

The Bank of New York Mellon Corporation

Transformation continues

Reiterate Rating: BUY | PO: 64.00 USD | Price: 54.85 USD

EPS beat, strategic targets drive stock outperformance

BNY Mellon (BK) shares outperformed peers (+500bp) after reporting better-than-expected 4Q23 EPS \$1.28 vs \$1.10/\$1.13 BofAe/consensus estimates. Beat driven by stronger fees (+1.5% vs cons) and net interest revenues (NIR; +12%); expenses in line (-0.9%); credit costs higher (\$84mn vs. \$7.2mn) driven by commercial real estate (CRE). Revise FY24/25e EPS to \$5.25/\$5.90 reflecting higher NIR (FY24 -10.5% vs -13.9% prior) and lower expenses (FY24 flat vs +1%). Our \$64 PO (\$58 prior) is based on 50%/50% weighting between our revised 2024e EPS and 2024e TBV. We assign 13.8x/2.0x multiples respectively (13.8x/1.7x prior). \$64 PO implies 12.2x 2024e P/E and 2.3x YE24e TBV. Reiterate Buy rating.

Strategic actions in early innings

As we have noted previously, we believe that investors are underestimating the potential upside from strategic actions underway at BK that should not only lead to improved efficiencies but jumpstart revenue growth. Mgmt. actions to better service "platforming" its customer base could unlock a multi-year growth-run, setting the stage for continued stock outperformance. Today, mgmt unveiled relatively ambitious (but doable) medium term strategic targets, including: pre-tax margin of 33%+ (vs. 29.6% reported for FY23) and a return on tangible common equity (ROTCE) of 23%+ (vs. 21.6%). Relevant research: [CEO meeting takeaways: Transformation afoot](#)

Potential for upside surprise to revenue guide

We see potential for upside to mgmt's FY24 NIR guide, however we acknowledge that this will likely partially depend on the trajectory of interest rates. Mgmt. guidance assumes forward curve (six rate cuts) and ~150-200bp in higher reinvestment yields. Deposits ended the year on a strong footing (+2.2%), a positive proof point on the success of the Global Liquidity Solution group. Mgmt. expects QT to weigh on deposit growth, expects modest run-off. FY24 fees expected to be up YoY driven by organic growth, FX, and equity market appreciation. We forecast fee growth of 3.0% YoY.

Expense flex, capital return to continue

Efficiency opportunities are expected to be driven by rationalizing vendor contracts, right-sizing real estate footprint, remixing headcount via summer program. We forecast FY24 expense growth of +0.3% YoY vs. +2.7% reported for FY23. Capital return also expected to continue at a healthy pace with mgmt. targeting a total payout ratio of 100%+ (vs. FY23 123%). We expect quarterly share buybacks of \$700mn for FY24 vs. \$650mn quarterly avg. for 2023. Mgmt. set a common equity tier 1 (CET1) capital ratio target of 11% (vs 11.6% at 12/31) and tier 1 leverage ratio of 5.5-6% (vs 6.0%).

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	4.51	5.05	5.25	5.90	6.60
EPS Change (YoY)	7.1%	12.0%	4.0%	12.4%	11.9%
Consensus EPS (Bloomberg)			5.10	5.70	6.87
DPS	1.42	1.58	1.76	1.85	1.94
Valuation (Dec)					
P/E	12.2x	10.9x	10.4x	9.3x	8.3x
Dividend Yield	2.6%	2.9%	3.2%	3.4%	3.5%

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14 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	58.00	64.00
2024E Rev (m)	17,227.7	17,589.1
2025E Rev (m)	18,081.0	18,124.5
2026E Rev (m)	18,680.7	18,698.4
2024E EPS	4.74	5.25
2025E EPS	5.71	5.90
2026E EPS	6.45	6.60

