

Edgar Filing: MELLON FINANCIAL CORP - Form 425

MELLON FINANCIAL CORP
Form 425
February 01, 2007

Filed by The Bank of New York Company, Inc.

Pursuant to Rule 425

under the Securities Act of 1933 and

deemed filed pursuant to Rule 14a-12 under

the Securities Exchange Act of 1934

Subject Companies: The Bank of New York Company, Inc. (Commission File No.: 1-06152)

Mellon Financial Corporation (Commission File No.: 1-07410)

The information presented above may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon our current beliefs and expectations and are subject to significant risks and uncertainties. The following risks, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) the businesses of The Bank of New York Company, Inc. and Mellon Financial Corporation may not be integrated successfully or the integration may be more difficult, time-consuming or costly than expected; (2) the combined company may not realize, to the extent or at the time we expect, revenue synergies and cost savings from the transaction; (3) revenues following the transaction may be lower than expected as a result of losses of customers or other reasons; (4) deposit attrition, operating costs, customer loss and business disruption following the transaction, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected; and (5) governmental or shareholder approvals of the transaction may not be obtained on the proposed terms or expected timeframe or at all. Additional factors that could cause The Bank of New York Company, Inc. and Mellon Financial Corporation results to differ materially from those described in the forward-looking statements can be found in The Bank of New York Company, Inc. and Mellon Financial Corporation reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the Securities and Exchange Commission.

The proposed transaction between The Bank of New York Company, Inc. and Mellon Financial Corporation will be submitted to The Bank of New York Company, Inc. and Mellon Financial Corporation shareholders for their consideration. **Shareholders are urged to read the joint proxy statement/prospectus regarding the proposed transaction between The Bank of New York Company, Inc. and Mellon Financial Corporation because it will contain important information.** Shareholders will be able to obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about The Bank of New York Company, Inc. and Mellon Financial Corporation, without charge, at the SEC's Internet site (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus and other SEC filings that will be incorporated by reference in the joint proxy statement/prospectus will also be available, without charge, from Mellon Financial Corporation, Secretary of Mellon Financial Corporation, One Mellon Center, Pittsburgh, Pennsylvania 15258-0001 (800-205-7699), or from The Bank of New York, Inc., Investor Relations, One Wall Street, 31st Floor, New York, New York 10286 (212-635-1578).

The respective directors and executive officers of The Bank of New York Company, Inc. and Mellon Financial Corporation and other persons may be deemed to be participants in the solicitation of proxies from the shareholders of Mellon Financial Corporation and/or The Bank of New York Company, Inc. in respect of the proposed transaction. Information about the directors and executive officers of Mellon Financial Corporation is set forth in the proxy statement for Mellon Financial Corporation's 2006 annual meeting of shareholders, as filed with the SEC on March 15, 2006. Information about the directors and executive officers of The Bank of New York, Inc. is set forth in the proxy statement for The Bank of New York Company, Inc.'s annual meeting of shareholders, as filed with the SEC on March 24, 2006. Additional information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus when it becomes available.

* * *

Below are the slides that accompanied a presentation given at the Citigroup 2007 Financial Services Conference on January 31, 2007.

A Global Financial Services
Growth Company
Citigroup 2007 Financial Services Conference
Thomas A. Renyi
Chairman & CEO, The Bank of New York
January 31, 2007
Update on

Disclosure and Cautionary Statement

The information presented herein may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon the Company's current beliefs and expectations and are subject to significant risks and uncertainties. The following risks, among others, could cause actual results to differ materially from the anticipated results or expectations expressed in

the
forward-looking
statements:

(1)
the
businesses
of
The
Bank
of
New
York
Company,
Inc.
and
Mellon
Financial
Corporation
may
not
be
integrated
successfully
or
the
integration
may
be
more
difficult,
time-consuming
or
costly
than
expected;

(2)
the
combined company may not realize, to the extent or at the time expected, revenue synergies and cost savings from the transaction.

(3)
revenues
following
the
transaction
may
be
lower
than
expected
as
a

result
of
losses
of
customers
or
other
reasons;
(4)
deposit
attrition,
operating
costs,
customer
loss
and
business
disruption
following
the
transaction,
including,
without
limitation,
difficulties
in
maintaining
relationships
with
employees,
may
be
greater
than
expected;
and
(5)
governmental
or
shareholder
approvals
of
the
transaction
may
not
be

obtained on the proposed terms or expected timeframe or at all. Additional factors that could cause The Bank of New York Co and Mellon Financial Corporation's results to differ materially from those described in the forward-looking statements can be f Bank of New York Company, Inc.'s and Mellon Financial Corporation's reports (such as Annual Reports on Form 10-K, Quart

Form 10-Q and Current Reports on Form 8-K) filed with the Securities and Exchange Commission.

