



PILLAR 3 DISCLOSURE
AS OF SEPTEMBER 30, 2016

THE BANK OF NEW YORK MELLON CORPORATION



BNY MELLON

THE BANK OF NEW YORK MELLON CORPORATION

Pillar 3 Disclosure Sept. 30, 2016

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Disclosure Road Map

The table below shows where disclosures relating to topics addressed in this Pillar 3 Disclosure can be found in The Bank of New York Mellon Corporation's Quarterly Report on Form 10-Q for the quarterly period ended Sept. 30, 2016, and the 2015 Annual Report to Shareholders (the "Annual Report") included with the Annual Report on Form 10-K.

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Introduction

In this Pillar 3 Disclosure (this “Disclosure”), references to “our,” “we,” “us,” “BNY Mellon,” the “Company” and similar terms refer to The Bank of New York Mellon Corporation and its consolidated subsidiaries. References in this Disclosure to “Parent” or the “Holding Company” refer to The Bank of New York Mellon Corporation on a standalone basis.

Certain business terms and commonly used acronyms used in this Disclosure are defined in the Glossary and Acronyms sections of this Disclosure.

Investors should also read the section titled “Forward-looking Statements.”

The Bank of New York Mellon Corporation (“BNY Mellon”) was the first company listed on the New York Stock Exchange (NYSE symbol: BK). With a rich history of maintaining our financial strength and stability through all business cycles, BNY Mellon is a global investments company dedicated to improving lives through investing.

We manage and service assets for financial institutions, corporations and individual investors in 35 countries and more than 100 markets. As of Sept. 30, 2016, BNY Mellon had \$30.5 trillion in assets under custody and/or administration, and \$1.7 trillion in assets under management.

BNY Mellon is focused on enhancing our clients’ experience by leveraging our scale and expertise to deliver innovative and strategic solutions for our clients, building trusted relationships that drive value. We hold a unique position in the global financial services industry. We service both the buy-side and sell-side, providing us with unique marketplace insights that enable us to support our clients’ success.

BNY Mellon’s businesses benefit from the global growth in financial assets, the globalization of the investment process, changes in demographics and the continued evolution of the regulatory landscape - each providing us with opportunities to advise and service clients.

Basis of Presentation

The accounting and financial reporting policies of BNY Mellon, a global financial services company,

conform to U.S. generally accepted accounting principles (“GAAP”) and prevailing industry practices.

There are no differences in the basis of consolidation between BNY Mellon’s Annual Report on Form 10-K and Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission (the “SEC”) and this Disclosure.

Capital Guidelines and Proposals

Capital Requirements - Existing U.S. Requirements

As a bank holding company (“BHC”), we are subject to consolidated regulatory capital rules administered by the Board of Governors of the Federal Reserve System (the “Federal Reserve”). Our bank subsidiaries are subject to similar capital requirements administered by the Federal Reserve in the case of The Bank of New York Mellon and by the Office of the Comptroller of the Currency (“OCC”) in the case of our largest national bank subsidiaries, BNY Mellon, N.A. and The Bank of New York Mellon Trust Company, National Association. These requirements (the “U.S. capital rules”) are intended to ensure that banking organizations have adequate capital given the risk levels of their assets and off-balance sheet financial exposures.

Advanced Approaches Risk-Based Capital Rules

The U.S. federal banking agencies’ “Advanced Approaches” risk-based capital rules, which are a subset of the U.S. capital rules, are generally applicable to banking organizations having \$250 billion or more in total consolidated assets or \$10 billion or more in on-balance sheet foreign exposures (including BNY Mellon) and based upon an advanced internal ratings-based (“IRB”) approach for credit risk and an advanced measurement approach for operational risk. Under the so-called “Collins Amendment floor” provisions of the U.S. capital rules, the risk-based capital ratios (Common Equity Tier 1 (“CET1”), Tier 1, and total capital ratios) of Advanced Approaches banking organizations (such as BNY Mellon) are determined by calculating each capital ratio under the Advanced Approaches and the Standardized Approach and then setting the relevant capital ratio equal to the lower of the two ratios.

Leverage Ratios

The U.S. federal banking agencies require a minimum 4% leverage capital ratio for all banking organizations. At Sept. 30, 2016, the leverage capital ratio for The Bank of New York Mellon Corporation was 6.6%.

The U.S. capital rules also implement a 3% Supplementary Leverage Ratio (“SLR”) for Advanced Approaches banking organizations, including BNY Mellon, to become effective Jan. 1, 2018. Unlike the leverage capital ratio, the SLR includes certain off-balance sheet exposures in the denominator, including the potential future credit exposure of derivative contracts and 10% of the notional amount of unconditionally cancelable commitments.

U.S. federal banking agencies have 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 requires BNY Mellon and other U.S. global systemically important banks (“G-SIBs”) to maintain a SLR of greater than 5% (composed of the current minimum requirement of 3% plus a greater than 2% buffer) and requires bank subsidiaries of those bank holding companies, to maintain a 6% SLR in order to qualify as “well capitalized” under the prompt corrective action regulations discussed below. 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.

The quantitative disclosure required by the U.S. capital rules, with respect to the SLR, is provided in the “Supplementary Leverage Ratio” section in this Disclosure.

For further discussion of the regulatory capital framework and additional regulatory matters relevant to the Company, see the “Supervision and Regulation” section of the 2015 Annual Report.

G-SIB Framework

The U.S. capital rules’ required capital ratio minimums are also supplemented by a risk-based capital surcharge on G-SIBs. On July 20, 2015, the Federal Reserve published final rules to implement a

G-SIB surcharge (the “Final U.S. G-SIB Rule”). The Final U.S. G-SIB Rule requires G-SIBs to calculate their surcharges under two methods (referred to as “method 1” and “method 2”) and use the higher of the two surcharges. This first method is based on the Basel Committee on Banking Supervision’s (“BCBS”) framework and considers a G-SIB’s size, interconnectedness, cross jurisdictional activity, substitutability, and complexity. The second method uses similar inputs, but is calibrated to result in significantly higher surcharges and replaces substitutability with a measure of reliance on short-term wholesale funding. The Final U.S. G-SIB Rule does not add the G-SIB surcharge to post-stress minimum risk-based capital ratios for purposes of the Dodd-Frank Act Stress Tests (“DFAST”) or Comprehensive Capital Analysis and Review (“CCAR”). For 2016, the G-SIB surcharge applicable to BNY Mellon is 0.375% and, when fully phased-in on Jan. 1, 2019 as calculated applying metrics as currently applicable to BNY Mellon, would be 1.5%.

Pillar 3 Disclosure

The U.S. federal banking agencies have included within the U.S. capital rules public disclosure requirements, with an expressed objective of improving market discipline and encouraging sound risk-management practices. The BCBS introduced public disclosure requirements under Pillar 3 of Basel II, which were designed to complement the minimum capital requirements and the supervisory review process by encouraging market discipline through enhanced and meaningful public disclosure. The BCBS introduced additional disclosure requirements in Basel III, which, under the U.S. capital rules, apply to BNY Mellon. The U.S. capital rules include specific qualitative and quantitative disclosure requirements concerning certain material risks. This Disclosure includes disclosure intended to address these requirements, as well as disclosure intended to address disclosure requirements contained in the U.S. capital rules’ market risk rule (which is contained in the section titled “Market Risk” in this Disclosure).

The U.S. banking agencies require Pillar 3 disclosures at the holding company level for each calendar quarter. Under the U.S. capital rules, separate and complete Pillar 3 disclosures are not required for consolidated subsidiaries of Advanced Approaches banking organizations, even if those subsidiaries themselves are Advanced Approaches

banking organizations. Similarly, the U.S. capital rules do not require separate disclosures from consolidated subsidiaries of banking organizations subject to the market risk rule. A separate Pillar 3 disclosure therefore has not been prepared for any of our consolidated subsidiaries. Nevertheless, this Disclosure describes risk management policies and procedures, risk weighting methodologies, accounting policies and financial results, among other items, that apply to or encompass our consolidated subsidiaries. In addition, the U.S. banking agencies permit certain Pillar 3 disclosure requirements to be satisfied by inclusion within the Annual Report on Form 10-K and Quarterly Report on Form 10-Q (“SEC Reports”). In certain cases, BNY Mellon makes reference to its other public disclosures in this Disclosure.

On Jan. 28, 2015, the BCBS issued revisions to the Pillar 3 disclosure requirements of the Basel framework. On March 11, 2016, the BCBS published a proposal that introduces further substantial additional disclosure requirements and consolidates previously published BCBS disclosure requirements, including those published in Jan. 28, 2015. The additional disclosure requirements aim to provide market participants with greater comparability across banks’ disclosures and to incorporate disclosures regarding more recent regulatory capital and leverage requirements. The U.S. federal banking agencies have not yet proposed rules implementing the revised requirements of either the Jan. 28, 2015 or the March 11, 2016 document.

Policy and Approach - Comparison with Annual and Quarterly Reports, Verification and Sign off

This Disclosure discloses BNY Mellon’s assets both in terms of credit exposure and risk-weighted assets (“RWA”). For the purposes of this Disclosure, credit exposure is defined as the estimate of the amount at risk in the event of a default (before any recoveries). This estimate takes into account certain contractual commitments related to undrawn lines of credit, and is referred to as Exposure at Default (“EAD”). In contrast, the assets on BNY Mellon’s balance sheet, as published in our SEC Reports, are reported as the outstanding balance only. Therefore, exposure values in this Disclosure can differ from asset values as reported in our other published SEC Reports.

BNY Mellon has followed the requirements of the U.S. capital rules when disclosing credit exposures

and RWA. Throughout this Disclosure, tables show credit exposures or RWA split into various exposure classes (counterparties). Some of these classes are specified in the U.S. capital rules. When the regulations are not explicit, such as in geographic analyses, we allocate the exposure class on the same basis as our Annual Report or as noted in the specific table.

BNY Mellon internally verifies and approves this Disclosure according to the requirements of a dedicated disclosure policy approved by our Board of Directors. This includes a review by our Disclosure Committee of the qualitative and quantitative disclosures. The disclosure policy addresses internal controls and disclosure controls and procedures associated with the preparation of this Disclosure. One or more senior officers of BNY Mellon must attest that the contents of this Disclosure satisfy the requirements of the Capital Rule. In preparing this Disclosure, BNY Mellon may employ concepts of materiality. Information may be regarded as material for purposes of this Disclosure based on standards similar to those used when making materiality determinations for filing SEC Reports. There are no requirements for external auditing of this Disclosure; however CET1, Tier 1, and Total capital ratios as well as leverage capital ratio will be tested by external auditors as part of the annual financial statement audit.

Scope of Application

The Bank of New York Mellon Corporation is the top-tier parent company to all members of its consolidated group and is subject to consolidated supervision by the Federal Reserve. The information in this Disclosure is presented on a consolidated basis that includes BNY Mellon and its subsidiaries. A list of our primary subsidiaries can be found in Exhibit 21.1 of our 2015 Form 10-K.

Consolidation and Variable Interest Entities (“VIE”)

BNY Mellon’s VIEs generally include certain retail, institutional and alternative investment funds, including collateralized loan obligations (“CLOs”) offered to its retail and institutional customers in which it acts as the fund’s investment manager. The funds are established to provide our clients access to investment vehicles with specific investment objectives and strategies that address the client’s investment needs. BNY Mellon earns investment

management fees on these funds as well as performance fees in certain funds. We may also provide start-up capital for new funds. The VIEs are primarily financed by the client's investments in the funds' equity or debt.

We reconsider and reassess whether or not we are the primary beneficiary of a VIE when governing documents or contractual arrangements are changed which would reallocate the obligation to absorb expected losses or receive expected residual returns between BNY Mellon and the other investors, when BNY Mellon disposes of its variable interests in the fund or when additional variable interests are issued to other investors and when we acquire additional variable interests in the VIE.

For more information on the consolidation of VIEs see Note 1 - Summary of significant accounting and reporting policies of the Notes to Consolidated Financial Statements in our Annual Report.

As of Sept. 30, 2016, we had \$1.4 billion in assets included in our consolidated financial statements related to VIEs or other investment management funds we are required to consolidate. Approximately \$0.9 billion of these assets were classified as trading assets while the remainder is classified as available-for-sale securities or other assets. These consolidated investment management funds are risk-weighted in accordance with the U.S. capital rules' requirements. The net assets of any consolidated VIE are solely available to settle the liabilities of the VIE and to settle any investors' ownership liquidation requests, including any seed capital invested in the VIE by BNY Mellon.

Additionally, BNY Mellon had \$208 million included in its consolidated financial statements for non-consolidated VIE assets as of Sept. 30, 2016 where we are not the primary beneficiary. These assets relate solely to seed capital or residual interest invested in the VIEs. These assets are risk-weighted in accordance with the U.S. capital rules' requirements.

BNY Mellon has noncontrolling equity interests in various venture capital investments, strategic joint ventures and trade or clearing associations which are risk-weighted according to the U.S. capital rules' requirements. Investments where our percentage of voting stock or equity ownership ranges between 20% to 50% are accounted for under the equity

method of accounting. For a listing of our most significant equity method investments see Note 1 - Summary of significant accounting and reporting policies of the Notes to Consolidated Financial Statements in our Annual Report. Those equities where our share in the voting stock or equity of the investee is less than 20% are accounted for under the cost method of accounting. See the "Equities Not Subject to Market Risk Rule" section of this Disclosure for a further discussion of these accounting treatments.

BNY Mellon does not have any non-consolidated entities that are deducted from regulatory capital. The minimum regulatory capital requirements of our insurance subsidiaries are deducted for regulatory purposes with 50% deducted from each of Other Tier 1 Capital and Tier 2 Capital.

Restrictions on Transfer of Capital

The Parent is a legal entity separate and distinct from its bank subsidiaries and other subsidiaries. Dividends and interest from its subsidiaries are the Parent's principal sources of funds to make capital contributions or loans to its subsidiaries, to service its own debt, to honor its guarantees of debt issued by its subsidiaries or of trust preferred securities issued by a trust or to make its own capital distributions. Various federal and state statutes and regulations limit the amount of dividends that may be paid to the Parent by our bank subsidiaries without regulatory consent. If, in the opinion of the applicable federal regulatory agency, a depository institution under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), the regulator may require, after notice and hearing, that the bank cease and desist from such practice. The OCC, the Federal Reserve and the Federal Deposit Insurance Corporation ("FDIC") have indicated that the payment of dividends would constitute an unsafe and unsound practice if the payment would reduce a depository institution's capital to an inadequate level. Moreover, under the Federal Deposit Insurance Act, an insured depository institution may not pay any dividends if the institution is undercapitalized or if the payment of the dividend would cause the institution to become undercapitalized. Finally, the U.S. federal bank regulatory agencies have issued policy statements which provide that FDIC-insured depository institutions and their holding companies should

generally pay dividends only out of their current operating earnings.

In general, the amount of dividends that may be paid by our U.S. banking subsidiaries is limited to the lesser of the amounts calculated under a “recent earnings” test and an “undivided profits” test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared and paid by the entity in any calendar year exceeds the current year’s net income combined with the retained net income of the two preceding years, unless the entity obtains prior regulatory approval. Under the undivided profits test, a dividend may not be paid in excess of the entity’s “undivided profits” (generally, accumulated net profits that have not been paid out as dividends or transferred to surplus). The ability of its bank subsidiaries to pay dividends to the Parent may also be affected by various minimum capital requirements for banking organizations.

Subsequent to Sept. 30, 2016, our U.S. bank subsidiaries could declare dividends to the Parent of approximately \$4.8 billion, without the need for a regulatory waiver. Currently, The Bank of New York Mellon, our primary subsidiary, is no longer paying regular dividends to the Parent in order to increase its Tier 1 capital in advance of the SLR becoming effective. In addition, at Sept. 30, 2016, non-bank subsidiaries of the Parent had liquid assets of approximately \$1.3 billion.

The Federal Reserve and the OCC have issued additional guidelines that require BHCs and national banks to continually evaluate the level of cash dividends in relation to their respective operating income, capital needs, asset quality and overall financial condition.

The Federal Reserve Act limits and generally requires collateral for extensions of credit by our insured subsidiary banks to BNY Mellon and its non-bank affiliates. Also, there are restrictions on the amounts of investments by such banks in stock and other securities of BNY Mellon and non-bank affiliates, and restrictions on the acceptance of their securities as collateral for loans by such banks. Extensions of credit by the banks to each of our non-bank affiliates are limited to 10% of such bank’s regulatory capital,

and in the aggregate for BNY Mellon and all such non-bank affiliates to 20%, and collateral must be between 100% and 130% of the amount of the credit, depending on the type of collateral.

In the event of impairment of the capital stock of one of the Parent’s national banks or The Bank of New York Mellon, the Parent, as the banks’ stockholder, could be required to pay such deficiency.

Surplus of Insurance Subsidiaries and Subsidiary Regulatory Capital

BNY Mellon and each of its subsidiary banks are subject to capital adequacy requirements promulgated by federal regulatory agencies. Certain non-bank subsidiaries of the Company are required to maintain minimum levels of shareholders’ equity as specified by various U.S. and foreign regulatory agencies, including the SEC, the Financial Conduct Authority, the Prudential Regulation Authority and other foreign regulators.

BNY Mellon also has insurance subsidiaries that are regulated by various national and state regulatory agencies. Most of these insurance subsidiaries are required to meet minimum capital levels. We have insurance subsidiaries that offer life, accident, health and annuity products. Additionally, we have captive insurance subsidiaries that provide property and casualty insurance coverage for the primary benefit of BNY Mellon and its subsidiaries. As captive insurance subsidiaries, they primarily insure the risks of those BNY Mellon entities related to it through common ownership. The insured businesses pay premiums to the captive insurance subsidiaries in exchange for insurance. Three of our four insurance subsidiaries are underwriters in some capacity and currently only underwrite the risks associated with BNY Mellon and its subsidiaries. As of Sept. 30, 2016, these insurance subsidiaries had \$1.6 billion of aggregate capital surplus in excess of their statutory minimum requirements which is included in the total capital of BNY Mellon.

All of BNY Mellon’s subsidiaries with regulatory capital requirements are operating above regulatory minimums.

Capital Structure

The following table presents BNY Mellon's capital components, which are set forth in the columns titled "Advanced Approaches – Transitional" at Sept. 30, 2016 and June 30, 2016, described in the U.S. capital rules as phased-in to date.

Basel III capital components (in millions)	Advanced Approaches – Transitional	
	Sept. 30, 2016	June 30, 2016
CET1:		
Common stock (par value)	\$ 13	\$ 13
Additional paid-in capital	25,637	25,563
Retained earnings	22,002	21,233
Accumulated other comprehensive income (loss), net of tax	(2,488)	(2,277)
Less: Treasury stock	(8,714)	(8,250)
Common shareholders' equity	36,450	36,282
Goodwill and intangible assets	(17,819)	(17,936)
Net pension fund assets	(56)	(56)
Deferred tax assets	(15)	(14)
Other (a)	(1)	(1)
Total CET1	18,559	18,275
Other Tier 1 capital:		
Preferred stock	3,542	2,552
Deferred tax assets	(10)	(9)
Net pension fund assets	(38)	(38)
Other (b)	(110)	(112)
Total Tier 1 capital	21,943	20,668
Tier 2 capital:		
Trust preferred securities	156	161
Subordinated debt	149	149
Excess of eligible credit reserve over total expected credit losses (up to 0.60% of credit RWA)	33	36
Other (c)	(6)	(6)
Total Tier 2 capital	332	340
Total capital - Advanced Approach	\$ 22,275	\$ 21,008

(a) Includes an adjustment related to gains on cash flow hedges, as well as 60% of the debit valuation adjustment ("DVA") at both Sept. 30, 2016 and June 30, 2016.

(b) Includes 40% of the DVA at both Sept. 30, 2016 and June 30, 2016; 50% of the deduction for the regulatory capital requirements of insurance underwriting subsidiaries at both Sept. 30, 2016 and June 30, 2016 and Volcker capital deduction at both Sept. 30, 2016 and June 30, 2016.

(c) Includes 50% of the deduction for the regulatory capital requirements of insurance underwriting subsidiaries at both Sept. 30, 2016 and June 30, 2016.

Preferred Stock

BNY Mellon has 100 million authorized shares of preferred stock with a par value of \$0.01. The table below presents a summary of BNY Mellon's preferred stock issued and outstanding at Sept. 30, 2016.

