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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2011

or

Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Commission File No. 000-52710

THE BANK OF NEW YORK MELLON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

13-2614959
(I.R.S. Employer Identification No.)

One Wall Street
New York, New York 10286
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code -- (212) 495-1784

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| <u>Class</u> | <u>Outstanding as of March 31, 2011</u> |
|--------------------------------|---|
| Common Stock, \$0.01 par value | 1,241,723,885 |

THE BANK OF NEW YORK MELLON CORPORATION

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The Bank of New York Mellon Corporation

Consolidated Financial Highlights (unaudited)

| <i>(dollar amounts in millions, except per share amounts and unless otherwise noted)</i> | Quarter ended | | |
|---|-------------------|----------------------|-----------------------|
| | March 31, 2011 | Dec. 31, 2010 (a) | March 31, 2010 (a) |
| Net income basis: | | | |
| Reported results applicable to common shareholders of The Bank of New York Mellon Corporation: | | | |
| Net income | \$ 625 | \$ 679 | \$ 559 |
| Basic EPS | 0.50 | 0.55 | 0.46 |
| Diluted EPS | 0.50 | 0.54 | 0.46 |
| Return on common equity <i>(annualized)</i> | 7.7% | 8.3% | 7.6% |
| Return on average assets <i>(annualized)</i> | 0.98% | 1.05% | 1.01% |
| Continuing operations: | | | |
| Results from continuing operations applicable to common shareholders of The Bank of New York Mellon Corporation: | | | |
| Income from continuing operations | \$ 625 | \$ 690 | \$ 601 |
| Basic EPS from continuing operations | 0.50 | 0.55 | 0.50 |
| Diluted EPS from continuing operations | 0.50 | 0.55 | 0.49 |
| Fee and other revenue | \$2,838 | \$2,972 | \$2,529 |
| Income of consolidated investment management funds | 110 | 59 | 65 |
| Net interest revenue | 698 | 720 | 765 |
| Total revenue | \$3,646 | \$3,751 | \$3,359 |
| Return on common equity <i>(annualized) (b)</i> | 7.7% | 8.5% | 8.2% |
| Return on tangible common equity <i>(annualized) – Non-GAAP (b)</i> | 24.3% | 27.5% | 25.8% |
| Fee revenue as a percentage of total revenue excluding net securities gains | 78% | 79% | 75% |
| Annualized fee revenue per employee (based on average headcount) <i>(in thousands)</i> | \$ 238 | \$ 246 | \$ 242 |
| Percentage of non-U.S. total revenue | 37% | 38% | 35% |
| Pre-tax operating margin <i>(b)</i> | 26% | 26% | 26% |
| Non-GAAP adjusted <i>(b)</i> | 28% | 30% | 34% |
| Net interest margin (FTE) | 1.49% | 1.54% | 1.89% |
| Assets under management (“AUM”) at period end <i>(in billions)</i> | \$1,229 | \$1,172 | \$1,105 |
| Assets under custody and administration (“AUC”) at period end <i>(in trillions)</i> | \$ 25.5 | \$ 25.0 | \$ 22.4 |
| Equity securities | 32% | 32% | 30% |
| Fixed income securities | 68% | 68% | 70% |
| Cross-border assets at period end <i>(in trillions)</i> | \$ 9.9 | \$ 9.2 | \$ 8.8 |
| Market value of securities on loan at period end <i>(in billions) (c)</i> | \$ 278 | \$ 278 | \$ 253 |
| Average common shares and equivalents outstanding <i>(in thousands)</i> : | | | |
| Basic | 1,234,076 | 1,232,568 | 1,202,533 |
| Diluted | 1,238,284 | 1,235,670 | 1,206,286 |

The Bank of New York Mellon Corporation

Consolidated Financial Highlights (unaudited) (continued)

| <i>(dollar amounts in millions, except per share amounts and unless otherwise noted)</i> | Quarter ended | | |
|--|-------------------|----------------------|-----------------------|
| | March 31, 2011 | Dec. 31, 2010 (a) | March 31, 2010 (a) |
| Capital ratios: | | | |
| Tier 1 capital ratio (d) | 14.0% | 13.4% | 13.3% |
| Total (Tier 1 plus Tier 2) capital ratio (d) | 16.8% | 16.3% | 17.2% |
| Common shareholders' equity to total assets ratio (b) | 12.5% | 13.1% | 13.5% |
| Tangible common shareholders' equity to tangible assets of operations ratio – Non-GAAP (b) | 5.9% | 5.8% | 6.1% |
| Tier 1 common equity to risk-weighted assets ratio – Non-GAAP (b)(d) | 12.4% | 11.8% | 11.6% |
| Selected average balances: | | | |
| Interest-earning assets | \$190,185 | \$187,597 | \$163,429 |
| Assets of operations | \$243,356 | \$241,734 | \$212,685 |
| Total assets | \$257,698 | \$256,409 | \$225,415 |
| Interest-bearing deposits | \$116,515 | \$111,776 | \$101,034 |
| Noninterest-bearing deposits | \$ 38,616 | \$ 39,625 | \$ 33,330 |
| Total The Bank of New York Mellon Corporation shareholders' equity | \$ 32,827 | \$ 32,379 | \$ 29,715 |
| Other information at period end: | | | |
| Full-time employees | 48,400 | 48,000 | 42,300 |
| Cash dividends per common share | \$ 0.09 | \$ 0.09 | \$ 0.09 |
| Dividend yield (annualized) | 1.2% | 1.2% | 1.2% |
| Closing common stock price per common share | \$ 29.87 | \$ 30.20 | \$ 30.88 |
| Market capitalization | \$ 37,090 | \$ 37,494 | \$ 37,456 |
| Book value per common share – GAAP (b) | \$ 26.78 | \$ 26.06 | \$ 24.47 |
| Tangible book value per common share – Non-GAAP (b) | \$ 9.67 | \$ 8.91 | \$ 8.69 |
| Common shares outstanding (in thousands) | 1,241,724 | 1,241,530 | 1,212,941 |

(a) Presented on a continuing operations basis.

(b) See Supplemental Information beginning on page 42 for a calculation of these ratios.

(c) Represents the total amount of securities on loan, both cash and non-cash, managed by the Investment Services business.

(d) Determined under Basel I regulatory guidelines. The quarters ended Dec. 31, 2010 and March 31, 2010 include discontinued operations.

Part I – Financial Information

Items 2. and 3. Management’s Discussion and Analysis of Financial Condition and Results of Operations; Quantitative and Qualitative Disclosures about Market Risk

General

In this Quarterly Report on Form 10-Q, references to “our,” “we,” “us,” “BNY Mellon,” the “Company,” and similar terms refer to The Bank of New York Mellon Corporation.

Certain business terms used in this document are defined in the glossary included in our 2010 Annual Report on Form 10-K.

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

How we reported results

All information in this Quarterly Report on Form 10-Q is reported on a continuing operations basis, unless otherwise noted. For a discussion of discontinued operations, see Note 4 to the Notes to Consolidated Financial Statements.

Throughout this Form 10-Q, certain measures, which are noted, exclude certain items. BNY Mellon believes that these measures are useful to investors because they permit a focus on period-to-period comparisons, using measures that relate to our ability to enhance revenues and limit expenses in circumstances where such matters are within our control. We also present certain amounts on a fully taxable equivalent (“FTE”) basis. We believe that this presentation allows for comparison of amounts arising from both taxable and tax-exempt sources and is consistent with industry practice. The adjustment to an FTE basis has no impact on net income. Certain immaterial reclassifications have been made to prior periods to place them on a basis comparable with the current period presentation. See “Supplemental information – Explanation of Non-GAAP financial measures” beginning on page 42 for a reconciliation of financial measures presented in accordance with GAAP to adjusted Non-GAAP financial measures.

In the first quarter of 2011, BNY Mellon realigned its internal reporting structure and business presentation to focus on its two principal businesses, Investment Management and Investment Services.

The realignment reflects management’s current approach to assessing performance and decisions regarding resource allocations. Investment Management includes the former Asset Management and Wealth Management businesses. Investment Services includes the former Asset Servicing, Issuer Services and Clearing Services businesses as well as the Cash Management business previously included in the Treasury Services business. The credit-related activities previously included in the Treasury Services business, are now included in the Other segment. The income statement has been changed to reflect this realignment as follows:

- Investment management and performance fees consist of the former asset and wealth management fee revenue; and
- Investment services fees consist of the former securities servicing fees, including asset servicing, issuer services, clearing services, as well as treasury services fee revenue.

All prior periods have been reclassified. The reclassifications did not affect the results of operations.

Overview

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE symbol: BK). BNY Mellon is a leading manager and servicer of financial assets globally, operating in 36 countries and serving more than 100 markets. Our global client base consists of the world’s largest financial institutions, corporations, government agencies, high-net-worth individuals, families, endowments and foundations and related entities. At March 31, 2011, we had \$25.5 trillion in assets under custody and administration and \$1.23 trillion in assets under management, serviced \$11.9 trillion in outstanding debt and, on average, processed \$1.7 trillion of global payments per day.

BNY Mellon’s businesses benefit from the global growth in financial assets and from the globalization of the investment process. Over the long term, our financial goals are focused on deploying capital to accelerate the long-term growth of our businesses

and achieving superior total returns to shareholders by generating first quartile earnings per share growth over time relative to a group of peer companies.

Key components of our strategy include: providing superior client service versus peers; strong investment performance relative to investment benchmarks; above-median revenue growth relative to peer companies; increasing the percentage of revenue and income derived from outside the U.S.; successful integration of acquisitions; competitive margins; and positive operating leverage. We have established Tier 1 capital as our principal capital measure and have established a targeted ratio of Tier 1 capital to risk-weighted assets of 10%. We expect to update our capital targets once Basel III guidelines are finalized.

First quarter 2011 and subsequent events

Dividend increase and share repurchase program

In March 2011, BNY Mellon received confirmation that the Federal Reserve did not object to its comprehensive capital plan which provides for capital actions, including a dividend increase and share repurchases. Accordingly, on March 22, 2011, the board of directors authorized a 44% increase in the quarterly common stock dividend to \$0.13 per common share. This cash dividend is payable on May 10, 2011, to shareholders of record as of the close of business on April 29, 2011.

In addition, the board approved an increase of 13 million shares to the current share repurchase program authorization, which increased the total common shares available for repurchase to 46.8 million, representing approximately 4% of common shares outstanding. Our current capital plan anticipates the repurchase of up to \$1.3 billion worth of outstanding common stock in 2011. During the first quarter of 2011, we repurchased 1.1 million shares. During April of 2011, we repurchased an additional 0.9 million shares.

Agreement to sell Shareowner Services

On April 27, 2011, BNY Mellon announced a definitive agreement to sell its Shareowner Services business. The sales price of \$550 million is expected to result in a pre-tax gain and a modest after-tax loss primarily due to the write-off of non-tax deductible goodwill associated with the business. This transaction reflects BNY Mellon's strategic focus on growing globally our Investment

Management and Investment Servicing businesses. The transaction will further enhance BNY Mellon's strong capital ratios, generating more than \$200 million in additional capital. The transaction is anticipated to close in the third quarter of 2011, subject to regulatory approval.

Agreement to acquire Talon Asset Management

On April 28, 2011, BNY Mellon announced an agreement to acquire the wealth management operations of Chicago-based Talon Asset Management ("Talon") which manages more than \$800 million in assets for wealthy families and institutions. The acquisition of Talon represents BNY Mellon's first wealth management office in Chicago, the third largest wealth management market in the U.S. At closing, Talon will be included in the Investment Management business. This transaction is expected to close in the second quarter of 2011.

Highlights of first quarter 2011 results

We reported net income applicable to common shareholders of BNY Mellon of \$625 million, or \$0.50 per diluted common share, in the first quarter of 2011 compared with net income from continuing operations of \$601 million, or \$0.49 per diluted common share, in the first quarter of 2010 and \$690 million, or \$0.55 per diluted common share, in the fourth quarter of 2010.

Net income applicable to common shareholders, totaled \$625 million, or \$0.50 per diluted common share, in the first quarter of 2011 compared with net income applicable to common shareholders, including discontinued operations, of \$559 million, or \$0.46 per diluted common share, in the first quarter of 2010 and \$679 million, or \$0.54 per diluted common share, in the fourth quarter of 2010.

Highlights for the first quarter of 2011 include:

- Assets under custody and administration ("AUC") totaled a record \$25.5 trillion at March 31, 2011 compared with \$22.4 trillion at March 31, 2010 and \$25.0 trillion at Dec. 31, 2010. Both increases primarily reflect higher market values and net new business. The increase compared with March 31, 2010 also reflects the acquisitions of Global Investment Servicing ("GIS") on July 1, 2010 and BHF Asset Servicing GmbH ("BAS") on Aug. 2, 2010

- (collectively, “the Acquisitions”). (See the Investment Services business on page 19).
- Assets under management (“AUM”), excluding securities lending assets, totaled a record \$1.23 trillion at March 31, 2011 compared with \$1.11 trillion at March 31, 2010 and \$1.17 trillion at Dec. 31, 2010. This represents an increase of 11% compared with the prior year and 5% sequentially. Both increases were primarily due to higher market values and net new business. (See the Investment Management business on page 16).
 - Investment services fees totaled \$1.7 billion in the first quarter of 2011 compared with \$1.3 billion in the first quarter of 2010. The increase reflects the Acquisitions, new business and higher market values. (See the Investment Services business on page 19).
 - Investment management and performance fees, totaled \$764 million in the first quarter of 2011 compared with \$686 million in the first quarter of 2010. The increase reflects higher market values and net new business. (See the Investment Management business beginning on page 16).
 - Foreign exchange and other trading revenue totaled \$198 million in the first quarter of 2011 compared with \$262 million in the first quarter of 2010. In the first quarter of 2011, foreign exchange revenue totaled \$173 million, a decrease of 1% compared with the first quarter of 2010, as increased volumes were more than offset by declines in volatility. Other trading revenue was \$25 million in the first quarter of 2011, a decrease of \$62 million compared with the first quarter of 2010 driven by lower fixed income and derivatives trading revenue. (See Fee and other revenue beginning on page 7).
 - Investment income and other revenue totaled \$81 million in the first quarter of 2011 compared with \$145 million in the first quarter of 2010. The decrease primarily reflects a reduction in foreign currency translation revenue and lower lease residual gains. (See Fee and other revenue beginning on page 7).
 - Net interest revenue totaled \$698 million in the first quarter of 2011 compared with \$765 million in the first quarter of 2010. The net interest margin (FTE) for the first quarter of 2011 was 1.49% compared with 1.89% in the first quarter of 2010. Both of the decreases reflect lower spreads resulting from the continued impact of the low interest rate environment. (See Net interest revenue beginning on page 9).
 - There was no provision for credit losses in the first quarter of 2011 compared with a charge of \$35 million in the first quarter of 2010. (See Asset quality and allowance for credit losses beginning on page 29).
 - Noninterest expense totaled \$2.7 billion in the first quarter of 2011 compared with \$2.4 billion in the first quarter of 2010. The increase, reflects the impact of the Acquisitions, higher expenses associated with our revenue mix, litigation, pension and healthcare expenses, and continued investment in our franchise. (See Noninterest expense beginning on page 11).
 - Unrealized net of tax gains on our total investment securities portfolio were \$279 million at March 31, 2011 compared with \$150 million at Dec. 31, 2010. The improvement in the valuation of the investment securities portfolio was driven by narrowing credit spreads on non-agency residential mortgage-backed securities (“RMBS”). (See Consolidated balance sheet review beginning on page 24).
 - Our Tier 1 capital ratio was 14.0% at March 31, 2011 compared with 13.4% at Dec. 31, 2010. The increase primarily reflects earnings retention. (See Capital beginning on page 38).

Fee and other revenue

| Fee and other revenue (dollars in millions, unless otherwise noted) | 1Q11 | 4Q10 | 1Q10 | 1Q11 vs. | |
|--|-------------|-------------|---------|----------|------|
| | | | | 1Q10 | 4Q10 |
| Investment services fees: | | | | | |
| Asset servicing | \$ 923 | \$ 914 | \$ 637 | 45% | 1% |
| Issuer services | 351 | 409 | 333 | 5 | (14) |
| Clearing services | 292 | 278 | 230 | 27 | 5 |
| Treasury services | 128 | 129 | 131 | (2) | (1) |
| Total investment services fees | 1,694 | 1,730 | 1,331 | 27 | (2) |
| Investment management and performance fees | 764 | 800 | 686 | 11 | (5) |
| Foreign exchange and other trading revenue | 198 | 258 | 262 | (24) | (23) |
| Distribution and servicing | 53 | 55 | 48 | 10 | (4) |
| Financing-related fees | 43 | 48 | 50 | (14) | (10) |
| Investment income | 67 | 64 | 108 | (38) | 5 |
| Other | 14 | 16 | 37 | (62) | (13) |
| Total fee revenue | \$2,833 | \$2,971 | \$2,522 | 12% | (5)% |
| Net securities gains | 5 | 1 | 7 | N/M | N/M |
| Total fee and other revenue | \$2,838 (a) | \$2,972 (a) | \$2,529 | 12% | (5)% |
| Fee revenue as a percent of total revenue excluding net securities gains | 78% | 79% | 75% | | |
| Market value of AUM at period end (in billions) | \$1,229 | \$1,172 | \$1,105 | 11% | 5% |
| Market value of AUC and administration at period end (in trillions) | \$ 25.5 | \$ 25.0 | \$ 22.4 | 14% | 2% |

(a) Total fee revenue from the Acquisitions was \$261 million in the first quarter of 2011 and \$246 million in the fourth quarter of 2010.

N/M – Not meaningful.

Fee revenue

Fee revenue increased 12% year-over-year and decreased 5% (unannualized) sequentially. The year-over-year increase primarily reflects the impact of the Acquisitions, higher market values and net new business, partially offset by decreases in foreign exchange and other trading revenue, investment income and other fee revenue. The sequential decrease primarily reflects seasonally lower depositary receipts and performance fees, as well as lower foreign exchange volatility.

Investment services fees

Investment services fees were impacted by the following, compared with the first quarter of 2010 and fourth quarter of 2010:

- Asset servicing fees – Year-over-year and sequential results were positively impacted by higher market values, new business and asset inflows from existing clients. The year-over-year increase was primarily driven by the impact of the Acquisitions.
- Issuer services fees – The increase year-over-year resulted from higher depositary receipts revenue, reflecting higher corporate action and issuance and cancellation fees. The decrease

sequentially was driven by seasonally lower depositary receipts revenue.

- Clearing services fees – The year-over-year and sequential increases reflect strong growth in mutual fund assets and positions, increased daily average revenue trades (“DARTs”), higher market values and new business. The year-over-year increase was also driven by the impact of the GIS acquisition.
- Treasury services fees – The year-over-year and sequential decreases primarily resulted from lower global payment services revenue.

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

Investment management and performance fees

Investment management and performance fees totaled \$764 million in the first quarter of 2011, an increase of 11% year-over-year and a decrease of 5% (unannualized) sequentially. Performance fees were \$17 million in the first quarter of 2011 compared with \$13 million in the first quarter of 2010 and \$73 million in the fourth quarter of 2010. The sequential decrease in performance fees reflects seasonality. Excluding performance fees, investment management fees totaled \$747 million, an increase of 11% compared with the prior year period and 3% (unannualized) sequentially. Both

increases reflect higher market values and net new business.

Total AUM for the Investment Management business was \$1.23 trillion at March 31, 2011 compared with \$1.17 trillion at Dec. 31, 2010 and \$1.11 trillion at March 31, 2010. The increases from both prior periods were primarily due to higher market values and net new business. The S&P 500 Index was 1326 at March 31, 2011 compared with 1258 at Dec. 31, 2010 (a 5% increase) and 1169 at March 31, 2010 (a 13% increase).

See the “Investment Management business” in “Review of businesses” for additional details regarding the drivers of investment management and performance fees.

Foreign exchange and other trading revenue

| <i>(in millions)</i> | Quarter ended | | |
|----------------------|----------------|---------------|----------------|
| | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| Foreign exchange | \$ 173 | \$ 206 | \$ 175 |
| Fixed income | 17 | 39 | 80 |
| Credit derivatives | (1) | (3) | (2) |
| Other | 9 | 16 | 9 |
| Total | \$ 198 | \$ 258 | \$ 262 |

Foreign exchange and other trading revenue was \$198 million in the first quarter of 2011, a decrease of 24% compared with the first quarter of 2010, and 23% (unannualized) compared with the fourth quarter of 2010. In the first quarter of 2011, foreign exchange revenue totaled \$173 million, a decrease of 1% year-over-year and 16% (unannualized) sequentially, as increased volumes were more than offset by declines in volatility. Other trading revenue was \$25 million in the first quarter of 2011, a decrease of \$62 million compared with the first quarter of 2010 and \$27 million compared with the fourth quarter of 2010. Both decreases were driven by lower fixed income and derivatives trading revenue. Foreign exchange and other trading revenue is primarily reported in the Investment Services business. Other trading revenue is also reported in the Other segment.

Distribution and servicing fees

Distribution and servicing fees earned from mutual funds are primarily based on average assets in the funds and the sales of funds that we manage or administer and are primarily reported in the

Investment Management business. These fees, which include 12b-1 fees, fluctuate with the overall level of net sales, the relative mix of sales between share classes and the funds’ market values.

Distribution and servicing fee revenue increased \$5 million compared with the first quarter of 2010 and decreased \$2 million compared with the fourth quarter of 2010. The year-over-year increase primarily reflects new business inflows. The sequential decrease primarily reflects lower redemptions. The impact of distribution and servicing fees on income in any one period can be more than offset by distribution and servicing expense paid to other financial intermediaries to cover their cost for distribution and servicing of mutual funds. Distribution and servicing expense is recorded as noninterest expense on the income statement.

Financing-related fees

Financing-related fees, which are primarily reported in the Other segment, include capital markets fees, loan commitment fees and credit-related fees. Financing-related fees decreased \$7 million compared with the first quarter of 2010 and \$5 million sequentially. Both decreases were primarily driven by lower credit related fees, primarily reflecting our strategy to reduce targeted risk exposure.

Investment income

| Investment income <i>(in millions)</i> | 1Q11 | 4Q10 | 1Q10 |
|--|-------|-------|-------|
| Corporate/bank-owned life insurance | \$ 37 | \$ 38 | \$ 36 |
| Lease residual gains | 13 | 2 | 52 |
| Equity investment income | 5 | 10 | 12 |
| Private equity gains | 10 | 10 | 5 |
| Seed capital gains | 2 | 4 | 3 |
| Total investment income | \$ 67 | \$ 64 | \$108 |

Investment income, which is primarily reported in the Other segment and Investment Management business, includes income from insurance contracts, lease residual gains and losses, gains and losses on seed capital investments and private equity investments, and equity investment income. The decrease, compared with the first quarter of 2010, primarily reflects lower lease residual gains. The increase, compared to the fourth quarter of 2010, primarily reflects higher lease residual gains partially offset by lower equity investment income.

Other revenue

| Other revenue (in millions) | 1Q11 | 4Q10 | 1Q10 |
|--|--------------|--------------|--------------|
| Expense reimbursements from joint ventures | \$ 9 | \$ 9 | \$ 10 |
| Asset-related gains | 14 | 5 | 3 |
| Other income (loss) | (11) | (2) | 24 |
| Economic value payments | 2 | 4 | - |
| Total other revenue | \$ 14 | \$ 16 | \$ 37 |

Other revenue includes asset-related gains, expense reimbursements from joint ventures, economic value payments and other income (loss). Asset-related gains include loan, real estate and other asset dispositions. Expense reimbursements from joint ventures relate to expenses incurred by BNY Mellon on behalf of joint ventures. Economic value payments relate to deposits from the GIS acquisition that have not yet transferred to BNY Mellon. Other income (loss) primarily includes foreign currency translation, other investments and various miscellaneous revenues.

Total other revenue decreased in the first quarter of 2011 compared with both the first quarter of 2010 and the fourth quarter of 2010 primarily due to lower foreign currency translation revenue partially offset

by a \$13 million net gain recorded in the first quarter of 2011 related to loan sales and valuation changes on loans from Mellon United National Bank, our former national bank subsidiary located in Florida, (“MUNB”). For additional information on discontinued operations, see Note 4 of the Notes to Consolidated Financial Statements.

Net securities gains

Net securities gains totaled \$5 million in the first quarter of 2011, compared with \$7 million in the first quarter of 2010 and \$1 million in the fourth quarter of 2010. In the first quarter of 2011, \$228 million of non-agency RMBS were sold at a gain of \$10 million partially offset by impairment charges of \$5 million on European floating rate notes and Alt-A RMBS.

The following table details net securities gains by type of security. See “Consolidated balance sheet review” for further information on the investment securities portfolio.

| Net securities gains (in millions) | 1Q11 | 4Q10 | 1Q10 |
|--|-------------|-------------|-------------|
| Alt-A RMBS | \$ 5 | \$ - | \$(7) |
| Prime RMBS | 9 | - | - |
| Subprime RMBS | (6) | (4) | - |
| European floating rate notes | (3) | - | - |
| Other | - | 5 | 14 |
| Net securities gains | \$ 5 | \$ 1 | \$ 7 |

Net interest revenue

| Net interest revenue (dollars in millions) | 1Q11 | 4Q10 | 1Q10 | 1Q11 vs. | |
|--|-------------|-------------|-------------|-----------------|-------------|
| | | | | 1Q10 | 4Q10 |
| Net interest revenue (non-FTE) | \$ 698 | \$ 720 | \$ 765 | (9)% | (3)% |
| Tax equivalent adjustment | 4 | 4 | 5 | N/M | N/M |
| Net interest revenue (FTE) – Non-GAAP | \$ 702 | \$ 724 | \$ 770 | (9)% | (3)% |
| Average interest-earning assets | \$190,185 | \$187,597 | \$163,429 | 16% | 1% |
| Net interest margin (FTE) | 1.49% | 1.54% | 1.89% | (40) bps | (5) bps |

N/M - Not meaningful.
bps - basis points.

Net interest revenue totaled \$698 million in the first quarter of 2011 compared with \$765 million in the first quarter of 2010 and \$720 million in the fourth quarter of 2010. Both the year-over-year and sequential declines reflect lower spreads resulting from the continued impact of the low interest rate environment and lower discount accretion, partially offset by higher average assets. The sequential decline also reflects a lower day count. Net interest revenue in the first quarter of 2011 includes \$10

million related to both timing differences on hedges and an interest payment on a deposit for a bankruptcy matter.

The net interest margin was 1.49% in the first quarter of 2011 compared with 1.89% in the first quarter of 2010 and 1.54% in the fourth quarter of 2010. The declines primarily reflect the factors mentioned above.

Average balances and interest rates

| Average balances and interest rates | Quarter ended | | | | | |
|---|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| | March 31, 2011 | | Dec. 31, 2010 | | March 31, 2010 | |
| (dollar amounts in millions) | Average balance | Average rates | Average balance | Average rates | Average balance | Average rates |
| Assets | | | | | | |
| Interest-earning assets: | | | | | | |
| Interest-bearing deposits with banks (primarily foreign banks) | \$57,637 | 1.03% | \$59,660 | 0.96% | \$55,800 | 1.03% |
| Interest-bearing deposits held at the Federal Reserve and other central banks | 20,373 | 0.32 | 16,787 | 0.32 | 12,129 | 0.33 |
| Federal funds sold and securities purchased under resale agreements | 4,514 | 0.50 | 5,553 | 3.15 | 3,859 | 0.71 |
| Margin loans | 6,984 | 1.48 | 6,289 | 1.55 | 5,241 | 1.49 |
| Non-margin loans: | | | | | | |
| Domestic offices | 22,391 | 2.52 | 21,780 | 2.55 | 19,510 | 3.12 |
| Foreign offices | 9,191 | 1.44 | 9,460 | 1.53 | 9,463 | 1.62 |
| Total non-margin loans | 31,582 | 2.21 | 31,240 | 2.24 | 28,973 | 2.63 |
| Securities: | | | | | | |
| U.S. government obligations | 12,849 | 1.61 | 11,390 | 1.51 | 6,600 | 1.40 |
| U.S. government agency obligations | 20,221 | 2.98 | 21,406 | 2.95 | 19,429 | 3.58 |
| State and political subdivisions | 557 | 6.37 | 587 | 6.53 | 670 | 6.37 |
| Other securities | 31,770 | 3.43 | 31,987 | 3.55 | 28,653 | 4.20 |
| Trading securities | 3,698 | 2.44 | 2,698 | 3.02 | 2,075 | 2.49 |
| Total securities | 69,095 | 2.93 | 68,068 | 3.02 | 57,427 | 3.63 |
| Total interest-earning assets | 190,185 | 1.85% | 187,597 | 1.95% | 163,429 | 2.18% |
| Allowance for loan losses | (494) | | (530) | | (502) | |
| Cash and due from banks | 4,088 | | 4,224 | | 3,514 | |
| Other assets | 49,577 | | 50,220 | | 45,346 | |
| Assets of discontinued operations | - | | 223 | | 898 | |
| Assets of consolidated investment management funds | 14,342 | | 14,675 | | 12,730 | |
| Total assets | \$257,698 | | \$256,409 | | \$225,415 | |
| Liabilities | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Money market rate accounts | \$31,844 | 0.09% | \$30,149 | 0.10% | \$ 21,741 | 0.09% |
| Savings | 1,600 | 0.16 | 1,433 | 0.22 | 1,372 | 0.27 |
| Certificates of deposit of \$100,000 & over | 296 | 0.06 | 285 | 0.08 | 648 | 0.25 |
| Other time deposits | 5,396 | 0.35 | 5,149 | 0.31 | 5,224 | 0.30 |
| Foreign offices | 77,379 | 0.29 | 74,760 | 0.26 | 72,049 | 0.16 |
| Total interest-bearing deposits | 116,515 | 0.23 | 111,776 | 0.22 | 101,034 | 0.16 |
| Federal funds purchased and securities sold under repurchase agreements | 5,172 | 0.07 | 7,256 | 2.13 | 3,697 | 0.07 |
| Trading liabilities | 2,764 | 1.14 | 1,704 | 1.06 | 1,178 | 1.07 |
| Other borrowed funds | 1,821 | 2.69 | 1,999 | 1.65 | 1,627 | 2.62 |
| Payables to customers and broker-dealers | 6,701 | 0.10 | 5,878 | 0.11 | 6,372 | 0.08 |
| Long-term debt | 17,014 | 1.87 | 16,624 | 1.87 | 16,808 | 1.50 |
| Total interest-bearing liabilities | 149,987 | 0.45% | 145,237 | 0.53% | 130,716 | 0.36% |
| Total noninterest-bearing deposits | 38,616 | | 39,625 | | 33,330 | |
| Other liabilities | 22,350 | | 24,740 | | 18,420 | |
| Liabilities of discontinued operations | - | | 223 | | 898 | |
| Liabilities and obligations of consolidated investment management funds | 13,114 | | 13,481 | | 11,540 | |
| Total liabilities | 224,067 | | 223,306 | | 194,904 | |
| Temporary equity: | | | | | | |
| Redeemable noncontrolling interests | 76 | | 22 | | - | |
| Permanent equity: | | | | | | |
| Total BNY Mellon shareholders' equity | 32,827 | | 32,379 | | 29,715 | |
| Noncontrolling interest | 8 | | 8 | | 26 | |
| Noncontrolling interests of consolidated investment management funds | 720 | | 694 | | 770 | |
| Total permanent equity | 33,555 | | 33,081 | | 30,511 | |
| Total liabilities, temporary equity and permanent equity | \$257,698 | | \$256,409 | | \$225,415 | |
| Net interest margin - Taxable equivalent basis | | 1.49% | | 1.54% | | 1.89% |

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

Noninterest expense

| Noninterest expense (dollars in millions) | 1Q11 | 4Q10 | 1Q10 | 1Q11 vs. | |
|---|-----------|-----------|---------|----------|------|
| | | | | 1Q10 | 4Q10 |
| Staff: | | | | | |
| Compensation | \$ 876 | \$ 871 | \$ 753 | 16% | 1% |
| Incentives | 325 | 348 | 284 | 14 | (7) |
| Employee benefits | 223 | 198 | 183 | 22 | 13 |
| Total staff | 1,424 | 1,417 | 1,220 | 17 | - |
| Professional, legal and other purchased services | 283 | 320 | 241 | 17 | (12) |
| Net occupancy | 153 | 158 | 137 | 12 | (3) |
| Software | 122 | 117 | 94 | 30 | 4 |
| Distribution and servicing | 111 | 104 | 89 | 25 | 7 |
| Furniture and equipment | 84 | 90 | 75 | 12 | (7) |
| Sub-custodian | 68 | 70 | 52 | 31 | (3) |
| Business development | 56 | 88 | 52 | 8 | (36) |
| Other | 277 | 260 | 186 | 49 | 7 |
| Subtotal | 2,578 (a) | 2,624 (a) | 2,146 | 20 | (2) |
| Amortization of intangible assets | 108 | 115 | 97 | 11 | (6) |
| Restructuring charges | (6) | 21 | 7 | N/M | N/M |
| M&I expenses | 17 | 43 | 26 | (35) | (60) |
| Special litigation reserves | N/A | N/A | 164 | N/M | N/M |
| Total noninterest expense | \$2,697 | \$2,803 | \$2,440 | 11% | (4)% |
| Total staff expense as a percent of total revenue | 39% | 38% | 36% | | |
| Employees at period end | 48,400 | 48,000 | 42,300 | 14% | 1% |

(a) Noninterest expense from the Acquisitions was \$203 million in the first quarter of 2011 and \$196 million in the fourth quarter of 2010.

N/A – Not applicable.

N/M - Not meaningful.

Total noninterest expense increased \$257 million compared with the first quarter of 2010 and decreased \$106 million compared with the fourth quarter of 2010. Excluding amortization of intangible assets, restructuring charges, merger and integration expenses (“M&I”) and special litigation reserves, noninterest expense increased \$432 million year-over-year and decreased \$46 million sequentially. The year-over-year increase reflects the impact of the Acquisitions, higher expenses associated with our revenue mix, \$47 million of litigation expense in the first quarter of 2011, higher pension and healthcare expenses, and continued investment in our franchise. The sequential decrease reflects seasonality, as well as higher expenses in the fourth quarter of 2010 primarily related to the full-year impact of adjusting compensation to market levels and the write-off of equipment, partially offset by higher litigation and pension and healthcare expenses.

Staff expense

Given our mix of fee-based businesses, which are staffed with high quality professionals, staff expense comprised 55% of total noninterest expense in the first quarter of 2011, excluding amortization of

intangible assets, restructuring charges and M&I expenses.

The increase in staff expense compared with the first quarter of 2010 primarily reflects the impact of the Acquisitions, higher pension and healthcare expenses and the impact of adjusting compensation to market levels in the fourth quarter of 2010. The increase in staff expense compared with the fourth quarter of 2010 primarily reflects higher pension and healthcare expenses, partially offset by the full-year impact of adjusting compensation to market levels in the fourth quarter of 2010.

Non-staff expense

Non-staff expense includes certain expenses that vary with the levels of business activity and levels of expensed business investments, fixed infrastructure costs and expenses associated with corporate activities related to technology, compliance, productivity initiatives and corporate development.

Non-staff expense, excluding amortization of intangible assets, restructuring charges, M&I expenses and special litigation reserves, totaled \$1,154 million in the first quarter of 2011 compared with \$926 million in the first quarter of 2010 and

\$1,207 million in the fourth quarter of 2010. The increase compared with the first quarter of 2010 primarily reflects the impact of the Acquisitions, higher litigation expense and continued investment in our franchise. The decrease in non-staff expense compared with the fourth quarter of 2010 primarily reflects seasonally higher expenses in the fourth quarter of 2010 related to the write-off of equipment, partially offset by higher litigation expense in the first quarter of 2011.

Given the severity of the economic downturn, the financial services industry has seen a continuing increase in the level of litigation activity. As a result, we anticipate litigation costs to continue to exceed historic trend levels. For additional information on litigation matters, see Note 18 of the Notes to Consolidated Financial Statements.

For additional information on restructuring charges, see Note 11 of the Notes to Consolidated Financial Statements.

In the first quarter of 2011, we incurred \$17 million of M&I expenses primarily related to the integration of the Acquisitions.

Income taxes

The effective tax rate for the first quarter of 2011 was 29.3% compared with 29.1% on a continuing operations basis in the first quarter of 2010 and 27.3% on a continuing operations basis in the fourth quarter of 2010.

We expect the effective tax rate to be approximately 30% for the full year of 2011.

Review of businesses

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

Organization of our business

In the first quarter of 2011, BNY Mellon realigned its internal reporting structure and business presentation to focus on its two principal businesses, Investment Management and Investment Services. The realignment reflects management's current approach to assessing performance and decisions regarding resource allocations. Investment Management includes the former Asset Management

and Wealth Management businesses; Investment Services includes the former Asset Servicing, Issuer Services and Clearing Services businesses as well as the Cash Management business previously included in the Treasury Services business. The Other segment includes credit-related activities previously included in the Treasury Services business, the lease financing portfolio, corporate treasury activities, including our investment securities portfolio, our investment in BNY ConvergEx Group, business exits and corporate overhead. All prior periods presented in this Form 10-Q are presented accordingly.

Also in the first quarter of 2011, we revised the net interest revenue for our businesses to reflect a new approach which adjusts our transfer pricing methodology to better reflect the value of certain domestic deposits. All prior period business results have been restated to reflect this revision. This revision did not impact the consolidated results.

Business accounting principles

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

For additional information on the accounting principles of our businesses, the primary types of revenue by business and how our businesses are presented and analyzed, see Note 19 to the Notes to Consolidated Financial Statements. In addition, client deposits serve as the primary funding source for our investment securities portfolio and we typically allocate all interest revenue to the businesses generating the deposits. Accordingly, the higher yield related to the restructured investment securities portfolio has been included in the results of the businesses.

The operations of acquired businesses are integrated with the existing businesses soon after they are completed. As a result of the integration of staff support functions, management of customer relationships, operating processes and the financial impact of funding acquisitions, we cannot precisely determine the impact of acquisitions on income before taxes and therefore do not report it.

Information on our businesses is reported on a continuing operations basis for all periods in 2010. See Note 4 to the Notes to Consolidated Financial Statements for a discussion of discontinued operations.

The results of our businesses in the first quarter of 2011 reflect higher market values and the impact of new business that benefited both the Investment Management and Investment Services businesses. Year-over-year results in the Investment Services business were impacted by the Acquisitions, higher depositary receipts revenue and higher clearing revenue, partially offset by lower foreign exchange volatility. Sequentially, results in the Investment Services business reflect lower depositary receipts revenue, lower foreign exchange volatility and persistent weakness in the structured debt markets, partially offset by higher clearing revenue. Money market fee waivers also continue to suppress results in both the Investment Services and Investment Management businesses.

Net interest revenue continues to be impacted by low spreads resulting from the lower interest rate environment, partially offset by higher interest-earning assets.

Noninterest expense increased year-over-year reflecting the Acquisitions and new business. In the Investment Management business, expenses decreased sequentially reflecting lower incentive expense. Sequentially, expenses were flat in the Investment Services business, as lower incentives were offset by higher litigation expense.

Net securities gains and restructuring charges are recorded in the Other segment. In addition, M&I expenses are a corporate level item and are therefore recorded in the Other segment.

The following table presents the value of certain market indices at period end and on an average basis.

| Market indices | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 1Q11 vs | |
|--|------|------|------|------|-------------|------------|-----------|
| | | | | | | 1Q10 | 4Q10 |
| S&P 500 Index (a) | 1169 | 1031 | 1141 | 1258 | 1326 | 13% | 5% |
| S&P 500 Index – daily average | 1123 | 1135 | 1095 | 1204 | 1302 | 16 | 8 |
| FTSE 100 Index (a) | 5680 | 4917 | 5549 | 5900 | 5909 | 4 | - |
| FTSE 100 Index – daily average | 5431 | 5361 | 5312 | 5760 | 5945 | 9 | 3 |
| Barclay's Capital Aggregate Bond sm Index (a) | 300 | 299 | 329 | 323 | 328 | 9 | 2 |
| MSCI EAFE [®] Index (a) | 1584 | 1348 | 1561 | 1658 | 1703 | 8 | 3 |
| NYSE and NASDAQ Share Volume (in billions) | 246 | 299 | 233 | 219 | 225 | (9) | 3 |

(a) Period end.

The period end S&P 500 Index increased 5% sequentially and 13% year-over-year. The period end FTSE 100 Index was unchanged sequentially and increased 4% year-over-year. On a daily average basis, the S&P 500 Index increased 8% sequentially and 16% year-over-year while the FTSE 100 Index increased 3% sequentially and 9% year-over-year.

The changes in the value of market indices primarily impact fee revenue in Investment Management and to a lesser extent Investment Services.

At March 31, 2011, using the S&P 500 Index as a proxy for global equity markets, we estimate that a 100 point change in the value of the S&P 500 Index, sustained for one year, would impact fee revenue by approximately 1 to 2% and fully diluted earnings per common share on a continuing operations basis by \$0.06-\$0.07. If the global equity markets over or under perform the S&P 500 Index, the impact to fee revenue and earnings per share could be different.

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

For the quarter ended March 31, 2011

| <i>(dollar amounts in millions)</i> | Investment Management | Investment Services | Other | Consolidated |
|-------------------------------------|----------------------------------|--------------------------------|--------------|---------------------|
| Fee and other revenue | \$ 870 (a) | \$ 1,950 | \$ 84 | \$ 2,904 (a) |
| Net interest revenue | 53 | 639 | 6 | 698 |
| Total revenue | 923 | 2,589 | 90 | 3,602 |
| Provision for credit losses | - | - | - | - |
| Noninterest expense | 685 | 1,816 | 196 | 2,697 |
| Income (loss) before taxes | \$ 238 (a) | \$ 773 | \$ (106) | \$ 905 (a) |
| Pre-tax operating margin (b) | 26% | 30% | N/M | 25% |
| Average assets | \$37,318 | \$178,718 | \$41,662 | \$257,698 |
| Excluding intangible amortization: | | | | |
| Noninterest expense | \$ 630 | \$1,763 | \$196 | \$2,589 |
| Income before taxes | 293 | 826 | (106) | 1,013 |
| Pre-tax operating margin (b) | 32% | 32% | N/M | 28% |

(a) Total fee and other revenue and income before taxes for the first quarter of 2011 include \$66 million of income from consolidated investment management funds, net of noncontrolling interests. See Supplemental information beginning on page 42.

(b) Income before taxes divided by total revenue.

N/M – Not meaningful.

For the quarter ended Dec. 31, 2010

| <i>(dollar amounts in millions)</i> | Investment Management | Investment Services | Other | Total continuing operations |
|-------------------------------------|----------------------------------|--------------------------------|--------------|--|
| Fee and other revenue | \$ 899 (a) | \$ 2,010 | \$ 108 | \$ 3,017 (a) |
| Net interest revenue | 50 | 598 | 72 | 720 |
| Total revenue | 949 | 2,608 | 180 | 3,737 |
| Provision for credit losses | 2 | - | (24) | (22) |
| Noninterest expense | 728 | 1,812 | 263 | 2,803 |
| Income (loss) before taxes | \$ 219 (a) | \$ 796 | \$ (59) | \$ 956 (a) |
| Pre-tax operating margin (b) | 23% | 31% | N/M | 26% |
| Average assets | \$37,648 | \$174,815 | \$43,723 | \$ 256,186 (c) |
| Excluding intangible amortization: | | | | |
| Noninterest expense | \$667 | \$1,759 | \$262 | \$2,688 |
| Income before taxes | 280 | 849 | (58) | 1,071 |
| Pre-tax operating margin (b) | 29% | 33% | N/M | 29% |

(a) Total fee and other revenue and income before taxes for the fourth quarter of 2010 include \$45 million of income from consolidated investment management funds, net of noncontrolling interests. See Supplemental information beginning on page 42.

(b) Income before taxes divided by total revenue.

(c) Including average assets of discontinued operations of \$223 million for the fourth quarter of 2010, consolidated average assets were \$256,409 million.

N/M – Not meaningful.

