



FORM 10-Q

BANK OF NEW YORK CO INC – bk

Filed: May 14, 2002 (period: March 31, 2002)

Quarterly report which provides a continuing view of a company's financial position

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SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
 SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
 SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-6152

THE BANK OF NEW YORK COMPANY, INC.
 (Exact name of registrant as specified in its charter)

NEW YORK	13-2614959
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

One Wall Street, New York, New York	10286
(Address of principal executive offices)	(Zip code)

(212) 495-1784
 (Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

The number of shares outstanding of the issuer's Common Stock, \$7.50 par value, was 727,922,515 shares as of April 30, 2002.

THE BANK OF NEW YORK COMPANY, INC.
FORM 10-Q
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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

THE BANK OF NEW YORK COMPANY, INC.
 Consolidated Balance Sheets
 (Dollars in millions, except per share amounts)
 (Unaudited)

	March 31, 2002 ----	December 31, 2001 ----
Assets		

Cash and Due from Banks	\$ 3,788	\$ 3,222
Interest-Bearing Deposits in Banks	4,532	6,619
Securities:		
Held-to-Maturity (Fair value of \$1,200 in 2002 and \$1,178 in 2001)	1,233	1,211
Available-for-Sale	12,437	11,651
	-----	-----
Total Securities	13,670	12,862
Trading Assets at Fair Value	8,357	8,270
Federal Funds Sold and Securities Purchased Under Resale Agreements	2,026	4,795
Loans (less allowance for credit losses of \$616 in 2002 and in 2001)	34,817	35,131
Premises and Equipment	1,053	992
Due from Customers on Acceptances	602	313
Accrued Interest Receivable	256	236
Goodwill	2,198	2,065
Intangible Assets	50	19
Other Assets	5,430	6,501
	-----	-----
Total Assets	\$76,779	\$81,025
	=====	=====
Liabilities and Shareholders' Equity		

Deposits		
Noninterest-Bearing (principally domestic offices)	\$11,404	\$12,635
Interest-Bearing		
Domestic Offices	18,134	16,553
Foreign Offices	24,137	26,523
	-----	-----
Total Deposits	53,675	55,711
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	1,687	1,756
Trading Liabilities	2,002	2,264
Other Borrowed Funds	1,577	2,363
Acceptances Outstanding	604	358
Accrued Taxes and Other Expenses	3,840	3,766
Accrued Interest Payable	71	92
Other Liabilities	1,698	3,422
Long-Term Debt	5,271	4,976
	-----	-----
Total Liabilities	70,425	74,708
	-----	-----
Shareholders' Equity		
Class A Preferred Stock - par value \$2.00 per share, authorized 5,000,000 shares, outstanding 3,500 shares in 2002 and 2001	-	-
Common Stock-par value \$7.50 per share, authorized 2,400,000,000 shares, issued 992,958,016 shares in 2002 and 990,773,101 shares in 2001	7,447	7,431
Additional Capital	784	741
Retained Earnings	4,608	4,383
Accumulated Other Comprehensive Income	6	80
	-----	-----

	12,845	12,635
Less: Treasury Stock (264,110,599 shares in 2002 and 260,449,527 shares in 2001), at cost	6,485	6,312
Loan to ESOP (823,810 shares in 2002 and 2001), at cost	6	6
	-----	-----
Total Shareholders' Equity	6,354	6,317
	-----	-----
Total Liabilities and Shareholders' Equity	\$76,779	\$81,025
	=====	=====

<FN>

Note: The balance sheet at December 31, 2001 has been derived from the audited financial statements at that date.

See accompanying Notes to Consolidated Financial Statements.

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THE BANK OF NEW YORK COMPANY, INC.
 Consolidated Statements of Income
 (In millions, except per share amounts)
 (Unaudited)

	For the three months ended March 31,	
	2002	2001
	----	----
Interest Income		

Loans	\$ 383	\$ 676
Securities		
Taxable	141	78
Exempt from Federal Income Taxes	16	17
	-----	-----
	157	95
Deposits in Banks	35	70
Federal Funds Sold and Securities Purchased		
Under Resale Agreements	14	51
Trading Assets	73	141
	-----	-----
Total Interest Income	662	1,033
	-----	-----
Interest Expense		

Deposits	161	463
Federal Funds Purchased and Securities Sold		
Under Repurchase Agreements	8	32
Other Borrowed Funds	28	31
Long-Term Debt	53	80
	-----	-----
Total Interest Expense	250	606
	-----	-----
Net Interest Income	412	427

Provision for Credit Losses	35	30
	-----	-----
Net Interest Income After Provision for Credit Losses	377	397
	-----	-----
Noninterest Income		

Servicing Fees		
Securities	448	458
Global Payment Services	73	69
	-----	-----
	521	527
Private Client Services and		
Asset Management Fees	81	79
Service Charges and Fees	83	90
Foreign Exchange and Other Trading Activities	63	83
Securities Gains	31	45
Other	31	34
	-----	-----
Total Noninterest Income	810	858
	-----	-----
Noninterest Expense		

Salaries and Employee Benefits	384	394
Net Occupancy	49	50
Furniture and Equipment	34	30
Other	174	179
	-----	-----
Total Noninterest Expense	641	653
	-----	-----
Income Before Income Taxes	546	602
Income Taxes	184	218
	-----	-----
Net Income	\$ 362	\$ 384
-----	=====	=====
Per Common Share Data:		

Basic Earnings	\$0.50	\$0.53
Diluted Earnings	0.50	0.52
Cash Dividends Paid	0.19	0.18
Diluted Shares Outstanding	730	743

<FN>

See accompanying Notes to Consolidated Financial Statements

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THE BANK OF NEW YORK COMPANY, INC.
 Consolidated Statement of Changes in Shareholders' Equity
 For the three months ended March 31, 2002
 (In millions)
 (Unaudited)

Common Stock			
Balance, January 1			\$ 7,431
Issuances in Connection with Employee Benefit Plans			16

Balance, March 31			7,447

Additional Capital			
Balance, January 1			741
Issuances in Connection with Employee Benefit Plans			43

Balance, March 31			784

Retained Earnings			
Balance, January 1			4,383
Net Income	\$ 362		362
Cash Dividends on Common Stock			(137)

Balance, March 31			4,608

Accumulated Other Comprehensive Income			
Securities Valuation Allowance			
Balance, January 1			114
Change in Fair Value of Securities Available-for-Sale, Net of Taxes of \$(30) Million	(52)		(52)
Reclassification Adjustment, Net of Taxes of \$(9) Million	(13)		(13)

Balance, March 31			49

Foreign Currency Items			
Balance, January 1			(46)
Foreign Currency Translation Adjustment, Net of Taxes of \$(3) Million	(7)		(7)

Balance, March 31			(53)

Unrealized Derivative Gains			
Balance, January 1			12
Net Unrealized Derivative Gains on Cash Flow Hedges, Net of Taxes of \$(1) Million	(2)		(2)

Balance, March 31			10

Total Comprehensive Income		\$ 288	
		=====	
Less Treasury Stock			
Balance, January 1			6,312
Issued			(33)
Acquired			206

Balance, March 31			6,485

Less Loan to ESOP	-----
Balance, January 1	6

Balance, March 31	6

Total Shareholders' Equity, March 31	\$ 6,354
	=====

<FN>

Comprehensive Income for the three months ended March 31, 2002 and 2001 was \$288 million and \$307 million.

See accompanying Notes to Consolidated Financial Statements.

