# FORM 8-K

Current report filing

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## FILER

**MELLON BANK CORP**

CIK:**64782**| IRS No.: **251233834** | State of Incorp.:**PA** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-07410** | Film No.: **94523409**
SIC: **6021** National commercial banks

Business Address
*ONE MELLON BANK CENTER*
*500 GRANT ST*
*PITTSBURGH PA 15258-0001*
*4122345000*

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) - April 19, 1994

MELLON BANK CORPORATION
(Exact name of registrant as specified in charter)

| | | |
|---|---|---|
| Pennsylvania | 1-7410 | 25-1233834 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

One Mellon Bank Center
500 Grant Street
Pittsburgh, Pennsylvania 15258
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code - (412) 234-5000

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

| Exhibit Number | Description |
|---|---|
| 99.1 | Mellon Bank Corporation's Press Release, dated April 19, 1994, regarding first quarter results of operations. |

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MELLON BANK CORPORATION

Date: April 19, 1994

By: /s/ Steven G. Elliott
---------------------
Steven G. Elliott
Vice Chairman, Chief Financial Officer and Treasurer

EXHIBIT INDEX

| Number | Description | Method of Filing |
|---|---|---|
| 99.1 | Press Release dated April 19, 1994 | Filed herewith |

Mellon News Release
EX-99.1

[Logo of Mellon Bank]

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FOR IMMEDIATE RELEASE

MELLON REPORTS RECORD QUARTERLY NET INCOME IN FIRST QUARTER 1994

- Net Income Increases 41 Percent and Earnings Per Share Increases 39 Percent, Excluding a Restructuring Charge and Securities Gains in Prior-Year Quarter

- Return on Equity Reaches 17.25 Percent for Quarter; Return on Assets Reaches 1.43 Percent

- Fee Revenue Increases 48 Percent, Comprises Nearly 50 Percent of Total Revenue for Quarter

PITTSBURGH, April 19, 1994 -- Mellon Bank Corporation today reported first quarter 1994 net income of $131 million, or $1.77 per common share, compared with net income of $34 million, or $.31 per common share, in the first quarter of 1993. Net income was at the highest quarterly level in the Corporation's history, excluding those quarters affected by certain nonrecurring gains. Annualized return on common shareholders' equity and return on assets were 17.25 percent and 1.43 percent, respectively, in the first quarter of 1994.

Results for the first quarter of 1993 included an after-tax restructuring charge of $112 million taken in connection with the acquisition of The Boston Company, as well as $53 million in after-tax gains on the sale of securities. Excluding these items, the Corporation's pro forma net income would have been $93 million, or $1.27 per common share, in the first quarter of 1993; and pro forma annualized return on common shareholders' equity and return on assets would have been 13.86 percent and 1.17 percent, respectively.

-more-



"Our first quarter results affirm, again, Mellon's earnings strength and momentum," said Frank V. Cahouet, chairman, president and chief executive officer. "The same trends that have driven earnings growth over the past several quarters--strong revenue growth propelled by our recent acquisitions, and reduced credit quality expense--sustained very good results."

Net interest revenue for the quarter was $362 million, up 14 percent from $317 million in the prior-year period. Fee revenue was $343 million, up 48 percent from $232 million in the first quarter of 1993. The increase in net interest revenue was attributable primarily to the Corporation's 1993 acquisitions of The Boston Company and AFCO Credit Corporation; the increase in fee revenue was attributable principally to The Boston Company acquisition.

Operating expense for the first quarter of 1994 was $471 million, compared with $533 million in the first quarter of 1993. The year-ago quarter included a $175 million pretax restructuring charge related to The Boston Company acquisition. Excluding this item, operating expense for the first quarter of 1993 would have been $358 million.

The provision for credit losses was $20 million in the first quarter of 1994, compared with $35 million in the prior-year period. Net credit losses were $17 million, down significantly from $49 million in the first quarter of 1993.

-more-



Nonperforming assets totaled $314 million at March 31, 1994, down $27 million, or 8 percent, from $341 million at Dec. 31, 1993. Nonperforming assets decreased by $218 million, or 41 percent, compared with March 31, 1993.

