

BNY Mellon
Quarterly Earnings Review
Financial Results
July 20, 2010
Table of Contents

| | |
|---|----|
| Non-GAAP Financial Measures | 2 |
| Second Quarter 2010 Financial Highlights | 3 |
| Financial Summary/Key Metrics (continuing operations) | 4 |
| Assets Under Management/Custody and Administration/Market Indices | 5 |
| Fee and Other Revenue | 6 |
| Net Interest Revenue | 7 |
| Noninterest Expense | 8 |
| Operations of Consolidated Asset Management Funds | 9 |
| Regulatory Reform | 9 |
| Investment Securities Portfolio | 10 |
| Foreign Exchange and Other Trading Activities Revenue | 11 |
| Capital | 11 |
| Nonperforming Assets | 11 |
| Allowance for Credit Losses, Provision and Net Charge-offs | 12 |
| Discontinued Operations | 12 |
| Business Segments | 12 |
| • Asset Management | 13 |
| • Wealth Management | 14 |
| • Asset Servicing | 15 |
| • Issuer Services | 16 |
| • Clearing Services | 17 |
| • Treasury Services | 18 |
| • Other | 19 |
| Supplemental Information - Explanation of Non-GAAP Financial Measures | 20 |
| Cautionary Statement | 23 |

NON-GAAP FINANCIAL MEASURES

BNY Mellon has included in this Earnings Review certain Non-GAAP 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 adds additional useful information to investors, supplementing the Tier 1 capital ratio which is utilized by regulatory authorities. Unlike the Tier 1 capital ratio, the tangible common shareholders' equity ratio fully incorporates those changes in investment securities valuations which are reflected in 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 preferred stock and 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 the 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 investment securities gains (losses) and noncontrolling interests related to consolidated asset management funds and expense measures excluding items, such as merger and integration ("M&I") expenses, intangible amortization expenses, the FDIC special assessment, special litigation reserves taken in the first quarter of 2010; and measures which utilize net income excluding tax items such as the discrete tax benefits related to a tax loss on mortgages and the benefit of tax settlements. Return on equity measures and operating margin measures which exclude some or all of these items are also presented. BNY Mellon believes that these measures are useful to investors because they permit a focus on period to period comparisons which relate to the ability of BNY Mellon to enhance revenues and limit expenses in circumstances where such matters are within BNY Mellon's control. The excluded items in general relate to situations where accounting rules require certain ongoing charges as a result of prior transactions, or where valuation or other accounting/regulatory requirements require charges unrelated to operational initiatives. M&I expenses primarily relate to 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 investment securities gains (losses), BNY Mellon's primary businesses are Asset and Wealth Management and Institutional Services. The management of these sectors 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. Management of the investment securities portfolio is a shared service contained in 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 segment results. The presentation of financial measures excluding special litigation reserves taken in the first quarter of 2010 provides investors the ability to view performance metrics on the basis that management views results. The presentation of income of consolidated asset management funds, net of noncontrolling interest related to the consolidation of certain assets 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 the discrete tax benefits related to a tax loss on mortgages permits investors to calculate the tax impact of BNY Mellon's primary businesses. 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 Earnings Review, 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 segment basis. Below is a listing of certain financial measures which have been impacted by the exclusion and/or adjustment of certain items.

- Revenue: Investment securities gains (losses) and income from consolidated asset management funds, net of noncontrolling interest.
- Noninterest expense: Special litigation reserves taken in the first quarter of 2010, M&I expenses, intangible amortization expense, FDIC special assessment and restructuring charges.
- Earnings per share: Special litigation reserves taken in the first quarter of 2010, M&I expenses, restructuring charges, preferred dividends, net investment securities gains (losses) and discrete tax benefits.

SECOND QUARTER 2010 FINANCIAL HIGHLIGHTS

| | <u>Income after tax from</u> | | | <u>EPS from continuing operations (a) (b)</u> | | | | |
|-----------------------------------|----------------------------------|--------------|---------------------|---|---------------|----------------------|------------------|--------------------|
| | <u>continuing operations (a)</u> | | | <u>2Q10 vs.</u> | | | | |
| | <i>(in millions)</i> | | | <u>2Q09</u> | <u>1Q10</u> | <u>2Q10</u> | <u>2Q09</u> | <u>1Q10</u> |
| Earnings: | | | | | | | | |
| Continuing operations – GAAP | \$267 | \$601 | \$668 | \$0.23 | \$0.49 | \$0.55 | 139% | 12% |
| Non-GAAP adjustments (a) | 335 | 114 | - | 0.29 | 0.10 | - | | |
| Subtotal Non-GAAP operating basis | 602 | 715 | 668 | 0.51 (c) | 0.59 | 0.55 | 8% | (7)% |
| Intangible amortization | 67 | 62 | 60 | 0.06 | 0.05 | 0.05 | | |
| Continuing operations – Non-GAAP | <u>\$669</u> | <u>\$777</u> | <u>\$728</u> | <u>\$0.57</u> | <u>\$0.64</u> | <u>\$0.60</u> | <u>5%</u> | <u>(6)%</u> |

KEY POINTS (comparisons are unannualized 2Q10 vs. 1Q10 unless otherwise stated)

- Operating earnings
 - Fee revenue benefited from a 6% increase in securities servicing fees and a 39% increase in foreign exchange revenue, offset by negative trading revenue primarily in derivatives due to credit valuation adjustments (“CVA”) on widening spreads and lower fixed income trading revenue
 - Net interest revenue decreased 6% primarily reflecting our credit strategy to reduce targeted loan exposure, as well as reducing the duration of placements
 - Noninterest expenses increased 3% reflecting higher support agreement charges resulting from a quarterly change in the market value of Lehman securities, the impact of the annual merit increase, the U.K. bonus tax and higher business development activity
- Asset quality improvement
 - Provision down 43% to \$20 million; nonperforming assets down 12% to \$406 million
 - Unrealized pre-tax gain of \$292 million on the investment portfolio compared with an unrealized loss of \$247 million at March 31, 2010
- Capital generation strong
 - Tier 1 capital increased approximately \$430 million
 - Tangible common equity increased approximately \$795 million
 - Tier 1 capital ratio 13.5%, Tier 1 common equity ratio 11.8% and Tangible common shareholders’ equity ratio 6.3%
- Client assets stable
 - Assets under custody and administration \$21.8 trillion, up 6% year-over-year
 - Assets under management \$1.0 trillion, up 13% year-over-year
 - Long-term inflows \$12 billion in 2Q10
 - Short-term outflows \$17 billion in 2Q10
- Completed acquisition of the Global Investment Servicing business on July 1, 2010
 - Successfully raised \$700 million of common equity via a forward sale agreement that is expected to settle in 3Q10

(a) See Supplemental information beginning on page 20 for GAAP to Non-GAAP reconciliations.

(b) Diluted earnings per share under the two-class method was calculated after deducting earnings allocated to participating securities of \$2 million in the second quarter of 2009, \$5 million in the first quarter of 2010 and \$7 million in the second quarter of 2010.

(c) Does not foot due to rounding.

