



Mellon

Mellon Financial Corporation
2005 Summary Annual Report

Building on Our Strengths...



... By Investing in Our Core.

Mellon Financial Corporation is a global financial services company and one of the world's leading providers of financial services for corporations, institutions and high net worth individuals. Mellon provides services through Mellon Asset Management and Private Wealth Management (which make up the Asset Management business group), Asset Servicing and Payment Solutions & Investor Services (which make up the Payments and Securities Services business group), and Treasury Services. Guided by our Shared Values of Integrity, Teamwork and Excellence, our goal is to become the best performing asset management and payments and securities services company.

ON THE COVER: Clockwise from top left, Gunjan Kedia, Investment Manager Solutions; Christine Todd, Standish Mellon Asset Management; and Ken Roehner, Mellon Global Securities Services.

Mellon has more than 135 years of experience in the financial services industry; record levels of \$781 billion in assets under management; \$4.7 trillion in assets under management, custody and administration; and return on equity of 22 percent based on continuing operations. Income from continuing operations in 2005 totaled \$912 million, or \$2.18 per share, compared with \$807 million, or \$1.90 per share in 2004. We won significant new business mandates and continued to achieve very high client satisfaction ratings.

In 2005, we took a number of important steps to concentrate on those businesses in which we are market leaders and best positioned for global growth. We have identified our most promising growth opportunities and are making additional supplemental investments in our core businesses to enhance our sales and distribution capabilities and deepen our product and service offerings.

Simply put, we are building on our strengths.

To Our Shareholders:



As the new leader of one of the financial services industry's most respected and well-known institutions, I look forward to achieving even greater levels of success for our Corporation. Mellon's 2005 results provide solid momentum for us to build on our strengths and grow. With more than 25 years of financial services experience, and with the support of a very experienced senior management team, I am prepared to lead Mellon to become bigger and stronger to better serve our clients and shareholders.

Mellon shareholders' one-year total return was 13 percent compared to a 5 percent return for the S&P 500 stock index and a 3 percent return for the BKX index of selected financial services companies. Mellon achieved a record level of \$4.7 trillion of assets under management, custody and administration in 2005. Total revenue grew 13 percent in 2005. Our asset management and asset servicing businesses continued to expand, comprising 84 percent of pre-tax income from continuing operations by year end. We gained substantial new client wins, continued to earn very high client satisfaction ratings and produced a return on equity (ROE) of 22 percent. We have delivered a dividend increase of 59 percent over the past three years and announced our seventh stock repurchase program since January 1, 1999, totaling 170 million shares.

Our Priorities

The sale of our human resources consulting and outsourcing businesses in 2005 enabled us to further sharpen our focus on our core businesses and make supplemental growth investments, including:

- expanding our role as a leading global asset manager;
- expanding our private wealth management franchise; and
- leveraging our top-rated asset servicing technology and service quality to gain further global share.

Driven by these priorities, we enhanced our growth potential in our asset management and asset servicing businesses and maintained our leadership positions in payment solutions and investor services.

Expanding as a Leading Global Asset Manager

Assets under management grew to a record \$781 billion with net flows of \$63 billion, and investment management fee revenue rose 15 percent over 2004.

Mellon Institutional Asset Management and Dreyfus were brought together into a single organization, Mellon Asset Management, to ensure optimal service of institutional, retail and intermediated channels and to leverage Mellon's outstanding investment capabilities. In 2005, revenue from Mellon Asset Management grew 16 percent and pre-tax income grew 22 percent. Custom solutions and products helped clients pursue investment performance exceeding market benchmarks — at least half of our institutional asset management products in every major category outperformed their benchmarks in 2005. Our global expansion was reinforced when we announced plans to form an asset management joint venture with WestLB AG. The joint venture company, WestLB Mellon Asset Management, will include WestLB's main asset management activities in Germany, the United Kingdom, Italy, Spain, the United States, Australia and Japan, and will be the exclusive distributor of Mellon products in Germany. WestLB's French banking subsidiary, Banque d'Orsay, will be the joint venture's exclusive distributor in France and a distributor of Mellon's asset management products in France.

in 2005...

Mellon shareholders' one-year total return was 13 percent compared to a 5 percent return for the S&P 500 stock index.

Expanding Private Wealth Management

Given the growth opportunities in the high net worth marketplace and our reputation for outstanding client service, Private Wealth Management continues to be one of the largest and steadiest contributors of profits for Mellon. In 2005, revenue grew 7 percent and pre-tax income grew 9 percent. We sustained excellent client satisfaction ratings, experienced strong growth in services to family offices and expanded geographically by acquiring City Capital Inc. in Atlanta, which builds on our presence in the region as part of our growth strategy.

Leveraging Asset Servicing Technology and Service Quality

Asset Servicing's assets under custody or administration reached a record \$3.9 trillion. In 2005, revenue grew 22 percent and pre-tax income grew 24 percent. The record level of assets under custody included approximately \$400 billion of new custody wins in North America, Europe and Asia. Fueling these wins were No. 1 rankings such as top performing global custody provider among our peers (2005 Global Custodian Survey, Global Investor Custody Survey and R&M Consultants Global Custody Survey). In 2005, we responded to growing demand for administering hedge fund assets by acquiring DPM, now operating as DPM Mellon, and announced plans to establish a hedge fund administration capability in Dublin. We continued expansion through ABN AMRO Mellon Global Securities Services, which launched custody operations in Luxembourg and established a sales office in Singapore. We also broadened the product and geographic reach of our Investment Manager Solutions business, which provides outsourcing and technology solutions for investment managers globally, by acquiring our partner's stake in Russell/Mellon, whose services and products were renamed Mellon Analytical Solutions.

Maintaining Leading Positions in Payment Solutions & Investor Services

Payment Solutions & Investor Services continued to deliver solid profitability in 2005 with a pre-tax margin of 24 percent and an ROE of 34 percent. We maintained leading market positions in Payment Solutions & Investor Services and found new ways to add value for clients. SourceNet Solutions, acquired in late 2004, improved Mellon's ability to help clients reduce costs and institute best practices through a broad range of finance and accounting business process outsourcing services. Mellon Global Cash Management ranked No. 1 U.S. global cash management provider based on client ratings in the Bank Leader Survey in each of the last five years. Rated No. 1 for overall client satisfaction among large transfer agents (Group Five Inc. study, 2005), Mellon Investor Services moved into a new headquarters building in Jersey City, N.J., in the fourth quarter of 2005 to co-locate employees for greater efficiency.

Strong Commitment

I am committed to continue to grow our businesses and improve shareholder returns. I thank our shareholders and clients for their confidence in Mellon and pledge that we will maintain our focus on meeting or exceeding your expectations. Our employees — some of the hardest-working, most talented professionals in the industry — also deserve thanks for winning new business and providing outstanding client service. They are winners, and like you, most are shareholders, so they are driven to produce results. I look forward to meeting with shareholders, clients, employees and community partners in the months and years to come. Thank you all for investing in Mellon.