For the quarter ended Sept. 30, 2010

| <i>(dollar amounts in millions)</i> | Investment Management | Investment Services | Other | Total continuing operations |
|-------------------------------------|----------------------------------|--------------------------------|--------------|--|
| Fee and other revenue | \$ 793 (a) | \$ 1,865 | \$ 59 | \$ 2,717 (a) |
| Net interest revenue | 50 | 589 | 79 | 718 |
| Total revenue | 843 | 2,454 | 138 | 3,435 |
| Provision for credit losses | - | - | (22) | (22) |
| Noninterest expense | 683 | 1,682 | 246 | 2,611 |
| Income (loss) before taxes | \$ 160 (a) | \$ 772 | \$ (86) | \$ 846 (a) |
| Pre-tax operating margin (b) | 19% | 31% | N/M | 25% |
| Average assets | \$36,197 | \$158,837 | \$45,044 | \$ 240,078 (c) |
| Excluding intangible amortization: | | | | |
| Noninterest expense | \$624 | \$1,630 | \$246 | \$2,500 |
| Income before taxes | 219 | 824 | (86) | 957 |
| Pre-tax operating margin (b) | 26% | 34% | N/M | 28% |

(a) Total fee and other revenue and income before taxes for the third quarter of 2010 include \$49 million of income from consolidated investment management funds, net of noncontrolling interests. See Supplemental information beginning on page 42.

(b) Income before taxes divided by total revenue.

(c) Including average assets of discontinued operations of \$247 million for the third quarter of 2010, consolidated average assets were \$240,325 million.

N/M – Not meaningful.

For the quarter ended June 30, 2010

| <i>(dollar amounts in millions)</i> | Investment Management | Investment Services | Other | Total continuing operations |
|-------------------------------------|----------------------------------|--------------------------------|--------------|--|
| Fee and other revenue | \$ 767 (a) | \$ 1,714 | \$ 106 | \$ 2,587 (a) |
| Net interest revenue | 53 | 608 | 61 | 722 |
| Total revenue | 820 | 2,322 | 167 | 3,309 |
| Provision for credit losses | 1 | - | 19 | 20 |
| Noninterest expense | 655 | 1,560 | 101 | 2,316 |
| Income before taxes | \$ 164 (a) | \$ 762 | \$ 47 | \$ 973 (a) |
| Pre-tax operating margin (b) | 20% | 33% | 28% | 29% |
| Average assets | \$33,944 | \$153,836 | \$40,801 | \$ 228,581 (c) |
| Excluding intangible amortization: | | | | |
| Noninterest expense | \$596 | \$1,521 | \$101 | \$2,218 |
| Income before taxes | 223 | 801 | 47 | 1,071 |
| Pre-tax operating margin (b) | 27% | 34% | 28% | 32% |

(a) Total fee and other revenue and income before taxes for the second quarter of 2010 include \$32 million of income from consolidated investment management funds, net of noncontrolling interests. See Supplemental information beginning on page 42.

(b) Income before taxes divided by total revenue.

(c) Including average assets of discontinued operations of \$260 million for the second quarter of 2010, consolidated average assets were \$228,841 million.

N/M – Not meaningful.

For the quarter ended March 31, 2010

| <i>(dollar amounts in millions)</i> | Investment Management | Investment Services | Other | Total continuing operations |
|-------------------------------------|----------------------------------|--------------------------------|--------------|--|
| Fee and other revenue | \$ 775 (a) | \$ 1,590 | \$ 205 | \$ 2,570 (a) |
| Net interest revenue | 52 | 653 | 60 | 765 |
| Total revenue | 827 | 2,243 | 265 | 3,335 |
| Provision for credit losses | - | - | 35 | 35 |
| Noninterest expense | 627 | 1,457 | 356 | 2,440 |
| Income (loss) before taxes | \$ 200 (a) | \$ 786 | \$ (126) | \$ 860 (a) |
| Pre-tax operating margin (b) | 24% | 35% | N/M | 26% |
| Average assets | \$33,805 | \$153,666 | \$37,046 | \$ 224,517 (c) |
| Excluding intangible amortization: | | | | |
| Noninterest expense | \$569 | \$1,419 | \$355 | \$2,343 |
| Income before taxes | 258 | 824 | (125) | 957 |
| Pre-tax operating margin (b) | 31% | 37% | N/M | 29% |

(a) Total fee and other revenue and income before taxes for the first quarter of 2010 include \$41 million of income from consolidated investment management funds, net of noncontrolling interests. See Supplemental information beginning on page 42.

(b) Income before taxes divided by total revenue.

(c) Including average assets of discontinued operations of \$898 million for the first quarter of 2010, consolidated average assets were \$225,415 million.

N/M – Not meaningful.

Investment Management business

| <i>(dollar amounts in millions, unless otherwise noted)</i> | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 1Q11 vs. | |
|---|---------|---------|---------|---------|---------|----------|------|
| | | | | | | 1Q10 | 4Q10 |
| Revenue: | | | | | | | |
| Investment management and performance fees: | | | | | | | |
| Mutual funds | \$ 249 | \$ 254 | \$ 270 | \$ 293 | \$ 283 | 14% | (3)% |
| Institutional clients | 265 | 262 | 264 | 283 | 302 | 14 | 7 |
| Wealth management | 174 | 170 | 172 | 174 | 181 | 4 | 4 |
| Performance fees | 13 | 19 | 16 | 75 | 17 | 31 | N/M |
| Total investment management and performance fees | 701 | 705 | 722 | 825 | 783 | 12 | (5) |
| Distribution and servicing | 47 | 49 | 53 | 52 | 51 | 9 | (2) |
| Other (a) | 27 | 13 | 18 | 22 | 36 | 33 | 64 |
| Total fee and other revenue (a) | 775 | 767 | 793 | 899 | 870 | 12 | (3) |
| Net interest revenue | 52 | 53 | 50 | 50 | 53 | 2 | 6 |
| Total revenue | 827 | 820 | 843 | 949 | 923 | 12 | (3) |
| Provision for credit losses | - | 1 | - | 2 | - | N/M | N/M |
| Noninterest expense (ex. amortization of intangible assets) | 569 | 596 | 624 | 667 | 630 | 11 | (6) |
| Income before taxes (ex. amortization of intangible assets) | 258 | 223 | 219 | 280 | 293 | 14 | 5 |
| Amortization of intangible assets | 58 | 59 | 59 | 61 | 55 | (5) | (10) |
| Income before taxes | \$ 200 | \$ 164 | \$ 160 | \$ 219 | \$ 238 | 19% | 9% |
| Pre-tax operating margin | 24% | 20% | 19% | 23% | 26% | | |
| Pre-tax operating margin (ex. amortization of intangible assets) | 31% | 27% | 26% | 29% | 32% | | |
| Metrics: | | | | | | | |
| Changes in market value of AUM <i>(in billions) (b):</i> | | | | | | | |
| Beginning balance | \$1,115 | \$1,105 | \$1,047 | \$1,141 | \$1,172 | | |
| Net inflows (outflows): | | | | | | | |
| Long-term | 16 | 12 | 11 | 9 | 31 | | |
| Money market | (25) | (17) | 18 | 6 | (5) | | |
| Total net inflows (outflows) | (9) | (5) | 29 | 15 | 26 | | |
| Net market/currency impact | (1) | (53) | 65 | 16 | 31 | | |
| Ending balance | \$1,105 | \$1,047 | \$1,141 | \$1,172 | \$1,229 | 11% | 5% |
| AUM at period end, by client type <i>(in billions) (b):</i> | | | | | | | |
| Institutional | \$ 620 | \$ 595 | \$ 639 | \$ 639 | \$ 701 | | |
| Mutual funds | 396 | 370 | 418 | 454 | 451 | | |
| Private client | 89 | 82 | 84 | 79 | 77 | | |
| Total AUM | \$1,105 | \$1,047 | \$1,141 | \$1,172 | \$1,229 | 11% | 5% |
| Composition of AUM at period end, by product type <i>(in billions) (b):</i> | | | | | | | |
| Equity securities | \$ 342 | \$ 307 | \$ 352 | \$ 379 | \$ 417 | 22% | 10% |
| Fixed income securities | 313 | 317 | 348 | 342 | 362 | 16 | 6 |
| Money market | 332 | 314 | 329 | 332 | 337 | 2 | 2 |
| Alternative investments and overlay | 118 | 109 | 112 | 119 | 113 | (4) | (5) |
| Total AUM | \$1,105 | \$1,047 | \$1,141 | \$1,172 | \$1,229 | 11% | 5% |
| Wealth management: | | | | | | | |
| Average loans | \$6,302 | \$6,350 | \$6,520 | \$6,668 | \$6,825 | 8% | 2% |
| Average deposits | \$7,325 | \$8,018 | \$8,455 | \$9,140 | \$9,272 | 27% | 1% |

(a) Total fee and other revenue includes the impact of the consolidated investment management funds. See Supplemental information beginning on page 42. Additionally, other revenue includes asset servicing, clearing services and treasury services revenue.

(b) Excludes securities lending cash management assets.

N/M – Not meaningful.

Business description

Investment management is comprised of our affiliated investment management boutiques and wealth management.

Our investment management business is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional investment management, distribution and related services. The investment management boutiques offer a broad range of equity, fixed income, cash and alternative/overlay products. In addition to the investment subsidiaries, this business includes BNY Mellon Asset Management International, which is responsible for the investment management and distribution of products internationally, and the Dreyfus Corporation and its affiliates, which are responsible for U.S. investment management and distribution of retail mutual funds, and separate accounts and annuities. We are one of the world's largest asset managers with a top-10 position in both the U.S. and Europe and 11th position globally.

Through BNY Mellon Wealth Management, we offer a full array of investment management, wealth and estate planning and private banking solutions to help clients protect, grow and transfer their wealth. Clients include high-net-worth individuals and families, charitable gift programs, endowments and foundations and related entities. At Dec. 31, 2010, BNY Mellon Wealth Management was ranked as the nation's 8th largest wealth manager and 3rd largest private bank.

The results of the Investment Management business are driven by the period end and average level and mix of assets managed and under custody, the level of activity in client accounts and private banking volumes. Results for this business are also impacted by sales of fee-based products. In addition, performance fees may be generated when the investment performance exceeds various benchmarks and satisfies other criteria. Net interest revenue is determined by loan and deposit volumes and the interest rate spread between customer rates and internal funds transfer rates on loans and deposits. Expenses in this business are mainly driven by staffing costs, incentives, distribution and servicing expense and product distribution costs.

Review of financial results

In the first quarter of 2011, Investment Management had pre-tax income of \$238 million compared with \$200 million in the first quarter of 2010 and \$219 million in the fourth quarter of 2010. Excluding amortization of intangible assets, pre-tax income was \$293 million in the first quarter of 2011 compared with \$258 million in the first quarter of 2010 and \$280 million in the fourth quarter of 2010. Investment Management results compared with both prior periods reflect the benefit of new business in the investment management boutiques and wealth management platform, higher equity values and improved investment performance. The sequential comparison was also impacted by seasonality.

The Investment Management business generated 300 basis points and 100 basis points of positive operating leverage sequentially and year-over-year, excluding amortization of intangible assets.

Investment management and performance fees in the Investment Management business were \$783 million in the first quarter of 2011 compared with \$701 million in the first quarter of 2010 and \$825 million in the fourth quarter of 2010. The year-over-year increase reflects net new business, higher market values and improved investment performance. The sequential decrease reflects seasonally lower performance fees, partially offset by higher market values and net new business. Performance fees were \$17 million in the first quarter of 2011 compared with \$13 million in the first quarter of 2010 and \$75 million in the fourth quarter of 2010. Excluding performance fees, these fees increased 11% year-over-year and 2% (unannualized) sequentially.

Investment management and performance fees are dependent on the overall level and mix of AUM and the management fees expressed in basis points (one-hundredth of one percent) charged for managing those assets. Assets under management were a record \$1.23 trillion at March 31, 2011, compared with \$1.17 trillion at Dec. 31, 2010 and \$1.10 trillion at March 31, 2010. Both increases primarily reflect higher market values and net new business.

Net long-term inflows were \$31 billion and net short-term outflows were \$5 billion in the first quarter of 2011. Long-term inflows benefited from strength in fixed income and equity indexed products and the eighth consecutive quarter of positive flows in retail funds.

In the first quarter of 2011, 36% of Investment management and performance fees in the Investment Management business were generated from managed mutual fund fees. These fees are based on the daily average net assets of each fund and the management fee paid by that fund. Managed mutual fund fee revenue was \$283 million in the first quarter of 2011 compared with \$249 million in the first quarter of 2010 and \$293 million in the fourth quarter of 2010. The year-over-year increase reflects higher equity markets and positive net new business. The sequential decrease reflects a lower day count in the first quarter of 2011.

Distribution and servicing fees were \$51 million in the first quarter of 2011 compared with \$47 million in the first quarter of 2010 and \$52 million in the fourth quarter of 2010. The year-over-year increase primarily reflects net new business inflows.

Other fee revenue total \$36 million in the first quarter of 2011 compared with \$27 million in the first quarter of 2010 and \$22 million in the fourth quarter of 2010. The year-over-year increase primarily reflects higher income from consolidated investment management funds.

Net interest revenue was \$53 million in the first quarter of 2011, compared with \$52 million in the first quarter of 2010 and \$50 million in the fourth quarter of 2010. Both increases resulted from record levels of loans and deposits reached in wealth management in the first quarter of 2011 due to organic growth. Average loans increased 8% year-over-year and 2% (unannualized) sequentially; Average deposits increased 27% year-over-year and 1% (unannualized) sequentially.

Revenue generated in the Investment Management business includes 41% from non-U.S. sources in the first quarter of 2011 compared with 39% in the first quarter of 2010 and 42% in the fourth quarter of 2010.

Noninterest expense (excluding amortization of intangible assets) was \$630 million in the first quarter of 2011 compared with \$569 million in the first quarter of 2010 and \$667 million in the fourth quarter of 2010. The year-over-year increase primarily resulted from higher incentive expense driven by new business, and higher distribution and servicing expense. The sequential decrease primarily resulted from lower incentive expense driven primarily by a seasonal decrease in performance fees.

Investment Services business

| <i>(dollar amounts in millions, unless otherwise noted)</i> | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 1Q11 vs. | |
|---|------------|------------|------------|------------|------------|----------|------|
| | | | | | | 1Q10 | 4Q10 |
| Revenue: | | | | | | | |
| Investment services fees: | | | | | | | |
| Asset servicing | \$ 607 | \$ 627 | \$ 845 | \$ 888 | \$ 897 | 48% | 1% |
| Issuer services | 333 | 354 | 364 | 409 | 351 | 5 | (14) |
| Clearing services | 227 | 240 | 250 | 276 | 290 | 28 | 5 |
| Treasury services | 130 | 124 | 131 | 128 | 127 | (2) | (1) |
| Total investment services fees | 1,297 | 1,345 | 1,590 | 1,701 | 1,665 | 28 | (2) |
| Foreign exchange and other trading revenue | 221 | 249 | 185 | 227 | 208 | (6) | (8) |
| Other (a) | 72 | 120 | 90 | 82 | 77 | 7 | (6) |
| Total fee and other revenue (a) | 1,590 | 1,714 | 1,865 | 2,010 | 1,950 | 23 | (3) |
| Net interest revenue | 653 | 608 | 589 | 598 | 639 | (2) | 7 |
| Total revenue (b) | 2,243 | 2,322 | 2,454 | 2,608 | 2,589 | 15 | (1) |
| Noninterest expense (ex. amortization of intangible assets) (c) | 1,419 | 1,521 | 1,630 | 1,759 | 1,763 | 24 | - |
| Income before taxes (ex. amortization of intangible assets) | 824 | 801 | 824 | 849 | 826 | - | (3) |
| Amortization of intangible assets | 38 | 39 | 52 | 53 | 53 | 39 | - |
| Income before taxes | \$ 786 | \$ 762 | \$ 772 | \$ 796 | \$ 773 | (2)% | (3)% |
| Pre-tax operating margin | 35% | 33% | 31% | 31% | 30% | | |
| Pre-tax operating margin (ex. amortization of intangible assets) | 37% | 34% | 34% | 33% | 32% | | |
| Investment services fees as a percentage of noninterest expense (ex. amortization of intangible assets) | 91% | 88% | 98% | 97% | 94% | | |
| Metrics: | | | | | | | |
| Market value of assets under custody and administration (in trillions) (d) | \$ 22.4 | \$ 21.8 | \$ 24.4 | \$ 25.0 | \$ 25.5 | 14% | 2% |
| Market value of securities on loan (in billions) (e) | \$ 253 | \$ 248 | \$ 279 | \$ 278 | \$ 278 | 10% | -% |
| Securities lending revenue | \$ 24 | \$ 30 | \$ 26 | \$ 27 | \$ 27 | 13% | -% |
| Average assets | \$153,666 | \$153,836 | \$158,837 | \$174,815 | \$178,718 | 16% | 2% |
| Average loans | \$ 14,273 | \$ 17,053 | \$ 17,941 | \$ 19,053 | \$ 20,554 | 44% | 8% |
| Average deposits | \$122,350 | \$121,468 | \$123,212 | \$136,060 | \$141,115 | 15% | 4% |
| Asset servicing: | | | | | | | |
| New business wins (in billions) | \$ 205 | \$ 419 | \$ 480 | \$ 350 | \$ 496 | | |
| Corporate Trust: | | | | | | | |
| Total debt serviced (in trillions) | \$ 11.8 | \$ 11.6 | \$ 12.0 | \$ 12.0 | \$ 11.9 | 1% | (1)% |
| Number of deals administered | 141,904 | 140,551 | 135,613 | 138,067 | 133,416 | (6)% | (3)% |
| Depository Receipts: | | | | | | | |
| Number of sponsored programs | 1,336 | 1,345 | 1,353 | 1,363 | 1,368 | 2% | -% |
| Total depository receipts outstanding (in billions) | 28.3 | 29.9 | 30.0 | 30.4 | 31.0 | 10% | 2% |
| Clearing services: | | | | | | | |
| DARTS volume (in thousands) | 188.0 | 198.4 | 161.4 | 185.5 | 207.2 | 10% | 12% |
| Average active clearing accounts (in thousands) | 4,811 | 4,896 | 4,929 | 4,967 | 5,443 | 13% | 10% |
| Average mutual fund assets (U.S. platform) (in millions) | \$ 224,219 | \$ 229,714 | \$ 243,573 | \$ 264,076 | \$ 287,682 | 28% | 9% |
| Average margin loans (in millions) | \$ 5,229 | \$ 5,775 | \$ 6,261 | \$ 6,281 | \$ 6,978 | 33% | 11% |
| Broker-Dealer: | | | | | | | |
| Average tri-party repo collateral (in billions) | \$1,540 | \$1,565 | \$1,631 | \$1,793 | \$1,805 | 17% | 1% |
| Treasury services: | | | | | | | |
| Global payments transaction volume (in thousands) | 10,166 | 10,678 | 10,847 | 11,042 | 10,587 | 4% | (4)% |

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

(b) Total revenue from the Acquisitions was \$237 million in the third quarter of 2010, \$253 million in the fourth quarter of 2010 and \$270 million in the first quarter of 2011.

(c) Noninterest expense from the Acquisitions was \$185 million in the third quarter of 2010, \$196 million in the fourth quarter of 2010 and \$203 million in the first quarter of 2011.

(d) Includes the assets under custody or administration of CIBC Mellon Global Securities Services Company, a joint venture with Canadian Imperial Bank of Commerce, of \$964 billion at March 31, 2010, \$903 billion at June 30, 2010, \$960 billion at Sept. 30, 2010, \$1,056 billion at Dec. 31, 2010 and \$1,118 billion at March 31, 2011.

(e) Represents the total amount of securities on loan, both cash and non-cash, managed by the Investment Services business.

Business description

Investment Services provides global custody and related services, broker-dealer services, alternative investment services, corporate trust, depository receipt and shareowner services, as well as clearing services and global payment/working capital solutions to global financial institutions.

Our comprehensive suite of financial solutions include: global custody, global fund services, securities lending, investment manager outsourcing, performance and risk analytics, alternative investment services, securities clearance, collateral management, corporate trust, American and global depository receipt programs, cash management solutions, international payment services, liquidity services and other linked revenues, principally foreign exchange, global clearing and execution, managed account services and global prime brokerage solutions. Our clients include corporations, public funds and government agencies, foundations and endowments; global financial institutions including banks, broker-dealers, asset managers, insurance companies and central banks; financial intermediaries and independent registered investment, and hedge fund managers.

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

Our Investment Services business also generates foreign exchange trading revenues, which are influenced by the volume of client transactions and the spread realized on these transactions, market volatility in major currencies, the level of cross-border assets held in custody for clients, the level and nature of underlying cross-border investments and other transactions undertaken by corporate and institutional clients. As part of our foreign exchange business, we offer a standing instruction program that provides a cost-effective and efficient option to our clients for handling a high volume of small transactions or difficult to execute transactions in

restricted and emerging markets currencies. This program provides custody clients and their investment managers an end-to-end solution that transfers to BNY Mellon much of the burden, risk and infrastructure cost associated with such foreign exchange transactions. Custody clients and their investment managers have the option of executing their foreign exchange transactions pursuant to the standing instruction program or through other foreign exchange trading options, including negotiated trading, made available by BNY Mellon or with a foreign exchange provider other than BNY Mellon. Our custody clients choose to use an external foreign exchange provider other than BNY Mellon for a substantial majority of their U.S. dollar volume foreign exchange transactions.

We are one of the leading global securities servicing providers with a total of \$25.5 trillion of assets under custody and administration at March 31, 2011. We continue to maintain our number one ranking in two major global custody surveys. We are the largest custodian for U.S. corporate and public pension plans and we service 44% of the top 50 endowments. We are a leading custodian in the UK and service 25% of UK pensions. European asset servicing continues to grow across all products, reflecting significant cross-border investment and capital flows.

We are one of the largest providers of fund services in the world, servicing \$5.7 trillion in assets. We are the second largest fund administrator in the alternative investment services industry and service 43% of the funds in the U.S. exchange-traded funds marketplace.

BNY Mellon is a leader in both global securities and U.S. Government securities clearance. We clear and settle equity and fixed income transactions in over 100 markets and handle most of the transactions cleared through the Federal Reserve Bank of New York for 16 of the 20 primary dealers. We are an industry leader in collateral management, servicing \$1.8 trillion in tri-party balances worldwide at March 31, 2011.

In securities lending, we are one of the largest lenders of U.S. Treasury securities and depository receipts and service a lending pool of more than \$2.6 trillion in 31 markets. We are one of the largest global providers of performance and risk analytics, with \$9.7 trillion in assets under measurement.

BNY Mellon is the leading provider of corporate trust services for all major conventional and structured finance debt categories, and a leading provider of specialty services. We service \$11.9 trillion in outstanding debt from 61 locations in 20 countries.

We serve as depository for 1,368 sponsored American and global depository receipt programs at March 31, 2011, acting in partnership with leading companies from 63 countries – a 62% global market share. Our transfer agency services are top-ranked and our corporate equity solutions serve over 2,600 institutional clients representing 30 million shareowner accounts worldwide and more than 2 million optionees and employee stock plans participants.

Pershing, our clearing service, takes a consultative approach, working with more than 1,500 financial organizations and 100,000 investment professionals who collectively represent more than five million individual and institutional investors by delivering dependable operational support; robust trading services; flexible technology; an expansive array of investment solutions, including managed accounts, mutual funds and cash management; practice management support and service excellence.

With a network of more than 2,000 correspondent financial institutions, we help clients in their efforts to optimize cash flow, manage liquidity and make payments more efficiently around the world in more than 100 currencies. We are the fourth largest Fedwire and CHIPS payment processor, processing about 162,000 global payments daily totaling an average of \$1.7 trillion.

Agreement to sell Shareowner Services

On April 27, 2011, BNY Mellon announced a definitive agreement to sell its Shareowner Services business. The sales price of \$550 million is expected to result in a pre-tax gain and a modest after-tax loss primarily due to the write-off of non-tax deductible goodwill associated with the business. The transaction is anticipated to close in the third quarter of 2011, subject to regulatory approval.

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

BNY Mellon acts as trustee and document custodian for certain mortgage-backed security (“MBS”) securitization trusts. The role of trustee for MBS

securitizations is limited. Our primary role as trustee is to calculate and distribute monthly bond payments to bondholders. As a document custodian, we are required to notify the mortgage service providers and the seller of the loan whether the files contain the mortgage note and other required documents. BNY Mellon, either as document custodian or trustee, does not receive mortgage underwriting files (the files that contain information related to the credit worthiness of the borrower). As trustee or custodian, we have no responsibility or liability for the quality of the portfolio; we are liable only for performance of the limited duties as described above and in the trust document.

Review of financial results

Assets under custody and administration at March 31, 2011 were a record \$25.5 trillion, an increase of 2% from \$25.0 trillion at Dec. 31, 2010 and 14% from \$22.4 trillion at March 31, 2010. Both increases primarily reflect higher market values and new business. The increase compared with March 31, 2010 also reflects the impact of the Acquisitions. Equity securities constituted 32% and fixed-income securities constituted 68% of the assets under custody and administration at March 31, 2011, compared with 32% equity securities and 68% fixed income securities at Dec. 31, 2010 and 30% equity securities and 70% fixed income securities at March 31, 2010. Assets under custody and administration at March 31, 2011 consisted of assets related to custody, mutual funds, and corporate trust businesses of \$20.4 trillion, broker-dealer service assets of \$3.2 trillion, and all other assets of \$1.9 trillion.

Income before taxes was \$773 million in the first quarter of 2011 compared with \$786 million in the first quarter of 2010, and \$796 million in the fourth quarter of 2010. Income before taxes, excluding amortization of intangible assets, was \$826 million in the first quarter of 2011 compared with \$824 million in the first quarter of 2010 and \$849 million in the fourth quarter of 2010. Investment Services results reflect the impact of the Acquisitions (year-over-year), new business, improved market values, seasonality (sequentially) and declines in foreign currency volatility.

Revenue generated in the Investment Services business includes 36% from non-U.S. sources in the first quarter of 2011, 36% in the first quarter of 2010 and 39% in the fourth quarter of 2010.

Investment services fees increased \$368 million, or 28%, compared with the first quarter of 2010 and decreased \$36 million, or 2% (unannualized) sequentially.

- Asset servicing revenue (global custody, broker-dealer services and alternative investment services) was \$897 million in the first quarter of 2011 compared with \$888 million in the fourth quarter of 2010 and \$607 million in the first quarter of 2010. Year-over-year and sequential results were positively impacted by higher market values, new business and asset inflows from existing clients. The year-over-year increase was primarily driven by the impact of the Acquisitions.
- Issuer services revenue (corporate trust, depositary receipts and shareowner services) was \$351 million in the first quarter of 2011 compared with \$409 million in the fourth quarter of 2010 and \$333 million in the first quarter of 2010. The year-over-year increase was primarily driven by higher depositary receipts revenue, reflecting higher corporate action and issuance and cancellation fees. The decrease sequentially resulted from seasonally lower depositary receipts revenue.

- Clearing services revenue (Pershing) was \$290 million in the first quarter of 2011 compared with \$276 million in the fourth quarter of 2010 and \$227 million in the first quarter of 2010. The year-over-year and sequential increases reflect strong growth in mutual fund assets and positions, increased revenue from DARTs, higher market values and new business. The year-over-year increase also includes the impact of the GIS acquisition.

Foreign exchange and other trading revenue decreased 6% compared with the first quarter of 2010 and 8% (unannualized) sequentially, as increased foreign exchange volumes were more than offset by declines in volatility.

Net interest revenue was \$639 million in the first quarter of 2011 compared with \$598 million in the fourth quarter of 2010 and \$653 million in the first quarter of 2010. The sequential increase reflects higher deposit balances partially offset by narrower spreads.

Noninterest expense (excluding amortization of intangible assets) increased 24% compared with the first quarter of 2010 and was flat sequentially. The year-over-year increase reflects the impact of the Acquisitions, higher litigation expenses and expenses in support of business growth. Sequentially, lower incentive expense was offset by higher litigation expense.

Other segment

| <i>(dollar amounts in millions)</i> | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 |
|---|----------|----------|----------|----------|----------|
| Revenue: | | | | | |
| Fee and other revenue | \$ 205 | \$ 106 | \$ 59 | \$ 108 | \$ 84 |
| Net interest revenue | 60 | 61 | 79 | 72 | 6 |
| Total revenue | 265 | 167 | 138 | 180 | 90 |
| Provision for credit losses | 35 | 19 | (22) | (24) | - |
| Noninterest expense (ex. amortization of intangible assets, restructuring charges, M&I expenses and special litigation reserves) | 158 | 102 | 175 | 198 | 185 |
| Income (loss) before taxes (ex. amortization of intangible assets, restructuring charges, M&I expenses and special litigation reserves) | 72 | 46 | (15) | 6 | (95) |
| Amortization of intangible assets | 1 | - | - | 1 | - |
| Restructuring charges | 7 | (15) | 15 | 21 | (6) |
| M&I expenses | 26 | 14 | 56 | 43 | 17 |
| Special litigation reserves | 164 | N/A | N/A | N/A | N/A |
| Income (loss) before taxes | \$(126) | \$ 47 | \$(86) | \$(59) | \$(106) |
| Average loans and leases | \$13,639 | \$13,261 | \$12,308 | \$11,808 | \$11,187 |
| Average deposits | \$ 4,689 | \$ 5,105 | \$ 5,564 | \$ 6,201 | \$ 4,744 |

N/A – Not applicable.

Business description

The Other segment primarily includes:

- credit-related services;
- the leasing portfolio;
- corporate treasury activities, including our investment securities portfolio;
- a 33.2% equity interest in BNY ConvergeEx; and
- business exits and corporate overhead.

Revenue primarily reflects:

- net interest revenue from the credit services and lease financing portfolios;
- interest income remaining after transfer pricing allocations;
- fee and other revenue from corporate and bank-owned life insurance and credit-related financing revenue; and
- gains (losses) associated with the valuation of investment securities and other assets.

Expenses include:

- M&I expenses;
- restructuring charges;
- direct expenses supporting credit-related services, leasing, investing and funding activities; and
- certain corporate overhead not directly attributable to the operations of other businesses.

Review of financial results

Income before taxes was a loss of \$106 million in the first quarter of 2011, compared with losses of \$126 million in the first quarter of 2010 and \$59 million in the fourth quarter of 2010.

Total fee and other revenue decreased \$121 million compared to the first quarter of 2010 and \$24 million compared to the fourth quarter of 2010. Both decreases reflect lower fixed income and derivative trading revenue. The year-over-year decrease also reflects a reduction in foreign currency translation revenue and lower lease residual gains.

The year-over-year and sequential declines in net interest revenue reflect a reduction in the net interest margin resulting from the continued impact of the low interest rate environment. The year-over-year decline also reflects lower average loan and lease

balances resulting from our credit strategy to reduce targeted risk exposure.

Noninterest expense (excluding amortization of intangible assets, restructuring charges, M&I expenses and special litigation reserves) increased \$27 million compared to the first quarter of 2010 and decreased \$13 million sequentially. The year-over-year increase reflects higher pension and healthcare expenses. The decrease sequentially primarily reflects the write-off of equipment in the fourth quarter of 2010 and a seasonal decrease in marketing and donations.

The Other segment also includes the following activity:

In the first quarter of 2011:

- net securities gains of \$5 million.

In the fourth quarter of 2010:

- net securities losses of \$2 million ; and
- a credit to the provision for credit losses of \$24 million.

In the first quarter of 2010:

- net securities gains of \$7 million ;
- a \$164 million charge related to special litigation reserves; and
- a provision for credit losses of \$35 million.

Critical accounting estimates

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements contained in BNY Mellon's 2010 Annual Report on Form 10-K. Our more critical accounting estimates are those related to goodwill and other intangibles, the allowance for loan losses and allowance for lending-related commitments, fair value of financial instruments and derivatives, other-than-temporary impairment ("OTTI") and pension accounting as referenced below.

| Critical policy | Reference |
|--|---|
| Pension accounting | BNY Mellon's 2010 Annual Report, pages 36 through 37. |
| Goodwill and other intangibles | BNY Mellon's 2010 Annual Report, page 36. |
| Allowance for loan losses and allowance for lending-related commitments | BNY Mellon's 2010 Annual Report, page 33. See page 31 of this Form 10-Q for the impact of estimates on the allowance for credit losses. |
| Fair value of financial instruments and derivatives | BNY Mellon's 2010 Annual Report, pages 33 through 35. |
| OTTI | BNY Mellon's 2010 Annual Report, pages 35 and 36. See page 26 of this Form 10-Q for the impact of market assumptions on portions of our securities portfolio. |

Consolidated balance sheet review

At March 31, 2011, total assets were \$266.4 billion compared with \$247.3 billion at Dec. 31, 2010. The increase in consolidated total assets resulted from a higher level of both interest-bearing and noninterest-bearing deposits. Deposits totaled \$162.5 billion at March 31, 2011 and \$145.3 billion at Dec. 31, 2010. Total assets averaged \$257.7 billion in the first quarter of 2011, compared with \$225.4 billion in the first quarter of 2010 and \$256.4 billion in the fourth quarter of 2010. At March 31, 2011, total deposits were 61% of total interest-earning assets. The increase in average assets compared with the first quarter of 2010 primarily reflects higher deposit levels and the impact of the Acquisitions. Total deposits averaged \$155.1 billion in the first quarter of 2011, \$151.4 billion in the fourth quarter of 2010 and \$134.4 billion in the first quarter of 2010.

At March 31, 2011, we had approximately \$63.5 billion of liquid funds and \$28.7 billion of cash (including approximately \$24.6 billion of overnight deposits with the Federal Reserve and other central banks) for a total of approximately \$92.2 billion of available funds. This compares with available funds of \$77.6 billion at Dec. 31, 2010. Our percentage of liquid assets to total assets was 35% at March 31, 2011, compared with 31% at Dec. 31, 2010. Our interest-bearing deposits with banks are all placed

with large highly-rated global financial institutions. The average life of the interest-bearing deposits is approximately 51 days.

Investment securities were \$66.3 billion at both March 31, 2011, and Dec. 31, 2010, representing 25% of total assets at March 31, 2011 and 27% at Dec. 31, 2010.

Loans were \$40.0 billion or 15% of total assets at March 31, 2011, compared with \$37.8 billion or 15% of total assets at Dec. 31, 2010. The increase in loan levels was primarily due to secured term loans to broker-dealers.

Total shareholders' equity applicable to BNY Mellon was \$33.3 billion at March 31, 2011 and \$32.4 billion at Dec. 31, 2010. The increase in total shareholders' equity primarily reflects earnings retention and narrower credit spreads in our investment securities portfolio.

BNY Mellon, through its involvement in the Government Securities Clearing Corporation ("GSCC") settles government securities transactions on a net basis for payment and delivery through the Fed wire system. As a result, at March 31, 2011, the assets and liabilities of BNY Mellon were reduced by \$463 million for the netting of repurchase agreements and reverse repurchase agreement transactions executed with the same counterparty under standardized Master Repurchase Agreements. This netting is performed in accordance with FASB Interpretation No. 41 (ASC 210-20) "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements".

Investment securities

In the discussion of our investment securities portfolio, we have included certain credit ratings information because the information indicates the degree of credit risk to which we are exposed, and significant changes in ratings classifications for our investment portfolio could indicate increased credit risk for us and could be accompanied by a reduction in the fair value of our investment securities portfolio.

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

| Investment securities portfolio | | | | | | | | | | | |
|--|--------------|-------------|-----------------------|--------------|------------|-------------|---------|-----|-------|---------|-------|
| <i>(dollar amounts in millions)</i> | Dec. 31, | 1Q11 | March 31, 2011 | | Fair value | Unrealized | Ratings | | | | |
| | 2010 | change in | Amortized | Fair | as a % of | | AAA/ | A+/ | BBB+/ | BB+ and | Not |
| | Fair value | gain/(loss) | cost | value | cost (a) | gain/(loss) | AA- | A- | BBB- | lower | rated |
| Watch list: (b) | | | | | | | | | | | |
| European floating | | | | | | | | | | | |
| rate notes (c) | \$4,636 | \$ 39 | \$5,020 | \$4,628 | 91% | \$(392) | 86% | 11% | 3% | -% | -% |
| Commercial MBS | 2,281 | 2 | 2,073 | 2,131 | 103 | 58 | 92 | 5 | 3 | - | - |
| Non-agency RMBS | 2,577 | 67 | 2,652 | 2,428 | 84 | (224) | 30 | 7 | 12 | 51 | - |
| Credit cards | 517 | - | 437 | 442 | 99 | 5 | 2 | 96 | 2 | - | - |
| Other | 331 | 13 | 305 | 341 | 50 | 36 | 6 | 1 | 24 | 16 | 53 |
| Total Watch list (b) | 10,342 | 121 | 10,487 | 9,970 | 89 | (517) | 67 | 12 | 6 | 13 | 2 |
| Agency RMBS | 20,157 | (44) | 18,894 | 19,227 | 102 | 333 | 100 | - | - | - | - |
| Sovereign debt/ | | | | | | | | | | | |
| sovereign guaranteed | 8,585 | (27) | 9,661 | 9,683 | 100 | 22 | 100 | - | - | - | - |
| U.S. Treasury securities | 12,635 | (50) | 13,683 | 13,618 | 100 | (65) | 100 | - | - | - | - |
| Non-agency RMBS (d) | 4,496 | 245 | 3,560 | 4,383 | 75 | 823 | 2 | 1 | 3 | 94 | - |
| Foreign covered bonds | 2,868 | (19) | 3,122 | 3,087 | 99 | (35) | 97 | 3 | - | - | - |
| FDIC-insured debt | 2,474 | (9) | 2,460 | 2,497 | 101 | 37 | 100 | - | - | - | - |
| U.S. Government | | | | | | | | | | | |
| agency debt | 1,005 | (4) | 1,023 | 1,017 | 99 | (6) | 100 | - | - | - | - |
| Other | 3,807 | 3 | 2,942 | 2,919 | 99 | (23) | 72 | 11 | 4 | 1 | 12 |
| Total investment securities | \$66,369 (e) | \$216 | \$65,832 | \$66,401 (e) | 97% | \$569 | 87% | 3% | 1% | 8% | 1% |

(a) Amortized cost before impairments.

(b) The "Watch list" includes those securities we view as having a higher risk of impairment charges.

(c) Includes RMBS, commercial MBS, and other securities.

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

(e) Includes net unrealized gains on derivatives hedging securities available-for-sale of \$60 million at Dec. 31, 2010 and \$92 million at March 31, 2011.

The fair value of our investment securities portfolio was \$66.4 billion at both March 31, 2011 and Dec. 31, 2010. At March 31, 2011, the total investment securities portfolio had an unrealized pre-tax gain of \$569 million compared with \$353 million at Dec. 31, 2010. The unrealized net of tax gain on our investment securities available-for-sale portfolio included in other comprehensive income was \$280 million at March 31, 2011 compared with \$151 million at Dec. 31, 2010. The improvement in the valuation of the investment securities portfolio was primarily driven by narrowing credit spreads on non-agency RMBS.

In 2009, we established a Grantor Trust in connection with the restructuring of our investment securities portfolio. The Grantor Trust has been dissolved. The securities held in the former Grantor Trust are included in our investment securities portfolio and were marked down to approximately 60% of face value in 2009. At March 31, 2011, these securities were trading above adjusted amortized cost with a total unrealized pre-tax gain of \$823 million compared with an unrealized pre-tax gain of \$578 million at Dec. 31, 2010.

At March 31, 2011, 87% of the securities in our portfolio were rated AAA/AA-, unchanged compared with Dec. 31, 2010.

We routinely test our investment securities for OTTI. (See "Critical accounting estimates" for additional disclosure regarding OTTI.)

At March 31, 2011, we had \$1.5 billion of accretable discount related to the restructuring of the investment securities portfolio. The discount related to these transactions had a remaining average life of approximately 4.0 years. The accretion of discount related to these securities increases net interest revenue and is recorded on a level yield basis. The discount accretion totaled \$102 million in the first quarter of 2011, \$105 million in the fourth quarter of 2010 and \$137 million in the first quarter of 2010.

Also, at March 31, 2011, we had \$734 million of net amortizable purchase premium relating to investment securities with a remaining average life of approximately 3.4 years. For these securities, the amortization of net premium decreased net interest revenue and is recorded on a level yield basis. We

recorded net premium amortization of \$71 million in the first quarter of 2011, \$71 million in the fourth quarter of 2010 and \$67 million in the first quarter of 2010.

In the first quarter of 2011, \$228 million of non-agency RMBS were sold at a net gain of \$10 million. These gains were partially offset by impairment charges of \$5 million on European floating rate notes and Alt-A RMBS. Net securities gains in the first quarter of 2011 were \$5 million. The following table provides pre-tax net securities gains by type.

| Net securities gains <i>(in millions)</i> | 1Q11 | 4Q10 | 1Q10 |
|---|-------------|-------------|-------------|
| Alt-A RMBS | \$ 5 | \$ - | \$(7) |
| Prime RMBS | 9 | - | - |
| Subprime RMBS | (6) | (4) | - |
| European floating rate notes | (3) | - | - |
| Other | - | 5 | 14 |
| Net securities gains | \$ 5 | \$ 1 | \$ 7 |

On a quarterly basis, we perform our impairment analysis using several factors including projected loss severities and default rates. In the first quarter of 2011, this analysis resulted in a \$5 million credit loss on European floating rate notes and Alt-A RMBS. If we were to increase or decrease each of our projected loss severities and default rates by 100 basis points on each of the positions in our non-agency RMBS portfolios, credit-related impairment charges on these securities would have increased less than \$1 million (pre-tax) or decreased less than \$1 million (pre-tax) in the first quarter of 2011. See Note 5 to the Notes to Consolidated Financial Statements for the projected weighted average default rates and loss severities.

At March 31, 2011, the investment securities portfolio includes \$62 million of assets not accruing interest, primarily related to securities issued by Lehman Brothers Holdings, Inc. or its affiliates. These securities are held at market value.

The following table shows the fair value of the European floating rate notes by geographical location at March 31, 2011. The unrealized loss on these securities was \$392 million at March 31, 2011, an improvement of 9% compared with \$431 million at Dec. 31, 2010.

| European floating rate notes at March 31, 2011 (a) | United Kingdom Netherlands Other | | | Total fair value |
|---|----------------------------------|-----------------|-----------------|------------------|
| <i>(in millions)</i> | | | | |
| RMBS | \$ 2,160 | \$ 926 | \$ 857 | \$ 3,943 |
| Other | 284 | 89 | 312 | 685 |
| Total | \$ 2,444 | \$ 1,015 | \$ 1,169 | \$ 4,628 |

(a) 86% of these securities are in the AAA to AA- ratings category.

Included in our investment securities portfolio are the following securities that have credit enhancement provided through a guarantee by a monoline insurer:

| Investment securities guaranteed by monoline insurers | March 31, 2011 | Dec. 31, 2010 |
|--|-----------------------|----------------------|
| <i>(in millions)</i> | | |
| State and political subdivisions | \$ 547 | \$ 539 |
| Mortgage-backed securities | 115 | 109 |
| Total fair value | \$ 662 (a) | \$ 648 |
| Amortized cost less securities losses | \$ 688 | \$ 685 |
| Mark-to-market unrealized loss (pre-tax) | \$ (26) | \$ (37) |

(a) The par value guaranteed by the monoline insurers was \$742 million.

At March 31, 2011, securities guaranteed by monoline insurers were rated 49% AAA to AA-, 16% A+ to A-, 13% BBB+ to BBB- and 22% BB+ and lower. The increase in the fair value of these securities from Dec. 31, 2010 primarily reflects purchases of municipal securities partially offset by maturities, calls and paydowns. When purchasing securities, we review the credit quality of the underlying securities, as well as the insurer.

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

Loans

| Total exposure – consolidated <i>(in billions)</i> | March 31, 2011 | | | Dec. 31, 2010 | | |
|---|----------------|----------------------|----------------|---------------|----------------------|----------------|
| | Loans | Unfunded commitments | Total exposure | Loans | Unfunded commitments | Total exposure |
| Non-margin loans: | | | | | | |
| Financial institutions | \$ 11.7 | \$ 15.9 | \$ 27.6 | \$ 9.3 | \$ 15.8 | \$ 25.1 |
| Commercial | 1.5 | 18.2 | 19.7 | 1.6 | 18.8 | 20.4 |
| Subtotal institutional | 13.2 | 34.1 | 47.3 | 10.9 | 34.6 | 45.5 |
| Wealth management loans and mortgages | 6.7 | 1.3 | 8.0 | 6.5 | 1.8 | 8.3 |
| Commercial real estate | 1.6 | 1.5 | 3.1 | 1.6 | 1.6 | 3.2 |
| Lease financing | 2.8 | - | 2.8 | 3.1 | 0.1 | 3.2 |
| Other residential mortgages | 2.1 | - | 2.1 | 2.1 | - | 2.1 |
| Overdrafts | 5.8 | - | 5.8 | 6.0 | - | 6.0 |
| Other | 0.4 | - | 0.4 | 0.8 | - | 0.8 |
| Subtotal non-margin loans | 32.6 | 36.9 | 69.5 | 31.0 | 38.1 | 69.1 |
| Margin loans | 7.4 | - | 7.4 | 6.8 | - | 6.8 |
| Total | \$ 40.0 | \$ 36.9 | \$ 76.9 | \$ 37.8 | \$ 38.1 | \$ 75.9 |

At March 31, 2011, total exposures were \$76.9 billion, an increase of 1% from \$75.9 billion at Dec. 31, 2010, primarily reflecting secured broker-dealer loans.