Preferred stock summary						
<i>(dollars in millions, unless otherwise noted)</i>						
Series	Description	Liquidation preference per share (in dollars)	Total shares issued and outstanding	Carrying value at Sept. 30, 2016 (a)	Per annum dividend rate	
Series A	Noncumulative Perpetual Preferred Stock	\$ 100,000	5,001	\$ 500	Greater of (i) three-month LIBOR plus 0.565% for the related distribution period; or (ii) 4.000%	
Series C	Noncumulative Perpetual Preferred Stock	100,000	5,825	568	5.2%	
Series D	Noncumulative Perpetual Preferred Stock	100,000	5,000	494	4.50% commencing Dec. 20, 2013 to but excluding June 20, 2023, then a floating rate equal to the three-month LIBOR plus 2.46%	
Series E	Noncumulative Perpetual Preferred Stock	100,000	10,000	990	4.95% commencing Dec. 20, 2015 to and including June 20, 2020, then a floating rate equal to the three-month LIBOR plus 3.42%	
Series F	Noncumulative Perpetual Preferred Stock	100,000	10,000	990	4.625% commencing March 20, 2017 to and including Sept. 20, 2026, then a floating rate equal to the three-month LIBOR plus 3.131%	
Total			35,826	\$ 3,542		

(a) *The carrying value of the Series C, Series D, Series E and Series F Preferred stock is recorded net of issuance costs.*

Holders of both the Series A and Series C preferred stock are entitled to receive dividends on each dividend payment date (March 20, June 20, September 20 and December 20 of each year), if declared by BNY Mellon's Board of Directors. Holders of the Series D preferred stock are entitled to receive dividends, if declared by our board of directors, on each June 20 and December 20, to but excluding June 20, 2023; and on each March 20, June 20, September 20 and December 20, from and including June 20, 2023. Holders of the Series E preferred stock are entitled to receive dividends, if declared by our board of directors, on each June 20 and December 20, to and including June 20, 2020; and on each March 20, June 20, September 20 and December 20, from and including September 20, 2020. Holders of the Series F preferred stock are entitled to receive dividends, if declared by our board of directors, on each March 20 and September 20, commencing March 20, 2017, to and including Sept. 20, 2026; and on each March 20, June 20, September 20 and December 20, commencing Dec. 20, 2026. BNY Mellon's ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of our common stock or any of our shares that rank junior to the preferred stock as to the payment of dividends and/or the distribution of any assets on any liquidation, dissolution or winding-up of BNY Mellon will be prohibited, subject to certain restrictions, in the event that we do not declare and pay in full preferred dividends for the then current

dividend period of the Series A preferred stock or the last preceding dividend period of the Series C, Series D, Series E and Series F preferred stock.

All of the outstanding shares of the Series A preferred stock are owned by Mellon Capital IV, which will pass through any dividend on the Series A preferred stock to the holders of its Normal Preferred Capital Securities. All of the outstanding shares of the Series C, Series D, Series E and Series F preferred stock are held by the depositary of the depositary shares, which will pass through the applicable portion of any dividend on the Series C, Series D, Series E and Series F preferred stock to the holders of record of their respective depositary shares.

The preferred stock is not subject to the operation of a sinking fund and is not convertible into, or exchangeable for, shares of our common stock or any other class or series of our other securities. Subject to the restrictions in BNY Mellon's 2007 replacement capital covenant, subsequently amended on May 8 and Sept. 11, 2012, we may redeem the Series A preferred stock, in whole or in part, at our option. We may also, at our option, redeem the shares of the Series C preferred stock, in whole or in part, on or after the dividend payment date in September 2017, the Series D preferred stock, in whole or in part, on or after the dividend payment date in June 2023, the Series E preferred stock, in whole or in part, on or after the dividend payment date in June 2020 and the

Series F preferred stock, in whole or in part, on or after the dividend payment date in September 2026. The Series C, Series D, Series E or Series F preferred stock can be redeemed, in whole but not in part, at any time within 90 days following a regulatory capital treatment event (as defined in each of the Series C, Series D, Series E and Series F's Certificates of Designation).

Terms of the Series A, Series C, Series D, Series E and Series F preferred stock are more fully described in each of their Certificate of Designations, each of which is filed as an Exhibit to Form 10-Q for the quarter ended Sept. 30, 2016.

Trust Preferred Securities

In accordance with the U.S. capital rules, 60% of the amount of the following trust preferred securities are included in our transitional Tier 2 capital at Sept. 30, 2016.

Trust preferred securities at Sept. 30, 2016 <i>(dollar amounts in millions)</i>	Amount of junior subordinated debentures	Interest rate	Assets of trust <i>(a)</i>	Due date	Call date	Call price
MEL Capital III <i>(b)</i>	\$ 260	6.37%	\$ 260	2036	2016	Par
Total	\$ 260		\$ 260			

(a) Represents junior subordinated deferrable interest debentures of BNY Mellon in the case of MEL Capital III and BNY Mellon's Series A preferred stock in the case of MEL Capital IV.

(b) Amount was translated from British pound sterling into U.S. dollars on a basis of U.S. \$1.30 to £1, the rate of exchange on Sept. 30, 2016.

Mellon Capital III, a Delaware statutory trust owned by BNY Mellon, issued trust preferred securities in 2006. At Sept. 30, 2016, the sole assets of Mellon Capital III are junior subordinated debentures of BNY Mellon with maturities and interest rates that match the trust preferred securities. BNY Mellon's obligations provide a full and unconditional guarantee of payment of distributions and other amounts due on the trust preferred securities. The guarantee does not guarantee payment of distributions or other amounts due when Mellon Capital III does not have funds available to make such payments.

a remarketing in May 2012, the junior subordinated debentures issued by BNY Mellon and held by Mellon Capital IV were sold to third party investors and then exchanged for BNY Mellon's senior notes, which were sold in a public offering. The proceeds of the sale of the senior notes were used to fund the purchase by Mellon Capital IV of \$500 million of BNY Mellon's Series A preferred stock, which was issued on June 20, 2012. At Sept. 30, 2016, the Series A preferred stock was the sole asset of Mellon Capital IV. See Preferred Stock section above for a discussion of Series A.

At Sept. 30, 2016, we had \$260 million of outstanding trust preferred securities, a portion of which is eligible for inclusion in Tier 2 capital. Any decision to take action with respect to these trust preferred securities will be based on several considerations including interest rates, our credit spreads, the availability of cash and capital and compliance with our internal and regulatory requirements for Tier 1 and Tier 2 capital based capital ratios.

Qualifying Subordinated Debt

As of Sept. 30, 2016, \$149 million of subordinated debt is included as Tier 2 regulatory capital. Regulatory capital treatment requires capital to be discounted on a straight-line basis over the final five years of maturity. For accounting purposes, the capital instruments below are included in long-term debt.

Mellon Capital IV, a Delaware statutory trust owned by BNY Mellon, issued trust preferred securities in June 2007. The sole assets of Mellon Cap IV originally were junior subordinated debentures and a stock purchase contract for preferred stock. Through

The following table details the primary terms and conditions of the qualifying subordinated debt included in Tier 2 regulatory capital. The balances disclosed are determined in accordance with GAAP balance sheet carrying amounts and the U.S. capital rules.

Terms and conditions of qualifying subordinated debt - Sept. 30, 2016 (dollars in millions)	Tier 2 regulatory capital	Carrying value	Rate	Issue	Maturity	Callable
BNY Mellon Corporation	\$ 50	\$ 250	5.50%	SD	Dec-2017	No
Mellon Funding Corporation	99	248	5.50	SD	Nov-2018	No
Total qualifying subordinated debt	\$ 149	\$ 498				

SD – Subordinated debt.

Capital Adequacy

Capital Management

The Bank of New York Mellon Corporation is committed to maintaining a well capitalized position. Corporate Treasury has joint responsibility with our Basel & Capital Adequacy Group within Risk Management and Compliance for the development of the annual capital plan (the “Capital Plan”) submitted to the Federal Reserve. It is the Company’s policy to maintain a commitment to strong capital levels and establish sufficient capital while considering asset size, quality and duration, off-balance sheet commitments, risk characteristics, growth and economic conditions. Capital management is one of senior management’s most important ongoing responsibilities. The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) determine the appropriate level of capital in accordance with an assessment methodology that considers our internal economic capital usage, regulatory guidelines, rating agency policies, and the expectations of the marketplace.

Our Capital Management Policy sets forth our principles with respect to capital planning, capital usage and capital actions based on a continual assessment of risk and business factors. It also sets forth the governance process used to make such decisions and the factors that we consider when developing our Capital Plan and determining when capital actions are appropriate. Any updates to this policy must be approved by both our Asset Liability Committee (“ALCO”) and the Board of Directors or a designated committee of the Board of Directors.

Corporate Treasury coordinates with our Basel & Capital Adequacy, Management Reporting, and Regulatory Reporting groups to project capital levels and ratios and develop a base Capital Plan for the relevant planning period. In 2016, this was completed in the first quarter. The Capital Plan is reviewed and approved by the CFO and Chief Risk

Officer (“CRO”), ALCO and the Board of Directors. We then submit the plan to the Federal Reserve as part of the CCAR process.

When developing its Capital Plan, BNY Mellon considers, among other factors, the requirements of the U.S. capital rules, including the minimum capital thresholds and leverage ratios to which BNY Mellon is subject. BNY Mellon continually monitors our capital and leverage position and ensures that any contemplated capital actions would not limit our ability to meet capital requirements. Management monitors progress under the Capital Plan on a monthly basis. Updates to the projections of capital levels and ratios are presented to senior management at least once a month at the meetings of ALCO.

Economic Capital Required

BNY Mellon has implemented a methodology to quantify economic capital. We define economic capital as the capital required to protect against unexpected economic losses over a one-year period at a level consistent with the solvency of a target debt rating. We quantify economic capital requirements for the risks inherent in our business activities using statistical modeling techniques and then aggregate them at the consolidated level. A capital requirement reduction, or a diversification benefit, is applied to reflect the unlikely event of experiencing an extremely large loss in each type of risk at the same time. Economic capital requirements are directly related to our risk profile. As such, they have become a part of our Internal Capital Adequacy Assessment Process (“ICAAP”) and, along with regulatory capital, are a key component to ensuring that the actual level of capital is commensurate with our risk profile and sufficient to provide the financial flexibility to undertake future strategic business initiatives.

The framework and methodologies to quantify each of our risk types have been developed by the Basel & Capital Adequacy Group and are designed to be consistent with our risk management principles. The

framework has been approved by senior management and has been reviewed by the Risk Committee of the Board of Directors. Due to the evolving nature of quantification techniques, we expect to continue to refine the methodologies used to estimate our economic capital requirements.

Capital Planning and Stress Testing

BNY Mellon's capital distributions are subject to supervision and regulation by the Federal Reserve. The CCAR and the DFAST are major components of the Federal Reserve's oversight.

CCAR and the Federal Reserve's capital planning rules require BHCs with \$50 billion or more in total consolidated assets, including BNY Mellon, to submit annual capital plans to the Federal Reserve Bank ("FRB"). BNY Mellon and other covered BHCs may pay dividends, repurchase stock, and make other capital distributions only in accordance with a capital plan that has been reviewed by the Federal Reserve and to which the Federal Reserve has not objected. The Federal Reserve may object to a capital plan for quantitative or qualitative reasons, including if the covered BHC will not meet all minimum regulatory capital ratios for each quarter throughout the nine-quarter planning horizon under stressed scenarios.

DFAST substantially overlaps with CCAR stress testing requirements. Under DFAST, BNY Mellon is required to undergo supervisory stress tests conducted by the Federal Reserve annually, and to conduct our own internal stress tests pursuant to regulatory requirements twice annually.

On Nov. 25, 2015, the Federal Reserve modified certain aspects of the CCAR and DFAST regulations, including the following:

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

In June 2016, BNY Mellon received confirmation that the Board of Governors of the Federal Reserve System did not object to its 2016 Capital Plan submitted to the Federal Reserve in connection with its Comprehensive Capital Analysis and Review. The board of directors subsequently approved the repurchase of up to \$2.14 billion worth of common stock over a four-quarter period beginning in the third quarter of 2016 and continuing through the second quarter of 2017. In conjunction with the Federal Reserve's non-objection to BNY Mellon's 2016 capital plan, in August 2016, we issued \$1 billion of noncumulative perpetual preferred stock, \$750 million of which satisfied the contingency for the repurchase of up to \$560 million of common stock in connection with our 2016 plan. In the third quarter of 2016, we repurchased \$464 million of common stock.

Also included in the 2016 capital plan was a 12% increase in the quarterly cash dividend on common stock to \$0.19 per share. The first payment of the increased quarterly cash dividend was Aug. 12, 2016.

See the "Supervision and Regulation – Capital Planning and Stress Testing" section of BNY Mellon's 2015 Annual Report for additional information regarding the CCAR and DFAST requirements applicable to us.

Risk-weighted Assets

The following table presents our RWA by exposure type calculated using the U.S. capital rules' risk-weightings.

Basel III RWA (in millions)	Advanced Approaches – Transitional	
	Sept. 30, 2016	June 30, 2016
Wholesale exposures	\$ 66,504	\$ 66,624
Retail exposures	728	795
Securitization exposures	6,812	7,436
Cleared transactions	225	235
Equity exposures (a)	5,110	4,864
Other assets	11,390	13,962
Total credit RWA	90,769	93,916
Total credit RWA x 1.06 (b)	96,215	99,551
Credit valuation adjustment (“CVA”)	4,183	4,816
Market risk:		
Non specific	1,692	1,273
Standardized approach for specific risk	1,317	807
Total market risk	3,009	2,080
Operational risk	72,825	72,725
Total RWA	\$ 176,232	\$ 179,172

(a) All direct equity exposures for BNY Mellon are subject to the simple risk weight approach; equity exposures to investment funds are currently weighted using various look-through approaches as appropriate.

(b) Gross-up of 6% applies under the Advanced Approach.

Our Advanced Approaches RWA totaled \$176.2 billion at Sept. 30, 2016, a decrease of \$2.9 billion compared with \$179.2 billion at June 30, 2016. The decrease primarily reflects a decrease in other assets exposures, CVA and securitization exposures partially offset by an increase in market risk.

Credit RWA at Sept. 30, 2016 totaled \$90.8 billion and included wholesale exposures of \$66.5 billion. Wholesale exposures include corporate, bank, sovereign, commercial real-estate secured loans, over-the-counter (“OTC”) derivatives, repo-style and margin lending transactions and represents 73% of our credit RWA at Sept. 30, 2016. The remaining credit-related risk exposures included securitization exposures of \$6.8 billion, cleared transactions of \$225 million, equities of \$5.1 billion, retail of \$728 million and other assets not included in a defined exposure category of \$11.4 billion.

The other significant components of the Advanced Approaches RWA at Sept. 30, 2016 included operational risk of \$72.8 billion, market risk of \$3.0 billion and a CVA of \$4.2 billion for derivative exposures intended to capture changes in credit spreads applicable to BNY Mellon's counterparties.

As of Sept. 30, 2016 BNY Mellon and our U.S. bank subsidiaries were “well capitalized.” The “well

capitalized” and other capital categories (where applicable), as established by applicable regulations for bank holding companies and depository institutions, have been established by those regulations solely for purposes of implementing their respective requirements (for example, eligibility for financial holding company status in the case of bank holding companies and prompt corrective action measures in the case of depository institutions). A bank holding company's or depository institution's qualification for a capital category may not constitute an accurate representation of the entity's overall financial condition or prospects.

The following table provides the Standardized Approach (“SA”) and Advanced Approaches (“AA”) RWA and risk-based capital ratios for the Holding Company and for our two largest depository institution subsidiaries. At Sept. 30, 2016, our Holding Company CET1 ratio calculated under the U.S. capital rules' Standardized Approach was 12.2% and the Advanced Approaches was 10.5%, both on a transitional basis. Based on the Collins Amendment Floor, the risk-based capital ratios are determined by calculating each capital ratio under the Advanced Approaches and the Standardized Approach and then setting the relevant capital ratio equal to the lower of the two ratios.

Basel III RWA and risk-based capital ratios - Standardized and Advanced Approaches <i>(dollar amounts in millions)</i>	Sept. 30, 2016								
	RWA		CET1		Tier 1		Total Capital		
	SA	AA	SA	AA	SA	AA	SA	AA	
BHC:									
The Bank of New York Mellon Corporation	\$152,410	\$176,232	12.2%	10.5%	14.4%	12.5%	14.8%	12.6%	
Depository institution subsidiaries:									
The Bank of New York Mellon	118,287	143,093	15.4	12.7	15.8	13.1	16.3	13.3	
BNY Mellon, N.A.	16,235	9,126	10.5	18.6	10.5	18.6	11.2	19.8	

Capital Conservation and Countercyclical Capital Buffers

The U.S. capital rules introduced a capital conservation buffer and countercyclical capital buffer that add to the minimum regulatory capital ratios. The capital conservation buffer - 0.625% for 2016 and 2.5% when fully phased-in on Jan. 1, 2019 - is designed to absorb losses during periods of economic stress and applies to all banking organizations. During periods of excessive growth, the capital conservation buffer may be expanded through the imposition of a countercyclical capital buffer that may be as high as 2.5%. As of Sept. 30, 2016, BNY Mellon's excess capital over the minimums with the buffers was 3.6%. Accordingly, as of Sept. 30, 2016, BNY Mellon does not have any limitations on distributions and discretionary bonus payments resulting from the capital buffer and surcharge framework.

The countercyclical capital buffer, when applicable, applies only to Advanced Approach banking organizations. The countercyclical capital buffer is currently set to zero with respect to U.S. exposures, but it could increase if the banking agencies determine that systemic vulnerabilities are meaningfully above normal.

The phase-in for these buffers and surcharge began on Jan. 1, 2016 and will be fully implemented on Jan 1, 2019. The following table presents the capital ratios at Sept. 30, 2016, the minimum ratio requirements plus the minimum ratio requirements with the buffers and surcharge and finally, the excess over the minimums with the buffers.

Capital Ratio Minimums and Buffers	Sept. 30, 2016		
	CET1	Tier 1	Total Capital
Consolidated capital ratios	10.5%	12.5%	12.6%
Minimum ratio requirements	4.5%	6.0%	8.0%
Capital conservation buffer (CET1)	0.625%	0.625%	0.625%
U.S. G-SIB surcharge (CET1)	0.375%	0.375%	0.375%
Minimum ratios with buffers and surcharge	5.5%	7.0%	9.0%
Excess over minimum ratios with buffers and surcharge	5.0%	5.5%	3.6%

Credit Risk: General Disclosures

General Risk Management - Governance

Risk management and oversight begins with the board of directors and two key board committees: the Risk Committee and the Audit Committee.

The Risk Committee is comprised entirely of independent directors and meets on a regular basis to review and assess the control processes with respect to the Company's inherent risks. They also review and assess the risk management activities of the Company and the Company's fiduciary risk policies and activities. Policy formulation and day-to-day oversight of the Risk Management Framework is delegated to the Chief Risk Officer, who, together with the Chief Auditor and Chief Compliance Officer, helps ensure an effective risk management governance structure. The roles and responsibilities of the Risk Committee are described in more detail in its charter, a copy of which is available on our website, www.bnymellon.com.

The Audit Committee is also comprised entirely of independent directors, all of whom are financially literate within the meaning of the NYSE listing standards, and two of whom have been determined to be an audit committee financial expert as set out in the rules and regulations under the Securities Exchange Act of 1934, as amended (the "Exchange

Act”), with accounting or related financial management expertise within the meaning of the NYSE listing standards. All members of the Audit Committee have been determined to have banking and financial management expertise within the meaning of the FDIC rules. The Audit Committee meets on a regular basis to perform an oversight review of the integrity of the financial statements and financial reporting process, compliance with legal and regulatory requirements, our independent registered public accountant’s qualifications and independence, and the performance of our registered public accountant and internal audit function. The Audit Committee also reviews management’s assessment of the adequacy of internal controls. The functions of the Audit Committee are described in more detail in its charter, a copy of which is available on our website, www.bnymellon.com.

Risk Management - Structure

The Senior Risk Management Committee (“SRMC”) is the most senior management body responsible for ensuring that emerging risks are weighed against the corporate risk appetite and that any material amendments to the risk appetite statement are properly vetted and recommended to the Executive Committee and the Board for approval. The SRMC also reviews any material breaches to our risk appetite and approves action plans required to remediate the issue. SRMC provides oversight for the risk management, compliance and ethics framework. The Chief Executive Officer, Chief Risk Officer and Chief Financial Officer are among SRMC’s members.

Primary Risk Types

The understanding, identification and management of risk are essential elements for the successful management of BNY Mellon. Our primary risk categories are:

Credit: The possible loss we would suffer if any of our borrowers or other counterparties were to default on their obligations to us. Credit risk is resident in the majority of our assets, but primarily concentrated in the loan and securities books, as well as off-balance-sheet exposures such as lending commitments, letters of credit, and securities lending indemnifications.

Operational: The risk of loss resulting from inadequate or failed internal processes, human factors

and systems, breaches of technology and information systems, or from external events. Also includes fiduciary risk, reputational risk and litigation risk.

Market: The risk of loss due to adverse changes in the financial markets. Our market risks are primarily interest rate, foreign exchange (“FX”) and equity risk. Market risk particularly impacts our exposures that are marked-to-market such as the securities portfolio, trading book and equity investments.

