Bank of New York Mellon Corp
Form 10-Q
May 10, 2016

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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2016

or

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

Commission File No. 001-35651

THE BANK OF NEW YORK MELLON CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-2614959
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

225 Liberty Street
New York, New York 10286
(Address of principal executive offices)(Zip Code)

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

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

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

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

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

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

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

Class	Outstanding as of March 31, 2016
Common Stock, $0.01 par value	1,077,082,632

THE BANK OF NEW YORK MELLON CORPORATION

First Quarter 2016 Form 10-Q
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The Bank of New York Mellon Corporation (and its subsidiaries)

Consolidated Financial Highlights (unaudited)

(dollar amounts in millions, except per common share amounts and unless otherwise noted)	Quarter ended March 31, 2016	Dec. 31, 2015	March 31, 2015
Results applicable to common shareholders of The Bank of New York Mellon Corporation:			
Net income	$804	$637	$766
Basic earnings per share	0.73	0.58	0.67
Diluted earnings per share	0.73	0.57	0.67
Fee and other revenue	2,970	2,950	3,012
(Loss) income from consolidated investment management funds	(6)	16	52
Net interest revenue	766	760	728
Total revenue	$3,730	$3,726	$3,792
Return on common equity (annualized) (a)	9.2 %	7.1 %	8.8 %
Non-GAAP (a)(b)	9.7 %	8.9 %	9.2 %
Return on tangible common equity (annualized) – Non-GAAP (a)	20.6 %	16.2 %	20.3 %
Non-GAAP adjusted (a)(b)	20.8 %	19.0 %	20.2 %
Return on average assets (annualized)	0.89 %	0.69 %	0.84 %
Fee revenue as a percentage of total revenue excluding net securities gains	79 %	79 %	79 %
Percentage of non-U.S. total revenue (c)	33 %	34 %	36 %
Pre-tax operating margin (a)	29 %	23 %	29 %
Non-GAAP (a)(b)	31 %	30 %	30 %
Net interest margin (FTE)	1.01 %	0.99 %	0.97 %
Assets under management (“AUM”) at period end (in billions) (d)	$1,639	$1,625	$1,717
Assets under custody and/or administration (“AUC/A”) at period end (in trillions) (e)	$29.1	$28.9	$28.5
Market value of securities on loan at period end (in billions) (f)	$300	$277	$291
Average common shares and equivalents outstanding (in thousands):			
Basic	1,079,641	1,088,880	1,118,602
Diluted	1,085,284	1,096,385	1,126,306

Capital ratios	March 31, 2016	Dec. 31, 2015	March 31, 2015
Consolidated regulatory capital ratios: (g)			
Common equity Tier 1 (“CET1”) ratio	10.6 %	10.8 %	10.8 %

Tier 1 capital ratio	12.0	% 12.3		% 11.7		%
Total (Tier 1 plus Tier 2) capital ratio	12.3	% 12.5		% 12.0		%
Leverage capital ratio	5.9	% 6.0		% 5.7		%
BNY Mellon shareholders' equity to total assets ratio – GAAP (a)	10.3	% 9.7		% 9.5		%
BNY Mellon common shareholders' equity to total assets ratio – GAAP (a)	9.6	% 9.0		% 9.1		%
BNY Mellon tangible common shareholders' equity to tangible assets of operations ratio – Non-GAAP (a)	6.7	% 6.5		% 6.0		%
Selected regulatory capital ratios – fully phased-in – Non-GAAP:						
Estimated CET1 ratio: (h)						
Standardized Approach	11.0	% 10.2		% 10.0		%
Advanced Approach	9.8	% 9.5		% 9.9		%
Estimated supplementary leverage ratio ("SLR") (i)	5.1	% 4.9		% 4.6		%

Consolidated Financial Highlights (unaudited) (continued)

(dollar amounts in millions, except per common share amounts and unless otherwise noted)	Quarter ended March 31, 2016	Dec. 31, 2015	March 31, 2015
Selected average balances:			
Interest-earning assets	$310,678	$312,610	$308,104
Assets of operations	$363,245	$366,875	$366,083
Total assets	$364,554	$368,590	$368,411
Interest-bearing deposits	$162,017	$160,334	$159,520
Noninterest-bearing deposits	$82,944	$85,878	$89,592
Preferred stock	$2,552	$2,552	$1,562
Total The Bank of New York Mellon Corporation common shareholders' equity	$35,252	$35,664	$35,486
Other information at period end:			
Cash dividends per common share	$0.17	$0.17	$0.17
Common dividend payout ratio	23 %	30 %	25 %
Common dividend yield (annualized)	1.9 %	1.6 %	1.7 %
Closing stock price per common share	$36.83	$41.22	$40.24
Market capitalization	$39,669	$44,738	$45,130
Book value per common share – GAAP (a)	$33.34	$32.69	$31.89
Tangible book value per common share – Non-GAAP (a)	$15.87	$15.27	$14.82
Full-time employees	52,100	51,200	50,500
Common shares outstanding (in thousands)	1,077,083	1,085,343	1,121,512

(a) See "Supplemental information – Explanation of GAAP and Non-GAAP financial measures" beginning on page 46 for a reconciliation of Non-GAAP measures.

(b) Non-GAAP excludes the net (loss) income attributable to noncontrolling interests of consolidated investment management funds, amortization of intangible assets, M&I, litigation and restructuring charges (recoveries), and the impairment charge related to a prior court decision, if applicable.

(c) Includes fee revenue, net interest revenue and (loss) income of consolidated investment management funds, net of net loss (income) attributable to noncontrolling interests.

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

(e) Includes the AUC/A of CIBC Mellon Global Securities Services Company ("CIBC Mellon"), a joint venture with the Canadian Imperial Bank of Commerce, of $1.1 trillion at March 31, 2016, $1.0 trillion at Dec. 31, 2015 and $1.1 trillion at March 31, 2015.

(f) Represents the total amount of securities on loan managed by the Investment Services business. Excludes securities for which BNY Mellon acts as an agent on behalf of CIBC Mellon clients, which totaled $56 billion at March 31, 2016, $55 billion at Dec. 31, 2015 and $69 billion at March 31, 2015.

(g) The CET1, Tier 1 and Total risk-based consolidated regulatory capital ratios are based on Basel III components of capital, as phased-in, and risk-weighted assets using the U.S. capital rules' advanced approaches framework (the "Advanced Approach"). The leverage capital ratios are based on Basel III components of capital, as phased-in, and quarterly average total assets. For additional information on these ratios, see "Capital" beginning on page 35.

(h) The estimated fully phased-in CET1 ratios (Non-GAAP) are based on our interpretation of U.S. capital rules, which are being gradually phased-in over a multi-year period. For additional information on these Non-GAAP ratios, see "Capital" beginning on page 35.

(i) The estimated fully phased-in SLR (Non-GAAP) is based on our interpretation of the U.S. capital rules. When the SLR becomes effective in 2018, we expect to maintain an SLR of over 5%. The minimum required SLR is 3% and a 2% buffer in addition to the minimum, that is applicable to BNY Mellon and other U.S. global systemically important banks ("G-SIBs"). For additional information on these Non-GAAP ratios, see "Capital" beginning on page

35.

Part I - Financial Information

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

General

In this Quarterly Report on Form 10-Q, references to "our," "we," "us," "BNY Mellon," the "Company" and similar terms refe to The Bank of New York Mellon Corporation and its consolidated subsidiaries. The term "Parent" refers to The Bank of New York Mellon Corporation but not its subsidiaries.

Certain business terms used in this report are defined in the Glossary included in our Annual Report on Form 10-K for the year ended Dec. 31, 2015 ("2015 Annual Report").

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

How we reported results

Throughout this Form 10-Q, certain measures, which are noted as "Non-GAAP financial measures," exclude certain items or otherwise include components that differ from U.S. generally accepted accounting principles ("GAAP"). BNY Mellon believes that these measures are useful to investors because they permit a focus on period-to-period comparisons using measures that relate to our ability to enhance revenues and limit expenses in circumstances where such matters are within our control. We also present the net interest revenue and net interest margin on a fully taxable equivalent ("FTE") basis. We believe that this presentation allows for comparison of amounts arising from both taxable and tax-exempt sources and is consistent with industry practice. Certain immaterial reclassifications have been made to prior periods to place them on a basis comparable with the current period presentation. See "Supplemental information - Explanation of GAAP and Non-GAAP financial measures" beginning on page 46 for a reconciliation of financial measures presented in accordance with GAAP to adjusted Non-GAAP financial measures.

When we refer to BNY Mellon's "Basel III" capital measures (e.g., CET1), we mean those capital measures as calculated under the U.S. capital rules.

Overview

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

We manage and service assets for financial institutions, corporations and individual investors in 35 countries and more than 100 markets. As of March 31, 2016, BNY Mellon had $29.1 trillion in assets under custody and/or administration, and $1.6 trillion in assets under management.

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

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

Key first quarter 2016 and subsequent events

Resolution plan

In April 2016, the Federal Deposit Insurance Corporation (the "FDIC") and the Board of Governors of the Federal Reserve System (the "Federal Reserve") jointly announced determinations and provided firm-specific feedback on the 2015 resolution plans of eight systemically important domestic banking institutions, including BNY Mellon. The agencies determined that the Company's 2015 resolution plan was not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code, the statutory standard established in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and issued a

joint notice of deficiencies and shortcomings regarding the Company's plan and the actions that must be taken to address them. Deficiencies must be remedied by Oct. 1, 2016, and shortcomings must be addressed in our 2017 resolution plan, which is due on July 1, 2017.

Acquisition of Atherton Lane Advisers, LLC

In April 2016, BNY Mellon completed the acquisition of the assets of Menlo Park, CA-based Atherton Lane Advisers, LLC. With approximately $2.45 billion in assets under management, Atherton Lane Advisers is one of Silicon Valley's premier investment managers, serving approximately 700 high net worth clients.

Highlights of first quarter 2016 results

We reported net income applicable to common shareholders of $804 million, or $0.73 per diluted common share, in the first quarter of 2016 compared with $766 million, or $0.67 per diluted common share, in the first quarter of 2015. In the fourth quarter of 2015, net income applicable to common shareholders was $637 million, or $0.57 per diluted common share, or $755 million, or $0.68 per diluted common share, adjusted for the impairment charge related to a prior court decision, litigation and restructuring charges. See "Supplemental information - Explanation of GAAP and Non-GAAP financial measures" beginning on page 46 for the reconciliation of Non-GAAP measures.

Highlights of the first quarter of 2016 include:

- AUC/A totaled $29.1 trillion at March 31, 2016 compared with $28.5 trillion at March 31, 2015. The 2% increase primarily reflects net new business and the favorable impact of a weaker U.S. dollar (principally versus the euro), partially offset by lower market values. (See "Investment Services business" beginning on page 17.)
- AUM totaled $1.64 trillion at March 31, 2016 compared with $1.72 trillion at March 31, 2015. The 5% decrease primarily reflects net outflows primarily in 2015 and the unfavorable impact of a stronger U.S. dollar (principally versus the British pound sterling). AUM excludes securities lending cash management assets and assets managed in the Investment Services business and the Other segment. (See "Investment Management business" beginning on page 14.)

- Investment services fees totaled $1.77 billion, an increase of 1% compared with $1.75 billion in the first quarter of 2015. The increase primarily reflects higher money market fees and net new business, partially offset by lower market values and lost business in clearing services. (See "Investment Services business" beginning on page 17.)
- Investment management and performance fees totaled $812 million, a decrease of 6% compared with $867 million in the first quarter of 2015. The decrease primarily reflects lower equity market values and net outflows in 2015, partially offset by higher money market fees. (See "Investment Management business" beginning on page 14.)
- Foreign exchange and other trading revenue totaled $175 million compared with $229 million in the first quarter of 2015. Foreign exchange revenue totaled $171 million, a decrease of 21% compared with $217 million in the first quarter of 2015. The decrease primarily reflects lower volumes. (See "Fee and other revenue" beginning on page 6.)
- Financing-related fees totaled $54 million compared with $40 million in the first quarter of 2015. The increase primarily reflects higher fees related to secured intraday credit. (See "Fee and other revenue" beginning on page 6.)
- Investment and other income totaled $105 million compared with $60 million in the first quarter of 2015. The increase primarily reflects higher lease-related gains. (See "Fee and other revenue" beginning on page 6.)
- Net interest revenue totaled $766 million compared with $728 million in the first quarter of 2015. The increase primarily reflects higher yields on interest-earning assets, partially offset by higher rates paid on interest-bearing liabilities and the unfavorable impact of interest rate hedging activities. Net interest margin (FTE) was 1.01% in the first quarter of 2016 compared with 0.97% in the first quarter of 2015. (See "Net interest revenue" beginning on page 9.)
- The provision for credit losses was $10 million compared with $2 million in first quarter of 2015. (See "Asset quality and allowance for credit losses" beginning on page 28.)
- Noninterest expense totaled $2.63 billion compared with $2.70 billion in the first quarter of

2015. The decrease reflects lower expenses in nearly all categories, driven by the favorable impact of a stronger U.S. dollar, lower staff and legal expenses and the benefit of the business improvement process, partially offset by higher distribution and servicing expense. (See “Noninterest expense” beginning on page 11.)

- The provision for income taxes was $283 million and the effective rate was 25.9%. (See “Income taxes” on page 12.)
- The net unrealized pre-tax gain on the investment securities portfolio was $1.2 billion at March 31, 2016 compared with $357 million at Dec. 31, 2015. The increase was primarily driven by a

decline in market interest rates. (See “Investment securities” beginning on page 23.)

- Our estimated CET1 ratio (Non-GAAP) calculated under the Advanced Approach on a fully phased-in basis was 9.8% at March 31, 2016 and 9.5% at Dec. 31, 2015. The increase primarily reflects an increase in capital, partially offset by higher risk-weighted assets. Our estimated CET1 ratio (Non-GAAP) calculated under the Standardized Approach on a fully phased-in basis was 11.0% at March 31, 2016 and 10.2% at Dec. 31, 2015. (See “Capital” beginning on page 35.)

Fee and other revenue

Fee and other revenue				1Q16 vs.	
(dollars in millions, unless otherwise noted)	1Q16	4Q15	1Q15	4Q15	1Q15
Investment services fees:					
Asset servicing (a)	$1,040	$1,032	$1,038	1 %	— %
Clearing services	350	339	344	3	2
Issuer services	244	199	232	23	5
Treasury services	131	137	137	(4)	(4)
Total investment services fees	1,765	1,707	1,751	3	1
Investment management and performance fees	812	864	867	(6)	(6)
Foreign exchange and other trading revenue	175	173	229	1	(24)
Financing-related fees	54	51	40	6	35
Distribution and servicing	39	41	41	(5)	(5)
Investment and other income	105	93	60	13	75
Total fee revenue	2,950	2,929	2,988	1	(1)
Net securities gains	20	21	24	N/M	N/M
Total fee and other revenue	$2,970	$2,950	$3,012	1 %	(1)%
Fee revenue as a percentage of total revenue excluding net securities gains	79 %	79 %	79 %		
AUM at period end (in billions) (b)	$1,639	$1,625	$1,717	1 %	(5)%
AUC/A at period end (in trillions) (c)	$29.1	$28.9	$28.5	1 %	2 %

(a) Asset servicing fees include securities lending revenue of $50 million in the first quarter of 2016, $46 million in the fourth quarter of 2015 and $43 million in the first quarter of 2015.

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

(c) Includes the AUC/A of CIBC Mellon of $1.1 trillion at March 31, 2016, $1.0 trillion at Dec. 31, 2015 and $1.1 trillion at March 31, 2015.

N/M - Not meaningful.

Fee and other revenue decreased 1% compared with the first quarter of 2015 and increased 1% (unannualized) compared with the fourth quarter of 2015. The year-over-year decrease primarily reflects lower investment management and performance fees and foreign exchange and other trading revenue, partially offset by higher investment and other income, investment services fees and financing-related fees. The sequential increase primarily reflects higher investment services fees and

investment and other income, partially offset by lower investment management and performance fees.

Investment services fees

Investment services fees were impacted by the following compared with the first quarter of 2015 and the fourth quarter of 2015:

- Asset servicing fees were flat compared with the first quarter of 2015 and increased 1% (unannualized) compared with the fourth quarter of 2015. Both comparisons primarily reflect net new business and higher securities lending revenue, offset by lower market values. The year-over-year comparison also reflects the unfavorable impact of a stronger U.S. dollar.
- Clearing services fees increased 2% compared with the first quarter of 2015 and 3% (unannualized) compared with the fourth quarter of 2015. Both increases primarily reflect higher money market fees, partially offset by the impact of lost business. The sequential increase also reflects higher volumes.
- Issuer services fees increased 5% compared with the first quarter of 2015 and 23% (unannualized) compared with the fourth quarter of 2015. Both the year-over-year and sequential increases primarily reflect higher money market fees in Corporate Trust and higher dividend fees in Depositary Receipts.
- Treasury services fees decreased 4% compared with both the first quarter of 2015 and the fourth quarter of 2015 (unannualized). Both decreases primarily reflect higher compensating balance credits provided to clients, which shifts revenue from fees to net interest revenue.

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

Investment management and performance fees

Investment management and performance fees totaled $812 million in the first quarter of 2016, a decrease of 6% compared with the first quarter of 2015, or 4% on a constant currency basis (Non-GAAP). Both the year-over-year decrease on a constant currency basis (Non-GAAP) and the 6% (unannualized) decrease compared with the fourth quarter of 2015, primarily reflect lower equity market values and net outflows in 2015, partially offset by higher money market fees. The sequential decrease also reflects seasonally lower performance fees. Performance fees were $11 million in the first quarter of 2016, $15 million in the first quarter of 2015 and $55 million in the fourth quarter of 2015.

Total AUM for the Investment Management business was $1.6 trillion at March 31, 2016, a decrease of 5% year-over-year and an increase of 1% sequentially.

The year-over-year decrease primarily reflects net outflows primarily in 2015 and the unfavorable impact of a stronger U.S. dollar (principally versus the British pound sterling). Net long-term inflows in the first quarter of 2016 totaled $1 billion driven by continued strength in liability-driven investments offset by outflows of index and equity investments. Net short-term outflows were $9 billion in the first quarter of 2016.

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

Foreign exchange and other trading revenue

Foreign exchange and other trading revenue (in millions)	1Q16	4Q15	1Q15
Foreign exchange	$ 171	$ 165	$ 217
Other trading revenue	4	8	12
Total foreign exchange and other trading revenue	$ 175	$ 173	$ 229

Foreign exchange and other trading revenue totaled $175 million in the first quarter of 2016, $229 million in the first quarter of 2015 and $173 million in the fourth quarter of 2015.

Foreign exchange trading revenue is driven by the volume of client transactions and the spread realized on these transactions, both of which are impacted by market volatility. In the first quarter of 2016, foreign exchange revenue

totaled $171 million, a decrease of 21% compared with the first quarter of 2015 and an increase of 4% (unannualized) compared with the fourth quarter of 2015. The year-over-year decrease primarily reflects lower volumes. The sequential increase primarily reflects higher volatility, partially offset by the impact of foreign currency hedging activity. Excluding the impact of hedging activity, foreign exchange revenue increased 12% (unannualized) sequentially. Foreign exchange revenue is reported in the Investment Services business and the Other segment.

Custody clients generally enter into foreign exchange transactions in one of three ways: negotiated trading with BNY Mellon, a BNY Mellon standing instruction program, or transactions with third-party foreign exchange providers. A shift by custody clients from our standing instruction programs to other trading options combined with competitive market pressures on the foreign exchange business is

negatively impacting our foreign exchange revenue. For the quarter ended March 31, 2016, total revenue for all types of foreign exchange trading transactions was approximately 5% of our total revenue, and approximately 35% of our foreign exchange revenue was generated by transactions in our standing instruction programs.

Total other trading revenue was $4 million in the first quarter of 2016, compared with $12 million in the first quarter of 2015 and $8 million in the fourth quarter of 2015. Both decreases primarily reflect losses on hedging activities in the Investment Management businesses, partially offset by the positive impact of interest rate hedging (which is offset in net interest revenue) and higher fixed income trading revenue. Other trading revenue is reported in all three business segments.

Financing-related fees

Financing-related fees, which are primarily reported in the Investment Services business and the Other segment, include capital markets fees, loan commitment fees and credit-related fees. Financing-related fees totaled $54 million in the first quarter of 2016, $40 million in the first quarter of 2015 and $51 million in the fourth quarter of 2015. The year-over-year increase primarily reflects higher fees related to secured intraday credit. The sequential increase primarily reflects higher underwriting fees.

Distribution and servicing fees

Distribution and servicing fee revenue was $39 million in the first quarter of 2016 and $41 million in both the first quarter of 2015 and fourth quarter of 2015. Distribution and servicing fees were favorably impacted by higher money market fees, but were more than offset by certain fees paid to introducing brokers.

Investment and other income

Investment and other income (in millions)	1Q16	4Q15	1Q15
Lease-related gains (losses)	$44	$(8)	$(1)
Corporate/bank-owned life insurance	31	43	33
Expense reimbursements from joint venture	17	16	14
Seed capital gains (a)	11	10	16
Private equity gains (losses)	2	—	(3)
Asset-related gains	—	5	3
Equity investment (losses)	(3)	(2)	(4)
Other income	3	29	2
Total investment and other income	$105	$93	$60

(a) Does not include the gain (loss) on seed capital investments in consolidated investment management funds which are reflected in operations of consolidated investment management funds, net of noncontrolling interests.