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THE BANK OF NEW YORK COMPANY, INC.
Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	For the three months Ended March 31,	
	2002	2001
	----	----
Operating Activities		
Net Income	\$ 362	\$ 384
Adjustments to Determine Net Cash attributable to Operating Activities:		
Provision for Losses on Credit and Other Real Estate	35	32
Depreciation and Amortization	52	64
Deferred Income Taxes	122	128
Securities Gains	(31)	(45)
Change in Trading Activities	(435)	190
Change in Accruals and Other, Net	(674)	652
	-----	-----
Net Cash (Used) Provided by Operating Activities	(569)	1,405
	-----	-----
Investing Activities		
Change in Interest-Bearing Deposits in Banks	2,070	1,654
Purchases of Securities Held-to-Maturity	(50)	-
Maturities of Securities Held-to-Maturity	27	-
Purchases of Securities Available-for-Sale	(5,050)	(903)
Sales of Securities Available-for-Sale	2,474	836
Maturities of Securities Available-for-Sale	1,665	381
Net Principal Disbursed on Loans to Customers	(45)	(814)
Sales of Loans and Other Real Estate	129	187
Change in Federal Funds Sold and Securities Purchased Under Resale Agreements	2,769	2,328
Purchases of Premises and Equipment	(92)	(29)
Acquisitions, Net of Cash Acquired	(212)	(240)
Proceeds from the Sale of Premises and Equipment	-	2
Other, Net	45	(72)
	-----	-----
Net Cash Provided by Investing Activities	3,730	3,330
	-----	-----
Financing Activities		
Change in Deposits	(1,860)	(4,987)
Change in Federal Funds Purchased and Securities Sold Under Repurchase Agreements	(69)	(28)
Change in Other Borrowed Funds	(787)	305
Proceeds from the Issuance of Long-Term Debt	375	-
Repayments of Long-Term Debt	(35)	(60)
Issuance of Common Stock	92	117
Treasury Stock Acquired	(206)	(390)
Cash Dividends Paid	(137)	(131)
	-----	-----
Net Cash (Used) by Financing Activities	(2,627)	(5,174)
	-----	-----
Effect of Exchange Rate Changes on Cash	32	161
	-----	-----
Change in Cash and Due From Banks	566	(278)
Cash and Due from Banks at Beginning of Period	3,222	3,125
	-----	-----
Cash and Due from Banks at End of Period	\$3,788	\$2,847
	=====	=====

Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Period for:		
Interest	\$ 272	\$ 582
Income Taxes	(98)	11

<FN>

See accompanying Notes to Consolidated Financial Statements.

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THE BANK OF NEW YORK COMPANY, INC.
Notes to Consolidated Financial Statements

1. General

The accounting and reporting policies of The Bank of New York Company, Inc. (the Company), a financial holding company, and its subsidiaries conform with generally accepted accounting principles and general practice within the banking industry. Such policies are consistent with those applied in the preparation of the Company's annual financial statements.

The accompanying consolidated financial statements are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods have been made. Such adjustments are of a normal recurring nature.

2. Acquisitions and Dispositions

The Company continues to be an active acquirer of securities servicing and asset management businesses. During the first quarter of 2002, 4 businesses were acquired for a total cost of \$205 million, primarily paid in cash. The Company records the fair value of contingent payments as an additional cost of the entity acquired in the period that the payment becomes probable. Potential contingent payments related to first quarter acquisitions are \$185 million.

Goodwill related to first quarter 2002 acquisition transactions was \$133 million, of which \$70 million is deductible for tax purposes. All of the goodwill was assigned to the Company's Servicing and Fiduciary Business segment. At March 31, 2002, the Company was liable for potential contingent payments related to acquisitions in the amount of \$356 million. During the first quarter of 2002, the Company paid \$6 million for contingent payments related to acquisitions made in prior years. The pro forma effect of the 2002 acquisitions is not material to first quarter 2002 results.

In January 2002, the Company signed a definitive agreement to acquire the correspondent clearing business of Weiss, Peck & Greer, LLC adding approximately 70 new correspondent clearing clients. The Company anticipates that this transaction will close by the end of May 2002.

In February 2002, the Company acquired Autranet, Inc., a subsidiary of Credit Suisse First Boston (USA), Inc. This acquisition provides the Company with one of the largest providers of independently originated research services in the U.S. and maintains relationships with over 500 institutional investment managers. Autranet provides a full range of services covering every aspect of the third party research process including trade execution, operational and administrative support, research selection and procurement services and regulatory support.

In February 2002, the Company acquired G-Trade Services, Ltd. and other related wholly-owned subsidiaries of the Credit Lyonnais SA Group. G-Trade, a leading provider of wholesale execution services including electronic direct access trading in 22 markets and basket trading capabilities in 65 markets worldwide, is the executing and clearing broker for non-U.S. equities executed through the Bloomberg Tradebook system. This acquisition will greatly expand the Company's non-dollar institutional trading capabilities and enhance the range of international services that the Company offers in the institutional brokerage and clearing services sector.

In February 2002, the Company acquired the Core International ADR and Domestic Equity Index institutional investment management businesses of Axe-

Houghton Associates, Inc. based in Rye Brook, New York. This transaction will add approximately \$2.6 billion in assets under management.

In March 2002, the Company acquired Jaywalk, Inc., a third-party aggregator of quality independent investment research. The acquisition offers quantitative, fundamental, technical, sell strategy and intellectual property analyses covering thousands of securities. Jaywalk brings together top independent research providers on one platform, enabling institutional money management clients to generate new investment ideas and strategies.

In April 2002, the Company signed a definitive agreement to acquire Beacon Fiduciary Advisors, a privately held asset management firm based on Chestnut Hill, Massachusetts. Beacon manages in excess of \$700 million for over 350 high-net-worth individuals nationwide. The Company anticipates that this transaction will close by the end of May 2002.

In May 2002, the Company acquired Gannet Welsh & Kotler, Inc ("GW&K"), a privately held asset management firm based in Boston, Massachusetts. GW&K manages approximately \$5 billion for high-net-worth individuals and small to mid-size institutions located in the Boston area and nationwide. This acquisition offers both fixed income and equity portfolio management services.

3. Allowance for Credit Losses

The allowance for credit losses is maintained at a level that, in management's judgment, is adequate to absorb probable losses associated with specifically identified loans, as well as estimated probable credit losses inherent in the remainder of the loan portfolio at the balance sheet date. Management's judgment includes the following factors, among others: risks of individual credits; past experience; the volume, composition, and growth of the loan portfolio; and economic conditions.

The Company conducts a quarterly portfolio review to determine the adequacy of its allowance for credit losses. All commercial loans over \$1 million are assigned to specific risk categories. Smaller commercial and consumer loans are evaluated on a pooled basis and assigned to specific risk categories. Following this review, senior management of the Company analyzes the results and determines the allowance for credit losses. The Risk Committee of the Company's Board of Directors reviews the allowance at the end of each quarter.

The portion of the allowance for credit losses allocated to impaired loans (nonaccrual commercial loans over \$1 million) is measured by the difference between their recorded value and fair value. Fair value is either the present value of the expected future cash flows from borrowers, the market value of the loan, or the fair value of the collateral.

Commercial loans are placed on nonaccrual status when collateral is insufficient and principal or interest is past due 90 days or more, or when there is reasonable doubt that interest or principal will be collected. Accrued interest is usually reversed when a loan is placed on nonaccrual status. Interest payments received on nonaccrual loans may be recognized as income or applied to principal depending upon management's judgment. Nonaccrual loans are restored to accrual status when principal and interest are current or they become fully collateralized. Consumer loans are not classified as nonperforming assets, but are charged off and interest accrued is suspended based upon an established delinquency schedule determined by product. Real estate acquired in satisfaction of loans is carried in other assets at the lower of the recorded investment in the property or fair value minus estimated costs to sell.

Transactions in the allowance for credit losses are summarized as follows:

(In millions)	Three months ended March 31,	
	2002	2001
	----	----
Balance, Beginning of Period	\$616	\$616
Charge-Offs	(37)	(32)
Recoveries	2	2
	----	----
Net Charge-Offs	(35)	(30)
Provision	35	30
	----	----
Balance, End of Period	\$616	\$616
	====	====

4. Capital Transactions

As of April 30, 2002, the Company has approximately 6 million common shares remaining to repurchase under its 16 million share buyback programs. During the second quarter of 2001, the Company filed a new shelf registration statement. At April 30, 2002, the registration statement has a remaining capacity of approximately \$0.4 billion of debt, preferred stock, preferred trust securities, or common stock.

5. Earnings Per Share

The following table illustrates the computations of basic and diluted earnings per share for the three months ended March 31, 2002 and 2001:

(In millions, except per share amounts)	Three Months Ended March 31,	
	2002	2001
	----	----
Net Income (1)	\$362	\$384
	====	====
Basic Weighted Average Shares Outstanding	722	732
Shares Issuable on Exercise of Employee Stock Options	8	11
	----	----
Diluted Weighted Average Shares Outstanding	730	743
	====	====
Basic Earnings Per Share:	\$0.50	\$0.53
Diluted Earnings Per Share:	0.50	0.52

(1) Net income, net income available to common shareholders and diluted net income are the same for all periods presented.

6. Commitments and Contingent Liabilities

In the ordinary course of business, there are various legal claims pending against the Company and its subsidiaries. In the opinion of management, liabilities arising from such claims, if any, would not have a material effect upon the Company's consolidated financial statements.