With assets of approximately $37 billion, Mellon Bank Corporation is a major financial services company headquartered in Pittsburgh, providing commercial banking, retail financial services and numerous fee-based service products, including trust and investment, cash management and mortgage banking.

##

NOTE: Detailed supplemental information follows.



## SUPPLEMENTAL INFORMATION

### Pending Dreyfus Corporation Merger

In December 1993, the Corporation entered into a definitive agreement to merge with The Dreyfus Corporation (Dreyfus). Dreyfus is the nation's sixth-largest mutual fund company, with approximately $74 billion of assets under management and administration. The merger of the Corporation and Dreyfus will create a diversified financial services organization with annual revenues of more than $3 billion, including fee revenue of about $1.6 billion.

Dreyfus shareholders will receive .88017 shares of the Corporation's common stock for each share of Dreyfus common stock outstanding. Dreyfus has approximately 37 million shares outstanding. The transaction will be accounted for under the pooling-of-interests method, with prior period financial results restated to reflect the merger. The Corporation's capital ratios following the merger will be substantially higher than the March 31, 1994 ratios. However, as a result of the approximately 32 million additional shares of the Corporation's common stock to be issued to the Dreyfus shareholders, the Corporation's restated earnings per share and book value per share will be approximately 15% lower than previously reported amounts.

In connection with the transaction, the Corporation expects to record one-time after-tax merger expenses and restructuring charges of approximately $73 million at closing, which is anticipated in the third quarter of 1994.



Completion of the merger is contingent upon the approval of the shareholders of the Corporation and Dreyfus, various regulatory approvals and certain approvals by the boards of directors and shareholders of the mutual funds advised by Dreyfus.

Net Interest Revenue
- --------------------

<TABLE>
<CAPTION>

| (taxable equivalent basis) | Quarter ended March 31, | | |
|---|---|---|---|
| (dollar amounts in millions) | 1994 | 1993 | Inc/(Dec) |
| <S> | <C> | <C> | <C> |
| Net interest revenue | $365 | $319 | $ 46 |
| Average interest-earning assets | $31,432 | $27,844 | $3,588 |
| Net interest margin | 4.70% | 4.65% | 5 bp |

</TABLE>

The 14% improvement in net interest revenue in the first quarter of 1994, compared with the first quarter of 1993, primarily reflected a higher level of interest-earning assets resulting from the second quarter 1993 acquisition of The Boston Company and the December 1993 acquisition of AFCO Credit Corporation (AFCO). AFCO contributed approximately $16 million to net interest revenue in the first quarter of 1994. A reduction in nonperforming assets also contributed to the improved net interest revenue and net interest margin compared with the prior-year period. Net interest revenue in the first quarter of 1994 included revenue from the Corporation's seasonal tax refund anticipation loan program, which contributed 11 basis points to the net interest margin compared with 13 basis points in the prior-year period.



Credit Quality Expense and Net Credit Losses

<TABLE>
<CAPTION>

| (dollar amounts in millions) | Quarter ended March 31, 1994 | 1993 | Inc/(Dec) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Provision for credit losses | $20 | $35 | $(15) |
| Net expense (revenue) of acquired property | (8) | 25 | (33) |
| Credit quality expense | $12 | $60 | $(48) |
| Net credit losses (recoveries)(a): | | | |
| Domestic: | | | |
| Consumer credit | $14 | $15 | $ (1) |
| Commercial real estate | (3) | 29 | (32) |
| Commercial and financial | 3 | 6 | (3) |
| Total domestic | 14 | 50 | (36) |
| International | 3 | (1) | 4 |
| Total net credit losses | $17 | $49 | $(32) |
| Annualized net credit losses to average loans | .27% | 1.00% | (73)bp |

</TABLE>
(a) Excludes net credit losses on segregated assets.

