

## **The Bank of New York Company, Inc.**

*A Seminar on Our Investor Services Businesses*

**July 26, 2006**

### **Cautionary Language**

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The forward looking statements presented today including, among other things, projections with respect to revenue and earnings growth and the Company's plans and objectives are subject to risks and uncertainties that could cause actual results to differ materially from the projections. These include lower than expected performance or higher than expected costs in connection with acquisitions and integration of acquired businesses, the level of capital market activity, inaccuracies in management projections or market forecasts, the actions that management could take in response to these changes and other factors described in the SEC filings referred to below.

For additional detailed information, we refer you to the discussions under the heading "Forward Looking Statements" in the Company's 2005 10-K and our most recent 10-Q filed with the SEC.

The forward looking statements speak only as of July 26, 2006. We will not update forward looking statements to reflect facts, assumptions, circumstances, or events which have changed after they were made.



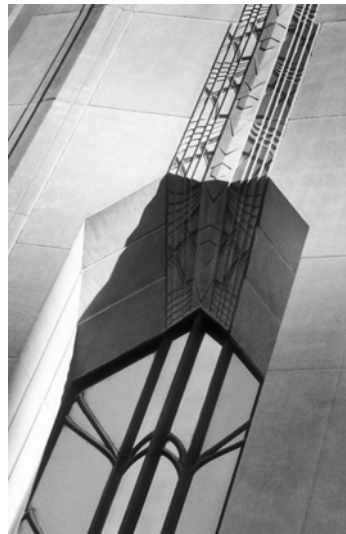
## **Introduction**

*Gerald L. Hassell*  
*President*

### **Today's Agenda**

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- **Investor services overview**
- **Creating growth**
- **Key cross-sell products**
  - ▶ **Foreign exchange**
  - ▶ **Securities lending**
  - ▶ **Treasury services**
- **Leveraging the franchise**





## Investor Services Overview

*Timothy F. Keaney*  
SEVP

### Investor Services Revenues

(in millions)

Investor Services	2003	2004	2005	Growth Rates	
				2004	2005
Net Interest Income	\$434	\$451	\$492	4%	9%
Fees	\$1,250	\$1,365	\$1,543	9%	13%
Total Revenues	\$1,684	\$1,816	\$2,035	8%	12%
Fees / Total Revenue	74%	75%	76%		

## Leadership Positions

- #1 custodian
- Over 40% assets held on behalf of non-US Investors
- Leading provider to hedge funds – full service offering
- Leading provider of services to UIT, ETF sponsors
- Highest quality rating: securities lending agent
- Highest quality rating: foreign exchange services
- #1 investor on behalf of clients in money market funds
- Comprehensive offshore fund administration capabilities
- Established industry leader in fund manager outsourcing services
- Established position in pension funds globally

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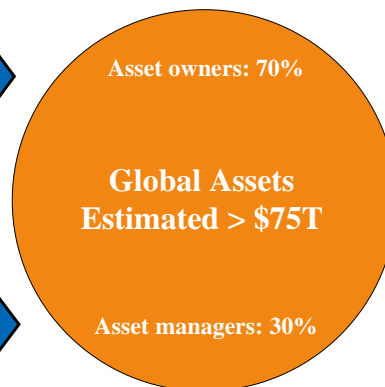
## Client Constituencies We Serve

### Asset Owners

- Pension Funds
- Governments / Central Banks
- Foundations
- Individuals

### Asset Managers

- Mutual Funds
- Hedge Funds
- Insurance Companies



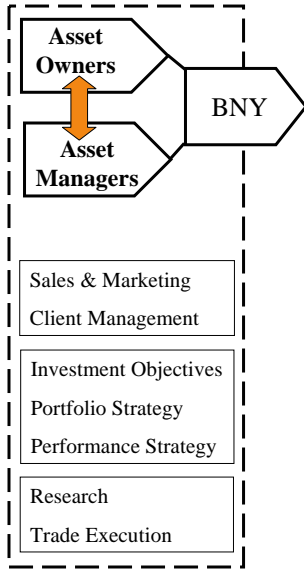
**BNY  
holds  
\$12T  
under  
custody**

**15%  
assets  
globally**

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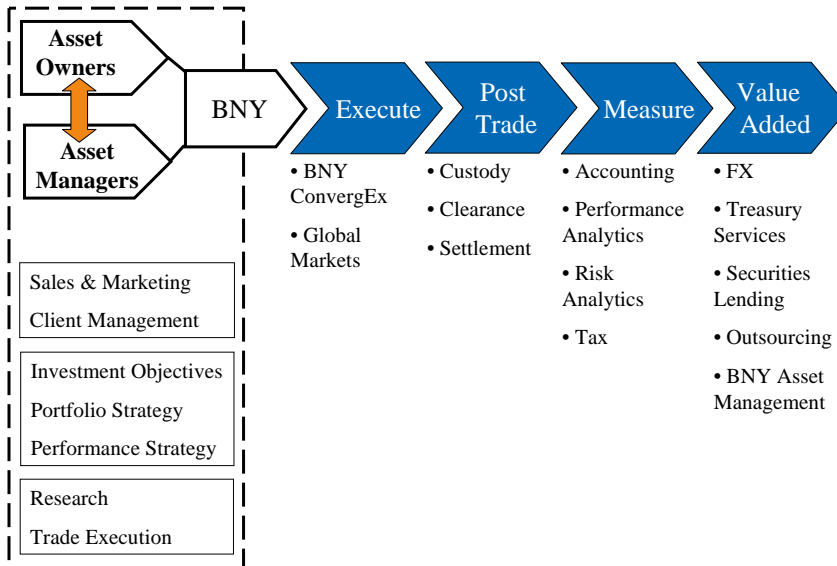
## Where We Add Value



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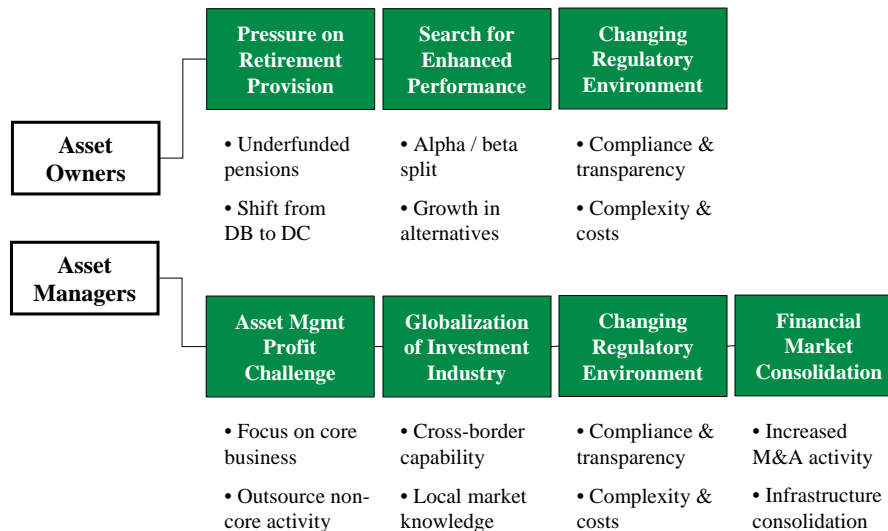
## Where We Add Value



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## Market Trends Create Opportunities



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## Revenue Drivers

### Core Revenue Drivers

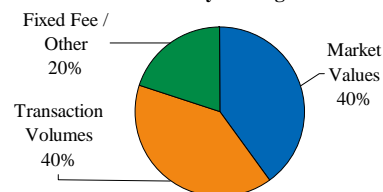
- Net new business
- Market Value of Assets
- Transaction Volumes
- Number of Holdings
- Number of Accounts
- Number of Clients
- Client's Asset Allocation (global, domestic, fixed, equity, etc.)
- Interest Rate Spreads