Investment and other income includes lease-related gains, corporate and bank-owned life insurance contracts, expense reimbursements from our CIBC Mellon joint venture, seed capital gains, gains and losses on private equity investments, asset-related gains, equity investment loss and other income. Expense reimbursements from our CIBC Mellon joint venture relate to expenses incurred by BNY Mellon on behalf of the CIBC Mellon joint venture. Asset-related gains include real estate, loans and other asset dispositions. Other income primarily includes foreign currency remeasurement gain (loss), other investments and various miscellaneous revenues. Investment and other income was $105 million in the first quarter of 2016 compared with $60 million in the first quarter of 2015 and $93 million in the fourth quarter of 2015. Both increases primarily reflect lease-related gains. The sequential increase was

partially offset by lower other income reflecting the termination fees in our clearing business recorded in the fourth quarter of 2015 and lower income from corporate/bank-owned life insurance.

Net interest revenue

Net interest revenue				1Q16 vs.	
(dollars in millions)	1Q16	4Q15	1Q15	4Q15	1Q15
Net interest revenue (non-FTE)	$766	$760	$728	1%	5%
Tax equivalent adjustment	14	14	15	—	(7)
Net interest revenue (FTE) – Non-GAAP	$780	$774	$743	1%	5%
Average interest-earning assets	$310,678	$312,610	$308,104	(1)%	1%
Net interest margin (FTE)	1.01 %	0.99 %	0.97 %	2 bps	4 bps

FTE - fully taxable equivalent.
bps - basis points.

Net interest revenue totaled $766 million in the first quarter of 2016, an increase of $38 million compared with the first quarter of 2015 and an increase of $6 million compared with the fourth quarter of 2015. Both increases primarily reflect higher yields on interest-earning assets, partially offset by higher rates paid on interest-bearing liabilities and the unfavorable impact of interest rate hedging activities (which are primarily offset in foreign exchange and other trading revenue).

The net interest margin (FTE) was 1.01% in the first quarter of 2016 compared with 0.97% in the first quarter of 2015 and 0.99% in the fourth quarter of 2015. Both increases primarily reflect the factors noted above.

Average non-U.S. dollar deposits comprised approximately 20% of our average total deposits in the first quarter of 2016. Approximately 40% of the average non-U.S dollar deposits were euro-denominated in the first quarter of 2016.

Average balances and interest rates	Quarter ended								
	March 31, 2016			Dec. 31, 2015			March 31, 2015		
(dollar amounts in millions, presented on an FTE basis)	Average balance	Average rates		Average balance	Average rates		Average balance	Average rates	
Assets									
Interest-earning assets:									
Interest-bearing deposits with banks (primarily foreign banks)	$14,909	0.69	%	$19,301	0.45	%	$22,071	0.56	%
Interest-bearing deposits held at the Federal Reserve and other central banks	89,092	0.28		84,880	0.18		81,160	0.23	
Federal funds sold and securities purchased under resale agreements	23,623	0.84		24,147	0.69		20,416	0.59	
Margin loans	18,907	1.34		19,321	1.09		20,051	1.00	
Non-margin loans:									
Domestic offices	28,506	2.21		27,751	2.06		25,256	2.14	
Foreign offices	13,783	1.39		14,892	1.17		12,628	1.24	
Total non-margin loans	42,289	1.95		42,643	1.75		37,884	1.84	
Securities:									
U.S. Government obligations	24,479	1.50		23,955	1.53		27,454	1.38	
U.S. Government agency obligations	55,966	1.79		55,441	1.81		52,744	1.68	
State and political subdivisions – tax-exempt	3,979	2.89		4,164	2.80		5,213	2.64	
Other securities	34,114	1.22		35,972	1.25		38,065	1.33	
Trading securities	3,320	2.16		2,786	2.79		3,046	2.46	
Total securities	121,858	1.62		122,318	1.65		126,522	1.57	
Total interest-earning assets	$310,678	1.16	%	$312,610	1.08	%	$308,104	1.07	%
Allowance for loan losses	(157	)		(181	)		(191	)	
Cash and due from banks	3,879			5,597			6,204		
Other assets	48,845			48,849			51,966		
Assets of consolidated investment management funds	1,309			1,715			2,328		
Total assets	$364,554			$368,590			$368,411		
Liabilities									
Interest-bearing liabilities:									
Interest-bearing deposits:									
Money market rate accounts	$7,385	0.06	%	$7,527	0.07	%	$6,819	0.09	%
Savings	1,235	0.27		1,217	0.27		1,429	0.30	
Demand deposits	864	0.50		1,765	0.32		3,202	0.19	
Time deposits	42,678	0.04		43,061	0.03		43,259	0.04	
Foreign offices	109,855	0.03		106,764	—		104,811	0.03	
Total interest-bearing deposits	162,017	0.04		160,334	0.01		159,520	0.04	
Federal funds purchased and securities sold under repurchase agreements	18,689	0.20		20,349	(0.03	)	13,877	(0.09	)
Trading liabilities	551	1.43		638	1.34		795	1.07	
Other borrowed funds	759	0.97		733	1.13		995	0.96	
Commercial paper	22	0.33		—	—		1,113	0.09	
Payables to customers and broker-dealers	16,801	0.09		12,904	0.06		10,932	0.07	
Long-term debt	21,556	1.57		21,418	1.19		20,199	1.21	
Total interest-bearing liabilities	$220,395	0.21	%	$216,376	0.14	%	$207,431	0.15	%
Total noninterest-bearing deposits	82,944			85,878			89,592		
Other liabilities	22,300			26,530			32,341		

Liabilities and obligations of consolidated investment management funds	259	629	1,004
Total liabilities	325,898	329,413	330,368
Temporary equity			
Redeemable noncontrolling interests	190	241	233
Permanent equity			
Total BNY Mellon shareholders' equity	37,804	38,216	37,048
Noncontrolling interests	662	720	762
Total permanent equity	38,466	38,936	37,810
Total liabilities, temporary equity and permanent equity	$364,554	$368,590	$368,411
Net interest margin (FTE)	1.01 %	0.99 %	0.97 %

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)	1Q16	4Q15	1Q15	1Q16 vs. 4Q15	1Q16 vs. 1Q15
Staff	$1,459	$1,481	$1,485	(1)%	(2)%
Professional, legal and other purchased services	278	328	302	(15)	(8)
Software	154	157	158	(2)	(3)
Net occupancy	142	148	151	(4)	(6)
Distribution and servicing	100	92	98	9	2
Furniture and equipment	65	68	70	(4)	(7)
Sub-custodian	59	60	70	(2)	(16)
Business development	57	75	61	(24)	(7)
Other	241	201	242	20	—
Amortization of intangible assets	57	64	66	(11)	(14)
M&I, litigation and restructuring charges (recoveries)	17	18	(3)	N/M	N/M
Total noninterest expense – GAAP	$2,629	$2,692	$2,700	(2)%	(3)%
Total staff expense as a percentage of total revenue	39 %	40 %	39 %		
Full-time employees at period end	52,100	51,200	50,500	2%	3%
Memo:					
Total noninterest expense excluding amortization of intangible assets and M&I, litigation and restructuring charges (recoveries) – Non-GAAP	$2,555	$2,610	$2,637	(2)%	(3)%

N/M - Not meaningful.

Total noninterest expense decreased 3% compared with the first quarter of 2015 and 2% (unannualized) compared with the fourth quarter of 2015. Excluding amortization of intangible assets and M&I, litigation and restructuring charges, noninterest expense (Non-GAAP) decreased 3% compared with the first quarter of 2015 and 2% (unannualized) compared with the fourth quarter of 2015. The year-over-year and sequential decreases reflects lower expenses in nearly all categories, partially offset by higher distribution and servicing expense. The sequential decrease was also partially offset by higher other expense.

We continue to invest in our risk management, regulatory compliance and other control functions in light of increasing regulatory requirements. As a result, we expect an increase in our expense run rate relating to these functions.

Staff expense

Given our mix of fee-based businesses, which are staffed with high-quality professionals, staff expense comprised 57% of total noninterest expense in the first quarter of 2016, 56% in the first quarter of 2015 and 57% in the fourth quarter of 2015, excluding amortization of intangible assets and M&I, litigation and restructuring charges (Non-GAAP).

Staff expense decreased 2% compared with the first quarter of 2015 and 1% (unannualized) compared with the fourth quarter of 2015. The year-over-year decrease primarily reflects the favorable impact of a stronger U.S. dollar, lower estimated 2016 incentives and a higher adjustment for the finalization of the annual incentive awards, partially offset by the curtailment gain related to the U.S. pension plan recorded in the first quarter of 2015 and higher severance

expense in ongoing support of our business improvement process. The sequential decrease primarily reflects lower compensation and employee benefits expenses, partially offset by higher incentives, driven by the impact of vesting of long-term stock awards for retirement eligible employees.

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, legal, productivity initiatives and business development.

Non-staff expense, excluding amortization of intangible assets and M&I, litigation and restructuring charges (Non-GAAP), totaled $1.1 billion in the first quarter of 2016, a decrease of 5% compared with the first quarter of 2015 and 3%

(unannualized) compared with the fourth quarter of 2015. The year-over-year decrease primarily reflects the favorable impact of a stronger U.S. dollar, lower legal expense and the benefit of the business improvement process, partially offset by higher distribution and servicing expense. The savings generated by the business improvement process primarily reflects the benefits of our technology insourcing strategy and the implementation of our global real estate strategy. The year-over-year and sequential increase in distribution and servicing expense primarily reflects lower money market fee waivers. The sequential increase in other expense primarily reflects the adjustments to bank assessment charges recorded in the fourth quarter of 2015.

For additional information on restructuring charges, see Note 9 of the Notes to Consolidated Financial Statements.

Income taxes

BNY Mellon recorded an income tax provision of $283 million (25.9% effective tax rate) in the first quarter of 2016. The income tax provision was $280 million (25.7% effective tax rate) in the first quarter of 2015 and $175 million (20.1% effective tax rate) in the fourth quarter of 2015. The effective tax rates primarily reflect tax benefits from foreign operations and tax-exempt income for all periods presented.

We expect the effective tax rate to be approximately 25-26% in 2016.

Review of businesses

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

Business accounting principles

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

For information on the accounting principles of our businesses, the primary types of revenue by business and how our businesses are presented and analyzed,

see Note 18 of the Notes to Consolidated Financial Statements.

Business results are subject to reclassification when organizational changes are made or when improvements are made in the measurement principles. In the first quarter of 2016, BNY Mellon reclassified the results of the credit-related activities to the Investment Services segment from the Other segment. This reclassification reflects our strategy to provide credit services to our Investment Services clients and did not impact the consolidated results. Also, concurrent with this reclassification, the provision for credit losses associated with the respective credit portfolios is now reflected in each business segment. All prior periods have been restated.

Beginning in the first quarter of 2016, we revised the net interest revenue for our business to reflect adjustments to our transfer pricing methodology to better reflect the value of certain deposits. Also beginning in the first quarter of 2016, we refined the expense allocation process for indirect expenses to simplify the expenses recorded in the Other segment to include only expenses not directly attributable to the Investment Management and Investment Services operations. These changes did not impact the consolidated results.

The results of our businesses may be influenced by client and other activities that vary by quarter. In the first quarter, incentive expense typically increases reflecting the vesting of long-term stock awards for retirement eligible

employees. In the second quarter, we typically experience an increase in securities lending fees due to an increase in demand to borrow securities outside of the United States. In the third quarter, Depositary Receipts and related foreign exchange revenue is typically higher due to an increased level of client dividend payments paid in the quarter. Also in the third quarter, volume-related fees may decline due to reduced client activity. In the fourth quarter, we typically incur higher business development and marketing expenses. In our Investment Management business, performance fees are typically higher in the fourth quarter, as the fourth quarter represents the end of the measurement period for many of the performance fee-eligible relationships.

The results of our businesses may also be impacted by the translation of financial results denominated in

foreign currencies to the U.S. dollar. We are primarily impacted by activities denominated in the British pound sterling, euro and the Indian rupee. On a consolidated basis and in our Investment Services business, we typically have more foreign currency denominated expenses than revenues. However, our Investment Management business typically has more

foreign currency denominated revenues than expenses. Overall, currency fluctuations impact the year-over-year growth rate in the Investment Management business more than the Investment Services business. However, currency fluctuations, in isolation, are not expected to significantly impact net income on a consolidated basis.

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

Key market metrics	1Q16	4Q15	3Q15	2Q15	1Q15	1Q16 vs. 4Q15	1Q16 vs. 1Q15
S&P 500 Index (a)	2060	2044	1920	2063	2068	1%	—
S&P 500 Index – daily average	1951	2052	2027	2102	2064	(5)	(5)
FTSE 100 Index (a)	6175	6242	6062	6521	6773	(1)	(9)
FTSE 100 Index – daily average	5988	6271	6399	6920	6793	(5)	(12)
MSCI World Index (a)	1648	1663	1582	1736	1741	(1)	(5)
MSCI World Index – daily average	1568	1677	1691	1780	1726	(6)	(9)
Barclays Capital Global Aggregate Bond[SM] Index (a)(b)	368	342	346	342	348	8	6
NYSE and NASDAQ share volume (in billions)	218	198	206	185	187	10	17
JPMorgan G7 Volatility Index – daily average (c)	10.60	9.49	9.93	10.06	10.40	12	2
Average Fed Funds effective rate	0.36%	0.16%	0.13%	0.13%	0.11%	20 bps	25 bps
Foreign exchange rates vs. U.S. dollar:							
British pound (a)	$1.44	$1.48	$1.52	$1.57	$1.48	(3)%	(3)%
British pound – average rate	1.43	1.52	1.55	1.53	1.51	(6)	(5)
Euro (a)	1.14	1.09	1.12	1.11	1.07	5	7
Euro – average rate	1.10	1.10	1.11	1.11	1.13	—	(3)

(a) Period end.
(b) Unhedged in U.S. dollar terms.
(c) The JPMorgan G7 Volatility Index is based on the implied volatility in 3-month currency options.
bps - basis points.

Fee revenue in Investment Management, and to a lesser extent in Investment Services, is impacted by the value of market indices. At March 31, 2016, we estimate that a 5% change in global equity markets, spread evenly throughout the year, would impact fee revenue by less than 1% and diluted earnings per common share by $0.02 to $0.04.

Fee waivers are highly sensitive to changes in the Fed Funds effective rate. Assuming no change in client

behavior, we expect to recover at least approximately 70% of the pre-tax income related to fee waivers with a 50 basis point increase in the Fed Funds effective rate, inclusive of the 25 basis point increase in December 2015.

See Note 18 of the Notes to Consolidated Financial Statements for the consolidating schedules which show the contribution of our businesses to our overall profitability.

Investment Management business

(dollar amounts in millions)	1Q16	4Q15	3Q15	2Q15	1Q15	1Q16 vs. 4Q15	1Q16 vs. 1Q15
Revenue:							
Investment management fees:							
Mutual funds	$300	$294	$301	$312	$301	2 %	— %
Institutional clients	334	350	347	363	365	(5)	(8)
Wealth management	152	155	156	160	159	(2)	(4)
Investment management fees	786	799	804	835	825	(2)	(5)
Performance fees	11	55	7	20	15	N/M	(27)
Investment management and performance fees	797	854	811	855	840	(7)	(5)
Distribution and servicing	46	39	37	38	38	18	21
Other (a)	(31)	22	(5)	17	41	N/M	N/M
Total fee and other revenue (a)	812	915	843	910	919	(11)	(12)
Net interest revenue	83	84	83	77	75	(1)	11
Total revenue	895	999	926	987	994	(10)	(10)
Noninterest expense (ex. amortization of intangible assets)	660	689	665	700	708	(4)	(7)
Income before taxes (ex. provision for credit losses and amortization of intangible assets)	235	310	261	287	286	(24)	(18)
Provision for credit losses	(1)	(4)	1	3	(1)	N/M	N/M
Amortization of intangible assets	19	24	24	25	24	(21)	(21)
Income before taxes	$217	$290	$236	$259	$263	(25)%	(17)%
Pre-tax operating margin	24 %	29 %	25 %	26 %	26 %		
Adjusted pre-tax operating margin (b)	30 %	36 %	34 %	34 %	34 %		
Average balances:							
Average loans	$14,275	$13,447	$12,779	$12,298	$11,634	6 %	23 %
Average deposits	$15,971	$15,497	$15,282	$14,638	$15,217	3 %	5 %

(a) Total fee and other revenue includes the impact of the consolidated investment management funds, net of noncontrolling interests. See “Supplemental information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 46 for the reconciliation of Non-GAAP measures. Additionally, other revenue includes asset servicing, treasury services, foreign exchange and other trading revenue and investment and other income.

(b) Excludes the net negative impact of money market fee waivers, amortization of intangible assets and provision for credit losses and is net of distribution and servicing expense. See “Supplemental information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 46 for the reconciliation of this Non-GAAP measure.

N/M - Not meaningful.

AUM trends (a)						1Q16 vs.	
(dollar amounts in billions)	1Q16	4Q15	3Q15	2Q15	1Q15	4Q15	1Q15
AUM at period end, by product type:							
Equity	$222	$224	$224	$248	$259	(1)%	(14)%
Fixed income	219	216	216	215	211	1	4
Index	319	329	325	366	382	(3)	(16)
Liability-driven investments (b)	542	514	520	520	510	5	6
Alternative investments	66	63	62	62	58	5	14
Cash	271	279	278	289	297	(3)	(9)
Total AUM	$1,639	$1,625	$1,625	$1,700	$1,717	1 %	(5)%
AUM at period end, by client type:							
Institutional	$1,155	$1,127	$1,129	$1,163	$1,188	2 %	(3)%
Mutual funds	405	420	419	454	445	(4)	(9)
Private client	79	78	77	83	84	1	(6)
Total AUM	$1,639	$1,625	$1,625	$1,700	$1,717	1 %	(5)%
Changes in AUM:							
Beginning balance of AUM	$1,625	$1,625	$1,700	$1,717	$1,686		
Net inflows (outflows):							
Long-term:							
Equity	(3)	(9)	(4)	(13)	(5)		
Fixed income	—	1	(3)	(2)	3		
Liability-driven investments (b)	14	11	11	5	8		
Alternative investments	1	2	1	3	1		
Total long-term active inflows (outflows)	12	5	5	(7)	7		
Index	(11)	(16)	(10)	(9)	8		
Total long-term inflows (outflows)	1	(11)	(5)	(16)	15		
Short term:							
Cash	(9)	2	(10)	(11)	1		
Total net (outflows) inflows	(8)	(9)	(15)	(27)	16		
Net market/currency impact/acquisition	22	9	(60)	10	15		
Ending balance of AUM	$1,639	$1,625	$1,625	$1,700	$1,717	1 %	(5)%

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

Business description

Our Investment Management business consists of our affiliated investment management boutiques, wealth management business and global distribution companies. See pages 23 and 24 of our 2015 Annual Report for additional information on our Investment Management business.

Review of financial results

Investment management and performance fees are dependent on the overall level and mix of AUM and the management fees expressed in basis points (one-hundredth of one percent) charged for managing those assets. Assets under management were $1.64 trillion at March 31, 2016 compared with $1.72 trillion at March 31, 2015, a decrease of 5%. The decrease primarily reflects net outflows primarily in 2015 and the unfavorable impact of a stronger U.S.

dollar (principally versus the British pound sterling).

Net long-term inflows were $1 billion in the first quarter of 2016 driven by continued strength in liability-driven investments offset by outflows of index and equity investments. Net short-term outflows were $9 billion in the first quarter of 2016.

Total revenue was $895 million, a decrease of 10% compared with the first quarter of 2015 and 10% (unannualized) compared with the fourth quarter of 2015. Both decreases primarily reflect losses on hedging activities and lower seed capital gains. The year-over-year decrease also reflects lower investment management fees and the unfavorable impact of a stronger U.S. dollar. The sequential decrease also reflects seasonally lower performance fees.

Revenue generated in the Investment Management business included 40% from non-U.S. sources in the first quarter of 2016, compared with 41% in the first quarter of 2015 and 42% in the fourth quarter of 2015.

Investment management fees in the Investment Management business were $786 million, a decrease of 5%, or 3% on a constant currency basis (Non-GAAP), compared with the first quarter of 2015. Investment management fees decreased 2% (unannualized) compared with the fourth quarter of 2015. Both the year-over-year decrease on a constant currency basis (Non-GAAP) and the 2% sequential decrease primarily reflect lower equity market values and net outflows in 2015, partially offset by higher money market fees.

In the first quarter of 2016, 38% of investment management fees in the Investment Management business were generated from managed mutual fund fees. These fees are based on the daily average net assets of each fund and the management fee paid by that fund. Managed mutual fund fee revenue was $300 million in the first quarter of 2016 compared with $294 million in the fourth quarter of 2015 and $301 million in the first quarter of 2015. The increase compared with the fourth quarter of 2015 primarily reflects higher money market fees, partially offset by net outflows. The decrease compared with the first quarter of 2015 primarily reflects net outflows.

Performance fees were $11 million compared with $15 million in the first quarter of 2015 and $55 million in the fourth quarter of 2015. The decrease compared with the fourth quarter of 2015 primarily reflects seasonality.

Distribution and servicing fees were $46 million compared with $38 million in the first quarter of 2015 and $39 million in the fourth quarter of 2015. Both increases primarily reflect higher money market fees.

Other losses were $31 million compared with other revenue of $41 million in the first quarter of 2015 and other revenue of $22 million in the fourth quarter of 2015. Both decreases primarily reflect lower seed capital gains, losses on hedging activities and increased payments to Investment Services related to higher money market fees.