FINANCIAL SUMMARY

| <i>(dollar amounts in millions, non-FTE basis unless otherwise noted; common shares in thousands)</i> | 2009 | | | 2010 | | 2Q10 vs. | |
|--|-----------|-----------|-----------|-----------|------------------|----------|------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| Revenue: | | | | | | | |
| Fee and other revenue - GAAP | \$2,257 | \$(2,216) | \$2,595 | \$2,549 | \$2,571 | | |
| Less: Investment securities gains (losses) | (256) | (4,833) | 15 | 7 | 13 | | |
| Total fee revenue – GAAP | \$2,513 | \$2,617 | \$2,580 | \$2,542 | \$2,558 | 2% | 1% |
| Income of consolidated asset management funds, net of noncontrolling interests | - | - | - | 41 (a) | 32 (a) | | |
| Total fee revenue - Non-GAAP | 2,513 | 2,617 | 2,580 | 2,583 | 2,590 | 3 | - |
| Net interest revenue - GAAP | 700 | 716 | 724 | 765 | 722 | 3 | (6) |
| Total revenue excluding investment securities gains (losses) – Non-GAAP (b) | \$3,213 | \$3,333 | \$3,304 | \$3,348 | \$3,312 | 3 | (1) |
| Provision for credit losses | \$ 61 | \$ 147 | \$ 65 | \$ 35 | \$ 20 | | |
| Expense: | | | | | | | |
| Noninterest expense – GAAP | \$2,383 | \$2,318 | \$2,582 | \$2,460 | \$2,332 | | |
| Less: Special litigation reserves | N/A | N/A | N/A | 164 | N/A | | |
| M&I expenses | 59 | 54 | 52 | 26 | 14 | | |
| Restructuring charges | 6 | (5) | 139 | 7 | (15) | | |
| FDIC special assessment | 61 | - | - | - | - | | |
| Amortization of intangible assets | 108 | 104 | 107 | 97 | 98 | | |
| Total noninterest expense – excluding special litigation reserves, M&I expenses, restructuring charges, FDIC special assessment and intangible amortization – Non-GAAP | \$2,149 | \$2,165 | \$2,284 | \$2,166 | \$2,235 | 4 | 3 |
| Income: | | | | | | | |
| Income (loss) from continuing operations | \$ 501 | \$(2,438) | \$ 713 | \$ 626 | \$ 702 | 40% | 12% |
| Net (income) loss attributable to noncontrolling interests, net of tax | 2 | (1) | (1) | (25) (a) | (34) | | |
| Redemption charge and preferred dividends | (236) | - | - | - | - | | |
| Income (loss) from continuing operations, net of tax | 267 | (2,439) | 712 | 601 | 668 | | |
| Income (loss) from discontinued operations, net of tax | (91) | (19) | (119) | (42) | (10) | | |
| Net income (loss) applicable to common shareholders of The Bank of New York Mellon Corporation | \$ 176 | \$(2,458) | \$ 593 | \$ 559 | \$ 658 | | |
| Key Metrics (Continuing operations): | | | | | | | |
| Pre-tax operating margin – GAAP (c) | 17 % | N/M | 20 % | 26 % | 30% | | |
| Non-GAAP adjusted (c) | 31 % | 31 % | 29 % | 34 % | 32% | | |
| Return on common equity (annualized) – GAAP (c) | 4.0 % | N/M | 9.8 % | 8.2 % | 8.8% | | |
| Non-GAAP adjusted (c) | 6.6 % | 9.9 % | 10.1 % | 10.6 % | 9.5% | | |
| Return on tangible common equity (annualized) | | | | | | | |
| Non-GAAP (c) | 18.4 % | N/M | 33.0 % | 25.8 % | 25.8% | | |
| Non-GAAP adjusted (c) | 24.0 % | 31.5 % | 31.1 % | 30.2 % | 25.5% | | |
| Fee and other revenue as a percent of total revenue | 76 % | N/M | 78 % | 75 % | 77% | | |
| Percent of non-U.S. fee and net interest revenue including noncontrolling interests related to consolidated asset management funds | 31 % | 31 % | 36 % | 34 % | 35% | | |
| Effective tax rate – GAAP | 2.2 % | N/M | N/M | 29.1 % | 30.2% | | |
| Non-GAAP adjusted (d) | 32.4 % | 31.8 % | 22.1 % | 31.0 % | 30.1% | | |
| Period end | | | | | | | |
| Employees | 41,800 | 42,000 | 42,200 | 42,300 | 42,700 | | |
| Market capitalization | \$35,255 | \$34,911 | \$33,783 | \$37,456 | \$29,975 | | |
| Common shares outstanding | 1,202,828 | 1,204,244 | 1,207,835 | 1,212,941 | 1,214,042 | | |

(a) Includes \$24 million and \$33 million of noncontrolling interests related to consolidated asset management funds in the first and second quarters of 2010, respectively.

(b) Total revenue – GAAP was \$2.957 billion, \$(1.500) billion, \$3.319 billion, \$3.379 billion and \$3.358 billion, respectively.

(c) See Supplemental information beginning on page 20 for GAAP to Non-GAAP reconciliations.

(d) The effective tax rate – Non-GAAP for the quarters of 2009 exclude investment securities losses, M&I expenses, restructuring charges, support agreement charges, FDIC special assessment and discrete tax benefits. The effective tax rate – Non-GAAP for the first and second quarters of 2010 excludes M&I expenses and restructuring charges. In addition, the effective tax rate for the first quarter of 2010 excludes special litigation reserves taken in the first quarter of 2010.

N/A – Not applicable.

N/M – Not meaningful.

ASSETS UNDER MANAGEMENT/CUSTODY AND ADMINISTRATION TREND

| | 2009 | | | 2010 | | 2Q10 vs. | |
|---|---------|---------|---------|---------|----------------|----------|------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| Market value of assets under management at period-end (<i>in billions</i>) | \$ 926 | \$ 966 | \$1,115 | \$1,105 | \$1,047 | 13% | (5)% |
| Market value of assets under custody and administration at period-end (<i>in trillions</i>) | \$ 20.7 | \$ 22.1 | \$ 22.3 | \$ 22.4 | \$ 21.8 | 6% | (2)% |
| Market value of securities on loan at period-end (<i>in billions</i>) (a) | \$ 290 | \$ 299 | \$ 247 | \$ 253 | \$248 | (14)% | (2)% |

(a) Represents the total amount of securities on loan, both cash and non-cash, managed by the Asset Servicing segment.

ASSETS UNDER MANAGEMENT FLOWS
Changes in market value of assets under management from March 31, 2010 to June 30, 2010 by business segment - preliminary

| (<i>in billions</i>) | Asset Management | Wealth Management | Total |
|---|-------------------|-------------------|-----------------|
| Market value of assets under management at March 31, 2010 | \$1,029 | \$ 76 | \$ 1,105 |
| Net inflows (outflows): | | | |
| Long-term | 13 | (1) | 12 |
| Money market | (17) | - | (17) |
| Total net inflows (outflows) | (4) | (1) | (5) |
| Net market/currency impact | (49) | (4) | (53) |
| Market value of assets under management at June 30, 2010 | \$ 976 (a) | \$ 71 (b) | \$ 1,047 |

(a) Excludes \$4 billion subadvised for the Wealth Management segment.

(b) Excludes private client assets managed in the Asset Management segment.

COMPOSITION OF ASSETS UNDER MANAGEMENT

| Composition of assets under management at period end (a) | 2009 | | | 2010 | |
|--|---------|---------|---------|---------|-------------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr |
| Equity | 31% | 34% | 31% | 32% | 30% |
| Money market | 43% | 39% | 32% | 30% | 30% |
| Fixed income | 17% | 17% | 21% | 21% | 23% |
| Alternative investments and overlay | 9% | 10% | 16% | 17% | 17% |
| Total | 100% | 100% | 100% | 100% | 100% |

(a) Excludes securities lending cash management assets.

MARKET INDICES

| Market indices | 2009 | | | 2010 | | 2Q10 vs. | |
|--|---------|---------|---------|---------|-------------|----------|-------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| S&P 500 Index (a) | 919 | 1057 | 1115 | 1169 | 1031 | 12% | (12)% |
| S&P 500 Index-daily average | 891 | 995 | 1088 | 1123 | 1135 | 27 | 1 |
| FTSE 100 Index (a) | 4249 | 5134 | 5413 | 5680 | 4917 | 16 | (13) |
| FTSE 100 Index-daily average | 4258 | 4708 | 5235 | 5431 | 5361 | 26 | (1) |
| NASDAQ Composite Index (a) | 1835 | 2122 | 2269 | 2398 | 2109 | 15 | (12) |
| Lehman Brothers Aggregate Bond SM Index (a) | 280 | 304 | 301 | 300 | 299 | 7 | - |
| MSCI EAFE [®] Index (a) | 1307 | 1553 | 1581 | 1584 | 1348 | 3 | (15) |
| NYSE Share Volume (<i>in billions</i>) | 151 | 126 | 112 | 103 | 140 | (7) | 36 |
| NASDAQ Share Volume (<i>in billions</i>) | 152 | 144 | 131 | 143 | 159 | 5 | 11 |

(a) Period end.

FEE AND OTHER REVENUE

| Fee and other revenue (dollar amounts in millions) | 2009 | | | 2010 | | 2Q10 vs. | |
|--|---------|-----------|---------|---------|---------|----------|------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| Securities servicing fees: | | | | | | | |
| Asset servicing | \$ 574 | \$ 600 | \$ 621 | \$ 608 | \$622 | 8% | 2% |
| Securities lending revenue | 97 | 43 | 29 | 29 | 46 | (53) | 59 |
| Issuer services | 372 | 359 | 368 | 333 | 354 | (5) | 6 |
| Clearing services | 250 | 236 | 223 | 230 | 245 | (2) | 7 |
| Total securities servicing fees | 1,293 | 1,238 | 1,241 | 1,200 | 1,267 | (2) | 6 |
| Asset and wealth management fees | 637 | 650 | 736 | 678 | 676 | 6 | - |
| Foreign exchange and other trading activities | 237 | 246 | 246 | 262 | 220 | (7) | (16) |
| Treasury services | 132 | 128 | 134 | 131 | 125 | (5) | (5) |
| Distribution and servicing | 107 | 94 | 85 | 76 | 77 | (28) | 1 |
| Financing-related fees | 54 | 56 | 57 | 50 | 48 | (11) | (4) |
| Investment income | 44 | 121 | 78 | 108 | 72 | 64 | (33) |
| Other | 9 | 84 | 3 | 37 | 73 | N/M | N/M |
| Total fee revenue – GAAP | \$2,513 | \$2,617 | \$2,580 | \$2,542 | \$2,558 | 2% | 1% |
| Income of consolidated asset management funds, net of noncontrolling interests | - | - | - | 41 (a) | 32 (a) | N/M | (22) |
| Total fee revenue – Non-GAAP | \$2,513 | \$2,617 | \$2,580 | \$2,583 | \$2,590 | 3% | -% |
| Net securities gains (losses) | (256) | (4,833) | 15 | 7 | 13 | N/M | N/M |
| Total fee and other revenue – Non-GAAP (b) | \$2,257 | \$(2,216) | \$2,595 | \$2,590 | \$2,603 | 15% | 1% |
| Fee and other revenue as a percent of total revenue – GAAP | 76% | N/M | 78% | 75% | 77% | | |

(a) Includes \$25 million and \$29 million previously included in asset and wealth management fees and \$16 million and \$3 million previously included in investment income for the first and second quarters of 2010, respectively. See page 9.

