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

(dollars in millions, unless otherwise noted)	1Q17	4Q16	3Q16	2Q16	1Q16	1Q17 vs. 4Q16	1Q17 vs. 1Q16
Revenue:							
Investment management fees:							
Mutual funds	**$ 299**	$ 297	$ 309	$ 304	$ 300	**1%**	**— %**
Institutional clients	**348**	340	362	344	334	**2**	**4**
Wealth management	**167**	164	166	160	152	**2**	**10**
Investment management fees *(a)*	**814**	801	837	808	786	**2**	**4**
Performance fees	**12**	32	8	9	11	**N/M**	**9**
Investment management and performance fees	**826**	833	845	817	797	**(1)**	**4**
Distribution and servicing	**52**	48	49	49	46	**8**	**13**
Other *(a)*	**(1)**	(1)	(18)	(10)	(31)	**N/M**	**N/M**
Total fee and other revenue *(a)*	**877**	880	876	856	812	**—**	**8**
Net interest revenue	**86**	80	82	82	83	**8**	**4**
Total revenue	**963**	960	958	938	895	**—**	**8**
Provision for credit losses	**3**	6	—	1	(1)	**N/M**	**N/M**
Noninterest expense (ex. amortization of intangible assets)	**668**	672	680	684	660	**(1)**	**1**
Amortization of intangible assets	**15**	22	22	19	19	**(32)**	**(21)**
Total noninterest expense	**683**	694	702	703	679	**(2)**	**1**
Income before taxes	**$ 277**	$ 260	$ 256	$ 234	$ 217	**7%**	**28 %**
Income before taxes (ex. amortization of intangible assets) – Non-GAAP	**$ 292**	$ 282	$ 278	$ 253	$ 236	**4%**	**24 %**
Pre-tax operating margin	**29%**	27%	27%	25%	24 %		
Adjusted pre-tax operating margin – Non-GAAP *(b)*	**34%**	33%	33%	30%	30 %		
Changes in AUM *(in billions)*: *(c)(d)*							
Beginning balance of AUM	**$ 1,648**	$ 1,715	$ 1,664	$ 1,639	$ 1,625		
Net inflows (outflows):							
Long-term strategies:							
Equity	**(4)**	(5)	(6)	(2)	(2)		
Fixed income	**2**	(1)	(1)	(3)	—		
Liability-driven investments *(e)*	**14**	(7)	4	15	14		
Multi-asset and alternative investments	**2**	3	7	2	—		
Total long-term active strategies inflows (outflows)	**14**	(10)	4	12	12		
Index	**—**	(1)	(3)	(17)	(11)		
Total long-term strategies inflows (outflows)	**14**	(11)	1	(5)	1		
Short term strategies:							
Cash	**13**	(3)	(1)	4	(9)		
Total net inflows (outflows)	**27**	(14)	—	(1)	(8)		
Net market impact/other	**41**	(11)	80	71	41		
Net currency impact	**11**	(42)	(29)	(47)	(19)		
Acquisition	**—**	—	—	2	—		
Ending balance of AUM	**$ 1,727** *(f)*	$ 1,648	$ 1,715	$ 1,664	$ 1,639	**5%**	**5 %**
AUM at period end, by product type: *(c)(d)*							
Equity	**9%**	9%	9%	9%	9 %		
Fixed income	**11**	11	11	12	12		
Index	**19**	19	18	18	19		
Liability-driven investments *(e)*	**34**	34	35	34	33		
Multi-asset and alternative investments	**11**	11	11	11	11		
Cash	**16**	16	16	16	16		
Total AUM	**100%** *(f)*	100%	100%	100%	100 %		
Average balances:							
Average loans	**$ 16,153**	$ 15,673	$ 15,308	$ 14,795	$ 14,275	**3%**	**13 %**
Average deposits	**$ 15,781**	$ 15,511	$ 15,600	$ 15,518	$ 15,971	**2%**	**(1)%**

(a) Total fee and other revenue includes the impact of the consolidated investment management funds, net of noncontrolling interests. See page 25 for a breakdown of the revenue line items in the Investment Management business impacted by the consolidated investment management funds. Additionally, other revenue includes asset servicing, treasury services, foreign exchange and other trading revenue and investment and other income.

(b) Excludes amortization of intangible assets, provision for credit losses and distribution and servicing expense. See "Supplemental information – Explanation of GAAP and Non-GAAP financial measures" beginning on page 22 for the reconciliation of this Non-GAAP measure.

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

(d) In the first quarter of 2017, the AUM in our Wealth Management business and our multi-asset strategies has been reclassified to multi-asset and alternative investments. This reclassification does not change total AUM. All prior periods have been restated.

(e) Includes currency overlay assets under management.

(f) Preliminary.

N/M – Not meaningful.

