

Results of Operations (continued)

The following table provides a rollforward of the investment securities portfolio from Dec. 31, 2008 to Dec. 31, 2009.

Investment securities portfolio rollforward of 2009 activity (dollar amounts in millions)	Amortized cost at 12/31/08	Paydowns/ accretion/ other	Purchases	Restructuring	Proceeds from sales	Net securities gain/ (loss)	ASC 320 reversal (c)	Amortized cost at 12/31/09
Watch list:								
European floating rate notes (b)	\$ 7,582	\$ (364)	\$ -	\$ -	\$ (767)	\$ (269)	\$ -	\$ 6,182
Commercial MBS	2,846	(67)	-	-	(291)	(89)	-	2,399
Prime RMBS	6,725	(1,642)	-	(2,069)	(86)	(1,008)	12	1,932
Alt-A RMBS	7,499	(996)	-	(2,603)	(949)	(3,113)	1,054	892
Subprime RMBS	1,578	(131)	-	(128)	(222)	(322)	13	788
Credit cards	747	(73)	-	-	(22)	(26)	-	626
Home equity lines of credit	558	(97)	-	-	(279)	(205)	23	-
Other	717	(10)	115	-	(92)	(298)	44	476
Total Watch list	28,252	(3,380)	115	(4,800)	(2,708)	(5,330)	1,146	13,295
Grantor Trust Class B certificates	-	45	-	4,814	(771)	(39) (a)	-	4,049
Agency MBS	11,561	(4,252)	11,469	-	-	-	-	18,778
Sovereign debt/sovereign guaranteed	-	403	8,342	-	-	-	-	8,745
U.S. Treasury	746	(212)	5,824	-	-	-	-	6,358
FDIC-insured debt	949	1	1,013	-	-	-	-	1,963
U.S. Government agencies	1,259	(24)	-	-	-	-	-	1,235
Other	3,244	(1,920)	1,669	-	(496)	-	-	2,497
Total investment securities	\$46,011	\$(9,339)	\$28,432	\$ 14	\$(3,975)	\$(5,369)	\$1,146	\$56,920

(a) Includes \$47 million of mark-to-market write-downs on the Alt-A, prime and subprime securities from Oct. 1, 2009 through the date of sale to the Grantor Trust.

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

(c) Reversal of the non-credit component of OTTI recorded in 2008 under previous accounting guidance.

Investment securities portfolio Dec. 31, 2009 (dollar amounts in millions)	Amortized cost	Fair value	Fair value as a % of amortized cost (a)	Unrealized gain/(loss)	Ratings					Not rated
					AAA/ AA-	A+ A-	BBB+/ BBB-	BB+ and lower		
Watch list:										
European floating rate notes	\$ 6,182	\$ 5,503	88%	\$ (679)	97%	3%	-%	-%	-%	-%
Commercial MBS	2,399	2,302	96	(97)	93	4	3	-	-	-
Prime RMBS	1,932	1,684	86	(248)	60	23	5	12	-	-
Alt-A RMBS	892	779	67	(113)	27	15	1	57	-	-
Subprime RMBS	788	470	60	(318)	75	14	5	6	-	-
Credit cards	626	610	95	(16)	1	98	1	-	-	-
Other	476	465	56	(11)	-	-	16	76	8	-
Total Watch list (b)	13,295	11,813	84	(1,482)	77	12	2	9	-	-
Grantor Trust Class B certificates	4,049	4,160	60	111	-	-	-	-	-	100
Agency MBS	18,778	19,016	99	238	100	-	-	-	-	-
Sovereign debt/sovereign guaranteed	8,745	8,753	100	8	100	-	-	-	-	-
U.S. Treasury	6,358	6,378	100	20	100	-	-	-	-	-
FDIC-insured debt	1,963	2,003	98	40	100	-	-	-	-	-
U.S. Government agencies	1,235	1,260	98	25	100	-	-	-	-	-
Other	2,497	2,489	100	(8)	69	11	7	1	12	-
Total investment securities	\$56,920	\$55,872	92%	\$(1,048)	86%	3%	1%	2%	8%	-

(a) Amortized cost before impairments

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

The unrealized net of tax loss on our investment securities available for sale portfolio included in other comprehensive income was \$619 million at Dec. 31, 2009. The unrealized net of tax loss on our investment securities available for sale portfolio at Dec. 31, 2008 was \$4.0 billion. The decrease compared with 2008 was due to the restructuring of the securities portfolio and an improvement in the fixed income markets in the second half of 2009. In the first quarter of 2009, BNY Mellon adopted ASC 820 and adjusted its unrealized pre-tax loss on the securities portfolio to reflect what a security would sell for in an orderly market. In the third quarter of 2009, as the credit markets improved and became more orderly, these adjustments were reversed. BNY Mellon recorded no adjustments for disorderly markets at Dec. 31, 2009.

At Dec. 31, 2009, 86% of the securities in our portfolio were rated AAA/AA, essentially unchanged from 87% at Dec. 31, 2008.

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

At Dec. 31, 2009, we had \$2.0 billion of accretable discount related to restructuring the securities portfolio as well as securities acquired in the consolidation of two commercial paper conduits, Three Rivers Funding Corporation and Old Slip Funding, LLC. The discount related to these transactions had a remaining estimated life of approximately 3.7 years. For these securities, the accretion of discount increased net interest revenue and is recorded on a level yield basis. Discount accretion totaled \$91 million in 2009 and \$79 million in 2008. There was no discount accretion in 2007.

Also, at Dec. 31, 2009, we had \$423 million of net amortizable purchase premium with a remaining estimated life of approximately 3.1 years. For these securities, the amortization of net premium decreased net interest revenue and is recorded on a level yield basis. We recorded net premium amortization of \$68 million in 2009. For 2008 and 2007, a net discount of \$19 million and \$9 million was recorded respectively.

The following table provides pre-tax securities losses by type.

Net investment securities losses (in millions)	2009	2008	2007 (a)
Alt-A RMBS	\$3,113	\$1,236	\$ -
Prime RMBS	1,008	12	-
Subprime RMBS	322	12	-
European floating rate notes	269	-	-
Home equity lines of credit	205	104	-
Commercial MBS	89	-	-
Grantor Trust	39 (b)	-	-
Credit cards	26	-	-
ABS CDOs	23	122	201
Other	275	142	-
Total net investment securities losses	\$5,369 (c)	\$1,628	\$201

- (a) Results for 2007 include six months of BNY Mellon and six months of legacy The Bank of New York Company, Inc.
- (b) Includes \$47 million of mark-to-market write-downs on the Alt-A, prime and subprime RMBS from Oct. 1, 2009 through the date of sale to the Grantor Trust.
- (c) Includes \$930 million originally recorded in 2008 and recorded again in 2009 under ASC 320 and as part of the impairment charge related to the restructuring of the securities portfolio.

The deterioration in the economy had a significant impact on our Alt-A, prime and subprime RMBS portfolios. The investment securities losses in 2009, 2008 and 2007 reflected both credit and non-credit impairment securities losses.

The following table shows the fair value of the European floating rate notes by geographical location at Dec. 31, 2009.

European floating rate notes at Dec. 31, 2009 (a)	United Kingdom	Netherlands	Other	Total fair value
(in millions)				
RMBS	\$2,365	\$1,082	\$1,140	\$4,587
Other	409	82	425	916
Total	\$2,774	\$1,164	\$1,565	\$5,503

- (a) 97% of these securities are in the AAA to AA- ratings category.

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

Investment securities guaranteed by monoline insurers (in millions)	Dec. 31, 2009	Dec. 31, 2008
Municipal securities	\$548	\$ 591
Mortgage-backed securities	42	171
Home equity lines of credit securities	-	334
Other asset-backed securities	-	7
Total fair value	\$590 (a)	\$1,103
Amortized cost less securities losses	\$606	\$1,384
Mark-to-market unrealized (loss) (pre-tax)	\$(16)	\$(281)

(a) The par value guaranteed by the monoline insurers was \$619 million.

Investment securities portfolio (dollars in millions)	U.S. Treasury		U.S. government agency		State and political subdivisions		Other bonds, notes and debentures		Mortgage/asset-backed and equity securities		Total
	Amount	Yield (a)	Amount	Yield (a)	Amount	Yield (a)	Amount	Yield (a)	Amount	Yield (a)	
Securities held-to-maturity:											
One year or less	\$ -	-%	\$ -	-%	\$ -	-%	\$ 3	0.03%	\$ -	-%	\$ 3
Over 1 through 5 years	-	-	-	-	3	6.92	-	-	-	-	3
Over 5 through 10 years	-	-	-	-	16	6.70	-	-	-	-	16
Over 10 years	-	-	-	-	131	6.66	-	-	-	-	131
Mortgage-backed securities	-	-	-	-	-	-	-	-	4,260	1.68	4,260
Equity securities	-	-	-	-	-	-	-	-	4	4.13	4
Total	\$ -	-%	\$ -	-%	\$150	6.67%	\$ 3	0.03%	\$ 4,264	1.68%	\$ 4,417
Securities available-for-sale:											
One year or less	\$ 283	0.19%	\$ 774	2.89%	\$ 5	8.79%	\$ 421	2.59%	\$ -	-%	\$ 1,483
Over 1 through 5 years	6,014	1.36	486	2.97	17	8.59	10,694	1.92	-	-	17,211
Over 5 through 10 years	81	3.79	-	-	27	3.98	192	5.99	-	-	300
Over 10 years	-	-	-	-	471	6.60	150	6.46	-	-	621
Mortgage-backed securities	-	-	-	-	-	-	-	-	29,471 (b)	5.20 (b)	29,471
Asset-backed securities	-	-	-	-	-	-	-	-	1,225	1.34	1,225
Equity securities	-	-	-	-	-	-	-	-	1,321	0.40	1,321
Total	\$6,378	1.34%	\$1,260	2.92%	\$520	6.52%	\$11,457 (c)	2.05%	\$32,017	4.88%	\$51,632

(a) Yields are based upon the amortized cost of securities.

(b) Includes \$88 million, for which we are recording interest on a cash basis. Also includes \$4.160 billion fair value of the Grantor Trust Class B certificates with a yield of 13.27%.

(c) Includes \$1.9 billion of government-sponsored and guaranteed debt and \$8.9 billion of sovereign government-sponsored and guaranteed debt.

We also have equity investments categorized as other assets (bracketed amounts indicate carrying values at Dec. 31, 2009). Included in other assets are joint ventures and other equity investments (\$1.6 billion), seed capital (\$241 million), Federal Reserve Bank stock (\$397 million), private equity investments (\$187 million), and tax advantaged low-income housing investments (\$418 million). For additional information on the fair value of our private equity investments and seed capital, see Note 8 of the Notes to Consolidated Financial Statements.

Our equity investment in Wing Hang Bank Limited ("Wing Hang") had a fair value of \$559 million (book

At Dec. 31, 2009, securities guaranteed by monoline insurers were rated 33% AAA to AA-, 32% A+ to A-, 23% BBB+ to BBB- and 12% BB+ and lower. The decrease in fair value from Dec. 31, 2008 reflects the restructuring of the securities portfolio. In all cases, when purchasing the securities, we reviewed the credit quality of the underlying securities, as well as the insurer.

The following table shows the maturity distribution by carrying amount and yield (on a tax equivalent basis) of our investment securities portfolio at Dec. 31, 2009.

value of \$316 million) at Dec. 31, 2009. An agreement with certain other shareholders of Wing Hang prohibits the sale of this interest without their permission. We received dividends from Wing Hang of \$2 million, \$26 million and \$17 million in 2009, 2008 and 2007, respectively.

Private equity activities consist of investments in private equity funds, mezzanine financings, and direct equity investments. Consistent with our policy to focus on our core activities, we continue to reduce our exposure to these activities. The carrying and fair value of our private equity investments was \$187 million at Dec. 31, 2009, down \$22 million from \$209

million at Dec. 31, 2008. At Dec. 31, 2009, private equity investments consisted of investments in private equity funds of \$170 million, direct equity of \$12 million, and leveraged bond funds of \$5 million. Fair values for private equity funds are generally based upon information provided by fund sponsors and our knowledge of the underlying portfolio; while mezzanine financing and direct equity investments are based upon BNY Mellon models. In 2009, we had an average invested balance of \$198 million in private equity. Investment losses net of interest and dividend income were \$18 million in 2009.

At Dec. 31, 2009, we had \$53 million of unfunded investment commitments to private equity funds. The

timing of future cash requirements to fund such commitments is generally dependent on the investment cycle. This cycle, the period over which privately-held companies are funded by private equity investors and ultimately sold, merged, or taken public through an initial public offering, can vary based on overall market conditions as well as the nature and type of industry in which the companies operate. If unused, the commitments expire between 2010 and 2013.

Commitments to private equity limited partnerships may extend beyond the expiration period shown above to cover certain follow-on investments, claims and liabilities, and organizational and partnership expenses.

Loans

Total exposure – consolidated <i>(in billions)</i>	Dec. 31, 2009			Dec. 31, 2008		
	Loans	Unfunded commitments	Total exposure	Loans	Unfunded commitments	Total exposure
Non-margin loans:						
Financial institutions	\$ 9.0	\$18.5	\$27.5	\$11.0	\$23.2	\$34.2
Commercial	3.0	22.5	25.5	6.3	24.9	31.2
Subtotal institutional	12.0	41.0	53.0	17.3	48.1	65.4
Wealth management loans and mortgages	6.2	1.8	8.0	5.3	2.3	7.6
Commercial real estate	2.0	1.7	3.7	3.1	1.9	5.0
Lease financing	3.5	0.1	3.6	4.0	0.1	4.1
Other residential mortgages	2.2	-	2.2	2.5	0.1	2.6
Overdrafts	6.1	-	6.1	7.0	-	7.0
Other	-	-	-	0.2	0.1	0.3
Subtotal non-margin loans	32.0	44.6	76.6	39.4	52.6	92.0
Margin loans	4.7	-	4.7	4.0	-	4.0
Total	\$36.7	\$44.6	\$81.3	\$43.4	\$52.6	\$96.0

At Dec. 31, 2009, total exposures were \$81.3 billion, a reduction of \$14.7 billion compared with Dec. 31, 2008, reflecting our credit strategy to reduce targeted risk exposure and the reclassification of \$1.9 billion of MUNB exposure to discontinued operations.

In 2008, we implemented an institutional credit strategy to reduce targeted credit exposure by \$14 billion. In 2009, we achieved the targeted exposure reduction.

We will continue to reduce risk within our loan portfolio by:

- Focusing on investment grade names to support cross selling.
- Avoiding single name/industry concentrations, using credit default swaps as appropriate.
- Exiting high-risk portfolios.

Our financial institutions and commercial portfolios comprise our largest concentrated risk. These portfolios make up 65% of our total lending exposure.

Financial institutions

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

Financial institutions portfolio exposure (dollar amounts in billions)	Dec. 31, 2009					Dec. 31, 2008		
	Loans	Unfunded commitments	Total exposure	% Inv grade	% due <1 yr	Loans	Unfunded commitments	Total exposure
Insurance	\$0.4	\$ 6.0	\$ 6.4	88%	43%	\$ 0.6	\$ 6.4	\$ 7.0
Banks	3.3	2.9	6.2	64	89	3.5	2.4	5.9
Securities industry	3.6	2.1	5.7	91	92	4.0	2.9	6.9
Asset managers	1.0	2.8	3.8	95	85	0.8	5.5	6.3
Government	0.1	2.9	3.0	98	41	1.4	3.0	4.4
Other	0.6	1.8	2.4	86	38	0.7	3.0	3.7
Total	\$9.0	\$18.5	\$27.5	85%	69%	\$11.0	\$23.2	\$34.2

The financial institutions portfolio exposure was \$27.5 billion at Dec. 31, 2009, compared to \$34.2 billion at Dec. 31, 2008. The change from Dec. 31, 2008 reflects lower exposure in nearly every category. Exposures to financial institutions are high quality with 85% meeting the investment grade equivalent criteria of our rating system at Dec. 31, 2009. These exposures are generally short-term, with 69% expiring within one year, and are frequently secured by securities that we may hold in custody on behalf of those financial institutions. For example, securities industry and asset managers often borrow against marketable securities held in custody.

As a conservative measure, our internal credit rating classification for international counterparties caps the

rating based upon the sovereign rating of the country where the counterparty resides regardless of the credit rating of the counterparty or the underlying collateral.