7. Goodwill and Intangibles

Effective January 1, 2002, a new accounting standard requires the Company to test goodwill and indefinite lived intangible assets for impairment rather than amortize them. A reconciliation of previously reported net income and earnings per share to the amounts adjusted for the exclusion of goodwill amortization net of the related tax effect follows:

(In millions, except per share amounts)	2001		2000	1999		Three Months Ended March 31, 2001
	Reported	Normalized	Reported	Reported	Normalized	Reported
	-----	-----	-----	-----	-----	-----
Net Income	\$1,343	\$1,492	\$1,429	\$1,739	\$1,243	\$384
Add: Goodwill Amortization, Net of Tax	73	73	85	77	77	20
Adjusted Net Income	\$1,416	\$1,565	\$1,514	\$1,816	\$1,320	\$404
	=====	=====	=====	=====	=====	=====
Diluted Earnings Per Common Share:						
Net Income	\$1.81	\$2.01	\$1.92	\$2.27	\$1.66	\$0.52
Goodwill Amortization, Net of Tax	0.10	0.10	0.11	0.10	0.10	0.03
Adjusted Net Income	\$1.91	\$2.11	\$2.03	\$2.37	\$1.76	\$0.55
	=====	=====	=====	=====	=====	=====

The 2001 normalized results exclude the \$242 million impact of the World Trade Center disaster, the \$175 million related initial insurance recovery, the \$190 million special provision on the accelerated disposition of telecommunications loans and the related tax effects. The 1999 normalized results exclude the \$1,020 million gain on the sale of BNY Financial Corporation, as well as the \$124 million liquidity charge related to the sale of loans.

Goodwill by segment for the quarter ended March 31, 2002 is as follows:

(In millions)	Servicing and Fiduciary Businesses	Corporate Banking	Retail Banking	Financial Markets	Consolidated Total
	-----	-----	-----	-----	-----
Balance as of March 31, 2002	\$2,058	\$31	\$109	\$ -	\$2,198
	=====	===	=====	===	=====

The Company's business segments are tested annually for goodwill impairment. The Company completed its initial evaluation of goodwill for impairment and determined that no impairment loss was required.

Intangible Assets

(In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period in Years
	-----	-----	-----	-----
Intangible Assets	\$78	\$(28)	\$50	15

The aggregate amortization expense of intangibles and goodwill was \$2 million and \$29 million for the quarters ended March 31, 2002 (intangibles only) and 2001, respectively. Estimated amortization expense for the next five years is as follows:

(In millions)	For the year ended December 31,	Amortization Expense
	-----	-----
	2002	\$ 7
	2003	7
	2004	6
	2005	5
	2006	5

Item 2. Management's Discussion and Analysis of Financial Condition and

Results of Operations

The Company's actual results of future operations may differ from those set forth in certain forward looking statements contained herein. Refer to further discussion under the heading "Forward Looking Statements".

The Company reported first quarter diluted earnings per share of 50 cents, compared with 52 cents earned in the first quarter of 2001 and 45 cents in the fourth quarter of 2001. Net income of \$362 million for the first quarter was down from \$384 million a year ago, but up from \$331 million in the fourth quarter.

As anticipated, activity in the global capital markets continued to be soft through the first quarter. In particular, global equity trading levels were disappointing reflecting in part a lack of investor confidence. Nonetheless, the Company's diversified businesses performed well given the environment. The Company maintained its leading market share in securities servicing which positions itself well to capture an increasing share of new business. The Company continues to actively manage itself for long-term growth as evidenced by progress on a number of significant objectives during the quarter. The Company further invested in its technology platform, improved its risk profile through the reallocation of capital away from loans and equity investments, and made key acquisitions in several business lines. Full year earnings will be impacted by the lower starting point in the first quarter, but the Company remains confident that it will regain its growth trajectory as investor confidence is restored and the level of capital markets activity increases.

In securities servicing, fee revenues were \$448 million for the first quarter of 2002, up from \$441 million in the fourth quarter. Private client services and asset management fees increased 6% from the fourth quarter of 2001 to \$81 million in the first quarter of 2002. The Company's continued focus on fee-based businesses resulted in noninterest income growing to 66% of total revenue in the first quarter, up from 65% on a normalized basis in the fourth quarter.

Return on average common equity for the first quarter of 2002 was 23.76% compared with 20.42% and 25.92% in the fourth and first quarters of 2001, respectively. Return on average assets for the first quarter of 2002 was 1.84% compared with 1.53% and 2.03% in the fourth and first quarters of 2001, respectively.

Fees from the Company's securities servicing businesses were \$448 million for the first quarter compared with \$458 million in the prior year. Corporate trust was a strong performer in the quarter, benefiting from strong fixed-income issuances in the corporate, structured, and municipal markets. Global liquidity services benefited from continued low interest rates, which drove demand for money market products. Fees were disappointing in the equity-linked businesses such as depositary receipts ("DRs"), global execution services and clearing services reflecting the slowdown in global capital markets activity. The Company's DR business continued to maintain a strong market share, winning 66% of all new public listings, but new capital raisings were scarce in the first quarter despite a strong backlog of mandates. During the quarter the Company made several notable but small acquisitions to broaden its global execution and clearing product line, positioning the Company for enhanced growth as the equity markets recover. The Company continues to be the world's leading custodian with assets of \$6.9 trillion, including \$1.9 trillion of cross-border custody assets.

Private client services and asset management fees were \$81 million for the quarter, up 3% from \$79 million in the first quarter of 2001, resulting

from improved market valuations, continued strong flows into alternative investment funds and demand for the Company's retail investment products.

Global payment services fees increased 6% to \$73 million from \$69 million in last year's first quarter. Growth was led by cash management and funds transfer fees which were up 9% for the first quarter of 2002 compared to last year's first quarter. The increase reflects customers electing to pay for services in fees rather than maintaining higher compensating balances in a declining rate environment. Trade related services were lower, reflecting a decline in global trade due to weakness in many economies around the world.

Foreign exchange and other trading revenues were lower in the first quarter of 2002, totaling \$63 million compared to \$78 million and \$83 million in the fourth quarter and first quarter of 2001, respectively. Foreign exchange revenues were negatively impacted by a lower volume of client activity, narrow spreads and decreased volatility. Within other trading revenues, a decrease in interest rate hedging and risk management business reflects lower activity levels than last year's record pace.

Net interest income on a taxable equivalent basis for the first quarter decreased to \$425 million from \$441 million in the first quarter of 2001.

The provision for credit losses was \$35 million in the first quarter of 2002 as credit costs stabilized. As part of its previously announced program to reallocate capital away from corporate lending and equity investing, the Company has made significant reductions in its corporate loan commitments. The Company created an accelerated loan disposition program in the fourth quarter of 2001 for \$758 million emerging telecom exposures with outstandings of \$488 million. At March 31, 2002, exposure had been reduced to \$261 million with related outstandings of \$60 million. This action proved to be timely and contributed to stabilized credit costs in the first quarter.

CAPITAL

Regulators establish certain levels of capital for bank holding companies and banks, including the Company and The Bank of New York ("the Bank"), in accordance with established quantitative measurements. In order for the Company to maintain its status as a financial holding company, the Bank must qualify as well capitalized. In addition, major bank holding companies such as the Company are expected by the regulators to be well capitalized. As of March 31, 2002 and 2001, the Company and the Bank were considered well capitalized on the basis of the ratios (defined by regulation) of Total and Tier 1 capital to risk-weighted assets and leverage (Tier 1 capital to average assets), which are shown as follows:

	March 31, 2002		March 31, 2001		Company Targets	Well Capitalized Guidelines	Adequately Capitalized Guidelines
	Company	Bank	Company	Bank			
Tier 1*	8.43%	8.03%	8.39%	8.11%	7.75%	6%	4%
Total Capital**	12.56	12.03	12.51	11.67	11.75	10	8
Leverage	7.19	6.82	7.41	7.07	7.00	5	3-5
Tangible Common Equity	5.51	6.41	5.87	7.51	5.25-6.00		

<FN>

* Tier 1 capital consists, generally, of common equity and certain qualifying preferred stock, less goodwill.

**Total Capital consists of Tier 1 capital plus Tier 2 capital. Tier 2 capital consists, generally, of certain qualifying preferred stock and subordinated debt and a portion of the loan loss allowance.

</FN>

If a bank holding company or bank fails to qualify as "adequately capitalized", regulatory sanctions and limitations are imposed.

LIQUIDITY

The Company maintains its liquidity through the management of its assets and liabilities, utilizing worldwide financial markets. The diversification of liabilities reflects the Company's efforts to maintain flexibility of funding sources under changing market conditions. Stable core deposits, including demand, retail time, and trust deposits from processing businesses, are generated through the Company's diversified network and managed with the use of trend studies and deposit pricing. The use of derivative products such as interest rate swaps and financial futures enhances liquidity by enabling the Company to issue long-term liabilities with limited exposure to interest rate risk. Liquidity also results from the maintenance of a portfolio of assets which can be easily sold and the monitoring of unfunded loan commitments, thereby reducing unanticipated funding requirements. Liquidity is managed on both a consolidated basis and also at The Bank of New York Company, Inc. Parent Company ("Parent").

