



# **FORM 10-Q**

**BANK OF NEW YORK CO INC – bk**

**Filed: November 09, 2004 (period: September 30, 2004)**

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

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THE BANK OF NEW YORK COMPANY, INC.

Quarterly Report on Form 10-Q  
For the quarterly period ended September 30, 2004

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THE BANK OF NEW YORK COMPANY, INC.  
 Financial Highlights  
 (Dollars in millions, except per share amounts)  
 (Unaudited)

	September 30, 2004	June 30, 2004	September 30, 2003
	-----	-----	-----
Quarter			
-----			
Revenue (tax equivalent basis)	\$ 1,747	\$ 1,775	\$ 1,647
Net Income	354	371	260
Basic EPS	0.46	0.48	0.34
Diluted EPS	0.46	0.48	0.34
Cash Dividends Per Share	0.20	0.20	0.19
Return on Average Common Shareholders' Equity	15.90%	17.14%	12.82%
Return on Average Assets	1.45	1.49	1.06
Efficiency Ratio	65.2	63.9	70.7
Year-to-date			
-----			
Revenue (tax equivalent basis)	\$ 5,197	\$ 3,450	\$ 4,676
Net Income	1,089	735	850
Basic EPS	1.41	0.95	1.14
Diluted EPS	1.40	0.94	1.13
Cash Dividends Per Share	0.59	0.39	0.57
Return on Average Common Shareholders' Equity	16.73%	17.15%	15.23%
Return on Average Assets	1.47	1.48	1.27
Efficiency Ratio	66.0	66.3	65.5
Assets	\$ 93,175	\$ 97,536	\$ 95,193
Loans	37,119	38,205	37,540
Securities	23,246	22,986	22,862
Deposits - Domestic	34,786	36,279	35,660
- Foreign	23,654	24,781	23,283
Long-Term Debt	6,137	6,025	6,298
Common Shareholders' Equity	9,054	8,785	8,223
Common Shareholders' Equity Per Share	\$ 11.66	\$ 11.29	\$ 10.63
Market Value Per Share of Common Stock	29.17	29.48	29.11
Allowance for Loan Losses as a Percent of Total Loans	1.61%	1.57%	1.77%
Allowance for Loan Losses as a Percent of Non-Margin Loans	1.92	1.86	2.07
Allowance for Credit Losses as a Percent of Total Loans	2.04	2.03	2.18
Allowance for Credit Losses as a Percent of Non-Margin Loans	2.42	2.42	2.55
Tier 1 Capital Ratio	8.09	7.70	7.08
Total Capital Ratio	12.09	11.63	11.18
Leverage Ratio	6.38	6.00	5.64
Tangible Common Equity Ratio	5.49	4.95	4.65
Employees	23,034	23,001	22,926
Assets Under Custody (In trillions)			
Total Assets Under Custody	\$ 8.9	\$ 8.7	\$ 7.9
Equity Securities	33%	34%	32%
Fixed Income Securities	67	66	68
Cross-Border Assets Under Custody	\$ 2.5	\$ 2.4	\$ 2.2
Assets Under Administration (In billions)	\$ 31	\$ 32	\$ 32
Assets Under Management (In billions)			
Total Assets Under Management	97	93	85
Equity Securities	35%	36%	31%

Fixed Income Securities	21	22	22
Alternative Investments	15	14	10
Liquid Assets	29	28	37

## Management's Discussion and Analysis of Financial Condition and

## Results of Operations

## INTRODUCTION

The Bank of New York Company, Inc.'s (the "Company") actual results of future operations may differ from those estimated or anticipated in certain forward-looking statements contained herein for reasons which are discussed below and under the heading "Forward Looking Statements and Factors That Could Affect Future Results". When used in this report, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "believe," "plan," "goal," "should," "may," "strategy," "target," and words of similar meaning are intended to identify forward looking statements in addition to statements specifically identified as forward looking statements.

## OVERVIEW

The Bank of New York Company, Inc. (NYSE: BK) is a global leader in securities servicing for investors, financial intermediaries and issuers. The Company plays an integral role in the infrastructure of the capital markets, servicing securities in more than 100 markets worldwide. The Company provides services based on leading technology for global financial institutions, asset managers, governments, non-profit organizations, corporations, and individuals. Its principal subsidiary, The Bank of New York, founded in 1784, is the oldest bank in the United States and has a distinguished history of serving clients around the world through its five primary businesses: Securities Servicing and Global Payment Services, Private Client Services and Asset Management, Corporate Banking, Global Market Services, and Retail Banking.

The Company has executed a consistent strategy over the past decade by focusing on highly scalable, fee-based securities servicing and fiduciary businesses, with top three market share in most of its major product lines. The Company distinguishes itself competitively by offering the broadest array of products and services around the investment lifecycle. These include: advisory and asset management services to support the investment decision; extensive trade execution, clearance and settlement capabilities; custody, securities lending, accounting and administrative services for investment portfolios; and sophisticated risk and performance measurement tools for analyzing portfolios. The Company also provides services for issuers of both equity and debt securities. By providing integrated solutions for clients' needs, the Company strives to be the preferred partner in helping its clients succeed in the world's rapidly evolving financial markets.

The Company has grown both through internal reinvestment as well as execution of strategic acquisitions to expand product offerings and increase market share in its scale businesses. Internal reinvestment occurs through increased technology spending, staffing levels, marketing/branding initiatives, quality programs, and product development. The Company consistently invests in technology to improve the breadth and quality of its product offerings, and to increase economies of scale. With respect to acquisitions, the Company has acquired 57 businesses since 1998, almost exclusively in its securities servicing and fiduciary segment. The acquisition of Pershing in 2003 for \$2 billion was the largest of these acquisitions.

As part of the transformation to a leading securities servicing provider, the Company has also de-emphasized or exited its slower growth traditional banking businesses over the past decade. The Company's more significant actions include selling its credit card business in 1997 and its factoring business in 1999, and most recently, significantly reducing non-financial corporate credit exposures by 44% from December 31, 2000 to December 31, 2003. Capital generated by these actions has been reallocated to the Company's higher growth businesses.

The Company's business model is well positioned to benefit from a number of long-term secular trends. These include the growth of worldwide financial assets, globalization of investment activity, structural market changes, and increased outsourcing. These trends benefit the Company by driving higher levels of financial asset trading volume and other transactional activity, as well as higher asset price levels and growth in client assets, all factors by which the Company prices its services. In addition, international markets offer excellent growth opportunities.

#### THIRD QUARTER 2004 HIGHLIGHTS

The Company reported third quarter net income of \$354 million and diluted earnings per share of 46 cents, compared with net income of \$371 million and diluted earnings per share of 48 cents in the second quarter of 2004, and net income of \$260 million and diluted earnings per share of 34 cents in the third quarter of 2003. On an operating basis, third quarter 2003 net income was \$322 million and diluted earnings per share were 42 cents. Third quarter of 2003 reported results included merger and integration costs associated with the Pershing acquisition of 2 cents per share and the cost of the settlement of claims related to the Company's 1999 sale of BNY Financial Corporation to General Motors Acceptance Corporation ("GMAC") of 6 cents per share.

Year-to-date net income was \$1,089 million, or \$1.40 diluted earnings per share, compared to \$850 million, or \$1.13 diluted earnings per share in 2003. These 2003 reported results included Pershing merger and integration costs of 4 cents and GMAC settlement costs of 6 cents per share. In 2003 on an operating basis, year-to-date net income was \$928 million while diluted earnings per share were \$1.23.

Third quarter highlights include strong sequential fee performance in global payment services, broker-dealer services and asset management. Net interest income was up \$7 million, or 2%, on a sequential quarter basis. The Company continues to be positioned to benefit from a rise in interest rates. The Company made no provision for credit losses as credit quality trends remained excellent.

The weak capital markets environment, particularly in equities and foreign exchange, where volumes were lackluster and volatility very low, adversely impacted the Company's securities servicing and trading businesses. Securities servicing, where execution and clearing revenues were particularly affected, declined by 4% sequentially, although servicing revenues were up 4% versus a year ago demonstrating the benefits of the Company's diverse business model. Foreign exchange and other trading revenues decreased sharply both sequentially and versus a year ago to \$67 million, which represents the lowest quarter for trading revenues since the first quarter of 2003.

The performance this quarter in a challenging environment reinforces the value of the breadth and diversification of the Company's securities servicing and fiduciary businesses. The market environment this quarter was weak, continuing a trend the Company first saw in June which intensified through the seasonally slow summer months. The Company's equity-linked and foreign exchange businesses were most directly affected, yet the Company's fixed income-linked and asset management areas performed reasonably well, cushioning the softness in the global capital markets.

The Company's balance sheet continues to be appropriately positioned for the expected gradual rise in interest rates and credit quality remains strong. Expense control was important to the Company's performance in the third quarter, and will continue to be a major focus as the Company continues to implement its reengineering initiatives.

While the Company cannot predict when the market environment will improve, economic indicators remain favorable. Geopolitical factors still appear to be restraining investment activity, yet untapped liquidity in the market continues to increase, offering a basis for future growth. The Company is confident that its diverse businesses and client base position the Company to capitalize as market volumes and investment flows increase.

During the third quarter of 2004, the Company continued to invest in enhancing its service offerings, critical to sustaining top line growth through all types of markets, while maintaining its commitment to expense discipline to ensure a competitive cost base. Service offerings enhancements were the result of both internal development and acquisitions. New business momentum remains strong as the Company is gaining traction with growth initiatives such as hedge fund servicing, Pershing's registered investment advisor ("RIA") offering and independent research. The outlook for Ivy Asset Management ("Ivy") continues to be very positive, given increased allocations by institutions to alternative investments, including hedge funds, as an asset class.

## CONSOLIDATED INCOME STATEMENT REVIEW

## Noninterest Income

	3rd	2nd	3rd	Year-to-date	
	Quarter	Quarter	Quarter	2004	2003
(Dollars in millions)	2004	2004	2003	2004	2003
Servicing Fees					
Securities	\$ 685	\$ 717	\$ 657	\$ 2,117	\$ 1,728
Global Payment Services	84	81	80	245	238
	769	798	737	2,362	1,966
Private Client Services					
and Asset Management Fees	113	113	97	333	281
Service Charges and Fees	98	94	89	287	278
Foreign Exchange and					
Other Trading Activities	67	100	92	273	246
Securities Gains	14	12	9	59	26
Other	49	49	39	191	107
Total Noninterest Income	\$ 1,110	\$ 1,166	\$ 1,063	\$ 3,505	\$ 2,904

Total noninterest income for the third quarter of 2004 was \$1,110 million, a decrease of 5% sequentially but an increase of 4% from the third quarter of 2003. Noninterest income for the nine months ended September 30, 2004 was \$3,505 million, an increase of 21% over the comparable 2003 period.

Securities servicing fees were up \$28 million, or 4%, from the third quarter of 2003. On a year-to-date basis, securities servicing fees were \$2,117 million up \$389 million from 2003. For a discussion of securities servicing fees see "Securities Servicing Fees" in the segment results section under "Servicing and Fiduciary Businesses."

Global payment services fees were up \$3 million, or 4%, from the second quarter of 2004, and \$4 million, or 5% from the third quarter of 2003, primarily resulting from new business wins. Global payment services increased by 3% on a year-to-date basis over 2003.

Private client services and asset management fees for the third quarter were flat from the prior quarter and increased 16% from the third quarter of 2003. For the nine months ended September 30, 2004, private client services and asset management fees were \$333 million, a 19% increase over the same period in 2003. The increase from the third quarter of 2003 and on a year-to-date basis reflects strong growth in Ivy Asset Management as well as higher equity price levels. Total assets under management were \$97 billion at September 30, 2004, up from \$93 billion at June 30, 2004 and \$85 billion a year ago.

Service charges and fees were up 4% from the second quarter of 2004 and 10% from the third quarter of 2003 due to higher capital market fees and improved pricing on retail products.

Foreign exchange and other trading revenues declined sharply to \$67 million, down 33% from the second quarter and 27% from the third quarter of 2003, reflecting lower exchange rate volatility and lower levels of cross-border trading activity as well as weak demand for interest rate hedging products. For the nine months ended September 30, 2004, foreign exchange and other trading activities were up 11% over the nine months ended September 30, 2003 due to more active and volatile markets in the first half of 2004.

Securities gains in the third quarter were \$14 million, compared with \$12 million in the second quarter of 2004 and \$9 million in the third quarter of 2003. The gains in the third quarter were primarily attributable to the

Company's private equity portfolio. For the nine months ended September 30, 2004, securities gains were \$59 million, up \$33 million from the nine months ended September 30, 2003, primarily reflecting realized gains of \$19 million in the first quarter on four sponsor fund investments.

Other noninterest income was \$49 million, compared with \$49 million in the second quarter of 2004 and \$39 million in the third quarter of 2003. For the first nine months of 2004, other noninterest income was \$191 million, an increase of \$84 million from \$107 million for the first nine months of 2003. The increase primarily reflects the \$48 million pre-tax gain on the sale of a portion of the Company's investment in Wing Hang Bank Limited in the first quarter of 2004.

Net Interest Income  
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(Dollars in millions)	3rd	2nd	3rd	Year-to-date		
	Quarter	Quarter	Quarter	Reported	Core**	Reported
	2004	2004	2003	2004	2004	2003
Net Interest Income	\$ 428	\$ 421	\$ 407	\$ 1,118	\$ 1,263	\$ 1,190
Tax Equivalent Adjustment*	8	8	9	20	20	27
Net Interest Income on a Tax Equivalent Basis	\$ 436	\$ 429	\$ 416	\$ 1,138	\$ 1,283	\$ 1,217
Net Interest Rate Spread	1.88%	1.84%	1.87%	1.62%	1.86%	1.99%
Net Yield on Interest Earning Assets	2.18	2.08	2.10	1.87	2.11	2.24

\* A number of amounts related to net interest income are presented on a "taxable equivalent basis." The Company believes that this presentation provides comparability of net interest income arising from both taxable and tax-exempt sources and is consistent with industry standards.

\*\* Excludes SFAS 13 adjustment  
</FN>

Net interest income on a taxable equivalent basis was \$436 million in the third quarter of 2004, compared with \$429 million in the second quarter of 2004, and \$416 million in the third quarter of 2003. The net interest income rate spread was 1.88% in the third quarter of 2004, compared with 1.84% in the second quarter of 2004, and 1.87% in the third quarter of 2003. The net yield on interest earning assets was 2.18% in the third quarter of 2004, compared with 2.08% in the second quarter of 2004, and 2.10% in the third quarter of 2003.

The sequential quarter increase in net interest income in the third quarter of 2004 reflects the collection of past due interest on nonperforming loans as well as the benefit of a rise in short-term interest rates. This was partially offset by a reduction in liquid earning assets during the quarter, a result of less active capital markets. The increase in net interest income from the third quarter of 2003 reflects the benefit of higher short-term rates, the collection of past due interest on non-performing loans, and a higher level of investment securities.

For the first nine months of 2004, reported net interest income on a taxable equivalent basis was \$1,138 million, compared with \$1,217 million in the first nine months of 2003, as the full year impact of Pershing and the benefit of rising rates were outweighed by the first quarter 2004 pre-tax charge of \$145 million resulting from a cumulative adjustment to the leasing portfolio, which was triggered under Statement of Financial Accounting Standards No. 13. ("SFAS 13"). Excluding this charge, net interest income on a taxable equivalent basis for the first nine months of 2004 equaled \$1,283 million, an increase of \$66 million from last year. The reported year-to-date net interest income spread was 1.62% in 2004 compared with 1.99% in 2003, while the net yield on interest earning assets was 1.87% in 2004 and 2.24% in 2003.

Noninterest Expense and Income Taxes

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	3rd Quarter	2nd Quarter	3rd Quarter	Year-to-date	
(Dollars in millions)	2004	2004	2003	2004	2003
Salaries and Employee Benefits	\$ 564	\$ 570	\$ 533	\$1,708	\$1,454
Net Occupancy	77	72	69	230	192
Furniture and Equipment	51	51	50	153	134
Clearing	39	44	42	131	111
Sub-custodian Expenses	21	22	18	65	53
Software	52	50	45	151	123
Communications	22	23	24	69	68
Amortization of Intangibles	9	8	8	26	18
Merger and Integration Costs	-	-	23	-	48
GMAC Settlement	-	-	78	-	78
Other	164	172	149	492	402
Total Noninterest Expense	\$ 999	\$ 1,012	\$ 1,039	\$3,025	\$2,681
	=====	=====	=====	=====	=====

Noninterest expense for the third quarter of 2004 was \$999 million, compared with \$1,012 million in the prior quarter and \$1,039 million in the third quarter of 2003. The decrease principally reflects lower incentive compensation tied to revenues, lower volume-related clearing and sub-custodian expenses as well as a decline in legal and travel & entertainment expenses. Incentive compensation was lower in the quarter reflecting the lower revenues partially offset by higher outside help and merit increases. Net occupancy increased by \$5 million reflecting expansion of regional facilities, including the opening of the new Brooklyn facility which is part of the Company's business continuity plans. In the third quarter of 2004, the Company continued to engage in a multi-year effort to expand operations from the New York metropolitan area to lower cost areas such as Utica and Syracuse.

The third quarter of 2003 results included \$23 million of merger and integration costs related to the Pershing acquisition and \$78 million of net costs related to the GMAC settlement. After excluding these items, the net growth in expenses from a year ago principally reflects higher staff and occupancy costs. Salaries and employee benefits were up reflecting higher staffing levels due to business expansion as well as higher stock option expense and a lower pension credit. Occupancy increased due to the expansion of regional facilities.

For the first nine months of 2004, noninterest expense was \$3,025 million, up 13% compared to \$2,681 million from the equivalent period of 2003. Noninterest expense in 2003 includes \$126 million of costs related to the Pershing merger and integration and the GMAC settlement. The growth in expenses versus a year ago mainly reflects the full period impact of the Pershing acquisition as well as the same factors affecting the comparisons with last year's third quarter.

The effective tax rate for the third quarter of 2004 was 34.3%, compared to 34.2% in the second quarter and 33.4% in the third quarter of 2003. The increase from the third quarter of 2003 reflects the tax benefit on the GMAC settlement in 2003. The effective tax rate for the nine month period ended September 30, 2004 was 30.9%, compared with 34.3% for the nine month period ended September 30, 2003. The year-over-year decrease reflects the benefit associated with the SFAS 13 adjustment in the first quarter of 2004.