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

The asset manager portfolio exposures are high quality with 95% meeting our investment grade equivalent ratings criteria at Dec. 31, 2009. These exposures are generally short-term liquidity facilities with the vast majority to regulated mutual funds.

Commercial

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

Commercial portfolio exposure (dollar amounts in billions)	Dec. 31, 2009					Dec. 31, 2008		
	Loans	Unfunded commitments	Total exposure	% Inv grade	% due <1 yr	Loans	Unfunded commitments	Total exposure
Services and other	\$1.0	\$ 7.7	\$ 8.7	82%	38%	\$2.0	\$ 8.6	\$10.6
Manufacturing	0.9	6.4	7.3	82	19	1.5	7.9	9.4
Energy and utilities	0.6	6.3	6.9	85	17	1.7	6.1	7.8
Media and telecom	0.5	2.1	2.6	57	23	1.1	2.3	3.4
Total	\$3.0	\$22.5	\$25.5	80%	25%	\$6.3	\$24.9	\$31.2

The commercial portfolio exposure decreased to \$25.5 billion at Dec. 31, 2009, from \$31.2 billion at Dec. 31, 2008, reflecting decreased exposures across all exposure categories. Our goal is to continue to migrate towards a predominantly investment grade portfolio.

We continue to actively monitor automotive industry exposure given ongoing weakness in the domestic automotive industry. At Dec. 31, 2009, total exposures in our automotive portfolio included \$109 million of secured exposure to one of the big three U.S. automotive manufacturers. This exposure was reduced 51% in 2009, reflecting paydowns. We also

had \$81 million of exposure to four automotive suppliers at Dec. 31, 2009. This exposure has decreased 52% from Dec. 31, 2008, as a result of paydowns and loan sales.

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

Percent of the portfolios that are investment grade	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Financial institutions	85%	90%	88%
Commercial	80%	80%	82%

Wealth management loans and mortgages

Wealth Management loans and mortgages are primarily composed of loans to high-net-worth individuals, which are secured by residential property and marketable securities. Wealth management mortgages are primarily interest-only adjustable rate mortgages with an average loan to value ratio of 64% at origination. Less than 1% of the mortgages in the wealth management portfolio were past due at Dec. 31, 2009. The increase in total wealth management loans and mortgages in 2009 primarily relates to increased mortgage activity.

At Dec. 31, 2009, the private wealth mortgage portfolio was comprised of the following geographic concentrations: New York – 22%; Massachusetts – 17%; California – 17%; Florida – 9%; and other – 35%.

Commercial real estate

Real estate facilities are focused on experienced owners and are structured with moderate leverage based on existing cash flows. Our commercial real estate lending activities include both construction facilities and medium-term loans. Our client base consists of experienced developers and long-term holders of real estate assets. Loans are approved on the basis of existing or projected cash flow, and supported by appraisals and a knowledge of local market conditions. Development loans are structured with moderate leverage, and in most instances, involve some level of recourse to the developer. Our commercial real estate exposure totaled \$3.7 billion at Dec. 31, 2009 compared with \$5.0 billion at Dec. 31, 2008. This reduction primarily reflects the reclassification of the commercial real estate portfolio at MUNB to discontinued operations. At Dec. 31, 2009, approximately 73% of our commercial real

estate portfolio is secured. The secured portfolio is diverse by project type with approximately 53% secured by residential buildings, approximately 28% secured by office buildings, approximately 8% secured by retail properties, and approximately 11% secured by other categories. Approximately 94% of the unsecured portfolio is allocated to investment grade real estate investment trusts (“REITs”) under revolving credit agreements.

At Dec. 31, 2009, our commercial real estate portfolio is comprised of the following geographic concentrations: New York metro – 51%; investment grade REITs – 28%; and other – 21%.

Lease financings

The leasing portfolio consisted of non-airline exposures of \$3.4 billion and \$228 million of airline exposures at Dec. 31, 2009. We reduced airline exposure by 5% in 2009. Approximately 90% of the non-airline exposure is investment grade. At Dec. 31, 2009, we carried no automotive exposure in our leasing portfolio.

At Dec. 31, 2009, our \$228 million of exposure to the airline industry consisted of a \$15 million real estate lease exposure, as well as the airline-leasing portfolio which included \$77 million to major U.S. carriers, \$121 million to foreign airlines and \$15 million to U.S. regionals.

The airline industry continued to face difficult operating conditions in 2009. A weak economic outlook for 2010 continues to have a dampening effect on aircraft values in the secondary market. Because of these factors, we continue to maintain a sizable allowance for loan losses against these exposures and to closely monitor the portfolio.

At Dec. 31, 2009, the non-airline portion of the leasing portfolio consisted of \$3.4 billion of exposures backed by well-diversified assets, primarily large-ticket transportation equipment. The largest component is rail, consisting of both passenger and freight trains. Assets are both domestic and foreign-based, with primary concentrations in the United States and European countries. Excluding airline leasing, counterparty rating equivalents at Dec. 31, 2009, were as follows:

- 14% of the counterparties are AA or better;
- 37% are A;
- 46% are BBB; and
- 3% are non-investment grade

Other residential mortgages

The other residential mortgage portfolio primarily consists of 1-4 family residential mortgage loans and totaled \$2.2 billion at Dec. 31, 2009. Included in this portfolio is approximately \$1.0 billion 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 Dec. 31, 2009, the prime and Alt-A mortgage loans in this portfolio had a weighted-average original loan-to-value ratio of 75% and approximately 23% of these loans were at least 60 days delinquent. The properties securing the prime and Alt-A mortgage loans were located (in order of concentration) in California, Florida, Virginia, the tri-state area (New York, New Jersey and Connecticut) and Maryland.

To determine the projected loss on the prime and Alt-A mortgage portfolio, we calculate the total estimated defaults of these mortgages and multiply

that amount by an estimate of realizable value upon sale in the marketplace (severity).

At Dec. 31, 2009, we had less than \$15 million in subprime mortgages included in the total residential mortgage portfolio. The subprime loans were issued to support our Community Reinvestment Act requirements.

Overdrafts

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

Loans by product

The following table shows trends in the loans outstanding at year-end on a continuing operations basis over the last five years based on a product analysis.

Loans by product - at year end <i>(in millions)</i>	2009	2008	2007	2006 (a)	2005 (a)
Domestic:					
Commercial and industrial loans	\$ 3,280	\$ 6,537	\$ 6,553	\$ 4,814	\$ 3,676
Real estate loans:					
Construction and land development	533	812	772	284	324
Other, principally commercial mortgages	721	1,197	1,789	422	554
Collateralized by residential properties	5,567	5,489	4,806	3,815	2,710
Banks and other financial institutions	1,517	3,376	3,737	2,494	2,266
Loans for purchasing or carrying securities	3,826	4,099	6,208	7,114	4,935
Lease financings	2,450	2,754	3,206	3,032	3,262
Less: Unearned income on lease financings	(754)	(902)	(1,174)	(832)	(938)
Wealth loans	3,354	1,866	1,857	266	378
Margin loans	4,657	3,977	5,210	5,167	6,089
Other (primarily overdrafts)	3,780	4,152	3,314	1,336	946
Total domestic	28,931	33,357	36,278	27,912	24,202
Foreign:					
Commercial and industrial loans	517	668	913	1,111	1,184
Banks and other financial institutions	4,947	4,714	8,940	5,350	4,196
Lease financings	3,344	4,088	5,811	5,802	5,816
Less: Unearned income on lease financings	(1,528)	(1,934)	(2,876)	(2,504)	(2,615)
Government and official institutions	64	1,437	312	9	101
Other (primarily overdrafts)	414	1,064	1,553	113	43
Total foreign	7,758	10,037	14,653	9,881	8,725
Less: Allowance for loan losses	(503)	(415)	(327)	(287)	(326)
Net loans	\$36,186	\$42,979	\$50,604	\$37,506	\$32,601

(a) Results for 2006 and 2005 include legacy The Bank of New York Company, Inc. only.

International loans

We have credit relationships in the international markets, particularly in areas associated with our securities servicing and trade finance. Excluding lease financings, these activities resulted in outstanding international loans of \$5.9 billion and \$7.9 billion as of Dec. 31, 2009 and 2008, respectively. This decrease primarily resulted from a decrease in loans to foreign governments and lower overdrafts.

At Dec. 31, 2009, our emerging markets exposures, which are primarily included in foreign loans in the table above, totaled approximately \$7.9 billion. These exposures consisted primarily of short-term loans, and a \$316 million investment in Wing Hang, which is located in Hong Kong. This compares with emerging market exposure of \$7.3 billion in 2008, including an investment of \$279 million in Wing Hang.

Maturity of loan portfolio

The following table shows the maturity structure of our loan portfolio at Dec. 31, 2009.

Maturity of loan portfolio (a)	Within 1 year	Between 1 and 5 years	After 5 years	Total
<i>(in millions)</i>				
Domestic:				
Real estate, excluding loans collateralized by 1-4 family residential properties	\$ 377	\$ 534	\$343	\$ 1,254
Commercial and industrial loans	804	2,464	12	3,280
Loans for purchasing or carrying securities	3,670	156	-	3,826
Margin loans	4,657	-	-	4,657
Other, excluding loans to individuals and those collateralized by 1-4 family residential properties	4,521	707	69	5,297
Subtotal	14,029	3,861	424	18,314
Foreign	5,406	534	-	5,940
Total	\$19,435	\$4,395 (b)	\$424 (b)	\$24,254

(a) Excludes loans collateralized by residential properties, lease financings and wealth loans.

(b) Variable rate loans due after one year totaled \$4.757 billion and fixed rate loans totaled \$62 million.

Asset quality and allowance for credit losses

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

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

We have implemented a credit strategy to reduce exposures that no longer meet risk/return criteria, including an assessment of overall relationship profitability. In addition, we make use of credit derivatives and other risk mitigants as economic hedges of portions of the credit risk in our portfolio. The effect of these transactions is to transfer credit risk to creditworthy, independent third parties.



Results of Operations (continued)

Activity in allowance for credit losses

The following table details changes in our allowance for credit losses for the last five years:

Allowance for credit losses activity (in millions)	2009	2008	2007 (a)	2006 (a)	2005 (a)
Margin loans	\$ 4,657	\$ 3,977	\$ 5,210	\$ 5,167	\$ 6,089
Non-margin loans	32,032	39,417	45,721	32,626	26,838
Total loans at Dec. 31,	36,689	43,394	50,931	37,793	32,927
Average loans outstanding	36,424	48,132	41,515	33,612	32,069
Allowance for credit losses:					
Balance, Jan. 1,					
Domestic	\$ 461	\$ 354	\$ 328	\$ 363	\$ 481
Foreign	6	24	7	11	27
Unallocated	62	116	102	96	119
Total	529	494	437	470	627
Charge-offs:					
Commercial	(124)	(30)	(22)	(27)	(144)
Commercial real estate	(31)	(15)	-	-	-
Other residential mortgage	(60)	(20)	-	-	-
Foreign	-	(17)	(19)	(2)	(10)
Wealth management	(1)	(1)	-	-	-
Leasing	-	-	(36)	-	-
Other	-	-	(1)	-	-
Total charge-offs	(216)	(83)	(78)	(29)	(154)
Recoveries:					
Commercial	-	2	1	3	1
Foreign	-	4	1	7	3
Leasing	1	3	13	4	-
Other	1	1	-	2	-
Total recoveries	2	10	15	16	4
Net charge-offs	(214)	(73)	(63)	(13)	(150)
Provision for credit losses	332	104	(11)	(20)	(7)
Transferred to discontinued operations	(19)	27	1	-	-
Acquisitions/dispositions and other	-	(23)	130	-	-
Balance, Dec. 31,					
Domestic	598	461	354	328	363
Foreign	4	6	24	7	11
Unallocated	26	62	116	102	96
Total allowance, Dec. 31, (b)	\$ 628	\$ 529	\$ 494	\$ 437	\$ 470
Allowance for loan losses	\$ 503	\$ 415	\$ 327	\$ 287	\$ 326
Allowance for lending related commitments	125	114	167	150	144
Net charge-offs to average loans outstanding	0.59%	0.15%	0.15%	0.04%	0.47%
Net charge-offs to total allowance for credit losses	34.08	13.80	12.75	2.97	31.91
Allowance for loan losses as a percent of total loans	1.37	0.96	0.64	0.76	0.99
Allowance for loan losses as a percent of non-margin loans	1.57	1.05	0.72	0.88	1.21
Total allowance for credit losses as a percent of total loans	1.71	1.22	0.97	1.16	1.43
Total allowance for credit losses as a percent of non-margin loans	1.96	1.34	1.08	1.34	1.75

(a) Charge-offs, recoveries and the provision for 2007 include six months of BNY Mellon and six months of legacy The Bank of New York Company, Inc. These categories for 2006 and 2005 reflect legacy The Bank of New York Company, Inc.

(b) The allowance for credit losses at Dec. 31, 2009 excludes discontinued operations. The allowance for credit losses includes discontinued operations of \$35 million at Dec. 31, 2008 and \$17 million at Dec. 31, 2007.

Net charge-offs were \$214 million in 2009, \$73 million in 2008 and \$63 million in 2007. Net charge-offs in 2009 included \$71 million related to print and broadcast media, \$60 million of residential mortgages primarily located in California, New York, New Jersey and Florida, \$31 million related to commercial real estate exposure in Florida and New York, \$38 million to finance and leasing companies and \$8 million to an auto parts manufacturer. Net charge-offs in 2008 included \$20 million of residential mortgages, \$15 million related to commercial real estate exposure, \$17 million related to foreign SIV exposures, \$13 million to a newspaper publisher and \$7 million to a retail trade customer.

The provision for credit losses was \$332 million in 2009 compared with \$104 million in 2008 and a credit of \$11 million in 2007. The increase in the provision in 2009 compared with 2008 primarily reflects downgrades in the insurance, media and residential mortgage portfolios. We expect the provision to decline in 2010.

The total allowance for credit losses was \$628 million and \$529 million at year-end 2009 and 2008, respectively. The increase in the allowance for credit losses resulted from a provision for credit losses of \$332 million, partially offset by net charge-offs of \$214 million. The ratio of the total allowance for credit losses to year-end non-margin loans was 1.96% and 1.34% at Dec. 31, 2009 and 2008, respectively. The ratio of the allowance for loan losses to year-end non-margin loans was 1.57% and 1.05% at Dec. 31, 2009 and 2008, respectively. The growth in these ratios reflects additions to the allowance for credit losses resulting from higher risk-rated loans and mortgages, and an increase in nonperforming loans.

We had \$4.7 billion of secured margin loans on our balance sheet at Dec. 31, 2009 compared with \$4.0 billion at Dec. 31, 2008. We have rarely suffered a loss on these types of loans and do not allocate any of our allowance for credit losses to them. As a result, we believe that the ratio of total allowance for credit losses to non-margin loans is a more appropriate metric to measure the adequacy of the reserve.

In 2009, the methodology used to determine the allowance for credit losses was revised. The determination of the reserve for higher risk rated credits and pass-rated credits was combined and is based on our expected loss model. This methodology change increased the reserve requirement approximately \$10 million.

The allowance for loan losses and the allowance for unfunded commitments consist of three elements:

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

The first element, impaired credits, is based on individual analysis of all nonperforming loans over \$1 million. The allowance is measured by the difference between the recorded value of impaired loans and their impaired value. Impaired value is either the present value of the expected future cash flows from the borrower, the market value of the loan, or the fair value of the collateral.

The second element, higher-rated credits and pass rated credits, is based on our expected loss model. Borrowers are assigned to pools based on their credit ratings. The expected loss for each loan in a pool incorporates the borrower's credit rating, loss given default rating and maturity. The loss given default incorporates a recovery expectation. The borrower's probability of default is derived from the associated credit rating. Borrower ratings are reviewed at least annually and are periodically mapped to third party databases, including rating agency and default and recovery databases, to ensure ongoing consistency and validity. Higher risk rated credits are reviewed quarterly. Commercial loans over \$1 million are individually analyzed before being assigned a credit rating. We also apply this technique to our leasing and wealth management portfolios.

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

- Economic conditions including duration of the current cycle;
- Collateral values;
- Specific credits and industry conditions;
- Results of bank regulatory and internal credit exams;
- Geopolitical issues and their impact on the economy; and
- Volatility and model risk.