On a consolidated basis, non-core sources of funds such as money market rate accounts, certificates of deposits greater than \$100,000, federal funds purchased and other borrowings were \$14.3 billion and \$11.1 billion on an average basis at March 31, 2002 and 2001. Stable foreign deposits, primarily from the Company's European based securities servicing business, were \$25.2 billion and \$26.8 billion at March 31, 2002 and 2001. Savings and other time deposits were \$9.6 billion on an average basis at March 31, 2002 compared to \$9.4 billion at March 31, 2001. A significant reduction in the Company's securities businesses would reduce its access to foreign deposits.

The Parent has five major sources of liquidity: dividends from its subsidiaries, a collateralized line of credit with the Bank, the commercial paper market, a revolving credit agreement with third party financial institutions, and access to the capital markets.

At March 31, 2002, the amount of dividends The Bank could pay to the Parent and remain in compliance with federal bank regulatory requirements was \$448 million. This dividend capacity would increase in the remainder of 2002 to the extent of net income, less dividends. Nonbank subsidiaries of the Parent have liquid assets of approximately \$1 billion. These assets could be liquidated and the proceeds delivered by dividend or loaned to the Parent.

The Company has a line of credit with The Bank, which is subject to limits imposed by federal banking law. At March 31, 2002, the Parent could use the subsidiaries' liquid securities as collateral to allow it to borrow \$527 million rather than liquidate the securities and loan or dividend the proceeds to the Parent and remain in compliance with federal banking regulations. The Parent had no borrowings from the Bank at March 31, 2002.

At March 31, 2002, the Parent's average commercial paper borrowings were \$235 million compared with \$326 million in 2001. Commercial paper outstandings were \$87 million and \$560 million at March 31, 2002 and 2001.

The Company has back-up lines of credit of \$350 million at financial institutions. This line of credit matures in October 2002. The Parent expects to enter into a replacement line of credit on or before the maturity. There were no borrowings under the line of credit at March 31, 2002 and March 31, 2001.

The Company also has the ability to access the capital markets. The Company has a shelf registration statement with a remaining capacity of \$390 million of debt, preferred stock, preferred trust securities, or common stock. The Company expects to file a new shelf registration statement in the near future. Access to the capital markets is partially dependent on the Company's credit ratings, which as of April 30, 2002 were as follows:

	Parent Commercial Paper	Parent Subordinated Long-Term Debt	Parent Senior Long-Term Debt	The Bank of New York Long-Term Deposits
	-----	-----	-----	-----
Standard & Poor's	A-1	A	A+	AA-
Moody's	P1	A-1	Aa3	Aa2
Fitch	F1+	A+	AA-	AA

The Parent's major uses of funds are payment of principal and interest on its borrowings, acquisitions, and additional investment in its subsidiaries.

The Parent has \$932 million of long-term debt that becomes due in 2002. In addition, at March 31, 2002 the Parent has the option to call \$375 million of debt in the remainder of 2002 and will call and refinance if market conditions are favorable. The Parent expects to refinance any debt it repays by issuing a combination of senior and subordinated debt.

The Company has \$400 million of trust preferred securities that are callable in September 2002. These securities qualify as Tier 1 Capital. The Company may decide to call these securities. The final decision to call will be based on interest rates and the availability of cash and capital at the call date. If the Company calls the trust preferred securities, it anticipates that it would replace them with new senior debt.

Double leverage is the ratio of investment in subsidiaries divided by the Company's consolidated equity plus trust preferred securities. The Company's double leverage ratio at March 31, 2002 and 2001 was 98.39% and 102.35%. The Company's target double leverage ratio is a maximum of 120%. The double leverage ratio is monitored by regulators and rating agencies and is an important constraint on the Company's ability to invest in its subsidiaries to expand its businesses.

NONINTEREST INCOME

	1st Quarter	4th Quarter	1st Quarter
(In millions)	----- 2002 -----	----- 2001 -----	----- 2001 -----
Servicing Fees			
Securities	\$448	\$ 441	\$458
Global Payment Services	73	72	69
	-----	-----	-----
	521	513	527
Private Client Services and			
Asset Management Fees	81	76	79
Service Charges and Fees	83	89	90
Foreign Exchange and			
Other Trading Activities	63	78	83
Securities Gains	31	40	45
Other	31	208	34
	-----	-----	-----
Total Noninterest Income	\$810	\$1,004	\$858
	=====	=====	=====

Total noninterest income was \$810 million compared with \$858 million in last year's first quarter. Securities servicing fees were \$448 million compared with \$458 million a year ago. Global payment services fees for the quarter were \$73 million, up 6% from \$69 million a year ago. Fees from private client services and asset management were \$81 million, up 3% from the first quarter of 2001. Service charges and fees were \$83 million, compared to \$89 million and \$90 million in the fourth quarter and first quarter of 2001, respectively. This reflects lower loan syndication and capital markets fees from slow market activity and the Company's plan to reduce corporate loan commitments. Securities gains were \$31 million, which compares to \$40 million in the fourth quarter of 2001 and \$45 million a year ago, reflecting the Company's decision to reduce capital allocated to equity investing activities for reinvestment in higher growth and more stable fee-based businesses. Other income was \$31 million compared to \$208 million in the fourth quarter of 2001, when the Company recognized insurance recoveries of \$175 million relating to the World Trade Center ("WTC") disaster, and \$34 million a year ago.

NET INTEREST INCOME

	1st	4th		1st
	Quarter	Quarter		Quarter
	-----	-----	-----	-----
(Dollars in millions on a tax equivalent basis)	2002	2001 Reported	2001 Normalized	2001
-----	-----	-----	-----	-----
Net Interest Income	\$425	\$452	\$452	\$441
Net Interest Rate Spread	2.30%	2.15%	2.27%	1.79%
Net Yield on Interest Earning Assets	2.63	2.55	2.70	2.75

Net interest income on a taxable equivalent basis was \$425 million in the first quarter of 2002 compared with \$452 million in the fourth quarter of 2001 and \$441 million in the first quarter of 2001. The net interest rate spread was 2.30% in the first quarter of 2002, compared with 2.15% in the fourth quarter of 2001 and 1.79% one year ago. The net yield on interest earning assets was 2.63% compared with 2.55% in the fourth quarter of 2001 and 2.75% in last year's first quarter.

The decline from the fourth quarter in net interest income is primarily due to several factors, including: a repositioning for a rising interest rate environment; reduced broker/dealer activity in the first quarter; compression on spreads from low cost core deposits; and fewer days in the quarter. In addition, the Company continued to reduce its investment in loans, increasing its investment in highly rated securities.

Interest income would have been increased by \$4 million and \$3 million for the first quarters of 2002 and 2001 if loans on nonaccrual status at March 31, 2002 and 2001 had been performing for the entire period.

TRADING ACTIVITIES

The fair value and notional amounts of the Company's financial instruments held for trading purposes at March 31, 2002 and March 31, 2001 are as follows:

(In millions)	March 31, 2002			1st Quarter 2002 Average	
	Notional Amount	Fair Value		Fair Value	
		Assets	Liabilities	Assets	Liabilities
Trading Account					
Interest Rate Contracts:					
Futures and Forward					
Contracts	\$ 1,922	\$ -	\$ -	\$ 27	\$ -
Swaps	136,416	1,224	647	1,363	671
Written Options	103,842	-	927	-	967
Purchased Options	38,993	124	-	158	-
Foreign Exchange Contracts:					
Swaps	1,639	-	-	-	-
Written Options	10,617	-	74	-	21
Purchased Options	13,605	98	-	79	-
Commitments to Purchase and Sell Foreign Exchange	53,514	330	331	452	461
Debt Securities	-	6,532	-	8,750	-
Credit Derivatives	1,969	31	23	26	48
Equity Derivatives	-	18	-	45	22
Total Trading Account		\$8,357	\$2,002	\$10,900	\$2,190

(In millions)	March 31, 2001			1st Quarter 2001 Average	
	Notional Amount	Fair Value		Fair Value	
		Assets	Liabilities	Assets	Liabilities
Trading Account					
Interest Rate Contracts:					
Futures and Forward					
Contracts	\$ 33,577	\$ 50	\$ 71	\$ 250	\$ 279
Swaps	113,280	1,024	512	861	457
Written Options	91,589	-	922	-	847
Purchased Options	38,534	105	-	191	-
Foreign Exchange Contracts:					
Swaps	1,117	-	-	-	-
Written Options	12,820	-	150	-	138
Purchased Options	15,377	152	-	153	-
Commitments to Purchase and Sell Foreign Exchange	59,248	725	711	755	745
Debt Securities	-	9,923	73	10,152	42
Credit Derivatives	2,056	7	3	6	2
Total Trading Account		\$11,986	\$2,442	\$12,368	\$2,510

The Company manages trading risk through a system of position limits, a value at risk (VAR) methodology, based on a Monte Carlo simulation, stop loss advisory triggers, and other market sensitivity measures. Risk is monitored and reported to senior management by an independent unit on a daily basis. The VAR methodology captures, based on certain assumptions, the potential overnight pre-tax dollar loss from adverse changes in fair values of all trading positions. The calculation assumes a one day holding period for most instruments, utilizes a 99% confidence level, and incorporates the non-linear characteristics of options. As the VAR methodology does not evaluate risk attributable to extraordinary financial, economic or other occurrences, the risk assessment process includes a number of stress scenarios based upon the risk factors in the portfolio and

management's assessment of market conditions. Additional stress scenarios based upon historic market events are also tested.

