET1 ratio (Non-GAAP) calculated under the Advanced Approach on a fully phased-in basis, was 10.2% at Sept. 30, 2014 and 10.0% at June 30, 2014. Our estimated Basel III CET1 ratio (Non-GAAP) calculated under the Standardized Approach on a fully phased-in basis, was 10.8% at Sept. 30, 2014, compared with 9.9% at June 30, 2014. (See "Capital" beginning on page 46).
- In the third quarter of 2014, we repurchased 11.0 million common shares for a total cost of $431 million.

Fee and other revenue

Fee and other revenue				3Q14 vs.		Year-to-date		YTD14 vs.
(dollars in millions, unless otherwise noted)	3Q14	2Q14	3Q13	3Q13	2Q14	2014	2013	YTD13
Investment services fees:								
Asset servicing (a)	$1,025	$1,022	$964	6 %	— %	$3,056	$2,921	5 %
Clearing services	337	326	315	7	3	988	940	5
Issuer services	315	231	322	(2)	36	775	853	(9)
Treasury services	142	141	137	4	1	419	417	—
Total investment services fees	1,819	1,720	1,738	5	6	5,238	5,131	2
Investment management and performance fees	881	883	821	7	—	2,607	2,491	5
Foreign exchange and other trading revenue	153	130	160	(4)	18	419	528	(21)
Distribution and servicing	44	43	43	2	2	130	137	(5)
Financing-related fees	44	44	44	—	—	126	129	(2)
Investment and other income (b)	890	142	151	N/M	N/M	1,134	524	N/M
Total fee revenue (b)	3,831	2,962	2,957	30	29	9,654	8,940	8
Net securities gains	20	18	22	N/M	N/M	60	102	N/M
Total fee and other revenue (b)	$3,851	$2,980	$2,979	29 %	29 %	$9,714	$9,042	7 %
AUM at period end (in billions) (c)	$1,646	$1,636	$1,532	7 %	1 %	$1,646	$1,532	7 %
AUC/A at period end (in trillions) (d)	$28.3	$28.5	$27.4	3 %	(1)%	$28.3	$27.4	3 %

(a) Asset servicing fees include securities lending revenue of $37 million in the third quarter of 2014, $46 million in the second quarter of 2014, $35 million in the third quarter of 2013, $121 million in the first nine months of 2014 and $124 million in the first nine months of 2013.

(b) Results for the third quarter of 2013 and the first nine months of 2013 were restated to reflect the retrospective application of adopting new accounting guidance in the first quarter of 2014 related to our investments in qualified affordable housing projects (ASU 2014-01). 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 $1.2 trillion at Sept. 30, 2014, June 30, 2014 and Sept. 30, 2013.

N/M - Not meaningful.

Fee and other revenue

Fee and other revenue totaled $3.9 billion in the third quarter of 2014, an increase of 29% both year-over-year and sequentially. Both increases primarily reflect the gains on the sales of the equity investment in Wing Hang and the One Wall Street building. The year-over-year increase also reflects higher asset servicing fees, investment management and performance fees and clearing services fees, partially offset by lower investment and other income (excluding the Wing Hang and One Wall Street gains) and lower foreign exchange and other trading revenue. Sequentially, the increase also reflects higher issuer services fees, clearing services fees and foreign exchange and other trading revenue, partially

offset by lower investment and other income (excluding the Wing Hang and One Wall Street gains).

Investment services fees

Investment services fees were impacted by the following compared with the third quarter of 2013 and the second quarter of 2014:

- Asset servicing fees increased 6% year-over-year and increased slightly sequentially. The year-over-year increase primarily reflects organic growth, higher market values, net new business and higher collateral management fees in Global Collateral Services. The sequential increase primarily reflects organic growth, partially offset by seasonally lower securities lending revenue.

- Clearing services fees increased 7% year-over-year and increased 3% (unannualized) sequentially. Both increases were driven by growth in clearing accounts and mutual fund positions, and higher asset levels. The sequential increase also reflects higher DARTS volume.
- Issuer services fees decreased 2% year-over-year and increased 36% (unannualized) sequentially. The year-over-year decrease reflects lower Corporate Trust fees, partially offset by new business in Depositary Receipts. The sequential increase is primarily due to seasonally higher dividend fees and new business in Depositary Receipts, partially offset by lower Corporate Trust fees. We continue to estimate that net maturities of high margin structured debt securitizations could reduce the Company's total annual revenue by up to one-half of 1% if the structured debt markets do not recover.
- Treasury services fees increased 4% year-over-year and 1% (unannualized) sequentially. The year-over-year increase primarily reflects higher payment volumes.

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

Investment management and performance fees

Investment management and performance fees totaled $881 million in the third quarter of 2014, an increase of 7% year-over-year and a slight decrease sequentially. The year-over-year increase primarily resulted from higher equity markets, the impact of a weaker U.S. dollar and higher performance fees. The sequential decrease was primarily driven by seasonally lower performance fees and the impact of a stronger U.S. dollar. Performance fees were $22 million in the third quarter of 2014 compared with $10 million in the third quarter of 2013 and $29 million in the second quarter of 2014.

Total AUM for the Investment Management business was a record $1.65 trillion at Sept. 30, 2014, an increase of 7% year-over-year and 1% (unannualized) sequentially. The year-over-year increase primarily resulted from higher equity market values and net new business. The sequential increase primarily reflects net new business. Net long-term inflows totaled $13 billion in the third quarter of 2014 driven by liability-driven investments, while short-term inflows were $19 billion.

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)	3Q14	2Q14	3Q13	2014	2013
Foreign exchange	$154	$129	$154	$413	$482
Other trading revenue (loss):					
Fixed income	2	(1)	(2)	2	18
Equity/other	(3)	2	8	4	28
Total other trading revenue (loss)	(1)	1	6	6	46
Total foreign exchange and other trading revenue	$153	$130	$160	$419	$528

Foreign exchange and other trading revenue totaled $153 million in the third quarter of 2014, $160 million in the third quarter of 2013 and $130 million in the second quarter of 2014. In the third quarter of 2014, foreign exchange revenue totaled $154 million, unchanged year-over-year and up 19% (unannualized) sequentially. Year-over-year, higher volumes offset lower volatility. The sequential increase reflects higher volumes. Total other trading loss was $1 million in the third quarter of 2014 compared with other trading revenue of $6 million in the third quarter of 2013 and other trading revenue of $1 million in the second quarter of 2014. Both decreases primarily reflect lower derivatives trading revenue. Foreign exchange revenue and fixed income trading revenue are reported in the Investment Services business and the Other segment. Equity/other trading revenue is primarily reported in the Other segment.

The foreign exchange trading engaged in by the Company 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. A substantial majority of our foreign exchange trades are undertaken for our custody clients in transactions where BNY Mellon acts as principal, and not as an agent or broker. As a principal, we earn a profit, if any, based on our ability to risk manage the aggregate foreign currency positions that we buy and sell on a daily basis. Generally speaking, custody clients enter into foreign exchange transactions in one of three ways: negotiated trading with BNY Mellon, BNY Mellon's standing instruction program, or transactions with third-party foreign exchange providers. Negotiated trading generally refers to orders entered by the client or the client's investment manager, with all decisions related to the transaction, usually on a transaction-specific basis, made by the client or its investment manager. Such transactions may be initiated by (i) contacting one of our sales desks to negotiate the rate for specific transactions, (ii) using electronic trading platforms, or (iii) electing other methods such as those pursuant to a benchmarking arrangement, in which pricing is determined by an objective market rate adjusted by a pre-negotiated spread. Our custody clients choose to use third-party foreign exchange providers other than BNY Mellon for a substantial majority of their U.S. dollar-equivalent volume foreign exchange transactions. The preponderance of the notional value of our trading volume with clients is in negotiated trading. Our standing instruction program, including a standing instruction program option called the Defined Spread Offering, which the Company introduced to clients in the first quarter of 2012, provides custody clients and their investment managers with an end-to-end solution that allows them to shift to BNY Mellon the cost, management and execution risk, often in small transactions or transactions in restricted and difficult to trade currencies. We incur substantial costs in supporting the global operational infrastructure required to administer the standing instruction program; on a per-transaction basis, the costs associated with the standing instruction program exceed the costs associated with negotiated trading. In response to competitive market pressures and client requests, we are continuing to develop standing instruction program products and services and making these new products and services available to our clients. In our historical standing instruction program, known as Session Range, we typically assigned a price derived from the daily pricing range for marketable-size foreign exchange transactions (generally more than

$1 million) executed between global financial institutions, known as the "interbank range." Using the interbank range for the given day, we typically priced client purchases of currencies at or near the high end of this range and client sales of currencies at or near the low end of this range. In the first quarter of 2014, we upgraded our Session Range program. The upgrades include pricing pursuant to pre-defined rules and enhanced post-trade reporting, with transactions priced once per day within the interbank range of the day, and subject to application of a price collar, with price being specific to session, pricing location and currency pair. A description of the pricing rules used in the upgraded Session Range program is set forth in the program's disclosure documentation, which is available to clients and their investment managers. Separately, the standing instruction program Defined Spread Offering sets prices for transactions in each pricing cycle (several times a day in the case of developed market currencies) by adding a predetermined spread either to an objective market source for developed and certain emerging market currencies, or to a reference rate computed by BNY Mellon for other emerging market currencies. A description of the pricing rules is set forth in the Defined Spread Offering's disclosure documentation, which is available to clients and their investment managers.

A shift by custody clients from the standing instruction program to other trading options combined with competitive market pressures on the foreign exchange business may negatively impact our foreign exchange revenue. We continue to invest in our foreign exchange trading and execution capabilities, which is leading towards enhanced customer service and higher volumes. For the quarter ended Sept. 30, 2014, our total revenue for all types of foreign exchange trading transactions was $154 million, or approximately 3% of our total revenue and approximately 29% of our foreign exchange revenue resulted from foreign exchange transactions undertaken through our standing instruction program. The percentage of our foreign exchange revenue resulting from transactions undertaken through our standing instruction program declined compared with the second quarter of 2014 primarily reflecting an increase in other BNY Mellon foreign exchange activities in the third quarter of 2014.

Distribution and servicing fees

Distribution and servicing fee revenue was $44 million in the third quarter of 2014 and $43 million in both the third quarter of 2013 and second quarter of 2014.

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 $44 million in the third quarter of 2014, the third quarter of 2013 and the second quarter of 2014.

Investment and other income

Investment and other income

				Year-to-date	
(in millions)	3Q14	2Q14	3Q13	2014	2013
Asset-related gains	$836	$17	$35	$852	$49
Corporate/bank-owned life insurance	34	30	38	94	104
Lease residual gains	5	4	7	44	18
Expense reimbursements from joint venture	13	15	12	40	31
Seed capital gains (losses)	(1)	15	7	20	14
Equity investment revenue (loss)	(9)	17	48	6	261
Private equity gains (losses)	2	(2)	(2)	5	1
Transitional services agreements	—	—	—	—	9
Other income (a)	10	46	6	73	37
Total investment and other income (a)	$890	$142	$151	$1,134	$524

(a) Results for the third quarter of 2013 and the first nine months of 2013 were restated to reflect the retrospective application of adopting new accounting guidance in the first quarter of 2014 related to our investments in qualified affordable housing projects (ASU 2014-01). 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 asset-related gains, insurance contracts, lease residual gains, expense reimbursements from our CIBC Mellon joint venture, seed capital gains and losses, gains and losses on equity investments, gains and losses on private equity investments, transitional services agreements, and other income. Asset-related gains include real estate, loans and other asset dispositions. Expense reimbursements from our CIBC Mellon joint venture relate to expenses incurred by BNY Mellon on behalf of the CIBC Mellon joint venture. Transitional services agreements primarily relate to the Shareowner Services business, which was sold on Dec. 31, 2011. Other income primarily includes foreign currency remeasurement gain (loss), other investments and various miscellaneous revenues. Investment and other income increased $739 million compared with the third quarter of 2013 and $748 million compared to the second quarter of 2014. Both increases primarily reflect the gains on the sales of the equity investment in Wing Hang and the One Wall Street building, partially offset by lower equity investment revenue and seed capital gains.

In July 2014, we sold our equity investment in Wing Hang resulting in an after-tax gain on $315 million, or $490 million pre-tax. Equity investment revenue related to our investment in Wing Hang totaled $20 million through July of 2014 and $95 million in full-year 2013, including $37 million from the sale of a property recorded in the third quarter of 2013.

In September 2014, we sold the corporate headquarters at One Wall Street resulting in an after-tax gain of $204 million, or $346 million pre-tax.

Year-to-date 2014 compared with year-to-date 2013

Fee and other revenue for the first nine months of 2014 totaled $9.7 billion compared with $9.0 billion in the first nine months of 2013. The increase primarily reflects the gains on the sales of the equity investment in Wing Hang and the One Wall Street building, higher asset servicing fees, investment management and performance fees, and clearing services fees, partially offset by a gain related to an equity investment recorded in the second quarter of 2013, lower foreign exchange and other trading revenue, issuer services fees, investment and other income (excluding the aforementioned gains) and securities gains.

The increase in asset servicing fees primarily reflects higher market values, organic growth, net new business and higher collateral management fees in Global Collateral Services. The increase in investment management and performance fees reflects higher market values, the impact of a weaker U.S. dollar and net new business. The increase in clearing services fees primarily reflects higher mutual fund fees. The decrease in foreign exchange and other trading revenue primarily reflects lower volatility, partially offset by higher volumes. The decrease in issuer services fees primarily reflects the

impact of continued net maturities of high margin securitizations in Corporate Trust and lower dividend fees in Depositary Receipts.

Net interest revenue

Net interest revenue				3Q14 vs.		Year-to-date		YTD14 vs.
(dollars in millions)	3Q14	2Q14	3Q13	3Q13	2Q14	2014	2013	YTD13
Net interest revenue (non-FTE)	$721	$719	$772	(7)%	— %	$2,168	$2,248	(4)%
Tax equivalent adjustment	15	17	15	—	(12)	48	43	12
Net interest revenue (FTE) – Non-GAAP	$736	$736	$787	(6)%	— %	$2,216	$2,291	(3)%
Average interest-earning assets	$311,603	$300,758	$271,150	15 %	4 %	$299,064	$268,480	11 %
Net interest margin (FTE)	0.94 %	0.98 %	1.16 %	(22) bps	(4) bps	0.99 %	1.14 %	(15) bps

bps - basis points.

Net interest revenue totaled $721 million in the third quarter of 2014, a decrease of $51 million compared with the third quarter of 2013 and an increase of $2 million sequentially. The year-over-year decrease primarily resulted from lower asset yields and lower accretion, partially offset by higher average interest-earning assets driven by higher deposits.

Euro-denominated deposit liabilities comprised 15% of average deposits in the third quarter of 2014 and 16% of average deposits in the second quarter of 2014.

The net interest margin (FTE) was 0.94% in the third quarter of 2014, a decrease compared with 1.16% in the third quarter of 2013 and 0.98% in the second quarter of 2014. Both decreases primarily reflect the factors noted above.

In the fourth quarter of 2014, we are continuing to reduce our interbank placement assets and increasing our high quality liquid assets in the securities portfolio. The anticipated revenue as a result of these tactical actions should mitigate the impact on our net interest revenue as a result of:

- the European Central Bank’s reduction in their deposit rate to negative, and the resulting impact on lower reinvestment rates across the euro yield curve; as well as,
- prolonged low reinvestment rates in the U.S.

Year-to-date 2014 compared with year-to-date 2013

Net interest revenue totaled $2.2 billion in the first nine months of 2014, a decrease of 4% compared with the first nine months of 2013, primarily resulting from lower yields on average interest-earning assets, partially offset by balance sheet growth and a shift in the mix of interest-earning assets into higher yielding categories. The net interest margin (FTE) was 0.99% in the first nine months of 2014, a decrease compared with 1.14% in the first nine months of 2013 primarily reflecting higher average interest-earning assets and lower yields.

Average balances and interest rates	Quarter ended					
	Sept. 30, 2014		June 30, 2014		Sept. 30, 2013	
(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)	$34,882	0.66 %	$41,424	0.74 %	$41,597	0.66 %
Interest-bearing deposits held at the Federal Reserve and other central banks	88,713	0.23	85,546	0.26	65,704	0.23
Federal funds sold and securities purchased under resale agreements	15,683	0.61	13,387	0.58	8,864	0.56
Margin loans	18,108	1.04	17,050	1.05	14,653	1.10
Non-margin loans:						
Domestic offices	23,826	2.20	22,566	2.30	21,378	2.40
Foreign offices	12,901	1.30	13,833	1.34	12,225	1.31
Total non-margin loans	36,727	1.88	36,399	1.94	33,603	2.01
Securities:						
U.S. Government obligations	23,067	1.38	17,462	1.63	16,540	1.76
U.S. Government agency obligations	46,186	1.67	43,167	1.67	45,745	2.02
State and political subdivisions – tax-exempt	5,830	2.54	6,473	2.58	6,518	2.47
Other securities	36,972	1.37	34,318	1.55	32,403	1.92
Trading securities	5,435	2.36	5,532	2.19	5,523	2.83
Total securities	117,490	1.59	106,952	1.71	106,729	2.02
Total interest-earning assets	$311,603	1.05 %	$300,758	1.10 %	$271,150	1.28 %
Allowance for loan losses	(187)		(197)		(212)	
Cash and due from banks	6,225		5,064		6,400	
Other assets	52,526		52,182		52,549	
Assets of consolidated investment management funds	10,242		11,405		11,863	
Total assets	$380,409		$369,212		$341,750	
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Money market rate accounts	$5,320	0.11 %	$5,177	0.12 %	$5,509	0.20 %
Savings	1,258	0.28	1,185	0.27	1,015	0.25
Demand deposits	2,566	0.21	2,406	0.14	3,117	0.08
Time deposits	41,248	0.04	42,824	0.04	41,546	0.04
Foreign offices	113,841	0.05	111,082	0.06	102,360	0.07
Total interest-bearing deposits	164,233	0.06	162,674	0.06	153,547	0.06
Federal funds purchased and securities sold under repurchase agreements	20,620	(0.07)	19,030	(0.05)	12,164	(0.12)
Trading liabilities	2,806	0.84	2,993	0.97	2,325	1.69
Other borrowed funds	933	0.47	1,272	0.47	1,047	0.35
Commercial paper	3,654	0.07	1,970	0.08	1,186	0.05
Payables to customers and broker-dealers	9,705	0.10	8,916	0.09	8,659	0.09
Long-term debt	20,429	1.12	20,361	1.16	19,025	1.00
Total interest-bearing liabilities	$222,380	0.16 %	$217,216	0.17 %	$197,953	0.16 %
Total noninterest-bearing deposits	82,334		77,820		72,075	

Other liabilities	27,369	24,854	24,380
Liabilities and obligations of consolidated investment management funds	8,879	10,180	10,466
Total liabilities	340,962	330,070	304,874
Temporary equity			
Redeemable noncontrolling interests	244	225	196
Permanent equity			
Total BNY Mellon shareholders’ equity	38,313	38,127	35,826
Noncontrolling interests	890	790	854
Total permanent equity	39,203	38,917	36,680
Total liabilities, temporary equity and permanent equity	$380,409	$369,212	$341,750
Net interest margin (FTE)	0.94 %	0.98 %	1.16 %