Sincerely yours,



Robert P. Kelly
Chairman, President and Chief Executive Officer

Financial Highlights

Mellon Financial Corporation (and its subsidiaries)	2005	2004
FINANCIAL RESULTS		
Income from continuing operations (in millions)	\$ 912	\$ 807
Loss from discontinued operations (in millions)	(130)	(11)
Net income (in millions)	\$ 782	\$ 796
<i>Earnings per share — diluted</i>		
Continuing operations	\$ 2.18	\$ 1.90
Discontinued operations	(.31)	(.02)
Net income	\$ 1.87	\$ 1.88
CONTINUING OPERATIONS — KEY DATA		
Total revenue (in millions)	\$4,781	\$4,218
Return on equity	22.1%	21.1%
Fee and other revenue as a percentage of total revenue (FTE)	90%	89%
Pre-tax operating margin (FTE)	29%	29%
Assets under management at year end (in billions)	\$ 781	\$ 707
Assets under custody or administration at year end (in billions)	\$3,908	\$3,233
S&P 500 stock index — year end	1248	1212
S&P 500 stock index — daily average	1207	1131

Note: FTE denotes presentation on a fully taxable equivalent basis.

CAUTIONARY STATEMENT

This Summary Annual Report contains “forward-looking statements.” These statements relate to, among other things, future financial results of the Corporation. Reference is made to the Corporation’s filings on Forms 10-K and 10-Q with the Securities and Exchange Commission for factors that could cause actual results to differ materially from those anticipated, including without limitation, changes in political and economic conditions, and equity, fixed-income and foreign exchange market fluctuations.

Building on Opportunities

SELECTED BUSINESS WINS

-
- NOVEMBER** Mellon Investor Services Named Transfer Agent for JPMorgan's ADR Depository Clients
London Borough of Sutton Awards Global Equity Mandate to Newton Investment Management
-
- OCTOBER** SourceNet Solutions Awarded a Contract for Energy Invoice Processing and Accounts Payable Validation for the Naval Facilities Engineering Command
GlaxoSmithKline Appoints ABN AMRO Mellon Global Securities Services Global Custodian for Its \$7.2 Billion Pension Fund
-
- SEPTEMBER** Safety Insurance Awarded Mellon Global Cash Management the Business for the Collection of Its Consumer Payments
-
- AUGUST** Louisiana State Employees Retirement System Awards Mellon Global Securities Services \$7 Billion Master Custody Account
-
- JULY** State Board of Administration of Florida, the Fourth Largest U.S. Public Retirement System, Awards \$113 Billion Master Custody Account to Mellon Global Securities Services
Stephens Investment Management Group Outsources Back Office to Mellon's Investment Manager Solutions
-
- JUNE** Mellon's Dublin Businesses Selected as Administrator, Custodian and Trustee for US\$11 Billion Standard Life Investments Fund
-
- MAY** Clover Capital Management and Copper Rock Capital Partners Outsource Back Office to Mellon's Investment Manager Solutions
-
- MARCH** Kentucky Retirement System Awards Mandate to The Boston Company Asset Management to Manage \$700 Million in International Value Equity
U.S. Bancorp Fund Services Licenses Eagle Software for Fund Administration Reporting
-
- JANUARY** American Bible Society in New York City Selects Mellon's Private Wealth Management Business to Provide Planned Giving Services for Approximately \$68 Million in Gift Assets
IGM Financial Selects CIBC Mellon to Provide Custody and Securities Lending Services for \$80 Billion in Assets

Building on Leadership



Acquainted for more than a decade, Chairman, President and Chief Executive Officer Bob Kelly and Senior Vice Chairman Steve Elliott began their Mellon partnership on February 13, 2006.

Mellon's strategy is to capitalize on growth opportunities in asset management and securities services, maintain leading positions in our payments services business and aggressively manage our capital for high returns. Our long-term financial goals are to achieve long-term earnings per share growth of 11 percent to 14 percent and returns on common shareholders' equity of 18 percent to 20 percent, on a continuing operations basis.

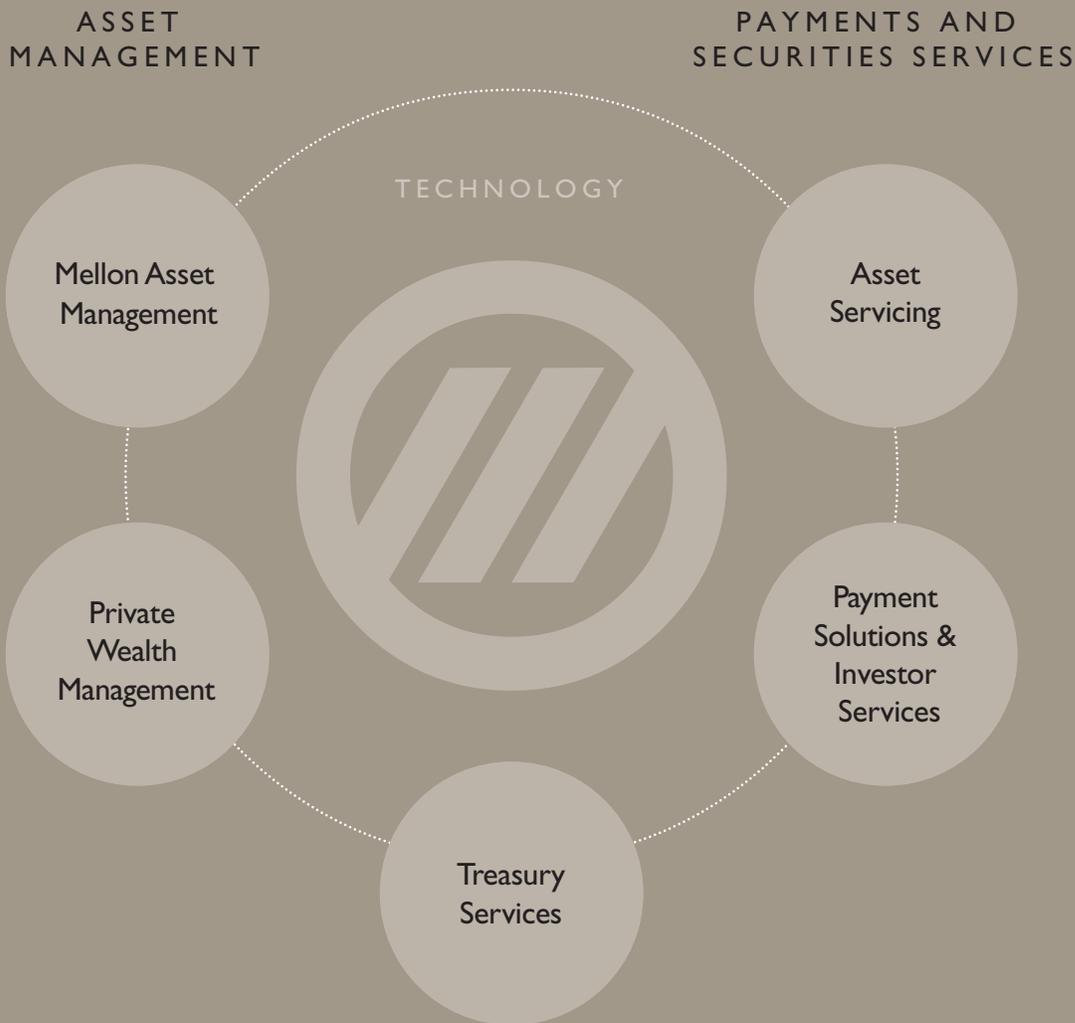
The businesses and technology at the heart of Mellon's strategy are continually enhanced to meet or exceed clients' expectations. In 2005, this focus yielded important accomplishments and synergies and laid the groundwork for growth opportunities that enable us to build on our strengths.