+

### Value Added Revenue Drivers

- Cross-border Assets
- Asset Allocation
- Size
- Market Volatility

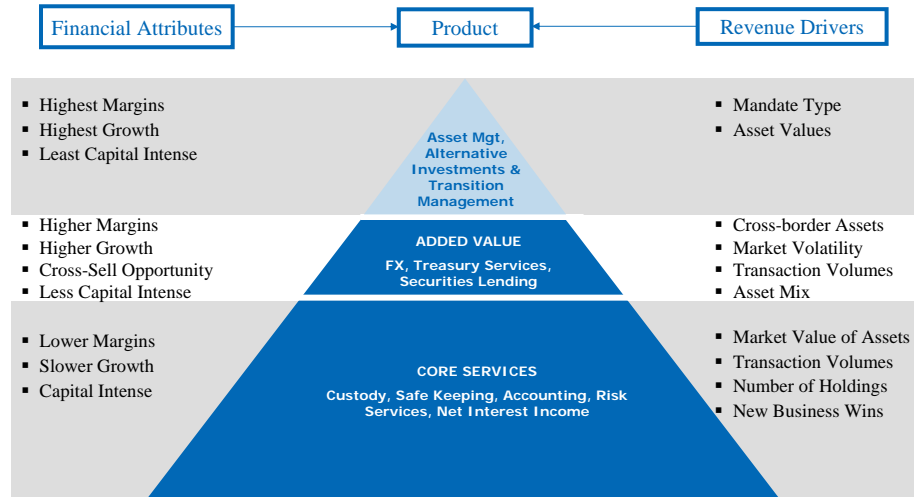
Core Revenue by Pricing Structure



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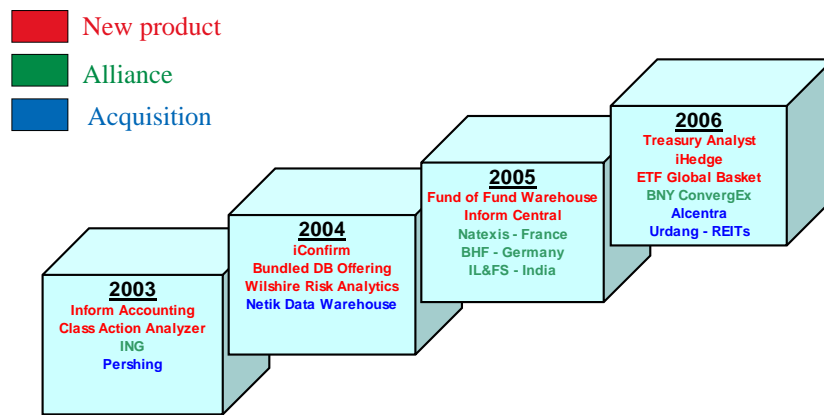
## How We Make Money



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## Investor Services – Evolution Highlights



**Strengthening the Foundation for Growth**

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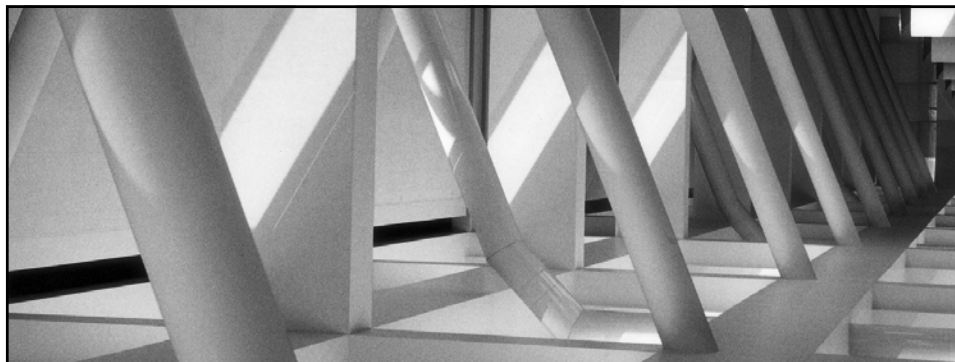
## Investor Services – Today & Tomorrow

<u>Strong Franchise</u>		<u>High Growth Prospects</u>
Leading US and UK Market Position	➔	Select International Markets – France, Germany, Italy, India, China and Korea
UK Pension Funds	➔	US Public and Corporate Pensions (DB & DC)
Dublin Offshore Funds	➔	Luxembourg Fund Administration
Exchange Traded Funds, Unit Investment Trusts	➔	Hedge Funds – Full Service Offering

**Building on the Foundation**

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## Creating Growth

*Patrick E. Curtin*

*EVP*

## Creating Growth in Investor Services

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- ▶ Exchange Traded Funds
- ▶ Hedge Funds
- ▶ Offshore Funds
- ▶ International Markets

### Common Attributes

- Growing Market
- Expanding Market Share
- Non-commoditized Pricing
  - Superior Profitability and Operating Leverage

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## Growth Prospects in Investor Services

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- ▶ Macro trends driving growth
- ▶ Current position
- ▶ Sustainable competitive advantages

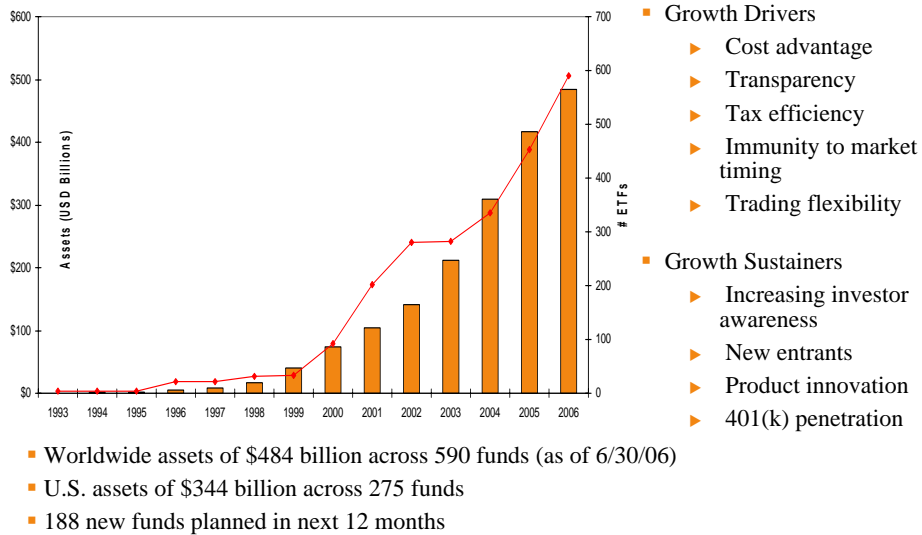
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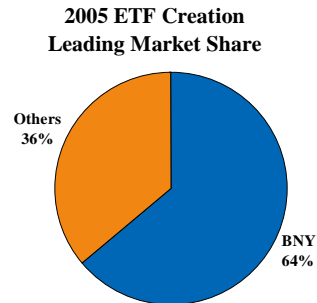
## *Exchange Traded Funds*

### Exchange Traded Funds – Macro Trends Driving Growth



## Exchange Traded Funds – Current Position

- Service 100+ funds
- Assets > \$60 billion
- Products sponsored by 16 separate clients
- Mandated 32 of 50 new ETFs in 2005
- Supported 36 new product launches through H1'06