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					
	Sept. 30, 2014			Sept. 30, 2013		
(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)	$39,283	0.71	%	$41,781	0.67	%
Interest-bearing deposits held at the Federal Reserve and other central banks	82,939	0.25		61,627	0.22	
Federal funds sold and securities purchased under resale agreements	13,413	0.60		8,078	0.54	
Margin loans	17,008	1.05		13,973	1.14	
Non-margin loans:						
Domestic offices	22,804	2.27		21,475	2.39	
Foreign offices	13,510	1.30		12,042	1.33	
Total non-margin loans	36,314	1.91		33,517	2.01	
Securities:						
U.S. Government obligations	19,269	1.52		18,405	1.64	
U.S. Government agency obligations	44,034	1.73		45,270	1.89	
State and political subdivisions – tax-exempt	6,328	2.54		6,364	2.35	
Other securities	35,081	1.52		33,377	1.96	
Trading securities	5,395	2.38		6,088	2.51	
Total securities	110,107	1.71		109,504	1.93	
Total interest-earning assets	$299,064	1.11	%	$268,480	1.27	%
Allowance for loan losses	(198)			(237)		
Cash and due from banks	5,726			5,338		
Other assets	52,709			52,439		
Assets of consolidated investment management funds	10,996			11,631		
Total assets	$368,297			$337,651		
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Money market rate accounts	$5,384	0.12	%	$5,656	0.24	%
Savings	1,160	0.27		912	0.26	
Demand deposits	2,878	0.13		2,872	0.08	
Time deposits	41,871	0.04		40,790	0.04	
Foreign offices	108,713	0.06		100,623	0.07	
Total interest-bearing deposits	160,006	0.06		150,853	0.07	
Federal funds purchased and securities sold under repurchase agreements	18,073	(0.08)		10,197	(0.17)	
Trading liabilities	2,595	1.08		2,637	1.47	
Other borrowed funds	1,080	0.49		1,195	0.46	
Commercial paper	1,922	0.07		500	0.06	
Payables to customers and broker-dealers	9,171	0.09		8,914	0.09	
Long-term debt	20,404	1.12		18,969	1.05	
Total interest-bearing liabilities	$213,251	0.16	%	$193,265	0.18	%
Total noninterest-bearing deposits	80,531			71,026		
Other liabilities	25,620			26,179		
Liabilities and obligations of consolidated investment management funds	9,724			10,299		
Total liabilities	329,126			300,769		

Temporary equity				
Redeemable noncontrolling interests	238		187	
Permanent equity				
Total BNY Mellon shareholders’ equity	38,099		35,869	
Noncontrolling interests	834		826	
Total permanent equity	38,933		36,695	
Total liabilities, temporary equity and permanent equity	$368,297		$337,651	
Net interest margin (FTE)		0.99 %		1.14 %

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				3Q14 vs.		Year-to-date		YTD14 vs.
(dollars in millions)	3Q14	2Q14	3Q13	3Q13	2Q14	2014	2013	YTD13
Staff:								
Compensation	$909	$903	$915	(1)%	1%	$2,737	$2,691	2%
Incentives	340	313	339	—	9	1,012	1,041	(3)
Employee benefits	228	223	262	(13)	2	678	765	(11)
Total staff	1,477	1,439	1,516	(3)	3	4,427	4,497	(2)
Professional, legal and other purchased services	323	314	296	9	3	949	908	5
Software	154	154	147	5	—	460	444	4
Net occupancy	154	152	153	1	1	460	475	(3)
Distribution and servicing	107	112	108	(1)	(4)	326	325	—
Furniture and equipment	80	82	79	1	(2)	247	248	—
Sub-custodian	67	81	71	(6)	(17)	216	212	2
Business development	61	68	63	(3)	(10)	193	221	(13)
Other	250	347	249	—	(28)	820	771	6
Amortization of intangible assets	75	75	81	(7)	—	225	260	(13)
M&I, litigation and restructuring charges	220	122	16	N/M	N/M	330	68	N/M
Total noninterest expense - GAAP	$2,968	$2,946	$2,779	7%	1%	$8,653	$8,429	3%
Total staff expense as a percentage of total revenue	32%	38%	40%			37%	39%	
Full-time employees at period end	50,900	51,100	50,800	—%	—%	50,900	50,800	—%
Memo:								
Total noninterest expense excluding amortization of intangible assets, M&I, litigation and restructuring charges and the charge (recovery) related to investment management funds, net of incentives – Non-GAAP	$2,673	$2,640	$2,682	—%	1%	$7,994	$8,089	(1)%

N/M - Not meaningful.

Total noninterest expense was $3.0 billion in the third quarter of 2014, an increase of 7% year-over-year and 1% (unannualized) sequentially. Both increases primarily reflect higher litigation expense. The year-over-year increase also reflects higher restructuring charges, professional, legal and other purchased services expenses and the impact of a weaker U.S. dollar, partially offset by lower staff expense. The sequential increase was partially offset by the charge related to investment management funds, net of incentives, recorded in the second quarter of 2014 and lower restructuring charges. Excluding amortization of intangible assets, M&I, litigation and restructuring charges and the charge (recovery) related to investment management funds, net of incentives (Non-GAAP), noninterest expense decreased slightly year-over-year and increased 1% (unannualized) sequentially.

We continue to invest in our compliance, risk and other control functions in light of increasing regulatory requirements. While our expenses remain high in those areas as a result of the need to hire additional staff and advisors and to enhance our

technology platforms, we expect the rate of related expense growth to begin to slow as new rules are implemented.

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 the third quarter of 2014, 57% in the third quarter of 2013 and 55% in the second quarter of 2014, excluding amortization of intangible assets, M&I, litigation and restructuring charges and the charge (recovery) related to investment management funds, net of incentives.

Staff expense was $1.5 billion in the third quarter of 2014, a decrease of 3% compared with the third quarter of 2013 and an increase of 3% (unannualized) compared with the second quarter of 2014. The year-over-year decrease primarily reflect lower pension expense, the benefit of replacing technology contractors with permanent staff and the impact of streamlining actions. The sequential increase primarily reflects the incentive adjustment recorded in the second quarter of 2014 related to the charge related to investment management funds, the impact of the annual employee merit increase, partially offset by the impact of streamlining actions.

Non-staff expense

Non-staff expense, excluding amortization of intangible assets, M&I, litigation and restructuring charges, and the charge (recovery) related to investment management funds, net of incentives, (Non-GAAP) totaled $1.2 billion in the third quarter of 2014, an increase of 3% compared with the third quarter of 2013 and 1% compared with the second quarter of 2014. Both increases primarily reflect higher professional, legal and other purchased services.

The financial services industry has seen a continuing increase in the level of litigation and enforcement activity. As a result, we anticipate our legal and litigation costs to continue at elevated levels. For additional information on our legal proceedings, see Note 18 of the Notes to Consolidated Financial Statements.

In the second and third quarters of 2014, we recorded pre-tax restructuring charges of $120 million and $57 million, respectively, 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 2014 compared with year-to-date 2013

Noninterest expense totaled $8.7 billion in the first nine months of 2014, an increase of $224 million, or 3%, compared with the first nine months of 2013. The increase primarily reflects higher restructuring charges and litigation expense, the charge (recovery) related to investment management funds, net of incentives, higher professional, legal and other purchased services expense and the impact of a weaker U.S. dollar, partially offset by lower pension expense, the cost of generating certain tax credits, lower amortization of intangible assets and business development expense.

Income taxes

The provision for income taxes was $556 million in the third quarter of 2014, $19 million in the third quarter of 2013 and $217 million in the second quarter of 2014. The provision in the third quarter of 2013 included a benefit of $261 million related to the U.S. Tax Court’s partial reconsideration of its original tax decision on Feb. 11, 2013 disallowing certain foreign tax credits.

The effective tax rate was 33.5% in the third quarter of 2014, 1.9% in the third quarter of 2013 and 26.7% in the second quarter of 2014. The previously disclosed gains, litigation and restructuring charges recorded in the third quarter of 2014 increased the effective tax rate by 7.1%. Excluding the impact of the partial reconsideration, the effective tax rate on an operating basis (Non-GAAP) was 27.9% in the third quarter of 2013. See “Supplemental information - Explanation of GAAP and Non-GAAP financial measures” beginning on page 56 for additional information.

In the first quarter of 2014, BNY Mellon adopted ASU 2014-01, “Accounting for Investments in Qualified Affordable Housing Projects - a Consensus of the FASB Emerging Issues Task Force”. See Note 2 of the Notes to Consolidated Financial Statements for the impact of the retrospective application of this new accounting guidance.

We expect the effective tax rate to be approximately 27% in the fourth quarter of 2014.

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.

Results for the three and nine months ended Sept. 30, 2013 have been restated to reflect the impact of the retrospective application of adopting new accounting guidance in the first quarter of 2014 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 2 of the Notes to Consolidated Financial Statements for additional information.

Restructuring charges recorded in the second and third quarters of 2014 relate to corporate-level initiatives and were therefore recorded in the Other segment. In the fourth quarter of 2013, restructuring charges were recorded in the businesses. Prior to the fourth quarter of 2013, restructuring charges were reported in the Other segment.

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

Key market metrics						3Q14 vs.		Year-to-date		YTD14 vs.
	3Q13	4Q13	1Q14	2Q14	3Q14	3Q13	2Q14	2014	2013	YTD13
S&P 500 Index (a)	1682	1848	1872	1960	1972	17 %	1 %	1972	1682	17 %
S&P 500 Index – daily average	1675	1769	1835	1900	1976	18	4	1905	1600	19
FTSE 100 Index (a)	6462	6749	6598	6744	6623	2	(2)	6623	6462	2
FTSE 100 Index – daily average	6530	6612	6680	6764	6756	3	—	6733	6422	5
MSCI World Index (a)	1544	1661	1674	1743	1698	10	(3)	1698	1544	10
MSCI World Index – daily average	1511	1602	1647	1698	1733	15	2	1693	1460	16
Barclays Capital Global Aggregate Bond^{SM} Index (a)(b)	356	354	365	376	361	1	(4)	361	356	1
NYSE and NASDAQ share volume (in billions)	166	179	196	187	173	4	(7)	556	526	6
JPMorgan G7 Volatility Index – daily average (c)	9.72	8.20	7.80	6.22	6.21	(36)	—	6.74	9.53	(29)
Average Fed Funds effective rate	0.09 %	0.09 %	0.07 %	0.09 %	0.09 %	—	—	0.08 %	0.11 %	(3) bps

(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 Sept. 30, 2014, 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.

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

For the quarter ended Sept. 30, 2014 (dollar amounts in millions)	Investment Management	Investment Services	Other	Consolidated
Fee and other revenue	$934 (a)	$2,005	$928	$3,867 (a)
Net interest revenue	69	583	69	721
Total revenue	1,003 (a)	2,588	997	4,588 (a)
Provision for credit losses	—	—	(19)	(19)
Noninterest expense	758	1,879	331	2,968
Income before taxes	$245 (a)	$709	$685	$1,639 (a)
Pre-tax operating margin (b)	24 %	27 %	N/M	36 %
Average assets	$36,670	$266,455	$77,284	$380,409
Excluding amortization of intangible assets:				
Noninterest expense	$727	$1,835	$331	$2,893
Income before taxes	276 (a)	753	685	1,714 (a)
Pre-tax operating margin (b)	27 %	29 %	N/M	37 %

(a) Both total fee and other revenue and total revenue include income from consolidated investment management funds of $39 million, net of noncontrolling interests of $23 million, for a net impact of $16 million. Income before taxes is net of noncontrolling interests of $23 million.

(b) Income before taxes divided by total revenue.

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 income from consolidated investment management funds of $46 million, net of noncontrolling interests of $17 million, for a net impact of $29 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 quarter ended Sept. 30, 2013	Investment		Investment		Other		Consolidated	
(dollar amounts in millions)	Management		Services					
Fee and other revenue (a)	$882	(b)	$1,949		$172		$3,003	(b)
Net interest revenue	67		619		86		772	
Total revenue (a)	949	(b)	2,568		258		3,775	(b)
Provision for credit losses	—		—		2		2	
Noninterest expense	724		1,811		244		2,779	
Income before taxes (a)	$225	(b)	$757		$12		$994	(b)
Pre-tax operating margin (a) (c)	24	%	29	%	N/M		26	%
Average assets	$38,690		$246,252		$56,808		$341,750	
Excluding amortization of intangible assets:								
Noninterest expense	$689		$1,765		$244		$2,698	
Income before taxes (a)	260	(b)	803		12		1,075	(b)
Pre-tax operating margin (a) (c)	27	%	31	%	N/M		28	%

(a) Other segment and consolidated results have been restated to reflect the retrospective application of adopting new accounting guidance in the first quarter of 2014 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 2 of the Notes to Consolidated Financial Statements for additional information.

(b) Both total fee and other revenue and total revenue include income from consolidated investment management funds of $32 million, net of noncontrolling interests of $8 million, for a net impact of $24 million. Income before taxes is net of noncontrolling interests of $8 million.

(c) Income before taxes divided by total revenue.

N/M - Not meaningful.

For the nine months ended Sept. 30, 2014	Investment		Investment		Other		Consolidated	
(dollar amounts in millions)	Management		Services					
Fee and other revenue	$2,804	(a)	$5,812		$1,159		$9,775	(a)
Net interest revenue	205		1,766		197		2,168	
Total revenue	3,009	(a)	7,578		1,356		11,943	(a)
Provision for credit losses	—		—		(49	)	(49	)
Noninterest expense	2,347		5,569		737		8,653	
Income before taxes	$662	(a)	$2,009		$668		$3,339	(a)
Pre-tax operating margin (b)	22	%	26	%	N/M		28	%
Average assets	$37,951		$263,078		$67,268		$368,297	
Excluding amortization of intangible assets:								
Noninterest expense	$2,254		$5,437		$737		$8,428	
Income before taxes	755	(a)	2,141		668		3,564	(a)
Pre-tax operating margin (b)	25	%	28	%	N/M		30	%

(a) Both total fee and other revenue and total revenue include income from consolidated investment management funds of $121 million, net of noncontrolling interests of $60 million, for a net impact of $61 million. Income before taxes is net of noncontrolling interests of $60 million.

(b) Income before taxes divided by total revenue.

N/M - Not meaningful.

For the nine months ended Sept. 30, 2013 (dollar amounts in millions)	Investment Management		Investment Services		Other		Consolidated	
Fee and other revenue (a)	$2,675	(b)	$5,780		$671		$9,126	(b)
Net interest revenue	192		1,905		151		2,248	
Total revenue (a)	2,867	(b)	7,685		822		11,374	(b)
Provision for credit losses	—		1		(42	)	(41	)
Noninterest expense	2,165		5,533		731		8,429	
Income before taxes (a)	$702	(b)	$2,151		$133		$2,986	(b)
Pre-tax operating margin (a) (c)	24	%	27	%	N/M		26	%
Average assets	$38,462		$243,769		$55,420		$337,651	
Excluding amortization of intangible assets:								
Noninterest expense	$2,052		$5,386		$731		$8,169	
Income before taxes (a)	815	(b)	2,298		133		3,246	(b)
Pre-tax operating margin (a) (c)	28	%	29	%	N/M		29	%

(a) Other segment and consolidated results have been restated to reflect the retrospective application of adopting new accounting guidance in the first quarter of 2014 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 2 of the Notes to Consolidated Financial Statements for additional information.

(b) Both total fee and other revenue and total revenue include income from consolidated investment management funds of $147 million, net of noncontrolling interests of $63 million, for a net impact of $84 million. Income before taxes is net of noncontrolling interests of $63 million.

(c) Income before taxes divided by total revenue.

N/M - Not meaningful.

Investment Management business

(dollar amounts in millions)	3Q13	4Q13	1Q14	2Q14	3Q14	3Q14 vs. 3Q13	3Q14 vs. 2Q14	Year-to-date 2014	Year-to-date 2013	YTD14 vs. YTD13
Revenue:										
Investment management fees:										
Mutual funds	$293	$303	$299	$311	$315	8 %	1 %	$925	$891	4 %
Institutional clients	367	385	372	385	382	4	(1)	1,139	1,093	4
Wealth management	145	149	153	156	158	9	1	467	434	8
Investment management fees	805	837	824	852	855	6	—	2,531	2,418	5
Performance fees	10	72	20	29	22	N/M	N/M	71	58	22
Investment management and performance fees	815	909	844	881	877	8	—	2,602	2,476	5
Distribution and servicing	41	41	40	41	41	—	—	122	131	(7)
Other (a)	26	43	16	48	16	N/M	N/M	80	68	18
Total fee and other revenue (a)	882	993	900	970	934	6	(4)	2,804	2,675	5
Net interest revenue	67	68	70	66	69	3	5	205	192	7
Total revenue	949	1,061	970	1,036	1,003	6	(3)	3,009	2,867	5
Noninterest expense (ex. amortization of intangible assets and the charge (recovery) related to investment management funds, net of incentives)	689	760	698	725	727	6	—	2,150	2,040	5
Income before taxes (ex. amortization of intangible assets and the charge (recovery) related to	260	301	272	311	276	6	(11)	859	827	4

investment management funds, net of incentives)										
Amortization of intangible assets	35	35	31	31	31	(11)	—	93	113	(18)
Charge (recovery) related to investment management funds, net of incentives	—	—	(5)	109	—	N/M	N/M	104	12	N/M
Income before taxes	$225	$266	$246	$171	$245	9 %	43 %	$662	$702	(6)%
Pre-tax operating margin	24 %	25 %	25 %	16 %	24 %			22 %	24 %	
Adjusted pre-tax operating margin (a)	33 %	34 %	34 %	36 %	33 %			34 %	34 %	
Wealth management:										
Average loans	$9,453	$9,755	$10,075	$10,372	$10,772	14 %	4 %	$10,408	$9,228	13 %
Average deposits	$13,898	$14,161	$14,805	$13,458	$13,764	(1)%	2 %	$14,005	$13,618	3 %

(a) Total fee and other revenue includes the impact of the consolidated investment management funds. Additionally, other revenue includes asset servicing, treasury services, foreign exchange and other trading revenue and investment and other income. Adjusted pre-tax operating margin excludes the net negative impact of money market fee waivers, amortization of intangible assets and the charge (recovery) 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 56 for the reconciliation of Non-GAAP measures.

N/M - Not meaningful.

AUM trends (a)						3Q14 vs.	
(dollar amounts in billions)	3Q13	4Q13	1Q14	2Q14	3Q14	3Q13	2Q14
AUM at period end, by product type:							
Equity	$266	$276	$277	$282	$267	—%	(5)%
Fixed income	215	220	224	224	221	3	(1)
Index	303	323	328	353	345	14	(2)
Liability-driven investments (b)	394	403	436	436	455	15	4
Alternative investments	62	62	63	66	65	5	(2)
Cash	292	299	292	275	293	—	7
Total AUM	$1,532	$1,583	$1,620	$1,636	$1,646	7%	1%
AUM at period end, by client type:							
Institutional	$1,041	$1,072	$1,118	$1,109	$1,131	9%	2%
Mutual funds	407	425	415	440	430	6	(2)
Private client	84	86	87	87	85	1	(2)
Total AUM	$1,532	$1,583	$1,620	$1,636	$1,646	7%	1%
Changes in AUM:							
Beginning balance of AUM	$1,427	$1,532	$1,583	$1,620	$1,636		
Net inflows (outflows):							
Long-term:							
Equity	3	(5)	(1)	(4)	(2)		
Fixed income	(1)	5	—	(1)	—		
Index	2	(3)	—	7	(3)		
Liability-driven investments (b)	27	4	20	(17)	18		
Alternative investments	1	1	2	2	—		
Total long-term inflows (outflows)	32	2	21	(13)	13		
Short term:							
Cash	13	6	(7)	(18)	19		
Total net inflows (outflows)	45	8	14	(31)	32		
Net market/currency impact	60	43	23	47	(22)		
Ending balance of AUM	$1,532	$1,583	$1,620	$1,636	$1,646	7%	1%

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

Business description

Our Investment Management business is comprised of our affiliated investment management boutiques, wealth management business and global distribution companies. See page 22 of our 2013 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 a record $1.65 trillion at Sept. 30, 2014 compared with $1.53 trillion at Sept. 30, 2013 and $1.64 trillion at June 30, 2014. The year-over-year increase primarily resulted from higher equity market values and net new business. The sequential increase primarily reflects net new business. Net long-term inflows were $13 billion in the third quarter of 2014 reflecting strong performance in liability-driven investments. Short-term inflows were $19 billion in the third quarter of 2014.

Total revenue was $1 billion, an increase of 6% compared with the third quarter of 2013 and a decrease of 3% (unannualized) compared with the second quarter of 2014. Both comparisons were impacted by higher equity markets and lower seed capital gains. The year-over-year increase also reflects the impact of a weaker U.S. dollar and higher performance fees. The sequential decrease also reflects lower performance fees and the impact of a stronger U.S. dollar. Revenue generated in the Investment Management business included 44% from non-U.S. sources in the third quarter of 2014 compared with 44% in the third quarter of 2013 and 45% in the second quarter of 2014.