Based on an evaluation of these three elements, including individual credits, historical credit losses, and global economic factors, we have allocated our allowance for credit losses on a continuing operations basis as follows:

Allocation of allowance	2009 (a)	2008 (a)	2007 (a)	2006 (b)	2005 (b)
Commercial	41%	47%	49%	64%	66%
Other residential mortgages	25	15	5	4	5
Financial institutions	13	10	8	3	3
Wealth management (c)	9	5	3	2	5
Commercial real estate	7	10	7	2	2
Foreign	1	1	5	2	2
Unallocated	4	12	23	23	17
Total	100%	100%	100%	100%	100%

(a) Excludes discontinued operations. The allowance for credit losses includes discontinued operations in 2008 and 2007.

(b) Reflects legacy The Bank of New York Company, Inc. only.

(c) Includes the allowance for wealth management mortgages.

Nonperforming assets

The following table shows the distribution of nonperforming assets at the end of each of the last five years.

Nonperforming assets at Dec. 31 (dollar in millions)	2009	2008	2007	2006 (a)	2005 (a)
Loans:					
Other residential mortgages	\$ 190	\$ 97	\$ 20	\$ 2	\$ -
Financial institutions	172	41	24	-	-
Commercial	65	14	15	26	12
Commercial real estate	61	130	40	-	-
Wealth management	58	2	-	-	-
Foreign	-	-	87	9	13
Other	-	-	-	-	1
Total nonperforming loans	546	284	186	37	26
Other assets owned	4	8	4	1	13
Total nonperforming assets	\$ 550 (b)	\$ 292 (b)	\$ 190 (b)	\$ 38	\$ 39
Nonperforming assets ratio	1.5%	0.7%	0.4%	0.1%	0.1%
Allowance for loan losses/nonperforming loans	92.1	146.1	175.8	775.7	1,253.8
Allowance for loan losses/nonperforming assets	91.5	142.1	172.1	755.3	835.9
Total allowance for credit losses/nonperforming loans	115.0	186.3	265.6	1,181.1	1,807.7
Total allowance for credit losses/nonperforming assets	114.2	181.2	260.0	1,150.0	1,205.1

(a) Reflects legacy The Bank of New York Company, Inc. only.

(b) Nonperforming assets at Dec. 31, 2009 exclude discontinued operations. Nonperforming assets at Dec. 31, 2008 and Dec. 31, 2007 include discontinued operations of \$96 million and \$18 million, respectively.

Nonperforming assets were \$550 million at Dec. 31, 2009, an increase of \$258 million compared with Dec. 31, 2008. The increase primarily resulted from \$137 million in the insurance portfolio, \$108 million in the media portfolio, \$99 million in other residential mortgages, an increase of \$62 million in loans to wealth management clients, \$37 million to real estate

The allocation of allowance for credit losses is inherently judgmental, and the entire allowance for credit losses is available to absorb credit losses regardless of the nature of the loss. The unallocated allowance reflects various factors in the current credit environment and is also available to, among other things, absorb further deterioration across all of our portfolios resulting from the current economic environment. The unallocated allowance for credit losses was 4% at Dec. 31, 2009, a decrease from 12% at Dec. 31, 2008.

investment companies, \$27 million to mortgage companies and \$21 million to a finance/leasing company. Partially offsetting this increase was \$96 million that was transferred to discontinued operations, \$95 million of charge-offs and \$49 million of loan payments/sales.

Results of Operations (continued)

Nonperforming assets activity (in millions)	2009	2008
Balance at beginning of year	\$292	\$190
Additions	510	251
Charge-offs	(95)	(61)
Paydowns/sales	(49)	(91)
Transferred to discontinued operations	(96)	-
Other	(12)	3
Balance at end of year (a)	\$550	\$292

(a) Nonperforming assets at Dec. 31, 2009 exclude discontinued operations. Nonperforming assets at Dec. 31, 2008 include discontinued operations of \$96 million.

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

Past due loans still accruing interest at year-end (in millions)	2009	2008	2007	2006 (a)	2005 (a)
Domestic:					
Consumer	\$ 93	\$ 27	\$ -	\$ 9	\$ 2
Commercial	338	315	343	7	7
Total domestic	431	342	343	16	9
Foreign	-	-	-	-	-
Total past due loans	\$431 (b)	\$342 (b)	\$343 (b)	\$16	\$9

(a) Reflects legacy The Bank of New York Company, Inc. only.

(b) Past due loans at Dec. 31, 2009 exclude discontinued operations. There were no past due loans at Dec. 31, 2008 and 2007 included in discontinued operations.

Past due loans at Dec. 31, 2009 were primarily comprised of loans to an asset manager that has filed for bankruptcy. For additional information, see Note 26 of the Notes to Consolidated Financial Statements. These loans are well secured, largely by cash and high grade fixed income securities, and are in the process of collection. The remainder of past due loans at Dec. 31, 2009 include \$93 million of other residential mortgages and \$25 million of commercial real estate loans.

Deposits

Total deposits were \$135.1 billion at Dec. 31, 2009, a decrease of 15% compared with \$159.7 billion at Dec. 31, 2008. The decrease in deposits reflects the roll-off of client cash as the credit market eased throughout 2009 and deposits taken in during the credit crisis decreased to more normal levels.

Noninterest-bearing deposits were \$33.5 billion at Dec. 31, 2009, compared with \$55.8 billion at Dec. 31, 2008. Interest-bearing deposits were \$101.6 billion at Dec. 31, 2009, compared with \$103.9 billion at Dec. 31, 2008.

The aggregate amount of deposits by foreign customers in domestic offices was \$11 billion and \$16 billion at Dec. 31, 2009 and 2008, respectively.

Deposits in foreign offices totaled approximately \$71 billion at both Dec. 31, 2009 and Dec. 31, 2008. The majority of these deposits were in amounts in excess of \$100,000 and were primarily overnight foreign deposits.

The following table shows the maturity breakdown of domestic time deposits of \$100,000 or more at Dec. 31, 2009.

Domestic time deposits > \$100,000 at Dec. 31, 2009			
(in millions)	Certificates of deposits	Other time deposits	Total
3 months or less	\$311	\$27,102	\$27,413
Between 3 and 6 months	427	-	427
Between 6 and 12 months	32	-	32
Over 12 months	68	-	68
Total	\$838	\$27,102	\$27,940

Other borrowings

We fund ourselves primarily through deposits and other borrowings, which are comprised of federal funds purchased and securities sold under repurchase agreement, payables to customers and broker-dealers, other borrowed funds and long-term debt. Federal funds purchased and securities sold under repurchase agreements were \$3.3 billion at Dec. 31, 2009, compared with \$1.4 billion at Dec. 31, 2008. Payables to customers and broker-dealers were \$10.7 billion at Dec. 31, 2009 and \$9.3 billion at Dec. 31, 2008. The increase to payables to customers and broker-dealers was due to higher short selling activity and a general increase in cash held in customer accounts awaiting re-investment. Other borrowed funds were \$477 million at Dec. 31, 2009, compared with \$755 million at Dec. 31, 2008. Other borrowed funds consist primarily of extended federal funds purchased and amounts owed to the U.S. Treasury. At Dec. 31, 2009, we had \$12 million of commercial paper compared with \$138 million at Dec. 31, 2008.

At Dec. 31, 2008, we held \$5.6 billion of borrowings related to the Federal Reserve's Asset-Backed Commercial Paper Program that was implemented in 2008. These balances were repaid in early 2009.

See "Liquidity and dividends" below for a discussion of long-term debt.

Information related to federal funds purchased and securities sold under repurchase agreements in 2009, 2008 and 2007 is presented in the table below.

Federal funds purchased and securities sold under repurchase agreements (a) <i>(dollar amounts in millions)</i>	2009	2008	2007
Maximum month-end balance	\$3,928	\$11,788	\$8,496
Average daily balance	2,695	4,624	2,555
Average rate during the year	-%	1.00%	4.33%
Balance at Dec. 31	\$3,348	\$ 1,372	\$2,193
Average rate at Dec. 31	0.01%	0.14%	3.54%

(a) *Discontinued operations were excluded in 2009 and were included in 2008 and 2007.*

Information related to other borrowed funds in 2009, 2008 and 2007 is presented in the table below.

Other borrowed funds (includes commercial paper) <i>(dollar amounts in millions)</i>	2009	2008	2007
Maximum month-end balance	\$3,409	\$3,029	\$5,919
Average daily balance	2,855	3,259	2,523
Average rate during the year	1.49%	2.77%	3.59%
Balance at Dec. 31	\$ 489	\$ 893	\$5,919
Average rate at Dec. 31	1.36%	1.04%	3.07%

Information related to borrowings from Federal Reserve related to asset-backed commercial paper in 2009 and 2008 is presented in the table below.

Borrowings from Federal Reserve related to asset-backed commercial paper <i>(dollar amounts in millions)</i>	2009	2008
Maximum month-end balance	\$1,080	\$10,865
Average daily balance	317	2,348
Average rate during the year	2.25%	2.25%
Balance at Dec. 31	\$ -	\$ 5,591
Average rate at Dec. 31	-%	2.92%

Support agreements

In 2008, we voluntarily provided support to clients invested in money market mutual funds, cash sweep funds and similar collective funds, managed by our affiliates, as well as clients invested in funds within our securities lending business.

These support agreements are designed to enable these funds to continue to operate at a stable share price of \$1.00. In 2009, we recorded a credit to support agreement charges of \$15 million (pre-tax). This credit reflects a reduction in the support agreement reserve primarily due to improved pricing

of Lehman securities, primarily offset by the final support agreement charge for four Dreyfus money market funds entered into in 2008. The agreements supporting the Dreyfus money market funds expired and were completed in 2009. At Dec. 31, 2009, the value of Lehman securities increased to 19.50% from 9.75% at Dec. 31, 2008.

At Dec. 31, 2009, our additional potential maximum exposure to support agreements was approximately \$86.1 million, based on the securities subject to these agreements being valued at zero and the NAV of the related funds declining below established thresholds. This exposure includes agreements covering Lehman securities (\$49.6 million), as well as other client support agreements (\$36.5 million).

Liquidity and dividends

BNY Mellon defines liquidity as the ability of the Company and its subsidiaries to access funding or convert assets to cash quickly and inexpensively, especially during periods of market stress. Appropriate consideration in managing the balance sheet is given to balancing the competing needs to maintain adequate levels of liquidity while maintaining profitability. Liquidity risk is the potential for loss resulting from an inability to satisfy contractual and contingent funding requirements, both on- and off-balance sheet, at an acceptable cost.

Our liquidity policy is based on several core principles. BNY Mellon seeks to maintain an adequate liquidity cushion in both normal and stressed environments and seeks to diversify funding sources by customer, market segment and maturity. Liquidity is managed on a subsidiary basis, a consolidated basis and at The Bank of New York Mellon Corporation parent company ("Parent").

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

At Dec. 31, 2009, we had approximately \$60 billion of liquid funds and \$11 billion of cash (including approximately \$7 billion on deposit with the Federal Reserve and other central banks) for a total of approximately \$71 billion of available funds. This compares with available funds of \$105 billion at Dec. 31, 2008. Our liquid assets to total assets was 33% at Dec. 31, 2009 compared with 44% at Dec. 31,

2008. The decrease from Dec. 31, 2008 primarily reflects lower cash balances, primarily deposits with the Federal Reserve and other central banks, resulting from the decline in noninterest-bearing deposits as the balance sheet returned to expected levels during 2009.

On an average basis for 2009 and 2008, non-core sources of funds such as money market rate accounts, certificates of deposit greater than \$100,000, federal funds purchased and other borrowings were \$25.1 billion and \$23.8 billion, respectively. The increase primarily reflects a higher level of money market rate accounts, partially offset by lower levels of federal funds purchased and certificates of deposits greater than \$100,000. Average foreign deposits, primarily from our European-based securities servicing business, were \$72.6 billion in 2009 compared with \$68.8 billion in 2008. The increase in foreign deposits primarily reflects greater liquidity from our corporate trust business. Domestic savings and other time deposits averaged \$6.1 billion in 2009 compared with \$7.2 billion in 2008. The 2008 average included the impact of a large government deposit.

Average payables to customers and broker-dealers were \$5.3 billion in 2009 and \$5.5 billion in 2008. Long-term debt averaged \$16.9 billion in 2009 and \$16.4 billion in 2008. The increase in long-term debt primarily reflects the issuance of senior debt, partially offset by maturities. Average noninterest-bearing deposits increased to \$36.4 billion in 2009 from \$33.7 billion in 2008, primarily reflecting a significant increase in customer deposits in late 2008 during the credit crisis.

The Parent has five major sources of liquidity:

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

As a result of charges related to the restructuring of the securities portfolios, The Bank of New York Mellon and BNY Mellon, N.A. will require consent from our regulators prior to paying a dividend. Despite this limitation, management estimates that liquidity at the Parent will continue to be sufficient to meet BNY Mellon's ongoing quarterly dividend requirement. Based on projections, we currently expect this restriction to be lifted in the fourth quarter of 2010. At Dec. 31, 2009, our other bank

subsidiaries had the ability to pay dividends of approximately \$136 million to the Parent without the need for a regulatory waiver. In addition, at Dec. 31, 2009, nonbank subsidiaries of the Parent had liquid assets of approximately \$1.1 billion.

Any increase in BNY Mellon's ongoing quarterly dividends would require consultation with the Federal Reserve.

Restrictions on our ability to obtain funds from our subsidiaries are discussed in more detail in Note 22 of the Notes to Consolidated Financial Statements.

In 2009 and 2008, the Parent's average commercial paper borrowings were \$186 million and \$34 million, respectively. The Parent had cash of \$4.4 billion at Dec. 31, 2009, compared with \$5.0 billion at Dec. 31, 2008. Commercial paper outstandings issued by the Parent were \$12 million and \$16 million at Dec. 31, 2009 and 2008, respectively. Net of commercial paper outstanding, the Parent's cash position at Dec. 31, 2009 decreased by \$596 million compared with Dec. 31, 2008. The decrease in cash held by the Parent reflected the repurchase of the preferred stock and warrant issued to the U.S. Treasury as part of the TARP Capital Purchase Program, primarily offset by common stock and debt offerings in 2009. The Parent's liquidity target is to have sufficient cash on hand to meet its obligations over the next 18 months without the need to receive dividends from its bank subsidiaries or issue debt. As of Dec. 31, 2009, the liquidity target was exceeded.

We currently have a \$226 million credit agreement with 10 financial institutions that matures in October 2011. The fee on this facility depends on our credit rating and at Dec. 31, 2009 was 6 basis points. The credit agreement requires us to maintain:

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

We are currently in compliance with these covenants. There were no borrowings under this facility at Dec. 31, 2009.

We also have the ability to access the capital markets. In July 2007, we filed a shelf registration statement on

Form S-3 with the Securities and Exchange Commission (“SEC”) covering the issuance of certain securities, including an unlimited amount of debt, common stock, preferred stock and trust preferred securities.

Our ability to access the capital markets on favorable terms, or at all, is partially dependent on our credit ratings, which, as of Dec. 31, 2009, were as follows:

Debt ratings at Dec. 31, 2009	Standard &			
	Moody's	Poor's	Fitch	DBRS
Parent:				
Long-term senior debt	Aa2	AA-	AA-	AA (low)
Subordinated debt	Aa3	A+	A+	A (high)
The Bank of New York Mellon:				
Long-term senior debt	Aaa	AA	AA-	AA
Long-term deposits	Aaa	AA	AA	AA
BNY Mellon, N.A.:				
Long-term senior debt	Aaa	AA	AA- (a)	AA
Long-term deposits	Aaa	AA	AA	AA
Outlook	Stable	Stable	Stable	Stable (long-term)

(a) Represents senior debt issuer default rating.

In February 2010, the rating agencies referenced above affirmed the ratings included in the table above of BNY Mellon and its subsidiaries.

In January and February 2010, Fitch and Moody's revised their global guidelines for rating hybrid securities. These revised guidelines impacted the ratings of hybrid securities of a significant number of U.S. financial institutions (primarily banks), monitored by these agencies. As a result of these changes, the ratings on BNY Mellon's Trust Preferred securities were revised from A+ to A by Fitch and Aa3/A1 to A1/A3 by Moody's. BNY Mellon's other ratings from Fitch and Moody's were not impacted by these changes.

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

In 2009, \$1.225 billion of senior and subordinated long-term debt matured. The Parent has \$1.85 billion of long-term debt that will mature in 2010. The Parent has the option to call \$1.07 billion of subordinated debt in 2010, which it may call and refinance if market conditions are favorable.

