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**From:** Richard Kahn <[REDACTED]>  
**Sent:** Thursday, April 20, 2017 12:04 PM  
**To:** Jeffrey Epstein  
**Subject:** Fwd: BNY Mellon: 1Q17 First Pass: Tax Beat with Disappointing Expenses

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HBRK Associates Inc.  
575 Lexington Avenue, 4th Floor  
New York, NY 10022  
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Begin forwarded message:

From: =/b>"Morgan Stanley" <[REDACTED]>

Subject: =/b>BNY Mellon: 1Q17 First Pass: Tax Beat with Disappointing Expenses

Date: =/b>April 20, 2017 at 8:01:08 AM =DT

To: =/b>[REDACTED]

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Betsy L. Graseck, =FA – Morgan Stanley

April =0, 2017 11:59 AM GMT

Beat on Revenues and Taxes, =partially Offset by Expense Miss BK reported operating EPS of \$0.82, =eat consensus' and our estimates of \$0.80 on higher fees (4c), lower =axes (2c), lower provision (1c), partially offset by higher expenses =4c and lower NII (1c). Expense miss disappointing as BK had been an =expense-save story. Expenses up <1% y/y and q/q v. our estimates of =% down q/q and y/y. Management has attributed such increase to =regulatory and compliance costs. We look to the call for more color. =expense ratio stood at 69.0%, 80bps lower than our estimate of 68.2%; =till an improvement from prior quarters: 47bps improvement q/q, and =30bps improvement y/y. NIM in line with our estimate at 1.13%, up 3bps =/q on an adjusted basis (4Q16 had a few one-offs). Earning assets =hrank faster than we expected at -2% q/q (v. MSe of flat q/q).Higher =ees primarily driven by clearing services fees (2c beat), asset =anagement fees (1c beat) and others (2c), partially offset by FX =rading (1c miss)Tax rate lower at 23.4% v. MSe of 25.0%, primarily =iven by new accounting guidance (ASU 2016-09) on stock awards.Volume: =ixed with AUC miss and AUM beat: AUC up 2.3% q/q (MSe +3.0%) and up =.2% y/y (MSe +5.8%) AUM up 4.8% q/q (MSe +3.5%) and up 5.4% y/y (MSe =4.1%)Key Questions for the Call:Expense miss, fee pressure, NEXEN =onetization, asset management boutique model, NIM outlook, excess =deposit runoff, duration extension opportunities, implications of tax =epatriationCall Details:Today at 8am eastern. (800) 390-5696; Passcode: =45371

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