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**Sent:** Thursday, July 21, 2016 12:12 PM  
**To:** Jeffrey Epstein  
**Subject:** Fwd: BNY Mellon: 2Q16 First Pass: In Line as Gross Margins Offset Expense Beat

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Betsy L. Graseck, CFA – Morgan Stanley</=2>

July 21, 2016 12:02 PM GMT

2Q16 Earnings: BK reported operating EPS of \$0.76=(vs. MSe/cons \$0.75) on better expenses (\$2.61bn vs. MSe \$2.63bn) and better credit (provision of -\$9mn vs. MSe +\$8mn). Top-line 3c weaker on lower NIM (=0.97% vs. MSe 1.02%) and weaker than expected FX revs (BK calling out lower volumes). AUC/AUM beat estimates, with inflows into LDI and market appreciation offsetting outflows in index. Estimates likely unchanged given expense discipline is offsetting challenged top-line. Mgmt commentary on back half of 2016 trajectory, and any lumpy items on the expense front for 'Living Will' and other reg initiatives, will be closely watched. Positives: Expenses 1c better as BK reduced staff expenses in the quarter. Provision 1c better at -\$9mn (=vs. MSe +\$8mn), similar to NTRS yesterday. Don't expect investors to give much credit here, given the relatively volatile nature of the provision line and trust banks. Taxes 1c better. Negatives: NII 1c worse as NIM came in weaker than expected (0.97% vs. MSe 1.02%). Fee income 2c worse on weaker FX revs and other fee income. Key Questions for the Call: Excess deposit runoff and resultant SLR progress, NIM outlook, BlockChain initiatives, asset management budget expansion plans, plans to manage client AUM ahead of Oct MMF reform, and timing for additional pref issuance (BK included pref for common swap in its 2016 capital plan). Call Details: Today at 8am eastern. Dial-in: (888) 894-7224; Passcode: 619690.

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