Net interest revenue was $83 million compared with $75 million in the first quarter of 2015 and $84 million in the fourth quarter of 2015. The increase compared with the first quarter of 2015 primarily reflects record average loans and deposits, partially offset by the impact of changes in the internal crediting rates for deposits beginning in the first quarter of 2016. Average loans increased 23% compared with the first quarter of 2015 and 6% compared with the fourth quarter of 2015, while average deposits increased 5% compared with the first quarter of 2015 and 3% compared with the fourth quarter of 2015.

Noninterest expense, excluding amortization of intangible assets, was $660 million, a decrease of 7% compared with the first quarter of 2015 and 4% compared with the fourth quarter of 2015. Both decreases primarily reflect lower incentive and business development expenses and a lower
indirect expense allocation beginning in the first quarter of 2016, partially offset by higher distribution and servicing expense driven by lower money market fee waivers. The year-over-year decrease also reflects the favorable impact of a stronger U.S. dollar.

Investment Services business (a)

(dollars in millions, unless otherwise noted)	1Q16	4Q15	3Q15	2Q15	1Q15	1Q16 vs. 4Q15	1Q15
Revenue:							
Investment services fees:							
Asset servicing	$1,016	$1,009	$1,034	$1,038	$1,017	1 %	— %
Clearing services	348	337	345	346	342	3	2
Issuer services	244	199	312	234	231	23	6
Treasury services	129	135	135	141	135	(4)	(4)
Total investment services fees	1,737	1,680	1,826	1,759	1,725	3	1
Foreign exchange and other trading revenue	168	150	179	181	212	12	(21)
Other (b)	125	127	129	117	92	(2)	36
Total fee and other revenue	2,030	1,957	2,134	2,057	2,029	4	—
Net interest revenue	679	664	662	667	629	2	8
Total revenue	2,709	2,621	2,796	2,724	2,658	3	2
Noninterest expense (ex. amortization of intangible assets)	1,770	1,791	1,853	1,874	1,822	(1)	(3)
Income before taxes (ex. provision for credit losses and amortization of intangible assets)	939	830	943	850	836	13	12
Provision for credit losses	14	8	7	6	7	N/M	N/M
Amortization of intangible assets	38	40	41	40	41	(5)	(7)
Income before taxes	$887	$782	$895	$804	$788	13 %	13 %
Pre-tax operating margin	33 %	30 %	32 %	30 %	30 %		
Pre-tax operating margin (ex. provision for credit losses and amortization of intangible assets)	35 %	32 %	34 %	31 %	31 %		
Investment services fees as a percentage of noninterest expense (c)	99 %	95 %	99 %	97 %	95 %		
Securities lending revenue	$42	$39	$33	$43	$38	8 %	11 %
Metrics:							
Average loans	$45,004	$45,844	$46,222	$45,822	$45,071	(2)%	— %
Average deposits	$215,707	$229,241	$232,250	$238,404	$235,524	(6)%	(8)%
AUC/A at period end (in trillions) (d)	$29.1	$28.9	$28.5	$28.6	$28.5	1 %	2 %
Market value of securities on loan at period end (in billions) (e)	$300	$277	$288	$283	$291	8 %	3 %
Asset servicing:							
Estimated new business wins (AUC/A) (in billions)	$40	$49	$84	$933	$125		
Depositary Receipts:							
Number of sponsored programs	1,131	1,145	1,176	1,206	1,258	(1)%	(10)%

Clearing services:							
Average active clearing accounts (U.S. platform) (in thousands)	5,947	5,959	6,107	6,046	5,979	— %	(1)%
Average long-term mutual fund assets (U.S. platform)	$415,025	$437,260	$447,287	$466,195	$456,954	(5)%	(9)%
Average investor margin loans (U.S. platform)	$11,063	$11,575	$11,806	$11,890	$11,232	(4)%	(2)%
Broker-Dealer:							
Average tri-party repo balances (in billions)	$2,104	$2,153	$2,142	$2,174	$2,153	(2)%	(2)%

(a) In the first quarter of 2016, the results of the Investment Services business were restated to reflect the reclassification of the credit-related activities from the Other segment.

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

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

(d) Includes the AUC/A of CIBC Mellon of $1.1 trillion at March 31, 2016, $1.0 trillion at Dec. 31, 2015 and Sept. 30, 2015 and $1.1 trillion at June 30, 2015 and March 31, 2015.

(e) Represents the total amount of securities on loan managed by the Investment Services business. Excludes securities for which BNY Mellon acts as agent on behalf of CIBC Mellon clients, which totaled $56 billion at March 31, 2016, $55 billion at Dec. 31, 2015, $61 billion at Sept. 30, 2015, $68 billion at June 30, 2015 and $69 billion at March 31, 2015.

N/M - Not meaningful.

Business description

Our Investment Services business provides global custody and related services, government clearing, global collateral services, corporate trust and depositary receipt and clearing services, as well as global payment/working capital solutions to global financial institutional clients.

Our comprehensive suite of financial solutions includes: global custody, global fund services, securities lending, investment manager outsourcing, performance and risk analytics, alternative investment services, securities clearance, collateral management, corporate trust, American and global depositary receipt programs, cash management solutions, payment services, liquidity services and other linked revenues, principally foreign exchange, global clearing and execution, managed account services and global prime brokerage solutions. Our clients include corporations, public funds and government agencies, foundations and endowments; global financial institutions including banks, broker-dealers, asset managers, insurance companies and central banks; financial intermediaries and independent registered investment advisors; hedge fund managers; and funds that we manage through our Investment Management business. We help our clients service their financial assets through a network of offices and service delivery centers in 35 countries across six continents.

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

We are one of the leading global securities servicing providers with $29.1 trillion of AUC/A at March 31, 2016. We are one of the largest custodians for U.S. corporate and public pension plans and we service 50% of the top 50 endowments. We are a leading

custodian in the UK, servicing around a fifth of UK pensions that require a custodian, and with approximately 20% of such assets for the sector in our custody. Globalization tends to drive cross-border investment and capital flows, which increases the opportunity to provide solutions to our clients. The changing regulatory environment is also driving client demand for new solutions and services.

BNY Mellon is a leader in both global and U.S. Government securities clearance. We settle securities transactions in over 100 markets and handle most of the transactions cleared through the Federal Reserve Bank of New York for 18 of the 22 primary dealers. We are a leader in servicing tri-party collateral with approximately $2.1 trillion serviced globally. We currently service approximately $1.3 trillion, or approximately 85%, of the $1.6 trillion tri-party repo market in the U.S.

Global Collateral Services serves broker-dealers and institutional investors facing expanding collateral management needs as a result of current and emerging regulatory and market requirements. Global Collateral Services brings together BNY Mellon’s global capabilities in segregating, optimizing, financing and transforming collateral on behalf of clients, including its market leading broker-dealer collateral management, securities lending, collateral financing, liquidity and derivatives services teams.

In securities lending, we are one of the largest lenders of U.S. Treasury securities and depositary receipts and service a lending pool of approximately $3.0 trillion in 33 markets.

We served as depositary for 1,131 sponsored American and global depositary receipt programs at March 31, 2016, acting in partnership with leading companies from 64 countries - an estimated 58% global market share.

Pershing and its affiliates provide business solutions to approximately 1,500 financial organizations globally by delivering dependable operational support, robust trading services, flexible technology and an expansive array of investment solutions, practice management support and service excellence.

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

BNY Mellon acts as trustee and document custodian for certain mortgage-backed security ("MBS") securitization trusts. The role of trustee for MBS securitizations is limited; our primary role as trustee is to calculate and distribute monthly bond payments to bondholders. As a document custodian, we hold the mortgage, note, and related documents provided to us by the loan originator or seller and provide periodic reporting to these parties. BNY Mellon, either as document custodian or trustee, does not receive mortgage underwriting files (the files that contain information related to the creditworthiness of the borrower). As trustee or custodian, we have no responsibility or liability for the quality of the portfolio; we are liable only for performance of our limited duties as described above and in the trust documents. BNY Mellon is indemnified by the servicers or directly from trust assets under the governing agreements. BNY Mellon may appear as the named plaintiff in legal actions brought by servicers in foreclosure and other related proceedings because the trustee is the nominee owner of the mortgage loans within the trusts.

BNY Mellon also has been named as a defendant in legal actions brought by MBS investors alleging that the trustee has expansive duties under the governing agreements, including to investigate and pursue claims against other parties to the MBS transaction. For additional information on our legal proceedings related to this matter, see Note 17 of the Notes to Consolidated Financial Statements.

Review of financial results

AUC/A totaled $29.1 trillion, an increase from $28.5 trillion at March 31, 2015. The increase was primarily driven by net new business and the favorable impact of a weaker U.S. dollar (principally versus the euro), partially offset by lower market values. AUC/A consisted of 34% equity securities and 66% fixed income securities at March 31, 2016 compared with 36% equity securities and 64% fixed income securities at March 31, 2015.

Investment services fees were $1.7 billion, an increase of 1% compared with the first quarter of 2015 and 3% compared with the fourth quarter of 2015 (unannualized) reflecting the following factors:

- Asset servicing fees (global custody, broker-dealer services and Global Collateral Services) were $1.016 billion compared with $1.017 billion in the first quarter of 2015 and $1.009 billion in the fourth quarter of 2015. Both comparisons primarily reflect net new business and higher securities lending revenue, offset by lower market values. The year-over-year comparison also reflects the unfavorable impact of a stronger U.S. dollar.
- Clearing services fees were $348 million compared with $342 million in the first quarter of 2015 and $337 million in the fourth quarter of 2015. Both increases primarily reflect higher money market fees, partially offset by the impact of lost business. The sequential increase also reflects higher volumes.
- Issuer services fees (Corporate Trust and Depositary Receipts) were $244 million compared with $231 million in the first quarter of 2015 and $199 million in the fourth quarter of 2015. Both increases primarily reflect higher money market fees in Corporate Trust and higher dividend fees in Depositary Receipts.
- Treasury services fees were $129 million compared with $135 million in both the first quarter of 2015 and the fourth quarter of 2015. Both decreases primarily reflect higher compensating balance credits provided to clients, which shifts revenue from fees to net interest revenue.

Foreign exchange and other trading revenue totaled $168 million compared with $212 million in the first quarter of 2015 and $150 million in the fourth quarter of 2015. The year-over-year decrease primarily reflects lower volumes. The sequential increase primarily reflects higher volatility.

Other revenue was $125 million compared with $92 million in the first quarter of 2015 and $127 million in the fourth quarter of 2015. The year-over-year increase primarily reflects higher financing related fees. The sequential decrease primarily reflects termination fees in clearing services recorded in the fourth quarter of 2015. Both comparisons reflect

increased payments from Investment Management related to higher money market fees, partially offset by certain fees paid to introducing brokers.

Net interest revenue was $679 million compared with $629 million in the first quarter of 2015 and $664

million in the fourth quarter of 2015. Both increases primarily reflect the impact of changes in the internal crediting rates for deposits beginning in the first quarter of 2016, partially offset by lower average loans and deposits.

Noninterest expense, excluding amortization of intangible assets, was $1.77 billion compared with $1.82 billion in the first quarter of 2015 and $1.79

billion in the fourth quarter of 2015. Both decreases primarily reflect lower staff and professional, legal and other purchased services expenses. The year-over-year decrease was partially offset by higher litigation expense. The sequential decrease was partially offset by an adjustment to bank assessment charges recorded in the fourth quarter of 2015.

Other segment (a)

(dollars in millions)	1Q16	4Q15	3Q15	2Q15	1Q15
Revenue:					
Fee and other revenue	$129	$89	$59	$103	$85
Net interest revenue	4	12	14	35	24
Total revenue	133	101	73	138	109
Noninterest expense (ex. amortization of intangible assets and restructuring (recoveries) charges)	141	150	97	79	108
(Loss) income before taxes (ex. provision for credit losses, amortization of intangible assets and restructuring (recoveries) charges)	(8)	(49)	(24)	59	1
Provision for credit losses	(3)	159	(7)	(15)	(4)
Amortization of intangible assets	—	—	1	—	1
Restructuring (recoveries) charges	(1)	(4)	(2)	8	(4)
(Loss) income before taxes	$(4)	$(204)	$(16)	$66	$8
Average loans and leases	$1,917	$2,673	$2,656	$2,956	$1,230

(a) In the first quarter of 2016, the results of the Other segment were restated to reflect the reclassification of the credit-related activities to the Investment Services segment.

Business description

The Other segment primarily includes:

- the leasing portfolio;
- corporate treasury activities, including our investment securities portfolio;
- the derivatives business;
- a 33.9% equity investment in ConvergEx; and
- business exits.

Revenue primarily reflects:

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

Expenses include:

- M&I expenses;
- restructuring charges that relate to corporate-level initiatives;
- direct expenses supporting leasing, investing, and funding activities; and
- expenses not directly attributable to the Investment Management and Investment Services operations.

Review of financial results

Total fee and other revenue increased $44 million compared with the first quarter of 2015 and $40 million compared with the fourth quarter of 2015. Both increases primarily reflect lease-related gains. The sequential increase was partially offset by lower income from corporate/bank-owned life insurance.

Net interest revenue decreased $20 million compared with the first quarter of 2015 and $8 million compared with the fourth quarter of 2015. Both decreases primarily reflect the impact of changes in

the internal crediting rates to the businesses for deposits beginning in the first quarter of 2016.

The provision for credit losses was a credit of $3 million in the first quarter of 2016, a credit of $4 million in the first quarter of 2015 and a provision of $159 million in the fourth quarter of 2015. The provision in the fourth quarter of 2015 reflects the impairment charge related to a court decision.

Noninterest expense, excluding amortization of intangible assets and restructuring (recoveries) charges, increased $33 million compared with the first quarter of 2015 and decreased $9 million compared with the fourth quarter of 2015. The year-over-year increase primarily reflects the curtailment gain related to the U.S. pension plan recorded in the first quarter of 2015. The sequential decrease primarily reflects the adjustment to employee benefits expense recorded in the fourth quarter of 2015 driven by updated information received from an administrator of our health care benefits. Both comparisons also reflect higher severance expense recorded in the first quarter of 2016 in ongoing support of our business improvement process.

Critical accounting estimates

Our significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements in our 2015 Annual Report. Our critical accounting estimates are those related to the allowance for loan losses and allowance for lending-related commitments, fair value of financial instruments and derivatives, other-than-temporary impairment (“OTTI”), goodwill and other intangibles, and pension accounting, as referenced below.

Critical policy	Reference
Allowance for loan losses and allowance for lending-related commitments	2015 Annual Report, pages 33 - 35.
Fair value of financial instruments and derivatives	2015 Annual Report, pages 35 - 37.
OTTI	2015 Annual Report, page 37.
Goodwill and other intangibles	2015 Annual Report, pages 37 - 38.
Pension accounting	2015 Annual Report, pages 38 - 40.

Consolidated balance sheet review

At March 31, 2016, total assets were $373 billion compared with $394 billion at Dec. 31, 2015. The decrease in total assets was primarily driven by lower customer deposits. Deposits totaled $257 billion at March 31, 2016 and $280 billion at Dec. 31, 2015. At March 31, 2016, total interest-bearing deposits were 51% of total interest-earning assets, compared with 54% at Dec. 31, 2015.

Total assets averaged $365 billion in the first quarter of 2016 compared with $368 billion in the first quarter of 2015 and $369 billion in the fourth quarter of 2015. The decrease in average total assets compared with the first quarter of 2015 was primarily driven by lower customer deposits. The decrease in average total assets compared with the fourth quarter of 2015 was primarily driven by lower levels of federal funds purchased and securities sold under repurchase agreements and lower customer deposits.

Total deposits averaged $245 billion in the first quarter of 2016 compared with $249 billion in the first quarter of 2015 and $246 billion in the fourth quarter of 2015. The year-over-year and sequential decreases in average total deposits primarily reflect lower average noninterest-bearing deposits and demand deposits, partially offset by higher average interest-bearing deposits in foreign offices.

At March 31, 2016, we had $42 billion of liquid funds (which include interest-bearing deposits with banks and federal funds sold and securities purchased under resale agreements) and $100 billion of cash (including $96 billion of

overnight deposits with the Federal Reserve and other central banks) for a total of $142 billion of available funds. This compares with available funds of $159 billion at Dec. 31, 2015. The decrease in available funds primarily reflects the decrease of overnight deposits with the Federal Reserve and other central banks.

Total available funds as a percentage of total assets was 38% at March 31, 2016 compared with 40% at Dec. 31, 2015. Of the $42 billion in liquid funds held at March 31, 2016, $15 billion was placed in interest-bearing deposits with large, highly-rated global financial institutions with a weighted-average life to maturity of approximately 27 days. Of the $15 billion, $4 billion was placed with banks in the Eurozone.

Investment securities were $118.0 billion, or 32% of total assets, at March 31, 2016, compared with $119.2 billion, or 30% of total assets, at Dec. 31, 2015. The decrease primarily reflects a decrease in sovereign debt/sovereign guaranteed, consumer ABS, and state and political subdivisions, partially offset by higher unrealized gains.

Loans were $61.7 billion, or 17% of total assets, at March 31, 2016, compared with $63.7 billion, or 16% of total assets, at Dec. 31, 2015. The decrease primarily reflects lower financial institution loans and margin loans, partially offset by higher overdrafts and wealth management loans and mortgages.

Long-term debt totaled $21.7 billion at March 31, 2016 and $21.5 billion at Dec. 31, 2015. The increase reflects the issuance of $1.0 billion of senior debt and an increase in the fair value of hedged long-term debt, partially offset by the maturity of $1.2 billion of long-term debt. The Parent has $1.25 billion of long-term debt that will mature in the remainder of 2016.

The Bank of New York Mellon Corporation total shareholders' equity increased to $38.5 billion from $38.0 billion at Dec. 31, 2015. The increase primarily reflects earnings retention, approximately $176 million resulting from stock awards, the exercise of stock options and stock issued for employee benefit plans, an increase in the unrealized gain on our investment securities portfolio and foreign currency translation adjustments. The increase was partially offset by share repurchases.

Country risk exposure

We have exposure to certain countries and territories that have had a heightened focus due to recent events. Where appropriate, we offset the credit risk associated with the exposure in these countries with collateral that has been pledged, which primarily consists of cash or marketable securities, or by transferring the risk to a third-party guarantor in another country or territory. Exposure described below reflects the country of operations and risk of the immediate counterparty. We continue to monitor our exposure to these and other countries as part of our Risk Management process. See "Risk management" in our 2015 Annual Report for additional information on how our exposures are managed.

BNY Mellon has a limited economic interest in the performance of assets of consolidated investment management funds, and therefore they are excluded from this disclosure.

Ireland, Italy, Spain, Portugal and Greece

Over the past several years, there have been concerns about European sovereign debt and its impact on the European banking system, as a number of European countries, including Ireland, Italy, Spain, Portugal and Greece, experienced credit deterioration. We had total net exposure to Ireland, Italy and Spain of $5.2 billion at March 31, 2016 including $1.2 billion to Ireland, $1.6 billion to Italy and $2.4 billion to Spain. The total net exposure was $4.9 billion at Dec. 31, 2015, including $1.3 billion to Ireland, $1.6 billion to Italy and $2.0 billion to Spain. Exposure to Ireland, Italy and Spain at both periods primarily consisted of investment grade sovereign debt and European Floating Rate notes. At March 31, 2016, investment securities exposure totaled $931 million in Ireland, $1.5 billion in Italy and $2.1 billion in Spain. At Dec. 31, 2015, investment securities exposure totaled $895 million in Ireland, $1.4 billion in Italy and $2.0 billion in Spain. At March 31, 2016, BNY Mellon had exposure of $6 million to Portugal and less than $1 million to Greece. At Dec. 31, 2015 we had exposure of less than $1 million to Portugal and Greece.

Brazil

Current conditions in Brazil have resulted in increased focus on its economic and political stability. We have operations in Brazil providing investment services and investment management services. In addition, at March 31,

2016 and Dec. 31, 2015, we had total net exposure to Brazil of $1.9 billion and $2.2 billion, respectively. This included $1.8 billion and $2.1 billion, respectively, in loans, which are primarily short-term trade finance loans extended to large financial institutions. At March 31, 2016, we held $99 million of noninvestment grade sovereign debt and at Dec. 31, 2015 we held $95 million of investment grade sovereign debt.

Russia

Events in Russia significantly increased geopolitical tensions in Central and Eastern Europe. We provide investment services for companies in Russia, including acting as depositary for a significant

number of depositary receipt clients, and investment management services primarily through our noncontrolling interest in an asset manager. At March 31, 2016 and Dec. 31, 2015, our exposure to Russia was $58 million and $63 million, respectively. To date, our businesses with Russian exposure have not been materially impacted by the ongoing tensions, sanctions or impact of the volatility in oil prices.

Puerto Rico

Recent concerns regarding financial conditions in Puerto Rico have resulted in increased focus on its ability to repay its debt. At March 31, 2016 and Dec. 31, 2015, BNY Mellon had margin loan exposure of approximately $50 million where the collateral received has a concentration of Puerto Rican

securities. We have increased our margin requirements and believe the impact of potential negative outcomes in Puerto Rico would not be material.

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. Significant changes in ratings classifications for our investment securities portfolio could indicate increased credit risk for us and could be accompanied by a reduction in the fair value of our investment securities portfolio.