Our financial institutions and commercial portfolios comprise our largest concentrated risk. These portfolios make up 62% of our total lending exposure. A substantial portion of our overdrafts relate to financial institutions and commercial customers.

Financial institutions

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

| Financial institutions portfolio exposure <i>(dollar amounts in billions)</i> | March 31, 2011 | | | | | Dec. 31, 2010 | | |
|--|----------------|----------------------|----------------|-------------|-------------|---------------|----------------------|----------------|
| | Loans | Unfunded commitments | Total exposure | % Inv grade | % due <1 yr | Loans | Unfunded commitments | Total exposure |
| Securities industry | \$ 5.4 | \$ 2.1 | \$ 7.5 | 91% | 96% | \$ 3.9 | \$ 2.3 | \$ 6.2 |
| Banks | 5.0 | 2.3 | 7.3 | 83 | 94 | 4.2 | 2.2 | 6.4 |
| Insurance | 0.1 | 5.1 | 5.2 | 98 | 36 | 0.1 | 5.0 | 5.1 |
| Asset managers | 0.9 | 2.6 | 3.5 | 99 | 82 | 0.8 | 2.4 | 3.2 |
| Government | 0.1 | 2.1 | 2.2 | 95 | 59 | 0.2 | 2.1 | 2.3 |
| Other | 0.2 | 1.7 | 1.9 | 95 | 55 | 0.1 | 1.8 | 1.9 |
| Total | \$ 11.7 | \$ 15.9 | \$ 27.6 | 92% | 77% | \$ 9.3 | \$ 15.8 | \$ 25.1 |

The financial institutions portfolio exposure was \$27.6 billion at March 31, 2011, compared to \$25.1 billion at Dec. 31, 2010. The increase was primarily driven by a new term loan program that offers fully collateralized loans to broker-dealers. These loans are collateralized with marketable securities and borrowers are required to maintain a daily margin in excess of 100% of the value of the loan.

Financial institution exposures are high quality with 92% meeting the investment grade equivalent criteria of our rating system at March 31, 2011. These exposures are generally short-term, with 77% expiring within one year and are frequently secured by securities that we hold in custody on behalf of those financial institutions. For example, securities

industry and asset managers often borrow against marketable securities held in custody.

As a conservative measure, our internal credit rating classification for international counterparties caps the rating based upon the sovereign rating of the country where the counterparty resides regardless of the credit rating of the counterparty or the underlying collateral.

Our exposure to banks is predominately to investment grade counterparties in developed countries. Non-investment grade bank exposures are short-term in nature supporting our global trade finance and U.S. dollar clearing businesses in developing countries.

The asset manager portfolio exposures are high quality with 99% meeting our investment grade equivalent ratings criteria as of March 31, 2011.

These exposures are generally short-term liquidity facilities with the vast majority to regulated mutual funds.

Commercial

The diversity of the commercial portfolio is shown in the following table:

| Commercial portfolio exposure <i>(dollar amounts in billions)</i> | March 31, 2011 | | | | | Dec. 31, 2010 | | |
|--|----------------|----------------------|----------------|-------------|-------------|---------------|----------------------|----------------|
| | Loans | Unfunded commitments | Total exposure | % Inv grade | % due <1 yr | Loans | Unfunded commitments | Total exposure |
| Manufacturing | \$ 0.4 | \$ 5.8 | \$ 6.2 | 91% | 21% | \$ 0.4 | \$ 5.9 | \$ 6.3 |
| Services and other | 0.6 | 5.5 | 6.1 | 87 | 37 | 0.7 | 5.9 | 6.6 |
| Energy and utilities | 0.3 | 5.4 | 5.7 | 97 | 16 | 0.3 | 5.4 | 5.7 |
| Media and telecom | 0.2 | 1.5 | 1.7 | 76 | 15 | 0.2 | 1.6 | 1.8 |
| Total | \$ 1.5 | \$ 18.2 | \$ 19.7 | 90% | 24% | \$ 1.6 | \$ 18.8 | \$ 20.4 |

The commercial portfolio exposure decreased 3% to \$19.7 billion at March 31, 2011, from \$20.4 billion at Dec. 31, 2010, reflecting our desire to reduce non-strategic exposure. Our goal is to maintain a predominantly investment grade portfolio.

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

| Percent of the portfolios that are investment grade | March 31, 2010 | June 30, 2010 | Sept. 30, 2010 | Dec. 31, 2010 | March 31, 2011 |
|---|----------------|---------------|----------------|---------------|----------------|
| Financial institutions | 85% | 86% | 85% | 91% | 92% |
| Commercial | 80% | 80% | 81% | 89% | 90% |

Our credit strategy is to focus on investment grade names to support cross-selling opportunities, avoid single name/industry concentrations and exit high-risk portfolios. Each customer is assigned an internal rating grade, which is mapped to an external rating agency grade equivalent based upon a number of dimensions which are continually evaluated and may change over time. The execution of our strategy, as well as an adjustment in the credit ratings of our existing portfolio, has resulted in a higher percentage of the portfolio that is investment grade at March 31, 2011 compared with March 31, 2010.

Wealth Management loans and mortgages

Wealth Management loans and mortgages are primarily composed of loans to high-net-worth individuals, which are secured by marketable securities and/or residential property. Wealth management mortgages are primarily interest-only adjustable rate mortgages with an average loan to value ratio of 61% at origination. In the wealth management portfolio, 1% of the mortgages were past due at March 31, 2011.

At March 31, 2011, the private wealth mortgage portfolio was comprised of the following geographic concentrations: New York - 25%; Massachusetts - 17%; California - 17%; Florida - 8%; and other 33%.

Commercial real estate

Our commercial real estate facilities are focused on experienced owners and are structured with moderate leverage based on existing cash flows. Our commercial real estate lending activities include both construction facilities and medium-term loans. Our client base consists of experienced developers and long-term holders of real estate assets. Loans are approved on the basis of existing or projected cash flow, and supported by appraisals and knowledge of local market conditions. Development loans are structured with moderate leverage, and in most instances, involve some level of recourse to the developer. Our commercial real estate exposure totaled \$3.1 billion at March 31, 2011 and \$3.2 billion at Dec. 31, 2010.

At March 31, 2011, approximately 65% of our commercial real estate portfolio was secured. The

secured portfolio is diverse by project type with approximately 58% secured by residential buildings, 23% secured by office buildings, 9% secured by retail properties and 10% secured by other categories. Approximately 97% of the unsecured portfolio is allocated to investment grade real estate investment trusts (“REITs”) under revolving credit agreements.

At March 31, 2011, our commercial real estate portfolio was comprised of the following geographic concentrations: New York metro – 47%; investment grade REITs – 33%; and other – 20%.

Lease financings

The leasing portfolio consisted of non-airline exposures of \$2.6 billion and \$207 million of airline exposures at March 31, 2011. Approximately 88% of the leasing exposure is investment grade or investment grade equivalent. The leasing portfolio is likely to decline in the future if risk-adjusted returns are unable to meet our expected returns.

At March 31, 2011, our \$207 million of exposure to the airline industry consisted of a \$12 million real estate lease exposure, as well as the airline-leasing portfolio which included \$70 million to major U.S. carriers, \$113 million to foreign airlines and \$12 million to U.S. regional airlines.

In 2010, the U.S domestic airline industry showed significant improvement in revenues and yields. Despite this improvement, these carriers continue to have extremely high debt levels. Combined with their high fixed-cost operating models, the domestic airlines remain vulnerable. As such, we continue to maintain a sizable allowance for loan losses against these exposures and continue to closely monitor the portfolio.

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

Other residential mortgages

The other residential mortgage portfolio primarily consists of 1-4 family residential mortgage loans and totaled \$2.1 billion at March 31, 2011. Included in this portfolio is \$706 million of mortgage loans purchased in 2005, 2006 and the first quarter of 2007 that are predominantly prime mortgage loans, with a small portion of Alt-A loans. As of March 31, 2011, the remaining prime and Alt-A mortgage loans in this portfolio had a weighted-average original loan-

to-value ratio of 75% and approximately 31% of these loans were at least 60 days delinquent. The properties securing the prime and Alt-A mortgage loans were located (in order of concentration) in California, Florida, Virginia, Maryland and the tri-state area (New York, New Jersey and Connecticut).

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

At March 31, 2011, we had less than \$15 million in subprime mortgages included in our other residential mortgage portfolio. The subprime loans were issued to support our Community Reinvestment Act requirements.

Overdrafts

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

Other loans

Other loans primarily include loans to consumers that are fully collateralized with equities, mutual funds and fixed income securities, as well as bankers acceptances.

Asset quality and allowance for credit losses

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

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

We have implemented a credit strategy to reduce exposures that no longer meet risk/return criteria, including an assessment of overall relationship

profitability. In addition, we make use of credit derivatives and other risk mitigants as economic hedges of portions of the credit risk in our portfolio. The effect of these transactions is to transfer credit risk to creditworthy, independent third parties. The following table details changes in our allowance for credit losses.

| Allowance for credit losses activity | | | |
|---|---------------------------|------------------|-------------------|
| <i>(dollar amounts in millions)</i> | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| Margin loans | \$ 7,369 | \$ 6,810 | \$ 4,863 |
| Non-margin loans | 32,643 | 30,998 | 29,024 |
| Total loans | \$40,012 | \$37,808 | \$33,887 |
| Quarterly activity | | | |
| Allowance for credit losses: | | | |
| Beginning balance | \$ 571 | \$ 608 | \$ 628 |
| Provision for credit losses | - | (22) | 35 |
| Net (charge-offs) recoveries: | | | |
| Other residential mortgages | (16) | (14) | (12) |
| Commercial real estate | (3) | (2) | (5) |
| Financial institutions | 1 | (1) | (20) |
| Commercial | 1 | 2 | 12 |
| Net (charge-offs) | (17) | (15) | (25) |
| Total allowance for credit losses | \$ 554 | \$ 571 | \$ 638 |
| Allowance for loan losses | \$ 467 | \$ 498 | \$ 520 |
| Allowance for unfunded commitments | 87 | 73 | 118 |
| Allowance for loan losses as a percentage of total loans | 1.17% | 1.32% | 1.53% |
| Allowance for loan losses as a percentage of non-margin loans | 1.43% | 1.61% | 1.79% |
| Total allowance for credit losses as a percentage of total loans | 1.38% | 1.51% | 1.88% |
| Total allowance for credit losses as a percentage of non-margin loans | 1.70% | 1.84% | 2.20% |

Net charge-offs were \$17 million in the first quarter of 2011, \$15 million in the fourth quarter of 2010 and \$25 million in the first quarter of 2010. Net charge-offs in the first quarter of 2011 and fourth quarter of 2010 were primarily driven by residential mortgages. Net charge-offs in the first quarter of 2010 included \$15 million to a mortgage company and \$12 million in residential mortgages, partially offset by \$12 million of recoveries from the media portfolio.

There was no provision for credit losses recorded in the first quarter of 2011, compared with a credit of \$22 million in the fourth quarter of 2010 and a charge of \$35 million in the first quarter of 2010. The decrease in the provision for credit losses compared with the first quarter of 2010 reflects

broad improvement in the quality of the credit portfolio, driven by a 62% decrease in criticized assets compared with March 31, 2010, primarily in the insurance, automotive and media portfolios.

The total allowance for credit losses was \$554 million at March 31, 2011, \$571 million at Dec. 31, 2010 and \$638 million at March 31, 2010. The decrease in the allowance for credit losses compared with Dec. 31, 2010 resulted from net charge-offs of \$17 million.

The ratio of the total allowance for credit losses to non-margin loans was 1.70% at March 31, 2011, 1.84% at Dec. 31, 2010 and 2.20% at March 31, 2010. The ratio of the allowance for loan losses to non-margin loans was 1.43% at March 31, 2011, 1.61% at Dec. 31, 2010 and 1.79% at March 31, 2010. The decrease in these ratios at March 31, 2011 compared with Dec. 31, 2010 resulted from net charge-offs and a higher level of loans primarily driven by secured broker-dealer loans.

We had \$7.4 billion of secured margin loans on our balance sheet at March 31, 2011 compared with \$6.8 billion at Dec. 31, 2010 and \$4.9 billion at March 31, 2010. We have rarely suffered a loss on these types of loans and do not allocate any of our allowance for credit losses to them. As a result, we believe that the ratio of total allowance for credit losses to non-margin loans is a more appropriate metric to measure the adequacy of the reserve.

The four elements of the allowance for loan losses and the allowance for lending related commitments are:

- an allowance for impaired credits (nonaccrual loans over \$1 million);
- an allowance for higher risk-rated credits and pass-rated credits;
- an allowance for residential mortgage loans; and
- an unallocated allowance based on general economic conditions and risk factors in our individual markets.

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 nonperforming loans over \$1 million. The allowance is measured by the difference between the recorded value of impaired loans and their impaired value. Impaired value is either the present value of

the expected future cash flows from the borrower, the market value of the loan, or the fair value of the collateral.

The second element, higher risk-rated credits and pass-rated credits, is based on our expected loss model. All borrowers are assigned to pools based on their credit ratings. The expected loss for 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. 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. Commercial loans over \$1 million are individually analyzed before being assigned a credit rating. We also apply this technique to our lease financing and wealth management portfolios.

The third element, the allowance for residential mortgage loans is determined by segregating six mortgage pools into delinquency periods ranging from current through foreclosure. Each of these delinquency periods is assigned a probability of default. A specific loss given default based on a combination of external loss data from third party databases and internal loss history is assigned for each mortgage pool. For each pool, the expected loss is calculated using the above factors. The resulting expected loss factor is applied against the loan balance to determine the reserve held for each pool.

The fourth element, the unallocated allowance, is based on management's judgment regarding the following factors:

- economic conditions including duration of the current cycle;
- collateral values;
- specific credits and industry conditions;
- results of bank regulatory and internal credit exams;
- geopolitical issues and their impact on the economy; and
- volatility and model risk.

Based on an evaluation of these four elements, including individual credits, historical credit losses,

and global economic factors, we have allocated our allowance for credit losses as follows:

| Allocation of allowance | | | |
|--------------------------------|---------------------------|-----------------------------|------------------------------|
| | March 31, 2011 | Dec. 31, 2010 <i>(a)</i> | March 31, 2010 <i>(a)</i> |
| Commercial | 15% | 13% | 20% |
| Other residential mortgages | 31 | 33 | 27 |
| Lease financing | 13 | 12 | 12 |
| Financial institutions | 2 | 2 | 7 |
| Wealth management <i>(b)</i> | 4 | 6 | 5 |
| Commercial real estate | 5 | 6 | 7 |
| Foreign | 10 | 8 | 7 |
| Unallocated | 20 | 20 | 15 |
| Total | 100% | 100% | 100% |

(a) Excludes discontinued operations.

(b) Includes the allowance for wealth management mortgages.

The allocation of allowance for credit losses is inherently judgmental, and the entire allowance for credit losses is available to absorb credit losses regardless of the nature of the loss. The unallocated allowance reflects various factors in the current credit environment and is also available to, among other things, absorb further deterioration across all of our portfolios resulting from the current economic environment.

The unallocated allowance for credit losses was 20% at March 31, 2011, 20% at Dec. 31, 2010 and 15% at March 31, 2010. We believe the unallocated allowance, at March 31, 2011, is appropriate given the uncertainty of the economy's direction and the potential for continued credit quality and valuation pressures in the residential mortgage and commercial real estate portfolios. At March 31, 2011, if the unallocated allowance, as a percentage of the total allowance, was 5% higher or lower, the allowance would have increased by approximately \$37 million or decreased by approximately \$33 million, respectively.

The credit rating assigned to each credit is another significant variable in determining the allowance. If each credit were rated one grade better, the allowance would have decreased by \$78 million, while if each credit were rated one grade worse, the allowance would have increased by \$121 million. Similarly, if the loss given default were one rating worse, the allowance would have increased by \$44 million, while if the loss given default were one rating better, the allowance would have decreased by \$50 million. For impaired credits, if the net carrying value of the loans was 10% higher or lower, the allowance for credit losses would have decreased or increased by \$1 million, respectively.

Nonperforming assets

The following table shows the distribution of nonperforming assets.

| Nonperforming assets (dollar amounts in millions) | March 31, 2011 | Dec. 31, 2010 |
|--|-------------------|------------------|
| Loans: | | |
| Other residential mortgages | \$ 245 | \$ 244 |
| Wealth management | 56 | 59 |
| Commercial real estate | 36 | 44 |
| Commercial | 32 | 34 |
| Foreign | 7 | 7 |
| Financial institutions | 4 | 5 |
| Total nonperforming loans | \$ 380 | \$ 393 |
| Other assets owned | 6 | 6 |
| Total nonperforming assets (a) | \$ 386 | \$ 399 |
| Nonperforming assets ratio | 1.0% | 1.1% |
| Allowance for loan losses/ nonperforming loans | 122.9% | 126.7% |
| Allowance for loan losses/ nonperforming assets | 121.0% | 124.8% |
| Total allowance for credit losses/ nonperforming loans | 145.8% | 145.3% |
| Total allowance for credit losses/ nonperforming assets | 143.5% | 143.1% |

(a) Loans of consolidated investment management funds are not part of BNY Mellon's loan portfolio. Included in these loans are nonperforming loans of \$239 million at March 31, 2011 and \$218 million at Dec. 31, 2010. These loans are recorded at fair value and therefore do not impact the provision for credit losses and allowance for loan losses, and accordingly are excluded from the nonperforming assets table above.

Nonperforming assets quarterly activity

| (in millions) | March 31, 2011 | Dec. 31, 2010 |
|--|-------------------|------------------|
| Balance at beginning of period | \$ 399 | \$ 401 |
| Additions | 33 | 50 |
| Return to accrual status | (7) | (8) |
| Net charge-offs | (19) | (20) |
| Paydowns/sales | (17) | (22) |
| Transferred to other real estate owned | (3) | (2) |
| Balance at end of period | \$ 386 | \$ 399 |

The decrease in nonperforming assets compared with Dec. 31, 2010 primarily resulted from charge-offs of \$16 million in the residential mortgage portfolio and \$3 million in the commercial real estate portfolio, repayments of \$5 million from the commercial real estate portfolio and \$4 million from the residential mortgage, financial institutions and wealth management portfolios, residential mortgage loans of \$7 million returned to accrual status, sales of \$8 million from the residential mortgage, commercial and wealth management portfolios, and \$3 million transferred to other real estate owned. Additions in the first quarter of 2011 included \$33 million of residential mortgage 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.

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. Interest receipts on nonaccrual and impaired loans are recognized as interest revenue or are applied to principal when we believe the ultimate collectability of principal is in doubt. Nonaccrual loans generally are restored to an accrual basis when principal and interest become current.

The allowance for credit losses is reduced by the charge-off of loans and other credit extensions. Loans, or portions thereof, and other forms of credit extensions will be charged off at the time they are deemed to be uncollectible or as otherwise required by applicable regulations or direction from regulatory agencies. BNY Mellon's practice is to record charge-offs at the end of each quarter.

The following table shows loans past due 90 days or more and still accruing interest.

| Loans past due 90 days or more and still accruing interest (in millions) | March 31, 2011 | Dec. 31, 2010 |
|--|-------------------|------------------|
| Commercial | \$ - | \$ 1 |
| Commercial real estate | 12 | 11 |
| Wealth management loans and mortgages | - | 6 |
| Other residential mortgages | 12 | 15 |
| Total past due loans | \$ 24 | \$ 33 |

Deposits

Total deposits were \$162.5 billion at March 31, 2011 compared with \$145.3 billion at Dec. 31, 2010. The increase in deposits reflects a higher level of

foreign deposits primarily resulting from an increase in client liquidity.

Noninterest-bearing deposits were \$40.1 billion at March 31, 2011, compared with \$38.7 billion at Dec. 31, 2010. Interest-bearing deposits were \$122.4 billion at March 31, 2011, compared with \$106.6 billion at Dec. 31, 2010.

Short-term borrowings

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

See “Liquidity and dividends” below for a discussion of long-term debt and liquidity metrics that we monitor and The Bank of New York Mellon Corporation parent company’s (the “Parent”) limited reliance on short-term borrowings.

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

| | Federal funds purchased and securities sold under repurchase agreements | | |
|------------------------------|---|---------------|----------------|
| | Quarter ended | | |
| (dollar amounts in millions) | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| Maximum daily balance | | | |
| during the quarter | \$ 7,451 | \$ 12,080 | \$ 6,868 |
| Average daily balance | \$ 5,172 | \$ 7,256 | \$ 3,697 |
| Weighted average rate | | | |
| during the quarter | 0.07% | 2.13% | 0.07% |
| Ending balance | \$ 5,435 | \$ 5,602 | \$ 3,882 |
| Average rate at period end | 0.12% | 2.12% | 0.09% |

Federal funds purchased and securities sold under repurchase agreements were \$5.4 billion at March 31, 2011, \$5.6 billion at Dec. 31, 2010 and \$3.9 billion at March 31, 2010. Average federal funds purchased and securities sold under repurchase agreements were \$5.2 billion in the first quarter of 2011, \$7.3 billion in the fourth quarter of 2010 and \$3.7 billion in the first quarter of 2010. The higher balance and weighted average rate in the fourth

quarter of 2010 reflect the consolidated repurchase agreement activity performed on behalf of clients at our asset management subsidiary in Brazil.

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

| | Payables to customers and broker-dealers | | |
|------------------------------|--|---------------|----------------|
| | Quarter ended | | |
| (dollar amounts in millions) | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| Maximum daily balance | | | |
| during the quarter | \$ 10,681 | \$ 10,565 | \$ 10,491 |
| Average daily balance (a) | \$ 6,701 | \$ 5,878 | \$ 6,372 |
| Weighted average rate | | | |
| during the quarter | 0.10% | 0.11% | 0.08% |
| Ending balance | \$ 10,550 | \$ 9,962 | \$ 10,328 |
| Average rate at period end | 0.10% | 0.12% | 0.08% |

(a) Excludes average noninterest-bearing payables to customers and broker-dealers of \$3.9 billion in the first quarter of 2011, \$4.8 billion in the fourth quarter of 2010, and \$4.7 billion in the first quarter of 2010.

Payables to customers and broker-dealers represent funds payable on demand and short sale proceeds. Payables to customers and broker-dealers were \$10.6 billion at March 31, 2011, \$10.0 billion at Dec. 31, 2010 and \$10.3 billion at March 31, 2010. Payables to customers and broker-dealers are driven by customer trading activity and their expectations of market asset levels.

Information related to commercial paper is presented below.

| | Commercial paper | | |
|------------------------------|------------------|---------------|----------------|
| | Quarter ended | | |
| (dollar amounts in millions) | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| Maximum daily balance | | | |
| during the quarter | \$ 75 | \$ 53 | \$ 58 |
| Average daily balance | \$ 15 | \$ 13 | \$ 13 |
| Weighted average rate | | | |
| during the quarter | 0.03% | 0.03% | 0.02% |
| Ending balance | \$ 13 | \$ 10 | \$ 6 |
| Average rate at period end | 0.03% | 0.03% | 0.03% |

Commercial paper outstanding was \$13 million at March 31, 2011, \$10 million at Dec. 31, 2010 and \$6 million at March 31, 2010.

Information related to other borrowed funds is presented below.

| Other borrowed funds | Quarter ended | | |
|--|-----------------------|----------------------|-----------------------|
| | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| <i>(dollar amounts in millions)</i> | | | |
| Maximum daily balance during the quarter | \$ 4,187 | \$ 5,359 | \$ 3,357 |
| Average daily balance | \$ 1,806 | \$ 1,986 | \$ 1,614 |
| Weighted average rate during the quarter | 2.71% | 1.66% | 2.64% |
| Ending balance | \$ 1,161 | \$ 2,858 | \$ 1,463 |
| Average rate at period end | 1.83% | 1.77% | 2.55% |

Other borrowed funds primarily include: term federal funds purchased under agreement to resell; borrowings under lines of credit by our Pershing subsidiaries; and overdrafts of subcustodian account balances in our investment services businesses. Overdrafts in these accounts typically relate to timing differences for settlements of these business activities. Other borrowed funds were \$1.2 billion at March 31, 2011, compared with \$2.9 billion at Dec. 31, 2010, and \$1.5 billion at March 31, 2010.

Liquidity and dividends

BNY Mellon defines liquidity as the ability of the Company and its subsidiaries to access funding or convert assets to cash quickly and efficiently, especially during periods of market stress. Liquidity risk is the risk that BNY Mellon cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flows, without adversely affecting daily operations or 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 or deposit run-off.

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

BNY Mellon seeks to maintain an adequate liquidity cushion in both normal and stressed environments and seeks to diversify funding sources by line of business, customer and market segment. Additionally, we seek to maintain liquidity ratios within approved limits and liquidity risk tolerance; maintain a liquid asset buffer that can be liquidated, financed and/or pledged as necessary; and control the levels and sources of wholesale funds.

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

When monitoring liquidity, we evaluate multiple metrics to ensure ample liquidity for expected and unexpected events. Metrics include cashflow mismatches, asset maturities, access to debt and money markets, debt spreads, peer ratios, unencumbered collateral, funding sources and balance sheet liquidity ratios. We have begun to monitor the Basel III liquidity coverage ratio as applied to us, based on our current interpretation of Basel III. Ratios we currently monitor as part of our standard analysis include total loans as a percentage of total deposits, deposits as a percentage of total interest-earning assets, foreign deposits as a percentage of total interest-earning assets, purchased funds as a percentage of total interest-earning assets, liquid assets as a percentage of total interest-earning assets and liquid assets as a percentage of purchased funds. All of these ratios exceeded our minimum guidelines at March 31, 2011. We also perform stress tests to verify sufficient funding capacity is accessible after conducting multiple stress scenarios.

At March 31, 2011, we had approximately \$63.5 billion of liquid funds and \$28.7 billion of cash (including approximately \$24.6 billion in overnight deposits with the Federal Reserve and other central banks) for a total of approximately \$92.2 billion of available funds. This compares with available funds of \$77.6 billion at Dec. 31, 2010. Our percentage of liquid assets to total assets was 35% at March 31, 2011, compared with 31% at Dec. 31, 2010. The increase from Dec. 31, 2010, primarily resulted from higher levels of foreign deposits.

On an average basis for the first three months of 2011 and 2010, non-core sources of funds such as money market rate accounts, certificates of deposits greater than \$100,000, federal funds purchased, trading liabilities and other borrowings were \$41.9 billion and \$28.9 billion, respectively. The increase year-over-year primarily reflects higher levels of money market rate accounts, federal funds purchased and securities sold under repurchase agreements and trading liabilities. Average foreign deposits, primarily from our European-based investment services business, were \$77.4 billion and \$72.0 billion for the first three months of 2011 and 2010, respectively. Domestic savings and other time deposits averaged \$7.0 billion for the first three

months of 2011, compared with \$6.6 billion for the first three months of 2010.

Average payables to customers and broker-dealers were \$6.7 billion for the first three months of 2011 and \$6.4 billion for the first three months of 2010. Long-term debt averaged \$17.0 billion in the first three months of 2011 and \$16.8 billion in the first three months of 2010. Average noninterest-bearing deposits increased to \$38.6 billion in the first three months of 2011 from \$33.3 billion in the first three months of 2010. A significant reduction in our investment services businesses would reduce our access to deposits.

The Parent has five major sources of liquidity:

- cash on hand;
- dividends from its subsidiaries;
- access to the commercial paper market;
- a revolving credit agreement with third party financial institutions; and
- access to the long-term debt and equity markets.

As a result of charges recorded in 2009 related to the restructuring of the investment securities portfolio, The Bank of New York Mellon and BNY Mellon, N.A. are required to obtain consent from our regulators prior to paying a dividend. Despite this limitation, management estimates that liquidity at the Parent will continue to be sufficient to meet BNY Mellon's ongoing quarterly dividends. In addition, at March 31, 2011, non-bank subsidiaries of the Parent had liquid assets of approximately \$1.2 billion.

In the first quarter of 2011, we increased the quarterly cash dividend to \$0.13 per common share, a 44% increase. Any additional increases in BNY Mellon's ongoing quarterly dividends would require consultation with the Federal Reserve. The Federal Reserve's current guidance provides that, for large bank holding companies like us, dividend payout ratios exceeding 30% of after-tax net income will receive particularly close scrutiny.

Restrictions on our ability to obtain funds from our subsidiaries are discussed in more detail in Note 21 to the Notes to Consolidated Financial Statements contained in BNY Mellon's 2010 Annual Report on Form 10-K.

For the quarter ended March 31, 2011, the Parent's quarterly average commercial paper borrowings

were \$15 million compared with \$13 million for the quarter ended March 31, 2010. The Parent had cash of \$4.4 billion at March 31, 2011 compared with \$3.2 billion at Dec. 31, 2010. The increase in Parent cash resulted primarily from the issuance of long-term debt. The Parent issues commercial paper, on an overnight basis, to certain custody clients with excess demand deposit balances. Overnight commercial paper outstanding issued by the Parent was \$13 million at March 31, 2011 and \$10 million at Dec. 31, 2010. Net of commercial paper outstanding, the Parent's cash position at March 31, 2011 increased by \$1.2 billion compared with Dec. 31, 2010 reflecting the issuance of long-term debt.

The Parent's major uses of funds are payment of dividends, principal and interest on its borrowings, acquisitions, and additional investments in its subsidiaries.

The Parent's reliance on short-term unsecured funding sources such as commercial paper, federal funds and Eurodollars purchased, certificates of deposit, time deposits and bank notes is limited. The Parent's liquidity target is to have sufficient cash on hand to meet its obligations over the next 18 months without the need to receive dividends from its bank subsidiaries or issue debt. As of March 31, 2011, the Parent met its liquidity target.

We currently have a \$226 million credit agreement with 10 financial institutions that matures in October 2011. The fee on this facility depends on our credit rating and at March 31, 2011 was 6 basis points. The credit agreement requires us to maintain:

- shareholders' equity of \$5 billion;
- a ratio of Tier 1 capital plus the allowance for credit losses to nonperforming assets of at least 2.5;
- a double leverage ratio less than 130%; and
- adequate capitalization of all our bank subsidiaries for regulatory purposes.

We are currently in compliance with these covenants. There were no borrowings under this facility at March 31, 2011.

We also have the ability to access the capital markets. In June 2010, we filed shelf registration statements on Form S-3 with the Securities and Exchange Commission ("SEC") covering the issuance of certain securities, including an unlimited amount of debt, common stock, preferred stock and

trust preferred securities, as well as common stock issued under the Direct Stock Purchase and Dividend Reinvestment Plans. These registration statements will expire in June 2013, at which time we plan to file new shelf registration statements.

Our ability to access capital markets on favorable terms, or at all, is partially dependent on our credit ratings, which, as of March 31, 2011, were as follows:

| Debt ratings at March 31, 2011 | | | | |
|---------------------------------------|---------------|-------------------|---------------|------------------------------|
| | Moody's | Standard & Poor's | Fitch | DBRS |
| Parent: | | | | |
| Long-term senior debt | Aa2 | AA- | AA- | AA (low) |
| Subordinated debt | Aa3 | A+ | A+ | A (high) |
| The Bank of New York Mellon: | | | | |
| Long-term senior debt | Aaa | AA | AA- | AA |
| Long-term deposits | Aaa | AA | AA | AA |
| BNY Mellon, N.A.: | | | | |
| Long-term senior debt | Aaa | AA | AA- (a) | AA |
| Long-term deposits | Aaa | AA | AA | AA |
| Outlook | Stable | Stable | Stable | Stable (long-term) |

(a) Represents senior debt issuer default rating.

In April 2010, one of the rating agencies announced that regulatory changes in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), could result in lower debt and deposit ratings for U.S. banks and other financial institutions whose ratings currently benefit from assumed government support. The rating agency anticipates that once implementing regulations clarify the final form of regulatory reform, the potentially affected ratings would be placed under review. The rating agency further indicated it would consider the pace over which any benefits resulting from regulatory reform would accrue versus the likely pace over which systemic support would be curtailed. Currently, the ratings for the Parent benefit from one notch of "lift" and The Bank of New York Mellon and BNY Mellon, N.A. benefit two notches of "lift" as a result of the rating agency's government support assumptions. Other institutions benefit between one and five notches of "lift." If these rating changes occur as proposed, the Parent, The Bank of New York Mellon and BNY Mellon, N.A. would remain at the highest level for all U.S. bank holding companies and U.S. banks.

Long-term debt increased to \$17.2 billion at March 31, 2011 from \$16.5 billion at Dec. 31, 2010, primarily due to the issuance of \$1.2 billion of senior notes, partially offset by the maturity of \$400 million of senior long-term debt.

In the first quarter of 2011, we issued \$350 million of Senior Notes maturing in 2014 with a 1.5% interest rate, \$500 million of Senior Notes maturing in 2021 with an interest rate of 4.15%, and \$350 million of Floating Rate Senior Notes maturing in 2014.

The Parent has \$911 million of long-term debt that will mature in the remainder of 2011 and has the option to call \$591 million of subordinated debt in the remainder of 2011, which it may call and refinance if market conditions are favorable.

We have \$850 million of trust preferred securities that are freely callable in 2011. These securities qualify as Tier 1 capital. Any decision to call these securities will be based on interest rates, the availability of cash and capital, and regulatory conditions, as well as the implementation of the Dodd-Frank Act, which eliminates these trust preferred securities from the Tier 1 capital of large bank holding companies, including BNY Mellon, over a three-year period beginning Jan. 1, 2013.

The double leverage ratio is the ratio of investment in subsidiaries divided by our consolidated equity plus trust preferred securities. Our double leverage ratios at March 31, 2011 and Dec. 31, 2010 were 101.2% and 100.7%, respectively. Our target double leverage ratio is a maximum of 120%. The double leverage ratio is monitored by regulators and rating agencies and is an important constraint on our ability to invest in our subsidiaries and expand our businesses.

Pershing LLC, an indirect subsidiary of BNY Mellon, has committed and uncommitted lines of credit in place for liquidity purposes which are guaranteed by the Parent. The committed line of credit of \$935 million extended by 14 financial institutions matured in March 2011. We renewed the committed line of credit for \$1.035 billion extended by 18 financial institutions with a maturity of March 2012. In the first quarter of 2011, the average borrowing against these lines of credit was \$31 million. Additionally, Pershing has another committed line of credit for \$125 million extended by one financial institution that matures in September 2011. The average borrowing against

this line of credit was \$1 billion during the first quarter of 2011. Pershing LLC has six separate uncommitted lines of credit amounting to \$1.4 billion in aggregate. Average daily borrowing under these lines was \$497 million, in aggregate, during the first quarter of 2011.

The committed line of credit maintained by Pershing LLC requires the Parent to maintain:

- shareholders' equity of \$10 billion;
- a ratio of Tier 1 capital plus the allowance for credit losses to nonperforming assets of at least 2.5; and
- a double leverage ratio less than 130%.

We are currently in compliance with these covenants.

Pershing Limited, an indirect U.K.-based subsidiary of BNY Mellon, has committed and uncommitted lines of credit in place for liquidity purposes, which are guaranteed by the Parent. The committed line of credit of \$233 million extended by five financial institutions matured in March 2011. We renewed this committed line of credit with a maturity of March 2012. There were no borrowings under these lines during the first quarter of 2011. Pershing Limited has two separate uncommitted lines of credit amounting to \$200 million in aggregate. Average daily borrowing under these lines was \$26 million, in aggregate, during the first quarter of 2011.

The committed line of credit maintained by Pershing Limited requires the Parent to maintain:

- shareholders' equity of \$5 billion;
- a ratio of Tier 1 capital plus the allowance for credit losses to nonperforming assets of at least 2.5; and
- a double leverage ratio less than 130%.

We are currently in compliance with these covenants.

Statement of cash flows

Cash provided by operating activities was \$426 million for the three months ended March 31, 2011 compared with \$1.2 billion for the three months ended March 31, 2010. In the first three months of both 2011 and 2010, earnings and changes in accruals and other balances, partially offset by changes in trading activities, were a significant source of funds.

Through March 31, 2011, cash used for investment activities was \$16.5 billion, compared to \$512 million provided by investing activities in the first three months of 2010. In the first three months of 2011, increases in interest-bearing deposits with banks, and with the Federal Reserve and other central banks, and purchases of securities were a significant use of funds, partially offset by sales, paydowns and maturities of securities. In the first three months of 2010, an increase in interest-bearing deposits with the Federal Reserve and other central banks was more than offset by a decrease in interest-bearing deposits with banks and customer payments on loans.

In the first three months of 2011, cash provided by financing activities was \$16.4 billion compared with \$2.1 billion used for financing activities in the first three months of 2010. In the first three months of 2011, an increase in deposits and federal funds purchased and securities sold under repurchase agreements and proceeds from the issuance of long-term debt were a significant use of funds partially offset by changes in other borrowed funds. In the first three months of 2010, changes in deposits and the repayment of long-term debt were significant uses of funds, partially offset by proceeds from other borrowed funds and federal funds purchased and securities sold under repurchase agreements.

Capital

Capital data

(dollar amounts in millions except per share amounts;
common shares in thousands)

| | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
|---|-------------------|------------------|-------------------|
| Average common equity to average assets | 12.7% | 12.6% | 13.2% |
| At period end: | | | |
| BNY Mellon shareholders' equity to total assets ratio | 12.5% | 13.1% | 13.5% |
| Total BNY Mellon shareholders' equity | \$ 33,258 | \$ 32,354 | \$ 29,683 |
| Tangible BNY Mellon's shareholders' equity – Non-GAAP (a) | \$ 12,005 | \$ 11,057 | \$ 10,537 |
| Book value per common share | \$ 26.78 | \$ 26.06 | \$ 24.47 |
| Tangible book value per common share – Non-GAAP (a) | \$ 9.67 | \$ 8.91 | \$ 8.69 |
| Closing common stock price per share | \$ 29.87 | \$ 30.20 | \$ 30.88 |
| Market capitalization | \$ 37,090 | \$ 37,494 | \$ 37,456 |
| Common shares outstanding | 1,241,724 | 1,241,530 | 1,212,941 |
| Cash dividends per common share | \$ 0.09 | \$ 0.09 | \$ 0.09 |
| Dividend yield | 1.2% | 1.2% | 1.2% |

(a) See Supplemental information beginning on page 42 for the reconciliation of GAAP to non-GAAP.

Total The Bank of New York Mellon Corporation shareholders' equity increased compared with Dec. 31, 2010. The increase primarily reflects earnings retention in the first quarter of 2011, a positive impact of foreign currency translation and an unrealized gain in the investment securities portfolio resulting from narrower credit spreads on non-agency RMBS, partially offset by share repurchases.

The unrealized net of tax gain on our available-for-sale securities portfolio recorded in other comprehensive income was \$280 million at March 31, 2011 compared with \$151 million at Dec. 31, 2010. The improvement primarily reflects narrower credit spreads on non-agency RMBS.

On March 22, 2011, the board of directors authorized a 44% increase in the quarterly common stock dividend to \$0.13 per common share. This cash dividend is payable on May 10, 2011, to shareholders of record as of the close of business on April 29, 2011.

In addition, the board approved an increase of 13 million shares to the current share repurchase program authorization, which increased the total common shares available for repurchase to 46.8 million representing approximately 4% of common shares outstanding. Our current capital plan anticipates the repurchase of up to \$1.3 billion worth

of common shares outstanding in 2011. During the first quarter of 2011, we repurchased 1.1 million shares in the open market at an average price of \$29.30 per share for a total of \$32.2 million. During April of 2011, we repurchased an additional 0.9 million shares.

Capital adequacy

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

As of March 31, 2011, the Parent and our bank subsidiaries were considered well capitalized on the basis of the ratios (defined by regulation) of Total and Tier 1 capital to risk-weighted assets and, in the case of our bank subsidiaries, leverage (Tier 1 capital to average assets).

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

Consolidated and largest bank subsidiary capital ratios

| | Well capitalized | Adequately capitalized | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
|--|---------------------|---------------------------|-------------------|------------------|-------------------|
| Consolidated capital ratios: | | | | | |
| Tier 1 capital | 6% | N/A | 14.0% | 13.4% | 13.3% |
| Total capital | 10 | N/A | 16.8 | 16.3 | 17.2 |
| Leverage – guideline | 5 | N/A | 6.1 | 5.8 | 6.5 |
| Tangible BNY Mellon shareholders’ equity to tangible assets of operations ratio – Non-GAAP (a) | | | 5.9% | 5.8% | 6.1% |
| Tier 1 common equity to risk-weighted assets ratio – Non-GAAP (a) | | | 12.4 | 11.8 | 11.6 |
| The Bank of New York Mellon capital ratios: | | | | | |
| Tier 1 capital | 6% | 4% | 11.9% | 11.4% | 12.3% |
| Total capital | 10 | 8 | 15.6 | 15.3 | 16.3 |
| Leverage | 5 | 3 | 5.6 | 5.3 | 6.6 |

(a) See Supplemental information beginning on page 42 for a calculation of this ratio.

N/A – Not applicable at the consolidated company level.

If a bank holding company or bank fails to qualify as “adequately capitalized”, regulatory sanctions and limitations are imposed. At March 31, 2011, the amounts of capital by which BNY Mellon and our largest bank subsidiary, The Bank of New York Mellon, exceed the well-capitalized guidelines are as follows:

| Capital above guidelines at March 31, 2011 (in millions) | Consolidated | The Bank of New York Mellon |
|---|--------------|-----------------------------------|
| Tier 1 capital | \$ 8,230 | \$ 5,115 |
| Total capital | 6,956 | 4,888 |
| Leverage | 2,537 | 1,101 |

The Tier 1 capital ratio varies depending on the size of the balance sheet at quarter-end and the level and types of investments. The balance sheet size fluctuates from quarter to quarter based on levels of customer and market activity. In general, when servicing clients are more actively trading securities, deposit balances and the balance sheet as a whole is higher.

Our Tier 1 capital ratio was 14.0% at March 31, 2011, compared with 13.4% at Dec. 31, 2010 and 13.3% at March 31, 2010. The increase from Dec. 31, 2010 primarily reflects earnings retention and a

positive impact of foreign currency translation, partially offset by higher risk-weighted assets. At March 31, 2011, our total assets were \$266.4 billion compared with \$247.3 billion at Dec. 31, 2010. Our Tier 1 leverage ratio was 6.1% at March 31, 2011, compared with 5.8% at Dec. 31, 2010.

A billion dollar change in risk-weighted assets changes the Tier 1 capital ratio by approximately 14 basis points while a \$100 million change in common equity changes the Tier 1 capital ratio by approximately 10 basis points.

Our tangible BNY Mellon shareholders’ equity to tangible assets of operations ratio was 5.9% at March 31, 2011, up from 5.8% at Dec. 31, 2010 and down from 6.1% at March 31, 2010. The increase compared with Dec. 31, 2010 was due primarily to earnings retention.

At March 31, 2011, we had approximately \$1.7 billion of trust preferred securities outstanding, net of issuance costs, all of which currently qualifies as Tier 1 capital.

The following table presents the components of our risk-based capital at March 31, 2011, Dec. 31, 2010 and March 31, 2010, respectively.

| Components of Tier 1 and total risk-based capital (a) <i>(in millions)</i> | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
|--|---------------------------|------------------|-------------------|
| Tier 1 capital: | | | |
| Common shareholders' equity | \$ 33,258 | \$ 32,354 | \$ 29,683 |
| Trust-preferred securities | 1,686 | 1,676 | 1,667 |
| Adjustments for: | | | |
| Goodwill and other intangibles (b) | (21,253) | (21,297) | (19,145) |
| Pensions/cash flow hedges | 1,035 | 1,053 | 1,062 |
| Securities valuation allowance | (303) | (170) | 180 |
| Merchant banking investments | (21) | (19) | (21) |
| Total Tier 1 capital | 14,402 | 13,597 | 13,426 |
| Tier 2 capital: | | | |
| Qualifying unrealized gains on equity securities | 7 | 5 | 4 |
| Qualifying subordinated debt | 2,281 | 2,381 | 3,330 |
| Qualifying allowance for credit losses | 554 | 571 | 639 |
| Total Tier 2 capital | 2,842 | 2,957 | 3,973 |
| Total risk-based capital | \$ 17,244 | \$ 16,554 | \$ 17,399 |
| Total risk-weighted assets | \$102,887 | \$101,407 | \$101,197 |

(a) Determined under Basel I regulatory guidelines. Dec. 31, 2010 and March 31, 2010 include discontinued operations.