Liquidity: 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 financial conditions. Liquidity risk can arise from cash flow mismatches, market constraints from inability to convert assets to cash, inability to raise cash in the markets, deposit run-off or contingent liquidity events. Thus, liquidity risk can be inherent in the majority of our balance sheet exposures.

Credit Risk Management

To balance the value of our activities with the credit risk incurred in pursuing them, we set and monitor internal credit limits for activities that entail credit risk, most often on the size of the exposure and the quality of the counterparty. For credit exposures driven by changing market rates and prices, exposure measures include an add-on for such potential changes.

We manage credit risk at both the individual exposure level as well as the portfolio level. Credit risk at the individual exposure level is managed through our credit approval system and involves four approval levels up to and including the Chief Risk Officer of the Company. The requisite approvals are based upon the size and relative risk of the aggregate exposure under consideration. The Credit Risk Group is responsible for approving the size, terms and maturity of all credit exposures as well as the ongoing monitoring of the creditworthiness of the counterparty. In addition, they are responsible for assigning and maintaining the internal risk ratings on each exposure.

Credit risk management at the portfolio level is supported by the Basel & Capital Adequacy Group, within the Risk Management and Compliance Sector. The Basel & Capital Adequacy Group is responsible for calculating two fundamental credit measures.

First, we project a statistically probable credit loss, used to help determine the appropriate loan loss reserve and to measure customer profitability. Credit loss considers three basic components: the estimated size of the exposure whenever default might occur, the probability of default before maturity and the severity of the loss we would incur, commonly called “loss given default.” For institutional lending, where most of our credit risk is created, unfunded commitments are assigned a usage given default percentage. Borrowers/Counterparties are assigned ratings by Credit Portfolio Managers on an 18-grade scale, which translate to a scaled probability of default. Additionally, transactions are assigned loss-given-default ratings (on a 7-grade scale) that reflect the transactions’ structures including the effects of guarantees, collateral, and relative seniority of position.

The second fundamental measurement of credit risk calculated by the Basel & Capital Adequacy Group is called economic capital. Our economic capital model estimates the capital required to support the overall credit risk portfolio. Using a Monte Carlo simulation engine and measures of correlation among borrower defaults, the economic model examines extreme and highly unlikely scenarios of portfolio credit loss in order to estimate credit-related capital, and then allocates that capital to individual borrowers and exposures. The credit-related capital calculation supports a second tier of policy standards and limits by serving as an input to both profitability analysis and concentration limits of capital at risk with any one borrower, industry or country.

The Basel & Capital Adequacy Group is responsible for the calculation methodologies and the estimates of the inputs used in those methodologies for the determination of expected loss and economic capital. These methodologies and input estimates are regularly evaluated to ensure their appropriateness and accuracy. As new techniques and data become available, Basel & Capital Adequacy attempts to incorporate, where appropriate, those techniques or data.

Credit risk is intrinsic to much of the banking business. However, BNY Mellon seeks to limit both on- and off-balance sheet credit risk through prudent underwriting and the use of capital only where risk-adjusted returns warrant. We seek to manage risk and improve our portfolio diversification through syndications, asset sales, credit enhancements, credit derivatives, and active collateralization and netting agreements. In addition, we have a separate Credit Risk Review Group, which is part of Internal Audit, made up of experienced loan review officers who perform timely reviews of the loan files and credit ratings assigned to the loans.

Risk Measurement & Reporting Systems

The purpose of the Company’s risk measurement and reporting systems is to ensure that all risks and exposures are comprehensively captured, with all of the attributes necessary to support robust decision making by senior management and risk mitigation within approved risk appetite levels.

Credit Risk Exposure

The following tables detail total credit exposure before the effect of credit risk mitigation (such as collateral and netting) and distribute the exposure by geographic region, counterparty and remaining contractual maturity. In order to remove the effects of credit risk mitigants, exposures were grossed up for the following product types: OTC derivatives, margin loans, and repurchase agreements (“repo”)/ reverse repurchase agreement (“reverse repo”) transactions. The cumulative effect of credit risk mitigation was \$44.4 billion as of Sept. 30, 2016. Credit exposure is presented using EAD for all tables below. In addition, we had off-balance sheet credit risk associated with securities lending indemnification and indemnification for securities for which BNY Mellon acts as an agent on behalf of CIBC Mellon clients, that are excluded from the table below, of \$309 billion and \$62 billion, respectively, at Sept. 30, 2016. For more information, see Note 17 in the Form 10-Q for the quarter ended Sept. 30, 2016.

Credit risk exposure before effect of credit risk mitigation – quarter end and average (a)

<i>(in millions)</i>	Sept. 30, 2016	3Q Average (b)
Deposits with banks, securities and loans	\$ 255,068	\$ 256,449
Unused commitments (c)	35,667	35,684
OTC derivatives	20,560	24,647
Repo-style transactions and margin lending	63,440	60,230
Total credit risk exposure (d)	\$ 374,735	\$ 377,010

(a) Credit risk exposure represents exposure before the effect of credit risk mitigation such as collateral, guarantees and netting.

(b) Calculated using a simple average based on the current and prior quarterly balances.

(c) Includes unused commitments, commercial letters of credit ("L/C") and standby L/Cs.

(d) Excludes equities and securitizations.

As reflected in the table above, total EAD was \$374.7 billion at Sept. 30, 2016, comprised of:

- Deposits with banks, securities and loans were \$255.1 billion and primarily consisted of interest bearing deposits, debt securities, FRB placements, pass through mortgage-backed securities, and non-pass through mortgage-backed securities.
- Repo-style transactions and margin lending was \$63.4 billion.
- Unused commitments, including commercial L/Cs and standby L/Cs, were \$35.7 billion.
- OTC derivative exposures, including interest rate, FX and equity contracts, were \$20.6 billion.

The following table distributes credit exposure by geographic region based on the counterparty's country of risk.

Credit risk exposure before effect of credit risk mitigation by geographic region (a) at Sept. 30, 2016

<i>(in millions)</i>	Americas	EMEA	APAC	Total
Deposits with banks, securities and loans	\$ 184,179	\$ 54,325	\$ 16,564	\$ 255,068
Unused commitments (c)	33,476	1,947	244	35,667
OTC derivatives	11,808	7,425	1,327	20,560
Repo-style transactions and margin lending	55,396	533	7,511	63,440
Total credit risk exposure (d)	\$ 284,859	\$ 64,230	\$ 25,646	\$ 374,735

Note: See the table titled "Credit risk exposure before effect of credit risk mitigation - quarter end and average" above for footnotes.

Exposures were primarily located in the Americas and EMEA regions at Sept. 30, 2016.

- EAD in the Americas totaled \$284.9 billion and primarily consisted of repo-style transactions, FRB placements, debt securities, pass through mortgage-backed securities, unused loan commitments, and non-pass through mortgage-backed securities.
- EAD in EMEA totaled \$64.2 billion and primarily consisted of deposits with banks, securities, and loans.

The following table distributes credit exposure by counterparty type.

Credit risk exposure before effect of credit risk mitigation by counterparty type (a)
at Sept. 30, 2016

<i>(in millions)</i>	Corporate	Sovereign	Bank	Real Estate (e)	Retail	Total
Deposits with banks, securities and loans	\$ 92,057	\$ 130,940	\$ 25,870	\$ 3,088	\$ 3,113	\$ 255,068
Unused commitments (c)	32,693	25	1,952	891	106	35,667
OTC derivatives	9,853	654	10,053	—	—	20,560
Repo-style transactions and margin lending	53,312	—	10,128	—	—	63,440
Total credit risk exposure (d)	\$ 187,915	\$ 131,619	\$ 48,003	\$ 3,979	\$ 3,219	\$ 374,735

Note: See the table titled "Credit risk exposure before effect of credit risk mitigation - quarter end and average" above for footnotes.

(e) Real estate includes high-volatility commercial real estate ("HVCRE") and income producing real estate ("IPRE").

Exposures by counterparty were primarily to corporate, sovereign and bank counterparties at Sept. 30, 2016.

- Corporate exposures were \$187.9 billion and primarily consisted of repo-style transactions, pass through mortgage-backed securities, unused loan commitments, and non-pass through mortgage-backed securities.
- Sovereigns exposures totaled \$131.6 billion and primarily consisted of debt securities and FRB placements.
- Bank exposures were \$48.0 billion and primarily consisted of interest bearing deposits, repo-style transactions, OTC derivatives, and loans with financial institutions.

The following table distributes credit exposure by remaining contractual maturity.

Credit risk exposure before effect of risk mitigation by remaining contractual maturity (a)
at Sept. 30, 2016

<i>(in millions)</i>	Within 1 year	Between 1-5 years	After 5 years	Total
Deposits with banks, securities and loans	\$ 133,897	\$ 37,111	\$ 84,060	\$ 255,068
Unused commitments (c)	20,904	14,196	567	35,667
OTC derivatives	10,138	2,773	7,649	20,560
Repo-style transactions and margin lending	57,939	5,408	93	63,440
Total credit risk exposure (d)	\$ 222,878	\$ 59,488	\$ 92,369	\$ 374,735

Note: See the table titled "Credit risk exposure before effect of credit risk mitigation - quarter end and average" above for footnotes.

As reflected in the table above, the \$374.7 billion in total EAD at Sept. 30, 2016 primarily consisted of exposures with maturities less than one year.

Past Due/Nonaccrual/Impaired Loans

Commercial loans are placed on nonaccrual status when principal or interest is past due 90 days or more, or when there is reasonable doubt that interest or principal will be collected. Exceptions require approval of the Company's Chief Credit Officer ("CCO") or the CRO.

When a first lien residential mortgage loan reaches 90 days delinquent, it is subject to an impairment test and may be placed on nonaccrual status. At 180 days

delinquent, the loan is subject to further impairment testing. The loan will remain on accrual status if the realizable value of the collateral exceeds the unpaid principal balance plus accrued interest. If the loan is impaired, a charge-off is taken and the loan is placed on nonaccrual status. At 270 days delinquent, all first lien mortgages are placed on nonaccrual status. Second lien mortgages are automatically placed on nonaccrual status when they reach 90 days delinquent.

When a loan is placed on nonaccrual status, previously accrued and uncollected interest is reversed against current period interest revenue. When doubt exists as to the collectability of the remaining investment in a nonaccrual asset, any

interest payments received must be applied to reduce the recorded investment in the asset to the extent necessary to eliminate such doubt. However, as long as the remaining recorded investment in the asset is deemed fully collectable, some or all of the cash interest received may be treated as interest income. Placement of a loan on “interest-to-principal” basis or recognition of interest on a cash basis requires the approval of the Company’s CCO or the CRO.

As a general rule, a nonaccrual asset may be restored to accrual status when none of its principal and interest is due and unpaid, and the Company expects repayment of the remaining contractual principal and interest. These criteria may be met when (1) all principal and interest are reasonably assured of repayment within a reasonable period and (2) after a sustained period of repayment performance (which is generally a minimum of 6 months). However, such assets should continue to be reported as past due until they are brought completely current. A nonaccrual loan secured by residential real estate may be restored to accrual status only when none of its principal and interest is due and unpaid, and the Company expects repayment of the remaining contractual principal and interest.

A loan is considered to be impaired when it is probable that we will be unable to collect all principal and interest amounts due according to the contractual terms of the loan agreement. An impairment allowance on loans \$1 million or greater is required to be measured based upon the loan’s market price, the present value of expected future cash flows, discounted at the loan’s initial effective interest rate,

or at fair value of the collateral if the loan is collateral dependent. If the loan valuation is less than the recorded value of the loan, an impairment allowance is established by a provision for credit loss. Impairment allowances are not needed when the recorded investment in an impaired loan is less than the loan valuation.

All residential mortgage loans (unpaid principal balance) are subject to impairment testing and resulting charge-off at 180 days delinquency. Any unpaid principal balance in excess of the value of the property, less cost to sell, is classified as loss. Fraudulent loans should be classified as loss and charged off no later than 90 days of discovery or within the time frames specified within this classification policy, whichever is sooner.

The principal of commercial loans is charged off, either in whole or in part, when based on facts and circumstances a serious doubt arises as to the collectability of all or a portion of the principal. A charge-off memo is prepared by the account officer and must be approved by the CCO.

Consumer loans that are not secured by residential real estate are charged off when they become 120 days past due. Residential mortgage loans delinquent 180 days or more are charged off to the extent unpaid principal balance plus superior liens (such as taxes and co-op fees) exceed the appraised value less 10%. In addition, charge-offs may be taken at the discretion of management which in some cases may represent the full balance of the loan.

The tables below set forth information about our impaired, past due, and nonaccrual loans.

Impaired, past due and nonaccrual loans at Sept. 30, 2016										
(in millions)	Impaired loans		Days past due and still accruing				Total past due	Nonaccrual		
	With an allowance	Without an allowance	30-59	60-89	>90					
Domestic										
Commercial	\$ —	\$ —	\$ 10	\$ —	\$ —	\$ 10	\$ —	\$ —	\$ —	\$ —
Commercial real estate	1	—	23	—	—	23	—	—	—	1
Financial institutions	—	—	143	—	—	143	(a)	—	—	—
Lease financings	4	—	—	—	—	—	—	—	—	4
Wealth management loans and mortgages	1	3	25	3	—	28	—	—	—	7
Other residential mortgages	—	—	17	5	6	28	—	—	—	93
Total domestic	6	3	218	8	6	232	—	—	—	105
Foreign	—	—	—	—	—	—	—	—	—	—
Total	\$ 6	\$ 3	\$ 218	\$ 8	\$ 6	\$ 232				\$ 105

(a) Substantially all of these past due loans have been repaid subsequent to Sept 30, 2016.

Allowance for Loan Losses and Allowance for Lending-Related Commitments

The allowance for loan losses, shown as a valuation allowance to loans, and the allowance for lending-related commitments recorded in other liabilities are referred to as BNY Mellon's allowance for credit losses. The accounting policy for the determination of the adequacy of the allowances has been identified as a "critical accounting estimate" as it requires us to make numerous complex and subjective estimates and assumptions relating to amounts which are inherently uncertain.

The allowance for loan losses is maintained to absorb losses inherent in the loan portfolio as of the balance sheet date based on our judgment. The allowance determination methodology is designed to provide procedural discipline in assessing the appropriateness of the allowance. Credit losses are charged against the allowance. Recoveries are added to the allowance.

The methodology for determining the allowance for lending-related commitments considers the same factors as the allowance for loan losses, as well as an estimate of the probability of drawdown. 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, if the loan is collateral dependent.

The second element, higher risk-rated credits and pass-rated credits, is based on our probable loss model. Individual credit analyses are performed on such loans 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 ("UGD")). 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 five 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 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 internal historical data related to our residential mortgage portfolio. 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;
- Borrower concentration; and
- Significant concentrations in high risk industries and countries.

Environmental risk factors:

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

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.

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.

The following table sets forth information on our allowance for credit losses activity.

Allowance for credit losses activity for the quarter ended Sept. 30, 2016

<i>(in millions)</i>	Commercial	Commercial real estate	Financial institutions	Lease financings	Wealth management loans and mortgages	Other residential mortgages	All Other	Foreign	Total
Beginning balance	\$ 90	\$ 63	\$ 29	\$ 14	\$ 18	\$ 29	\$ —	\$ 37	\$ 280
Charge-offs	—	—	—	—	—	(1)	—	—	(1)
Recoveries	—	—	13	—	—	1	—	—	14
Net (charge-offs) recoveries	—	—	13	—	—	—	—	—	13
Provision	1	—	(13)	—	—	(1)	—	(6)	(19)
Ending balance	\$ 91	\$ 63	\$ 29	\$ 14	\$ 18	\$ 28	\$ —	\$ 31	\$ 274
Allowance for:									
Loans losses	\$ 22	\$ 45	\$ 9	\$ 14	\$ 14	\$ 28	\$ —	\$ 16	\$ 148
Lending-related commitments	69	18	20	—	4	—	—	15	126
Individually evaluated for impairment:									
Loan balance	\$ —	\$ 1	\$ —	\$ 4	\$ 4	\$ —	\$ —	\$ —	\$ 9
Allowance for loan losses	—	1	—	2	—	—	—	—	3
Collectively evaluated for impairment:									
Loan balance	\$ 2,292	\$ 4,693	\$ 6,783	\$ 1,013	\$ 15,027	\$ 901	\$ 20,189	(a) \$ 15,061	\$ 65,959
Allowance for loan losses	22	44	9	12	14	28	—	16	145

(a) Includes \$1,580 million of domestic overdrafts, \$17,487 million of margin loans and \$1,122 million of other loans at Sept. 30, 2016.

Credit Risk: Disclosures for Portfolios Subject to IRB Risk-based Capital Formulas

Under the Advanced Approaches risk-based capital rules, BNY Mellon uses the IRB advanced approach for quantifying risk in its credit portfolios. The IRB advanced approach is a method of calculating credit risk capital requirements using internal probability of default ("PD"), loss given default ("LGD"), and EAD models.

Overview of Wholesale Internal Rating System

Our internal rating system includes two types of ratings – a borrower rating and a facility rating. A borrower rating is assigned to each customer; a facility rating is assigned to each exposure.

A borrower rating is intended to reflect the statistical probability that a customer will default on its debt obligations during the next year. The PD associated with each borrower is calculated annually by the

Basel & Capital Adequacy Group. The PDs represent long-run default rates from both internal and external empirical data.

The facility rating reflects the percentage loss we would incur for that facility if the customer were to default on payment of a particular facility. A facility rating is determined by assessing the type of credit exposure, the borrower's corporate and capital structure, credit enhancements linked to our facility (e.g., security or guarantees), the nature of the borrower's assets, and other aspects of the facility to arrive at an estimate of loss in the event of default. The LGD associated with each facility rating is calculated annually by the Basel & Capital Adequacy Group. The LGDs are informed by historic loss rates from both internal and external empirical data.

Ratings Assignment Process

BNY Mellon employs an internal system to facilitate the assignment of ratings, document the factors

considered in the rating process and archive this data for historic analysis. A borrower rating is assigned when any new credit relationship is established; a facility rating is assigned when a new facility is approved.

Credit underwriters propose ratings on each deal, after which a division executive within risk management reviews and approves the final ratings. Ratings are continually monitored for accuracy in the ordinary course of business as prescribed in the Company's Risk Policy. All borrowers with credit exposure must be re-rated annually.

Borrower Rating Process

We rely on a variety of inputs to assign wholesale borrower ratings. External ratings, internally-developed scorecards and expert judgment are all employed to assign appropriate ratings to customers.

Facility Rating Process

Facility ratings derive from an internal model which considers facility type, structure, and collateral as the principal drivers of recovery, with expert judgment also allowed where these factors do not address all the potential facility risk.

Ratings Migration

Our rating scales incorporate longer-term fundamentals into the rating determination, while proactively downgrading during deteriorating conditions. Downgrades occur on a proactive basis, especially during credit downturns, while upgrades tend to lag credit conditions due to conservatism. Migration of ratings within the credit portfolio is tracked regularly and subject to annual auditing.

Credit Risk Governance

The Company manages its wholesale credit risk at both the individual exposure level and at the portfolio level. Credit risk at the individual exposure level is managed via the credit approval process, with risk management executives responsible for approving the size, terms, and maturity of all credit exposures, as well as assigning and maintaining borrower and facility ratings.

Credit risk at the portfolio level is managed by a centralized group, which calculates our economic

capital for credit risk and loan loss reserves. Committees meet within risk management to review risk policies, modeling and quantitative approaches. They also meet on each sub-portfolio to set exposure limits, review concentrations, set portfolio strategy, and discuss improvements to the credit risk management framework.

Quantification of Wholesale Risk Parameters, Summary of Advanced Approaches Requirements and Company Implementation

Quantification is the process of translating observed risk characteristics into meaningful measurements based on observed data. Simply put, it is the process to derive the numerical components of the credit risk rating system for use in risk management. The quantification process is subject to the governance processes described above.

The results of the quantification process are essential to the risk management function at the Company and are applied in risk quantification under regulatory capital standards. As these risk parameters are used to evaluate individual credits and the overall portfolio and will ultimately determine regulatory capital, they must be determined with a high degree of accuracy.

BNY Mellon has historically had a low default portfolio for wholesale exposures and consequently, has been forced to rely upon supplemental external data in order to calibrate the quantification system. BNY Mellon obtains the data from numerous external sources to augment its internal historic data. Internal systems have been improved to track all data relevant for quantification, but external data will likely continue to be necessary indefinitely, to address the size and low default profile of the portfolio.

Quantification of PD

Our PD quantification model uses information of credit ratings and observed default rates in Standard and Poor's ("S&P") measure of rating bands and loans in order to estimate PD of given BNY Mellon internal borrower ratings. The PD estimates are long-run averages of default rates for S&P rating categories. The Company relies upon external data from S&P due to the absence of sufficient internal default data by rating.