INVESTMENT MANAGEMENT KEY POINTS

- Income before taxes totaled $277 million in 1Q17, an increase of 28% year-over-year and 7% sequentially. Income before taxes, excluding amortization of intangible assets (Non-GAAP), totaled $292 million in 1Q17, an increase of 24% year-over-year and 4% sequentially.
  - Pre-tax operating margin of 29% in 1Q17 increased 446 bps year-over-year and 165 bps sequentially.
  - Adjusted pre-tax operating margin (Non-GAAP) of 34% in 1Q17 increased 462 bps year-over-year and 80 bps sequentially.

- Total revenue was $963 million, an increase of 8% year-over-year and a slight increase sequentially.
  - 40% non-U.S. revenue in both 1Q17 and 1Q16.

- Investment management fees increased 4% year-over-year, primarily reflecting higher market values, partially offset by the unfavorable impact of a stronger U.S. dollar (principally versus the British pound) and the impact of outflows of assets under management in the prior year. On a constant currency basis, investment management fees increased 7% (Non-GAAP) year-over-year. The 2% sequential increase was primarily driven by higher market values, partially offset by fewer days in 1Q17.
  - Net long-term inflows of $14 billion in 1Q17 reflect inflows of liability-driven investments and other active strategies, partially offset by outflows of active equity investments.
  - Net short-term inflows of $13 billion in 1Q17 were a result of increased distribution through our liquidity portals.

- The sequential decrease in performance fees was driven by seasonality.

- Other revenue improvement year-over-year reflects higher seed capital gains and losses on hedging activity recorded in 1Q16, partially offset by payments to Investment Services related to higher money market fees.

- Net interest revenue increased 4% year-over-year and 8% sequentially, primarily reflecting higher rates on deposits.
  - Average loans increased 13% year-over-year and 3% sequentially. Record average loans were driven by extending banking solutions to high net worth clients.
  - Average deposits decreased 1% year-over-year and increased 2% sequentially.

- Total noninterest expense (excluding amortization of intangible assets) increased 1% year-over-year and decreased 1% sequentially. The year-over-year increase was primarily driven by higher incentive expense, partially offset by the favorable impact of a stronger U.S. dollar (principally versus the British pound). The sequential decrease primarily reflects lower business development expense.

INVESTMENT SERVICES provides business and technology solutions to financial institutions, corporations, public funds and government agencies, including: asset servicing (custody, foreign exchange, fund services, broker-dealer services, securities finance, collateral and liquidity services), clearing services, issuer services (depositary receipts and corporate trust) and treasury services (global payments, trade finance and cash management).

(dollars in millions, unless otherwise noted)	**1Q17**	4Q16	3Q16	2Q16	1Q16	**1Q17 vs. 4Q16**	**1Q17 vs. 1Q16**
Revenue:							
Investment services fees:							
Asset servicing	**$ 1,038**	$ 1,043	$ 1,039	$ 1,043	$ 1,016	**— %**	**2 %**
Clearing services	**375**	354	347	350	348	**6**	**8**
Issuer services	**250**	211	336	233	244	**18**	**2**
Treasury services	**139**	139	136	137	129	**—**	**8**
Total investment services fees	**1,802**	1,747	1,858	1,763	1,737	**3**	**4**
Foreign exchange and other trading revenue	**153**	157	177	161	168	**(3)**	**(9)**
Other *(a)*	**129**	128	148	130	125	**1**	**3**
Total fee and other revenue	**2,084**	2,032	2,183	2,054	2,030	**3**	**3**
Net interest revenue	**707**	713	715	690	679	**(1)**	**4**
Total revenue	**2,791**	2,745	2,898	2,744	2,709	**2**	**3**
Provision for credit losses	**—**	—	1	(7)	14	**N/M**	**N/M**
Noninterest expense (ex. amortization of intangible assets)	**1,812**	1,786	1,812	1,819	1,770	**1**	**2**
Amortization of intangible assets	**37**	38	39	40	38	**(3)**	**(3)**
Total noninterest expense	**1,849**	1,824	1,851	1,859	1,808	**1**	**2**
Income before taxes	**$ 942**	$ 921	$ 1,046	$ 892	$ 887	**2 %**	**6 %**
Income before taxes (ex. amortization of intangible assets) – Non-GAAP	**$ 979**	$ 959	$ 1,085	$ 932	$ 925	**2 %**	**6 %**
Pre-tax operating margin	**34%**	34%	36%	33%	33%		
Adjusted pre-tax operating margin (ex. provision for credit losses and amortization of intangible assets) – Non-GAAP	**35%**	35%	37%	34%	35%		
Investment services fees as a percentage of noninterest expense (ex. amortization of intangible assets)	**99%**	98%	103%	97%	98%		
Securities lending revenue	**$ 40**	$ 44	$ 42	$ 42	$ 42	**(9)%**	**(5)%**
Metrics:							
Average loans	**$ 42,818**	$ 45,832	$ 44,329	$ 43,786	$ 45,004	**(7)%**	**(5)%**
Average deposits	**$ 197,690**	$ 213,531	$ 220,316	$ 221,998	$ 215,707	**(7)%**	**(8)%**
AUC/A at period end *(in trillions) (b)*	**$ 30.6** *(c)*	$ 29.9	$ 30.5	$ 29.5	$ 29.1	**2 %**	**5 %**
Market value of securities on loan at period end *(in billions) (d)*	**$ 314**	$ 296	$ 288	$ 278	$ 300	**6 %**	**5 %**
Asset servicing:							
Estimated new business wins (AUC/A) *(in billions)*	**$ 109** *(c)*	$ 141	$ 150	$ 167	$ 40		
Depositary Receipts:							
Number of sponsored programs	**1,050**	1,062	1,094	1,112	1,131	**(1)%**	**(7)%**
Clearing services:							
Average active clearing accounts (U.S. platform) *(in thousands)*	**6,058**	5,960	5,942	5,946	5,947	**2 %**	**2 %**
Average long-term mutual fund assets (U.S. platform)	**$ 460,977**	$ 438,460	$ 443,112	$ 431,150	$ 415,025	**5 %**	**11 %**
Average investor margin loans (U.S. platform)	**$ 10,740**	$ 10,562	$ 10,834	$ 10,633	$ 11,063	**2 %**	**(3)%**
Broker-Dealer:							
Average tri-party repo balances *(in billions)*	**$ 2,373**	$ 2,307	$ 2,212	$ 2,108	$ 2,104	**3 %**	**13 %**