The following table indicates the calculated VAR amounts for the trading portfolio for the periods indicated. During these periods, the daily trading loss did not exceed the calculated VAR amounts on any given day.

(In millions)	1st Quarter 2002			
	Average	Minimum	Maximum	3/31/02
Interest rate	\$5.2	\$3.4	\$9.2	\$5.6
Foreign Exchange	1.0	0.6	2.0	1.2
Diversification	(1.6)	NM	NM	(1.7)
Overall Portfolio	4.6	3.0	8.3	5.1

(In millions)	1st Quarter 2001			
	Average	Minimum	Maximum	3/31/01
Interest rate	\$4.3	\$2.4	\$5.5	\$4.5
Foreign Exchange	1.2	0.6	2.7	1.9
Diversification	(1.8)	NM	NM	(2.8)
Overall Portfolio	3.7	2.3	6.1	3.6

<FN>

NM - Because the minimum and maximum may occur on different days for different risk components, it is not meaningful to compute a portfolio diversification effect.

</FN>

NONINTEREST EXPENSE AND INCOME TAXES

Noninterest expense for the first quarter of 2002 improved to \$641 million, versus \$667 million in the fourth quarter of 2001 and \$653 million in the first quarter of 2001. As a result of applying a new accounting pronouncement related to goodwill and intangibles, amortization in the first quarter of 2002 declined to \$2 million compared with \$29 million in the fourth and first quarters of 2001. Excluding the effect of the change in goodwill amortization, expenses were essentially flat compared with the prior quarter. Management's expectation of continued weakness in capital markets activity resulted in strict control of operating expenses in the first quarter, including staffing and related expenses. These actions helped to offset higher costs related to acquisitions and technology spending.

The efficiency ratio for the first quarter of 2002 was 53.3% compared with 53.7% on a normalized basis in the fourth quarter of 2001 and 51.9% in the first quarter of 2001.

The effective tax rate for the first quarter of 2002 was 33.7% compared with 33.8% in the fourth quarter of 2001 and 36.1% in the first quarter a year ago. The decline in the rate from a year ago reflects an increase in tax credits and fewer nondeductible expenses.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are described in the "Notes to Consolidated Financial Statements" under "Summary of Significant Accounting and Reporting Policies" in the Company's 2001 Annual Report on Form 10-K. Two of the Company's more critical accounting policies are those related to the allowance for credit losses and to the valuation of derivatives and securities where quoted market prices are not available.

ALLOWANCE FOR CREDIT LOSSES

The allocated portion of the allowance for credit losses is principally determined using an expected loss model driven by Probability of Default and Loss Given Default ratings. Ratings are assigned after analyzing the credit quality of each borrower and the collateral/structure of each individual asset. These ratings are periodically compared to internal company and external rating agency default and loss databases to ensure consistency. Other factors used in establishing the allocated portion of the allowance include forecasts of future cash flows and maturity.

The Company's unallocated allowance is based on management's judgment. Factors that influence this judgment include:

- Economic conditions, including duration of the current cycle
- Past experience, including recent loss experience
- Credit quality trends
- Collateral values
- Volume, composition, and growth of the loan portfolio
- Specific credits and industry conditions
- Results of bank regulatory and internal credit exams
- Actions by the Federal Reserve Board
- Delay in receipt of information to evaluate loans or confirm existing credit deterioration

To the extent actual results differ from forecasts or management's judgment the allowance for credit losses may be greater or less than future charge-offs.

VALUATION OF DERIVATIVES AND SECURITIES WHERE QUOTED MARKET PRICES ARE NOT AVAILABLE

When quoted market prices are not available, derivatives and securities values are determined based on discounted cash flow analysis, comparison to similar instruments, and the use of financial models. Discounted cash flow analysis is dependent upon estimated future cash flows and the level of interest rates. Model-based pricing uses inputs of observable prices for interest rates, foreign exchange rates, option volatilities and other factors. Models are benchmarked and validated by external parties.

These valuation methods could expose the Company to materially different results should the models used or underlying assumptions be inaccurate.

NONPERFORMING ASSETS

(Dollars in millions)	3/31/02 -----	12/31/01 -----	Change 3/31/02 vs. 12/31/01 -----
Loans:			
Other Commercial	\$187	\$138	\$49
Foreign	67	64	3
Regional Commercial	20	18	2
	----	----	----
Total Nonperforming Loans	274	220	54
Other Real Estate	1	2	(1)
	----	----	----
Total Nonperforming Assets	\$275	\$222	\$53
	====	====	===
Nonperforming Assets Ratio	0.8%	0.6%	
Allowance/Nonperforming Loans	225.1	280.0	
Allowance/Nonperforming Assets	223.8	277.6	

Nonperforming assets totaled \$275 million at March 31, 2002, compared with \$222 million at December 31, 2001. The increase in nonperforming loans primarily reflects a loan to a major retailer which became nonperforming in the first quarter of 2002.

IMPAIRED LOANS

The table below sets forth information about the Company's impaired loans. The Company uses the discounted cash flow method as its primary method for valuing its impaired loans:

(Dollars in millions)	3/31/02 -----	12/31/01 -----
Impaired Loans with an Allowance	\$208	\$147
Impaired Loans without an Allowance(1)	30	40
	----	----
Total Impaired Loans	\$238	\$187
	====	====
Allowance for Impaired Loans(2)	\$ 77	\$ 42
Average Balance of Impaired Loans during the Quarter	212	228
Interest Income Recognized on Impaired Loans during the Quarter	0.7	0.5

- (1) When the discounted cash flows, collateral value or market price equals or exceeds the carrying value of the loan, then the loan does not require an allowance under the accounting standard related to impaired loans.
- (2) The allowance for impaired loans is included in the Company's allowance for credit losses.

CREDIT LOSS PROVISION AND NET CHARGE-OFFS

	1st Quarter	4th Quarter	1st Quarter
(In millions)	2002	2001	2001
	-----	-----	-----
Provision	\$ 35	\$ 275	\$ 30
	====	====	====
Net Charge-offs:			
Other Commercial	\$(30)	\$(253)	\$(28)
Consumer	(6)	(5)	(2)
Foreign	1	(12)	-
Other	-	(5)	-
	----	----	----
Total	\$(35)	\$(275)	\$(30)
	====	====	====
Other Real Estate Expenses	\$ -	\$ -	\$ 2

The allowance for credit losses consists of four elements: (1) an allowance for impaired credits (nonaccrual commercial credits over \$1 million), (2) an allowance for higher risk rated credits, (3) an allowance for pass rated credits, and (4) an unallocated allowance based on general economic conditions and risk factors in the Company's individual markets.

The first element - impaired credits - is based on individual analysis of all nonperforming commercial credits over \$1 million. The allowance is measured by the difference between the recorded value of impaired loans and their fair value. Fair value is either the present value of the expected future cash flows from borrowers, the market value of the loan, or the fair value of the collateral.

The second element - higher risk rated credits - is based on the assignment of loss factors for each specific risk category of higher risk credits. The Company rates each credit in its portfolio that exceeds \$1 million and assigns the credits to specific risk pools. A potential loss factor is assigned to each pool and an amount is included in the allowance equal to the product of the amount of the loan in the pool and the risk factor. Reviews of higher risk rated loans are conducted quarterly and the loan's rating is updated as necessary. The Company prepares a loss migration analysis and compares its actual loss experience to the loss factors on an annual basis to attempt to ensure the accuracy of the loss factors assigned to each pool. Pools of past due consumer loans are included in specific risk categories based on their length of time past due.