(b) Total fee and other revenue on a GAAP basis was \$2,257 million, \$(2,216) million, \$2,595 million, \$2,549 million and \$2,571 million, respectively.

N/M - Not meaningful.

KEY POINTS

- Asset servicing fees – Year-over-year growth reflects higher market values and new business. The increase sequentially primarily reflects new business and higher transaction volumes.
- Securities lending revenue – The year-over-year decrease reflects narrower spreads and lower loan balances while the sequential increase reflects seasonality.
- Issuer services fees – The decrease year-over-year reflects lower Corporate Trust fee revenue resulting from decreased activity in the global debt markets and lower money market related distribution fees, partially offset by higher Depository Receipts revenue reflecting higher issuance and service fees. The sequential increase resulted from seasonality in Depository Receipts and Shareowner Services, partially offset by lower Corporate Trust fee revenue.
- Clearing services fees – Year-over-year results reflect lower money market related distribution fees. The sequential increase reflects higher transaction fee volumes and higher money market fund fees.
- Asset and wealth management fees totaled \$676 million in the second quarter of 2010. Adjusted for performance fees and income from consolidated asset management funds, net of noncontrolling interests, these fees total \$686 million, an increase of 12% compared with the prior year period and a decrease of 1% (unannualized) sequentially (see page 20). The year-over-year increase reflects improved market values, the Insight acquisition and the impact of new business, partially offset by higher fee waivers and a reduction in fees due to money market outflows. Sequentially, the impact of new business was more than offset by lower market values.
- Foreign exchange and other trading activities totaled \$220 million compared with \$237 million in the prior year period and \$262 million in the first quarter of 2010. In the second quarter of 2010, foreign exchange revenue totaled \$244 million, an increase of 39% sequentially, driven by increased volatility. The negative other trading revenue of \$24 million in the second quarter of 2010 primarily relates to credit valuation adjustments (“CVA”) on derivatives due to widening spreads and lower fixed income trading revenue. See page 11 for trends in foreign exchange and other trading activities revenue.
- Investment and other income increased \$92 million year-over-year and was unchanged sequentially. The year-over-year increase reflects positive foreign currency translations and lease residual gains, partially offset by lower seed capital revenue.

NET INTEREST REVENUE

| Net interest revenue <i>(dollar amounts in millions)</i> | 2009 | | | 2010 | | 2Q10 vs. | |
|---|----------|----------|----------|----------|-----------|----------|----------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| Net interest revenue (non-FTE) | \$ 700 | \$ 716 | \$ 724 | \$765 | \$ 722 | 3% | (6)% |
| Net interest revenue (FTE) | 704 | 721 | 729 | 770 | 727 | 3 | (6) |
| Net interest margin (FTE) | 1.80 % | 1.85 % | 1.77 % | 1.89 % | 1.74% | (6) bps | (15) bps |
| Selected average balances: | | | | | | | |
| Cash/interbank investments | \$66,154 | \$64,762 | \$71,173 | \$71,788 | \$ 73,673 | 11% | 3% |
| Trading account securities | 2,179 | 1,973 | 2,090 | 2,075 | 2,752 | 26 | 33 |
| Securities | 51,903 | 53,889 | 55,573 | 55,352 | 54,030 | 4 | (2) |
| Loans | 37,029 | 34,535 | 35,239 | 34,214 | 36,664 | (1) | 7 |
| Interest-earning assets | 157,265 | 155,159 | 164,075 | 163,429 | 167,119 | 6 | 2 |
| Interest-bearing deposits | 98,896 | 93,632 | 98,404 | 101,034 | 99,963 | 1 | (1) |
| Noninterest-bearing deposits | 32,852 | 34,920 | 34,991 | 33,330 | 34,628 | 5 | 4 |
| Selected average yields/rates: | | | | | | | |
| Cash/interbank investments | 1.11 % | 1.00 % | 0.94 % | 0.89 % | 0.82% | | |
| Trading account securities | 2.50 | 2.30 | 2.53 | 2.49 | 2.62 | | |
| Securities | 3.12 | 3.20 | 3.36 | 3.67 | 3.62 | | |
| Loans | 2.69 | 2.63 | 2.38 | 2.46 | 2.30 | | |
| Interest-earning assets | 2.16 | 2.14 | 2.09 | 2.18 | 2.08 | | |
| Interest-bearing deposits | 0.16 | 0.11 | 0.12 | 0.16 | 0.17 | | |
| Average cash/interbank investments as a percentage of average interest-earning assets | 42% | 42% | 43% | 44% | 44% | | |
| Average noninterest-bearing deposits as a percentage of average interest-earning assets | 21% | 23% | 21% | 20% | 21% | | |

bps – basis points.

FTE – fully taxable equivalent.

KEY POINTS

- Net interest revenue (FTE) totaled \$727 million in 2Q10, an increase of 3% year-over-year and a decline of 6% (unannualized) sequentially.
- The net interest margin (FTE) was 1.74% in 2Q10, compared with 1.89% in 1Q10 and 1.80% in 2Q09.
- The decreases in net interest revenue and the net interest margin compared with 1Q10 reflect our credit strategy to reduce targeted loan exposure, as well as reducing the duration of placements, partially offset by a higher level of average interest-earning assets.
- The increase in net interest revenue compared with 2Q09 reflects a higher yield on the restructured investment securities portfolio and a higher level of average interest-earning assets, partially offset by narrowing spreads and a reduction in the duration of placements.

NONINTEREST EXPENSE

| Noninterest expense (dollar amounts in millions) | 2009 | | | 2010 | | 2Q10 vs. | |
|---|----------|----------|----------|----------|----------|----------|------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| Staff: | | | | | | | |
| Compensation | \$ 740 | \$ 747 | \$ 766 | \$ 753 | \$ 763 | 3% | 1% |
| Incentives | 241 | 242 | 266 | 284 | 272 | 13 | (4) |
| Employee benefits | 172 | 168 | 189 | 183 | 199 | 16 | 9 |
| Total staff | 1,153 | 1,157 | 1,221 | 1,220 | 1,234 | 7 | 1 |
| Professional, legal and other purchased services | 237 | 265 | 278 | 241 | 256 | 8 | 6 |
| Net occupancy | 142 | 142 | 141 | 137 | 143 | 1 | 4 |
| Distribution and servicing | 106 | 104 | 109 | 109 | 106 | - | (3) |
| Software | 93 | 95 | 98 | 94 | 91 | (2) | (3) |
| Furniture and equipment | 76 | 76 | 80 | 75 | 71 | (7) | (5) |
| Business development | 49 | 45 | 76 | 52 | 68 | 39 | 31 |
| Sub-custodian | 60 | 49 | 55 | 52 | 65 | 8 | 25 |
| Other | 233 | 232 | 226 | 186 | 201 | (14) | 8 |
| Subtotal | 2,149 | 2,165 | 2,284 | 2,166 | 2,235 | 4 | 3 |
| Special litigation reserves | N/A | N/A | N/A | 164 | N/A | N/M | N/M |
| FDIC special assessment | 61 | - | - | - | - | N/M | - |
| Amortization of intangible assets | 108 | 104 | 107 | 97 | 98 | (9) | 1 |
| Restructuring charges | 6 | (5) | 139 | 7 | (15) | N/M | N/M |
| M&I expenses | 59 | 54 | 52 | 26 | 14 | (76) | (46) |
| Total noninterest expense | \$ 2,383 | \$ 2,318 | \$ 2,582 | \$ 2,460 | \$ 2,332 | (2)% | (5)% |
| Total staff expense as a percentage of total revenue | 39% | N/M | 37% | 36% | 37% | | |
| Total staff expense as a percentage of total revenue – Non-GAAP adjusted (a) | 36% | 35% | 37% | 36% | 37% | | |

(a) Excluding net securities gains (losses) and noncontrolling interest of consolidated asset management funds.

N/A – Not applicable.

N/M – Not meaningful.

KEY POINTS

- The 4% year-over-year increase in expenses (excluding the special litigation reserves, FDIC special assessment, amortization of intangible assets, restructuring charges and M&I expenses) was driven by the impact of the Insight acquisition, as well as higher incentives and business development activity.
- The sequential increase of 3% (unannualized) (excluding the special litigation reserves taken in the first quarter of 2010, FDIC special assessment, amortization of intangible assets, restructuring charges and M&I expenses) primarily reflects higher support agreement charges resulting from a quarterly change in the market value of Lehman securities, the impact of the annual merit increase which was effective in the second quarter of 2010, the U.K. bonus tax and higher business development activity.

OPERATIONS OF CONSOLIDATED ASSET MANAGEMENT FUNDS

On Jan. 1, 2010, we adopted SFAS No. 167 (ASC 810). Adoption of this new standard resulted in an increase in consolidated total assets on our balance sheet at June 30, 2010 of \$13.4 billion, or an increase of approximately 6% from Dec. 31, 2009.