The proposed transaction between The Bank of New York Company, Inc. and Mellon Financial Corporation will be submitted to the shareholders of The Bank of New York Company, Inc. and Mellon Financial Corporation for their consideration. Shareholders are urged to read the proxy statement/prospectus regarding the proposed transaction between The Bank of New York Company, Inc. and Mellon Financial Corporation because it will contain important information. Shareholders will be able to obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about The Bank of New York Company, Inc. and Mellon Financial Corporation, without charge, at the SEC's Internet site (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus and other filings that will be incorporated by reference in the joint proxy statement/prospectus will also be available, without charge, from The Bank of New York Company, Inc., Investor Relations, One Wall Street, 31st Floor, New York, New York 10286 (212-635-1578), or from Mellon Financial Corporation, Secretary of Mellon Financial Corporation, One Mellon Center, Pittsburgh, Pennsylvania 15258-0001 (412-261-1000).

Directors

and

executive

officers

of

The

Bank

of

New

York

Company,

Inc.

and

Mellon

Financial

Corporation

and

other

persons

may

be

deemed

to be participants in the solicitation of proxies from the shareholders of The Bank of New York Company, Inc and/or Mellon Financial Corporation.

in

respect

of

the

proposed

transaction.

Information

about

the

directors

and

executive

officers

of

The

Bank

of
New
York
Company,
Inc. is set forth in the proxy statement for The Bank of New York Company, Inc.'s 2006 annual meeting of shareholders, as filed on March 24, 2006. Information about the directors and executive officers of Mellon Financial Corporation's 2006 annual meeting of shareholders, as filed with the SEC on March 15, 2006. Additional information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus when it becomes available.

1

Strategic
Financial
Operational
Integration
Global leadership in Securities Servicing and Asset
Management
Strongly accretive transaction

Excellent global growth opportunities
Highly complementary businesses with strong leadership
positions
Focused and experienced management team
Disciplined and thoughtful approach
Dedicated and experienced team with proven track record
The Bank of New York Mellon
Delivering superior shareholder value through accelerated growth
2

Compelling Strategic Attributes
Capitalizing on the growth of global financial markets
* As of 12/31/06
3
Strong Market
Positions in
High Growth

Businesses

-

#1

global custodian with over \$17 trillion in AUC*

-

Top 10

asset manager globally and **Top 5** in the U.S

.

, with more than

\$1.1 trillion in AUM

-

#1

provider of all issuer services Corporate Trust, Depositary Receipts and Stock Transfer

-

#1

provider of clearing services

-

Top 10

in wealth management with 81 offices in the U.S.

and UK

-

Top 10

U.S.

cash management and global payments provider

-

Leading client service scores

in asset servicing, wealth management, issuer, clearing, and treasury services

-

Experienced, deep and well balanced management team

Business &

Geographic

Diversification

-

Focused

on high return businesses with strong organic growth track records

and enhanced revenue opportunities

-

Balanced synergistic

business mix no individual business

contributes more

than 35% of pre-tax earnings

-

Operations in 37

countries worldwide approximately 25%

of revenue
derived from higher growth international operations

-

Reduced volatility through combination of complementary, stable and synergistic revenue sources

Compelling Financial Rationale
Capitalizing on the growth of global financial markets
Financially
Compelling

-

Immediately accretive on a cash basis to all shareholders and on a GAAP basis in 2008

-
Significant excess capital generation allows for meaningful reinvestment in organic growth, share repurchases and attractive dividend payout ratio

-
Attractive IRR, materially exceeding cost of capital for all shareholders

-
Potential for multiple expansion over time

-
Potential for significant revenue synergies, **not** incorporated in financial projections

Low Risk
Transaction

-
Disciplined and thoughtful approach to integration three year process managed by a dedicated and experienced integration team

-
Starting from a position of strength both companies have significant revenue and earnings momentum

-
Combination further diversifies operating risk profile versus stand alone entities

-
Best in breed systems with proven and scalable operating platforms many legacy businesses not impacted