These and other achievements are featured in this report, along with descriptions of our businesses, key technologies, markets we serve and future plans.

Strong Organization

OUR BUSINESSES

Mellon provides services through Mellon Asset Management and Private Wealth Management (which make up the Asset Management business group), Asset Servicing and Payment Solutions & Investor Services (which make up the Payments and Securities Services business group), and Treasury Services. Across our organization, the solutions we offer to clients are enhanced by our technology strategy, which is driven by our business strategy.



ASSET MANAGEMENT

Mellon's asset management model is focused on excellent investment performance, product balance and scale. The model leverages strong brands and product breadth across multiple global distribution channels to reach institutional, high net worth and retail clients.

PAYMENTS AND SECURITIES SERVICES

Mellon is a leader in providing payments and securities services to large U.S., Canadian and multinational corporations, and financial, public and nonprofit institutions. Mellon delivers global outsourcing and technology solutions involving asset servicing, investment manager solutions, total working capital solutions and equity administration services.

ASSET MANAGEMENT

Mellon Asset Management Leading global provider of investment management products and services through individual asset management companies and multiple distribution channels.

Services/Products: Equity, fixed-income, hedge and liquidity management products featuring a range of investment styles and asset classes, distributed internationally through Mellon Global Investments (MGI), and Dreyfus/Founders mutual funds, separately managed accounts and annuities.

Clients: Institutional investors via direct sales, consultant relationships and sub-advisory relationships; mutual funds are also sold to individuals through intermediaries through MGI, Dreyfus and Founders, and directly to individuals.

Private Wealth Management Wealth management, including investment management, wealth planning and comprehensive financial management services.

Services/Products: Investment management, wealth management and comprehensive financial management services and private banking. **Clients:** High net worth individuals, families, family offices, charitable gift programs, endowments, foundations, professionals and entrepreneurs.

PAYMENTS AND SECURITIES SERVICES

Asset Servicing An array of products and services that enable clients worldwide to enhance the management, administration and oversight of their investment process.

Services/Products: Institutional trust and custody, securities lending, investment management back-office outsourcing, performance measurement, benefits disbursements, transition management, fund administration, Web-based investment management software, foreign exchange and derivative products; distribution through Mellon and its joint venture partners CIBC Mellon GSS and ABN AMRO Mellon GSS; transfer agency and fund accounting services through U.K.-based Mellon European Fund Services; and software solutions through Eagle Investment Systems. **Clients:** Corporate and public retirement funds, foundations, endowments and global financial institutions.

Payment Solutions & Investor Services

Total working capital solutions and comprehensive equity administration services.

Services/Products: Global cash management and, through SourceNet Solutions, accounts payable and other business processing; stock transfer and recordkeeping services, investment plan services, demutualizations, corporate actions, unclaimed property services and equity compensation plans through Mellon Investor Services; and broker-dealer services through Mellon Financial Markets. **Clients:** Corporations, institutions and government agencies.

Treasury Services **Services/Products:** Credit products for large corporations, insurance premium financing, the activities of Mellon 1st Business Bank, N.A. **Clients:** Large corporations, banks, insurance brokers, insurance companies, businesses, professionals, entrepreneurs and business owners.

The Executive Management Group is Mellon's most senior management body. Vice chairmen are (left to right) James P. Palermo, Stephen E. Canter, John L. Klinck Jr., John T. Chesko, Ronald P. O'Hanley and David F. Lamere.



Asset Management

Mellon's focus on investment performance produced record growth in Asset Management in 2005. The businesses that make up Mellon Asset Management worked with clients to provide new products and custom solutions, expanded their research capabilities, and leveraged the power of the Dreyfus brand. Building on its competitive strengths and success in the high net worth market, Private Wealth Management completed its fourth acquisition in less than two years and planned further expansion in fast-growing markets.

MELLON ASSET MANAGEMENT

Mellon Asset Management achieved excellent results by creating high quality, sophisticated traditional and non-traditional products; developing creative, custom solutions, specially designed for Mellon's most significant clients; growing the business internationally; and repositioning Dreyfus as a client-focused mutual fund U.S.-distribution company. Mellon holds many leading market positions as a result of the talent in this business, which is comprised of individual asset management boutiques and multiple distribution channels. To ensure optimal service of institutional, retail and intermediated channels and to leverage Mellon's outstanding investment capabilities, Mellon Institutional Asset Management and Dreyfus were brought together into one organization — Mellon Asset Management (MAM) — in January 2006.

The United States accounts for the largest proportion of MAM's current business, but Europe and Asia are its fastest-growing markets. To continue to expand our asset management scope globally, Mellon announced in 2005

that it will establish a jointly owned asset management business with WestLB AG. The business combines WestLB's asset management activities (currently branded "WestAM") with Mellon's German asset management activities. The joint venture company, WestLB Mellon Asset Management, will include WestAM's activities in Germany, the United Kingdom, Italy, Spain, the United States, Australia and Japan, and will be the exclusive distributor of Mellon products in Germany. WestLB's French banking subsidiary, Banque d'Orsay (BDO), will be the joint venture's exclusive distributor in France and a distributor of Mellon's asset management products in France. Mellon will distribute both the joint venture company's and BDO's asset management products globally.

We have been very successful in building our asset management capabilities outside of the United States, and in recognition of their leadership in this effort, Helena Morrissey, CEO of Newton Investment Management, and Jon Little, CEO of Mellon Global Investments (MGI), were appointed co-chairs of Mellon International,



John McNichols, Standish Mellon Asset Management; Susan Huizenga Kilbride, The Boston Company Asset Management (TBCAM); John Cone, Franklin Portfolio Associates; and Param Roychoudhury, TBCAM; all of Boston.

Mellon Asset Management (MAM): MAM has numerous leading market positions including largest currency overlay asset manager, 2nd largest manager of endowment and foundation assets, 4th largest sub-advisory manager, 5th largest U.S. institutional tax-exempt manager (latest industry rankings, *Pensions & Investments*, May 30, 2005) and No. 1 transition manager in 10 separate service categories (*Global Investor*, 2005). **Technology Note:** Products including Eagle PACE™ and Eagle STAR® are key portfolio management technology solutions at work in MAM's investment management businesses. MAM's focus on client relationship management and the Eagle PACE data-hub solution will allow for more effective use of client and product information across the MAM enterprise.

formerly Mellon Europe. Mellon continued its growth in Japan and Asia, increasing assets under management and relative rankings in retail, institutional and pension markets. In Japan, in partnership with Nikko Cordial Securities, Mellon launched two funds, one of which raised more than US\$1 billion, representing one of Mellon's largest-ever fund launches. Mellon expanded MGI Australia and experienced strong growth, raising more than US\$750 million in new funds via retail and institutional channels. By year-end 2005, Mellon managed Australian-sourced assets of more than A\$10 billion.

In response to clients' growing needs for comprehensive solutions to their complex needs, MAM continued to expand its focus in 2005 on the development of nontraditional, leading-edge products such as Mellon Capital's AlphaAccess strategy. The AlphaAccess strategy offers clients more ways to implement strategies to achieve exceptional investment performance above a market benchmark. Alternative strategies are offered by virtually every Mellon investment management subsidiary.