We also separately disclosed the following on the income statement.

| Income from consolidated asset management funds, net of noncontrolling interests <i>(in millions)</i> | 1Q10 | 2Q10 |
|---|-------|-------|
| Operations of consolidated asset management funds | \$ 65 | \$ 65 |
| Noncontrolling interest of consolidated asset management funds | 24 | 33 |
| Income from consolidated asset management funds, net of noncontrolling interests | \$ 41 | \$ 32 |

These line items were previously disclosed on the income statement as:

| <i>(in millions)</i> | 1Q10 | 2Q10 |
|-------------------------------------|-------|------|
| Asset and wealth management revenue | \$ 25 | \$29 |
| Investment income | 16 | 3 |
| Total | \$ 41 | \$32 |

REGULATORY REFORM

In July 2010, Congress enacted regulatory reform legislation known as the Dodd-Frank Wall Street Reform and Consumer Protection Act, which the President is expected to sign into law on July 21, 2010. This new law broadly affects the financial services industry by establishing a framework for systemic risk oversight, creating a resolution authority, 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. 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 to BNY Mellon or across the industry.

INVESTMENT SECURITIES PORTFOLIO

At June 30, 2010, the fair value of our investment securities portfolio totaled \$53.5 billion. The unrealized pre-tax gain on our securities portfolio was \$292 million at June 30, 2010 compared with an unrealized pre-tax loss of \$247 million at March 31, 2010 and an unrealized pre-tax loss of \$7.7 billion at June 30, 2009.

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

| <i>(dollar amounts in millions)</i> | March 31, 2010 Fair value | 2Q10 change in unrealized gain/(loss) | June 30, 2010 | | Fair value as a % of amortized cost (a) | Unrealized gain/(loss) | Ratings | | | | |
|---|---------------------------------|--|-------------------|---------------|--|---------------------------|-------------|-----------|---------------|------------------|--------------|
| | | | Amortized cost | Fair value | | | AAA/ AA- | A+/ A- | BBB+/ BBB- | BB+ and lower | Not rated |
| Investment securities portfolio | | | | | | | | | | | |
| Watch list: (b) | | | | | | | | | | | |
| European floating rate notes (c) | \$ 5,032 | \$ 18 | \$ 4,962 | \$ 4,527 | 91% | \$ (435) | 94% | 6% | -% | -% | -% |
| Commercial MBS | 2,360 | 23 | 2,338 | 2,357 | 101 | 19 | 92 | 5 | 2 | 1 | - |
| Prime RMBS | 1,613 | 69 | 1,685 | 1,568 | 92 | (117) | 51 | 14 | 9 | 26 | - |
| Alt-A RMBS | 756 | 34 | 781 | 729 | 72 | (52) | 28 | 8 | 1 | 63 | - |
| Subprime RMBS | 486 | 31 | 757 | 501 | 66 | (256) | 70 | 12 | 8 | 10 | - |
| Credit cards | 588 | 3 | 541 | 543 | 98 | 2 | 2 | 97 | 1 | - | - |
| Other | 376 | (8) | 352 | 361 | 52 | 9 | 3 | 1 | 22 | 42 | 32 |
| Total Watch list (b) | 11,211 | 170 | 11,416 | 10,586 | 88 | (830) | 74 | 12 | 3 | 10 | 1 |
| Agency RMBS | 18,349 | 238 | 18,480 | 19,039 | 103 | 559 | 100 | - | - | - | - |
| Sovereign debt/ sovereign guaranteed | 7,710 | (6) | 7,047 | 7,126 | 101 | 79 | 100 | - | - | - | - |
| U.S. Treasury securities | 7,083 | 48 | 5,853 | 5,948 | 102 | 95 | 100 | - | - | - | - |
| Grantor Trust (d): | | | | | | | | | | | |
| Alt-A RMBS | 2,605 | 38 | 2,355 | 2,536 | 62 | 181 | 3 | 4 | 4 | 89 | - |
| Prime RMBS | 2,024 | 42 | 1,831 | 1,969 | 73 | 138 | 2 | 3 | 3 | 92 | - |
| Subprime RMBS | 146 | 2 | 127 | 148 | 65 | 21 | 13 | 5 | - | 82 | - |
| FDIC-insured debt | 2,586 | 6 | 2,485 | 2,546 | 102 | 61 | 100 | - | - | - | - |
| U.S. Government agency debt | 1,157 | (6) | 1,133 | 1,146 | 101 | 13 | 100 | - | - | - | - |
| Other | 2,650 | 7 | 2,500 | 2,475 | 99 | (25) | 75 | 10 | 6 | - | 9 |
| Total investment securities | \$55,521 | \$539 | \$53,227 | \$53,519 (e) | 95% | \$292 (e) | 85% | 3% | 1% | 10% | 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) The Grantor Trust RMBS were marked to market in the fourth quarter of 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 a \$13 million unrealized loss on hedges of available for sale securities.

FOREIGN EXCHANGE AND OTHER TRADING ACTIVITIES REVENUE

| Foreign exchange and other trading activities (in millions) | 2009 | | | 2010 | |
|--|---------|---------|---------|---------|--------------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr |
| Foreign exchange | \$ 240 | \$ 190 | \$ 201 | \$ 175 | \$244 |
| Fixed income | 37 | 76 | 54 | 80 | (32) |
| Credit derivatives (a) | (45) | (27) | (11) | (2) | 4 |
| Other | 5 | 7 | 2 | 9 | 4 |
| Total | \$ 237 | \$ 246 | \$ 246 | \$ 262 | \$220 |

(a) Used as economic hedges of loans.

CAPITAL

| Capital ratios (a) | June 30, 2009 | March 31, 2010 | June 30, 2010 |
|---|------------------|-------------------|------------------|
| Tier 1 capital ratio | 12.5% | 13.3% | 13.5% |
| Total (Tier 1 plus Tier 2) capital ratio | 16.0 | 17.2 | 17.2 |
| Leverage capital ratio | 7.6 | 6.5 | 6.6 |
| Common shareholders' equity to total assets ratio (b) | 13.4 | 13.5 | 12.9 |
| Tangible common shareholders' equity to tangible assets of operations ratio – Non-GAAP (b) | 4.8 | 6.1 | 6.3 |
| Tier 1 common equity to risk-weighted assets ratio (b) | 11.1 | 11.6 | 11.8 |

(a) Includes discontinued operations. Preliminary.

(b) See the Supplemental information section beginning on page 20 for a calculation of these ratios.

NONPERFORMING ASSETS

| Nonperforming assets (dollar amounts in millions) | June 30, 2009 | March 31, 2010 | June 30, 2010 |
|---|------------------|-------------------|------------------|
| Loans: | | | |
| Other residential mortgages | \$ 163 | \$ 204 | \$229 |
| Wealth management | 63 | 58 | 62 |
| Commercial real estate | 63 | 50 | 49 |
| Commercial | 43 | 40 | 40 |
| Financial institutions | 39 | 102 | 20 |
| Foreign | 1 | - | - |
| Total nonperforming loans | 372 | 454 | 400 |
| Other assets owned | 6 | 5 | 6 |
| Total nonperforming assets | \$ 378 | \$ 459 (a) | \$406 (a) |
| Nonperforming loans ratio | 1.0% | 1.4% | 1.1% |
| Allowance for loan losses/nonperforming loans | 116.7 | 114.5 | 135.5 |
| Total allowance for credit losses/nonperforming loans | 141.4 | 140.5 | 161.3 |

(a) The adoption of SFAS No. 167 (ASC 810) resulted in BNY Mellon consolidating loans of consolidated asset management funds of \$11.3 billion at March 31, 2010 and \$12.1 billion at June 30, 2010. Included in these loans are \$150 million and \$131 million of nonperforming loans, respectively. These loans are not part of BNY Mellon's loan portfolio. As a result, the nonperforming loans of consolidated asset management funds are excluded from the nonperforming assets of BNY Mellon. These loans are recorded at fair value and therefore do not impact the provision for credit losses and allowance for loan losses.

Nonperforming assets decreased \$53 million compared with March 31, 2010. The decrease primarily resulted from repayments by financial institutions, partially offset by the addition of other residential mortgages.

ALLOWANCE FOR CREDIT LOSSES, PROVISION AND NET CHARGE-OFFS

| Allowance for credit losses, provision and net charge-offs | Quarter ended | | |
|---|----------------------|------------------|-----------------|
| | June 30, | March 31, | June 30, |
| <i>(in millions)</i> | 2009 | 2010 | 2010 |
| Allowance for credit losses – beginning of period | \$ 559 | \$628 | \$638 |
| Provision for credit losses | 61 | 35 | 20 |
| Transferred to discontinued operations | (40) | - | - |
| Net (charge-offs) recoveries: | | | |
| Other residential mortgages | (16) | (12) | (10) |
| Financial institutions | - | (20) | (1) |
| Commercial | (25) | 12 | - |
| Commercial real estate | (13) | (5) | (1) |
| Wealth Management | - | - | (1) |
| Total net (charge-offs) recoveries | (54) | (25) | (13) |
| Allowance for credit losses – end of period | \$526 | \$638 | \$645 |
| Allowance for loan losses | \$434 | \$520 | \$542 |
| Allowance for unfunded commitments | 92 | 118 | 103 |

The provision for credit losses was \$20 million in the second quarter of 2010 compared with \$35 million in the first quarter of 2010. During the second quarter of 2010, the total allowance for credit losses increased \$7 million and net charge-offs totaled \$13 million.