We have \$850 million of trust-preferred securities that are callable in 2010. These securities qualify as Tier 1

capital. We have not yet decided if we will call these securities. The decision to call will be based on interest rates, the availability of cash and capital, and regulatory conditions. See discussion of qualification of trust preferred securities as capital in Capital.

Long-term debt increased to \$17.2 billion at Dec. 31, 2009 from \$15.9 billion at Dec. 31, 2008 primarily due to the issuance of \$3.4 billion of senior medium-term debt, summarized in the following table:

Debt issuances (in millions)	2009
Senior medium-term notes:	
3-month LIBOR + 16 bps senior notes due 2012 (a)	\$ 603
4.3% senior medium-term notes due 2014 (b)	1,000
5.45% senior medium-term notes due 2019 (b)	500
3.1% senior medium-term notes due 2015 (b)	750
4.6% senior medium-term notes due 2020 (b)	500
Total debt issuances	\$3,353

(a) Guaranteed under the FDIC's Temporary Liquidity Guarantee Program (“TLGP”). In 2009, the Parent issued the maximum amount of debt permissible for it under the TLGP.

(b) These notes are not guaranteed under the FDIC's TLGP.

In the second quarter of 2009, BNY Mellon issued 48.3 million common shares, at \$28.75 per share, for a total of \$1.4 billion.

In June 2009, we repurchased the 3 million shares of Series B preferred stock issued to the U.S. Treasury in October 2008 as part of TARP. We paid the U.S. Treasury \$3.0 billion, which reflects the liquidation value of the preferred stock.

On Aug. 5, 2009, BNY Mellon repurchased, for \$136 million, the warrant issued to the U.S. Treasury in connection with the TARP Capital Purchase Program.

The double leverage ratio is the ratio of investment in subsidiaries divided by our consolidated equity plus trust preferred securities. Our double leverage ratio at Dec. 31, 2009 and 2008 was 104.8%, and 98.34%, respectively. Our target double leverage ratio is a maximum of 120%. The double leverage ratio is monitored by regulators and rating agencies and is an important constraint on our ability to invest in our subsidiaries and expand our businesses.

In 2009, BNY Mellon contributed \$300 million to its primary U.S. pension plan.

Pershing LLC, an indirect subsidiary of BNY Mellon, has committed and uncommitted lines of credit in

place for liquidity purposes which are guaranteed by the Parent. The committed line of credit of \$905 million extended by 15 financial institutions matures in March 2010. We expect that this line of credit will be renewed. In 2009, the average borrowing against this line of credit was \$178 million. Additionally, Pershing has another committed line of credit for \$125 million extended by one financial institution that matures in September 2010. The average borrowing against this line of credit was \$39 million during 2009.

Pershing LLC has four separate uncommitted lines of credit, amounting to \$875 million in aggregate. In 2009, average daily borrowing under these lines was \$187 million in aggregate.

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

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

We are currently in compliance with these covenants.

Pershing Limited, an indirect U.K.-based subsidiary of BNY Mellon, has committed and uncommitted lines in place for liquidity purposes, which are guaranteed by the Parent. The committed line of credit of \$171 million extended by four financial institutions matures in March 2010. We expect this line to be renewed. In 2009, there were no borrowings against these lines of credit. Pershing Limited has three separate uncommitted lines of credit amounting to \$250 million in aggregate. In 2009, average daily borrowing under these lines was \$16 million in aggregate.

Statement of cash flows

Cash provided by operating activities was \$3.8 billion in 2009, compared with \$2.9 billion in 2008 and \$4.0 billion in 2007. In 2009, earnings, excluding the non-cash impact of investment securities losses, depreciation and amortization and accruals and other balances, partially offset by deferred tax benefits and

changes in trading activities were a significant source of funds. The cash flows from operations in 2008 were principally the result of earnings. The cash flows from operations in 2007 were principally the result of earnings and changes in trading activities.

In 2009, cash provided by investing activities was \$23.1 billion compared to \$56.0 billion used for investing activities in 2008 and \$21.6 billion used for investing activities in 2007. In 2009, interest-bearing deposits with the Federal Reserve and other central banks was a significant source of funds, partially offset by purchases of securities available for sale. In 2008, interest-bearing deposits at the Federal Reserve and other central banks and interest-bearing deposits with banks were a significant use of funds, and federal funds sold and securities purchased under resale agreements and loans to customers were a significant source of funds. In 2007, cash was used to increase our investment in securities. Interest-bearing deposits, loans to customers and Federal funds sold and securities purchased under resale agreements were uses of funds in 2007.

In 2009, cash used for financing activities was \$28.0 billion, compared to \$51.8 billion provided by financing activities in 2008 and \$21.5 billion provided by financing activities in 2007. In 2009, change in deposits, other borrowed funds and the repurchase of the Series B preferred stock and the warrant were significant uses of funds, partially offset by proceeds from the issuance of long term debt and common stock, and the change in federal funds purchased and securities sold under repurchase agreements. In 2008, deposits and other funds borrowed, partially offset by use of funds for the repayments of long-term debt and commercial paper were the primary source of funds. In 2007, sources of funds included deposits and the issuance of long-term debt.

Commitments and obligations

We have contractual obligations to make fixed and determinable payments to third parties as indicated in the table below. The table excludes certain obligations such as trade payables and trading liabilities, where the obligation is short-term or subject to valuation based on market factors.

Results of Operations (continued)

Contractual obligations at Dec. 31, 2009 (in millions)	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	Over 5 years
Deposits without a stated maturity	\$ 26,599	\$ 26,599	\$ -	\$ -	\$ -
Term deposits	74,974	74,900	45	22	7
Federal funds purchased and securities sold under repurchase agreements	3,348	3,348	-	-	-
Payables to customers and broker-dealers	10,721	10,721	-	-	-
Other borrowed funds	489	489	-	-	-
Long-term debt (a)	24,592	2,573	6,066	4,719	11,234
Operating leases	2,775	347	610	494	1,324
Unfunded pension and post retirement benefits	382	39	81	75	187
Capital leases	47	31	16	-	-
Total contractual obligations	\$143,927	\$119,047	\$6,818	\$5,310	\$12,752

(a) Including interest.

We have entered into fixed and determinable commitments as indicated in the table below:

Other commitments at Dec. 31, 2009 (in millions)	Total	Amount of commitment expiration per period			
		Less than 1 year	1-3 years	3-5 years	Over 5 years
Securities lending indemnifications	\$247,560	\$247,560	\$ -	\$ -	\$ -
Lending commitments	32,454	11,797	18,547	1,795	315
Standby letters of credit	11,359	7,423	3,686	250	-
Commercial letters of credit	789	789	-	-	-
Investment commitments (a)	207	3	25	3	176
Purchase obligations (b)	1,087	400	495	169	23
Support agreements	86	-	36	50	-
Total commitments	\$293,542	\$267,972	\$22,789	\$2,267	\$514

(a) Includes private equity, community reinvestment act, and other investment-related commitments.

(b) Purchase obligations are defined as agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms.

In addition to the amounts shown in the table above, at Dec. 31, 2009, \$335 million of unrecognized tax benefits have been recorded as liabilities in accordance with ASC 740. Related to these unrecognized tax benefits, we have also recorded a liability for potential interest of \$80 million. At this point, it is not possible to determine when these amounts will be settled or resolved.

Off-balance sheet arrangements

Off-balance sheet arrangements required to be discussed in this section are limited to guarantees, retained or contingent interests, support agreements,

certain derivative instruments related to our common stock, and obligations arising out of unconsolidated variable interest entities. For BNY Mellon, these items include certain credit guarantees and securitizations. Guarantees include: lending-related guarantees issued as part of our corporate banking business; securities lending indemnifications issued as part of our servicing and fiduciary businesses and support agreements issued to customers in our asset servicing and asset management businesses. See the Support agreements section and Note 26 of the Notes to Consolidated Financial Statements for a further discussion of our off-balance sheet arrangements.

Capital
Capital data

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

	2009	2008
At period end:		
Common shareholders' equity to assets ratio	13.7%	10.6%
Total shareholders' equity	\$ 28,977	\$ 28,050
Tangible common shareholders' equity		
– Non-GAAP (a)	\$ 9,540	\$ 5,950
Book value per common share	\$ 23.99	\$ 22.00
Tangible book value per common share		
– Non-GAAP (a)	\$ 7.90	\$ 5.18
Closing common stock price per share	\$ 27.97	\$ 28.33
Market capitalization	\$ 33,783	\$ 32,536
Common shares outstanding	1,207,835	1,148,467
Full-year:		
Average total shareholders' equity to average assets	13.4%	13.7%
Cash dividends per common share	\$ 0.51	\$ 0.96
Dividend yield	1.8%	3.4%

(a) See Supplemental information beginning on page 74 for a reconciliation of GAAP to non-GAAP.

The increase in total shareholders' equity compared with Dec. 31, 2008 primarily resulted from an improvement in unrealized losses on the investment securities portfolio resulting from improved pricing in the fixed income market in 2009 and the restructuring of the securities portfolio. This improvement in OCI was offset by lower retained earnings resulting from the impairment charges recorded in 2009. Also impacting total shareholders' equity was the common stock offering of 48.3 million shares (\$1.4 billion) in 2009, which was more than offset by the repurchase of the Series B preferred stock and warrant issued to the U.S. Treasury in 2008. During 2009, retained earnings decreased \$1.3 billion.

In 2009, we acquired Insight and a 20% minority interest in Siguler Guff. In connection with these transactions, BNY Mellon issued approximately 3 million common shares (\$85 million).

In January 2010, we declared a quarterly common stock dividend of \$0.09 per common share that was paid on Feb. 9, 2010, to shareholders of record as of the close of business on Feb. 1, 2010.

The Tier 1 capital ratio varies depending on the size of the balance sheet at quarter-end. 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.

Our Tier 1 capital ratio was 12.1% at Dec. 31, 2009, compared with 13.2% at Dec. 31, 2008. The decrease in the Tier 1 capital ratio compared with Dec. 31, 2008 primarily reflects the restructuring of the investment securities portfolio and the repurchase of Series B preferred stock issued as part of the TARP Capital Purchase Program ("CPP"), offset by the issuance of common shares in the second quarter of 2009. At Dec. 31, 2009, our total assets were \$212.2 billion compared with \$237.5 billion at Dec. 31, 2008. The decrease in assets had an immaterial impact on risk-weighted assets as the decrease was in lower risk-weighted government investments.

A billion dollar change in risk-weighted assets changes the Tier 1 ratio by approximately 11 basis points while a \$100 million change in common equity changes the Tier 1 ratio by approximately 9 basis points.

Our tangible common equity to tangible assets ratio was 5.2% at Dec. 31, 2009, up from 3.8% at Dec. 31, 2008. The increase compared with the prior year primarily reflects the improvement in pricing in the fixed income market in 2009 and the \$1.4 billion common stock offering in 2009. The unrealized net of tax loss on our available-for-sale securities portfolio recorded in other comprehensive income was \$619 million at Dec. 31, 2009 compared with \$4.0 billion at Dec. 31, 2008. The improvement reflects the restructuring of the investment securities portfolio and the improvements in the fixed income markets.

Troubled Asset Relief Program

In October 2008, the U.S. Government announced the Troubled Asset Relief Program Capital Purchase Program authorized under the Emergency Economic Stabilization Act. See Note 18 of the Notes to the Consolidated Financial Statements for a further discussion of the impact of TARP on BNY Mellon.

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 must, among other things, qualify as well capitalized. In addition, major bank holding companies such as the Parent are expected by the regulators to be well capitalized.

As of Dec. 31, 2009 and 2008, the Parent and our bank subsidiaries were considered well capitalized on the basis of the ratios (defined by regulation) of Total and Tier 1 capital to risk-weighted assets and leverage (Tier 1 capital to average assets).

At Dec. 31, 2009, we had approximately \$1.7 billion of trust preferred securities outstanding, net of issuance costs, all of which qualifies as Tier 1 capital.

The following tables present the components of our Tier 1 and Total risk-based capital and risk-weighted assets at Dec. 31, 2009 and 2008, as well as our consolidated capital ratios and capital ratios of our largest bank subsidiary, The Bank of New York Mellon.

Components of Tier 1 and total risk-based capital (a) (in millions)	Dec. 31,	
	2009	2008
Tier 1 capital:		
Common shareholders' equity	\$ 28,977	\$ 25,264
Series B preferred stock	-	2,786
Trust-preferred securities	1,686	1,654
Adjustments for:		
Goodwill and other intangibles (b)	(19,437)	(19,312)
Pensions	1,070	1,010
Securities valuation allowance	619	4,035
Merchant banking investment	(32)	(35)
Total Tier 1 capital	12,883	15,402
Tier 2 capital:		
Qualifying unrealized gains on equity securities	3	-
Qualifying subordinate debt	3,429	3,823
Qualifying allowance for credit losses	665	529
Total Tier 2 capital	4,097	4,352
Total risk-based capital	\$ 16,980	\$ 19,754

(a) On a regulatory basis and including discontinued operations.

(b) Reduced by deferred tax liabilities of \$2.4 billion at both Dec. 31, 2009 and Dec. 31, 2008 associated with non-tax deductible identifiable intangible assets and tax deductible goodwill.

Components of risk-weighted assets (a) (in millions)	2009		2008	
	Balance sheet/ notional amount	Risk- weighted assets	Balance sheet/ notional amount	Risk- weighted assets
Assets:				
Cash, due from banks and interest-bearing deposits in banks	\$ 67,396	\$ 11,923	\$ 102,914	\$ 8,728
Securities	56,049	17,633	39,435	18,217
Trading assets	6,001	-	11,102	-
Fed funds sold and securities purchased under resale agreements	3,535	17	2,000	8
Loans	36,689	25,746	43,394	30,253
Allowance for loan losses	(503)	-	(415)	-
Other assets	43,057	20,589	39,082	20,817
Total assets	\$ 212,224	\$ 75,908	\$ 237,512	\$ 78,023
Off-balance sheet exposure:				
Commitments to extend credit	\$ 33,598	\$ 12,180	\$ 39,441	\$ 12,063
Securities lending	249,120	132	326,602	530
Standby letters of credit and other guarantees	14,426	11,886	16,515	13,121
Derivative instruments	1,314,246	4,552	1,137,453	10,448
Total off-balance sheet exposure	\$1,611,390	\$ 28,750	\$1,520,011	\$ 36,162
Market risk equivalent assets		1,670		2,528
Total risk-weighted assets		\$106,328		\$116,713
Average assets for leverage capital purposes		\$196,857		\$223,164

(a) On a regulatory basis and including discontinued operations.

Results of Operations (continued)

Consolidated and largest bank subsidiary capital ratios	Well capitalized	Adequately capitalized	Dec. 31,	
			2009	2008
Consolidated capital ratios:				
Tier 1	6%	4%	12.1%	13.2%
Total capital	10	8	16.0	16.9
Leverage	5	3	6.5	6.9
Tier 1 common equity to risk-weighted assets ratio (a)			10.5	9.4
Tangible common shareholders' equity to tangible assets ratio – Non-GAAP (a)			5.2%	3.8%
The Bank of New York Mellon capital ratios:				
Tier 1	6%	4%	11.2%	11.2%
Total capital	10	8	15.0	14.7
Leverage	5	3	6.3	5.9

(a) See Supplemental information beginning on page 74 for a calculation of this ratio.

If a bank holding company or bank fails to qualify as “adequately capitalized”, regulatory sanctions and limitations are imposed. At Dec. 31, 2009, the amounts of capital by which BNY Mellon and our largest bank subsidiary, The Bank of New York Mellon, exceed the well-capitalized guidelines are as follows:

Capital above guidelines at Dec. 31, 2009 (in millions)	Consolidated	The Bank of New York Mellon
Tier I Capital	\$6,503	\$4,708
Total Capital	6,347	4,538
Leverage	3,041	2,069

Capital framework

The U.S. federal bank regulatory agencies' risk-based capital guidelines are based upon the 1988 Capital Accord of the Basel Committee on Banking Supervision (the “Basel Committee”). The Basel Committee issued, in June 2004, and updated in November 2005, a revised framework for capital adequacy commonly known as the New Accord (the “New Accord” or “Basel II”) that would set capital requirements for operational risk and refine the existing capital requirements for credit risk.