To capitalize on Dreyfus' strong brand recognition and reputation, Mellon repositioned Dreyfus as a client-focused mutual fund U.S.-distribution company within MAM. Dreyfus will use Mellon's centers of investment excellence and sub-advisors to provide institutional quality investment processes to investors and their advisors. As a top-10 provider of separately managed accounts (Cerulli Associates research, fourth quarter 2005), Dreyfus expanded this product line through Multiple-Discipline Accounts, the next generation of separate accounts. Multiple-Discipline Accounts use multiple money managers and allow clients to achieve diversification and rebalancing of assets.

The Boston Company Asset Management (TBCAM) made a significant commitment to expanding its fundamental research capabilities in 2005. Because superior fundamental research is a true competitive differentiator, TBCAM created a major core research group comprised of Dreyfus and TBCAM team members, and plans to add additional investment resources.



Matt Oomen, Mellon Global Investments, London

Mellon Global Investments (MGI): MGI, the international distributor of all Mellon investment products and strategies outside of the United States, experienced a record year in sales. MGI now has a team dedicated exclusively to selling Mellon's many alternative nontraditional capabilities throughout Europe.

Technology Note: MAM's e-Business team works across all of Mellon's investment management businesses, including MGI, with an emphasis in 2005 on marketing solutions.

Mellon is the 3rd largest manager of defined benefit (DB) assets (*Pensions & Investments*, May 30, 2005). Although DB assets will remain an important component of the U.S. retirement system for decades, corporations are increasingly looking to defined contributions (DC) plans and similar alternatives. With an extensive array of services, MAM helps pen-

sion plan sponsors achieve their objectives. Mellon Pension Services (MPS), for example, offers DB sponsors sophisticated asset/liability management. Together with the investment subsidiaries of MAM and Asset Servicing, MPS offers comprehensive solutions to the wide variety of plan sponsors' goals and challenges.

In the DC arena, MAM leverages the Mellon and Dreyfus brands, capitalizing on Dreyfus' longstanding ties in the retirement market and the reputation of Mellon's investment subsidiaries. Efforts in both DC and DB markets benefit from effective marketing and advertising campaigns, as well as numerous position papers reinforcing Mellon's role as a thought leader in the retirement market community.

PRIVATE WEALTH MANAGEMENT

The Private Wealth Management business continued its geographic expansion, improved investment performance, maintained excellent client satisfaction ratings, realized significant growth in services to family offices and continued to create value for clients in 2005.

With approximately \$86 billion in client assets, Private Wealth Management's teams of talented portfolio managers in 60 offices throughout 14 U.S. states manage assets for high net worth, family office and charitable planned giving clients. Private Wealth Management also provides services to entrepreneurial enterprises, law firms, foundations and endowments.

In 2005, Private Wealth Management continued its geographic expansion by acquiring City Capital Inc., an Atlanta-based investment management firm founded in 1988. In addition to a team of highly skilled professionals, City Capital brings more than \$800 million in client assets to Mellon's Private Wealth Management business.

Another key geographic market for growth potential is the state of Florida, where Private Wealth Management enjoyed consistent strong growth in 2005. The business

no.7

Asset Manager in America Based on Assets Under Management, Institutional Investor, July 2005

expanded offices in Miami-Dade, Broward and Palm Beach counties as well as at the flagship Mellon Financial Center in Miami. Private Wealth Management added new space in Aventura. Building on Mellon's excellent reputation in South Florida, the business also opened a new office in Vero Beach and plans to open a Naples office in the first half of 2006.

Because the quality of relationships between Private Wealth Management professionals and their clients is a critical measure of success, client satisfaction survey results are significant. Recent surveys indicate a continued trend of improvement across all client segments, including High Net Worth, Family Office and Charitable Planned Giving. Across all segments, at least 89 percent of our clients said they were satisfied or very satisfied with Private Wealth Management's services and — even more gratifying in a business driven by referrals — more than 88 percent of respondents said they would refer someone with similar needs to Mellon. In each of the past five years, Mellon's private client retention rate was 95 percent or better.

Client satisfaction is influenced by capabilities and performance. Mellon was an early proponent of

disciplined Strategic Asset Allocation, which introduces nontraditional asset classes to high net worth clients and gives them the benefit of Mellon's due diligence and strategic thinking. For example, Mellon introduced hedge funds into the Strategic Asset Allocation strategy in 2000 and added a registered hedge fund in 2005. The new fund allows a broader spectrum of clients to participate in this asset class by reducing the financial commitment level.

Mellon's Family Office business continued its momentum and grew significantly in 2005, achieving record new relationship business wins in 2005. Assets under management, custody and administration grew by approximately 14 percent over 2004. The team once again received "best-in-class" ratings on its 2005 client satisfaction survey, which translates into industry-leading levels of client retention.

Mellon plans to continue to increase Private Wealth Management's sales capacity and private banking resources in key geographic markets as well as expand locations, continuing to focus on acquisitions and opening new offices in fast-growing markets such as Florida and California.

Private Wealth Management:

Acquiring established firms in desirable U.S. markets is fundamental to Mellon's strategy for growth in Private Wealth Management, and the state of Georgia represents a tremendous growth opportunity for this business.

Technology Note: To expand resources for clients, Private Wealth Management is investing in technology for clients to easily access their accounts and information.



Dana Halberg, Michael Mohr and Jack Sawyer, Private Wealth Management, Atlanta.

Payments and Securities Services

In the Payments and Securities Services group, the Asset Servicing business maintained leading market positions, added significantly to its new business pipeline and product mix, and further expanded into Europe and Asia. The group's Payment Solutions & Investor Services business continued to receive high client satisfaction ratings as it enhanced product lines and introduced new value-added services that helped distinguish Mellon in a highly competitive field.

ASSET SERVICING

In a business segment where high client satisfaction ratings and prestigious awards help spur growth, Asset Servicing has repeatedly captured top honors, and 2005 was no exception.

- The Mellon Group placed 1st vs. its peer group across 23 out of 24 services rated by fund managers and institutional investors (*Global Custodian*, Global Custody Survey, August 2005).
- The Mellon Group won top honors for Best Global Custodian: North American Fund Managers, Mutual Fund Managers, Mutual Funds and Insurance Companies. Against its peers, Mellon was also recognized as best provider in 19 out of 25 service categories (*Global Investor*, Global Custody Survey, May 2005).
- The Mellon Group also captured 1st overall in North America, 1st overall in Continental Europe, 1st vs. peers overall (for a fourth straight year), 1st vs.

peers as judged by investment managers, 1st vs. peers as judged by pension funds and others, and 1st vs. peers as judged by clients with more than \$10 billion in assets (R&M Consultants, Global Custody Survey, February 2005).

Asset Servicing won new business representing approximately \$400 billion in assets in 2005. Some mandates were the result of cross-selling involving multiple Mellon business lines in the development of solutions for clients, including the State Board of Administration of Florida and Standard Life.

To gain global share, leverage core products and add to its strength in serving financial institutions, Asset Servicing completed several acquisitions, opened new offices in Europe and Asia and made strategic investments in its businesses in 2005.

To add to its asset servicing product mix and further penetrate global markets, Mellon acquired DPM, a



Savie Fiorini and Joan Hopkins, CIBC Mellon Global Securities Services (GSS), Toronto

CIBC Mellon GSS: Asset Servicing clients in the United States are served primarily through Mellon GSS, clients in Canada are served through CIBC Mellon GSS and clients in areas outside of North America are served through ABN AMRO Mellon GSS. In 2006, the CIBC Mellon GSS joint venture will celebrate its 10th anniversary. **Technology Note:** All of Joan Hopkins' clients use Workbench, technology that delivers Mellon-sourced data and portfolio-specific information to the client-user.