## Credit Loss Provision and Net Charge-Offs

(Dollars in millions)	3rd	2nd	3rd	Year-to-date	
	Quarter	Quarter	Quarter	2004	2003
	2004	2004	2003	2004	2003
Provision	\$ -	\$ 10	\$ 40	\$ 22	\$ 120
Net Charge-offs:					
Commercial	\$ (4)	\$ (11)	\$ (25)	\$ (21)	\$ (85)
Foreign	(9)	(8)	(12)	(26)	(18)
Other	(1)	-	(4)	(1)	(15)
Consumer	(5)	(6)	(6)	(22)	(16)
Total	\$ (19)	\$ (25)	\$ (47)	\$ (70)	\$ (134)
Other Real Estate Expenses	\$ -	\$ -	\$ -	\$ -	\$ -

No provision was taken in the third quarter of 2004 compared to \$10 million in the second quarter of 2004 and \$40 million in the third quarter of 2003. The absence of any provision reflects the improved quality of the loan portfolio and the continued decline in nonperforming and criticized assets. For the first nine months of 2004, the provision was \$22 million compared with \$120 million in 2003.

The allowance for credit losses was \$756 million at September 30, 2004, \$775 million at June 30, 2004, and \$817 million at September 30, 2003. The allowance for credit losses as a percent of non-margin loans was 2.42% at September 30, 2004, compared with 2.42% at June 30, 2004, and 2.55% at September 30, 2003.

Net charge-offs were \$19 million in the third quarter of 2004 versus \$25 million in the second quarter of 2004 and \$47 million in the third quarter of 2003. These represent 0.21% of total loans in the most recent quarter, down from 0.26% and 0.50% in the respective prior periods. For the first nine months ended September 30, 2004, net charge-offs were \$70 million, compared to \$134 million for the same period in 2003.

## OTHER DEVELOPMENTS

In September 2004, the Company formed a strategic alliance with Wilshire Associates, one of the world's leading providers of global risk services, to meet the increasingly sophisticated risk management demands of institutional investors. As part of the strategic alliance, the Company and Wilshire Analytics, a business unit of Wilshire Associates, will integrate their comprehensive selection of risk services, including performance measurement, analytics, fixed income and equity attribution, universe comparisons, compliance, risk budgeting, and advanced risk measures. Altogether, the Company and Wilshire provide global risk services to more than 600 institutional investor clients that manage approximately \$14 trillion in assets.

In September 2004, the Company agreed to acquire the execution and commission management assets of Wilshire Associates. Under the terms of the agreement, BNY Brokerage will assume Wilshire's client relationships in these businesses.

In September the Company announced its appointment by RCM (UK) Ltd, part of the Allianz Dresdner Asset Management Group, to offer comprehensive middle and back office outsourcing services in the UK for \$8.75 billion of assets under management. This follows the Company's appointment earlier this year by RCM Capital Management LLC to provide outsourcing services to its San Francisco operations. Taken together these two appointments mark the first time an asset manager has outsourced operations on two continents to a single strategic global platform, demonstrating the Company's market leading capabilities.

In August the Company announced its appointment by Threadneedle Investments to outsource its fund administration and transfer agency operations in the UK. This deal provides the Company with added scale and expertise in these businesses, positioning it well for further expansion in continental Europe.

## BUSINESS SEGMENTS REVIEW

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

## Business Segments 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 2004, the Company changed its methodology for allocating its pension credit to the segments. Prior periods have been 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 size 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.

## Description of Business Segments

The results of individual business segments exclude unusual items such as the GMAC settlement and the Pershing related merger and integration costs of 2003, which are included within reconciling amounts.

The Company reports data for the four business segments: Servicing and Fiduciary, Corporate Banking, Retail Banking, and Financial Markets.

The Servicing and Fiduciary businesses segment comprises the Company's core services, including securities servicing, global payment services, and private client services and asset management. These businesses all share certain favorable attributes: they are well diversified and fee-based; the Company serves the role of an intermediary rather than principal, thereby limiting risk and generating more stable earnings streams; and the businesses are scalable, which result in higher margins as revenues grow. Long-term trends that favor these businesses include the growth of financial assets worldwide, the globalization of investment activity, heightened demand for financial servicing outsourcing, and continuing structural changes in financial markets.

Securities servicing provides financial institutions, corporations and financial intermediaries with a broad array of products and customized services for every step of the investment lifecycle. The Company facilitates the movement, settlement, recordkeeping and accounting of financial assets around the world by delivering timely and accurate information to issuers, investors and broker-dealers. The Company groups its securities servicing businesses into four categories, each comprised of separate but related businesses. Issuer services include corporate trust, depositary receipts and stock transfer. Investor services include global fund services, global custody, securities lending, global liquidity services and outsourcing. Broker-dealer services include government securities clearance and collateral management. Execution and clearing services include in the execution area institutional agency brokerage, electronic trading, transition management services, and independent research. Through Pershing, the clearing part of the business provides clearing, execution, financing, and custody for introducing brokers/dealers. The Servicing and Fiduciary Businesses segment also includes customer-related foreign exchange.

In issuer services, the Company's American and global depositary receipt business has over 1,180 programs representing over 60 countries. As a trustee, the Company provides diverse services for corporate, municipal, mortgage-backed, asset-backed, derivative and international debt securities. Over 90,000 appointments for more than 30,000 worldwide clients have resulted in the Company being trustee for more than \$1 trillion in outstanding debt securities. The Company is the third largest stock transfer agent representing over 1,950 publicly traded companies with over 19 million shareholder accounts maintained on its recordkeeping system.

The Company is the second largest custodian with \$8.9 trillion of assets under custody and administration at September 30, 2004. The Company is the second largest mutual fund custodian for U.S. funds and one of the largest providers of fund services in the world with over \$1.6 trillion in total assets. The Company is the largest U.K. custodian. The Company services more than \$35 billion or 20% of total U.S. exchange traded fund industry assets. In securities lending, the Company is the largest lender of U.S. Treasury securities and depositary receipts.

The Company's broker-dealer services business clears approximately 50% of U.S. Government securities. With over \$800 billion in tri-party balances worldwide, the Company is the world's largest collateral management agent.

The Company's execution and clearing services business is the largest global institutional agency brokerage organization. In addition, it is the largest institutional electronic broker for non-U.S. dollar equity execution. The Company provides execution and clearing services and financial services outsourcing in over 80 global markets, executing trades for nearly 575 million shares and clearing 600,000 trades daily. The Company has 21 seats on the New York Stock Exchange. Pershing services nearly 1,100 institutional and retail financial organizations and independent investment advisors who collectively represent more than 5 million individual investors.

Global payment services facilitates the flow of funds between the Company's customers and their clients through such business lines as funds transfer, cash management and trade services. Private client services and asset management includes traditional banking and trust services to affluent clients and investment management services for institutional and high net worth clients.

The Company's strategy is to be a market leader in these businesses and continue to build on its product and service capabilities and add new clients. The Company has completed 57 acquisitions since 1998 in this segment, has made significant investments in technology to maintain its industry-leading position, and has continued the development of new products and services to meet its clients' needs.

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

Corporate Banking coordinates delivery of all of the Company's services to customers through its global relationship managers. The two main client bases served are financial institution clients and corporate clients. The Company's strategy is to focus on those clients and industries that are major users of securities servicing and global payment services.

The Company believes that credit is an important product for many of its customers to execute their business strategies. However, the Company has continued to reduce its credit exposures in recent years by culling its loan portfolio of non-strategic exposures, focusing on increasing total relationship returns through cross-selling and limiting the size of its individual credit exposures and industry concentrations to reduce earnings volatility.

The Retail Banking segment includes retail deposit services, branch banking, and consumer and residential mortgage lending. The Company operates 341 branches in 23 counties in the Tri-State region. The retail network is a stable source of low cost funding and provides a platform to cross-sell core services from the Servicing and Fiduciary businesses to both individuals and small businesses in the New York metropolitan area.

The Financial Markets segment includes trading of foreign exchange and interest rate risk management products, investing and leasing activities, and treasury services to other business segments. The segment offers a comprehensive array of multi-currency hedging and yield enhancement strategies, and complements the other business segments. The Financial Markets segment centralizes interest rate risk management for the Company.

There were no major customers from whom revenues were individually material to the Company's performance.

#### Servicing and Fiduciary Businesses

(Dollars in millions)	3rd	2nd	3rd	Year-to-date	
	Quarter	Quarter	Quarter	2004	2003
	2004	2004	2003	2004	2003
Net Interest Income	\$ 144	\$ 144	\$ 132	\$ 428	\$ 357
Provision for					
Credit Losses	1	1	-	2	-
Noninterest Income	953	994	905	2,937	2,439
Noninterest Expense	749	764	707	2,270	1,883
Income Before Taxes	347	373	330	1,093	913
Average Assets	\$20,937	\$22,891	\$20,902	\$22,195	\$14,799
Average Deposits	33,370	35,520	34,039	34,671	32,899
Nonperforming Assets	3	3	16	3	16
(Dollars in billions)					
Assets Under Custody	\$ 8,906	\$ 8,662	\$ 7,878	\$ 8,906	\$ 7,878
Equity Securities	33%	34%	32%	33%	32%
Fixed Income Securities	67	66	68	67	68
Cross-Border Assets	\$ 2,494	\$ 2,425	\$ 2,206	\$ 2,494	\$ 2,206
Assets Under Administration	\$ 31	\$ 32	\$ 32	\$ 31	\$ 32
Assets Under Management	97	93	85	97	85
Equity Securities	35%	36%	31%	35%	31%
Fixed Income Securities	21	22	22	21	22
Alternative Investments	15	14	10	15	10
Liquid Assets	29	28	37	29	37
S&P 500 Index (Period End)	1,115	1,141	996	1,115	996
NASDAQ Index (Period End)	1,897	2,048	1,787	1,897	1,787
NYSE Volume (In billions)	84.9	90.8	87.3	271.1	266.9
NASDAQ Volume (In billions)	99.6	108.3	110.7	334.2	312.0

Third quarter results showed continued strength in several of the Company's primary businesses, including global payment services, broker-dealer services and asset management. Offsetting this strength were volume related declines in the Company's execution and clearing services businesses. In the third quarter of 2004, pre-tax income was \$347 million, compared with \$373 million in the second quarter of 2004 and \$330 million a year ago. On a year-to-date basis, pre-tax income was \$1,093 million, up 20% from \$913 million in 2003.

Noninterest income decreased by 4% to \$953 million from \$994 million in the second quarter of 2004 but increased by \$48 million, or 5%, compared with \$905 million in the third quarter of 2003.

## Securities Servicing Fees

	3rd Quarter	2nd Quarter	3rd Quarter
(Dollars in millions)	2004	2004	2003
Execution and Clearing Services	\$ 262	\$ 280	\$ 271
Investor Services	228	229	212
Issuer Services	141	155	127
Broker-Dealer Services	54	53	47
Securities Servicing Fees	\$ 685	\$ 717	\$ 657

Securities servicing fees were \$685 million in the third quarter, a decrease of \$32 million, or 4%, from the second quarter of 2004, but up \$28 million, or 4% from the third quarter of 2003. For the first nine months of 2004, securities servicing fees were \$2,117 million, an increase of \$389 million from the first nine months of 2003, principally due to the full period impact of the Pershing acquisition which closed on May 1, 2003 and better market conditions for most of the servicing businesses.

Execution and clearing services fees decreased \$18 million, or 6%, from the second quarter of 2004 and \$9 million, or 3% from the third quarter of 2003. The execution business was impacted by lower equity market trading volumes in the third quarter, as combined NYSE and NASDAQ trading volumes, excluding program trading, were down 10% from the second quarter and 15% from the third quarter of 2003. BNY Brokerage volumes were down 4% from the second quarter, while institutional B-Trade volumes and G-Trade principal volumes were down 1% and 8%, respectively. The sluggish market environment has pressured revenues in these businesses but the Company is encouraged that it has continued to gain market share. BNY Research and commission management performed well as the Company's positioning in the independent research space continued to be well received by the marketplace. The Company's correspondent clearing business conducted by its Pershing subsidiary was impacted by lower volumes and lower equity prices both sequentially and compared to the third quarter of 2003. As a result, domestic billable trades declined by 7%, slightly better than the market trend. The majority of Pershing's revenues are generated from non-transactional activities, such as asset gathering and technology services to broker-dealers, with revenues tied to both assets under administration and services provided. Despite a 2% sequential decline in the S&P 500 Index, Pershing's assets under administration were \$649 billion at quarter-end, compared with \$647 billion at June 30, 2004.

Investor services fees held steady at \$228 million, down \$1 million from the second quarter of 2004, but up \$16 million, or 8% from the third quarter of 2003. The sequential quarter decrease reflects lower transaction activity and seasonally lower securities lending revenues, offset in part by new business wins in global fund services, as well as the continued addition of new clients to the Company's hedge fund servicing platform. At quarter-end, hedge fund assets under administration totaled \$48 billion up from \$30 billion at year-end 2003. The increase in investor service fees relative to the third quarter of 2003 was a result of good organic growth in most areas. This was offset in part by weaker equity and fixed income transaction volumes, and lower average equity price levels. Securities lending fees declined modestly relative to the second quarter because of slightly lower spreads resulting from the timing of the Federal Reserve interest rate increases, as well as the decline in equity lending the Company typically experiences following the second quarter European dividend season. Global liquidity services fees were up, benefiting from higher fees related to rising interest rates.

At September 30, 2004 assets under custody rose to \$8.9 trillion, from \$8.7 trillion at June 30, 2004 and \$7.9 trillion at September 30, 2003. Cross-border custody assets were \$2.5 trillion at September 30, 2004. A substantial portion of the increase in assets under custody was due to new business, as well as the acquisition of a unit investment trust ("UIT")

business. In addition, while equity prices declined during the quarter, fixed income values rose as the yield curve flattened and longer term interest rates declined. As a result, the market value of fixed income assets under custody increased, and the percentage of fixed income assets under custody rose from 66% to 67%.

Issuer services fees were \$141 million in the third quarter, down \$14 million or 9% from the second quarter of 2004, but up \$14 million or 11% from the third quarter of 2003.

Depository receipts ("DR") revenues decreased sequentially due to seasonally lower trading and dividend activity. While issue/cancel fees were negatively impacted by the seasonal slowdown in DR trading volumes, which were down 6% sequentially, the Company continued to experience positive net DR issuance in the third quarter, demonstrating investors' commitment to cross-border investing. Dividend-related activity decreased from the seasonally strong second quarter, while other corporate actions such as initial public offerings, mergers and acquisitions, secondary offerings and rights issues declined in the third quarter.

Corporate trust revenues declined sequentially but the Company continues to perform near record levels as a slowdown in overall issuance levels was partially offset by strength in global issuance as well as demand for corporate specialty products in the third quarter.

The increase in issuer services revenues relative to the third quarter of 2003 primarily reflects growth in corporate trust, due to higher debt issuance as well as acquisitions, and in DR, because of higher volumes and dividend activity.

Broker-dealer services fees showed good growth, increasing \$1 million, or 2%, from the second quarter of 2004 and \$7 million, or 15% from the third quarter of 2003. On a sequential basis, new business wins offset lower market volumes. Year-over-year, new business was the dominant driver, particularly in collateral management, as volumes have been relatively stable.

Global payment services fees were up \$3 million, or 4%, from the second quarter of 2004, and \$4 million, or 5% from the third quarter of 2003, primarily resulting from new business wins. Global payment services increased by 3% on a year-to-date basis over 2003. The year-over-year growth is attributable to higher funds transfer volumes and increased multi-currency activity from existing clients as well as the addition of new clients.

Private client services and asset management fees continues to demonstrate solid performance with fees up 16% from the third quarter of 2003 and stable on a sequential quarter basis despite lower equity market prices. For the nine months ended September 30, 2004, private client services and asset management fees were \$333 million, a 19% increase over the same period in 2003. The increase from the third quarter of 2003 and on a year-to-date basis reflects strong growth in Ivy. The Company is also experiencing good new business momentum in institutional equity management as a result of improved sales efforts.

Assets under management ("AUM") were \$97 billion at September 30, 2004, up from \$93 billion at June 30, 2004 and \$85 billion at September 30, 2003. Assets under administration were \$31 billion compared with \$32 billion at June 30, 2004 and \$32 billion at September 30, 2003. The sequential quarter and year-over-year increases in AUM reflect growth in the Company's alternative investments business as assets at Ivy grew to \$14.6 billion. In addition, the growth in AUM reflects an inflow of funds into personal trust assets and short-term money market product for institutional/corporate investors. Institutional clients represent 67% of AUM while individual clients equal 33%. AUM at September 30, 2004, are 35% invested in equities, 21% in fixed income, 15% in alternative investments and the remainder in liquid assets.

Foreign exchange and other trading revenues declined sharply to \$67 million, down 33% from the second quarter and 27% from the third quarter of 2003, reflecting lower exchange rate volatility and lower levels of cross-

border trading activity. Foreign exchange experienced a slow down in client activity beginning in late June that persisted through the end of September, which was exacerbated by a 25% sequential quarter drop in exchange rate volatility. For the nine months ended September 30, 2004, foreign exchange and other trading activities were up 11% over the nine months ended September 30, 2003 due to more active and volatile markets in the first half of 2004.

Net interest income in the Servicing and Fiduciary businesses segment was \$144 million for the third quarter of 2004 compared with \$144 million for the second quarter of 2004 and \$132 million in the third quarter of 2003. The increase in net interest income from the third quarter of 2003 is primarily due to the rise in interest rates. Net interest income for the nine months ended September 30, 2004 was \$428 million compared with \$357 million in the third quarter of 2003. The increase in net interest income primarily reflects the Pershing acquisition and the rise in interest rates. Average assets for the quarter ended September 30, 2004 were \$20.9 billion compared with \$22.9 billion in the second quarter of 2004 and \$20.9 billion in the third quarter of 2003. Average assets for the nine months ended September 30, 2004 were \$22.2 billion compared with \$14.8 billion in the first nine months of 2003. The increase in assets in the year-to-date 2004 average compared with 2003 is attributable to the Pershing acquisition. The third quarter of 2004 average deposits were \$33.4 billion compared with \$35.5 billion in the second quarter of 2004 and \$34.0 billion in the third quarter of 2003. The sequential quarter decline in deposits reflects lower market volumes in the third quarter of 2004. Average deposits for the first nine months of 2004 were \$34.7 billion compared with \$32.9 billion for the first nine months of 2003.

Net charge-offs in the Servicing and Fiduciary Businesses segment were \$10 million in the third quarter of 2004, compared with zero in the second quarter of 2004 and the third quarter of 2003. The increase in charge-offs reflects a credit loss in Pershing's UK clearing business as a result of an alleged deceptive scheme perpetrated on Pershing. On a year-to-date basis, net charge-offs were \$15 million in 2004, compared to zero in 2003. Nonperforming assets were \$3 million at September 30, 2004, compared with \$3 million at June 30, 2004 and \$16 million at September 30, 2003.