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## ETFs - Sustainable Competitive Advantages



- ▶ Widest range of products and sponsors
- ▶ Proprietary basket creation / redemption process
- ▶ Intellectual property for commodity ETFs
- ▶ Record for early innovation (MDY & QQQQs)
- ▶ Broad and referenceable client base
- ▶ Pershing ETF center for distribution

*High  
Barriers  
to Entry*

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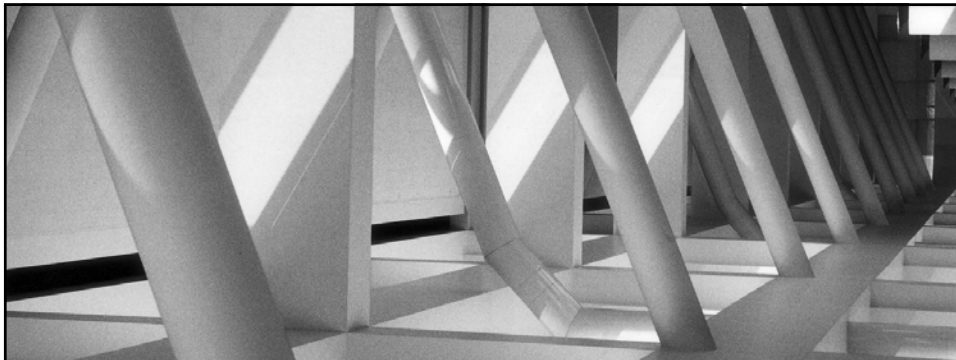
## Exchange Traded Funds - WisdomTree

- 20 funds based upon unique fundamental indices
- Broad array of ETF services including sub-advisory
- Largest single day ETF launch on NYSE
- 14 global products with more than 7,300 non-US securities
- 7 institutions (AP's) already approved to create new shares
- 4 year consultative support prior to launch



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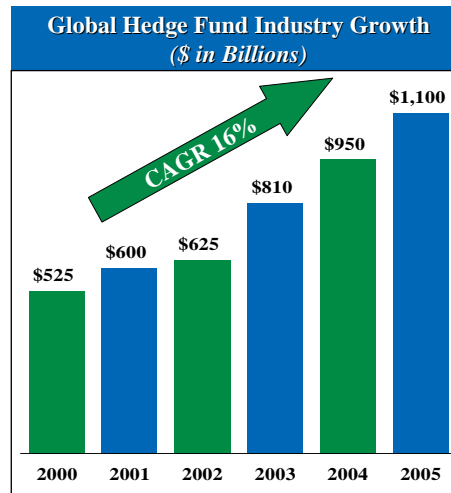
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*Hedge Funds*

## Hedge Funds – Macro Trends Driving Growth

- Separation of alpha from beta
- Growth from institutional investors
- Multi-strategy hedge funds experiencing greatest asset inflows

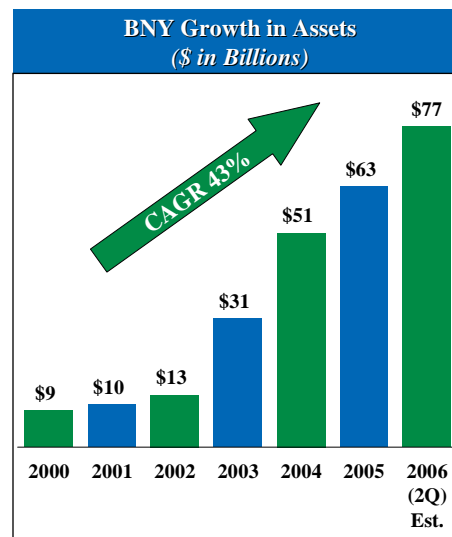


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## Hedge Funds – Current Position

- 268 Funds
- 90 clients
- \$77 billion in assets
  - ▶ Single manager: \$60 billion
  - ▶ Fund of funds: \$17 billion



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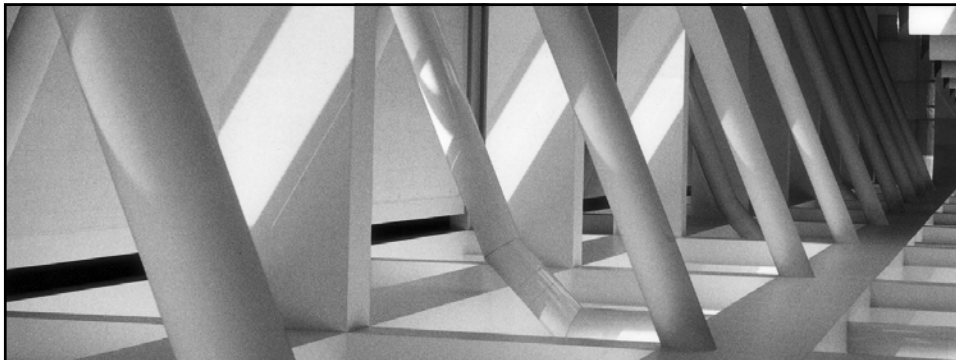
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## **Hedge Funds - Sustainable Competitive Advantages**

- **Robust operating and technology platforms**
  - ▶ **Unique subscription & redemption capability for fund of fund structures**
  - ▶ **Global accounting platform across traditional and alternate fund entities**
  - ▶ **Very strong cash management tool set ... crucial for hedge funds**
  - ▶ **Experienced staff in multiple disciplines and domiciles**
  - ▶ **Leadership in clearing and collateral management**

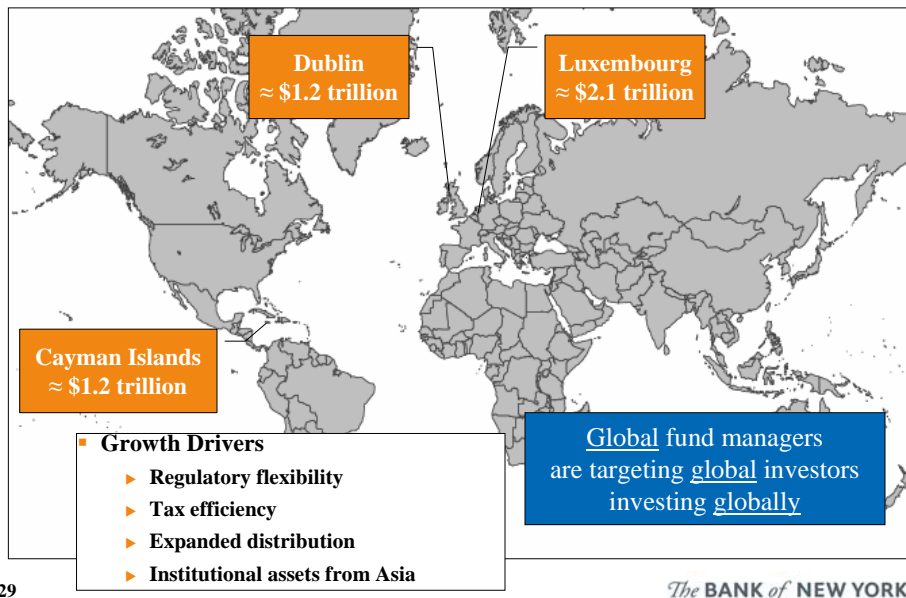
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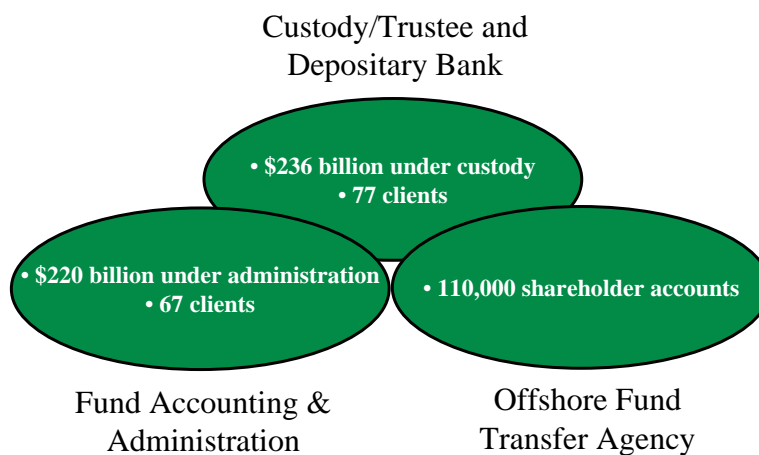