Every borrower is assigned a borrower rating that maps to one-year PDs for use in credit risk

management. The PD estimates are long-run averages of observed default rates based on obligors within a one-year window. This section details the process by which borrower ratings and PDs are generated.

Borrower Ratings Basis Groups

BNY Mellon has created rating groups in which borrowers with similar risk characteristics (and therefore similar default characteristics) are grouped together. Within each rating basis group, particular benchmarks are available as starting points for the internal rating assignment workflow. Available benchmarks include a range of publicly-available ratings, as well as the output of internal scorecard models.

Once a borrower's benchmark is chosen, the rater may adjust the rating up or down based on certain factors. Adjustments address factors not appropriately considered by the chosen benchmark. Ratings are monitored and reviewed for continued accuracy in the ordinary course of business. All borrowers with credit exposure must be re-rated annually with few exceptions.

PD Assignment

Once a borrower has a final rating, PD rates are applied based on an annual quantification analysis. This analysis incorporates internal and external data to determine the most appropriate PD for each rating.

Quantification of LGD

The Company assigns a rating representing the predicted loss severity to each credit facility. The

model incorporates the factors named above, and allows expert adjustment by the user, as in the case of borrower ratings, which addresses factors not appropriately considered by the model.

Once final facility ratings are assigned, each rating receives an LGD percentage for use in quantitative analysis. Internal and external data as well as industry studies all contribute to the annual quantification process that sets the LGD percent for each facility rating.

Quantification of EAD

EAD reflects the entire portion of drawn amounts plus a percentage of undrawn availability. The rate of undrawn availability included in the final EAD is the UGD.

UGD is defined as the expected percent of the commitment that will be used in the event of default. The drawn portions of every facility carry an implicit UGD of 100%. Undrawn portions of facilities carry a UGD between 0% and 100% depending on the prospect for additional draws prior to default. The Company performs an annual quantification to determine the factors that affect facility usage leading up to default and to set UGD percentages based on those factors.

Uses of Parameter Quantification

We use the results of the quantification process for regulatory capital, economic capital and EL analyses. The EL, in turn, drives the loan loss reserve calculation.

The following tables provide details of BNY Mellon's IRB advanced approach risk parameters used to calculate RWA and capital under the Advanced Approaches risk-based capital rules and set out the distribution of exposures by PD bands.

Wholesale exposures at Sept. 30, 2016		Weighted Average PD (a)	Weighted Average LGD (a)	Weighted Average RW (a)	Undrawn Amount (b)	Weighted Average CCF (c)
<i>(dollar amounts in millions)</i>		EAD				
General Wholesale						
0.00 to < 0.15%	\$ 266,538	0.05 %	36.29 %	15.40 %	\$ 51,422	59.71 %
0.50 to < 0.75%	11,236	0.56	38.59	69.58	3,000	64.73
0.75 to < 1.35%	5,690	0.90	39.49	77.66	2,644	90.28
2.50 to < 5.50%	3,555	2.65	47.35	128.79	491	83.75
5.50 to < 10.00%	372	8.07	39.27	158.90	139	55.90
20.00 to < 100.00%	101	39.29	53.75	285.98	63	59.58
100.00% (default)	24	100.00	50.37	100.00	—	—
General Wholesale Subtotal	287,516	0.15	36.59	20.44	57,759	61.57
OTC Derivatives, Repo-style Transactions and Margin Loans						
0.00 to < 0.03%	\$ 262	0.02 %	53.97 %	14.51 %	\$ —	— %
0.03 to < 0.10%	27,084	0.07	53.45	15.00	—	—
0.10 to < 0.15%	10,706	0.12	51.96	21.76	—	—
0.50 to < 0.75%	396	0.56	43.92	55.63	—	—
0.75 to < 1.35%	721	0.90	48.40	68.94	—	—
2.50 to < 5.50%	355	2.63	39.05	84.76	—	—
5.50 to < 10.00%	20	7.93	50.39	166.49	—	—
10.00 to < 100.00%	1	39.29	54.00	270.02	—	—
Eligible Margin Loans - 300% RW	82	—	—	300.00	—	—
OTC Derivatives, Repo-style Transactions and Margin Loans Subtotal	39,627	0.13	52.62	19.51	—	—
Total	\$ 327,143	0.15%	38.53%	20.33%	\$ 57,759	61.57%

(a) Weighted averages have been weighted by the sum of EAD within each of the PD bands.

(b) Undrawn amount is defined as the difference between the drawn balance and the limit.

(c) Weighted average credit conversion factor ("CCF") has been weighted by the sum of undrawn amount within each of the PD bands.

Wholesale exposures were \$327.1 billion at Sept. 30, 2016. The majority of the general wholesale exposures occurred in PD band 0.00% to less than 0.15%. These exposures primarily consisted of interest bearing deposits, U.S. Treasury and other sovereign debt securities, FRB placements, pass through mortgage-backed securities, unused loan

commitments, non-pass through mortgage-backed securities, real estate loans and other loans. OTC derivatives, repo-style transactions and margin loans consisted of primarily exposures to securities lending transactions, FX contracts, interest rate contracts and equity derivative contracts.

Our general wholesale exposures consist of corporate, sovereign, bank, and real estate exposures. Separate tables for each of these components are presented below.

Corporate exposures at Sept. 30, 2016		Weighted Average PD (a)	Weighted Average LGD (a)	Weighted Average RW (a)	Undrawn Amount (b)	Weighted Average CCF (c)
<i>(dollar amounts in millions)</i>		EAD				
0.00 to < 0.15%	\$ 112,384	0.06%	38.72%	23.23%	\$ 48,891	59.13%
0.50 to < 0.75%	7,448	0.56	35.46	68.58	2,203	60.51
0.75 to < 1.35%	3,540	0.90	33.82	70.21	2,244	90.65
2.50 to < 5.50%	1,174	2.71	46.38	118.05	387	86.42
5.50 to < 10.00%	100	8.27	31.66	139.29	87	50.89
20.00 to < 100.00%	90	39.29	53.78	287.44	60	61.29
100.00% (default)	14	100.00	51.79	100.00	—	—
Subtotal	\$ 124,750	0.19%	38.46%	28.46%	\$ 53,872	60.69%

Note: See the footnotes to the Wholesale exposures table in this section ("Credit Risk: Disclosures for Portfolios Subject to IRB Risk-based Capital Formulas") of the Report.

Corporate exposures were \$124.8 billion at Sept. 30, 2016. The majority of the exposures occurred in PD band 0.00% to less than 0.15%. Exposures within this PD band totaled \$112.4 billion or 90% of total corporate exposures. These exposures are primarily

made up of pass through mortgage-backed securities, unused loan commitments, non-pass through mortgage-backed securities, other loans and debt securities.

Sovereign exposures at Sept. 30, 2016						
<i>(dollar amounts in millions)</i>	EAD	Weighted Average PD (a)	Weighted Average LGD (a)	Weighted Average RW (a)	Undrawn Amount (b)	Weighted Average CCF (c)
0.00 to < 0.15%	\$ 129,762	0.03%	32.34%	7.61%	\$ 44	56.54%
0.50 to < 0.75%	1,203	0.56	38.44	58.99	—	—
Subtotal	\$ 130,965	0.04%	32.39%	8.08%	\$ 44	56.54%

Note: See the footnotes to the Wholesale exposures table in this section (“Credit Risk: Disclosures for Portfolios Subject to IRB Risk-based Capital Formulas”) of the Report.

Sovereign exposures were \$131.0 billion at Sept. 30, 2016. Nearly all of the exposures occurred in PD band 0.00% to less than 0.15%. These exposures are

primarily made up of FRB placements, U.S. Treasury securities, other sovereign government debt securities and interest bearing deposits.

Bank exposures at Sept. 30, 2016						
<i>(dollar amounts in millions)</i>	EAD	Weighted Average PD (a)	Weighted Average LGD (a)	Weighted Average RW (a)	Undrawn Amount (b)	Weighted Average CCF (c)
0.00 to < 0.15%	\$ 22,573	0.09%	46.50%	19.78%	\$ 2,389	72.26%
0.50 to < 0.75%	1,408	0.56	48.04	69.40	149	87.76
0.75 to < 1.35%	1,470	0.90	47.97	79.28	80	74.40
2.50 to < 5.50%	2,094	2.64	47.35	133.28	2	54.65
5.50 to < 10.00%	268	7.98	42.00	165.20	52	64.38
20.00 to < 100.00%	1	39.29	47.00	248.93	1	26.20
100% (default)	8	100.00	47.00	100.00	—	—
Subtotal	\$ 27,822	0.45%	46.67%	35.40%	\$ 2,673	73.00%

Note: See the footnotes to the Wholesale exposures table in this section (“Credit Risk: Disclosures for Portfolios Subject to IRB Risk-based Capital Formulas”) of the Report.

Bank exposures were \$27.8 billion at Sept. 30, 2016. The majority of the exposures occurred in PD band 0.00% to less than 0.15%. Exposures within this PD band totaled \$22.6 billion or 81% of total bank

exposures. These exposures were primarily made up of interest bearing deposits, loans with financial institutions and non-interest bearing deposits.

Real estate exposures at Sept. 30, 2016						
<i>(dollar amounts in millions)</i>	EAD	Weighted Average PD (a)	Weighted Average LGD (a)	Weighted Average RW (a)	Undrawn Amount (b)	Weighted Average CCF (c)
0.00 to < 0.15%	\$ 1,819	0.10%	41.14%	33.60%	\$ 98	44.01%
0.50 to < 0.75%	1,177	0.56	47.23	86.94	648	73.85
0.75 to < 1.35%	680	0.90	50.63	112.88	320	91.69
2.50 to < 5.50%	287	2.56	51.33	140.00	102	74.35
5.50 to < 10.00%	4	8.85	47.04	222.97	—	—
20.00 to < 100.00%	10	39.29	54.00	276.64	2	28.73
100.00% (default)	2	100.00	53.13	100.00	—	—
Subtotal	\$ 3,979	0.69%	45.34%	71.48%	\$ 1,170	76.19%

Note: See the footnotes to the Wholesale exposures table in this section (“Credit Risk: Disclosures for Portfolios Subject to IRB Risk-based Capital Formulas”) of the Report. Real estate includes HVCRE and IPRE.

Real estate exposures were \$4.0 billion at Sept. 30, 2016. The majority of the exposures occurred in PD band 0.00% to less than 0.15% and PD band 0.50% to less than 0.75%.

Retail quantification

Retail Segmentation Process

The retail segmentation process uses various factors relevant to the credit risk of retail borrowers to group those borrowers into pools for risk quantification purposes. Quantification of each parameter (PD, LGD and EAD) then occurs at the pool level.

In the first phase of segmentation, the Company assigns each retail exposure to one of three retail subcategories:

- 1) **Exposures Secured by Residential Mortgages** – include primarily mortgages (first and subsequent) on one-to-four-family residential properties.
- 2) **Qualifying Revolving Exposures** – include revolving exposures unconditionally cancelable by the Company, with total exposure less than \$100,000.
- 3) **Other Retail Exposures** – include exposures where the Company provides consumer and non-consumer lines of credit to certain

unaffiliated third-party borrowers that are secured by securities owned by the borrowers or certain unaffiliated-third party guarantors.

Within each of these broader segments, we delineate additional pools based on relevant risk criteria. The pooling methodology aims to provide meaningful differentiation so that there are no material differences in the EL severity of individual exposures within each pool. Every retail exposure must be categorized in this way.

Retail Parameters

PD, LGD and EAD parameter calculations are performed on non-defaulted retail exposures. For defaulted exposures we do not need these parameters because they are automatically risk weighted at 100%. The calculations are done at both the pool and sub pool level and mapped to each retail exposure within these pools. Historical data retention is a critical component of calculation and validation of retail parameters. External data augments our internal data where doing so provides more robust risk estimates.

Defaulted Retail Exposures

Retail exposures are considered defaulted if certain past due criteria are met. These criteria vary depending on segment and product type.

The following table presents BNY Mellon's retail exposures.

Retail exposures by PD at Sept. 30, 2016		EAD	Weighted Average PD (a)	Weighted Average LGD (a)	Weighted Average RW (a)	Undrawn Amount (b)
<i>(dollar amounts in millions)</i>						
Residential mortgage						
0.10 to < 0.15%	\$	396	0.12 %	29.65 %	8.10 %	\$ —
0.25 to < 0.35%		13	0.26	49.38	24.05	—
0.50 to < 0.75%		203	0.62	36.68	33.23	—
1.35 to < 2.50%		1	1.56	100.00	167.33	—
2.50 to < 5.50%		197	3.94	40.98	118.89	—
20.00 to < 100.00%		6	59.05	35.57	150.83	—
100.00% (default)		94	100.00	37.76	100.00	—
Revolving						
0.10 to < 0.15%		192	0.11	100.00	24.75	106
100.00% (default)		1	100.00	100.00	100.00	—
Other Retail						
1.00 to < 1.50%		2,087	1.00	10.00	10.17	—
2.00 to < 2.50%		13	2.00	10.00	12.89	—
3.50 to < 4.00%		1	3.98	10.00	14.44	—
4.00 to < 5.00%		2	4.23	100.00	145.27	—
7.00 to < 8.00%		13	7.16	100.00	154.51	—
Total retail exposure	\$	3,219	4.05%	22.85%	22.59%	\$ 106

(a) Weighted averages have been weighted by the sum of EAD within each of the PD bands.

(b) Undrawn amount is defined as the difference between the drawn balance and the limit.

Total retail EAD was \$3.2 billion at Sept. 30, 2016. The majority of the exposures occurred in other retail loans for PD band 1.00% to less than 1.50% and residential mortgage for PD bands 0.10% to less than 0.15%. Other retail loan exposures primarily consisted of consumer single payments loans, such as household, family or other personal needs loans, secured by assets other than real estate. Residential mortgage exposures primarily consisted of one-to-four family closed end first liens.

Net Recoveries (Charge-offs)

The following table presents BNY Mellon's net recoveries for the third quarter of 2016 and second quarter of 2016.

Net recoveries (charge-offs)	3Q16	2Q16
<i>(in millions)</i>		
Wholesale	\$ 13	\$ 1
Retail:		
Residential	—	1
Total retail	—	1
Total net recoveries	\$ 13	\$ 2

Net recoveries of \$13 million in the third quarter of 2016 were reflected in the wholesale portfolio. Net

recoveries were \$2 million in the second quarter of 2016 and reflected in the wholesale and other residential mortgage portfolios.

Counterparty Credit Risk for Derivative Contracts, Repo-style Transactions and Eligible Margin Loans

BNY Mellon engages in market-making activities on behalf of its customers in the FX cash and derivatives markets. This function requires BNY Mellon to regularly enter into future-settling financial contracts with customers ("counterparties"), the market values of which contracts will fluctuate day-to-day based on prevailing market conditions. Whenever the market value of such positions is positive, it represents an effective extension of credit by the Company to the customer. If the customer were not to perform on its obligations, BNY Mellon would be at risk of suffering an economic loss on the value of those contracts and may need to resort to recovering the lost value in bankruptcy proceedings. This risk is known as "counterparty default risk."

Additionally, BNY Mellon can suffer market losses due to the deterioration of the credit quality of a counterparty short of its non-performance or default. Because the counterparty's credit quality is factored

into the market valuation of the portfolio held with that counterparty, falling credit quality can reduce this value and require a negative adjustment in our income statement. A significant and broad-based deterioration in credit quality across BNY Mellon's trading counterparties can result in a material loss of market value. This risk is known as CVA risk.

Counterparty default risk and CVA risk together represent two components of overall counterparty risk assumed by BNY Mellon in its FX and derivative market-making activities.

BNY Mellon's counterparty risk is heavily concentrated in our largest bank subsidiary, The Bank of New York Mellon, resulting from activities of its Markets business which operates in FX cash markets and also in interest rate and FX derivative markets.

BNY Mellon engages in a variety of risk management activities to control and limit the degree of counterparty risk assumed by its businesses. These activities include:

- Limit management of various counterparty-level exposure metrics
- Set up of netting agreements and collateral exchange terms with counterparties
- Approval and monitoring of collateral exchanges
- Calculation and review of stress and sensitivity metrics
- Monitoring of wrong-way risk reports
- Review of country-level risk concentrations
- Monitoring of settlement failures
- Special review of "large-exposure" counterparties
- Economic capital analyses
- Active hedging of CVA risk by the business
- Other ad hoc analyses

To support its high-volume FX business, BNY Mellon uses technology-driven, real-time pre-trade credit checks that provide indications to the FX sales team or to the electronic platform executing trades whether the proposed business fits within proper credit parameters. For trades touching the sales area, sales team members use these credit checks to consider whether the trade fits within existing credit lines or to prompt a request for special approval if a limit will be breached. For electronic platforms, the pre-trade credit response is final. If a customer's trade request fails on credit grounds, the trade is not executed.

Additionally, we have executed legal agreements with many of our counterparties that help to reduce counterparty risk inherent in FX and derivative trading activity.

The most common legal agreement used by market participants is a master netting agreement that can significantly reduce exposure size by permitting effective offsets to exposure provided by any "negatively valued" trades existing with the counterparty. In particular, two kinds of netting can be negotiated with counterparties under such an agreement.

Settlement netting pertains to exchanges of FX currency amounts on the settlement date, and requires the counterparties to net offsetting currency flows into a single netted currency flow. This helps reduce the size of "pay away" risk when settling contracts.

Master netting agreements used in connection with our FX and derivative trading activity are usually based on two legal templates - the ISDA Master Agreement developed by the International Swaps and Derivatives Association ("ISDA") or the Foreign Exchange and Currency Option Master Agreement. Additionally, within a master netting agreement, collateral exchange terms can be defined in a Credit Support Annex ("CSA") to establish rules by which the trading counterparties are required to post collateral to each other against the netted market value of open trades covered by the agreement.

Key CSA terms may include:

- Unsecured threshold - Collateral is exchanged only when the netted exposure is greater than the unsecured threshold.
- Minimum transfer amount - The minimum posting amount for new collateral calls.
- Monitoring frequency - Frequency at which collateral calls are made, usually daily.
- Haircuts on security collateral - Haircuts protect the party accepting the collateral against any abrupt drops in its value due to market changes.
- Types of collateral accepted under the agreement: BNY Mellon generally accepts cash, U.S. Treasuries and U.S. Agency securities. Other securities will be accepted on occasion with the approval of Risk Management.

In certain cases, BNY Mellon will establish collateral exchange terms outside a CSA on a contract by

contract basis. This is known as trade-specific collateral, and can take the form of an initial cash or security posting to cover the potential future exposure of a particular trade. Trade-specific collateral terms are written into the trade contract and the trade “confirmation”.

Additionally, optional termination triggers can be defined within a master agreement that permit BNY Mellon to force the counterparty to immediately cash-settle the current market value of all open contracts if the counterparty’s credit rating falls below a certain trigger level. These termination events protect us from having to hold on to open contracts with a counterparty experiencing credit difficulties.

When both netting and collateral terms are actively in operation, counterparty risk can be reduced to a small fraction of what it would be otherwise. These arrangements never completely eliminate counterparty risk, but they are effective in significantly reducing that risk.

For additional details on these and other credit risk management methods employed by BNY Mellon, see the “Credit Risk Mitigation” section of this Disclosure. There were no counterparty default losses in the third quarter of 2016.

The Markets Documentation Committee reviews and approves variations in the Company’s documentation standards as it relates to derivative transactions. In addition, this committee reviews all outstanding confirmations to identify potential exposure to the Company.

Economic Capital

As discussed previously in the “Capital Adequacy” section of this Disclosure, BNY Mellon has implemented a methodology to estimate Company-wide economic capital needs to support the safe operation of its various businesses including the market-making FX and derivative businesses, repo-style transactions and eligible margin loans. The computation and review of economic capital is a part of BNY Mellon’s ICAAP and, along with regulatory capital, represents a key risk management activity. This ensures that the actual level of capital held by the Company is commensurate with its risk profile and that it is sufficient to provide the financial flexibility to undertake future strategic business

initiatives. See “Capital Adequacy - Economic Capital Required” in this Disclosure, for additional information regarding the development and approval of the framework and methodologies used to quantify each of our risk types.

Credit Limits

We assess credit risk of our counterparties through regular examination of their financial statements, confidential communication with the management of those counterparties and regular monitoring of publicly available credit rating information. This and other information is used to develop proprietary credit rating metrics used to assess credit quality.

For FX and derivative businesses, Credit Underwriting teams set and monitor three types of counterparty limits to control the pre-settlement and settlement risk of trades. Pre-settlement risk is the risk that a counterparty defaults before it has fulfilled all its contractual obligations causing a loss of any positive net market value to BNY Mellon. Settlement risk - sometimes called pay-away risk - is the risk that on the settlement of an FX contract, BNY Mellon pays its currency obligation to the counterparty, but the counterparty never pays in its currency obligation to BNY Mellon causing a loss of the whole contract principal.