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

(b) Includes the AUC/A of CIBC Mellon Global Securities Services Company ("CIBC Mellon"), a joint venture with the Canadian Imperial Bank of Commerce, of $1.2 trillion at March 31, 2017, Dec. 31, 2016 and Sept. 30, 2016 and $1.1 trillion at June 30, 2016 and March 31, 2016.

(c) Preliminary.

(d) Represents the total amount of securities on loan in our agency securities lending program managed by the Investment Services business. Excludes securities for which BNY Mellon acts as agent on behalf of CIBC Mellon clients, which totaled $65 billion at March 31, 2017, $63 billion at Dec. 31, 2016, $64 billion at Sept. 30, 2016 and $56 billion at June 30, 2016 and March 31, 2016.

N/M – Not meaningful.

INVESTMENT SERVICES KEY POINTS

- Income before taxes totaled $942 million in 1Q17. Income before taxes, excluding amortization of intangible assets (Non-GAAP), totaled $979 million in 1Q17.
  - The pre-tax operating margin was 34% in 1Q17. The pre-tax operating margin, excluding the provision for credit losses and amortization of intangible assets (Non-GAAP), was 35% in 1Q17 and the investment services fees as a percentage of noninterest expense (excluding amortization of intangible assets) was 99% in 1Q17.

- Investment services fees increased 4% year-over-year and 3% sequentially.
  - Asset servicing fees increased 2% year-over-year primarily reflecting net new business, including growth of collateral optimization solutions, and higher equity market values, partially offset by the unfavorable impact of a stronger U.S. dollar and the impact of downsizing the retail UK transfer agency business.
  - Clearing services fees increased 8% year-over-year and 6% sequentially, primarily driven by higher money market and mutual fund fees.
  - Issuer services fees increased 2% year-over-year and 18% sequentially, primarily reflecting higher fees in Depositary Receipts, partially offset by lower fees in Corporate Trust.
  - Treasury services fees increased 8% year-over-year primarily reflecting higher payment volumes, partially offset by higher compensating balance credits provided to clients, which reduces fee revenue and increases net interest revenue.

- Foreign exchange and other trading revenue decreased 9% year-over-year and 3% sequentially, primarily reflecting lower volatility. The year-over-year decrease also reflects the migration to lower margin products.

- Other revenue increased 3% year-over-year primarily reflecting higher payments from Investment Management related to higher money market fees, and higher financing-related fees, partially offset by certain fees paid to introducing brokers.

- Net interest revenue increased 4% year-over-year primarily reflecting the impact of the higher interest rates, offset by lower deposits. The 1% sequential decrease primarily reflects lower deposits and loans as well as fewer days in 1Q17, partially offset by higher short-term rates.

- Noninterest expense (excluding amortization of intangible assets) increased 2% year-over-year primarily reflecting higher expense from regulatory and compliance costs, additional technology investments and higher staff expenses, offset by lower litigation expense and the favorable impact of a stronger U.S. dollar. The 1% sequential increase primarily reflects higher incentive expense, partially offset by lower severance and other general expenses.

OTHER SEGMENT primarily includes leasing operations, certain corporate treasury activities, derivatives, global markets, business exits and other corporate revenue and expense items.