*Offshore Funds*

## Offshore Funds – Macro Trends Driving Growth



## Offshore Funds – Current Position



## **Offshore Funds - Sustainable Competitive Advantages**

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- **Integrated service centers located in leading domiciles - Dublin, Luxembourg and Cayman Islands**
  - ▶ Multi-lingual staff with extensive offshore fund expertise
- **Common global platform calculates daily NAVs**
  - ▶ Ability for clients to access fund data across time zones
- **Leading provider of domestic funds services**
  - ▶ Depth of relationships with global asset managers
  - ▶ Natural cross-sell extension

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## **Offshore Funds – Client Example**

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- **New family of Dublin registered UCITS**
- **Created for annuity product distribution into Japan and the UK**
- **Managed by leading global investment managers located in the US and Asia**
- **7 new funds with more than 4,400 non-US securities**
- **Only Dublin based provider with ability to support end of day NAV delivery in Japan**

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## *International Markets*

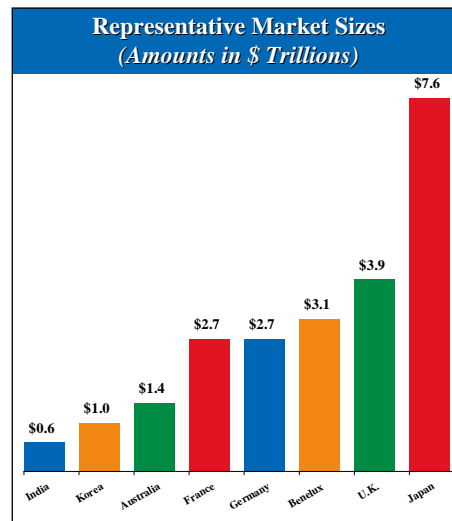
### International Markets – Macro Trends Driving Growth

- **\$28 trillion total asset pool**
- **High predicted 5-year growth**

Mutual Funds	18-20%
Pensions	8-10%
Banks, Brokers, Others	7-9%

Source: Prudential Equity Group Research (2005)

- **Growth drivers:**
  - ▶ **Cross-border investment flows**
  - ▶ **Pension Reform**



Sources: Investment & Pensions Europe, European Fund & Asset Management Association, Comité Européen Des Assurances, BNY Internal Analysis

## International Markets – Current Position

### BNY PRESENCE & PRODUCT RANGE

<u>Country</u>	<u>Location</u>	<u>Global Products</u>	<u>Local Products</u>
UK	London, Edinburgh, Manchester, Swindon	FULL	FULL
Germany	Frankfurt	FULL	BHF
France	Paris	FULL	Natexis
Nordics	N/A	FULL	Nordea
Italy	Milan	FULL	None
Benelux	Amsterdam	FULL	ING
Japan	Tokyo, Singapore	FULL	Mizuho
Korea	Seoul	FULL	None
India	Chennai, Bangalore	FULL	IL&FS

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## International Markets - Sustainable Competitive Advantages

- Leveraging JV's / partnerships in Europe to access additional 47% of assets
  - ▶ France Natexis Bank Popular January 2005
  - ▶ Germany BHF Bank July 2005
  - ▶ Benelux ING Bank May 2003
  - ▶ Australia NAB June 2005
- Access to assets without 'bricks and mortar' expense
- Ability to capitalize on differences within EU member countries
- Immediate foundation client
- Distribution platform for BNY products
- Benefits of local knowledge and relationships
- Positioned for strategic shift in partners' thinking

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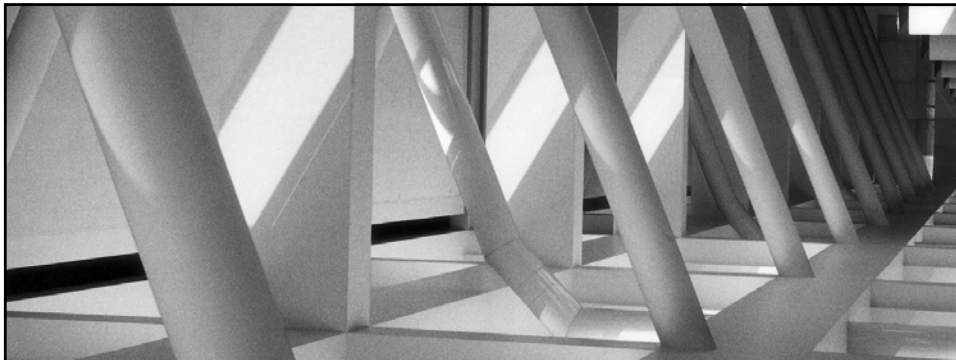
## **Summary – Capturing Growth**

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- **Participating in growing segments of global capital markets**
- **Generating strong new business momentum**
- **Strengthening our product offering**
- **Exploiting differentiating characteristics**
- **High profitability and operating leverage**

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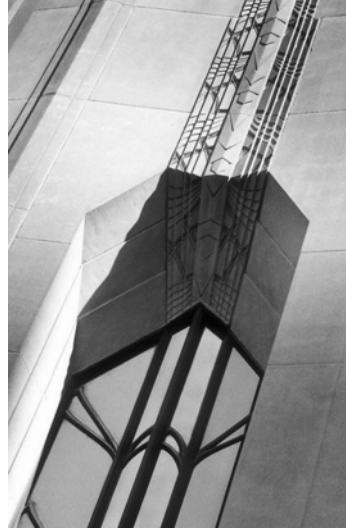


## **Foreign Exchange**

*Richard F. Mahoney*  
*EVP*

## Foreign Exchange

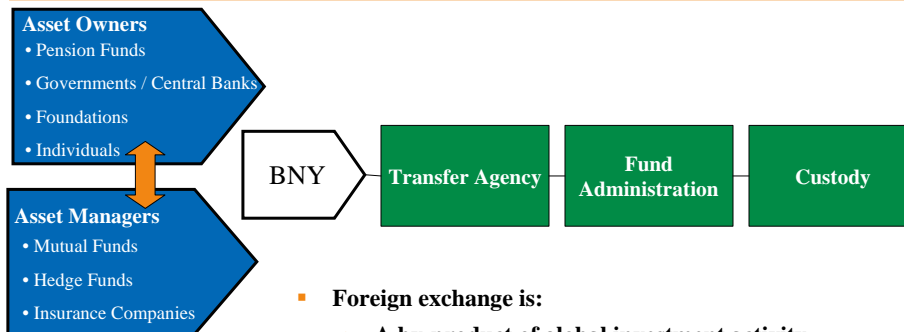
- **What is our business model?**
- **What is our competitive position in the marketplace?**
- **How do we create growth?**