Investment management fees in the Investment Management business were $855 million in the third quarter of 2014 compared with $805 million in the third quarter of 2013 and $852 million in the second quarter of 2014. Both increases primarily resulted from higher equity markets. The year-over-year increase also reflects the impact of a weaker U.S. dollar. The sequential increase was partially offset by the impact of a stronger U.S. dollar.

In the third quarter of 2014, 37% 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 $315 million in the third quarter of 2014 compared with $293 million in the third quarter of 2013 and $311 million in the second quarter of 2014. Both increases primarily reflect higher equity markets.

Performance fees were $22 million in the third quarter of 2014 compared with $10 million in the third quarter of 2013 and $29 million in the second quarter of 2014. The year-over-year increase primarily reflects strong performance of liability-driven investments. The sequential decrease was due to seasonality.

Distribution and servicing fees were $41 million in the third quarter of 2014, third quarter of 2013 and second quarter of 2014.

Other fee revenue was $16 million in the third quarter of 2014 compared with $26 million in the third quarter of 2013 and $48 million in the second quarter of 2014. Both decreases were primarily impacted by lower seed capital gains.

Net interest revenue was $69 million in the third quarter of 2014 compared with $67 million in the third quarter of 2013 and $66 million in the second quarter of 2014. Both increases primarily reflect higher average loans. The year-over-year increase was partially offset by lower average deposits. The sequential increase also reflects higher average deposits. Average loans increased 14% year-over-year and 4% sequentially, while average deposits decreased 1% year-over-year and increased 2% sequentially.

Noninterest expense excluding amortization of intangible assets and the charge (recovery) related to investment management funds, net of incentives, was $727 million in the third quarter of 2014 compared with $689 million in the third quarter of 2013 and $725 million in the second quarter of 2014. The year-over-year increase primarily reflects the impact of a weaker U.S. dollar and higher staff and business development expenses resulting from investments in strategic initiatives.

Year-to-date 2014 compared with year-to-date 2013

Income before taxes totaled $662 million in the first nine months of 2014 compared with $702 million in the first nine months of 2013. Income before taxes excluding amortization of intangible assets and the charge (recovery) related to investment management funds, net of incentives, was $859 million in the first nine months of 2014 compared with $827 million in the first nine months of 2013. Fee and other revenue increased $129 million compared with the first nine months of 2013 primarily due to higher equity market values and the impact of a weaker U.S. dollar, partially offset by higher money market fee waivers. Net interest revenue increased $13 million compared to the first nine months of 2013, primarily due to higher average loans and deposits. Noninterest expense excluding amortization of intangible assets and the charge (recovery) related to investment management funds, net of incentives, increased $110 million compared to the first nine months of 2013, primarily reflecting the impact of a weaker U.S. dollar, higher expenses resulting from investments in strategic initiatives and higher staff expense.

Investment Services business

(dollar amounts in millions, unless otherwise noted)						3Q14 vs.		Year-to-date		YTD1 vs.
	3Q13	4Q13	1Q14	2Q14	3Q14	3Q13	2Q14	2014	2013	YTD1
Revenue:										
Investment services fees:										
Asset servicing	$939	$957	$985	$993	$998	6 %	1 %	$2,976	$2,843	5 %
Clearing services	314	322	323	324	336	7	4	983	936	5
Issuer services	321	236	228	231	314	(2)	36	773	851	(9)
Treasury services	135	137	134	140	139	3	(1)	413	407	1
Total investment services fees	1,709	1,652	1,670	1,688	1,787	5	6	5,145	5,037	2
Foreign exchange and other trading revenue	177	150	158	145	159	(10)	10	462	543	(15)
Other (a)	63	58	59	87	59	(6)	(32)	205	200	3
Total fee and other revenue (a)	1,949	1,860	1,887	1,920	2,005	3	4	5,812	5,780	1
Net interest revenue	619	610	590	593	583	(6)	(2)	1,766	1,905	(7)
Total revenue	2,568	2,470	2,477	2,513	2,588	1	3	7,578	7,685	(1)
Provision for credit losses	—	—	—	—	—	N/M	N/M	—	1	N/M
Noninterest expense (ex. amortization of intangible assets)	1,765	1,822	1,778	1,824	1,835	4	1	5,437	5,386	1
Income before taxes (ex. amortization of intangible assets)	803	648	699	689	753	(6)	9	2,141	2,298	(7)
Amortization of intangible assets	46	47	44	44	44	(4)	—	132	147	(10)
Income before taxes	$757	$601	$655	$645	$709	(6)%	10 %	$2,009	$2,151	(7)%
	29 %	24 %	26 %	26 %	27 %			26 %	27 %	

Pre-tax operating margin										
Pre-tax operating margin (ex. amortization of intangible assets)	31%	26%	28%	27%	29%			28%	29%	
Investment services fees as a percentage of noninterest expense (b)	97%	90%	93%	93%	100%			95%	94%	
Securities lending revenue	$26	$21	$30	$35	$27	4%	(23)%	$92	$96	(4)%
Metrics:										
Average loans	$27,865	$31,211	$31,468	$33,115	$33,785	21%	2%	$32,798	$27,463	19%
Average deposits	$206,068	$216,216	$214,947	$220,701	$221,734	8%	—%	$219,152	$203,618	8%
AUC/A at period end (in trillions) (c)	$27.4	$27.6	$27.9	$28.5	$28.3	3%	(1)%			
Market value of securities on loan at period end (in billions) (d)	$255	$235	$264	$280	$282	11%	1%			
Asset servicing:										
Estimated new business wins (AUC/A) (in billions)	$110	$123	$161	$130	$115					
Depositary Receipts:										
Number of sponsored programs	1,350	1,335	1,332	1,316	1,302	(4)%	(1)%			
Clearing services:										
	212	213	230	207	209	(1)%	1%			

Global DARTS volume (in thousands)							
Average active clearing accounts (U.S. platform) (in thousands)	5,622	5,643	5,695	5,752	5,805	3 %	1 %
Average long-term mutual fund assets (U.S. platform)	$377,131	$401,434	$413,658	$433,047	$442,827	17 %	2 %
Average investor margin loans (U.S. platform)	$8,845	$8,848	$8,919	$9,236	$9,861	11 %	7 %
Broker-Dealer:							
Average tri-party repo balances (in billions)	$1,952	$2,005	$1,983	$2,022	$2,063	6 %	2 %

(a) Total fee and other revenue includes investment management fees and distribution and servicing revenue.

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

(c) Includes the AUC/A of CIBC Mellon of $1.2 trillion at Sept. 30, 2013, Dec. 31, 2013, March 31, 2014, June 30, 2014 and Sept. 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, beginning in the fourth quarter of 2013, on behalf of CIBC Mellon clients, which totaled $62 billion at Dec. 31, 2013, $66 billion at March 31, 2014, $64 billion at June 30, 2014 and $65 billion at Sept. 30, 2014.

N/M - Not meaningful.

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 deposit 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 $28.3 trillion of AUC/A at Sept. 30, 2014. 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). As more fully described below, we are a leader in servicing tri-party repo collateral with approximately $2 trillion globally. We currently service approximately $1.4 trillion of the $1.6 trillion tri-party repo market in the U.S.

BNY Mellon offers tri-party collateral agency services to dealers and cash investors active in the tri-party repurchase, or repo, market and currently has approximately 86% of the market share of the U.S. tri-party repo market.

BNY Mellon has reduced the amount of secured intraday credit it provides to dealers in connection with their tri-party repo trades 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, implementing three-way trade confirmations, 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. Consistent with the recommendations of the Tri-Party Repo Infrastructure Reform Task Force, BNY Mellon has now achieved a 90% reduction in the amount of intraday credit provided.

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 trillion in 31 markets.

We serve as depositary for 1,302 sponsored American and global depositary receipt programs at Sept. 30, 2014, acting in partnership with leading companies from 66 countries - an estimated 60% global market share.

Pershing and its affiliates provide business solutions to approximately 1,600 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 at Sept. 30, 2014 were $28.3 trillion, an increase of 3% from $27.4 trillion at Sept. 30, 2013, and a decrease of 1% from $28.5 trillion at June 30, 2014. The year-over-year increase was primarily driven by higher market values. AUC/A were comprised of 36% equity securities and 64% fixed income securities at Sept. 30, 2014 compared with 35% equity securities and 65% fixed income securities at Sept. 30, 2013.

Revenue generated in the Investment Services business included 39% from non-U.S. sources in the third quarter of 2014 compared with 36% in the third quarter of 2013 and 37% in the second quarter of 2014.

Investment services fees were $1.8 billion in the third quarter of 2014, an increase of 5% compared with the third quarter of 2013 and 6% (unannualized) compared with the second quarter of 2014 reflecting the following factors:

- Asset servicing fees (global custody, broker-dealer services and global collateral services) were $998 million in the third quarter of 2014 compared with $939 million in the third quarter of 2013 and $993 million in the second quarter of 2014. The year-over-year increase primarily reflects organic growth, higher market values, net new business and higher collateral management fees in Global Collateral Services. The sequential increase primarily reflects organic growth, partially offset by seasonally lower securities lending revenue.

- Clearing services fees were $336 million in the third quarter of 2014 compared with $314 million in the third quarter of 2013 and $324 million in the second quarter of 2014. Both increases were driven by growth in clearing accounts and mutual fund positions, and higher asset levels. The sequential increase also reflects higher DARTS volume.
- Issuer services fees (Corporate Trust and Depositary Receipts) were $314 million in the third quarter of 2014, compared with $321 million in the third quarter of 2013 and $231 million in the second quarter of 2014. The year-

over-year decrease reflects lower Corporate Trust fees, partially offset by new business in Depositary Receipts. The sequential increase is primarily due to seasonally higher dividend fees and new business in Depositary Receipts, partially offset by lower Corporate Trust fees.

- Treasury services fees were $139 million in the third quarter of 2014 compared with $135 million in the third quarter of 2013 and $140 million in the second quarter of 2014. The year-over-year increase primarily reflects higher payment volumes.

Foreign exchange and other trading revenue totaled $159 million in the third quarter of 2014, compared with $177 million in the third quarter of 2013 and $145 million in the second quarter of 2014. The year-over-year decrease primarily reflects lower volatility, partially offset by higher volumes. Sequentially, the increase reflects higher volumes.

Net interest revenue was $583 million in the third quarter of 2014 compared with $619 million in the third quarter of 2013 and $593 million in the second quarter of 2014. Both decreases primarily reflects lower yields, partially offset by higher average loans. The year-over-year decrease was partially offset by higher average deposits.

Noninterest expense, excluding amortization of intangible assets, was $1.835 billion in the third quarter of 2014, compared with $1.765 billion in the third quarter of 2013 and $1.824 billion in the second quarter of 2014. Both increases reflect higher litigation expense. The year-over-year increase also reflects higher professional and legal expenses, partially offset by lower staff expense. The sequential increase was partially offset by lower sub-custodian and staff expenses.

Year-to-date 2014 compared with year-to-date 2013

Income before taxes totaled $2.0 billion in the first nine months of 2014 compared with $2.2 billion in the first nine months of 2013. Excluding intangible amortization, income before taxes decreased $157 million. Fee and other revenue increased $32 million reflecting higher asset servicing fees driven by higher market values, organic growth and net new business, and higher clearing services fees driven by higher mutual funds fees, partially offset by lower foreign exchange and other trading revenue driven by lower volatility, and lower issuer services fees. The $139 million decrease in net interest revenue primarily reflects lower yields and lower accretion, partially offset by higher average deposits and loans. Noninterest expense (excluding intangible amortization) increased $51 million primarily due to higher professional expenses and the impact of the annual merit increase, partially offset by lower incentive and business development expenses.

Other segment

						Year-to-date	
(dollars in millions)	3Q13	4Q13	1Q14	2Q14	3Q14	2014	2013
Revenue:							
Fee and other revenue	$172	$(20)	$112	$119	$928	$1,159	$671
Net interest revenue	86	83	68	60	69	197	151
Total revenue	258	63	180	179	997	1,356	822
Provision for credit losses	2	6	(18)	(12)	(19)	(49)	(42)
Noninterest expense (ex. M&I and restructuring charges)	230	200	193	93	274	560	709
Income (loss) before taxes (ex. M&I and restructuring charges)	26	(143)	5	98	742	845	155
M&I and restructuring charges	14	13	—	120	57	177	22
Income (loss) before taxes	$12	$(156)	$5	$(22)	$685	$668	$133
Average loans and leases	$10,938	$9,802	$10,104	$9,962	$10,278	$10,116	$10,799

See page 28 of our 2013 Annual Report for a description of the Other segment.

Review of financial results

Total fee and other revenue increased $756 million compared with the third quarter of 2013 and $809 million compared with the second quarter of 2014. Both increases primarily reflect the gain on the sale of our investment in Wing Hang and the gain on the sale of the One Wall Street building, partially offset by lower equity investment and other income.

Net interest revenue decreased $17 million compared with the third quarter of 2013 and increased $9 million compared with the second quarter of 2014. The year-over-year decrease primarily reflects changes in the internal credit rates to the businesses for deposits and lower average loans and leases. Sequentially, the increase reflects higher average loans and leases.

The provision for credit losses was a credit of $19 million in the third quarter of 2014 driven by the continued improvement in the credit quality of the loan portfolio.

Noninterest expense excluding M&I and restructuring charges increased $44 million compared with the third quarter of 2013 and $181 million compared with the second quarter of 2014. Both increases primarily reflect higher litigation expense. The year-over-year increase was partially offset by lower staff expense. The sequential increase also reflects higher staff expenses.

M&I and restructuring charges recorded in the third quarter of 2014 primarily reflects severance expense.

Year-to-date 2014 compared with year-to-date 2013

Income before taxes in the Other segment was $668 million in the first nine months of 2014 compared with $133 million in the first nine months of 2013. Total revenue increased $534 million resulting from the gain on the sale of our investment in Wing Hang, the gain on the sale of the One Wall Street building and the impact on net interest revenue from changes in the internal credit rates to the businesses for deposits, partially offset by a gain related to an equity investment in 2013 and lower equity investment income and securities gains. The provision for credit losses was a credit of $49 million in the first nine months of 2014 compared with a credit of $42 million in the first nine months of 2013. Both credits reflect the continued improvement in the credit quality of the loan portfolio. Noninterest expenses, excluding M&I and restructuring charges, decreased $149 million, primarily reflecting lower staff, business development and occupancy expenses and the cost of generating certain tax credits, partially offset by higher litigation expense.

Critical accounting estimates

Our significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements in our 2013 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	2013 Annual Report, pages 34 - 36. This policy is also disclosed in the “Asset quality and allowance for credit losses” section of this Form 10-Q.
Fair value of financial instruments and derivatives	2013 Annual Report, pages 36 and 37.
OTTI	2013 Annual Report, pages 37 and 38.
Goodwill and other intangibles	2013 Annual Report, pages 38 and 39.
Pension accounting	2013 Annual Report, pages 39 and 40.

Consolidated balance sheet review

At Sept. 30, 2014, total assets were $386 billion compared with $375 billion at Dec. 31, 2013. Total assets averaged $380 billion in the third quarter of 2014 compared with $342 billion in the third quarter of 2013 and $369 billion in the second quarter of 2014. Fluctuations in the period-end and average total assets were driven in part by the level of client deposits. Deposits totaled $265 billion at Sept. 30, 2014 and $261 billion at Dec. 31, 2013. Total deposits averaged $247 billion in the third quarter of 2014, $226 billion in the third quarter of 2013 and $240 billion in the second quarter of 2014. At Sept. 30, 2014, total interest-bearing deposits were 52% of total interest-earning assets compared with 54% at Dec. 31, 2013.

At Sept. 30, 2014, we had $48 billion of liquid funds and $98 billion of cash (including $92 billion of overnight deposits with the Federal Reserve and other central banks) for a total of $146 billion of available funds. This compares with available funds of $155 billion at Dec. 31, 2013. The decrease in available funds primarily resulted from a lower level of interest-bearing deposits with the Federal Reserve and other central banks. Total available funds as a percentage of total assets was 38% at Sept. 30, 2014 compared with 41% at Dec. 31, 2013. Of the $48 billion in liquid funds held at Sept. 30, 2014, $30 billion was placed in interest-bearing deposits with large, highly-rated global financial institutions with a weighted-average life to maturity of approximately 21 days. Of the $30 billion, $6 billion was placed with banks in the Eurozone.

Investment securities were $116 billion, or 30% of total assets, at Sept. 30, 2014, compared with $99 billion, or 26% of total assets, at Dec. 31, 2013. The increase reflects a higher level of investments in U.S. Treasury securities, agency RMBS and sovereign debt/sovereign guaranteed.

Loans were $58 billion, or 15% of total assets, at Sept. 30, 2014, compared with $52 billion, or 14% of total assets, at Dec. 31, 2013. The increase in loans primarily reflects higher overdrafts, margin loans and wealth management loans and mortgages.

Long-term debt totaled $21.6 billion at Sept. 30, 2014 and $19.9 billion at Dec. 31, 2013. Senior debt issuances of $4.7 billion were partially offset by maturities of $2.9 billion in the first nine months of 2014.

Total The Bank of New York Mellon Corporation shareholders’ equity at Sept. 30, 2014 increased to $38.5 billion from $37.5 billion at Dec. 31, 2013. The increase primarily reflects earnings retention, approximately $520 million resulting from stock awards, the exercise of stock options and stock issued for employee benefit plans, and an increase in the value of our investment securities portfolio, partially offset by share repurchases and a decrease in foreign currency translation adjustments.

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

We have provided expanded disclosure on countries that have experienced particular market focus on credit quality and are countries 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. See “Risk management” in the 2013 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 liabilities of consolidated investment management funds represent the interest of the noteholders of the funds and are solely dependent on the value of the assets of the funds.

Any loss in the value of assets of consolidated investment management funds would be incurred by the fund's noteholders.

Our exposure in Ireland is principally related to Irish-domiciled investment funds. Servicing provided to these funds and fund families may result in overdraft exposure.

Recent events in Russia and Ukraine significantly increased geopolitical tensions in Central and Eastern Europe. In addition to the exposures in the following table, we provide investments services, including acting as a depositary receipt bank, for companies in Russia. To date, our Russian-related businesses have not been materially impacted by the ongoing tensions or sanctions. Future developments including

additional sanctions against Russian entities could adversely impact these businesses and our results of operations. At Sept. 30, 2014, our exposure to Ukraine was less than $1 million.

At Sept. 30, 2014 and Dec. 31, 2013, BNY Mellon had exposure of less than $1 million in both Portugal and Greece.

The following tables present our on- and off-balance sheet exposure in Ireland, Italy and Spain at both Sept. 30, 2014 and Dec. 31, 2013. Additionally, our on- and off-balance sheet exposure to Russia is presented at Sept. 30, 2014. Exposure in the tables below reflects the country of operations and risk of the immediate counterparty.

On- and off-balance sheet exposure at Sept. 30, 2014 (in millions)	Ireland	Italy	Spain	Russia	Total
On-balance sheet exposure					
Gross:					
Deposits with banks (primarily interest-bearing) (a)	$176	$199	$420	$40	$835
Investment securities (primarily sovereign debt and European Floating Rate Notes) (b)	438	938	931	—	2,307
Loans and leases (c)	143	2	5	330	480
Trading assets (d)	293	32	19	—	344
Total gross on-balance sheet exposure	1,050	1,171	1,375	370	3,966
Less:					
Collateral	124	29	19	—	172
Guarantees	—	2	1	—	3
Total collateral and guarantees	124	31	20	—	175
Total net on-balance sheet exposure	$926	$1,140	$1,355	$370	$3,791
Off-balance sheet exposure					
Gross:					
Lending-related commitments (e)	$90	$—	$—	$—	$90
Letters of credit (f)	62	3	13	—	78
Total gross off-balance sheet exposure	152	3	13	—	168
Less:					
Collateral	80	—	13	—	93
Total net off-balance sheet exposure	$72	$3	$—	$—	$75
Total exposure:					
Total gross on- and off-balance sheet exposure	$1,202	$1,174	$1,388	$370	$4,134
Less: Total collateral and guarantees	204	31	33	—	268
Total net on- and off-balance sheet exposure	$998	$1,143	$1,355	$370	$3,866

(a) Interest-bearing deposits with banks represent a $97 million placement with an Irish subsidiary of a UK holding company, an $8 million placement with an Irish financial institution, a $100 million placement with a financial institution in Italy, $417 million of placements with financial institutions in Spain, $173 million of nostro accounts related to our custody activities located in Ireland, Italy and Spain and $40 million of nostro accounts related to our depositary receipts business in Russia.