Noninterest expense for the third quarter of 2004 was \$749 million, compared with \$764 million in the second quarter of 2004 and \$707 million in the third quarter of 2003. The decline in noninterest expense from second quarter of 2004 was primarily due to lower incentive compensation tied to revenues as well as lower volume-related clearing and sub-custodian expenses. The increase in noninterest expense from third quarter of 2003 reflects the Pershing acquisition. Noninterest expense for the first nine months of 2004 was \$2,270 million, compared with \$1,883 million for the same period in 2003, reflecting the Pershing acquisition.

## Corporate Banking

(Dollars in millions)	3rd	2nd	3rd	Year-to-date	
	Quarter	Quarter	Quarter	2004	2003
Net Interest Income	\$ 89	\$ 87	\$ 95	\$ 265	\$ 282
Provision for Credit Losses	15	15	27	50	87
Noninterest Income	81	84	71	245	224
Noninterest Expense	53	54	53	160	152
Income Before Taxes	102	102	86	300	267
Average Assets	\$17,485	\$17,308	\$19,378	\$17,384	\$19,916
Average Deposits	6,422	6,345	6,699	6,522	6,832
Nonperforming Assets	269	293	368	269	368
Net Charge-offs	3	9	41	24	118

In the third quarter of 2004, pre-tax income was \$102 million, compared with \$102 million in the second quarter of 2004 and \$86 million in the third quarter of 2003. On a year-to-date basis, pre-tax income was \$300 million, up 12% from \$267 million in 2003. The improvement over the prior year is primarily attributable to a reduction in credit risk, resulting in a lower provision for credit losses. The Company has achieved its principal risk management objectives, and assets are now flat to slightly growing.

The Corporate Banking segment's net interest income was \$89 million in the third quarter of 2004, compared with \$87 million in the second quarter of 2004 and \$95 million in the third quarter of 2003. The sequential quarter increase reflects the collection of past due interest on nonperforming loans and slightly higher loan volumes. The decline from the third quarter of 2003 reflects continued reduction in lending to corporate borrowers as well as a decline in deposits. Average assets for the quarter were \$17.5 billion compared with \$17.3 billion in the second quarter of 2004 and \$19.4 billion in the third quarter of last year. Average deposits in the Corporate Banking segment were \$6.4 billion versus \$6.3 billion in the second quarter of 2004 and \$6.7 billion in third quarter of 2003. On a year-to-date basis, net interest income for 2004 was \$265 million compared with \$282 million in 2003. For the nine months ended September 30, 2004, average assets were \$17.4 billion compared to \$19.9 billion for the first nine months of 2003. For the first nine months of 2004 and 2003, average deposits were \$6.5 billion and \$6.8 billion.

The third quarter of 2004 provision for credit losses was \$15 million compared with \$15 million in the second quarter of 2004 and \$27 million in the third quarter of last year. On a year-to-date basis, the provision for credit losses was \$50 million for 2004 and \$87 million for 2003. The decline in the provision from the third quarter and year-to-date 2003 reflects reduced credit exposures and an improvement in overall asset quality. Net charge-offs in the Corporate Banking segment were \$3 million in the third quarter of 2004, \$9 million in the second quarter of 2004, and \$41 million in the third quarter of 2003. Net charge-offs for the first nine months of 2004 were \$24 million compared with \$118 million in 2003. The charge-offs for the first nine months of 2004 primarily relate to loans to media and foreign borrowers. Nonperforming assets were \$269 million at September 30, 2004, down from \$293 million at June 30, 2004 and \$368 million at September 30, 2003. The decrease in nonperforming assets from the third quarter of 2003 primarily reflects paydowns and charge-offs of foreign loans.

Noninterest income was \$81 million in the current quarter, compared with \$84 million in the second quarter of 2004 and \$71 million in the third quarter of 2003. On a sequential quarter basis, the decrease reflects lower credit derivatives and foreign exchange revenues partially offset by higher advisory fees. The increase year-over-year reflects increased advisory fees and higher income from the Company's investment in Wing Hang Bank. On a year-to-date basis, noninterest income was \$245 million, up \$21 million from \$224 million in 2003, reflecting increased advisory fees and foreign exchange revenues as well as higher income from the Company's investment in Wing Hang Bank.

Noninterest expense in the third quarter was \$53 million, compared with \$54 million in the second quarter of 2004 and \$53 million in the third quarter of 2003. On a year-to-date basis, noninterest expense was \$160 million, compared with \$152 million in 2003, reflecting higher stock option expense and performance related incentives.

Retail Banking  
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(Dollars in millions)	3rd	2nd	3rd	Year-to-date	
	Quarter	Quarter	Quarter	2004	2003
	2004	2004	2003	2004	2003
Net Interest Income	\$ 128	\$ 126	\$ 120	\$ 377	\$ 354
Provision for Credit Losses	6	5	5	16	14
Noninterest Income	28	28	30	85	92
Noninterest Expense	97	95	90	285	268
Income Before Taxes	53	54	55	161	164
Average Assets	\$ 5,639	\$ 5,317	\$ 5,023	\$ 5,445	\$ 5,246
Average Noninterest					
Bearing Deposits	5,398	5,209	4,738	5,212	4,711
Average Deposits	15,312	15,162	14,585	15,094	14,321
Nonperforming Assets	15	15	4	15	4
Net Charge-offs	6	5	6	17	16
Number of Branches	341	341	341	341	341
Total Deposit Accounts					
(In Thousands)	1,124	1,129	1,170	1,124	1,170
Number of ATMs	379	379	377	379	377

The Retail Banking segment continues to demonstrate stable results in spite of increased competition in the New York metropolitan area. In the third quarter of 2004, pre-tax income was \$53 million, compared with \$54 million in the second quarter of 2004 and \$55 million a year ago. On a year-to-date basis, pre-tax income was \$161 million, compared with \$164 million in 2003. The Company has been able to steadily grow its deposit balances, with average deposits reaching \$15.3 billion during the quarter.

Net interest income in the third quarter of 2004 was \$128 million, compared with \$126 million in the second quarter of 2004 and \$120 million in the third quarter of 2003. Net interest income on a year-to-date basis for 2004 and 2003 was \$377 million and \$354 million. Net interest income has increased as rates have risen and as the segment has been able to increase its deposit base. The rise in deposits reflects the segment's focus on small business owners and professionals such as lawyers, doctors and certified public accountants. In addition, product offerings such as BNY Online and the debit card along with promotional campaigns have helped build deposit volumes.

Noninterest income was \$28 million for the quarter compared with \$28 million in the second quarter and \$30 million in the third quarter of last year. Noninterest income for the first nine months of 2004 was \$85 million compared with \$92 million in the first nine months of 2003. The decreases in noninterest income compared to 2003 reflect lower monthly service fees and lower debit card fees. Monthly service charges are down as a result of promotional offerings made in response to the competitive environment. Other deposit service fees increased over 2003.

Noninterest expense in the third quarter of 2004 was \$97 million, compared with \$95 million in the second quarter of 2004 and \$90 million last year. The increase from the third quarter of 2003 reflects higher compensation and marketing costs. Noninterest expense for the first nine months of 2004 was \$285 million compared with \$268 million in the first nine months of 2003. The year-over-year change reflects same factors influencing the quarterly increase.

Net charge-offs were \$6 million in the third quarter of 2004, compared with \$5 million in the second quarter of 2004 and \$6 million in the third quarter of 2003. For the first nine months of 2004, net charge-offs were \$17

million compared with \$16 million for the first nine months of 2003. Nonperforming assets were \$15 million at September 30, 2004, compared with \$15 million at June 30, 2004, and \$4 million at September 30, 2003.

Average deposits generated by the Retail Banking segment were \$15.3 billion in the third quarter of 2004, compared with \$15.2 billion in the second quarter of 2004 and \$14.6 billion in the third quarter of 2003. For the first nine months of 2004, average deposits were \$15.1 billion compared to \$14.3 billion in the first nine months of 2003. Average noninterest bearing deposits for the first nine months of 2004 were \$5.2 billion compared with \$4.7 billion in the first nine months of 2003. Average assets in the Retail Banking sector were \$5.6 billion, compared with \$5.3 billion in the second quarter of 2004 and \$5.0 billion in the third quarter of 2003. On a year-to-date basis, average assets were \$5.4 billion for 2004 and \$5.2 billion in 2003.

#### Financial Markets

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(Dollars in millions)	3rd	2nd	3rd	Year-to-date	
	Quarter	Quarter	Quarter	2004	2003
	2004	2004	2003	2004	2003
Net Interest Income	\$ 86	\$ 83	\$ 80	\$ 249	\$ 237
Provision for Credit Losses	5	5	5	15	16
Noninterest Income	36	43	53	129	136
Noninterest Expense	29	28	25	84	74
Income Before Taxes	88	93	103	279	283
Average Assets	\$49,148	\$50,728	\$47,920	\$49,973	\$46,252
Average Deposits	5,316	5,460	4,356	4,882	4,473
Average Investment Securities	22,473	22,982	20,604	22,816	19,110
Net Charge-offs	-	10	-	14	-

In the third quarter of 2004, pre-tax income was \$88 million, compared with \$93 million in the second quarter of 2004 and \$103 million a year ago. The sequential quarter decline is due to a drop in trading revenue. On a year-to-date basis, pre-tax income was \$279 million, down 1% from \$283 million in 2003. The decreases over the third quarter and year-to-date 2003 periods are primarily due to a decline in trading income and increased compensation expense.

Net interest income for the third quarter was \$86 million compared with \$83 million for the second quarter and \$80 million a year ago. The increase from the second quarter of 2004 reflects the benefit associated with having positioned for a rising rate environment, as well as an additional day in the quarter. The increase from the third quarter of 2003 reflects higher average balances of investment securities as well as the benefit from the rising rate environment. Net interest income was \$249 million in the first nine months of 2004 compared to \$237 million in the first nine months of 2003. Average third quarter 2004 assets in the Financial Markets segment composed primarily of short-term liquid assets and investment securities were \$49.1 billion, down from \$50.7 billion on a sequential quarter basis and up compared with \$47.9 billion in the third quarter last year. Average assets for the first nine months of 2004 were \$50.0 billion compared to \$46.3 billion for the first nine months of 2003. The increase in assets from 2003 reflects the Company's continuing strategy to reduce investment in higher risk corporate loans and increase holdings of highly rated, more liquid investment securities. The Company continues to invest in adjustable or short life classes of structured mortgage-backed securities, both of which have short durations.

Noninterest income was \$36 million in the third quarter of 2004, compared with \$43 million in the second quarter of 2004 and \$53 million in the third quarter of 2003. On a year-to-date basis, noninterest income was \$129 million in 2004 and \$136 million in 2003. The negative variance versus the second quarter of 2004 reflects weaker trading results, as there was an earlier than expected flattening of the yield curve which hurt interest rate derivative

results, and demand for hedging products decreased given lower bond issuance and a fall-off in mortgage prepayments.

Net charge-offs were zero in the third quarter of 2004, compared with \$10 million in the second quarter of 2004 and zero a year ago. Net charge-offs for the first nine months of 2004 and 2003 were \$14 million and zero, respectively. Charge-offs in 2004 are primarily related to the Company's airline leasing exposure. Noninterest expense was \$29 million in the third quarter of 2004, compared with \$28 million in the second quarter of 2004 and \$25 million in last year's third quarter. The increase from last year's third quarter is attributable to higher employee incentive and other compensation. Noninterest expense for the nine months ended September 30, 2004 was \$84 million, compared with \$74 million for the first nine months ended September 30, 2003.

The consolidating schedule below shows the contribution of the Company's segments to its overall profitability.

(Dollars in millions)	Servicing and						
For the Quarter Ended September 30, 2004	Fiduciary Businesses	Corporate Banking	Retail Banking	Financial Markets	Reconciling Items	Consolidated Total	
Net Interest Income	\$ 144	\$ 89	\$ 128	\$ 86	\$ (19)	\$ 428	
Provision for Credit Losses	1	15	6	5	(27)	-	
Noninterest Income	953	81	28	36	12	1,110	
Noninterest Expense	749	53	97	29	71	999	
Income Before Taxes	\$ 347	\$ 102	\$ 53	\$ 88	\$ (51)	\$ 539	
Contribution Percentage Average Assets	59%	17%	9%	15%			
	\$ 20,937	\$ 17,485	\$ 5,639	\$ 49,148	\$ 4,146	\$ 97,355	

	Servicing and						
For the Quarter Ended June 30, 2004	Fiduciary Businesses	Corporate Banking	Retail Banking	Financial Markets	Reconciling Items	Consolidated Total	
Net Interest Income	\$ 144	\$ 87	\$ 126	\$ 83	\$ (19)	\$ 421	
Provision for Credit Losses	1	15	5	5	(16)	10	
Noninterest Income	994	84	28	43	17	1,166	
Noninterest Expense	764	54	95	28	71	1,012	
Income Before Taxes	\$ 373	\$ 102	\$ 54	\$ 93	\$ (57)	\$ 565	
Contribution Percentage Average Assets	60%	16%	9%	15%			
	\$ 22,891	\$ 17,308	\$ 5,317	\$ 50,728	\$ 4,129	\$ 100,373	

	Servicing and						
For the Quarter Ended September 30, 2003	Fiduciary Businesses	Corporate Banking	Retail Banking	Financial Markets	Reconciling Items	Consolidated Total	
Net Interest Income	\$ 132	\$ 95	\$ 120	\$ 80	\$ (20)	\$ 407	
Provision for Credit Losses	-	27	5	5	3	40	
Noninterest Income	905	71	30	53	4	1,063	
Noninterest Expense	707	53	90	25	164	1,039	
Income Before Taxes	\$ 330	\$ 86	\$ 55	\$ 103	\$ (183)	\$ 391	
Contribution Percentage Average Assets	57%	15%	10%	18%			
	\$ 20,902	\$ 19,378	\$ 5,023	\$ 47,920	\$ 3,930	\$ 97,153	

(Dollars in millions)

For the Nine Months Ended September 30, 2004	Servicing and Fiduciary Businesses	Corporate Banking	Retail Banking	Financial Markets	Reconciling Items	Consolidated Total
Net Interest Income	\$ 428	\$ 265	\$ 377	\$ 249	\$ (201)	\$ 1,118
Provision for Credit Losses	2	50	16	15	(61)	22
Noninterest Income	2,937	245	85	129	109	3,505
Noninterest Expense	2,270	160	285	84	226	3,025
Income Before Taxes	\$ 1,093	\$ 300	\$ 161	\$ 279	\$ (257)	\$ 1,576
Contribution Percentage Average Assets	60%	16%	9%	15%		
	\$ 22,195	\$ 17,384	\$ 5,445	\$ 49,973	\$ 4,132	\$ 99,129

For the Nine Months Ended September 30, 2003	Servicing and Fiduciary Businesses	Corporate Banking	Retail Banking	Financial Markets	Reconciling Items	Consolidated Total
Net Interest Income	\$ 357	\$ 282	\$ 354	\$ 237	\$ (40)	\$ 1,190
Provision for Credit Losses	-	87	14	16	3	120
Noninterest Income	2,439	224	92	136	13	2,904
Noninterest Expense	1,883	152	268	74	304	2,681
Income Before Taxes	\$ 913	\$ 267	\$ 164	\$ 283	\$ (334)	\$ 1,293
Contribution Percentage Average Assets	56%	17%	10%	17%		
	\$ 14,799	\$ 19,916	\$ 5,246	\$ 46,252	\$ 3,366	\$ 89,579

## Reconciling Items

Description - 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 and certain other gains. Reconciling items for noninterest expense primarily reflects corporate overhead as well as amortization of intangibles and severance.

In the first nine months of 2004, the following adjustments were included in reconciling items: (i) SFAS 13 cumulative adjustment to the leasing portfolio, which impacted net interest income by \$145 million, (ii) four large securities gains and the gain on sale of Wing Hang Bank, which impacted noninterest income by \$67 million, and (iii) severance and lease termination expense, which impacted noninterest expense by \$19 million. In the third quarter of 2003, merger and integration costs associated with Pershing and the GMAC settlement are also reconciling items.

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.

	3rd Quarter	2nd Quarter	3rd Quarter	Year-to-date	
(Dollars in millions)	2004	2004	2003	2004	2003
Segments' revenue	\$ 1,545	\$ 1,589	\$ 1,486	\$ 4,715	\$ 4,121
Adjustments:					
Earnings associated with assignment of capital	(21)	(23)	(33)	(73)	(81)
Securities gains	-	-	-	19	-
SFAS 13 cumulative lease adjustment	-	-	-	(145)	-
Taxable equivalent basis and other tax-related items	4	3	13	17	41
Other	10	18	4	90	13
Subtotal-revenue adjustments	(7)	(2)	(16)	(92)	(27)
Consolidated revenue	\$ 1,538	\$ 1,587	\$ 1,470	\$ 4,623	\$ 4,094
Segments' income before tax	\$ 590	\$ 623	\$ 574	\$ 1,833	\$ 1,627
Adjustments:					
Revenue adjustments (above)	(7)	(2)	(16)	(92)	(27)
Provision for credit losses different than GAAP	27	15	(3)	61	(3)
Severance	-	-	(2)	(11)	(8)
Goodwill and intangible amortization	(9)	(8)	(8)	(26)	(18)
Pershing-related integration expenses	-	-	(23)	-	(48)
GMAC settlement	-	-	(78)	-	(78)
Lease termination	-	-	-	(8)	-
Corporate overhead	(62)	(63)	(53)	(181)	(152)
Consolidated income before tax	\$ 539	\$ 565	\$ 391	\$ 1,576	\$ 1,293
Segments' total average assets	\$ 93,209	\$ 96,244	\$ 93,223	\$ 94,997	\$ 86,213
Adjustments:					
Goodwill and intangibles	4,146	4,129	3,930	4,132	3,366
Consolidated average assets	\$ 97,355	\$ 100,373	\$ 97,153	\$ 99,129	\$ 89,579

Allocation to Segments - Earnings associated with the assignment of capital relate to preferred trust securities which are assigned as capital to segments. Since the Company considers these issues to be capital, it does not allocate the interest expense associated with these securities to individual segments. If this interest expense were allocated to segments, it could be assigned based on segment capital, assets, risks, or some other basis.

The reconciling item for securities gains relates to the Financial Markets business. The taxable equivalent adjustment is not allocated to segments because all segments contribute to the Company's taxable income and the Company believes it is arbitrary to assign the tax savings to any particular segment. Most of the assets that are attributable to the tax equivalent adjustment are recorded in the Financial Markets segment. In the first quarter of 2004, the \$145 million reconciling item related to SFAS 13 cumulative lease adjustment would be attributable to the Financial Markets segment. In addition, the first quarter \$48 million gain on the sale of Wing Hang recorded in Other would be attributable to the Corporate Banking segment.