4

Business Line
(\$bn)
(%)
Asset Management &
Wealth Management
1.2
31

Asset Servicing

0.9

24

Issuer Services

1.0

27

Treasury Services &

Clearing Services

0.9

23

Other

(0.2)

(5)

Total

\$3.8

100

Balanced & Complementary Business Lines

Pro Forma Revenue Mix¹

Pro Forma Pre-Tax Earnings Mix¹

High Return, Low Capital Intensive Business Model Allows
for Significant Reinvestment and Share Repurchases

Note:

1

Represents results through 9/30/06 annualized. The Bank of New York pro forma for Corporate Trust swap transaction

\$4.5bn

with cost savings

Business Line

(\$bn)

(%)

Asset Management &

Wealth Management

3.6

29

Asset Servicing

3.5

28

Issuer Services

2.2

18

Treasury Services &

Clearing Services

2.5

20

Other

0.7

5

Total

\$12.5

100

5

Meaningful Revenue Synergy Opportunities
(**not**
assumed in financial model)
Accelerates Revenue Growth
and Enhances Operating Leverage
Breadth of Mellon's asset management products and services to
The Bank of New York's securities servicing clients

Breadth of The Bank of New York's global markets products to
Mellon's asset servicing and wealth management clients

Breadth of Mellon's risk services to The Bank of New York's
servicing clients

Leverage Pershing's distribution platform to deliver Mellon's asset
and wealth management products

Leverage The Bank of New York's credit relationships to distribute
Mellon's domestic cash management services and stock transfer

Enhanced Income Realization from Existing Client Base

6

Integration Thorough and Thoughtful

Process

A True Merger combination of best of both companies

Lose no Customers

philosophy

Commitment to maintaining our #1 customer service standards/levels

Continued emphasis on risk management and compliance

Open communication with all employees

Dedicated integration team led by key senior executives minimizes
impact on day to day operations

Measured integration process 3 year integration timeframe

Detailed
integration
planning

Integration
complete

1H07

2H07

1H08

2H08

1H09

2H09

Transaction close

Integration of overlapping businesses and shared services

Applications / systems conversions and data center consolidations

7

Merger announced and
integration planning teams
established
Organizational design
established
Ready to
Win

December/January

February/March

Multiple integration planning teams across businesses and shared services

The Bank of New York Mellon

Integration Planning: Dedicated & Disciplined Process

Merger Integration Committee

Overall accountability for integration planning and execution

Merger Integration Project Management Office (PMO)

Day-to-day oversight of integration planning and execution

Business Line/Shared Services PMOs

Planning organizational design

Early Third Quarter

8

BNY Mellon Asset Servicing
Highly complementary businesses
The Bank of New York Strengths
Mellon Strengths
Combining Best of Breed Resulting in
Greater Growth and Efficiency Globally
Culture of Quality Service & Delivery

Culture of Disciplined Cost Management
Financial Institution Relationships
Pension Relationships
Custody
Accounting, Performance
& Risk Analytics
Low Cost Locations: Syracuse
& Manchester
Low Cost Locations: Pittsburgh & India
Real-time Global Technology
Client Information Front End
FX, Securities Lending, &
Execution Services
Asset Management Offerings
9

BNY Mellon Asset Servicing
Complementary client bases
Increased Scale and Market Leadership Leading to
Greater Growth and Efficiency Globally
Hedge Funds
Broker Dealers
ETFs

/ UITs

Insurance Companies

Central Banks

Mutual Funds

U.S. Public Funds

Endowments & Foundations

Corporate Pensions

Combined

Mellon

The Bank of

New York

Market Segment Leadership

10

The Bank of New York Mellon
Delivering superior shareholder value through accelerated growth
A Global Financial Services Growth Company
Strategic
Financial
Operational
Integration

Global leadership in Securities Servicing and Asset
Management

Strongly accretive transaction

Excellent global growth opportunities

Highly complementary businesses with strong leadership
positions

Focused and experienced management team

Disciplined and thoughtful approach

Dedicated and experienced team with proven track record

11

The Bank of New York
Citigroup 2007 Financial Services Conference
Gerald L. Hassell, President
January 31, 2007

