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BNY Mellon core results soft, but outlook is key - Goldman

Jan. 19, 2017 9:01 AM ET|By: [Stephen Alpher](#), SA News Editor

While the bank reported inline Q4 EPS of \$0.77 per share, core income came in about \$30M light, say Alexander Blostein and team at Goldman. That \$30M (almost entirely due to performance fees) was offset by a lower tax rate, thus allowing [BK](#) to report inline.

Expense management, however, was solid, with pretax, pre-provision margin up 280 basis points Y/Y in Q4. The bank is also starting to see the benefit of higher rates, which bodes well for 2017 estimates.

The expense outlook and rate sensitivity will be key for how the stock performs post-print, says Goldman.

Previously: [Bank of New York Mellon EPS in-line, misses on revenue](#) (Jan. 19)

BNY Mellon Reports Fourth Quarter Earnings Of \$822 Million Or \$0.77 Per Common Share

Thu January 19, 2017 6:30 AM|PR Newswire|About: [BK](#)
Q4 2017 Earnings Summary

-  [8-K](#)
-  [Transcript](#)
-  [Slides](#)
-  [News](#)

EPS of \$0.77 | Revenue of \$3.79B (+ 1.9% Y/Y) misses by \$-60M

NEW YORK, Jan. 19, 2017 /PRNewswire/ --

- Earnings per common share up 35%, or 13% on an adjusted basis year-over-year (a)

TOTAL REVENUE OF \$3.79 BILLION, INCREASED 2% YEAR-OVER-YEAR

- Fee and other revenue up slightly; Investment Services fees increased 4%
- Net interest revenue increased 9%

CONTINUED FOCUS ON EXPENSE CONTROL

- Total noninterest expense decreased 2% year-over-year

FULL-YEAR 2016 EARNINGS OF \$3.43 BILLION OR \$3.15 PER COMMON SHARE

- Earnings of \$3.45 billion or \$3.17 per common share on an adjusted basis (a)
- Earnings per common share up 16%, or 11% on an adjusted basis (a)
- Total revenue up slightly and total noninterest expense decreased 3%

EXECUTING ON CAPITAL PLAN AND RETURNING VALUE TO COMMON SHAREHOLDERS

- Repurchased 18.4 million common shares for \$848 million in the fourth quarter of 2016 and 58.6 million common shares for \$2.4 billion in full-year 2016
- Return on common equity of 9% in the fourth quarter of 2016 and 10% in full-year 2016
- Adjusted return on tangible common equity of 21% in both the fourth quarter and full-year of 2016 (a)
- SLR – transitional of 6.0%; SLR – fully phased-in of 5.6% (a)

The Bank of New York Mellon Corporation ([BK](#)) ("BNY Mellon ([BYMIX](#))") (NYSE: BK) today reported fourth quarter net income applicable to common shareholders of \$822 million, or \$0.77 per diluted common share, or \$826 million, or \$0.77 per diluted common share, as adjusted (Non-GAAP). In the fourth quarter of 2015, net income applicable to common shareholders was \$637 million, or \$0.57 per diluted common share, or \$755 million, or \$0.68 per diluted common share, as adjusted (Non-GAAP). In the third quarter of 2016, net income applicable to common shareholders was \$974 million, or \$0.90 per diluted common share, or \$979 million, or \$0.90 per diluted common share, as adjusted (Non-GAAP) (a).

In 2016, net income applicable to common shareholders totaled \$3.43 billion, or \$3.15 per diluted common share, or \$3.45 billion, or \$3.17 per diluted common share, as adjusted (Non-GAAP). In 2015, net income applicable to common shareholders totaled \$3.05 billion, or \$2.71 per diluted common share, or \$3.22 billion, or \$2.85 per diluted common share, as adjusted (Non-GAAP) (a).

"We delivered strong fourth-quarter results, capping another year of solid execution against our three-year strategic plan. For full-year 2016, our earnings per share increased significantly as we delivered a strong return on capital. In the fourth quarter, we also generated substantial positive operating leverage, as the Investment Services business performed well and our business improvement process helped reduce structural costs," Gerald L. Hassell, chairman and chief executive officer, said.

"As we enter 2017, we continue to prioritize enhancing our clients' experience with us in every way ... from ease of access of information, to providing data-driven insights and solutions, to improving responsiveness to inquiries. Our digital transformation is enhancing the user experience, raising our levels of automation and resiliency and allowing clients to connect to BNY Mellon anywhere, anytime" Mr. Hassell added.

"We also remain committed to providing value to our shareholders and, during the fourth quarter, we returned more than \$1 billion through share repurchases and dividends," Mr. Hassell continued.

"I want to thank our clients for entrusting us with their business, my fellow shareholders for recognizing our value proposition and our 50,000-plus BNY Mellon professionals for executing on our strategy and challenging themselves to be the very best every day," Mr. Hassell concluded.

BNY Mellon is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or

individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of Dec. 31, 2016, BNY Mellon had \$29.9 trillion in assets under custody and/or administration, and \$1.6 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

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