The reconciling item for the provision for loan losses primarily relates to Corporate Banking. Goodwill and intangible amortization primarily relates to the Securities Servicing and Fiduciary segment. Corporate overhead is difficult to specifically identify with any particular segment. Approaches to allocating corporate overhead to segments could be based on revenues, expenses, number of employees, or a variety of other measures. In the first quarter of 2004, the \$18 million of severance and lease termination would be allocated primarily to the Servicing and Fiduciary Businesses segment. Merger and integration charges associated with Pershing would be allocated to the Securities and Fiduciary Businesses segment. The GMAC settlement would be allocated to Corporate Banking.

#### CONSOLIDATED BALANCE SHEET REVIEW

Total assets were \$93.2 billion at September 30, 2004, compared with \$97.5 billion at June 30, 2004, and \$95.2 billion at September 30, 2003. The decrease in assets reflects lower market activity levels throughout the quarter, which resulted in a lower level of customer deposits at quarter end. Total assets at the end of the second quarter was unusually high as clients left funds on deposit rather than invested in the equity and fixed income markets. Total shareholders' equity increased to \$9.1 billion at September 30, 2004, compared with \$8.8 billion at June 30, 2004, and \$8.2 billion at September 30, 2003. The increase in shareholders' equity from the prior quarter reflects retention of earnings and an increase in the securities valuation allowance. The major reason for the increase in shareholders' equity from a year ago is the retention of earnings.

Return on average common equity for the third quarter of 2004 was 15.90%, compared with 17.14% in the second quarter of 2004, and 12.82% in the third quarter of 2003. Return on average assets for the third quarter of 2004 was 1.45%, compared with 1.49% in the second quarter of 2004, and 1.06% in the third quarter of 2003. For the nine months of 2004, return on average common equity was 16.73% compared with 15.23% in 2003, while return on average assets was 1.47% compared with 1.27% in 2003. The 2003 ratios were impacted by the Pershing merger and integration costs and the GMAC settlement.

## Investment Securities

The table below shows the distribution of the Company's securities portfolio:

## Investment Securities (at Fair Value)

(Dollars in millions)	09/30/04	12/31/03
Fixed Income:		
Mortgage-Backed Securities	\$ 18,991	\$ 18,703
Asset-Backed Securities	-	20
Corporate Debt	1,264	1,326
Short-Term Money Market Instruments	926	917
U.S. Treasury Securities	370	505
U.S. Government Agencies	393	241
State and Political Subdivisions	215	251
Emerging Market Debt	116	109
Other Foreign Debt	505	518
Subtotal Fixed Income	22,780	22,590
Equity Securities:		
Money Market Funds	343	200
Federal Reserve Bank Stock	99	96
Other	19	12
Subtotal Equity Securities	461	308
Total Securities	\$ 23,241	\$ 22,898

Total investment securities were \$23.2 billion at September 30, 2004, compared with \$23.0 billion at June 30, 2004, and \$22.9 billion at December 31, 2003. Average investment securities were \$22.5 billion in the third quarter of 2004, compared with \$23.0 billion in the second quarter of 2004 and \$20.6 billion in the third quarter of last year. Average investment securities were \$22.8 billion in the nine months ended September 30, 2004, compared with \$19.1 billion in the nine months ended September 30, 2003. The increases were primarily due to growth in the Company's portfolio of highly rated mortgage-backed securities which are 89% rated AAA, 6% AA, and 5% A. Since December 31, 2002, the Company has added approximately \$5.9 billion of mortgage-backed securities to its investment portfolio. The Company has been adding either adjustable or short life classes of structured mortgage-backed securities, both of which have short durations. The effective duration of the Company's mortgage portfolio at September 30, 2004 was approximately 1.9 years.

Net unrealized gains for securities available-for-sale were \$150 million at September 30, 2004, compared with \$14 million at June 30, 2004 and \$201 million at December 31, 2003. The increase in unrealized gains since June 30, 2004 reflects the decline in long-term interest rates in the third quarter. The decline in unrealized gains from the third quarter of 2003 reflects the increase in these rates since last year. The asymmetrical accounting treatment of the impact of a change in interest rates on the Company's balance sheet may create a situation in which an increase in interest rates can adversely affect reported equity and regulatory capital, even though economically there may be no impact on the economic capital position of the Company. For example, an increase in rates will result in a decline in the value of the fixed rate portion of the Company's fixed income investment portfolio, which will be reflected through a reduction in other comprehensive income in the Company's shareholders' equity, thereby affecting the tangible common equity ("TCE") ratio. Under current accounting rules, there is no corresponding change in value of the Company's fixed rate liabilities, even though economically these liabilities are more valuable as rates rise.

## Loans

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(Dollars in billions)	Period End			Quarterly Average			Year-to-date Average		
	Total	Non-Margin	Margin	Total	Non-Margin	Margin	Total	Non-Margin	Margin
Sept. 30, 2004	\$37.1	\$ 31.2	\$ 5.9	\$37.6	\$ 31.3	\$ 6.3	\$37.2	\$ 30.9	\$ 6.3
December 31, 2003	35.3	29.6	5.7	37.3	31.5	5.8	35.6	31.8	3.8
Sept. 30, 2003	37.5	32.0	5.5	37.4	32.0	5.4	35.0	31.9	3.1

Total loans were \$37.1 billion at September 30, 2004, compared with \$38.2 billion at June 30, 2004 and \$35.3 billion at December 31, 2003. The decline in total loans from June 30, 2004 primarily reflects a decrease in overdrafts, securities industry loans, and margin loans. The Company continues to focus on its strategy of reducing non-strategic and outsized corporate loan exposures to improve its credit risk profile. Average total loans were \$37.6 billion in the third quarter of 2004, compared with \$37.4 billion in the third quarter of 2003 while for the nine months ended September 30, 2004, average loans were \$37.2 billion compared with \$35.0 billion for 2003. The increase in average loans in both periods results from higher margin loans due to the Pershing acquisition.

The following tables provide additional details on the Company's credit exposures and outstandings at September 30, 2004 in comparison to December 31, 2003.

## Overall Loan Portfolio

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(Dollars in billions)	Unfunded Total			Unfunded Total		
	Loans	Commitments	Exposure	Loans	Commitments	Exposure
	09/30/04	09/30/04	09/30/04	12/31/03	12/31/03	12/31/03
Financial Institutions	\$ 10.8	\$ 22.0	\$ 32.8	\$ 9.2	\$ 21.8	\$ 31.0
Corporate	3.7	19.6	23.3	4.0	20.5	24.5
	14.5	41.6	56.1	13.2	42.3	55.5
Consumer & Middle Market	8.8	4.3	13.1	8.2	4.1	12.3
Leasing Financings	5.7	0.1	5.8	5.8	-	5.8
Commercial Real Estate	2.2	0.9	3.1	2.4	0.8	3.2
Margin loans	5.9	-	5.9	5.7	-	5.7
Total	\$ 37.1	\$ 46.9	\$ 84.0	\$ 35.3	\$ 47.2	\$ 82.5
	=====	=====	=====	=====	=====	=====

## Financial Institutions

The financial institutions portfolio exposure was \$32.8 billion at September 30, 2004 compared to \$31.0 billion at December 31, 2003. These exposures are of high quality, with 87% meeting the investment grade criteria of the Company's rating system. The exposures are generally short-term, with 78% expiring within one year and are frequently secured. For example, mortgage banking, securities industry, and investment managers often borrow against marketable securities held in custody at the Company. The diversity of the portfolio is shown in the accompanying table.

(Dollars in billions)

Lending Division	September 30, 2004					December 31, 2003		
	Loans	Unfunded Commitments	Total Exposures	%Inv Grade	%due <1 Yr	Loans	Unfunded Commitments	Total Exposures
Banks	\$ 4.2	\$ 3.7	\$ 7.9	71%	88%	\$ 2.6	\$ 3.1	\$ 5.7
Securities Industry	2.4	3.3	5.7	89	96	1.9	3.5	5.4
Insurance	0.4	4.9	5.3	95	60	0.3	5.0	5.3
Government	0.1	5.1	5.2	99	64	0.2	5.6	5.8
Asset Managers	3.3	3.6	6.9	86	79	3.6	3.5	7.1
Mortgage Banks	0.3	0.6	0.9	84	72	0.4	0.5	0.9
Endowments	0.1	0.8	0.9	98	62	0.2	0.6	0.8
<b>Total</b>	<b>\$10.8</b>	<b>\$ 22.0</b>	<b>\$ 32.8</b>	<b>87%</b>	<b>78%</b>	<b>\$ 9.2</b>	<b>\$ 21.8</b>	<b>\$ 31.0</b>

## Corporate

The corporate portfolio exposure declined to \$23.3 billion at September 30, 2004 from \$24.5 billion at year-end 2003. Approximately 76% of the portfolio is investment grade while 27% of the portfolio matures within one year.

(Dollars in billions)

Lending Division	September 30, 2004					December 31, 2003		
	Loans	Unfunded Commitments	Total Exposures	%Inv Grade	%due <1 Yr	Loans	Unfunded Commitments	Total Exposures
Media	\$ 1.0	\$ 2.0	\$ 3.0	62%	15%	\$ 0.9	\$ 2.3	\$ 3.2
Cable	0.6	0.5	1.1	30	1	0.7	0.7	1.4
Telecom	0.1	0.5	0.6	78	14	0.3	0.6	0.9
<b>Subtotal</b>	<b>1.7</b>	<b>3.0</b>	<b>4.7</b>	<b>57%</b>	<b>12%</b>	<b>1.9</b>	<b>3.6</b>	<b>5.5</b>
Energy	0.4	4.4	4.8	84	31	0.4	4.2	4.6
Retailing	0.2	2.2	2.4	80	43	0.1	2.3	2.4
Automotive	0.1	1.9	2.0	72	52	0.1	2.1	2.2
Healthcare	0.2	1.4	1.6	90	15	0.2	1.3	1.5
Other*	1.1	6.7	7.8	80	25	1.3	7.0	8.3
<b>Total</b>	<b>\$ 3.7</b>	<b>\$ 19.6</b>	<b>\$ 23.3</b>	<b>76%</b>	<b>27%</b>	<b>\$ 4.0</b>	<b>\$ 20.5</b>	<b>\$ 24.5</b>

&lt;FN&gt;

\* Diversified portfolio of industries and geographies

&lt;/FN&gt;

The Company had previously targeted the telecom exposure for reduction to a total of \$750 million by December 31, 2004. This goal was accomplished in the first quarter of 2004 and exposures have since declined to \$551 million. The percentage of investment grade borrowers in the telecom portfolio has increased to 78% from 52% at year-end 2003. The improved quality of the portfolio is largely due to reductions in lower rated credits.

The Company's exposure to the airline industry consists of a \$548 million

leasing portfolio (including a \$15 million real estate lease exposure) as well as \$23 million of direct lending. The airline leasing portfolio consists of \$254 million to major U.S. carriers, \$205 million to foreign airlines and \$89 million to U.S. regionals.

During the third quarter of 2004, the industry continued to face the dilemma of an increasingly uncompetitive cost structure, weak demand, high energy costs, and strong competition from the regionals. The industry's

stagnant demand and considerable excess capacity continues to negatively impact the valuations of the industry's aircraft in the secondary market. Because of these factors, the Company continues to maintain a sizable allowance for loan losses against these exposures and to closely monitor the portfolio.

Nonperforming Assets  
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(Dollars in millions)	09/30/04	06/30/04	Change		Change	
			9/30/04 vs. 06/30/04	12/31/03	9/30/04 vs. 12/31/03	12/31/03
Category of Loans:						
Commercial	\$ 209	\$ 208	\$ 1	\$ 219	\$ (10)	
Foreign	27	53	(26)	79	(52)	
Other	50	50	-	51	(1)	
Total Nonperforming Loans	286	311	(25)	349	(63)	
Other Real Estate	1	-	1	-	1	
Total Nonperforming Assets	\$ 287	\$ 311	\$ (24)	\$ 349	\$ (62)	
Nonperforming Assets Ratio	0.9%	1.0%		1.2%		
Allowance for Loan						
Losses/Nonperforming Loans	209.0	192.2		191.2		
Allowance for Loan						
Losses/Nonperforming Assets	208.1	192.2		191.2		
Allowance for Credit						
Losses/Nonperforming Loans	264.4	249.1		230.2		
Allowance for Credit						
Losses/Nonperforming Assets	263.3	249.1		230.2		

Nonperforming assets declined by \$24 million, or 8% during the third quarter of 2004 to \$287 million and are down 26% from a year ago. The sequential quarter decrease primarily reflects paydowns and charge-offs of foreign loans. The ratio of the allowance for credit losses to nonperforming assets increased to 263.3% at September 30, 2004, compared with 249.1% at June 30, 2004, and 210.5% at September 30, 2003.

## Activity in Nonperforming Assets

(Dollars in millions)	Quarter End		Year-to-date	
	September 30, 2004		September 30, 2004	
Balance at Beginning of Period	\$	311	\$	349
Additions		27		106
Charge-offs		(7)		(47)
Paydowns/Sales		(44)		(121)
Balance at End of Period	\$	287	\$	287

Interest income would have been increased by \$1 million and \$4 million for the third quarters of 2004 and 2003 if loans on nonaccrual status at September 30, 2004 and 2003 had been performing for the entire period. Interest income would have been increased by \$8 million and \$12 million for the nine months ended September 30, 2004 and 2003 if loans on nonaccrual status at September 30, 2004 and 2003 had been performing for the entire period.

## Impaired Loans

The table below sets forth information about the Company's impaired loans. The Company uses the discounted cash flow, collateral value, or market price methods for valuing its impaired loans:

(Dollars in millions)	September 30, 2004	June 30, 2004	September 30, 2003
Impaired Loans with an Allowance	\$ 160	\$ 168	\$ 352
Impaired Loans without an Allowance(1)	108	121	-
Total Impaired Loans	\$ 268	\$ 289	\$ 352
Allowance for Impaired Loans(2)	\$ 57	\$ 69	\$ 150
Average Balance of Impaired Loans during the Quarter	\$ 293	\$ 305	\$ 387
Interest Income Recognized on Impaired Loans during the Quarter	\$ 2.4	\$ 0.6	\$ -

- (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.

## Allowance

(Dollars in millions)	September 30, 2004	June 30, 2004	September 30, 2003
Margin Loans	\$ 5,911	\$ 6,114	\$ 5,472
Non-Margin Loans	31,208	32,091	32,068
Total Loans	37,119	38,205	37,540
Allowance for Loan Losses	598	598	665
Allowance for Lending-Related Commitments	158	177	152
Total Allowance for Credit Losses	756	775	817
Allowance for Loan Losses As a Percent of Total Loans	1.61%	1.57%	1.77%
Allowance for Loan Losses As a Percent of Non-Margin Loans	1.92	1.86	2.07
Allowance for Credit Losses As a Percent of Total Loans	2.04	2.03	2.18
Allowance for Credit Losses As a Percent of Non-Margin Loans	2.42	2.42	2.55

The Company adopts new accounting policies as they become accepted as a best practice or required by generally accepted accounting principles. Accordingly, at December 31, 2003, the Company split its allowance for credit losses into an allowance for loan losses and an allowance for lending-related commitments such as unfunded loan commitments, and standby letters of credit. This resulted in a decrease in the allowance for loan losses of \$136 million and a corresponding increase in other liabilities (which includes the allowance for lending-related commitments). Prior period balance sheets have been restated. Credit expenses related to the allowance for loan losses and the allowance for lending-related commitments are reported in the provision for credit losses in the income statement. To aid in the comparison of the Company's results with other companies that have not yet adopted this practice, the Company provides various credit ratios based both on the allowance for credit losses and the allowance for loan losses.

The allowance for credit losses to total loans was \$756 million, or 2.04% of loans at September 30, 2004, compared with \$775 million, or 2.03% of loans at June 30, 2004, and \$817 million, or 2.18% of loans at September 30, 2003.

The Company has \$5.9 billion of secured margin loans on its balance sheet at September 30, 2004. The Company has rarely suffered a loss on these types of loans and doesn't allocate any of its allowance for credit losses to these loans. As a result, the Company believes the ratio of allowance for credit losses to non-margin loans is a more appropriate metric to measure the adequacy of the reserve.

The ratio of the allowance for credit losses to non-margin loans remained at 2.42% at September 30, 2004, compared with 2.42% at June 30, 2004 and 2.55% at September 30, 2003, reflecting continued improvement in the credit quality in the third quarter of 2004. The Company expects credit costs to remain at lower levels through the remainder of the year as both external and internal credit metrics have continued to improve.

Nonperforming assets declined another 8% this quarter, and have declined by 26% from a year ago. The Company's criticized and classified loans experienced a mid-teens decline from the second quarter of 2004 and are down by approximately half from a year ago.

The ratio of the allowance for loan losses to nonperforming assets was 208.1% at September 30, 2004, up from 192.2% at June 30, 2004, and 191.2% at December 31, 2003. Included in the Company's allowance for credit losses at September 30, 2004 is an allocated transfer risk reserve related to Argentina of \$7 million.

The allowance for loan losses and the allowance for lending related commitments 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 analyses 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 in accordance with FASB 114. 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 securing the obligation.

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 risk rates each credit in its portfolio that exceeds \$1 million and assigns the credits to specific pools. A potential loss factor is assigned to each pool, and an amount is included in the allowance equal to the multiple of the amount of the loan in the pool times a risk factor. Reviews of higher risk rated loans and exposures are conducted at least quarterly and each loan's rating is reaffirmed or updated, as necessary. The Company maintains and updates loss migration analysis by comparing actual loss experiences to

the loss factors assigned to each exposure pool. Past due consumer obligations are included in specific risk categories based on the length of time the loan is past due.

The third element (pass rated credits) is based on the Company's expected loss model. Borrowers are assigned to pools based on their credit rating, the maturity of the loan, the estimated exposure at default, and the loss given a default. The credit rating is derived from the borrower's probability of default. The loss given default incorporates an analysis of structure and collateral. These ratings are frequently reviewed by the relationship managers and their respective division portfolio managers and more formally on a semi-annual basis. The ratings are mapped to independent parties, including the rating agencies in order to ensure consistency and validity. At the time of approval, loans are individually analyzed and assigned a risk rating and loss given default rating. Performing consumer loans are included in the pass rated consumer pools. The Company uses an exposure at default estimate as a way of quantifying the amount the Company will lose in case of default. This estimate varies depending on the level of commitment, the type of exposure, and the credit rating of the borrower.

The fourth element (the 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
- \* Geopolitical issues and their impact on the economy

Based on an evaluation of these four elements, including individual credits, historical credit losses, and global economic factors, the Company has allocated its allowance for credit losses as follows:

	September 30, 2004	December 31, 2003
	-----	-----
Domestic		
Real Estate	2%	2%
Commercial	77	74
Consumer	1	1
Foreign	4	9
Unallocated	16	14
	-----	-----
	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.