The third element - pass rated credits - is based on the assignment of loss factors to the remaining pools of credit exposure. The loss factors are based on the expected average credit losses. Loss factors are periodically compared to rating agency and other default data bases to determine their validity. Commercial loans over \$1 million are individually analyzed before being assigned to a risk pool. All current consumer loans are included in the pass rated consumer pools.

The fourth element - an unallocated allowance - is based on management's judgment regarding the following factors:

- Economic conditions including duration of the current cycle
- Past experience including recent loss experience
- Credit quality trends
- Collateral values
- Volume, composition, and growth of the loan portfolio
- Specific credits and industry conditions
- Results of bank regulatory and internal credit exams
- Actions by the Federal Reserve Board
- Delay in receipt of information to evaluate loans or confirm existing credit deterioration

Based on a review of these elements, the allowance for credit losses was \$616 million, or 1.74% of loans at March 31, 2002, compared with \$616 million, or 1.72% of loans at December 31, 2001 and \$616 million, or 1.66% of loans at March 31, 2001. The ratio of the allowance to nonperforming assets was 223.8% at March 31, 2002, compared with 277.6% at December 31, 2001 and 295.7% at March 31, 2001.

Applying the four elements to the various segments of the loan portfolio results in an allocation of the allowance for credit losses as follows:

	3/31/02 -----	12/31/01 -----
Domestic		
Real Estate	6%	6%
Commercial	70	75
Consumer	1	1
Foreign	9	7
Unallocated	14	11
	---	---
	100%	100%
	===	===

Such an allocation is inherently judgmental, and the entire allowance for credit losses is available to absorb credit losses regardless of the nature of the loss.

WORLD TRADE CENTER DISASTER

The Company's insurance claim has been segmented into four major components. The Company has presented estimated losses for 3 of the 4 categories to its insurance carriers. The last should be submitted by the end of the second quarter. There is still a verification and negotiation process to take place but the Company expects to receive an additional significant advance in the near future.

The Company has developed a migration plan for returning to its downtown facilities. The reoccupation has begun and is expected to be completed by the end of the third quarter. The Company's diversification plans include moving some staff to other locations including new space in the metropolitan area as well as to growth centers in Syracuse, New York and Orlando, Florida. In the meantime, the Company continues to operate from several interim facilities in Manhattan.

During the first quarter of 2002, the Company incurred \$23 million in expenses associated with these interim arrangements that were netted against an offsetting insurance recovery. The Company believes these expenses are recoverable under the terms of its all-risk insurance policy. The cumulative WTC-related insurance recoveries the Company has recorded are now about \$200 million. Further costs associated with the interim facilities and any losses on sub-leases will be treated similarly.

SEGMENT PROFITABILITY

Segment Data

The Company has an internal information system that produces performance data for its four business segments along product and service lines.

The Servicing and Fiduciary businesses segment provides a broad array of fee-based services. This segment includes the Company's securities servicing, global payment services, and private client services and asset management businesses. Securities servicing includes global custody, securities clearance, mutual funds, unit investment trust, securities lending, depository receipts, corporate trust, stock transfer and execution services. Global payment services products primarily relate to funds transfer, cash management and trade finance. Private client services and asset management provide traditional banking and trust services to affluent clients and asset management to institutional and private clients.

The Corporate Banking segment focuses on providing lending services, such as term loans, lines of credit, asset based financings, and commercial mortgages, to the large public and private corporations nationwide, as well as public and private mid-size businesses in the New York metropolitan area. Special industry groups focus on financial institutions, securities, insurance, media and telecommunications, energy, real estate, retailing, automotive, and government banking institutions. Through BNY Capital Markets, the Company provides syndicated loans, bond underwriting, private placements of corporate debt and equity securities, and merger, acquisition, and advisory services.

The Retail Banking segment includes consumer lending, residential mortgage lending, and retail deposit services. The Company operates 345 branches in 23 counties in three states.

The Financial Markets segment includes trading of foreign exchange and interest rate products, investing and leasing activities, and treasury services to other segments. This segment offers a comprehensive array of multi-currency hedging and yield enhancement strategies.

The segments contributed to the Company's profitability as follows:

In Millions For the Quarter Ended March 31, 2002	Servicing and Fiduciary Businesses	Corporate Banking	Retail Banking	Financial Markets	Reconciling Items	Consolidated Total
Net Interest Income	\$ 121	\$ 105	\$ 113	\$ 85	\$ (12)	\$ 412
Provision for Credit Losses	-	27	3	-	5	35
Noninterest Income	651	69	30	53	7	810
Noninterest Expense	452	46	81	22	40	641
Income Before Taxes	\$ 320	\$ 101	\$ 59	\$ 116	\$ (50)	\$ 546
Average Assets	\$8,970	\$23,875	\$4,810	\$39,758	\$2,194	\$79,607

In Millions For the Quarter Ended March 31, 2001	Servicing and Fiduciary Businesses	Corporate Banking	Retail Banking	Financial Markets	Reconciling Items	Consolidated Total
Net Interest Income	\$ 166	\$ 128	\$ 128	\$ 26	\$ (21)	\$ 427
Provision for Credit Losses	-	31	1	(1)	(1)	30
Noninterest Income	672	77	27	74	8	858
Noninterest Expense	432	59	77	16	69	653
Income Before Taxes	\$ 406	\$ 115	\$ 77	\$ 85	\$ (81)	\$ 602
Average Assets	\$8,602	\$27,713	\$4,468	\$34,119	\$1,779	\$76,681

Source: BANK OF NEW YORK CO , 10-Q, May 14, 2002

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Segment Highlights

Servicing and Fiduciary Businesses

In the first quarter of 2002, noninterest income was \$651 million compared with \$672 million in 2001.

Fees from the Company's securities servicing businesses were \$448 million for the first quarter compared with \$458 million in the prior year. Corporate trust was a strong performer in the quarter, benefiting from strong fixed-income issuances in the corporate, structured, and municipal markets. Global liquidity services benefited from continued low interest rates, which drove demand for money market products. Fees were disappointing in the equity-linked businesses such as depositary receipts ("DRs"), global execution services and clearing services reflecting the slowdown in global capital markets activity. The Company's DR business continued to maintain a strong market share, winning 66% of all new public listings, but new capital raisings were scarce in the first quarter despite a strong backlog of mandates. During the quarter the Company made several notable but small acquisitions to broaden its global execution and clearing product line, positioning the Company for enhanced growth as the equity markets recover. The Company continues to be the world's leading custodian with assets under custody of \$6.9 trillion at March 31, 2002 and December 31, 2001, including \$1.9 trillion of cross-border assets in both periods.

Private client services and asset management fees were \$81 million for the quarter, up 3% from \$79 million in the first quarter of 2001, resulting from improved market valuations, continued strong flows into alternative investment funds and demand for the Company's retail investment products. Assets under management were \$71 billion while assets under administration were \$32.5 billion at March 31, 2002.

Global payment services fees increased 6% to \$73 million from \$69 million in last year's first quarter. Growth was led by cash management and funds transfer fees which were up 9% for the first quarter of 2002 compared to last year's first quarter. The increase reflects customers electing to pay for services in fees rather than maintaining higher compensating balances in a declining rate environment. Trade related services were lower, reflecting a decline in global trade due to weakness in many economies around the world.

Net interest income in the Servicing and Fiduciary businesses segment was \$121 million for the first quarter of 2002 compared with \$166 million in 2001. The decrease in net interest income is primarily due to a decline in interest rates, which lowers the value of low-cost deposits generated by these businesses.

Net charge-offs in the Servicing and Fiduciary Businesses segment were zero in the first quarters of 2002 and 2001. Noninterest expense for the first quarter of 2002 was \$452 million compared with \$432 million in 2001. The rise in noninterest expense is attributable to acquisitions, as well as the Company's continued investment in technology.

Corporate Banking

The Corporate Banking segment's net interest income was \$105 million in the first quarter of 2002, compared with last year's \$128 million. The decrease reflects the decline in assets, particularly from financial institutions, as well as a decline in both the volume and the value of low cost short-term deposits.

The first quarter of 2002 provision for credit losses was \$27 million compared with \$31 million last year. The decrease principally reflects a reduction in corporate credit exposure in 2002. Net charge-offs in the Corporate Banking segment were \$29 million and \$27 million in the first quarters of 2002 and 2001. Noninterest income was \$69 million in the current year compared with \$77 million last year. This reflects lower loan syndication and capital markets fees from slow market activity and the Company's plan to reduce corporate loan commitments. Total loan commitments declined to \$42.4 billion at March 31, 2002 from \$45.8 billion at December 31, 2001. Noninterest expenses were \$46 million in the first quarter of 2002 compared with \$59 million in 2001 reflecting lower compensation expenses.