(b) Investment securities represent $155 million, fair value, of residential mortgage-backed securities located in Ireland and Italy, $2.1 billion, fair value, of sovereign debt located in Ireland, Spain and Italy and $46 million, fair value, of corporate bonds located in Ireland, Italy and Spain. The investment securities were 93% investment grade.

(c) Loans and leases primarily include $69 million of overdrafts primarily to Irish-domiciled investment funds resulting from our custody business, a $73 million commercial lease to a company located in Ireland, which was fully collateralized by U.S. Treasuries and $330 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 over-the-counter foreign exchange and interest rate derivatives, net of master netting agreements. Trading assets include $293 million of receivables primarily due from Irish-domiciled investment funds and $51 million of receivables primarily due from financial institutions in Italy and Spain. Cash collateral on trading assets represents $51 million in Ireland and $29 million in Italy. Additionally, trading assets in Spain were collateralized by $19 million of cash and U.S. Treasuries.

(e) Lending-related commitments include $77 million to an insurance company in Ireland, collateralized by $12 million of marketable securities, and $13 million to an investment company in Ireland, secured by a lien on the client’s collateral portfolio.

(f) Letters of credit primarily represent $57 million extended to an insurance company in Ireland, collateralized by $55 million of marketable securities and $13 million extended to an insurance company in Spain, fully collateralized by marketable securities. Risk participations with higher risk countries counterparties are excluded.

On- and off-balance sheet exposure at Dec. 31, 2013

(in millions)	Ireland	Italy	Spain	Total
On-balance sheet exposure				
Gross:				
Deposits with banks (primarily interest-bearing) (a)	$100	$217	$375	$692
Investment securities (primarily sovereign debt and European Floating Rate Notes) (b)	165	279	137	581
Loans and leases (c)	267	3	1	271
Trading assets (d)	62	35	18	115
Total gross on-balance sheet exposure	594	534	531	1,659
Less:				
Collateral	87	30	18	135
Guarantees	—	2	1	3
Total collateral and guarantees	87	32	19	138
Total net on-balance sheet exposure	$507	$502	$512	$1,521
Off-balance sheet exposure				
Gross:				
Lending-related commitments (e)	$70	$—	$—	$70
Letters of credit (f)	115	3	13	131
Total gross off-balance sheet exposure	185	3	13	201
Less:				
Collateral	68	—	13	81
Total net off-balance sheet exposure	$117	$3	$—	$120
Total exposure:				
Total gross on- and off-balance sheet exposure	$779	$537	$544	$1,860
Less: Total collateral and guarantees	155	32	32	219
Total net on- and off-balance sheet exposure	$624	$505	$512	$1,641

(a) Interest-bearing deposits with banks represent a $99 million placement with an Irish subsidiary of a UK holding company, a $100 million placement with a financial institution in Italy, $350 million of placements with financial institutions in Spain and $143 million of nostro accounts related to our custody activities located in Italy, Spain and Ireland.

(b) Investment securities represent $257 million, fair value, of residential mortgage-backed securities located in Ireland and Italy, $308 million, fair value, of sovereign debt located in Spain and Italy, and $16 million, fair value, of asset-backed collateralized loan obligations ("CLOs") located in Ireland. The investment securities were 74% investment grade.

(c) Loans and leases primarily include $184 million of overdrafts primarily to Irish-domiciled investment funds resulting from our custody business, a $70 million commercial lease to a company located in Ireland, which was fully collateralized by U.S. Treasuries and $13 million of loans to financial institutions located in Ireland, which were collateralized by $12 million of marketable securities. 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 the over-the-counter foreign exchange and interest rate derivatives, net of master netting agreements. Trading assets include $62 million of receivables primarily due from Irish-domiciled investment funds and $53 million of receivables primarily due from financial institutions in Italy and Spain. Cash collateral on trading assets primarily represents $30 million in Italy. Trading assets located in Spain are collateralized by $13 million of U.S. Treasuries.

(e) Lending-related commitments include $70 million to an insurance company, collateralized by $3 million of marketable securities.

(f) Letters of credit primarily represent $65 million extended to an insurance company in Ireland, fully collateralized by marketable securities, $48 million extended to a financial institution in Ireland and $13 million extended to an insurance company in Spain, fully collateralized by marketable securities.

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	June 30, 2014	3Q14 change in unrealized gain (loss)	Sept. 30, 2014		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	$41,552	$(100)	$44,413	$44,372	100%	$(41)	100%	—%	—%	—%	—%
U.S. Treasury	18,791	(18)	25,244	25,449	101	205	100	—	—	—	—
Sovereign debt/sovereign guaranteed (b)	14,812	41	16,510	16,627	101	117	87	—	13	—	—
Non-agency RMBS (c)	2,574	(31)	1,916	2,449	81	533	—	1	1	90	8
Non-agency RMBS	1,227	3	1,147	1,170	94	23	1	9	23	66	1
European floating rate notes (d)	2,525	9	2,297	2,296	100	(1)	72	22	—	6	—
Commercial MBS	4,397	(28)	4,798	4,829	101	31	93	6	1	—	—
State and political subdivisions	6,253	13	5,350	5,434	102	84	79	20	—	—	1
Foreign covered bonds (e)	2,788	(3)	2,863	2,949	103	86	100	—	—	—	—
Corporate bonds	1,693	(5)	1,636	1,670	102	34	21	65	14	—	—
CLO	1,455	(1)	1,959	1,971	101	12	100	—	—	—	—
U.S. Government agencies	787	(3)	704	699	99	(5)	100	—	—	—	—
Consumer ABS	3,278	(3)	3,024	3,025	100	1	99	1	—	—	—
Other (f)	2,980	(3)	2,917	2,923	100	6	40	53	—	—	7
Total investment securities	$105,112 (g)	$(129)	$114,778	$115,863 (g)	100%	$1,085 (h)	90%	4%	2%	3%	1%

(a) Amortized cost before impairments.

(b) Primarily comprised of exposure to U.K., 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 Canada, UK and Netherlands.

(f)

Includes commercial paper of $1.7 billion and $1.6 billion, fair value, and money market funds of $810 million and $789 million, fair value, at June 30, 2014 and Sept. 30, 2014, respectively.

(g) Includes net unrealized gains on derivatives hedging securities available-for-sale of $213 million at June 30, 2014 and $137 million at Sept. 30, 2014.

(h) Unrealized gains of $1,055 million at Sept. 30, 2014 related to available-for-sale securities.

The fair value of our investment securities portfolio was $115.9 billion at Sept. 30, 2014 compared with $99.4 billion at Dec. 31, 2013. The increase reflects a higher level of investments in U.S. Treasury securities, agency RMBS and sovereign debt/sovereign guaranteed. In the third quarter of 2014, we received $134 million of paydowns and sold $24 million of sub-investment grade securities.

At Sept. 30, 2014, the total investment securities portfolio had a net unrealized pre-tax gain of $1.1 billion compared with $309 million at Dec. 31, 2013. The increase in the net unrealized pre-tax gain was primarily driven by the reduction in market interest rates. The unrealized net of tax gain on our

investment securities available-for-sale portfolio included in accumulated other comprehensive income was $654 million at Sept. 30, 2014, compared with $357 million at Dec. 31, 2013.

At Sept. 30, 2014, 90% of the securities in our portfolio were rated AAA/AA- compared with 89% of the securities rated AAA/AA- at Dec. 31, 2013.

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 restructuring of the investment securities portfolio.

Net premium amortization and discount accretion of investment securities (a)

(dollars in millions)	3Q13	4Q13	1Q14	2Q14	3Q14
Amortizable purchase premium (net of discount) relating to investment securities:					
Balance at period end	$2,519	$2,377	$2,236	$2,225	$2,317
Estimated average life remaining at period end (in years)	5.2	5.2	5.0	4.8	4.6
Amortization	$147	$142	$145	$156	$159
Accretable discount related to the restructuring of the investment securities portfolio:					
Balance at period end	$675	$642	$534	$510	$465
Estimated average life remaining at period end (in years)	6.1	6.0	6.3	6.2	6.6
Accretion	$55	$52	$46	$41	$40

(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)	3Q14	2Q14	3Q13	YTD14	YTD13
State and political subdivisions	$7	$7	$—	$13	$—
U.S. Treasury	1	1	22	12	49
U.S. Government agencies	—	—	—	7	—
Foreign covered bonds	—	3	—	3	8
European floating rate notes	2	—	3	1	(3)
Commercial MBS	1	—	—	1	15
Non-agency RMBS	4	(2)	(4)	—	(3)
Other	5	9	1	23	36
Total net securities gains	$20	$18	$22	$60	$102

On a quarterly basis, we perform our impairment analysis using several factors, including projected loss severities and default rates. In the third quarter of 2014, this analysis resulted in $2 million of credit losses primarily on our Alt-A and prime RMBS portfolios. At Sept. 30, 2014, 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 $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 Sept. 30, 2014. The unrealized loss on these securities was $1 million at Sept. 30, 2014, an improvement of $9 million compared with $10 million at June 30, 2014.

European floating rate notes at Sept. 30, 2014 (a)

(in millions)	RMBS	Other	Total

			fair value
United Kingdom	$1,425	$114	$1,539
Netherlands	571	—	571
Ireland	152	—	152
Other	34	—	34
Total fair value	$2,182	$114	$2,296

(a) 72% 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	Sept. 30, 2014			Dec. 31, 2013		
(in billions)	Loans	Unfunded commitments	Total exposure	Loans	Unfunded commitments	Total exposure
Non-margin loans:						
Financial institutions	$14.6	$15.5	$30.1	$14.4	$17.0	$31.4
Commercial	1.5	18.7	20.2	1.6	19.5	21.1
Subtotal institutional	16.1	34.2	50.3	16.0	36.5	52.5
Wealth management loans and mortgages	10.8	1.6	12.4	9.8	1.7	11.5
Commercial real estate	2.4	2.7	5.1	2.0	2.4	4.4
Lease financings	2.2	—	2.2	2.3	—	2.3
Other residential mortgages	1.3	—	1.3	1.4	—	1.4
Overdrafts	6.3	—	6.3	3.7	—	3.7
Other	0.9	—	0.9	0.8	—	0.8
Subtotal non-margin loans	40.0	38.5	78.5	36.0	40.6	76.6
Margin loans	17.5	0.7	18.2	15.7	0.5	16.2
Total	$57.5	$39.2	$96.7	$51.7	$41.1	$92.8

At Sept. 30, 2014, total exposures were $96.7 billion, an increase of 4% from $92.8 billion at Dec. 31, 2013. The increase in total exposure primarily reflects higher exposure in overdrafts, margin loans, wealth management loans and mortgages and commercial real estate portfolios, partially offset by lower exposure in the financial institutions and commercial portfolios.

Our financial institutions and commercial portfolios comprise our largest concentrated risk. These portfolios made up 52% of our total lending exposure at Sept. 30, 2014 and 57% at Dec. 31, 2013. Additionally, a substantial portion of our overdrafts relate to financial institutions and commercial customers.

Financial institutions

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

Financial institutions	Sept. 30, 2014					Dec. 31, 2013		
portfolio exposure (dollar amounts in billions)	Loans	Unfunded commitments	Total exposure	% Inv. grade	% due <1 yr	Loans	Unfunded commitments	Total exposure
Banks	$9.0	$ 1.6	$ 10.6	87 %	89 %	$9.4	$ 2.3	$ 11.7
Asset managers	1.5	4.6	6.1	99	77	1.4	4.1	5.5
Securities industry	3.6	1.3	4.9	91	95	2.9	2.0	4.9
Insurance	0.1	4.0	4.1	99	19	0.1	4.3	4.4
Government	—	3.0	3.0	97	30	0.4	3.2	3.6
Other	0.4	1.0	1.4	96	24	0.2	1.1	1.3
Total	$14.6	$ 15.5	$ 30.1	93 %	69 %	$14.4	$ 17.0	$ 31.4

The financial institutions portfolio exposure was $30.1 billion at Sept. 30, 2014 compared with $31.4 billion at Dec. 31, 2013. The decrease primarily reflects lower exposure to banks.

Financial institution exposures are high quality, with 93% of the exposures meeting the investment grade equivalent criteria of our internal credit rating classification at Sept. 30, 2014. 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, 69% expire within one year, and 36% expire within 90 days. In addition, 36% 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 Sept. 30, 2014. 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	Sept. 30, 2014							Dec. 31, 2013		
(dollar amounts in billions)	Loans	Unfunded commitments	Total exposure	% Inv. grade		% due <1 yr		Loans	Unfunded commitments	Total exposure
Services and other	$0.7	$ 5.8	$ 6.5	95	%	27	%	$0.6	$ 6.0	$ 6.6
Energy and utilities	0.4	5.7	6.1	98		8		0.7	5.9	6.6
Manufacturing	0.3	5.6	5.9	91		9		0.2	5.9	6.1
Media and telecom	0.1	1.6	1.7	90		10		0.1	1.7	1.8
Total	$1.5	$ 18.7	$ 20.2	94	%	15	%	$1.6	$ 19.5	$ 21.1

The commercial portfolio exposure decreased 4% to $20.2 billion at Sept. 30, 2014, from $21.1 billion at Dec. 31, 2013, primarily reflecting a decrease in the energy and utilities and manufacturing portfolios.

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

	Sept. 30, 2013	Dec. 31, 2013	March 31, 2014	June 30, 2014	Sept. 30, 2014
Financial institutions	92 %	93 %	94 %	93 %	93 %
Commercial	94 %	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 93% of our financial institutions portfolio and 94% of our commercial portfolio rated as investment grade at Sept. 30, 2014.

Wealth management loans and mortgages

Our wealth management exposure was $12.4 billion at Sept. 30, 2014 compared with $11.5 billion at Dec. 31, 2013. Wealth management loans and mortgages are primarily comprised 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 an average loan-to-value ratio of 65% at origination. In the wealth management portfolio, less than 1% of the mortgages were past due at Sept. 30, 2014.

At Sept. 30, 2014, the wealth management mortgage portfolio was comprised of the following geographic concentrations: California - 21%; New York - 21%; Massachusetts - 15%; Florida - 9%; and other - 34%.

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 $5.1 billion at Sept. 30, 2014 compared with $4.4 billion at Dec. 31, 2013.

At Sept. 30, 2014, 59% of our commercial real estate portfolio was secured. The secured portfolio is diverse by project type, with 61% secured by residential buildings, 20% secured by office buildings, 10% secured by retail properties, and 9% secured by other categories. Approximately 97% of the unsecured portfolio is comprised of real estate investment trusts ("REITs"), which are primarily investment grade, and real estate operating companies.

At Sept. 30, 2014, our commercial real estate portfolio is comprised of the following concentrations: New York metro - 46%; REITs and real estate operating companies - 40%; and other - 14%.

Lease financings

The leasing portfolio exposure totaled $2.2 billion and included $145 million of airline exposures at Sept. 30, 2014, compared with $2.3 billion of leasing exposures, including $166 million of airline exposures, at Dec. 31, 2013. At Sept. 30, 2014, approximately 87% of the leasing exposure was investment grade.

At Sept. 30, 2014, the $2.1 billion non-airline lease financing portfolio consisted of exposures backed by well-diversified assets, primarily large-ticket transportation equipment.

At Sept. 30, 2014, our $145 million of exposure to the airline industry consisted of $61 million to major U.S. carriers, $75 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 both economic downturns and rising fuel prices. 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 mortgage portfolio primarily consists of 1-4 family residential mortgage loans and totaled $1.3 billion at Sept. 30, 2014, compared with $1.4 billion at Dec. 31, 2013. Included in this portfolio at Sept. 30, 2014 are $366 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 Sept. 30, 2014, the purchased loans in this portfolio had a weighted-average loan-to-value ratio of 76% at origination and 18% 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 $7.4 billion of loans at Sept. 30, 2014 and $6.7 billion at Dec. 31, 2013 related to a term loan program that offers fully collateralized loans to broker-dealers.

Tri-party repo committed credit facilities

We are working to partially convert the secured intraday credit provided to dealers in connection with their tri-party repo trades from uncommitted credit to committed credit in the first quarter of 2015. The dealers will be required 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.

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)	Sept. 30, 2014	June 30, 2014	Dec. 31, 2013	Sept. 30, 2013
Margin loans	$17,548	$17,685	$15,652	$15,146
Non-margin loans	39,979	41,563	36,005	34,992
Total loans	$57,527	$59,248	$51,657	$50,138
Allowance for credit losses - beginning of period	$311	$326	$339	$337
Provision for credit losses	(19)	(12)	6	2
Net (charge-offs) recoveries:				
Foreign	(1)	(2)	(3)	1
Wealth management loans and mortgages	—	(1)	—	—
Other residential mortgages	1	(1)	—	—
Financial institutions	—	—	3	—
Commercial	(4)	1	(1)	(1)
Net (charge-offs)	(4)	(3)	(1)	—
Allowance for credit losses - end of period	$288	$311	$344	$339
Allowance for loan losses	$191	$187	$210	$206
Allowance for lending-related commitments	97	124	134	133
Allowance for loan losses as a percentage of total loans	0.33%	0.32%	0.41%	0.41%
Allowance for loan losses as a percentage of non-margin loans	0.48	0.45	0.58	0.59
Total allowance for credit losses as a percentage of total loans	0.50	0.52	0.67	0.68
Total allowance for credit losses as a percentage of non-margin loans	0.72	0.75	0.96	0.97

Net charge-offs were $4 million in the third quarter of 2014 and $3 million in the second quarter of 2014. Net charge-offs in the third quarter of 2014 were primarily in the commercial loan portfolio. Net charge offs in the second quarter of 2014 were primarily in the foreign loans, wealth management loans and mortgages and other residential mortgages portfolios. There were no net charge-offs in the third quarter of 2013.

The provision for credit losses was a credit of $19 million in the third quarter of 2014 driven by the continued improvement in the credit quality of the loan portfolio. The provision for credit losses was $2

million in the third quarter of 2013 and a credit of $12 million in the second quarter of 2014.

The total allowance for credit losses was $288 million at Sept. 30, 2014, $344 million at Dec. 31, 2013 and $339 million at Sept. 30, 2013. The ratio of the total allowance for credit losses to non-margin loans was 0.72% at Sept. 30, 2014, 0.96% at Dec. 31, 2013 and 0.97% at Sept. 30, 2013. The ratio of the allowance for loan losses to non-margin loans was 0.48% at Sept. 30, 2014 compared with 0.58% at Dec. 31, 2013 and 0.59% at Sept. 30, 2013. The decrease in the total allowance for credit losses and the lower ratios at Sept. 30, 2014 compared with both prior periods primarily reflects an improvement in the credit quality in the loan portfolio.

We had $17.5 billion of secured margin loans on our balance sheet at Sept. 30, 2014 compared with $15.7 billion at Dec. 31, 2013 and $15.1 billion at Sept. 30, 2013. 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.

We utilize a quantitative methodology and qualitative framework for determining the allowance for loan losses and the allowance for lending-related commitments. Within this qualitative framework, management applies judgment when assessing internal risk factors and environmental factors to compute an additional allowance for each component of the loan portfolio.

The three elements of the allowance for loan losses and the allowance for lending-related commitments include the qualitative allowance framework. The three elements are:

- an allowance for impaired credits of $1 million or greater;
- an allowance for higher risk-rated credits and pass-rated credits; and
- an allowance for residential mortgage loans.