(b) Reduced by deferred tax liabilities associated with non-tax deductible identifiable intangible assets of \$1,658 million at March 31, 2011, \$1,625 million at Dec. 31, 2010 and \$1,660 million at March 31, 2010, and deferred tax liabilities associated with tax deductible goodwill of \$862 million at March 31, 2011, \$816 million at Dec. 31, 2010 and \$720 million at March 31, 2010.

Trading activities and risk management

Our trading activities are focused on acting as a market maker for our customers. The risk from these market-making activities and from our own positions is managed by our traders and limited in total exposure through a system of position limits, a value-at-risk ("VAR") methodology based on a Monte Carlo simulation, stop loss advisory triggers, and other market sensitivity measures. See Note 17 of the Notes to Consolidated Financial Statements for additional information on the VAR methodology.

The following tables indicate the calculated VAR amounts for the trading portfolio for the periods indicated:

| VAR (a) <i>(in millions)</i> | 1st Quarter 2011 | | | March 31, 2011 |
|--|-------------------------|---------|---------|---------------------------|
| | Average | Minimum | Maximum | |
| Interest rate | \$ 4.8 | \$ 3.0 | \$ 8.4 | \$ 6.3 |
| Foreign exchange | 1.8 | 0.4 | 3.0 | 2.2 |
| Equity | 2.6 | 1.8 | 6.1 | 2.6 |
| Credit | 0.2 | 0.2 | 0.3 | 0.2 |
| Diversification | (3.5) | N/M | N/M | (3.8) |
| Overall portfolio | 5.9 | 4.1 | 8.4 | 7.5 |

| VAR (a) <i>(in millions)</i> | 4th Quarter 2010 | | | Dec. 31, 2010 |
|--|-------------------------|---------|---------|--------------------------|
| | Average | Minimum | Maximum | |
| Interest rate | \$ 5.5 | \$ 1.2 | \$ 8.1 | \$ 4.3 |
| Foreign exchange | 2.4 | 0.7 | 4.7 | 0.7 |
| Equity | 4.3 | 1.7 | 7.0 | 2.1 |
| Credit | 0.3 | 0.2 | 0.6 | 0.2 |
| Diversification | (5.1) | N/M | N/M | (3.4) |
| Overall portfolio | 7.4 | 3.6 | 10.3 | 3.9 |

| VAR (a) <i>(in millions)</i> | 1st Quarter 2010 | | | March 31, 2010 |
|--|-------------------------|---------|---------|---------------------------|
| | Average | Minimum | Maximum | |
| Interest rate | \$ 7.6 | \$ 4.8 | \$ 10.9 | \$ 8.4 |
| Foreign exchange | 2.3 | 0.9 | 4.3 | 3.5 |
| Equity | 2.5 | 1.3 | 3.9 | 3.1 |
| Credit | 0.7 | 0.5 | 0.8 | 0.6 |
| Diversification | (4.9) | N/M | N/M | (4.7) |
| Overall portfolio | 8.2 | 5.5 | 11.4 | 10.9 |

(a) VAR figures do not reflect the impact of the credit valuation adjustment guidance in ASC 820. This is consistent with the treatment under our regulatory requirements.

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 first quarter of 2011, interest rate risk generated 51% of average VAR, equity risk generated 28% of average VAR, foreign exchange risk generated 19% of average VAR and credit risk generated 2% of average VAR. During the first quarter of 2011, our daily trading loss did not exceed our calculated VAR amount on any given day. BNY Mellon monitors a volatility index of global currency using a basket of 30 major currencies. In the first quarter of 2011, the volatility of this index decreased approximately 25 basis points from the fourth quarter of 2010.

The following table of total daily trading revenue or loss illustrates the number of trading days in which our revenue or loss fell within particular ranges during the past year.

| Distribution of trading revenues (losses) (a) | | | | | |
|--|----------------|---------------|----------------|---------------|----------------|
| <i>(dollar amounts in millions)</i> | Quarter ended | | | | |
| | March 31, 2010 | June 30, 2010 | Sept. 30, 2010 | Dec. 31, 2010 | March 31, 2011 |
| Revenue range: | Number of days | | | | |
| Less than \$(2.5) | - | 1 | 2 | 1 | 1 |
| \$(2.5) - \$0 | 3 | 2 | 3 | 7 | 1 |
| \$0 - \$2.5 | 15 | 18 | 27 | 15 | 21 |
| \$2.5 - \$5.0 | 22 | 21 | 23 | 23 | 27 |
| More than \$5.0 | 21 | 22 | 9 | 17 | 12 |

(a) *Distribution of trading revenues (losses) does not reflect the impact of the credit valuation adjustment guidance in ASC 820. This is consistent with treatment under our Regulatory requirements.*

Foreign exchange and other trading

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

As required by ASC 820 - *Fair Value Measurements and Disclosures*, we reflect external credit ratings as well as observable credit default swap spreads for both ourselves as well as our counterparties when measuring the fair value of our derivative positions.

Accordingly, the valuation of our derivative positions is sensitive to the current changes in our own credit spreads, as well as those of our counterparties. In addition, in cases where a counterparty is deemed impaired, further analyses are performed to value such positions.

At March 31, 2011, our over-the-counter (“OTC”) derivative assets of \$4.1 billion included a credit valuation adjustment (“CVA”) deduction of \$62 million, including \$27 million related to the credit quality of certain CDO counterparties and Lehman. Our OTC derivative liabilities of \$5.8 billion included a debit valuation adjustment (“DVA”) of \$20 million related to our own credit spread. These adjustments increased foreign exchange and other trading revenue \$7 million in the first quarter of 2011.

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

| Foreign exchange and other trading counterparty risk rating profile (a) | | | | | |
|--|----------------|---------------|----------------|---------------|----------------|
| | Quarter ended | | | | |
| | March 31, 2010 | June 30, 2010 | Sept. 30, 2010 | Dec. 31, 2010 | March 31, 2011 |
| Rating: | | | | | |
| AAA to AA- | 54% | 52% | 47% | 52% | 51% |
| A+ to A- | 23 | 19 | 18 | 18 | 18 |
| BBB+ to BBB- | 16 | 22 | 24 | 21 | 21 |
| Noninvestment grade (BB+ and lower) | 7 | 7 | 11 | 9 | 10 |
| Total | 100% | 100% | 100% | 100% | 100% |

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

Asset/liability management

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

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

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

the models, there could be a change in interest rate sensitivity.

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

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

| Estimated changes in net interest revenue | March 31, | |
|---|-----------|-------|
| | 2011 | |
| <i>(dollar amounts in millions)</i> | \$ | % |
| up 200 bps vs. baseline | \$ 184 | 6.3% |
| up 100 bps vs. baseline | 158 | 5.4 |
| Long-term up 50 bps, short-term unchanged (a) | 110 | 3.8 |
| Long-term down 50 bps, short-term unchanged (a) | (108) | (3.7) |

(a) Long-term is equal to or greater than one year.
bps - basis points.

The baseline scenario's Fed Funds rate in the March 31, 2011 analysis was 0.25%. The 100 basis point ramp scenario assumes short-term rates increase 25 basis points in each of the next four quarters and the 200 basis point ramp scenario assumes a 50 basis point per quarter increase. Both the up 200 basis point and the up 100 basis point March 31, 2011 scenarios assume 10-year rates rise 130 and 65 basis points, respectively.

Off-balance-sheet arrangements

Off-balance sheet arrangements discussed in this section are limited to certain guarantees, retained or contingent interests, support agreements and certain derivative instruments related to our common stock, and obligations arising out of unconsolidated variable interest entities. For BNY Mellon, these items include certain credit guarantees and securitizations. Guarantees include: lending-related guarantees issued as part of our corporate banking business; securities lending indemnifications issued as part of our servicing and fiduciary businesses; and support agreements issued to customers in our Investment Services and Investment Management businesses.

See Note 18 of the Notes to Consolidated Financial Statements for a further discussion of our off-balance sheet arrangements.

Supplemental information – Explanation of Non-GAAP financial measures

BNY Mellon has included in this Form 10-Q certain Non-GAAP financial measures based upon tangible common shareholders' equity. BNY Mellon believes that the ratio of tangible common shareholders' equity to tangible assets of operations is a measure of capital strength that provides additional useful information to investors, supplementing the Tier 1 and Total capital ratios which are utilized by regulatory authorities. Unlike the Tier 1 and Total capital ratios, the tangible common shareholders' equity ratio fully incorporates those changes in investment securities valuations which are reflected in total shareholders' equity. In addition, this ratio is expressed as a percentage of the actual book value of assets, as opposed to a percentage of a risk-based reduced value established in accordance with regulatory requirements, although BNY Mellon in its calculation has excluded certain assets which are given a zero percent risk-weighting for regulatory purposes. This ratio is also informative to investors in BNY Mellon's common stock because, unlike the Tier 1 capital ratio, it excludes trust preferred securities issued by BNY Mellon. Further, BNY Mellon believes that the return on tangible common equity measure, which excludes goodwill and intangible assets net of deferred tax liabilities, is a useful additional measure for investors because it presents a measure of BNY Mellon's performance in reference to those assets which are productive in generating income.

BNY Mellon has provided a measure of tangible book value per share, which it believes provides additional useful information as to the level of such assets in relation to shares of common stock outstanding. BNY Mellon has presented revenue measures which exclude the effect of net securities gains; and expense measures which exclude special litigation reserves taken in the first quarter of 2010, restructuring charges, M&I expenses and amortization of intangible assets expenses. Return on equity measures and operating margin measures, which exclude some or all of these items, are also presented. Operating margin measures also exclude noncontrolling interests related to consolidated investment management funds. BNY Mellon believes that these measures are useful to investors because they permit a focus on period to period comparisons which relate to the ability of BNY Mellon to enhance revenues and limit expenses in circumstances where such matters are within BNY

Mellon's control. The excluded items in general relate to situations where accounting rules require certain ongoing charges as a result of prior transactions, or where we have incurred charges unrelated to operational initiatives. M&I expenses primarily relate to the Acquisitions in 2010 and the merger with Mellon Financial Corporation in 2007. M&I expenses generally continue for approximately three years after the transaction and can vary on a year-to-year basis depending on the stage of the integration. BNY Mellon believes that the exclusion of M&I expenses provides investors with a focus on BNY Mellon's business as it would appear on a consolidated going-forward basis, after such M&I expenses have ceased, typically after approximately three years. Future periods will not reflect such M&I expenses, and thus may be more easily compared to our current results if M&I expenses are excluded. With regards to the exclusion of net securities gains, BNY Mellon's primary businesses are Investment Management and Investment Services. The management of these businesses is evaluated on the basis of the ability of these businesses to generate fee and net interest revenue and to control expenses, and not on the results of BNY Mellon's investment securities portfolio. The investment securities portfolio is managed within the Other segment. The primary objective of the investment securities portfolio is to generate net interest revenue from the liquidity generated by BNY Mellon's processing businesses. BNY Mellon does not generally originate or trade the securities in the investment securities portfolio. With regards to higher yields related to the restructured investment securities portfolio, client deposits serve as the primary funding source for our investment securities

portfolio and we typically allocate all interest revenue to the businesses generating the deposits. Accordingly, the higher yield related to the restructured investment securities portfolio has been included in the results of our businesses.

The presentation of financial measures excluding special litigation reserves taken in the first quarter of 2010 provides investors with the ability to view performance metrics on the basis that management views results. The presentation of income of consolidated investment management funds, net of noncontrolling interests related to the consolidation of certain investment management funds, permits investors to view revenue on a basis consistent with prior periods. Restructuring charges relate to migrating positions to global growth centers and the elimination of certain positions. Excluding these charges permits investors to view expenses on a basis consistent with prior periods. BNY Mellon believes that these presentations, as a supplement to GAAP information, gives investors a clearer picture of the results of its primary businesses.

In this Form 10-Q, certain amounts are presented on an FTE basis. We believe that this presentation provides comparability of amounts arising from both taxable and tax-exempt sources, and is consistent with industry practice. The adjustment to an FTE basis has no impact on net income.

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

| Investment management and performance fee revenue <i>(dollars in millions)</i> | 1Q11 | 4Q10 | 1Q10 | 1Q11 vs. | |
|--|---------------|-------------|-------------|-----------------|-------------|
| | | | | 1Q10 | 4Q10 |
| Investment management and performance fee revenue | \$ 764 | \$ 800 | \$ 686 | 11% | (5)% |
| Less: Performance fees | 17 | 73 | 13 | | |
| Investment management fee revenue excluding performance fees | \$ 747 | \$ 727 | \$ 673 | 11% | 3% |

| Reconciliation of income from continuing operations before income taxes – pre-tax operating margin | | | |
|---|-----------------|-------------|-------------|
| <i>(dollars in millions)</i> | 1Q11 | 4Q10 | 1Q10 |
| Income from continuing operations before income taxes – GAAP | \$ 949 | \$ 970 | \$ 884 |
| Less: Net securities gains | 5 | 1 | 7 |
| Noncontrolling interests of consolidated investment management funds | 44 | 14 | 24 |
| Add: Special litigation reserves | N/A | N/A | 164 |
| Restructuring charges | (6) | 21 | 7 |
| M&I expenses | 17 | 43 | 26 |
| Amortization of intangible assets | 108 | 115 | 97 |
| Income from continuing operations before income taxes excluding net securities gains, noncontrolling interests of consolidated investment management funds, special litigation reserves, restructuring charges, M&I expenses and amortization of intangible assets – Non-GAAP | \$ 1,019 | \$1,134 | \$1,147 |
| Fee and other revenue – GAAP | \$2,838 | \$2,972 | \$2,529 |
| Income of consolidated investment management funds – GAAP | 110 | 59 | 65 |
| Net interest revenue – GAAP | 698 | 720 | 765 |
| Total revenue – GAAP | 3,646 | 3,751 | 3,359 |
| Less: Net securities gains | 5 | 1 | 7 |
| Noncontrolling interests of consolidated investment management funds | 44 | 14 | 24 |
| Total revenue excluding net securities gains and noncontrolling interests of consolidated investment management funds – Non-GAAP | \$3,597 | \$3,736 | \$3,328 |
| Pre-tax operating margin <i>(a)</i> | 26% | 26% | 26% |
| Pre-tax operating margin excluding net securities gains, noncontrolling interests of consolidated investment management funds, special litigation reserves, restructuring charges, M&I expenses and amortization of intangible assets – Non-GAAP <i>(a)</i> | 28% | 30% | 34% |

(a) Income before taxes divided by total revenue.
N/A – Not applicable.

| Return on common equity and tangible common equity | | | |
|---|-----------------|-----------------|-----------------|
| <i>(dollars in millions)</i> | 1Q11 | 4Q10 (a) | 1Q10 (a) |
| Net income applicable to common shareholders of The Bank of New York Mellon Corporation - GAAP | \$ 625 | \$ 679 | \$ 559 |
| Less: Loss from discontinued operations, net of tax | - | (11) | (42) |
| Net income from continuing operations applicable to common shareholders of The Bank of New York Mellon Corporation | 625 | 690 | 601 |
| Add: Amortization of intangible assets | 68 | 72 | 62 |
| Net income from continuing operations applicable to common shareholders of The Bank of New York Mellon Corporation excluding amortization of intangible assets – Non-GAAP | \$ 693 | \$ 762 | \$ 663 |
| Average common shareholders' equity | \$32,827 | \$32,379 | \$29,715 |
| Less: Average goodwill | 18,121 | 18,073 | 16,143 |
| Average intangible assets | 5,664 | 5,761 | 5,513 |
| Add: Deferred tax liability – tax deductible goodwill | 862 | 816 | 720 |
| Deferred tax liability – non-tax deductible intangible assets | 1,658 | 1,625 | 1,660 |
| Average tangible common shareholders' equity – Non-GAAP | \$11,562 | \$10,986 | \$10,439 |
| Return on common equity– GAAP <i>(b)</i> | 7.7% | 8.5% | 8.2% |
| Return on tangible common equity – Non-GAAP <i>(b)</i> | 24.3% | 27.5% | 25.8% |

(a) Presented on a continuing operations basis.
(b) Annualized.

| Equity to assets and book value per common share <i>(dollars in millions, unless otherwise noted)</i> | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
|---|---------------------------|------------------|-------------------|
| Common shareholders' equity at period end - GAAP | \$ 33,258 | \$ 32,354 | \$ 29,683 |
| Less: Goodwill | 18,156 | 18,042 | 16,077 |
| Intangible assets | 5,617 | 5,696 | 5,449 |
| Add: Deferred tax liability – tax deductible goodwill | 862 | 816 | 720 |
| Deferred tax liability – non-tax deductible intangible assets | 1,658 | 1,625 | 1,660 |
| Tangible common shareholders' equity at period end – Non-GAAP | \$ 12,005 | \$ 11,057 | \$ 10,537 |
| Total assets at period end - GAAP | \$266,444 | \$247,259 | \$220,551 |
| Less: Assets of consolidated investment management funds | 14,699 | 14,766 | 12,568 |
| Subtotal assets of operations – Non-GAAP | 251,745 | 232,493 | 207,983 |
| Less: Goodwill | 18,156 | 18,042 | 16,077 |
| Intangible assets | 5,617 | 5,696 | 5,449 |
| Cash on deposit with the Federal Reserve and other central banks (a) | 24,613 | 18,566 | 14,709 |
| Tangible assets of operations at period end – Non-GAAP | \$203,359 | \$190,189 | \$171,748 |
| Common shareholders' equity to total assets – GAAP | 12.5% | 13.1% | 13.5% |
| Tangible common shareholders' equity to tangible assets of operations – Non-GAAP | 5.9% | 5.8% | 6.1% |
| Period end common shares outstanding <i>(in thousands)</i> | 1,241,724 | 1,241,530 | 1,212,941 |
| Book value per common share | \$ 26.78 | \$ 26.06 | \$ 24.47 |
| Tangible book value per common share – Non-GAAP | \$ 9.67 | \$ 8.91 | \$ 8.69 |

(a) Assigned a zero percent risk weighting by the regulators.

| Calculation of Tier 1 common equity to risk-weighted assets ratio (a) <i>(dollars in millions)</i> | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
|--|---------------------------|------------------|-------------------|
| Total Tier 1 capital | \$ 14,403 | \$ 13,597 | \$ 13,426 |
| Less: Trust preferred securities | 1,686 | 1,676 | 1,667 |
| Total Tier 1 common equity | \$ 12,717 | \$ 11,921 | \$ 11,759 |
| Total risk-weighted assets | \$102,887 | \$101,407 | \$101,197 |
| Tier 1 common equity to risk-weighted assets ratio | 12.4% | 11.8% | 11.6% |

(a) Determined under Basel I regulatory guidelines. Dec. 31, 2010 and March 31, 2010 include discontinued operations.

The following table presents the net income impact of the consolidated investment management funds.

| Income from consolidated investment management funds, net of noncontrolling interests <i>(in millions)</i> | 1Q11 | 4Q10 | 1Q10 |
|--|-------------|-------|-------|
| Operations of consolidated investment management funds | \$ 110 | \$ 59 | \$ 65 |
| Less: Noncontrolling interests of consolidated investment management funds | 44 | 14 | 24 |
| Income from consolidated investment management funds, net of noncontrolling interests | \$ 66 | \$ 45 | \$ 41 |

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

| Income from consolidated investment management funds, net of noncontrolling interests <i>(in millions)</i> | 1Q11 | 4Q10 | 1Q10 |
|--|-------------|-------|-------|
| Investment management and performance fees | \$ 31 | \$ 35 | \$ 25 |
| Other (Investment income) | 35 | 10 | 16 |
| Income from consolidated investment management funds, net of noncontrolling interests | \$ 66 | \$ 45 | \$ 41 |

Recent accounting and regulatory developments

ASU 2011-02 – A Creditor’s Determination of Whether a Restructuring is a Troubled Debt Restructuring

In April 2011, the FASB issued ASU 2011-02, “A Creditor’s Determination of Whether a Restructuring is a Troubled Debt Restructuring.” This ASU provides clarifying guidance for creditors when determining whether they granted concessions and whether the debtor is experiencing financial difficulty. For purposes of identifying and disclosing troubled debt restructurings, this ASU is effective for interim and annual periods ending June 30, 2011 and should be applied retrospectively to restructurings occurring on or after Jan. 1, 2011. Furthermore, this ASU specifies that the absence of a market rate for a loan with risks similar to the restructured loan is an indicator of a troubled debt restructuring, but not a determinative factor, and that the assessment should consider all aspects of the restructuring. For purposes of measuring impairment of a receivable restructured in a troubled debt restructuring, the guidance in this ASU should be applied prospectively for interim and annual periods ending June 30, 2011. This ASU also requires an entity to disclose the information required by ASU 2010-20. We do not expect material increases in troubled debt restructurings based on retrospective application of the guidelines.

Proposed ASU – Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

In May 2010, the FASB issued Proposed ASU, “Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities.” Under this proposed ASU, most financial instruments would be measured at fair value in the balance sheet. In January 2011, the FASB determined preliminarily not to require certain financial assets to be measured at fair value on the balance sheet. The decision is subject to change until a final financial instruments standard is issued, which is expected later in 2011.

Measurement of a financial instrument would be determined based on its characteristics and an entity’s business strategy and would fall into one of the following three classifications:

- Fair value – Net income – encompasses financial assets used in an entity’s trading or held-for-sale activities. Changes in fair value would be recognized in net income.
- Fair value – Other comprehensive income – includes financial assets held primarily for investing activities, including those used to manage interest rate or liquidity risk. Changes in fair value would be recognized in other comprehensive income.
- Amortized cost – includes financial assets related to the advancement of funds (through a lending or customer-financing activity) that are managed with the intent to collect those cash flows (including interest and fees).

The FASB tentatively decided that the business strategy should be determined by the business activities that an entity uses in acquiring and managing financial assets.

Supplementary Document - Impairment

On Jan. 31, 2011, the FASB issued a Supplementary Document, “Impairment”. The Supplementary Document proposes to replace the incurred loss impairment model under U.S. GAAP with an expected loss impairment model. The document focuses on when and how credit impairment should be recognized. The proposal is limited to open portfolios of assets such as portfolios that are constantly changing, through originations, purchases, transfers, write-offs, sales and repayments. The proposal in the Supplementary Document would apply to loans and debt instruments under U.S. GAAP that are managed on an “open” portfolio basis provided they are not measured at fair value with changes in fair value recognized in net income. Comments on this proposal were due on April 1, 2011.

Proposed ASU – Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs

In June 2010, the FASB issued Proposed ASU, “Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” This proposed ASU would change the wording used to describe many of the principles and requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements, and would change how the fair value measurement guidance in ASC 820 is applied. This proposed ASU would also

require several new disclosures: (a) measurement uncertainty disclosures, (b) reasons if an entity's use of an asset is different from its highest and best use, and (c) fair value hierarchy disclosures for financial instruments not measured at fair value. Comments on this proposed ASU were due on Sept. 7, 2010. The effective date will be determined after the FASB considers the feedback on this proposed ASU.

Proposed ASU – Revenue from Contracts with Customers

In June 2010, the FASB issued Proposed ASU, "Revenue from Contracts with Customers." This proposed ASU is the result of a joint project of the FASB and IASB to clarify the principles for recognizing revenue and develop a common standard for U.S. GAAP and IFRS. This proposed ASU would establish a broad principle that would require an entity to identify the contract with a customer, identify the separate performance obligations in the contract, determine the transaction price, allocate the transaction price to the separate performance obligations and recognize revenue when each separate performance obligation is satisfied. In February 2011, the FASB and IASB revised several aspects of the original proposal to include distinguishing between goods and services, segmenting contracts, accounting for warranty obligations, and deferring contract origination costs. The FASB and IASB plan to issue a final standard by the end of 2011.

ASU 2011-03 – Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements

In April 2011, the FASB issued ASU 2011-03, "Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements." This ASU will improve the accounting for repurchase agreements ("repos") and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The ASU removes from the assessment of effective control: (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. Other criteria applicable to the assessment of effective control are not changed by this ASU.

The guidance in this ASU is effective for the first interim or annual period beginning on or after Dec. 15, 2011 and should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. We are currently evaluating the impact of this ASU.

FASB and IASB project on Leases

In August 2010, the FASB and IASB issued a joint Proposed ASU, "Leases." This proposed ASU would require that lessees and lessors apply a right of use model in accounting for all leases, including leases of right of use assets in subleases (other than leases of biological and intangible assets, leases to explore for or use natural resources and leases of some investment property). The model would require lessees to recognize an asset representing the right to use the underlying property over the estimated lease term (the right of use asset) and a liability to make future lease payments in their balance sheet. Lessees would no longer classify each lease as either operating or capital, and the model would fundamentally change the accounting and reporting of leases currently classified as operating leases and substantially increase both assets and liabilities of lessees. A lessor would recognize an asset representing its right to receive lease payments and, depending on its exposure to risks or benefits associated with the underlying asset, would either recognize a lease liability while continuing to recognize the underlying asset (performance obligation approach), or derecognize the rights in the underlying asset that it transfers to the lessee and continue to recognize a residual asset representing its rights to the underlying asset at the end of the lease term (derecognition approach). Comments on this proposed ASU were due on Dec. 15, 2010. The effective date will be determined after the FASB considers the feedback on this proposed ASU.

Proposed ASU – Offsetting

In January 2011, the FASB issued Proposed ASU, "Offsetting". Under this proposal an entity would be required to offset a recognized financial asset and a recognized financial liability when it has an unconditional and legally enforceable right of setoff and intends either to settle the financial asset and financial liability on a net basis or to realize the financial asset and settle the financial liability simultaneously. An entity that fails to satisfy either criterion would be prohibited from offsetting the

financial asset and the financial liability in the statement of financial position. This proposal would require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. Comments on this proposed ASU were due on April 28, 2011.

Proposed ASU - Testing Goodwill for Impairment

In April 2011, the FASB issued a proposed ASU, “Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment” which is intended to simplify how an entity is required to test goodwill for impairment. This ASU would allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Current guidance requires an entity to test goodwill for impairment, on at least an annual basis, by first comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit is less than its carrying amount, then the second step of the test must be performed to measure the amount of impairment loss, if any. Under the proposed ASU, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The proposed ASU includes a number of factors to consider in conducting the qualitative assessment.

If approved, the amendments in the proposed ASU would be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption would be permitted.

Adoption of new accounting standards

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

Regulatory developments

Evolving regulatory environment

On July 21, 2010, President Obama signed the Dodd-Frank Act. This new law broadly affects the financial services industry by establishing a framework for systemic risk oversight, creating a resolution authority for institutions determined to be

systemically important, mandating higher capital and liquidity requirements, requiring banks to pay increased fees to regulatory agencies and containing numerous other provisions aimed at strengthening the sound operation of the financial services sector. It will fundamentally change the system of oversight described under “Business – Supervision and Regulation” in Part I, Item 1 of our Annual Report on Form 10-K for the year ended Dec. 31, 2010. Many aspects of the law are subject to further rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact and increased expenses to BNY Mellon or across the industry.

In December 2010, the Basel Committee on Banking Supervision (the “Basel Committee”) released its final framework for strengthening international capital and liquidity regulation, now officially identified by the Basel Committee as “Basel III”. Basel III is also described below and under “Business – Supervision and Regulation” in Part I, Item 1 of our Annual Report on Form 10-K for the year ended Dec. 31, 2010.

We are currently assessing the following regulatory developments, which may have an impact on BNY Mellon’s business.

FDIC assessment base and rates changes

On Feb. 7, 2011 the FDIC approved a final rule on Assessments, Dividends, Assessment Base and Large Bank Pricing. The rule implements changes to the deposit insurance assessment system that mandates the Dodd-Frank Act to require the FDIC to amend the assessment base used for calculating deposit insurance assessments. Consistent with the Dodd-Frank Act, the rule defines the assessment base to be average consolidated total assets of the insured depository institution during the assessment period, minus average tangible equity and in certain cases, adjustments for custody and banker’s banks.

The FDIC rule adjusts the assessment base for custodial banks in recognition of the fact that such banks need to hold liquid assets to facilitate the payments and processes associated with their custody and safekeeping accounts. The rule limits the custody bank assessment adjustment to 0% risk-weighted assets plus 50% of those assets with a Basel risk-weighting of 20%, up to the average amount of deposit transaction accounts on the custodial bank’s balance sheet which can be directly

linked to fiduciary or custody and safekeeping accounts.

The rule also adjusts the assessment rates to mitigate the impact of the expanded assessment base on the overall amount of assessment revenue. The base rate schedule, which includes adjustments for unsecured debt, depository institution debt and brokered deposits, also creates a separate category for large and highly complex institutions (this category would include both The Bank of New York Mellon and BNY Mellon, N.A.). The proposal provides a broad range of assessment rates (2.5-45 basis points) for large and highly complex institutions.

BNY Mellon expects the FDIC assessment rule to have a minimal impact in 2011.

FDIC Restoration Plan

On Oct. 19, 2010, the FDIC proposed a comprehensive, long-range plan for Deposit Insurance Fund management and adopted a Restoration Plan. The Restoration Plan will forego the uniform 3 basis point assessment rate increase previously scheduled to go in effect Jan. 1, 2011, and keep the current rate schedule in effect. Current assessment rates will remain in effect until the reserve ratio reaches 1.15%, which is expected to occur at the end of 2018. The Restoration Plan also increases the designated reserve ratio, pursuant to the requirements of the Dodd-Frank Act, to 1.35% by Sept. 30, 2020, rather than 1.15% by the end of 2016, and calls for the FDIC to pursue further rulemaking in 2011 regarding the statutory requirement that the FDIC offset the effect on small institutions of this requirement. The Restoration Plan is effective immediately.

Incentive Compensation Arrangements Proposal

The Dodd-Frank Act requires federal regulators to prescribe regulations or guidelines regarding incentive-based compensation practices at certain financial institutions. On April 14, 2011, federal regulators including the FDIC, the Federal Reserve and the SEC, issued a proposed rule which, among other things, would require certain executive officers of covered financial institutions with total consolidated assets of \$50 billion or more, such as ours, to defer at least 50% of their annual incentive-based compensation for a minimum of three years. Comments on the proposed rule are due by May 31, 2011.

Resolution Plans And Credit Exposure Reports Proposal

On March 29, 2011, the FDIC and the Federal Reserve issued a joint proposed rule for certain organizations, which include bank holding companies with consolidated assets of \$50 billion or more (“covered companies”), to file and report resolution plans and credit exposure reports as required by the Dodd-Frank Act.

In the proposed rule, covered companies must report periodically their resolution plans and credit exposures of and to other significant covered companies. In doing so, the company must provide an executive summary, a strategic analysis of the plan’s components, a description of the Covered Company’s corporate governance structure for resolution planning, information regarding the Covered Company’s overall organization structure and related information, information regarding the Covered Company’s management information systems, a description of interconnections and interdependencies among the Covered Company and its material entities, and supervisory and regulatory information. Resolution plans are to be submitted within 180 days of the effective date of a final regulation and within 90 days after the end of each subsequent calendar year or within 45 days after a material event. Also, on a quarterly basis, covered companies must report the nature and extent of credit exposures. Credit exposure reports are to be filed within 30 days after the end of each calendar quarter.

Comments on the proposed rule will be accepted until June 10, 2011.

Capital and liquidity requirements

The U.S. federal bank regulatory agencies’ risk-based capital guidelines are based upon the 1988 Capital Accord of the Basel Committee. The Basel Committee issued in June 2004 and updated in November 2005 a revised framework for capital adequacy commonly known Basel II that sets capital requirements for operational risk and refines the existing capital requirements for credit risk. In the United States, regulators are mandating the adoption of Basel II for “core” banks. BNY Mellon and its depository institution subsidiaries are “core” banks. The only approach available to “core” banks is the Advanced Internal Ratings Based (“A-IRB”) approach for credit risk and the Advanced Measurement Approach (“AMA”) for operational

risk. Additional information on Basel II and Basel III is presented below.

Basel II

In the U.S., Basel II became effective on April 1, 2008. Under the final rule, 2009 was the first year for a bank to begin its first of three transitional floor periods during which banks subject to the final rule calculate their capital requirements under both the old guidelines and new guidelines. As previously mentioned, the regulatory agencies have proposed to eliminate the transitional floor periods under Basel II.

Beginning Jan. 1, 2008 we implemented the Basel II Standardized Approach in the United Kingdom, Belgium and Luxembourg. In the U.S., BNY Mellon began the Basel II parallel run in the second quarter of 2010. Our capital models are currently with the Federal Reserve for their approval. Under Basel II guidelines, our risk-weighted assets for credit risk exposures are expected to decline. However, we expect the Basel II requirement that operational risk be included in risk-weighted assets will more than offset the decline in credit exposure. Under Basel I, securitizations that fall below investment grade are included in risk-weighted assets. Under Basel II, securitizations that fall below investment grade are deducted 50% from Tier 1 and 50% from total capital.

Based on our current estimates for Basel II at March 31, 2011, our Tier 1 and Total capital ratios would have exceeded well-capitalized guidelines.

Basel III

Under Basel III standards, when fully phased in on Jan. 1, 2019, banking institutions will be required to satisfy three risk-based capital ratios:

- A Tier 1 common equity ratio of at least 7.0%, 4.5% attributable to a minimum Tier 1 common equity ratio and 2.5% attributable to a “capital conservation buffer”;
- A Tier 1 capital ratio of at least 6.0%, exclusive of the capital conservation buffer (8.5% upon full implementation of the capital conservation buffer); and
- A total capital ratio of at least 8.0%, exclusive of the capital conservation buffer (10.5% upon full implementation of the capital conservation buffer).

Basel III also provides for a “countercyclical capital buffer,” generally to be imposed when national regulators determine that excess aggregate credit growth becomes associated with a buildup of systemic risk, that would be a Tier 1 capital add-on to the capital conservation buffer in the range of 0% to 2.5% when fully implemented (potentially resulting in total buffers of between 2.5% and 5%).

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a Tier 1 common equity ratio above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the short fall.

The phase-in of the new rules is to commence on Jan. 1, 2013. On that date, banking institutions will be required to meet the following minimum capital ratios:

- 3.5% Tier 1 common equity to risk-weighted assets;
- 4.5% Tier 1 capital to risk-weighted assets; and
- 8.0% Total capital to risk-weighted assets.

The phase-in of the capital conservation buffer will commence on Jan. 1, 2016, and the rules will be fully phased-in by Jan. 1, 2019.

For systemically important banks, the Federal Reserve may increase the capital buffer. The purpose of these new capital requirements is to ensure financial institutions are better capitalized to withstand periods of unfavorable financial and economic conditions. These capital rules are subject to interpretation and implementation by U.S. regulatory authorities.

Under Basel III, certain items, to the extent they exceed 10% of Tier 1 capital individually, or 15% of Tier 1 capital in the aggregate, would be deducted from our capital. These items include:

- Deferred tax assets that arise from timing differences; and
- Significant investments in unconsolidated financial institutions.

At March 31, 2011, BNY Mellon did not exceed the 15% threshold, but we exceeded the 10% threshold

for significant investment in unconsolidated financial institutions by approximately \$400 million.

Also, pension assets recorded on the balance sheet are a deduction from capital, and Basel III does not add back to capital the adjustment to other comprehensive income that Basel I and Basel II make for pension liabilities and available-for-sale securities.

Similar to Basel II, the Basel III proposal also incorporates the risk-weighted asset impact of operational risk, which will be partially offset by a decline in credit exposure.

Additionally, Basel III changes the treatment of securitizations that fall below investment grade. Under Basel II guidelines, securitizations that fall below investment grade are deducted equally from Tier I and total capital. However, under Basel III, banking institutions will be required to apply a 1,250% risk weight to these securitizations and include them as a component of risk-weighted assets.

Our fee-based model enables us to maintain a relatively low risk asset mix, primarily composed of high-quality securities, central bank deposits, liquid placements and predominantly investment grade loans. As a result of our asset mix, we have the flexibility to manage to a lower level of risk-weighted assets over time.

Given that the Basel III rules are subject to change, we cannot be certain of the impact the new regulations will have on our capital ratios. However, given our balance sheet strength and ongoing internal capital generation, we currently estimate that our Tier 1 common ratio, under Basel III guidelines, will be above 7% by Dec. 31, 2011.

Leverage Requirement

Basel I and Basel II do not include a leverage requirement as an international standard. However, even though a leverage requirement has not been an international standard in the past, the U.S. banking agencies' capital regulations do require bank holding companies and banks to comply with a minimum leverage ratio requirement (Basel III will impose a leverage requirement as an international standard). The Federal Reserve Board's existing leverage ratio for bank holding companies is that the bank holding company maintain a ratio of Tier 1 capital to its total consolidated quarterly average assets (as defined for

regulatory purposes), net of the loan loss reserve, goodwill and certain other intangible assets. The rules require a minimum leverage ratio of 3% for bank holding companies that either have the highest supervisory rating or have implemented the Federal Reserve Board's risk-adjusted measure for market risk. All other bank holding companies are required to maintain a minimum leverage ratio of 4%. The Federal Reserve Board has not advised us of any specific minimum leverage ratio applicable to us. At March 31, 2011, our leverage ratio was 6.1%. Also, the rules indicate that the Federal Reserve Board will consider a "tangible Tier 1 leverage ratio" in evaluating proposals for expansion or new activities. The tangible Tier 1 leverage ratio is the ratio of a banking organization's Tier 1 capital (excluding intangibles) to total assets (excluding intangibles).

Establishment of a Risk-Based Capital Floor

One requirement of Section 171 of the Dodd-Frank Act, known as the "Collins Amendment", is that the banking agencies establish minimum risk-based capital requirements, applicable to bank holding companies as well as banks (and regardless of size), that shall not be less than the "generally applicable" risk-based capital requirements applied to insured depository institutions under the prompt corrective regulations implementing Section 38 of the Federal Deposit Insurance Act; those requirements are to serve as a floor for capital requirements applicable to bank holding companies and banks. Moreover, the risk-based capital requirements from time-to-time applicable to bank holding companies and banks cannot be quantitatively lower than those generally applicable to capital requirements as in effect on July 31, 2010, the date of enactment of the Dodd-Frank Act. Generally described, the impact of the Collins Amendment's risk-based capital floor requirement is that the banking agencies' Basel I-based capital requirements applicable to banks, as in effect from time-to-time, will act as a floor on risk-based capital required to be maintained by bank holding companies as well as by larger bank organizations, including us, that are subject to Basel II. In December 2010, the agencies issued a notice of proposed rulemaking addressing the implementation of the Collins Amendment's risk-based capital floor. Comments were due by Feb. 28, 2011.

IFRS

International Financial Reporting Standards ("IFRS") are a set of standards and interpretations

adopted by the International Accounting Standards Board. The SEC is currently considering a potential IFRS adoption process in the U.S., which would, in the near term, provide domestic issuers with an alternative accounting method and ultimately could replace U.S. GAAP reporting requirements with IFRS reporting requirements. The intention of this adoption would be to provide the capital markets community with a single set of high-quality, globally accepted accounting standards. The adoption of IFRS for U.S. companies with global operations would allow for streamlined reporting, allow for easier access to foreign capital markets and investments, and facilitate cross-border acquisitions, ventures or spin-offs.

In November 2008, the SEC proposed a “roadmap” for phasing in mandatory IFRS filings by U.S. public companies. The roadmap is conditional on progress towards milestones that would demonstrate improvements in both the infrastructure of international standard setting and the preparation of the U.S. financial reporting community. The SEC will monitor progress of these milestones through the end of 2011, when the SEC plans to consider requiring U.S. public companies to adopt IFRS.

In February 2010, the SEC issued a statement confirming their position that they continue to believe that a single set of high-quality, globally accepted accounting standards would benefit U.S. investors. The SEC continues to support the dual goals of improving financial reporting in the U.S. and reducing country-by-country disparities in financial reporting. The SEC is developing a work plan to aid in its evaluation of the impact of IFRS on the U.S. securities market. If the SEC determines in 2011 to incorporate IFRS into the U.S. financial reporting system, and the work plan validates the four-to-five year timeline for implementation, the first time that U.S. companies would be required to report under IFRS would be no earlier than 2015.

While the SEC decides whether IFRS will be required to be used in the preparation of our consolidated financial statements, a number of countries have mandated the use of IFRS by BNY Mellon’s subsidiaries in their statutory reports. Such countries include Belgium, Brazil, the Netherlands, Australia and Hong Kong. Other countries that have established an IFRS conversion time frame which will affect our statutory reporting include Canada (2011), South Korea (2011), Argentina (2012), the United Kingdom (2013), Ireland (2013) and Taiwan (2013).

Government monetary policies and competition

Government monetary policies

The Federal Reserve Board has the primary responsibility for U.S. monetary policy. Its actions have an important influence on the demand for credit and investments and the level of interest rates, and thus on the earnings of BNY Mellon.

Competition

BNY Mellon is subject to intense competition in all aspects and areas of our business. Our Investment Management business experiences competition from asset management firms, hedge funds, investment banking companies, and other financial services companies, including trust banks, brokerage firms, and insurance companies. These firms and companies may be domiciled domestically or internationally. Our Investment Services business competes with domestic and foreign banks that offer institutional trust, custody and cash management products as well as a wide range of technologically capable service providers, such as data processing and shareholder service firms and other firms that rely on automated data transfer services for institutional and retail customers.

Many of our competitors, with the particular exception of bank and financial holding companies, banks and trust companies, are not subject to regulation as extensive as BNY Mellon, and, as a result, may have a competitive advantage over us and our subsidiaries in certain respects.

In recent years there has been substantial consolidation among companies in the financial services industry. Many broad-based financial services firms now have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage and asset management, which may enhance their competitive position. As a result of current conditions in the global financial markets and the economy in general, competition could continue to intensify and consolidation of financial service companies could continue to increase.

As part of our business strategy, we seek to distinguish ourselves from competitors by the level of service we deliver to our clients. We also believe that technological innovation is an important competitive factor, and, for this reason, have made

and continue to make substantial investments in this area. The ability to recover quickly from unexpected events is a competitive factor, and we have devoted significant resources to being able to implement this. See Item 1, “Business – Competition” and Item 1A “Risk Factors – Competition” in our 2010 Annual Report on Form 10-K.

Website information

Our website is www.bnymellon.com. We currently make available the following information on our website as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC.

- All of our SEC filings, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports, SEC Forms 3, 4 and 5 and any proxy statement mailed in connection with the solicitation of proxies;
- Financial statements and footnotes prepared using Extensible Business Reporting Language (“XBRL”);
- Our earnings releases and selected management conference calls and presentations; and
- Our Corporate Governance Guidelines, Directors Code of Conduct and the charters of the Audit, Corporate Governance and Nominating, Human Resources and Compensation, Risk and Corporate Social Responsibility Committees of our Board of Directors.

The contents of the website listed above are not incorporated into this Quarterly Report on Form 10-Q.

The SEC reports, the Corporate Governance Guidelines, Directors Code of Conduct and committee charters are available in print to any shareholder who requests them. Requests should be sent by email to corpsecretary@bnymellon.com or by mail to the Secretary of The Bank of New York Mellon Corporation, One Wall Street, New York, NY 10286.