2

Disclosure and Cautionary Statement

The information presented herein may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the Company's current beliefs and expectations and are subject to significant risks and uncertainties. The following table sets forth the factors that could cause actual results

to differ materially from the anticipated results or other

expectations
expressed
in
the
forward-looking
statements:
(1)
the
businesses
of
The
Bank
of
New
York Company,
Inc.
and
Mellon
Financial
Corporation
may
not
be
integrated
successfully
or
the
integration
may
be
more
difficult,
time-consuming
or
costly
than
expected; (2)
the
combined
company
may
not
realize,
to
the
extent
or
at
the
time

expected,
revenue
synergies
and
cost
savings
from
the
transaction;
(3)
revenues
following the
transaction
may
be
lower
than
expected
as
a
result
of
losses
of
customers
or
other
reasons;
(4)
deposit
attrition,
operating
costs,
customer
loss
and
business
disruption following the transaction, including, without limitation, difficulties in maintaining relationships with employees, ma
(5)
governmental
or
shareholder
approvals
of
the
transaction
may
not
be
obtained

on
the
proposed
terms
or
expected
timeframe
or
at
all.

Additional
factors
that
could

cause The Bank of New York Company, Inc.'s and Mellon Financial Corporation's results to differ materially from those described or
be found in The Bank of New York Company, Inc.'s and Mellon Financial Corporation's reports (such as Annual Reports on Form 10-K and Current Reports on Form 8-K) filed with the Securities and Exchange Commission.

The proposed transaction between The Bank of New York Company, Inc. and Mellon Financial Corporation will be submitted to the
Inc. s and Mellon Financial Corporation s shareholders for their consideration. Shareholders are urged to read the joint proxy statement
proposed transaction between The Bank of New York Company, Inc. and Mellon Financial Corporation because it will contain information
be able

to
obtain
a
free
copy
of
the
joint
proxy
statement/prospectus,

as
well
as
other
filings
containing
information
about

The
Bank
of
New
York
Company,
Inc.
and
Mellon Financial
Corporation,
without

charge,
at
the
SEC's
Internet
site
(<http://www.sec.gov>).

Copies
of
the
joint
proxy
statement/prospectus
and
other
SEC
filings
that

will be incorporated by reference in the joint proxy statement/prospectus will also be available, without charge, from The Bank

Relations,

One
Wall
Street,
31st
Floor,
New
York,
New
York
10286
(212-635-1578),

or
from
Mellon
Financial
Corporation,
Secretary
of
Mellon
Financial
Corporation,
One Mellon Center, Pittsburgh, Pennsylvania 15258-0001 (800-205-7699).

Directors and
executive
officers
of
The
Bank
of
New

York
Company,
Inc.
and
Mellon
Financial
Corporation
and
other
persons
may
be
deemed
to
be
participants
in
the
solicitation
of
proxies
from
the
shareholders
of
The
Bank
of
New
York
Company,
Inc
and/or
Mellon
Financial
Corporation.
in
respect
of
the
proposed
transaction.
Information about
the
directors
and
executive
officers
of
The

Bank
of
New
York
Company,
Inc.
is
set
forth
in
the
proxy
statement
for
The
Bank
of
New
York
Company,
Inc.'s 2006
annual
meeting
of
shareholders,
as
filed
with
the
SEC
on
March
24,
2006.
Information
about
the
directors
and
executive
officers
of
Mellon
Financial
Corporation is
set
forth
in
the
proxy

statement
for
Mellon
Financial
Corporation's
2006
annual
meeting
of
shareholders,
as
filed
with
the
SEC
on
March
15,
2006.

Additional information regarding the participants in the proxy solicitation and a description of their direct and indirect interests be contained in the joint proxy statement/prospectus when it becomes available.

3

2006: A Watershed Year

Strategic Initiatives

Successfully completed:

Retail / Corporate Trust asset swap transaction

BNY ConvergEx

transaction

Announced merger with Mellon Financial, creating the
global leader in securities servicing and asset management

A Global Financial Services Growth Company

4

Model focused on securities servicing and asset management
Emphasis on higher-growth, higher-margin businesses where we
have scale, skill and competitive advantages
Improved corporate risk profile through reduced exposure to
credit portfolio
Positioned to realize benefits of investments in infrastructure
The *New*
Bank of New York
Generate attractive long-term returns for shareholders

5

2006: A Watershed Year

Financial Performance

Strong financial results demonstrating the success of our
business model

Businesses performed well across the board

Providing excellent momentum into 2007

Superior shareholder returns

A Global Financial Services Growth Company

6
2006 Total Return to Shareholders
-5
0
5
10
15
20
25
30
Dec-05
Mar-06
Jun-06
Sep-06