In the United States, U.S. regulators are mandating the adoption of the New Accord for “core” banks. BNY Mellon and its depository institution subsidiaries are “core” banks. The only approach available to “core” banks is the Advanced Internal Ratings Based (“A-IRB”) approach for credit risk and the Advanced Measurement Approach (“AMA”) for operational risk.

The U.S. Basel II final rule, published by the U.S. regulatory agencies, became effective on April 1, 2008. Under the final rule, 2009 was the first year for

a bank to begin its first of three transitional floor periods during which banks subject to the final rule calculate their capital requirements under both the old guidelines and new guidelines.

In the U.S., we will begin the parallel run of calculations under both the old and new guidelines in the second quarter of 2010. Beginning Jan. 1, 2008 we implemented the Basel II Standardized Approach in the United Kingdom, Belgium and Luxembourg. We maintain an active dialogue with U.S. and international regulatory jurisdictions to facilitate a smooth Basel II reporting process. We believe Basel II will not constrain our current business practices.

Stock repurchase programs

(common shares in thousands)	Share repurchases during fourth quarter 2009		Total shares repurchased as part of a publicly announced plan
	Total shares repurchased	Average price per share	
October 2009	8	\$ 29.44	-
November 2009	7	27.27	-
December 2009	71	26.71	-
Fourth quarter 2009	86 (a)	\$ 27.02	-

(a) These shares were purchased at a purchase price of approximately \$2 million from employees, primarily in connection with the employees' payment of taxes upon the vesting of restricted stock.

On Dec. 18, 2007, the Board of Directors of BNY Mellon authorized the repurchase of up to 35 million shares of common stock. There were no shares repurchased under the Dec. 18, 2007 program in the fourth quarter of 2009. At Dec. 31, 2009, 33.8 million shares were available for repurchase under the December 2007 program. There is no expiration date on this repurchase program.



In June 2009, we completed a public offering of 48.3 million shares of common stock at a weighted-average price of \$28.75 per common share, for a total of \$1.4 billion. In November 2009, we issued 2.0 million shares of common stock to HBOS Insurance & Investment Group Limited in connection with our acquisition of Insight that was exempt from registration under the Securities Act of 1933, pursuant to Section 4(2) thereof. Also in November 2009, we issued 1 million shares of common stock in connection with our acquisition of a 20% minority interest in Siguler Guff to Siguler Guff's selling shareholders. This issuance was also exempt from registration under the Securities Act of 1933, pursuant to Section 4(2) thereof.

Risk management

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

Type of risk	Description
Credit	The possible loss we would suffer if any of our borrowers or other counterparties were to default on their obligations to us. Credit risk arises primarily from lending, trading, and securities servicing activities.
Market	The risk of loss due to adverse changes in the financial markets. Market risk arises from derivative financial instruments, such as futures, forwards, swaps and options, and other financial instruments, including loans, securities, deposits, and other borrowings. Our market risks are primarily interest rate and foreign exchange risk, equity risk and credit risk.
Operational	The risk of loss resulting from inadequate or failed internal processes, human factors and systems, or from external events.

Risk management and oversight begins with the Board of Directors and two key Board committees: the Risk Committee and the Audit Committee.

The Risk Committee is comprised entirely of independent directors and meets on a regular basis to review and assess our risks, and to control processes with respect to such risks, and our risk management and fiduciary policies and activities. The delegation of policy formulation and day-to-day oversight is to our Chief Risk Officer, who, together with the Chief Auditor and Chief Compliance Officer, helps ensure an effective risk management structure. The functions

of the Risk Committee are described in more detail in its charter, a copy of which is available on our website, www.bnymellon.com.

The Audit Committee is also comprised entirely of independent directors, all of whom have been determined by the Board to have banking and financial management expertise within the meaning of the FDIC rules and to be financially literate within the meaning of the NYSE listing standards as interpreted by the Board, and two of whom have been determined (based upon education and experience as a principal accounting or financial officer or public accountant, or experience actively supervising a principal accounting or financial officer or public accountant) to be audit committee financial experts as set out in the rules and regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and to have accounting or related financial management expertise within the meaning of the NYSE listing standards as interpreted by the Board. The Audit Committee meets on a regular basis to perform, among other things, an oversight review of the integrity of our financial statements and financial reporting process, compliance with legal and regulatory requirements, our independent registered public accountant's qualifications and independence, and the performance of our independent registered public accountant and our internal audit function. The Audit Committee also reviews management's assessment of the adequacy of internal controls. The functions of the Audit Committee are described in more detail in its charter, a copy of which is available on our website, www.bnymellon.com.

The Senior Risk Management Committee is the senior-most management body that approves BNY Mellon's risk appetite and tolerances and sets strategic direction and policy and provides oversight for the risk management, compliance and ethics framework.

Our risk management framework is designed to:

- Provide that risks are identified, monitored, reported, and priced properly;
- Define and communicate the types and amount of risk to take;
- Communicate to the appropriate management level, the type and amount of risk taken;
- Maintain a risk management organization that is independent of the risk taking activities; and
- Promote a strong risk management culture that encourages a focus on risk-adjusted performance.

Credit risk

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

We manage credit risk at both the individual exposure level as well as at the portfolio level. Credit risk at the individual exposure level is managed through our credit approval system of Divisional Portfolio Managers (“DPMs”) and the Chief Credit Officer (“CCO”). The DPMs and CCO are responsible for approving the size, terms and maturity of all credit exposures as well as the ongoing monitoring of the exposures. In addition, they are responsible for assigning and maintaining the risk ratings on each exposure.

Credit risk management at the portfolio level is supported by the Portfolio Management Division (“PMD”) within the Risk Management and Compliance Sector. The PMD is responsible for calculating two fundamental credit measures. First, we project a statistically expected credit loss, used to help determine the appropriate loan loss reserve and to measure customer profitability. Expected loss considers three basic components: the estimated size of the exposure whenever default might occur, the probability of default before maturity, and the severity of the loss we would incur, commonly called “loss given default.” For corporate banking, where most of our credit risk is created, unfunded commitments are assigned a usage given default percentage. Borrowers/Counterparties are assigned ratings by DPMs and the CCO on an 18-grade scale, which translates to a scaled probability of default. Additionally, transactions are assigned loss-given-default ratings (on a 12-grade scale) that reflect the transactions’ structures including the effects of guarantees, collateral, and relative seniority of position.

The second fundamental measurement of credit risk calculated by the PMD is called economic capital. Our economic capital model estimates the capital required to support the overall credit risk portfolio. Using a Monte Carlo simulation engine and measures of correlation among borrower defaults, the economic

model examines extreme and highly unlikely scenarios of portfolio credit loss in order to estimate credit related capital, and then allocates that capital to individual borrowers and exposures. The credit related capital calculation supports a second tier of policy standards and limits by serving as an input to both profitability analysis and concentration limits of capital at risk with any one borrower, industry or country.

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

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

Market risk

Our market risk governance structure is comprised of senior executives who review market risk activities, risk measurement methodologies and risk limits, approve new products and provide direction for our market risk profile. The Head of Enterprise-wide market risk reports to the Chief Risk Officer. The Asset/Liability Management Committee, which is part of this structure, oversees the market risk management process for interest rate risk related to asset/liability management activities. Our market risk governance structure is supported by a comprehensive risk management process that is designed to help identify, measure, and manage market risk, as discussed under “Trading activities and risk management” and “Asset/liability management” below and in Note 27 of the Notes to Consolidated Financial Statements.



Operational risk

Overview

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

To address these risks, we maintain comprehensive policies and procedures and an internal control framework designed to provide a sound operational environment. These controls have been designed to manage operational risk at appropriate levels given our financial strength, the business environment and markets in which we operate, the nature of our businesses, and considering factors such as competition and regulation. Our internal auditors and internal control group monitor and test the overall effectiveness of the internal control and financial reporting systems on an ongoing basis.

We have also established procedures that are designed to ensure that policies relating to conduct, ethics and business practices are followed on a uniform basis. Among the procedures designed to ensure effectiveness are our “Code of Conduct”, “Know Your Customer”, and compliance training programs.

Operational risk management

We have established operational risk management as an independent risk discipline. The Operational Risk Management (“ORM”) Group reports to the Chief Risk Officer. The organizational framework for operational risk is based upon a strong risk culture that incorporates both governance and risk management activities comprising:

- **Board Oversight and Governance**—The Risk Committee of the Board approves and oversees our operational risk management strategy in addition to credit and market risk. The Risk Committee meets regularly to review and approve operational risk management initiatives,

discuss key risk issues, and review the effectiveness of the risk management systems.

- **Business Line Accountability**—Business managers are responsible for maintaining an effective system of internal controls commensurate with their risk profiles and in accordance with BNY Mellon policies and procedures.
- **ORM Group**—The ORM Group is responsible for developing risk management policies and tools for assessing, measuring, monitoring and managing operational risk for BNY Mellon. The primary objectives of the ORM group are to promote effective risk management, identify emerging risks, create incentives for generating continuous improvement in controls, and to optimize capital.

Global compliance

Our global compliance function provides leadership, guidance, and oversight to help business units identify applicable laws and regulations and implement effective measures to meet the specific requirements. Compliance takes a proactive approach by anticipating evolving regulatory standards and remaining aware of industry best practices, legislative initiatives, competitive issues, and public expectations and perceptions. The function uses its global reach to disseminate information about compliance-related matters throughout BNY Mellon. The Chief Compliance and Ethics Officer reports to the Chief Risk Officer, is a member of all critical committees of BNY Mellon and provides regular updates to the Audit Committee of the Board of Directors.

Internal audit

Our internal audit function reports directly to the Audit Committee of the Board of Directors. Internal audit utilizes a risk-based approach to its audit activity covering the risks in the operational, compliance, regulatory, technology, fraud, processing and other key risk areas of BNY Mellon. Internal Audit has unrestricted access to BNY Mellon and regularly participates in key committees of BNY Mellon.

Economic capital

BNY Mellon has implemented a methodology to quantify economic capital. We define economic capital as the capital required to protect against unexpected economic losses over a one-year period at

Results of Operations (continued)

a level consistent with the solvency of a firm with a target debt rating. We quantify economic capital requirements for the risks inherent in our business activities using statistical modeling techniques and then aggregate them at the consolidated level. A capital reduction, or diversification benefit, is applied to reflect the unlikely event of experiencing an extremely large loss in each type of risk at the same time. Economic capital levels are directly related to our risk profile. As such, it has become a part of our internal capital assessment process and, along with regulatory capital, is a key component to ensuring that the actual level of capital is commensurate with our risk profile, and is sufficient to provide the financial flexibility to undertake future strategic business initiatives.

The framework and methodologies to quantify each of our risk-types have been developed by the PMD and are designed to be consistent with our risk management principles. The framework has been approved by senior management and has been reviewed by the Risk Committee of the Board of Directors. Due to the evolving nature of quantification techniques, we expect to continue to refine the methodologies used to estimate our economic capital requirements.

Trading activities and risk management

Our trading activities are focused on acting as a market maker for our customers. The risk from these market-making activities and from our own positions is managed by our traders and limited in total exposure through a system of position limits, a value-at-risk ("VAR") methodology based on a Monte Carlo simulation, stop loss advisory triggers, and other market sensitivity measures. See Note 27 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 years ended Dec. 31, 2009 and 2008.

VAR (a) (in millions)	2009			
	Average	Minimum	Maximum	Dec. 31
Interest rate	\$ 5.8	\$ 2.8	\$11.7	\$ 6.9
Foreign exchange	2.4	0.8	5.6	1.0
Equity	2.7	1.3	8.1	1.6
Credit	2.9	0.7	7.5	0.7
Diversification	(6.1)	N/M	N/M	(2.1)
Overall portfolio	7.7	3.9	13.5	8.1

VAR (a) (in millions)	2008			
	Average	Minimum	Maximum	Dec. 31
Interest rate	\$ 6.6	\$ 2.5	\$14.6	\$ 4.9
Foreign exchange	2.1	0.8	5.7	1.5
Equity	3.4	1.0	9.8	8.7
Credit	4.7	1.9	10.7	7.5
Diversification	(6.7)	N/M	N/M	(7.9)
Overall portfolio	10.1	4.6	18.9	14.7

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

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

During 2009, interest rate risk generated 42% of average VAR, credit risk generated 21% of average VAR, equity risk generated 20% of average VAR, and foreign exchange risk accounted for 17% of average VAR. During 2009, our daily trading loss did not exceed our calculated VAR amount of the overall portfolio on any given day.

BNY Mellon monitors a volatility index of global currency using a basket of 30 major currencies. In 2009, the volatility of this index decreased from the abnormally high levels experienced in 2008.

The extraordinary financial environment and the consequent volatility experienced in the last half of 2008 and the first half of 2009 contributed to elevated trading earnings during those periods, evidenced by the number of days where revenue exceeded \$5 million. As the global economy stabilized, volatility declined, and trading performance returned to a more normalized level.

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

Distribution of trading revenues (losses) (a) (in millions):	Quarter ended				
	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009
Revenue range	Number of days				
Less than \$(2.5)	1	1	2	-	1
\$(2.5) - \$0	-	1	2	5	5
\$0 - \$2.5	6	5	11	16	13
\$2.5 - \$5.0	14	21	23	24	22
More than \$5.0	41	33	26	19	21

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

Foreign exchange and other trading

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

As required by ASC 820 – *Fair Value Measurements and Disclosures*, in the first quarter of 2008 we began to reflect external credit ratings as well as observable credit default swap spreads for both ourselves as well as our counterparties when measuring the fair value of our derivative positions.

Accordingly, the valuation of our derivative positions is sensitive to the current changes in our own credit spreads, as well as those of our counterparties. In

The table below summarizes the risk ratings for our foreign exchange and interest rate derivative counterparty credit exposure.

Foreign exchange and other trading-counterparty risk ratings profile (a)	Quarter ended				
	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009
Ratings:					
AAA to AA-	51%	52%	57%	58%	56%
A+ to A-	35	23	20	17	22
BBB+ to BBB-	7	17	14	16	15
Noninvestment grade (BB+ and lower)	7	8	9	9	7
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

addition, in cases where a counterparty is deemed impaired, further analyses are performed to value such positions.

At Dec. 31, 2009, our over-the-counter (“OTC”) derivative assets of \$4.8 billion included a credit valuation adjustment (“CVA”) deduction of \$114 million, including \$61 million related to the declining credit quality of CDO counterparties. Our OTC derivative liabilities of \$4.6 billion included \$30 million of debit valuation adjustments (“DVA”) related to our own credit spread.

Adjustments to the CVA and DVA decreased foreign exchange and other trading activities revenue by \$38 million in 2009. Adjustments to our own credit spread decreased foreign exchange and other trading activities revenue by \$15 million in 2009.

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.

We evaluate the effect on earnings by running various interest rate ramp scenarios from a baseline scenario. These scenarios are reviewed to examine the impact of large interest rate movements. Interest rate sensitivity is quantified by calculating the change in

Results of Operations (continued)

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 (dollar amounts in millions)	Dec. 31, 2009	
	\$	%
up 200 bps vs. baseline	\$318	10.9%
up 100 bps vs. baseline	259	8.8

The baseline scenario's Fed Funds rate in the Dec. 31, 2009 analysis was 0.25%. The 100 basis point ramp scenario assumes short-term rates change 25 basis points in each of the next four quarters and the 200 basis point ramp scenario assumes a 50 basis point per quarter change. Both the up 200 basis point and the up 100 basis point Dec. 31, 2009 scenarios assume 10-year rates rising 196 and 96 basis points, respectively.

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

We also project future cash flows from our assets and liabilities over a long-term horizon and then discount these cash flows using instantaneous parallel shocks to interest rates. The aggregation of these discounted cash flows is the Economic Value of Equity ("EVE"). The following table shows how the EVE would change in response to changes in interest rates:

Estimated changes in EVE at Dec. 31, 2009	
Rate change:	
up 200 bps vs. baseline	(1.3)%
up 100 bps vs. baseline	(0.7)

These results do not reflect strategies that management could employ to limit the impact as interest rate expectations change.

The asymmetrical accounting treatment of the impact of a change in interest rates on our balance sheet may create a situation in which an increase in interest rates can adversely affect reported equity and regulatory

capital, even though economically there may be no impact on our economic capital position. For example, an increase in rates will result in a decline in the value of our fixed income investment portfolio, which will be reflected through a reduction in other comprehensive income in our shareholders' equity, thereby affecting our tangible common equity ("TCE") ratios. Under current accounting rules, to the extent the fair value option provided in ASC 825 is not applied, there is no corresponding change on our fixed liabilities, even though economically these liabilities are more valuable as rates rise.