Deposits  
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Total deposits were \$58.4 billion at September 30, 2004, compared with \$61.1 billion at June 30, 2004 and \$58.9 billion at September 30, 2003. The decrease on a sequential quarter basis was primarily due to lower market activity levels, which resulted in a lower level of customer deposits at quarter end. Noninterest-bearing deposits were \$15.5 billion at September 30, 2004, compared with \$14.8 billion at December 31, 2003. Interest-bearing deposits were \$42.9 billion at September 30, 2004, compared with \$41.6 billion at December 31, 2003.

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 2003 Annual Report on Form 10-K. Three of the Company's more critical accounting policies are those related to the allowance for credit losses, to the valuation of derivatives and securities where quoted market prices are not available, and goodwill and other intangibles.

Allowance for Credit Losses  
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The allowance for credit losses represents management's estimate of probable losses inherent in the Company's loan portfolio. This evaluation process is subject to numerous estimates and judgments. Probabilities of default/borrower ratings are assigned after analyzing the credit quality of each borrower/counterparty and the Company's internal ratings are consistent with external rating agency default databases. Loss given default ratings are driven by the collateral, structure, and seniority of each individual asset and are consistent with external loss given default/recovery databases. The Company uses an exposure at default estimate as a way of quantifying the amount the Company could lose in case of default. This estimate varies depending on the level of commitment, the type of exposure, and the credit rating of the borrower. The portion of the allowance related to impaired credits is based on the present value of future cash flows, market prices, or collateral values. Changes in the estimates of probability of default, risk ratings, loss given default/recovery rates, and cash flows could have a direct impact on the allocated allowance for loan losses.

The Company's unallocated allowance is established via a process that begins with estimates of probable loss inherent in the portfolio, based upon 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; and
- Geopolitical issues and their impact on the economy.

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.

The Company considers it difficult to quantify the impact of changes in forecast on its allowance for credit losses. Nevertheless, the Company believes the following discussion may enable investors to better understand the variables that drive the allowance for credit losses.

One key variable in determining the allowance is management's judgment around the size of the unallocated portion of the allowance. At September 30, 2004, the unallocated allowance was 16% of the total allowance. If the unallocated allowance were five percent higher or lower, the allowance would have increased or decreased by \$38 million, respectively.

The credit rating assigned to each pass credit is another significant variable in determining the allowance. If each pass credit were rated one grade better, the allowance would have decreased by \$64 million, while if each pass credit were rated one grade worse, the allowance would have increased by \$157 million.

For higher risk rated credits, if the loss given default were 10% worse, the allowance would have increased by \$19 million, while if the loss given default were 10% better, the allowance would have decreased by \$25 million.

For impaired credits, if the fair value of the loans were 10% higher or lower, the allowance would have increased or decreased by \$21 million, respectively.

#### Valuation of Derivatives and Securities Where Quoted Market Prices Are Not

##### Available

When quoted market prices are not available for derivatives and securities values, such values are determined at fair value, which is defined as the value at which positions could be closed out or sold in a transaction with a willing counterparty over a period of time consistent with the Company's trading or investment strategy. Fair value for these instruments is determined based on discounted cash flow analysis, comparison to similar instruments, and the use of financial models. Financial models use as their basis independently sourced market parameters including, for example, interest rate yield curves, option volatilities, and currency rates. 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. The Company's valuation process takes into consideration factors such as counterparty credit quality, liquidity and concentration concerns. The Company applies judgment in the application of these factors. In addition, the Company must apply judgment when no external parameters exist. Finally, other factors can affect the Company's estimate of fair value including market dislocations, incorrect model assumptions, and unexpected correlations.

These valuation methods could expose the Company to materially different results should the models used or underlying assumptions be inaccurate. See "Use of Estimates" in footnote 1 "Summary of Significant Accounting and Reporting Policies" in the Company's 2003 Annual Report on Form 10-K.

To assist in assessing the impact of a change in valuation, at September 30, 2004, approximately \$2.8 billion of the Company's portfolio of securities and derivatives is not priced based on quoted market prices. A change of 2.5% in the valuation of these securities and derivatives would result in a change in pre-tax income of \$69 million.

#### Goodwill and Other Intangibles

The Company records all assets and liabilities acquired in purchase acquisitions, including goodwill, indefinite-lived intangibles, and other intangibles, at fair value as required by SFAS 141. Goodwill (\$3,386 million at September 30, 2004) and indefinite-lived intangible assets (\$370 million at September 30, 2004) are not amortized but are subject to annual tests for impairment or more often if events or circumstances indicate they may be impaired. Other intangible assets are amortized over their estimated useful lives and are subject to impairment if events or circumstances indicate a possible inability to realize the carrying amount. The initial recording of goodwill and other intangibles requires subjective judgments concerning estimates of the acquired assets' fair value. The goodwill impairment test is performed in two phases. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional procedure must be performed. That additional procedure compares the implied fair value of the reporting unit's goodwill with the carrying

amount of that goodwill. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. Indefinite-lived intangible assets are evaluated for impairment at least annually by comparing its fair value to its carrying value.

Other identifiable intangible assets, \$414 million at September 30, 2004, are evaluated for impairment if events and circumstances indicate a possible impairment. Such evaluation of other intangible assets is based on undiscounted cash flow projections. Fair value may be determined using: market prices, comparison made with similar assets, market multiples, discounted cash flow analysis and other determinates. Estimated cash flows may extend far into the future and, by their nature, are difficult to determine over an extended timeframe. Factors that may significantly affect the estimates include, among others, competitive forces, customer behaviors and attrition, changes in revenue growth trends, cost structures and technology, and changes in discount rates and specific industry or market sector conditions. Other key judgments in accounting for intangibles include useful life and classification between goodwill and indefinite lived intangibles or other intangibles which require amortization. See Note 4 of the Notes to Consolidated Financial Statements for additional information regarding intangible assets.

The following discussion may assist investors in assessing the impact of a goodwill or intangible asset impairment charge. The Company has \$4.2 billion of goodwill and intangible assets at September 30, 2004. The impact of a 5% impairment charge would result in a change of pre-tax income of approximately \$209 million.

#### 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 \$14.5 billion and \$14.9 billion on an average basis for the first nine months of 2004 and 2003. Stable foreign deposits, primarily from the Company's European based securities servicing business, were \$25.9 billion and \$24.1 billion at September 30, 2004 and 2003. Savings and other time deposits were \$10.2 billion on a year-to-date average basis at September 30, 2004 compared to \$10.2 billion at September 30, 2003. Payables to customers and broker-dealers increased to \$6.5 billion from \$3.2 billion reflecting the Pershing acquisition. 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 September 30, 2004 the Bank could pay dividends of approximately \$961 million to the Parent without the need for regulatory waiver. This dividend capacity would increase in the remainder of 2004 to the extent of the Bank's net income less dividends. Nonbank subsidiaries of the Parent have liquid assets of approximately \$263 million. These assets could be liquidated and the proceeds delivered by dividend or loan to the Parent.

The Parent has a \$300 million line of credit with the Bank, which is subject to limits imposed by federal banking law. The Parent had no borrowings from the Bank at September 30, 2004.

For the quarter ended September 30, 2004, the Parent's quarterly average commercial paper borrowings were \$67 million compared with \$74 million in 2003. At September 30, 2004, the Parent had cash of \$777 million compared with cash of \$631 million at June 30, 2004 and \$479 million at September 30, 2003. Net of commercial paper outstanding, the Parent's cash position at September 30, 2004 was up \$265 million compared with September 30, 2003.

The Parent has a back-up line of credit of \$275 million with 15 financial institutions. This line of credit matures in October 2006. There were no borrowings under the line of credit at September 30, 2004 and September 30, 2003.

The Parent also has the ability to access the capital markets. At September 30, 2004, the Parent had a shelf registration statement with a capacity of \$2.5 billion of debt, preferred stock, preferred trust securities, or common stock. Access to the capital markets is partially dependent on the Company's credit ratings, which as of September 30, 2004 were as follows:

	Parent Commercial Paper	Parent Subordinated Long-Term Debt	Parent Senior Long-Term Debt	The Bank of New York Long-Term Deposits	Outlook
	-----	-----	-----	-----	-----
Standard & Poor's	A-1	A	A+	AA-	Stable
Moody's	P-1	A1	Aa3	Aa2	Stable
Fitch	F1+	A+	AA-	AA	Stable

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 \$300 million of long-term debt that becomes due in 2004 subsequent to September 30, 2004 and \$100 million of long-term debt that is due in 2005. In addition, at September 30, 2004, the Parent has the option to call \$50 million of subordinated debt in 2004 and \$94 million in 2005, which it 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.

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 September 30, 2004 and 2003 was 98.44% and 101.96%. 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.

The following comments relate to the information disclosed in the Consolidated Statements of Cash Flows.

Earnings and other operating activities provided \$3.4 billion in cash flows through September 30, 2004, compared with \$1.0 billion provided by operating activities through September 30, 2003. The sources of cash flows from operations in 2004 and 2003 were principally the result of changes in trading activities and net income.

In the first nine months of 2004, cash used for investing activities was \$3.5 billion as compared to cash used for investing activities in the first nine months of 2003 of \$7.4 billion. In the first nine months of 2004 and 2003, purchases of securities available-for-sale were a significant use of funds.

In the first nine months of 2004, cash used for financing activities was \$0.5 billion as compared to cash provided by financing activities in the first nine months of 2003 of \$5.4 billion. Sources of funds in 2004 include deposits, other borrowed funds, and the issuance of long-term debt and common stock. Deposits, payables to customers and broker-dealers, and the issuance of long-term debt and common stock to acquire Pershing were the primary source of funds in 2003.

#### CAPITAL RESOURCES

Regulators establish certain levels of capital for bank holding companies and banks, including the Company and 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 September 30, 2004 and 2003, 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:

	September 30, 2004		September 30, 2003		Company Targets	Well Capitalized Guidelines	Adequately Capitalized Guidelines
	Company	Bank	Company	Bank			
Tier 1*	8.09%	7.59%	7.08%	7.19%	7.75%	6%	4%
Total Capital**	12.09	11.69	11.18	11.45	11.75	10	8
Leverage	6.38	5.98	5.64	5.71		5	3-5
Tangible Common Equity ("TCE")	5.49	5.79	4.65	5.43	5.25-6.00	N.A.	N.A.

<FN>

\* Tier 1 capital consists, generally, of common equity, preferred trust securities, and certain qualifying preferred stock, less goodwill and most other intangibles.

\*\*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>

The Company's regulatory Tier 1 capital and Total capital ratios were 8.09% and 12.09% at September 30, 2004, compared with 7.70% and 11.63% at June 30, 2004, and 7.08% and 11.18% at September 30, 2003. The regulatory leverage ratio was 6.38% at September 30, 2004, compared with 6.00% at June 30, 2004, and 5.64% at September 30, 2003. The Company's tangible common equity as a percentage of total assets was 5.49% at September 30, 2004, compared with 4.95% at June 30, 2004, and 4.65% at September 30, 2003. This ratio varies depending on the size of the balance sheet at quarter-end and the impact of interest rates on unrealized gains and losses among other things. The balance sheet size fluctuates from quarter to quarter based on levels of market activity. In general, when servicing clients are more actively trading securities, deposit balances are higher to finance these activities. Since market activity was weak through September the balance sheet contracted.

At September 30, 2004, the Company benefited from a smaller balance sheet versus normal by approximately 15 basis points, while the remaining improvement reflects earnings retention and a favorable mark on the available-for-sale portfolio, given the flattening yield curve. The mark on the available-for-sale portfolio on a pre-tax basis was a positive \$150 million at September 30 versus a positive \$14 million at June 30 and a positive \$201 million at the beginning of the year. A billion dollar change in assets changes the TCE ratio 6 basis points while a \$100 million change in common equity changes the TCE ratio 11 basis points. In the third quarter of 2004, the Company restored all of its capital ratios to targeted levels and repurchased 2.4 million shares during the quarter bringing the year-to-date total to 4.0 million shares. The Company did not complete any material acquisitions in the third quarter and may buy back additional shares in the fourth quarter depending on the level of acquisition activity and balance sheet demands.

The Federal Reserve is reviewing the treatment of preferred trust securities as Tier 1 Capital. See "Accounting Changes and New Accounting Pronouncements" in the Footnotes to the Consolidated Financial Statements.

The following table presents the components of the Company's risk-based capital at September 30, 2004 and 2003:

(Dollars in millions)	2004	2003
	-----	-----
Common Stock	\$9,054	\$ 8,223
Preferred Stock	-	-
Preferred Trust Securities	1,150	1,150
Adjustments: Intangibles	(4,165)	(3,967)
Securities Valuation Allowance	(93)	(161)
Merchant Banking Investments	(6)	(5)
	-----	-----
Tier 1 Capital	5,940	5,240
	-----	-----
Qualifying Unrealized Equity Security Gains	-	-
Qualifying Subordinated Debt	2,193	2,239
Qualifying Allowance for Loan Losses	749	797
	-----	-----
Tier 2 Capital	2,942	3,036
	-----	-----
Total Risk-based Capital	\$ 8,882	\$ 8,276
	=====	=====
	-----	-----
Risk-Adjusted Assets	\$73,447	\$74,013
	=====	=====

## TRADING ACTIVITIES

The fair value and notional amounts of the Company's financial instruments held for trading purposes at September 30, 2004 and September 30, 2003 are as follows:

(Dollars in millions)	September 30, 2004		2004 Average		
	Notional	Fair Value	Fair Value		
Trading Account	Amount	Assets	Liabilities	Assets	Liabilities
Interest Rate Contracts:					
Futures and Forward					
Contracts	\$ 38,572	\$ 26	\$ -	\$ 35	\$ -
Swaps	222,255	1,717	725	1,655	744
Written Options	160,255	-	1,324	-	1,244
Purchased Options	112,129	186	-	210	-
Foreign Exchange Contracts:					
Swaps	2,937	-	-	-	-
Written Options	6,333	-	-	-	9
Purchased Options	9,356	39	-	50	-
Commitments to Purchase and Sell Foreign Exchange	69,985	502	503	374	396
Debt Securities	-	1,332	102	1,581	106
Credit Derivatives	1,497	2	5	2	7
Equity Derivatives	1,958	217	196	119	83
Total Trading Account	\$4,021	\$ 2,855	\$ 4,026	\$ 2,589	

Trading Account	September 30, 2003		2003 Average		
	Notional	Fair Value	Fair Value		
	Amount	Assets	Liabilities	Assets	Liabilities
Interest Rate Contracts:					
Futures and Forward					
Contracts	\$ 74,988	\$ 122	\$ -	\$ -	\$ 41
Swaps	174,255	1,737	421	1,668	341
Written Options	136,286	-	1,465	-	1,314
Purchased Options	61,330	228	-	205	-
Foreign Exchange Contracts:					
Swaps	2,973	-	-	-	-
Written Options	11,939	-	73	-	71
Purchased Options	15,173	57	-	44	-
Commitments to Purchase and Sell Foreign Exchange	59,797	553	621	342	392
Debt Securities	-	4,164	257	4,345	162
Credit Derivatives	1,692	5	4	5	7
Equity Derivatives	102	23	8	9	7
Total Trading Account	\$6,889	\$ 2,849	\$ 6,618	\$ 2,335	

The Company's trading activities are focused on acting as a market maker for the Company's customers. The risk from these market making activities and from the Company's own positions is managed by the Company's traders and limited in total exposure as described below.

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. The VAR model is used to calculate economic capital which is allocated to the business units for computing risk-adjusted performance. 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.

(Dollars in millions)	3rd Quarter 2004			Year-to-date 2004			
	Average	Minimum	Maximum	Average	Minimum	Maximum	9/30/04
Interest rate	\$ 2.8	\$ 2.1	\$ 4.2	\$ 4.1	\$ 2.1	\$ 7.8	\$ 2.9
Foreign Exchange	0.9	0.5	1.6	1.0	0.4	3.1	1.4
Equity	0.8	0.6	1.6	1.2	0.6	2.4	1.3
Credit Derivatives	1.5	1.3	1.6	1.8	1.3	2.1	1.5
Diversification	(1.4)	NM	NM	(1.4)	NM	NM	(2.2)
Overall Portfolio	4.6	3.6	6.2	6.7	3.6	12.8	4.9

  

	3rd Quarter 2003			Year-to-date 2003			
	Average	Minimum	Maximum	Average	Minimum	Maximum	9/30/03
Interest rate	\$ 7.2	\$ 1.9	\$ 13.8	\$ 6.1	\$ 1.9	\$ 13.8	\$ 1.9
Foreign Exchange	0.9	0.6	1.4	0.8	0.5	1.9	1.0
Equity	0.4	0.1	1.0	0.2	-	1.0	0.6
Credit Derivatives	2.2	2.1	2.3	2.0	1.4	2.8	2.1
Diversification	(1.8)	NM	NM	(1.6)	NM	NM	(0.5)
Overall Portfolio	8.9	5.1	14.7	7.5	3.4	14.7	5.1

<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>

During the first nine months of 2004, interest rate risk generated approximately 51% of average VAR, credit derivatives generated 22% of average VAR, foreign exchange accounted for 12% of average VAR, and equity generated 15% of average VAR. During the third quarter and first nine months of 2004, the Company's daily trading loss did not exceed the Company's calculated VAR amounts on any given day.

The following table of total daily revenue or loss captures trading volatility and shows the number of days in which the Company's trading revenues fell within particular ranges during the past year.

Distribution of Revenues

Revenue Range	For the Quarter Ended				
	9/30/04	6/30/04	3/31/04	12/31/03	9/30/03
(Dollars in millions)	Number of Occurrences				
Less than \$(2.5)	0	1	0	0	1
\$(2.5)~ \$ 0	11	11	2	5	11
\$ 0 ~ \$ 2.5	48	32	48	46	33
\$ 2.5 ~ \$ 5.0	5	17	10	15	17
More than \$5.0	0	3	2	0	4

## Counterparty Risk Ratings Profile

The table below summarizes the risk ratings of the Company's foreign exchange and interest rate derivative counterparty credit exposure for the past year.

Rating(1)	For the Quarter Ended				
	9/30/04	6/30/04	3/31/04	12/31/03	9/30/03
AAA to AA-	68%	70%	61%	59%	60%
A+ to A-	21	16	24	25	23
BBB+ to BBB-	8	11	12	12	13
Noninvestment Grade	3	3	3	4	4
Total	100%	100%	100%	100%	100%

(1) Represents credit rating agency equivalent of internal credit ratings.