Pre-settlement risk is managed through limits established on a stressed exposure and the maximum tenor of contracts. The stressed exposure calculation - internally called Cross-Product Potential Risk (“CPPR”) - captures the 95th percentile peak exposure that could be produced by a counterparty’s portfolio over its lifetime. It is based on a Monte Carlo simulation of market factors that impact the pricing of the contracts and considers diversification of exposures across product categories and any netting and collateral arrangements that may be in place.

The tenor limit works in conjunction with the CPPR limit to control pre-settlement exposures and defines the longest trade maturity BNY Mellon is willing to accept with a counterparty.

For FX trading, daily settlement limits are established to control the aggregate size of FX amounts permitted to settle with a counterparty on any given settlement date.

Limits are actively monitored using end-of-day snapshots and also on a real-time basis for FX activity using intraday reports and desktop monitoring tools. Detailed policies and procedures govern the limit management process and cover activities such as:

- Formal acknowledgment procedures for limit excesses
- Adherence by on-site credit officers to excess approval authorities and escalation procedures when those authorities are exceeded
- Approval and monitoring of collateral amounts posted and received
- Monitoring of settlement fails
- Periodic portfolio and documentation reviews

Credit risk also includes operational credit risk arising from investment servicing activities.

We manage credit risk at both the individual exposure level as well as at the portfolio level. Credit risk at the individual exposure level is managed through the credit approval system involving Operational Credit Managers (“OCMs”), Credit Portfolio Managers (“CPM”), Credit Division Heads (“CDHs”), the CCO and the CRO. This group, collectively, “Credit Risk Management,” is responsible for approving the size, terms and maturity of all credit exposures as well as the ongoing monitoring of the exposures. BNY Mellon employs a “Signature System” for all credit approvals. A minimum requirement of the “Signature System” is that a proposal must have the signature approval of an OCM or CPM, or higher (unless delegated per policy). In addition, OCMs and CPMs are responsible for assigning and maintaining the risk ratings on each exposure.

Risk Tolerance

BNY Mellon will assume credit risk to the extent that it can maintain Tier 1 capital in excess of economic capital at a 99.90% confidence interval. Credit risk is also managed by annually setting guideline limits on economic capital for certain industries and various portfolio groups. The Risk Policy Manual, to which changes are reviewed annually by the Risk Committee of the Board of Directors, contains these guideline limits. In effect, internal credit guidelines are set and monitored for those activities that generate credit risk typically based on the size of the exposure and the maximum tenor of the extended credit.

Credit Valuation Adjustment

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

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

Credit Rating Downgrade

Certain OTC derivative contracts and/or collateral agreements of The Bank of New York Mellon, our largest banking subsidiary and the subsidiary through which BNY Mellon enters into the substantial majority of its OTC derivative contracts and/or collateral agreements, contain provisions that may require us to take certain actions if The Bank of New York Mellon’s public debt rating fell to a certain level. Early termination provisions, or “close-out” agreements, in those contracts could trigger immediate payment of outstanding contracts that are in net liability positions. Certain collateral agreements would require The Bank of New York Mellon to immediately post additional collateral to cover some or all of The Bank of New York Mellon’s liabilities to a counterparty.

The following table shows the fair value of contracts falling under early termination provisions that were in net liability positions as of Sept. 30, 2016 for three key ratings triggers:

If The Bank of New York Mellon’s rating was changed to (Moody’s/S&P)	Potential close-out exposures (fair value) (a)
A3/A-	\$ 48 million
Baa2/BBB	782 million
Ba1/BB+	2,813 million

(a) *The amounts represent potential total close-out values if The Bank of New York Mellon’s rating were to immediately drop to the indicated levels.*

The aggregated fair value of contracts impacting potential trade close-out amounts and collateral obligations can fluctuate from quarter to quarter due to changes in market conditions, changes in the composition of counterparty trades, new business or changes to the agreement definitions establishing close-out or collateral obligations. Additionally, if The Bank of New York Mellon's debt rating had fallen below investment grade on Sept. 30, 2016, existing collateral arrangements would have required us to have posted an additional \$176 million of collateral.

Derivatives

The U.S. capital rules allow banks to use the Current Exposure Method ("CEM") or the Internal Models Method ("IMM"), after receiving prior written approval from the regulators, for estimating EAD associated with counterparty trades. BNY Mellon currently uses the CEM approach for estimating EAD. The table below presents BNY Mellon's derivative exposure.

Derivatives (in millions)	Sept. 30, 2016							
	OTC Derivatives			Cleared Derivatives				
	Positive Fair Value EAD	PFE	EAD	Positive Fair Value EAD	PFE	EAD	Total EAD	
Interest rate contracts	\$ 7,735	\$ 1,232	\$ 8,967	\$ 5,140	\$ 1,259	\$ 6,399	\$ 15,366	
Foreign exchange contracts	3,838	5,861	9,699	—	—	—	9,699	
Equity derivative contracts	590	1,267	1,857	14	18	32	1,889	
Default fund contributions	—	—	—	83	—	83	83	
Other	6	3	9	933	—	933	942	
Total exposure	\$ 12,169	\$ 8,363	\$ 20,532	\$ 6,170	\$ 1,277	\$ 7,447	\$ 27,979	
Netting							(15,714)	
Netted EAD pre-collateral							\$ 12,265	
Collateral applied							(2,166)	
Total exposure after netting and collateral							\$ 10,099	

Total EAD on derivatives was approximately \$10.1 billion at Sept. 30, 2016, consisting of exposure to OTC derivatives and exposures to cleared derivatives. OTC and cleared derivatives exposures primarily consisted of interest rate contracts, foreign exchange contracts and equity derivative contracts, partially offset by the effect of netting agreements and collateral applied. Collateral applied consists primarily of cash.

Repo-style Transactions

A securities lending transaction is a fully collateralized transaction in which the owner of a security agrees to lend the security (typically through an agent, in our case, The Bank of New York Mellon), to a borrower, usually a broker-dealer or bank, on an open, overnight or term basis, under the terms of a prearranged contract, which normally matures in less than 90 days.

We typically lend securities with indemnification against borrower default. We generally require the borrower to provide collateral with a minimum value

of 102% of the fair value of the securities borrowed, which is monitored on a daily basis, thus reducing credit risk. Market risk can also arise in securities lending transactions. These risks are controlled through policies limiting the level of risk that can be undertaken. Securities lending transactions are generally entered into only with highly rated counterparties. BNY Mellon has indemnified activity of \$309 billion as of Sept. 30, 2016. Securities lending indemnifications were secured by collateral of \$323 billion at Sept. 30, 2016.

CIBC Mellon, a joint venture between BNY Mellon and the Canadian Imperial Bank of Commerce ("CIBC"), engages in securities lending activities. CIBC Mellon, BNY Mellon, and CIBC jointly and severally indemnify securities lenders against specific types of borrower default. At Sept. 30, 2016, \$62 billion of borrowings at CIBC Mellon for which BNY Mellon acts as agent on behalf of CIBC Mellon clients, were secured by collateral of \$66 billion. If, upon a default, a borrower's collateral was not sufficient to cover its related obligations, certain

losses related to the indemnification could be covered by the indemnitors.

Under the U.S. capital rules, all indemnified securities lending activities, including securities lent with cash collateral received and all indemnified cash reinvestments into reverse repos are included in our RWA calculation.

For the above mentioned repo-style transactions, the U.S. capital rules allow banks to adjust EAD by using the collateral haircut approach. As an alternative to mitigating credit risk through an EAD adjustment, banks can apply an LGD adjustment used in calculating the risk weight and expected credit loss. BNY Mellon is currently either applying the collateral haircut approach or adjusting the LGD for repo-style transactions.

The following table provides EAD for all counterparty credit risk of repo-style transactions, by credit risk mitigation method and product type.

Counterparty credit risk exposure - analysis by product as Sept. 30, 2016				
<i>(in millions)</i>	EAD Adjustment Method	LGD Adjustment Method		Total
Securities Lending	\$ 26,381	\$ —		\$ 26,381
Repo/Reverse Repo and Securities Borrowing	3,166	—		3,166
Broker/Dealer and Margin Lending	702	867		1,569
Total	\$ 30,249	\$ 867		\$ 31,116

Total counterparty credit risk exposure for repo-style transactions at Sept. 30, 2016 was \$31.1 billion, primarily consisting of securities lending transactions.

Periodically, we purchase single name credit default swaps (“CDS”), credit default swap index (“CDX”) and commercial mortgage-backed securities Index (“CMBX”) protection or other forms of credit protection to reduce our exposure to certain institutions or industries. The table below shows the notional amount of credit derivatives which BNY Mellon used for its own credit portfolio. As of Sept. 30, 2016, BNY Mellon had purchased \$178 million of CDS protection. The exposure categories presented below represent those of the protection provider rather than the underlying borrower.

Credit derivatives <i>(in millions)</i>	Sept. 30, 2016	
	Purchased	Sold
CDX	\$ 168	\$ —
CMBX	10	—
Total credit derivatives	\$ 178	\$ —

Credit Risk Mitigation

BNY Mellon manages credit risk through a variety of credit risk mitigation strategies including the following (each of which is discussed in additional detail below):

- Asset sales (for traditional loan products);
- Active collateralization (for repo-style transactions and derivative transactions);
- Master agreements/netting arrangements (for derivatives and securities financing transactions); and
- Credit derivatives (as shown in the table above).

Credit risk arises from several sources, including traditional lending activities and credit products, operational credit exposures, Securities Lending activities and “Markets Group exposures.” Each of these items is discussed below.

Traditional lending activities and credit products, include:

- Loans, lease commitments, advised and committed lines of credit (used or unused) and guidance lines for commercial transactions, whether secured or unsecured;
- Facilities to issue or confirm letters of credit;
- Acceptances;
- Overnight overdraft lines;
- Interbank money market/placement and federal funds with maturity greater than or equal to two business days;
- Federal funds purchased and segregated offset finance products;
- Receivables purchases without recourse to the seller;
- Secured overnight exposure to broker/dealers (including margin loans); and
- Repurchase agreements/reverse repurchase agreements.

Operational credit exposure consists of extensions of intraday credit provided as part of our investment servicing businesses, which include principally Asset

Servicing, Cash Management, Corporate Trust and, to a lesser extent, Depository Receipts, Treasury Services and Broker/Dealer Services. This type of credit exposure is associated with products with low historical credit losses. Operational credit exposures are also short-term in nature and normally require the occurrence of two separate events to generate a loss (e.g. the transaction fails causing an extension of credit and then the counter-party defaults).

Examples of operational credit exposures include:

- Daylight and overnight lending facilities, including daylight overdrafts, day loans to broker/dealers; and
- Securities-related facilities, including tri-party target limits, custody and clearing facilities, margin deposit limits, guidance lines for corporate trust, depository receipts and government securities clearance.

Securities lending activities consist of the temporary exchange of lendable securities for acceptable collateral between a lender and an approved borrower. The transaction is facilitated by a lending agent, as either agent or principal that stands between the lender and the ultimate borrower.

Credit risk arises for Securities Lending activities when:

- The borrower fails to return the securities on loan and BNY Mellon is forced to replace them, either by purchasing or borrowing the securities which may have appreciated or depreciated, in value. The credit risk is limited to the difference between the market value of the collateral held and the cost of the replacement securities.
- BNY Mellon, acting as an agent, indemnifies its institutional lenders against loss on the cash or other collateral received.
- BNY Mellon, acting as a principal to the trades, in the event of a counterparty default, assumes the risk of both any difference between the market value of collateral held and the cost of replacement of securities, and the need to post an additional amount for margin posted when borrowing the securities.

“Markets Group exposure” consists of FX and derivative exposure used for trading and interest rate management purposes. In providing FX and derivative products to our clients, we are assuming

counterparty credit risk. BNY Mellon would incur a loss on a derivative contract if rates move in our favor vis-à-vis the transaction and if the counterparty defaults. Certain OTC derivatives are centrally cleared whereby BNY Mellon does not face the original counterparty, but instead the central counterparty (“CCP”). As a clearing member of a CCP, we have the potential for loss if one of the CCP’s counterparties were to default and the loss experienced by the CCP is larger than the collateral posted to the CCP by the defaulting counterparty.

Examples of “Markets Group exposure” include:

- Foreign currency contracts;
- Foreign currency option contracts;
- Interest rate swaps, options, caps and floors;
- Futures and forward contracts;
- Equity options; and
- Total return swaps.

Asset Sales

In certain instances, we may also decide to sell part of our credit exposure. This type of mitigation is used primarily for traditional lending exposure. The decision to sell or hedge an asset is based on relative cost as well as the potential impact to the client. Under the terms of credit agreements, we are typically required to seek the client’s approval before selling part of our exposure.

Active Collateralization

The acceptance of collateral with at least daily margining is used for various exposure types. In Securities Lending, for example, the borrower is required to post collateral for lending activity with additional margins that can range from 102% to 110%. The collateral received from the borrower falls within the acceptable collateral types defined under the U.S. capital rules, including cash collateral and other types of security collateral including sovereign bonds, both U.S. and non-U.S., and equity security collateral. The collateral amounts with the borrowers are adjusted at the beginning of every day to reflect the prior days’ market activity and the collateral amounts are adjusted throughout the day for loan activity with the borrower.

Collateral is also used to mitigate the counterparty credit risk associated with FX and derivative transactions. In negotiating a collateral agreement,

the parties must agree upon an unsecured threshold. Exceeding this threshold triggers a collateral call from the exposed counterparty to cover the mark-to-market exposure above the threshold. The unsecured threshold must be approved through appropriate credit channels and can range from zero to any positive amount. Some collateral agreements may feature downgrade provisions that reduce the unsecured threshold if a counterparty were to be downgraded by a major rating agency such as S&P's, Moody's and Fitch.

Acceptable collateral for derivatives includes cash, U.S. Treasury securities, and/or U.S. government agency securities and any other collateral that Risk Management may approve from time to time. The collateral is generally marked-to-market daily, and any haircuts applied to these securities to determine the effective total amount posted must follow our internal policies. These haircuts are intended to protect BNY Mellon in case the value of the collateral suddenly falls under changing market conditions.

Credit Risk Management takes particular care to avoid wrong-way risk between collateral and exposures. Wrong-way risk results when the exposure to the counterparty increases when the counterparty's credit quality deteriorates. That is, it arises when default risk and credit exposure increase together.

There are two types of wrong-way risk. Specific wrong-way risk arises when the relationship between credit quality and exposure is explicit and direct. For example, if exposure is collateralized by a counterparty's own equity, it produces an obvious specific wrong-way risk situation. General wrong-way risk arises where the relationship is not explicit, but statistically material. For instance, if exposure is collateralized by a security that is strongly correlated with the counterparty's credit quality (i.e., security value tends to fall when credit quality falls), a general wrong-way risk situation may exist.

Master Agreements and Netting

Master agreements and netting are used to mitigate counterparty credit risk as a result of global markets exposure. All counterparties that trade term exposures are expected to sign a master agreement containing netting provisions and clauses that seek to minimize credit exposures. The principal Master Agreements used are based on the following form

agreements: the Master Repurchase Agreement ("MRA"), the Global Master Repurchase Agreement ("GMRA"), the Master Securities Loan Agreement ("MSLA"), the Global Master Securities Lending Agreement ("GMSLA"), ISDA Master Agreement and the International Foreign Exchange and Currency Option ("IFXCO") Master Agreement.

The MRA and MSLA are standardized agreements offered by the Securities Industry and Financial Markets Association ("SIFMA"). The MRA is used for transactions where one party (Seller) transfers to the other party (Buyer) securities against the transfer of funds by the Buyer, with a simultaneous agreement by the Buyer to transfer to the Seller such securities at a date certain (which may be the following business day), against the transfer of funds (the "Repurchase Price") by the Seller ("Repo Transactions"). The MRA is governed by New York law, but the parties may agree to modify the governing law. We generally use the MRA for (i) reinvesting (as agent for our clients) the cash collateral of our clients, and (ii) in our principal capacity, engaging in term reverse repo transactions with counterparties.

The GMRA is a standard form agreement offered by the International Capital Markets Association and SIFMA, and is generally used to document Repo Transactions between one or more non-U.S. entities, or foreign branches of U.S. entities. The GMRA is governed by English law. We (generally acting through our London Branch) generally use the GMRA for the same purposes as those described for the MRA above.

The MSLA is used for transactions where one party lends to the other party certain securities against the grant of a security interest and the pledge of collateral to the lender by the borrower of the securities. The MSLA is governed by New York law, but the parties may agree to modify the governing law. We generally use the MSLA (i) to lend, as agent, securities on behalf of our clients and (ii) as a principal.

The GMSLA is a standardized agreement offered by the International Securities Lending Association used for securities lending transactions in the cross-border market. The GMSLA is governed by English law. We (generally acting through our London Branch) generally use the GMSLA to lend, as agent, securities on behalf of our clients.

Since 1987, ISDA has offered its Master Agreement as a standardized contract that provides terms for trading and settling a broad range of derivative transactions. It incorporates schedules that allow contracting parties to customize the terms and conditions to their mutual satisfaction to cover termination events, netting arrangements, security and other matters. BNY Mellon uses either the 1992 revised ISDA Master Agreement or the 2002 ISDA Master Agreement as the foundation for bilateral netting agreements with our counterparties. If the ISDA agreement covers multiple products (e.g. interest rate swaps, FX and equity derivatives), it may serve as a “Master Netting Agreement.”

Netting provisions are contained in the Master Agreements described above. Netting may take two different forms: close-out netting and settlement netting. Close-out netting refers to an agreement between BNY Mellon and a counterparty so that upon specified events of default, the non-defaulting party can require that:

- All open transactions be marked-to-market (present valued) and summed;
- A single net payment be made as final settlement to whichever party holds the overall profit from those transactions; and
- Collateral be liquidated (if held).

Settlement netting (also called payment netting) requires that all payment obligations between us and a counterparty, that are payable on the same settlement date, be netted to produce a single payment obligation for each currency pair traded.

Credit Derivatives

Credit Derivatives may be used with traditional lending and extensions of credit under three circumstances: (1) to hedge large individual name concentrations (2) to hedge large industry concentrations and (3) to hedge idiosyncratic risk, in unique situations where such risk is present. For more information on our Credit Derivatives, see the “Counterparty Credit Risk for Derivative Contracts, Repo-style Transactions and Eligible Margin Loans” section of this Disclosure.

Concentration Risk

While traditionally concentration risk is associated with credit risk, we have taken a broader view of concentration risk. We define concentration risk as the risk of loss not only associated with outsized credit granted to individual or interrelated borrowers but also to any significant interrelated risk exposures that may produce large losses or may threaten the safety and soundness of BNY Mellon. Concentration risk may arise from connected factors which are not readily apparent and identifiable. It can take the form of intra-risk concentrations and cross-risk concentrations. Intra-risk credit concentrations may arise from outsized credit (default) risk exposures to one or more exposure characteristics, such as a single obligor or interconnected obligors, economic sector, geographic location and/or financial instrument/product type. Cross-risk concentrations arise from outsized exposures to one or more common exposure characteristics when viewed across multiple risk types.

We have well-established policies and procedures to identify, manage and measure credit risk concentrations. We manage credit risk concentrations at the individual exposure level as well as at the portfolio level, through the use of the following specific limits and underwriting guidelines:

- Target portfolio values should not exceed industry or country notional exposure portfolio limits;
- Target portfolio values should not exceed industry economic capital portfolio limits; and
- In addition to the credit underwriting approval process, all new committed transactions for counterparties with aggregate traditional lending exposure greater than \$75 million are presented and reviewed for appropriate relationship revenue to risk exposure at a weekly meeting chaired by the Chief Corporate Lending Officer. For complex or unusual transactions, the traditional lending exposure review criteria lowers to \$15 million. Global Client Management, Lines of Business and Credit Risk Management functions participate in the weekly meeting.

Additionally, BNY Mellon’s Portfolio Management Committees identify and manage credit risk concentrations by periodically reviewing exposures to identify “Pools of Risk.” Pools of Risk are delineated by either:

- An entity where BNY Mellon is deemed to have an ownership interest having exposure to BNY Mellon that exceeds \$500 million;
- Exposures administered under a special industries lending group;
- Individual country exposures administered by the Global Banks Credit Group;
- Any industry which has an industry lending guideline; and
- Any group of exposures or customers within an industry which, as a group, pose significant credit or operational risks to the Company due to the nature of our business in that industry or due to the financial condition of the industry.

Each Portfolio Management Committee recommends specific Pools of Risk that warrant a more comprehensive review. The reviews are conducted by the appropriate CDH, one or more Credit Risk Managers, one or more representatives from Basel & Capital Adequacy Group and may include one or more representatives from the appropriate Global Client Management or Business Division. This group produces a report identifying the quantity, quality, and liquidity of the credit exposure to the Pools of Risk by calculating the total exposure, exposure composition and the weighted-average borrower and facility ratings. The report and its conclusions are presented to the appropriate Portfolio Management Committee.