Retail Banking

In the Retail Banking segment, net interest income in the first quarter of 2002 was \$113 million compared with \$128 million in 2001 reflecting a decline in the value of demand deposits in a lower interest rate environment. Noninterest income was \$30 million for the quarter compared with \$27 million last year. The increase reflects better penetration of the customer base and improved pricing. Noninterest expense in the first quarter of 2002 was \$81 million compared with \$77 million in the previous year's period because of higher compensation and technology expenses. Net charge-offs increased to \$6 million in the first quarter of 2002 from \$3 million in the first quarter of 2001 due to higher loss experience in the consumer loan portfolio.

Financial Markets

In the Financial Markets segment, net interest income for the quarter was \$85 million compared with \$26 million in 2001 reflecting both an increase in assets, primarily asset backed securities, as well as lower funding costs. Noninterest income was \$53 million in the first quarter of 2002 compared with \$74 million in the first quarter of 2001, as both foreign exchange and interest rate derivative trading results were adversely affected by narrower spreads and decreased volatility. Net charge-offs were zero in the first quarters of 2002 and 2001.

Segment Accounting Principles

The Company's segment data has been determined on an internal management basis of accounting, rather than the generally accepted accounting principles used for consolidated financial reporting. These measurement principles are designed so that reported results of the segments will track their economic performance. Segment results are subject to restatement whenever improvements are made in the measurement principles or organizational changes are made. In the first quarter of 2002, the Company changed certain assumptions related to the duration of sector assets and liabilities and the related interest rates. As a result, sector results for 2001 were restated.

The measure of revenues and profit or loss by operating segment has been adjusted to present segment data on a taxable equivalent basis. The provision for credit losses allocated to each reportable segment is based on management's judgment as to average credit losses that will be incurred in the operations of the segment over a credit cycle of a period of years. Management's judgment includes the following factors among others: historical charge-off experience and the volume, composition and growth of the loan portfolio. This method is different from that required under generally accepted accounting principles as it anticipates future losses which are not yet probable and therefore not recognizable under generally accepted accounting principles. Assets and liabilities are match funded. Support and other indirect expenses are allocated to segments based on general internal guidelines.

Reconciling Items

Reconciling items for net interest income primarily relate to the recording of interest income on a taxable equivalent basis, reallocation of capital and the funding of goodwill and intangibles. Reconciling items for noninterest income primarily relate to the sale of certain securities. Reconciling items for noninterest expense include \$2 million and \$29 million of amortization of intangibles in the first quarters of 2002 and 2001, and corporate overhead. The adjustment to the provision for credit losses reflects the difference between the aggregate of the credit provision over a credit cycle for the reportable segments and the Company's recorded provision. The reconciling items for average assets consist of goodwill and other intangible assets.

FORWARD LOOKING STATEMENTS

The information presented with respect to, among other things, earnings outlook, projected business strategy, the outcome of legal and investigatory proceedings, the Company's plans, objectives and strategies reallocating assets and moving into fee-based businesses, future loan losses and planned capital expenditures, is forward looking information. Forward looking statements are the Company's current estimates or expectations of future events or future results.

The Company or its executive officers and directors on behalf of the Company, may from time to time make forward looking statements. When used in this report, any press release or oral statements, the words "estimate", "forecast", "project", "anticipate", "expect", "intend", "believe", "plan", "goal", "should", "may", "strategy", and words of like import are intended to identify forward looking statements in addition to statements specifically identified as forward looking statements.

Forward looking statements, including the Company's future results of operations and discussions of future plans contained in Management's Discussion and Analysis and elsewhere in this Form 10-Q, are subject to risks and uncertainties, some of which are discussed herein, that could cause actual results to differ materially from projected results. Forward looking statements, projections or future plans, could be affected by a number of factors that the Company is necessarily unable to predict with accuracy, including the economic and other effects of the WTC disaster and the subsequent U.S. military action, lower than expected performance or higher than expected costs in connection with acquisitions and integration of acquired businesses, changes in relationships with customers, variations in management projections or market forecasts and the actions that management could take in response to these changes, management's ability to achieve efficiency goals, changes in customer credit quality, future changes in interest rates, general credit quality, the levels of economic, capital market, cross-border investing and merger and acquisition activity, consumer behavior, government monetary policy, domestic and foreign legislation, regulation and investigation, competition, credit, market and operating risk, and loan demand, as well as the pace of recovery of the domestic economy, market demand for the Company's products and services and future global economic conditions. This is not an exhaustive list and as a result of variations in any of these factors actual results may differ materially from any forward looking statements.

Forward looking statements speak only as of the date they are made. The Company will not update forward looking statements to reflect facts, assumptions, circumstances or events which have changed after a forward looking statement was made.

Government Monetary Policies

The Federal Reserve Board has the primary responsibility for United States monetary policy. Its actions have an important influence on the demand for credit and investments and the level of interest rates and thus on the earnings of the Company.

Competition

The businesses in which the Company operates are very competitive. Competition is provided by both unregulated and regulated financial services organizations, whose products and services span the local, national, and global markets in which the Company conducts operations.

Commercial banks, savings banks, savings and loan associations, and credit unions actively compete for deposits, and money market funds and brokerage houses offer deposit-like services. These institutions, as well as consumer and commercial finance companies, national retail chains, factors, insurance companies and pension trusts, are important competitors for various types of loans. Issuers of commercial paper compete actively for funds and reduce demand for bank loans. For personal and corporate trust services and investment counseling services, insurance companies, investment counseling firms, and other business firms and individuals offer active competition. A wide variety of domestic and foreign companies compete for processing services.

THE BANK OF NEW YORK COMPANY, INC.
Average Balances and Rates on a Taxable Equivalent Basis
(Dollars in millions)

	For the three months ended March 31, 2002			For the three months ended March 31, 2001		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						

Interest-Bearing						
Deposits in Banks (primarily foreign)	\$ 5,221	\$ 35	2.72%	\$ 5,833	\$ 70	4.85%
Federal Funds Sold and Securities Purchased Under Resale Agreements	3,308	14	1.75	3,731	51	5.54
Loans						
Domestic Offices	19,355	245	5.14	19,116	338	7.18
Foreign Offices	16,175	138	3.46	19,111	338	7.17
	-----	-----		-----	-----	
Total Loans	35,530	383	4.38	38,227	676	7.18
	-----	-----		-----	-----	
Securities						
U.S. Government Obligations	804	11	5.34	1,275	18	5.73
U.S. Government Agency Obligations	2,894	42	5.80	1,794	31	6.78
Obligations of States and Political Subdivisions	567	9	6.59	682	13	7.91
Other Securities	8,524	108	5.04	3,275	47	5.81
Trading Securities	8,751	73	3.39	10,193	141	5.60
	-----	-----		-----	-----	
Total Securities	21,540	243	4.52	17,219	250	5.87
	-----	-----		-----	-----	
Total Interest-Earning Assets	65,599	675	4.17%	65,010	1,047	6.53%
	-----	-----		-----	-----	
Allowance for Credit Losses	(616)			(614)		
Cash and Due from Banks	2,640			2,632		
Other Assets	11,984			9,653		
	-----			-----		
TOTAL ASSETS	\$79,607			\$76,681		
	=====			=====		
LIABILITIES AND SHAREHOLDERS' EQUITY						

Interest-Bearing Deposits						
Money Market Rate Accounts	\$ 6,920	23	1.36%	\$ 6,204	71	4.61%
Savings	8,057	25	1.27	7,493	49	2.65
Certificates of Deposit						
\$100,000 & Over	498	4	3.35	407	6	6.19
Other Time Deposits	1,603	10	2.50	1,905	24	4.96
Foreign Offices	25,176	99	1.58	26,814	313	4.74
	-----	-----		-----	-----	
Total Interest-Bearing Deposits	42,254	161	1.54	42,823	463	4.38
	-----	-----		-----	-----	
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	2,105	8	1.46	2,473	32	5.22
Other Borrowed Funds	4,740	28	2.45	2,029	31	6.26
Long-Term Debt	5,026	53	4.25	4,518	80	7.15
	-----	-----		-----	-----	
Total Interest-Bearing Liabilities	54,125	250	1.87%	51,843	606	4.74%
	-----	-----		-----	-----	
Noninterest-Bearing Deposits	10,126			11,010		
Other Liabilities	9,178			7,811		
Preferred Stock	-			1		
Common Shareholders' Equity	6,178			6,016		
	-----			-----		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$79,607			\$76,681		
	=====			=====		
Net Interest Earnings and Interest Rate Spread		\$ 425	2.30%		\$ 441	1.79%
		=====	=====		=====	=====
Net Yield on Interest-Earning Assets			2.63%			2.75%
			=====			=====

PART 2. OTHER INFORMATION

Item 1. Legal Proceedings

The Company continues to cooperate with investigations by federal and state law enforcement and bank regulatory authorities. The investigations focus on funds transfer activities in certain accounts at the Bank, principally involving wire transfers from Russian and other sources in Eastern Europe, as well as certain other matters involving the Bank and its affiliates. The funds transfer investigations center around accounts controlled by Peter Berlin, his wife, Lucy Edwards (until discharged in September 1999, an officer of the Bank), and companies and persons associated with them. Berlin and Edwards pled guilty to various federal criminal charges. The Company cannot predict when or on what basis the investigations will conclude or their effect, if any, on the Company.