## ASSET/LIABILITY MANAGEMENT

The Company's asset/liability management activities include lending, investing in securities, accepting deposits, raising money as needed to fund assets, and processing securities and other transactions. The market risks that arise from these activities are interest rate risk, and to a lesser degree, foreign exchange risk. The Company's primary market risk is exposure to movements in US dollar interest rates. Exposure to movements in foreign currency interest rates also exists, but to a significantly lower degree. The Company actively manages interest rate sensitivity. In addition to gap analysis, the Company uses earnings simulation and discounted cash flow models to identify interest rate exposures.

An earnings simulation model is the primary tool used to assess changes in pre-tax net interest income. The model incorporates management's assumptions regarding interest rates, balance changes on core deposits, and changes in the prepayment behavior of loans and securities. These assumptions have been developed through a combination of historical analysis and future expected pricing behavior. Derivative financial instruments used for interest rate risk management purposes are also included in this model.

The Company evaluates the effect on earnings by running various interest rate ramp scenarios up and down from a baseline scenario, which assumes no changes in interest rates. These scenarios are reviewed to examine the impact of large interest rate movements. Interest rate sensitivity is quantified by calculating the change in pre-tax net interest income between the scenarios over a 12-month measurement period. The measurement of interest rate sensitivity is the percentage change in net interest income as shown in the following table:

(Dollars in millions)	September 30, 2004	
	\$	%
+200 bp Ramp vs. Stable Rate	\$ 16	0.86%
+100 bp Ramp vs. Stable Rate	14	0.75
-50 bp Shock vs. Stable Rate	(32)	(1.80)

The 100+ basis point ramp scenario assumes short-term rates rise 25 basis points in each of the next four quarters, while the 200+ ramp scenario assumes a 50 basis point per quarter increase. The scenarios assume a flattening of the yield curve with 10 year rates rising only 70 basis points in the 100+ basis point scenario and 123 basis points in the 200+ basis point scenario. These scenarios do not reflect strategies that management could employ to limit the impact as interest rate expectations change.

The Company's current positioning assumes a gradual rise in rates which should be beneficial to earnings.

The above table relies on certain critical assumptions including depositors' behavior related to interest rate fluctuations and the prepayment and extension risk in certain of the Company's assets. To the extent that actual behavior is different from that assumed in the models, there could be a change in interest rate sensitivity.

## STATISTICAL INFORMATION

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

	For the three months ended September 30, 2004			For the three months ended September 30, 2003		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>						
-----						
Interest-Bearing						
Deposits in Banks (primarily foreign)	\$11,416	\$ 77	2.69%	\$ 7,085	\$ 38	2.12%
Federal Funds Sold and Securities						
Purchased Under Resale Agreements	6,443	20	1.22	9,200	22	0.96
Margin Loans	6,315	40	2.50	5,419	31	2.25
Loans:						
Domestic Offices	21,333	218	4.06	21,409	208	3.86
Foreign Offices	9,939	72	2.89	10,571	76	2.85
Non-Margin Loans	31,272	290	3.69	31,980	284	3.52
Securities						
U.S. Government Obligations	450	3	2.64	313	2	3.00
U.S. Government Agency Obligations	3,560	30	3.37	3,464	30	3.44
Obligations of States and Political Subdivisions	227	4	8.29	311	6	7.17
Other Securities	18,236	162	3.55	16,516	144	3.49
Trading Securities	1,587	11	2.81	4,357	27	2.47
Total Securities	24,060	210	3.50	24,961	209	3.35
Total Interest-Earning Assets	79,506	637	3.19%	78,645	584	2.94%
Allowance for Credit Losses	(592)			(822)		
Cash and Due from Banks	3,027			2,914		
Other Assets	15,414			16,416		
TOTAL ASSETS	\$97,355			\$97,153		
=====						
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
-----						
Interest-Bearing Deposits						
Money Market Rate Accounts	\$ 6,474	\$ 13	0.83%	\$ 7,657	\$ 13	0.67%
Savings	9,296	16	0.70	9,281	17	0.72
Certificates of Deposit						
\$100,000 & Over	3,640	14	1.56	3,840	14	1.47
Other Time Deposits	934	4	1.61	1,183	4	1.49
Foreign Offices	25,227	92	1.44	24,452	65	1.06
Total Interest-Bearing Deposits	45,571	139	1.22	46,413	113	0.97
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	1,572	4	1.12	1,687	3	0.68
Other Borrowed Funds	2,416	9	1.51	2,464	6	1.00
Payables to Customers and Broker-Dealers	5,785	14	0.95	5,407	10	0.72
Long-Term Debt	6,083	35	2.26	6,310	36	2.27
Total Interest-Bearing Liabilities	61,427	201	1.31%	62,281	168	1.07%
Noninterest-Bearing Deposits	14,576			13,266		
Other Liabilities	12,489			13,555		
Common Shareholders' Equity	8,863			8,051		
-----						

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$97,355		\$97,153	
	=====		=====	
Net Interest Earnings and Interest Rate Spread	\$ 436	1.88%	\$ 416	1.87%
	=====	=====	=====	=====
Net Yield on Interest-Earning Assets		2.18%		2.10%
		=====		=====

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

	For the nine months ended September 30, 2004			For the nine months ended September 30, 2003		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>						
-----						
Interest-Bearing						
Deposits in Banks (primarily foreign)	\$11,960	\$ 224	2.50%	\$ 6,381	\$ 109	2.28%
Federal Funds Sold and Securities						
Purchased Under Resale Agreements	6,964	53	1.02	7,394	61	1.11
Margin Loans	6,330	108	2.29	3,133	54	2.33
Loans:						
Domestic Offices	21,547	483	2.99	20,124	642	4.27
Foreign Offices	9,364	197	2.81	11,799	262	2.97
	-----	-----		-----	-----	
Non-Margin Loans	30,911	680	2.94	31,923	904	3.79
	-----	-----		-----	-----	
Securities:						
U.S. Government Obligations	456	8	2.47	282	8	3.55
U.S. Government Agency Obligations	3,955	98	3.29	3,246	93	3.82
Obligations of States and						
Political Subdivisions	236	13	7.23	348	19	7.10
Other Securities	18,169	474	3.48	15,234	421	3.69
Trading Securities	2,139	34	2.17	4,802	103	2.88
	-----	-----		-----	-----	
Total Securities	24,955	627	3.35	23,912	644	3.59
	-----	-----		-----	-----	
Total Interest-Earning Assets	81,120	1,692	2.79%	72,743	1,772	3.26
	-----	-----		-----	-----	
Allowance for Credit Losses	(633)			(826)		
Cash and Due from Banks	2,947			2,825		
Other Assets	15,695			14,837		
	-----			-----		
TOTAL ASSETS	\$99,129			\$89,579		
	=====			=====		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
-----						
Interest-Bearing Deposits:						
Money Market Rate Accounts	\$ 6,648	\$ 36	0.73%	\$ 7,493	\$ 48	0.86%
Savings	9,267	47	0.68	8,971	54	0.81
Certificates of Deposit						
\$100,000 & Over	3,847	39	1.33	4,402	54	1.62
Other Time Deposits	967	11	1.55	1,268	16	1.62
Foreign Offices	25,874	251	1.30	24,051	225	1.25
	-----	-----		-----	-----	
Total Interest-Bearing Deposits	46,603	384	1.10	46,185	397	1.15
	-----	-----		-----	-----	
Federal Funds Purchased and						
Securities Sold Under Repurchase						
Agreements	1,599	10	0.82	1,470	10	0.90
Other Borrowed Funds	2,400	27	1.50	1,510	13	1.17
Payables to Customers and Broker-Dealers	6,521	38	0.78	3,160	19	0.79
Long-Term Debt	6,143	95	2.04	6,077	116	2.54
	-----	-----		-----	-----	
Total Interest-Bearing Liabilities	63,266	554	1.17%	58,402	555	1.27%
	-----	-----		-----	-----	
Noninterest-Bearing Deposits	14,465			12,341		
Other Liabilities	12,701			11,370		
Common Shareholders' Equity	8,697			7,466		
	-----			-----		
TOTAL LIABILITIES AND						
SHAREHOLDERS' EQUITY	\$99,129			\$89,579		
	=====			=====		
Net Interest Earnings						
and Interest Rate Spread		\$ 1,138	1.62%		\$ 1,217	1.99%
		=====	=====		=====	=====
Net Yield on Interest-Earning Assets			1.87%			2.24%
			=====			=====

## FORWARD LOOKING STATEMENTS AND FACTORS THAT COULD AFFECT FUTURE RESULTS

The information presented with respect to, among other things, earnings and revenue outlook, projected business growth, the outcome of legal, regulatory and investigatory proceedings, the Company's plans, objectives and strategies for reallocating assets and moving further into fee-based businesses, and future nonperforming loans and loan losses, 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," "target," "expect," "intend," "think," "continue," "seek," "believe," "plan," "goal," "could," "should," "may," "will," "strategy," and words of similar meaning are intended to identify forward looking statements in addition to statements specifically identified as forward looking statements.

Forward looking statements, including the Company's discussions and projections of future results of operations and discussions of future plans contained in Management's Discussion and Analysis and elsewhere in this Form 10-Q, are based on management's current expectations and assumptions and 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 could be affected by a number of factors, some of which by their nature are dynamic and subject to rapid and possibly abrupt changes which the Company is necessarily unable to predict with accuracy, including:

General business and economic conditions - Disruptions in general economic activity in the United States or abroad, to the Company's operational functions or to financial market settlement functions. The economic and other effects of the continuing threat of terrorist activity following the WTC disaster and subsequent U.S. military actions. Changes in customer credit quality, future changes in interest rates, inflation, general credit quality, the levels of economic, capital market, and merger and acquisition activity, consumer behavior, government monetary policy, competition, credit, market and operating risk, and loan demand. The pace of recovery of the domestic economy, technological change in our industry, market demand for the Company's products and services, the savings rate of individuals and future global political, economic, business and market conditions. Variations in management projections, methodologies used by management to set adequate reserve levels for contingent liabilities, evaluate risk or market forecasts and the actions that management could take in response to these changes.

Acquisitions - Lower than expected performance or higher than expected costs in connection with acquisitions and integration of acquired businesses, changes in relationships with customers, entering new and unfamiliar markets, incurring undiscovered liabilities, incorrectly valuing acquisitions, the ability to satisfy customer requirements, retain customers and realize the growth opportunities of acquired businesses and management's ability to achieve efficiency goals.

Competition - Increased competition from other domestic and international banks and financial service companies such as trading firms, broker dealers and asset managers as well as from unregulated financial services organizations. Rapid technological changes require significant and ongoing investments in technology to develop competitive new products and services or adopt new technologies.

Dependence on fee based business - Revenues reflect changes in the volume of financial transactions in the United States and abroad, the level of capital market activity affects processing revenues, changes in asset values affect fees which are based on the value of assets under custody and management, the level of cross-border investing, investor sentiment, the level of debt issuance and currency exchange rate volatility all impact our revenues.

Reputational and legal risk - Adverse publicity and damage to our reputation arising from the failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well known companies and regulatory investigations of the mutual fund industry could affect our ability to attract and retain customers, maintain access to the capital markets or result in suits, enforcement actions, fines and penalties.

Legislative and regulatory environment - Changes or potential changes in domestic and international legislation and regulation as well as domestic or international regulatory investigations impose compliance and response costs and may allow additional competition, facilitate consolidation of competitors, or attract new competitors into the Company's businesses.

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

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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

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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.

A wide variety of domestic and foreign companies compete for processing services. For securities servicing and global payment services, international, national, and regional commercial banks, trust banks, investment banks, specialized processing companies, outsourcing companies, data processing companies, stock exchanges, and other business firms offer active competition. In the private client services and asset management markets, international, national, and regional commercial banks, standalone asset management companies, mutual funds, securities brokerage firms, insurance companies, investment counseling firms, and other business firms and individuals actively compete for business. 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.

#### WEBSITE INFORMATION

The Company makes available, on its website: [www.bankofny.com](http://www.bankofny.com) its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. In addition, the Company's earnings releases and management conference calls and presentations are available through the website.

## SUPPLEMENTAL INFORMATION

The Company believes that providing supplemental non-GAAP financial information is useful to investors in understanding the underlying operational performance of the Company and its businesses and performance trends and, therefore, facilitates comparisons with the performance of other financial service companies. Specifically, the Company believes that the exclusion of the merger and integration costs, and the settlement with GMAC, permits evaluation and a comparison of results for ongoing business operations, and it is on this basis that the Company's management internally assesses performance. Although the Company believes that the non-GAAP financial measures presented in this report enhance investors' understanding of the Company's business and performance, these non-GAAP measures should not be considered an alternative to GAAP.

The following is a reconciliation of 2003 reported net income to net income on an operating basis:

(Dollars in millions)	For the quarter ended September 30, 2003	Year-to-date September 30, 2003
Reported Net Income	\$ 260	\$ 850
Pershing Merger and Integration Costs	23	48
GMAC Settlement	78	78
Tax Effect	(39)	(48)
Operating Net Income	\$ 322	\$ 928

The following is a reconciliation of 2003 reported earnings per share to earnings per share on an operating basis:

(Dollars in millions)	For the quarter ended September 30, 2003	Year-to-date September 30, 2003
Reported Earnings per Share	\$ 0.34	\$ 1.13
Pershing Merger and Integration Costs	0.02	0.04
GMAC Settlement	0.06	0.06
Operating Earnings per Share	\$ 0.42	\$ 1.23



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<FN>

Note: The balance sheet at December 31, 2003 has been derived from the audited financial statements at that date.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2004	2003	2004	2003
<b>Interest Income</b>				
Loans	\$ 290	\$ 284	\$ 680	\$ 904
Margin loans	40	31	108	54
Securities				
Taxable	181	162	543	477
Exempt from Federal Income Taxes	10	11	30	37
	191	173	573	514
Deposits in Banks	77	38	224	109
Federal Funds Sold and Securities Purchased				
Under Resale Agreements	20	22	53	61
Trading Assets	11	27	34	103
<b>Total Interest Income</b>	<b>629</b>	<b>575</b>	<b>1,672</b>	<b>1,745</b>
<b>Interest Expense</b>				
Deposits	139	113	384	397
Federal Funds Purchased and Securities Sold				
Under Repurchase Agreements	4	3	10	10
Other Borrowed Funds	9	6	27	13
Customer Payables	14	10	38	19
Long-Term Debt	35	36	95	116
<b>Total Interest Expense</b>	<b>201</b>	<b>168</b>	<b>554</b>	<b>555</b>
<b>Net Interest Income</b>	<b>428</b>	<b>407</b>	<b>1,118</b>	<b>1,190</b>
Provision for Credit Losses	-	40	22	120
<b>Net Interest Income After Provision for Credit Losses</b>	<b>428</b>	<b>367</b>	<b>1,096</b>	<b>1,070</b>
<b>Noninterest Income</b>				
Servicing Fees				
Securities	685	657	2,117	1,728
Global Payment Services	84	80	245	238
	769	737	2,362	1,966
Private Client Services and Asset Management Fees	113	97	333	281
Service Charges and Fees	98	89	287	278
Foreign Exchange and Other Trading Activities	67	92	273	246
Securities Gains	14	9	59	26
Other	49	39	191	107
<b>Total Noninterest Income</b>	<b>1,110</b>	<b>1,063</b>	<b>3,505</b>	<b>2,904</b>
<b>Noninterest Expense</b>				
Salaries and Employee Benefits	564	533	1,708	1,454
Net Occupancy	77	69	230	192
Furniture and Equipment	51	50	153	134
Clearing	39	42	131	111
Sub-custodian Expenses	21	18	65	53
Software	52	45	151	123
Communications	22	24	69	68
Amortization of Intangibles	9	8	26	18
Merger and Integration Costs	-	23	-	48
GMAC Settlement	-	78	-	78
Other	164	149	492	402
<b>Total Noninterest Expense</b>	<b>999</b>	<b>1,039</b>	<b>3,025</b>	<b>2,681</b>
<b>Income Before Income Taxes</b>	<b>539</b>	<b>391</b>	<b>1,576</b>	<b>1,293</b>
<b>Income Taxes</b>	<b>185</b>	<b>131</b>	<b>487</b>	<b>443</b>

Net Income	\$ 354	\$ 260	\$ 1,089	\$ 850
-----	=====	=====	=====	=====
Per Common Share Data:				
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Basic Earnings	\$ 0.46	\$ 0.34	\$ 1.41	\$ 1.14
Diluted Earnings	0.46	0.34	1.40	1.13
Cash Dividends Paid	0.20	0.19	0.59	0.57
Diluted Shares Outstanding	778	774	778	753

THE BANK OF NEW YORK COMPANY, INC.  
 Consolidated Statement of Changes in Shareholders' Equity  
 For the nine months ended September 30, 2004  
 (Dollars in millions)  
 (Unaudited)

Common Stock		
Balance, January 1		\$ 7,800
Issuances in Connection with Employee Benefit Plans		31
		-----
Balance, September 30		7,831
		-----
Additional Capital		
Balance, January 1		1,647
Issuances in Connection with Employee Benefit Plans		89
		-----
Balance, September 30		1,736
		-----
Retained Earnings		
Balance, January 1		5,330
Net Income	\$ 1,089	1,089
Cash Dividends on Common Stock		(455)
		-----
Balance, September 30		5,964
		-----
Accumulated Other Comprehensive Income		
Balance, January 1		72
Change in Fair Value of Securities Available-for-Sale, Net of Taxes of \$(9) Million	(35)	(35)
Reclassification Adjustment, Net of Taxes of \$1 Million	1	1
Foreign Currency Translation Adjustment, Net of Taxes of \$(9) million	(11)	(11)
Net Unrealized Derivative Gains on Cash Flow Hedges, Net of Taxes of \$1 million	3	3
Minimum Pension Liability Adjustment, Net of Taxes of \$(1) million	(2)	(2)
		-----
Balance, September 30		28
		-----
Total Comprehensive Income	\$ 1,045	=====
Less Treasury Stock		
Balance, January 1		6,420
Issued		(35)
Acquired		119
		-----
Balance, September 30		6,504
		-----
Less Loan to ESOP		
Balance, January 1		1
		-----
Balance, September 30		1
		-----
Total Shareholders' Equity, September 30		\$ 9,054
		=====

<FN>

Comprehensive Income for the three months ended September 30, 2004 and 2003 was \$435 million and \$207 million.  
 Comprehensive Income for the nine months ended September 30, 2004 and 2003 was \$1,045 million and \$821 million.

See accompanying Notes to Consolidated Financial Statements.