Item 1. Financial Statements

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

Consolidated Income Statement (unaudited)

| <i>(in millions)</i> | Quarter ended | | |
|--|-------------------|-----------------------------|------------------------------|
| | March 31, 2011 | Dec. 31, 2010 <i>(a)</i> | March 31, 2010 <i>(a)</i> |
| Fee and other revenue | | | |
| Investment services fees: | | | |
| Asset servicing | \$ 923 | \$ 914 | \$ 637 |
| Issuer services | 351 | 409 | 333 |
| Clearing services | 292 | 278 | 230 |
| Treasury services | 128 | 129 | 131 |
| Total investment services fees | 1,694 | 1,730 | 1,331 |
| Investment management and performance fees | 764 | 800 | 686 |
| Foreign exchange and other trading revenue | 198 | 258 | 262 |
| Distribution and servicing | 53 | 55 | 48 |
| Financing-related fees | 43 | 48 | 50 |
| Investment income | 67 | 64 | 108 |
| Other | 14 | 16 | 37 |
| Total fee revenue | 2,833 | 2,971 | 2,522 |
| Net securities gains (losses) – including other-than-temporary-impairment | (22) | (4) | (12) |
| Noncredit-related (losses) on securities not expected to be sold (recognized in OCI) | (27) | (5) | (19) |
| Net securities gains | 5 | 1 | 7 |
| Total fee and other revenue | 2,838 | 2,972 | 2,529 |
| Operations of consolidated investment management funds | | | |
| Investment income | 222 | 176 | 155 |
| Interest of investment management fund note holders | 112 | 117 | 90 |
| Income of consolidated investment management funds | 110 | 59 | 65 |
| Net interest revenue | | | |
| Interest revenue | 867 | 913 | 883 |
| Interest expense | 169 | 193 | 118 |
| Net interest revenue | 698 | 720 | 765 |
| Provision for credit losses | - | (22) | 35 |
| Net interest revenue after provision for credit losses | 698 | 742 | 730 |
| Noninterest expense | | | |
| Staff | 1,424 | 1,417 | 1,220 |
| Professional, legal and other purchased services | 283 | 320 | 241 |
| Net occupancy | 153 | 158 | 137 |
| Software | 122 | 117 | 94 |
| Distribution and servicing | 111 | 104 | 89 |
| Furniture and equipment | 84 | 90 | 75 |
| Sub-custodian | 68 | 70 | 52 |
| Business development | 56 | 88 | 52 |
| Other | 277 | 260 | 350 |
| Subtotal | 2,578 | 2,624 | 2,310 |
| Amortization of intangible assets | 108 | 115 | 97 |
| Restructuring charges | (6) | 21 | 7 |
| Merger and integration expenses | 17 | 43 | 26 |
| Total noninterest expense | 2,697 | 2,803 | 2,440 |
| Income | | | |
| Income from continuing operations before income taxes | 949 | 970 | 884 |
| Provision for income taxes | 279 | 265 | 258 |
| Net income from continuing operations | 670 | 705 | 626 |
| Discontinued operations: | | | |
| Loss from discontinued operations | - | (18) | (70) |
| Benefit for income taxes | - | (7) | (28) |
| Net loss from discontinued operations | - | (11) | (42) |
| Net income | 670 | 694 | 584 |
| Net (income) loss attributable to noncontrolling interests (includes \$(44), \$(14) and \$(24) related to consolidated investment management funds) | (45) | (15) | (25) |
| Net income applicable to common shareholders of The Bank of New York Mellon Corporation | \$ 625 | \$ 679 | \$ 559 |

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

Consolidated Income Statement (unaudited) – continued

| Reconciliation of net income from continuing operations applicable to the common shareholders of The Bank of New York Mellon Corporation (in millions) | Quarter ended | | |
|--|-------------------|------------------|-------------------|
| | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| Net income from continuing operations | \$ 670 | \$ 705 | \$ 626 |
| Net (income) loss attributable to noncontrolling interests | (45) | (15) | (25) |
| Net income from continuing operations applicable to common shareholders of The Bank of New York Mellon Corporation | 625 | 690 | 601 |
| Net loss from discontinued operations | - | (11) | (42) |
| Net income applicable to the common shareholders of The Bank of New York Mellon Corporation | 625 | 679 | 559 |
| Less: Earnings allocated to participating securities | 6 | 6 | 5 |
| Excess of redeemable value over the fair value of noncontrolling interests | 6 | - | - |
| 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 share | \$ 613 | \$ 673 | \$ 554 |

| Average common shares and equivalents outstanding of The Bank of New York Mellon Corporation (in thousands) | Quarter ended | | |
|--|-------------------|------------------|-------------------|
| | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| Basic | 1,234,076 | 1,232,568 | 1,202,533 |
| Common stock equivalents | 10,778 | 9,374 | 10,042 |
| Participating securities | (6,570) | (6,272) | (6,289) |
| Diluted | 1,238,284 | 1,235,670 | 1,206,286 |
| Anti-dilutive securities (b) | 79,555 | 85,144 | 83,019 |

| Earnings per share applicable to the common shareholders of The Bank of New York Mellon Corporation (c) (in dollars) | Quarter ended | | |
|---|-------------------|------------------|-------------------|
| | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| <i>Basic:</i> | | | |
| Net income from continuing operations | \$ 0.50 | \$ 0.55 | \$ 0.50 |
| Net loss from discontinued operations | - | (0.01) | (0.04) |
| Net income applicable to common stock | \$ 0.50 | \$ 0.55 (d) | \$ 0.46 |
| <i>Diluted:</i> | | | |
| Net income from continuing operations | \$ 0.50 | \$ 0.55 | \$ 0.49 |
| Net loss from discontinued operations | - | (0.01) | (0.03) |
| Net income applicable to common stock | \$ 0.50 | \$ 0.54 | \$ 0.46 |

(a) During the first quarter of 2011, BNY Mellon realigned its internal reporting structure. See Note 1 - Organization of our business on page 59 for additional information.

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

(c) Basic and diluted earnings per share under the two-class method are determined on the net income reported on the income statement less earnings allocated to participating securities, and the excess of redeemable value over the fair value of noncontrolling interests.

(d) Does not foot due to rounding.

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Balance Sheet (unaudited)

| <i>(dollar amounts in millions, except per share amounts)</i> | March 31, 2011 | Dec. 31, 2010 |
|--|-------------------|------------------|
| Assets | | |
| Cash and due from: | | |
| Banks | \$ 4,058 | \$ 3,675 |
| Interest-bearing deposits with the Federal Reserve and other central banks | 24,607 | 18,549 |
| Interest-bearing deposits with banks | 58,788 | 50,200 |
| Federal funds sold and securities purchased under resale agreements | 4,756 | 5,169 |
| Securities: | | |
| Held-to-maturity (fair value of \$3,558 and \$3,657) | 3,557 | 3,655 |
| Available-for-sale | 62,751 | 62,652 |
| Total securities | 66,308 | 66,307 |
| Trading assets | 8,085 | 6,276 |
| Loans | 40,012 | 37,808 |
| Allowance for loan losses | (467) | (498) |
| Net loans | 39,545 | 37,310 |
| Premises and equipment | 1,662 | 1,693 |
| Accrued interest receivable | 546 | 508 |
| Goodwill | 18,156 | 18,042 |
| Intangible assets | 5,617 | 5,696 |
| Other assets (includes \$1,255 and \$1,075, at fair value) | 19,617 | 18,790 |
| Assets of discontinued operations | - | 278 |
| Subtotal assets of operations | 251,745 | 232,493 |
| Assets of consolidated investment management funds, at fair value: | | |
| Trading assets | 13,760 | 14,121 |
| Other assets | 939 | 645 |
| Subtotal assets of consolidated investment management funds, at fair value | 14,699 | 14,766 |
| Total assets | \$266,444 | \$247,259 |
| Liabilities | | |
| Deposits: | | |
| Noninterest-bearing (principally domestic offices) | \$ 40,105 | \$ 38,703 |
| Interest-bearing deposits in domestic offices | 38,705 | 37,937 |
| Interest-bearing deposits in foreign offices | 83,686 | 68,699 |
| Total deposits | 162,496 | 145,339 |
| Federal funds purchased and securities sold under repurchase agreements | 5,435 | 5,602 |
| Trading liabilities | 7,936 | 6,911 |
| Payables to customers and broker-dealers | 10,550 | 9,962 |
| Commercial paper | 13 | 10 |
| Other borrowed funds | 1,161 | 2,858 |
| Accrued taxes and other expenses | 5,690 | 6,164 |
| Other liabilities (includes allowance for lending related commitments of \$87 and \$73, also includes \$1,050 and \$590, at fair value) | 8,491 | 7,176 |
| Long-term debt (includes \$268 and \$269, at fair value) | 17,215 | 16,517 |
| Subtotal liabilities of operations | 218,987 | 200,539 |
| Liabilities of consolidated investment management funds, at fair value: | | |
| Trading liabilities | 13,313 | 13,561 |
| Other liabilities | 4 | 2 |
| Subtotal liabilities of consolidated investment management funds, at fair value | 13,317 | 13,563 |
| Total liabilities | 232,304 | 214,102 |
| Temporary equity: | | |
| Redeemable noncontrolling interest | 105 | 92 |
| Permanent equity: | | |
| Common stock – par value \$0.01 per common share; authorized 3,500,000,000 common shares; issued 1,246,960,225 and 1,244,608,989 common shares | 12 | 12 |
| Additional paid-in capital | 22,996 | 22,885 |
| Retained earnings | 11,405 | 10,898 |
| Accumulated other comprehensive loss, net of tax | (1,003) | (1,355) |
| Less: Treasury stock of 5,236,340 and 3,078,794 common shares, at cost | (152) | (86) |
| Total The Bank of New York Mellon Corporation shareholders' equity | 33,258 | 32,354 |
| Non-redeemable noncontrolling interests | - | 12 |
| Non-redeemable noncontrolling interests of consolidated investment management funds | 777 | 699 |
| Total permanent equity | 34,035 | 33,065 |
| Total liabilities, temporary equity and permanent equity | \$266,444 | \$247,259 |

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statement of Cash Flows (unaudited)

| <i>(in millions)</i> | Three months ended March 31, | |
|--|-------------------------------------|----------|
| | 2011 | 2010 |
| Operating activities | | |
| Net income | \$ 670 | \$ 584 |
| Net income attributable to noncontrolling interests | (45) | (25) |
| Net loss from discontinued operations | - | (42) |
| Income from continuing operations attributable to The Bank of New York Mellon Corporation | 625 | 601 |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities: | | |
| Provision for credit losses | - | 35 |
| Pension plan contribution | (6) | - |
| Depreciation and amortization | 183 | 113 |
| Deferred tax expense (benefit) | 39 | (3) |
| Net securities gains and venture capital income | (15) | (11) |
| Change in trading activities | (692) | (249) |
| Change in accruals and other, net | 292 | 704 |
| Net effect of discontinued operations | - | 1 |
| Net cash provided by operating activities | 426 | 1,191 |
| Investing activities | | |
| Change in interest-bearing deposits with banks | (7,770) | 4,935 |
| Change in interest-bearing deposits with Federal Reserve and other central banks | (6,052) | (7,358) |
| Change in margin loans | (558) | (206) |
| Purchases of securities held-to-maturity | (5) | (5) |
| Paydowns of securities held-to-maturity | 56 | 64 |
| Maturities of securities held-to-maturity | 198 | 41 |
| Purchases of securities available-for-sale | (5,260) | (2,294) |
| Sales of securities available-for-sale | 1,839 | 877 |
| Paydowns of securities available-for-sale | 2,673 | 1,554 |
| Maturities of securities available-for-sale | 1,873 | 896 |
| Net principal (disbursed to) received from loans to customers | (2,472) | 2,703 |
| Sales of loans and other real estate | 356 | 266 |
| Change in federal funds sold and securities purchased under resale agreements | (1,123) | (914) |
| Change in seed capital investments | - | (13) |
| Purchases of premises and equipment/capitalized software | (164) | (44) |
| Acquisitions, net cash | (12) | - |
| Dispositions, net cash | - | 133 |
| Proceeds from the sale of premises and equipment | 5 | 1 |
| Other, net | (64) | (123) |
| Net effect of discontinued operations | - | (1) |
| Net cash (used for) provided by investing activities | (16,480) | 512 |
| Financing activities | | |
| Change in deposits | 15,706 | (1,738) |
| Change in federal funds purchased and securities sold under repurchase agreements | 1,367 | 534 |
| Change in payables to customers and broker-dealers | 588 | (393) |
| Change in other funds borrowed | (1,861) | 844 |
| Change in commercial paper | 3 | (6) |
| Net proceeds from the issuance of long-term debt | 1,199 | - |
| Repayments of long-term debt | (404) | (1,256) |
| Proceeds from the exercise of stock options | 11 | 13 |
| Issuance of common stock | 5 | 5 |
| Treasury stock acquired | (60) | (20) |
| Common cash dividends paid | (112) | (109) |
| Other, net | (12) | - |
| Net cash provided by (used for) financing activities | 16,430 | (2,126) |
| Effect of exchange rate changes on cash | 7 | (2) |
| Change in cash and due from banks | | |
| Change in cash and due from banks | 383 | (425) |
| Cash and due from banks at beginning of period | 3,675 | 3,732 |
| Cash and due from banks at end of period | \$ 4,058 | \$ 3,307 |
| Supplemental disclosures | | |
| Interest paid | \$ 102 | \$ 62 |
| Income taxes paid | 135 | 54 |
| Income taxes refunded | 3 | 104 |

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statement of Changes in Equity (unaudited)

| <i>(in millions, except per share amounts)</i> | <u>The Bank of New York Mellon Corporation shareholders</u> | | | | | Non-redeemable non-controlling interest | Non-redeemable non-controlling interest of consolidated investment management funds | Total permanent equity | Redeemable non-controlling interests/ temporary equity |
|---|---|----------------------------|-------------------|---|----------------|---|---|----------------------------|--|
| | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss), net of tax | Treasury stock | | | | |
| Balance at Dec. 31, 2010 | \$12 | \$22,885 | \$10,898 | \$(1,355) | \$(86) | \$12 | \$ 699 | \$33,065 <i>(a)</i> | \$ 92 |
| Shares issued to shareholders of noncontrolling interests | - | - | - | - | - | - | - | - | 5 |
| Redemption of subsidiary shares from noncontrolling interests | - | 2 | - | - | - | - | - | 2 | (2) |
| Other net changes in noncontrolling interests | - | 11 | (6) | - | - | (12) | (11) | (18) | 8 |
| Consolidation of investment management funds | - | - | - | - | - | - | 10 | 10 | - |
| Comprehensive income: | | | | | | | | | |
| Net income | - | - | 625 | - | - | - | 44 | 669 | 1 |
| Other comprehensive income, net of tax: | | | | | | | | | |
| Unrealized gain (loss) on securities available-for-sale | - | - | - | 135 | - | - | - | 135 | - |
| Employee benefit plans: | | | | | | | | | |
| Pensions | - | - | - | 16 | - | - | - | 16 | - |
| Other post-retirement benefits | - | - | - | 1 | - | - | - | 1 | - |
| Foreign currency translation adjustments | - | - | - | 202 | - | - | 35 | 237 | 1 |
| Net unrealized gain (loss) on cash flow hedges | - | - | - | - | - | - | - | - | - |
| Reclassification adjustment/other <i>(b)</i> | - | - | - | (2) | - | - | - | (2) | - |
| Total comprehensive income | - | - | 625 | 352 | - | - | 79 | 1,056 <i>(c)</i> | 2 |
| Dividends on common stock at \$0.09 per share | - | - | (111) | - | - | - | - | (111) | - |
| Repurchase of common stock | - | - | - | - | (60) | - | - | (60) | - |
| Common stock issued under: | | | | | | | | | |
| Employee benefit plans | - | 8 | - | - | - | - | - | 8 | - |
| Direct stock purchase and dividend reinvestment plan | - | 4 | - | - | - | - | - | 4 | - |
| Stock awards and options exercised | - | 86 | (1) | - | (6) | - | - | 79 | - |
| Balance at March 31, 2011 | \$ 12 | \$22,996 | \$11,405 | \$(1,003) | \$(152) | \$ - | \$ 777 | \$34,035 <i>(a)</i> | \$ 105 |

(a) Includes total The Bank of New York Mellon common shareholders' equity of \$32,354 million at Dec. 31, 2010 and \$33,258 million at March 31, 2011.

(b) Includes \$(3) million (after tax) related to OTTI.

(c) Comprehensive income attributable to The Bank of New York Mellon Corporation shareholders totaled \$977 million for the quarter ended March 31, 2011 and \$756 million in the first quarter of 2010.

See accompanying Notes to Consolidated Financial Statements.

Note 1 – Basis of presentation

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.

The accompanying consolidated financial statements are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the periods have been made. These financial statements should be read in conjunction with BNY Mellon’s Annual Report on Form 10-K for the year ended Dec. 31, 2010. Certain immaterial reclassifications have been made to prior periods to place them on a basis comparable with current period presentation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates based upon assumptions about future economic and market conditions which affect reported amounts and related disclosures in our financial statements. Although our current estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Amounts subject to estimates are items such as the allowance for loan losses and lending-related commitments, goodwill and intangible assets, pension accounting, the fair value of financial instruments and other-than-temporary impairments. Among other effects, such changes in estimates could result in future impairments of investment securities, goodwill and intangible assets and establishment of allowances for loan losses and lending-related commitments as well as increased pension and post-retirement expense.

Organization of our businesses

In the first quarter of 2011, BNY Mellon realigned its internal reporting structure and business presentation to focus on its two principal businesses, Investment Management and Investment Services. The realignment reflects management’s current approach to assessing performance and decisions

regarding resource allocations. Investment Management includes the former Asset Management and Wealth Management businesses. Investment Services includes the former Asset Servicing, Issuer Services and Clearing Services businesses as well as the Cash Management business previously included in the Treasury Services business. The credit-related activities previously included in the Treasury Services business, are now included in the Other segment. The income statement has been changed to reflect this realignment as follows:

- Investment management and performance fees consist of the former asset and wealth management fee revenue; and
- Investment services fees consist of the former securities servicing fees, including asset servicing, issuer services, clearing services, as well as treasury services fee revenue.

All prior periods have been reclassified. The reclassifications did not affect the results of operations.

Note 2 – Accounting changes and new accounting guidance

ASU 2010-6 – Improving Disclosures About Fair Value Measurements

In January 2010, the FASB issued ASU 2010-6, “Improving Disclosures about Fair Value Measurements.” This amended ASC 820 to clarify existing requirements regarding disclosures of inputs and valuation techniques and levels of disaggregation. Effective March 31, 2011, this ASU required new disclosures about Level 3 purchases, sales, issuances and settlements in the roll-forward activity for fair value measurements. This ASU is required in interim and annual financial statements. See Note 15 of the Notes to Consolidated Financial Statements for these disclosures.

ASU 2010-29 – Disclosure of Supplementary Pro Forma Information for Business Combinations

In December 2010, the FASB issued ASU 2010-29, “Disclosure of Supplementary Pro Forma Information for Business Combinations.” This ASU specified that if a public entity presents comparative financial statements, the entity would disclose revenue and earnings of the combined entity as

though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This ASU also expanded the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination. The ASU was effective prospectively for business combinations consummated on or after Jan. 1, 2011.

ASU 2010-28 – When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts

In December 2010, the FASB issued ASU 2010-28, “When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts.” This ASU requires an entity with reporting units that have carrying amounts that are zero or negative to assess whether it is more likely than not that the reporting units’ goodwill is impaired. If the entity determines that it is more likely than not that the goodwill of one or more of its reporting units is impaired, the entity should perform Step 2 of the goodwill impairment test for those reporting unit(s). Any resulting goodwill impairment should be recorded as a cumulative effect adjustment to beginning retained earnings in the period of adoption. Any goodwill impairments occurring after the initial adoption should be included in earnings as required by Section 350. The ASU was effective for interim and annual periods beginning after Dec. 15, 2010.

Note 3 – Acquisitions

We sometimes structure our acquisitions with both an initial payment and later contingent payments tied to post-closing revenue or income growth. For acquisitions completed prior to Jan. 1, 2009, we record the fair value of contingent payments as an additional cost of the entity acquired in the period that the payment becomes probable. For acquisitions completed after Jan. 1, 2009, subsequent changes in the fair value of a contingent consideration liability will be recorded through the income statement. Contingent payments totaled \$6 million in the first quarter of 2011.

At March 31, 2011, we were potentially obligated to pay additional consideration which, using reasonable assumptions for the performance of the acquired companies and joint ventures based on contractual

agreements, could range from approximately \$20 million to \$63 million over the next three years.

None of the potential contingent additional consideration was recorded as goodwill at March 31, 2011.

Acquisitions in 2010

On July 1, 2010, we acquired GIS for cash of \$2.3 billion. GIS provides a comprehensive suite of products which includes subaccounting, fund accounting/administration, custody, managed account services and alternative investment services. Assets acquired totaled approximately \$590 million. Liabilities assumed totaled approximately \$250 million. Goodwill related to this acquisition is included in our Investment Services business and totaled \$1,505 million, of which \$1,256 million is tax deductible and \$249 million is non-tax deductible. Customer contract intangible assets related to this acquisition are included in our Investment Services business, with lives ranging from 10 years to 20 years, and totaled \$477 million.

On Aug. 2, 2010, we acquired BAS for cash of EUR281 million (US \$370 million). This transaction included the purchase of Frankfurter Service Kapitalanlage – Gesellschaft mbH (“FSKAG”), a wholly-owned fund administration affiliate. The combined business offers a full range of tailored solutions for investment companies, financial institutions and institutional investors in Germany. Assets acquired totaled approximately EUR2.7 billion (US \$3.6 billion) and primarily consisted of securities of approximately EUR1.9 billion (US \$2.6 billion). Liabilities assumed totaled approximately EUR2.6 billion (US \$3.4 billion) and primarily consisted of deposits of EUR 1.7 billion (US \$2.3 billion). Goodwill related to this acquisition of \$272 million is tax deductible and is included in our Investment Services business. Customer contract intangible assets related to this acquisition are included in our Investment Services business, with a life of 10 years, and totaled \$40 million.

On Sept. 1, 2010 we completed the acquisition of I(3) Advisors of Toronto, an independent wealth advisory company with more than C\$3.8 billion in assets under advisement at acquisition, for cash of C\$22.2 million (US \$21.1 million). Goodwill related to this acquisition is included in our Investment Management business and totaled \$8 million and is non-tax deductible. Customer

relationship intangible assets related to this acquisition are included in our Investment Management business, with a life of 33 years, and totaled \$10 million.

Note 4 – Discontinued operations

On Jan. 15, 2010, we sold MUNB, our former national bank subsidiary located in Florida. We applied discontinued operations accounting to this business. Certain loans were not sold as part of the MUNB transaction and are held for sale. Effective Jan. 1, 2011, we reclassified the remaining assets of discontinued operations to continuing operations. Loans, at fair value of \$159 million are included in other assets on the balance sheet. These loans are recorded at the lower of cost or market. In the first quarter of 2011, we recorded a \$13 million net gain on loan sales and valuation changes on loans. The income statements for all periods in 2010 included in this Form 10-Q are presented on a continuing operations basis.

Note 5 – Securities

The following tables present the amortized cost, the gross unrealized gains and losses and the fair value of securities at March 31, 2011 and Dec. 31, 2010.

| Securities at March 31, 2011 (in millions) | Amortized cost | Gross unrealized | | Fair value |
|---|-------------------|---------------------|----------|---------------|
| | | Gains | Losses | |
| Available-for-sale: | | | | |
| U.S. Treasury | \$ 13,683 | \$ 77 | \$ 177 | \$ 13,583 |
| U.S. Government agencies | 1,023 | 1 | 7 | 1,017 |
| State and political subdivisions | 642 | 4 | 54 | 592 |
| Agency RMBS | 18,524 | 343 | 40 | 18,827 |
| Alt-A RMBS | 407 | 38 | 35 | 410 |
| Prime RMBS | 1,217 | 6 | 53 | 1,170 |
| Subprime RMBS | 662 | - | 163 | 499 |
| Other RMBS | 1,631 | 2 | 306 | 1,327 |
| Commercial MBS | 2,511 | 79 | 82 | 2,508 |
| Asset-backed CLOs | 532 | 1 | 10 | 523 |
| Other asset-backed securities | 456 | 10 | 2 | 464 |
| Foreign covered bonds | 3,122 | - | 35 | 3,087 |
| Other debt securities | 12,968 | 116 | 76 | 13,008 (a) |
| Equity securities | 31 | 12 | - | 43 |
| Money market funds | 1,306 | 4 | - | 1,310 |
| Alt-A RMBS (b) | 1,982 | 500 | 11 | 2,471 |
| Prime RMBS (b) | 1,456 | 309 | 1 | 1,764 |
| Subprime RMBS (b) | 122 | 26 | - | 148 |
| Total securities available-for-sale | 62,275 | 1,528 | 1,052 | 62,751 |
| Held-to-maturity: | | | | |
| State and political subdivisions | 117 | 2 | - | 119 |
| Agency RMBS | 370 | 30 | - | 400 |
| Alt-A RMBS | 199 | 4 | 16 | 187 |
| Prime RMBS | 139 | 1 | 4 | 136 |
| Subprime RMBS | 28 | - | 2 | 26 |
| Other RMBS | 2,666 | 75 | 88 | 2,653 |
| Commercial MBS | 34 | - | 1 | 33 |
| Other securities | 4 | - | - | 4 |
| Total securities held-to-maturity | 3,557 | 112 | 111 | 3,558 |
| Total securities | \$ 65,832 | \$ 1,640 | \$ 1,163 | \$ 66,309 |

(a) Includes \$12.1 billion, at fair value, of government-sponsored and guaranteed entities, and sovereign debt.

(b) Previously included in the Grantor Trust. The Grantor Trust was dissolved in the first quarter of 2011.

Notes to Consolidated Financial Statements (continued)

| Securities at Dec. 31, 2010 <i>(in millions)</i> | Amortized cost | Gross unrealized | | Fair value |
|--|-------------------|---------------------|----------|-------------------|
| | | Gains | Losses | |
| Available-for-sale: | | | | |
| U.S. Treasury | \$ 12,650 | \$ 97 | \$ 138 | \$ 12,609 |
| U.S. Government agencies | 1,007 | 2 | 4 | 1,005 |
| State and political subdivisions | 559 | 4 | 55 | 508 |
| Agency RMBS | 19,383 | 387 | 43 | 19,727 |
| Alt-A RMBS | 475 | 34 | 39 | 470 |
| Prime RMBS | 1,305 | 8 | 86 | 1,227 |
| Subprime RMBS | 696 | - | 188 | 508 |
| Other RMBS | 1,665 | 1 | 335 | 1,331 |
| Commercial MBS | 2,650 | 89 | 100 | 2,639 |
| Asset-backed CLOs | 263 | - | 14 | 249 |
| Other asset-backed securities | 532 | 9 | 2 | 539 |
| Foreign covered bonds | 2,884 | - | 16 | 2,868 |
| Other debt securities | 11,800 | 148 | 57 | 11,891 <i>(a)</i> |
| Equity securities | 36 | 11 | - | 47 |
| Money market funds | 2,538 | - | - | 2,538 |
| Alt-A RMBS <i>(b)</i> | 2,164 | 364 | 15 | 2,513 |
| Prime RMBS <i>(b)</i> | 1,626 | 205 | 6 | 1,825 |
| Subprime RMBS <i>(b)</i> | 128 | 30 | - | 158 |
| Total securities available-for-sale | 62,361 | 1,389 | 1,098 | 62,652 |
| Held-to-maturity: | | | | |
| State and political subdivisions | 119 | 2 | - | 121 |
| Agency RMBS | 397 | 33 | - | 430 |
| Alt-A RMBS | 215 | 5 | 19 | 201 |
| Prime RMBS | 149 | 2 | 5 | 146 |
| Subprime RMBS | 28 | - | 3 | 25 |
| Other RMBS | 2,709 | 69 | 81 | 2,697 |
| Commercial MBS | 34 | - | 1 | 33 |
| Other securities | 4 | - | - | 4 |
| Total securities held-to-maturity | 3,655 | 111 | 109 | 3,657 |
| Total securities | \$ 66,016 | \$ 1,500 | \$ 1,207 | \$ 66,309 |

(a) Includes \$11.0 billion, at fair value, of government-sponsored and guaranteed entities, and sovereign debt.

(b) Previously included in the Grantor Trust.

The amortized cost and fair value of securities at March 31, 2011, by contractual maturity, are as follows:

| Securities by contractual maturity at March 31, 2011 <i>(in millions)</i> | Available-for-sale | | Held-to-maturity | |
|---|--------------------|------------------|-------------------|-----------------|
| | Amortized cost | Fair value | Amortized cost | Fair value |
| Due in one year or less | \$ 7,494 | \$ 7,557 | \$ 2 | \$ 2 |
| Due after one year through five years | 18,104 | 18,088 | 1 | 1 |
| Due after five years through ten years | 4,973 | 4,841 | 19 | 19 |
| Due after ten years | 867 | 801 | 95 | 97 |
| Mortgage-backed securities | 28,512 | 29,124 | 3,436 | 3,435 |
| Asset-backed securities | 988 | 987 | - | - |
| Equity | 1,337 | 1,353 | 4 | 4 |
| Total securities | \$ 62,275 | \$ 62,751 | \$ 3,557 | \$ 3,558 |

| Net securities gains <i>(in millions)</i> | 1Q11 | 4Q10 | 1Q10 |
|---|-------------|-------------|-------------|
| Realized gross gains | \$ 19 | \$ 5 | \$ 14 |
| Realized gross losses | (9) | - | - |
| Recognized gross impairments | (5) | (4) | (7) |
| Total net securities gains | \$ 5 | \$ 1 | \$ 7 |

Temporarily impaired securities

At March 31, 2011, substantially all of the unrealized losses on the investment securities portfolio were attributable to credit spreads widening since purchase, and interest rate movements. We do not intend to sell these securities and it is not more likely than not that we will have to sell.

The following tables show the aggregate related fair value of investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for greater than 12 months.

Notes to Consolidated Financial Statements (continued)

| Temporarily impaired securities at March 31, 2011 <i>(in millions)</i> | Less than 12 months | | 12 months or more | | Total | |
|--|---------------------|----------------------|-------------------|----------------------|---------------|----------------------|
| | Fair value | Unrealized losses | Fair value | Unrealized losses | Fair value | Unrealized losses |
| Available-for-sale: | | | | | | |
| U.S. Treasury | \$ 7,693 | \$ 177 | \$ - | \$ - | \$ 7,693 | \$ 177 |
| U.S. Government agencies | 805 | 7 | - | - | 805 | 7 |
| State and political subdivisions | 114 | 3 | 195 | 51 | 309 | 54 |
| Agency RMBS | 5,153 | 39 | 189 | 1 | 5,342 | 40 |
| Alt-A RMBS | 1 | - | 99 | 35 | 100 | 35 |
| Prime RMBS | 350 | 5 | 637 | 48 | 987 | 53 |
| Subprime RMBS | 3 | - | 477 | 163 | 480 | 163 |
| Other RMBS | 6 | 2 | 1,313 | 304 | 1,319 | 306 |
| Commercial MBS | 67 | - | 567 | 82 | 634 | 82 |
| Asset-backed CLOs | 31 | - | 268 | 10 | 299 | 10 |
| Other asset-backed securities | 1 | - | 20 | 2 | 21 | 2 |
| Foreign covered bonds | 3,027 | 35 | - | - | 3,027 | 35 |
| Other debt securities | 3,207 | 60 | 64 | 16 | 3,271 | 76 |
| Alt-A RMBS <i>(b)</i> | 97 | 11 | - | - | 97 | 11 |
| Prime RMBS <i>(b)</i> | 66 | 1 | - | - | 66 | 1 |
| Total securities available-for-sale | \$ 20,621 | \$ 340 | \$ 3,829 | \$ 712 | \$ 24,450 | \$ 1,052 |
| Held-to-maturity: | | | | | | |
| Alt-A RMBS | \$ 20 | \$ - | \$ 95 | \$ 16 | \$ 115 | \$ 16 |
| Prime RMBS | - | - | 69 | 4 | 69 | 4 |
| Subprime RMBS | - | - | 25 | 2 | 25 | 2 |
| Other RMBS | 288 | 5 | 602 | 83 | 890 | 88 |
| Commercial MBS | - | - | 32 | 1 | 32 | 1 |
| Total securities held-to-maturity | \$ 308 | \$ 5 | \$ 823 | \$ 106 | \$ 1,131 | \$ 111 |
| Total temporarily impaired securities | \$ 20,929 | \$ 345 | \$ 4,652 | \$ 818 | \$ 25,581 | \$ 1,163 <i>(a)</i> |

(a) Includes other-than-temporarily impaired securities in which portions of the other-than-temporary impairment loss remains in OCI.

(b) Previously included in the Grantor Trust. The Grantor Trust was dissolved in the first quarter of 2011.

| Temporarily impaired securities at Dec. 31, 2010 <i>(in millions)</i> | Less than 12 months | | 12 months or more | | Total | |
|---|---------------------|----------------------|-------------------|----------------------|---------------|----------------------|
| | Fair value | Unrealized losses | Fair value | Unrealized losses | Fair value | Unrealized losses |
| Available-for-sale: | | | | | | |
| U.S. Treasury | \$ 6,519 | \$ 138 | \$ - | \$ - | \$ 6,519 | \$ 138 |
| U.S. Government agencies | 489 | 4 | - | - | 489 | 4 |
| State and political subdivisions | 210 | 39 | 122 | 16 | 332 | 55 |
| Agency RMBS | 5,079 | 42 | 206 | 1 | 5,285 | 43 |
| Alt-A RMBS | 55 | 3 | 104 | 36 | 159 | 39 |
| Prime RMBS | 315 | 13 | 739 | 73 | 1,054 | 86 |
| Subprime RMBS | 3 | - | 484 | 188 | 487 | 188 |
| Other RMBS | 49 | 17 | 1,275 | 318 | 1,324 | 335 |
| Commercial MBS | 28 | 1 | 536 | 99 | 564 | 100 |
| Asset-backed CLOs | - | - | 249 | 14 | 249 | 14 |
| Other asset-backed securities | 1 | - | 32 | 2 | 33 | 2 |
| Foreign covered bonds | 2,553 | 16 | - | - | 2,553 | 16 |
| Other debt securities | 1,068 | 37 | 61 | 20 | 1,129 | 57 |
| Alt-A RMBS <i>(b)</i> | 196 | 15 | - | - | 196 | 15 |
| Prime RMBS <i>(b)</i> | 139 | 6 | - | - | 139 | 6 |
| Total securities available-for-sale | \$ 16,704 | \$ 331 | \$ 3,808 | \$ 767 | \$ 20,512 | \$ 1,098 |
| Held-to-maturity: | | | | | | |
| Alt-A RMBS | \$ 18 | \$ - | \$ 108 | \$ 19 | \$ 126 | \$ 19 |
| Prime RMBS | - | - | 73 | 5 | 73 | 5 |
| Subprime RMBS | - | - | 25 | 3 | 25 | 3 |
| Other RMBS | 315 | 5 | 614 | 76 | 929 | 81 |
| Commercial MBS | - | - | 33 | 1 | 33 | 1 |
| Total securities held-to-maturity | \$ 333 | \$ 5 | \$ 853 | \$ 104 | \$ 1,186 | \$ 109 |
| Total temporarily impaired securities | \$ 17,037 | \$ 336 | \$ 4,661 | \$ 871 | \$ 21,698 | \$ 1,207 <i>(a)</i> |

(a) Includes other-than-temporarily impaired securities in which portions of the other-than-temporary impairment loss remains in OCI.

(b) Previously included in the Grantor Trust.

Other-than-temporary impairment

For certain debt securities that have no debt rating at acquisition and are beneficial interests in securitized financial assets under ASC 325, OTTI occurs when we determine that there has been an adverse change in cash flows and the present value of those remaining cash flows is less than the present value of the remaining cash flows estimated at the security's acquisition date (or last estimated cash flow revision date).

We routinely conduct periodic reviews to identify and evaluate each investment security to determine whether OTTI has occurred. Economic models are used to determine whether an OTTI has occurred on these securities. While all securities are considered, the securities primarily impacted by OTTI testing are non-agency RMBS. For each non-agency RMBS in the investment portfolio (including but not limited to those whose fair value is less than their amortized cost basis), an extensive, regular review is conducted to determine if an OTTI has occurred. Various inputs to the economic models are used to determine if an unrealized loss on non-agency RMBS is other-than-temporary. The most significant inputs are:

- Default rate – the number of mortgage loans expected to go into default over the life of the transaction, which is driven by the roll rate of loans in each performance bucket that will ultimately migrate to default; and
- Severity – the loss expected to be realized when a loan defaults

To determine if the unrealized loss for non-agency RMBS is other-than-temporary, we project total estimated defaults of the underlying assets (mortgages) and multiply that calculated amount by an estimate of realizable value upon sale of these assets in the marketplace (severity) in order to determine the projected collateral loss. We also evaluate the current credit enhancement underlying the bond to determine the impact on cash flows. If we determine that a given RMBS position will be subject to a write-down or loss, we record the expected credit loss as a charge to earnings.

In addition, we have estimated the expected loss by taking into account observed performance of the underlying securities, industry studies, market forecasts, as well as our view of the economic outlook affecting collateral.

The table below shows the projected weighted-average default rates and loss severities for the 2007, 2006 and 2005 non-agency RMBS at March 31, 2011 and Dec. 31, 2010.

| | Projected weighted-average default rates and severities | | | |
|----------|---|----------|---------------|----------|
| | March 31, 2011 | | Dec. 31, 2010 | |
| | Default Rate | Severity | Default Rate | Severity |
| Alt-A | 42% | 49% | 42% | 49% |
| Subprime | 66% | 67% | 68% | 65% |
| Prime | 20% | 41% | 20% | 42% |

In the first quarter of 2011, \$228 million of non-agency RMBS were sold at a gain of \$10 million partially offset by impairment charges of \$5 million on European floating rate notes and Alt-A RMBS. The following table provides pre-tax net securities gains (losses) by type.

| Net securities gains (in millions) | 1Q11 | 4Q10 | 1Q10 |
|---------------------------------------|------|------|-------|
| Alt-A RMBS | \$ 5 | \$ - | \$(7) |
| Prime RMBS | 9 | - | - |
| Subprime RMBS | (6) | (4) | - |
| European floating rate notes | (3) | - | - |
| Other | - | 5 | 14 |
| Net securities gains | \$ 5 | \$ 1 | \$ 7 |

The following table reflects investment securities credit losses recorded in earnings. The beginning balance represents the credit loss component for which OTTI occurred on debt securities in prior periods. The additions represent the first time a debt security was credit impaired or when subsequent credit impairments have occurred. The deductions represent credit losses on securities that have been sold, are required to be sold or it is our intention to sell.

| Debt securities credit loss roll forward (in millions) | 1Q11 | 1Q10 |
|---|--------|--------|
| Beginning balance as of Jan. 1 | \$ 182 | \$ 244 |
| Add: Initial OTTI credit losses | 2 | 6 |
| Subsequent OTTI credit losses | 3 | 1 |
| Less: Realized losses for securities sold / consolidated | 4 | 5 |
| Ending balance as of March 31 | \$ 183 | \$ 246 |

Note 6 – Loans and asset quality

Our loan portfolio is comprised of three portfolio segments, commercial, lease financing and mortgages. We manage our portfolio at the class level which is comprised of six classes of financing receivables: commercial, commercial real estate, financial institutions, lease financings, wealth management loans and mortgages, and other residential mortgages. The following tables are presented for each class of financing receivable, and provide additional information about our credit risks and the adequacy of our allowance for credit losses.

Loans

The table below provides the details of our loan distribution and industry concentrations of credit risk at March 31, 2011 and Dec. 31, 2010:

| Loans <i>(in millions)</i> | March 31, 2011 | Dec. 31, 2010 |
|---------------------------------------|---------------------------------|--------------------------------|
| Domestic: | | |
| Financial institutions | \$ 6,429 | \$ 4,630 |
| Commercial | 1,121 | 1,250 |
| Wealth management loans and mortgages | 6,661 | 6,506 |
| Commercial real estate | 1,578 | 1,592 |
| Lease financings (a) | 1,579 | 1,605 |
| Other residential mortgages | 2,128 | 2,079 |
| Overdrafts | 3,381 | 4,524 |
| Other | 452 | 771 |
| Margin loans | 7,369 | 6,810 |
| Total domestic | 30,698 | 29,767 |
| Foreign: | | |
| Financial institutions | 5,298 | 4,626 |
| Commercial | 394 | 345 |
| Lease financings (a) | 1,222 | 1,545 |
| Other (primarily overdrafts) | 2,400 | 1,525 |
| Total foreign | 9,314 | 8,041 |
| Total loans | \$ 40,012 | \$ 37,808 |

(a) Includes unearned income on domestic and foreign lease financings of \$1,477 million at March 31, 2011 and \$2,036 million at Dec. 31, 2010.

Allowance for credit losses

Transactions in the allowance for credit losses are summarized as follows:

Allowance for credit losses activity for the quarter ended March 31, 2011

| <i>(dollars in millions)</i> | Commercial | Commercial real estate | Financial institutions | Lease financing | Wealth management loans and mortgages | Other residential mortgages | All Other (a) | Foreign (b) | Unallocated | Total |
|--|--------------|------------------------|------------------------|-----------------|---------------------------------------|-----------------------------|---------------|--------------|---------------|---------------|
| Beginning balance | \$ 74 | \$ 32 | \$ 9 | \$ 72 | \$ 33 | \$ 187 | \$ 1 | \$ 47 | \$ 116 | \$ 571 |
| Charge-offs | - | (3) | - | - | - | (16) | - | - | - | (19) |
| Recoveries | 1 | - | 1 | - | - | - | - | - | - | 2 |
| Net (charge-offs) recoveries | 1 | (3) | 1 | - | - | (16) | - | - | - | (17) |
| Provision | 6 | (2) | 4 | 3 | (10) | - | 1 | 6 | (8) | - |
| Ending balance | \$ 81 | \$ 27 | \$ 14 | \$ 75 | \$ 23 | \$ 171 | \$ 2 | \$ 53 | \$ 108 | \$ 554 |
| Allowance for: | | | | | | | | | | |
| Loans losses | \$ 40 | \$ 19 | \$ 3 | \$ 75 | \$ 18 | \$ 171 | \$ 2 | \$ 48 | \$ 91 | \$ 467 |
| Unfunded commitments | 41 | 8 | 11 | - | 5 | - | - | 5 | 17 | 87 |
| Individually evaluated for impairment: | | | | | | | | | | |
| Loan balance | \$ 30 | \$ 36 | \$ 4 | \$ - | \$ 52 | \$ - | \$ - | \$ 7 | \$ - | \$ 129 |
| Allowance for loan losses | 10 | 5 | - | - | 5 | - | - | 2 | - | 22 |
| Collectively evaluated for impairment: | | | | | | | | | | |
| Loan balance | \$ 1,091 | \$ 1,542 | \$ 6,425 | \$ 1,579 | \$ 6,609 | \$ 2,128 | \$ 11,202 | \$ 9,307 | \$ - | \$ 39,883 |
| Allowance for loan losses | 30 | 14 | 3 | 75 | 13 | 171 | 2 | 46 | 91 | 445 |

(a) Includes \$3,381 million of domestic overdrafts and \$7,369 million of margin loans at March 31, 2011.

(b) Includes \$2,400 million of other foreign loans (primarily overdrafts) at March 31, 2011.

Notes to Consolidated Financial Statements (continued)

Allowance for credit losses activity for the quarter ended Dec. 31, 2010

| <i>(dollars in millions)</i> | Commercial | Commercial real estate | Financial institutions | Lease financing | Wealth management loans and mortgages | Other residential mortgages | All Other (a) | Foreign (b) | Unallocated | Total |
|--|------------|------------------------|------------------------|-----------------|---------------------------------------|-----------------------------|---------------|-------------|-------------|-----------|
| Beginning balance | \$ 87 | \$ 39 | \$ 32 | \$ 74 | \$ 28 | \$ 184 | \$ 1 | \$ 40 | \$ 123 | \$ 608 |
| Charge-offs | - | (2) | (2) | - | - | (15) | - | - | - | (19) |
| Recoveries | 2 | - | 1 | - | - | 1 | - | - | - | 4 |
| Net (charge-offs) recoveries | 2 | (2) | (1) | - | - | (14) | - | - | - | (15) |
| Provision | (15) | (5) | (22) | (2) | 5 | 17 | - | 7 | (7) | (22) |
| Ending balance | \$ 74 | \$ 32 | \$ 9 | \$ 72 | \$ 33 | \$ 187 | \$ 1 | \$ 47 | \$ 116 | \$ 571 |
| Allowance for: | | | | | | | | | | |
| Loans losses | \$ 41 | \$ 22 | \$ 1 | \$ 72 | \$ 31 | \$ 187 | \$ 1 | \$ 42 | \$ 101 | \$ 498 |
| Unfunded commitments | 33 | 10 | 8 | - | 2 | - | - | 5 | 15 | 73 |
| Individually evaluated for impairment: | | | | | | | | | | |
| Loan balance | \$ 32 | \$ 44 | \$ 4 | \$ - | \$ 53 | \$ - | \$ - | \$ 7 | \$ - | \$ 140 |
| Allowance for loan losses | 10 | 9 | - | - | 5 | - | - | 2 | - | 26 |
| Collectively evaluated for impairment: | | | | | | | | | | |
| Loan balance | \$ 1,218 | \$ 1,548 | \$ 4,626 | \$ 1,605 | \$ 6,453 | \$ 2,079 | \$ 12,105 | \$ 8,034 | \$ - | \$ 37,668 |
| Allowance for loan losses | 31 | 13 | 1 | 72 | 26 | 187 | 1 | 40 | 101 | 472 |

(a) Includes \$4,524 million of domestic overdrafts and \$6,810 million of margin loans at Dec. 31, 2010.