Credit quality expense, defined as the provision for credit losses plus the net expense of acquired property, was $48 million lower in the first quarter of 1994, compared with the prior-year period, reflecting continuing improvement in the credit quality of the loan portfolio and the lower level of real estate acquired (OREO). The $8 million in net revenue from acquired property in the first quarter of 1994 primarily resulted from $9 million in net gains on the sale of acquired property. Net expense of acquired property of $25 million in the first quarter of 1993 included $21 million of provision to the reserve for OREO. No provision to the reserve for OREO was recorded in the first quarter of 1994. Net credit losses decreased $32 million compared with the first quarter of 1993 primarily resulting from lower commercial real estate net credit losses. The Corporation expects continued moderation in the level of credit losses for the remainder of 1994, compared with the prior year, particularly in the level of commercial real estate credit losses.



Noninterest Revenue

<TABLE>
<CAPTION>

| (in millions) | Quarter ended March 31, 1994 | 1993 | Inc/(Dec) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Fee revenue: | | | |
| Trust and investment management | $175 | $ 73 | $102 |
| Cash management and deposit transaction charges | 51 | 48 | 3 |
| Information services | 20 | 36 | (16) |
| Mortgage servicing | 16 | 17 | (1) |
| Credit card | 14 | 13 | 1 |
| Foreign currency and securities trading | 22 | 4 | 18 |
| Other | 45 | 41 | 4 |
| Total fee revenue | 343 | 232 | 111 |
| Gains on sale of securities | - | 87 | (87) |
| Total noninterest revenue | $343 | $319 | $ 24 |

</TABLE>

Fee revenue increased by $111 million, or 48%, in the first quarter of 1994, compared with the first quarter of 1993, primarily reflecting $112 million of fee revenue attributable to The Boston Company, partially offset by the approximately $21 million reduction in fee revenue resulting from the fourth quarter 1993 sale of two information services businesses.

The $102 million improvement in trust and investment management fees in the first quarter of 1994 resulted principally from $95 million of these fees earned at The Boston Company. The $3 million increase in cash management and deposit transaction charges, compared with the first quarter of 1993, was the result of increased volume.

Information services fees decreased $16 million compared with the prior-year period, primarily as a result of the Corporation's December 1993 sale of two information services businesses. The two businesses sold generated



quarterly revenues of approximately $21 million. Partially offsetting the decrease in information services fees was revenue generated by a Canadian stock transfer company in which the Corporation increased its ownership from 10% to 80% during the second quarter of 1993.

The increase in foreign currency and securities trading fee revenue in the first quarter of 1994 was attributable to foreign exchange fees earned, primarily from global custody customers, at The Boston Company. Other fee revenue included $11 million from the Corporation's tax refund anticipation loan program, which will be lower in the second half of 1994. Fee revenue generated by this seasonal product decreased $7 million compared with the prior year period, due primarily to a change in the operating agreements with tax preparation firms with whom the Corporation does business. Increases in several other fee revenue categories offset the decreased revenue from the tax refund anticipation loan program.

The Corporation recorded $87 million in gains on the sale of securities during the first quarter of 1993, resulting from the sale of securities in the available for sale portfolio. These sales were undertaken as part of the financing plan and balance sheet restructuring related to the acquisition of The Boston Company.



Operating Expense
- -----------------
<TABLE>
<CAPTION>

| (dollar amounts in millions) | Quarter ended March 31, 1994 | 1993 | Inc/(Dec) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Staff expense | $215 | $155 | $ 60 |
| Net occupancy expense | 45 | 37 | 8 |
| Professional, legal and other purchased services | 43 | 31 | 12 |
| Amortization of goodwill and other intangibles | 38 | 24 | 14 |
| Equipment expense | 33 | 26 | 7 |
| FDIC assessment and regulatory examination fees | 16 | 14 | 2 |
| Other expense | 89 | 46 | 43 |
| Operating expense before the net expense of acquired property and restructuring expense | 479 | 333 | 146 |
| Net expense (revenue) of acquired property | (8) | 25 | (33) |
| Restructuring expense | - | 175 | (175) |
| Total operating expense | $471 | $533 | $ (62) |
| Average full-time equivalent staff | 21,800 | 18,100 | 3,700 |
| Efficiency ratio*: | | | |
| Including amortization of intangibles | 68% | 60% | 8 bp |
| Excluding amortization of intangibles | 62 | 56 | 6 |

- ------------------------------------------------------------------------------
</TABLE>
* Operating expense before the net expense (revenue) of acquired property and restructuring expense as a percentage of net interest revenue (computed on a fully taxable equivalent basis) and noninterest revenue, excluding securities gains.