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

Investment securities portfolio	Dec. 31, 2015	1Q16 change in unrealized gain (loss)	March 31, 2016		Fair value as a % of amortized cost (a)	Unrealized gain (loss)	Ratings				
(dollars in millions)	Fair value		Amortized cost	Fair value			AAA/ AA-	A+/ A-	BBB+/ BBB-	BB+ and lower	Not rated
Agency RMBS	$49,464	$523	$49,468	$49,870	101 %	$402	100 %	— %	— %	— %	— %
U.S. Treasury	23,920	166	23,803	23,870	100	67	100	—	—	—	—
Sovereign debt/sovereign guaranteed (b)	16,708	106	15,626	15,866	102	240	71	—	28	1	—
Non-agency RMBS (c)	1,789	(43)	1,374	1,685	80	311	—	1	1	90	8
Non-agency RMBS	914	(10)	858	862	93	4	7	4	18	70	1
European floating rate notes (d)	1,345	(7)	1,275	1,244	97	(31)	66	29	5	—	—
Commercial MBS	5,826	62	5,983	6,003	100	20	96	3	1	—	—
State and political subdivisions	4,065	12	3,651	3,740	102	89	80	16	1	—	3
Foreign covered bonds (e)	2,242	(6)	2,244	2,279	102	35	100	—	—	—	—
Corporate bonds	1,752	35	1,690	1,737	103	47	16	68	16	—	—
CLO	2,351	(5)	2,441	2,424	99	(17)	100	—	—	—	—
U.S. Government agencies	1,810	(2)	1,890	1,881	100	(9)	100	—	—	—	—
Consumer ABS	2,893	4	2,420	2,408	99	(12)	100	—	—	—	—

Other (f)	3,700	7	3,840	3,893	101	53	53	—	43	—	4
Total investment securities	$118,779 (g)	$842	$116,563	$117,762 (g)	100 %	$1,199 (g)(h)	90 %	2 %	6 %	2 %	— %

(a) Amortized cost before impairments.

(b) Primarily consists of exposure to UK, France, Germany, Spain, and Italy.

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

(d) Includes RMBS and commercial MBS. Primarily consists of exposure to UK and Netherlands.

(e) Primarily consists of exposure to Canada, UK, Norway and Netherlands.

(f) Includes commercial paper with a fair value of $1.9 billion and $1.7 billion and money market funds with a fair value of 886 million and $862 million at Dec. 31, 2015 and March 31, 2016, respectively.

(g) Includes net unrealized losses on derivatives hedging securities available-for-sale of $292 million at Dec. 31, 2015 and $763 million at March 31, 2016.

(h) Unrealized gains of $685 million at March 31, 2016 related to available-for-sale securities.

The fair value of our investment securities portfolio was $117.8 billion at March 31, 2016 compared with $118.8 billion at Dec. 31, 2015. The decrease primarily reflects a decrease in sovereign debt/

sovereign guaranteed, consumer ABS, and state and political subdivisions, partially offset by higher unrealized gains.

At March 31, 2016, the total investment securities portfolio had a net unrealized pre-tax gain of $1.2 billion compared with $357 million at Dec. 31, 2015, including the impact of related hedges. The increase in the net unrealized pre-tax gain was primarily driven by a decline in market interest rates.

The unrealized gain net of tax on our available-for-sale investment securities portfolio included in accumulated other comprehensive income was $473

million at March 31, 2016, compared with $329 million at Dec. 31, 2015.

At both March 31, 2016 and Dec. 31, 2015, 90% of the securities in our portfolio were rated AAA/AA-.

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

The following table presents the amortizable purchase premium (net of discount) related to the investment securities portfolio and accretable discount related to the 2009 restructuring of the investment securities portfolio.

Net premium amortization and discount accretion of investment securities (a) (dollars in millions)	1Q16	4Q15	3Q15	2Q15	1Q15
Amortizable purchase premium (net of discount) relating to investment securities:					
Balance at period end	$2,233	$2,319	$2,433	$2,492	$2,559
Estimated average life remaining at period end (in years)	4.5	4.7	4.6	4.7	4.5
Amortization	$163	$161	$176	$183	$173
Accretable discount related to the prior restructuring of the investment securities portfolio:					
Balance at period end	$325	$355	$401	$420	$386
Estimated average life remaining at period end (in years)	6.0	6.1	6.0	6.0	6.0
Accretion	$27	$29	$33	$32	$32

(a) Amortization of purchase premium decreases net interest revenue while accretion of discount increases net interest revenue. Both were recorded on a level yield basis.

The following table presents pre-tax net securities gains (losses) by type.

Net securities gains (losses) (in millions)	1Q16	4Q15	1Q15
Foreign covered bonds	$ 10	$ —	$ —
Agency RMBS	8	2	—
U.S. Treasury	1	3	23
Non-agency RMBS	(2)	10	(1)
Other	3	6	2
Total net securities gains	$ 20	$ 21	$ 24

On a quarterly basis, we perform our impairment analysis using several factors, including projected loss severities and default rates. In the first quarter of 2016, this analysis resulted in other-than-temporary credit losses of $2.0 million primarily on our non-agency RMBS portfolio. At March 31, 2016, 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

portfolio, including the securities previously held by the Grantor Trust, credit-related impairment charges on these securities would have increased or decreased by less than $1 million (pre-tax). See Note 3 of the

Notes to Consolidated Financial Statements for the projected weighted-average default rates and loss severities.

The following table shows the fair value of the European floating rate notes by geographical location at March 31, 2016. The unrealized loss on these securities was $31 million at March 31, 2016, compared with $24 million at Dec. 31, 2015.

European floating rate notes at March 31, 2016 (a)

(in millions)	RMBS	Other	Total fair value
United Kingdom	$686	$ 67	$753
Netherlands	368	—	368
Ireland	121	—	121
Other	2	—	2
Total fair value	$1,177	$ 67	$1,244

(a) 66% of these securities are in the AAA to AA- ratings category.

See Note 14 of the Notes to Consolidated Financial Statements for details of securities by level in the fair value hierarchy.

Loans

Total exposure – consolidated	March 31, 2016			Dec. 31, 2015		
(in billions)	Loans	Unfunded commitments	Total exposure	Loans	Unfunded commitments	Total exposure
Non-margin loans:						
Financial institutions	$12.9	$ 35.5	$ 48.4	$15.9	$ 36.0	$ 51.9
Commercial	2.3	18.3	20.6	2.3	18.2	20.5
Subtotal institutional	15.2	53.8	69.0	18.2	54.2	72.4
Wealth management loans and mortgages	14.0	1.7	15.7	13.3	1.6	14.9
Commercial real estate	4.3	2.9	7.2	3.9	3.3	7.2
Lease financings	1.8	—	1.8	1.9	—	1.9
Other residential mortgages	1.1	—	1.1	1.1	—	1.1
Overdrafts	5.4	—	5.4	4.5	—	4.5
Other	1.1	—	1.1	1.2	—	1.2
Subtotal non-margin loans	42.9	58.4	101.3	44.1	59.1	103.2
Margin loans	18.8	0.6	19.4	19.6	0.6	20.2
Total	$61.7	$ 59.0	$ 120.7	$63.7	$ 59.7	$ 123.4

At March 31, 2016, total exposures were $120.7 billion, a decrease of 2% from $123.4 billion at Dec. 31, 2015. The decrease in total exposure primarily reflects lower exposure to financial institutions and the margin loan portfolio, partially offset by an increase in exposure to the wealth management loans and mortgages portfolio and overdrafts.

Our financial institutions and commercial portfolios comprise our largest concentrated risk. These portfolios comprised 57% of our total lending exposure at March 31, 2016 and 59% at Dec. 31, 2015. Additionally, a substantial portion of our overdrafts relate to financial institutions.

Financial institutions

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

Financial institutions portfolio exposure (dollar amounts in billions)	March 31, 2016							Dec. 31, 2015		
	Loans	Unfunded commitments	Total exposure	% Inv. grade		% due <1 yr		Loans	Unfunded commitments	Total exposure
Securities industry	$3.0	$ 20.3	$ 23.3	99	%	99	%	$3.1	$ 20.6	$ 23.7
Banks	7.5	2.0	9.5	68		91		9.4	2.1	11.5
Asset managers	1.2	5.8	7.0	99		84		2.0	5.6	7.6
Insurance	0.1	4.4	4.5	99		31		0.2	4.5	4.7
Government	0.1	1.5	1.6	94		58		0.1	1.9	2.0
Other	1.0	1.5	2.5	98		21		1.1	1.3	2.4
Total	$12.9	$ 35.5	$ 48.4	93	%	84	%	$15.9	$ 36.0	$ 51.9

The financial institutions portfolio exposure was $48.4 billion at March 31, 2016 compared with $51.9 billion at Dec. 31, 2015. The decrease primarily reflects lower loans in the banks and asset managers portfolios and lower unfunded commitments in the government and securities industry portfolios.

Financial institution exposures are high quality, with 93% of the exposures meeting the investment grade equivalent criteria of our internal credit rating classification at March 31, 2016. Each customer is assigned an internal credit rating, which is mapped to

an equivalent external rating agency grade based upon a number of dimensions which are continually evaluated and may change over time. The exposure to financial institutions is generally short-term. Of these exposures, 84% expire within one year and 20% expire within 90 days. In addition, 77% of the financial institutions exposure is secured. For example, securities industry clients and asset managers often borrow against marketable securities held in custody.

For ratings of non-U.S. counterparties, our internal credit rating is generally capped at a rating equivalent to the sovereign rating of the country where the counterparty resides regardless of the internal credit rating assigned to the counterparty or the underlying collateral.

Our bank exposure primarily relates to our global trade finance. These exposures are predominately to investment grade counterparties and are short term in nature. The investment grade percentage of our bank exposure was 68% at March 31, 2016, compared with 86% at Dec. 31, 2015. The decrease reflects the

impact of the downgrade in the sovereign rating of Brazil to noninvestment grade. Our exposure in Brazil includes $1.8 billion in loans, which are primarily short-term trade finance loans extended to large financial institutions.

The asset manager portfolio exposures are high-quality with 99% of the exposures meeting our investment grade equivalent ratings criteria as of March 31, 2016. These exposures are generally short-term liquidity facilities, with the vast majority to regulated mutual funds.

Commercial

The diversity of the commercial portfolio is presented in the following table.

Commercial portfolio exposure	March 31, 2016								Dec. 31, 2015		
(dollar amounts in billions)	Loans	Unfunded commitments	Total exposure	% Inv. grade		% due <1 yr		Loans	Unfunded commitments	Total exposure
Services and other	$0.8	$ 6.3	$ 7.1	95	%	20	%	$0.8	$ 5.5	$ 6.3
Manufacturing	0.5	5.7	6.2	92		9		0.6	6.3	6.9
Energy and utilities	0.7	4.8	5.5	94		14		0.6	4.9	5.5
Media and telecom	0.3	1.5	1.8	93		—		0.3	1.5	1.8
Total	$2.3	$ 18.3	$ 20.6	93	%	13	%	$2.3	$ 18.2	$ 20.5

The commercial portfolio exposure increased slightly to $20.6 billion at March 31, 2016 from $20.5 billion at Dec. 31, 2015, primarily reflecting an increase in exposure in the services and other portfolio, partially offset by a decrease in exposure to the manufacturing portfolio. Utilities-related exposure represents approximately three-quarters of the energy and utilities portfolio. The remaining exposure in the energy and utilities portfolio, which includes exposure to refining, integrated companies, exploration and production companies and pipelines, was 81% investment grade at March 31, 2016, compared with 94% at Dec. 31, 2015.

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

Percentage of the portfolios that are investment grade

	March 31, 2016		Dec. 31, 2015		Sept. 30, 2015		June 30, 2015		March 31, 2015	
Financial institutions	93	%	96	%	96	%	96	%	92	%
Commercial	93	%	94	%	94	%	95	%	94	%

Our credit strategy is to focus on investment grade names to support cross-selling opportunities. The execution of our strategy has resulted in 93% of our financial institutions portfolio and 93% of our commercial portfolio rated as

investment grade at March 31, 2016.

Wealth management loans and mortgages

Our wealth management exposure was $15.7 billion at March 31, 2016 compared with $14.9 billion at Dec. 31, 2015. Wealth management loans and mortgages primarily consist 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 a weighted-average loan-to-value ratio of 61% at origination. In the wealth management portfolio, less than 1% of the mortgages were past due at March 31, 2016.

At March 31, 2016, the wealth management mortgage portfolio consisted of the following geographic concentrations: California - 23%; New York - 21%; Massachusetts - 13%; Florida - 8%; and other - 35%.

Commercial real estate

Our income-producing commercial real estate facilities are focused on experienced owners and are structured with moderate leverage based on existing cash flows. Our commercial real estate lending activities also include construction and renovation facilities. Our client base consists of experienced developers and long-term holders of real estate assets. Loans are approved on the basis of existing or projected cash flows, and supported by appraisals and knowledge of local market conditions. Development loans are structured with moderate leverage, and in many instances, involve some level of recourse to the developer. Our commercial real estate exposure totaled $7.2 billion at both March 31, 2016 and Dec. 31, 2015.

At March 31, 2016, 61% of our commercial real estate portfolio was secured. The secured portfolio is diverse by project type, with 49% secured by residential buildings, 30% secured by office buildings, 13% secured by retail properties and 8% secured by other categories. Approximately 98% of the unsecured portfolio consists of real estate investment trusts ("REITs"), which are predominantly investment grade, and real estate operating companies.

At March 31, 2016, our commercial real estate portfolio consists of the following concentrations: New York metro - 41%; REITs and real estate operating companies - 38%; and other - 21%.

Lease financings

The leasing portfolio exposure totaled $1.8 billion at March 31, 2016, compared with $1.9 billion at Dec. 31, 2015. At March 31, 2016, approximately 85% of the leasing portfolio exposure was investment grade, or investment grade equivalent.

At March 31, 2016, the $1.8 billion lease financing portfolio consisted of exposures backed by well-diversified assets, primarily large-ticket transportation equipment.

Other residential mortgages

The other residential mortgages portfolio primarily consists of 1-4 family residential mortgage loans and totaled $1.1 billion at March 31, 2016 and $1.1 billion at Dec. 31, 2015. Included in this portfolio at March 31, 2016 are $268 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, 2016, the purchased loans in this portfolio had a weighted-average loan-to-value ratio of 76% at origination and 15% of the serviced loan balance was at least 60 days delinquent. The properties securing the prime and Alt-A mortgage loans were located (in order of concentration) in California, Florida, Virginia, the tri-state area (New York, New Jersey and Connecticut) and Maryland.

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

Overdrafts

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

Other loans

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

Margin loans

Margin loans are collateralized with marketable securities and borrowers are required to maintain a daily collateral margin in excess of 100% of the value of the loan. Margin loans included $7.9 billion of loans at March 31, 2016 and $7.8 billion at Dec. 31, 2015 related to a term loan program that offers fully collateralized loans to broker-dealers.

Asset quality and allowance for credit losses

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

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

The following table details changes in our allowance for credit losses.

Allowance for credit losses activity (dollar amounts in millions)	March 31, 2016	Dec. 31, 2015	March 31, 2015
Margin loans	$18,818	$19,573	$19,566
Non-margin loans	42,421	43,708	42,620
Total loans	$61,239	$63,281	$62,186
Beginning balance of allowance for credit losses	$275	$280	$280
Provision for credit losses	10	163	2
Net (charge-offs) recoveries:			
Financial institutions	—	(170)	—
Other residential mortgages	2	2	1
Net (charge-offs) recoveries	2	(168)	1
Ending balance of allowance for credit losses	$287	$275	$283
Allowance for loan losses	$162	$157	$190
Allowance for lending-related commitments	125	118	93
Allowance for loan losses as a percentage of total loans	0.26 %	0.25 %	0.31 %
Allowance for loan losses as a percentage of non-margin loans	0.38	0.36	0.45
Total allowance for credit losses as a percentage of total loans	0.47	0.43	0.46
Total allowance for credit losses as a percentage of non-margin loans	0.68	0.63	0.66

Net recoveries of $2 million in the first quarter of 2016 were reflected in the other residential mortgages portfolio. Net charge-offs of $168 million in the fourth quarter of 2015 were primarily reflected in the financial institutions portfolio and included a portion of the unsecured loan to Sentinel that was reestablished in December 2015.

The provision for credit losses was $10 million in the first quarter of 2016, $163 million in the fourth quarter of 2015 and $2 million in the first quarter of 2015. The provision for credit losses in the first quarter of 2016 primarily reflects the downgrades of energy-related exposure and the sovereign rating of Brazil to noninvestment grade.

The total allowance for credit losses was $287 million at March 31, 2016, $275 million at Dec. 31, 2015 and $283 million at March 31, 2015. The ratio of the total allowance for credit losses to non-margin loans was 0.68% at March 31, 2016, 0.63% at Dec. 31, 2015 and 0.66% at March 31, 2015. The ratio of the allowance for loan losses to non-margin loans was 0.38% at March 31, 2016 compared with 0.36% at Dec. 31, 2015 and 0.45% at March 31, 2015.

We had $18.8 billion of secured margin loans on our balance sheet at March 31, 2016 compared with $19.6 billion at both Dec. 31, 2015 and March 31, 2015. We have rarely suffered a loss on these types of loans and do not allocate any of our allowance for credit losses to them. As a result, we believe that the ratio of total allowance for credit losses as a

percentage of non-margin loans is a more appropriate metric to measure the adequacy of the reserve.

The allowance for loan losses and allowance for lending-related commitments represent management's estimate of probable losses inherent in our credit portfolio. This evaluation process is subject to numerous estimates and judgments. For additional information on this process, see "Critical accounting estimates" in our 2015 Annual Report.

To the extent actual results differ from forecasts or management's judgment, the allowance for credit losses may be greater or less than future charge-offs.

Based on an evaluation of the allowance for credit losses as discussed in "Critical accounting estimates" and Note 1 of the Notes to Consolidated Financial Statements, both in our 2015 Annual Report, we have allocated our allowance for credit losses as follows.

Allocation of allowance	March 31, 2016	Dec. 31, 2015	March 31, 2015
Commercial	31 %	30 %	23 %
Commercial real estate	22	22	19
Foreign	13	13	14
Other residential mortgages	11	12	14
Financial institutions	11	11	12
Wealth management (a)	6	7	7
Lease financing	6	5	11
Total	100 %	100 %	100 %

(a) Includes the allowance for wealth management mortgages.

The allocation of the allowance for credit losses is inherently judgmental, and the entire allowance for credit losses is available to absorb credit losses regardless of the nature of the loss.

The credit rating assigned to each credit is a significant variable in determining the allowance. If each credit were rated one grade better, the allowance would have decreased by $72 million, while if each credit were rated one grade worse, the allowance would have increased by $141 million. Similarly, if the loss given default were one rating worse, the allowance would have increased by $46 million, while if the loss given default were one rating better, the allowance would have decreased by $40 million. For impaired credits, if the net carrying value of the loans was 10% higher or lower, the allowance would have decreased or increased by less than $1 million, respectively.

Nonperforming assets

The following table shows the distribution of nonperforming assets.

Nonperforming assets (dollars in millions)	March 31, 2016	Dec. 31, 2015
Loans:		
Financial institutions	$ 171	$ 171
Other residential mortgages	99	102
Wealth management loans and mortgages	11	11
Lease financings	5	—
Commercial real estate	2	2
Total nonperforming loans	288	286
Other assets owned	4	6
Total nonperforming assets	$ 292	$ 292
Nonperforming assets ratio	0.48 %	0.46 %
Nonperforming assets ratio, excluding margin loans	0.7	0.7
Allowance for loan losses/nonperforming loans	56.3	54.9
Allowance for loan losses/nonperforming assets	55.5	53.8
Total allowance for credit losses/nonperforming loans	99.7	96.2

Total allowance for credit losses/nonperforming assets	98.3	94.2

Nonperforming assets activity (in millions)	March 31, 2016	Dec. 31, 2015
Balance at beginning of period	$ 292	$ 123
Additions	9	347
Return to accrual status	(1)	(1)
Charge-offs	—	(171)
Paydowns/sales	(8)	(6)
Balance at end of period	$ 292	$ 292

Nonperforming assets were $292 million at March 31, 2016, unchanged compared with Dec. 31, 2015.

Deposits

Total deposits were $257.3 billion at March 31, 2016, a decrease of 8% compared with $279.6 billion at Dec. 31, 2015. The decrease in deposits primarily reflects lower interest-bearing deposits in non-U.S. offices.

Noninterest-bearing deposits were $93.0 billion at March 31, 2016 compared with $96.3 billion at Dec. 31, 2015. Interest-bearing deposits were $164.3 billion at March 31, 2016 compared with $183.3 billion at Dec. 31, 2015.

Short-term borrowings

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

See “Liquidity and dividends” for a discussion of long-term debt and liquidity metrics that we monitor.

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

Federal funds purchased and securities sold under repurchase agreements

	Quarter ended		
(dollars in millions)	March 31, 2016	Dec. 31, 2015	March 31, 2015
Maximum month-end balance during the quarter	$25,995	$30,160	$15,747
Average daily balance	$18,689	$20,349	$13,877
Weighted-average rate during the quarter	0.20 %	(0.03)%	(0.09)%
Ending balance	$14,803	$15,002	$7,919
Weighted-average rate at period end	0.17 %	0.10 %	(0.10)%

Fluctuations of federal funds purchased and securities sold under repurchase agreements between periods resulted from overnight borrowing opportunities. The increase in the weighted-average rates at March 31, 2016 compared with both prior periods presented primarily reflects the December 2015 increase in the Fed Funds effective rate. The weighted-average rates in all prior periods presented primarily reflect revenue earned on securities sold under repurchase agreements related to certain securities for which we were able to charge for lending them.