(in millions)	**1Q17**	4Q16	3Q16	2Q16	1Q16
Revenue:					
Fee and other revenue	**$ 72**	$ 42	$ 100	$ 95	$ 129
Net interest (expense) revenue	**(1)**	38	(23)	(5)	4
Total revenue	**71**	80	77	90	133
Provision for credit losses	**(8)**	1	(20)	(3)	(3)
Noninterest expense (ex. M&I and restructuring charges (recoveries))	**106**	108	88	53	141
M&I and restructuring charges (recoveries)	**1**	2	—	3	(1)
Total noninterest expense	**107**	110	88	56	140
(Loss) income before taxes	**$ (28)**	$ (31)	$ 9	$ 37	$ (4)
(Loss) income before taxes (ex. M&I and restructuring charges (recoveries)) – Non-GAAP	**$ (27)**	$ (29)	$ 9	$ 40	$ (5)
Average loans and leases	**$ 1,341**	$ 2,142	$ 1,941	$ 1,703	$ 1,917

KEY POINTS

- Total fee and other revenue decreased $57 million compared with 1Q16 and increased $30 million compared with 4Q16. Both comparisons primarily reflect the net gain related to an equity investment, the impact of interest rate hedging activities and lower other income due to increased investments in renewable energy. The year-over-year decrease also reflects lower lease-related gains. The sequential increase was partially offset by lower income from corporate/bank-owned life insurance.

- Net interest revenue decreased $5 million compared with 1Q16 and $39 million compared with 4Q16. The year-over-year decrease was driven by the impact of interest rate hedging activities. The sequential decrease primarily reflects the impact of interest rate hedging activities and the 4Q16 premium amortization adjustment which combined reduced net interest revenue by approximately $43 million.

- Noninterest expense (excluding M&I and restructuring charges (recoveries)) decreased $35 million compared with 1Q16 and $2 million compared with 4Q16. The year-over-year decrease primarily reflects lower incentive expense.

THE BANK OF NEW YORK MELLON CORPORATION
Condensed Consolidated Income Statement

	Quarter ended		
(in millions)	**March 31, 2017**	Dec. 31, 2016	March 31, 2016
Fee and other revenue			
Investment services fees:			
Asset servicing	**$ 1,063**	$ 1,068	$ 1,040
Clearing services	**376**	355	350
Issuer services	**251**	211	244
Treasury services	**139**	140	131
Total investment services fees	**1,829**	1,774	1,765
Investment management and performance fees	**842**	848	812
Foreign exchange and other trading revenue	**164**	161	175
Financing-related fees	**55**	50	54
Distribution and servicing	**41**	41	39
Investment and other income	**77**	70	105
Total fee revenue	**3,008**	2,944	2,950
Net securities gains	**10**	10	20
Total fee and other revenue	**3,018**	2,954	2,970
Operations of consolidated investment management funds			
Investment income (loss)	**37**	8	(3)
Interest of investment management fund note holders	**4**	3	3
Income (loss) from consolidated investment management funds	**33**	5	(6)
Net interest revenue			
Interest revenue	**960**	928	883
Interest expense	**168**	97	117
Net interest revenue	**792**	831	766
Total revenue	**3,843**	3,790	3,730
Provision for credit losses	**(5)**	7	10
Noninterest expense			
Staff	**1,472**	1,395	1,459
Professional, legal and other purchased services	**312**	325	278
Software and equipment	**223**	237	219
Net occupancy	**136**	153	142
Distribution and servicing	**100**	98	100
Sub-custodian	**64**	57	59
Bank assessment charges *(a)*	**57**	53	53
Business development	**51**	71	57
Other *(a)*	**167**	175	188
Amortization of intangible assets	**52**	60	57
M&I, litigation and restructuring charges	**8**	7	17
Total noninterest expense	**2,642**	2,631	2,629
Income			
Income before income taxes	**1,206**	1,152	1,091
Provision for income taxes	**269**	280	283
Net income	**937**	872	808
Net (income) loss attributable to noncontrolling interests (includes $(18), $(4) and $7 related to consolidated investment management funds, respectively)	**(15)**	(2)	9
Net income applicable to shareholders of The Bank of New York Mellon Corporation	**922**	870	817
Preferred stock dividends	**(42)**	(48)	(13)
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	**$ 880**	$ 822	$ 804

(a) *In the first quarter of 2017, we began disclosing bank assessment charges on a quarterly basis. The bank assessment charges were previously included in other expense.*

THE BANK OF NEW YORK MELLON CORPORATION
Condensed Consolidated Income Statement - continued

Net income applicable to common shareholders of The Bank of New York Mellon Corporation used for the earnings per share calculation *(in millions)*	Quarter ended **March 31, 2017**	Dec. 31, 2016	March 31, 2016
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	**$ 880**	$ 822	$ 804
Less: Earnings allocated to participating securities	**14**	13	11
Net income applicable to the common shareholders of The Bank of New York Mellon Corporation after required adjustments for the calculation of basic and diluted earnings per common share	**$ 866**	$ 809	$ 793

Average common shares and equivalents outstanding of The Bank of New York Mellon Corporation *(in thousands)*	Quarter ended **March 31, 2017**	Dec. 31, 2016	March 31, 2016
Basic	**1,041,158**	1,050,888	1,079,641
Diluted	**1,047,746**	1,056,818	1,085,284

Earnings per share applicable to the common shareholders of The Bank of New York Mellon Corporation *(in dollars)*	Quarter ended **March 31, 2017**	Dec. 31, 2016	March 31, 2016
Basic	**$ 0.83**	$ 0.77	$ 0.73
Diluted	**$ 0.83**	$ 0.77	$ 0.73