Operating expense before the net expense of acquired property and restructuring expense increased by $146 million, or 44%, in the first quarter of 1994, compared with the first quarter of 1993. The increase was primarily the result of $98 million of expenses attributable to The Boston Company and an increase in marketing expense of $20 million, primarily related to the introduction of the Corporation's CornerStone credit card product. The impact of expenses attributable to AFCO were offset by the decrease in expenses related to the information services businesses sold in December 1993. Also impacting first quarter 1994 operating expense were increases in various categories in support of revenue growth.

Operating expense before the net expense of acquired property and restructuring expense increased $15 million in the first quarter of 1994 from $464 million in the fourth quarter of 1993. This increase resulted from a $20 million increase in marketing expense primarily related to the CornerStone credit card product as well as increased expense in support of



revenue growth. The fourth quarter of 1993 included $13 million of nonrecurring expenses related to winding down certain data processing operations.

The increase in average full-time equivalent staff level, compared with the prior-year quarter, primarily reflected the addition of the employees of The Boston Company. The acquisition of The Boston Company contributed approximately 3,200 to the average full-time equivalent staff in the first quarter of 1994.

The Corporation adopted FAS No. 112 "Employers' Accounting for Postemployment Benefits", on a prospective basis in the first quarter of 1994. Adoption of the standard did not materially affect the Corporation's first quarter 1994 financial position or results of operations.

A restructuring charge of $175 million pretax, or $112 million after-tax, was recorded in the first quarter of 1993 to reflect management's estimate of restructuring costs associated with the integration of The Boston Company.

Income Taxes
- ------------

The provision for income taxes totaled $83 million in the first quarter of 1994, for an effective tax rate of approximately 38.5%, compared with $34 million in the first quarter of 1993. Excluding the impact of the restructuring charge and securities gains, the Corporation's effective tax rate for the first quarter of 1993 was 40%. The decrease in the effective rate between quarters is primarily the result of tax legislation, enacted



in August 1993, which permitted the deductibility of certain intangible amortization expense. The Corporation currently estimates that the ongoing effective tax rate will be 38.5% until the completion of the merger with The Dreyfus Corporation, after which it is currently anticipated that the effective tax rate will increase to approximately 39%.

CREDIT QUALITY

Nonperforming Assets(a)

<TABLE>
<CAPTION>

| (dollar amounts in millions) | March 31, 1994 | Dec. 31, 1993 | March 31, 1993 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Domestic nonperforming loans: | | | |
| Consumer mortgage | $ 67 | $ 61 | $ 30 |
| Commercial real estate | 57 | 89 | 165 |
| Other domestic | 56 | 45 | 101 |
| International nonperforming loans | 16 | 7 | 8 |
| Total nonperforming loans | 196 | 202 | 304 |
| Acquired property: | | | |
| Real estate acquired through foreclosures | 109 | 100 | 99 |
| In-substance real estate foreclosures | 43 | 75 | 136 |
| Reserve for real estate acquired | (35) | (37) | (19) |
| Real estate acquired, net of reserves | 117 | 138 | 216 |
| Other assets acquired | 1 | 1 | 12 |
| Total acquired property | 118 | 139 | 228 |
| Total nonperforming assets | $314 | $341 | $532 |
| Nonperforming loans as a percentage of total loans | .80% | .83% | 1.56% |
| Total nonperforming assets as a percentage of total loans and net acquired property | 1.27% | 1.39% | 2.70% |

</TABLE>

(a) Excludes segregated assets.

Nonperforming assets totaled $314 million at March 31, 1994, a decrease of

$27 million, or 8%, compared with December 31, 1993. Domestic nonperforming real estate assets, which include nonperforming commercial and consumer real estate loans and OREO net of the reserve, decreased by $47 million during the quarter primarily as a result of returns to accrual status, asset sales and repayments. The increase in other domestic nonperforming loans primarily resulted from the addition of a commercial



and industrial borrower while the increase in international nonperforming loans resulted from the addition of loans to a real estate developer.