Our lending is primarily to institutional customers. As a result, our loans are generally larger than $1 million. Therefore, the first element, impaired credits, is based on individual analysis of all impaired loans of $1 million or greater. The allowance is measured by the difference between the recorded value of impaired loans and their impaired value. Impaired value is either the present value of the expected future cash flows from the borrower, the market value of the loan, or the fair value of the collateral.

The second element, higher risk-rated credits and pass-rated credits, is based on our probable loss model. All loans over $1 million are individually

analyzed before being assigned a credit rating. All borrowers are assigned to pools based on their credit rating. The probable loss inherent in each loan in a pool incorporates the borrower's credit rating, loss given default rating and maturity. The loss given default incorporates a recovery expectation and an estimate of the use of the facility at default (usage given default). The borrower's probability of default is derived from the associated credit rating. Borrower ratings are reviewed at least annually and are periodically mapped to third-party databases, including rating agency and default and recovery databases, to ensure ongoing consistency and validity. Higher risk-rated credits are reviewed quarterly.

The third element, the allowance for residential mortgage loans, is determined by segregating six mortgage pools into delinquency periods ranging from current through foreclosure. Each of these delinquency periods is assigned a probability of default. A specific loss given default is assigned for each mortgage pool. BNY Mellon also assigns all residential mortgage pools, except home equity lines of credit, a probability of default and loss given default based on default and loss data derived from our residential mortgage portfolio. For each pool, the inherent loss is calculated using the above factors. The resulting probable loss factor (the probability of default multiplied by the loss given default) is applied against the loan balance to determine the allowance held for each pool. For home equity lines of credit, probability of default and loss given default are based on external data from third-party databases due to the small size of the portfolio and insufficient internal data.

The qualitative framework is used to determine an additional allowance for each portfolio based on the factors below:

Internal risk factors:

- Nonperforming loans to total non-margin loans;
- Criticized assets to total loans and lending-related commitments;
- Ratings volatility;
- Borrower concentration; and
- Significant concentration in high risk industries.

Environmental risk factors:

- U.S. non-investment grade default rate;
- Unemployment rate; and
- Change in real GDP (quarter over quarter).

The objective of the qualitative framework is to capture incurred losses that may not have been fully captured in the quantitative reserve, which is based primarily on historical data. Management determines the qualitative allowance each period based on judgment informed by consideration of internal and external risk factors and other considerations that may be deemed relevant during the period. Once determined in the aggregate, our qualitative allowance is then allocated to each of our loan classes based on the respective classes' quantitative allowance balances with the allocations adjusted, when necessary, for class specific risk factors.

For each risk factor, we calculate the minimum and maximum values, and percentiles in-between, to evaluate the distribution of our historical experience. The distribution of historical experience is compared to the risk factor's current quarter observed experience to assess the current risk inherent in the portfolio and overall direction/trend of a risk factor relative to our historical experience.

Based on this analysis, we assign a risk level - no impact, low, moderate, high and elevated - to each risk factor for the current quarter. Management assesses the impact of each risk factor to determine an aggregate risk level. We do not quantify the impact of any particular risk factor. Management's assessment of the risk factors, as well as the trend in the quantitative allowance, supports management's judgment for the overall required qualitative allowance. A smaller qualitative allowance may be required when our quantitative allowance has reflected incurred losses associated with the aggregate risk level. A greater qualitative allowance may be required if our quantitative allowance does not yet reflect the incurred losses associated with the aggregate risk level. Our consideration of these factors has remained consistent for the quarter ended Sept. 30, 2014. Additionally, the qualitative allowance as a percentage of the total allowance increased slightly from Dec. 31, 2013 to Sept. 30, 2014 due to the current economic environment and geopolitical factors.

The methodologies to determine the loss given default, probability of default and usage given default allowance parameters utilized in our probable loss model to calculate the quantitative allowance were updated in the fourth quarter of 2013.

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 above, we have allocated our allowance for credit losses as follows:

Allocation of allowance	Sept. 30, 2014		June 30, 2014		Dec. 31, 2013		Sept. 30, 2013	
Commercial	25	%	24	%	24	%	27	%
Other residential mortgages	17		15		16		21	
Commercial real estate	16		14		12		9	
Foreign	14		15		16		14	
Lease financing	12		11		11		12	
Financial institutions	9		14		14		12	
Wealth management (a)	7		7		7		5	
	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 $80 million, while if each credit were rated one grade worse, the allowance would have increased by $162 million. Similarly, if the loss given default were one rating worse, the allowance would have increased by $29 million, while if the loss given default were one rating better, the allowance would have decreased by $28 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)	Sept. 30, 2014	June 30, 2014	Dec. 31, 2013
Loans:			
Other residential mortgages	$113	$105	$117
Commercial	13	13	15
Wealth management loans and mortgages	13	12	11
Foreign	—	4	6
Commercial real estate	4	4	4
Total nonperforming loans	143	138	153
Other assets owned	4	4	3
Total nonperforming assets (a)	$147	$142	$156
Nonperforming assets ratio	0.26 %	0.24 %	0.30 %
Nonperforming assets ratio, excluding margin loans	0.4	0.3	0.4
Allowance for loan losses/nonperforming loans	133.6	135.5	137.3
Allowance for loan losses/nonperforming assets	129.9	131.7	134.6
Total allowance for credit losses/nonperforming loans	201.4	225.4	224.8
Total allowance for credit losses/nonperforming assets	195.9	219.0	220.5

(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 $79 million at Sept. 30, 2014, $68 million at June 30, 2014 and $16 million at Dec. 31, 2013. 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.

Nonperforming assets activity (in millions)	Sept. 30, 2014	June 30, 2014	Dec. 31, 2013
Balance at beginning of period	$142	$146	$172
Additions	16	7	7
Return to accrual status	(1)	(3)	(10)
Charge-offs	—	(4)	(5)
Paydowns/sales	(10)	(4)	(8)
Balance at end of period	$147	$142	$156

Nonperforming assets were $147 million at Sept. 30, 2014, an increase of $5 million compared with $142 million at June 30, 2014. The increase primarily resulted from additions in the other residential mortgage loan portfolio, partially offset by sales in the foreign and other residential loan portfolios.

See Note 5 of the Notes to Consolidated Financial Statements for additional information on our past due loans. See "Nonperforming assets" in Note 1 of the Notes to Consolidated Financial Statements in our 2013 Annual Report for our policy for placing loans on nonaccrual status.

Deposits

Total deposits were $264.9 billion at Sept. 30, 2014, an increase of 1% compared with $261.1 billion at Dec. 31, 2013. The increase in deposits reflects higher noninterest-bearing and interest-bearing deposits principally in U.S. offices, partially offset by lower interest-bearing deposits in non-U.S. offices.

Noninterest-bearing deposits were $101.1 billion at Sept. 30, 2014 compared with $95.4 billion at Dec. 31, 2013. Interest-bearing deposits were $163.8 billion at Sept. 30, 2014 compared with $165.7 billion at Dec. 31, 2013.

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 are comprised 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)	Sept. 30, 2014	June 30, 2014	Sept. 30, 2013
Maximum daily balance during the quarter	$28,746	$29,522	$20,994
Average daily balance	$20,620	$19,030	$12,164
Weighted-average rate during the quarter	(0.07)%	(0.05)%	(0.12)%
Ending balance	$9,687	$10,301	$9,737
Weighted-average rate at period end	(0.05)%	(0.04)%	(0.07)%

Federal funds purchased and securities sold under repurchase agreements were $9.7 billion at Sept. 30, 2014 compared with $10.3 billion at June 30, 2014 and $9.7 billion at Sept. 30, 2013. The maximum daily balance was $28.7 billion in the third quarter of 2014 compared with $29.5 billion in the second quarter of 2014 and $21.0 billion in the third quarter of 2013. The average daily balance was $20.6 billion in the third quarter of 2014, $19.0 billion in the second quarter of 2014 and $12.2 billion in the third quarter of 2013. Fluctuations 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)	Sept. 30, 2014	June 30, 2014	Sept. 30, 2013
Maximum daily balance during the quarter	$20,244	$17,746	$16,938
Average daily balance (a)	$18,041	$16,727	$15,405
Weighted-average rate during the quarter	0.10%	0.09%	0.09%
Ending balance	$20,155	$17,242	$15,293
Weighted-average rate at period end	0.13%	0.09%	0.10%

(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 $9,705 million in the third quarter of 2014, $8,916 million in the second quarter of 2014 and $8,659 million in the third quarter of 2013.

Payables to customers and broker-dealers represent funds awaiting re-investment and short sale proceeds payable on demand. Payables to customers and

broker-dealers were $20.2 billion at Sept. 30, 2014 compared with $17.2 billion at June 30, 2014 and $15.3 billion at Sept. 30, 2013. 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)	Sept. 30, 2014	June 30, 2014	Sept. 30, 2013
Maximum daily balance during the quarter	$5,003	$4,932	$4,873
Average daily balance	$3,654	$1,970	$1,186
Weighted-average rate during the quarter	0.07%	0.08%	0.05%
Ending balance	$—	$27	$1,851

Weighted-average rate at period end	— %	0.01 %	0.01 %

There was no commercial paper outstanding at Sept. 30, 2014 compared with $27 million at June 30, 2014 and $1.9 billion at Sept. 30, 2013. Average commercial paper outstanding was $3.7 billion in the third quarter of 2014, $2.0 billion in the second quarter of 2014 and $1.2 billion in the third quarter of 2013. The maximum daily balance was $5.0 billion in the third quarter of 2014 compared with $4.9 billion in the second quarter of 2014 and $4.9 billion in the third quarter of 2013. The increase in the average daily balance in the third quarter of 2014 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)	Sept. 30, 2014	June 30, 2014	Sept. 30, 2013
Maximum daily balance during the quarter	$1,744	$1,983	$3,633
Average daily balance	$933	$1,272	$1,047
Weighted-average rate during the quarter	0.47 %	0.47 %	0.35 %
Ending balance	$852	$1,458	$844
Weighted-average rate at period end	0.43 %	0.45 %	0.46 %

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. Other borrowed funds were $852 million at Sept. 30, 2014 compared with $1.5 billion at June 30, 2014 and $844 million at Sept. 30, 2013. Other borrowed funds averaged $933 million in the third quarter of 2014, $1.3 billion in the second quarter of 2014 and $1.0 billion in the third quarter of 2013. The maximum daily balance was $1.7 billion in the third quarter of 2014 compared with $2.0 billion in the second quarter of 2014 and $3.6 billion in the third quarter of 2013. Fluctuations 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, especially during periods of market stress. 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.

For additional information on our liquidity policy, see “Risk Management - Liquidity risk” in our 2013 Annual Report.

Our overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount and diversity such that changes in funding requirements at the Parent and at the various bank subsidiaries can be accommodated routinely without material adverse impact on earnings, daily operations or our financial condition.

BNY Mellon seeks to maintain an adequate liquidity cushion in both normal and stressed environments and seeks to diversify funding sources by line of business, customer and market segment.

Additionally, we seek to maintain liquidity ratios within approved limits and liquidity risk tolerance, maintain a liquid asset buffer that can be liquidated, financed and/or pledged as necessary, and control the levels and sources of wholesale funds.

Potential uses of liquidity include withdrawals of customer deposits and client drawdowns on unfunded credit or liquidity facilities. We actively monitor unfunded lending-related commitments, thereby reducing unanticipated funding requirements.

When monitoring liquidity, we evaluate multiple metrics in order to have ample liquidity for expected and unexpected events. Metrics include cashflow mismatches, asset maturities, debt spreads, peer ratios, liquid assets, unencumbered collateral, funding sources and balance sheet liquidity ratios.

Internal ratios we currently monitor as part of our standard analysis include total loans as a percentage of total deposits, deposits as a percentage of total interest-earning assets, foreign deposits as a percentage of total interest-earning assets, purchased funds as a percentage of total interest-earning assets, liquid assets as a percentage of total interest-earning assets, liquid assets as a percentage of purchased funds, and discount window collateral and central bank deposits as a percentage of total deposits. All of these internal ratios exceeded our minimum guidelines at Sept. 30, 2014. In addition, we monitor the revised Basel III LCR. We continue to evaluate the Final LCR Rule, and expect to fully satisfy the requirements as it is phased-in beginning Jan. 1, 2015 without materially impacting our business.

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. The Company performs 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.

Commencing January 2015, we will also be subject to the liquidity requirements of the Federal Reserve's heightened prudential standards for BHCs with total consolidated assets of $50 billion or more, described under “Supervision and Regulation - Enhanced Prudential Standards” in our 2013 Annual Report.

We define available funds 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 lower level of available funds at Sept. 30, 2014 compared with Dec. 31, 2013 primarily resulted from our plan to reduce interbank placement assets with an increase in high quality liquid assets in our investment securities portfolio.

Available and liquid funds	Sept. 30,	Dec. 31,	Average				
(in millions)	2014	2013	3Q14	2Q14	3Q13	YTD14	YTD13
Available funds:							
Liquid funds:							
Interest-bearing deposits with banks	$30,341	$35,300	$34,882	$41,424	$41,597	$39,283	$41,781
Federal funds sold and securities purchased under resale agreements	17,375	9,161	15,683	13,387	8,864	13,413	8,078
Total liquid funds	47,716	44,461	50,565	54,811	50,461	52,696	49,859
Cash and due from banks	6,410	6,460	6,225	5,064	6,400	5,726	5,338
Interest-bearing deposits with the Federal Reserve and other central banks	92,317	104,359	88,713	85,546	65,704	82,939	61,627
Total available funds	$146,443	$155,280	$145,503	$145,421	$122,565	$141,361	$116,824
Total available funds as a percentage of total assets	38 %	41 %	38 %	39 %	36 %	38 %	35 %

On an average basis, 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 $29.1 billion for the first nine months of 2014 and $20.2 billion for the first nine months of 2013. The increase primarily reflects higher levels of securities sold under repurchase agreements. Average foreign deposits, primarily from our European-based Investment Services business, were $108.7 billion for the first nine months of 2014 compared with $100.6 billion for the first nine months of 2013. The increase primarily reflects growth in client deposits. Domestic savings, interest-bearing demand and time deposits averaged $45.9 billion for the first nine months of 2014 compared with $44.6 billion for the first nine months of 2013. The increase primarily reflects higher time deposits.

Average payables to customers and broker-dealers were $9.2 billion for the first nine months of 2014 and $8.9 billion for the first nine months of 2013. Payables to customers and broker-dealers are driven by customer trading activity and market volatility. Long-term debt averaged $20.4 billion for the first nine months of 2014 and $19.0 billion for the first nine months of 2013. The increase in average long-term debt was driven by issuance of long-term debt in anticipation of upcoming debt maturities. Average noninterest-bearing deposits increased to $80.5

billion for the first nine months of 2014 from $71.0 billion for the first nine months of 2013, 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 Sept. 30, 2014, our bank subsidiaries could declare dividends to the Parent of approximately $2.4 billion, without the need for a regulatory waiver. In addition, at Sept. 30, 2014, non-bank subsidiaries of the Parent had liquid assets of approximately $1.4 billion.

In August 2014, BNY Mellon paid a quarterly cash dividend of $0.17 per common share. Our common stock dividend payout ratio was 25% for the first nine months of 2014. 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, both contained in our 2013 Annual Report.

The Parent’s average commercial paper borrowings were $3.7 billion in the the third quarter of 2014 and $1.2 billion in the third quarter of 2013. The Parent had cash of $9.3 billion at Sept. 30, 2014, compared with $6.8 billion at Dec. 31, 2013. In addition to issuing commercial paper for funding purposes, the Parent issues commercial paper, on an overnight basis, to certain custody clients with excess demand deposit balances. This overnight program was ended at the end of the third quarter of 2014. There was no overnight commercial paper outstanding issued by the Parent at Sept. 30, 2014 and $96 million at Dec. 31, 2013. Net of commercial paper outstanding, the Parent’s cash position at Sept. 30, 2014, increased by $2.6 billion compared with Dec. 31, 2013, primarily reflecting the issuance of senior medium-term notes and an increase in net loans from subsidiaries, partially offset by maturities of long-term debt and 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 third quarter of 2014, we repurchased 11.0 million common shares at an average price of $39.29 per common share for a total cost of $431 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 the next 18 to 24 months without the need to receive dividends from its bank subsidiaries or issue debt. As of Sept. 30, 2014, 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 Sept. 30, 2014, 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	Baa2	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	Aa2	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	Aa2	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 ratings by S&P benefit from one notch of "lift". Similarly, The Bank of New York Mellon's and BNY Mellon, N.A.'s ratings benefit from two notches of "lift" from Moody's Investor Service ("Moody's") and one notch of "lift" from S&P. In June 2013, S&P indicated that they are reconsidering the inclusion of assumed government support in its ratings on the eight U.S. bank holding companies that they view as having high systemic importance, including The Bank of New York Mellon Corporation. For further discussion on the impact of a credit rating downgrade, see Note 17 of the Notes to Consolidated Financial Statements.

Long-term debt totaled $21.6 billion at Sept. 30, 2014 and $19.9 billion at Dec. 31, 2013. Senior debt issuances of $4.7 billion were partially offset by maturities of $2.9 billion in the first nine months of 2014. We have $1.45 billion of long-term debt that will mature in the fourth quarter of 2014.

The following table presents the long-term debt issued by the Parent in the third quarter of 2014.

Debt issuances (in millions)	Quarter ended Sept. 30, 2014
Senior medium-term notes:	
3-month LIBOR + 48 bps senior medium-term notes due 2019	$350
2.3% senior medium-term notes due 2019	1,150
3.25% senior medium-term notes due 2024	500
Total debt issuances	$2,000

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 111.7% at Sept. 30, 2014 and 109.4% at Dec. 31, 2013. 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 third quarter of 2014.

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 $32 million, in aggregate, in the third quarter of 2014.

Statement of cash flows

Cash provided by operating activities was $3.3 billion in the nine months ended Sept. 30, 2014 compared with $55 million used for operating activities in the nine months ended Sept. 30, 2013. In the first nine months of 2014, cash flows from operations were

principally the result of earnings and changes in trading activities. In the first nine months of 2013, cash flows used for operations were principally the result of changes in trading activities and accruals and other balances, partially offset by earnings.

In the nine months ended Sept. 30, 2014, cash used for investing activities was $10.7 billion compared with $8.5 billion in the nine months ended Sept. 30, 2013. In the first nine months of 2014, purchases of securities, changes in federal funds sold and securities purchased under resale agreements and an increase in loans were significant uses of funds, partially offset by sales, paydowns and maturities of securities and decreases in interest-bearing deposits with banks and with the Federal Reserve and other central banks. In the first nine months of 2013, purchases of securities, changes in interest-bearing deposits with the Federal Reserve and other central banks, loans and and federal funds sold and securities purchased under resale agreements were a significant use of funds, partially offset by sales, paydowns and maturities of securities and a decrease in interest-bearing deposits with banks.

In the nine months ended Sept. 30, 2014, cash provided by financing activities was $7.4 billion compared with $11.2 billion in the nine months ended Sept. 30, 2013. In the first nine months of 2014, the net proceeds from the issuance of long-term debt and increases in payables to customers and broker-dealers and deposits were significant sources of funds, partially offset by the repayment of long-term debt and treasury stock repurchases. In the first nine months of 2013, an increase in deposits, the net proceeds from the issuance of long-term debt, changes in federal funds purchased and securities sold under repurchase agreements and commercial paper were significant sources of funds, partially offset by repayment of long-term debt, a decrease in payables to customers and broker-dealers and treasury stock repurchases.