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Stock Data

Price	54.85 USD
Price Objective	64.00 USD
Date Established	14-Jan-2024
Investment Opinion	C-1-7
52-Week Range	39.65 USD -55.28 USD
Mkt Val / Shares Out (mn)	44,676 USD / 814.5
Free Float	98.9%
Average Daily Value	215.57 USD
BofA Ticker / Exchange	BK / NYS
Bloomberg / Reuters	BK US / BKN
ROE (2024E)	9.3%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

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Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Income	3,515	4,347	3,891	3,852	3,852
% change	33.6%	23.7%	-10.5%	-1.0%	0%
Net Fee Income	13,296	13,307	13,703	14,276	14,850
Securities Gains / (Losses)	0	0	0	0	0
Total Operating Income	16,800	17,652	17,589	18,125	18,698
Operating Expenses	(13,010)	(13,168)	(12,342)	(12,605)	(12,857)
% change	13.0%	1.2%	-6.3%	2.1%	2.0%
Provisions Expense	39	119	40	30	30
% change	-116.9%	NA	NA	NA	NA
Operating Pre-Tax Income	3,801	4,486	5,251	5,523	5,846
Operating Net Income to Comm S/Hold.	2,681	3,237	3,902	4,114	4,369
GAAP Net Income	2,892	3,472	4,158	4,370	4,625

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Assets	427,004	406,992	414,947	423,676	432,542
Average Interest Earning Assets	362,254	348,411	357,321	366,050	374,916
Total Gross Customer Loans	66,063	66,879	68,906	68,906	68,906
% change	-2.5%	1.2%	3.0%	0%	0%
Total Customer Deposits	278,970	283,669	297,136	309,219	321,906
% change	-12.7%	1.7%	4.7%	4.1%	4.1%
Tangible Equity	17,966	18,963	19,827	20,489	21,711
Common Shareholders' Equity	151,996	124,057	116,160	113,881	105,372

Key Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Margin	0.97%	1.25%	1.09%	1.05%	1.03%
Effective Tax Rate	23.9%	22.6%	20.8%	20.9%	20.9%
Loan / Deposit Ratio	23.7%	23.6%	23.2%	22.3%	21.4%
Tangible Common Equity / Assets	4.2%	4.7%	4.8%	4.8%	5.0%
ROA	0.9%	1.0%	0.9%	1.0%	1.0%
ROE	10.1%	11.1%	9.3%	9.7%	10.0%
RoTE	19.7%	21.6%	19.9%	20.2%	20.5%
Dividend Payout Ratio	43.1%	38.5%	33.2%	31.1%	29.2%
Efficiency Ratio (Cost / Income Ratio)	77.4%	74.6%	70.2%	69.5%	68.8%

Quality of Earnings (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Non-Interest Inc / Operating Inc	79.1%	75.4%	77.9%	78.8%	79.4%
NPLs plus Foreclosed Real Estate / Loans	0%	0%	0%	0%	0%
Loan Loss Reserves / NPLs	NA	NA	NA	NA	NA
Loan Loss Reserves / Total Loans	0.44%	0.62%	0.64%	0.64%	0.61%

Company Sector

Trust Banks

Company Description

BNY Mellon is a global company dedicated to helping its clients manage and service their financial assets throughout the investment life cycle. The three segments (Securities Services, Market & Wealth Services, and Investment & Wealth Management) offer a comprehensive set of capabilities and expertise across the investment lifecycle, enabling the Company to provide solutions to buy-side and sell-side market participants, as well as leading institutional and wealth management clients globally.

Investment Rationale

We view BNY Mellon as well positioned relative to peers reflecting cyclical and self-help factors that should drive EPS defensibility. Management has also been focused on capital flexibility and using expense discipline as a lever in a tough revenue backdrop.