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

Payables to customers and broker-dealers

	Quarter ended		
(dollars in millions)	March 31, 2016	Dec. 31, 2015	March 31, 2015
Maximum month-end balance during the quarter	$22,327	$23,027	$21,959
Average daily balance (a)	$21,864	$22,654	$21,581
Weighted-average rate during the quarter (a)	0.09 %	0.06 %	0.07 %
Ending balance	$22,008	$21,900	$21,959
Weighted-average rate at period end	0.09 %	0.07 %	0.07 %

(a) The weighted-average rate is calculated based on, and is applied to, the average interest-bearing payables to customers and broker-dealers, which were $16,801 million in the first quarter of 2016, $12,904 million in the fourth quarter of 2015 and $10,932 million in the first quarter of 2015.

Payables to customers and broker-dealers represent funds awaiting re-investment and short sale proceeds payable on demand. Payables to customers and broker-dealers are driven by customer trading activity levels and market volatility.

Information related to commercial paper is presented below.

Commercial paper	Quarter ended		
(dollars in millions)	March 31, 2016	Dec. 31, 2015	March 31, 2015
Maximum month-end balance during the quarter	$—	$ —	$2,052
Average daily balance	$22	$ —	$1,113
Weighted-average rate during the quarter	0.33%	— %	0.09 %
Ending balance	$—	$ —	$—
Weighted-average rate at period end	— %	— %	— %

The Parent's commercial paper program was discontinued in August 2015. In the first quarter of 2016, The Bank of New York Mellon, our largest bank subsidiary, began issuing commercial paper that matures within 364 days from date of issue and is not redeemable prior to maturity or subject to voluntary prepayment.

Information related to other borrowed funds is presented below.

Other borrowed funds	Quarter ended		
(dollars in millions)	March 31, 2016	Dec. 31, 2015	March 31, 2015
Maximum month-end balance during the quarter	$828	$846	$1,151
Average daily balance	$759	$733	$995
Weighted-average rate during the quarter	0.97 %	1.13 %	0.96 %
Ending balance	$828	$523	$869
Weighted-average rate at period end	1.08 %	0.97 %	1.17 %

Other borrowed funds primarily include overdrafts of sub-custodian account balances in our Investment Services businesses and borrowings under lines of credit by our Pershing subsidiaries. Overdrafts typically relate to timing differences for settlements. Fluctuations in other borrowed funds balances primarily reflect changes in overdrafts of sub-custodian account balances in our Investment Services businesses.

Liquidity and dividends

BNY Mellon defines liquidity as the ability of the Parent and its subsidiaries to access funding or convert assets to cash quickly and efficiently, or to rollover or issue new debt, especially during periods of market stress and in order to meet its short-term (up to one year) obligations. Liquidity risk is the risk that BNY Mellon cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flows, without adversely affecting daily operations or our financial condition. Liquidity risk can arise from cash flow mismatches, market constraints from the inability to convert assets to cash, inability to raise cash in the markets, deposit run-off, or contingent liquidity events. We also manage liquidity risks on an intra-day basis, in a manner designed to ensure that we can access required funds during the business day to make payments or settle immediate obligations, often in real time. Changes in economic conditions or exposure to credit, market, operational, legal, and reputational risks also can affect BNY Mellon’s liquidity risk profile and are considered in our liquidity risk framework.

For additional information on our liquidity policy, see “Risk Management - Liquidity risk” in our 2015 Annual Report.

Our overall approach to liquidity management is further described in “Liquidity and dividends” in our 2015 Annual Report.

U.S. regulators have established a liquidity coverage ratio (“LCR”) that requires certain banking organizations, including BNY Mellon, to maintain a minimum amount of unencumbered high-quality liquid assets (“HQLA”) sufficient to withstand the net cash outflow under a hypothetical standardized acute liquidity stress scenario for a 30-day time horizon.

The following table presents the Company’s consolidated HQLA and LCR as of March 31, 2016.

Consolidated HQLA and LCR	March
(in billions)	31, 2016
Securities (a)	$111
Cash (b)	91
Total consolidated HQLA (c)	$202

Liquidity coverage ratio (d)	107	%

(a) Primarily includes U.S. Treasury, U.S. agency, sovereign securities, securities of U.S. Government-sponsored enterprises, investment-grade corporate debt and publicly traded common equity.
(b) Primarily includes cash on deposit with central banks.
(c) Consolidated HQLA presented before haircuts. After haircuts, consolidated HQLA totaled $175 billion.
(d) Based on our interpretation of the final rule issued by the U.S. federal banking agencies to implement the LCR in the U.S. (“Final LCR Rule”).

The U.S. LCR rules became effective on Jan. 1, 2015, and currently require BNY Mellon and our domestic bank subsidiaries to meet an LCR of 90%, increasing to 100% when fully phased-in on Jan. 1, 2017. As of March 31, 2016, based on our interpretation of the Final LCR Rule, we believe we and our domestic bank subsidiaries are in compliance with applicable LCR requirements on a fully phased-in basis. We are evaluating the FDIC’s brokered deposits’ FAQ to determine the implications, if any, on our deposit balances relative to the LCR and other requirements.

For additional information on the LCR, see “Supervision and Regulation - Liquidity Standards - Basel III and U.S. Proposals” in our 2015 Annual Report.

We also perform liquidity stress tests to ensure the Company maintains sufficient liquidity resources under multiple stress scenarios. Stress tests are based on scenarios that measure liquidity risks under

unlikely but plausible events. We perform these tests under various time horizons ranging from one day to one year in a base case, as well as supplemental tests to determine whether the Company's liquidity is sufficient for severe market events and firm-specific events. Under our scenario testing program, the results of the tests indicate that the Company has sufficient liquidity.

Beginning on Jan. 1, 2015, BHCs with total consolidated assets of $50 billion or more were subject to the Federal Reserve's Enhanced Prudential Standards, which include liquidity standards, described under "Supervision and Regulation - Enhanced Prudential Standards" in our 2015 Annual Report. BNY Mellon has taken actions to comply with these standards, including the adoption of various liquidity risk management standards and maintenance of a liquidity buffer of unencumbered

highly liquid assets based on the results of internal liquidity stress testing.

We define available funds for internal liquidity management purposes as liquid funds (which include interest-bearing deposits with banks and federal funds sold and securities purchased under resale agreements), cash and due from banks, and interest-bearing deposits with the Federal Reserve and other central banks. The table below presents our total available funds including liquid funds at period-end and on an average basis. The decrease in available funds at March 31, 2016 compared with Dec. 31, 2015 primarily reflects a decrease in overnight deposits with the Federal Reserve and other central banks, partially offset by an increase in federal funds sold and securities purchased under resale agreements.

Available and liquid funds	March	Dec. 31,	Average		
(in millions)	31, 2016	2015	1Q16	4Q15	1Q15
Available funds:					
Liquid funds:					
Interest-bearing deposits with banks	$14,662	$15,146	$14,909	$19,301	$22,071
Federal funds sold and securities purchased under resale agreements	26,904	24,373	23,623	24,147	20,416
Total liquid funds	41,566	39,519	38,532	43,448	42,487
Cash and due from banks	3,928	6,537	3,879	5,597	6,204
Interest-bearing deposits with the Federal Reserve and other central banks	96,426	113,203	89,092	84,880	81,160
Total available funds	$141,920	$159,259	$131,503	$133,925	$129,851
Total available funds as a percentage of total assets	38%	40%	36%	36%	35%

On an average basis for the three months ended March 31, 2016 and the three months ended March 31, 2015, non-core sources of funds, such as money market rate accounts, federal funds purchased and securities sold under repurchase agreements, trading liabilities, commercial paper and other borrowings, were $27.4 billion and $23.6 billion, respectively. The increase primarily reflects the increase in federal funds purchased under repurchase agreements, partially offset by lower commercial paper borrowings. Average foreign deposits, primarily from our European-based Investment Services business, were $109.9 billion for the three months ended March 31, 2016 compared with $104.8 billion for the three months ended March 31, 2015. The increase reflects growth in client deposits. Domestic savings, interest-bearing demand and time deposits averaged $44.8 billion for the three months ended March 31, 2016 compared with $47.9 billion for the three months ended March 31, 2015. The decrease primarily reflects a decrease in demand deposits. Average

payables to customers and broker-dealers were $16.8 billion for the three months ended March 31, 2016 and $10.9 billion for the three months ended March 31, 2015. Payables to customers and broker-dealers are driven by customer trading activity and market volatility. Long-term debt averaged $21.6 billion for the three months ended March 31, 2016 and $20.2 billion for the three months ended March 31, 2015. Average noninterest-bearing deposits decreased to $82.9 billion for the three months ended March 31, 2016 from $89.6 billion for the three months ended March 31, 2015, reflecting a decrease in client deposits. A significant reduction in our Investment Services business would reduce our access to deposits. See "Asset/liability management" for additional factors that could impact our deposit balances.

The Parent has three major sources of liquidity:

- cash on hand;
- dividends from its subsidiaries; and
- access to the debt and equity markets.

Subsequent to March 31, 2016, our U.S. bank subsidiaries could declare dividends to the Parent of approximately $3.5 billion, without the need for a regulatory waiver. Currently, The Bank of New York Mellon, our primary subsidiary, is no longer paying regular dividends to the Parent in order to build capital in advance of implementing the SLR. In addition, at March 31, 2016, non-bank subsidiaries of the Parent had liquid assets of approximately $1.3 billion.

The Parent's liquidity policy is to have sufficient unencumbered cash and cash equivalents on hand at each quarter-end to meet its forecasted debt redemptions, net interest payments and net tax payments over a minimum of the next 18 months without the need to receive dividends from its bank subsidiaries or issue debt. As of March 31, 2016, the Parent was in compliance with this policy.

In February 2016, BNY Mellon paid a quarterly cash dividend to common shareholders of $0.17 per common share. Our common stock dividend payout ratio was 23% for the first three months of 2016. The Federal Reserve's current guidance provides that, for large bank holding companies like us, dividend payout ratios exceeding 30% of after-tax net income will receive particularly close scrutiny.

Restrictions on our ability to obtain funds from our subsidiaries are discussed in more detail in "Supervision and Regulation - Capital Planning and Stress Testing - Payment of Dividends, Stock Repurchases and Other Capital Distributions" and in Note 19 of the Notes to Consolidated Financial Statements of our 2015 Annual Report.

In the first quarter of 2016, The Bank of New York Mellon, our largest bank subsidiary, began issuing commercial paper that matures within 364 days from date of issue and is not redeemable prior to maturity or subject to voluntary prepayment. The Parent's commercial paper program was discontinued in August 2015. The average commercial paper borrowings were $22 million in the first quarter of 2016. There was no commercial paper outstanding at March 31, 2016 and Dec. 31, 2015.

The Parent had cash of $7.2 billion at March 31, 2016, compared with $9.1 billion at Dec. 31, 2015, a decrease of $1.9 billion primarily reflecting the maturities of long-term debt, a net decrease in loans from subsidiaries and common stock repurchases, partially offset by issuance of long-term debt.

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

In first quarter of 2016, we repurchased 16.2 million common shares at an average price of $35.62 per common share for a total cost of $577 million.

Our ability to access the capital markets on favorable terms, or at all, is partially dependent on our credit ratings, which are as follows:

Credit ratings

	Moody's	S&P	Fitch		DBRS
Parent:					
Long-term senior debt	A1	A	AA-		AA (low)
Subordinated debt	A2	A-	A+		A (high)
Preferred stock	Baa1	BBB	BBB		A (low)
Trust preferred securities	A3	BBB	BBB+		A (high)
Outlook - Parent:	Stable	Stable	Stable		Stable
The Bank of New York Mellon:					
Long-term senior debt	Aa2	AA-	AA		AA
Subordinated debt	Aa3	A	A+		NR
Long-term deposits	Aa1	AA-	AA+		AA
Short-term deposits	P1	A-1+	F1+		R-1 (high)
Commercial paper	P1	A-1+	F1+		R-1 (high)
BNY Mellon, N.A.:					
Long-term senior debt	Aa2	AA-	AA	(a)	AA
Long-term deposits	Aa1	AA-	AA+		AA
Short-term deposits	P1	A-1+	F1+		R-1 (high)
Outlook - Banks:	Stable	Stable	Stable		Stable

(a) Represents senior debt issuer default rating.
NR - Not rated.

Long-term debt totaled $21.7 billion at March 31, 2016 and $21.5 billion at Dec. 31, 2015. The increase reflects the issuance of $1.0 billion of senior debt and an increase in the fair value of hedged long-term debt, partially offset by the maturity of $1.2 billion of long-term debt. The Parent has $1.25 billion of long-term debt that will mature in the remainder of 2016.

In May 2016, we issued $1.25 billion of senior medium-term notes maturing in 2021 at an annual interest rate of 2.05% and $750 million of senior medium-term notes maturing in 2026 at an annual interest rate of 2.8%.

The double leverage ratio is the ratio of investment in the equity of our subsidiaries divided by our consolidated equity, which includes our noncumulative perpetual preferred stock plus trust preferred securities. Our double leverage ratio was 118.0% at March 31, 2016 and 115.7% at Dec. 31, 2015. The double leverage ratio is monitored by regulators and rating agencies and is an important constraint on our ability to invest in our subsidiaries and expand our businesses.

Pershing LLC, an indirect subsidiary of BNY Mellon, has uncommitted lines of credit in place for liquidity

purposes which are guaranteed by the Parent. Pershing LLC has eight separate uncommitted lines of credit amounting to $1.5 billion in aggregate. Average daily borrowing under these lines was $6 million, in aggregate, in the first quarter of 2016. Pershing Limited, an indirect UK-based subsidiary of BNY Mellon, has two separate uncommitted lines of credit amounting to $250 million in aggregate in place for liquidity purposes, which are guaranteed by the Parent. Average borrowings under these lines were $76 million, in aggregate, in the first quarter of 2016.

Statement of cash flows

The following summarizes the activity reflected on the statement of cash flows. While this information may be helpful to highlight certain macro trends and business strategies, the cash flow analysis may not be as relevant when analyzing changes in our net earnings and net assets. We believe that in addition to the traditional cash flow analysis, the discussion related to liquidity and dividends and asset/liability management herein may provide more useful context in evaluating our liquidity position and related activity.

Cash provided by operating activities was $1,794 million in the three months ended March 31, 2016 compared with cash used for operating activities of $71 million in the three months ended March 31, 2015. In the first three months of 2016, cash flows from operations were principally the result of changes in trading activities and earnings, partially offset by changes in accruals and other balances. In the first three months of 2015, cash flows used for operations were principally the result of changes in accruals and other balances, partially offset by earnings and changes in trading activities.

Cash provided by investing activities was $20.1 billion in the three months ended March 31, 2016 compared with cash used for investing activities of $9.9 billion in the three months ended March 31, 2015. In the first three months of 2016, a decrease in interest-bearing deposits with the Federal Reserve and other central banks, sales, paydowns and maturities of securities and net changes in loans were significant sources of funds, partially offset by

purchases of securities and an increase in federal funds sold and securities purchased under resale agreements. In the first three months of 2015, purchases of securities and changes in federal funds sold and securities purchased under resale agreements were a significant use of funds, partially offset by sales, paydowns, and maturities of securities and decreases in interest-bearing deposits with the Federal Reserve and other central banks.

Cash used for financing activities was $24.5 billion in the three months ended March 31, 2016 compared with cash provided by financing activities of $10.2 billion in the three months ended March 31, 2015. In the first three months of 2016, a decrease in deposits, the repayment of long-term debt and common stock repurchases were significant uses of funds, partially offset by the issuance of long-term debt. In the first three months of 2015, an increase in deposits was partially offset by changes in 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, 2016		Dec. 31, 2015	
Average common equity to average assets	9.7	%	9.7	%
At period end:				
BNY Mellon shareholders’ equity to total assets ratio – GAAP (a)	10.3	%	9.7	%
BNY Mellon common shareholders’ equity to total assets ratio – GAAP (a)	9.6	%	9.0	%
BNY Mellon tangible common shareholders’ equity to tangible assets of operations ratio – Non-GAAP (a)	6.7	%	6.5	%
Total BNY Mellon shareholders’ equity – GAAP	$38,459		$38,037	
Total BNY Mellon common shareholders’ equity – GAAP	$35,907		$35,485	
BNY Mellon tangible common shareholders’ equity – Non-GAAP (a)	$17,090		$16,574	
Book value per common share – GAAP (a)	$33.34		$32.69	
Tangible book value per common share – Non-GAAP (a)	$15.87		$15.27	
Closing stock price per common share	$36.83		$41.22	
Market capitalization	$39,669		$44,738	
Common shares outstanding	1,077,083		1,085,343	
Cash dividends per common share	$0.17		$0.17	
Common dividend payout ratio	23	%	30	%
Common dividend yield (annualized)	1.9	%	1.6	%

(a) See “Supplemental information – Explanation of GAAP and Non-GAAP financial measures” beginning on page 46 for a reconciliation of GAAP to Non-GAAP.

The Bank of New York Mellon Corporation total shareholders' equity increased to $38.5 billion at March 31, 2016 from $38.0 billion at Dec. 31, 2015. The increase primarily reflects earnings retention, approximately $176 million resulting from stock awards, the exercise of stock options and stock issued for employee benefit plans, an increase in the

unrealized gain on our investment securities portfolio and foreign currency translation adjustments. The increase was partially offset by share repurchases.

The unrealized gain net of tax on our investment securities portfolio recorded in accumulated other comprehensive income was $473 million at

March 31, 2016 compared with $329 million at Dec. 31, 2015. The increase in the unrealized gain, net of tax, was primarily driven by a decline in market interest rates.

In the first quarter of 2016, we repurchased 16.2 million common shares at an average price of $35.62 per common share for a total cost of $577 million.

On April 21, 2016, The Bank of New York Mellon Corporation declared a quarterly common stock dividend of $0.17 per common share. This cash dividend is payable on May 13, 2016 to shareholders of record as of the close of business on May 3, 2016.

BNY Mellon’s tangible common shareholders’ equity to tangible assets of operations ratio (Non-GAAP) was 6.7% at March 31, 2016 and 6.5% at Dec. 31, 2015.

We submitted our 2016 capital plan in connection with the Comprehensive Capital Analysis and Review (“CCAR”) on April 5, 2016. The Federal Reserve has indicated it expects to publish its objection or non-objection to the capital plan and proposed capital actions, such as dividend payments and share repurchases, in June 2016.

Capital adequacy

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

As of March 31, 2016 and Dec. 31, 2015, BNY Mellon and our U.S. bank subsidiaries, with the exception of BNY Mellon, N.A., were “well capitalized.” As of Dec. 31, 2015, BNY Mellon, N.A. was not “well capitalized” because its Total capital ratio was 9.89%, which was below the 10% “well capitalized” threshold. With the filing of its March 31, 2016 Call Report, BNY Mellon, N.A.’s Total capital ratio was 10.94%, which is above the 10% “well capitalized” threshold.

Failure to satisfy regulatory standards, including “well capitalized” status or capital adequacy rules more generally, could result in limitations on our activities and adversely affect our financial condition. See the discussion of these matters in “Supervision and Regulation - Regulated Entities of BNY Mellon and Ancillary Regulatory Requirements” and “Risk Factors - Operational and Business Risk - Failure to satisfy regulatory standards, including “well capitalized” and “well managed” status or capital adequacy and liquidity rules more generally, could result in limitations on our activities and adversely affect our business and financial condition.” in our 2015 Annual Report.

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

The U.S. banking agencies’ capital rules have been based on the framework adopted by the Basel Committee on Banking Supervision, as amended from time to time. For additional information on these capital requirements see “Supervision and Regulation” in our 2015 Annual Report. BNY Mellon is subject to U.S. capital rules, which are being gradually phased-in over a multi-year period through 2018. Our estimated CET1 ratios on a fully phased-in basis are based on our current interpretation of the U.S. capital rules. Our risk-based capital adequacy is determined using the higher of risk-weighted assets (“RWA”) determined using the Advanced Approach and Standardized Approach.

The consolidated and The Bank of New York Mellon ratios included in the table below are based on the Advanced Approach as the related RWA were higher using that framework at March 31, 2016 and Dec. 31,

2015. The transitional capital ratios for March 31, 2016 were negatively impacted by the additional phase-in requirements for 2016.

Consolidated and largest bank subsidiary regulatory capital ratios	March 31, 2016 Well capitalized		Minimum required (a)	Capital ratios	Dec. 31, 2015
Consolidated regulatory capital ratios:					
CET1 ratio	N/A (b)		5.5 %	10.6 %	10.8 %
Tier 1 capital ratio	6 %		7 %	12.0 %	12.3 %
Total (Tier 1 plus Tier 2) capital ratio	10 %		9 %	12.3 %	12.5 %
Leverage capital ratio	N/A (b)		4 %	5.9 %	6.0 %
Selected regulatory capital ratios – fully phased-in – Non-GAAP:					
Estimated CET1 ratio:					
Standardized Approach	8.5 %	(c)	5.5 %	11.0 %	10.2 %
Advanced Approach	8.5 %	(c)	5.5 %	9.8 %	9.5 %
Estimated SLR	5 %	(c)	3 %	5.1 %	4.9 %
The Bank of New York Mellon regulatory capital ratios:					
CET1 ratio	6.5 %		5.125 %	12.2 %	11.8 %
Tier 1 capital ratio	8 %		6.625 %	12.5 %	12.3 %
Total (Tier 1 plus Tier 2) capital ratio	10 %		8.625 %	12.8 %	12.5 %
Leverage capital ratio	5 %		4 %	6.1 %	5.9 %
Selected regulatory capital ratios – fully phased-in – Non-GAAP:					
Estimated SLR	6 %		3 %	5.2 %	4.8 %

(a) Minimum requirements for March 31, 2016 include Basel III minimum thresholds plus currently applicable buffers.