Capital

Capital data (dollar amounts in millions except per share amounts; common shares in thousands)	Sept. 30, 2014		June 30, 2014		Dec. 31, 2013	
Average common equity to average assets	9.7	%	9.9	%	10.0	%
At period end:						
BNY Mellon shareholders' equity to total assets ratio (a)	10.0	%	9.6	%	10.0	%
BNY Mellon common shareholders' equity to total assets ratio (a)	9.5	%	9.2	%	9.6	%
BNY Mellon tangible common shareholders' equity to tangible assets of operations ratio – Non-GAAP (a)	6.5	%	6.4	%	6.8	%
Total BNY Mellon shareholders' equity – GAAP	$38,451		$38,326		$37,497	
Total BNY Mellon common shareholders' equity – GAAP	$36,889		$36,764		$35,935	
BNY Mellon tangible common shareholders' equity – Non-GAAP (a)	$17,229		$16,839		$15,934	
Book value per common share – GAAP (a)	$32.77		$32.49		$31.46	
Tangible book value per common share – Non-GAAP (a)	$15.30		$14.88		$13.95	
Closing stock price per common share	$38.73		$37.48		$34.94	
Market capitalization	$43,599		$42,412		$39,910	
Common shares outstanding	1,125,710		1,131,596		1,142,250	
Cash dividends per common share	$0.17		$0.17		$0.15	
Common dividend payout ratio	18	%	35	%	34	%
Common dividend yield (annualized)	1.7	%	1.8	%	1.7	%

(a) See "Supplemental information - Explanation of GAAP and Non-GAAP financial measures" beginning on page 56 for a reconciliation of GAAP to non-GAAP.

Total The Bank of New York Mellon Corporation shareholders' equity at Sept. 30, 2014 increased to $38.5 billion from $37.5 billion at Dec. 31, 2013. The increase primarily reflects earnings retention, approximately $520 million resulting from stock awards, the exercise of stock options and stock issued for employee benefit plans, and an increase in the value of our investment securities portfolio, partially offset by share repurchases and a decrease in foreign currency translation adjustments.

The unrealized net of tax gain on our investment securities portfolio recorded in accumulated other comprehensive income was $654 million at Sept. 30, 2014, compared with $357 million at Dec. 31, 2013. The increase in the valuation of the investment securities portfolio was driven by the reduction in market interest rates.

In the first nine months of 2014, we repurchased 35.2 million common shares at an average price of $35.17 per common share for a total cost of $1.2 billion.

From Oct. 1, 2014 through Nov. 6, 2014, we repurchased 4.0 million common shares at an average price of $38.17 per common share for a total cost of $153 million.

On Oct. 17, 2014, The Bank of New York Mellon Corporation declared a quarterly common stock dividend of $0.17 per common share. This cash dividend was paid on Nov. 7, 2014 to shareholders of record as of the close of business on Oct. 28, 2014.

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 Sept. 30, 2014 and Dec. 31, 2013, BNY Mellon and our bank subsidiaries were considered “well capitalized” on the basis of the Tier 1 and Total capital to risk-weighted assets ratios and the leverage capital ratio (Tier 1 capital to quarterly average assets as defined for regulatory purposes).

Our consolidated and largest bank subsidiary, The Bank of New York Mellon, regulatory capital ratios are shown below.

Consolidated and largest bank subsidiary capital ratios	Well capitalized		Adequately capitalized		Sept. 30, 2014			June 30, 2014		Dec. 31, 2013		
Consolidated regulatory capital ratios: (a)(b)												
CET1 ratio	N/A		4%		11.4	%	(c)	11.2	%	14.5	%	(c)
Tier 1 capital ratio	6	%(d)	5.5%		12.3	%	(c)	12.2	%	16.2	%	
Total (Tier 1 plus Tier 2) capital ratio	10	%(d)	8%		12.7	%	(c)	12.6	%	17.0	%	
Leverage capital ratio	N/A		4%		5.8	%		5.9	%	5.4	%	
Selected regulatory capital ratios – fully phased-in – Non-GAAP: (c)												
Estimated CET1 ratio												
Standardized Approach	(e)		(e)		10.8	%		9.9	%	10.6	%	
Advanced Approach	(e)		(e)		10.2	%		10.0	%	11.3	%	
Estimated SLR (f)	N/A		3	%(g)	4.6	%		4.7	%	N/A		
The Bank of New York Mellon regulatory capital ratios: (b)												
Tier 1 capital ratio	6	%	4%		13.3	%		12.6	%	14.6	%	
Total (Tier 1 plus Tier 2) capital ratio	10	%	8%		13.5	%		12.8	%	15.1	%	
Leverage capital ratio	5	%	3-4%	(h)	5.4	%		5.4	%	5.3	%	

(a) Beginning with June 30, 2014, risk-based capital ratios include the net impact of including the total consolidated assets of certain consolidated investment management funds in risk-weighted assets. These assets were not included in prior periods. The leverage capital ratio was not affected.

(b) The June 30, 2014 risk-based capital ratios reflect adjustments due to refinements in the data used in determining risk-weighted assets. These adjustments resulted in reductions of approximately 20 basis points to the consolidated CET1, Tier 1 capital and Total capital ratios, approximately 40 basis points to the consolidated estimated CET1 fully phased-in (Non-GAAP) ratio calculated under the Standardized Approach and approximately 30 basis points to The Bank of New York Mellon Tier 1 capital and Total capital ratios.

(c) See "Supplemental Information - Explanation of GAAP and Non-GAAP financial measures" beginning on page 56 for a reconciliation of these ratios.

(d) As established under Basel I rules. The Final Capital Rule does not establish the standards for determining whether a bank holding company is well-capitalized.

(e) On a fully phased-in basis, we expect to satisfy a minimum CET1 ratio of at least 7%, expected to rise to 8%, assuming an additional G-SIB buffer of 1%.

(f) The estimated fully phased-in SLR as of Sept. 30, 2014 is based on our interpretation of the Final Capital Rules, as supplemented by the Federal Reserve's final rules on the SLR. The estimated fully phased-in SLR as of June 30, 2014 is based on our interpretation of the Final Capital Rules, as supplemented by the Notice of Proposed Rulemaking released in April 2014 concerning the SLR, except that off-balance sheet exposures included in total leverage exposure reflect the end of period measures, rather than a daily average.

(g) On a fully phased-in basis, we expect to satisfy a minimum SLR of over 5%, 3% attributable to an adequately capitalized SLR, and greater than 2% attributable to a buffer applicable to U.S. G-SIBs.

(h) The required leverage capital ratio for state member banks to be adequately capitalized is 3% or 4%, depending on factors specified in regulations.

N/A – Not available and/or not applicable.

Our estimated Basel III CET1 ratio (Non-GAAP) calculated under the Advanced Approach on a fully phased-in basis, was 10.2% at Sept. 30, 2014 and 10.0% at June 30, 2014. Our estimated Basel III CET1 ratio (Non-GAAP) calculated under the Standardized Approach on a fully phased-in basis, was 10.8% at Sept. 30, 2014, compared with 9.9% at June 30, 2014. The estimated Basel III CET1 ratio (Non-GAAP) calculated under the Advanced Approach was impacted by an increase in estimated Basel III CET1 capital offset by an increase in estimated risk-weighted assets ("RWA") primarily related to increased operational risk RWA driven by the external loss data used in our model.

Our estimated Basel III CET1 ratios on a fully phased-in basis are based on our current interpretation, expectations and understanding of the Final Capital Rules released by the Federal Reserve on July 2, 2013, which are being gradually phased-in over a multi-year period. The estimated fully phased-in Basel III CET1 ratios assume all relevant regulatory model approvals. The Final Capital Rules require approval by banking regulators of certain models used as part of risk-weighted asset calculations. If these models are not approved, the estimated fully phased-in capital ratios would likely be adversely impacted. Risk-weighted assets at Sept. 30, 2014 and June 30, 2014 under the transitional

Advanced Approach do not reflect the use of a simple value-at-risk 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 value-at-risk methodology for Sept. 30, 2014 regulatory capital ratios calculated under the transitional Advanced Approach would have been an increase of approximately 25 to 30 basis points to the CET1, Tier 1 and Total capital ratios. The leverage capital ratio was not affected.

Reporting of the Basel III Advanced Approach became effective June 30, 2014. At Sept. 30, 2014 and June 30, 2014, the CET1, Tier 1 and Total risk-based regulatory capital ratios are based on Basel III components of capital, as phased-in, and asset risk-weightings using the Advanced Approach framework under the Final Capital Rules. The transitional Standardized risk-based capital ratios (which represent the Collins Floor comparison) of the CET1, Tier 1 and Total risk-based regulatory capital ratios were 15.1%, 16.3% and 17.0%, respectively, at Sept. 30, 2014 and 14.3%, 15.5% and 16.2%, respectively, at June 30, 2014, and are calculated based on Basel III components of capital, as phased-in, and asset risk-weightings using the general risk-based guidelines included in the Final Capital Rules (which

for 2014 look to Basel I-based requirements). The leverage capital ratios for Sept. 30, 2014 and June 30, 2014 are based on Basel III components of capital and quarterly average total assets, as phased-in. The risk-based and leverage capital ratios for Dec. 31, 2013 are based on Basel I rules (including Basel I Tier 1 common in the case of the CET1 ratio).

The estimated fully phased-in SLR of 4.6% (Non-GAAP) at Sept. 30, 2014 was based on our interpretation of the Final Capital Rules, as supplemented by the Federal Reserve’s final rules on the SLR.

For information regarding various factors that could impact our capital ratios, see “Supplemental Information - Explanation of GAAP and Non-GAAP financial measures.” For additional information on the Final Capital Rules, see “Recent accounting and regulatory developments - Regulatory developments” in our 2013 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 and could in the future impact the amount of capital that we are required to hold.

The table below presents the factors that impacted net Basel III CET1.

Estimated Basel III CET1 generation presented on a fully phased-in basis – Non-GAAP	Quarter ended		
(in millions)	Sept. 30, 2014	June 30, 2014	Dec. 31, 2013
Estimated fully phased-in Basel III CET1 – Non-GAAP – Beginning of period	$16,277	$15,951	$14,643
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	1,070	554	513
Goodwill and intangible assets, net of related deferred tax liabilities	265	(10)	35
Gross Basel III CET1 generated	1,335	544	548
Capital deployed:			
Dividends	(196)	(197)	(176)
Common stock repurchased	(431)	(431)	(321)
Total capital deployed	(627)	(628)	(497)
Other comprehensive income (loss):			
Foreign currency translation	(512)	76	93
Unrealized gain (loss) on assets available-for-sale	(9)	196	(100)
Pension liabilities	19	17	449
Unrealized gain (loss) on cash flow hedges	(12)	(2)	5
Total other comprehensive income (loss)	(514)	287	447
Additional paid-in capital (a)	196	127	99
Other additions (deductions):			
Net pension fund assets	—	(2)	(434)
Deferred tax assets	—	1	(23)
Cash flow hedges	12	2	(5)
Embedded goodwill	46	(4)	41
Investment in unconsolidated subsidiaries	—	—	(7)
Other	(5)	(1)	(2)
Total other additions (deductions)	53	(4)	(430)
Net Basel III CET1 generated	443	326	167
Estimated fully phased-in Basel III CET1 – Non-GAAP – End of period	$16,720	$16,277	$14,810

(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 Basel III CET1, Tier 1 and Tier 2 capital, the Basel III risk-weighted assets determined under the Standardized and Advanced Approaches, the average assets used for leverage capital purposes and the leverage exposure for estimated SLR purposes at Sept. 30, 2014 and June 30, 2014.

Components of transitional Basel III capital (a) (in millions)	Sept. 30, 2014	June 30, 2014
CET1:		
Common shareholders’ equity	$36,986	$36,869
Goodwill and intangible assets	(17,272)	(17,472)
Net pension fund assets	(21)	(21)
Equity method investments	(291)	(331)
Deferred tax assets	(3)	(3)
Other	1	(7)
Total CET1	19,400	19,035
Other Tier 1 capital:		
Preferred stock	1,562	1,562
Trust preferred securities	162	171
Disallowed deferred tax assets	(14)	(14)
Net pension fund assets	(85)	(85)
Other	(10)	—
Total Tier 1 capital	21,015	20,669
Tier 2 capital:		
Trust preferred securities	162	171
Subordinated debt	397	398
Allowance for credit losses	288	311
Other	(6)	—
Total Tier 2 capital - Standardized Approach	841	880
Excess of expected credit losses	12	45
Less: Allowance for credit losses	288	311
Total Tier 2 capital - Advanced Approach	$565	$614
Total capital:		
Standardized Approach	$21,856	$21,549
Advanced Approach	$21,580	$21,283
Risk-weighted assets: (b)		
Standardized Approach	$128,756	$133,049
Advanced Approach:		
Credit Risk	$119,266	$123,669
Market Risk	3,488	5,437
Operational Risk	47,498	40,200
Total Advanced Approach	$170,252	$169,306
Average assets for leverage capital purposes	$362,793	$351,605
Total leverage exposure for estimated SLR purposes - Non-GAAP (c)	$393,861	$382,505

(a) On a regulatory basis as determined under the Final Capital Rules.

(b) An adjustment was made to the June 30, 2014 transitional Advanced approach risk-weighted assets due to refinements in the data used in the calculation.

(c)

See "Supplemental information – Explanation of GAAP and Non-GAAP financial measures" beginning on page 56 for additional information.

The following table presents the components of our Basel I Tier 1 and Total risk-based capital, the Basel I risk-weighted assets as well as average assets used for leverage capital purposes at Dec. 31, 2013.

Components of Basel I Tier 1 and total risk-based capital (a) (in millions)	Dec. 31, 2013
Tier 1 capital:	
Common shareholders' equity	$35,959
Preferred stock	1,562
Trust preferred securities	330
Adjustments for:	
Goodwill and intangible assets (b)	(20,001)
Pensions/cash flow hedges	891
Securities valuation allowance	(387)
Merchant banking investments	(19)
Total Tier 1 capital	18,335
Tier 2 capital:	
Qualifying unrealized gains on equity securities	1
Qualifying subordinated debt	550
Qualifying allowance for credit losses	344
Total Tier 2 capital	895
Total risk-based capital	$19,230
Total risk-weighted assets	$113,322
Average assets for leverage capital purposes	$336,787

(a) On a regulatory basis as determined under Basel I rules.

(b) Reduced by deferred tax liabilities associated with non-tax deductible identifiable intangible assets of $1,222 million and deferred tax liabilities associated with tax deductible goodwill of $1,302 million at Dec. 31, 2013.

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 Sept. 30, 2014.

Capital above thresholds at Sept. 30, 2014 (in millions)	Consolidated	The Bank of New York Mellon
CET1	$12,590	N/A
Tier 1 capital	10,800	$8,685
Total capital	4,555	4,384
Leverage capital	6,503	1,258

N/A - Not applicable.

The following table shows the impact of a $1 billion increase or decrease in risk-weighted assets/quarterly average assets or a $100 million increase or decrease in common equity on the consolidated capital ratios at Sept. 30, 2014.

Potential impact to capital ratios at Sept. 30, 2014

	Increase or decrease of			
(basis points)	$100 million in common equity		$1 billion in risk-weighted assets/quarterly average assets	
CET1:				
Standardized Approach	8	bps	12	bps
Advanced Approach	6		7	
Tier 1 capital:				
Standardized Approach	8		13	
Advanced Approach	6		7	
Total capital:				
Standardized Approach	8		13	
Advanced Approach	6		7	
Leverage capital	3		2	
Estimated CET1 ratio, fully phased-in – Non-GAAP:				
Standardized Approach	6		7	
Advanced Approach	6		6	

Our tangible BNY Mellon common shareholders' equity to tangible assets of operations ratio was 6.5% at Sept. 30, 2014 and 6.8% at Dec. 31, 2013. The decrease primarily reflects a lower level of cash on deposit with the Federal Reserve and other central banks.

At Sept. 30, 2014, we had $324 million of trust preferred securities outstanding, of which 50% currently qualify as Tier 1 capital and 50% as Tier 2 capital. Under the Final Capital Rules, these trust preferred securities may continue to be included in Tier 1 capital up to the following percentages: calendar year 2014 - 50%; 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 Final 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.

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 2013 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."

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.

Trading activities and risk management

Our trading activities are focused on acting as a market maker for our customers and facilitating customer trades. Positions managed for our own account are immaterial to our foreign exchange and other trading revenue and to our overall results of operations. The risk from market-making activities for customers is managed by our traders and limited in total exposure through a system of position limits, a value-at-risk ("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)	3rd Quarter 2014			Sept. 30, 2014
(in millions)	Average	Minimum	Maximum	
Interest rate	$5.7	$4.1	$6.8	$5.4
Foreign exchange	0.9	0.4	1.5	0.7
Equity	1.4	0.8	2.3	1.0
Diversification	(2.0)	N/M	N/M	(1.4)
Overall portfolio	6.0	4.5	7.3	5.7

VaR (a)	2nd Quarter 2014			June 30, 2014
(in millions)	Average	Minimum	Maximum	
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)	3rd Quarter 2013			Sept. 30, 2013
(in millions)	Average	Minimum	Maximum	
Interest rate	$9.6	$6.8	$12.6	$9.9
Foreign exchange	1.1	0.6	1.9	1.9
Equity	2.4	1.4	3.4	3.4
Diversification	(2.8)	N/M	N/M	(3.9)
Overall portfolio	10.3	7.0	12.9	11.3

VaR (a)	Year-to-date 2014		
(in millions)	Average	Minimum	Maximum
Interest rate	$7.3	$4.1	$13.4
Foreign exchange	1.0	0.4	2.7
Equity	1.8	0.8	4.0
Diversification	(2.5)	N/M	N/M
Overall portfolio	7.6	4.5	13.0

VaR (a)	Year-to-date 2013		
(in millions)	Average	Minimum	Maximum
Interest rate	$10.7	$6.8	$14.8
Foreign exchange	1.1	0.5	2.3
Equity	2.5	1.1	4.4
Diversification	(2.9)	N/M	N/M
Overall portfolio	11.4	7.0	14.8

(a) VaR figures do not reflect the impact of 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 is comprised 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), over-the-counter ("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 third quarter of 2014, interest rate risk generated 71% of average VaR, equity risk generated 17% of average VaR and foreign exchange risk accounted for 12% of average VaR. During the third quarter of 2014, 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 and sequential increases in the number of days when the daily trading revenue exceeded $5 million were primarily driven by higher foreign exchange trading volumes. The remaining year-over-year fluctuations were primarily driven by changes in foreign exchange volatility, while the sequential fluctuations were primarily driven by higher foreign exchange volume and changes in equity derivative revenue.

Distribution of trading revenue (loss) (a)

(dollar amounts in millions)	Quarter ended Sept. 30, 2013	Dec. 31, 2013	March 31, 2014	June 30, 2014	Sept. 30, 2014
Revenue range:	Number of days				
Less than $(2.5)	—	—	—	—	—
$(2.5) - $0	3	6	9	6	3
$0 - $2.5	30	30	25	31	34
$2.5 - $5.0	27	24	24	26	20
More than $5.0	4	2	3	1	7

(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 $12 billion at both Sept. 30, 2014 and Dec. 31, 2013.

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 $8 billion at Sept. 30, 2014 compared with $7 billion at Dec. 31, 2013.

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.

As required by ASC 820, Fair Value Measurements and Disclosures, 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 Sept. 30, 2014, our OTC derivative assets of $5.9 billion included a CVA deduction of $34 million. Our OTC derivative liabilities of $6.4 billion included a debit valuation adjustment (“DVA”) of $5 million related to our own credit spread. Net of hedges, the CVA decreased $9 million and the DVA was unchanged in the third quarter of 2014. The net

impact of these adjustments increased foreign exchange and other trading revenue by $9 million in the third quarter of 2014.

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.

In the third quarter of 2013, 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 third quarter of 2013.

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. The sequential change in the AAA to AA- and A+ to A- ratings categories reflects an increase in A+ to A- exposures due to stronger U.S. dollar.

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

	Quarter ended				
	Sept. 30, 2013	Dec. 31, 2013	March 31, 2014	June 30, 2014	Sept. 30, 2014
Rating:					
AAA to AA-	35 %	32 %	41 %	44 %	37 %
A+ to A-	43	47	38	35	45
BBB+ to BBB-	16	16	16	16	14
Non-investment grade (BB+ and lower)	6	5	5	5	4
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)	Sept. 30, 2013	Dec. 31, 2013	March 31, 2014	June 30, 2014	Sept. 30, 2014
up 200 bps parallel rate ramp vs. baseline (a)	$617	$677	$447	$426	$457
up 100 bps parallel rate ramp vs. baseline (a)	387	466	376	364	365
Long-term up 50 bps, short-term unchanged (b)	174	44	50	47	37
Long-term down 50 bps, short-term unchanged (b)	(144)	(47)	(46)	(40)	(44)

(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.

