



THE BANK OF NEW YORK MELLON



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# Risk Management: Protecting Our Growth

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# Risk Management

Today's discussion

Strong risk culture

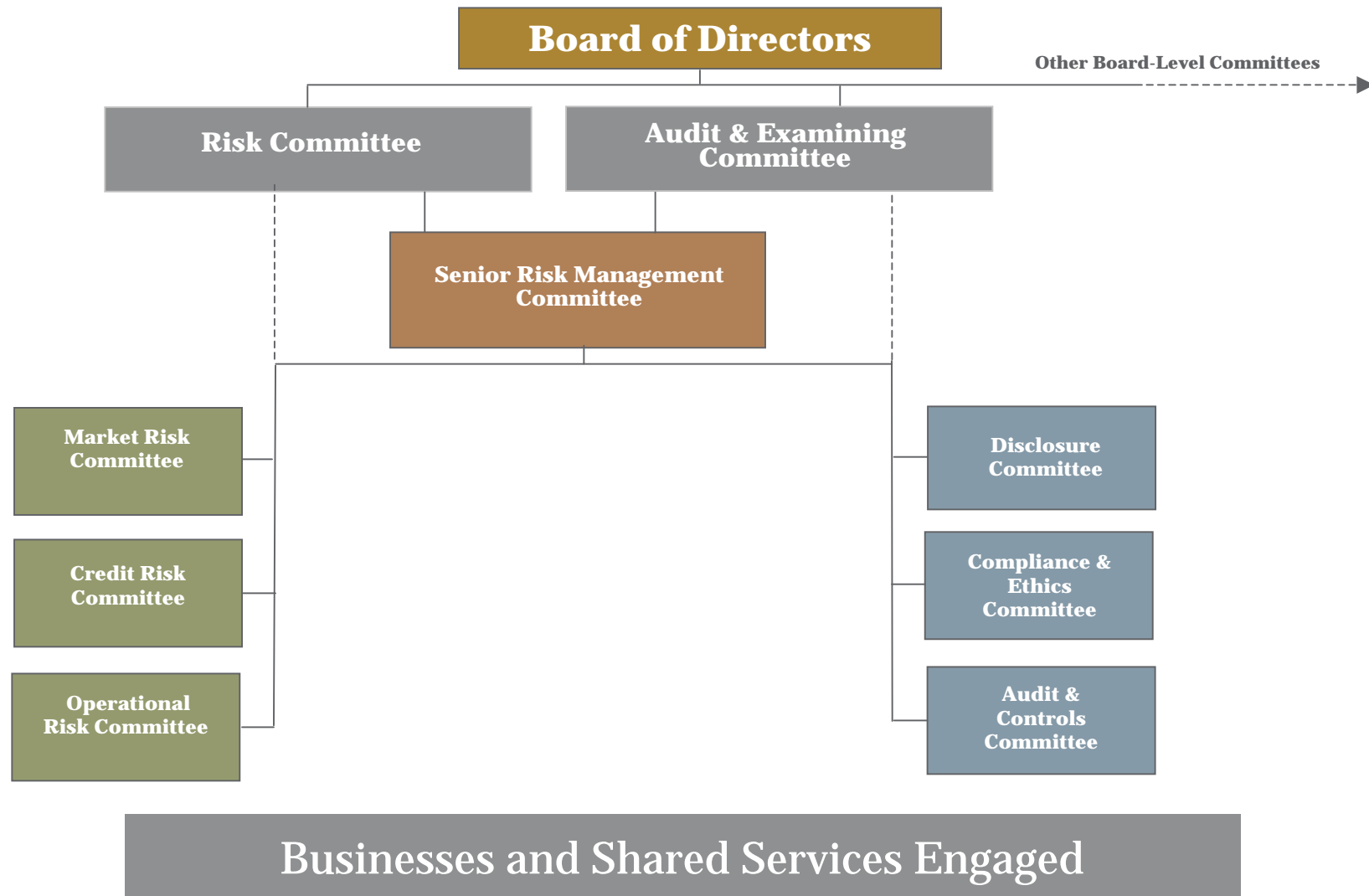
Balance sheet ratios and liquidity compare favorably to peers

Managing through the environment

Lessons learned

# Risk Management Framework

## Company-wide participation



# Risk Management

Strong / liquid balance sheet vs. peers

As of 3/31/08

	<b>BK</b>	Peer Bank Average
Fee Revenue / Total Revenue	<b>79%</b>	57%
Avg Liquid Assets / Avg Earning Assets	<b>36%</b>	17%
Avg Loans / Avg Earnings Assets	<b>33%</b>	55%
Avg Investment Securities / Avg Earning Assets	<b>34%</b>	23%
Total Equity / Assets	<b>13.9%</b>	8.6%
Tier 1 Capital ratio	<b>8.8%</b>	8.7%
Tangible Common Equity ratio*	<b>4.1%</b>	4.8%

\* TCE ratio adjusted for BK to reflect the effect of deferred tax liabilities.

Peer banks: JPM, NTRS, PNC, STI, STT, USB and WB

## Market View of BK

Risk spreads outperforming peers

	<u>5/30/08</u>		<u>7/20/07</u>	
	<u>2-year</u>	<u>10-year</u>	<u>2-year</u>	<u>10-year</u>
<b>Bank of New York Mellon</b>	<b>45</b>	<b>105</b>	<b>0</b>	<b>22</b>
Peer Group Average*	89	182	1	24
Northern Trust	75	130	1	23
State Street	75	140	1	22

Source: Deutsche Bank, Lehman Brothers

Note: Risk spreads represent the indicative Libor spread on new debt issuances with either a 2-year or 10-year maturity

\* Peer banks: JPM, NTRS, PNC, STI, STT, USB and WB

# Risk Management

Managing through the environment

## **Increased volatility:**

- Benefiting volumes & spreads (Securities Lending, FX, Deposits & Money Markets)

## **Market dislocations:**

- Business Environment – Asset Management, Corporate Trust
- Investment Portfolio – unrealized losses, modest impairments
- Support of Funds – reduced exposure to SIVs

## **Uncertain economy:**

- Targeted specific credit exposure reduction of \$4.5B by 2010
- Credit Quality – incremental increase to provision

# Risk Management

Recent environment – lessons learned

Liquidity is king

Risk capital is not free

Rating agencies used for supplemental, not primary analysis

Stress test

Focus on core competencies

Deliver transparency to clients and shareholders