DISCONTINUED OPERATIONS

On Jan. 15, 2010, BNY Mellon sold Mellon United National Bank (“MUNB”), its national bank subsidiary located in Florida. We have applied discontinued operations accounting to this business. The income statements for all periods in this Earnings Review are presented on a continuing operations basis. This business, which was previously reported in the Other segment, no longer fit our strategic focus on our asset management and securities servicing businesses. In the second quarter of 2010, we recorded an after-tax loss on discontinued operations of \$10 million primarily reflecting lower of cost or market write-downs on the retained loans held for sale.

BUSINESS SEGMENTS

See BNY Mellon’s 2009 Annual Report for information on the accounting principles of our business segments. 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 segment results.

ASSET MANAGEMENT (provides asset management services through a number of asset management companies to institutional and individual investors)

| <i>(dollar amounts in millions, unless otherwise noted)</i> | 2009 | | | 2010 | | 2Q10 vs. | |
|---|---------|---------|---------|---------|---------|----------|-------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| Revenue: | | | | | | | |
| Asset and wealth management: | | | | | | | |
| Mutual funds | \$ 266 | \$274 | \$ 266 | \$ 242 | \$242 | (9)% | -% |
| Institutional clients | 175 | 197 | 227 | 264 | 264 | 51 | - |
| Private clients | 31 | 34 | 38 | 38 | 37 | 19 | (3) |
| Performance fees | 26 | 1 | 59 | 13 | 19 | (27) | 46 |
| Total asset and wealth management revenue | 498 | 506 | 590 | 557 | 562 | 13 | 1 |
| Distribution and servicing | 90 | 84 | 84 | 75 | 75 | (17) | - |
| Other | (59) | 2 | 6 | 17 | - | N/M | N/M |
| Total fee and other revenue (a) | 529 | 592 | 680 | 649 | 637 | 20 | (2) |
| Net interest revenue | 7 | 7 | 3 | - | 1 | N/M | N/M |
| Total revenue (b) | 536 | 599 | 683 | 649 | 638 | 19 | (2) |
| Noninterest expense (ex. intangible amortization and support agreement charges) | 419 | 415 | 465 | 453 | 474 | 13 | 5 |
| Income before taxes (ex. intangible amortization and support agreement charges) | 117 | 184 | 218 | 196 | 164 | 40 | (16) |
| Support agreement charges | - | 32 | - | - | (7) | N/M | N/M |
| Amortization of intangible assets | 55 | 53 | 56 | 50 | 50 | (9) | - |
| Income before taxes | \$ 62 | \$ 99 | \$ 162 | \$ 146 | \$ 121 | 95% | (17)% |
| Pre-tax operating margin | 12% | 16% | 24% | 23% | 19% | | |
| Pre-tax operating margin (ex. intangible amortization) (c) | 22% | 25% | 32% | 30% | 27% | | |
| Market value of assets under management at period-end (in billions) | \$ 860 | \$ 897 | \$1,045 | \$1,034 | \$ 980 | 14% | (5)% |
| Assets under management-net inflows (outflows): | | | | | | | |
| Long-term (in billions) | \$ (18) | \$ (2) | \$ 13 | \$ 15 | \$ 13 | | |
| Money market (in billions) | \$ (2) | \$ (14) | \$ (22) | \$ (25) | \$ (17) | | |

(a) Total fee and other revenue for the first and second quarters of 2010 includes income from consolidated asset management funds of \$65 million and \$65 million, respectively, and net income attributable to noncontrolling interests of \$24 million and \$33 million, respectively. The net of these income statement line items of \$41 million and \$32 million for the first and second quarters of 2010 is included above in institutional client revenue of \$25 million and \$29 million, respectively, and other revenue of \$16 million and \$3 million, respectively.

(b) Investment securities gains (losses) were \$(45) million in 2Q09, \$- million in 3Q09, \$1 million in 4Q09, \$- million in 1Q10 and \$1 million in 2Q10. Excluding investment securities gains (losses), the total revenue growth rate 2Q10 vs.2Q09 was 10%.

(c) The pre-tax operating margin, excluding intangible amortization, support agreement charges and investment securities gains (losses) was 28% for 2Q09, 31% for 3Q09, 32% for 4Q09, 30% for 1Q10 and 26% for 2Q10.

N/M – Not meaningful.

KEY POINTS

- Asset Management generated 600 basis points of positive operating leverage compared with 2Q09 excluding intangible amortization and support agreement charges.
- Asset and wealth management fees totaled \$562 million. Excluding performance fees, asset and wealth management fees increased 15% compared with the prior year period and were unchanged sequentially. This increase year-over-year reflects improved equity values, the Insight acquisition and the impact of net new business, partially offset by a reduction in fees due to money market outflows and higher fee waivers. Sequentially, the impact of new business was more than offset by lower market values.
- Net long-term inflows of \$13 billion were more than offset by \$17 billion of short-term outflows. Long-term inflows benefited from strength in institutional fixed income and global equity products and the fifth consecutive quarter of positive flows in retail funds.
- The increase in other fee revenue compared with 2Q09 primarily reflects investment write-downs in 2Q09.
- Noninterest expense (ex. intangible amortization and support agreement charges) increased 13% year-over-year and 5% (unannualized) sequentially. The year-over-year increase primarily reflects the Insight acquisition and higher incentive expense. The sequential increase reflects higher incentive expense and the annual merit increase.
- 49% non-U.S. revenue in 2Q10 vs. 40% in 2Q09.

WEALTH MANAGEMENT (provides investment management, wealth and estate planning and private banking solutions to high net worth individuals, families, endowments and foundations and related entities)

| <i>(dollar amounts in millions, unless otherwise noted)</i> | 2009 | | | 2010 | | 2Q10 vs. | |
|---|---------|---------|---------|---------|---------|----------|-------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| Revenue: | | | | | | | |
| Asset and wealth management | \$ 128 | \$ 133 | \$ 136 | \$ 136 | \$ 134 | 5% | (1)% |
| Other | 12 | 13 | 15 | 10 | 13 | 8 | 30 |
| Total fee and other revenue | 140 | 146 | 151 | 146 | 147 | 5 | 1 |
| Net interest revenue | 49 | 49 | 46 | 55 | 56 | 14 | 2 |
| Total revenue | 189 | 195 | 197 | 201 | 203 | 7 | 1 |
| Provision for credit losses | - | - | 1 | - | - | N/M | N/M |
| Noninterest expense (ex. intangible amortization) | 136 | 135 | 138 | 136 | 145 | 7 | 7 |
| Income before taxes (ex. intangible amortization) | 53 | 60 | 58 | 65 | 58 | 9 | (11) |
| Amortization of intangible assets | 11 | 12 | 11 | 9 | 9 | (18) | - |
| Income before taxes | \$ 42 | \$ 48 | \$ 47 | \$ 56 | \$ 49 | 17% | (13)% |
| Pre-tax operating margin | 22% | 25% | 24% | 28% | 24% | | |
| Pre-tax operating margin (ex. intangible amortization) | 28% | 31% | 29% | 32% | 28% | | |
| Average loans | \$5,684 | \$6,010 | \$6,191 | \$6,302 | \$6,350 | 12% | 1% |
| Average deposits | \$6,628 | \$6,602 | \$6,804 | \$7,310 | \$7,991 | 21% | 9% |
| Market value of total client assets under management and custody at period end <i>(in billions)</i> | \$ 142 | \$ 151 | \$ 154 | \$ 157 | \$ 150 | 6% | (4)% |

N/M – Not meaningful.

KEY POINTS

- Income before taxes (ex. intangible amortization) increased 9% compared to 2Q09 and decreased 11% (unannualized) compared to 1Q10.
- Total fee and other revenue was up 5% compared to 2Q09 and 1% (unannualized) sequentially. The year-over-year increase reflects organic growth, the impact of higher equity markets and increased capital markets fees. The sequential increase was due to organic growth and higher capital markets fees, partially offset by lower equity markets.
- Total client assets were \$150 billion at June 30, 2010, up \$8 billion, or 6%, from June 30, 2009 and down \$7 billion, or 4%, from March 31, 2010. The decrease from March 31, 2010 reflects market depreciation.
- Net interest revenue increased 14% year-over-year and 2% (unannualized) sequentially. The year-over-year increase was primarily due to high quality loan growth, higher loan spreads, and the higher yield related to the restructured investment securities portfolio. The sequential increase reflects higher deposit levels and higher deposit margins. Average loans increased 12% year-over-year and 1% (unannualized) sequentially. Average deposit levels increased 21% year-over-year and 9% (unannualized) sequentially.
- Noninterest expense (excluding intangible amortization) increased 7% compared to 2Q09 and sequentially (unannualized). The year-over-year increase primarily reflects higher legal and FDIC expenses, the impact of the annual merit increase and production-related incentives, partially offset by workforce reductions and expense control. The sequential increase reflects the timing of business development expenses and the annual merit increase.
- Wealth Management has office sites in 17 states and 3 countries, including 16 of the top 25 domestic wealth markets.