Dec-06

BK

KBW Bank Index

S&P 500

+ 17% BKX

+ 27% BK

+ 16% S&P 500

7

Delivering Strong Performance

\$1.88

\$2.03

\$2.26

2004

2005

2006

Annual EPS*

Annual EPS*

* Adjusted Operating Basis (see reconciliation tables in Appendix)

Strong fee growth across all
businesses

Customer activity generating

deposits / net interest income
Improved asset quality and
lower credit costs
International now represents
over 25% of total revenue

8
Growing Base of Assets to Service and Manage
\$7.0
\$7.5
\$8.3
\$2.7
\$3.4
\$4.7
12/31/04
12/31/05
12/31/06
Domestic
Cross-border
Assets Under Custody

Assets Under Custody

(in trillions)

\$102

\$105

\$131

\$26

\$40

\$48

\$9

\$10

\$11

12/31/04

12/31/05

12/31/06

Asset Mgmt Sector

ST Investment Funds

FX Overlay

Assets Under Management

Assets Under Management

(in billions)

\$9.7

\$10.9

\$13.0

\$137

\$155

\$190

9

Solid 4Q Performance Across All Business Lines

Strong fee growth

Pvt. Banking / Asset Mgmt + 42%

Issuer Services + 24%**

Broker-dealer Services + 16%

Investor Services + 10%

Execution & Clearing + 8%***

Improved net interest income /
net interest margin

NII + 31%

NIM + 31 bps

Reflects new business mix

Dilution from Corporate Trust

acquisition

\$0.53

\$0.58

4Q05

4Q06

EPS

4Q06 vs. 4Q05*

* Adjusted operating results

** Excludes Corporate Trust swap transaction

*** Excludes BNY ConvergEx

(See reconciliation tables in Appendix for each of the above)

10

Global Trends Create Opportunities to Drive Growth

Pressure on

Retirement Provision

Globalization of

Investment Industry

Changing Regulatory

Environment

Financial Market

Consolidation

Asset Management

Profit Challenge

Search for Enhanced

Performance

Value
Creation
Asset Owners
Asset Owners
Asset Managers
Asset Managers
The Bank of
New York
Solutions

11
Solutions to Meet Broad Customer Needs
Investor & Broker-
Dealer
Treasury
Services
Execution &
Clearing Services
Issuer
Services
Institutional Services

Global Custody

Global Fund Services

Securities Lending

Securities Clearance

Collateral Management

Pershing
Clearing
Execution

BNY ConvergEx
Group

Corporate Trust

Depository Receipts

Stock Transfer

Global Payment
Services

Liquidity Management

Credit/Credit-Related
Services
Private Bank & Asset Management
Private Banking
Trust & Estate
Wealth Management
Investment Management
Short Term
Equity & Fixed Income
Alternatives

12
Major Growth Opportunities
Collateral
Management
Hedge Fund
Services
Depositary
Receipts
European Investor
Services
Exchange Traded
Funds (ETFs)
Registered Investment
Advisors (RIAs)

Growth
Opportunities

13
Major Growth Opportunities
Collateral
Management
Hedge Fund
Services
Depositary
Receipts
European Investor
Services
Exchange Traded
Funds (ETFs)
Registered Investment
Advisors (RIAs)

Growth
Opportunities

14
Major Growth Opportunities
Collateral
Management
Hedge Fund
Services
Depositary
Receipts
European Investor
Services
Exchange Traded
Funds (ETFs)
Registered Investment
Advisors (RIAs)

Growth
Opportunities

15
Major Growth Opportunities
Collateral
Management
Hedge Fund
Services
Depositary
Receipts
European Investor
Services
Exchange Traded
Funds (ETFs)
Registered Investment
Advisors (RIAs)

Growth
Opportunities

* Source: *Investment News*, 1/15/07

16

Momentum in Global Corporate Trust

Successfully integrating new Corporate Trust business into an already powerful base

Expanded presence in global, structured products and CDOs

Continued strength evident in fourth quarter results:

Existing corporate trust revenue increased 18%

Annualized revenue run rate now totals over \$1 billion

Performance led by global products and structured finance, namely asset-backed and mortgage-backed securities