THE BANK OF NEW YORK MELLON CORPORATION
Consolidated Balance Sheet

(dollars in millions, except per share amounts)	**March 31, 2017**	Dec. 31, 2016
Assets		
Cash and due from:		
Banks	**$ 5,366**	$ 4,822
Interest-bearing deposits with the Federal Reserve and other central banks	**65,086**	58,041
Interest-bearing deposits with banks	**14,554**	15,086
Federal funds sold and securities purchased under resale agreements	**25,776**	25,801
Securities:		
Held-to-maturity (fair value of $40,066 and $40,669)	**40,254**	40,905
Available-for-sale	**75,580**	73,822
Total securities	**115,834**	114,727
Trading assets	**4,912**	5,733
Loans	**60,868**	64,458
Allowance for loan losses	**(164)**	(169)
Net loans	**60,704**	64,289
Premises and equipment	**1,307**	1,303
Accrued interest receivable	**551**	568
Goodwill	**17,355**	17,316
Intangible assets	**3,549**	3,598
Other assets	**21,515**	20,954
Subtotal assets of operations	**336,509**	332,238
Assets of consolidated investment management funds, at fair value	**1,027**	1,231
Total assets	**$ 337,536**	$ 333,469
Liabilities		
Deposits:		
Noninterest-bearing (principally U.S. offices)	**$ 79,771**	$ 78,342
Interest-bearing deposits in U.S. offices	**50,991**	52,049
Interest-bearing deposits in Non-U.S. offices	**90,529**	91,099
Total deposits	**221,291**	221,490
Federal funds purchased and securities sold under repurchase agreements	**11,149**	9,989
Trading liabilities	**2,816**	4,389
Payables to customers and broker-dealers	**21,306**	20,987
Commercial paper	**2,543**	—
Other borrowed funds	**1,022**	754
Accrued taxes and other expenses	**5,290**	5,867
Other liabilities (includes allowance for lending-related commitments of $112 and $112)	**5,733**	5,635
Long-term debt	**26,346**	24,463
Subtotal liabilities of operations	**297,496**	293,574
Liabilities of consolidated investment management funds, at fair value	**209**	315
Total liabilities	**297,705**	293,889
Temporary equity		
Redeemable noncontrolling interests	**159**	151
Permanent equity		
Preferred stock – par value $0.01 per share; authorized 100,000,000 shares; issued 35,826 and 35,826 shares	**3,542**	3,542
Common stock – par value $0.01 per share; authorized 3,500,000,000 shares; issued 1,345,247,459 and 1,333,706,427 shares	**13**	13
Additional paid-in capital	**26,248**	25,962
Retained earnings	**23,300**	22,621
Accumulated other comprehensive loss, net of tax	**(3,524)**	(3,765)
Less: Treasury stock of 305,370,439 and 286,218,126 common shares, at cost	**(10,441)**	(9,562)
Total The Bank of New York Mellon Corporation shareholders' equity	**39,138**	38,811
Nonredeemable noncontrolling interests of consolidated investment management funds	**534**	618
Total permanent equity	**39,672**	39,429
Total liabilities, temporary equity and permanent equity	**$ 337,536**	$ 333,469

SUPPLEMENTAL INFORMATION – EXPLANATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

BNY Mellon has included in this Earnings Release certain Non-GAAP financial measures based on fully phased-in CET1 and other risk-based capital ratios, the fully phased-in SLR and tangible common shareholders' equity. BNY Mellon believes that the CET1 and other risk-based capital ratios on a fully phased-in basis and the SLR on a fully phased-in basis are measures of capital strength that provide additional useful information to investors, supplementing the capital ratios which are, or were, required by regulatory authorities. The tangible common shareholders' equity ratio, which excludes goodwill and intangible assets, net of deferred tax liabilities, includes changes in investment securities valuations which are reflected in total shareholders' equity. In addition, this ratio is expressed as a percentage of the actual book value of assets. BNY Mellon believes that the return on tangible common equity measure, which excludes goodwill and intangible assets, net of deferred tax liabilities, is a useful additional measure for investors because it presents a measure of those assets that can generate income. BNY Mellon has provided a measure of tangible book value per common share, which it believes provides additional useful information as to the level of tangible assets in relation to shares of common stock outstanding.

BNY Mellon has presented revenue measures, which exclude the effect of noncontrolling interests related to consolidated investment management funds, and expense measures, which exclude M&I, litigation and restructuring charges and amortization of intangible assets. Return on equity, operating leverage and operating margin measures, which exclude some or all of these items, as well as the recovery related to Sentinel, are also presented. Operating margin measures may also exclude the provision for credit losses and distribution and servicing expense. BNY Mellon believes that these measures are useful to investors because they permit a focus on period-to-period comparisons, which relate to the ability of BNY Mellon to enhance revenues and limit expenses in circumstances where such matters are within BNY Mellon's control. M&I expenses primarily relate to acquisitions and generally continue for approximately three years after the transaction. Litigation charges represent accruals for loss contingencies that are both probable and reasonably estimable, but exclude standard business-related legal fees. Restructuring charges relate to our streamlining actions and Operational Excellence Initiatives. Excluding these charges mentioned above permits investors to view expenses on a basis consistent with how management views the business.