ASSET SERVICING (provides global custody and related services and broker-dealer services to corporate and public retirement funds, foundations and endowments and global financial institutions)

| <i>(dollar amounts in millions, unless otherwise noted)</i> | 2009 | | | 2010 | | 2Q10 vs. | |
|---|----------|----------|----------|----------|----------|----------|------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| Revenue: | | | | | | | |
| Securities servicing fees - Asset servicing revenue | \$ 557 | \$ 573 | \$ 581 | \$ 569 | \$ 586 | 5% | 3% |
| Securities lending revenue | 85 | 32 | 25 | 24 | 30 | (65) | 25 |
| Foreign exchange and other trading activities | 216 | 190 | 177 | 170 | 207 | (4) | 22 |
| Other | 46 | 50 | 33 | 35 | 83 | 80 | 137 |
| Total fee and other revenue | 904 | 845 | 816 | 798 | 906 | - | 14 |
| Net interest revenue | 211 | 229 | 205 | 210 | 216 | 2 | 3 |
| Total revenue | 1,115 | 1,074 | 1,021 | 1,008 | 1,122 | 1 | 11 |
| Noninterest expense (ex. intangible amortization and support agreement charges) | 721 | 748 | 788 | 740 | 765 | 6 | 3 |
| Income before taxes (ex. intangible amortization and support agreement charges) | 394 | 326 | 233 | 268 | 357 | (9) | 33 |
| Support agreement charges | (15) | (19) | (5) | (23) | 16 | N/M | N/M |
| Amortization of intangible assets | 9 | 6 | 6 | 6 | 5 | (44) | (17) |
| Income before taxes | \$ 400 | \$ 339 | \$ 232 | \$ 285 | \$ 336 | (16)% | 18% |
| Pre-tax operating margin | 36% | 32% | 23% | 28% | 30% | | |
| Pre-tax operating margin (ex. intangible amortization) | 37% | 32% | 23% | 29% | 30% | | |
| Market value of securities on loan at period end <i>(in billions) (a)</i> | \$ 290 | \$ 299 | \$ 247 | \$ 253 | \$ 248 | (14)% | (2)% |
| Average deposits | \$50,583 | \$52,271 | \$51,755 | \$52,183 | \$55,343 | 9% | 6% |

(a) Represents the total amount of securities on loan, both cash and non-cash, managed by the Asset Servicing segment.

N/M – Not meaningful.

KEY POINTS

- Asset servicing generated 800 basis points of positive operating leverage sequentially, excluding support agreement charges and intangible amortization.
- Securities servicing fees – ex. securities lending revenue increased 3% (unannualized) sequentially and 5% compared with 2Q09. The year-over-year increase reflects higher market values and new business. The sequential increase reflects new business and higher transaction volumes.
- Securities lending fees decreased \$55 million compared with 2Q09 and increased \$6 million sequentially. The year-over-year decrease reflects narrower spreads and lower loan balances while the sequential increase reflects seasonality. Spreads decreased 49% compared with 2Q09 and increased 60% sequentially. Volumes decreased 9% compared with 2Q09 and increased 4% (unannualized) sequentially.
- Foreign exchange and other trading activities decreased 4% compared with 2Q09 and increased 22% (unannualized) sequentially. Both fluctuations primarily resulted from changes in volatility.
- Other revenue increased year-over-year and sequentially as a result of higher foreign exchange translation gains.
- Net interest revenue increased 2% year-over-year and 3% (unannualized) sequentially. The increase compared with 2Q09 resulted from the higher yield related to the restructured investment securities portfolio, primarily offset by lower spreads on deposits. The increase sequentially reflects higher deposit levels and spreads.
- Noninterest expense (excluding intangible amortization and support agreement charges) increased \$44 million compared with 2Q09 and \$25 million sequentially. The year-over-year increase reflects higher subcustodian fees resulting from higher asset values and transaction volumes, as well as higher professional, legal and other purchased services and higher business development expense. The sequential increase was primarily driven by higher subcustodian fees and higher business development activity.
- 2Q10 new business wins totaled \$419 billion (win rate of 61%).
- 40% non-U.S. revenue in 2Q10 vs. 35% in 2Q09.
- BNY Mellon #1 rated custodian among the largest custodian peer group – Global Investor Survey (May 2010).

ISSUER SERVICES (provides corporate trust, depository receipt and shareowner services to corporations and institutions)

| <i>(dollar amounts in millions)</i> | 2009 | | | 2010 | | 2Q10 vs. | |
|--|----------|----------|----------|----------|----------|----------|-------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| Revenue: | | | | | | | |
| Securities servicing fees - issuer services | \$ 373 | \$ 359 | \$ 367 | \$ 333 | \$ 353 | (5)% | 6% |
| Other | 40 | 30 | 43 | 25 | 27 | (33) | 8 |
| Total fee and other revenue | 413 | 389 | 410 | 358 | 380 | (8) | 6 |
| Net interest revenue | 185 | 180 | 203 | 252 | 216 | 17 | (14) |
| Total revenue | 598 | 569 | 613 | 610 | 596 | - | (2) |
| Noninterest expense (ex. intangible amortization) | 305 | 304 | 318 | 304 | 318 | 4 | 5 |
| Income before taxes (ex. intangible amortization) | 293 | 265 | 295 | 306 | 278 | (5) | (9) |
| Amortization of intangible assets | 20 | 20 | 20 | 20 | 21 | 5 | 5 |
| Income before taxes | \$ 273 | \$ 245 | \$ 275 | \$ 286 | \$ 257 | (6)% | (10)% |
| Pre-tax operating margin | 46% | 43% | 45% | 47% | 43% | | |
| Pre-tax operating margin (ex. intangible amortization) | 49% | 47% | 48% | 50% | 47% | | |
| Number of depository receipt programs | 1,320 | 1,322 | 1,330 | 1,336 | 1,345 | 2% | 1% |
| Average deposits | \$47,293 | \$43,183 | \$47,320 | \$48,470 | \$44,560 | (6)% | (8)% |

KEY POINTS

- Total revenue decreased less than 1% compared to 2Q09 and 2% (unannualized) sequentially:
 - Corporate Trust – Total revenue decreased year-over-year and sequentially. The year-over-year decline reflects weakness in the global debt markets, lower money market related fees, partially offset by higher net interest revenue driven by the higher yield related to the restructured investment securities portfolio and higher deposit spreads. The sequential decline reflects continued low debt issuances in the global markets and lower client deposits.
 - Depository Receipts – Total revenue increased year-over-year and sequentially primarily due to higher transaction and servicing fees. The sequential increase was also impacted by seasonality. Depository Receipt issuances have exceeded cancellations for five consecutive quarters.
 - Shareowner Services – Total revenue decreased year-over-year and sequentially. The year-over-year decline reflects lower net interest revenue, lower corporate action fees and lower employee stock option plan fees. The sequential decline primarily reflects the factors noted above, partially offset by seasonality.
- Noninterest expense (excluding intangible amortization) increased 4% year-over-year and 5% sequentially. The year-over-year increase reflects higher legal and FDIC expenses. The sequential increase resulted from higher legal expense and timing of business development activity. Staff expense decreased year-over-year and was unchanged sequentially.
- 40% non-U.S. revenue in 2Q10 vs. 38% in 2Q09.

CLEARING SERVICES (provides clearing, financing and custody services for broker-dealers and registered investment advisors)

| <i>(dollar amounts in millions, unless otherwise noted)</i> | 2009 | | | 2010 | | 2Q10 vs. | |
|---|----------|----------|----------|----------|-----------------|--------------|--------------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| Revenue: | | | | | | | |
| Securities servicing fees – clearing services | \$ 248 | \$ 232 | \$ 219 | \$ 227 | \$240 | (3)% | (6)% |
| Other | 66 | 59 | 45 | 44 | 36 | (45) | (18) |
| Total fee and other revenue | 314 | 291 | 264 | 271 | 276 | (12) | 2 |
| Net interest revenue | 87 | 81 | 90 | 95 | 93 | 7 | (2) |
| Total revenue | 401 | 372 | 354 | 366 | 369 | (8) | 1 |
| Noninterest expense (ex. intangible amortization) | 256 | 245 | 241 | 255 | 270 | 5 | 6 |
| Income before taxes (ex. intangible amortization) | 145 | 127 | 113 | 111 | 99 | (32) | (11) |
| Amortization of intangible assets | 7 | 6 | 7 | 6 | 7 | N/M | N/M |
| Income before taxes | \$ 138 | \$ 121 | \$ 106 | \$ 105 | \$ 92 | (33)% | (12)% |
| Pre-tax operating margin | 34% | 33% | 30% | 29% | 25% | | |
| Pre-tax operating margin (ex. intangible amortization) | 36% | 34% | 32% | 30% | 27% | | |
| Average active accounts (<i>in thousands</i>) | 4,999 | 4,771 | 4,758 | 4,811 | 4,896 | | |
| Average margin loans | \$ 4,121 | \$ 4,322 | \$ 4,651 | \$ 5,229 | \$ 5,775 | 40% | 10% |
| Average payables to customers and broker-dealers | \$ 4,901 | \$ 5,845 | \$ 6,476 | \$ 6,495 | \$ 6,593 | 35% | 2% |

KEY POINTS

- Total revenue decreased 8% compared to 2Q09 and increased 1% (unannualized) sequentially:
 - Total fee and other revenue decreased 12% compared with 2Q09 and increased 2% (unannualized) sequentially. The year-over-year decrease was primarily due to lower money market related distribution fees and lower trading volumes, partially offset by higher mutual fund fee revenue driven by improved asset values. The sequential increase was primarily due to higher transaction fee volumes and higher money market fund fees, partially offset by lower trading revenue.
 - Net interest revenue increased 7% compared with 2Q09 and decreased 2% (unannualized) sequentially. Both variances were impacted by the fluctuation in accretion related to the restructured investment securities portfolio. The sequential comparison was also impacted by a higher level of interest-earning assets partially offset by lower spreads.
- Noninterest expense (excluding intangible amortization) increased 5% compared to 2Q09 and 6% (unannualized) sequentially. Both increases primarily reflect higher expenses in support of future client conversions, higher professional, legal and other purchased services expenses, and higher clearing expense driven by increased volumes.