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

	For the nine months ended September 30,	
	2004	2003
	-----	-----
Operating Activities		
Net Income	\$ 1,089	\$ 850
Adjustments to Determine Net Cash Attributable to Operating Activities		
Provision for Credit Losses and Losses on Other Real Estate	22	120
Depreciation and Amortization	367	307
Deferred Income Taxes	238	314
Securities Gains	(59)	(26)
Change in Trading Activities	1,753	501
Change in Accruals and Other, Net	5	(1,086)
	-----	-----
Net Cash Provided by Operating Activities	3,415	980
	-----	-----
Investing Activities		
Change in Interest-Bearing Deposits in Banks	(1,337)	(16)
Change in Margin Loans	(199)	(734)
Purchases of Securities Held-to-Maturity	(1,224)	-
Paydowns of Securities Held-to-Maturity	154	670
Maturities of Securities Held-to-Maturity	6	10
Purchases of Securities Available-for-Sale	(10,532)	(22,408)
Sales of Securities Available-for-Sale	3,278	5,047
Paydowns of Securities Available-for-Sale	6,177	7,406
Maturities of Securities Available-for-Sale	1,708	4,642
Net Principal Received (Disbursed) on Loans to Customers	(1,055)	(434)
Sales of Loans and Other Real Estate	28	542
Change in Federal Funds Sold and Securities Purchased Under Resale Agreements	(249)	(1,100)
Purchases of Premises and Equipment	(222)	(98)
Acquisitions, Net of Cash Acquired	(100)	(1,773)
Proceeds from the Sale of Premises and Equipment	8	7
Other, Net	23	826
	-----	-----
Net Cash Used by Investing Activities	(3,536)	(7,413)
	-----	-----
Financing Activities		
Change in Deposits	2,098	2,961
Change in Federal Funds Purchased and Securities Sold Under Repurchase Agreements	135	(310)
Change in Payables to Customers and Broker-Dealers	(2,460)	1,689
Change in Other Borrowed Funds	137	(530)
Proceeds from the Issuance of Long-Term Debt	148	1,915
Repayments of Long-Term Debt	(126)	(1,029)
Issuance of Common Stock	155	1,153
Treasury Stock Acquired	(119)	(17)
Cash Dividends Paid	(455)	(418)
	-----	-----
Net Cash (Used) Provided by Financing Activities	(487)	5,414
	-----	-----
Effect of Exchange Rate Changes on Cash	(178)	1
	-----	-----
Change in Cash and Due From Banks	(786)	(1,018)
Cash and Due from Banks at Beginning of Period	3,843	4,748
	-----	-----
Cash and Due from Banks at End of Period	\$ 3,057	\$ 3,730
	=====	=====
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Period for:		
Interest	\$ 462	\$ 531
Income Taxes	324	386
Noncash Investing Activity (Primarily Foreclosure of Real Estate)	1	-
	-----	-----

&lt;FN&gt;

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  
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The accounting and reporting policies of The Bank of New York Company, Inc., a financial holding company, and its consolidated subsidiaries (the "Company") 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.

2. Accounting Changes and New Accounting Pronouncements  
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The Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation," in 1995. At that time, as permitted by the standard, the Company elected to continue to apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and accounted for the options granted to employees using the intrinsic value method, under which no expense is recognized for stock options because they were granted at the stock price on the grant date and therefore have no intrinsic value.

On January 1, 2003, the Company adopted the fair value method of accounting for its options under SFAS 123 as amended by SFAS 148 "Accounting for Stock-Based Compensation-Transition and Disclosure". SFAS 148 permits three different methods of adopting fair value: (1) the prospective method, (2) the modified prospective method, and (3) the retroactive restatement method. Under the prospective method, options issued after January 1, 2003 are expensed while all options granted prior to January 1, 2003 are accounted for under APB 25 using the intrinsic value method. Consistent with industry practice, the Company elected the prospective method of adopting fair value accounting.

During the first nine months ended September 30, 2004, approximately 7 million options were granted. In the third quarter and first nine months of 2004, the Company recorded \$11 million and \$29 million of stock option expense, respectively.

The retroactive restatement method requires the Company's financial statements to be restated as if fair value accounting had been adopted in 1995. The following table discloses the pro forma effects on the Company's net income and earnings per share as if the retroactive restatement method had been adopted.

(Dollars in millions, except per share amounts)	3rd Quarter		Year-to-date	
-----	2004	2003	2004	2003
-----	-----	-----	-----	-----
Reported net income	\$ 354	\$ 260	\$ 1,089	\$ 850
Stock based employee compensation costs, using prospective method, net of tax	6	6	17	13
Stock based employee compensation costs, using retroactive restatement method, net of tax	(14)	(22)	(44)	(62)
Pro forma net income	\$ 346	\$ 244	\$ 1,062	\$ 801
Reported diluted earnings per share	\$ 0.46	\$ 0.34	\$ 1.40	\$ 1.13
Impact on diluted earnings per share	(0.01)	(0.02)	(0.03)	(0.05)
Pro forma diluted earnings per share	\$ 0.45	\$ 0.32	\$ 1.37	\$ 1.08
	=====	=====	=====	=====

The fair value of options granted in 2004 and 2003 were estimated at the grant date using the following weighted average assumptions:

	3rd Quarter		Year-to-date	
	2004	2003	2004	2003
Dividend yield	3.00%	3.00%	2.50%	3.00%
Expected volatility	25.06	33.92	25.00	32.79
Risk free interest rates	3.35	3.25	2.61	3.49
Expected options lives	5	5	5	5

On February 1, 2003, the Company adopted FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities". This interpretation requires a company that holds a variable interest in an entity to consolidate the entity if the company's interest in the variable interest entity ("VIE") is such that the company will absorb a majority of the VIE's expected losses and/or receives a majority of the entity's expected residual returns. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The consolidation requirements of FIN 46 applied immediately to VIEs created after January 31, 2003. Various amendments to FIN 46 delayed the effective date for certain previously established entities until the first quarter of 2004. The adoption of FIN 46 did not have a significant impact on the Company's results of operations or financial condition.

As of December 31, 2003, the Company had variable interests in 9 securitization trusts. These trusts are qualifying special-purpose entities, which are exempt from the consolidation requirements of FIN 46. See Footnote "Securitizations" in the 2003 Annual Report.

The most significant impact of FIN 46 on the Company was to require that the trusts used to issue trust preferred securities be deconsolidated. As a result, the trust preferred securities no longer represent a minority interest. Under regulatory capital rules, minority interests count as Tier 1 Capital. The Company has \$1,150 million of trust preferred securities outstanding. On July 2, 2003, the Board of Governors of the Federal Reserve issued a letter, SR 03-13, stating that notwithstanding FIN 46, trust preferred securities will continue to be included in Tier 1 capital until notice is given to the contrary. On May 6, 2004, the Board of Governors of the Federal Reserve issued a Notice of Proposed Rulemaking which would be more restrictive as to the amount of trust preferred securities that could be included in Tier 1. While the Company is currently reviewing the impact of the proposed rule, both the Company and the Bank are expected to remain "well capitalized" under the proposed rule.

In May 2004, FASB issued FASB Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP FAS 106-2"), which supersedes FSP FAS 106-1, in response to the December 2003 enactment of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("the Act"). FSP FAS 106-2 provides guidance on the accounting for the effects of the Act for employers that sponsor postretirement health care plans that provide prescription drug benefits. The Company believes that its plans are eligible for the subsidy provided by the Act and adopted FSP FAS 106-2 in the third quarter of 2004 retroactive to January 1, 2004. The adoption of FSP FAS 106-2 did not have a significant impact on the Company's results of operations or financial position.

The Company understands that the FASB may be currently reviewing the accounting guidance under SFAS 13 surrounding leveraged leases. If FASB modifies existing interpretations of SFAS 13 and associated industry practice, a settlement of the tax matters associated with the Company's structured leasing investments (see "Commitments and Contingencies" footnote) could result in a one-time charge to earnings related to a change in the timing of the lease cash flows. However, an amount approximating this one-time charge would be recognized into income over the remaining term of the affected leases. It is unclear at this point in time whether or when FASB will modify lease accounting guidance.

Certain other prior year information has been reclassified to conform its presentation with the 2004 financial statements.

### 3. Acquisitions and Dispositions

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The Company continues to be an active acquirer of securities servicing and asset management businesses.

There were no businesses acquired during the third quarter of 2004. During the first nine months of 2004, 4 businesses were acquired for the total cost of \$52 million, primarily paid in cash. The Company frequently structures its acquisitions with both an initial payment and a later contingent payment tied to post-closing revenue or income growth. 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.

Goodwill related to acquisitions in the third quarter and first nine months of 2004 was zero and \$31 million. The tax deductible portion of goodwill for the third quarter and first nine months of 2004 is zero and \$31 million. All of the goodwill was assigned to the Company's Servicing and Fiduciary Businesses segment. At September 30, 2004, the Company was liable for potential contingent payments related to acquisitions in the amount of \$554 million. During the third quarter and first nine months of 2004, the Company paid \$5 million and \$12 million for contingent payments related to acquisitions made in prior years. The pro forma effect of the 2004 acquisitions is not material to year-to-date 2004 net income.

2004  
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In February 2004, the Company acquired the corporate trust business of The Bank of Hawaii. The transaction includes 80 bond trust and agency agreements representing approximately \$3 billion of principal debt outstanding to BNY Western Trust Company.

In March 2004, the Company acquired software and other assets of Sonic Financial Technologies LLC, a leading provider of direct access electronic trading solutions. The acquisition brings in-house advanced electronic trading capabilities that will enhance the trading platforms of Pershing and BNY Brokerage.

In May 2004, the Company made a strategic investment in London-based Netik, LLC. Netik provides market-leading data management and consolidated reporting capabilities that leverage its data warehouse for portfolio and investment information, reference data, and analytics. The Company uses Netik products as part of its BNY SmartSource (registered service mark) outsourcing solution, and will also partner with Netik to make the product available to other financial institutions.

Late in the second quarter of 2004, the Company acquired a unit investment trust business that services approximately \$20 billion in assets for over 4,200 different series of unit investment trusts.

During the second quarter of 2004, the Company agreed to acquire Osprey Partners LLC's portfolio accounting technology to broaden its managed account services offering. The acquisition will allow the Company to integrate the portfolio accounting function within its proprietary managed account services offering and fully support the comprehensive portfolio view created by unified managed account platforms.

In September 2004, the Company agreed to acquire the execution and commission management assets of Wilshire Associates. Under the terms of the agreement, BNY Brokerage will assume Wilshire's client relationships in these businesses. The transaction is expected to close in the fourth quarter.

## 4. Goodwill and Intangibles

Goodwill by business segment is as follows:

(Dollars in millions)	September 30, 2004	December 31, 2003
Servicing and Fiduciary Businesses	\$ 3,246	\$ 3,136
Corporate Banking	31	31
Retail Banking	109	109
Financial Markets	-	-
Consolidated Total	\$ 3,386	\$ 3,276

The Company's business segments are tested annually for goodwill impairment.

## Intangible Assets

(Dollars in millions)	September 30, 2004				December 31, 2003			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period in Years	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Trade Names	\$ 370	\$ -	\$ 370	Indefinite Life	\$ 370	\$ -	\$ 370	
Customer Relationships	457	(58)	399	17	461	(39)	422	
Other Intangible Assets	40	(25)	15	7	43	(19)	24	

The aggregate amortization expense of intangibles was \$9 million and \$8 million for the quarters ended September 30, 2004 and 2003, respectively. The aggregate amortization expense of intangibles was \$26 million and \$18 million for the nine months ended September 30, 2004 and 2003, respectively. Estimated amortization expense for the next five years is as follows:

(Dollars in millions)	For the Year Ended December 31,	Amortization Expense
	2004	\$35
	2005	35
	2006	35
	2007	33
	2008	32

5. Allowance for Credit Losses  
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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 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:

(Dollars in millions)	Three Months Ended September 30, 2004			Three Months Ended September 30, 2003
	Allowance for Loan Losses	Allowance for Lending-Related Commitments	Allowance for Credit Losses	Allowance for Credit Losses
Balance, Beginning of Period	\$ 598	\$ 177	\$ 775	\$ 824
Charge-Offs	(21)	-	(21)	(55)
Recoveries	2	-	2	8
Net Charge-Offs	(19)	-	(19)	(47)
Provision	19	(19)	-	40
Balance, End of Period	\$ 598	\$ 158	\$ 756	\$ 817
Allowance for Loan Losses				\$ 665
Allowance for Lending-Related Commitments				\$ 152

(Dollars in millions)	Nine Months Ended September 30, 2004			Nine Months Ended September 30, 2003
	Allowance for Loan Losses	Allowance for Lending-Related Commitments	Allowance for Credit Losses	Allowance for Credit Losses
Balance, Beginning of Period	\$ 668	\$ 136	\$ 804	\$ 831
Charge-Offs	(76)	-	(76)	(147)
Recoveries	6	-	6	13
Net Charge-Offs	(70)	-	(70)	(134)
Provision	-	22	22	120
Balance, End of Period	\$ 598	\$ 158	\$ 756	\$ 817
Allowance for Loan Losses				\$ 665
Allowance for Lending-Related Commitments				\$ 152

#### 6. Capital Transactions

At September 30, 2004, the Company had registration statements with a remaining capacity of approximately \$2.5 billion of debt, preferred stock, preferred trust securities, or common stock.

#### 7. Earnings Per Share

The following table illustrates the computations of basic and diluted earnings per share:

(Dollars in millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net Income(1)	\$ 354	\$ 260	\$ 1,089	\$ 850
Basic Weighted Average Shares Outstanding	772	766	772	746
Shares Issuable on Exercise of Employee Stock Options	6	8	6	7
Diluted Weighted Average Shares Outstanding	778	774	778	753
Basic Earnings Per Share:	\$ 0.46	\$ 0.34	\$ 1.41	\$ 1.14
Diluted Earnings Per Share:	0.46	0.34	1.40	1.13

(1) Net Income, net income available to common shareholders and diluted net

income are the same for all periods presented.

## 8. Employee Benefit Plans

The components of net periodic benefit cost are as follows:

(Dollars in millions)	Pension Benefits				Healthcare Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003	2004	2003	2004	2003
Net Periodic Cost (Income)								
Service Cost	\$ 14	\$ 11	\$ 42	\$ 33	\$ -	\$ 1	\$ -	\$ 3
Interest Cost	15	12	45	36	3	2	9	6
Expected Return on Asset	(35)	(34)	(105)	(102)	(2)	(2)	(6)	(6)
Other	2	1	6	3	2	2	6	6
Net Periodic Cost (Income)	\$ (4)	\$ (10)	\$ (12)	\$ (30)	\$ 3	\$ 3	\$ 9	\$ 9

## 9. Commitments and Contingent Liabilities

In the normal course of business, various commitments and contingent liabilities are outstanding which are not reflected in the accompanying consolidated balance sheets. Management does not expect any material losses to result from these matters.

A summary of the notional amount of the Company's off-balance-sheet credit transactions, net of participations, at September 30, 2004 and December 31, 2003 follows:

## Off-Balance-Sheet Credit Risks

(Dollars in millions)	September 30, 2004	December 31, 2003
Lending Commitments	\$ 34,766	\$ 35,576
Standby Letters of Credit, net	9,787	10,168
Commercial Letters of Credit	1,240	1,013
Securities Lending Indemnifications	231,727	173,974

The total potential loss on undrawn commitments, standby and commercial letters of credit, and securities lending indemnifications is equal to the total notional amount if drawn upon, which does not consider the value of any collateral. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements.

In securities lending transactions, the Company generally requires the borrower to provide 102% cash collateral which is monitored on a daily basis, thus reducing credit risk. Security lending transactions are generally entered into only with highly-rated counterparties. At September 30, 2004 and December 31, 2003, securities lending indemnifications were secured by collateral of \$234.3 billion and \$177.1 billion.

The notional amounts for other off-balance-sheet risks express the dollar volume of the transactions; however, credit risk is much smaller. The Company performs credit reviews and enters into netting agreements to minimize the credit risk of foreign currency and interest rate risk management products. The Company enters into offsetting positions to reduce exposure to foreign exchange and interest rate risk.

Standby letters of credit principally support corporate obligations and include \$0.6 billion and \$0.7 billion that were collateralized with cash and securities on September 30, 2004 and December 31, 2003. At September 30, 2004, approximately \$6.9 billion of the standbys will expire within one year, and the balance between one to five years.

At September 30, 2004, the notional amounts and credit exposures for the Company's credit derivatives swaps were \$1,497 million and \$1 million, compared to \$1,413 million and \$3 million at December 31, 2003.

Other  
-----

In the ordinary course of business, the Company makes certain investments that have tax consequences. From time to time, the IRS may question or challenge the tax position taken by the Company. The Company engaged in certain types of structured leasing investments prior to mid-1999 that the IRS has challenged. In 2004 the IRS proposed adjustments to the Company's tax treatment of these transactions. The Company believes that its tax position related to these transactions was proper based upon applicable statutes, regulations and case law in effect at the time the transactions were entered into and will defend its position vigorously in accordance with its view of the law controlling these investments. However, a court or other judicial or administrative authority, if presented with the transactions, could disagree.

The Company explored a settlement proposal with the IRS during the third quarter of 2004 but was unable to reach an acceptable agreement. The matter has now been submitted to the IRS Appeals Office for review. A conference with officials from this office is scheduled for late in the fourth quarter of 2004. At this time it remains unknown whether a settlement acceptable to the Company can be reached. If settlement negotiations with the IRS Appeals Office fail, the Company will likely pursue litigation in the appropriate federal court.

The Company currently believes it has adequate tax reserves to cover this and any other potential tax exposures the IRS could raise, based on a probability assessment of various potential outcomes. Probabilities and outcomes are reviewed as events unfold, and adjustments to the reserves are made when necessary.

QUARTERLY REPORT ON FORM 10-Q  
THE BANK OF NEW YORK COMPANY, INC.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2004

Commission file number 001-06152

THE BANK OF NEW YORK COMPANY, INC.  
Incorporated in the State of New York  
I.R.S. Employer Identification No. 13-2614959  
Address: One Wall Street  
New York, New York 10286  
Telephone: (212) 495-1784

As of October 29, 2004, The Bank of New York Company, Inc. had 776,902,261 shares of common stock (\$7.50 par value) outstanding.

The Bank of New York Company, Inc. (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.

The registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

The following sections of the Financial Review set forth in the cross-reference index are incorporated in the Quarterly Report on Form 10-Q.