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, a rise in interest rates could lead to higher depositor withdrawals than historically experienced.

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 upon fully phased-in Basel III CET1, SLR, Basel I CET1 and tangible common shareholders’ equity. BNY Mellon believes that the Basel III CET1 ratio on a fully phased-in basis, the SLR on a fully phased-in basis, the ratio of Basel I CET1 to risk-weighted assets 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, utilized 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 BNY Mellon’s performance in reference to 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 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, a gain on the sale of our investment in Wing Hang, a gain on the sale of the One Wall Street building, and a loss related to an equity investment; and expense measures which exclude M&I expenses, litigation charges, restructuring charges, amortization of intangible assets and the charge (recovery) 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. Earnings per share and return on equity measures also exclude the (benefit) net charge related to the disallowance of certain foreign tax credits. 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 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 streamlining actions, 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.

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.

Results for the three and nine months ended Sept. 30, 2013 were restated to reflect the retrospective

application of adopting new accounting guidance in the first quarter of 2014 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 2 of the Notes to Consolidated Financial Statements for additional information.

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	3Q14		2Q14			3Q13	
(in millions, except per common share amounts)	Net income	Diluted EPS	Net income	Diluted EPS		Net income	Diluted EPS
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	$1,070	$0.93	$554	$0.48		$962	$0.82
Less: Gain on the sale of our investment in Wing Hang	315	0.27	—	—		—	—
Gain on the sale of the One Wall Street building	204	0.18	—	—		—	—
Add: Litigation and restructuring charges	183	0.16	76	0.06		12	0.01
Charge related to investment management funds, net of incentives	—	—	85	0.07		—	—
Benefit related to the disallowance of certain foreign tax credits	—	—	—	—		(261)	(0.22)
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – Non-GAAP	$734	$0.64	$715	$0.62	(a)	$713	$0.61

(a) Does not foot due to rounding.

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

Reconciliation of income before income taxes – pre-tax operating margin	3Q14	2Q14	3Q13	YTD14	YTD13
(dollars in millions)					
Income before income taxes – GAAP	$1,662	$811	$1,002	$3,399	$3,049
Less: Net income attributable to noncontrolling interests of consolidated investment management funds	23	17	8	60	63
Gain on the sale of our investment in Wing Hang	490	—	—	490	—
Gain on the sale of the One Wall Street building	346	—	—	346	—
Add: Amortization of intangible assets	75	75	81	225	260
M&I, litigation and restructuring charges	220	122	16	330	68
Charge (recovery) related to investment management funds, net of incentives	—	109	—	104	12
Income before income taxes, as adjusted – Non-GAAP (b)	$1,098	$1,100	$1,091	$3,162	$3,326
Fee and other revenue – GAAP	$3,851	$2,980	$2,979	$9,714	$9,042
Income from consolidated investment management funds – GAAP	39	46	32	121	147
Net interest revenue – GAAP	721	719	772	2,168	2,248
Total revenue – GAAP	4,611	3,745	3,783	12,003	11,437

Less: Net income attributable to noncontrolling interests of consolidated investment management funds	23	17	8	60	63
Gain on the sale of our investment in Wing Hang	490	—	—	490	—
Gain on the sale of the One Wall Street building	346	—	—	346	—
Total revenue, as adjusted – Non-GAAP (b)	$3,752	$3,728	$3,775	$11,107	$11,374
Pre-tax operating margin (a)	36%	22%	26%	28%	27%
Pre-tax operating margin – Non-GAAP (a)(b)	29%	30%	29%	28%	29%

(a) Income before taxes divided by total revenue.

(b) Non-GAAP excludes M&I, litigation and restructuring charges, the gain on the sale of our investment in Wing Hang, the gain on the sale of the One Wall Street building, a charge (recovery) related to investment management funds, net of incentives and net income attributable to noncontrolling interests of consolidated investment management funds, if applicable.

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)	3Q14	2Q14	3Q13	YTD14	YTD13
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	$1,070	$554	$962	$2,285	$1,527
Add: Amortization of intangible assets, net of tax	49	49	52	147	167
Net income applicable to common shareholders of The Bank of New York Mellon Corporation excluding amortization of intangible assets – Non-GAAP	1,119	603	1,014	2,432	1,694
Less: Gain on the sale of our investment in Wing Hang	315	—	—	315	—
Gain on the sale of the One Wall Street building	204	—	—	204	—
Add: M&I, litigation and restructuring charges	183	76	12	252	44
Charge (recovery) related to investment management funds, net of incentives	—	85	—	81	9
(Benefit) net charge related to the disallowance of certain foreign tax credits	—	—	(261)	—	593
Net income applicable to common shareholders of The Bank of New York Mellon Corporation, as adjusted – Non-GAAP (b)	$783	$764	$765	$2,246	$2,340
Average common shareholders' equity	$36,751	$36,565	$34,264	$36,537	$34,541
Less: Average goodwill	18,109	18,149	17,975	18,110	17,975
Average intangible assets	4,274	4,354	4,569	4,350	4,662
Add: Deferred tax liability – tax deductible goodwill (a)	1,317	1,338	1,262	1,317	1,262
Deferred tax liability – intangible assets (a)	1,230	1,247	1,242	1,230	1,242
Average tangible common shareholders' equity – Non-GAAP	$16,915	$16,647	$14,224	$16,624	$14,408
Return on common equity – GAAP (b)(c)	11.6 %	6.1 %	11.1 %	8.4 %	5.9 %
Return on common equity – Non-GAAP (b)(c)	8.5 %	8.4 %	8.9 %	8.2 %	9.1 %
Return on tangible common equity – Non-GAAP (b)(c)	26.2 %	14.5 %	28.3 %	19.6 %	15.7 %
Return on tangible common equity – Non-GAAP adjusted (b)(c)	18.4 %	18.4 %	21.3 %	18.1 %	21.7 %

(a) Deferred tax liabilities are based on fully phased-in Basel III rules. The quarters of 2014 include deferred tax liabilities on tax deductible intangible assets permitted under Basel III rules.

(b) Non-GAAP excludes M&I, litigation and restructuring charges, the gain on the sale of our investment in Wing Hang, the gain on the sale of the One Wall Street building, a charge (recovery) related to investment management funds, net of incentives and the (benefit) net charge related to the disallowance of certain foreign tax credits, if applicable.

(c) Annualized.

The following table presents the calculation of the effective tax rate.

Effective tax rate (dollars in millions)	3Q13
Provision for income taxes – GAAP	$19
Add: Benefit related to the disallowance of certain foreign tax credits	261

Provision for income taxes – Non-GAAP	$280	
Income before taxes – GAAP	$1,002	
Effective tax rate – GAAP	1.9	%
Effective tax rate – Operating basis – Non-GAAP	27.9	%

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)	Sept. 30, 2014	June 30, 2014	Dec. 31, 2013	Sept. 30, 2013
BNY Mellon shareholders' equity at period end – GAAP	$38,451	$38,326	$37,497	$36,935
Less: Preferred stock	1,562	1,562	1,562	1,562
BNY Mellon common shareholders' equity at period end – GAAP	36,889	36,764	35,935	35,373
Less: Goodwill	17,992	18,196	18,073	18,025
Intangible assets	4,215	4,314	4,452	4,527
Add: Deferred tax liability – tax deductible goodwill (a)	1,317	1,338	1,302	1,262
Deferred tax liability – intangible assets (a)	1,230	1,247	1,222	1,242
BNY Mellon tangible common shareholders' equity at period end – Non-GAAP	$17,229	$16,839	$15,934	$15,325
Total assets at period end – GAAP	$386,296	$400,740	$374,516	$372,124
Less: Assets of consolidated investment management funds	9,562	10,428	11,272	11,691
Subtotal assets of operations – Non-GAAP	376,734	390,312	363,244	360,433
Less: Goodwill	17,992	18,196	18,073	18,025
Intangible assets	4,215	4,314	4,452	4,527
Cash on deposit with the Federal Reserve and other central banks (b)	90,978	104,916	105,384	96,316
Tangible total assets of operations at period end – Non-GAAP	$263,549	$262,886	$235,335	$241,565
BNY Mellon shareholders' equity to total assets – GAAP	10.0 %	9.6 %	10.0 %	9.9 %
BNY Mellon common shareholders' equity to total assets – GAAP	9.5 %	9.2 %	9.6 %	9.5 %
BNY Mellon tangible common shareholders' equity to tangible assets of operations – Non-GAAP	6.5 %	6.4 %	6.8 %	6.3 %
Period-end common shares outstanding (in thousands)	1,125,710	1,131,596	1,142,250	1,148,522
Book value per common share – GAAP	$32.77	$32.49	$31.46	$30.80
Tangible book value per common share – Non-GAAP	$15.30	$14.88	$13.95	$13.34

(a) Deferred tax liabilities are based on fully phased-in Basel III rules. The quarters of 2014 include deferred tax liabilities on tax deductible intangible assets permitted under 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)	3Q14	2Q14	3Q13	YTD14	YTD13
Income from consolidated investment management funds	$39	$46	$32	$121	$147
Less: Net income attributable to noncontrolling interests of consolidated investment management funds	23	17	8	60	63
Income from consolidated investment management funds, net of noncontrolling interests	$16	$29	$24	$61	$84

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 (in millions)	3Q14	2Q14	3Q13	YTD14	YTD13
Investment management fees	$15	$18	$20	$51	$60
Other (Investment income)	1	11	4	10	24
Income from consolidated investment management funds, net of noncontrolling interests	$16	$29	$24	$61	$84

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)	3Q13	4Q13	1Q14	2Q14	3Q14	2014	2013
Income before income taxes – GAAP	$225	$266	$246	$171	$245	$662	$702
Add: Amortization of intangible assets	35	35	31	31	31	93	113
Money market fee waivers	30	33	35	28	29	92	75
Charge (recovery) related to investment management funds, net of incentives	—	—	(5)	109	—	104	12
Income before income taxes excluding amortization of intangible assets, money market fee waivers and the charge (recovery) related to investment management funds, net of incentives – Non-GAAP	$290	$334	$307	$339	$305	$951	$902
Total revenue – GAAP	$949	$1,061	$970	$1,036	$1,003	$3,009	$2,867
Less: Distribution and servicing expense	107	108	106	111	105	322	321
Money market fee waivers benefiting distribution and servicing expense	38	38	38	37	38	113	109
Add: Money market fee waivers impacting total revenue	68	71	73	65	67	205	184
Total revenue net of distribution and servicing expense and excluding money market fee waivers – Non-GAAP	$872	$986	$899	$953	$927	$2,779	$2,621
Pre-tax operating margin (a)	24 %	25 %	25 %	16 %	24 %	22 %	24 %
Pre-tax operating margin, excluding amortization of intangible assets, money market fee waivers, the charge (recovery) related to investment management funds, net of incentives and net of distribution and servicing expense – Non-GAAP (a)	33 %	34 %	34 %	36 %	33 %	34 %	34 %

(a) Income before taxes divided by total revenue.

Capital Ratios

BNY Mellon has presented its estimated fully phased-in Basel III CET1 ratios and SLR based on its interpretation of the Final 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. Management views the estimated fully phased-in Basel III CET1 ratio 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 ratios and SLR are intended to allow investors to compare these ratios with estimates presented by other companies. The estimated fully phased-in Basel III CET1 ratios assume all relevant regulatory approvals. The Final Capital Rules require approval by banking regulators of certain models used as part of risk-weighted asset calculations. If these models are not approved, the estimated fully phased-in Basel III CET1 ratios would likely be adversely impacted.

Risk-weighted assets at Sept. 30, 2014 and June 30, 2014 under the transitional Advanced Approach do not reflect the use of a simple value-at-risk

methodology for repo-style transactions (including agented indemnified securities lending transactions), eligible margin loans, and similar transactions. BNY Mellon has requested written approval to use this methodology.

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 risk-weighted asset calculations, other refinements, further implementation guidance from regulators, market practices and standards and any changes BNY Mellon may make to its businesses. Consequently, our capital ratios remain subject to ongoing review and revision and may change based on these factors.

The following are the primary differences between risk-weighted assets determined under fully phased-in Basel III-Standardized Approach and Basel I. Credit risk is determined under Basel I using predetermined risk-weights and asset classes and relies in part on the use of external credit ratings. Under fully phased-in Basel III, the Standardized Approach uses a broader range of predetermined risk-weights and asset classes and certain alternatives to external credit ratings. Securitization exposure receives a higher risk-weighting under fully phased-in Basel III than Basel I, and fully phased-in Basel III includes additional adjustments for market risk, counterparty credit risk and equity exposures. Additionally, the Standardized Approach eliminates the use of the VaR approach, whereas the Advanced Approach permits the VaR approach but requires certain model qualifications

and approvals, for determining risk-weighted assets on certain repo-style transactions. In 2014, Standardized Approach and Advanced Approach risk-weighted assets include transition adjustments for intangible assets, other than goodwill, and equity exposure.

The table presented below compares the fully phased-in Basel III capital components and ratios to those amounts determined under the currently effective rules using the transitional phase-in requirements.

Basel III capital components and ratios at Sept. 30, 2014 (dollars in millions)	Fully phased-in Basel III	Adjustments (a)		Transitional Approach
CET1:				
Common shareholders’ equity	$36,889	$97	(b)	$36,986
Goodwill and intangible assets	(19,660)	2,388	(c)	(17,272)
Net pension fund assets	(106)	85	(d)	(21)
Equity method investments	(383)	92	(c)	(291)
Deferred tax assets	(17)	14	(d)	(3)
Other	(3)	4	(e)	1
Total CET1	16,720	2,680		19,400
Other Tier 1 capital:				
Preferred stock	1,562	—		1,562
Trust preferred securities	—	162	(f)	162
Disallowed deferred tax assets	—	(14)	(d)	(14)
Net pension fund assets	—	(85)	(d)	(85)
Other	(6)	(4)		(10)
Total Tier 1 capital	18,276	2,739		21,015
Tier 2 capital:				
Trust preferred securities	—	162	(f)	162
Subordinated debt	397	—		397
Allowance for credit losses	288	—		288
Other	(6)	—		(6)
Total Tier 2 capital - Standardized Approach	679	162		841
Excess of expected credit losses	26	(14)		12
Less: Allowance for credit losses	288	—		288
Total Tier 2 capital - Advanced Approach	$417	$148		$565
Total capital:				
Standardized Approach	$18,955	$2,901		$21,856
Advanced Approach	$18,693	$2,887		$21,580
Risk-weighted assets:				
Standardized Approach	$154,272	$(25,516)		$128,756
Advanced Approach	$164,088	$6,164		$170,252

Standardized Approach:				
Estimated Basel III CET1 ratio	10.8	%	15.1	%
Tier 1 capital ratio	11.8		16.3	
Total (Tier 1 plus Tier 2) capital ratio	12.3		17.0	
Advanced Approach:				
Estimated Basel III CET1 ratio	10.2	%	11.4	%
Tier 1 capital ratio	11.1		12.3	
Total (Tier 1 plus Tier 2) capital ratio	11.4		12.7	

(a) Reflects transition adjustments to CET1, Tier 1 capital and Tier 2 capital required in 2014 under the Final Capital Rules.

(b) Represents the portion of accumulated other comprehensive (income) loss excluded from common equity.

(c) Represents intangible assets, other than goodwill, net of the corresponding deferred tax liabilities.

(d) Represents the deduction for net pension fund assets and disallowed deferred tax assets in CET1 and Tier 1 capital.

(e) Represents the transitional adjustments related to cash flow hedges.

(f) During 2014, 50% of outstanding trust preferred securities are included in Tier 1 capital and 50% in Tier 2 capital.

The following table presents the reconciliation of our estimated fully phased-in Basel III CET1 ratio under the Standardized Approach and Advanced Approach.

Estimated fully phased-in Basel III CET1 ratio – Non-GAAP	Sept. 30,	June 30,	Dec. 31,	Sept. 30,
(dollars in millions)	2014	2014	2013	2013
Total Tier 1 capital	$21,015	$20,669	$18,335	$18,074
Adjustments to determine estimated fully phased-in Basel III CET1:				
Deferred tax liability – tax deductible intangible assets	—	—	70	82
Intangible deduction	(2,388)	(2,453)	—	—
Preferred stock	(1,562)	(1,562)	(1,562)	(1,562)
Trust preferred securities	(162)	(171)	(330)	(324)
Other comprehensive income (loss) and net pension fund assets:				
Securities available-for-sale	578	586	387	487
Pension liabilities	(675)	(691)	(900)	(1,348)
Net pension fund assets	—	—	(713)	(279)
Total other comprehensive income (loss) and net pension fund assets	(97)	(105)	(1,226)	(1,140)
Equity method investments	(92)	(99)	(445)	(479)
Deferred tax assets	—	—	(49)	(26)
Other	6	(2)	17	18
Total estimated fully phased-in Basel III CET1 – Non-GAAP	$16,720	$16,277	$14,810	$14,643
Under the Standardized Approach: (a)				
Estimated fully phased-in Basel III risk-weighted assets – Non-GAAP	$154,272	$164,759	$139,865	$145,589
Estimated fully phased-in Basel III CET1 ratio – Non-GAAP (b)	10.8%	9.9%	10.6%	10.1%
Under the Advanced Approach:				
Estimated fully phased-in Basel III risk-weighted assets – Non-GAAP	$164,088	$162,072	$130,849	$131,583
Estimated fully phased-in Basel III CET1 ratio – Non-GAAP (b)	10.2%	10.0%	11.3%	11.1%

(a) The June 30, 2014 estimated fully phased-in Basel III Standardized Approach risk weighted assets and CET1 ratio (Non-GAAP) reflect an adjustment due to refinements in the data used in determining risk-weighted assets. The adjustment resulted in a reduction of approximately 40 basis points to the ratio.

(b) Beginning with June 30, 2014, risk-based capital ratios include the net impact of including the total consolidated assets of certain consolidated investment management funds in risk-weighted assets. These assets were not included in prior periods.

The following table presents the reconciliation of our Basel I CET1 ratio.

Basel I CET1 ratio	Dec. 31,	Sept. 30,
(dollars in millions)	2013	2013
Total Tier 1 capital – Basel I	$18,335	$18,074
Less: Trust preferred securities	330	324
Preferred stock	1,562	1,562
Total CET1 – Basel I	$16,443	$16,188

Total risk-weighted assets – Basel I	$113,322	$114,404
Basel I CET1 ratio – Non-GAAP	14.5 %	14.2 %

The following table presents the components of our fully phased-in estimated SLR.

Estimated fully phased-in SLR – Non-GAAP (a) (dollars in millions)	Sept. 30, 2014	June 30, 2014
Total estimated fully phased-in Basel III CET1 – Non-GAAP	$16,720	$16,277
Additional Tier 1 capital	1,556	1,562
Total Tier 1 capital	$18,276	$17,839
Total leverage exposure:		
Quarterly average total assets	$380,409	$369,212
Less: Amounts deducted from Tier 1 capital	20,166	20,480
Total on-balance sheet assets, as adjusted	360,243	348,732
Off-balance sheet exposures:		
Potential future exposure for derivatives contracts (plus certain other items)	11,694	11,115
Repo-style transaction exposures included in SLR	—	—
Credit-equivalent amount of other off-balance sheet exposures (less SLR exclusions)	21,924	22,658
Total off-balance sheet exposures	33,618	33,773
Total leverage exposure	$393,861	$382,505
Estimated fully phased-in SLR – Non-GAAP	4.6 %	4.7 %

(a) The estimated fully phased-in SLR as of Sept. 30, 2014 is based on our interpretation of the Final Capital Rules, as supplemented by the Federal Reserve's final rules on the SLR. The estimated fully phased-in SLR as of June 30, 2014 is based on our interpretation of the Final Capital Rules, as supplemented by the Notice of Proposed Rulemaking released in April 2014 concerning the SLR, except that off-balance sheet exposures included in total leverage exposure reflect the end of period measures, rather than a daily average. On a fully phased-in basis, we expect to satisfy a minimum SLR of over 5%, 3% attributable to a regulatory minimum SLR, and greater than 2% attributable to a buffer applicable to U.S. G-SIBs.