Somerset, N.J.-based hedge fund administrator now operating as DPM Mellon. DPM Mellon has focused on servicing the most complex types of hedge funds and fund-of-hedge funds. In late 2005, the business' U.S. operations were moved to a new facility to better serve clients. To serve the European market, a source of growing demand from international hedge fund managers, DPM Mellon has established a hedge fund administration capability in Dublin, alongside Mellon's existing European fund administration capabilities.

To nurture growth in Europe and Asia, Asset Servicing further strengthened its capabilities and expanded its presence in 2005. ABN AMRO Mellon GSS launched local custody operations in the Netherlands, won three major institutional custody mandates in the Asia-Pacific market and opened offices in Luxembourg and Singapore. Through the Singapore office, ABN AMRO Mellon GSS demonstrates its commitment to the Asian market and will expand its asset servicing business to Asia's institutional community.

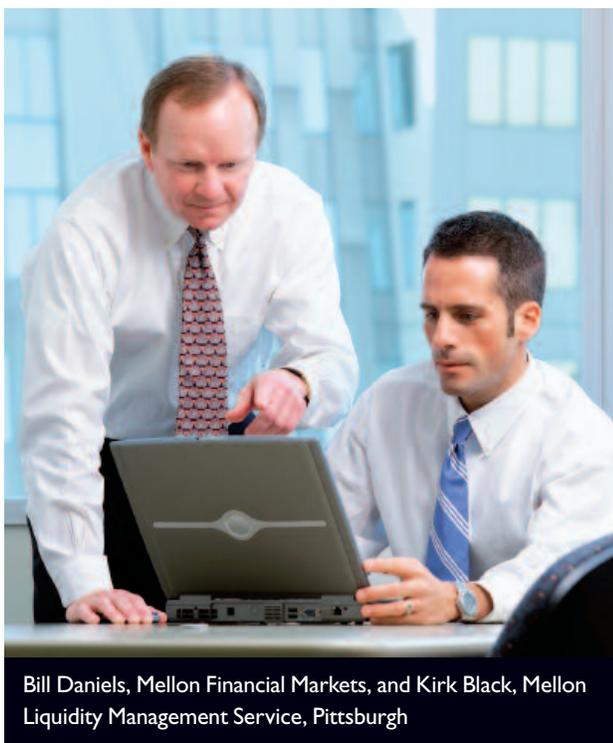
no. 1
*vs. Peers Across 23 Out of
24 Services Rated by Fund
Managers and Institutional
Investors, Global Custodian,
Global Custody Survey,
August 2005*

Investment Manager Solutions (IMS), an Asset Servicing business formally established in 2004, delivers a wide range of scalable outsourcing and technology solutions to investment managers and other financial institutions globally. The trend toward global growth in assets managed by financial institutions, primarily in the United States and Europe, is fueling Mellon's investments in IMS, with special emphasis on product development. Mellon is continuing to enhance its solutions to provide an integrated platform that consolidates disparate data and delivers information to support the investment management process.

Within IMS are businesses that provide sophisticated services to support the wide-ranging needs of investment managers. Eagle Investment Systems provides Web-based technology solutions and support for data warehousing (Eagle PACE™ software) and investment accounting (Eagle STAR® software) for more than 100 clients. Mellon's Global Investment Administration business provides middle- and back-office outsourcing to 26 clients with more than \$450 billion in assets. Mellon European Fund Services offers fund administration and transfer agency services to fund companies, and Mellon Global Professional Services is a value-added consulting capability that helps IMS clients optimize their business operations and customize appropriate outsourcing and technology solutions. IMS services can be sold bundled or unbundled.

To expand further and continue to develop its product set, Mellon acquired Russell Investment Group's 50 percent share of the Russell/Mellon joint venture in 2005 and renamed the performance-related products and services Mellon Analytical Solutions (MAS), part of IMS. Now a major client, Russell Investment Group entered into a multiyear contract with MAS that involves performance measurement and analytics services for their consulting and investment management businesses.

Mellon's operations center in Pune, India, completed its first full year of providing six Mellon businesses, including Asset Servicing, more flexibility to operate across time zones and the opportunity to expand products and services. The center allows Mellon to leverage complementary capabilities, further the development of its global service delivery platform and help to align Mellon's cost structure with the global financial services marketplace.



Bill Daniels, Mellon Financial Markets, and Kirk Black, Mellon Liquidity Management Service, Pittsburgh

Liquidity Management Service (LMS): In 2005, Mellon's LMS – an innovative joint offering of Mellon Global Cash Management (GCM) and Mellon Financial Markets (MFM) – achieved a milestone when it reached \$8 billion in assets in its first 15 months of operation and attained a 100 percent client satisfaction rating for the second year in a row.

Technology Note: Through a combination of Mellon GCM technology and MFM expertise, LMS helps clients invest excess cash by purchasing money market funds and securities online while gaining extensive transaction and performance reporting capabilities.

Mellon Investor Services: Offering individual solutions to meet its clients' business goals, MIS takes a distinctive stand in the marketplace. One important differentiation was clear in 2005 when MIS received a No. 1 rating for overall client satisfaction among large transfer agents in the Group Five Inc. survey.

Technology Note: Mellon launched SMARTSM (Stockplan Management Analysis and Reporting Tool), a Web-based tool that provides clients with greater access and flexibility to create their own reports.



Yaa Asa-Awuku, Mellon Investor Services, Jersey City, N.J.

PAYMENT SOLUTIONS & INVESTOR SERVICES

Through the Payment Solutions & Investor Services business, Mellon processes \$125 billion of corporate and institutional clients' daily payments and administers 20 million shareholder accounts. The businesses that make up Payment Solutions & Investor Services have earned leading market positions for service quality over the years, and in 2005, they extended that record while maintaining a focus on quality, product enhancements and delivering shareholder value. Payment Solutions & Investor Services comprises two major components: Mellon Global Cash Management (GCM) and Mellon Investor Services.

Mellon GCM is a payments industry leader that designs comprehensive solutions through its broad line of cash management services to meet the treasury needs of corporations, nonprofit organizations and financial institutions. The business was ranked No. 1 U.S. global cash management provider based on client ratings in the Bank Leader Survey in each of the last five years.

Acquired in late 2004 to complement existing product and service offerings, SourceNet Solutions is a vital element of our strategy to evolve with the demands of the marketplace and increase involvement in clients' working capital management processes in addition to traditional cash management services. Through SourceNet Solutions, clients can outsource their accounts payable function. In the first year, SourceNet has already seen its pipeline double.

Mellon GCM also continued to improve its traditional cash management products in 2005 through innovations such as enhancing image capabilities to its lockbox platform for faster information capture, payment processing, and check and document image retrieval. The Mellon Enterprise Cash Management business, which provides cash management outsourcing solutions to financial institutions, introduced upgrades to its wholesale lockbox operations.

For small, middle-market and Fortune 500 corporations, Mellon Investor Services (MIS) is one of the leading providers of equity administration services in North America, with approximately 1,500 corporate clients worldwide and 20 million shareholder accounts. Services range from shareowner services — such as transfer agency, investment plan, corporate actions and proxy solicitation offerings — to employee stock plan services.