	Cross-reference	Page(s)
-----		
PART I	FINANCIAL INFORMATION	
Item 1	Financial Statements	
	Consolidated Balance Sheets as of September 30, 2004 and December 31, 2003	46
	Consolidated Statements of Income for the three months and nine months ended September 30, 2004 and 2003	47
	Consolidated Statement of Changes in Shareholders' Equity for the nine months ended September 30, 2004	48
	Consolidated Statement of Cash Flows for the nine months ended September 30, 2004 and 2003	49
	Notes to Consolidated Financial Statements	50 - 57
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	2 - 45
Item 3	Quantitative and Qualitative Disclosures About Market Risk	37 - 40

## ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

## PART II. OTHER INFORMATION

Item 1. Legal Proceedings  
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In the ordinary course of business, the Company and its subsidiaries are routinely defendants in or parties to a number of pending and potential legal actions, including actions brought on behalf of various classes of claimants, and regulatory matters. Claims for significant monetary damages are asserted in certain of these actions and proceedings. Due to the inherent difficulty of predicting the outcome of such matters, the Company cannot ascertain what the eventual outcome of these matters will be; however, based on current knowledge and after consultation with legal counsel, the Company does not believe that judgments or settlements, if any, arising from pending or potential legal actions or regulatory matters, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position or liquidity of the Company although they could have a material effect on net income for a given period. The Company intends to defend itself vigorously against all of the claims asserted in these matters.

The Company continues to cooperate with investigations by federal and state law enforcement and bank regulatory authorities. As previously disclosed, 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.

As previously disclosed, the U.S. Attorney's office for the Eastern District of New York (the "Office") is conducting an investigation of an alleged fraudulent scheme by RW Professional Leasing Services Corp. ("RW"), a former customer of a Long Island branch of the Company's principal banking subsidiary, The Bank of New York (the "Bank"). The Bank has been notified that it and certain of its employees are subjects of the ongoing investigation. Criminal charges have been filed against RW, certain of its principals and other individuals including a former employee who had served as a branch manager of the Bank. The Bank is cooperating fully in the investigation. The Office has proposed to resolve its investigation through an agreement between the Bank and the Office. The Bank is reviewing the Office's proposal. There can be no assurance that an agreement will be reached.

The Company is broadly involved in the mutual fund industry, and various governmental and self-regulatory agencies have sought documents and other information from it in connection with investigations relating to that industry. Those investigations have focused primarily on (i) possible market-timing transactions cleared by Pershing LLC, a subsidiary of the Company, for Mutuals.com and other introducing brokers; and (ii) the BNY Hamilton Funds, Inc.'s relationship with the Company and the Funds' administrator as service providers to the Funds.

The Company is broadly involved in issuer services, and governmental agencies have sought documents and other information from it in connection with investigations relating to that industry. Those investigations have focused primarily on (i) The Company's role as transfer agent on behalf of equity issuers in the United States and the process used by the Company's stock transfer division to search for lost security holders of its issuer clients; and (ii) The Company's role as auction agent in connection with auction rate securities issued by various issuers.

ITEM 2. Changes in Securities, Use of Proceeds, and

-----  
 Issuer Purchases of Equity Securities  
 -----

Under its stock repurchase program, the Company buys back shares from time to time. The following table discloses the Company's repurchases of the Company's common stock made during the third quarter of 2004.

Issuer Purchases of Equity Securities  
 -----

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May be Repurchased
July 1-31	1,797	\$ 28.79	1,797	15,075,724
August 1-31	2,240,000	29.32	2,240,000	12,835,724
September 1-30	188,100	29.13	188,100	12,647,624
Total	2,429,897		2,429,897	

All shares were repurchased through the Company's stock repurchase program, which was announced on November 12, 2002 and permits the repurchase of 16 million shares. In August, 2 million shares were purchased in a single transaction. In August and September, 420,000 shares were repurchased in the open markets. The remaining shares repurchased in the third quarter resulted from transactions related to employee benefit plans.

Item 6. Exhibits  
 -----

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

Exhibit 10.1 - Amended and Restated 2004 Management Incentive Compensation Plan, incorporated by reference to Exhibit C in the Registrant's Definitive Proxy Statement dated March 12, 2004 (file number 001-06152);

Exhibit 10.2 - Form of Stock Option Agreement under the Registrant's 2003 Long-Term Incentive Plan;

Exhibit 10.3 - Form of Performance Share Agreement under the Registrant's 2003 Long-Term Incentive Plan;

Exhibit 10.4 - Form of Restricted Stock Agreement under the Registrant's 2003 Long-Term Incentive Plan;

Exhibit 12 - Ratio of Earnings to Fixed Charges for the Three Months and Nine Months Ended September 30, 2004 and 2003;

Exhibit 31 - Certification of Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002;

Exhibit 31.1 - Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002;

Exhibit 32 - Certification of Chairman and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002; and

Exhibit 32.1 - Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 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: November 9, 2004

By: /s/ Thomas J. Mastro

-----  
Name: Thomas J. Mastro  
Title: Comptroller

## EXHIBIT INDEX

Exhibit	Description
10.1	Amended and Restated 2004 Management Incentive Compensation Plan, incorporated by reference to Exhibit C in the Registrant's Definitive Proxy Statement dated March 12, 2004 (file number 001-06152).
10.2	Form of Stock Option Agreement under the Registrant's 2003 Long-Term Incentive Plan.
10.3	Form of Performance Share Agreement under the Registrant's 2003 Long-Term Incentive Plan.
10.4	Form of Restricted Stock Agreement under the Registrant's 2003 Long-Term Incentive Plan.
12	Ratio of Earnings to Fixed Charges for the Three Months and Nine Months Ended September 30, 2004 and 2003.
31	Certification of Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.1	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chairman and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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THE BANK OF NEW YORK COMPANY, INC.  
2003 LONG-TERM INCENTIVE PLAN  
STOCK OPTION AGREEMENT

After reading this Agreement, please sign and return the original to \_\_\_\_\_ at \_\_\_\_\_, and retain a copy for your files.

You have been furnished with a copy of the 2003 Long-Term Incentive Plan of The Bank of New York Company, Inc. (the "Plan"). Unless defined herein, capitalized terms used in this Agreement shall be as defined in the Plan.

1. Your right to exercise the Option shall expire ten years from the grant date. In the event that your employment with the Company and its subsidiaries shall cease for any reason, your right to exercise the Option may expire at an earlier date, as provided in Paragraph 3 herein.

2. The Option may be exercised in whole at any time or in part from time to time after the shares become exercisable as noted above.

3. In the event your employment with the Company and its subsidiaries is terminated, then your right to exercise the Option shall expire on the earlier of ten years from grant date or the applicable time period specified below from the date of such termination:

Reason for Termination	Applicable Time Period
Voluntary	Must be Exercised by Termination Date
Cause	Must be Exercised by Termination Date
Disability	3 years
Retirement	5 years
Death	3 years
Joint Venture or Divestiture by Company or subsidiary	3 years
Other with Termination Agreement	3 years
Other	3 months unless determined otherwise by Committee

For purposes of this Agreement only, the termination date for Disability is considered to be the date on which long-term disability, as determined by the Committee, commences.

During the period you may exercise your Option following termination of employment, except in the case of disability or death, shares under the Option shall become exercisable (to the extent not previously exercisable) after three months from your termination or, if later, one year after the grant date. In the event you terminate due to disability, all shares under your Option shall become exercisable (to the extent not previously exercisable) one year after you terminate or, if later, one year after the grant date. In the event of your death, all shares under your Option shall become exercisable immediately or, if later, one year after the grant date.

4. The Option may be exercised by delivering to the Company written notice thereof, including in such notice the number of shares to be exercised. Payment of the option price upon exercise of an Option shall accompany such notice and shall be made in cash and/or shares of Common Stock in accordance with procedures established by the Committee. Exercise of the Option shall take effect on the date the notice and payment are actually received by the Company.

5. After an Option is exercised, the Company shall, subject to Paragraph 6, deliver to you certificates for the number of shares with respect to which the Option has been exercised.

6. You agree that, upon exercise of shares subject to the Option, you shall pay to the Company the appropriate amount of taxes due for withholding purposes as a result of such exercise or, in accordance with procedures established by the Committee, permit the Company to retain shares of Common Stock from you to fulfill such withholding liability.

7. The Option may be transferred by you, subject to the execution by you and the transferee of any additional agreements as may be required by the Committee, to certain parties as permitted by, and in accordance with, the Plan.

8. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Company and any transferee of the Option pursuant to Paragraph 7, (b) shall be governed by the laws of the State of New York and (c) may not be amended except in writing. This grant shall in no way affect your participation or benefits under any other plan or program maintained or provided by the Company. In the event of a conflict between this Agreement and the Plan, the Plan shall govern.

Please indicate your acceptance hereof by signing in the space provided and returning this Agreement to the Compensation Department, OWS-13.

THE BANK OF NEW YORK COMPANY, INC.

By: \_\_\_\_\_  
Title:

Accepted and Agreed to:

\_\_\_\_\_

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2003 LONG-TERM INCENTIVE PLAN OF  
THE BANK OF NEW YORK COMPANY, INC.  
PERFORMANCE SHARE AGREEMENT - CYCLES \_\_\_ & \_\_\_

Total # of Shares Granted	Grant Date	Grant Price
------------------------------	---------------	----------------

Pursuant to the 2003 Long-Term Incentive Plan of The Bank of New York Company, Inc. (the "Plan"), you have been granted shares of Common Stock (the "Performance Shares") upon the following terms and conditions and the terms and conditions of the Plan. The Performance Shares are a portion of your compensation during the service period, which for each cycle shall be the Performance Cycle Measurement Period plus the Forfeiture Period. A copy of the Plan is attached hereto. Capitalized terms defined in the Plan shall have the same meaning herein.

The period during which performance will be measured to determine the number of Performance Shares which may be earned is indicated below. The Performance Shares attributable to each Performance Cycle set forth below are forfeitable during the Forfeiture Period for such cycle, also indicated below.

Performance Cycle -----	Performance Cycle Measurement Period -----	# of Shares Granted -----	Forfeiture Period -----
-------------------------------	--	------------------------------------	-------------------------------

1. Certificate. Upon your acceptance of this Agreement, a certificate for the Performance Shares will be registered in your name but will be retained by the Company during the respective Forfeiture Periods.

2. Performance Goals. The performance goals to be achieved within each of the Performance Cycles are set forth in the attached Exhibit. For each cycle, between \_\_\_% and \_\_\_% of the Performance Shares granted under this Agreement will be earned according to the schedule set forth in the Exhibit.

3. Rights as Shareholders. During the Forfeiture Periods you will receive dividend equivalents and voting rights with respect to such Performance Shares. The number of shares subject to dividend equivalents and voting rights will be the number of granted shares for each Cycle through the Performance Cycle Measurement Period. Thereafter, until the end of the Forfeiture Period for each cycle, the number of shares subject to dividend equivalents and voting rights will be the earned shares for the respective Performance Cycles. In the event you receive any additional shares of Common Stock as a result of a stock split, stock dividend or distribution with respect to the Performance Shares, such additional shares will be made subject to the same restrictions set forth in this Agreement as if the shares of Common Stock so divided or distributed were part of the original grant of Performance Shares.

4. Non-transferable. You may not sell, transfer, assign, pledge or otherwise encumber or dispose of the Performance Shares during the Forfeiture Periods.

5. Determination of Earned Performance Shares. After each Performance Cycle Measurement Period, a final determination as to the number of Performance Shares you have earned for each of the Performance Cycles will be made. In the event of a Change of Control prior to the end of a Performance

Cycle Measurement Period, all of the Performance Shares granted for that cycle shall become non-forfeitable; in the event of a Change of Control on or after the end of a Performance Cycle Measurement Period, all shares earned pursuant to paragraph 2, herein, shall become non-forfeitable.

6. Payment of Performance Shares. Shortly after the last day of the Forfeiture Period for each cycle or upon the occurrence of a Change of Control, the certificate evidencing the Performance Shares you have earned will be delivered to you. In the case of your death, delivery will be made to the beneficiary you have designated in writing or, in the absence of such designation, to your estate.

7. Termination of Employment. In the event of your retirement on or after your normal retirement date, your earlier termination of employment with the consent of the Committee, your disability or your death, the Performance Cycle Measurement Period will continue for its full term and you or your beneficiary will be deemed to earn a prorated amount of Performance Shares based on the number of full months of the Performance Cycle Measurement Period which have elapsed prior to such retirement, termination, disability or death. Earned Performance Shares for any prior Performance Cycle Measurement Periods identified herein become non-forfeitable in the event that prior to the last day of the Forfeiture Period you retire on or after your normal retirement date, terminate employment prior thereto with the consent of the Committee, become disabled, or die. In the event of your termination of employment for any other reason prior to the last day of the Forfeiture Period, all Performance Shares will be forfeited. In the event of your death, in the absence of a beneficiary designation, delivery will be made to your estate.

8. Withholding of Taxes. The Company shall have the right to deduct from any payment to be made pursuant to the Plan any tax withholding required by law or to require you to pay such taxes prior to the transfer of Performance Shares to you. The Company may also permit you to elect to pay the withholding tax with Performance Shares.

9. Miscellaneous. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Company, (b) shall be governed by the laws of the State of New York, and (c) may not be amended except in writing. This grant shall in no way affect your participation or benefits under any other plan or benefit program maintained or provided by the Company. In the event of a conflict between this Agreement and the Plan, the Plan shall govern. The Committee may, in its discretion, reduce or eliminate the amount of payment with respect to an Award of Performance Shares, notwithstanding the achievement of a specified performance condition.

Please indicate your acceptance hereof by signing and returning the enclosed copy of this Agreement.

Sincerely,  
THE BANK OF NEW YORK COMPANY, INC.

By: \_\_\_\_\_  
Title:

Accepted and Agreed to:

\_\_\_\_\_  
Participant

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2003 LONG-TERM INCENTIVE PLAN OF  
THE BANK OF NEW YORK COMPANY, INC.  
RESTRICTED STOCK AGREEMENT

# of Shares Granted	Grant Date	Grant Price
------------------------	---------------	----------------

Pursuant to the 2003 Long-Term Incentive Plan of The Bank of New York Company, Inc. (the "Plan"), you have been granted shares of Common Stock (the "Restricted Stock") upon the following terms and conditions and the terms and conditions of the Plan. A copy of the Plan is attached hereto if you have not been previously furnished with a copy. Terms used in this Agreement shall have the same meaning as in the Plan.

The period during which the Restricted Stock is forfeitable and may be earned (the "Restricted Period") will be the period commencing on the grant date and ending as follows:

1. Certificate. Upon your acceptance of this agreement, a certificate for the Restricted Stock will be registered in your name but will be retained by the Company during the Restricted Period.

2. Rights as Shareholders. During the Restricted Period you will have the right to receive dividends or dividend equivalents and the right to vote with respect to such Restricted Stock. In the event you receive any additional shares of Common Stock as a result of a stock split, stock dividend or distribution with respect to the Restricted Stock, such additional shares will be made subject to the same restrictions set forth in this Agreement as if the shares of Common Stock so dividended or distributed were part of the original grant of Restricted Stock.

3. Nontransferable. You may not sell, transfer, assign, pledge or otherwise encumber or dispose of the Restricted Stock during the Restricted Period.

4. Payment of Restricted Stock. At the end of the Restricted Period, upon the occurrence of a Change of Control or in the event you are eligible to receive benefits under the Long-Term Disability Plan of The Bank of New York Company, Inc., the restrictions on the Restricted Stock will expire and the certificate evidencing the Restricted Stock will be delivered to you. In the event of your death, the restrictions on the Restricted Stock will expire and delivery will be made to the beneficiary designated in writing by you or, in the absence of such designation, to your legatee or legatees under your last will or your personal representatives or distributees, as the case may be. In the event of your retirement, the restrictions on a pro-rated number of shares of the Restricted Stock will be deemed earned and the certificate evidencing the Restricted Stock will be delivered to you. The pro-rated number of shares deemed earned will be based on the number of months elapsed since the grant date, divided by the number of months in the Restricted Period at grant, multiplied by the number of shares granted. In this calculation, months will be rounded to the nearest half month and earned shares will be rounded to the nearest whole share.

5. Termination of Employment. Subject to paragraph 4, all Restricted Stock will be forfeited if your employment terminates prior to the end of the Restricted Period.

6. Withholding of Taxes. In the event that the Company is required to withhold taxes on any income as a result of the transfer of Restricted Stock to you, you agree to pay to the Company the amount of any withholding taxes due or, in lieu thereof, the Company will have the right to deduct from any payment of any kind (either in cash or in stock, pursuant to procedures specified by the Company from time to time) due you from the Company, the amount required to be withheld (whether or not such payment is made pursuant to this Agreement).

7. Miscellaneous. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Company, (b) shall be governed by the laws of the State of New York, and (c) may not be amended except in writing. This grant shall in no way affect your participation or benefits under any other plan or benefit program maintained or provided by the Company. In the event of a conflict between this Agreement and the Plan, the Plan shall govern.

Please indicate your acceptance hereof by signing and returning the enclosed copy of this Agreement.

Sincerely,  
THE BANK OF NEW YORK COMPANY, INC.

By: \_\_\_\_\_

Title:

Accepted and Agreed to:

\_\_\_\_\_

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
<b>EARNINGS</b>				
Income Before Income Taxes	\$ 539	\$ 391	\$ 1,576	\$ 1,293
Fixed Charges, Excluding Interest on Deposits	79	69	218	196
Income Before Income Taxes and Fixed Charges Excluding Interest on Deposits	618	460	1,794	1,489
Interest on Deposits	139	113	384	397
Income Before Income Taxes and Fixed Charges, Including Interest on Deposits	\$ 757	\$ 573	\$ 2,178	\$ 1,886
	=====	=====	=====	=====
<b>FIXED CHARGES</b>				
Interest Expense, Excluding Interest on Deposits	\$ 62	\$ 55	\$ 170	\$ 158
One-Third Net Rental Expense*	17	14	48	38
Total Fixed Charges, Excluding Interest on Deposits	79	69	218	196
Interest on Deposits	139	113	384	397
Total Fixed Charges, Including Interest on Deposits	\$ 218	\$ 182	\$ 602	\$ 593
	=====	=====	=====	=====
<b>EARNINGS TO FIXED CHARGES RATIOS</b>				
Excluding Interest on Deposits	7.82x	6.67x	8.23x	7.60x
Including Interest on Deposits	3.47	3.15	3.62	3.18

&lt;FN&gt;

\*The proportion deemed representative of the interest factor.

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CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER  
-----

I, Thomas A. Renyi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Bank of New York Company, Inc.(the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2004

/s/ Thomas A. Renyi

-----  
Thomas A. Renyi  
Chief Executive Officer

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CERTIFICATION OF CHIEF FINANCIAL OFFICER  
-----

I, Bruce W. Van Saun, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Bank of New York Company, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2004

/s/ Bruce W. Van Saun

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Bruce W. Van Saun  
Chief Financial Officer

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Certification

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of The Bank of New York Company, Inc. (the "Company"), hereby certifies, that the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2004

/s/ Thomas A. Renyi  
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Thomas A. Renyi  
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

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## Certification

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of The Bank of New York Company, Inc. (the "Company"), hereby certifies, that the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2004

/s/ Bruce W. Van Saun  
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Bruce W. Van Saun  
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

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