TREASURY SERVICES (provides treasury services, global payment services, working capital solutions, capital markets business and large corporate banking)

| <i>(dollar amounts in millions)</i> | 2009 | | | 2010 | | 2Q10 vs. | |
|--|----------|----------|----------|----------|----------|----------|-------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 2Q09 | 1Q10 |
| Revenue: | | | | | | | |
| Treasury services | \$ 128 | \$ 124 | \$ 130 | \$ 127 | \$ 121 | (5)% | (5)% |
| Other | 52 | 82 | 92 | 98 | 75 | 44 | (23) |
| Total fee and other revenue | 180 | 206 | 222 | 225 | 196 | 9 | (13) |
| Net interest revenue | 157 | 149 | 148 | 176 | 161 | 3 | (9) |
| Total revenue | 337 | 355 | 370 | 401 | 357 | 6 | (11) |
| Noninterest expense (ex. intangible amortization) | 191 | 180 | 187 | 182 | 188 | (2) | 3 |
| Income before taxes (ex. intangible amortization) | 146 | 175 | 183 | 219 | 169 | 16 | (23) |
| Amortization of intangible assets | 7 | 6 | 6 | 6 | 5 | (29) | (17) |
| Income before taxes | \$ 139 | \$ 169 | \$ 177 | \$ 213 | \$ 164 | 18% | (23)% |
| Pre-tax operating margin | 41% | 48% | 48% | 53% | 46% | | |
| Pre-tax operating margin (ex. intangible amortization) | 43% | 49% | 50% | 55% | 47% | | |
| Average loans | \$13,228 | \$11,648 | \$10,982 | \$10,436 | \$10,290 | (22)% | (1)% |
| Average deposits | \$20,321 | \$19,989 | \$22,138 | \$22,257 | \$22,209 | 9% | -% |

KEY POINTS

- Total fee and other revenue increased 9% year-over-year and decreased 13% (unannualized) sequentially:
 - The year-over-year increase resulted from an improvement in the mark-to-market adjustments on credit default swaps, partially offset by lower trading revenue, lower financing-related fees and lower global payment fees.
 - The sequential decrease was due primarily to lower trading revenue, global payment fees and financing-related fees.
- Net interest revenue increased 3% year-over-year and decreased 9% (unannualized) sequentially. The year-over-year increase primarily resulted from the higher yield related to the restructured investment securities portfolio, partially offset by lower average loan balances reflecting our credit strategy to reduce targeted risk exposure. The sequential decrease reflects lower spreads.
- Noninterest expense (excluding intangible amortization) decreased 2% compared with 2Q09 and increased 3% (unannualized) sequentially. The year-over-year decrease reflects overall expense control and lower FDIC expense. The sequential increase primarily reflects seasonally lower expenses in 1Q10.

OTHER (primarily includes the leasing portfolio, corporate treasury activities, business exits, M&I expenses and other corporate revenue and expense items)

| <i>(dollar amounts in millions)</i> | 2009 | | | 2010 | |
|--|----------|-----------|---------|---------|----------------|
| | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr |
| Revenue: | | | | | |
| Fee and other revenue | \$ (223) | \$(4,685) | \$ 52 | \$ 143 | \$ 61 |
| Net interest revenue (expense) | 4 | 21 | 29 | (23) | (21) |
| Total revenue | (219) | (4,664) | 81 | 120 | 40 |
| Provision for credit losses | 61 | 147 | 64 | 35 | 20 |
| Noninterest expense (ex. Special litigation reserves, FDIC special assessment, intangible amortization, M&I expenses and restructuring charges) | 136 | 125 | 152 | 119 | 66 |
| Income (loss) before taxes (ex. Special litigation reserves, FDIC special assessment, intangible amortization, M&I expenses and restructuring charges) | (416) | (4,936) | (135) | (34) | (46) |
| Special litigation reserves | N/A | N/A | N/A | 164 | N/A |
| FDIC special assessment | 61 | - | - | - | - |
| Amortization of intangible assets | (1) | 1 | 1 | - | 1 |
| M&I expenses | 59 | 54 | 52 | 26 | 14 |
| Restructuring charges | 6 | (5) | 139 | 7 | (15) |
| Income (loss) before taxes | \$ (541) | \$(4,986) | \$(327) | \$(231) | \$ (46) |

KEY POINTS

- Total fee and other revenue increased \$284 million compared to 2Q09 and decreased \$82 million compared to 1Q10. The year-over-year increase is due to investment securities losses recorded in 2Q09. The sequential decrease relates primarily to negative trading revenue in the second quarter of 2010 resulting from CVA driven by widening spreads and lower lease residual gains.
- Noninterest expense (excluding special litigation reserves taken in the first quarter of 2010, FDIC special assessment, intangible amortization, M&I expenses and restructuring charges) decreased \$70 million compared to 2Q09 and decreased \$53 million sequentially. The year-over-year decrease primarily reflects lower expenses for litigation and government assessments, while the sequential decrease reflects lower legal and incentive expenses.

SUPPLEMENTAL INFORMATION – EXPLANATION OF NON-GAAP FINANCIAL MEASURES

| Reconciliation of net income and EPS – GAAP to Non-GAAP <i>(in millions, except per common share amounts)</i> | 2Q09 | | 1Q10 | | 2Q10 | |
|---|---------------|----------|---------------|----------|---------------|----------------|
| | Net income | EPS (a) | Net income | EPS (a) | Net income | EPS(a) |
| Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP – Diluted EPS basis (a) | \$ 176 | \$0.15 | \$ 559 | \$ 0.46 | \$658 | \$ 0.54 |
| Discontinued operations income (loss) | (91) | (0.08) | (42) | (0.03) | (10) | (0.01) |
| Continuing operations - GAAP | 267 | 0.23 | 601 | 0.49 | 668 | 0.55 |
| Less: Net securities gains (losses) | (161) | (0.14) | 5 | - | N/M | N/M |
| Add: Special litigation reserves | N/A | N/A | 98 | 0.08 | N/A | N/A |
| FDIC special assessment | 36 | 0.03 | - | - | - | - |
| Restructuring charges | N/A | N/A | 5 | - | N/M | N/M |
| M&I expenses | 36 | 0.03 | 16 | 0.01 | N/M | N/M |
| Redemption charge and preferred dividends | 236 | 0.20 | - | - | - | - |
| Benefit of tax settlements | (134) | (0.11) | - | - | - | - |
| Net income from continuing operations applicable to common shareholders excluding net securities gains (losses), special litigation reserves, FDIC special assessment, restructuring charges, M&I expenses, redemption charge and preferred dividends and benefit of tax settlements – Non-GAAP | 602 | 0.51 (b) | 715 | 0.59 (b) | 668 | 0.55 |
| Add: Intangible amortization | 67 | 0.06 | 62 | 0.05 | 60 | 0.05 |
| Net income from continuing operations applicable to common shareholders excluding net securities gains (losses), special litigation reserves, FDIC special assessment, restructuring charges, M&I expenses, redemption charge and preferred dividends, benefit of tax settlements and intangible amortization – Non-GAAP | \$ 669 | 0.57 | \$ 777 | 0.64 | \$728 | \$0.60 |

(a) Diluted earnings per share under the two-class method was calculated after deducting earnings allocated to participating securities of \$2 million in the second quarter of 2009, \$5 million in the first quarter of 2010 and \$7 million in the second quarter of 2010.

(b) Does not foot due to rounding.

N/A – Not applicable.

N/M – Not meaningful.

Asset servicing revenue

(in millions)

| | 2Q09 | 1Q10 | 2Q10 |
|--|-------|-------|--------------|
| Asset servicing revenue | \$671 | \$637 | \$668 |
| Less: Securities lending fee revenue | 97 | 29 | 46 |
| Asset servicing revenue excluding securities lending fee revenue | \$574 | \$608 | \$622 |