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

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

Each of these measures as described above is used by management to monitor financial performance, both on a company-wide and on a business-level basis.

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

Reconciliation of income before income taxes – pre-tax operating margin *(dollars in millions)*	**1Q17**	4Q16	3Q16	2Q16	1Q16
Income before income taxes – GAAP	**$ 1,206**	$ 1,152	$ 1,317	$ 1,165	$ 1,091
Less: Net income (loss) attributable to noncontrolling interests of consolidated investment management funds	**18**	4	9	4	(7)
Add: Amortization of intangible assets	**52**	60	61	59	57
M&I, litigation and restructuring charges	**8**	7	18	7	17
Recovery related to Sentinel	**—**	—	(13)	—	—
Income before income taxes, as adjusted – Non-GAAP *(a)*	**$ 1,248**	$ 1,215	$ 1,374	$ 1,227	$ 1,172
Fee and other revenue – GAAP	**$ 3,018**	$ 2,954	$ 3,150	$ 2,999	$ 2,970
Income (loss) from consolidated investment management funds – GAAP	**33**	5	17	10	(6)
Net interest revenue – GAAP	**792**	831	774	767	766
Total revenue – GAAP	**3,843**	3,790	3,941	3,776	3,730
Less: Net income (loss) attributable to noncontrolling interests of consolidated investment management funds	**18**	4	9	4	(7)
Total revenue, as adjusted – Non-GAAP *(a)*	**$ 3,825**	$ 3,786	$ 3,932	$ 3,772	$ 3,737
Pre-tax operating margin – GAAP *(b)(c)*	**31%**	30%	33%	31%	29%
Adjusted pre-tax operating margin – Non-GAAP *(a)(b)(c)*	**33%**	32%	35%	33%	31%

(a) Non-GAAP information for all periods presented excludes net income (loss) attributable to noncontrolling interests of consolidated investment management funds, amortization of intangible assets and M&I, litigation and restructuring charges. Non-GAAP information for 3Q16 also excludes a recovery of the previously impaired Sentinel loan.

(b) Income before taxes divided by total revenue.

(c) Our GAAP earnings include tax-advantaged investments such as low income housing, renewable energy, bank-owned life insurance and tax-exempt securities. The benefits of these investments are primarily reflected in tax expense. If reported on a tax-equivalent basis, these investments would increase revenue and income before taxes by $101 million for 1Q17, $92 million for 4Q16, $74 million for 3Q16 and 2Q16, $77 million for 1Q16 and would increase our pre-tax operating margin by approximately 1.8% for 1Q17, 1.7% for 4Q16, 1.2% for 3Q16, 1.3% for 2Q16 and 1.4% for 1Q16.

The following table presents the reconciliation of the operating leverage.

Operating leverage				**1Q17 vs.**	
(dollars in millions)	**1Q17**	4Q16	1Q16	**4Q16**	**1Q16**
Total revenue – GAAP	**$ 3,843**	$ 3,790	$ 3,730	**1.40%**	**3.03%**
Less: Net income (loss) attributable to noncontrolling interests of consolidated investment management funds	**18**	4	(7)		
Total revenue, as adjusted – Non-GAAP	**$ 3,825**	$ 3,786	$ 3,737	**1.03%**	**2.35%**
Total noninterest expense – GAAP	**$ 2,642**	$ 2,631	$ 2,629	**0.42%**	**0.49%**
Less: Amortization of intangible assets	**52**	60	57		
M&I, litigation and restructuring charges	**8**	7	17		
Total noninterest expense, as adjusted – Non-GAAP	**$ 2,582**	$ 2,564	$ 2,555	**0.70%**	**1.06%**
Operating leverage – GAAP *(a)*				**98 bps**	**254 bps**
Adjusted operating leverage – Non-GAAP *(a)(b)*				**33 bps**	**129 bps**

(a) Operating leverage is the rate of increase (decrease) in total revenue less the rate of increase (decrease) in total noninterest expense.

(b) Non-GAAP operating leverage for all periods presented excludes net income (loss) attributable to noncontrolling interests of consolidated investment management funds, amortization of intangible assets and M&I, litigation and restructuring charges.

bps – basis points.