Stock Data

Average Daily Volume 3,930,198

Quarterly Earnings Estimates

	2023	2024
Q1	1.13A	1.24E
Q2	1.37A	1.29E
Q3	1.27A	1.35E
Q4	1.28A	1.38E

Exhibit 1: BK outperformed on deposits, driving an NIR surprise

4Q23 beat/miss

\$mn	4Q23 Actual	BofAe	Cons	vs. BofAe	vs. Cons
Fee revenue	3,360.0	3,310.2	3,311.9	1.5%	1.5%
NIR	1,102.0	946.9	981.1	16.4%	12.3%
Provisions	84.0	5.0	7.2	1580.0%	1061.9%
Expenses	3,116.0	3,141.3	3,143.8	-0.8%	-0.9%
PPNR	1,346.0	1,115.9	1,149.2	20.6%	17.1%
Tax rate	18.1%	21.0%	20.8%	-290bp	-273bp
EPS	\$1.28	\$1.10	\$1.13	16.4%	13.0%
EOP Deposit growth QoQ	2.2%	-2.2%	-0.5%	444bp	278bp
NIM	1.26%	1.10%	1.16%	16bp	10bp
AUC/A (\$bn)	47,800.0	46,157.0	47,858.1	3.6%	-0.1%
AUM (\$bn)	1,970.0	1,808.8	1,880.8	8.9%	4.7%

Source: BofA Global Research estimates, Visible Alpha, company filings

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Exhibit 2: Expense flex and healthy capital return intact into 2024

Implied FY24 vs. pre-earnings estimates

FY24 Guidance	Implied FY24	BofAe	Cons	vs. BofAe	vs. Cons
NIR -10%	3,910.5	3,608.3	3,939.9	8.4%	-0.7%
Expenses flat	12,302.0	12,450.3	12,570.0	-1.2%	-2.1%
Payout 100%+	100%	94.3%	89.9%	5.7ppt	10.1ppt

Source: BofA Global Research estimates, Visible Alpha, company filings

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Exhibit 3: BK Variance Table