Finally, BNY Mellon also accounts for credit risk concentrations in its capital estimates through its credit risk economic capital model.

Additionally, we use enterprise-wide stress testing to evaluate cross-risk concentrations. One of the goals of enterprise-wide stress testing is to assess the worst impact resulting from a stressed scenario on one or more interrelated exposure characteristics across all risk types so that potentially significant cross-risk concentrations can be understood.

For more detail regarding our credit risk management practices, see the “Credit Risk: General Disclosures” and “Credit Risk: Disclosures for Portfolios Subject to IRB Risk-based Capital Formulas” sections of this Disclosure.

Securitization Exposures

Overview

During the third quarter of 2016, BNY Mellon sold commercial mortgage loans into two third-party issued commercial mortgage-backed securities transactions, in respect of which we served as the “originator” for purposes of the SEC’s Regulation AB. We are also exposed to securitization products as a result of either purchasing securitizations originated by others into our investment portfolio, as a derivative counterparty to securitization transactions, or through extending credit to special purpose vehicles or non-operating companies defined as securitization exposures under the U.S. capital rules. The exposure amount and RWA for securitization exposures found in the banking book, and non-covered positions from the trading book are calculated in accordance with the U.S. capital rules hierarchy of approaches. At Sept. 30, 2016, BNY Mellon was primarily utilizing the Simplified Supervisory Formula Approach (“SSFA”). Currently, we do not hedge our securitization portfolio.

Risk Governance

Our ALCO, which reports to the SRMC, has several responsibilities related to balance sheet management, including providing oversight of the investment portfolio, monitoring interest rate sensitivity, monitoring balance sheet and capital ratios and ensuring adequate liquidity. The SRMC is the most senior management body responsible for evaluating emerging risks and for reviewing any material breaches to our risk appetite and approves action plans required to remediate any issues. The SRMC provides oversight for the risk management, compliance and ethics framework.

Objectives of the Company’s Securitization Activity

BNY Mellon is exposed to securitization exposures primarily from seven activities: originator, loan seller, sponsor, investment portfolio exposures, resecuritization exposures, as a derivative counterparty to securitization transactions and as an investor in Variable Funding Notes (“VFNs”). These securitization activities are described in more detail in the following paragraphs.

Originator, Loan Seller and Sponsor

Under the SEC's Regulation AB, BNY Mellon has served as (i) originator, loan seller and sponsor of eight commercial mortgage-backed securitization transactions and (ii) originator of loans sold to four commercial mortgage-backed securities ("CMBS") transactions and expects to do so again in the future. For these purposes a sponsor is a party that organizes and initiates a securitization transaction by selling or transferring assets, either directly or indirectly, including through an affiliate, to the issuing entity. In many commercial mortgage-backed securitizations there are multiple sponsors, each of which sells loans that it has originated or acquired to a trust depositor on the closing date of the securitization. The sponsor also indemnifies the trust depositor and the underwriters for material misstatements or omissions in the offering documents related to itself or its loans and for any failure of that disclosure to satisfy SEC requirements.

The Dodd Frank Act's final credit risk retention rules will not apply to BNY Mellon's CMBS activities until Dec. 24, 2016. In the case of CMBS transactions, these final rules allow purchases by unrelated third-party B-piece buyers in the most subordinate bond classes to satisfy a CMBS sponsor's risk retention obligation.

BNY Mellon previously originated commercial mortgage loans designed for transfer into the secondary commercial mortgage-backed securities market, and has retained the services of a third-party consultant to assist with this process. After origination but prior to securitization, these commercial mortgage loans are generally held on BNY Mellon's balance sheet and are accounted for at fair value under the Fair Value Option. BNY Mellon intends to hold these loans on balance sheet for a period of up to 180 days pending transfer into a third-party issued CMBS securitization; however from time to time BNY Mellon may hold some loans on its balance sheet for greater than 180 days. When the commercial mortgage loans are sold into a third-party securitization, a realized gain or loss will be recorded. The gain/loss is equal to the difference between the net proceeds from the sale and the fair market value of the loans sold. All gains or losses will be recorded as noninterest income.

After a commercial mortgage loan is sold by BNY Mellon either to a third-party or into a third-party issued CMBS securitization, BNY Mellon is not subject to direct recourse and does not have any

direct credit risk associated with that loan's performance; however BNY Mellon does retain incidental recourse in the form of a repurchase obligation arising in the case of certain breaches of representations and warranties associated with the loan at the time it was transferred or during the origination process.

Investment Portfolio Exposures

BNY Mellon is an investor in securities that qualify as securitization exposures under Basel III. These are composed mostly of highly rated, investment grade securities and include, among other types, investments in residential mortgage-backed securities ("RMBS"), CMBS and other asset-backed securities ("ABS"). The investment portfolio in its entirety is managed by our Corporate Treasury function and the portfolio's direction, composition, and riskiness is monitored on a daily basis.

As discussed in additional detail below, RWA for securitization exposures are calculated using either the Supervisory Formula Approach ("SFA"), SSFA, a 100% risk weight (for OTC derivatives that meet the criteria) or the 1250% risk weighting approach depending on the appropriate treatment for the exposure.

Resecuritization Exposures

BNY Mellon's investment portfolio includes \$11 million of resecuritization exposures with an RWA of \$43 million. The resecuritization RWA amount is primarily driven by RMBS exposures.

Derivative Counterparty to Securitization Transactions

BNY Mellon has derivative exposures, primarily Interest Rate Potential Risk exposures and Foreign Exchange Potential Risk, that support securitization transactions and are considered securitization exposures under the U.S. capital rules. These exposures generally receive a 100% risk-weight.

Variable Funding Notes

BNY Mellon extends a limited number of VFNs to specific securitization vehicles. Typically, these exposures are subject to the SFA treatment, although certain VFNs are subject to the SSFA if the SFA cannot be applied.

Accounting Policies

For a discussion of the Company's accounting policies for securitization activities, see Note 1 (Summary of significant accounting and reporting policies), Note 2 (Accounting changes and new accounting guidance), Note 4 (Securities), Note 14 (Securitized and variable interest entities), Note 20 (Fair value measurement) and Note 21 (Fair value option) in the Company's 2015 Annual Report.

Calculation of RWA for Securitization Exposures

Consistent with section 939A of the Dodd-Frank Act, the Final Capital Rules remove the Advanced Approaches risk-based capital rule's ratings-based approach and internal assessment approach for securitization exposures. Under the U.S. capital rules, the hierarchy for securitization exposures is as follows:

- Banking organizations are required to deduct from CET1 any after-tax gain-on-sale resulting from a securitization and apply a 1250% risk weight to the portion of credit-enhancing interest-only strip ("CEIO") that does not constitute an after-tax gain-on-sale. If the after-tax gain-on-sale results from a securitization transaction that meets the operational criteria for recognizing the transfer of risk the deduction of any after-tax gain-on-sale is not required. BNY Mellon currently does not have any securitization exposures that are subject to this deduction or CEIOs that would require a 1250% risk weight.
- For those securitization exposures not subject to capital deduction, a banking organization is required to assign a risk weight to the securitization exposure using the SFA where data

to calculate the SFA is available. In view of data availability issues, BNY Mellon has adopted the SFA treatment only for its securitization exposures that are VFNs and is moving toward a wider use of the SFA over time as it develops the ability to obtain the required data.

- Banking organizations not adopting SFA are permitted to apply the SSFA under certain situations. The SSFA does not rely on credit ratings when determining the amount of risk that securitization exposures represent.
- Banking organizations may assign a risk weight of 100% to certain derivatives that have a first priority claim on cash flows from the underlying exposures of a securitization exposure under the U.S. capital rules.
- Securitization exposures that do not fall under any of the foregoing categories are assigned a 1250% risk weight. In addition, a banking organization must assign a 1250% risk weight to any securitization exposures with respect to which it fails to satisfy applicable due diligence requirements.

The following table presents securitization exposures determined under the U.S. capital rules segmented by the risk weight methodology. The RWA for most securitization exposures is calculated using the SSFA. RWA for VFNs is computed using the SFA treatment. OTC derivatives that support securitization exposures, with the exception of those that do not have first priority on the cash flow waterfall from the underlying exposure, receive a 100% risk weighting. All other securitization exposures without available treatment, or with respect to which a banking organization failed to satisfy applicable due diligence requirements receive a 1250% risk weight.

Outstanding traditional securitization exposures by exposure type at Sept. 30, 2016								
<i>(in millions)</i>								
Risk weight method	Exposure Category	Securitization exposure amount			Securitization RWA			
		On-balance	Off-balance	Total	On-balance	Off-balance	Total	
SSFA	RMBS	\$ 3,027	\$ —	\$ 3,027	\$ 4,093	\$ —	\$ 4,093	
SSFA	ABS	2,280	20	2,300	862	4	866	
SSFA	Commercial MBS	972	—	972	496	—	496	
SSFA	CDO/CLO	2,681	15	2,696	864	3	867	
SSFA	Other	235	332	567	136	99	235	
Subtotal SSFA exposures		9,195	367	9,562	6,451	106	6,557	
SFA	VFNs	26	279	305	5	56	61	
100% (a)	OTC derivatives	—	132	132	—	132	132	
1250%	Securitization exposure without available data or due diligence	3	2	5	34	28	62	
Total outstanding securitization exposures		\$ 9,224	\$ 780	\$ 10,004	\$ 6,490	\$ 322	\$ 6,812	

(a) Securitization exposures that support derivative transactions receive a 100% risk weight and are included in the SSFA line item in the FFIEC 101 schedule.

The total amount of outstanding securitization exposures and RWA at Sept. 30, 2016 was \$10.0 billion and \$6.8 billion, respectively. BNY Mellon

did not have any synthetic securitization exposures as of Sept. 30, 2016.

The following table presents securitization exposures by risk weight bands.

Securitization positions retained or purchased by risk-weight bands at Sept. 30, 2016						
<i>(in millions)</i>						
Risk weight band	Exposure amount			Capital requirements		
	Securitization	Resecuritization	Total	Securitization	Resecuritization	Total
Subject to SSFA Approach:						
20% to <= 25%	\$ 6,068	\$ —	\$ 6,068	\$ 97	\$ —	\$ 97
>25% to <= 35%	794	—	794	19	—	19
>35% to <= 75%	609	—	609	24	—	24
>75% to <= 250%	1,459	1	1,460	189	1	190
>250% to <= 650%	547	10	557	131	3	134
>650% to <= 1250%	74	—	74	60	—	60
Total SSFA approach	9,551	11	9,562	520	4	524
Subject to 100% OTC, SFA or exposures without available treatment:						
20% to <= 25%	305	—	305	5	—	5
>75% to <= 250%	132	—	132	11	—	11
>650% to <= 1250%	5	—	5	5	—	5
Total other methods	442	—	442	21	—	21
Total securitization positions retained or purchased	\$ 9,993	\$ 11	\$ 10,004	\$ 541	\$ 4	\$ 545

The total amount of outstanding securitization exposures subject to risk weighting were \$10.0 billion at Sept. 30, 2016. Capital requirements for those securitization exposures were \$0.5 billion at Sept. 30, 2016.

The following table details resecuritization positions by product type.

Resecuritization positions within the banking book - by exposure type at Sept. 30, 2016	Exposures before/after credit mitigation and guarantees (a)
<i>(in millions)</i>	
Structured products	\$ 11
Total resecuritization positions	\$ 11

(a) The credit mitigation and guarantees related to resecuritization positions are not significant.

The following table presents assets pending securitization (i.e., assets held with the intent to securitize) and year-to-date activity for assets securitized. All instruments were measured at fair value using the fair value option. Gain on sale and changes in fair value were recorded in investment and other income.

Securitization activity	Sept. 30, 2016		Year-to-date 2016		
	Carrying value of assets pending securitization	Original principal amount		Gain/Loss on sale	
		Assets securitized with retained exposure	Assets securitized without retained exposure		
<i>(in millions)</i>					
Exposure type:					
Commercial real estate	\$ 29	\$ —	\$ 336	\$ 3	
Residential real estate	—	—	—	(1)	
Total securitization activity	\$ 29	\$ —	\$ 336	\$ 2	

Operational Risk

In providing a comprehensive array of products and services, we may be exposed to operational risk. Operational risk may result from, but is not limited to, errors related to transaction processing, breaches of internal control systems and compliance requirements, fraud by employees or persons outside BNY Mellon or business interruption due to system failures or other events. Operational risk may also include breaches of our technology and information systems resulting from unauthorized access to confidential information or from internal or external threats, such as cyber attacks. Operational risk also includes potential legal or regulatory actions that could arise as a result of noncompliance with applicable laws and/or regulatory requirements. In the case of an operational event, we could suffer a financial loss as well as damage to our reputation.

To address these risks, we maintain comprehensive policies and procedures and an internal control framework designed to provide a sound operational environment. These controls have been designed to manage operational risk at appropriate levels given our financial strength, the business environment and markets in which we operate, the nature of our businesses, and considering factors such as

competition and regulation. Our internal auditors and internal control group monitor and test the overall effectiveness of our internal controls and financial reporting systems on an ongoing basis.

We have also established procedures that are designed to ensure compliance with generally accepted conduct, ethics and business practices which are defined in our corporate policies. These include training programs such as for our “Code of Conduct” and “Know Your Customer” programs, and compliance training programs such as those regarding information protection, suspicious activity reporting, and operational risk.

Advanced Measurement Approach (“AMA”) Methodology

BNY Mellon’s AMA methodology for calculating the capital requirement for operational risk is based on a Loss Distribution Approach (“LDA”). Under the LDA, loss frequency distribution and loss severity distribution are separately estimated from historical loss data, and then combined using Monte Carlo simulations to generate a loss distribution. The loss distribution is used to derive the expected loss (“EL”), unexpected loss (“UL”) and capital.

BNY Mellon's LDA model uses internal and external loss data as inputs and estimates an annual loss distribution for each unit of measure, and an aggregate annual loss distribution for the corporation with a bottom-up approach. External losses, including fines and penalties levied against institutions in the financial services industry, particularly those that relate to businesses in which we operate, could impact the amount of capital that we are required to hold. The model calculates capital without dependence assumption (i.e., without diversification benefit) and capital with assumption of dependence across units of measure (i.e., with diversification benefit). The dependence is modeled with a copula method using the correlations of annual losses between units of measure, with the correlations being estimated from historical internal loss data. The regulatory capital and economic capital over a one-year time horizon are the diversified capital, and are derived from the annual loss distribution with a confidence level of 99.9%. The capital includes UL and EL without any offsets to the EL.

The Credit and Operational Risk Measurement Committee is responsible for reviewing and challenging the operational risk model or changes to the model. The model is run quarterly based on updated parameters. Independent validation of the model is performed annually by the Model Risk Management Group. The Head of Model Risk Management is responsible for approving the model for use.

The majority of operational risk at BNY Mellon is in our Asset Servicing business lines, Global Collateral Services and Corporate Trust.

Operational Risk Management

We have established operational risk management as an independent risk discipline. The organizational framework for operational risk is based upon a strong risk culture that incorporates both governance and risk management activities. These activities include Board oversight and governance, accountability of businesses, operational risk management, and information risk management. Each of these activities are described in more detail in the following paragraphs.

Board Oversight and Governance

The Risk Committee of the Board approves and oversees our operational risk management strategy in addition to credit and market risk. The Risk Committee meets regularly to review operational risk management initiatives, discuss key risk issues, and review the effectiveness of the risk management systems. It is composed entirely of independent directors and meets on a regular basis to review and assesses the control processes with respect to the Company's inherent risks. It also reviews and assesses the Company's fiduciary risk policies and activities and at least annually, reviews the effectiveness and approves the Company's risk-based capital assessment report which includes the Company's capital ratios calculated under the U.S. capital rules. Policy formulation and day-to-day oversight of the Risk Management Framework is delegated to the CRO, who, together with the Chief Auditor and the CCO, helps ensure an effective risk management governance structure.

Reporting to both the Risk Committee and the Audit Committee of the Board is the SRMC. The SRMC is responsible for evaluating emerging risk issues to ensure they are weighted against our risk appetite. The SRMC also ensures that any material amendments to the risk appetite and the risk appetite statement are properly vetted and recommended to the Executive Committee and the Board for approval. The roles and responsibilities of the SRMC are more fully detailed in the "Credit Risk: General Disclosures" section of this Disclosure.

The Risk Committee oversees all risk management activities while the SRMC provides senior management oversight. Reporting to SRMC are four risk managing committees including the Technology and Information Risk Committee, the Operational Risk Committee, Strategic Risk Committee and the Fiduciary Risk Management Committee.

We also have a number of management committees that monitor risk. The Technology and Information Risk Committee oversees all enterprise information technology risk management activities, including significant Information Technology ("IT") High Risk Events and the Firm's Cybersecurity Service Program. The Operational Risk Committee provides oversight of operational risk and executive guidance on the operational risk framework, policy design, and implementation/adherence tracking. The Strategic

Risk Committee oversees the Company's strategic risk profile and monitors and manages the associated risks. The Fiduciary Risk Management Committee oversees the Company's fiduciary risk profile and monitors and manages fiduciary risk. Senior line of business operations managers (and investment officers for the Fiduciary Risk Committee), Senior Technology Managers, Business Chief Risk Officers, and representatives from Legal, Compliance and Audit serve on these committees.

The operational risk committees, organizational structure, tools and controlling policies are designed to execute the risk management framework, effectively mitigating the risk of loss and damage to our reputation.

Internal Audit is an independent, objective assurance function. Internal Audit assists the Company in accomplishing its objectives by bringing a systematic, disciplined risk-based approach to evaluate and improve the effectiveness of the Company's risk management, control, and governance processes. In order to perform this function, Internal Audit will maintain a professional staff with sufficient knowledge, skills, and experience to meet the requirements of their Charter. If external experts are needed, Internal Audit will arrange co-sourcing according to company policy with concurrence of the Chief Auditor.

Accountability of Businesses

Business managers are responsible for maintaining an effective system of internal controls commensurate with their risk profiles and in accordance with BNY Mellon policies and procedures. Co-chaired by the heads of the relevant lines of business and the Business Chief Risk Officer, the Business Risk Committee meetings are a key aspect of the operational risk management process and are designed to enhance transparency of the key risk and control issues facing the respective businesses. Designees of the Business Chief Risk Officer may serve as deputy chairs. Other meeting attendees include representatives of our Operations, Compliance, Technology, Finance, Legal and Internal Audit functions.

Operational Risk Management ("ORM Group")

The ORM Group is responsible for developing risk management policies and tools for assessing,

measuring, monitoring and managing operational risk for BNY Mellon. The tools include a business environment and internal control factor self-assessment, key risk indicators and internal operational event data capture (losses). The ORM Group also coordinates reporting of operational risk data to various risk committees.

The primary objectives of the ORM Group are to promote effective risk management, identify emerging risks, create incentives for generating continuous improvement in controls and to optimize capital.

The ORM function reports to the CRO and includes a Chief Operational Risk Officer, (who also manages the Corporate Operational Risk Management group) as well as Business Chief Risk Officers and their staff of Business Senior Operational Risk Managers. These individuals are independent of the business lines. The Senior Operational Risk Managers work closely with the business lines to provide support for all aspects of operational risk.

Information Risk Management ("IRM Group")

The IRM Group is responsible for developing policies, methods and tools for identifying, assessing, measuring, monitoring and governing information and technology risk for BNY Mellon. The IRM Group globally partners with the businesses to help maintain and protect the confidentiality, integrity, and availability of BNY Mellon's information and technology assets. Key Risk Indicators and Key Performance Indicators are used to monitor the effectiveness of technology controls and to monitor their impact to the enterprise, business units, and regions.

Operational Risk Tools and Framework

We have developed several enterprise-wide tools to aid in understanding and monitoring operational risk. The tools are on a common reporting platform and have been developed for capture of internal losses and business environment self-assessments. Key Risk Indicators are also used to monitor operational effectiveness and to monitor trends in operational risk.

Reporting of Losses

Operational losses are captured in general ledger accounts that are mapped to the seven operational risk event categories specified in the U.S. capital rules. Information on operational losses that exceed \$10,000 must be entered into a central database. By policy, business managers must elevate loss information within five calendar days of discovering an event where the most likely outcome based on available information is a financial impact of \$50,000 or greater. Notification is required from the business area where the event occurred. This notification is sent to senior line of business managers, the Business Chief Risk Officer, the Chief Operational Risk Officer, and for higher threshold amounts, the CRO, the CFO and General Counsel. The event information from the central database is input to the operational risk capital model along with external loss data.

Business Environment Self-Assessments

Business environment self-assessments are captured at the business unit and process levels. Business unit “High Level Assessments” are completed by the Business Chief Risk Officers or their designee for major businesses and other selected businesses. A High Level Assessment requires assessment of inherent risk, the control environment, residual risk and the direction of risk for a series of standard risks. Commentary is required on current risks including loss experience, emerging risks, business process changes, new product development and risk management initiatives. Other information may include Key Risk Indicators data and audit and Sarbanes-Oxley Act findings or issues. The High Level Assessments are updated quarterly and reviewed with the Chief Operational Risk Officer, the CCO and CRO.