During 2005, MIS continued to make significant investments in a number of technology and product development initiatives that are part of the business' multiyear strategic plan and expanded client relationships, including those with JPMorgan Chase & Co. and MetLife Inc. MIS was appointed the American Depositary Receipt (ADR) transfer agent for JPMorgan Chase & Co. The Mellon business will manage all recordkeeping activities for the more than 200 ADR programs for issuers around the world that JPMorgan serves as depositary. MIS was also appointed to continue its role as transfer agent and registrar for MetLife Inc.

Building Strong Teams and Communities

Mellon's greatest resource is our people, because everything we do is **for** our shareholders, clients and the communities we serve and is achieved **through** our employees. In 2005, we continued our focus on becoming the employer of choice and partnered with communities globally.

The Employer of Choice commitment fosters a reciprocal relationship between Mellon and our employees that helps Mellon attract and retain the right people with superior skills. In fact, Mellon was ranked first in "employee talent" in our category in *Fortune* magazine's 23rd annual survey of America's Most-Admired Companies in 2005.

Mellon's Diversity Council, which is made up of a cross-section of global executives, sponsored the creation of two affinity networks—a regional chapter of the Black/African-American Affinity Network at locations in the western United States, and the Multicultural Organization for Recruitment and Education, based in New England—bringing the total number of affinity networks corporate-wide to five. Others include the Black/African-American Affinity Network in the eastern United States; PRISM (Pride, Respect, Individuality and Support at Mellon), which strives to promote and support an inclusive environment at Mellon for gay, lesbian, bisexual and transgender employees; and HEART (Helping Each Ability by Respecting and Teaching), with a mission to provide support, education and networking opportunities for people with disabilities to enhance their business acumen and improve awareness of disability issues. Across Mellon's international businesses, work on our Employer of Choice aspira-

tions continues with a visionary program created through a senior management strategic steering group, with diversity and inclusion at the heart of its agenda. We continued our strong commitment to the diversity of our workforce and the communities that we serve, and were honored with the Goodwill Industries' Power of Work award and numerous awards for our efforts to employ people with disabilities.



Mellon joined 120 organizations that raised funds for Save the Children — an organization that brings health, education, economic opportunity and emergency relief to millions of children around the world — by participating in the 2004–2005 Global Challenge.



Participating in our corporate-wide HeartWalk program are Mellon teams from (clockwise from upper left) Atlanta, Los Angeles, Sydney, Miami, San Francisco and Boston.

We completed our third year of providing wellness programs designed to help employees take a more active role in managing their health. Mellon's Eat Well program was recognized by Highmark Blue Cross Blue Shield as an innovative, first-of-its-kind strategic program focused on helping employees manage their nutrition for optimal health and well-being. We offer employees a Health Savings Account as a consumer-driven healthcare plan alternative.

Mellon employees responded to a special gift-matching program to support relief efforts for victims of the December 2004 earthquakes and tsunami in Southeast Asia. Combined with employee contributions, Mellon's support totaled more than \$400,000 to assist the International Red Cross, Save the Children, CARE and the U.K.-based Disaster Emergency Committee relief organizations. A special September 2005 Mellon gift-matching program bolstered numerous gifts of Mellon employees to the humanitarian efforts in the wake of Hurricane Katrina. Employee contributions and Mellon support totaled more than \$500,000 to assist the American Red Cross. And employees in the United Kingdom and Ireland rallied to raise funds to support victims left homeless from the October earthquakes in Kashmir, Pakistan and Northern India.

In 2005, Mellon's commitment to the communities we serve extended across five continents as employees joined a program to raise funds to combat heart disease, cited by the World Health Organization as the cause for one out of three deaths around the world. Over the next year, Mellon employees will participate in a corporate-wide Heart Walk program scheduled for 19 U.S. cities and Mellon locations in Australia, Brazil, Canada and the United Kingdom.

For the past two years, Mellon has participated in the Financial Services Roundtable *Community Build Day*. In partnership with Habitat for Humanity, NeighborWorks America and Rebuilding Together, Mellon employees in Boston, Los Angeles, Miami, Pittsburgh and Philadelphia joined with employees from other financial services companies across the United States to help build and repair homes for individuals and families of modest means.

This past year, Mellon also launched a Corporate Social Responsibility section within its "About Mellon" Web site at www.mellon.com. Addressing current and prospective shareholders, clients, employees and the community, the site describes Mellon's commitment to operate within our Shared Values of Integrity, Teamwork and Excellence for all our stakeholders.

Business Groups / Principal Entities

ASSET MANAGEMENT

The Mellon Asset Management model is focused on excellent investment performance, product balance and scale. The model leverages strong brands and product breadth across multiple global distribution channels to reach institutional, high net worth and retail clients.

Mellon Asset Management

Leading global provider of investment management products and services offering a broad range of equity, fixed-income, hedge and liquidity management products through individual asset management companies and multiple distribution channels, including The Dreyfus Corporation and Mellon Global Investments.

The Boston Company Asset Management LLC manages U.S. and non-U.S. equity and balanced portfolios for institutional clients using a bottom-up approach to stock selection that leverages comprehensive fundamental research.
www.thebostoncompany.com
(617) 722-7029

EACM Advisors LLC offers fund-of-hedge-funds strategies, which are designed to produce consistent returns and low correlation to global equity and fixed-income markets, and manager-of-managers investment strategies, in which it selects and oversees diversified teams of long-only equity and fixed-income money managers.
www.eacm.com
(203) 854-7000

Franklin Portfolio Associates LLC manages domestic equity portfolios for institutional clients and third-party mutual funds through quantitative, risk-controlled strategies.
www.franklinportfolioassociates.com
(617) 248-4500

Mellon Capital Management Corporation provides global investment solutions designed to meet institutional investors' objectives — consistent, risk-controlled investment performance. The firm offers absolute return, global asset allocation, equity and fixed-income strategies.
www.mcm.com
(415) 546-6056

Mellon Equity Associates LLP provides specialized quantitative equity and balanced investment management services to pension plans, nonprofit and public fund markets.
www.mellonequity.com
(412) 234-7500

Mellon Global Alternative Investments Limited implements a unique, disciplined, qualitative investment process providing a range of low-risk fund-of-hedge-funds solutions.
www.mgai.co.uk
+44 (0) 20 7163 4300

Mellon HBV Alternative Strategies LLC offers single-manager investment vehicles, specializing in event-driven alternative strategies.
www.mellonhbv.com
(212) 922-8199 (United States)
+44 (0) 20 7163 6300 (United Kingdom)

Newton Investment Management combines a distinctive global thematic approach with fundamental security research to its active style of investing across multiple asset classes for institutions and high net worth clients.
www.newton.co.uk
+44 (0) 20 7163 9000

Pareto Investment Management Limited, a global, quantitative asset manager for institutions, specializes in currency strategies.
www.paretopartners.com
+44 (0) 20 7163 1000 (United Kingdom)
(212) 527-1800 (United States)

Standish Mellon Asset Management Company LLC, one of the largest managers of fixed-income assets in the United States, provides a broad range of fixed-income strategies to institutional clients.
www.standishmellon.com
(617) 248-6000

Mellon Global Investments Limited is the international distributor of the investment products of the asset management subsidiaries of Mellon Financial Corporation. The company focuses on global distribution outside of North America.
www.mellonglobalinvestments.com
+44 (0) 20 7163 4300