Nonperforming assets decreased by $218 million, or 41%, compared with March 31, 1993, primarily due to the $170 million reduction in domestic nonperforming real estate assets. The reduction resulted primarily from returns to accrual status, asset sales and credit losses, offset in part by an increase in nonperforming consumer mortgages, primarily from The Boston Company. Other domestic nonperforming loans decreased by $45 million primarily due to repayments and credit losses. The $11 million decrease in other assets acquired resulted from asset sales and write-downs.

Reserve for Credit Losses

<TABLE>
<CAPTION>

| (dollar amounts in millions) | March 31, 1994 | Dec. 31, 1993 | March 31, 1993 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Reserve for credit losses (a) | $603 | $600 | $492 |
| Reserve as a percentage of total loans | 2.46% | 2.45% | 2.53% |
| Reserve as a percentage of nonperforming loans | 308% | 297% | 162% |

</TABLE>
(a) Excludes reserve for segregated assets.

The ratio of reserve as a percentage of nonperforming loans continues to indicate strong reserve coverage, increasing to 308% at March 31, 1994 from 297% at December 31, 1993, and 162% at March 31, 1993.



Selected Capital Data

<TABLE>

<CAPTION>

| (dollar amounts in millions) | March 31, 1994 | Dec. 31, 1993 | March 31, 1993 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Common shareholders' equity | $2,793 | $2,721 | $2,363 |
| Common shareholders' equity to assets ratio | 7.63% | 7.53% | 7.65% |
| Tangible common shareholders' equity to assets ratio (a) | 5.54% | 5.37% | 6.53% |
| Total shareholders' equity | $3,385 | $3,313 | $3,024 |
| Total shareholders' equity to assets ratio | 9.25% | 9.17% | 9.79% |
| Tier I capital ratio | 7.6%(b) | 7.39% | 9.49% |
| Total (Tier I and Tier II) capital ratio | 11.1%(b) | 10.97% | 13.18% |
| Leverage capital ratio | 6.9%(b) | 6.88% | 8.13% |
| Book value per common share (c) | $42.76 | $41.75 | $38.03 |
| Closing common stock price | $56.125 | $53.00 | $60.75 |

</TABLE>

(a) Common shareholders' equity less goodwill divided by total assets less goodwill.

(b) Estimated.

(c) The book value per common share assumes full conversion of the Series D preferred stock to common stock. Accordingly, this includes the additional paid-in capital on the Series D preferred stock because this paid-in capital has no liquidation preference over the common stock.

The increase in the Corporation's common and total shareholders' equity in the first quarter of 1994, compared with December 31, 1993, was primarily the result of earnings retention. In the first quarter of 1994, the Corporation increased its quarterly common stock dividend by 47%, to $.56 per share, from $.38 per share.

FAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", became effective on January 1, 1994. Adoption of FAS No. 115 resulted in $15 million, net of tax, of unrealized losses on assets classified as available for sale at March 31, 1994 being recorded in retained earnings. Increased volatility of shareholders' equity, certain capital ratios and book value per common share could result in the future from changes in unrealized gains and losses on assets classified as available for sale.

SUMMARY DATA

Mellon Bank Corporation (and its subsidiaries)

<TABLE>
<CAPTION>

| (dollar amounts in millions, except per share amounts; common shares in thousands) | Quarter ended March 31, 1994 | Dec. 31, 1993 | Sept. 30, 1993 | June 30, 1993 | March 31, 1993 |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |

| Selected key data (a) | | | | | |
|---|---|---|---|---|---|
| Primary net income per common share | $ 1.77 | $ 1.50 | $ 1.50 | $ 1.32 | $ .31 |
| Return on assets | 1.43% | 1.26% | 1.24% | 1.16% | .42% |
| Return on common shareholders' equity | 17.25% | 14.62% | 14.95% | 13.69% | 3.39% |
| Yield on interest-earning assets, on a taxable equivalent basis | 6.70% | 6.41% | 6.41% | 6.51% | 7.03% |
| Cost of funds supporting interest-earning assets | 2.00% | 2.02% | 2.15% | 2.21% | 2.38% |
| Dividends per common share | $ .56 | $ .38 | $ .38 | $ .38 | $ .38 |
| **Pro forma (b)** | | | | | |
| Primary net income per common share | $ 1.77 | $ 1.50 | $ 1.50 | $ 1.32 | $ 1.27 |
| Return on assets | 1.43% | 1.26% | 1.24% | 1.16% | 1.17% |
| Return on common shareholders' equity | 17.25% | 14.62% | 14.95% | 13.69% | 13.86% |
| **Average balances for the period (c)** | | | | | |
| Money market investments | $ 1,884 | $ 2,786 | $ 3,822 | $ 4,477 | $ 2,997 |
| Trading account securities | 504 | 206 | 266 | 312 | 293 |
| Securities | 4,417 | 4,541 | 4,375 | 4,136 | 4,654 |
| Loans | 24,627 | 23,220 | 23,223 | 20,623 | 19,900 |
| Total interest-earning assets | 31,432 | 30,753 | 31,686 | 29,548 | 27,844 |
| Total assets | 37,186 | 35,769 | 36,562 | 34,421 | 32,133 |
| Deposits | 27,764 | 27,476 | 27,747 | 25,886 | 24,893 |
| Total interest-bearing liabilities | 24,819 | 24,211 | 25,185 | 23,647 | 22,215 |
| Common shareholders' equity | 2,760 | 2,692 | 2,625 | 2,464 | 2,336 |
| Total shareholders' equity | 3,352 | 3,329 | 3,285 | 3,124 | 2,945 |

</TABLE>
<TABLE>
<CAPTION>

| Computation of primary net income per common share | Quarter ended March 31, 1994 | Quarter ended March 31, 1993 |
|---|---|---|
| <S> | <C> | <C> |
| Net income applicable to common stock (d) | $ 117 | $ 19 |
| Average common shares outstanding | 63,553 | 58,889 |
| Average common shares issuable upon conversion of Series D preferred stock | 1,702 | - |
| Other common stock equivalents, net of shares assumed repurchased | 1,032 | 1,738 |
| Total stock and stock equivalents | 66,287 | 60,627 |
| Primary net income per common share (e) | $ 1.77 | $ .31 |

</TABLE>

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(a) Percentages are annualized where applicable. All amounts are based on unrounded numbers.
(b) Pro forma results for the first quarter of 1993 exclude $112 million after-tax in restructuring expense and $53 million in

after-tax gains on the sale of securities.
(c) Computed on a daily average basis.
(d) After adding back Series D preferred stock dividends in the first quarter of 1994.
(e) Based on unrounded numbers.

CONDENSED CONSOLIDATED INCOME STATEMENT
Mellon Bank Corporation

<TABLE>
<CAPTION>

| (in millions, except per share amounts) | Quarter ended March 31, 1994 | Quarter ended March 31, 1993 |
|---|---|---|
| <S> | <C> | <C> |
| **Interest revenue** | | |
| Loans and loan fees | $436 | $383 |
| Money market investments | 16 | 25 |
| Trading account securities | 7 | 4 |
| Securities | 58 | 68 |
| Total interest revenue | 517 | 480 |
| **Interest expense** | | |
| Deposits in domestic offices | 92 | 108 |
| Deposits in foreign offices | 10 | 9 |
| Short-term borrowings | 25 | 16 |
| Notes and debentures (with original maturities over one year) | 28 | 30 |
| Total interest expense | 155 | 163 |
| Net interest revenue | 362 | 317 |
| Provision for credit losses | 20 | 35 |
| Net interest revenue after provision for credit losses | 342 | 282 |
| **Noninterest revenue** | | |
| Fee revenue | 343 | 232 |
| Gains on sale of securities | - | 87 |
| Total noninterest revenue | 343 | 319 |
| **Operating expense** | | |
| Staff expense | 215 | 155 |
| Net occupancy expense | 45 | 37 |
| Professional, legal and other purchased services | 43 | 31 |
| Amortization of goodwill and other intangibles | 38 | 24 |
| Equipment expense | 33 | 26 |
| FDIC assessment and regulatory examination fees | 16 | 14 |
| Other expense | 89 | 46 |