Risk and Control Self Assessments (“RCSAs”) are completed by line of business managers to identify inherent risk associated with their key business processes. The RCSA policy includes a matrix which is a qualitative guideline to assist the risk owner when assessing inherent risk, quality of controls, residual risk and direction of risk. The lines of business RCSA owner must attest to the accuracy of the document at least annually.

Key Risk Indicators (“KRIs”)

KRIs are metrics captured on a corporate risk managed database. KRIs are used to monitor essential/critical aspects of the health of business processes. Results are measured against predetermined standards or thresholds.

Operational Loss Review

The monthly Operational Loss Review is a form of operational risk reporting that highlights operational losses and provides commentary on trends or drivers of losses, total losses by sector and losses expressed as a percentage of revenue. To allow for comparison and to permit focus on problem areas, the report includes information across multiple time horizons. It also provides loss commentary for business lines where losses exceed tolerances and identifies individual losses in excess of \$250,000 for each sector.

Client & Product Risk Oversight

The BNY Mellon Client and Product Risks Oversight provides oversight of the BNY Mellon risk framework related to governance over client relationships and products.

Business Continuity

We regularly assess and monitor operational risk in our business and provide for disaster and business recovery planning, including geographical diversification of our facilities. We are prepared for events that could damage our physical facilities, cause delay or disruptions to operational functions, including telecommunications networks, or impair our employees, clients, vendors and counterparties. Key elements of our business continuity strategies are extensive planning and testing and diversity of business operations, data centers and telecommunications infrastructure. For a further discussion on this topic, see “Business Continuity” in the MD&A - Results of Operations section of our 2015 Annual Report.

Use of Insurance for the Purpose of Mitigating Operational Risk

BNY Mellon mitigates operational risk with a broad range of insurance policies that cover operational events. The insurance policies that BNY Mellon

holds include Financial Institutions Bond, Bankers Professional Liability, Directors' and Officers' Liability, All Risk Property policies, and Enterprise Cyber/Privacy Liability. Operational loss data are provided to our Corporate Insurance Group in order to raise awareness of significant operational risk issues to ensure appropriate insurance coverage is in place or to enhance existing insurance policies. An operational risk management policy is in place that describes the process for reporting operational loss data to the Corporate Insurance Group. Although we maintain insurance policies to mitigate operational events, insurance recoveries are not included in the loss information used in our operational risk capital model.

Equities Not Subject to Market Risk Rule

The principal functions of the securities portfolios are to generate net interest revenue or capital gains over time, to adjust the interest rate sensitivity gapping position of the Company, to support the liquidity management and funding of the Company, to satisfy deposit pledging requirements, and to meet requirements of certain agencies with which the Company does business. In recognition of these different functions, the Company's securities portfolio is divided into three portfolios: trading securities (market risk), available-for-sale ("AFS") securities, and held-to-maturity securities.

Accounting and Valuation Methodologies

Equity securities are generally classified as AFS securities or other assets when they are purchased. Securities are classified as AFS securities when we intend to hold the securities for an indefinite period of time or when the securities may be used for tactical asset/liability purposes and may be sold from time to time to effectively manage interest rate exposure, prepayment risk and liquidity needs. Our investments in mutual funds and other equity securities with readily determinable fair values are reported as AFS investment securities for regulatory reporting purposes.

Other securities held for other than profit or yield enhancement purposes include securities held for merger and acquisition objectives and securities of certain government corporations held to conduct certain forms of business, including FRB and Depository Trust Company ("DTC") stock. These

investments are valued on a lower of cost or impaired value basis, depending on the nature of the investment. For example, FRB stock and DTC stock are recorded in other assets at the lower of cost or impaired value.

Equity securities (other than trading) are accounted for using one of four methods:

- Cost Method
- Equity Method
- Consolidation Method
- Fair Value Method

For more information on the Accounting and Valuation Methodologies of equity investments see Note 1 - Summary of significant accounting and reporting policies of the Notes to Consolidated Financial Statements in our Annual Report and Form 10-Q Note 14 - Fair value measurement.

Risk-Weighting Approaches

As described below, we use three approaches to risk weight our equity exposures that are not subject to the market risk capital rules: Simple Risk-Weight Approach ("SRWA"), Simple Modified Look-Through Approach ("SMLT"), and Full Look-Through Approach ("FLTA").

SRWA

BNY Mellon determines the RWA amount for equity exposures, except for equity exposures to investment funds, by multiplying the adjusted carrying value of the equity exposure by the lowest applicable risk weight. Under SRWA:

- Equity investments in sovereigns, certain political subdivisions, the Federal Home Loan Bank or Farmer Mac may be risk-weighted below 100%.
- A "non-significant equity exposure," equity exposures (excluding significant investments in the capital of an unconsolidated financial institution in the form of common stock and exposures to certain investment firms) with an aggregate adjusted carrying value of 10% or less of a bank's total capital, is risk weighted at 100%.
- An investment in the same equity instrument that exceeds 10% of total capital will be risk weighted at 300% (publicly traded equities) or 400% (non-publicly traded).

- Equity exposures to qualified community development investments are risk-weighted at 100%.
- Significant investments in unconsolidated financial institutions in the form of common stock that are not deducted from regulatory capital are weighted at 250%, while investments in certain firms with securitization features are risk weighted at 600%.

SMLT

The SMLT approach is used to calculate the RWA amount of equity exposure to investment funds. Under the SMLT approach, the RWA amount for this type of equity exposure is equal to the adjusted carrying value of the equity exposure multiplied by the highest risk weight that applies to any exposure within the fund allowed by the prospectus to be held.

The table below details BNY Mellon's equity exposures.

Equity exposures at Sept. 30, 2016 <i>(in millions)</i>	EAD	RW %	RWA	Capital Required
Simple Risk Weight Approach:				
Federal Reserve Bank stock	\$ 466	— %	\$ —	—
Community development	1,530	100 %	1,530	122
Non-significant equity treatment:				
Publicly traded	306	100 %	306	24
Non-publicly traded	101	100 %	101	8
Pension fund assets	383	100 %	383	31
Significant investment in unconsolidated subs and covered funds	493	100 %	493	39
Funds with greater than material leverage	27	600 %	162	13
Subtotal- Simple Risk Weight Approach	3,306		2,975	237
Simple Modified Look-through Approach:				
Money market funds	198	20 %	40	3
Funds subject to 1250% RW	18	1,250 %	228	18
Other	493	105 %	516	41
Subtotal- Simple Modified Look-through Approach	709		784	62
Full Look-through Approach:				
Company owned life insurance	2,834	40 %	1,128	90
Other	557	40 %	223	18
Subtotal- Full Look-through Approach	3,391		1,351	108
Total	\$ 7,406		\$ 5,110	\$ 407

Equity Exposures Gains and Losses

Net realized loss and unrealized gain were less than \$1 million each for third quarter of 2016. Gains and

FLTA

The FLTA is used to calculate the RWA amount of the equity exposure to investment funds for which we are able to compute a risk-weighted asset for each of the exposures held by the investment fund. Under the U.S. capital rules, a bank is required to calculate the RWA for each of the exposures held by the investment fund as if the exposures were held directly by us based on our proportional interest. Depending on whether the exposures were wholesale, retail, securitization, or equity exposures, a bank would apply the appropriate IRB risk-based capital treatment.

Carrying Value and Fair Market Value

At Sept. 30, 2016, the carrying value and the fair market value of the equity investments were \$4.0 billion and \$4.0 billion, respectively.

losses were realized through sales or liquidations. The net realized loss and unrealized gain amounts are included in CET1, Tier 1 and Total Capital.

Market Risk

The U.S. capital rules' market risk capital rules section (the "Market Risk Capital Rule") requires us to make publicly available quantitative disclosures at least quarterly. Specifically, we are required to disclose, among other items, certain quantitative information on the following measures as applicable to the Company, including for example:

- Value-at-Risk ("VaR") based measures:

VaR is a measure of the dollar amount of potential loss at a specified confidence level from adverse market movements in an ordinary market environment.

- Stressed VaR based measures:

Stressed VaR is a measure of the dollar amount of potential loss at a specified confidence level from adverse market movements in an environment of significant market stress.

- Incremental risk capital ("IRC") requirements:

IRC is a measure of the dollar amount of potential loss from the exposure to default and migration risks for fixed income positions in trading books.

- Comprehensive risk measure ("CRM") capital requirements:

CRM is a measure of the dollar amount of potential loss from the exposure to all price risks in correlation trading portfolios.

The quantitative and qualitative information included in this quarterly disclosure is provided at the consolidated Company level.

Covered Positions

The Market Risk Capital Rule requires us to calculate the market risk regulatory capital based on the population of covered positions. Covered positions include all foreign exchange and commodity positions as well as assets and liabilities in our trading book that meet minimum regulatory requirements making them subject to market risk regulatory capital requirements in the Market Risk Capital Rule.

Due to the regulatory requirements for covered positions, the population of positions included in our regulatory VaR is different from the population of positions in management VaR we disclose in our Form 10-Q and Annual Reports. Management VaR includes positions subject to internal management VaR limits. The population of covered positions in our regulatory VaR is a subset of the population of positions included in our management VaR.

Securitizations

As of the end of the third quarter of 2016, the Company's population of covered positions does not include any positions that meet the definition of a securitization position in the Final Market Risk Capital Rule.

Correlation Trading Positions

During the third quarter of 2016, the Company's population of covered positions did not include any correlation trading positions.

Measurement and Monitoring

The following table summarizes the minimum capital requirement and RWA for market risk calculated in accordance with the Market Risk Capital Rule.

Component (dollars in millions)	Sept. 30, 2016	
	Capital	RWA
VaR (a)	\$ 45.3	\$ 566.5
Stressed VaR (b)	90.0	1,125.3
Specific Risk Standard Charge	105.4	1,316.8
Total Market Risk Capital and RWA	\$ 240.7	\$ 3,008.6

(a) Represents the daily average of the previous 60 business days from the period end-date times a multiplication factor determined in accordance with the Market Risk Capital Rule.

(b) Represents the weekly average of the previous 12 weeks from the period end-date times a multiplication factor determined in accordance with the Market Risk Capital Rule.

VaR-Based Measures

VaR is a measure of the dollar amount of potential loss at a specified confidence level from adverse market movements in an ordinary market environment. Our VaR methodology is based on a Monte Carlo simulation. The calculation of our regulatory VaR assumes a ten-day holding period, utilizes a 99% confidence level, a 500 day look-back

with a weighting scheme, and incorporates the non-linear characteristics of options. The ten-day regulatory VaR is derived by scaling one-day VaR to a ten-day holding period.

The following table indicates the calculated regulatory VaR amounts for the overall portfolio of covered positions as well as separate measures for interest rate, foreign exchange, equity and credit components of VaR for the third quarter of 2016 and at Sept. 30, 2016.

VaR (a) (dollars in millions)	3Q16			Sept. 30, 2016 (b)
	Mean	Low	High	
Interest rate	\$ 16.9	\$ 10.5	\$ 20.6	\$ 18.6
FX	13.2	10.0	23.5	11.7
Equity	1.1	0.7	2.1	1.3
Diversification	(16.3)	N/M	N/M	(16.2)
Total portfolio	\$ 14.9	\$ 10.5	\$ 19.4	\$ 15.4

(a) The ten-day, 99% confidence regulatory VaR metrics in this table are calculated over the entire calendar quarter and therefore may differ from the period used when calculating capital.

(b) VaR is calculated on last business day of quarter.

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

The following section provides additional information regarding the specific components of VaR set forth in the table above.

Composition of material portfolios of covered positions

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

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

transactions, currency options, and exchange traded futures and options, and other currency derivative products.

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

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

During the third quarter of 2016, interest rate risk generated 54% of average gross VaR, foreign exchange risk accounted for 42% of average gross VaR and equity risk generated 4% of average gross VaR.

Stressed VaR Based Measures

Stressed VaR is a measure of the dollar amount of potential loss at a specified confidence level from adverse market movements in an environment of significant market stress. Stressed VaR uses the same model as our regulatory VaR, but incorporating inputs calibrated to historical data from a continuous one year stress period selected based on empirical studies. The calculation of our regulatory Stressed VaR assumes a ten-day holding period, utilizes a 99% confidence level, a 250 day look-back with a weighting scheme, and incorporates the non-linear characteristics of options. The ten-day regulatory Stressed VaR is derived by scaling one-day Stressed VaR to a ten-day holding period.

The following table indicates the calculated regulatory Stressed VaR amounts for the overall portfolio of covered positions as well as separate measures for interest rate, foreign exchange, equity and credit components of Stressed VaR for the third quarter of 2016 and at Sept. 30, 2016.

Stressed VaR (a) (dollars in millions)	3Q16			Sept. 30, 2016
	Mean	Low	High	
Interest rate	\$ 30.5	\$ 22.4	\$ 36.7	\$ 36.7
FX	21.2	15.9	34.7	15.9
Equity	3.5	2.1	6.8	3.0
Diversification	(25.4)	N/M	N/M	(23.1)
Total portfolio	\$ 29.8	\$ 21.4	\$ 34.5	\$ 32.5

(a) The ten-day, 99% confidence, regulatory Stressed VaR metrics in this table are calculated over the entire calendar quarter and therefore may differ from the period used when calculating capital.

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

During the third quarter of 2016, interest rate risk generated 55% of average gross Stressed VaR, foreign exchange risk accounted for 39% of average gross Stressed VaR and equity risk generated 6% of average gross Stressed VaR.

Specific Risk Measures

Specific risk means the risk of loss on a position that could result from factors other than broad market movements and include event risk, default risk, and idiosyncratic risk. The Market Risk Capital Rule requires us to measure the specific risk for debt, equity and securitization positions using either our internal models (e.g., VaR, IRC and CRM) provided our regulators approve the use of these models to measure specific risk, or the standardized measurement method. The following three sections describe our specific risk measures.

We calculate the specific risk standard charge on a quarterly basis under the standardized measurement method. It measures specific risk pursuant to fixed risk weights, which are prescribed by the Market Risk Capital Rule.

IRC Requirements

We do not use an IRC model for the calculation of our market risk regulatory capital.

CRM Requirements

The CRM model is not applicable because we do not have correlation trading positions in our population of covered positions.

Regulatory VaR Backtesting

On a daily basis, we compare one-day 99% regulatory VaR to trading profits and losses excluding fees, commissions, reserves, net interest income, and intraday trading to determine the backtest multiplier for VaR and Stressed VaR for purposes of calculating the market risk regulatory capital. This daily backtesting is also done at a sub-portfolio level and facilitates the assessment of the performance of our VaR model.

During the third quarter of 2016, for the Company, there was one occurrence where daily trading loss excluding fees, commissions, reserves, net interest income and intraday trading exceeded the calculated regulatory VaR of the overall portfolio of covered positions, resulting in a regulatory backtest multiplier of 3 (the minimum backtest multiplier). For further information on market risk governance, see “Risk management overview” in the Company’s 2015 Annual Report.

Interest Rate Risk for Non-trading Activities

The Bank of New York Mellon Corporation is committed to implementing and maintaining sound practices for managing interest rate risk (“IRR”). Our IRR management structure ensures that we meet and maintain this objective.

IRR is inherent in the business of banking. BNY Mellon’s policy is to manage IRR exposures using processes and systems commensurate with our earnings and capital levels, complexity, business model, risk profile and scope of operations.

The Board of Directors and its designees oversee risk management processes, including policy oversight and annual approval. It also sets the overall tolerance for IRR, and delegates to the ALCO a mandate to oversee the management of these risks. It also delegates to the ALCO responsibility for devising and executing IRR strategies and policies consistent with BNY Mellon’s defined risk appetite. The Corporate Treasurer is required to report to the Board of Directors or its delegated committee at least quarterly regarding BNY Mellon’s IRR exposure, along with a review of any significant strategies undertaken to monitor and control such risks.

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.

As of Sept. 30, 2016, these scenarios reflect strategies that management could employ 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. Generally, there has been an inverse relationship between interest rates and client deposit levels. 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. The interest rate ramp 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 change in net interest revenue (dollars in millions)	Sept. 30, 2016
up 200 bps parallel rate ramp vs. baseline (a)	\$ 62
up 100 bps parallel rate ramp vs. baseline (a)	147
Long-term up 50 bps, short-term unchanged (b)	116
Long-term down 50 bps, short-term unchanged (b)	(128)

(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 Sept. 30, 2016 calculations in the estimated changes in net interest revenue table above are based on a forecast that uses our quarter-end balance sheet and forward yield curves. The 100 basis point ramp scenario assumes rates increase 25 basis points above the forward yield curve in each of the next four quarters and the 200 basis point ramp scenario assumes a 50 basis point per quarter increase.

Our net interest revenue sensitivity table above incorporates assumptions about the impact of changes in interest rates on depositor behavior based on historical experience. Given the current historically low interest rate environment and the potential change to implementation of monetary policy, the impact of depositor behavior is highly uncertain. The lower sensitivity in the ramp up 200 basis point scenario compared with the 100 basis point scenario is driven by the assumption of increased deposit runoff at those higher interest rates and a reduction in corresponding investments.

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.

Supplementary Leverage Ratio

Advanced Approaches banking organizations are required to disclose their SLR although they are not required to comply with a minimum SLR requirement until Jan. 1, 2018.

The following table presents BNY Mellon's summary comparison of accounting assets and total leverage exposure at Sept. 30, 2016.

Part 1: Summary comparison of accounting assets and total leverage exposure <i>(dollars in millions)</i>	Sept. 30, 2016
Total consolidated assets as reported in published financial statements	\$ 374,114
Potential future exposure (PFE) adjustment for derivative exposures	6,149
Counterparty credit risk adjustment for repo-style transactions	447
Adjustment for off-balance sheet exposures (a)	23,571
Adjustment for deductions from Tier 1 capital	(17,743)
Adjustment for frequency of calculations	(22,884)
Total leverage exposure	\$ 363,654

(a) Conversion to credit equivalent amounts of off-balance sheet exposures.

The following table presents the details of BNY Mellon's SLR using transitional Basel III capital components at Sept. 30, 2016.

Part 2: Supplementary Leverage Ratio <i>(dollars in millions)</i>	Sept. 30, 2016
On-balance sheet exposure:	
On-balance sheet assets (a)	\$319,428
Amounts deducted from Tier 1 capital	(17,743)
Total on-balance sheet exposures (a)	301,685
Derivative exposures:	
Replacement cost for derivative exposures, net of cash variation margin	5,437
Add-on amounts for PFE for derivative exposures	6,149
Total derivative exposures	11,586
Repo-style transactions:	
On-balance sheet assets for repo-style transactions (b)	26,943
Reduction of the gross value of receivables in reverse repurchase transactions	(578)
Counterparty credit risk for all repo-style transactions	447
Total exposures for repo-style transactions	26,812
Other off-balance sheet exposures:	
Off-balance sheet exposures at gross notional amounts	58,127
Adjustments for conversion to credit equivalent amounts	(34,556)
Total off-balance sheet exposures	23,571
Capital and total leverage exposure:	
Tier 1 capital	\$ 21,943
Total leverage exposure	\$363,654
Supplementary Leverage Ratio	6.03%

- (a) Excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received.
- (b) Including the gross value of receivables for reverse repurchase transactions and the value of securities that qualified for sales treatment that must be reversed, but excluding the value of securities received in a security-for-security repo-style transaction where the securities lender has not sold or re-hypothecated the securities received.

Forward-looking Statements

Additional information related to the Company is contained in the Company's reports filed with the SEC, including the Annual Report on Form 10-K for the year ended December 31, 2015 (including the Annual Report to Shareholders (the "Annual Report") included with the 10-K) (the "2015 Form 10-K"), Quarterly Report on Form 10-Q for the quarter ended Sept. 30, 2016, and Current Reports on Form 8-K (each, a "'34 Act Report"). These periodic '34 Act Reports can be viewed, as they become available, on the SEC's website at www.sec.gov and at www.bnymellon.com. Information contained in '34 Act Reports that the Company makes with the SEC subsequent to the date of the Form 10-Q for the quarter ended Sept. 30, 2016, may modify, update and supersede the information contained in this Disclosure.

this Disclosure and the Company's '34 Act Reports referred to above contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which may be expressed in a variety of ways, including the use of future or present tense language, relate to, among other things: all statements about the future results of BNY Mellon, statements with respect to the expected outcome and impact of regulatory actions, the implementation of regulations and any projections or estimates of revenue, losses, default rates or recovery rates. In addition, these statements are based on the Company's current beliefs and expectations and are subject to significant risks and uncertainties that are subject to change based on various important factors (some of which are beyond the Company's control), including those factors

described in our Annual Report under "Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") - Risk Factors"; the Quarterly Report on Form 10-Q for the quarter ended Sept. 30, 2016 under "Item 1A. Risk Factors" and risk factors included in an any subsequent '34 Act Report. Actual results may differ materially from those expressed or implied as a result of a number of factors, including those discussed in the "Risk Factors" section of our Annual Report, such as government regulation and supervision, and recent legislative and regulatory actions; regulatory actions or litigation; failure to satisfy regulatory standards, including capital adequacy rules; operational risk; the failure or instability of any of our significant counterparties, and our assumption of credit and counterparty risk; our preferred resolution strategy and changes in accounting standards.