(b) Includes \$1,525 million of other foreign loans (primarily overdrafts) at Dec. 31, 2010.

Allowance for credit losses activity for the quarter ended March 31, 2010

| <i>(dollars in millions)</i> | Commercial | Commercial real estate | Financial institutions | Lease financing | Wealth management loans and mortgages | Other residential mortgages | All Other (a) | Foreign (b) | Unallocated | Total |
|--|------------|------------------------|------------------------|-----------------|---------------------------------------|-----------------------------|---------------|-------------|-------------|-----------|
| Beginning balance | \$ 149 | \$ 43 | \$ 73 | \$ 77 | \$ 56 | \$ 157 | \$ - | \$ 47 | \$ 26 | \$ 628 |
| Charge-offs | - | (5) | (20) | - | - | (12) | - | - | - | (37) |
| Recoveries | 12 | - | - | - | - | - | - | - | - | 12 |
| Net (charge-offs) recoveries | 12 | (5) | (20) | - | - | (12) | - | - | - | (25) |
| Provision | (34) | 7 | (7) | - | (27) | 25 | - | - | 71 | 35 |
| Ending balance | \$ 127 | \$ 45 | \$ 46 | \$ 77 | \$ 29 | \$ 170 | \$ - | \$ 47 | \$ 97 | \$ 638 |
| Allowance for: | | | | | | | | | | |
| Loans losses | \$ 82 | \$ 30 | \$ 20 | \$ 77 | \$ 27 | \$ 170 | \$ - | \$ 35 | \$ 79 | \$ 520 |
| Unfunded commitments | 45 | 15 | 26 | - | 2 | - | - | 12 | 18 | 118 |
| Individually evaluated for impairment: | | | | | | | | | | |
| Loan balance | \$ 39 | \$ 50 | \$ 101 | \$ - | \$ 54 | \$ - | \$ - | \$ - | \$ - | \$ 244 |
| Allowance for loan losses | 9 | 11 | 5 | - | 3 | - | - | - | - | 28 |
| Collectively evaluated for impairment: | | | | | | | | | | |
| Loan balance | \$ 2,171 | \$ 1,888 | \$ 3,751 | \$ 1,690 | \$ 6,118 | \$ 2,237 | \$ 6,828 | \$ 8,960 | \$ - | \$ 33,643 |
| Allowance for loan losses | 73 | 19 | 15 | 77 | 24 | 170 | - | 35 | 79 | 492 |

(a) Includes \$1,480 million of domestic overdrafts and \$4,863 million of margin loans at March 31, 2010.

(b) Includes \$2,753 million of other foreign loans (primarily overdrafts) at March 31, 2010.

Notes to Consolidated Financial Statements (continued)

Nonperforming assets

The table below sets forth information about our nonperforming assets.

| Nonperforming assets (in millions) | March 31, 2011 | Dec. 31, 2010 |
|---------------------------------------|-------------------|------------------|
| Nonperforming loans: | | |
| Commercial | \$ 32 | \$ 34 |
| Commercial real estate | 36 | 44 |
| Financial institutions | 4 | 5 |
| Wealth management | 56 | 59 |
| Other residential mortgages | 245 | 244 |
| Foreign loans | 7 | 7 |
| Total nonperforming loans | 380 | 393 |
| Other assets owned | 6 | 6 |
| Total nonperforming assets (a) | \$ 386 | \$ 399 |

(a) Loans of consolidated investment management funds are not part of BNY Mellon's loan portfolio. Included in these funds are nonperforming loans of \$239 million at March 31, 2011 and \$218 million at Dec. 31, 2010. These funds are recorded at fair value and therefore do not impact the provision for credit losses and allowance for loan losses, and accordingly are excluded from the nonperforming assets table above.

Impaired loans

The table below sets forth information about our impaired loans. We use the discounted cash flow method as the primary method for valuing impaired loans.

| Impaired loans (in millions) | March 31, 2011 | | | Quarter ended March 31, 2011 | | March 31, 2010 |
|---|------------------------|--------------------------------|----------------------|-----------------------------------|----------------------------------|------------------------|
| | Recorded investment | Unpaid principal balance | Related allowance | Average recorded investment | Interest income recognized | Recorded Investment |
| Impaired loans with an allowance: | | | | | | |
| Commercial (a) | \$ 25 | \$ 25 | \$ 10 | \$ 28 | \$ - | \$ 29 |
| Commercial real estate | 22 | 29 | 5 | 24 | - | 41 |
| Financial institutions | 4 | 10 | - | 4 | - | 101 |
| Wealth management loans and mortgages | 52 | 52 | 5 | 52 | - | 53 |
| Foreign | 7 | 7 | 2 | 7 | - | - |
| Total impaired loans with an allowance | 110 | 123 | 22 | 115 | - | 224 |
| Impaired loans without an allowance: | | | | | | |
| Commercial | 5 | 5 | - | 4 | - | 10 |
| Commercial real estate | 14 | 14 | - | 17 | - | 9 |
| Wealth management loans and mortgages | - | - | - | 1 | - | 1 |
| Total impaired loans without an allowance (b) | 19 | 19 | - | 22 | - | 20 |
| Total impaired loans (a) | \$ 129 | \$ 142 | \$ 22 | \$ 137 | \$ - | \$ 244 |
| Allowance for impaired loans | | | | | | \$ 28 |
| Average balance of impaired loans during the quarter | | | | | | 295 |
| Interest income recognized on impaired loans during the quarter | | | | | | - |

(a) Excludes an aggregate of \$4 million of impaired commercial loans in amounts individually less than \$1 million at March 31, 2011. The allowance for loan loss associated with these loans totaled less than \$1 million at March 31, 2011.

(b) When the discounted cash flows, collateral value or market price equals or exceeds the carrying value of the loan, then the loan does not require an allowance under the accounting standard related to impaired loans.

At March 31, 2011, undrawn commitments to borrowers whose loans were classified as nonaccrual or reduced rate were not material.

Lost interest

| Lost interest (in millions) | 1Q11 | 4Q10 | 1Q10 |
|---|------|------|------|
| Amount by which interest income recognized on nonperforming loans exceeded reversals | \$ 1 | \$ 1 | \$ - |
| Amount by which interest income would have increased if nonperforming loans at year-end had been performing for the entire year | \$ 5 | \$ 5 | \$ 6 |

Notes to Consolidated Financial Statements (continued)

| Impaired loans <i>(in millions)</i> | Dec. 31, 2010 | | | Quarter ended Dec. 31, 2010 | |
|---|---------------------|--------------------------|-------------------|-----------------------------|----------------------------|
| | Recorded investment | Unpaid principal balance | Related allowance | Average recorded investment | Interest income recognized |
| Impaired loans with an allowance: | | | | | |
| Commercial (a) | \$ 30 | \$ 30 | \$ 10 | \$ 31 | \$ - |
| Commercial real estate | 25 | 39 | 9 | 28 | - |
| Financial institutions | 4 | 10 | - | 10 | - |
| Wealth management loans and mortgages | 52 | 52 | 5 | 53 | - |
| Foreign | 7 | 7 | 2 | 4 | - |
| Total impaired loans with an allowance | 118 | 138 | 26 | 126 | - |
| Impaired loans without an allowance: | | | | | |
| Commercial | 2 | 6 | - | 2 | - |
| Commercial real estate | 19 | 19 | - | 14 | - |
| Wealth management loans and mortgages | 1 | 2 | - | 3 | - |
| Total impaired loans without an allowance (b) | 22 | 27 | - | 19 | - |
| Total impaired loans (a) | \$ 140 | \$ 165 | \$ 26 | \$ 145 | \$ - |

(a) Excludes an aggregate of \$3 million of impaired commercial loans in amounts individually less than \$1 million at Dec. 31, 2010. The allowance for loan loss associated with these loans totaled less than \$1 million at Dec. 31, 2010.

(b) When the discounted cash flows, collateral value or market price equals or exceeds the carrying value of the loan, then the loan does not require an allowance under the accounting standard related to impaired loans.

Past due loans

The table below sets forth information about our past due loans.

| Past due loans and still accruing <i>(in millions)</i> | March 31, 2011 | | | Total past due | March 31, 2010 >90 days |
|---|----------------|-------|-------|----------------|----------------------------|
| | Days past due | | | | |
| | 30-59 | 60-89 | >90 | | |
| Domestic: | | | | | |
| Commercial | \$ - | \$ - | \$ - | \$ - | \$ - |
| Commercial real estate | 158 | - | 12 | 170 | - |
| Financial institutions | 5 | - | - | 5 | 312 |
| Wealth management loans and mortgages | 67 | 14 | - | 81 | 1 |
| Other residential mortgages | 30 | 9 | 12 | 51 | 84 |
| Total domestic | 260 | 23 | 24 | 307 | 397 |
| Foreign | - | - | - | - | - |
| Total past due loans | \$ 260 | \$ 23 | \$ 24 | \$ 307 | \$ 397 |

| Past due loans and still accruing <i>(in millions)</i> | Dec. 31, 2010 | | | Total past due |
|---|---------------|-------|-------|----------------|
| | Days past due | | | |
| | 30-59 | 60-89 | >90 | |
| Domestic: | | | | |
| Commercial | \$ 10 | \$ 1 | \$ 1 | \$ 12 |
| Commercial real estate | 174 | - | 11 | 185 |
| Financial institutions | 10 | 1 | - | 11 |
| Wealth management loans and mortgages | 62 | 4 | 6 | 72 |
| Other residential mortgages | 40 | 15 | 15 | 70 |
| Total domestic | 296 | 21 | 33 | 350 |
| Foreign | - | - | - | - |
| Total past due loans | \$ 296 | \$ 21 | \$ 33 | \$ 350 |

Credit quality indicators

Our credit strategy is to focus on investment grade names to support cross selling opportunities, avoid single name/industry concentrations and exit high risk portfolios. Each customer is assigned an internal rating grade which is mapped to an external

rating agency grade equivalent based upon a number of dimensions which are continually evaluated and may change over time.

The following tables set forth information about credit quality indicators.

Commercial loan portfolio
Commercial loan portfolio - Credit risk profile by creditworthiness category

| | Commercial | | Commercial real estate | | Financial institutions | |
|----------------------|----------------|---------------|------------------------|---------------|------------------------|---------------|
| | March 31, 2011 | Dec. 31, 2010 | March 31, 2011 | Dec. 31, 2010 | March 31, 2011 | Dec. 31, 2010 |
| <i>(in millions)</i> | | | | | | |
| Investment grade | \$ 999 | \$ 964 | \$ 1,059 | \$ 1,072 | \$ 10,416 | \$ 7,894 |
| Noninvestment grade | 516 | 631 | 519 | 520 | 1,311 | 1,362 |
| Total | \$ 1,515 | \$ 1,595 | \$ 1,578 | \$ 1,592 | \$ 11,727 | \$ 9,256 |

The commercial loan portfolio is divided into investment grade and non-investment grade categories based on rating criteria largely consistent with those of the public rating agencies. Each customer in the portfolio is assigned an internal rating grade. These internal rating grades are generally consistent with the ratings categories of the public rating agencies. Customers with ratings consistent with BBB-/Baa3 or better are considered to be investment grade. Those clients with ratings lower than this threshold are considered to be non-investment grade.

fixed assets, or a modest amount of commercial real estate. For these latter loans, the credit quality of the obligor is carefully analyzed, but we do not consider this portfolio of loans to be of investment grade quality.

Wealth management loans and mortgages
Wealth management loans and mortgages – Credit risk profile by internally assigned grade

| | March 31, 2011 | Dec. 31, 2010 |
|-----------------------------|----------------|---------------|
| <i>(in millions)</i> | | |
| Wealth management loans: | | |
| Investment grade | \$ 2,916 | \$ 2,995 |
| Noninvestment grade | 173 | 170 |
| Wealth management mortgages | 3,572 | 3,341 |
| Total | \$ 6,661 | \$ 6,506 |

Credit quality indicators for Wealth management mortgages are not correlated to external ratings. Wealth management mortgages are typically loans to high-net-worth individuals, which are secured by marketable securities and/or residential property. These loans are primarily interest-only adjustable rate mortgages with an average loan to value ratio of 61% at origination. In the wealth management portfolio, 1% of the mortgages were past due at March 31, 2011.

At March 31, 2011, the private wealth mortgage portfolio was comprised of the following geographic concentrations: New York – 25%; Massachusetts – 17%; California – 17%; Florida – 8%; and other – 33%.

Wealth management non-mortgage loans are not typically correlated to external ratings. A majority of the Wealth Management loans are secured by the customers' Investment Management Accounts or custody accounts. Eligible assets pledged for these loans are typically investment grade, fixed income securities, equities and/or mutual funds. Internal ratings for this portion of the Wealth Management portfolio, therefore, would equate to investment-grade external ratings. Wealth Management loans are provided to select customers based on the pledge of other types of assets, including business assets,

Other residential mortgages

The other residential mortgage portfolio primarily consists of 1-4 family residential mortgage loans and totaled \$2.1 billion at March 31, 2011. These loans are not typically correlated to external ratings. Included in this portfolio is \$706 million of mortgage loans purchased in 2005, 2006 and the first quarter of 2007 that are predominantly prime mortgage loans, with a small portion of Alt-A loans. As of March 31, 2011, the remaining prime and Alt-A mortgage loans in this portfolio had a weighted-average loan-to-value ratio of 75% at origination and

approximately 31% of these loans were at least 60 days delinquent. The properties securing the prime and Alt-A mortgage loans were located (in order of concentration) in California, Florida, Virginia, Maryland and the tri-state area (New York, New Jersey and Connecticut).

Overdrafts

Overdrafts primarily relate to custody and securities clearance clients and totaled \$5,781 million at March 31, 2011 and \$6,049 million at Dec. 31, 2010. Overdrafts occur on a daily basis in the custody and securities clearance business and are generally repaid within two business days.

Margin loans

We had \$7,369 million of secured margin loans on our balance sheet at March 31, 2011, compared with \$6,810 million at Dec. 31, 2010. We have rarely suffered a loss on these types of loans and do not allocate any of our allowance for credit losses to them.

Other loans

Other loans primarily includes loans to consumers that are fully collateralized with equities, mutual funds and fixed income securities, as well as bankers acceptances. We have rarely suffered a loss on these types of loans and do not allocate any of our allowance for credit losses to them.

Reverse repurchase agreements

Reverse repurchase agreements are transactions fully collateralized with high quality liquid securities. These transactions carry minimal credit risk and therefore are not allocated an allowance for credit losses.

Note 7 – Goodwill and intangible assets

Goodwill

The level of goodwill increased in 2011, primarily due to foreign exchange translation on non-U.S. dollar denominated goodwill. Goodwill impairment testing is performed at least annually at the reporting unit level. The table below provides a breakdown of goodwill by business.

| Goodwill by business <i>(in millions)</i> | Investment Management | Investment Services | Other | Consolidated |
|---|--------------------------|------------------------|--------------|------------------|
| Balance at Dec. 31, 2010 | \$ 9,359 | \$ 8,643 | \$ 40 | \$18,042 |
| Foreign exchange translation | 53 | 63 | - | 116 |
| Other (a) | (1) | (1) | - | (2) |
| Balance at March 31, 2011 | \$ 9,411 | \$ 8,705 | \$ 40 | \$ 18,156 |

(a) Other changes in goodwill include purchase price adjustments and certain other reclassifications.

| Goodwill by business <i>(in millions)</i> | Investment Management | Investment Services | Other | Consolidated |
|---|--------------------------|------------------------|-------|--------------|
| Balance at Dec. 31, 2009 | \$ 9,312 | \$ 6,890 | \$ 47 | \$16,249 |
| Foreign exchange translation | (103) | (55) | - | (158) |
| Other (a) | - | (14) | - | (14) |
| Balance at March 31, 2010 | \$ 9,209 | \$ 6,821 | \$ 47 | \$16,077 |

(a) Other changes in goodwill include purchase price adjustments and certain other reclassifications.

Intangible assets

Intangible assets not subject to amortization are tested annually for impairment or more often if events or circumstances indicate they may be impaired. The decrease in intangible assets at March 31, 2011 compared with Dec. 31, 2010 resulted from amortization of intangible assets, partially offset by foreign exchange translation on non-U.S. dollar denominated intangible assets and the acquisition of customer contracts in the Investment Services

business. Also, in the first quarter of 2011, we recorded a \$3 million impairment charge to write-down the value of a software technology intangible to its net realizable value.

Amortization of intangible assets expense was \$108 million in the first quarter of 2011, \$97 million in the first quarter of 2010 and \$115 million in the fourth quarter of 2010. The table below provides a breakdown of intangible assets by business.

Notes to Consolidated Financial Statements (continued)

Intangible assets – net carrying amount by business

| <i>(in millions)</i> | Investment Management | Investment Services | Other | Consolidated |
|----------------------------------|--------------------------|------------------------|---------------|-----------------|
| Balance at Dec. 31, 2010 | \$ 2,592 | \$ 2,254 | \$ 850 | \$ 5,696 |
| Acquisitions | - | 12 | - | 12 |
| Amortization | (55) | (53) | - | (108) |
| Foreign exchange translation | 13 | 7 | - | 20 |
| Impairment | - | (3) | - | (3) |
| Balance at March 31, 2011 | \$ 2,550 | \$ 2,217 | \$ 850 | \$ 5,617 |

Intangible assets – net carrying amount by business

| <i>(in millions)</i> | Investment Management | Investment Services | Other | Consolidated |
|------------------------------|--------------------------|------------------------|--------|--------------|
| Balance at Dec. 31, 2009 | \$ 2,825 | \$ 1,911 | \$ 852 | \$ 5,588 |
| Amortization | (58) | (38) | (1) | (97) |
| Foreign exchange translation | (33) | (5) | - | (38) |
| Other (a) | - | (4) | - | (4) |
| Balance at March 31, 2010 | \$ 2,734 | \$ 1,864 | \$ 851 | \$ 5,449 |

(a) Other changes in intangible assets include purchase price adjustments and certain other reclassifications.

The table below provides a breakdown of intangible assets by type.

| Intangible assets <i>(in millions)</i> | March 31, 2011 | | | Remaining weighted- average amortization period | Dec. 31, 2010 |
|--|-----------------------------|-----------------------------|---------------------------|---|---------------------------|
| | Gross carrying amount | Accumulated amortization | Net carrying amount | | Net carrying amount |
| Subject to amortization: | | | | | |
| Customer relationships - Investment Management | \$ 2,117 | \$ (1,037) | \$ 1,080 | 12 yrs. | \$ 1,119 |
| Customer contracts - Investment Services | 2,548 | (749) | 1,799 | 14 yrs. | 1,830 |
| Other intangibles | 140 | (89) | 51 | 5 yrs. | 48 |
| Total subject to amortization | 4,805 | (1,875) | 2,930 | 13 yrs. | 2,997 |
| Not subject to amortization: (a) | | | | | |
| Trade name | 1,368 | N/A | 1,368 | N/A | 1,375 |
| Customer relationships | 1,319 | N/A | 1,319 | N/A | 1,314 |
| Other intangibles | - | N/A | - | N/A | 10 |
| Total not subject to amortization | 2,687 | N/A | 2,687 | N/A | 2,699 |
| Total intangible assets | \$ 7,492 | \$ (1,875) | \$ 5,617 | N/A | \$ 5,696 |

(a) Intangible assets not subject to amortization have an indefinite life.

N/A - Not applicable

Estimated annual amortization expense for current intangibles for the next five years is as follows:

| For the year ended Dec. 31, | Estimated amortization expense <i>(in millions)</i> |
|--------------------------------|--|
| 2011 | \$ 432 |
| 2012 | 402 |
| 2013 | 352 |
| 2014 | 313 |
| 2015 | 279 |

Note 8 – Other assets

| Other assets (in millions) | March 31, 2011 | Dec. 31, 2010 |
|---|-------------------|------------------|
| Corporate/bank owned life insurance | \$ 4,095 | \$4,071 |
| Accounts receivable | 3,610 | 3,506 |
| Equity in joint ventures and other investments (a) | 2,944 | 2,818 |
| Income taxes receivable | 2,841 | 2,826 |
| Fails to deliver | 1,648 | 1,428 |
| Software | 925 | 896 |
| Prepaid expenses | 976 | 834 |
| Prepaid pension assets | 785 | 732 |
| Fair value of hedging derivatives | 625 | 709 |
| Due from customers on acceptances | 363 | 424 |
| Other | 805 | 546 |
| Total other assets | \$ 19,617 | \$18,790 |

(a) Includes Federal Reserve Bank stock of \$401 million and \$400 million, respectively, at cost.

Seed capital and private equity investments valued using net asset value per share

In our Investment Management business, we manage investment assets, including equities, fixed income, money market and alternative investment funds for institutions and other investors; as part of that activity we make seed capital investments in certain funds. Seed capital is included in trading assets, securities available-for-sale and other assets depending on the nature of the investment. BNY Mellon also holds private equity investments, which consist of investments in private equity funds, mezzanine financings and direct equity investments. Private equity investments are included in other assets. Consistent with our policy to focus on our core activities, we continue to reduce our exposure to private equity investments.

The fair value of these investments has been estimated using the net asset value (“NAV”) per share of BNY Mellon’s ownership interest in the funds. The table below presents information about BNY Mellon’s investments in seed capital and private equity investments.

| Seed capital and private equity investments valued using NAV – March 31, 2011 | | | | |
|--|---------------|-------------------------|-------------------------|--------------------------------|
| (dollar amounts in millions) | Fair Value | Unfunded commitments | Redemption frequency | Redemption notice period |
| Hedge funds (a) | \$ 22 | \$ - | Monthly-quarterly | 3-45 days |
| Private equity funds (b) | 146 | 27 | | N/A |
| Other funds (c) | 55 | - | Monthly-yearly | (c) |
| Total | \$ 223 | \$ 27 | | |

(a) Hedge funds include multi-strategy funds that utilize a variety of investment strategies and equity long-short hedge funds that include various funds that invest over both long-term investment and short-term investment horizons.

(b) Private equity funds primarily include numerous venture capital funds that invest in various sectors of the economy. Private equity funds do not have redemption rights. Distributions from such funds will be received as the underlying investments in the funds are liquidated.

(c) Other funds include various market neutral, leveraged loans, real estate and structured credit funds.

Note 9 – Net interest revenue

| Net interest revenue (in millions) | Quarter ended | | |
|---|-------------------|------------------|-------------------|
| | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| Interest revenue | | | |
| Non-margin loans | \$173 | \$176 | \$189 |
| Margin loans | 25 | 24 | 19 |
| Securities: | | | |
| Taxable | 473 | 484 | 497 |
| Exempt from federal income taxes | 5 | 6 | 6 |
| Total securities | 478 | 490 | 503 |
| Deposits in banks | 147 | 144 | 142 |
| Deposits with the Federal Reserve and other central banks | 16 | 14 | 10 |
| Federal funds sold and securities purchased under resale agreements | 6 | 44 | 7 |
| Trading assets | 22 | 21 | 13 |
| Total interest revenue | 867 | 913 | 883 |
| Interest expense | | | |
| Deposits | 67 | 62 | 39 |
| Federal funds purchased and securities sold under repurchase agreements | 1 | 39 | 1 |
| Trading liabilities | 8 | 4 | 3 |
| Other borrowed funds | 12 | 8 | 11 |
| Customer payables | 2 | 2 | 1 |
| Long-term debt | 79 | 78 | 63 |
| Total interest expense | 169 | 193 | 118 |
| Net interest revenue | \$698 | \$720 | \$765 |

Note 10 – Employee benefit plans

The components of net periodic benefit cost (credit) are as follows:

| Net periodic benefit cost (credit) | Quarter ended | | | | | |
|------------------------------------|---------------------------|--------------------------|----------------------|---------------------------|--------------------------|----------------------|
| | March 31, 2011 | | | March 31, 2010 | | |
| | Domestic pension benefits | Foreign pension benefits | Health care benefits | Domestic pension benefits | Foreign pension benefits | Health care benefits |
| <i>(in millions)</i> | | | | | | |
| Service cost | \$ 16 | \$ 8 | \$ 1 | \$ 23 | \$ 7 | \$ 1 |
| Interest cost | 44 | 8 | 3 | 43 | 7 | 3 |
| Expected return on assets | (70) | (11) | (2) | (76) | (9) | (2) |
| Other | 23 | 4 | 2 | 14 | 3 | 2 |
| Net periodic benefit cost (credit) | \$ 13 | \$ 9 | \$ 4 | \$ 4 | \$ 8 | \$ 4 |

Note 11 – Restructuring charges

Global location strategy

BNY Mellon continues to execute its global location strategy. This strategy includes migrating positions to our global growth centers and is expected to result in moving or eliminating approximately 3,000 positions. In 2009, we recorded a pre-tax restructuring charge of \$139 million, and in the first quarter of 2011, we recorded a recovery of \$6 million associated with the global location strategy.

Severance payments related to these positions are primarily paid over the salary continuance period in accordance with the separation plan.

Workforce reduction program

In 2008, we announced that, due to weakness in the global economy, we would reduce our workforce by an estimated 1,800 positions, and as a result, recorded a pre-tax restructuring charge of \$181 million. We completed this program at Dec. 31, 2010. Severance payments related to these positions are primarily paid over the salary continuance period in accordance with the separation plan.

The restructuring charges are recorded as a separate line item on the income statement. The following tables present the activity in the restructuring reserves through March 31, 2011.

| Global location strategy 2009 – restructuring charge reserve activity <i>(in millions)</i> | Asset | | Total |
|---|--------------|------------------|--------------|
| | Severance | write-offs/other | |
| Original restructuring charge – December 2009 | \$ 102 | \$ 37 | \$ 139 |
| Additional charges | 29 | 6 | 35 |
| Utilization | (50) | (24) | (74) |
| Balance at Dec. 31, 2010 | \$ 81 | \$ 19 | \$ 100 |
| Additional charges/(recovery) | (6) | - | (6) |
| Utilization | (11) | - | (11) |
| Balance at March 31, 2011 | \$ 64 | \$ 19 | \$ 83 |

| Workforce reduction program 2008 – restructuring charge reserve activity <i>(in millions)</i> | Severance | Stock-based incentive acceleration | Other compensation costs | Other non-personnel expenses | Total |
|--|--------------|------------------------------------|--------------------------|------------------------------|--------------|
| | | | | | |
| Original restructuring charge – December 2008 | \$ 166 | \$ 9 | \$ 5 | \$ 1 | \$ 181 |
| Additional charges/(recovery) | (3) | (2) | (1) | 10 | 4 |
| Utilization | (147) | (7) | (4) | (11) | (169) |
| Balance at Dec. 31, 2010 | \$ 16 | \$ - | \$ - | \$ - | \$ 16 |
| Utilization | (4) | - | - | - | (4) |
| Balance at March 31, 2011 | \$ 12 | \$ - | \$ - | \$ - | \$ 12 |

The charges were recorded in the Other segment as these restructurings were corporate initiatives and not directly related to the operating performance of these businesses. The tables below present the restructuring charges if they had been allocated by business.

| Global location strategy 2009 – restructuring charge by business | Total charges since inception | | | |
|---|--|--------------|-------------|---------------|
| <i>(in millions)</i> | 1Q11 | 4Q10 | 1Q10 | inception |
| Investment Management | \$ - | \$ 10 | \$ 6 | \$ 55 |
| Investment Services | (6) | 12 | 2 | 86 |
| Other (including Business Partners) | - | 1 | (1) | 27 |
| Total restructuring charges | \$ (6) | \$ 23 | \$ 7 | \$ 168 |

| Workforce reduction program 2008 – restructuring charge by business | Total charges since inception | | | |
|--|--|---------------|-------------|---------------|
| <i>(in millions)</i> | 1Q11 | 4Q10 | 1Q10 | inception |
| Investment Management | \$ - | \$ (1) | \$ - | \$ 81 |
| Investment Services | - | (1) | - | 56 |
| Other (including Business Partners) | - | - | - | 48 |
| Total restructuring charges | \$ - | \$ (2) | \$ - | \$ 185 |

Note 12 – Income taxes

The statutory federal income tax rate is reconciled to our effective income tax rate below:

| Effective tax rate | Quarter ended | |
|---|---------------------------|---------------------------|
| | March 31, 2011 | March 31, 2010 |
| Federal rate | 35.0% | 35.0% |
| State and local income taxes, net of federal income tax benefit | 3.5 | 4.4 |
| Credit for low-income housing investments | (1.7) | (1.9) |
| Tax-exempt income | (2.9) | (1.8) |
| Foreign operations | (4.0) | (5.2) |
| Other – net | (0.6) | (1.4) |
| Effective rate | 29.3% | 29.1% |

Our total tax reserves as of March 31, 2011 were \$296 million compared with \$289 million at Dec. 31, 2010. If these tax reserves were unnecessary, \$233 million would affect the effective tax rate in future periods. We recognize accrued interest and penalties, if applicable, related to income taxes in income tax expense. Included in the balance sheet as of March 31, 2011, is accrued interest, where applicable, of \$57 million. The additional tax expense related to interest for the three months ended March 31, 2011 was \$5 million. It is reasonably possible that the total uncertain tax

positions could decrease during the next 12 months by up to \$135 million due to completion of tax authority examinations.

Our federal consolidated income tax returns are closed to examination through 2002. Our New York State and New York City return examinations have been closed through 2008. Our United Kingdom income tax returns are closed through 2007.

Note 13 – Securitizations and variable interest entities

Variable Interest Entities

Accounting guidance on the consolidation of Variable Interest Entities (“VIEs”), is included in ASC 810, *Consolidation*, and ASU 2009-17, “Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities.”

Effective Jan. 1, 2010, the FASB approved ASU 2010-10 “Amendments for Certain Investment Funds” which defers the requirements of ASU 2009-17 for asset managers’ interests in entities that apply the specialized accounting guidance for investment companies or that have the attributes of investment companies and for interests in money market funds.

Accounting guidance on the consolidation of VIEs applies to certain entities in which the equity investors:

- do not have sufficient equity at risk for the entity to finance its activities without additional financial support, or
- lack one or more of the following characteristics of a controlling financial interest:
 - The power through voting rights or similar rights, to direct the activities of an entity that most significantly impact the entity’s economic performance (ASU 2009-17 model).
 - The direct or indirect ability to make decisions about the entity’s activities through voting rights or similar rights (ASC 810 model).
 - The obligation to absorb the expected losses of the entity.
 - The right to receive the expected residual returns of the entity.

BNY Mellon’s VIEs generally include retail, institutional and alternative investment funds offered to its retail and institutional customers in which it acts as the fund’s investment manager. BNY Mellon

earns management fees on these funds as well as performance fees in certain funds. It may also provide start-up capital in its new funds. These VIEs are included in the scope of ASU 2010-10 and are reviewed for consolidation based on the guidance in ASC 810.

BNY Mellon applies ASC 810 to its mutual funds, hedge funds, private equity funds, collective investment funds and real estate investment trusts. If these entities are determined to be VIEs, primary beneficiary calculations are prepared in accordance with ASC 810 to determine whether or not BNY Mellon is the primary beneficiary and required to consolidate the VIE. The primary beneficiary of a VIE is the party that absorbs a majority of the variable interests' expected losses, receives a majority of its expected residual returns or both.

The primary beneficiary calculations include estimates of ranges and probabilities of losses and returns from the funds. The calculated expected gains and expected losses are allocated to the variable interest holders of the funds, which are generally the fund's investors and which may include BNY Mellon, in order to determine which entity is required to consolidate the VIE, if any.

BNY Mellon has other VIEs, including securitization trusts, which are no longer considered QSPEs, and CLOs, in which BNY Mellon serves as the investment manager. In addition, we provide trust and custody services for a fee to entities sponsored by other corporations in which we have no other interest. These VIEs are evaluated under the guidance included in ASU 2009-17. BNY Mellon has two securitizations and several CLOs, which are assessed for consolidation in accordance with ASU 2009-17.

The primary beneficiary of these VIEs is the entity whose variable interests provide it with a controlling financial interest, which includes the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE or the right to receive benefits of the VIE that could potentially be significant to the VIE.

In order to determine if it has a controlling financial interest in these VIEs, BNY Mellon assesses the VIE's purpose and design along with the risks it was designed to create and pass through to its variable interest holders. We also assess our involvement in the VIE and the involvement of any other variable interest holders in the VIE.

Generally, as the sponsor and the manager of its VIEs, BNY Mellon has the power to control the activities that significantly impact the VIE's economic performance. Both a qualitative and quantitative analysis of BNY Mellon's variable interests are performed to determine if BNY Mellon has the obligation to absorb losses of the VIE or the right to receive benefits of the VIE that could potentially be significant to the VIE. The analyses included assessments related to the expected performance of the VIEs and its related impact on BNY Mellon's seed capital, management fees or residual interests in the VIEs. We also assess any potential impact the VIE's expected performance has on our performance fees.

The following tables present the incremental assets and liabilities included in BNY Mellon's consolidated financial statements, after applying intercompany eliminations, as of March 31, 2011 based on the assessments performed in accordance with ASC 810 and ASU 2009-17. 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.

| Investments consolidated under ASC 810 at March 31, 2011 | | | |
|---|-----------------------------------|-----------------|--------------------------------------|
| <i>(in millions)</i> | Investment Management funds | Securitizations | Total consolidated investments |
| Available-for-sale | \$ - | \$ 481 | \$ 481 |
| Trading assets | 13,760 | - | 13,760 |
| Other assets | 939 | - | 939 |
| Total assets | \$14,699 | \$ 481 | \$15,180 |
| Trading liabilities | 13,313 | - | 13,313 |
| Other liabilities | 4 | 385 | 389 |
| Total liabilities | \$13,317 | \$ 385 | \$13,702 |
| Non-redeemable noncontrolling interests | \$ 777 | \$ - | \$ 777 |

Notes to Consolidated Financial Statements (continued)

| Investments consolidated under ASC 810 at Dec. 31, 2010 | | | |
|--|-----------------------------------|---------------|--------------------------------------|
| <i>(in millions)</i> | Investment Management funds | Securizations | Total consolidated investments |
| Available for sale | \$ - | \$ 483 | \$ 483 |
| Trading assets | 14,121 | - | 14,121 |
| Other assets | 645 | - | 645 |
| Total assets | \$ 14,766 | \$ 483 | \$ 15,249 |
| Trading liabilities | 13,561 | - | 13,561 |
| Other liabilities | 2 | 386 | 388 |
| Total liabilities | \$ 13,563 | \$ 386 | \$ 13,949 |
| Non-redeemable noncontrolling interests | \$ 699 | \$ - | \$ 699 |

BNY Mellon voluntarily provided capital support agreements to certain VIEs (see below). With the exception of these agreements, we are not contractually required to provide financial or any other support to any of our VIEs. Additionally, creditors of any consolidated VIEs do not have any recourse to the general credit of BNY Mellon.

Non-consolidated VIEs

As of March 31, 2011, the following assets related to the VIEs, where BNY Mellon is not the primary beneficiary, are included in its consolidated financial statements.

| Non-consolidated VIEs at March 31, 2011 | | | |
|--|--------|-------------|-----------------------------|
| <i>(in millions)</i> | Assets | Liabilities | Maximum loss exposure |
| Other | \$ 33 | \$ - | \$ 33 |

| Non-consolidated VIEs at Dec. 31, 2010 | | | |
|---|--------------|-------------|-----------------------------|
| <i>(in millions)</i> | Assets | Liabilities | Maximum loss exposure |
| Trading | \$ 24 | \$ - | \$ 24 |
| Other | 34 | - | 34 |
| Total | \$ 58 | \$ - | \$ 58 |

The maximum loss exposure indicated in the above tables relates solely to BNY Mellon's seed capital or residual interests invested in the VIEs.

Credit supported VIEs

BNY Mellon voluntarily provided limited credit support to certain money market, collective, commingled and separate account funds (the "Funds"). Entering into such support agreements represents an event under ASC 810, and is subject to its interpretations.

In analyzing the Funds for which credit support was provided, it was determined that interest rate risk and credit risk are the two main risks that the Funds are designed to create and pass through to their investors. Accordingly, interest rate and credit risk were analyzed to determine if BNY Mellon was the primary beneficiary of each of the Funds.

BNY Mellon's analysis of the credit risk variability and interest rate risk variability associated with the supported Funds resulted in BNY Mellon not being the primary beneficiary and therefore the Funds were not consolidated.

The table below shows the financial statement items related to non-consolidated VIEs to which we have provided credit support agreements at March 31, 2011 and Dec. 31, 2010.

| Credit supported VIEs at March 31, 2011 | | | |
|--|--------|-------------|-----------------------------|
| <i>(in millions)</i> | Assets | Liabilities | Maximum loss exposure |
| Other | \$ - | \$ - | \$ 9 |

| Credit supported VIEs at Dec. 31, 2010 | | | |
|---|--------|-------------|-----------------------------|
| <i>(in millions)</i> | Assets | Liabilities | Maximum loss exposure |
| Other | \$ - | \$ - | \$ 13 |

Consolidated credit supported VIEs

Certain funds have been created solely with securities that are subject to credit support agreements where we have agreed to absorb the majority of loss. Accordingly, these funds have been consolidated into BNY Mellon and have affected the following financial statement items at March 31, 2011 and Dec. 31, 2010.

| Consolidated credit supported VIEs at March 31, 2011 | | | |
|---|--------------|---------------|-----------------------------|
| <i>(in millions)</i> | Assets | Liabilities | Maximum loss exposure |
| Available-for-sale | \$ 59 | \$ - | \$ 59 |
| Other | - | 121 | 56 |
| Total | \$ 59 | \$ 121 | \$ 115 |

Consolidated credit supported VIEs at Dec. 31, 2010

| <i>(in millions)</i> | Assets | Liabilities | Maximum loss exposure |
|----------------------|--------|-------------|-----------------------------|
| Available-for-sale | \$ 53 | \$ - | \$ 53 |
| Other | - | 126 | 51 |
| Total | \$ 53 | \$ 126 | \$ 104 |

The maximum loss exposure shown above for the credit support agreements provided to BNY Mellon's VIEs primarily reflects a complete loss on securities of Lehman Brothers Holdings Inc. for BNY Mellon's clients that accepted our offer of support. As of March 31, 2011, BNY Mellon recorded \$121 million in liabilities related to its VIEs for which credit support agreements were provided.

Note 14 – Fair value of financial instruments

The carrying amounts of our financial instruments (i.e., monetary assets and liabilities) are determined under different accounting methods - see Note 1 to the Consolidated Financial Statements contained in BNY Mellon's 2010 Annual Report on Form 10-K. The following disclosure discusses these instruments on a uniform fair value basis. However, active markets do not exist for a significant portion of these instruments, principally loans and commitments. As a result, fair value determinations require significant subjective judgments regarding future cash flows. Other judgments would result in different fair values. Among the assumptions we used are discount rates ranging principally from 0.09% to 6.32% at March 31, 2011 and 0.12% to 6.46% at Dec. 31, 2010. The fair value information supplements the basic financial statements and other traditional financial data presented throughout this report.

Note 15, "Fair value measurement" presents assets and liabilities measured at fair value by the three level valuation hierarchy established under ASC 820, as well as a roll forward schedule of fair value measurements using significant unobservable inputs. Note 16, "Fair value option" presents the instruments for which fair value accounting was elected and the corresponding income statement impact of those instruments. A summary of the practices used for determining fair value is as follows.

Interest-bearing deposits with banks

The fair value of interest-bearing deposits with banks is based on discounted cash flows.

Securities, trading activities, and derivatives used for ALM

The fair value of securities and trading assets and liabilities is based on quoted market prices, dealer quotes, or pricing models. Fair value amounts for derivative instruments, such as options, futures and forward rate contracts, commitments to purchase and sell foreign exchange, and foreign currency swaps, are similarly determined. The fair value of over-the-counter interest rate swaps is the discounted value of projected future cash flows, adjusted for other factors including, but not limited to and if applicable, optionality and implied volatilities, as well as counterparty credit.

Loans and commitments

For residential mortgage loans, fair value is estimated using discounted cash flow analyses, adjusting where appropriate for prepayment estimates, using interest rates currently being offered for loans with similar terms and maturities to borrowers. To determine the fair value of other types of loans, BNY Mellon uses discounted cash flows using current market rates. The fair value of commitments to extend credit, standby letters of credit, and commercial letters of credit is based upon the cost to settle the commitment.

Other financial assets

Fair value is assumed to equal carrying value for these assets due to their short maturity.

Deposits, borrowings and long-term debt

The fair value of noninterest-bearing deposits and payables to customers and broker-dealers is assumed to be their carrying amount. The fair value of interest-bearing deposits, borrowings, and long-term debt is based upon current rates for instruments of the same remaining maturity or quoted market prices for the same or similar issues.

| Summary of financial instruments | | | | |
|---|------------------------|-----------------------------|------------------------|-----------------------------|
| <i>(in millions)</i> | March 31, 2011 | | Dec. 31, 2010 | |
| | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Assets: | | | | |
| Interest-bearing deposits with banks | \$58,788 | \$58,904 | \$50,200 | \$50,253 |
| Securities | 69,253 | 69,615 | 72,440 | 71,944 |
| Trading assets | 8,085 | 8,085 | 6,276 | 6,276 |
| Loans and commitments | 36,746 | 36,732 | 34,163 | 34,241 |
| Derivatives used for ALM | 808 | 808 | 834 | 834 |
| Other financial assets | 40,890 | 40,890 | 31,167 | 31,167 |
| Total financial assets | 214,570 | 215,034 | 195,080 | 194,715 |
| Assets of discontinued operations | - | - | 278 | 278 |
| Assets of consolidated investment management funds – primarily trading | 14,699 | 14,699 | 14,766 | 14,766 |
| Non-financial assets | 37,175 | | 37,135 | |
| Total assets | \$266,444 | | \$247,259 | |
| Liabilities: | | | | |
| Noninterest-bearing deposits | \$40,105 | \$40,105 | \$38,703 | \$38,703 |
| Interest-bearing deposits | 122,391 | 123,072 | 106,636 | 107,417 |
| Payables to customers and broker-dealers | 10,550 | 10,550 | 9,962 | 9,962 |
| Borrowings | 6,850 | 6,850 | 8,599 | 8,599 |
| Long-term debt | 17,215 | 17,797 | 16,517 | 17,120 |
| Trading liabilities | 7,936 | 7,936 | 6,911 | 6,911 |
| Derivatives used for ALM | 713 | 713 | 192 | 192 |
| Total financial liabilities | \$205,760 | \$207,023 | \$187,520 | \$188,904 |
| Liabilities of consolidated investment management funds – primarily trading | 13,317 | 13,317 | 13,563 | 13,563 |
| Non-financial liabilities | 13,227 | | 13,019 | |
| Total liabilities | \$232,304 | | \$214,102 | |

The table below summarizes the carrying amount of the hedged financial instruments, the notional amount of the hedge and the estimated fair value (unrealized gain (loss)) of the derivatives:

| Hedged financial instruments | | | | |
|--------------------------------------|------------------------|------------------------|-------------------|---------------|
| <i>(in millions)</i> | Carrying amount | Notional amount | Unrealized | |
| | | | Gain | (Loss) |
| At March 31, 2011: | | | | |
| Interest-bearing deposits with banks | \$15,415 | \$15,415 | \$ 26 | \$(665) |
| Securities held-for-sale | 2,095 | 2,097 | 81 | (1) |
| Deposits | 22 | 20 | 2 | - |
| Long-term debt | 13,245 | 12,534 | 699 | (47) |
| At Dec. 31, 2010: | | | | |
| Interest-bearing deposits with banks | \$ 6,763 | \$ 6,763 | \$ - | \$(148) |
| Securities held-for-sale | 2,170 | 2,168 | 51 | (3) |
| Deposits | 27 | 25 | 3 | - |
| Long-term debt | 12,540 | 11,774 | 780 | (41) |

Note 15 – Fair value measurement

The guidance related to “Fair Value Measurement”, included in ASC 820 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. It establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and expands the disclosures about instruments measured at fair value. ASC 820 requires consideration of a company’s own creditworthiness when valuing liabilities.

The standard provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The objective is to determine from weighted indicators of fair value a reasonable point within the range that is most representative of fair value under current market conditions.