(b) The Federal Reserve's regulations do not establish well-capitalized thresholds for these measures for bank holding companies.

(c) Fully phased-in Basel III minimum with expected buffers. See page 39 for the capital ratios with the phase-in of the capital conservation buffer and the estimated U.S. G-SIB surcharge.

Our estimated CET1 ratio (Non-GAAP) calculated under the Advanced Approach on a fully phased-in basis was 9.8% at March 31, 2016 and 9.5% at Dec. 31, 2015. Our estimated CET1 ratio (Non-GAAP) calculated under the Standardized Approach on a fully phased-in basis was 11.0% at March 31, 2016 and 10.2% at Dec. 31, 2015. The increase in the estimated CET1 ratio (Non-GAAP) calculated under the Advanced Approach from Dec. 31, 2015 was primarily driven by an increase in capital, partially offset by higher RWA primarily resulting from operational risk.

The estimated fully phased-in SLR (Non-GAAP) of 5.1% at March 31, 2016 and 4.9% at Dec. 31, 2015 was based on our interpretation of the U.S. capital rules, as supplemented by the Federal Reserve's final rules on the SLR. BNY Mellon will be subjected to an enhanced SLR, which will require a buffer in excess of 2% over the minimum SLR of

3%. The insured depository institution subsidiaries of the U.S. G-SIBs, including those of BNY Mellon, must maintain a 6% SLR to be considered “well

capitalized.” We expect to be compliant with the SLR as we move closer to implementation in 2018.

For additional information on the U.S. capital rules, see “Supervision and Regulation - Capital Requirements - Generally” in our 2015 Annual Report.

The Basel III Advanced Approach capital ratios are significantly impacted by RWA for operational risk. Our operational loss risk model is informed by external losses, including fines and penalties levied against institutions in the financial services industry, particularly those that relate to businesses in which we operate, and as a result external losses have impacted and could in the future impact the amount of capital that we are required to hold.

Management views the estimated fully phased-in CET1 and other risk-based capital ratios and SLR as key measures in monitoring BNY Mellon’s capital position and progress against future regulatory capital standards. Additionally, the presentation of the estimated fully phased-in CET1 and other risk-based

capital ratios and SLR are intended to allow investors to compare these ratios with estimates presented by other companies.

Our capital ratios are necessarily subject to, among other things, anticipated compliance with all necessary enhancements to model calibration, approval by regulators of certain models used as part of RWA calculations, further implementation guidance from regulators, market practices and standards and any changes BNY Mellon may make to its businesses. As a consequence of these factors, our capital ratios may materially change, and may be volatile over time and from period to period.

Minimum capital ratios and capital buffers

The U.S. capital rules include a series of buffers and surcharges over required minimums that apply to bank holding companies, including BNY Mellon, which are being phased-in over time. Banking organizations with a risk-based ratio or SLR above the minimum required level, but with a risk-based ratio or SLR below the minimum level with buffers, will face constraints on dividends, equity repurchases and discretionary executive compensation based on the amount of the shortfall. Different regulatory capital minimums, buffers and surcharges apply to our banking subsidiaries.

The U.S. capital rules introduced a capital conservation buffer and countercyclical capital buffer that add to the minimum regulatory capital ratios. The capital conservation buffer - 0.625% for 2016 and 2.5% when fully phased-in on Jan. 1, 2019 - is designed to absorb losses during periods of economic stress and applies to all banking organizations. During periods of excessive growth, the capital conservation buffer may be expanded through the imposition of a countercyclical capital buffer that may be as high as 2.5%. The countercyclical capital buffer, when applicable, applies only to Advanced Approach banking organizations. The countercyclical capital buffer is currently set to zero with respect to U.S. exposures, but it could increase if the banking

agencies determine that excessive credit in the broader markets could result in systemic disruption. According to the U.S. capital rules, the countercyclical capital buffer applicable to a banking organization may be affected by whether it has exposures in non-U.S. jurisdictions that have set a countercyclical capital buffer amount that is different from the countercyclical capital buffer set by U.S. regulators. In March 2016, the UK announced that it has set a countercyclical capital buffer of 0.50%, and that this buffer will become effective in March 2017. This countercyclical capital buffer will only affect BNY Mellon to the extent that U.S. regulators affirmatively implement the application of the UK countercyclical buffer to BNY Mellon’s exposures in the UK.

BNY Mellon is subject to an additional G-SIB surcharge, which will be implemented as an extension of the capital conservation buffer and must be satisfied with CET1 capital. For 2016, the G-SIB surcharge applicable to BNY Mellon is 0.375% and, when fully phased-in on Jan. 1, 2019 as calculated applying metrics as currently applicable to BNY Mellon, would be 1.5%.

These buffers, other than the SLR buffer, and surcharge began to phase-in on Jan. 1, 2016 and will be fully implemented on Jan. 1, 2019. This means that this quarter is the first quarter in which BNY Mellon is reporting its regulatory capital requirements as supplemented by the capital conservation buffer and the G-SIB surcharge, in both cases subject to applicable phase-ins. The following table presents the minimum capital ratio requirements with buffers and surcharges, as phased-in, applicable to the Parent. This table does not include the imposition of a countercyclical capital buffer. The U.S. capital rules also provide for transitional arrangements for qualifying instruments, deductions, and adjustments, which are not reflected in this table. Buffers and surcharges are not applicable to the leverage capital ratio.

Consolidated capital ratio requirements	Well capitalized	Minimum ratios	Minimum ratios with buffers, as phased-in (a)			
			2016	2017	2018	2019
Capital conservation buffer (CET1)			0.625%	1.25 %	1.875%	2.5 %
U.S. G-SIB surcharge (CET1) (b)(c)			0.375%	0.75 %	1.125%	1.5 %
Consolidated:						
CET1 ratio	N/A	4.5 %	5.5 %	6.5 %	7.5 %	8.5 %
Tier 1 capital ratio	6.0 %	6.0 %	7.0 %	8.0 %	9.0 %	10.0 %
Total capital ratio	10.0 %	8.0 %	9.0 %	10.0 %	11.0 %	12.0 %
Enhanced SLR buffer (Tier 1 capital)	N/A		N/A	N/A	2.0 %	2.0 %
SLR	N/A	3.0 %	N/A	N/A	5.0 %	5.0 %
Bank subsidiaries: (c)						
CET1 ratio	6.5 %	4.5 %	5.125%	5.75 %	6.375%	7.0 %
Tier 1 capital ratio	8.0 %	6.0 %	6.625%	7.25 %	7.875%	8.5 %
Total capital ratio	10.0 %	8.0 %	8.625%	9.25 %	9.875%	10.5 %
SLR	6.0 %	3.0 %	N/A	N/A	6.0 %(d)	6.0 %(d)

(a) Countercyclical capital buffer currently set to 0%, with respect to U.S. exposures.
(b) The U.S. G-SIB surcharge of 1.5% is subject to change.
(c) The U.S. G-SIB surcharge is not applicable to the regulatory capital ratios of the bank subsidiaries.
(d) Well capitalized threshold.

The table below presents the factors that impacted fully phased-in CET1 (Non-GAAP).

Estimated CET1 generation presented on a fully phased-in basis – Non-GAAP (in millions)	Quarter ended March 31, 2016
Estimated fully phased-in CET1 – Non-GAAP – Beginning of period	$ 16,082
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	804
Goodwill and intangible assets, net of related deferred tax liabilities	94
Gross CET1 generated	898
Capital deployed:	
Dividends	(185)
Common stock repurchased	(577)
Total capital deployed	(762)
Other comprehensive income:	
Foreign currency translation	42
Unrealized gain on assets available-for-sale	148
Pension liabilities	17
Unrealized gain on cash flow hedges	3
Total other comprehensive income	210
Additional paid-in capital (a)	170
Other additions (deductions):	
Net pension fund assets	27
Deferred tax assets	(3)

Cash flow hedges	—
Embedded goodwill	(12)
Other	(3)
Total other additions	9
Net CET1 generated	525
Estimated fully phased-in CET1 – Non-GAAP – End of period	$ 16,607

(a) Primarily related to stock awards, the exercise of stock options and stock issued for employee benefit plans.

The following table presents the components of our transitional and fully phased-in CET1, Tier 1 and Tier 2 capital, the RWA determined under both the Standardized and Advanced Approaches, the average assets used for leverage capital purposes and the total leverage exposure for estimated SLR purposes.

Capital components and ratios	March 31, 2016		Dec. 31, 2015	
(dollars in millions)	Transitional Approach (a)	Fully phased-in - Non-GAAP	Transitional Approach (a)	Fully phased-in - Non-GAAP
CET1:				
Common shareholders' equity	$36,229	$35,907	$36,067	$35,485
Goodwill and intangible assets	(17,760)	(18,817)	(17,295)	(18,911)
Net pension fund assets	(54)	(89)	(46)	(116)
Equity method investments	(324)	(359)	(296)	(347)
Deferred tax assets	(14)	(23)	(8)	(20)
Other	(8)	(12)	(5)	(9)
Total CET1	18,069	16,607	18,417	16,082
Other Tier 1 capital:				
Preferred stock	2,552	2,552	2,552	2,552
Trust preferred securities	—	—	74	—
Disallowed deferred tax assets	(9)	—	(12)	—
Net pension fund assets	(36)	—	(70)	—
Other	(11)	(8)	(25)	(22)
Total Tier 1 capital	20,565	19,151	20,936	18,612
Tier 2 capital:				
Trust preferred securities	173	—	222	—
Subordinated debt	149	149	149	149
Allowance for credit losses	287	287	275	275
Other	(2)	(1)	(12)	(12)
Total Tier 2 capital - Standardized Approach	607	435	634	412
Excess of expected credit losses	46	46	37	37
Less: Allowance for credit losses	287	287	275	275
Total Tier 2 capital - Advanced Approach	$366	$194	$396	$174
Total capital:				
Standardized Approach	$21,172	$19,586	$21,570	$19,024
Advanced Approach	$20,931	$19,345	$21,332	$18,786
Risk-weighted assets:				
Standardized Approach	$152,673	$151,388	$159,893	$158,015
Advanced Approach:				
Credit Risk	$102,691	$101,329	$106,974	$105,099
Market Risk	2,131	2,131	2,148	2,148
Operational Risk	65,887	65,887	61,262	61,262
Total Advanced Approach	$170,709	$169,347	$170,384	$168,509
Standardized Approach:				
CET1 ratio	11.8%	11.0%	11.5%	10.2%

Tier 1 capital ratio	13.5 %	12.7 %	13.1 %	11.8 %
Total (Tier 1 plus Tier 2) capital ratio	13.9 %	12.9 %	13.5 %	12.0 %
Advanced Approach:				
CET1 ratio	10.6 %	9.8 %	10.8 %	9.5 %
Tier 1 capital ratio	12.0 %	11.3 %	12.3 %	11.0 %
Total (Tier 1 plus Tier 2) capital ratio	12.3 %	11.4 %	12.5 %	11.1 %
Average assets for leverage capital purposes	$346,669		$351,435	
Total leverage exposure for estimated SLR purposes - Non-GAAP		$376,445		$382,810

(a) Reflects transitional adjustments to CET1, Tier 1 capital and Tier 2 capital required in 2016 and 2015 under the U.S. capital rules.

The following table presents the amount of capital by which BNY Mellon and our largest bank subsidiary, The Bank of New York Mellon, exceeded the capital thresholds determined under the transitional rules at March 31, 2016.

Capital above thresholds at March 31, 2016

(in millions)	Consolidated		The Bank of New York Mellon (b)
CET1	$ 8,680	(a)	$ 7,831
Tier 1 capital	8,615	(a)	6,253
Total capital	3,860	(b)	3,877
Leverage capital	6,698	(a)	3,110

(a) Based on minimum required standards, with applicable buffers.
(b) Based on well-capitalized standards.

The following table shows the impact of a $1 billion increase or decrease in RWA, quarterly average assets or total leverage exposure, or a $100 million increase or decrease in common equity on the consolidated capital ratios at March 31, 2016.

Sensitivity of consolidated capital ratios at March 31, 2016

(in basis points)	Increase or decrease of $100 million in common equity	$1 billion in RWA, quarterly average assets, or total leverage exposure
CET1:		
Standardized Approach	7 bps	8 bps
Advanced Approach	6	6
Tier 1 capital:		
Standardized Approach	7	9
Advanced Approach	6	7
Total capital:		
Standardized Approach	7	9
Advanced Approach	6	7
Leverage capital	3	2
Estimated CET1 ratio, fully phased-in – Non-GAAP:		
Standardized Approach	7	7
Advanced Approach	6	6
Estimated SLR, fully phased-in – Non-GAAP	3	1

At March 31, 2016, we had $288 million of outstanding trust preferred securities, of which 25% qualified as Tier 1 capital in 2015 and none of which qualifies as Tier 1 capital in 2016, although a portion of the trust preferred securities is eligible for inclusion in Tier 2 capital. Any decision to take action with respect to these trust preferred securities will be based on several considerations including interest rates and the availability of cash and capital.

Capital ratios vary depending on the size of the balance sheet at quarter-end and the level and types of investments in assets. The balance sheet size fluctuates from quarter to quarter based on levels of customer and market activity. In general, when servicing clients are more actively trading securities, deposit balances and the balance sheet as a whole are higher. In addition, when markets experience significant volatility or stress, our balance sheet size may increase considerably as client deposit levels increase.

Supplementary Leverage Ratio

BNY Mellon has presented its consolidated and largest bank subsidiary estimated fully phased-in SLR based on its interpretation of the U.S. capital rules, which are being gradually phased-in over a multi-year period and on the application of such rules to BNY Mellon's businesses as currently conducted.

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

Estimated fully phased-in SLR – Non-GAAP (dollars in millions)	March 31, 2016				Dec. 31, 2015		
Total estimated fully phased-in CET1 – Non-GAAP	$	16,607			$	16,082	
Additional Tier 1 capital	2,544				2,530		
Total Tier 1 capital	$	19,151			$	18,612	
Total leverage exposure:							
Quarterly average total assets	$	364,554			$	368,590	
Less: Amounts deducted from Tier 1 capital	19,300				19,403		
Total on-balance sheet assets, as adjusted	345,254				349,187		
Off-balance sheet exposures:							
Potential future exposure for derivatives contracts (plus certain other items)	5,838				7,158		
Repo-style transaction exposures included in SLR	403				440		
Credit-equivalent amount of other off-balance sheet exposures (less SLR exclusions)	24,950				26,025		
Total off-balance sheet exposures	31,191				33,623		
Total leverage exposure	$	376,445			$	382,810	
Estimated fully phased-in SLR – Non-GAAP	5.1		%	(a)	4.9		%

(a) The estimated SLR on a fully phased-in basis (Non-GAAP) for our largest bank subsidiary, The Bank of New York Mellon, was 5.2% at March 31, 2016 and 4.8% at Dec. 31, 2015. At March 31, 2016 and Dec. 31, 2015, total Tier 1 capital was $16,167 million and $15,142 million, respectively, and total leverage exposure was $312,988 million and $316,270 million, respectively, for The Bank of New York Mellon .

Trading activities and risk management

Our trading activities are focused on acting as a market-maker for our customers and facilitating customer trades in compliance with the Volcker Rule. The risk from market-making activities for customers is managed by our traders and limited in total exposure through a system of position limits, VaR methodology based on a Monte Carlo simulation and other market sensitivity measures. The calculation of our value-at-risk (“VaR”) used by management and presented below assumes a one-day holding period, utilizes a 99% confidence level, and incorporates the non-linear characteristics of options. See Note 16 of the Notes to Consolidated Financial Statements for additional information

on the VaR methodology.

The following tables indicate the calculated VaR amounts for the trading portfolio for the designated periods.

VaR (a)	1Q16			March 31,
(in millions)	Average	Minimum	Maximum	2016
Interest rate	$5.4	$ 4.3	$ 6.8	$ 6.1
Foreign exchange	1.6	1.2	2.5	2.5
Equity	0.5	0.4	0.8	0.5
Credit	0.3	0.2	0.3	0.3
Diversification	(2.4)	N/M	N/M	(3.7)
Overall portfolio	5.4	4.3	6.6	5.7

VaR (a)	4Q15			Dec.
(in millions)	Average	Minimum	Maximum	31, 2015
Interest rate	$4.8	$ 4.0	$ 6.4	$ 5.2
Foreign exchange	1.3	1.0	1.6	1.2
Equity	0.6	0.5	0.8	0.6
Credit	0.1	—	0.3	0.3
Diversification	(2.0)	N/M	N/M	(2.2)
Overall portfolio	4.8	4.1	5.7	5.1

VaR (a)	1Q15			March 31,
(in millions)	Average	Minimum	Maximum	2015
Interest rate	$5.2	$ 3.6	$ 8.0	$ 6.3
Foreign exchange	0.9	0.6	1.4	0.7
Equity	1.4	0.8	1.9	1.3
Diversification	(2.0)	N/M	N/M	(2.2)
Overall portfolio	5.5	3.9	8.5	6.1

(a) VaR figures do not reflect the impact of the credit valuation adjustment (“CVA”) guidance in Accounting Standards Codification (“ASC”) 820. This is consistent with the regulatory treatment. VaR exposure does not include the impact of the Company’s consolidated investment management funds and seed capital investments.

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

The interest rate component of VaR represents instruments whose values predominantly vary with the level or volatility of interest rates. These instruments include, but are not limited to: debt

securities, mortgage-backed securities, swaps, swaptions, forward rate agreements, exchange-traded futures and options, and other interest rate derivative products.

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

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

The credit component of VaR represents instruments whose values predominantly vary with the credit worthiness of counterparties. These instruments include, but are not limited to, credit derivatives (credit default swaps and exchange traded credit index instruments). Credit derivatives are used to hedge various credit exposures.

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

During the first quarter of 2016, interest rate risk generated 69% of average gross VaR, foreign exchange risk generated 21% of average gross VaR, equity risk accounted for 6% of average gross VaR and credit risk generated 4% of average gross VaR. During the first quarter of 2016, our daily trading loss did not exceed our calculated VaR amount of the overall portfolio on any given day.

The following table of total daily trading revenue or loss illustrates the number of trading days in which our trading revenue or loss fell within particular ranges during the past five quarters. The year-over-year variances are driven by lower volatility. The sequential variances are driven by higher volatility.

Distribution of trading revenue (loss) (a)

(dollar amounts in millions)	Quarter ended				
	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015
Revenue range:	Number of days				
Less than $(2.5)	—	—	—	—	1
$(2.5) - $0	3	4	7	3	2
$0 - $2.5	29	23	27	27	18
$2.5 - $5.0	21	29	21	26	24
More than $5.0	9	6	10	8	16

(a) Trading revenue (loss) includes realized and unrealized gains and losses primarily related to spot and forward foreign exchange transactions, derivatives, and securities trades for our customers and excludes any associated commissions, underwriting fees and net interest revenue.

Trading assets include debt and equity instruments and derivative assets, primarily interest rate and foreign exchange contracts, not designated as hedging instruments. Trading assets were $7 billion at both March 31, 2016 and Dec. 31, 2015.

Trading liabilities include debt and equity instruments and derivative liabilities, primarily interest rate and foreign exchange contracts, not designated as hedging instruments. Trading liabilities were $5 billion at both March 31, 2016 and Dec. 31, 2015.

Under our fair value 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.

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.

At March 31, 2016, our OTC derivative assets of $5.3 billion included a CVA deduction of $57 million. Our OTC derivative liabilities of $5.7 billion included a debit valuation adjustment ("DVA") of $7 million related to our own credit spread. Net of hedges, the CVA decreased by $5 million and the DVA decreased $1 million in the first quarter of 2016. The net impact of these adjustments increased foreign exchange and other trading revenue by $4 million in the first quarter of 2016.

In the fourth quarter of 2015, the CVA and DVA were unchanged and there was no impact on foreign exchange and other trading revenue.

In the first quarter of 2015, net of hedges, the CVA decreased $2 million and the DVA increased $1 million. The net impact of these adjustments increased foreign exchange and other trading revenue by $3 million in the first quarter of 2015.

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

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

	Quarter ended				
	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015
Rating:					
AAA to AA-	44 %	43 %	46 %	41 %	37 %
A+ to A-	37	42	38	42	47
BBB+ to BBB-	14	13	14	13	14
Noninvestment grade (BB+ and lower)	5	2	2	4	2
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.

As of March 31, 2016, these scenarios reflect strategies that management could employ as interest rate expectations change. The table below relies on certain critical assumptions regarding the balance sheet and depositors’ behavior related to interest rate fluctuations and the prepayment and extension risk in certain of our assets. Generally, there has been an inverse relationship between interest rates and client deposits levels. To the extent that actual behavior is different from that assumed in the models, there could be a change in interest rate sensitivity.

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

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

Estimated changes in net interest revenue (dollars in millions)	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015
up 200 bps parallel rate ramp vs. baseline (a)	$ 103	$ 179	$ 275	$ 224	$ 210
up 100 bps parallel rate ramp vs. baseline (a)	189	191	290	245	262
Long-term up 50 bps, short-term unchanged (b)	104	33	20	28	14
Long-term down 50 bps, short-term unchanged (b)	(93)	(91)	(81)	(73)	(69)

(a) In the parallel rate ramp, both short-term and long-term rates move in four equal quarterly increments.
(b) Long-term is equal to or greater than one year.
bps - basis points.

The March 31, 2016 calculations in the estimated changes in net interest revenue table above are based on a forecast that uses our quarter-end balance sheet and forward yield curves. The 100 basis point ramp scenario assumes rates increase 25 basis points above the forward yield curve in each of the next four quarters and the 200 basis point ramp scenario assumes a 50 basis point per quarter increase.