The Dreyfus Corporation is one of the nation's leading asset management companies, with more than \$170 billion in mutual funds, separately managed accounts and institutional portfolios.
www.dreyfus.com
(212) 922-6000

Founders Asset Management LLC is a manager of growth-oriented equity mutual funds.
www.founders.com
1 800 525-2440

Alliances with Non-U.S. Financial Institutions:
Hong Kong: Hamon Investment Group

Private Wealth Management

Wealth management, including investment management, wealth planning and comprehensive financial management services and private banking, with a focus on the industry's best practices, intimate insights into each client's unique goals and needs, and strategic thinking to achieve the right results for each client. Clients include high net worth individuals, families, family offices, charitable gift programs, endowments, foundations, attorneys, real estate professionals and entrepreneurs.
www.mellonprivatewealth.com
1 800 342-9546

PAYMENTS AND SECURITIES SERVICES

Mellon is a leader in providing payments and securities services to large U.S., Canadian and multinational corporations and financial, public and nonprofit institutions. Mellon delivers global outsourcing and technology solutions involving asset servicing, investment manager solutions, total working capital solutions and equity administration services.

Asset Servicing

An array of products and services that enable clients worldwide to enhance the management, administration and oversight of their investment process.

Mellon Global Securities Services is a leading global provider of institutional trust, custody and value-added products for pension funds, foundations, mutual funds, insurance companies and investment managers, as well as highly complementary services in foreign exchange, securities lending, transition management, and performance measurement and analytics.
www.mellon.com/assetservicing
1 800 597-1459

ABNAMRO Mellon Global Securities Services B.V., a Dutch incorporated bank founded on the 50-50 capital commitment of its two parents, ABN AMRO Bank N.V. and Mellon Bank, N.A., is the only Europe-domiciled institution with a worldwide reach entirely dedicated to providing institutional global custody and value-added services. ABN AMRO Mellon Global Securities Services is recognized as a leading player in Europe and has an established presence in the Middle East and Asia-Pacific regions serving institutional investors, including asset managers, central banks, insurance companies, multinationals and pension funds.
www.abnamromellon.com
+(31 20) 628 7770 (Netherlands)
+(49 69) 7593 7580 (Germany)
+(352) 2607 7555 (Luxembourg)
+(65) 6438 8731 (Singapore)
+44 (0) 20 7163 5800 (United Kingdom)

CIBC Mellon Global Securities Services Company, an institutional trust and custody joint venture between Canadian Imperial Bank of Commerce and Mellon, is one of Canada's largest and most sophisticated providers of domestic and global custody, subcustody services for foreign financial institutions, securities lending, multicurrency accounting, Internet reporting and information delivery, and foreign exchange services.
www.cibcmellon.com
(416) 643-5000

CIBC Mellon Trust Company, a joint venture between Canadian Imperial Bank of Commerce and Mellon, is one of Canada's largest corporate trust and transfer agents and debt trustees, providing stock transfer, registrar, debt trusteeship, investor services and related services.
www.cibcmellon.com
(416) 643-5000

DPM Mellon provides hedge fund administration, back- and middle-office outsourcing, and risk administration. Services include daily net asset value (NAV); consolidated reporting; tax layering and reporting across jurisdictions.
www.dpmmellon.com
(732) 667-1122

Investment Manager Solutions brings together Mellon's extensive and proven asset servicing capabilities to deliver a broad range of outsourcing and technology solutions to investment managers and other financial institutions.
www.mellon.com/assetservicing
1 800 597-1459 (United States)
+ 44 (0) 20 7163 5566 (United Kingdom)

Eagle Investment Systems LLC provides Web-based investment management software solutions to money managers, plan sponsors, banks, corporate trusts, insurance companies, hedge funds and mutual funds.
www.eagleinvsys.com
(860) 561-4602

Mellon Analytical Solutions is the leading global provider of performance measurement, universe comparison and investment analysis services to nearly 2,600 institutional investors and money manager clients in 25 countries and is responsible for more than \$6 trillion in assets under measurement.
www.mellon.com/mas
1 800 944-3038

Mellon European Fund Services provides fund administration services to financial institutions operating in both the European and the offshore markets. These services include fund accounting, investment administration, transfer agency and defined contribution pensions administration.
www.mellon.com/assetservicing
+44 (0) 20 7163 5566 (United Kingdom)
+353 1 448 5000 (Ireland)

Mellon Global Professional Services delivers value-added consulting services to assist software and outsourcing clients including investment managers and other financial institutions as they design and redesign their business processes, building effective operations and supporting their investment processes.
www.mellon.com/gps
(617) 219-0477

Payment Solutions & Investor Services

Mellon provides total working capital solutions and comprehensive shareholder and equity services to help clients increase the overall efficiency of their payments processing, improve cash flow, and navigate complex company equity and shareholder services issues.

Mellon Enterprise Cash Management private-labels Mellon Global Cash Management's services and provides them to other financial institutions that want to introduce or expand their capabilities via a private-label outsourcing arrangement.
www.mellon.com/ecm
1 800 424-3004

Mellon Financial Markets LLC (MFM) is the full-service broker-dealer subsidiary of Mellon Financial Corporation. MFM structures, underwrites, distributes and trades the full range of fixed-income securities and provides liquidity management services for clients throughout the United States.
www.mellon.com/corporatefinancing/financialmarkets/
1 800 762-3538 (Institutional Sales)
1 800 441-2559 (Personal Investment Sales)

Mellon Global Cash Management is an industry leader in designing integrated solutions through a comprehensive line of cash management services to meet the specialized treasury needs of corporations, financial institutions and nonprofit organizations.
www.mellon.com/gcm
1 800 424-3004

SourceNet Solutions provides a broad range of finance and accounting business process analysis services involving accounts payable, energy bill and other processes. SourceNet Solutions offers proven expertise in applying enhanced operating practices and complementary technology solutions to optimize process management.
www.sourcenetsolutions.com
1 866 768-7268

Mellon Investor Services provides cost-effective equity solutions and stakeholder communications through a comprehensive suite of products and services that help clients address and manage their equity, shareholder and stock plan participant needs. The business adds value to client relationships through services ranging from recordkeeping to corporate actions, demutualizations and equity compensation plans.
www.melloninvestor.com
(201) 680-4000

Treasury Services

AFCO Credit Corporation (in the United States except California), **AFCO Acceptance Corporation** (in California) and **CAFO Inc.** (in Canada) provide premium financing for business and commercial insurance through a network of regional offices in the United States and Canada.
www.afco.com and www.cafo.com
(412) 234-2472

Mellon 1ST Business Bank, N.A., provides full commercial banking services to businesses, professionals, entrepreneurs and business owners through its headquarters and five regional offices in the Southern California region.
www.mfbb.com
(213) 489-1000

Condensed Consolidated Income Statement

Mellon Financial Corporation (and its subsidiaries)