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

Return on common equity and tangible common equity *(dollars in millions)*	**1Q17**	4Q16	3Q16	2Q16	1Q16
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	**$ 880**	$ 822	$ 974	$ 825	$ 804
Add: Amortization of intangible assets	**52**	60	61	59	57
Less: Tax impact of amortization of intangible assets	**18**	19	21	21	20
Net income applicable to common shareholders of The Bank of New York Mellon Corporation excluding amortization of intangible assets – Non-GAAP	**914**	863	1,014	863	841
Add: M&I, litigation and restructuring charges	**8**	7	18	7	17
Recovery related to Sentinel	**—**	—	(13)	—	—
Less: Tax impact of M&I, litigation and restructuring charges	**2**	3	5	2	6
Tax impact of recovery related to Sentinel	**—**	—	(5)	—	—
Net income applicable to common shareholders of The Bank of New York Mellon Corporation, as adjusted – Non-GAAP *(a)*	**$ 920**	$ 867	$ 1,019	$ 868	$ 852
Average common shareholders' equity	**$ 34,965**	$ 35,171	$ 35,767	$ 35,827	$ 35,252
Less: Average goodwill	**17,338**	17,344	17,463	17,622	17,562
Average intangible assets	**3,578**	3,638	3,711	3,789	3,812
Add: Deferred tax liability – tax deductible goodwill *(b)*	**1,518**	1,497	1,477	1,452	1,428
Deferred tax liability – intangible assets *(b)*	**1,100**	1,105	1,116	1,129	1,140
Average tangible common shareholders' equity – Non-GAAP	**$ 16,667**	$ 16,791	$ 17,186	$ 16,997	$ 16,446
Return on common equity – GAAP *(c)*	**10.2%**	9.3%	10.8%	9.3%	9.2%
Adjusted return on common equity – Non-GAAP *(a)(c)*	**10.7%**	9.8%	11.3%	9.7%	9.7%
Return on tangible common equity – Non-GAAP *(c)*	**22.2%**	20.4%	23.5%	20.4%	20.6%
Adjusted return on tangible common equity – Non-GAAP *(a)(c)*	**22.4%**	20.5%	23.6%	20.5%	20.8%

(a) Non-GAAP information for all periods presented excludes amortization of intangible assets and M&I, litigation and restructuring charges. Non-GAAP information for 3Q16 also excludes a recovery of the previously impaired Sentinel loan.
(b) Deferred tax liabilities are based on fully phased-in Basel III rules.
(c) Quarterly returns are annualized.

The following table presents the reconciliation of the book value per common share.

Book value per common share *(dollars in millions, unless otherwise noted)*	**March 31, 2017**	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016
BNY Mellon shareholders' equity at period end – GAAP	**$ 39,138**	$ 38,811	$ 39,695	$ 38,559	$ 38,459
Less: Preferred stock	**3,542**	3,542	3,542	2,552	2,552
BNY Mellon common shareholders' equity at period end – GAAP	**35,596**	35,269	36,153	36,007	35,907
Less: Goodwill	**17,355**	17,316	17,449	17,501	17,604
Intangible assets	**3,549**	3,598	3,671	3,738	3,781
Add: Deferred tax liability – tax deductible goodwill *(a)*	**1,518**	1,497	1,477	1,452	1,428
Deferred tax liability – intangible assets *(a)*	**1,100**	1,105	1,116	1,129	1,140
BNY Mellon tangible common shareholders' equity at period end – Non-GAAP	**$ 17,310**	$ 16,957	$ 17,626	$ 17,349	$ 17,090
Period-end common shares outstanding *(in thousands)*	**1,039,877**	1,047,488	1,057,337	1,067,674	1,077,083
Book value per common share – GAAP	**$ 34.23**	$ 33.67	$ 34.19	$ 33.72	$ 33.34
Tangible book value per common share – Non-GAAP	**$ 16.65**	$ 16.19	$ 16.67	$ 16.25	$ 15.87

(a) Deferred tax liabilities are based on fully phased-in Basel III rules.

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

Investment management and performance fees – Consolidated *(dollars in millions)*	**1Q17**	1Q16	**1Q17 vs. 1Q16**
Investment management and performance fees – GAAP	**$ 842**	$ 812	**4%**
Impact of changes in foreign currency exchange rates	**—**	(30)	
Investment management and performance fees, as adjusted – Non-GAAP	**$ 842**	$ 782	**8%**

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

Income (loss) from consolidated investment management funds, net of noncontrolling interests *(in millions)*	**1Q17**	4Q16	3Q16	2Q16	1Q16
Income (loss) from consolidated investment management funds	**$ 33**	$ 5	$ 17	$ 10	$ (6)
Less: Net income (loss) attributable to noncontrolling interests of consolidated investment management funds	**18**	4	9	4	(7)
Income from consolidated investment management funds, net of noncontrolling interests	**$ 15**	$ 1	$ 8	$ 6	$ 1

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

Investment management fees - Investment Management business *(dollars in millions)*	**1Q17**	1Q16	**1Q17 vs. 1Q16**
Investment management fees – GAAP	**$ 814**	$ 786	**4%**
Impact of changes in foreign currency exchange rates	**—**	(28)	
Investment management fees, as adjusted – Non-GAAP	**$ 814**	$ 758	**7%**

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

Income (loss) from consolidated investment management funds, net of noncontrolling interests - Investment Management business *(in millions)*	**1Q17**	4Q16	3Q16	2Q16	1Q16
Investment management fees	**$ 2**	$ 4	$ 2	$ 3	$ 2
Other (Investment income (loss))	**13**	(3)	6	3	(1)
Income from consolidated investment management funds, net of noncontrolling interests	**$ 15**	$ 1	$ 8	$ 6	$ 1