New vs. old EPS estimates, assumptions

KEY FORECAST VARIABLES:	Estimate 4Q23E	Estimate 4Q23E	Variance	New 2024E	Old 2024E	Variance	New 2025E	Old 2025E	Variance
Net Interest Income (FTE)	1,102.0	946.9	16.4%	3,890.6	3,608.3	7.8%	3,852.1	3,912.7	-1.5%
Loan Loss Provision	84.0	5.0	1580.0%	40.0	40.0	0.0%	30.0	30.0	0.0%
Investment Services fees	2,392.0	2,233.8	7.1%	9,506.4	9,294.6	2.3%	9,886.8	9,706.7	1.9%
Investment Management and Performance fees	743.0	755.2	-1.6%	3,131.5	2,994.7	4.6%	3,286.2	3,097.3	6.1%
FX	143.0	142.5	NA	722.0	624.2	15.7%	750.9	649.1	15.7%
Finance-related	45.0	45.5	-1.0%	184.5	186.4	-1.0%	190.1	192.0	-1.0%
Distribution and servicing	41.0	37.0	11.0%	173.7	143.9	20.8%	178.1	147.5	20.8%
Tot. Revenue	4,461.0	4,257.2	4.79%	17,589.1	17,227.7	2.10%	18,124.5	18,081.0	0.24%
Total Expenses	3,868.0	3,641.3	6.23%	12,342.1	12,450.3	-0.87%	12,605.5	12,710.9	-0.83%
Pre-Tax Income (FTE)	1,261.0	1,110.9	13.51%	5,207.0	4,737.3	9.91%	5,489.1	5,340.1	2.79%
FTE Tax Rate (%)	18%	21%	-3pp	21%	21%	0pp	21%	21%	0pp
Taxes	228.0	233.3	-2.27%	1,093.5	994.8	9.91%	1,152.7	1,121.4	2.79%
Net Income	1,033.0	877.6	17.71%	4,113.5	3,742.5	9.91%	4,336.4	4,218.7	2.79%
Available For Common	989.0	840.6	148mn	3,853.5	3,502.5	351mn	4,076.4	3,978.7	98mn
Op. EARNINGS PER SHARE (F.D.)	\$1.28	\$1.10	16%	\$5.25	\$4.74	11%	\$5.90	\$5.71	3%
GAAP EPS (F.D.)	\$0.33	\$0.58	-43%	NA	NA	NA	NA	NA	NA
Book Value Per Share	\$ 48.24	\$ 48.05	\$0.18	\$ 52.35	\$ 52.75	(\$0.40)	\$ 54.02	\$ 54.48	(\$0.46)
Tangible Book Value Per Share	\$ 25.52	\$ 25.47	\$0.05	\$ 28.08	\$ 28.93	(\$0.85)	\$ 29.75	\$ 30.66	(\$0.91)
Dividends Per Share	\$ 0.42	\$ 0.42	\$0.00	1.76	1.76	\$0.00	1.85	1.94	(\$0.09)
Average Fully-Diluted Shares	772.1	764.2	8mn	733.8	738.2	-4mn	691.0	697.1	-6mn
CAPITAL RATIOS:									
EOP Common Equity/Assets (%)	8.9%	9.1%	-21bp	8.8%	9.4%	-57bp	8.9%	9.4%	-49bp
Tang. Common Equity/Assets (%)	4.7%	4.8%	-12bp	4.7%	5.1%	-42bp	4.9%	5.3%	-39bp
Tangible Common Equity/RWA (%)	12.4%	12.4%	-4bp	12.1%	13.2%	-108bp	12.5%	13.5%	-99bp
Tier 1 Common/RWA (%)	14.7%	15.1%	-32bp	14.3%	15.8%	-144bp	14.5%	15.7%	-118bp
PROFITABILITY RATIOS:									
Return On Assets (%)	1.0%	0.8%	12bp	0.9%	0.9%	5bp	0.9%	1.0%	-1bp
Return On Common Equity (%)	10.8%	9.2%	159bp	10.4%	9.3%	113bp	10.6%	10.2%	47bp
Return On Tangible Common Equity (%)	20.4%	17.4%	303bp	19.4%	16.9%	249bp	19.3%	18.1%	125bp
Operating Expenses/Revenues (%)	69.8%	73.8%	-394bp	70.2%	72.3%	-210bp	69.5%	70.3%	-75bp
BALANCE SHEET ITEMS:									
EOP Total Deposits	283,669	271,362	4.54%	297,136	279,638	6.26%	309,219	290,907	6.29%
EOP Total Assets	409,953	399,082	2.72%	421,092	403,345	4.40%	431,152	417,038	3.38%
EOP Equity	41,106	41,490	-0.93%	41,577	42,851	-2.97%	42,757	44,091	-3.03%
EOP Preferred Equity	4,343	4,838	-10.23%	4,343	4,838	-10.23%	4,343	4,838	-10.23%
EOP Common Equity	36,628	36,487	0.39%	37,099	37,848	-1.98%	38,279	39,088	-2.07%
EOP Tangible Common Equity	19,375	19,338	0.19%	19,900	20,754	-4.12%	21,079	21,995	-4.16%

Source: BofA Global Research estimates, company filings

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Price objective basis & risk

The Bank of New York Mellon Corporation (BK)

Our \$64 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.8x/2.0x multiples respectively, in-line/below the bank's 5 year pre pandemic median of 13.4x/3.1x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to uncertainty surrounding the outlook for interest rates and equity/bond prices.

Risk to the upside is stronger equity/bond markets. Risks to the downside are a severe selloff in equity/bond markets that that could put downward pressure on fee growth and M&A that could temper capital return.

Analyst Certification

I, Ebrahim H. Poonawala, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSIX	TSIX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett



North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett

UNDERPERFORM

	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

Valuation Toolkit

Numerator

Denominator

*IQmethod*SM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

IQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

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Disclosures

Important Disclosures

BNY Mellon (BK) Price Chart



BK — Review PO

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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