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## Our Business Model

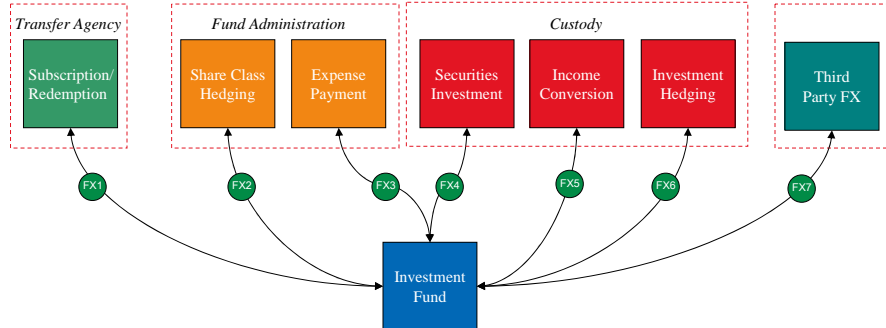


- **Foreign exchange is:**
  - ▶ A by-product of global investment activity
  - ▶ An asset class managed for alpha
- **At The Bank of New York, foreign exchange is:**
  - ▶ Aligned as an inherent component of our securities servicing business
  - ▶ Marketed to asset owners and fund managers who custodize assets elsewhere (Third Party FX)

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## How We Make Money



### As Transfer Agent:

1. Processing multi-currency subscriptions and redemptions

### As Fund Administrator:

2. Hedging share class exposure
3. Paying multi-currency fund expenses

### As Custodian:

4. Funding global securities purchase/sale
5. Servicing the portfolio – dividends, interest, corporate actions, tax events
6. Hedging portfolio exposure

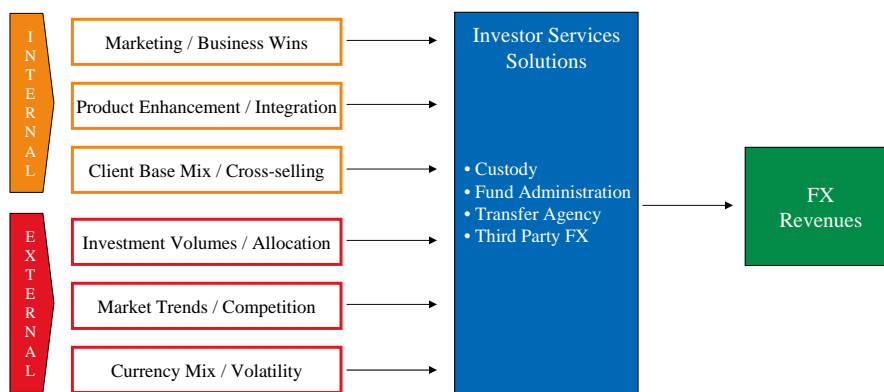
### Additionally:

7. Provide third-party FX services

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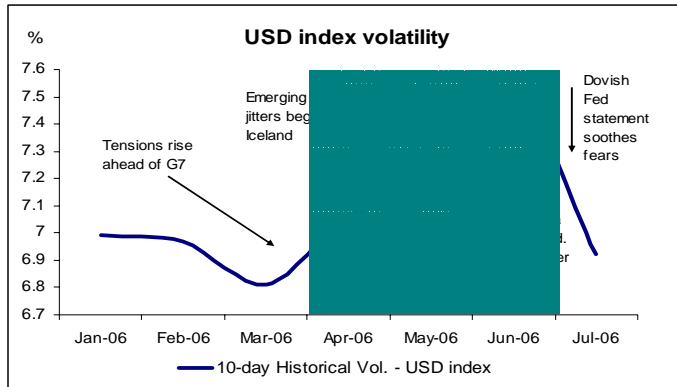
## Revenue Drivers



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## Impact of Currency Volatility



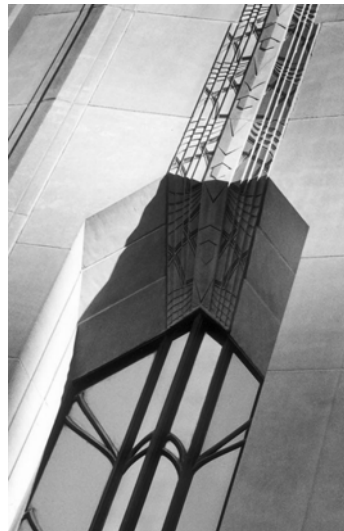
- **Currency volatility:**
  - ▶ Spurs increased global investment activity
  - ▶ Allows for wider spreads and greater trading opportunity against customer flow
- Our 2Q'06 foreign exchange and other trading revenue showed the impact of currency volatility

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## Foreign Exchange

- What is our business model?
- What is our competitive position in the marketplace?
- How do we create growth?



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## How We Add Value

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- Sales force expertise
- Flexible approach to execution
- Mitigation of operational risk
- Accessing liquidity and assuring settlement
- Research
  - ▶ Daily market commentary
  - ▶ iPFM (online analytical tools)

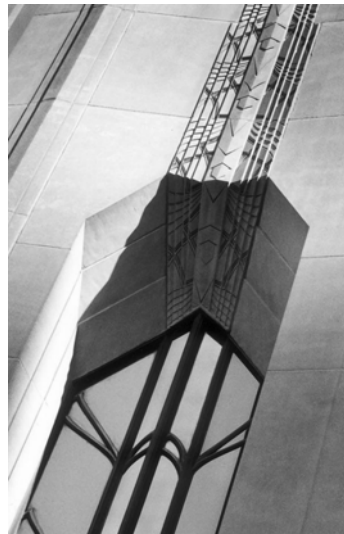
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## Foreign Exchange

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- What is our business model?
- What is our competitive position in the marketplace?
- **How do we create growth?**



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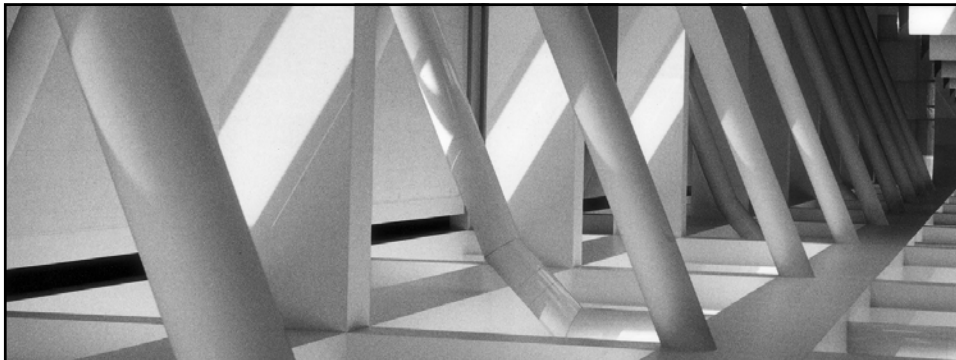
## Creating Growth

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- **Growth attributable to initiatives at The Bank of New York**
  - ▶ Enhancing technology – robust post-trade messaging capabilities
  - ▶ Flexible pricing tools – benchmark pricing services
  - ▶ Integration – bundled FX execution into other core product lines to create automated multicurrency services
  - ▶ Automated and scalable business to capture high operating leverage and strong revenue growth in favorable markets
  - ▶ Sales expertise, quality research and operational excellence always highly valued in global investment management industry