We project the impact of this change using the same interest rate shock assumptions described earlier and compare the projected mark-to-market on the investment securities portfolio at Dec. 31, 2009, under the higher rate environments versus a stable rate scenario. The table below shows the impact of a change in interest rates on the TCE ratio:

Estimated changes in the TCE ratio at Dec. 31, 2009 (in basis points)	
up 200 bps vs. baseline	(91)
up 100 bps vs. baseline	(47)

These results do not reflect strategies that management could employ to limit the impact as interest rate expectations change.

To manage foreign exchange risk, we fund foreign currency-denominated assets with liability instruments denominated in the same currency. We utilize various foreign exchange contracts if a liability denominated in the same currency is not available or desired, and to minimize the earnings impact of translation gains or losses created by investments in foreign markets. The foreign exchange risk related to the interest rate spread on foreign currency-denominated asset/liability positions is managed as part of our trading activities. We use forward foreign exchange contracts to protect the value of our net investment in foreign operations. At Dec. 31, 2009, net investments in foreign operations totaled approximately \$6.0 billion and were spread across 14 foreign currencies.

Business continuity

We are prepared for events that could damage our physical facilities, cause delay or disruptions to operational functions, including telecommunications networks, or impair our clients, vendors, and counterparties. Key elements of our business continuity strategies are extensive planning and



testing, and diversity of business operations, data centers and telecommunications infrastructure.

We have established multiple geographically diverse locations for our funds transfer and broker-dealer services operational units, which provide redundant functionality to facilitate uninterrupted operations.

Our securities clearing, mutual fund accounting and custody, securities lending, master trust, Unit Investment Trust, corporate trust, stock transfer, item processing, wealth management and treasury units have common functionality in multiple sites designed to facilitate continuance of operations or rapid recovery. In addition, we have recovery positions for over 13,900 employees on a global basis of which over 7,700 are proprietary.

We continue to enhance geographic diversity for business operations by moving additional personnel to growth centers outside of existing major urban centers. We replicate 100% of our critical production computer data to multiple recovery data centers.

We have an active telecommunications diversity program. All major buildings and data centers have diverse telecommunications carriers. The data centers have multiple fiber optic rings and have been designed so that there is no single point of failure. All major buildings have been designed with diverse telecommunications access and connect to at least two geographically dispersed connection points. We have an active program to audit circuits for route diversity and to test customer back-up connections.

In 2003, the Federal Reserve, OCC and SEC jointly published the Interagency Paper, “Sound Practices to

Strengthen the Resilience of the U.S. Financial System” (“Sound Practices Paper”). The purpose of the document was to define the guidelines for the financial services industry and other interested parties regarding “best practices” related to business continuity planning. Under these guidelines we are a key clearing and settlement organization required to meet a higher standard for business continuity.

We believe we have substantially met all of the requirements of the Sound Practices Paper. As a core clearing and settlement organization, we believe that we are at the forefront of the industry in improving business continuity practices.

We are committed to seeing that requirements for business continuity are met not just within our own facilities, but also within those of vendors and service providers whose operation is critical to our safety and soundness. To that end, we have a Service Provider Management Office whose function is to review new and existing service providers and vendors to see that they meet our standards for business continuity, as well as for information security, financial stability, and personnel practices, etc.

We have developed a comprehensive plan to prepare for the possibility of a flu pandemic, which anticipates significant reduced staffing levels and will provide for increased remote working by staff for one or more periods lasting several weeks.

Although we are committed to observing best practices as well as meeting regulatory requirements, geopolitical uncertainties and other external factors will continue to create risk that cannot always be identified and anticipated.

Explanation of Non-GAAP financial measures

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

BNY Mellon has provided a measure of tangible book value per share, which it believes provides additional useful information as to the level of such assets in relation to shares of common stock outstanding. BNY Mellon has presented revenue measures which exclude the effect of investment securities gains (losses) and SILO/LILO charges; expense measures which exclude restructuring charges, an FDIC special assessment, support agreement charges, asset-based taxes, M&I expenses and intangible amortization expense; and measures which utilize net income excluding tax items such as the benefit of tax settlements and discrete tax benefits related to a tax loss on mortgages. Return on equity measures and operating margin measures which exclude some or all of these items are also presented. BNY Mellon believes that these measures are useful to investors because they permit a focus on period to period comparisons which relate to the ability of BNY Mellon to enhance revenues and limit expenses in circumstances where such matters are within BNY Mellon's control. The excluded items in general relate

to situations where accounting rules require certain ongoing charges as a result of prior transactions, or where valuation or other accounting/regulatory requirements require charges unrelated to operational initiatives. M&I expenses relate to our Corporate Trust Acquisition in 2006 and to the merger with Mellon Financial Corporation in 2007. M&I expenses generally continue for approximately three years after the transaction and can vary on a year-to-year basis depending on the stage of the integration. BNY Mellon believes that the exclusion of M&I expenses provides investors with a focus on BNY Mellon's business as it would appear on a consolidated going-forward basis, after such M&I expenses have ceased, typically after approximately three years. Future periods will not reflect such M&I expenses, and thus may be more easily compared to our current results if M&I expenses are excluded. With regard to the exclusion of investment securities gains (losses), BNY Mellon's primary businesses are Asset and Wealth Management and Institutional Services. The management of these sectors is evaluated on the basis of the ability of these businesses to generate fee and net interest revenue and to control expenses, and not on the results of BNY Mellon's investment securities portfolio. Management of the investment securities portfolio is a shared service contained in the Other segment. The primary objective of the investment securities portfolio is to generate net interest revenue from the liquidity generated by BNY Mellon's processing businesses. BNY Mellon does not generally originate or trade the securities in the investment securities portfolio. As a result, BNY Mellon believes that presenting measures that exclude investment securities gains (losses) from its results, as a supplement to GAAP information, gives investors a clearer picture of the results of its primary businesses. The SILO/LILO charges relate to a one-time settlement with the IRS of tax structured lease transactions in 2008. BNY Mellon believes that excluding the SILO/LILO charges from net interest revenue provides investors with a clearer impact of the net interest margin generated on our interest-earning assets. Restructuring charges relate to migrating positions to global growth centers and the elimination of certain positions. Excluding the discrete tax benefits related to a tax loss on mortgages permits investors to calculate the tax impact of BNY Mellon's primary businesses.

In this Annual Report, certain amounts are presented on an FTE basis. We believe that this presentation provides comparability of amounts arising from both taxable and tax-exempt sources, and is consistent with

industry practice. The adjustment to an FTE basis has no impact on net income.

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

Return on common equity and tangible common equity <i>(dollars in millions)</i>	2009	2008	2007 (a)	2006 (b)	2005 (b)
Net income (loss) applicable to common shareholders of The Bank of New York Mellon Corporation before extraordinary loss	\$ (1,367)	\$ 1,412	\$ 2,219	\$ 2,847	\$1,571
Add: Intangible amortization	265	292	194	50	27
Net income (loss) applicable to common shareholders of The Bank of New York Mellon Corporation before extraordinary loss excluding intangible amortization – Non-GAAP	(1,102)	1,704	2,413	2,897	1,598
Add: Investment securities (gains) losses	3,374	983	119	(1)	(15)
SILO/LILO/tax settlements	-	410	-	-	-
Support agreement charges	(9)	533	2	-	-
FDIC special assessment	36	-	-	-	-
M&I expenses	144	288	238	72	-
Restructuring charges	94	107	-	-	-
Discrete tax benefits and the benefit of tax settlements	(267)	-	-	-	-
Net income (loss) before extraordinary loss excluding investment securities (gains) losses, SILO/LILO/tax settlements, support agreement charges, FDIC special assessment, M&I expenses, restructuring charges, discrete tax benefits and the benefit of tax settlements and intangible amortization – Non-GAAP	\$ 2,270	\$ 4,025	\$ 2,772	\$ 2,968	\$1,583
Average common shareholders' equity	\$27,198	\$28,212	\$20,234	\$10,333	\$9,473
Less: Average goodwill	16,042	16,525	10,739	4,394	3,772
Average intangible assets	5,654	5,896	3,769	772	568
Add: Deferred tax liability – tax deductible goodwill	720	599	495	384	303
Deferred tax liability – non-tax deductible intangible assets	1,680	1,841	2,006	162	-
Average tangible common shareholders' equity – Non-GAAP	\$ 7,902	\$ 8,231	\$ 8,227	\$ 5,713	\$5,436
Return on common equity before extraordinary loss – GAAP	N/M	5.0%	11.0%	27.6%	16.6%
Return on common equity before extraordinary loss excluding investment securities (gains) losses, SILO/LILO/tax settlements, support agreement charges, FDIC special assessment, M&I expenses, restructuring charges, discrete tax benefits and the benefit of tax settlements and intangible amortization – Non-GAAP	8.3%	14.3%	13.7%	28.7%	16.7%
Return on tangible common equity before extraordinary loss – Non-GAAP	N/M	20.7%	29.3%	50.7%	29.4%
Return on tangible common equity before extraordinary loss excluding investment securities (gains) losses, SILO/LILO/tax settlements, support agreement charges, FDIC special assessment, M&I expenses, restructuring charges and discrete tax benefits and the benefit of tax settlements – Non-GAAP	28.7%	48.9%	33.7%	52.0%	29.1%

(a) Results for 2007 include six months of BNY Mellon and six months of legacy The Bank of New York Company, Inc.

(b) Results for 2006 and 2005 include legacy The Bank of New York Company, Inc. only.

Supplemental Information (unaudited) (continued)

Reconciliation of income (loss) from continuing operations before income taxes – pre-tax operating margin

<i>(dollars in millions)</i>	2009	2008	2007 (a)	2006 (b)	2005 (b)
Income (loss) from continuing operations before income taxes – GAAP	\$ (2,208)	\$ 1,946	\$ 3,215	\$2,183	\$1,984
Add: Investment securities (gains) losses	5,369	1,628	201	(2)	(22)
SILO/LILO charges	-	489	-	-	-
Support agreement charges	(15)	894	3	-	-
FDIC special assessment	61	-	-	-	-
M&I expenses	233	483	404	106	-
Restructuring charges	150	181	-	-	-
Asset-based taxes	20	-	-	-	-
Intangible amortization	426	473	314	76	40
Income (loss) from continuing operations before income taxes excluding investment securities (gains) losses, SILO/LILO charges, support agreement charges, FDIC special assessment, M&I expenses, restructuring charges, asset-based taxes and intangible amortization – Non-GAAP	\$ 4,036	\$ 6,094	\$ 4,137	\$2,363	\$2,002
Fee and other revenue – GAAP	\$ 4,772	\$10,714	\$ 9,053	\$5,339	\$4,715
Net interest revenue – GAAP	\$ 2,915	\$ 2,859	\$ 2,245	\$1,499	\$1,340
Total revenue – GAAP	7,687	13,573	11,298	6,838	6,055
Add: Investment securities (gains) losses	5,369	1,628	201	(2)	(22)
SILO/LILO charges	-	489	-	-	-
Total revenue excluding investment securities (gains) losses and SILO/LILO charges – Non-GAAP	\$13,056	\$15,690	\$11,499	\$6,836	\$6,033
Pre-tax operating margin (c)	N/M	14%	28%	32%	33%
Pre-tax operating margin, excluding investment securities (gains) losses, SILO/LILO charges, support agreement charges, FDIC special assessment, M&I expenses, restructuring charges, asset-based taxes and intangible amortization – Non-GAAP (c)	31%	39%	36%	35%	33%

(a) Results for 2007 include six months of BNY Mellon and six months of legacy The Bank of New York Company, Inc.

(b) Results for 2006 and 2005 include legacy The Bank of New York Company, Inc. only.

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

Reconciliation of fee and other revenue as a percent of total revenue

<i>(dollars in millions)</i>	2009	2008	2007 (a)	2006 (b)	2005 (b)
Fee and other revenue – GAAP	\$ 4,772	\$10,714	\$ 9,053	\$5,339	\$4,715
Less: Investment securities gains (losses)	(5,369)	(1,628)	(201)	2	22
Fee and other revenue excluding investment securities gains (losses) – Non-GAAP	10,141	12,342	9,254	5,337	4,693
Net interest revenue – GAAP	2,915	2,859	2,245	1,499	1,340
Add: SILO/LILO charges	-	489	-	-	-
Net interest revenue excluding SILO/LILO charges – Non-GAAP	2,915	3,348	2,245	1,499	1,340
Total revenue – GAAP	\$ 7,687	\$13,573	\$11,298	\$6,838	\$6,055
Total revenue excluding investment securities gains (losses) and SILO/LILO charges – Non-GAAP	\$13,056	\$15,690	\$11,499	\$6,836	\$6,033
Fee and other revenue as a percentage of total revenue	62%	79%	80%	78%	78%
Fee and other revenue as a percentage of total revenue excluding investment securities gains (losses) and SILO/LILO charges – Non-GAAP	78%	79%	80%	78%	78%

(a) Results for 2007 include six months of BNY Mellon and six months of legacy The Bank of New York Company, Inc.

(b) Results for 2006 and 2005 include legacy The Bank of New York Company, Inc. only.

Supplemental Information (unaudited) (continued)

Equity to assets and book value per common share					
<i>(dollars in millions, except per share amounts and unless otherwise noted)</i>					
	2009	2008	2007	2006 (a)	2005 (a)
Common shareholders' equity at period end – GAAP	\$ 28,977	\$ 25,264	\$ 29,403	\$ 11,429	\$ 9,876
Less: Goodwill	16,249	15,898	16,331	5,008	3,619
Intangible assets	5,588	5,856	6,402	1,453	811
Add: Deferred tax liability – tax deductible goodwill	720	599	495	384	303
Deferred tax liability – non-tax deductible intangible assets	1,680	1,841	2,006	162	-
Tangible common shareholders' equity at period end – Non-GAAP	\$ 9,540	\$ 5,950	\$ 9,171	\$ 5,514	\$ 5,749
Total assets at period end – GAAP	\$ 212,224	\$ 237,512	\$ 197,656	\$103,206	\$102,118
Less: Goodwill	16,249	15,898	16,331	5,008	3,619
Intangible assets	5,588	5,856	6,402	1,453	811
Cash on deposit with the Federal Reserve and other central banks (b)	7,375	53,278	80	-	-
U.S. Government-backed commercial paper (b)	-	5,629	-	-	-
Tangible total assets at period end – Non-GAAP	\$ 183,012	\$ 156,851	\$ 174,843	\$ 96,745	\$ 97,688
Common shareholders' equity to assets – GAAP	13.7%	10.6%	14.9%	11.1%	9.7%
Tangible common shareholders' equity to tangible assets – Non-GAAP	5.2%	3.8%	5.2%	5.7%	5.9%
Period end common shares outstanding (in thousands)	1,207,835	1,148,467	1,145,983	713,079	727,483
Book value per common share	\$ 23.99	\$ 22.00	\$ 25.66	\$ 16.03	\$ 13.57
Tangible book value per common share – Non-GAAP	\$ 7.90	\$ 5.18	\$ 8.00	\$ 7.73	\$ 7.90

(a) The 2006 and 2005 share-related data includes legacy The Bank of New York Company, Inc. only and is presented in post merger share count terms.

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

Calculation of the Tier 1 common equity to risk-weighted assets ratio (a)

<i>(dollars in millions)</i>					
	2009	2008	2007	2006 (b)	2005 (b)
Total Tier 1 capital	\$ 12,883	\$ 15,402	\$ 11,259	\$ 6,350	\$ 6,643
Less: Trust preferred securities	1,686	1,654	2,030	1,150	1,150
Series B preferred stock	-	2,786	-	-	-
Total Tier 1 common equity	\$ 11,197	\$ 10,962	\$ 9,229	\$ 5,200	\$ 5,493
Total risk-weighted assets	\$106,328	\$116,713	\$120,866	\$77,567	\$79,282
Tier 1 common equity to risk-weighted assets ratio	10.5%	9.4%	7.6%	6.7%	6.9%

(a) On a regulatory basis. Includes discontinued operations.

(b) Results for 2006 and 2005 include legacy The Bank of New York Company, Inc. only.