In this Disclosure and the '34 Act Reports, words such as "estimate," "forecast," "project," "anticipate," "likely," "confident," "target," "expect," "intend," "continue," "seek," "believe," "plan," "goal," "could," "should," "would," "may," "will," "strategy," "synergies," "opportunities," "trends" and words of similar meaning, may signify forward-looking statements.

All forward-looking statements speak only as of the date on which such statements are made, and BNY Mellon undertakes no obligation to update any statement to reflect events or circumstances after the date on which such forward-looking statement is made or to reflect the occurrence of unanticipated events. The contents of BNY Mellon's website or any other websites referenced herein are not part of this Disclosure.

Acronyms

ABS	Asset-backed security	IPRE	Income producing real estate
ALCO	Asset liability committee	IMM	Internal Models Method
AMA	Advanced measurement approach	IRB	Internal ratings-based
APAC	Asia-Pacific region	IRM	Information risk management
ASC	Accounting Standards Codification	IRR	Interest rate risk
ASU	Accounting Standards Update	ISDA	International Swaps and Derivatives Association
BCBS	Basel Committee on Banking Supervision	KRI	Key risk indicator
BHC	Bank holding company	L/C	Letters of credit
CCAR	Comprehensive Capital Analysis and Review	LDA	Loss distribution approach
CCO	Chief Credit Officer	LGD	Loss given default
CDH	Credit Division Head	LIBOR	London Interbank Offered Rate
CDO	Collateralized debt obligation	MBS	Mortgage-backed security
CEM	Current Exposure Method	OCC	Office of the Comptroller of the Currency
CET1	Common Equity Tier 1 capital	OCM	Operational Credit Manager
CLO	Collateralized loan obligation	ORM	Operational risk management
CMBS	Commercial mortgage-backed security	OTC	Over-the-counter
CPM	Credit portfolio manager	OTTI	Other-than-temporary impairment
CPPR	Cross-Product Potential Risk	PD	Probability of default
CRO	Chief Risk Officer	RCSA	Risk and Control Self Assessment
CSA	Credit Support Annex	RMBS	Residential mortgage-backed security
CVA	Credit valuation adjustment	RWA	Risk-weighted assets
DFAST	Dodd-Frank Act stress test	S&P	Standard & Poor's
DVA	Debit valuation adjustment	SEC	Securities and Exchange Commission
EAD	Exposure at Default	SFA	Supervisory Formula Approach
EL	Expected loss	SLR	Supplementary Leverage Ratio
EMEA	Europe, the Middle East and Africa	SMLT	Simple Modified Look-Through Approach
FASB	Financial Accounting Standards Board	SRMC	Senior Risk Management Committee
FDIC	Federal Deposit Insurance Corporation	SRWA	Simple Risk-Weight Approach
FLTA	Full Look-Through Approach	SSFA	Simplified Supervisory Formula Approach
FRB	Federal Reserve Bank	UGD	Usage given default
FX	Foreign exchange	UL	Unexpected loss
GAAP	Generally Accepted Accounting Principles	VaR	Value-at-risk
G-SIB	Global systemically important bank	VFN	Variable funding note
HVCRE	High-volatility commercial real estate	VIE	Variable interest entity
ICAAP	Internal Capital Adequacy Assessment Process		

Glossary

Americas—Includes locations in North and South America.

Asset-backed security (“ABS”)—A financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities.

Asset liability committee (“ALCO”)—A risk-management committee in a bank or other lending institution that generally comprises the senior-management levels of the institution. The ALCO’s primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure.

Bank exposure—An exposure to the following entities: (1) “Banks, U.S. and Foreign” and “Depository Institutions in the U.S.” as those terms are defined in the Glossary of the Federal Financial Institutions Examination Council’s Consolidated Reports of Condition and Income; (2) securities firms; and (3) multi-lateral development banks that do not have full faith and credit backing of sovereign entities.

Cleared transaction—An exposure associated with an outstanding derivative contract or repo-style transaction that a banking organization or clearing member has entered into with a central counterparty (that is, a transaction that a central counterparty has accepted).

Collateral haircut approach—An approach used to recognize the credit risk mitigation benefits of financial collateral that secures an eligible margin loan, repo-style transaction, collateralized derivative contract or single-product netting of such transactions. Generally a banking organization determines the exposure amount by applying standard supervisory haircuts or, with regulatory approval, its own estimates of haircuts, and multiplies the exposure amount by the risk weight associated with the counterparty or guarantor.

Collateralized debt obligation (“CDO”)—A type of asset-backed security and structured credit product constructed from a portfolio of fixed-income assets.

Collateralized loan obligation (“CLO”)—A debt security backed by a pool of commercial loans.

Commercial mortgage-backed security (“CMBS”)—An asset-backed security whose cash flows are backed by principal and interest payments of a set of commercial mortgage loans.

Common Equity Tier 1 capital (“CET1”)—The sum of surplus (net of treasury stock), retained earnings, accumulated other comprehensive income (loss), and CET1 minority interest subject to certain limitations, minus certain regulatory adjustments and deductions.

Copula—A probability and statistical technique used to model dependence between random variables. It is a common technique used in operational risk modeling to model the dependence of operational losses in different units of measure (i.e., loss event categories) to derive a diversification benefit.

Corporate exposure—An exposure to a company that is not: (1) an exposure to a sovereign, the Bank for International Settlements, the European Central Bank, the European Commission, the International Monetary Fund, a multi-lateral development bank, a depository institution, a foreign bank, a credit union or a public sector entity; (2) an exposure to a government sponsored entity; (3) a residential mortgage exposure; (4) a pre-sold construction loan; (5) a statutory multifamily mortgage; (6) a high-volatility commercial real estate exposure; (7) a cleared transaction; (8) a default fund contribution; (9) a securitization exposure; (10) an equity exposure; or (11) an unsettled transaction.

Counterparty risk (default risk)—The risk that a counterparty will not pay as obligated on a contract, trade or transaction.

Covered funds—Generally, any issuer that would be, among other entities, an investment company as defined in the Investment Company Act of 1940 but for section 3(c)(1) or 3(c)(7) of that Act with a number of express exclusions and additions as determined by the agencies.

Credit conversion factor (“CCF”)—Converts the amount of a free credit line and other off-balance sheet transactions (with the exception of derivatives) to an EAD amount.

Credit default swaps (“CDS”)—A financial contract executed under standard industry documentation that allows one party (the protection purchaser) to transfer the credit risk of one or more exposures (reference exposure(s)) to another party (the protection provider) for a certain period of time.

Credit derivatives—Contractual agreements that provide insurance against a credit event of one or more referenced credits. Such events include bankruptcy, insolvency and failure to meet payment obligations when due.

Credit-enhancing interest-only strip (“CEIO”)—An on-balance sheet asset that, in form or substance, (i) represents the contractual right to receive some or all of the interest and no more than a minimal amount of the principal due on the underlying exposure; and (ii) exposes the banking organization to credit risk directly or indirectly associated with the underlying exposures that exceeds the pro rata share of its claim on the underlying assets whether through subordination provisions or other credit enhancing techniques.

Credit exposure—The total amount of credit extended to a borrower by a lender. The magnitude of credit exposure indicates the extent to which the lender is exposed to the risk of loss in the event of the borrower’s default.

Credit risk—The risk of loss due to borrower or counterparty default.

Credit risk mitigation—A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection.

Credit Support Annex (“CSA”)—A legal document which regulates credit support (collateral) for derivative transactions. The trade is documented under a standard contract called a master agreement, developed by the ISDA. The two parties must sign the ISDA master agreement and execute a CSA before they trade derivatives with each other.

Credit valuation adjustment (“CVA”)—The market value of counterparty credit risk on OTC derivative transactions.

Current exposure method (“CEM”)—A system used by financial institutions to measure the credit risk of losing anticipated cash flows from forwards, swaps, options and other derivatives contracts they are party to, in the event the counterparty to the contract should default. An investor’s total exposure, under the current exposure method, is equal to the replacement cost of all marked to market contracts currently in the money, plus the credit exposure risk of potential changes in future prices or volatility of the underlying asset.

Debit valuation adjustment (“DVA”)—The market value of our credit risk on OTC derivative transactions.

Derivative—A contract or agreement whose value is derived from changes in interest rates, foreign exchange rates, prices of securities or commodities, credit worthiness for CDS or financial or commodity indices.

Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”)—Regulatory reform legislation signed into law on July 21, 2010. This new law broadly affects the financial services industry and contains numerous provisions aimed at strengthening the sound operation of financial services sector.

Economic capital—The amount of capital required to absorb potential losses and reflects the probability of remaining solvent over a one-year time horizon.

Eligible margin loans—An extension of credit that is collateralized exclusively by liquid and readily marketable debt or equity securities, or conforming residential mortgages. The collateral is marked to fair value daily, and the transaction is subject to daily margin maintenance requirements.

Expected loss (“EL”)—A regulatory calculation of the amount expected to be lost on an exposure using a 12-month time horizon and downturn loss estimates. EL is calculated by multiplying the PD (a percentage) by the EAD (an amount) and LGD (a percentage).

Exposure—A claim, contingent claim or position which carries a risk of financial loss.

Exposure at default (“EAD”)—The amount expected to be outstanding after any credit risk mitigation, if and when a counterparty defaults. EAD reflects drawn balances as well as the expected future draws on undrawn amounts of commitments and contingent exposures over a one-year horizon.

External Credit Assessment Institution (“ECAI”)—Institutions such as Moody’s Investors Service, Standard & Poor’s Ratings Group or Fitch Group.

Foreign currency options—Similar to interest rate options except they are based on foreign exchange rates. Also, see interest rate options in this glossary.

Foreign exchange contracts—Contracts that provide for the future receipt or delivery of foreign currency at previously agreed-upon terms.

Foreign exchange potential risk (“FXPR”)—An estimate of the reasonable maximum positive exposure a contract may present to the Bank over the contract’s remaining life. Potential Risk depends on the size of the trade, term remaining to the settlement date, volatility of the currency, current replacement cost of the contract and the collateral agreement. The formula for a contract’s potential risk consists of the replacement cost of the contract plus an “add-on” to cover future changes in market conditions. FXPR is computed based on a currency or multiple currencies versus the U.S. Dollar using the same dollar rate used for recording dollar transactions when the trade was made.

Generally Accepted Accounting Principles (“GAAP”)—Accounting rules and conventions defining acceptable practices in preparing financial statements in the U.S. The FASB is the primary source of accounting rules.

Hedge fund—A fund which is allowed to use diverse strategies that are unavailable to mutual funds, including selling short, leverage, program trading, swaps, arbitrage and derivatives.

High-volatility commercial real estate (“HVCRE”)—A credit facility that finances or has financed the acquisition, development or construction of real property, prior to conversion to permanent financing.

Home equity line of credit—A line of credit extended to a homeowner who uses the borrower’s home as collateral.

Impairment—When an asset’s market value is less than its carrying value.

Income producing real estate (“IPRE”)—A method of providing funding to real estate (such as, office buildings to let, retail space, multifamily residential buildings, industrial or warehouse space, and hotels) where the prospects for repayment and recovery on the exposure depend primarily on the cash flows generated by the asset.

Interest rate options, including caps and floors—Contracts to modify interest rate risk in exchange for the payment of a premium when the contract is initiated. As a writer of interest rate options, we receive a premium in exchange for bearing the risk of unfavorable changes in interest rates. Conversely, as a purchaser of an option, we pay a premium for the right, but not the obligation, to buy or sell a financial instrument or currency at predetermined terms in the future.

Interest rate potential risk (“IRPR”)—An estimate of the reasonable maximum positive exposure a contract may present to the Bank related to the interest rate risk over the contract’s remaining life. Potential risk depends on the size of the trade, term remaining to expiration or settlement date, volatility of interest rates, current replacement cost of the contract and the collateral agreements or credit put dates attached to the contract. The formula for a contract’s IRPR consists of the replacement cost of the contract plus an “add-on” to cover future changes in market conditions.

Interest rate risk—Exposure of a bank’s financial condition to adverse movements in interest rates.

Interest rate sensitivity—The exposure of net interest income to interest rate movements.

Interest rate swaps—Contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. Interest rate swaps are the most common type of derivative contract that we use in our asset/liability management activities.

Internal Capital Adequacy Assessment Process (“ICAAP”)—The Company’s own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints and related processes.

Internal Models Method (“IMM”)—One of three approaches defined by Basel III to determine exposure values for counterparty credit risk.

Internal ratings-based (“IRB”) advanced approach—A method of calculating credit risk capital requirements using internal PD, LGD and EAD models.

ISDA master agreement—A standard agreement used in OTC derivatives transactions. The ISDA master agreement is a document that outlines the terms applied to a derivatives transaction between two parties. Once the two parties agree to the standard terms, they do not have to renegotiate each time a new transaction is entered into.

Joint venture—A company or entity owned and operated by a group of companies for a specific business purpose, no one of which has a majority interest.

Leverage ratio—Tier 1 capital divided by quarterly average total assets, as defined by the regulators.

Liquidity risk—The risk of being unable to fund our portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

London Interbank Offered Rate (“LIBOR”)—An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers’ Association. The LIBOR is derived from a filtered average of the world’s largest banks interbank deposit rates for larger loans with maturities between overnight and one full year.

Loss given default (“LGD”)—The estimated percentage of the loss on an exposure to the amount outstanding at default (i.e., EAD) upon default of a counterparty.

Market risk—The potential loss in value of portfolios and financial instruments caused by movements in market variables, such as interest and foreign exchange rates, credit spreads, and equity and commodity prices.

Master netting agreement—An agreement between two counterparties that have multiple contracts with each other that provides for the net settlement of all contracts through a single payment in the event of default or termination of any one contract.

Monte Carlo simulation—A problem solving technique used to approximate the probability of certain outcomes by running multiple trial runs, called simulations, using random variables.

Mortgage-backed security (“MBS”)—An asset-backed security whose cash flows are backed by the principal and interest payments of a set of mortgage loans.

Netting—The ability of a bank to reduce its credit risk exposures, by offsetting the value of any company exposure to counterparty exposure to the same counterparty, or under ISDA master netting agreement for derivative contracts.

Operational risk—The risk of loss resulting from inadequate or failed processes or systems, human factors or external events.

Other-than-temporary impairment (“OTTI”)—An impairment charge taken on a security whose fair value has fallen below the carrying value on the balance sheet and its value is not expected to recover through the holding period of the security.

Over-the-counter (“OTC”) derivative—A derivative contract that is not a cleared transaction. An OTC derivative includes a transaction: (1) between a bank that is a clearing member and a counterparty where the bank is acting as a financial intermediary and enters into a cleared transaction with a central counter party (“CCP”) that offsets the transaction with the counterparty; or (2) in which a bank that is a clearing member provides a CCP a guarantee on the performance of the counterparty to the transaction.

Potential future exposure (“PFE”)—An estimate of the bank’s maximum expected credit exposure over a fixed time horizon with a high level of confidence.

Probability of default (“PD”)—The probability that an obligor will default within a one-year time horizon.

Qualifying revolving exposure—An exposure (other than a securitization exposure or equity exposure) to an individual that is managed as part of a segment of exposures with homogeneous risk characteristics, not on an individual-exposure basis, and is (1) revolving, (2) unsecured and unconditionally cancelable by the bank to the fullest extent permitted by Federal law and (3) has a maximum exposure amount (drawn plus undrawn) of up to \$100,000.

Ratings-Based Approach—One of three calculation methods defined under the IRB approach to securitizations. The approach uses risk weightings based on ECAI ratings, the granularity of the underlying pool and the seniority of the position.

Regulatory capital—The minimum capital that a financial institution is expected to hold against the risk it faces. This minimum is determined by the financial institutions calculations for credit, market and operational risk, plus any additional capital deemed appropriate under applicable regulatory capital rules.

Repo-style transactions—includes securities lending, securities borrowing, repurchase or reverse-repurchase transactions that are based solely on liquid securities and are marked-to-market daily.

Repurchase agreement (“Repo”)—An instrument used to raise short term funds whereby securities are sold with an agreement for the seller to buy back the securities at a later date.

Resecuritization—A securitization that has more than one underlying exposure and in which one or more of the underlying exposures is a securitization exposure.

Residential mortgage-backed security (“RMBS”)—An asset-backed security whose cash flows are backed by principal and interest payments of a set of residential mortgage loans.

Reverse repurchase agreement (“Reverse repo”)—A purchase of securities with an agreement to resell them at a higher price at a specific future date. This is essentially a loan of the security at a specific rate.

Risk-weighted assets (“RWA”)—Calculated by assigning a degree of risk expressed as a percentage (risk weight) to an exposure in accordance with the applicable standardized or IRB approach rules.

Securities lending transaction—A fully collateralized transaction in which the owner of a security agrees to lend the security through an agent (such as The Bank of New York Mellon) to a borrower, usually a broker/dealer or bank, on an open, overnight or term basis, under the terms of a prearranged contract, which generally matures in less than 90 days.

Securitization—Includes transactions whereby the credit risk associated with an exposure, or pool of exposures, is tranching and where payments to investors in the transaction are dependent upon the performance of the underlying exposures. A traditional securitization involves the transfer of the exposures being securitized to a special purpose entity which issues securities. In a synthetic securitization, the tranching is achieved by the use of credit derivatives and the exposures are not removed from the balance sheet of the originator.

Simplified Supervisory Formula Approach (“SSFA”)—A formula that starts with a baseline derived from the capital requirements that apply to all exposures underlying a securitization and then assigns risk weights based on the subordination level of an exposure. SSFA was designed to apply relatively higher capital requirements to the more risky junior tranches of a securitization that are the first to absorb losses, and relatively lower requirements to the most senior exposures.

Sovereign—A central government (including the U.S. government) or an agency, department, ministry, or central bank of a central government. A sovereign exposure is a direct exposure to a sovereign; or an exposure directly and unconditionally backed by the full faith and credit of a sovereign.

Special purpose vehicle (“SPV”)—A corporation, trust or other non-bank entity, established for a narrowly defined purpose, including for carrying on securitization activities. The structure of the entity and activities are intended to isolate the obligations of the SPV from those of the originator and the holders of the beneficial interests in the securitization.

Standardized Approach (“SA”)—In relation to credit risk, a method for calculating credit risk capital requirements using supervisory risk weights.

Subordinated debt—Debt which, in the event of insolvency or liquidation of the issuer, is subordinated to the claims of depositors and other creditors of the issuer.

Supervisory formula approach (“SFA”)—SFA is one of several approaches available to a banking organization when calculating RWA for securitization exposures. To implement the SFA for a given securitization exposure, a banking organization must calculate several input parameters: the exposure’s credit enhancement level and thickness; the exposure-weighted average loss given default for the underlying exposures to the securitization transaction; and the effective number of underlying exposures.

Supplementary Leverage Ratio (“SLR”)—An Advanced Approaches banking organization’s Basel III Supplementary Leverage Ratio is the simple arithmetic mean of the ratio of its Tier 1 capital to total leverage exposure (which is broadly defined to capture both on- and off-balance sheet exposures).

Total return swaps—A swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying asset, which includes both the income it generates and any capital gains. In total return swaps, the underlying asset, also referred to as the reference asset, is usually an equity index, loans or bonds. This is owned by the party receiving the set rate payment.

Unfunded commitments—Legally binding agreements to provide a defined level of financing until a specified future date.

Usage given default (“UGD”)—The expected percent of the commitment that is likely to be drawn in the event of default.

Value-at-Risk (“VaR”)—A measure of the dollar amount of potential loss at a specified confidence level from adverse market movements in an ordinary market environment.

Variable funding notes (“VFN”)—An arrangement that allows for drawings on a revolving basis and have been issued pursuant to the Variable Funding Note Purchase Agreement.

Variable interest entity (“VIE”)—An entity that: (1) lacks enough equity investment at risk to permit the entity to finance its activities without additional financial support from other parties; (2) has equity owners that lack the right to make significant decisions affecting the entity’s operations; and/or (3) has equity owners that do not have an obligation to absorb or the right to receive the entity’s losses or return.

Wrong-way risk—The risk that arises when an exposure to a particular counterparty is positively correlated with the probability of default of such counterparty itself.

PILLAR 3 DISCLOSURE AS OF SEPTEMBER 30, 2016

THE BANK OF NEW YORK MELLON CORPORATION

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BNY MELLON