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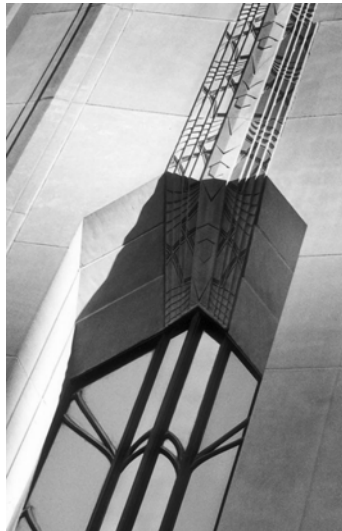


## Securities Lending

*Thomas V. Ford*  
*EVP*

## Securities Lending

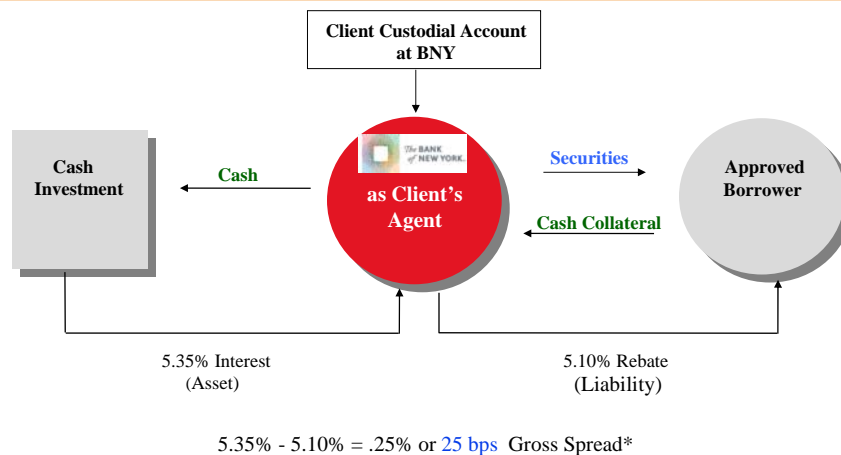
- **What is our business model?**
- **What is our competitive position in the marketplace?**
- **How do we create growth?**



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## Executing a Securities Lending Trade



\*Gross Spread is split between Client and BNY on a percentage basis.

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## **Our Business Model**

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- **Most frequently cross-sold product to custodial clients with lendable assets above \$1 billion**
- **Continue to be dominant agency lender for Fixed Income Securities**
  - ▶ **Lending Activity is 80% Fixed Income; 20% Equities**
  - ▶ **World's largest U.S. Treasury Lender**
- **High success developing non-custodial lending relationships**
  - ▶ **Nearly \$40 billion of daily activity involving non-custodial client assets**
- **Pioneered and prospered in offering the securities lending service in component parts:**
  - ▶ **Lending (trade negotiation only)**
  - ▶ **Asset Management (short term cash collateral management only)**
  - ▶ **Operational and/or credit support only**

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## **Our Business Model**

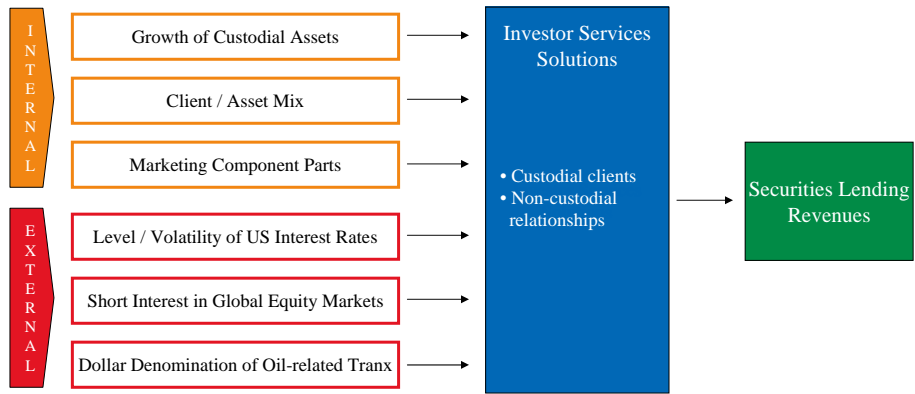
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- **Superior cash collateral reinvestment management, including active capital gains strategies and a large high-yielding STIF product**
  - ▶ **Higher portfolio utilization**
  - ▶ **Higher client / bank revenues**
  - ▶ **Higher client satisfaction**
- **Recent success attracting larger and more sophisticated retirement portfolios to custodial products has significantly increased U.S. / non-U.S. equity activity**

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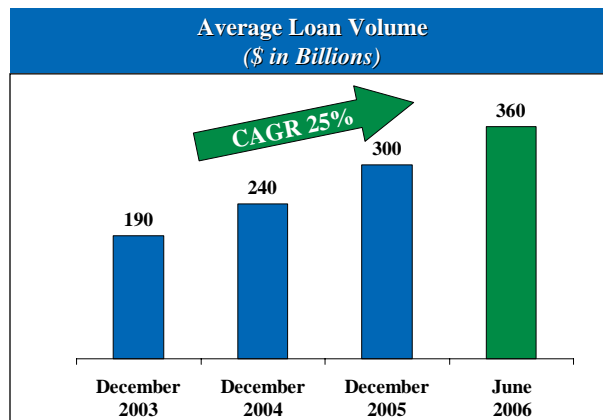
## Revenue Drivers



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## Strong Volume Growth

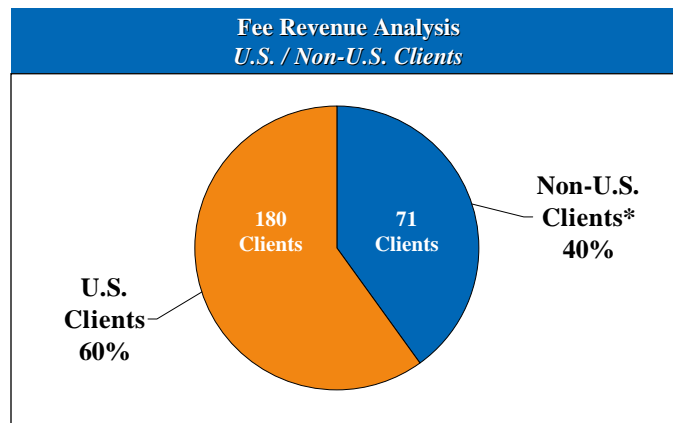


- Annual program growth continues to average 25%
- Annual fee revenue growth continues to average 20% +
- Highest 2002-2005 fee revenue growth rate among trust banks

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## Balanced Client Profile



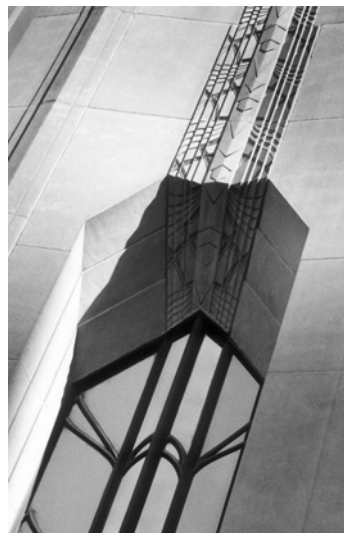
\*Including Central Banks & Sovereign Investment Managers

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## Securities Lending

- What is our business model?
- What is our competitive position in the marketplace?
- How do we create growth?