Rate/volume analysis

Rate/Volume analysis (a)	2009 over (under) 2008			2008 over (under) 2007		
	Due to change in			Due to change in		
	Average balance	Average rate	Net change	Average balance	Average rate	Net change
<i>(dollar amounts in millions, presented on an FTE basis)</i>						
Interest revenue						
Interest-earning assets:						
Interest-bearing deposits with banks (primarily foreign banks)	\$ 295	\$(1,365)	\$(1,070)	\$ 792	\$ (281)	\$ 511
Interest-bearing deposits with the Federal Reserve and other central banks	29	(13)	16	-	27	27
Other short-term investments – U.S. government-backed commercial paper	(60)	(2)	(62)	-	71	71
Federal funds sold and securities under resale agreements	(55)	(63)	(118)	35	(175)	(140)
Margin loans	(31)	(83)	(114)	2	(151)	(149)
Non-margin loans:						
Domestic offices:						
Consumer	(32)	(13)	(45)	79	(40)	39
Commercial	(55)	260	205	110	(818)	(708)
Foreign offices	(89)	(224)	(313)	79	(209)	(130)
Total non-margin loans	(176)	23	(153)	268	(1,067)	(799)
Securities:						
U.S. government obligations	44	(12)	32	12	(5)	7
U.S. government agency obligations	201	(88)	113	180	(70)	110
State and political subdivisions	(5)	(3)	(8)	25	3	28
Other securities:						
Domestic offices	(132)	(285)	(417)	178	(54)	124
Foreign offices	111	(330)	(219)	44	56	100
Total other securities	(21)	(615)	(636)	222	2	224
Trading securities:						
Domestic offices	8	(24)	(16)	23	(4)	19
Foreign offices	(2)	(2)	(4)	(33)	(13)	(46)
Total trading securities	6	(26)	(20)	(10)	(17)	(27)
Total securities	225	(744)	(519)	429	(87)	342
Total interest revenue	\$ 227	\$(2,247)	\$(2,020)	\$1,526	\$(1,663)	\$(137)
Interest expense						
Interest-bearing deposits						
Domestic offices:						
Money market rate accounts	\$ 34	\$ (150)	\$ (116)	\$ 67	\$ (274)	\$(207)
Savings	2	(9)	(7)	7	(11)	(4)
Certificates of deposits of \$100,000 & over	(21)	(29)	(50)	(34)	(58)	(92)
Other time deposits	(22)	(79)	(101)	130	(65)	65
Total domestic	(7)	(267)	(274)	170	(408)	(238)
Foreign offices:						
Banks	(69)	(102)	(171)	65	(239)	(174)
Government and official institutions	(7)	(17)	(24)	10	(30)	(20)
Other	204	(1,329)	(1,125)	460	(641)	(181)
Total foreign	128	(1,448)	(1,320)	535	(910)	(375)
Total interest-bearing deposits	121	(1,715)	(1,594)	705	(1,318)	(613)
Federal funds purchased and securities sold under repurchase agreements	(14)	(32)	(46)	55	(119)	(64)
Other borrowed funds:						
Domestic offices	(2)	(22)	(24)	18	(33)	(15)
Foreign offices	(8)	(16)	(24)	5	9	14
Total other borrowed funds	(10)	(38)	(48)	23	(24)	(1)
Borrowings from Federal Reserve related to asset-backed commercial paper	(46)	-	(46)	-	53	53
Payables to customers and broker-dealers	(3)	(60)	(63)	12	(120)	(108)
Long-term debt	21	(297)	(276)	185	(212)	(27)
Total interest expense	\$ 69	\$(2,142)	\$(2,073)	\$ 980	\$(1,740)	\$(760)
Changes in net interest revenue	\$ 158	\$(105)	\$ 53	\$ 546	\$ 77	\$ 623

(a) Changes which are solely due to balance changes or rate changes are allocated to such categories on the basis of the respective percentage changes in average balances and average rates. Changes in interest revenue or interest expense arising from the combination of rate and volume variances are allocated proportionately to rate and volume based on their relative absolute magnitudes.

SFAS No. 166—Accounting for Transfers of Financial Assets

In June 2009, the FASB issued SFAS No. 166, “Accounting for Transfers of Financial Assets, an amendment to FASB Statement No. 140.” This statement removed (1) the concept of a qualifying special purpose entity (“QSPE”) from SFAS No. 140 (ASC 860—*Transfers and Servicing*) and (2) the exceptions from applying FASB Interpretation No. (“FIN”) 46 (R) (ASC 810—*Consolidation*) to QSPEs. This statement amends SFAS No. 140 (ASC 860) to revise and clarify the derecognition requirements for transfers of financial assets and the initial measurement of beneficial interests that are received as proceeds by a transferor in connection with transfers of financial assets. This statement also requires additional disclosure about transfers of financial assets and a transferor’s continuing involvement with such transferred financial assets. This statement was effective Jan. 1, 2010, at which time any QSPEs will be evaluated for consolidation in accordance with SFAS No. 167, which amends FIN 46 (R) (ASC 810). However, the amendments on how to account for transfers of financial assets will apply prospectively to transfers occurring on or after the effective date. Accordingly, the Grantor Trust into which we securitized certain of our investment securities will no longer qualify as a QSPE, resulting in approximately \$0.7 billion being added to our securities portfolio.

SFAS No. 167—Amendments to FIN 46 (R) (ASC 810)

In June 2009, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation No. 46 (R).” This statement amends FIN 46 (R) (ASC 810) to require ongoing assessments to determine whether an entity is a variable interest entity (“VIE”) and whether an enterprise is the primary beneficiary of a VIE. This statement also amends the guidance for determining which enterprise, if any, is the primary beneficiary of a VIE by requiring the enterprise to initially perform a qualitative analysis to determine if the enterprise’s variable interest or interests give it a controlling financial interest. Consolidation is based on a company’s ability to direct the activities of the entity that most significantly impact the entity’s economic performance. If a company has control and the right to receive benefits or the obligation to absorb losses which could potentially be significant to the VIE, then consolidation is required. This statement also requires additional disclosures about an enterprise’s involvement in a VIE, including a requirement for

sponsors of a VIE to disclose information even if they do not hold a significant variable interest in the VIE. This statement was effective Jan. 1, 2010 and is expected to primarily impact our asset management businesses.

The new statement does not change the economic risk related to these businesses and therefore, BNY Mellon’s computation of economic capital required by our businesses will not change.

On Jan. 27, 2010, the FASB approved an ASU “Amendments to Statement No. 167 for Certain Investment Funds” which defers the requirements of Statement No. 167 for asset managers’ interests in entities that apply the specialized accounting guidance for investment companies or that have the attributes of investment companies and for interests in money market funds. This amendment became effective Jan. 1, 2010.

The new statement will increase the size of our balance sheet by approximately \$3.0 billion for the consolidation of certain asset management funds sponsored by BNY Mellon’s Alcentra subsidiary and certain seed capital investments. In addition, as noted in the preceding section, the Grantor Trust will lose its QSPE status and be consolidated.

In January 2010, the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of Thrift Supervision issued a final rule requiring banks to hold capital for assets consolidated under FAS No. 166 and FAS No. 167. The final rule allows for (1) opting for a two-quarter delay through June 30, 2010, of recognition of the effect on risk-weighted assets and allowance for loan losses includable in Tier 2 capital that results from implementation of FAS 167 and (2) a phase-in of those effects for the quarters ending Sept. 30, 2010 and Dec. 31, 2010. We currently expect that the implementation of FAS 167 will impact the March 31, 2010 Tier 1 capital ratio by approximately 25 basis points.

ASU 2010-6—Improving Disclosures About Fair Value Measurements

In January 2010, the FASB issued ASU 2010-6, “Improving Disclosures about Fair Value Measurements.” This amends ASC 820 to clarify existing requirements regarding disclosures of inputs

and valuation techniques and levels of disaggregation. This ASU also requires the following new disclosures: (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in interim and annual financial statements and is effective March 31, 2010, except for the disclosures about Level 3 purchases, sales, issuances and settlements in the rollforward activity for fair value measurements, which will be effective March 31, 2011.

Adoption of new accounting standards

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

Regulatory developments

Proposed capital requirements

In September 2009, the U.S. Department of the Treasury issued a policy statement “Principles for Reforming the U.S. and International Regulatory Capital Framework for Banking Firms.” This statement sets forth core principles that the Treasury believes would shape a new international capital accord to better protect the safety and soundness of individual banking firms and the stability of the global financial system and economy. These core principles include: (a) capital requirements should be designed to protect the stability of the financial system, not just the solvency of individual banking firms; (b) capital requirements for all banks should be increased and those that could pose a threat to overall financial stability should be higher than others; (c) there should be a greater emphasis on higher quality forms of capital (common equity should constitute a “large majority” of a bank’s Tier 1 capital); (d) risk-based capital requirements should be a function of the relative risk; (e) the procyclicality of the regulatory capital and accounting regimes should be reduced (hold a larger buffer over banks’ minimum capital requirements during good times); (f) banks should be subject to a simple, non-risk-based leverage constraint; (g) banks should be subject to a conservative, explicit liquidity standard; and (h) stricter capital and liquidity requirements for the banking system should not be allowed to result in the re-emergence of an under-regulated non-bank

financial sector that poses a threat to financial stability.

The U.S. Department of the Treasury issued this statement to facilitate the process of reaching a domestic and then international consensus on a new regulatory capital and liquidity regime for global banking firms. The Department of the Treasury seeks to reach a comprehensive international agreement on the new global framework by Dec. 31, 2010, with implementation of the reforms effective Dec. 31, 2012.

Basel Committee—Proposed capital and liquidity reforms

On Dec. 17, 2009, the Basel Committee issued two consultative documents proposing reforms to bank capital and liquidity regulation, which are intended to address lessons learned from the financial crisis that began in 2007. The document titled “*Strengthening the Resilience of the Banking Sector*”, which proposes reforms to bank capital, and the document titled “*International Framework for Liquidity Risk Management, Standards and Monitoring*” are discussed below.

The proposal included in the document titled “*Strengthening the Resilience of the Banking Sector*” would significantly revise the definitions of Tier 1 capital and Tier 2 capital, with the most significant changes being to Tier 1 capital. Among other things, the proposal would disqualify certain capital instruments—including U.S.-style trust preferred securities and other instruments that effectively pay cumulative distributions—from Tier 1 capital status.

The liquidity proposals included in the document titled “*International Framework for Liquidity Risk Management, Standards and Monitoring*”, would impose two measures of liquidity risk exposure, one based on a 30-day time horizon and the other addressing longer-term structural liquidity mismatches over a one-year time period.

IFRS

International Financial Reporting Standards (“IFRS”) are a set of standards and interpretations adopted by the International Accounting Standards Board. The SEC is currently considering a potential IFRS adoption process in the U.S., which would, in the near term, provide domestic issuers with an alternative



accounting method and ultimately could replace U.S. GAAP reporting requirements with IFRS reporting requirements. The intention of this adoption would be to provide the capital markets community with a single set of high-quality, globally accepted accounting standards. The adoption of IFRS for U.S. companies with global operations would allow for streamlined reporting, allow for easier access to foreign capital markets and investments, and facilitate cross-border acquisitions, ventures or spin-offs.

In November 2008, the SEC proposed a “roadmap” for phasing in mandatory IFRS filings by U.S. public companies beginning for years ending on or after Dec. 15, 2014. The roadmap is conditional on progress towards milestones that would demonstrate improvements in both the infrastructure of international standard setting and the preparation of

the U.S. financial reporting community. The SEC will monitor progress of these milestones between now and 2011, when the SEC plans to consider requiring U.S. public companies to adopt IFRS. The comment period on this proposed roadmap ended on April 20, 2009.

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. BNY Mellon’s operations in the Netherlands are required to prepare their statutory financial statements in accordance with IFRS. Other subsidiaries in Canada, Brazil and Japan will be required to use IFRS for statutory reporting. The use of IFRS is currently optional in the United Kingdom.

Selected Quarterly Data (unaudited)

(dollar amounts in millions, except per share amounts)	Quarter ended							
	2009				2008			
	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Consolidated income statement								
Total fee and other revenue	\$ 2,595	\$ (2,216)	\$ 2,257	\$ 2,136	\$ 1,817	\$ 2,926	\$ 2,989	\$ 2,982
Net interest revenue	724	716	700	775	1,047	681	388	743
Total revenue	3,319	(1,500)	2,957	2,911	2,864	3,607	3,377	3,725
Provision for credit losses	65	147	61	59	54	23	13	14
Noninterest expense	2,582	2,318	2,383	2,280	2,859	3,319	2,743	2,602
Income (loss) from continuing operations before income taxes and extraordinary (loss)	672	(3,965)	513	572	(49)	265	621	1,109
Provision (benefit) for income taxes	(41)	(1,527)	12	161	(137)	(42)	312	358
Income (loss) from continuing operations	713	(2,438)	501	411	88	307	309	751
Income (loss) from discontinued operations, net of tax	(119)	(19)	(91)	(41)	4	-	6	4
Extraordinary (loss) on consolidation of commercial paper conduit, net of tax	-	-	-	-	(26)	-	-	-
Net income (loss)	594	(2,457)	410	370	66	307	315	755
Net (income) loss attributable to noncontrolling interests, net of tax	(1)	(1)	2	(1)	(5)	(4)	(6)	(9)
Redemption charge and preferred dividends	-	-	(236)	(47)	(33)	-	-	-
Net income (loss) applicable to common shareholders of The Bank of New York Mellon Corporation	\$ 593	\$ (2,458)	\$ 176	\$ 322	\$ 28	\$ 303	\$ 309	\$ 746
Basic earnings per share								
Continuing operations	\$ 0.59	\$ (2.04)	\$ 0.23	\$ 0.31	\$ 0.04	\$ 0.26	\$ 0.26	\$ 0.65
Discontinued operations	(0.10)	(0.02)	(0.08)	(0.04)	-	-	-	-
Extraordinary (loss)	-	-	-	-	(0.02)	-	-	-
Net income (loss) applicable to common stock	\$ 0.49	\$ (2.05) (a)	\$ 0.15	\$ 0.28 (a)	\$ 0.02	\$ 0.26	\$ 0.27 (a)	\$ 0.65
Diluted earnings per share								
Continuing operations	\$ 0.59	\$ (2.04)	\$ 0.23	\$ 0.31	\$ 0.04	\$ 0.26	\$ 0.26	\$ 0.64
Discontinued operations	(0.10)	(0.02)	(0.08)	(0.04)	-	-	-	-
Extraordinary (loss)	-	-	-	-	(0.02)	-	-	-
Net income (loss) applicable to common stock	\$ 0.49	\$ (2.05) (a)	\$ 0.15	\$ 0.28 (a)	\$ 0.02	\$ 0.26	\$ 0.27 (a)	\$ 0.65 (a)
Average balances								
Interest-bearing deposits with banks	\$ 55,467	\$ 54,343	\$ 56,917	\$ 56,505	\$ 78,680	\$ 43,999	\$ 43,361	\$ 38,658
Securities (b)	55,573	53,889	51,903	43,465	40,057	42,864	44,384	47,531
Loans (b)	35,239	34,535	37,029	38,958	48,326	45,435	45,633	47,024
Total interest-earning assets (b)	164,075	155,159	157,265	167,427	181,639	142,062	142,032	142,863
Total assets	214,205	205,786	208,533	220,119	243,962	198,827	195,997	200,790
Deposits (b)	133,395	128,552	131,748	145,034	147,455	118,969	118,232	117,732
Long-term debt	17,863	17,393	16,793	15,493	15,467	15,993	16,841	17,125
Common shareholders' equity	28,843	28,144	26,566	25,189	26,812	27,996	28,507	29,551
Net interest margin (FTE) (b)	1.77%	1.85%	1.80%	1.87%	2.32%	1.92%	1.11%	2.09%
Annualized return on common equity (b)	9.8%	N/M	4.0%	5.8%	0.8% (c)	4.3%	4.3%	10.1%
Pre-tax operating margin (b)	20%	N/M	17%	20%	(2)%	7%	18%	30%
Common stock data (d)								
Market price per share range:								
High	\$ 29.94	\$ 31.57	\$ 33.62	\$ 29.28	\$ 36.07	\$ 43.00	\$ 46.89	\$ 49.40
Low	25.80	26.11	23.75	15.44	20.49	21.33	36.92	38.70
Average	27.38	28.70	28.41	24.72	28.80	35.62	42.71	45.32
Period end close	27.97	28.99	29.31	28.25	28.33	32.58	37.83	41.73
Dividends per common share	0.09	0.09	0.09	0.24	0.24	0.24	0.24	0.24
Market capitalization (e)	\$ 33,783	\$ 34,911	\$ 35,255	\$ 32,585	\$ 32,536	\$ 37,388	\$ 43,356	\$ 47,732

(a) Amount does not foot due to rounding.