Determination of fair value

Following is a description of our valuation methodologies for assets and liabilities measured at fair value. We have established processes for determining fair values. Fair value is based upon quoted market prices, where available. For financial instruments where quotes from recent exchange transactions are not available, we determine fair value based on discounted cash flow analysis, comparison to similar instruments, and the use of financial models. Discounted cash flow analysis is dependent upon estimated future cash flows and the level of interest rates. Model-based pricing uses inputs of observable prices for interest rates, foreign exchange rates, option volatilities and other factors. Models are benchmarked and validated by an independent internal risk management function. Our valuation process takes into consideration factors such as counterparty credit quality, liquidity,

concentration concerns, observability of model parameters and the results of stress tests. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

Most derivative contracts are valued using internally developed models which are calibrated to observable market data and employ standard market pricing theory for their valuations. An initial “risk-neutral” valuation is performed on each position assuming time-discounting based on a AA credit curve. Then, to arrive at a fair value that incorporates counterparty credit risk, a credit adjustment is made to these results by discounting each trade’s expected exposures to the counterparty using the counterparty’s credit spreads, as implied by the credit default swap market. We also adjust expected liabilities to the counterparty using BNY Mellon’s own credit spreads, as implied by the credit default swap market. Accordingly, the valuation of our derivative position is sensitive to the current changes in our own credit spreads as well as those of our counterparties.

In certain cases, we may face additional costs to exit large risk positions or recent prices may not be observable for instruments that trade in inactive or less active markets. The costs to exit large risk positions are based on evaluating the negative change in the market during the time it would take for us to bring those positions to normal market levels for those instruments. Upon evaluating the uncertainty in valuing financial instruments subject to liquidity issues, we make an adjustment to their value. The determination of the liquidity adjustment includes the availability of external quotes, the time since the latest available quote and the price volatility of the instrument.

Certain parameters in some financial models are not directly observable and, therefore, are based on managements’ estimates and judgments. These financial instruments are normally traded less actively. Examples include certain credit products where parameters such as correlation and recovery rates are unobservable. We apply valuation adjustments to mitigate the possibility of error and revision in the model based estimate value.

The methods described above may produce a current fair value calculation that may not be indicative of net realizable value or reflective of future fair values. We believe our methods of determining fair value are appropriate and consistent with other market participants. However, the use of different

methodologies or different assumptions to value certain financial instruments could result in a different estimate of fair value.

Valuation hierarchy

ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are described below.

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 1 assets and liabilities include debt and equity securities and derivative financial instruments actively traded on exchanges and U.S. Treasury securities and U.S. Government securities that are actively traded in highly liquid over the counter markets.

Level 2: Observable inputs other than Level 1 prices, for example, quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs that are observable or can be corroborated, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 assets and liabilities include debt instruments that are traded less frequently than exchange traded securities and derivative instruments whose model inputs are observable in the market or can be corroborated by market observable data. Examples in this category are certain variable and fixed rate agency and non-agency securities, corporate debt securities and derivative contracts.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Examples in this category include interests in certain securitized financial assets, certain private equity investments, and derivative contracts that are highly structured or long-dated.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Loans and unfunded lending-related commitments

Where quoted market prices are not available, we generally base the fair value of loans and unfunded lending-related commitments on observable market prices of similar instruments, including bonds, credit derivatives and loans with similar characteristics. If observable market prices are not available, we base the fair value on estimated cash flows adjusted for credit risk which are discounted using an interest rate appropriate for the maturity of the applicable loans or the unfunded commitments.

Unrealized gains and losses on unfunded lending commitments carried at fair value are classified in Other assets and Other liabilities, respectively. Loans and unfunded lending commitments carried at fair value are generally classified within Level 2 of the valuation hierarchy.

Securities

Where quoted prices are available in an active market, we classify the securities within Level 1 of the valuation hierarchy. Securities are defined as both long and short positions. Level 1 securities include highly liquid government bonds and exchange-traded equities.

If quoted market prices are not available, we estimate fair values using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain agency and non-agency mortgage-backed securities, commercial mortgage-backed securities and European floating rate notes.

For securities where quotes from recent transactions are not available for identical securities, we determine fair value primarily based on pricing sources with reasonable levels of price transparency that employ financial models or obtain comparison to similar instruments to arrive at “consensus” prices.

Specifically, the pricing sources obtain recent transactions for similar types of securities (e.g., vintage, position in the securitization structure) and ascertain variables such as discount rate and speed of prepayment for the types of transaction and apply such variables to similar types of bonds. We view these as observable transactions in the current market place and classify such securities as Level 2. Pricing sources discontinue pricing any specific

security whenever they determine there is insufficient observable data to provide a good faith opinion on price.

In addition, we have significant investments in more actively traded agency RMBS and the pricing sources derive the prices for these securities largely from quotes they obtain from three major inter-dealer brokers. The pricing sources receive their daily observed trade price and other information feeds from the inter-dealer brokers.

For securities with bond insurance, the financial strength of the insurance provider is analyzed and that information is included in the fair value assessment for such securities.

In certain cases where there is limited activity or less transparency around inputs to the valuation, we classify those securities in Level 3 of the valuation hierarchy. Securities classified within Level 3 primarily include other retained interests in securitizations, securities of state and political subdivisions and other debt securities.

At March 31, 2011, approximately 99% of our securities were valued by pricing sources with reasonable levels of price transparency. Less than 1% of our securities were priced based on economic models and non-binding dealer quotes, and are included in Level 3 of the ASC 820 hierarchy.

Consolidated collateralized loan obligations

BNY Mellon values assets in consolidated CLOs using observable market prices observed from the secondary loan market. The returns to the note holders are solely dependent on the assets and accordingly equal the value of those assets. Based on the structure of the CLOs, the valuation of the assets is attributable to the senior note holders. Changes in the values of assets and liabilities are reflected in the income statement as investment income and interest of investment management fund note holders, respectively.

Derivatives

We classify exchange-traded derivatives valued using quoted prices in Level 1 of the valuation hierarchy. Examples include exchanged-traded equity and foreign exchange options. Since few other classes of derivative contracts are listed on an exchange, most of our derivative positions are valued using internally developed models that use as their basis readily observable market parameters and we classify them in Level 2 of the valuation

hierarchy. Such derivatives include basic interest rate swaps and options and credit default swaps.

Derivatives valued using models with significant unobservable market parameters and that are traded less actively or in markets that lack two way flow, are classified in Level 3 of the valuation hierarchy. Examples include long-dated interest rate or currency swaps, where swap rates may be unobservable for longer maturities; and certain credit products, where correlation and recovery rates are unobservable. Certain interest rate swaps with counterparties that are highly structured entities require significant judgment and analysis to adjust the value determined by standard pricing models. The fair value of these interest rate swaps compose less than 1% of our derivative financial instruments. Additional disclosures of derivative instruments are provided in Note 17.

Seed capital

In our Investment Management business we manage investment assets, including equities, fixed income, money market and alternative investment funds for institutions and other investors; as part of that activity we make seed capital investments in certain funds. Seed capital is included in trading assets, securities available-for-sale and other assets, depending on the nature of the investment. When applicable, we value seed capital based on the published NAV of the fund. We include funds in which ownership interests in the fund are publicly-traded in an active market and institutional funds in which investors trade in and out daily in Level 1 of the valuation hierarchy. We include open-end funds where investors are allowed to sell their ownership interest back to the fund less frequently than daily and where our interest in the fund contains no other rights or obligations in Level 2 of the valuation hierarchy. However, we generally include investments in funds which allow investors to sell their ownership interest back to the fund less frequently than monthly in Level 3, unless actual redemption prices are observable.

For other types of investments in funds, we consider all of the rights and obligations inherent in our ownership interest, including the reported NAV as well as other factors that affect the fair value of our interest in the fund. To the extent the NAV measurements reported for the investments are based on unobservable inputs or include other rights and obligations (e.g., obligation to meet cash calls), we generally classify them in Level 3 of the valuation hierarchy.

Certain interests in securitizations

For certain interests in securitizations which are classified in securities available-for-sale and other assets, we use discounted cash flow models which generally include assumptions of projected finance charges related to the securitized assets, estimated net credit losses, prepayment assumptions and estimates of payments to third-party investors. When available, we compare our fair value estimates and assumptions to market activity and to the actual results of the securitized portfolio. Changes in these assumptions may significantly impact our estimate of fair value of the interests in securitizations; accordingly, we generally classify them in Level 3 of the valuation hierarchy.

Private equity investments

Our Other business includes holdings of nonpublic private equity investment through funds managed by third party investment managers. We value private equity investments initially based upon the transaction price which we subsequently adjust to reflect expected exit values as evidenced by financing and sale transactions with third parties or through ongoing reviews by the investment managers.

Private equity investments also include publicly held equity investments, generally obtained through the initial public offering of privately held equity investments. These equity investments are often held in a partnership structure. Publicly held investments are marked-to-market at the quoted public value less adjustments for regulatory or contractual sales restrictions or adjustments to reflect the difficulty in selling a partnership interest.

Discounts for restrictions are quantified by analyzing the length of the restriction period and the volatility of the equity security. Publicly held investments are primarily classified in Level 2 of the valuation hierarchy.

The following tables present the financial instruments carried at fair value at March 31, 2011 and Dec. 31, 2010, by caption on the consolidated balance sheet and by ASC 820 valuation hierarchy (as described above). We have included credit ratings information in certain of the tables because the information indicates the degree of credit risk to which we are exposed, and significant changes in ratings classifications could result in increased risk for us. There were no transfers between Level 1 and Level 2 during the first quarter of 2011.

Notes to Consolidated Financial Statements (continued)

| Assets and liabilities measured at fair value on a recurring basis at March 31, 2011 (dollar amounts in millions) | Level 1 | Level 2 | Level 3 | Netting (a) | Total carrying value |
|--|------------------|------------------|---------------|--------------------|----------------------|
| Available-for-sale securities: | | | | | |
| U.S. Treasury | \$ 13,583 | \$ - | \$ - | \$ - | \$ 13,583 |
| U.S. Government agencies | 121 | 896 | - | - | 1,017 |
| Sovereign debt | 28 | 9,596 | - | - | 9,624 |
| State and political subdivisions | - | 582 | 10 | - | 592 |
| Agency RMBS | - | 18,827 | - | - | 18,827 |
| Alt-A RMBS | - | 410 | - | - | 410 |
| Prime RMBS | - | 1,170 | - | - | 1,170 |
| Subprime RMBS | - | 499 | - | - | 499 |
| Other RMBS | - | 1,327 | - | - | 1,327 |
| Commercial MBS | - | 2,508 | - | - | 2,508 |
| Asset-backed CLOs | - | 523 | - | - | 523 |
| Other asset-backed securities | - | 464 | - | - | 464 |
| Equity securities (b) | 21 | 22 | - | - | 43 |
| Money market funds | 1,310 | - | - | - | 1,310 |
| Other debt securities (b) | 121 | 3,199 | 64 | - | 3,384 |
| Foreign covered bonds | 2,363 | 724 | - | - | 3,087 |
| Alt-A RMBS (c) | - | 2,471 | - | - | 2,471 |
| Prime RMBS (c) | - | 1,764 | - | - | 1,764 |
| Subprime RMBS (c) | - | 148 | - | - | 148 |
| Total available-for-sale | 17,547 | 45,130 | 74 | - | 62,751 |
| Trading assets: | | | | | |
| Debt and equity instruments (d) | 2,730 | 1,455 | 32 | - | 4,217 |
| Derivative assets: | | | | | |
| Interest rate | 312 | 13,416 | 131 | N/A | |
| Foreign exchange | 4,055 | 91 | - | N/A | |
| Equity | 79 | 372 | - | N/A | |
| Other | 1 | - | - | N/A | |
| Total derivative assets | 4,447 | 13,879 | 131 | (14,589) (g) | 3,868 |
| Total trading assets | 7,177 | 15,334 | 163 | (14,589) | 8,085 |
| Loans | - | - | 4 | - | 4 |
| Other assets (e) | 123 | 1,012 | 120 | - | 1,255 |
| Subtotal assets of operations at fair value | \$ 24,847 | \$ 61,476 | \$ 361 | \$ (14,589) | \$ 72,095 |
| Percent of assets prior to netting | 28.7% | 70.9% | 0.4% | | |
| Assets of consolidated investment management funds: | | | | | |
| Trading assets | 277 | 13,483 | - | - | 13,760 |
| Other assets | 744 | 193 | 2 | - | 939 |
| Total assets of consolidated investment management funds | 1,021 | 13,676 | 2 | - | 14,699 |
| Total assets | \$ 25,868 | \$ 75,152 | \$ 363 | \$ (14,589) | \$ 86,794 |
| Percent of assets prior to netting | 25.5% | 74.1% | 0.4% | | |
| Trading liabilities: | | | | | |
| Debt and equity instruments | \$ 2,487 | \$ 534 | \$ - | \$ - | \$ 3,021 |
| Derivative liabilities: | | | | | |
| Interest rate | - | 14,443 | 108 | N/A | |
| Foreign exchange | 3,929 | 44 | - | N/A | |
| Equity | 51 | 311 | 17 | N/A | |
| Other | - | 3 | 1 | N/A | |
| Total derivative liabilities | 3,980 | 14,801 | 126 | (13,992)(g) | 4,915 |
| Total trading liabilities | 6,467 | 15,335 | 126 | (13,992) | 7,936 |
| Long-term debt | - | 268 | - | - | 268 |
| Other liabilities (f) | 898 | 150 | 2 | - | 1,050 |
| Subtotal liabilities at fair value | \$ 7,365 | \$ 15,753 | \$ 128 | \$ (13,992) | \$ 9,254 |
| Percent of liabilities prior to netting | 31.7% | 67.8% | 0.5% | | |
| Liabilities of consolidated investment management funds: | | | | | |
| Trading liabilities | - | 13,313 | - | - | 13,313 |
| Other liabilities | 4 | - | - | - | 4 |
| Total liabilities of consolidated investment management funds | 4 | 13,313 | - | - | 13,317 |
| Total liabilities | \$ 7,369 | \$ 29,066 | \$ 128 | \$ (13,992) | \$ 22,571 |
| Percent of liabilities prior to netting | 20.2% | 79.5% | 0.3% | | |

(a) ASC 815 permits the netting of derivative receivables and derivative payables under legally enforceable master netting agreements and permits the netting of cash collateral.

(b) Includes seed capital and certain interests in securitizations.

(c) Previously included in the Grantor Trust.

(d) Includes loans classified as trading assets and certain interests in securitizations.

(e) Includes private equity investments, seed capital and derivatives in designated hedging relationships.

(f) Includes the fair value adjustment for certain unfunded lending-related commitments and derivatives in designated hedging relationships and support agreements.

(g) Netting cannot be disaggregated by product.

Notes to Consolidated Financial Statements (continued)

| Assets and liabilities measured at fair value on a recurring basis at Dec. 31, 2010 | | | | | |
|---|-----------------|-----------------|--------------|-------------------|----------------------|
| <i>(dollar amounts in millions)</i> | Level 1 | Level 2 | Level 3 | Netting (a) | Total carrying value |
| Available-for-sale securities: | | | | | |
| U.S. Treasury | \$ 12,609 | \$ - | \$ - | \$ - | \$ 12,609 |
| U.S. Government agencies | - | 1,005 | - | - | 1,005 |
| Sovereign debt | 27 | 8,522 | - | - | 8,549 |
| State and political subdivisions | - | 498 | 10 | - | 508 |
| Agency RMBS | - | 19,727 | - | - | 19,727 |
| Alt-A RMBS | - | 470 | - | - | 470 |
| Prime RMBS | - | 1,227 | - | - | 1,227 |
| Subprime RMBS | - | 508 | - | - | 508 |
| Other RMBS | - | 1,331 | - | - | 1,331 |
| Commercial MBS | - | 2,639 | - | - | 2,639 |
| Asset-backed CLOs | - | 249 | - | - | 249 |
| Other asset-backed securities | - | 539 | - | - | 539 |
| Equity securities (b) | 18 | 29 | - | - | 47 |
| Money markets funds | 2,538 | - | - | - | 2,538 |
| Other debt securities (b) | 91 | 3,193 | 58 | - | 3,342 |
| Foreign covered bonds | 2,260 | 608 | - | - | 2,868 |
| Alt-A RMBS (c) | - | 2,513 | - | - | 2,513 |
| Prime RMBS (c) | - | 1,825 | - | - | 1,825 |
| Subprime RMBS (c) | - | 158 | - | - | 158 |
| Total securities available-for-sale | 17,543 | 45,041 | 68 | - | 62,652 |
| Trading assets: | | | | | |
| Debt and equity instruments (d) | 1,598 | 710 | 32 | - | 2,340 |
| Derivative assets: | | | | | |
| Interest rate | 272 | 15,260 | 119 | N/A | |
| Foreign exchange | 3,561 | 100 | - | N/A | |
| Equity | 79 | 370 | - | N/A | |
| Other | 1 | 1 | - | N/A | |
| Total derivative assets | 3,913 | 15,731 | 119 | (15,827) (g) | 3,936 |
| Total trading assets | 5,511 | 16,441 | 151 | (15,827) | 6,276 |
| Loans | - | - | 6 | - | 6 |
| Other assets (e) | 52 | 910 | 113 | - | 1,075 |
| Subtotal assets of operations at fair value | \$23,106 | \$62,392 | \$338 | \$(15,827) | \$70,009 |
| Percent of assets prior to netting | 26.9% | 72.7% | 0.4% | | |
| Assets of consolidated investment management funds: | | | | | |
| Trading assets | 279 | 13,842 | - | - | 14,121 |
| Other assets | 499 | 144 | 2 | - | 645 |
| Total assets of consolidated investment management funds | 778 | 13,986 | 2 | - | 14,766 |
| Total assets | \$23,884 | \$76,378 | \$340 | \$(15,827) | \$84,775 |
| Percent of assets prior to netting | 23.8% | 75.9% | 0.3% | | |
| Trading liabilities: | | | | | |
| Debt and equity instruments | \$1,277 | \$ 443 | \$ 6 | \$ - | \$ 1,726 |
| Derivative liabilities: | | | | | |
| Interest rate | - | 16,126 | 149 | N/A | |
| Foreign exchange | 3,648 | 59 | - | N/A | |
| Equity | 54 | 304 | 22 | N/A | |
| Other | - | 4 | - | N/A | |
| Total derivative liabilities | 3,702 | 16,493 | 171 | (15,181) (g) | 5,185 |
| Total trading liabilities | 4,979 | 16,936 | 177 | (15,181) | 6,911 |
| Long-term debt | - | 269 | - | - | 269 |
| Other liabilities (f) | 115 | 473 | 2 | - | 590 |
| Subtotal liabilities at fair value | \$ 5,094 | \$17,678 | \$179 | \$(15,181) | \$7,770 |
| Percent of liabilities prior to netting | 22.2% | 77.0% | 0.8% | | |
| Liabilities of consolidated investment management funds: | | | | | |
| Trading liabilities | - | 13,561 | - | - | 13,561 |
| Other liabilities | 2 | - | - | - | 2 |
| Total liabilities of consolidated investment management funds | 2 | 13,561 | - | - | 13,563 |
| Total liabilities | \$5,096 | \$31,239 | \$179 | \$(15,181) | \$21,333 |
| Percent of liabilities prior to netting | 14.0% | 85.5% | 0.5% | | |

(a) ASC 815 permits the netting of derivative receivables and derivative payables under legally enforceable master netting agreements and permits the netting of cash collateral.

(b) Includes seed capital and certain interests in securitizations.

(c) Previously included in the Grantor Trust.

(d) Includes loans classified as trading assets and certain interests in securitizations.

(e) Includes private equity investments, seed capital and derivatives in designated hedging relationships.

(f) Includes the fair value adjustment for certain unfunded lending-related commitments and derivatives in designated hedging relationships and support agreements.

(g) Netting cannot be disaggregated by product.

Notes to Consolidated Financial Statements (continued)

Details of certain items measured at fair value on a recurring basis

| | March 31, 2011 | | | | | Dec. 31, 2010 | | | | |
|---|--------------------------|---------|-------|-----------|---------------|--------------------------|---------|-------|-----------|---------------|
| | Total carrying value (a) | AAA/AA- | A+/A- | BBB+/BBB- | BB+ and lower | Total carrying value (a) | AAA/AA- | A+/A- | BBB+/BBB- | BB+ and lower |
| <i>(dollar amounts in millions)</i> | | | | | | | | | | |
| Alt-A RMBS, originated in: | | | | | | | | | | |
| 2007 | \$ 1 | -% | -% | -% | 100% | \$ 1 | -% | -% | -% | 100% |
| 2006 | 180 | - | - | - | 100 | 186 | - | - | - | 100 |
| 2005 | 156 | - | - | - | 100 | 209 | - | - | - | 100 |
| 2004 and earlier | 73 | 34 | 13 | 41 | 12 | 74 | 70 | 25 | 5 | - |
| Total Alt-A RMBS | \$ 410 | 6% | 2% | 7% | 85% | \$ 470 | 11% | 4% | 1% | 84% |
| Prime RMBS, originated in: | | | | | | | | | | |
| 2007 | \$ 242 | 28% | 2% | 19% | 51% | \$ 254 | 50% | 28% | 7% | 15% |
| 2006 | 159 | - | - | - | 100 | 166 | - | 39 | - | 61 |
| 2005 | 295 | 40 | - | 14 | 46 | 310 | 39 | - | 14 | 47 |
| 2004 and earlier | 474 | 70 | 13 | 7 | 10 | 497 | 79 | 12 | 6 | 3 |
| Total prime RMBS | \$ 1,170 | 44% | 5% | 11% | 40% | \$ 1,227 | 52% | 16% | 8% | 24% |
| Subprime RMBS, originated in: | | | | | | | | | | |
| 2007 | \$ 4 | -% | 6% | 94% | -% | \$ 5 | -% | 8% | 92% | -% |
| 2005 | 94 | 24 | 13 | 12 | 51 | 97 | 25 | 12 | 12 | 51 |
| 2004 and earlier | 401 | 8 | 15 | 17 | 60 | 406 | 74 | 13 | 5 | 8 |
| Total subprime RMBS | \$ 499 | 11% | 14% | 17% | 58% | \$ 508 | 64% | 13% | 7% | 16% |
| Commercial MBS - Domestic, originated in: | | | | | | | | | | |
| 2007 | \$ 681 | 83% | 8% | 9% | -% | \$ 685 | 83% | 8% | 9% | -% |
| 2006 | 577 | 89 | 11 | - | - | 582 | 90 | 10 | - | - |
| 2005 | 476 | 100 | - | - | - | 489 | 100 | - | - | - |
| 2004 and earlier | 388 | 100 | - | - | - | 528 | 100 | - | - | - |
| Total commercial MBS - Domestic | \$ 2,122 | 92% | 5% | 3% | -% | \$ 2,284 | 92% | 5% | 3% | -% |
| Foreign covered bonds: | | | | | | | | | | |
| Germany | \$ 2,363 | 97% | 3% | -% | -% | \$ 2,260 | 99% | 1% | -% | -% |
| Canada | 724 | 100 | - | - | - | 608 | 100 | - | - | - |
| Total foreign covered bonds | \$ 3,087 | 97% | 3% | -% | -% | \$ 2,868 | 100% | -% | -% | -% |
| European Floating Rate Notes: | | | | | | | | | | |
| United Kingdom | \$ 885 | 99% | 1% | -% | -% | \$ 848 | 99% | 1% | -% | -% |
| Netherlands | 89 | 60 | 40 | - | - | 150 | 78 | 22 | - | - |
| Other | 969 | 40 | 48 | 12 | - | 909 | 73 | 27 | - | - |
| Total European Floating Rate Notes | \$ 1,943 | 68% | 26% | 6% | -% | \$ 1,907 | 85% | 15% | -% | -% |
| Sovereign debt: | | | | | | | | | | |
| United Kingdom | \$ 3,430 | 100% | -% | -% | -% | \$ 3,214 | 100% | -% | -% | -% |
| Germany | 3,963 | 100 | - | - | - | 3,065 | 100 | - | - | - |
| France | 1,588 | 100 | - | - | - | 1,845 | 100 | - | - | - |
| Netherlands | 415 | 100 | - | - | - | 396 | 100 | - | - | - |
| Other | 228 | 89 | 1 | 10 | - | 29 | 93 | 6 | - | 1 |
| Total sovereign debt | \$ 9,624 | 100% | -% | -% | -% | \$ 8,549 | 100% | -% | -% | -% |
| Alt-A RMBS (b), originated in: | | | | | | | | | | |
| 2007 | \$ 757 | -% | -% | -% | 100% | \$ 792 | -% | -% | -% | 100% |
| 2006 | 684 | - | - | - | 100 | 660 | - | - | - | 100 |
| 2005 | 787 | 5 | - | 5 | 90 | 820 | 2 | - | 4 | 94 |
| 2004 and earlier | 243 | 8 | 1 | 30 | 61 | 241 | 22 | 46 | 19 | 13 |
| Total Alt-A RMBS (b) | \$ 2,471 | 2% | -% | 5% | 93% | \$ 2,513 | 3% | 4% | 3% | 90% |
| Prime RMBS (b), originated in: | | | | | | | | | | |
| 2007 | \$ 658 | -% | -% | -% | 100% | \$ 679 | -% | -% | -% | 100% |
| 2006 | 416 | - | - | - | 100 | 431 | - | - | - | 100 |
| 2005 | 649 | 1 | 5 | - | 94 | 672 | 2 | 5 | 1 | 92 |
| 2004 and earlier | 41 | 39 | 22 | - | 39 | 43 | 49 | 47 | - | 4 |
| Total prime RMBS (b) | \$ 1,764 | 1% | 2% | -% | 97% | \$ 1,825 | 2% | 3% | -% | 95% |
| Subprime RMBS (b), originated in: | | | | | | | | | | |
| 2007 | \$ 6 | -% | -% | -% | 100% | \$ 15 | -% | -% | -% | 100% |
| 2006 | 89 | - | - | - | 100 | 89 | - | - | - | 100 |
| 2005 | 13 | - | - | - | 100 | 13 | - | - | - | 100 |
| 2004 and earlier | 40 | 5 | 33 | - | 62 | 41 | 53 | - | - | 47 |
| Total subprime RMBS (b) | \$ 148 | 1% | 9% | -% | 90% | \$ 158 | 14% | -% | -% | 86% |

(a) At March 31, 2011 and Dec. 31, 2010, the German foreign covered bonds were considered Level 1 in the valuation hierarchy. All other assets in the table above are considered Level 2 assets in the valuation hierarchy.

(b) Previously included in the Grantor Trust.

Changes in Level 3 fair value measurements

The tables below include a roll forward of the balance sheet amounts for the quarters ended March 31, 2011 and Dec. 31, 2010 (including the change in fair value), for financial instruments classified in Level 3 of the valuation hierarchy.

Our classification of a financial instrument in Level 3 of the valuation hierarchy is based on the significance of the unobservable factors to the overall fair value measurement. However, these instruments generally include other observable components that are actively quoted or validated to third party sources; accordingly, the gains and losses in the table below include changes in fair value due to observable parameters as well as the unobservable

parameters in our valuation methodologies. We also frequently manage the risks of Level 3 financial instruments using securities and derivatives positions that are Level 1 or 2 instruments which are not included in the table; accordingly, the gains or losses below do not reflect the effect of our risk management activities related to the Level 3 instruments.

In accordance with ASC 820, BNY Mellon adjusts the discount rate on securities to reflect what they would sell for in an orderly market (model price) and compares the model prices to prices provided by pricing sources. If the difference between the model price and the prices provided by pricing sources is outside of established thresholds, the securities are included in Level 3.

Fair value measurements for assets using significant unobservable inputs for three months ended March 31, 2011

| <i>(in millions)</i> | Available-for-sale securities | | Trading assets | | | | Other assets | Total assets |
|---|----------------------------------|-----------------------|-----------------------------|-------------------|-------------|---------------|---------------|--------------|
| | State and political subdivisions | Other debt securities | Debt and equity instruments | Derivative assets | Loans | | | |
| Fair value at Dec. 31, 2010 | \$ 10 | \$ 58 | \$ 32 | \$ 119 | \$ 6 | \$ 113 | \$ 338 | |
| Transfers into Level 3 | - | 6 | - | 1 | - | - | 7 | |
| Transfers out of Level 3 | - | - | - | 14 | 2 | - | 16 | |
| Total gains or losses: | | | | | | | | |
| Included in earnings (or changes in net assets) | - (a) | - (a) | - (b) | 25 | - | 6 (c) | 31 | |
| Purchases | - | - | - | - | - | 1 | 1 | |
| Fair value at March 31, 2011 | \$ 10 | \$ 64 | \$ 32 | \$ 131 | \$ 4 | \$ 120 | \$ 361 | |
| The amount of total gains or losses included in earnings (or changes in net assets) attributable to the changes in unrealized gains or losses | | | \$ - | \$ 38 | \$ - | \$ - | \$ 38 | |

Fair value measurements for liabilities using significant unobservable inputs for three months ended March 31, 2011

| <i>(in millions)</i> | Trading liabilities | | Other liabilities | Total liabilities |
|---|-----------------------------|------------------------|-------------------|-------------------|
| | Debt and equity instruments | Derivative liabilities | | |
| Fair value at Dec. 31, 2010 | \$ (6) | \$ (171) | \$ (2) | \$ (179) |
| Total gains or losses: | | | | |
| Included in earnings (or changes in net assets) | - | 49 (b) | - | 49 |
| Issuances | 6 | - | - | 6 |
| Settlements | - | 4 | - | 4 |
| Fair value at March 31, 2011 | \$ - | \$ (126) | \$ (2) | \$ (128) |
| The amount of total gains or losses included in earnings (or changes in net assets) attributable to the changes in unrealized gains or losses | \$ - | \$ 19 | \$ - | \$ 19 |

(a) Realized gains (losses) are reported in securities gains (losses). Unrealized gains (losses) are reported in accumulated other comprehensive income (loss) except for the credit portion of OTTI losses which are recorded in securities gains (losses).

(b) Reported in foreign exchange and other trading revenue.

(c) Reported in foreign exchange and other trading revenue, except for derivatives in designated hedging relationships which are recorded in interest revenue and interest expense.

Notes to Consolidated Financial Statements (continued)

Fair value measurements using significant unobservable inputs year ended Dec. 31, 2010

| (in millions) | Fair value Dec. 31, 2009 | Total realized/unrealized gains/(losses) recorded in Comprehensive Income | | Purchases, issuances and settlements, net | Transfers in/(out) of Level 3 | Fair value Dec. 31, 2010 | Change in unrealized gains and (losses) related to instruments held at Dec. 31, 2010 |
|----------------------------------|--------------------------------|--|-------|--|-------------------------------------|--------------------------------|--|
| Available-for-sale securities: | | | | | | | |
| Asset-backed CLOs | \$ 6 | \$ - | \$ - | \$ - | \$ (6) | \$ - | \$ - |
| State and political subdivisions | - | 1 | - | - | 9 | 10 | 1 |
| Other debt securities | 50 | 2 | - | 8 | (2) | 58 | 2 |
| Total available-for-sale | 56 | 3 (a) | - (a) | 8 | 1 | 68 | 3 |
| Trading assets: | | | | | | | |
| Debt and equity instruments | 170 | (1) | - | 3 | (140) | 32 | - |
| Derivative assets | 146 | (44) | - | 2 | 15 | 119 | 28 |
| Total trading assets | 316 | (45) (b) | - | 5 | (125) | 151 | 28 |
| Loans | 25 | 2 | - | (18) | (3) | 6 | - |
| Other assets | 164 | 13 (c) | - | (4) | (60) | 113 | - |
| Total assets | \$561 | \$ (27) | \$ - | \$ (9) | \$ (187) | \$ 338 | \$ 31 |
| Trading liabilities: | | | | | | | |
| Debt and equity instruments | \$ - | \$ - | \$ - | \$ (6) | \$ - | \$ (6) | \$ - |
| Derivative liabilities | (92) | (57) (b) | - | (24) | 2 | (171) | (122) |
| Other liabilities | (3) | 1 (c) | - | - | - | (2) | - |
| Total liabilities | \$ (95) | \$ (56) | \$ - | \$ (30) | \$ 2 | \$ (179) | \$ (122) |

(a) Realized gains (losses) are reported in securities gains (losses). Unrealized gains (losses) are reported in accumulated other comprehensive income (loss) except for the credit portion of OTTI losses which are recorded in securities gains (losses).

(b) Reported in foreign exchange and other trading revenue.

(c) Reported in foreign exchange and other trading revenue, except for derivatives in designated hedging relationships which are recorded in interest revenue and interest expense.

Assets and liabilities measured at fair value on a nonrecurring basis

Under certain circumstances we make adjustments to fair value for our assets, liabilities and unfunded lending-related commitments although they are not measured at fair value on an ongoing basis. An example would be the recording of an impairment of

an asset. The following table presents the financial instruments carried on the consolidated balance sheet by caption and by level in the fair value hierarchy at March 31, 2011 and Dec. 31, 2010, for which a nonrecurring change in fair value has been recorded during the quarters ended March 31, 2011 and Dec. 31, 2010.

| (in millions) | Level 1 | Level 2 | Level 3 | Total carrying value |
|--|---------|---------|---------|-------------------------|
| Assets measured at fair value on a nonrecurring basis at March 31, 2011 | | | | |
| Loans (a) | \$ - | \$ 186 | \$ 35 | \$ 221 |
| Other assets (b) | - | 6 | - | 6 |
| Total assets at fair value on a nonrecurring basis | \$ - | \$ 192 | \$ 35 | \$ 227 |

| (in millions) | Level 1 | Level 2 | Level 3 | Total carrying value |
|---|---------|---------|---------|-------------------------|
| Assets measured at fair value on a nonrecurring basis at Dec. 31, 2010 | | | | |
| Loans (a) | \$ - | \$ 188 | \$ 53 | \$ 241 |
| Other assets (b) | - | 6 | - | 6 |
| Total assets at fair value on a nonrecurring basis | \$ - | \$ 194 | \$ 53 | \$ 247 |

(a) During the quarters ended March 31, 2011 and December 31, 2010, the fair value of these loans was reduced \$17 million and \$15 million, based on the fair value of the underlying collateral as allowed by ASC 310, Accounting by Creditors for Impairment of a Loan, with an offset to the allowance for credit losses.

(b) The fair value of Other assets received in satisfaction of debt was increased by \$4 million in the first quarter of 2011 and was reduced by \$1 million in the fourth quarter of 2010, based on the fair value of the underlying collateral with an offset in other revenue.

Note 16 – Fair value option

ASC 825 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value.

The following table presents the assets and liabilities, by type, of consolidated investment management funds recorded at fair value.

| Assets and liabilities of consolidated investment management funds, at fair value | March 31, | Dec. 31, |
|--|------------------|-----------------|
| <i>(in millions)</i> | 2011 | 2010 |
| Assets of consolidated investment management funds: | | |
| Trading assets | \$ 13,760 | \$ 14,121 |
| Other assets | 939 | 645 |
| Total assets of consolidated investment management funds | \$ 14,699 | \$ 14,766 |
| Liabilities of consolidated investment management funds: | | |
| Trading liabilities | \$ 13,313 | \$ 13,561 |
| Other liabilities | 4 | 2 |
| Total liabilities of consolidated investment management funds | \$ 13,317 | \$ 13,563 |
| Non-redeemable noncontrolling interests of consolidated investment management funds | \$ 777 | \$ 699 |

BNY Mellon values assets in consolidated CLOs using observable market prices observed from the secondary loan market. The returns to the note holders are solely dependent on the assets and accordingly equal the value of those assets. Accordingly, mark-to-market best reflects the limited interest BNY Mellon has in the economic performance of the consolidated CLOs. Changes in the values of assets and liabilities are reflected in the income statement as investment income of consolidated investment management funds.

We have elected the fair value option on \$240 million of long-term debt in connection with ASC 810. At March 31, 2011, the fair value of this long-term debt was \$268 million. We have also elected the fair value option on approximately \$118 million of unfunded lending related commitments. The following table presents the changes in fair value of these unfunded lending related commitments and long-term debt included in foreign exchange and other trading revenue in the consolidated income statement for the three months ended March 31, 2011 and March 31, 2010.

| | Quarter ended | |
|--|----------------------|------------------|
| | March 31, | March 31, |
| <i>(in millions)</i> | 2011 | 2010 |
| Foreign exchange and other trading revenue | \$ 1 | \$ (7) |
| Long-term debt (a) | \$ 1 | \$ (7) |
| Loans | - | - |

(a) *The change in fair value of the long-term debt is approximately offset by an economic hedge included in trading.*

The long-term debt is valued using observable market inputs and is included in Level 2 of the ASC 820 hierarchy. Unfunded loan commitments are valued using quotes from dealers in the loan markets, and are included in Level 3 of the ASC 820 hierarchy. The fair market value of unfunded lending-related commitments for which the fair value option was elected was a liability of less than \$1 million at March 31, 2011 and Dec. 31, 2010 and is included in other liabilities.

Note 17 – Derivative instruments

We use derivatives to manage exposure to market risk, interest rate risk, credit risk and foreign currency risk, to generate profits from proprietary trading and to assist customers with their risk management objectives.

The notional amounts for derivative financial instruments express the dollar volume of the transactions; however, credit risk is much smaller. We perform credit reviews and enter into netting agreements to minimize the credit risk of foreign currency and interest rate risk management products. We enter into offsetting positions to reduce exposure to foreign exchange and interest rate risk.

Use of derivative financial instruments involves reliance on counterparties. Failure of a counterparty to honor its obligation under a derivative contract is a risk we assume whenever we engage in a derivative contract. There were no counterparty default losses in the first quarter of 2011 or in the first quarter of 2010.

Hedging derivatives

We utilize interest rate swap agreements to manage our exposure to interest rate fluctuations. For hedges of investment securities held for sale, deposits and long-term debt, the hedge documentation specifies the terms of the hedged items and the interest rate swaps and indicates that the derivative is hedging a fixed-rate item and is a

fair value hedge, that the hedge exposure is to the changes in the fair value of the hedged item due to changes in benchmark interest rates, and that the strategy is to eliminate fair value variability by converting fixed-rate interest payments to LIBOR.

The securities hedged consist of sovereign debt, U.S. Treasury bonds and asset-backed securities that generally had weighted average lives of 10 years or less at initial purchase. The asset-backed securities are callable six months prior to maturity. The swaps on the asset-backed securities are callable six months prior to maturity. The swaps on the sovereign debt and U.S. Treasury bonds are not callable. All of these securities are hedged with “pay fixed rate, receive variable rate” swaps of the same maturity, repricing and fixed rate coupon. At March 31, 2011, \$2.1 billion of securities were hedged with interest rate swaps that had notional values of \$2.1 billion.

The fixed rate deposits hedged generally have original maturities of 5 to 11 years and are not callable. These deposits are hedged with receive fixed rate, pay variable rate swaps of similar maturity, repricing and fixed rate coupon. The swaps are not callable. At March 31, 2011, \$20 million of deposits were hedged with interest rate swaps that had notional values of \$20 million.

The fixed rate long-term debt hedged generally have original maturities of 5 to 30 years. We issue both callable and non-callable debt. The non-callable debt is hedged with simple interest rate swaps similar to those described for deposits. Callable debt is hedged with callable swaps where the call dates of the swaps exactly match the call dates of the debt. At March 31, 2011, \$12.5 billion of debt was hedged with interest rate swaps that had notional values of \$12.5 billion.

In addition, we enter into foreign exchange hedges. We use forward foreign exchange contracts with maturities of 12 months or less to hedge our Sterling, Euro and Indian Rupee foreign exchange exposure with respect to foreign currency forecasted revenue transactions in entities that have the U.S. dollar as their functional currency. As of March 31, 2011, the hedged forecasted foreign currency transactions and designated forward foreign exchange contract hedges were \$280 million (notional), with \$2 million of pre-tax losses recorded in other comprehensive income. These losses will be reclassified to income or expense over the next nine months.

We use forward foreign exchange contracts with remaining maturities of eleven months or less as hedges against our exposure to Euro, Australian Dollar, Norwegian Krona, Danish Krona, Swedish Krona, Swiss Franc and Japanese Yen foreign exchange exposure with respect to interest-bearing deposits with banks and their associated forecasted interest revenue. These hedges are designated as cash flow hedges. These hedges are effected such that their maturities and notional values match those of the deposits with banks. As of March 31, 2011, the hedged placements and their designated forward foreign exchange contract hedges were \$15.4 billion (notional), with \$8 million of pre-tax gain recorded in other comprehensive income. This gain will be reclassified to net interest revenue and other income over the next eleven months.

Forward foreign exchange contracts are also used to hedge the value of our net investments in foreign subsidiaries. These forward foreign exchange contracts usually have maturities of less than two years. The derivatives employed are designated as hedges of changes in value of our foreign investments due to exchange rates. Changes in the value of the forward foreign exchange contracts offset the changes in value of the foreign investments due to changes in foreign exchange rates. The change in fair market value of these forward foreign exchange contracts is deferred and reported within accumulated translation adjustments in shareholders' equity, net of tax. At March 31, 2011, forward foreign exchange contracts with notional amounts totaling \$4.5 billion were designated as hedges.

In addition to forward foreign exchange contracts we also designate non-derivative financial instruments as hedges of our net investments in foreign subsidiaries. Those non-derivative financial instruments designated as hedges of our net investments in foreign subsidiaries were all long-term liabilities of BNY Mellon in various currencies, and, at March 31, 2011, had a combined U.S. dollar equivalent value of \$885 million.

Ineffectiveness related to derivatives and hedging relationships was recorded in income as follows:

Notes to Consolidated Financial Statements (continued)

| Ineffectiveness (in millions) | Three months ended | | |
|--|--------------------|------------------|-------------------|
| | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| Fair value hedge of loans | \$ - | \$ 0.2 | \$ 0.1 |
| Fair value hedge of securities | (0.3) | (0.7) | (0.1) |
| Fair value hedge of deposits and long-term debt | (5.8) | (0.7) | 11.3 |
| Cash flow hedges | (0.1) | - | - |
| Other (a) | 0.1 | (0.1) | - |
| Total | \$ (6.1) | \$ (1.3) | \$ 11.3 |

(a) Includes ineffectiveness recorded on foreign exchange hedges.

Impact of derivative instruments on the balance sheet

| (in millions) | Notional Value | | Asset Derivatives Fair Value (a) | | Liability Derivatives Fair Value (a) | |
|---|---|------------------|-------------------------------------|------------------|---|------------------|
| | March 31, 2011 | Dec. 31, 2010 | March 31, 2011 | Dec. 31, 2010 | March 31, 2011 | Dec. 31, 2010 |
| | Derivatives designated as hedging instruments (b): | | | | | |
| Interest rate contracts | \$ 14,652 | \$ 13,967 | \$ 595 | \$ 707 | \$ 35 | \$ 33 |
| Foreign exchange contracts | 20,186 | 11,816 | 30 | 2 | 862 | 116 |
| Total derivatives designated as hedging instruments | | | \$ 625 | \$ 709 | \$ 897 | \$ 149 |
| Derivatives not designated as hedging instruments (c): | | | | | | |
| Interest rate contracts | \$1,106,342 | \$1,090,718 | \$ 13,859 | \$ 15,651 | \$ 14,551 | \$ 16,275 |
| Equity contracts | 6,682 | 6,905 | 451 | 449 | 379 | 380 |
| Credit contracts | 621 | 681 | 1 | 2 | 4 | 4 |
| Foreign exchange contracts | 376,749 | 315,050 | 4,146 | 3,661 | 3,973 | 3,707 |
| Total derivatives not designated as hedging instruments | | | \$ 18,457 | \$ 19,763 | \$ 18,907 | \$ 20,366 |
| Total derivatives fair value (d) | | | \$ 19,082 | \$ 20,472 | \$ 19,804 | \$ 20,515 |
| Effect of master netting agreements | | | (14,589) | (15,827) | (13,992) | (15,181) |
| Fair value after effect of master netting agreements | | | \$ 4,493 | \$ 4,645 | \$ 5,812 | \$ 5,334 |

(a) Derivative financial instruments are reported net of cash collateral received and paid of \$818 million and \$221 million, respectively at March 31, 2011 and \$889 million and \$243 million, respectively at Dec. 31, 2010.

(b) The fair value of asset derivatives and liability derivatives designated as hedging instruments is recorded as other assets and other liabilities, respectively, on the balance sheet.

(c) The fair value of asset derivatives and liability derivatives not designated as hedging instruments is recorded as trading assets and trading liabilities, respectively, on the balance sheet.

(d) Fair values are on a gross basis, before consideration of master netting agreements, as required by ASC 815.

At March 31, 2011, approximately \$411 billion (notional) of interest rate contracts will mature within one year, \$438 billion between one and five years, and \$272 billion after five years. At March

31, 2011, approximately \$383 billion (notional) of foreign exchange contracts will mature within one year, \$7 billion between one and five years, and \$7 billion after five years.