Recent accounting and regulatory developments

Recently Issued Accounting Standards

ASU - 2014-11 - Transfers and Servicing (Topic 860): Repurchase-to Maturity Transactions, Repurchase Financings, and Disclosures

On June 12, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), "Transfers and Servicing (Topic 860): Repurchase-to Maturity Transactions, Repurchase Financing, and Disclosures." This ASU amends the accounting guidance for "repo-to-maturity" transactions and repurchase agreements executed as repurchase financings. This ASU requires public entities to apply the accounting changes and comply with the enhanced disclosure requirements for the first interim or annual reporting period beginning after Dec. 15, 2014. However, for repurchase and securities lending transactions reported as secured borrowings, the ASU's enhanced disclosures are effective for annual periods beginning after Dec. 15, 2014 and interim periods beginning after March 15, 2015. Early adoption is not permitted.

ASU - 2014-09 - Revenue from Contracts with Customers

On May 28, 2014, the FASB issued 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, 2017. Early adoption is not permitted. 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.

ASU - 2014-08 - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

On April 10, 2014, the FASB issued ASU, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This ASU changes the criteria for determining which future disposals can be presented as discontinued operations and modifies related disclosure requirements. This ASU is effective for periods beginning on or after Dec. 15, 2014. Early adoption is permitted.

Proposed Accounting Standards

Proposed ASU - Principal versus Agent Analysis

In November 2011, the FASB issued a proposed ASU "Principal versus Agent Analysis." This proposed ASU would rescind the 2010 indefinite deferral of FAS 167 for certain investment funds, including mutual funds, hedge funds, mortgage real estate investment funds, private equity funds, and venture capital funds, and amends the pre-existing guidance for evaluating consolidation of voting general partnerships and similar entities. The proposed ASU also amends the criteria for determining whether an entity is a variable interest entity under FAS 167, which could affect whether an entity is within its scope. Accordingly, certain funds that previously were not consolidated must be reviewed to determine whether they will now be required to be consolidated. The proposed accounting standard will continue to require BNY Mellon to determine whether or not it has a variable interest in a variable interest entity. However, consolidation of its variable interest entity and voting general partnership asset management funds will be based on whether or not BNY Mellon, as the asset manager, uses its power as a decision maker as either a principal or an agent. Based on a preliminary review of the proposed ASU and consideration of the FASB's recent redeliberations, we do not expect to be required to consolidate a material amount of additional mutual funds, hedge funds, mortgage real estate investment funds, private equity funds, and venture capital funds. In addition, we expect to deconsolidate substantially all of the CLOs we currently consolidate. The FASB has recently concluded re-deliberating changes to the proposed ASU. A final ASU is expected to be issued in late 2014 or early 2015. The final guidance is expected to be effective for annual reporting periods beginning after Dec. 15, 2015. Early adoption in fiscal years beginning before the effective date is expected to be permitted.

Proposed ASU - Leases

In May 2013, the FASB and the International Accounting Standards Board ("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 March 2014, the FASB and IASB re-deliberated the ASU and were unable to reach a consensus on certain key issues. Deliberations are expected to continue over the coming months. 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. 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 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. In January 2014, the FASB tentatively decided not to continue to pursue the business model assessment approach for classification and measurement of financial assets. The FASB is currently re-deliberating based on the comments received and is expected to issue a final standard by the end of 2014. An effective date is not expected before 2017.

Adoption of new accounting standards

For a discussion of the adoption of new accounting standards, see Note 2 of the Notes to Consolidated Financial Statements.

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, allow for 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.

Update to Internal Controls - Integrated Framework

On May 14, 2013, The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued an updated version of its Internal Control - Integrated Framework (the "2013 Framework"). Originally issued in 1992, the framework helps organizations design, implement and evaluate the effectiveness of internal controls. Updates to the framework were intended to clarify internal control concepts and simplify their use and application. The 1992 framework will remain available during the transition period, which extends to Dec. 15, 2014, after which time COSO will consider it as superseded by the 2013 Framework. Concurrent with the 2013 Framework release, COSO indicated that organizations reporting externally

should clearly disclose whether the original Framework or the updated Framework was utilized. BNY Mellon is currently transitioning to the COSO 2013 Framework as it relates to our Internal Control over Financial Reporting.

Regulatory developments

For a summary of additional regulatory matters relevant to our operations, see "Supervision and regulation" in our 2013 Annual Report and "Regulatory Developments" in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014.

Liquidity Coverage Ratio

Historically, regulation and monitoring of financial institution liquidity principally has been addressed as a supervisory matter, both in the U.S. and internationally, without required formulaic measures. The Basel III framework requires banks and BHCs 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 the banking entity maintains an adequate level of unencumbered high-quality liquid assets relative to the entity's net stressed cash outflow for a 30-day time horizon under an acute liquidity stress scenario.

In October 2013, the U.S. federal banking agencies issued an NPR to implement the Basel III liquidity coverage ratio in the U.S. (“Proposed LCR Rule”). The agencies indicated that the Proposed LCR Rule is more stringent than the Basel III LCR in certain elements, including the eligibility of high quality liquid assets and an accelerated implementation timeline. On Sept. 3, 2014, the U.S. federal banking agencies issued a final rule (the “Final LCR Rule”) to implement the LCR. Consistent with the Proposed LCR Rule, the Final LCR Rule is more stringent than the Basel III LCR in several respects. The Final LCR Rule also contains several changes from the Proposed LCR Rule, including:

- a new transition period for compliance with the daily LCR calculation requirement (during which monthly calculation is permitted),
- total net stressed cash outflows will be calculated based on net outflows over a 30-day period, plus

a maturity mismatch add-on (rather than the peak day approach of the Proposed LCR Rule), and

- a definition of operational deposits that qualifies deposits of registered investment companies and registered investment advisers.

Starting on Jan. 1, 2015, covered companies, including BNY Mellon, will be required to meet an LCR of 80% percent, increasing annually by 10% increments until Jan. 1, 2017, at which time covered companies will be required to meet a liquidity coverage ratio of 100%.

Supplementary Leverage Ratio

In July 2013, the U.S. federal banking agencies finalized the Basel III-based capital rules in the U.S. Among other new requirements, the Final Capital Rules introduced a 3% SLR for all Advanced Approaches banking organizations. The SLR becomes effective as a binding ratio on Jan. 1, 2018, although commencing in January 2015 each Advanced Approaches banking organization is required to calculate and report its SLR. Unlike the Tier 1 leverage ratio that has long applied to U.S. banking organizations, the SLR includes certain off-balance sheet exposures in the denominator, including the potential future exposure of derivative contracts and notional amount of commitments.

In April 2014, the U.S. federal banking agencies adopted an "enhanced" SLR for banking organizations with total consolidated assets of more than $700 billion or assets under custody of more than $10 trillion, as well as their depository institution subsidiaries. The enhanced SLR would apply to the eight U.S. banking organizations that have been identified as G-SIBs by the Financial Stability Board (including BNY Mellon) and their insured depository institution subsidiaries. The enhanced SLR requires BNY Mellon and the other U.S. G-SIB bank holding companies to maintain a 2% buffer over the minimum 3% SLR for a total 5% SLR in order to avoid certain restrictions on capital distributions and discretionary bonus payments. In addition, the eight U.S. G-SIBs' insured depository institution subsidiaries, regardless of the amount of their consolidated assets or assets under custody, must maintain a 6% SLR to be deemed "well-capitalized" under the "prompt corrective action" framework. The final enhanced SLR rule for U.S. G-SIBs, like the SLR more generally applicable to all Advanced

Approaches banking organizations, will become effective on Jan. 1, 2018.

In April 2014, the U.S. federal banking agencies issued a notice of proposed rulemaking ("SLR NPR") to modify the SLR denominator in the U.S. to align with the final Basel III changes to the SLR denominator. The proposed changes would apply to all Advanced Approaches banking organizations subject to the SLR and all the G-SIBs and their insured depository institution subsidiaries subject to the enhanced SLR. On Sept. 3, 2014 the agencies issued a final rule implementing the SLR NPR. The final SLR is generally consistent with the terms of the SLR NPR, but also contains certain changes, including using the average of three month-end calculations for off-balance sheet items. Consistent with the SLR NPR, the final rules do not exempt or limit any categories of balance sheet assets, such as central bank deposits, from the denominator of the SLR.

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.

In October 2014, the Federal Reserve finalized a proposal to revise certain aspects of its rules pertaining to CCAR and DFAST. These revisions include, among other changes, limitations on the ability of a BHC subject to CCAR to make capital distributions in a given quarter if its actual capital issuances in that quarter are less than the amount indicated in its capital plan and to eliminate the need to obtain prior approval for "accretive" issuances of capital instruments that would qualify for inclusion in the numerator of regulatory capital ratios.

In addition, for the CCAR 2015 exercise, the Federal Reserve’s authorization for capital distributions will extend five quarters, through June 30, 2016, in order to account for the shift in the capital plan cycle in 2016. Starting Jan. 1, 2016, the annual CCAR capital plan cycle will begin on Jan. 1, and BNY Mellon will be required to submit its capital plan to the Federal Reserve by April 5 of that year, and the Federal Reserve will respond to CCAR capital plans by June 30. For purposes of CCAR 2015, if a BHC receives a non-objection to its capital plan, it generally may make the capital distributions included in its capital plan submission beginning on April 1, 2015, through June 30, 2016, without seeking prior approval from or providing prior notice to the Federal Reserve.

Money Market Fund Reforms

Regulators have focused on risks that money market funds (“MMFs”) may pose to financial stability. In July 2014, the Securities and Exchange Commission finalized rules (the “MMF Rules”) that will require institutional prime money market funds (including institutional municipal money market funds) to maintain a floating net asset value (“NAV”) based on the current market value of the securities in their portfolios rounded to the fourth decimal place. Previously, such funds could maintain a stable NAV of $1.00. Government MMFs and retail MMFs are exempt from these requirements and may continue to maintain a stable NAV. The MMF Rules also provide new tools to MMFs’ boards of directors to address a run on a fund. In particular the MMF Rules allow a MMF’s board of directors to impose liquidity fees of up to 2% or temporarily suspend redemptions for up to 10 days if a MMF’s level of weekly liquid assets falls below 30 percent of its total assets. Government MMFs are not required to adopt the liquidity fees and redemption gates provision, but they may opt to do so. In addition, there is a two year transition period before the floating NAV and the fees and gate requirements become effective.

Beyond these primary reforms, the MMF Rules also expand disclosure requirements, tighten the diversification requirements and impose additional stress testing requirements. There is an 18 month transition period before these requirements become effective. The MMF Rules also introduce a new Form N-CR, which would require MMFs to disclose certain events (for example, the imposition or removal of fees or gates, the primary consideration or factors taken into account by a board of directors, in its decision related to fees and gates, and portfolio security defaults). The MMF Rules establish a nine month transition period before reporting on Form N-CR is required.

The final MMF Rules are highly complex, and we are continuing to evaluate their impact. It is possible that the MMR Rules could result in changes to the size and composition of our AUM, AUC/A, and total deposits.

Resolution Planning

Large BHCs must develop and submit annually to the Federal Reserve and FDIC for review resolution plans for their rapid and orderly liquidation in the event of material financial distress or failure. We submitted our 2013 resolution plan in October 2013 and our 2014 resolution plan in July 2014. In August, 2014, the Federal Reserve and the FDIC announced completion of their reviews of the 2013 resolution plans submitted by 11 large, complex banking organizations (including BNY Mellon), referred to as the “first wave filers”, and notified the first wave filers that certain shortcomings in the 2013 resolution plans must be addressed in the 2015 resolution plans, which are required to be submitted on or before July 1, 2015. See the discussion of this matter in our 2013 Annual Report in “Risk Factors - Operational and Business Risk - We are subject to extensive government regulation and supervision and have been impacted by a significant amount of rulemaking as a result of the 2008 financial crisis.”

Expected Regulatory Initiatives

In addition to the aforementioned regulatory changes, we anticipate banking regulators and policymakers to propose new or modified regulations that will further alter the regulatory framework in which we operate and may have unforeseen or unintended adverse effects on us or the financial services industry more generally. Several expected regulatory proposals may impact BNY Mellon, including, but not limited to:

- Implementation of the Net Stable Funding Ratio, which is a longer-term liquidity coverage measure, in the U.S.
- The development of formal regulations and related changes in supervisory practices to facilitate cross-border resolutions. Attendant to these changes may be the imposition of a “total loss-absorbing capacity” standard affecting the Company’s regulatory capital and the amount of holding company senior unsecured long-term debt outstanding.
- Contribution requirements for the Single Resolution Fund and bank levies in Europe.

- Limitations on certain single counterparty credit exposures.
- Final standards in Europe implementing the European Market Infrastructure Regulation and Target2-Securities settlement system.

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: Basel II.5 Market Risk Disclosures; Pillar 3 Disclosures; 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
- Our Corporate Governance Guidelines, Directors Code of Conduct and the Charters of the Audit, 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

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

Consolidated Income Statement (unaudited)

	Quarter ended			Year-to-date	
(in millions)	Sept. 30, 2014	June 30, 2014	Sept. 30, 2013	Sept. 30, 2014	Sept. 30, 2013
Fee and other revenue					
Investment services fees:					
Asset servicing	$1,025	$1,022	$964	$3,056	$2,921
Clearing services	337	326	315	988	940
Issuer services	315	231	322	775	853
Treasury services	142	141	137	419	417
Total investment services fees	1,819	1,720	1,738	5,238	5,131
Investment management and performance fees	881	883	821	2,607	2,491
Foreign exchange and other trading revenue	153	130	160	419	528
Distribution and servicing	44	43	43	130	137
Financing-related fees	44	44	44	126	129
Investment and other income (a)	890	142	151	1,134	524
Total fee revenue (a)	3,831	2,962	2,957	9,654	8,940
Net securities gains — including other-than-temporary impairment	21	18	24	62	107
Noncredit-related portion of other-than-temporary impairment (recognized in other comprehensive income)	1	—	2	2	5
Net securities gains	20	18	22	60	102
Total fee and other revenue (a)	3,851	2,980	2,979	9,714	9,042
Operations of consolidated investment management funds					
Investment income	123	141	134	402	439
Interest of investment management fund note holders	84	95	102	281	292
Income from consolidated investment management funds	39	46	32	121	147
Net interest revenue					
Interest revenue	809	811	855	2,432	2,506
Interest expense	88	92	83	264	258
Net interest revenue	721	719	772	2,168	2,248
Provision for credit losses	(19)	(12)	2	(49)	(41)
Net interest revenue after provision for credit losses	740	731	770	2,217	2,289
Noninterest expense					
Staff	1,477	1,439	1,516	4,427	4,497
Professional, legal and other purchased services	323	314	296	949	908
Software	154	154	147	460	444
Net occupancy	154	152	153	460	475
Distribution and servicing	107	112	108	326	325
Furniture and equipment	80	82	79	247	248
Sub-custodian	67	81	71	216	212
Business development	61	68	63	193	221
Other	250	347	249	820	771
Amortization of intangible assets	75	75	81	225	260
Merger and integration, litigation and restructuring charges	220	122	16	330	68

Total noninterest expense	2,968	2,946	2,779	8,653	8,429
Income					
Income before income taxes (a)	1,662	811	1,002	3,399	3,049
Provision for income taxes (a)	556	217	19	1,005	1,420
Net income (a)	1,106	594	983	2,394	1,629
Net (income) attributable to noncontrolling interests (includes $(23), $(17), $(8), $(60) and $(63) related to consolidated investment management funds, respectively)	(23)	(17)	(8)	(60)	(64)
Net income applicable to shareholders of The Bank of New York Mellon Corporation (a)	1,083	577	975	2,334	1,565
Preferred stock dividends	(13)	(23)	(13)	(49)	(38)
Net income applicable to common shareholders of The Bank of New York Mellon Corporation (a)	$1,070	$554	$962	$2,285	$1,527

(a) Results for the third quarter of 2013 and the first nine months of 2013 were restated to reflect the retrospective application of adopting new accounting guidance in the first quarter of 2014 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 2 of the Notes to Consolidated Financial Statements for additional information.

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

Consolidated Income Statement (unaudited) (continued)

Net income applicable to common shareholders of The Bank of New York Mellon Corporation used for the earnings per share calculation	Quarter ended			Year-to-date	
(in millions)	Sept. 30, 2014	June 30, 2014	Sept. 30, 2013	Sept. 30, 2014	Sept. 30, 2013
Net income applicable to common shareholders of The Bank of New York Mellon Corporation (a)	$1,070	$554	$962	$2,285	$1,527
Less: Earnings allocated to participating securities (a)	20	10	18	43	27
Change in the excess of redeemable value over the fair value of noncontrolling interests	N/A	N/A	—	N/A	1
Net income applicable to the common shareholders of The Bank of New York Mellon Corporation after required adjustments for the calculation of basic and diluted earnings per common share (a)	$1,050	$544	$944	$2,242	$1,499

Average common shares and equivalents outstanding of The Bank of New York Mellon Corporation	Quarter ended			Year-to-date	
(in thousands)	Sept. 30, 2014	June 30, 2014	Sept. 30, 2013	Sept. 30, 2014	Sept. 30, 2013
Basic	1,126,946	1,133,556	1,148,724	1,133,006	1,153,327
Common stock equivalents	20,807	18,198	17,236	19,547	16,242
Less: Participating securities	(12,882)	(11,954)	(13,281)	(12,835)	(12,618)
Diluted	1,134,871	1,139,800	1,152,679	1,139,718	1,156,951
Anti-dilutive securities (b)	40,360	45,784	58,735	45,368	77,758

Earnings per share applicable to the common shareholders of The Bank of New York Mellon Corporation (a)(c)	Quarter ended			Year-to-date	
(in dollars)	Sept. 30, 2014	June 30, 2014	Sept. 30, 2013	Sept. 30, 2014	Sept. 30, 2013
Basic	$0.93	$0.48	$0.82	$1.98	$1.30
Diluted	$0.93	$0.48	$0.82	$1.97	$1.30

(a) Results for the third quarter of 2013 and the first nine months of 2013 were restated to reflect the retrospective application of adopting new accounting guidance in the first quarter of 2014 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 2 of the Notes to Consolidated Financial Statements for additional information.

(b) Represents stock options, restricted stock, restricted stock units and participating securities outstanding but not included in the computation of diluted average common shares because their effect would be anti-dilutive.

(c) Basic and diluted earnings per share under the two-class method are determined on the net income applicable to common shareholders of The Bank of New York Mellon Corporation reported on the income statement less earnings allocated to participating securities, and the change in the excess of redeemable value over the fair value of noncontrolling interests, if applicable.

N/A - Not applicable.

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Comprehensive Income Statement (unaudited)

	Quarter ended			Year-to-date	
(in millions)	Sept. 30, 2014	June 30, 2014	Sept. 30, 2013	Sept. 30, 2014	Sept. 30, 2013
Net income (a)	$1,106	$594	$983	$2,394	$1,629
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	(589)	77	385	(475)	81
Unrealized gain (loss) on assets available-for-sale:					
Unrealized gain (loss) arising during the period	4	210	(72)	376	(814)
Reclassification adjustment	(13)	(14)	(2)	(40)	(49)
Total unrealized gain (loss) on assets available-for-sale	(9)	196	(74)	336	(863)
Defined benefit plans:					
Amortization of prior service credit, net loss and initial obligation included in net periodic benefit cost	19	17	31	55	105
Total defined benefit plans	19	17	31	55	105
Net unrealized gain (loss) on cash flow hedges	(12)	(2)	12	(13)	4
Total other comprehensive income (loss), net of tax (b)	(591)	288	354	(97)	(673)
Net (income) attributable to noncontrolling interests	(23)	(17)	(8)	(60)	