Asset and wealth management fee revenue

(dollars in millions)

| | 2Q09 | 1Q10 | 2Q10 | 2Q10 vs. | |
|---|--------|--------|---------------|-------------|------------|
| | | | | 1Q10 | 2Q09 |
| Asset and wealth management fee revenue | \$ 637 | \$ 678 | \$ 676 | -% | 6% |
| Less: Performance fees | 26 | 13 | 19 | | |
| Add: Revenue from consolidated asset management funds, net of noncontrolling interests | - | 25 | 29 | | |
| Asset and wealth management fee revenue excluding performance fees | \$ 611 | \$ 690 | \$ 686 | (1)% | 12% |

| Reconciliation of income (loss) from continuing operations before income taxes – pre-tax operating margin | | | | | |
|---|---------|-----------|---------|---------|-----------------|
| <i>(dollars in millions)</i> | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 |
| Income (loss) from continuing operations before income taxes – GAAP | \$ 513 | \$(3,965) | \$ 672 | \$ 884 | \$ 1,006 |
| Less: Net securities gains (losses) | (256) | (4,833) | 15 | 7 | 13 |
| Noncontrolling interests of consolidated asset management funds | - | - | - | 24 | 33 |
| Add: Special litigation reserves | N/A | N/A | N/A | 164 | N/A |
| Asset-based taxes | - | 20 | - | - | - |
| FDIC special assessment | 61 | - | - | - | - |
| Restructuring charges | 6 | (5) | 139 | 7 | (15) |
| M&I expenses | 59 | 54 | 52 | 26 | 14 |
| Intangible amortization | 108 | 104 | 107 | 97 | 98 |
| Income (loss) from continuing operations before income taxes excluding net securities gains (losses), noncontrolling interests of consolidated asset management funds, special litigation reserves, asset-based taxes, FDIC special assessment, restructuring charges, M&I expenses and intangible amortization – Non- GAAP | \$1,003 | \$1,041 | \$ 955 | \$1,147 | \$1,057 |
| Fee and other revenue – GAAP | \$2,257 | \$(2,216) | \$2,595 | \$2,549 | \$2,571 |
| Income of consolidated asset management funds – GAAP | - | - | - | 65 | 65 |
| Net interest revenue – GAAP | 700 | 716 | 724 | 765 | 722 |
| Total revenue – GAAP | 2,957 | (1,500) | 3,319 | 3,379 | 3,358 |
| Less: Net securities gains (losses) | (256) | (4,833) | 15 | 7 | 13 |
| Noncontrolling interests of consolidated asset management funds | - | - | - | 24 | 33 |
| Total revenue excluding net securities gains (losses) and noncontrolling interests of consolidated asset management funds – Non-GAAP | \$3,213 | \$3,333 | \$3,304 | \$3,348 | \$3,312 |
| Pre-tax operating margin <i>(a)</i> | 17% | N/M | 20% | 26% | 30% |
| Pre-tax operating margin excluding net securities gains (losses), noncontrolling interests of consolidated asset management funds, special litigation reserves, asset-based taxes, FDIC special assessment, restructuring charges, M&I expenses and intangible amortization – Non-GAAP <i>(a)</i> | 31% | 31% | 29% | 34% | 32% |

(a) Income (loss) before taxes divided by total revenue.

N/A – Not applicable.

N/M – Not meaningful.

| Return on common equity and tangible common equity – continuing operations | | | | | |
|---|----------|-----------|----------|----------|------------------|
| <i>(dollars in millions)</i> | | | | | |
| | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 |
| Net income (loss) applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP | \$ 176 | \$(2,458) | \$ 593 | \$ 559 | \$ 658 |
| Less: Discontinued operations income (loss), net of tax | (91) | (19) | (119) | (42) | (10) |
| Net income (loss) from continuing operations applicable to common shareholders of The Bank of New York Mellon Corporation | 267 | (2,439) | 712 | 601 | 668 |
| Add: Intangible amortization | 67 | 65 | 66 | 62 | 60 |
| Net income from continuing operations applicable to common shareholders of The Bank of New York Mellon Corporation excluding intangible amortization – Non-GAAP | 334 | (2,374) | 778 | 663 | 728 |
| Less: Net securities gains (losses) | (161) | (3,047) | 31 | 5 | 8 |
| Add: Special litigation reserves | N/A | N/A | N/A | 98 | N/A |
| FDIC special assessment | 36 | - | - | - | - |
| Restructuring charges | 4 | (3) | 86 | 5 | (9) |
| M&I expenses | 36 | 34 | 33 | 16 | 9 |
| Benefit of tax settlements | (134) | - | (133) | - | - |
| Net income from continuing operations excluding net securities gains (losses), special litigation reserves, FDIC special assessment, restructuring charges, M&I expenses, benefit of tax settlements and intangible amortization – Non-GAAP | \$ 437 | \$ 704 | \$ 733 | \$ 777 | \$ 720 |
| Average common shareholders' equity | \$26,566 | \$28,144 | \$28,843 | \$29,715 | \$ 30,434 |
| Less: Average goodwill | 15,989 | 16,048 | 16,291 | 16,143 | 16,073 |
| Average intangible assets | 5,673 | 5,608 | 5,587 | 5,513 | 5,421 |
| Add: Deferred tax liability – tax deductible goodwill | 643 | 666 | 720 | 720 | 746 |
| Deferred tax liability – non-tax deductible intangible assets | 1,743 | 1,717 | 1,680 | 1,660 | 1,649 |
| Average tangible common shareholders' equity – Non-GAAP | \$ 7,290 | \$8,871 | \$9,365 | \$10,439 | \$ 11,335 |
| Return on common equity – GAAP (a) | 4.0% | N/M | 9.8% | 8.2% | 8.8% |
| Return on common equity excluding net securities gains (losses), special litigation reserves, FDIC special assessment, restructuring charges, M&I expenses, benefit of tax settlements and intangible amortization – Non-GAAP (a) | 6.6% | 9.9% | 10.1% | 10.6% | 9.5% |
| Return on tangible common equity – Non-GAAP (a) | 18.4% | N/M | 33.0% | 25.8% | 25.8% |
| Return on tangible common equity excluding net securities gains (losses), special litigation reserves, FDIC special assessment, restructuring charges, M&I expenses and benefit of tax settlements – Non-GAAP (a) | 24.0% | 31.5% | 31.1% | 30.2% | 25.5% |

(a) Annualized

N/A – Not applicable.

N/M – Not meaningful.

| Equity to assets and book value per common share <i>(dollars in millions, unless otherwise noted)</i> | June 30, 2009 | March 31, 2010 | June 30, 2010 |
|---|------------------|-------------------|--------------------------|
| Common shareholders' equity at period end - GAAP | \$ 27,276 | \$29,683 | \$ 30,396 |
| Less: Goodwill | 16,040 | 16,077 | 16,106 |
| Intangible assets | 5,677 | 5,449 | 5,354 |
| Add: Deferred tax liability – tax deductible goodwill | 643 | 720 | 746 |
| Deferred tax liability – non-tax deductible intangible assets | 1,743 | 1,660 | 1,649 |
| Tangible common shareholders' equity at period end – Non-GAAP | \$ 7,945 | \$ 10,537 | \$ 11,331 |
| Total assets at period end - GAAP | \$203,012 | \$220,551 | \$235,693 |
| Less: Assets of consolidated asset management funds | - | 12,568 | 13,260 |
| Total assets of operations – Non-GAAP | 203,012 | 207,983 | 222,433 |
| Less: Goodwill | 16,040 | 16,077 | 16,106 |
| Intangible assets | 5,677 | 5,449 | 5,354 |
| Cash on deposit with the Federal Reserve and other central banks <i>(a)</i> | 16,458 | 14,709 | 21,548 |
| Tangible total assets of operations at period end – Non-GAAP | \$164,837 | \$171,748 | \$179,425 |
| Common shareholders' equity to total assets – GAAP | 13.4% | 13.5% | 12.9% |
| Tangible common shareholders' equity to tangible total assets of operations – Non-GAAP | 4.8% | 6.1% | 6.3% |
| Period end common shares outstanding <i>(in thousands)</i> | 1,202,828 | 1,212,941 | 1,214,042 |
| Book value per common share | \$ 22.68 | \$ 24.47 | \$25.04 |
| Tangible book value per common share – Non-GAAP | \$ 6.60 | \$ 8.69 | \$ 9.33 |

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

| Calculation of the Tier 1 common equity to risk-weighted assets ratio <i>(a)</i> <i>(dollars in millions)</i> | June 30, 2009 | March 31, 2010 | June 30, 2010 |
|---|------------------|-------------------|--------------------------|
| Total Tier 1 capital | \$ 15,044 | \$ 13,426 | \$ 13,857 |
| Less: Trust preferred securities | 1,691 | 1,667 | 1,663 |
| Total Tier 1 common equity | \$ 13,353 | \$ 11,759 | \$ 12,194 |
| Total risk-weighted assets | \$120,566 | \$101,197 | \$102,969 |
| Tier 1 common equity to risk-weighted assets ratio | 11.1% | 11.6% | 11.8% |

(a) On a regulatory basis.

Cautionary Statement

A number of statements (i) in this Quarterly Earnings Review, (ii) in our presentations and (iii) in the responses to questions on our conference call discussing our quarterly results and other public events may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which may be expressed in a variety of ways, including the use of future or present tense language, relate to, among other things, expectations with respect to the economic outlook, reinvestment in our businesses, intended acquisitions and joint ventures and the timing of anticipated closing, the anticipated settlement of the forward sale agreement, credit ratings of the RMBS in the Grantor Trust and our preliminary assessment of the impact of regulatory reform legislation. These statements and other forward-looking statements contained in other public disclosures of The Bank of New York Mellon Corporation which make reference to the cautionary factors described in this earnings review, are based upon current beliefs and expectations and are subject to significant risks and uncertainties (some of which are beyond BNY Mellon’s control). Actual results may differ materially from those expressed or implied as a result of these risks and uncertainties, including, but not limited to, the risk factors and other uncertainties set forth in BNY Mellon’s Annual Report on Form 10-K for the year ended Dec. 31, 2009 and BNY Mellon’s other filings with the Securities and Exchange Commission. All forward-looking statements in this Earnings Review speak only as of July 20, 2010 and BNY Mellon undertakes no obligation to update any forward-looking statement to reflect events or circumstances after that date or to reflect the occurrence of unanticipated events.