| | | |
|---|---|---|
| Net expense of acquired property | (8) | 25 |
| Restructuring expense | - | 175 |
| | ---- | ---- |
| Total operating expense | 471 | 533 |
| | ---- | ---- |
| Income before income taxes | 214 | 68 |
| Provision for income taxes | 83 | 34 |
| | ---- | ---- |
| Net income | 131 | 34 |
| Dividends on preferred stock | 15 | 15 |
| | ---- | ---- |
| Net income applicable to common stock | $116 | $ 19 |
| | ==== | ==== |
| Primary net income per common share | $1.77 | $ .31 |
| | ===== | ===== |
| Fully diluted net income per common share | $1.77 | $ .31 |
| | ===== | ===== |

</TABLE>

CONDENSED CONSOLIDATED BALANCE SHEET
Mellon Bank Corporation

<TABLE>
<CAPTION>

| (dollar amounts in millions) | March 31, 1994 | Dec. 31, 1993 | March 31, 1993 |
|---|---|---|---|
| | ---------- | -------- | ---------- |
| <S> | <C> | <C> | <C> |
| Assets | | | |
| - ------ | | | |
| Cash and due from banks | $ 1,796 | $ 2,169 | $ 1,537 |
| Money market investments | 1,491 | 1,467 | 2,981 |
| Trading account securities | 268 | 116 | 215 |
| Securities: | | | |
| Available for sale (approximate fair value of $2,920 and $2,273 at December 31, 1993 and March 31, 1993, respectively) | 2,589 | 2,916 | 2,257 |
| Investment (approximate fair value of $2,663, $2,139 and $2,115) | 2,723 | 2,096 | 2,068 |
| Loans, net of unearned discount of $71, $74 and $51 | 24,532 | 24,473 | 19,431 |
| Reserve for credit losses | (603) | (600) | (492) |
| | ------- | ------- | ------- |
| Net loans | 23,929 | 23,873 | 18,939 |
| Premises and equipment | 451 | 463 | 437 |
| Acquired property, net of reserves of $35, $37 and $19 | 118 | 139 | 228 |
| Goodwill | 810 | 825 | 369 |
| Other intangibles | 482 | 462 | 438 |
| Segregated assets, net of reserves of $4, $4 and $5 | 172 | 183 | 276 |
| Other assets | 1,787 | 1,430 | 1,154 |
| | ------- | ------- | ------- |
| Total assets | $36,616 | $36,139 | $30,899 |
| | ======= | ======= | ======= |

Liabilities
- -----------

| | | | |
|---|---|---|---|
| Deposits in domestic offices | $25,163 | $26,355 | $22,566 |
| Deposits in foreign offices | 1,598 | 1,183 | 431 |
| Short-term borrowings | 2,903 | 2,126 | 1,990 |
| Other liabilities | 1,643 | 1,172 | 966 |
| Notes and debentures (with original maturities over one year) | 1,924 | 1,990 | 1,922 |
| Total liabilities | 33,231 | 32,826 | 27,875 |
| Shareholders' equity | | | |
| Preferred stock | 592 | 592 | 661 |
| Common stock - $.50 par value Authorized - 200,000,000; 200,000,000 and 120,000,000 shares Issued -63,920,279; 63,843,493 and 60,548,111 shares | 32 | 32 | 30 |
| Additional paid-in capital | 1,779 | 1,774 | 1,627 |
| Retained earnings | 961 | 898 | 705 |
| Warrants | 37 | 37 | 1 |
| Treasury stock - 294,567 and 365,700 shares at cost | (16) | (20) | - |
| Total shareholders' equity | 3,385 | 3,313 | 3,024 |
| Total liabilities and shareholders' equity | $36,616 | $36,139 | $30,899 |

</TABLE>

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Note: In accordance with the adoption of FAS No. 115, certain assets available for sale are reported at fair value at March 31, 1994 with the unrealized loss of $15 million, net of taxes, included in retained earnings. No reclassifications of assets were made to adopt this new accounting standard. The impact of recording the unrealized loss resulted in a reduction of book value per common share of $.22 cents.