Impact of derivative instruments on the income statement

| Derivatives in fair value hedging relationships | Location of gain or (loss) recognized in income on derivatives | Amount of gain or (loss) recognized in income on derivatives | | Location of gain or (loss) recognized in income on hedged item | Amount of gain or (loss) recognized in hedged item | |
|---|--|--|-------------------|--|--|-------------------|
| | | Quarter ended | | | Quarter ended | |
| | | March 31, 2011 | March 31, 2010 | | March 31, 2011 | March 31, 2010 |
| Interest rate contracts | Net interest revenue | \$ (79) | \$ 167 | Net interest revenue | \$ 73 | \$ (155) |

Notes to Consolidated Financial Statements (continued)

| Derivatives in cash flow hedging relationships | Amount of gain or (loss) recognized in OCI on derivative (effective portion) | | Location of gain or (loss) reclassified from accumulated OCI into income (effective portion) | Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion) | | Location of gain or (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) | Amount of gain or (loss) recognized in income on derivative (ineffectiveness portion and amount excluded from effectiveness testing) | |
|--|--|----------------|--|--|----------------|--|--|----------------|
| | Quarter ended | | | Quarter ended | | | Quarter ended | |
| | March 31, 2011 | March 31, 2010 | | March 31, 2011 | March 31, 2010 | | March 31, 2011 | March 31, 2010 |
| FX contracts | \$ (5) | \$ 5 | Net interest revenue | \$ (11) | \$ - | Net interest revenue | \$ - | \$ - |
| FX contracts | (491) | - | Other revenue | (488) | - | Other revenue | (0.1) | - |
| FX contracts | 3 | - | Salary expense | - | - | Salary expense | - | - |
| Total | \$ (493) | \$ 5 | | \$ (499) | \$ - | | \$ (0.1) | \$ - |

| Derivatives in net investment hedging relationships | Amount of gain or (loss) recognized in OCI on derivative (effective portion) | | Location of gain or (loss) reclassified from accumulated OCI into income (effective portion) | Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion) | | Location of gain or (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) | Amount of gain or (loss) recognized in income on derivative (ineffectiveness portion and amount excluded from effectiveness testing) | |
|---|--|----------------|--|--|----------------|--|--|----------------|
| | Quarter ended | | | Quarter ended | | | Quarter ended | |
| | March 31, 2011 | March 31, 2010 | | March 31, 2011 | March 31, 2010 | | March 31, 2011 | March 31, 2010 |
| FX contracts | \$ (169) | \$ 70 | Net interest revenue | \$ - | \$ - | Other revenue | \$ 0.1 | \$ - |

Trading activities (including trading derivatives)

Our trading activities are focused on acting as a market maker for our customers. The risk from these market-making activities and from our own positions is managed by our traders and limited in total exposure as described below.

We manage trading risk through a system of position limits, a VAR methodology based on Monte Carlo simulations, stop loss advisory triggers, and other market sensitivity measures. Risk is monitored and reported to senior management by a separate unit on a daily basis. Based on certain assumptions, the VAR methodology is designed to capture the potential overnight pre-tax dollar loss from adverse changes in fair values of all trading positions. The calculation assumes a one-day holding period for most instruments, utilizes a 99% confidence level, and incorporates the non-linear characteristics of options. The VAR model is one of several statistical models used to develop economic capital results, which is allocated to lines of business for computing risk-adjusted performance.

As the VAR methodology does not evaluate risk attributable to extraordinary financial, economic or other occurrences, the risk assessment process includes a number of stress scenarios based upon the risk factors in the portfolio and management's assessment of market conditions. Additional stress scenarios based upon historic market events are also

performed. Stress tests, by their design, incorporate the impact of reduced liquidity and the breakdown of observed correlations. The results of these stress tests are reviewed weekly with senior management.

Revenue from foreign exchange and other trading included the following:

| | Foreign exchange and other trading revenue | | |
|------------------------|--|---------------|----------------|
| | Quarter ended | | |
| (in millions) | March 31, 2011 | Dec. 31, 2010 | March 31, 2010 |
| Foreign exchange | \$ 173 | \$ 206 | \$ 175 |
| Fixed income | 17 | 39 | 80 |
| Credit derivatives (a) | (1) | (3) | (2) |
| Other | 9 | 16 | 9 |
| Total | \$ 198 | \$ 258 | \$ 262 |

(a) Used as economic hedges of loans.

Foreign exchange includes income from purchasing and selling foreign currencies and currency forwards, futures, and options. Fixed income reflects results from futures and forward contracts, interest rate swaps, foreign currency swaps, options, and fixed income securities. Credit derivatives include revenue from credit default swaps. Other primarily includes income from equity securities and equity derivatives.

Counterparty credit risk and collateral

We assess credit risk of our counterparties through regular periodic 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.

Collateral requirements are determined after a comprehensive review of the credit quality of each counterparty. Collateral is generally held or pledged in the form of cash or highly liquid government securities. Collateral requirements are monitored and adjusted daily.

Additional disclosures concerning derivative financial instruments are provided in Note 15 of the Notes to Consolidated Financial Statements.

Disclosure of Contingent Features in Over-the-Counter (“OTC”) Derivative Instruments

Certain of BNY Mellon’s OTC derivative contracts and/or collateral agreements contain provisions that would require us to take certain actions if our 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 us to immediately post additional collateral to cover some or all of BNY 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 March 31, 2011 for three key ratings triggers.

| If BNY Mellon’s rating was changed to: | Potential close-out exposures (fair value) (a) |
|---|---|
| A3/A- | \$479 million |
| Baa2/BBB | \$693 million |
| Bal/BB+ | \$1,257 million |

(a) *The change between rating categories is incremental, not cumulative.*

Additionally, if BNY Mellon’s debt rating had fallen below investment grade on March 31, 2011, existing collateral arrangements would have required us to post an additional \$708 million of collateral.

Note 18 – Commitments and contingent liabilities

In the normal course of business, various commitments and contingent liabilities are outstanding which are not reflected in the accompanying consolidated balance sheets.

Our significant trading and off-balance sheet risks are securities, foreign currency and interest rate risk management products, commercial lending commitments, letters of credit, securities lending indemnifications and support agreements. We assume these risks to reduce interest rate and foreign currency risks, to provide customers with the ability to meet credit and liquidity needs, to hedge foreign currency and interest rate risks, and to trade for our own account. These items involve, to varying degrees, credit, foreign exchange, and interest rate risk not recognized in the balance sheet. Our off-balance sheet risks are managed and monitored in manners similar to those used for on-balance sheet risks. Significant industry concentrations related to credit exposure at March 31, 2011 are disclosed in the Financial institutions portfolio exposure table and the Commercial portfolio exposure table below.

| Financial institutions portfolio exposure (in billions) | March 31, 2011 | | |
|--|-----------------------|-----------------------------|-----------------------|
| | Loans | Unfunded commitments | Total exposure |
| Securities industry | \$ 5.4 | \$ 2.1 | \$ 7.5 |
| Banks | 5.0 | 2.3 | 7.3 |
| Insurance | 0.1 | 5.1 | 5.2 |
| Asset managers | 0.9 | 2.6 | 3.5 |
| Government | 0.1 | 2.1 | 2.2 |
| Other | 0.2 | 1.7 | 1.9 |
| Total | \$ 11.7 | \$ 15.9 | \$ 27.6 |

| Commercial portfolio exposure (in billions) | March 31, 2011 | | |
|--|-----------------------|-----------------------------|-----------------------|
| | Loans | Unfunded commitments | Total exposure |
| Services and other | \$ 0.6 | \$ 5.5 | \$ 6.1 |
| Manufacturing | 0.4 | 5.8 | 6.2 |
| Energy and utilities | 0.3 | 5.4 | 5.7 |
| Media and telecom | 0.2 | 1.5 | 1.7 |
| Total | \$ 1.5 | \$ 18.2 | \$ 19.7 |

Major concentrations in securities lending are primarily to broker-dealers and are generally collateralized with cash. Securities lending transactions are discussed below.

A summary of our off-balance sheet credit risks, net of participations, at March 31, 2011 and Dec. 31, 2010 follows:

Notes to Consolidated Financial Statements (continued)

| Off-balance sheet credit risks (in millions) | March 31, 2011 | Dec 31, 2010 |
|---|-------------------|-----------------|
| Lending commitments (a) | \$ 28,600 | \$ 29,100 |
| Standby letters of credit (b) | 7,844 | 8,483 |
| Commercial letters of credit | 475 | 512 |
| Securities lending indemnifications | 277,706 | 278,069 |
| Support agreements | 123 | 116 |

(a) Net of participations totaling \$238 million at March 31, 2011 and \$423 million at Dec. 31, 2010.

(b) Net of participations totaling \$1.7 billion at March 31, 2011 and \$1.7 billion at Dec. 31, 2010.

Included in lending commitments are facilities that provide liquidity for variable rate tax exempt securities wrapped by monoline insurers. The credit approval for these facilities is based on an assessment of the underlying tax-exempt issuer and considers factors other than the financial strength of the monoline insurer.

The total potential loss on undrawn lending commitments, standby and commercial letters of credit, and securities lending indemnifications is equal to the total notional amount if drawn upon, which does not consider the value of any collateral.

Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements. A summary of lending commitment maturities is as follows: \$10.1 billion less than one year; \$18.2 billion in one to five years, and \$0.3 billion over five years.

Standby letters of credit (“SBLC”) principally support corporate obligations. As shown in the off-balance sheet credit risks table, the maximum potential exposure of SBLCs was \$7.8 billion at March 31, 2011 and \$8.5 billion at Dec. 31, 2010 and includes \$640 million and \$628 million that were collateralized with cash and securities at March 31, 2011 and Dec. 31, 2010, respectively. At March 31, 2011, approximately \$2.5 billion of the SBLCs will expire within one year and the remaining \$5.3 billion will expire within one to five years.

The estimated liability for losses related to these commitments and SBLCs, if any, is included in the allowance for lending-related commitments. The allowance for lending related commitments was \$87 million at March 31, 2011 and \$73 million at Dec. 31, 2010.

Payment/performance risk of SBLCs is monitored using both historical performance and internal ratings criteria. BNY Mellon’s historical experience is that SBLCs typically expire without being funded. SBLCs below investment grade are monitored closely for payment/performance risk. The table below shows SBLCs by investment grade:

| Standby letters of credit | March 31, 2011 | Dec 31, 2010 |
|---------------------------|-------------------|-----------------|
| Investment grade | 90% | 89% |
| Noninvestment grade | 10% | 11% |

A commercial letter of credit is normally a short-term instrument used to finance a commercial contract for the shipment of goods from a seller to a buyer. Although the commercial letter of credit is contingent upon the satisfaction of specified conditions, it represents a credit exposure if the buyer defaults on the underlying transaction. As a result, the total contractual amounts do not necessarily represent future cash requirements. Commercial letters of credit totaled \$475 million at March 31, 2011, compared with \$512 million at Dec. 31, 2010.

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 102% cash collateral, 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. Securities lending indemnifications were secured by collateral of \$285 billion at both March 31, 2011 and Dec. 31, 2010.

At March 31, 2011, our potential maximum exposure to support agreements was approximately \$123 million, after deducting the reserve, assuming the securities subject to these agreements being valued at zero and the NAV of the related funds declining below established thresholds. This

exposure includes agreements covering Lehman securities as well as other client support agreements. This compares with \$116 million at Dec. 31, 2010.

Trust and transfer agent activities

BNY Mellon maintains several escrow accounts in which deposits are received from clients in connection with corporate trust and dividend and interest payment services. Since BNY Mellon acts only as a transfer and trust agent for these funds, neither the assets nor the corresponding liability are included in these financial statements. In connection with the performance of these services, BNY Mellon invests such funds in interest-earning investments solely in an agency capacity. The interest earned is recognized in the financial statements as interest income. Customer balances maintained in an agency capacity and not reflected on BNY Mellon's balance sheets totaled approximately \$199 million at March 31, 2011 and \$275 million at Dec. 31, 2010. In addition, as a result of the GIS acquisition, at March 31, 2011, our clients maintained approximately \$4.5 billion of custody cash on deposit with other institutions. Revenue generated from these balances is included in other revenue on the income statement. These deposits are expected to transition to BNY Mellon by the end of 2011.

Other

We have provided standard representations for underwriting agreements, acquisition and divestiture agreements, sales of loans and commitments, and other similar types of arrangements and customary indemnification for claims and legal proceedings related to providing financial services. Insurance has been purchased to mitigate certain of these risks. We are a minority equity investor in, and member of, several industry clearing or settlement exchanges through which foreign exchange, securities, or other transactions settle. Certain of these industry clearing or settlement exchanges require their members to guarantee their obligations and liabilities or to provide financial support in the event other partners do not honor their obligations. It is not possible to estimate a maximum potential amount of payments that could be required with such agreements.

Legal proceedings

In the ordinary course of business, BNY Mellon and its subsidiaries are routinely named as defendants in or made parties to pending and potential legal actions and regulatory matters. Claims for

significant monetary damages are often asserted in many of these legal actions, while claims for disgorgement, penalties and/or other remedial sanctions may be sought in regulatory matters. It is inherently difficult to predict the eventual outcomes of such matters given their complexity and the particular facts and circumstances at issue in each of these matters. However, on the basis of our current knowledge and understanding, we do not believe that judgments or settlements, if any, arising from these matters (either individually or in the aggregate, after giving effect to applicable reserves and insurance coverage), will have a material adverse effect on the consolidated financial position or liquidity of BNY Mellon, although they could have a material effect on net income in a given period.

In view of the inherent unpredictability of outcomes in litigation and regulatory matters, particularly where (i) the damages sought are substantial or indeterminate, (ii) the proceedings are in the early stages, or (iii) the matters involve novel legal theories or a large number of parties, as a matter of course there is considerable uncertainty surrounding the timing or ultimate resolution of litigation and regulatory matters, including a possible eventual loss, fine, penalty or business impact, if any, associated with each such matter. In accordance with applicable accounting guidance, BNY Mellon establishes reserves for litigation and regulatory matters when those matters proceed to a stage where they present loss contingencies that are both probable and reasonably estimable. In such cases, there may be a possible exposure to loss in excess of any amounts accrued. BNY Mellon will continue to monitor such matters for developments that could affect the amount of the reserve, and will adjust the reserve amount as appropriate. If the loss contingency in question is not both probable and reasonably estimable, BNY Mellon does not establish a reserve and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable. BNY Mellon believes that its accruals for legal proceedings are appropriate and, in the aggregate, are not material to the consolidated financial position of BNY Mellon, although future accruals could have a material effect on net income in a given period.

For certain of those matters described herein for which a loss contingency may, in the future, be reasonably possible (whether in excess of a related accrued liability or where there is no accrued liability), BNY Mellon is currently unable to

estimate a range of reasonably possible loss. For those matters where BNY Mellon is able to estimate a reasonably possible loss, exclusive of those matters described herein that are subject to the accounting and reporting requirements of ASC 740 (FASB Interpretation 48) (FIN 48), the aggregate range of such reasonably possible loss is up to \$800 million in excess of the accrued liability (if any) related to those matters.

The following describes certain judicial, regulatory and arbitration proceedings involving BNY Mellon:

Sentinel Matters

As previously disclosed, on Jan. 18, 2008, The Bank of New York Mellon filed a proof of claim in the Chapter 11 bankruptcy proceeding of Sentinel Management Group, Inc. (“Sentinel”) pending in federal court in the Northern District of Illinois, seeking to recover approximately \$312 million loaned to Sentinel and secured by securities and cash in an account maintained by Sentinel at The Bank of New York Mellon. On March 3, 2008, the bankruptcy Trustee filed an adversary complaint against The Bank of New York Mellon seeking to disallow The Bank of New York Mellon’s claim and seeking damages for allegedly aiding and abetting Sentinel insiders in misappropriating customer assets and improperly using those assets as collateral for the loan. In a decision dated Nov. 3, 2010, the court found for The Bank of New York Mellon and against the Trustee, holding that The Bank of New York Mellon’s loan to Sentinel is valid, fully secured, and not subject to equitable subordination. The bankruptcy Trustee appealed this decision on Dec. 1, 2010.

As previously disclosed, in November 2009, the Division of Enforcement of the U.S. Commodities Futures Trading Commission (“CFTC”) indicated that it is considering a recommendation to the CFTC that it file a civil enforcement action against The Bank of New York Mellon for possible violations of the Commodity Exchange Act and CFTC regulations in connection with its relationship to Sentinel. The Bank of New York Mellon responded in writing to the CFTC on Jan. 29, 2010 and provided an explanation as to why an enforcement action is unwarranted.

Auction Rate Securities Matters

As previously disclosed, in April 2008, BNY Mellon notified the SEC that Mellon Financial Markets LLC (“MFM”) placed orders on behalf of certain issuers to purchase their own Auction Rate Securities

(“ARS”). The Texas State Securities Board, Florida Office of Financial Regulation and the New York State Attorney General began investigating this matter in approximately October 2008 and are focused on whether and to what extent the issuers’ orders had the effect of reducing the clearing rate and preventing failed auctions. These investigations, with which MFM is fully cooperating, are ongoing.

As previously disclosed, in February and April 2009, two institutional customers filed lawsuits in Texas state District Court for Dallas County, and California state Superior Court for Orange County, alleging misrepresentations and omissions in the sale of ARS. A third institutional customer filed an arbitration proceeding in December 2008. The Texas lawsuit was resolved and dismissed on April 8, 2011. The remaining two disputes together seek rescission of approximately \$42 million of ARS, plus interest and attorneys’ fees.

Agency Cross Trading Matter

As previously disclosed, on July 22, 2008, BNY Mellon notified FINRA and the SEC that employees of BNY Mellon Securities LLC, a broker-dealer subsidiary of the Company, which executed orders to purchase and sell securities on behalf of Mellon Investor Services LLC, failed to comply with certain best execution and regulatory requirements in connection with agency cross trades. On Jan. 14, 2011, the SEC announced the settlement of its subsequent action against BNY Mellon Securities LLC, finding that it had failed to supervise traders on its equity desk, censuring BNY Mellon Securities LLC and imposing monetary sanctions totaling \$24 million.

Securities Lending Matters

As previously disclosed, BNY Mellon or its affiliates have been named as defendants in a number of lawsuits initiated by participants in BNY Mellon’s securities lending program, which is a part of BNY Mellon’s Investment Services business. The lawsuits were filed on various dates from December 2008 to 2011, and are currently pending in courts in Oklahoma, New York, Washington, California and South Carolina and in commercial court in London. The complaints assert contractual, statutory, and common law claims, including claims for negligence and breach of fiduciary duty. The plaintiffs allege losses in connection with the investment of securities lending collateral, including losses related to investments in Sigma Finance Inc., Lehman Brothers Holdings, Inc. and certain asset-backed securities, and seek damages as to those

losses. Three of the pending cases seek to proceed as class actions.

Matters Relating To Bernard L. Madoff

As previously disclosed, on May 11, 2010, the New York State Attorney General commenced a civil lawsuit against Ivy Asset Management LLC (“Ivy”), a subsidiary of BNY Mellon that manages primarily funds-of-hedge-funds, and two of its former officers in New York state court. The lawsuit alleges that Ivy, in connection with its role as sub-advisor to investment managers whose clients invested with Madoff, did not disclose certain material facts about Madoff. The complaint seeks an accounting of compensation received from January 1997 to the present by the Ivy defendants in connection with the Madoff investments, and unspecified damages, including restitution, disgorgement, costs and attorneys’ fees.

As previously disclosed, on Oct. 21, 2010, the U.S. Department of Labor commenced a civil lawsuit against Ivy, two of its former officers, and others in federal court in the Southern District of New York. The lawsuit alleges that Ivy violated the Employee Retirement Income Security Act (“ERISA”) by failing to disclose certain material facts about Madoff to investment managers subadvised by Ivy whose clients included employee benefit plan investors. The complaint seeks disgorgement and damages. On Dec. 8, 2010, the Trustee overseeing the Madoff liquidation sued many of the same defendants in bankruptcy court in New York, seeking to avoid withdrawals from Madoff investments made by various funds-of-funds (including six funds-of-funds managed by Ivy).

As previously disclosed, Ivy or its affiliates have been named in a number of civil lawsuits filed beginning Jan. 27, 2009 relating to certain investment funds that allege losses due to the Madoff investments. Ivy acted as a sub-advisor to the investment managers of some of those funds. Plaintiffs assert various causes of action including securities and common-law fraud. Certain of the cases seek to proceed as class actions and/or to assert derivative claims on behalf of the funds. Most of the cases have been consolidated in two actions in federal court in the Southern District of New York, with certain cases filed in New York state Supreme Court for New York and Nassau counties.

Medical Capital Litigations

As previously disclosed, The Bank of New York Mellon has been named as a defendant in a number

of putative class actions and non-class actions brought by numerous plaintiffs in connection with its role as indenture trustee for debt issued by affiliates of Medical Capital Corporation. The actions, filed in late 2009 and currently pending in federal court in the Central District of California, allege that The Bank of New York Mellon breached its fiduciary and contractual obligations to the holders of the underlying securities, and seek unspecified damages.

Foreign Exchange Matters

As previously disclosed, beginning in December 2009, certain governmental authorities have requested information or served subpoenas on BNY Mellon seeking information relating to foreign exchange transactions in connection with custody services BNY Mellon provides to certain clients, including certain governmental entities and public pension plans. BNY Mellon is cooperating with these inquiries.

In January 2011, the Virginia Attorney General filed a Notice of Intervention in a lawsuit filed in Virginia Circuit Court, Fairfax County by a private party under the Virginia Fraud Against Taxpayers Act. In February 2011, the Florida Attorney General filed a Notice of Intervention in a lawsuit filed in Florida Circuit Court, Leon County by a private party under the Florida False Claims Act. On March 7, 2011, the Southeastern Pennsylvania Transportation Authority (“SEPTA”) filed a putative class action lawsuit against BNY Mellon in the U.S. District Court for the Eastern District of Pennsylvania. Each of the actions alleges that BNY Mellon improperly charged and reported prices for foreign exchange transactions executed in connection with custody services provided by BNY Mellon.

German Broker-Dealer Litigation

As previously disclosed, on various dates from 2004 to 2011, BNY Mellon subsidiary Pershing LLC (“Pershing”) was named as a defendant in more than 100 lawsuits filed in Germany by plaintiffs who are investors with accounts at German broker-dealers. The plaintiffs allege that Pershing, which had a contractual relationship with the broker-dealers through which the broker-dealers executed options transactions on behalf of the broker-dealers’ clients, should be held liable for the tortious acts of the broker-dealers. Plaintiffs seek to recover their investment losses, interest, and statutory attorney’s fees and costs. On March 9, 2010, the German Federal Supreme Court ruled in the plaintiff’s favor in one of these cases, and held Pershing liable for a

German broker-dealer's tortious acts. In another similar case, in December 2010, the Federal Supreme Court denied Pershing's appeals, and ruled in favor of 12 plaintiffs, in conformance with its March 2010 decision. On Jan. 25, 2011 and March 22, 2011, the Federal Supreme Court ruled in the plaintiffs' favor in five other similar cases, and remanded an additional thirteen cases to the appellate court for further findings.

Lyondell Litigation

As previously disclosed, in an action filed in New York state Supreme Court for New York County, on Sept. 14, 2010, plaintiffs as holders of debt issued by Basell AF in 2005 allege that The Bank of New York Mellon, as indenture trustee, breached its contractual and fiduciary obligations by executing an intercreditor agreement in 2007 in connection with Basell's acquisition of Lyondell Chemical Company. Plaintiffs are seeking damages for their alleged losses resulting from the execution of the 2007 intercreditor agreement that allowed the company to increase the amount of its senior debt.

Withholding Tax Matters

As previously disclosed, in 2007, in connection with its obligation to file information and withholding tax returns with the IRS for its various businesses, BNY Mellon became aware of certain inconsistencies in supporting documentation and records for certain of BNY Mellon's businesses, and initiated an extensive company-wide review. We notified the IRS of the inconsistencies and continue to cooperate with the IRS in its review of this matter. On March 24, 2011, we entered into a closing agreement with the IRS to resolve the matter.

Tax Litigation

As previously disclosed, on Aug. 17, 2009, BNY Mellon received a Statutory Notice of Deficiency disallowing tax benefits for the 2001 and 2002 tax years in connection with a 2001 transaction that involved the payment of U.K. corporate income taxes that were credited against BNY Mellon's U.S. corporate income tax liability. On Nov. 10, 2009, BNY Mellon filed a petition with the U.S. Tax Court contesting the disallowance of the benefits. A trial is currently scheduled for Dec. 5, 2011. The aggregate tax benefit for all six years in question is approximately \$900 million, including interest. In the event BNY Mellon is unsuccessful in defending its position, the IRS has agreed not to assess underpayment penalties.

Note 19 – Review of businesses

We have an internal information system that produces performance data for our two principal businesses and the Other segment. The following discussion of our businesses satisfies the disclosure requirements for ASC 280, *Segment Reporting*.

Organization of our business

In the first quarter of 2011, BNY Mellon realigned its internal reporting structure and business presentation to focus on its two principal businesses, Investment Management and Investment Services. The realignment reflects management's current approach to assessing performance and decisions regarding resource allocations. Investment Management includes the former Asset Management and Wealth Management businesses; Investment Services includes the former Asset Servicing, Issuer Services and Clearing Services businesses as well as the Cash Management business previously included in the Treasury Services business. The Other segment includes credit-related activities previously included in the Treasury Services business, the lease financing portfolio, corporate treasury activities, including our investment securities portfolio, our investment in BNY ConvergEx Group, business exits and corporate overhead. All prior periods presented in this Form 10-Q are presented accordingly.

Also in the first quarter of 2011, we revised the net interest revenue for our businesses to reflect a new approach which adjusts our transfer pricing methodology to better reflect the value of certain domestic deposits. All prior period business results have been restated to reflect this revision. This revision did not impact the consolidated results.

Business accounting principles

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

The accounting policies of the businesses are the same as those described in Note 1 of the Notes to Consolidated Financial Statements in BNY Mellon's 2010 Annual Report on Form 10-K.

Notes to Consolidated Financial Statements (continued)

The operations of acquired businesses are integrated with the existing businesses soon after they are completed. As a result of the integration of staff support functions, management of customer relationships, operating processes and the financial impact of funding acquisitions, we cannot precisely determine the impact of acquisitions on income before taxes and therefore do not report it.

Information on our businesses is reported on a continuing operations basis for all 2010 periods presented. See Note 4 of the Notes to Consolidated Financial Statements for a discussion of discontinued operations.

We provide data for two principal businesses and the Other segment as shown below:

| Business | Primary types of revenue |
|-----------------------|--|
| Investment Management | <ul style="list-style-type: none"> • Investment management and performance fees from: <ul style="list-style-type: none"> Mutual funds Institutional clients Private clients Performance fees High-net-worth individuals and families, endowments and foundations and related entities. • Distribution and servicing fees |
| Investment Services | <ul style="list-style-type: none"> • Asset servicing fees, including institutional trust and custody fees, Broker-dealer services and securities lending • Issuer services fees, including Corporate trust, Depository receipts, Employee investment plan services and Shareowner services • Clearing services fees, including Broker-dealer services and Registered investment advisor services • Treasury services fees, including Global payment services and Working capital solutions • Foreign exchange |
| Other segment | <ul style="list-style-type: none"> • Credit-related activities • Leasing operations • Corporate treasury activities • Global markets and institutional banking services • Business exits |

The results of our businesses are presented and analyzed on an internal management reporting basis:

- Revenue amounts reflect fee and other revenue generated by each business. Fee and other revenue transferred between businesses under revenue transfer agreements is included within other revenue in each business.
- Revenues and expenses associated with specific client bases are included in those businesses. For example, foreign exchange activity associated with clients using custody products is allocated to Investment Services.
- Net interest revenue is allocated to businesses based on the yields on the assets and liabilities generated by each business. We employ a funds transfer pricing system that matches funds with

the specific assets and liabilities of each business based on their interest sensitivity and maturity characteristics.

- Support and other indirect expenses are allocated to businesses based on internally-developed methodologies.
- Recurring FDIC expense is allocated to the businesses based on average deposits generated within each business.
- Special litigation reserves is a corporate level item and is therefore recorded in the Other segment.
- Management of the investment securities portfolio is a shared service contained in the Other segment. As a result, gains and losses associated with the valuation of the securities portfolio are included in the Other segment.

Notes to Consolidated Financial Statements (continued)

- Client deposits serve as the primary funding source for our investment securities portfolio. We typically allocate all interest revenue to the businesses generating the deposits. Accordingly, the higher yield related to the restructured investment securities portfolio has been included in the results of the businesses.
- Support agreement charges are recorded in the business in which the charges occurred.
- Restructuring charges resulted from corporate initiatives and are therefore recorded in the Other segment.
- Balance sheet assets and liabilities and their related income or expense are specifically assigned to each business. Businesses with a net liability position have been allocated assets.
- Goodwill and intangible assets are reflected within individual businesses.
- M&I expenses are corporate level items and are therefore recorded in the Other segment.

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

For the quarter ended March 31, 2011

| <i>(dollar amounts in millions)</i> | Investment Management | Investment Services | Other | Consolidated |
|-------------------------------------|--------------------------|------------------------|----------|--------------|
| Fee and other revenue | \$ 870 (a) | \$ 1,950 | \$ 84 | \$ 2,904 (a) |
| Net interest revenue | 53 | 639 | 6 | 698 |
| Total revenue | 923 | 2,589 | 90 | 3,602 |
| Noninterest expense | 685 | 1,816 | 196 | 2,697 |
| Income (loss) before taxes | \$ 238 (a) | \$ 773 | \$ (106) | \$ 905 (a) |
| Pre-tax operating margin (b) | 26% | 30% | N/M | 25% |
| Average assets | \$37,318 | \$178,718 | \$41,662 | \$257,698 |

(a) Total fee and other revenue and income before taxes for the first quarter of 2011 includes income from consolidated investment management funds of \$110 million, net of noncontrolling interests of \$44 million. The net of these income statement line items of \$66 million is included above in fee and other revenue.

(b) Income before taxes divided by total revenue.

N/M – Not meaningful.

For the quarter ended Dec. 31, 2010

| <i>(dollar amounts in millions)</i> | Investment Management | Investment Services | Other | Total continuing operations |
|-------------------------------------|--------------------------|------------------------|----------|-----------------------------------|
| Fee and other revenue | \$ 899 (a) | \$ 2,010 | \$ 108 | \$ 3,017 (a) |
| Net interest revenue | 50 | 598 | 72 | 720 |
| Total revenue | 949 | 2,608 | 180 | 3,737 |
| Provision for credit losses | 2 | - | (24) | (22) |
| Noninterest expense | 728 | 1,812 | 263 | 2,803 |
| Income (loss) before taxes | \$ 219 (a) | \$ 796 | \$ (59) | \$ 956 (a) |
| Pre-tax operating margin (b) | 23% | 31% | N/M | 26% |
| Average assets | \$37,648 | \$174,815 | \$43,723 | \$ 256,186 (c) |

(a) Total fee and other revenue and income before taxes for the fourth quarter of 2010 includes income from consolidated investment management funds of \$59 million, net of noncontrolling interests of \$14 million. The net of these income statement line items of \$45 million is included above in fee and other revenue.

(b) Income before taxes divided by total revenue.

(c) Including average assets of discontinued operations of \$223 million for the fourth quarter of 2010, consolidated average assets were \$256,409 million.

N/M – Not meaningful.

Notes to Consolidated Financial Statements (continued)

For the quarter ended March 31, 2010

| <i>(dollar amounts in millions)</i> | Investment Management | Investment Services | Other | Total continuing operations |
|-------------------------------------|--------------------------|------------------------|----------|-----------------------------------|
| Fee and other revenue | \$ 775 (a) | \$ 1,590 | \$ 205 | \$ 2,570 (a) |
| Net interest revenue | 52 | 653 | 60 | 765 |
| Total revenue | 827 | 2,243 | 265 | 3,335 |
| Provision for credit losses | - | - | 35 | 35 |
| Noninterest expense | 627 | 1,457 | 356 | 2,440 |
| Income (loss) before taxes | \$ 200 (a) | \$ 786 | \$ (126) | \$ 860 (a) |
| Pre-tax operating margin (b) | 24% | 35% | N/M | 26% |
| Average assets | \$33,805 | \$153,666 | \$37,046 | \$ 224,517 (c) |

(a) Total fee and other revenue and income before taxes for the first quarter of 2010 includes income from consolidated investment management funds of \$65 million, net of noncontrolling interests of \$24 million. The net of these income statement line items of \$41 million is included above in fee and other revenue.

(b) Income before taxes divided by total revenue.

(c) Including average assets of discontinued operations of \$898 million for the first quarter of 2010, consolidated average assets were \$225,415 million.

N/M – Not meaningful.

Note 20 – Supplemental information to the Consolidated Statement of Cash Flows

Noncash investing and financing transactions that, appropriately, are not reflected in the Consolidated Statement of Cash Flows are listed below.

| Noncash investing and financing transactions <i>(in millions)</i> | Three months ended March 31, | |
|---|---------------------------------|--------|
| | 2011 | 2010 |
| Transfers from loans to other assets for OREO | \$ 3 | \$ 3 |
| Assets of consolidated VIEs | - | 12,568 |
| Liabilities of consolidated VIEs | - | 11,494 |
| Non-controlling interests of consolidated VIEs | - | 751 |

Item 4. Controls and Procedures

Disclosure controls and procedures

Our management, including the Chief Executive Officer and Chief Financial Officer, with participation by the members of the Disclosure Committee, has responsibility for ensuring that there is an adequate and effective process for establishing, maintaining, and evaluating disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in our SEC reports is timely recorded, processed, summarized and reported and that information required to be disclosed by BNY Mellon is accumulated and communicated to BNY Mellon's management to allow timely decisions regarding the required disclosure. In addition, our ethics hotline can also be used by employees and others for the anonymous communication of concerns about financial controls or reporting matters. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in internal control over financial reporting

In the ordinary course of business, we may routinely modify, upgrade or enhance our internal controls and procedures for financial reporting. There have not been any changes in our internal controls over financial reporting as defined in Rule 13a-15(f) of the Exchange Act during the first quarter of 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Forward-looking Statements

Some statements in this document are forward-looking. These include all statements about the future results of BNY Mellon; our financial goals and strategies; areas of our business expected to be impacted by the current market environment; the impact of changes in the value of market indices; factors affecting the performance of our businesses; management's judgment in determining the size of unallocated allowances and the effect of credit ratings on allowances, estimates and cash flow models. In addition, these forward-looking statements relate to: our plans with respect to share repurchases; our expectations with respect to the Shareowner Services and Talon transactions; expectations with respect to our anticipated 2011 tax rates; our goal of increasing the percentage of revenue and income from outside the U.S.; targeted capital ratios; expectations with respect to BNY Mellon's investment securities portfolio; assumptions with respect to residential mortgage-backed securities; statements on our institutional credit strategies; goals with respect to our commercial portfolio; descriptions and measures of our allowance for credit losses and loan losses; assumptions in amounts of interest income for loans on nonaccrual status; descriptions of our exposure to support agreements; the impact of a reduction in our Investment Services business on our access to deposits; requirements for any increase in dividends; statements with respect to our liquidity targets; access to capital markets and our shelf registration statements; implications of credit rating downgrades on The Bank of New York Mellon, BNY Mellon, N.A. and the Parent Company; expectations with respect to capital, including anticipated repayment and call of outstanding debt and issuance of replacement securities; our target double leverage ratio; assumptions with respect to the effects of changes in risk-weighted assets on capital ratios; estimations in net interest rate sensitivities; timing and impact of adoption of recent accounting guidance; the timing and effects of pending and proposed legislation and regulation, including the Dodd-Frank Act, proposed FDIC assessments; expectations with respect to implementation of Basel II and Basel III, including ability to timely meet capital guidelines; and the implementation of IFRS; whether bank subsidiaries can pay dividends without regulatory waiver; our liability with respect to our role as trustee in mortgage-backed securitizations; BNY Mellon's anticipated actions with respect to legal or regulatory proceedings; future litigation costs, the expected outcome and impact of judgments and settlements, if any, arising from pending or potential legal or regulatory proceedings

and BNY Mellon's expectations with respect to litigation accruals.

In this report, any other report, any press release or any written or oral statement that BNY Mellon or its executives may make, words, such as "estimate," "forecast," "project," "anticipate," "confident," "target," "expect," "intend," "seek," "believe," "plan," "goal," "could," "should," "may," "will," "strategy," "opportunities," "trends" and words of similar meaning, signify forward-looking statements.

Factors that could cause BNY Mellon's results to differ materially from those described in the forward-looking statements, as well as other uncertainties affecting future results and the value of BNY Mellon's stock and factors which represents risk associated with the business and operations of BNY Mellon, can be found in Risk Factors in the Form 10-K for the year ended Dec. 31, 2010, and any subsequent reports filed with the Securities and Exchange Commission (the "Commission") by BNY Mellon pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Forward-looking statements, including discussions and projections of future results of operations and discussions of future plans contained in the MD&A, are based on management's current expectations and assumptions that involve risk and uncertainties and that are subject to change based on various important factors (some of which are beyond BNY Mellon's control), including adverse changes in market conditions, and the timing of such changes, and the actions that management could take in response to these changes. Actual results may differ materially from those expressed or implied as a result of these risks and uncertainties and the risks and uncertainties described in the documents referred to in the preceding paragraph. The Risk Factors discussed in the Form 10-K for the year ended Dec. 31, 2010 could cause or contribute to such differences. Investors should consider all risks mentioned elsewhere in this document and in subsequent reports filed by BNY Mellon with the Commission pursuant to the Exchange Act, as well as other uncertainties affecting future results and the value of BNY Mellon's stock.

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 statement is made or to reflect the occurrence of unanticipated events.

Part II - Other Information

Item 1. Legal Proceedings

The information required by this Item is set forth in the “Legal proceedings” section in Note 18 to the Notes to Consolidated Financial Statements, which portion is incorporated herein by reference in response to this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following table discloses repurchases of our common stock made in the first quarter of 2011.

Issuer purchases of equity securities

Share repurchases during first quarter 2011

| <i>(common shares in thousands)</i> | Total shares repurchased | Average price per share | Total shares repurchased as part of a publicly announced plan | Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under plans or programs |
|---|-----------------------------|----------------------------|---|---|
| January 2011 | 10 | \$ 29.93 | - | 33,800 |
| February 2011 | 767 | \$ 31.69 | - | 33,800 |
| March 2011 | 1,209 | \$ 29.28 | 1,100 | 45,700 |
| First quarter 2011 | 1,986 (a) | \$ 30.21 | 1,100 | 45,700 |

(a) *Includes shares purchased at a purchase price of approximately \$28 million from employees, primarily in connection with the employees' payment of taxes upon the vesting of restricted stock.*

On Dec. 18, 2007, the Board of Directors of BNY Mellon authorized the repurchase of up to 35 million shares of common stock. In addition, on March 22, 2011, the Board of Directors of BNY Mellon authorized the repurchase of up to 13 million shares of common stock. At March 31, 2011, 45.7 million common shares were available for repurchase under these programs. There is no expiration date on either of these repurchase programs.

Item 6. Exhibits

Pursuant to the rules and regulations of the Securities and Exchange Commission, BNY Mellon has filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and

(iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

The list of exhibits required to be filed as exhibits to this report are listed on page 104 hereof, under “Index to Exhibits”, which is incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE BANK OF NEW YORK MELLON CORPORATION
(Registrant)

Date: May 9, 2011

By: /s/ John A. Park
John A. Park
Corporate Controller
(Duly Authorized Officer and
Principal Accounting Officer of
the Registrant)

Index to Exhibits

| Exhibit No. | Description | Method of Filing |
|----------------|---|---|
| 2.1 | Amended and Restated Agreement and Plan of Merger, dated as of Dec. 3, 2006, as amended and restated as of Feb. 23, 2007, and as further amended and restated as of March 30, 2007, between The Bank of New York Company, Inc., Mellon Financial Corporation and The Bank of New York Mellon Corporation (the “Company”). | Previously filed as Exhibit 2.1 to the Company’s Current Report on Form 8-K (File No. 000-52710) as filed with the Commission on July 2, 2007, and incorporated herein by reference. |
| 2.2 | Stock Purchase Agreement, dated as of Feb. 1, 2010, by and between The PNC Financial Services Group, Inc. and The Bank of New York Mellon Corporation. | Previously filed as Exhibit 2.1 to the Company’s Current Report on Form 8-K (File No. 000-52710) as filed with the Commission on Feb. 3, 2010, and incorporated herein by reference. |
| 3.1 | Restated Certificate of Incorporation of The Bank of New York Mellon Corporation. | Previously filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K (File No. 000-52710) as filed with the Commission on July 2, 2007, and incorporated herein by reference. |
| 3.2 | Amended and Restated By-Laws of The Bank of New York Mellon Corporation, as amended and restated on Oct. 12, 2010. | Previously filed as Exhibit 3.2 to the Company’s Annual Report on Form 10-K (File No. 000-52710) as filed with the Commission on Feb. 28, 2011, and incorporated herein by reference. |
| 4.1 | None of the instruments defining the rights of holders of long-term debt of the Company represented long-term debt in excess of 10% of the total assets of the Company as of March 31, 2011. The Company hereby agrees to furnish to the Commission, upon request, a copy of any such instrument. | N/A |
| 10.1 | Form of Executive Restricted Stock Unit Agreement. | Filed herewith. |
| 10.2 | Form of Executive Stock Option Agreement. | Filed herewith. |
| 10.3 | Amendment to Letter Agreement, dated March 1, 2011, between The Bank of New York Mellon Corporation and Robert P. Kelly. | Filed herewith. |
| 10.4 | Terms of Employment agreed to by The Bank of New York Mellon Corporation and Curtis Y. Arledge, dated July 26, 2010, and accepted July 29, 2010. | Filed herewith. |

Index to Exhibits (continued)

| Exhibit No. | Description | Method of Filing |
|----------------|---|--|
| 10.5 | The Bank of New York Mellon Corporation Long-Term Incentive Plan. | Previously filed as Appendix A to the Company's definitive proxy statement on Schedule 14A filed on March 11, 2011 and incorporated herein by reference. |
| 10.6 | The Bank of New York Mellon Corporation Executive Incentive Compensation Plan. | Previously filed as Appendix B to the Company's definitive proxy statement on Schedule 14A filed on March 11, 2011 and incorporated herein by reference. |
| 12.1 | Computation of Ratio of Earnings to Fixed Charges. | Filed herewith. |
| 31.1 | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith. |
| 31.2 | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith. |
| 32.1 | Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | Furnished herewith. |
| 32.2 | Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | Furnished herewith. |
| 101.INS | XBRL Instance Document. | Furnished herewith. |
| 101.SCH | XBRL Taxonomy Extension Schema Document. | Furnished herewith. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. | Furnished herewith. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | Furnished herewith. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | Furnished herewith. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | Furnished herewith. |

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
The Bank of New York Mellon Corporation

| <i>(dollar amounts in millions)</i> | March 31, 2011 | March 31, 2010 |
|---|---------------------------|-------------------|
| Earnings | | |
| Income from continuing operations before income taxes | \$ 949 | \$ 884 |
| Fixed charges, excluding interest on deposits | 132 | 104 |
| Income from continuing operations before income taxes and fixed charges, excluding interest on deposits | 1,081 | 988 |
| Interest on deposits | 67 | 39 |
| Income from continuing operations before income taxes and fixed charges, including interest on deposits | \$1,148 | \$1,027 |
| Fixed charges | | |
| Interest expense, excluding interest on deposits | \$ 102 | \$ 79 |
| One-third net rental expense <i>(a)</i> | 30 | 25 |
| Total fixed charges, excluding interest on deposits | 132 | 104 |
| Interest on deposits | 67 | 39 |
| Total fixed charges, including interests on deposits | \$ 199 | \$ 143 |
| Earnings to fixed charges ratios | | |
| Excluding interest on deposits | 8.23 | 9.48 |
| Including interest on deposits | 5.78 | 7.17 |

(a) The proportion deemed representative of the interest factor.

CERTIFICATION

I, Robert P. Kelly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Bank of New York Mellon Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 9, 2011

/s/ Robert P. Kelly
Name: Robert P. Kelly
Title: Chief Executive Officer

CERTIFICATION

I, Thomas P. Gibbons, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Bank of New York Mellon Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 9, 2011

/s/ Thomas P. Gibbons
Name: Thomas P. Gibbons
Title: Chief Financial Officer

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of The Bank of New York Mellon Corporation (“BNY Mellon”), hereby certifies, to his knowledge, that BNY Mellon’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of BNY Mellon.

Dated: May 9, 2011

/s/ Robert P. Kelly
Name: Robert P. Kelly
Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of The Bank of New York Mellon Corporation (“BNY Mellon”), hereby certifies, to his knowledge, that BNY Mellon’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of BNY Mellon.

Dated: May 9, 2011

/s/ Thomas P. Gibbons
Name: Thomas P. Gibbons
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.