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

Pre-tax operating margin - Investment Management business *(dollars in millions)*	**1Q17**	4Q16	3Q16	2Q16	1Q16
Income before income taxes – GAAP	**$ 277**	$ 260	$ 256	$ 234	$ 217
Add: Amortization of intangible assets	**15**	22	22	19	19
Provision for credit losses	**3**	6	—	1	(1)
Adjusted income before income taxes excluding amortization of intangible assets and provision for credit losses – Non-GAAP	**$ 295**	$ 288	$ 278	$ 254	$ 235
Total revenue – GAAP	**$ 963**	$ 960	$ 958	$ 938	$ 895
Less: Distribution and servicing expense	**101**	98	104	102	100
Adjusted total revenue net of distribution and servicing expense – Non-GAAP	**$ 862**	$ 862	$ 854	$ 836	$ 795
Pre-tax operating margin – GAAP *(a)*	**29%**	27%	27%	25%	24%
Adjusted pre-tax operating margin, excluding amortization of intangible assets, provision for credit losses and distribution and servicing expense – Non-GAAP *(a)*	**34%**	33%	33%	30%	30%

(a) Income before taxes divided by total revenue.

DIVIDENDS

Common – On April 20, 2017, The Bank of New York Mellon Corporation declared a quarterly common stock dividend of $0.19 per common share. This cash dividend is payable on May 12, 2017 to shareholders of record as of the close of business on May 2, 2017.

Preferred – On April 20, 2017, The Bank of New York Mellon Corporation declared the following dividends for the noncumulative perpetual preferred stock, liquidation preference $100,000 per share, for the dividend period ending in June 2017, in each case payable on June 20, 2017 to holders of record as of the close of business on June 5, 2017:

- $1,022.22 per share on the Series A Preferred Stock (equivalent to $10.2222 per Normal Preferred Capital Security of Mellon Capital IV, each representing a 1/100th interest in a share of the Series A Preferred Stock);
- $1,300.00 per share on the Series C Preferred Stock (equivalent to $0.3250 per depositary share, each representing a 1/4,000th interest in a share of the Series C Preferred Stock);
- $2,250.00 per share on the Series D Preferred Stock (equivalent to $22.5000 per depositary share, each representing a 1/100th interest in a share of the Series D Preferred Stock); and
- $2,475.00 per share on the Series E Preferred Stock (equivalent to $24.7500 per depositary share, each representing a 1/100th interest in a share of the Series E Preferred Stock).

CAUTIONARY STATEMENT

A number of statements (i) in this Earnings Release, (ii) in our presentations and (iii) in the responses to questions on our conference call discussing our quarterly results and other public events may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 including our estimated capital ratios and expectations relating to those ratios, preliminary business metrics and statements regarding the progress and impact of technology enhancements and the business improvement process. These statements may be expressed in a variety of ways, including the use of future or present tense language. Words such as "estimate," "forecast," "project," "anticipate," "likely," "target," "expect," "intend," "continue," "seek," "believe," "plan," "goal," "could," "should," "may," "will," "strategy," "opportunities," "trends" and words of similar meaning signify forward-looking statements. These statements and other forward-looking statements contained in other public disclosures of The Bank of New York Mellon Corporation which make reference to the cautionary factors described in this Earnings Release are based upon current beliefs and expectations and are subject to significant risks and uncertainties (some of which are beyond BNY Mellon's control). Actual results may differ materially from those expressed or implied as a result of these risks and uncertainties, including, but not limited to, the risk factors and other uncertainties set forth in BNY Mellon's Annual Report on Form 10-K for the year ended Dec. 31, 2016 and BNY Mellon's other filings with the Securities and Exchange Commission. All forward-looking statements in this Earnings Release speak only as of April 20, 2017, and BNY Mellon undertakes no obligation to update any forward-looking statement to reflect events or circumstances after that date or to reflect the occurrence of unanticipated events.

ABOUT BNY MELLON

BNY Mellon is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of March 31, 2017, BNY Mellon had $30.6 trillion in assets under custody and/or administration, and $1.7 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

CONFERENCE CALL INFORMATION

Gerald L. Hassell, chairman and chief executive officer, and Thomas P. Gibbons, vice chairman and chief financial officer, along with other members of the executive management team from BNY Mellon, will host a conference call and simultaneous live audio webcast at 8:00 a.m. EDT on April 20, 2017. This conference call and audio webcast will include forward-looking statements and may include other material information.

Investors and analysts wishing to access the conference call and audio webcast may do so by dialing (800) 390-5696 (U.S.) or (719) 325-2110 (International), and using the passcode: 445371, or by logging on to www.bnymellon.com/investorrelations. Earnings materials will be available at www.bnymellon.com/investorrelations beginning at approximately 6:30 a.m. EDT on April 20, 2017. Replays of the conference call and audio webcast will be available beginning April 20, 2017 at approximately 2 p.m. EDT through May 20, 2017 by dialing (888) 203-1112 (U.S.) or (719) 457-0820 (International), and using the passcode: 6203153. The archived version of the conference call and audio webcast will also be available at www.bnymellon.com/investorrelations for the same time period.