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## Our Competitive Position In The Marketplace

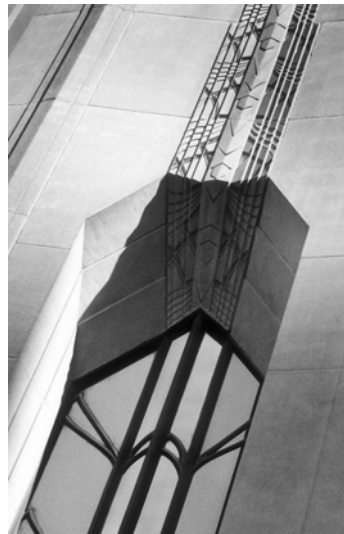
- **Second largest agent lending program in the world**
  - ▶ \$350-375 billion loans outstanding (USD equivalent)
- **#1 ranked in client satisfaction for large custodial bank lending programs\***
  - ▶ Three consecutive years (2004-2006)
- **Powerful synergies with custody, broker-dealer clearance, and collateral management clients**
- **40% of U.S. Treasury portfolio from Central Bank / Sovereign Monetary Authorities prone to “Special” / “Current” Treasury positions**
- **Lend in 27 global markets**
- **Complete STP functionality in universal global securities lending system**
  - ▶ Trading desks in U.S., Europe and Asia achieve 24-hour market coverage and seamless “passing of the book”
- **Large Non-Custodial client base**

57 \* Global Custodian/ISF Magazine

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## Securities Lending

- **What is our business model?**
- **What is our competitive position in the marketplace?**
- **How do we create growth?**



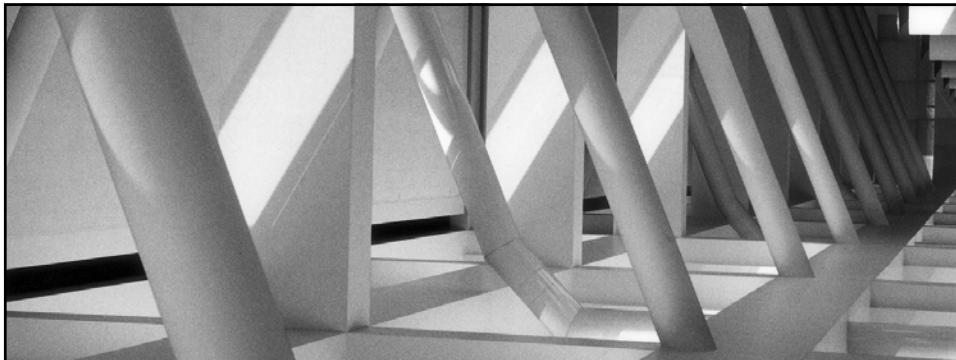
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## **How Do We Create Growth?**

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- **Attract larger and more sophisticated retirement portfolios**
- **Equity activity will create incremental volume and spread to an extremely well positioned current franchise**
- **Continued success in providing customized solutions via marketing of service in component parts**
- **Development of non-traditional strategies in a market where institutional investors and the ultimate short sellers are converging**

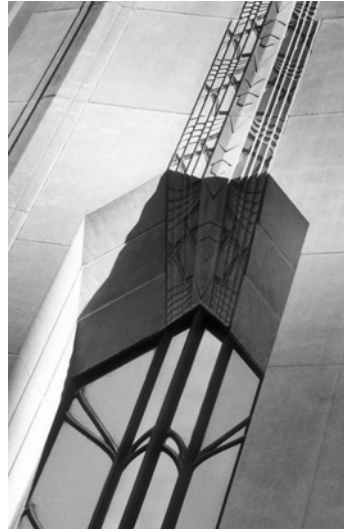


## **Treasury Services**

*Timothy F. Keaney*  
**SEVP**

## Treasury Services

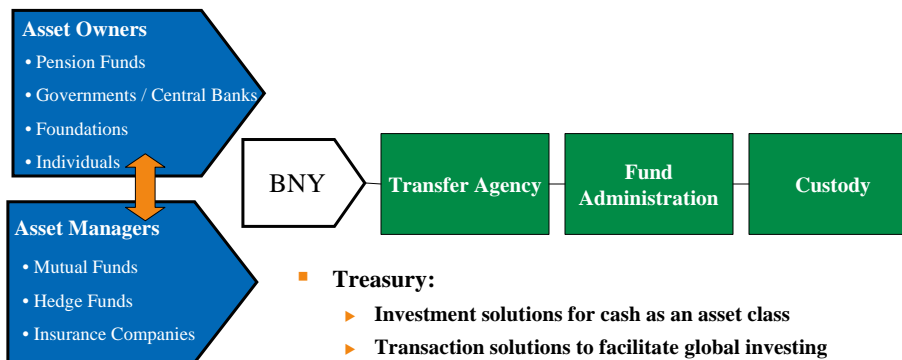
- **What is our business model?**
- **What is our competitive position in the marketplace?**
- **How do we create growth?**



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## Our Business Model



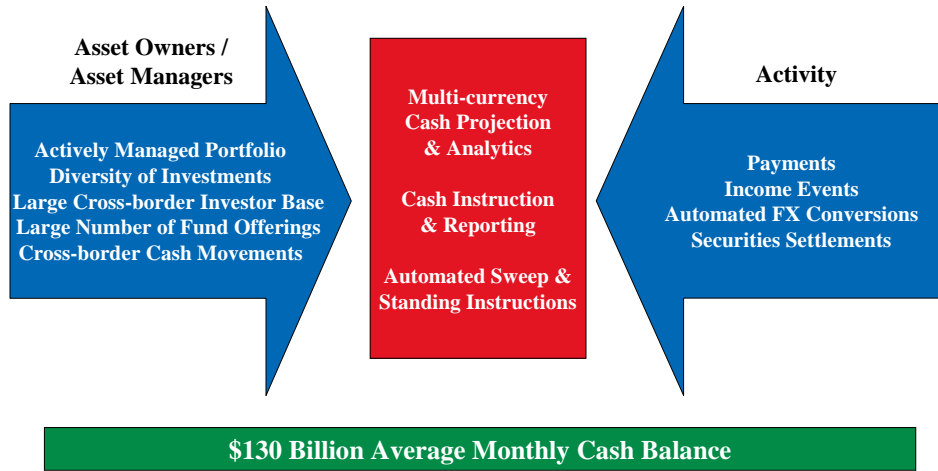
- **Treasury:**
  - ▶ Investment solutions for cash as an asset class
  - ▶ Transaction solutions to facilitate global investing

- **At The Bank of New York, treasury solutions address:**
  - ▶ Investment needs – money market services, asset management, structured products, multi-currency deposits
  - ▶ Transaction needs – multi-currency cash transactions, cash projection & analytics, intraday/overnight credit, disbursement & beneficiary services

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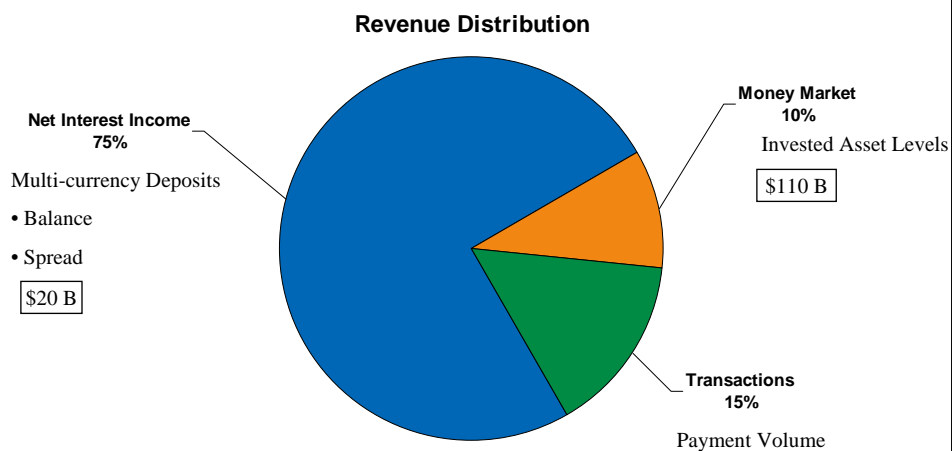
## Business Profile