Our net interest revenue sensitivity table above incorporates assumptions about the impact of changes in interest rates on depositor behavior based on historical experience. Given the current historically low interest rate environment and the potential change to implementation of monetary policy, the impact of depositor behavior is highly uncertain.

Growth or contraction of deposits could also be affected by the following factors:

- Monetary policy;
- Global economic uncertainty;
- Our ratings relative to other financial institutions’ ratings; and
- Money market mutual fund and other regulatory reform.

Any of these events could change our assumptions about depositor behavior and have a significant impact on our balance sheet and net interest revenue.

Off-balance sheet arrangements

Off-balance sheet arrangements discussed in this section are limited to guarantees, retained or contingent interests and obligations arising out of unconsolidated variable interest entities (“VIEs”). For BNY Mellon, these items include certain credit guarantees and securitizations. Guarantees include lending-related guarantees issued as part of our corporate banking business and securities lending indemnifications issued as part of our Investment Services business. See Note 17 of the Notes to Consolidated Financial Statements for a further discussion of our off-balance sheet arrangements.

Supplemental information - Explanation of GAAP and Non-GAAP financial measures

BNY Mellon has included in this Form 10-Q certain Non-GAAP financial measures based on fully phased-in Basel III CET1 and other risk-based capital ratios, SLR and tangible common shareholders' equity. BNY Mellon believes that the Basel III CET1 and other risk-based capital ratios on a fully phased-in basis, the SLR on a fully phased-in basis and the ratio of tangible common shareholders' equity to tangible assets of operations are measures of capital strength that provide additional useful information to investors, supplementing the capital ratios which are, or were, required by regulatory authorities. The tangible common shareholders' equity ratio includes changes in investment securities valuations which are reflected in total shareholders' equity. In addition, this ratio is expressed as a percentage of the actual book value of assets, as opposed to a percentage of a risk-based reduced value established in accordance with regulatory requirements, although BNY Mellon in its reconciliation has excluded certain assets which are given a zero percent risk-weighting for regulatory purposes and the assets of consolidated investment management funds to which BNY Mellon has limited economic exposure. Further, BNY Mellon believes that the return on tangible common equity measure, which excludes goodwill and intangible assets net of deferred tax liabilities, is a useful additional measure for investors because it presents a measure of those assets that can generate income. BNY Mellon has provided a measure of tangible book value per common share, which it believes provides additional useful information as to the level of tangible assets in relation to shares of common stock outstanding.

BNY Mellon has presented revenue measures which exclude the effect of noncontrolling interests related to consolidated investment management funds, and expense measures which exclude M&I, litigation and restructuring charges (recoveries), and amortization of intangible assets. Earnings per share, return on equity, operating leverage and operating margin measures, which exclude some or all of these items, as well as the impairment charge related to a prior court decision, are also presented. Operating margin measures may also exclude the provision for credit losses and the net negative impact of money market fee waivers, net of distribution and servicing expense. BNY Mellon believes that these measures are useful

to investors because they permit a focus on period-to-period comparisons, which relate to the ability of BNY Mellon to enhance revenues and limit expenses in circumstances where such matters are within BNY Mellon's control. M&I expenses primarily related to acquisitions and generally continue for approximately three years after the transaction. Litigation charges represent accruals for loss contingencies that are both probable and reasonably estimable, but exclude standard business-related legal fees. Restructuring charges relate to our streamlining actions, Operational Excellence Initiatives and migrating positions to Global Delivery Centers. Excluding these charges mentioned above permits investors to view expenses on a basis consistent with how management views the business.

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

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

In this Form 10-Q, the net interest revenue and net interest margin 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.

The following table presents the reconciliation of net income and diluted earnings per common share.

Reconciliation of net income and diluted EPS – GAAP to Non-GAAP	4Q15	
(in millions, except per common share amounts)	Net income	Diluted EPS
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	$637	$0.57
Add: Litigation and restructuring charges	12	0.01
Impairment charge related to a court decision regarding Sentinel	106	0.10
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – Non-GAAP	$755	$0.68

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

Reconciliation of income before income taxes – pre-tax operating margin	1Q16	4Q15	3Q15	2Q15	1Q15
(dollars in millions)					
Income before income taxes – GAAP	$1,091	$871	$1,109	$1,165	$1,090
Less: Net (loss) income attributable to noncontrolling interests of consolidated investment management funds	(7)	5	(5)	37	31
Add: Amortization of intangible assets	57	64	66	65	66
M&I, litigation and restructuring charges (recoveries)	17	18	11	59	(3)
Impairment charge related to a court decision regarding Sentinel	—	170	—	—	—
Income before income taxes, as adjusted – Non-GAAP (a)	$1,172	$1,118	$1,191	$1,252	$1,122
Fee and other revenue – GAAP	$2,970	$2,950	$3,053	$3,067	$3,012
(Loss) income from consolidated investment management funds – GAAP	(6)	16	(22)	40	52
Net interest revenue – GAAP	766	760	759	779	728
Total revenue – GAAP	3,730	3,726	3,790	3,886	3,792
Less: Net (loss) income attributable to noncontrolling interests of consolidated investment management funds	(7)	5	(5)	37	31
Total revenue, as adjusted – Non-GAAP (a)	$3,737	$3,721	$3,795	$3,849	$3,761
Pre-tax operating margin (b)(c)	29%	23%	29%	30%	29%
Pre-tax operating margin – Non-GAAP (a)(b)(c)	31%	30%	31%	33%	30%

(a) Non-GAAP excludes net (loss) income attributable to noncontrolling interests of consolidated investment management funds, amortization of intangible assets, M&I, litigation and restructuring charges (recoveries), and the impairment charge related to a court decision regarding Sentinel, if applicable.

(b) Income before taxes divided by total revenue.

(c) Our GAAP earnings include tax-advantaged investments such as low income housing, renewable energy, bank-owned life insurance and tax-exempt securities. The benefits of these investments are primarily reflected in tax expense. If reported on a tax-equivalent basis these investments would increase revenue and income before taxes by $77 million for 1Q16, $73 million for 4Q15, $53 million for 3Q15, $52 million for 2Q15 and $64 million for 1Q15 and would increase our pre-tax operating margin by approximately 1.4% for 1Q16, 1.5% for 4Q15, 1.0% for 3Q15, 0.9% for 2Q15 and 1.2% for 1Q15.

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

Pre-tax operating leverage (dollars in millions)	1Q16	1Q15	1Q16 vs. 1Q15
Total revenue – GAAP	$3,730	$3,792	
Less: Net (loss) income attributable to noncontrolling interests of consolidated investment management funds	(7)	31	
Total revenue, as adjusted – Non-GAAP	$3,737	$3,761	(0.64)%
Total noninterest expense – GAAP	$2,629	$2,700	
Less: Amortization of intangible assets	57	66	
M&I, litigation and restructuring charges (recoveries)	17	(3)	
Total noninterest expense, as adjusted – Non-GAAP	$2,555	$2,637	(3.11)%
Pre-tax operating leverage, as adjusted – Non-GAAP (a)(b)			247 bps

(a) Pre-tax operating leverage is the rate of increase (decrease) in total revenue less the rate of increase (decrease) in total noninterest expense.

(b) Non-GAAP excludes net (loss) income attributable to noncontrolling interests of consolidated investment management funds, amortization of intangible assets, and M&I, litigation and restructuring charges (recoveries), if applicable.

bps - basis points.

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

Return on common equity and tangible common equity (dollars in millions)	1Q16	4Q15	3Q15	2Q15	1Q15
Net income applicable to common shareholders of The Bank of New York Mellon Corporation – GAAP	$804	$637	$820	$830	$766
Add: Amortization of intangible assets, net of tax	37	42	43	44	43
Net income applicable to common shareholders of The Bank of New York Mellon Corporation excluding amortization of intangible assets – Non-GAAP	841	679	863	874	809
Add: M&I, litigation and restructuring charges (recoveries)	11	12	8	38	(2)
Impairment charge related to a court decision regarding Sentinel	—	106	—	—	—
Net income applicable to common shareholders of The Bank of New York Mellon Corporation, as adjusted – Non-GAAP (a)	$852	$797	$871	$912	$807
Average common shareholders' equity	$35,252	$35,664	$35,588	$35,516	$35,486
Less: Average goodwill	17,562	17,673	17,742	17,752	17,756
Average intangible assets	3,812	3,887	3,962	4,031	4,088
Add: Deferred tax liability – tax deductible goodwill (b)	1,428	1,401	1,379	1,351	1,362
Deferred tax liability – intangible assets (b)	1,140	1,148	1,164	1,179	1,200
Average tangible common shareholders' equity – Non-GAAP	$16,446	$16,653	$16,427	$16,263	$16,204
Return on common equity – GAAP (c)	9.2%	7.1%	9.1%	9.4%	8.8%
Return on common equity – Non-GAAP (a)(c)	9.7%	8.9%	9.7%	10.3%	9.2%

Return on tangible common equity – Non-GAAP (c)	20.6 %	16.2 %	20.8 %	21.5 %	20.3 %
Return on tangible common equity – Non-GAAP adjusted (a)(c)	20.8 %	19.0 %	21.0 %	22.5 %	20.2 %

(a) Non-GAAP excludes amortization of intangible assets, net of tax, M&I, litigation and restructuring charges (recoveries) and the impairment charge related to a court decision regarding Sentinel, if applicable.
(b) Deferred tax liabilities are based on fully phased-in Basel III rules.
(c) Annualized.

The following table presents the reconciliation of the equity to assets ratio and book value per common share.

Equity to assets and book value per common share (dollars in millions, unless otherwise noted)	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015
BNY Mellon shareholders' equity at period end – GAAP	$38,459	$38,037	$38,170	$38,270	$37,328
Less: Preferred stock	2,552	2,552	2,552	2,552	1,562
BNY Mellon common shareholders' equity at period end – GAAP	35,907	35,485	35,618	35,718	35,766
Less: Goodwill	17,604	17,618	17,679	17,807	17,663
Intangible assets	3,781	3,842	3,914	4,000	4,047
Add: Deferred tax liability – tax deductible goodwill (a)	1,428	1,401	1,379	1,351	1,362
Deferred tax liability – intangible assets (a)	1,140	1,148	1,164	1,179	1,200
BNY Mellon tangible common shareholders' equity at period end – Non-GAAP	$17,090	$16,574	$16,568	$16,441	$16,618
Total assets at period end – GAAP	$372,870	$393,780	$377,371	$395,254	$392,337
Less: Assets of consolidated investment management funds	1,300	1,401	2,297	2,231	1,681
Subtotal assets of operations – Non-GAAP	371,570	392,379	375,074	393,023	390,656
Less: Goodwill	17,604	17,618	17,679	17,807	17,663
Intangible assets	3,781	3,842	3,914	4,000	4,047
Cash on deposit with the Federal Reserve and other central banks (b)	96,421	116,211	86,426	106,628	93,044
Tangible total assets of operations at period end – Non-GAAP	$253,764	$254,708	$267,055	$264,588	$275,902
BNY Mellon shareholders' equity to total assets ratio – GAAP	10.3 %	9.7 %	10.1 %	9.7 %	9.5 %
BNY Mellon common shareholders' equity to total assets ratio – GAAP	9.6 %	9.0 %	9.4 %	9.0 %	9.1 %
BNY Mellon tangible common shareholders' equity to tangible assets of operations ratio – Non-GAAP	6.7 %	6.5 %	6.2 %	6.2 %	6.0 %
Period-end common shares outstanding (in thousands)	1,077,083	1,085,343	1,092,953	1,106,518	1,121,512
Book value per common share – GAAP	$33.34	$32.69	$32.59	$32.28	$31.89
Tangible book value per common share – Non-GAAP	$15.87	$15.27	$15.16	$14.86	$14.82

(a) Deferred tax liabilities are based on fully phased-in Basel III rules.
(b) Assigned a zero percentage risk-weighting by the regulators.

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

Income (loss) from consolidated investment management funds, net of noncontrolling interests (in millions)	1Q16	4Q15	3Q15	2Q15	1Q15
(Loss) income from consolidated investment management funds	$ (6)	$ 16	$ (22)	$ 40	$ 52
Less: Net (loss) income attributable to noncontrolling interests of consolidated investment management funds	(7)	5	(5)	37	31

Income (loss) from consolidated investment management funds, net of noncontrolling interests	$ 1	$ 11	$ (17)	$ 3	$ 21

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

Investment management and performance fees - Consolidated (dollars in millions)	1Q16	1Q15	1Q16 vs. 1Q15
Investment management and performance fees – GAAP	$ 812	$ 867	(6)%
Impact of changes in foreign currency exchange rates	—	(18)	
Investment management and performance fees, as adjusted – Non-GAAP	$ 812	$ 849	(4)%

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

Income (loss) from consolidated investment management funds, net of noncontrolling interests - Investment Management business (in millions)	1Q16	4Q15	3Q15	2Q15	1Q15
Investment management fees	$ 2	$ 7	$ 3	$ 4	$ 1
Other (Investment income (loss))	(1)	4	(20)	(1)	20
Income (loss) from consolidated investment management funds, net of noncontrolling interests	$ 1	$ 11	$ (17)	$ 3	$ 21

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

Investment management fees - Investment Management business (dollars in millions)	1Q16	1Q15	1Q16 vs. 1Q15
Investment management fees – GAAP	$786	$825	(5)%
Impact of changes in foreign currency exchange rates	—	(18)	
Investment management fees, as adjusted – Non-GAAP	$786	$807	(3)%

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

Pre-tax operating margin - Investment Management business (dollars in millions)	1Q16	4Q15	3Q15	2Q15	1Q15
Income before income taxes – GAAP	$217	$290	$236	$259	$263
Add: Amortization of intangible assets	19	24	24	25	24
Provision for credit losses	(1)	(4)	1	3	(1)
Money market fee waivers	9	23	28	29	33
Income before income taxes excluding amortization of intangible assets, provision for credit losses and money market fee waivers – Non-GAAP	$244	$333	$289	$316	$319
Total revenue – GAAP	$895	$999	$926	$987	$994
Less: Distribution and servicing expense	100	92	94	95	97
Money market fee waivers benefiting distribution and servicing expense	23	27	35	37	38
Add: Money market fee waivers impacting total revenue	32	50	63	66	71
Total revenue net of distribution and servicing expense and excluding money market fee waivers – Non-GAAP	$804	$930	$860	$921	$930
Pre-tax operating margin (a)	24 %	29 %	25 %	26 %	26 %
Pre-tax operating margin, excluding amortization of intangible assets, provision for credit losses, money market fee waivers and net of distribution and servicing expense – Non-GAAP (a)	30 %	36 %	34 %	34 %	34 %

(a) Income before taxes divided by total revenue.

Recent accounting and regulatory developments

Recently Issued Accounting Standards

ASU 2016-09, Compensation–Stock Compensation

In March 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU"), "Compensation-Stock Compensation." This standard simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2016. Earlier application is permitted, however, all amendments must be adopted in the same period.

ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In March 2016, the FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which clarifies the guidance in determining revenue recognition as principal versus agent. In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing," which provides guidance in accounting for immaterial performance obligations and shipping and handling. In May 2016, the FASB issued ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients" which provides clarification on assessing the collectability criterion, presentation of sales taxes, measurement date for noncash consideration and completed contracts at transition. This ASU also provides a practical expedient for contract modifications.

The new standards are effective for the Company on Jan. 1, 2018 with early adoption permitted no earlier than Jan. 1, 2017. The standards permit the use of either the retrospective or cumulative effect transition

method. The Company is evaluating the effect that these ASUs will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of these standards on its ongoing financial reporting.

ASU 2016-07, Investments–Equity Method and Joint Ventures

In March 2016, the FASB issued an ASU, "Investments–Equity Method and Joint Ventures" which eliminates the requirement to retrospectively apply the equity method when an increase in ownership interest in the investee prompts a change from the cost method to the equity method. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2016. Earlier application is permitted.

ASU 2016-02, Leases

In February 2016, the FASB issued ASU 2016-02, "Leases." The standard introduces a new accounting model for lessees and was issued primarily to address concerns related to off-balance sheet financing arrangements available to lessees under current guidance. The standard requires lessees to account for all leases on the balance sheet, except for certain short-term leases that have a maximum possible lease term of 12 months. A lessee will recognize on its balance sheet (1) an asset for its right to use the underlying asset over the lease term, including optional payment periods only if the lessee is reasonably certain to exercise the option and (2) a liability representing its obligation to make lease payments over the lease term. The classification of leases and income statement impact for lessees will depend on whether the leases meet certain criterion, including those criterion in which the lessee obtains effective

control of the underlying asset. The accounting for lessors is largely unchanged from the previous accounting guidance; except for leverage lease accounting which is not permitted for leases entered into or modified after the effective date of the new standard. The FASB requires a modified retrospective method of adoption. The final guidance is effective for reporting periods beginning after Dec. 15, 2018.

ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." The new ASU requires investments in equity securities that do not result in consolidation and are not accounted for under the equity method to be measured at fair value with changes in the fair value recognized through net income, unless one of two available exceptions apply. The first exception, a scope exception, allows Federal Reserve Bank Stock, Federal Home Loan Bank stock and other exchange memberships held by broker dealers to remain accounted for at cost, less impairment. It also does not apply to derivative instruments that are subject to the requirements of ASC 815, Derivatives and Hedging. The second exception, a practicability exception, will be available for equity investments that do not have readily determinable fair values and do not qualify for the practical expedient to estimate fair value under ASC 820, Fair Value Measurement.

The amendments also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from the entity's "own credit risk" when the entity has elected to measure the liability at fair value. The amendments also eliminate the requirement to disclose the methods and significant assumptions used to estimate the fair values of financial instruments measured at amortized cost that are on the balance sheet.

This ASU is effective for fiscal years beginning after Dec. 15, 2017, including interim periods within those fiscal years. If certain requirements are met, early adoption of the "own credit risk" provision is permitted; early adoption of the other provisions is not permitted. BNY Mellon is assessing the impacts of the new standard.

Proposed Accounting Standards

Proposed ASU - Financial Instruments - Credit Losses

In December 2012, the FASB issued a proposed ASU, "Financial Instruments-Credit Losses." This proposed ASU would result in a single model to

account for credit losses on financial assets. The proposal would remove the probable threshold for recognizing credit losses and require a current estimate of the expected contractual cash flows an entity does not expect to collect on financial assets that are not measured at fair value through the income statement. The proposal would also change current practice for recognizing OTTI and interest income on debt securities. In addition, the proposal would result in the recognition of an allowance for credit losses for nearly all types of debt instruments. The proposal would expand the credit quality disclosures to require information about changes in the factors that influence estimates of credit losses and the reasons for those changes. The FASB has decided on a current expected credit loss model for financial assets measured at amortized cost. The FASB recently concluded its re-deliberations. A final standard is estimated to be issued in the second quarter of 2016 with an anticipated effective date Jan.1, 2020.

IFRS

IFRS are a set of standards and interpretations adopted by the IASB. Commencing with the issuance of the "roadmap" in November 2008, the SEC has considered potential methods of incorporation of IFRS in the United States. The use of IFRS for U.S. companies with global operations would allow for streamlined reporting, easier access to foreign capital markets and investments, and facilitate cross-border acquisitions, ventures or spin-offs.

In July 2012, the SEC staff released its final report on IFRS. This Final Report will be used by the SEC Commissioners to decide whether and, if so, when and how to incorporate IFRS into the financial reporting system for U.S. companies. It is not known when the SEC will make a final decision on the adoption of IFRS in the United States.

While the SEC decides whether IFRS will be required to be used in the preparation of our consolidated financial statements, a number of countries have mandated the use of IFRS by BNY Mellon's subsidiaries in their statutory reports filed in those countries. Such countries include Belgium, Brazil, the Netherlands, Australia, Hong Kong, Canada and South Korea.

Recent regulatory developments

For a summary of additional regulatory matters relevant to our operations, see “Supervision and regulation” in our 2015 Annual Report.

Resolution plan

In April 2016, the FDIC and the Federal Reserve jointly announced determinations and provided firm-specific feedback on the 2015 resolution plans of eight systemically important, domestic banking institutions, including BNY Mellon. The agencies determined that the Company’s 2015 resolution plan was not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code, the statutory standard established in the Dodd-Frank Act, and issued a joint notice of deficiencies and shortcomings regarding the Company’s plan and the actions that must be taken to address them. Deficiencies must be remedied by Oct. 1, 2016, and shortcomings must be addressed in our 2017 resolution plan, which is due on July 1, 2017.

If the Federal Reserve and FDIC jointly determine that we fail to address the deficiencies in our Oct. 1, 2016 submission, they may jointly impose more stringent capital, leverage or liquidity requirements or restrictions on our growth, activities or operations. If we continue to fail to adequately remedy those deficiencies, we could be required to divest assets or operations that the regulators determine necessary to facilitate an orderly resolution. If the Federal Reserve and FDIC jointly determine that our 2017 resolution plan does not adequately address identified shortcomings, they may find that our 2017 resolution plan is not credible or will not facilitate an orderly resolution under the U.S. Bankruptcy Code.

Incentive Compensation Arrangements Proposal

Section 956 of the Dodd-Frank Act requires federal regulators to prescribe regulations or guidelines regarding incentive-based compensation practices at certain financial institutions, including BNY Mellon. In April 2016, a joint proposed rule was released, replacing a previous 2011 proposal, which each of six agencies must separately approve.