On February 8, 2000, the Bank entered into a written agreement with both the Federal Reserve Bank of New York and the New York State Banking Department, which imposed a number of reporting requirements and controls. Substantially all of these reporting requirements and controls are now in place.

Four purported shareholder derivative actions have been filed in connection with these Russian related matters - - two in the United States District Court for the Southern District of New York and two in the New York Supreme Court, New York County - - against certain directors and officers of the Company and the Bank alleging that the defendants have breached their fiduciary duties of due care and loyalty by aggressively pursuing business with Russian banks and entities without implementing sufficient safeguards and failing to supervise properly those responsible for that business. The actions seek, on behalf of the Company and the Bank, monetary damages from the defendants, corrective action and attorneys' fees. On September 1, 2000, plaintiffs in the two federal actions filed an amended, consolidated complaint that names all of the directors and certain officers of the Bank and the Company as defendants, repeats the allegations of the original complaints and adds allegations that certain officers of the Bank and the Company participated in a scheme to transfer cash improperly from Russia to various off-shore accounts and to avoid Russian customs, currency and tax laws. Management believes that the allegations of both the original complaints and the amended complaint are without merit. On September 12, 2000, the boards of directors of the Bank and the Company authorized a Special Litigation Committee ("SLC") to consider the response of the Bank and the Company to the state and federal court shareholder derivative actions. The SLC issued an Interim Report dated May 21, 2001 which concluded that there was "no credible evidence" to support the allegations of personal misconduct against Mr. Renyi and "credible evidence" that contradicts "critical allegations" in the amended complaint in the federal action.

On August 31, 2001, defendants moved to dismiss the two actions filed in the United States District Court for the Southern District of New York. On November 27, 2001, the federal district court granted defendants' motion and dismissed the two actions. On December 19, 2001, plaintiffs filed a Notice of Appeal to the United States Court of Appeals for the Second Circuit. Argument on that appeal is expected in the fall of 2002.

On February 1, 2002, counsel for plaintiffs in the two federal court actions filed a shareholder derivative action in New York Supreme Court, New York County that made allegations substantially similar to the two federal court actions that were dismissed. The Company and the Bank requested that the New York State Supreme Court issue an order consolidating the new state court shareholder derivative action with the two shareholder derivative actions previously filed. Plaintiffs in the new shareholder derivative action have opposed consolidation. The issue of consolidation is awaiting resolution by the court.

The two previously filed state court derivative actions, which do not include any allegations of personal misconduct, are still pending. The parties are currently undertaking court-appointed mediation.

Additionally, on October 7, 1999, six alleged depositors of Joint Stock Bank Inkombank ("Inkombank"), a Russian bank, filed a purported class action in the United States District Court for the Southern District of New York on behalf of all depositors of Inkombank who lost their deposits when that bank collapsed in 1998. The complaint, as subsequently amended twice, alleges that the Company and the Bank and their senior officers knew about, and aided and abetted the looting of Inkombank by its principals and participated in a scheme to transfer cash improperly from Russia to various off-shore accounts and to avoid Russian customs, currency and tax laws. The amended complaint asserts causes of action for conversion and aiding and abetting conversion under New York law. In addition, the amended complaint states a claim under the Racketeer Influenced and Corrupt Organizations Act ("RICO"). On March 21, 2001, the court dismissed the second amended complaint without leave to replead. On January 14, 2002, the United States Court of Appeals for the Second Circuit vacated the dismissal of the Second Amended Complaint because it disagreed with one ground of the district court's dismissal, and remanded the case to the lower court to consider alternate bases for dismissal. On March 19, 2002, the Company and the Bank filed a motion to dismiss the second amended complaint; that motion will be heard later this year. The Company and the Bank believe that the allegations made in this action are without merit, and intend to defend the action vigorously.

On October 24, 2000, three alleged shareholders of Inkombank filed an action in the Supreme Court, New York County against the Company, the Bank and Inkombank. The complaint alleges that the defendants fraudulently induced the plaintiffs to refrain from redeeming their alleged \$40 million investment in Inkombank. The complaint asserts a single cause of action for fraud, seeking \$40 million plus 12% interest from January 1994, punitive damages, costs, interest and attorney fees. On January 8, 2001, the Company and the Bank moved to dismiss the complaint as against them. On January 10, 2002, the Court denied that motion. On January 25, 2002, the Company and the Bank filed their answer to plaintiffs' complaint. On February 14, 2002, the Company and the Bank filed a motion asking the court for leave to reargue their motion to dismiss the complaint. That motion is awaiting resolution by the court. The Company and the Bank believe that the allegations of the complaint are without merit and intend to defend the action vigorously.

The Company does not expect that any of the foregoing civil actions will have a material impact on the Company's consolidated financial statements.

In the ordinary course of business, there are various legal claims pending against the Company and its subsidiaries. In the opinion of management, liabilities arising from such claims, if any, would not have a material effect on the Company's consolidated financial statements.

Item 6. Exhibits and Reports on Form 8-K

(a) The exhibits filed as part of this report are as follows:

Exhibit 12 - Statement Re: Ratio of Earnings to Fixed Charges for the Three Months Ended March 31, 2002 and 2001.

(b) The Company filed the following reports on Form 8-K since December 31, 2001:

On January 17, 2002, the Company filed a Form 8-K Current Report (Items 5 and 7), which report included unaudited interim financial information and accompanying discussion for the fourth quarter of 2001 contained in the Company's press release dated January 17, 2002.

On January, 28 2002: the Company filed a Form 8-K Current Report (Items 5 and 7), which report included projections and earnings estimates presented to the financial analysts on January 28, 2002.

On March 26, 2002: the Company filed a Form 8-K Current Report, which report represented a 6.375% Senior Subordinated Notes due 2012 with four exhibits; underwriting agreement, dated March 15, 2002; the Form of Notes; an Officers' certificate pursuant to Section 301 of the Indenture; and the opinion as to the legality of the Notes

On April 17, 2002: the Company filed a Form 8-K Current Report (Items 5 and 7), which report included unaudited interim financial information and accompanying discussion for the first quarter of 2002 contained in the Company's press release dated April 17, 2002.

SIGNATURE

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 hereunto duly authorized.

THE BANK OF NEW YORK COMPANY, INC.

(Registrant)

Date: May 14, 2002

By: \s\ Thomas J. Mastro

Name: Thomas J. Mastro
Title: Comptroller

EXHIBIT INDEX

Exhibit -----	Description -----
12	Ratio of Earnings to Fixed Charges for the Three Months Ended March 31, 2002 and 2001.

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THE BANK OF NEW YORK COMPANY, INC.
 Ratios of Earnings to Fixed Charges
 (Dollars in millions)

	Three Months Ended March 31,	
	2002	2001
	-----	-----
EARNINGS		

Income Before Income Taxes	\$ 546	\$ 602
Fixed Charges, Excluding Interest on Deposits	98	153
	-----	-----
Income Before Income Taxes and Fixed Charges Excluding Interest on Deposits	644	755
Interest on Deposits	161	463
	-----	-----
Income Before Income Taxes and Fixed Charges, Including Interest on Deposits	\$ 805	\$1,218
	=====	=====
FIXED CHARGES		

Interest Expense, Excluding Interest on Deposits	\$ 89	\$ 143
One-Third Net Rental Expense*	9	10
	-----	-----
Total Fixed Charges, Excluding Interest on Deposits	98	153
Interest on Deposits	161	463
	-----	-----
Total Fixed Charges, Including Interest on Deposits	\$ 259	\$ 616
	=====	=====
EARNINGS TO FIXED CHARGES RATIOS		

Excluding Interest on Deposits	6.57x	4.93x
Including Interest on Deposits	3.11	1.98

<FN>

*The proportion deemed representative of the interest factor.

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