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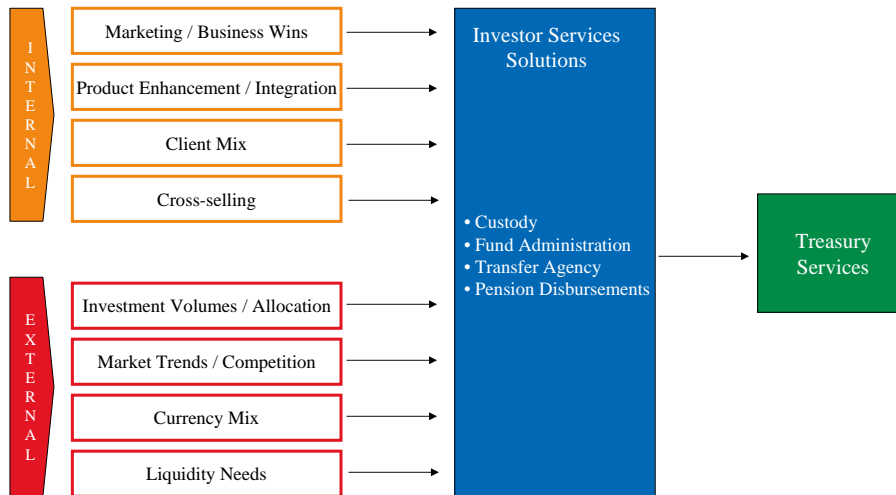
## How We Make Money



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## Revenue Drivers

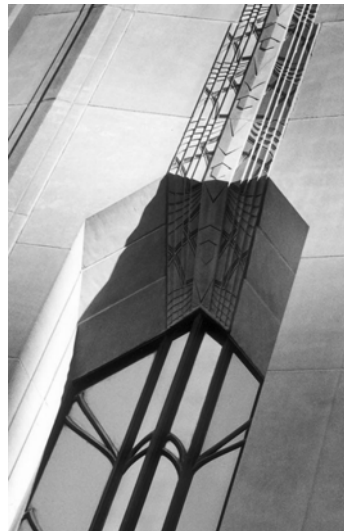


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## Treasury Services

- What is our business model?
- What is our competitive position in the marketplace?
- How do we create growth?



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## **BNY Competitive Advantages**

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- **Sophisticated open architecture infrastructure unbiased to any one investment product**
- **Leading position in multi-currency payments integration with leading position in securities servicing**

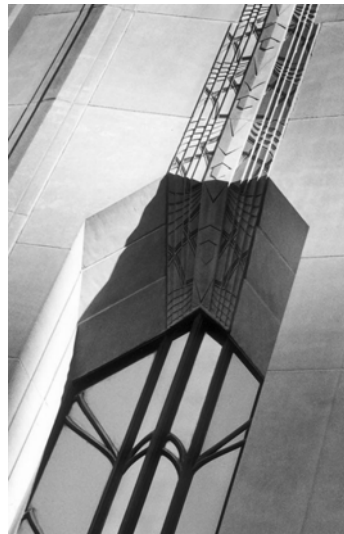
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## **Treasury Services**

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- **What is our business model?**
- **What is our competitive position in the marketplace?**
- **How do we create growth?**



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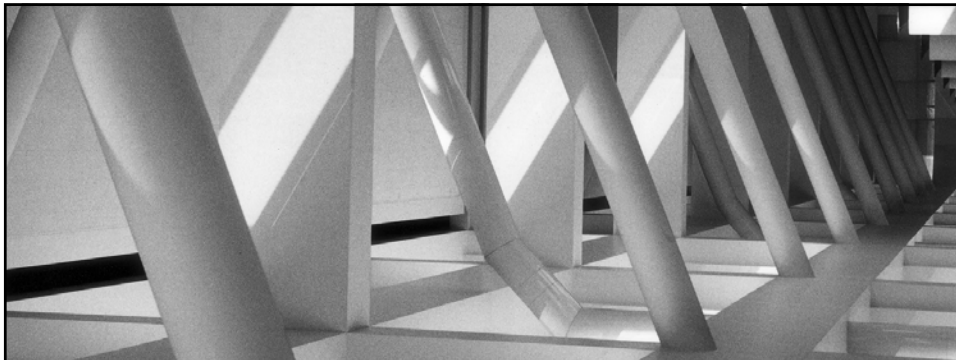
## **Strong Growth Prospects**

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- **Foundation clients growing**
- **Emphasize key market segments**
  - ▶ **Hedge funds**
  - ▶ **Cross-border equity managers**
- **Strategically position high performing BNY asset management products**

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## **Leveraging the BNY Franchise**

*Timothy F. Keaney*  
**SEVP**

## Solid Position Today With Strong Growth Prospects

Prominent industry position

Client segment focus driving profitable growth

Leverage position and ventures into high growth geographies

Successfully introduce clients to expanding product offering

Improve operating leverage by managing our costs

- Central governments, insurance companies, mutual funds, UITs, ETFs, UK pensions, universal banks, Dublin fund administration
- Large corporate and public pension, equity mutual funds, Luxembourg administration, large complex hedge funds
- France, Germany, Italy, Netherlands, India, Korea, China
- BNY ConvergeEx, Alcentra, Urdang, Ivy, Treasury Services
- Higher STP, low cost locations, re-engineering

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## Achieving Returns Now

### ▪ Significant new business wins

#### Traditional / Foundation Markets

- ▶ Capita Financial
- ▶ Abbey National Bank
- ▶ Central Bank of Egypt
- ▶ National Bank of Kazakhstan
- ▶ Schroder Investment Management

#### Targeted Markets

- |                            |                                   |
|----------------------------|-----------------------------------|
| ▶ Gottex SA                | AP7                               |
| ▶ Martin Currie            | Mississippi Public Employees Fund |
| ▶ Credit Andorra           | Alaska Permanent Fund             |
| ▶ Western Asset Management | Hartford Municipal Employees Fund |
| ▶ Large UK Fund Manager    | WisdomTree                        |

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## Achieving Returns Now

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- **Significant new business wins**
- **Momentum in key offshore and international markets**
  - ▶ **Dublin & Luxembourg – 25% CAGR (2004/05)**
  - ▶ **France – Natexis Banque Populaire**
  - ▶ **Germany – BHF**

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## Achieving Returns Now

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- **Significant new business wins**
- **Momentum in key offshore and international markets**
- **Strong new business momentum for non-investor services products**
  - ▶ **BNY ConvergEx – 44 mandates, 120 active opportunities**
  - ▶ **Ivy Asset Management – 20+ mandates, 50+ active opportunities**
  - ▶ **Alcentra – campaign launched in May, over 100 opportunities identified**
  - ▶ **Urdang – program launched in September**

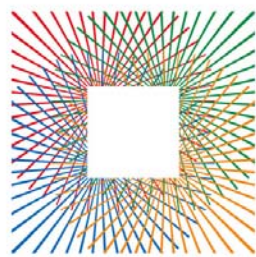
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## Summary

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- **Strong industry position and growth prospects**
- **Incremental growth opportunities in targeted client segments and geographies**
- **Value added products solidify new business and drive profitability**
- **Generate positive operating leverage**
  - ▶ **Contribute bottom line growth of 10-15%**



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