

From: Richard Kahn [REDACTED]
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: BNY Mellon: 3Q16 First Pass: Bringing Home the Bacon in an Expense-led Beat
Date: Thu, 20 Oct 2016 17:47:03 +0000

stock trading at 42.17 os of 1:45pm

your cost basis on 250,000 shares is 36.31
unrealized gain 1,465,000

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Begin forwarded message:

From: "Morgan Stanley" [REDACTED]
Subject: BNY Mellon: 3Q16 First Pass: Bringing Home the Bacon in an Expense-led Beat
Date: October 20, 2016 at 8:37:12 AM EDT
To: [REDACTED]
Reply-To: [REDACTED]



WEALTH MANAGEMENT

Subscription Notification: October 20

[BNY Mellon: 3Q16 First Pass: Bringing Home the Bacon in an Expense-led Beat](#)

Betsy L. Graseck, CFA – Morgan Stanley
October 20, 2016 12:36 PM GMT

Delivering Sustainable Cost Saves: BK delivered a sharp reduction in non-comp expenses dropping the expense ratio 200bps q/q from 69.5% to 67.5% While some of

the benefit came from a stronger dollar, much of the reduction should be sustainable given management pointing to lower vendor costs and reduced real estate expenses. Key question for the call is on the expense ratio... How low can it go? After years of hovering between 70-71%, how much more operating leverage can BK drive beyond the 200 bp today? EPS and stock up on lower expenses. 3Q16 Earnings: BK reported operating EPS of \$0.89 (v. MSe \$0.79/cons \$0.81) on better expenses of 7c (\$2.67Bn v. MSe \$2.75Bn), better NIM (1.04% v. MSe 0.96%), and better credit (provision of -\$19mn v. MSe +\$5mn). Lower expense driven by a stronger dollar, lower software/equipment, legal, occupancy, and business development expenses, partially offset by staff and distribution and servicing expenses. Better NIM driven by reinvesting cash into RMBS and other securities, shrinking IEA (\$297Bn v. MSe \$322Bn). Modest beat on AUC/AUM on stronger market (similar to NTRS yesterday), partially offset by a stronger dollar. Estimates likely go up given strong execution on expense and balance sheet strategy. Stock likely trade up. Positives: 4c beat on NIM on smaller book and higher-yielding asset exposure. 7c beat on expense. Provision 2c better on net recovery (-\$13mn v. MSe +\$5mn). Taxes 1c better (24.4% v. MSe 25.5%). AUC up 7.0% y/y (MSe +5.6%) and up 3.4% q/q (MSe +2.0%). AUM up 5.5% y/y (MSe 4.4%) and up 3.1% q/q (MSe +2.0%). Negatives: Asset servicing came in weaker than expected (\$1.07Bn v. MSe \$1.11Bn). Key Questions for the Call: Updated expense guidance; any fee pressure from prime MMF outflows into Govie MMF? Benefit from higher LIBOR, NIM outlook, Blockchain arms race, asset management boutique expansion plans, exposure to hedge fund underperformance, excess deposit runoff and resultant SLR progress. Call Details: Today at 8am eastern. Dial-in: [REDACTED] P

Click [here](#) to see the full report.

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