The general qualitative requirements applicable to “covered institutions” with consolidated assets of at least $1 billion, including BNY Mellon, include (1) prohibiting incentive-based compensation

arrangements that are determined to encourage inappropriate risks, (2) prohibiting incentive arrangements that encourage inappropriate risks that could lead to a material financial loss, (3) establishing requirements for performance measures to appropriately balance risk and reward, (4) requiring board of director oversight of incentive arrangements and (5) mandating appropriate recordkeeping. The proposal contemplates additional requirements for covered institutions with consolidated assets of at least $250 billion, such as BNY Mellon, including that incentive arrangements will have certain deferral, downward adjustments and forfeiture requirements and clawback provisions.

The comment period on the 2016 proposal closes in July 2016.

Single Counterparty Credit Limits

On March 4, 2016 the Federal Reserve issued its re-proposal to limit credit exposures to single counterparties. With respect to BNY Mellon, which is a “major covered company” as defined in the re-proposal, the re-proposal prohibits having aggregate net credit exposure in excess of 15% of its Tier 1 capital to a “major counterparty,” and 25% of its Tier 1 capital to any other counterparty. A “major counterparty” is any counterparty that is (i) a U.S. G-SIB; (ii) a foreign banking organization (“FBO”), that has the characteristics of a G-SIB under the BCBS G-SIB methodology; (iii) an FBO with respect to which the Federal Reserve determines that the FBO would be a G-SIB or that the U.S. IHC of the FBO would be a G-SIB; or (iv) is a nonbank financial company supervised by the Federal Reserve. BNY Mellon

continues to evaluate the potential effects of this re-proposal on its operations. Comments on the proposed rule are due June 3, 2016.

Net Stable Funding Ratio Proposal

In April 2016 and May 2016, the FDIC and the Federal Reserve, respectively, proposed a rule, the net stable funding ratio ("NSFR"), that would implement a quantitative long-term liquidity requirement applicable to large and internationally active banking organizations, including BNY Mellon. The proposed rule would be effective Jan. 1, 2018. Comments on this proposal are due by Aug. 5, 2016.

The proposed NSFR rule would implement the Basel III framework's similar test for medium- and long-

term funding of the assets and activities of banking entities over a one-year time horizon. Under the proposed rule, BNY Mellon's NSFR would be expressed as a ratio of its available stable funding to its required stable funding amount, and BNY Mellon would be required to maintain an NSFR of 1.0. BNY Mellon continues to evaluate the potential effects of this re-proposal on its operations.

Department of Labor Fiduciary Rule

The U.S. Department of Labor has issued a final rule that, among other things, expands the definition of who is designated a "fiduciary" of an employee benefit plan or individual retirement account ("IRA") under ERISA and the Internal Revenue Code, respectively. The final rule will be phased in beginning in April 2017 and will be fully phased in by Jan. 1, 2018. If designated an ERISA fiduciary, the entity or individual will be subject to various duties, liabilities, disclosure obligations, and restrictions related to the services it performs for ERISA plans and IRAs, as well as the compensation or other benefits the fiduciary receives in connection with those services. Certain BNY Mellon businesses interface and transact with clients and external business partners that will need to modify their practices in order to comply with the rule, which could adversely affect the financial results of such BNY Mellon businesses. BNY Mellon believes it will be able to conform its business practices to address changes required by the new rule.

BCBS Consultative Document on Operational Risk and Federal Reserve Comment

On March 4, 2016 the BCBS released a consultative document proposing revisions to its approach for calculating operational risk capital. The document proposes to replace the Advanced Measurement Approach in its regulatory framework with the Standardized Measurement Approach, a single non-model-based method. The Federal Reserve released guidance relating to the above consultative document which states that staff will contact affected banking organizations to discuss individual supervisory plans for calculating operational risk capital.

Deposit Insurance

On March 15, 2016, the FDIC issued a final rule that imposes on insured depository institutions with at

least $10 billion in assets, which includes BNY Mellon, a surcharge of 4.5 basis points per annum until the fund reaches the required ratio of 1.35, which the FDIC estimates would take approximately two years. The FDIC has stated it expects that surcharges will commence in the second half of 2016. Based on March 31, 2016 assets, we estimate our annualized FDIC expense will increase by $35 million as a result of the final rule.

Interest Rate Risk in the Banking Book

On April 1, 2016 the Basel Committee issued final standards for risk management and supervision of interest rate risk in the banking book ("IRRBB"), which updates its 2004 Principles for the management and supervision of interest rate risk. These standards adopt a supervisory approach that includes quantitative calculation and disclosure and not a measure that imposes minimum capital requirements.

Proposed Rule on Contractual Stay of Qualified Financial Contracts

On May 3, 2016, the Federal Reserve issued a proposed rule that would require all U.S. G-SIBs, including BNY Mellon, and their subsidiaries that are not regulated by the OCC, as well as all U.S. operations of all non-U.S. G-SIBs, to implement contractual resolution stays with respect to all non-cleared qualified financial contracts ("QFCs"). The OCC is expected to issue a substantially identical proposal. QFCs generally include derivatives, repurchase agreements, and securities lending arrangements. All BNY Mellon entities that currently engage in QFC activities as principal have adhered the 2015 Resolution Stay Protocol developed by the International Swaps and Derivatives Association, Inc. that applies contractual resolution stay language to QFCs among Protocol adherents, which are

primarily other G-SIBs and their subsidiaries. If implemented as proposed, the Federal Reserve's rule would require BNY Mellon to ensure that certain contractual resolution stay language is included in all of its QFCs globally. In addition, several other jurisdictions where BNY Mellon and its QFC counterparties operate are in various stages of considering and implementing similar rules. BNY Mellon continues to monitor all relevant rulemaking with respect to contractual resolution stays and to evaluate the potential impact on its operations.

United Kingdom Referendum on the European Union

On June 23, 2016, the UK will conduct a referendum on whether the country should remain part of the European Union ("EU"). Certain of the Company's EU operations are conducted from subsidiaries and branches based in the UK. In the event of a decision by the UK to leave the EU, BNY Mellon's UK operations and their dealings with the remaining EU states would be subject to a legal, tax, and supervisory regime set forth in transitional arrangements agreed following the referendum. The transitional arrangements are expected to take years to finalize and fully implement. BNY Mellon cannot predict either the timing or the content of such transitional arrangements. We continue to prepare for and evaluate the most probable scenarios for the UK's exit from the EU identified by the Company. Under certain scenarios, changes to BNY Mellon's legal entity structure and operating model may be required as a result of the UK's exit.

Website information

Our website is www.bnymellon.com. We currently make available the following information under the Investor Relations portion of our website. With respect to SEC filings, we post such information as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC.

- All of our SEC filings, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports, SEC Forms 3, 4 and 5 and any proxy statement mailed by us in connection with the solicitation of proxies;
- Financial statements and footnotes prepared using Extensible Business Reporting Language ("XBRL");
- Our earnings materials and selected management conference calls and presentations;
- Other regulatory disclosures, including: Pillar 3 Disclosures (and Market Risk Disclosure contained therein); Federal Financial Institutions Examination Council - Consolidated Reports of Condition and Income for a Bank With Domestic and Foreign Offices; Consolidated Financial Statements for Bank Holding Companies; and the Dodd-Frank Act Stress Test Results for BNY Mellon and The Bank of New York Mellon; and
- Our Corporate Governance Guidelines, Directors Code of Conduct and the Charters of the Audit, Finance, Corporate Governance and Nominating, Corporate Social Responsibility, Human Resources and Compensation, Risk and Technology Committees of our Board of Directors.

The contents of the website listed above or any other websites referenced herein are not incorporated into this Quarterly Report on Form 10-Q.

Item 1. Financial Statements

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

Consolidated Income Statement (unaudited)

	Quarter ended		
(in millions)	March 31, 2016	Dec. 31, 2015	March 31, 2015
Fee and other revenue			
Investment services fees:			
Asset servicing	$1,040	$1,032	$ 1,038
Clearing services	350	339	344
Issuer services	244	199	232
Treasury services	131	137	137
Total investment services fees	1,765	1,707	1,751
Investment management and performance fees	812	864	867
Foreign exchange and other trading revenue	175	173	229
Financing-related fees	54	51	40
Distribution and servicing	39	41	41
Investment and other income	105	93	60
Total fee revenue	2,950	2,929	2,988
Net securities gains — including other-than-temporary impairment	19	17	26
Noncredit-related portion of other-than-temporary impairment (recognized in other comprehensive income)	(1)	(4)	2
Net securities gains	20	21	24
Total fee and other revenue	2,970	2,950	3,012
Operations of consolidated investment management funds			
Investment (loss) income	(3)	19	56
Interest of investment management fund note holders	3	3	4
(Loss) income from consolidated investment management funds	(6)	16	52
Net interest revenue			
Interest revenue	883	834	807
Interest expense	117	74	79
Net interest revenue	766	760	728
Provision for credit losses	10	163	2
Net interest revenue after provision for credit losses	756	597	726
Noninterest expense			
Staff	1,459	1,481	1,485
Professional, legal and other purchased services	278	328	302
Software	154	157	158
Net occupancy	142	148	151
Distribution and servicing	100	92	98
Furniture and equipment	65	68	70
Sub-custodian	59	60	70
Business development	57	75	61
Other	241	201	242
Amortization of intangible assets	57	64	66

Merger and integration, litigation and restructuring charges (recoveries)	17	18	(3)
Total noninterest expense	2,629	2,692	2,700
Income			
Income before income taxes	1,091	871	1,090
Provision for income taxes	283	175	280
Net income	808	696	810
Net loss (income) attributable to noncontrolling interests (includes $7, $(5) and $(31) related to consolidated investment management funds, respectively)	9	(3)	(31)
Net income applicable to shareholders of The Bank of New York Mellon Corporation	817	693	779
Preferred stock dividends	(13)	(56)	(13)
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	$804	$637	$766

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

Consolidated Income Statement (unaudited) (continued)

Net income applicable to common shareholders of The Bank of New York Mellon Corporation used for the earnings per share calculation (in millions)	Quarter ended March 31, 2016	Dec. 31, 2015	March 31, 2015
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	$804	$637	$ 766
Less: Earnings allocated to participating securities	11	9	12
Net income applicable to the common shareholders of The Bank of New York Mellon Corporation after required adjustment for the calculation of basic and diluted earnings per common share	$793	$628	$ 754

Average common shares and equivalents outstanding of The Bank of New York Mellon Corporation (in thousands)	Quarter ended March 31, 2016	Dec. 31, 2015	March 31, 2015
Basic	1,079,641	1,088,880	1,118,602
Common stock equivalents	14,963	16,944	18,667
Less: Participating securities	(9,320)	(9,439)	(10,963)
Diluted	1,085,284	1,096,385	1,126,306
Anti-dilutive securities (a)	33,720	27,316	37,517

Earnings per share applicable to the common shareholders of The Bank of New York Mellon Corporation (b) (in dollars)	Quarter ended March 31, 2016	Dec. 31, 2015	March 31, 2015
Basic	$0.73	$0.58	$ 0.67
Diluted	$0.73	$0.57	$ 0.67

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

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

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Comprehensive Income Statement (unaudited)

	Quarter ended		
(in millions)	March 31, 2016	Dec. 31, 2015	March 31, 2015
Net income	$808	$696	$ 810
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	37	(164)	(601)
Unrealized gain (loss) on assets available-for-sale:			
Unrealized gain (loss) arising during the period	163	(146)	134
Reclassification adjustment	(15)	(13)	(15)
Total unrealized gain (loss) on assets available-for-sale	148	(159)	119
Defined benefit plans:			
Net gain (loss) arising during the period	2	42	(109)
Amortization of prior service credit, net loss and initial obligation included in net periodic benefit cost	15	22	5
Total defined benefit plans	17	64	(104)
Net unrealized gain (loss) on cash flow hedges	3	—	(1)
Total other comprehensive income (loss), net of tax (a)	205	(259)	(587)
Net loss (income) attributable to noncontrolling interests	9	(3)	(31)
Other comprehensive loss (income) attributable to noncontrolling interests	5	14	39
Net comprehensive income	$1,027	$448	$ 231

(a) Other comprehensive income (loss) attributable to The Bank of New York Mellon Corporation shareholders was $210 million for the quarter ended March 31, 2016, $(245) million for the quarter ended Dec. 31, 2015 and $(548) million for the quarter ended March 31, 2015.

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Balance Sheet (unaudited)

(dollars in millions, except per share amounts)	March 31, 2016	Dec. 31, 2015
Assets		
Cash and due from:		
Banks	$3,928	$6,537
Interest-bearing deposits with the Federal Reserve and other central banks	96,426	113,203
Interest-bearing deposits with banks	14,662	15,146
Federal funds sold and securities purchased under resale agreements	26,904	24,373
Securities:		
Held-to-maturity (fair value of $42,231 and $43,204)	41,717	43,312
Available-for-sale	76,294	75,867
Total securities	118,011	119,179
Trading assets	6,526	7,368
Loans (includes $422 and $422, at fair value)	61,661	63,703
Allowance for loan losses	(162)	(157)
Net loans	61,499	63,546
Premises and equipment	1,377	1,379
Accrued interest receivable	545	562
Goodwill	17,604	17,618
Intangible assets	3,781	3,842
Other assets (includes $1,337 and $1,087, at fair value)	20,307	19,626
Subtotal assets of operations	371,570	392,379
Assets of consolidated investment management funds, at fair value:		
Trading assets	1,186	1,228
Other assets	114	173
Subtotal assets of consolidated investment management funds, at fair value	1,300	1,401
Total assets	$372,870	$393,780
Liabilities		
Deposits:		
Noninterest-bearing (principally U.S. offices)	$93,005	$96,277
Interest-bearing deposits in U.S. offices	52,124	51,704
Interest-bearing deposits in Non-U.S. offices	112,213	131,629
Total deposits	257,342	279,610
Federal funds purchased and securities sold under repurchase agreements	14,803	15,002
Trading liabilities	5,247	4,501
Payables to customers and broker-dealers	22,008	21,900
Other borrowed funds	828	523
Accrued taxes and other expenses	5,288	5,986
Other liabilities (including allowance for lending-related commitments of $125 and $118, also includes $950 and $392, at fair value)	6,129	5,490
Long-term debt (includes $372 and $359, at fair value)	21,686	21,547
Subtotal liabilities of operations	333,331	354,559
Liabilities of consolidated investment management funds, at fair value:		
Trading liabilities	245	229
Other liabilities	9	17
Subtotal liabilities of consolidated investment management funds, at fair value	254	246

Total liabilities	333,585	354,805
Temporary equity		
Redeemable noncontrolling interests	169	200
Permanent equity		
Preferred stock – par value $0.01 per share; authorized 100,000,000 shares; issued 25,826 and 25,826 shares	2,552	2,552
Common stock – par value $0.01 per share; authorized 3,500,000,000 shares; issued 1,320,883,792 and 1,312,941,113 shares	13	13
Additional paid-in capital	25,432	25,262
Retained earnings	20,593	19,974
Accumulated other comprehensive loss, net of tax	(2,390)	(2,600)
Less: Treasury stock of 243,801,160 and 227,598,128 common shares, at cost	(7,741)	(7,164)
Total The Bank of New York Mellon Corporation shareholders' equity	38,459	38,037
Nonredeemable noncontrolling interests of consolidated investment management funds	657	738
Total permanent equity	39,116	38,775
Total liabilities, temporary equity and permanent equity	$372,870	$393,780

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statement of Cash Flows (unaudited)

(in millions)	Three months ended March 31, 2016	2015
Operating activities		
Net income	$808	$810
Net loss (income) attributable to noncontrolling interests	9	(31)
Net income applicable to shareholders of The Bank of New York Mellon Corporation	817	779
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Provision for credit losses	10	2
Pension plan contributions	(10)	(13)
Depreciation and amortization	364	340
Deferred tax (benefit)	(10)	(107)
Net securities (gains) and venture capital (income)	(22)	(21)
Change in trading activities	1,624	283
Originations of loans held-for-sale	(142)	—
Proceeds from the sales of loans originated for sale	199	—
Change in accruals and other, net	(1,036)	(1,334)
Net cash provided by (used for) operating activities	1,794	(71)
Investing activities		
Change in interest-bearing deposits with banks	873	440
Change in interest-bearing deposits with the Federal Reserve and other central banks	17,927	6,978
Purchases of securities held-to-maturity	(1,240)	(10,575)
Paydowns of securities held-to-maturity	979	483
Maturities of securities held-to-maturity	1,831	3
Purchases of securities available-for-sale	(7,018)	(11,759)
Sales of securities available-for-sale	1,989	8,679
Paydowns of securities available-for-sale	2,032	2,008
Maturities of securities available-for-sale	3,393	3,803
Net change in loans	1,942	(3,333)
Sales of loans and other real estate	168	98
Change in federal funds sold and securities purchased under resale agreements	(2,510)	(7,965)
Change in seed capital investments	50	13
Purchases of premises and equipment/capitalized software	(148)	(162)
Acquisitions, net of cash	—	(9)
Other, net	(188)	1,353
Net cash provided by (used for) investing activities	20,080	(9,945)
Financing activities		
Change in deposits	(23,675)	13,456
Change in federal funds purchased and securities sold under repurchase agreements	(199)	(3,550)
Change in payables to customers and broker-dealers	102	778
Change in other borrowed funds	251	6
Net proceeds from the issuance of long-term debt	997	1,993
Repayments of long-term debt	(1,200)	(2,005)
Proceeds from the exercise of stock options	42	81
Issuance of common stock	6	6
Treasury stock acquired	(577)	(400)

Common cash dividends paid	(186)	(192)
Preferred cash dividends paid	(13)	(13)
Other, net	(35)	76
Net cash (used for) provided by financing activities	(24,487)	10,236
Effect of exchange rate changes on cash	4	(23)
Change in cash and due from banks		
Change in cash and due from banks	(2,609)	197
Cash and due from banks at beginning of period	6,537	6,970
Cash and due from banks at end of period	$3,928	$7,167
Supplemental disclosures		
Interest paid	$170	$134
Income taxes paid	83	538
Income taxes refunded	25	869

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statement of Changes in Equity (unaudited)

(in millions, except per share amounts)	The Bank of New York Mellon Corporation shareholders						Non-redeemable noncontrolling interests of consolidated investment management funds	Total permanent equity	Redeemable non-controlling interests/ temporary equity
	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income, net of tax	Treasury stock			
Balance at Dec. 31, 2015	$2,552	$ 13	$25,262	$19,974	$ (2,600)	$(7,164)	$ 738	$38,775 (a)	$ 200
Shares issued to shareholders of noncontrolling interests	—	—	—	—	—	—	—	—	13
Redemption of subsidiary shares from noncontrolling interests	—	—	—	—	—	—	—	—	(42)
Other net changes in noncontrolling interests	—	—	(6)	—	—	—	(75)	(81)	6
Net income (loss)	—	—	—	817	—	—	(7)	810	(2)
Other comprehensive income (loss)	—	—	—	—	210	—	1	211	(6)
Dividends:									
Common stock at $0.17 per share	—	—	—	(185)	—	—	—	(185)	—
Preferred stock	—	—	—	(13)	—	—	—	(13)	—
Repurchase of common stock	—	—	—	—	—	(577)	—	(577)	—
Common stock issued under:									
Employee benefit plans	—	—	8	—	—	—	—	8	—
Direct stock purchase and dividend reinvestment plan	—	—	5	—	—	—	—	5	—
Stock awards and options exercised	—	—	163	—	—	—	—	163	—
Balance at March 31, 2016	$2,552	$ 13	$25,432	$20,593	$ (2,390)	$(7,741)	$ 657	$39,116 (a)	$ 169

(a) Includes total The Bank of New York Mellon Corporation common shareholders’ equity of $35,485 million at Dec. 31, 2015 and $35,907 million at March 31, 2016.

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 presented 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, 2015. 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, the fair value of financial instruments and derivatives, other-than-temporary impairment, goodwill and other intangibles and pension accounting. 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 changes in pension and post-retirement expense.

Note 2 - Acquisitions and dispositions

We sometimes structure our acquisitions with both an initial payment and later contingent payments tied to post-closing revenue or income growth. There were no contingent payments in the first quarter 2016.

At March 31, 2016, we are potentially obligated to pay additional consideration that could amount to $4 million over the next month for our acquired companies, based on contractual agreements. The acquisitions and dispositions described below did not have a material impact on BNY Mellon's results of operations.

Acquisitions in 2015

On Jan. 2, 2015, BNY Mellon acquired Cutwater Asset Management, a U.S.-based fixed income and solutions specialist with approximately $23 billion in assets under management.

Dispositions in 2015

On July 31, 2015, BNY Mellon sold Meriten Investment Management GmbH ("Meriten"), a German-based investment management boutique for $40 million. As a result of this sale, we recorded an after-tax loss of $12 million. In addition, goodwill of $22 million and customer relationship intangible assets of $9 million were removed from the

balance sheet as a result of this sale.

Notes to Consolidated Financial Statements (continued)

Note 3 - Securities

The following tables present the amortized cost, the gross unrealized gains and losses and the fair value of securities at March 31, 2016 and Dec. 31, 2015.

Securities at March 31, 2016 (in millions)	Amortized cost	Gross unrealized		Fair value
		Gains	Losses	
Available-for-sale:				
U.S. Treasury	$ 12,476	$ 500	$ 4	$ 12,972
U.S. Government agencies	402	8	—	410
State and political subdivisions	3,631	104	14	3,721
Agency RMBS	23,721	318	243	23,796
Non-agency RMBS	746	26	23	749
Other RMBS	993	8	21	980
Commercial MBS	1,258	17	10	1,265
Agency commercial MBS	4,225	81	11	4,295
CLOs	2,441	2		