(b) Continuing operations basis.

(c) Calculated before extraordinary loss.

(d) At Dec. 31, 2009, there were 27,727 shareholders registered with our stock transfer agent, compared with 29,428 at Dec. 31, 2008 and 28,904 at Dec. 31, 2007. In addition, there were approximately 41,106 of BNY Mellon's current and former employees at Dec. 31, 2009, who participate in BNY Mellon's 401(k) Retirement Savings Plans. All shares of BNY Mellon's common stock held by the Plans for its participants are registered in the names of The Bank of New York Mellon Corporation and Fidelity Management Trust Company, as trustee.

(e) At period end.



Some statements in this document are forward-looking. These include all statements about the future results of BNY Mellon; projected business growth; statements with respect to the merger of The Bank of New York Company, Inc., and Mellon Financial with and into BNY Mellon; BNY Mellon's plans, areas of focus and long-term financial goals; the effects of pending and proposed legislation and regulation, including the Federal Reserve and Financial Stability Boards' proposals on compensation policies and the proposed Financial Crisis Responsibility Fee; the effects of our investment securities portfolio restructuring, including statements with respect to net interest revenue and consolidation of the Grantor Trust; our planned acquisition of GIS, including the timing of the transaction, our position in the market, the potential for synergies and any plans to raise equity in connection with the transaction; expectations with respect to reductions in our workforce; expectations with respect to our expenses; impact of U.S. tax law on income of certain foreign subsidiaries; the impact of changes in the value of market indices; expectations with respect to fees and assets, factors affecting the performance of our segments; statements on our targeted customers; descriptions of our critical accounting estimates, including management's estimates of probable losses; management's judgment in determining the size of unallocated allowances, the effect of credit ratings on allowances, estimates and cash flow models; judgments and analyses with respect to interest rate swaps, estimates of fair value, other-than-temporary impairment, goodwill and other intangibles; and long-term financial goals, objectives and strategies. In addition, these forward-looking statements relate to: the expected increase in the percentage of revenue and income from outside the U.S.; reasons why our businesses are compatible with our strategies and goals; growth in our segments and assets; globalization of the investment process; targeted capital ratios; the impact of the events in the global markets; deposit levels; expectations with respect to earnings per share; assumptions with respect to pension plans, including discount rates, costs, expected future returns, contributions and benefit payments; statements with respect to our intent to sell or hold securities; expectations with respect to our future exposure to private equity activities; statements on our fund commitments and institutional credit strategies; goals with respect to our commercial loan portfolio; descriptions of our allowance for credit losses and loan losses; statements with respect to the timing of current restrictions on dividends, our liquidity targets and ability to pay dividends; expectations with respect to capital, including

anticipated repayment and call of outstanding debt and issuance of replacement securities; expectations with respect to our lines of credit; our goal of migrating to a predominantly investment grade credit portfolio; the effect of a change in risk-weighted assets or common equity on Tier 1 capital, the effect of a change in interest rates on our earnings and the effect of a change in the value of the S&P 500 Index; the impact of 2009 acquisitions on earnings per share; statements on our target double leverage ratios and our target Tier 1 capital ratio; expectations with respect to securities lending guarantees expiring without the need to advance cash; expectations with respect to the well capitalized status of BNY Mellon and its bank subsidiaries; the effects of the implementation of Basel II; compliance with the requirements of the Sound Practices Paper; descriptions of our risk management framework; qualifications of our economic capital; statements with respect to our risk management methodologies; descriptions of our earnings simulation models and assumptions; statements with respect to our disaster preparedness and our business continuity plans; additional consideration with respect to acquisitions; and effect of geopolitical factors and other external factors; timing and impact of adoption of recent accounting pronouncements; ability to realize benefit of deferred tax assets including carryovers; calculations of the fair value of our option grants; statements with respect to unrecognized compensation costs; our assessment of the adequacy of our accruals for tax liabilities; amount of dividends bank subsidiaries can pay without regulatory waiver; the expected outcome and impact of judgments and settlements, if any, arising from pending or potential legal or regulatory proceedings, and matters relating to the information returns and withholding tax.

In this report, any other report, any press release or any written or oral statement that BNY Mellon or its executives may make, words, such as "estimate," "forecast," "project," "anticipate," "confident," "target," "expect," "intend," "seek," "believe," "plan," "goal," "could," "should," "may," "will," "strategy," "synergies," "opportunities," "trends" and words of similar meaning, signify forward-looking statements.

Factors that could cause BNY Mellon's results to differ materially from those described in the forward-looking statements, as well as other uncertainties affecting future results and the value of BNY Mellon's stock and factors which represent risk associated with the business and operations of BNY Mellon, can be found in the "Risk Factors" section of BNY Mellon's Annual Report on Form 10-K for the

year ended Dec. 31, 2009, and any subsequent reports filed with the SEC by BNY Mellon pursuant to the Exchange Act.

Forward-looking statements, including discussions and projections of future results of operations and discussions of future plans contained in the MD&A, are based on management's current expectations and assumptions that involve risk and uncertainties and that are subject to change based on various important factors (some of which are beyond BNY Mellon's control), including adverse changes in market conditions, and the timing of such changes, and the actions that management could take in response to these changes. Actual results may differ materially from those expressed or implied as a result of these risks and uncertainties and the risks and uncertainties

described in the documents referred to in the preceding paragraph. The "Risk Factors" discussed in the Form 10-K could cause or contribute to such differences. Investors should consider all risks mentioned elsewhere in this document and in subsequent reports filed by BNY Mellon with the Commission pursuant to the Exchange Act, as well as other uncertainties affecting future results and the value of BNY Mellon's stock.

All forward-looking statements speak only as of the date on which such statements are made, and BNY Mellon undertakes no obligation to update any statement to reflect events or circumstances after the date on which such forward-looking statement is made or to reflect the occurrence of unanticipated events.

Accumulated Benefit Obligation (“ABO”)—The actuarial present value of benefits (vested and non-vested) attributed to employee services rendered.

Alt-A securities—A mortgage risk categorization that falls between prime and subprime. Borrowers behind these mortgages will typically have clean credit histories but the mortgage itself will generally have issues that increase its risk profile such as inadequate documentation of the borrower’s income or higher loan-to-value and debt-to-income ratios.

Alternative investments—Usually refers to investments in hedge funds, leveraged loans, subordinated and distressed debt, real estate and foreign currency overlay. Many hedge funds pursue strategies that are uncommon relative to mutual funds. Examples of alternative investment strategies are: long-short equity, event driven, statistical arbitrage, fixed income arbitrage, convertible arbitrage, short bias, global macro, and equity market neutral.

APAC—Asia-Pacific region.

Assets Under Custody And Administration (“AUC”)—Assets beneficially owned by our clients or customers which we hold in various capacities for which various services are provided such as; custody, accounting, administration valuations and performance measurement. These assets are not on our balance sheet.

ASC—Accounting Standards Codification.

Assets Under Management (“AUM”)—Assets beneficially owned by our clients or customers which we hold in various capacities that are either actively or passively managed. These assets are not on our balance sheet.

bp—basis point.

Collateral management—A comprehensive program designed to simplify collateralization and expedite securities transfers for buyers and sellers. BNY Mellon acting as an independent collateral manager is positioned between the buyer and seller to provide a convenient, flexible, and efficient service to ensure proper collateralization throughout the term of the transaction. The service includes verification of securities eligibility and maintenance of margin requirements.

Collateralized Debt Obligations (“CDOs”)—A type of asset-backed security and structured credit product

constructed from a portfolio of fixed-income assets. CDOs are divided into different tranches and losses are applied in reverse order of seniority.

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

Collective trust fund—An investment fund formed from the pooling of investments by investors.

Credit derivatives—Contractual agreements that provide insurance against a credit event of one or more referenced credits. The nature of the credit event is established by the buyer and seller at the inception of the transaction. Such events include bankruptcy, insolvency and failure to meet payment obligations when due. The buyer of the credit derivative pays a periodic fee in return for a contingent payment by the seller (insurer) following a credit event.

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

Currency swaps—An agreement to exchange stipulated amounts of one currency for another currency.

Depository Receipts (“DR”)—A negotiable security that generally represents a non-U.S. company’s publicly traded equity. Although typically denominated in U.S. dollars, DRs can also be denominated in Euros. DRs are eligible to trade on all U.S. stock exchanges and many European stock exchanges. American Depository Receipts (“ADR”) trade only in the U.S.

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

Discontinued operations—The operating results of a component of an entity, as defined by ASC 205, that are removed from continuing operations when that component has been disposed of or it is management’s intention to sell the component.

Double leverage—The situation that exists when a holding company’s equity investments in wholly-owned subsidiaries (including goodwill and intangibles) exceed its equity capital. Double leverage is created when a bank holding company issues debt and downstreams the proceeds to a subsidiary as an equity investment.

Economic Value of Equity (“EVE”)—An aggregation of discounted future cash flows of assets and liabilities over a long-term horizon.

EMEA—Europe, the Middle East and Africa.

Exchange traded fund—Each share of an exchange traded fund tracks a basket of stocks in some index or benchmark, providing investors with a vehicle that closely parallels the performance of these benchmarks while allowing for intraday trading.

FASB—Financial Accounting Standards Board.

FDIC—Federal Deposit Issuance Corporation.

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

Foreign currency swaps—An agreement to exchange stipulated amounts of one currency for another currency at one or more future dates.

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

Forward rate agreements—Contracts to exchange payments on a specified future date, based on a market change in interest rates from trade date to contract settlement date.

Fully Taxable Equivalent (“FTE”)—Basis for comparison of yields on assets having ordinary taxability with assets for which special tax exemptions apply. The FTE adjustment reflects an increase in the interest yield or return on a tax-exempt asset to a level that would be comparable had the asset been fully taxable.

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

Grantor Trust—A legal, passive entity through which pass-through securities are sold to investors.

Hedge fund—A fund, usually used by wealthy individuals and institutions, which is allowed to use aggressive strategies that are unavailable to mutual funds, including selling short, leverage, program

trading, swaps, arbitrage, and derivatives. Hedge funds are exempt from many of the rules and regulations governing mutual funds, which allow them to accomplish aggressive investing goals. Legal requirements in many countries allow only certain sophisticated investors to participate in hedge funds.

Home Equity Line of Credit (“HELOC”)—A line of credit extended to a homeowner who uses the borrower’s home as collateral.

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

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

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

Interest rate swaps—Contracts in which a series of interest rate flows in a single currency is exchanged over a prescribed period. Interest rate swaps are the most common type of derivative contract that we use in our asset/liability management activities. An example of a situation in which we would utilize an interest rate swap would be to convert our fixed-rate debt to a variable rate. By entering into a swap, the principal amount of a debt remains unchanged, but the interest stream changes.

Investment grade loans and commitments—Those where the customer has a Moody’s long-term rating of Baa3 or better; and/or a Standard & Poor’s long-term rating of BBB- or better; or if unrated, an equivalent rating using our internal risk ratings.

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

Lease-In-Lease-Out (“LILO”) transaction—A transaction in which a person or entity leases property from the owner for a specified time period and then leases the property back to that owner for a shorter time period. The obligations of the property owner as



sublessee are usually secured by deposits, letters of credit, or marketable securities.

Leverage ratio—Tier 1 capital divided by leverage assets. Leverage assets are defined as quarterly average total assets, net of goodwill, intangibles and certain other items as required by the Federal Reserve.

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

Loans for purchasing or carrying securities—Loans primarily to brokers and dealers in securities.

Margin loans—A loan that is used to purchase shares of stock. The shares purchased are used as collateral for the loan.

Mark-to-market exposure—A measure, at a point in time, of the value of a derivative or foreign exchange contract in the open market. When the mark-to-market is positive, it indicates the counterparty owes us and, therefore, creates a repayment risk for us. When the mark-to-market is negative, we owe the counterparty. In this situation, we do not have repayment risk.

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

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

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

N/A—Not applicable.

N/M—Not meaningful.

Net interest margin—The result of dividing net interest revenue by average interest-earning assets.

Operating leverage—The rate of increase in revenue to the rate of increase in expenses.

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

Performance fees—Fees received by an investment advisor based upon the fund’s performance for the period relative to various predetermined benchmarks.

Prime securities—A classification of securities collateralized by loans to borrowers who have a high-value and/or a good credit history.

Private equity/venture capital—Investment in start-up companies or those in the early processes of developing products and services with perceived, long-term growth potential.

Pre-tax operating margin—Income before taxes for a period divided by total revenue for that period.

Projected Benefit Obligation (“PBO”)—The actuarial present value of all benefits accrued on employee service rendered prior to the calculation date, including allowance for future salary increases if the pension benefit is based on future compensation levels.

Qualified Special Purpose Entity (“QSPE”)—A special purpose entity whose activities are strictly limited to holding and servicing financial assets and meet the requirements set forth in ASC 860. A qualified special purpose entity is generally not required to be consolidated by any party.

Real Estate Investment Trust (“REIT”)—An investor-owned corporation, trust or association that sells shares to investors and invests in income-producing property.

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

Restructuring charges—Typically result from the consolidation and/or relocation of operations. Restructuring charges may be incurred in connection with a business combination, a change in an enterprise’s strategic plan, or a managerial response to declines in demand.

Return on assets—Income divided by average assets.

Return on common equity—Income divided by average common shareholders’ equity.

Return on tangible common equity—Income, excluding intangible amortization, divided by average tangible common shareholders' equity.

Sale-In-Lease-Out (“SILO”) transaction—A transaction in which an entity sells its property to a corporation. The corporation simultaneously leases the property back to the entity for a shorter period of time. The SILO arrangement typically involves a service contract which guarantees a fixed return to the corporation.

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

Structured Investment Vehicle (“SIV”)—A fund which borrows money by issuing short-term securities at low interest and then lends money by buying long-term securities at higher interest.

Sub-custodian—A local provider (e.g., a bank) contracted to provide specific custodial related services in a selected country or geographic area. Services generally include holding foreign securities in safekeeping, facilitating settlements and reporting holdings to the custodian.

Subprime securities—A classification of securities collateralized by loans to borrowers who have a tarnished or limited credit history. Subprime securities carry increased credit risk and subsequently carry higher interest rates.

Tangible common shareholders' equity to tangible assets ratio (“TCE”)—Common shareholders' equity less goodwill and intangible assets adjusted for deferred tax liabilities associated with tax deductible goodwill and non-tax deductible intangible assets divided by period-end total assets less goodwill, intangible assets, deposits with the Federal Reserve

and other central banks, and U.S. government-backed commercial paper.

Tangible common shareholders' equity—Common equity less goodwill and intangible assets adjusted for deferred tax liabilities associated with non-tax deductible intangible assets and tax deductible goodwill.

Tier 1 and total capital—Includes common shareholders' equity (excluding certain components of comprehensive income), Series B preferred stock, qualifying trust preferred securities, less goodwill and certain intangible assets adjusted for deferred tax liabilities associated with non-tax deductible intangible assets and tax deductible goodwill and a deduction for certain non-financial equity investments and disallowed deferred tax assets. Total capital includes Tier 1 capital, qualifying unrealized equity securities gains, qualifying subordinated debt and the allowance for credit losses.

Tier 1 common equity to risk-weighted assets ratio—Tier 1 capital excluding trust preferred securities and preferred stock divided by risk-weighted assets.

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

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

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



Management of BNY Mellon is responsible for establishing and maintaining adequate internal control over financial reporting for BNY Mellon, as such term is defined in Rule 13a-15(f) under the Exchange Act.

BNY Mellon's management, including its principal executive officer and principal financial officer, has assessed the effectiveness of BNY Mellon's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework. Based upon

such assessment, management believes that, as of December 31, 2009, BNY Mellon's internal control over financial reporting is effective based upon those criteria.

KPMG LLP, the independent registered public accounting firm that audited BNY Mellon's 2009 financial statements included in this Annual Report under "Financial Statements and Notes," has issued a report with respect to the effectiveness of BNY Mellon's internal control over financial reporting. This report appears on page 90.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
The Bank of New York Mellon Corporation:

We have audited The Bank of New York Mellon Corporation's ("BNY Mellon") internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). BNY Mellon's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on BNY Mellon's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, BNY Mellon maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of BNY Mellon as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2009, and our report dated February 26, 2010 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

New York, New York
February 26, 2010