Acquired Corporate Trust business conversion progressing well

40% complete

17

Summary

The *New*

Bank of New York

Sharper focus

Enhanced growth and profitability dynamics

Improved risk profile

Highly confident in ability to deliver

superior performance

A Global Financial Services Growth Company

Appendix

20
Reconciliation Tables
\$ in Millions
2004
Reported
2004
Normalized
Slides 7, 9
Three Months Ended December 31, 2006
Twelve Months Ended December 31, 2006
(In dollars)
Continuing
Operations
Discontinued

Operations

Adjusted

(1)

Continuing

Operations

Discontinued

Operations

Adjusted

(1)

As Reported

0.56

\$

1.80

\$

2.36

\$

1.93

\$

2.00

\$

3.93

\$

Merger & Integration Costs

(2)

0.02

0.02

0.04

0.09

0.04

0.13

Gain on Sale of Retail Business

(3)

-

(1.82)

(1.82)

-

(1.80)

(1.80)

Operating

(4)

0.58

\$

-

\$

0.58

\$

2.02

\$

0.24

\$

2.26

\$

Diluted Earnings Per Share

(1) Adjusted results combine continuing and discontinued operations to provide continuity with historical results.

(2)

Merger and integration costs include investment portfolio restructuring costs, employee-related costs, and other transaction-related expenses.

(3)

The

Company

recorded

an

after-tax

gain

on

the

sale

of

the

Retail

Business

of

\$1,381

million

(\$2,159

million

pre-tax).

(4) Operating

excludes

merger

&

integration

costs

and

the

gain

on

the

sale

of

the

Retail

Business.

.

21
4,074
(48)
4,122
Total
1,760
(38)
1,798
All Other
2,314
(10)
2,324
Salaries & Benefits
634

(70)
 704
 Banking Related/Other
 317
 -
 317
 Global Payment Services
 364
 -
 364
 FX & Other Trading
 448
 -
 448
 PCS & Asset Management
 2,858
 -
 2,858
 Total Fee Revenue
 209
 -
 209
 Broker-Dealer Services
 582
 -
 582
 Issuer Services
 921
 -
 921
 Investor Services
 1,146
 -
 1,146
 Execution and Clearing
 \$1.88
 \$0.03
 \$1.85
 EPS
 1,464
 24
 1,440
 Net Income
 772
 13
 759
 Income Tax Expense
 2,236
 37
 2,199

Pretax Income
 4,074
 (48)
 4,122
 Total Expense
 22
 7
 15
 Provision for Credit Losses
 6,332
 (4)
 6,336
 Total Revenue (before
 prov.)
 1,711
 66
 1,645
 Net Interest Income
 4,621
 (70)
 4,691
 Noninterest Income
 Reconciliation Tables
 Noninterest
 income
 adjustments

Banking
 Related/Other includes a \$48 million gain on sale of
 a portion of the Company's holdings of Wing Hang
 Bank, \$19 million of realized securities gains on
 sponsor fund investments, and \$3 million in income
 related to gain on an aircraft lease residual.
 Net interest
 income
 adjustments

Reported
 net
 interest income was reduced by \$66 million related
 to SFAS 13 income adjustments on the Company's
 lease portfolio.
 Expense adjustments
 Salaries
 and
 benefits
 include
 \$10 million of severance tied to staff relocations.
 All Other Expenses include a \$30 million reserve
 related to the possible settlement of the RW Leasing

matter, and an \$8 million lease termination expense.

Income tax
adjustments

-

In
addition
to
the
tax

impact of the aforementioned adjustments, income
tax expense was also increased by \$50 million
related to an increase in the Company's reserve for
its LILLO tax exposure.

For a full description of these adjustments, refer to
the Company's 8K filed January 19, 2005.

\$ in Millions

2004

Reported

Non GAAP

Adjustments

2004

Normalized

Non GAAP

Slide 7

22
Reconciliation Tables
2004
Reported
2004
Normalized
Slide 9
Percent Inc / (Dec)
(in millions)
Quarter
4Q06 vs.
4Q06 vs.
4Q06
3Q06

4Q05

3Q06

4Q05

Execution & Clearing Fees

Continuing Operations

264

301

326

(12)%

(19)%

BNY ConvergEx

(66)

(82)

Pro Forma

264

235

244

12%

8%

Issuer Services

Continuing Operations

341

194

171

76%

99%

Acquired Corp Trust

(129)

Pro Forma

212

194

171

9%

24%