Year ended December 31,

<i>(in millions, except per share amounts)</i>		2005	2004	2003
NONINTEREST REVENUE	Investment management	\$ 1,875	\$ 1,625	\$ 1,409
	Distribution and service	317	269	240
	Institutional trust and custody	778	628	557
	Payment solutions & investor services	524	565	569
	Foreign exchange trading	202	186	147
	Financing-related	132	137	140
	Equity investment	269	160	(6)
	Other	198	174	170
	Total fee and other revenue	4,295	3,744	3,226
	Gains on sales of securities	1	8	62
Total noninterest revenue	4,296	3,752	3,288	
NET INTEREST REVENUE	Interest revenue	1,159	850	935
	Interest expense	674	384	358
	Net interest revenue	485	466	577
	Provision for credit losses	19	(11)	7
Net interest revenue after provision for credit losses	466	477	570	
OPERATING EXPENSE	Staff	1,764	1,575	1,407
	Professional, legal and other purchased services	447	386	356
	Distribution and servicing	377	319	299
	Net occupancy	236	235	216
	Equipment	176	169	170
	Other	417	376	338
Total operating expense	3,417	3,060	2,786	
INCOME	Income from continuing operations before income taxes and cumulative effect of accounting change	1,345	1,169	1,072
	Provision for income taxes	433	362	338
	Income from continuing operations before cumulative effect of accounting change	912	807	734
	Cumulative effect of accounting change, net of tax	–	–	(7)
	Income from continuing operations	912	807	727
	Discontinued operations:			
	Loss from operations, net of tax	(100)	(16)	(58)
	Net gain (loss) on disposals, net of tax	(30)	5	32
	Loss from discontinued operations, net of tax expense (benefit) of \$1, \$(7) and \$(41)	(130)	(11)	(26)
	Net income	\$ 782	\$ 796	\$ 701
EARNINGS PER SHARE	<i>Basic:</i>			
	Income from continuing operations before cumulative effect of accounting change	\$ 2.20	\$ 1.92	\$ 1.72
	Cumulative effect of accounting change	–	–	(.02)
	Continuing operations	\$ 2.20	\$ 1.92	\$ 1.70
	Discontinued operations	(.31)	(.02)	(.06)
	Net income	\$ 1.88 ^(a)	\$ 1.90	\$ 1.64
	<i>Diluted:</i>			
	Income from continuing operations before cumulative effect of accounting change	\$ 2.18	\$ 1.90	\$ 1.70
	Cumulative effect of accounting change	–	–	(.01)
	Continuing operations	\$ 2.18	\$ 1.90	\$ 1.69
	Discontinued operations	(.31)	(.02)	(.06)
	Net income	\$ 1.87	\$ 1.88	\$ 1.63

(a) Amount does not foot due to rounding.

Condensed Consolidated Balance Sheet

Mellon Financial Corporation (and its subsidiaries)		December 31,	
<i>(dollar amounts in millions)</i>		2005	2004
ASSETS	Cash and due from banks	\$ 2,373	\$ 2,775
	Money market investments	3,085	4,673
	Trading account securities	269	262
	Securities available for sale	17,245	13,376
	Investment securities (approximate fair value of \$170 and \$217)	167	211
	Loans, net of unearned discount of \$30 and \$28	6,573	6,754
	Reserve for loan losses	(63)	(98)
	Net loans	6,510	6,656
	Premises and equipment	656	688
	Goodwill	2,166	2,321
	Other intangibles	148	145
	Assets of discontinued operations	—	40
	Other assets	6,059	5,968
	Total assets	\$38,678	\$37,115
	LIABILITIES	Noninterest-bearing deposits in domestic offices	\$10,511
Interest-bearing deposits in domestic offices		10,498	10,170
Interest-bearing deposits in foreign offices		5,065	6,050
Total deposits		26,074	23,591
Short-term borrowings		845	915
Reserve for unfunded commitments		78	67
Other liabilities		2,774	2,801
Notes and debentures (with original maturities over one year)		3,663	4,567
Junior subordinated debentures		1,042	1,057
Liabilities of discontinued operations		—	15
Total liabilities	34,476	33,013	
SHAREHOLDERS' EQUITY	Common stock — \$.50 par value		
	Authorized — 800,000,000 shares		
	Issued 588,661,920 shares	294	294
	Additional paid-in capital	1,953	1,931
	Retained earnings	6,842	6,397
	Accumulated unrealized gain (loss), net of tax	(84)	49
	Treasury stock of 173,183,019 and 165,308,079 shares, at cost	(4,803)	(4,569)
	Total shareholders' equity	4,202	4,102
Total liabilities and shareholders' equity	\$38,678	\$37,115	

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Mellon Financial Corporation:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Mellon Financial Corporation and subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2005 (not presented herein); and in our report dated February 23, 2006, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

KPMG LLP

Pittsburgh, Pennsylvania
February 23, 2006

Directors and Senior Management Committee

Directors

Mellon Financial Corporation and Mellon Bank, N.A.

Ruth E. Bruch^(5, 6, 7)

Senior Vice President and Chief Information Officer
Kellogg Company
Cereal and convenience foods

Paul L. Cejas^(2, 3, 6)

Chairman and Chief Executive Officer
PLC Investments Inc.
Investments

Jared L. Cohon^(2, 4)

President
Carnegie Mellon University
Private coeducational research university

Steven G. Elliott⁽¹⁾

Senior Vice Chairman
Mellon Financial Corporation

Ira J. Gumberg^(1, 2, 3)

President, Chief Executive Officer
J.J. Gumberg Co.
Real estate development and acquisition

Edmund F. Kelly^(4, 5)

Chairman, President and Chief Executive Officer
Liberty Mutual Group
Multiline insurance company

Robert P. Kelly⁽¹⁾

Chairman, President and Chief Executive Officer
Mellon Financial Corporation

Robert Mehrabian^(1, 2, 5, 7)

Chairman, President and Chief Executive Officer
Teledyne Technologies Incorporated
Advanced industrial technologies

Seward Prosser Mellon

President and Chief Executive Officer
Richard K. Mellon and Sons
Investments
President and Trustee
Richard King Mellon Foundation
Philanthropy

Mark A. Nordenberg^(1, 4, 5, 6)

Chancellor
University of Pittsburgh
Major public research university

James F. Orr III^(1, 3, 4)

Chairman
The Rockefeller Foundation
Philanthropy

David S. Shapira^(1, 2, 3, 7)

Chairman, Chief Executive Officer and President
Giant Eagle Inc.
Retail grocery store chain

William E. Strickland Jr.^(3, 6)

President and Chief Executive Officer
Manchester Bidwell Corporation
Education of inner-city youth and economically disadvantaged individuals

John P. Surma^(2, 5)

Chairman and Chief Executive Officer
United States Steel Corporation
Steel manufacturing

Wesley W. von Schack^(1, 4, 5, 7)

Chairman, President and Chief Executive Officer
Energy East Corporation
Energy services company

Chairmen Emeriti

J. David Barnes
Frank V. Cahouet
William B. Eagleson Jr.

Subsidiary Boards

Mellon 1ST Business Bank, N.A.

John E. Anderson
W. Peter Bohn
F. David Hare
David F. Lamere
Christopher D. Myers
Joseph P. Sanford
Thomas F. Savage

Mellon United National Bank

James Blosser
Pedro Jose Greer Jr.
Mark Kaplan
Gerald Katcher
David F. Lamere
David Lawrence Jr.
J. David Officer
Aaron S. Podhurst
Merrett R. Stierheim
Craig R. Sutherland
Mario Trueba
Sherwood M. Weiser

All listings as of February 15, 2006

- (1) Executive Committee
- (2) Audit Committee
- (3) Risk Committee
- (4) Corporate Governance and Nominating Committee
- (5) Human Resources Committee
- (6) Community Responsibility Committee
- (7) Technology Committee

Senior Management Committee

Executive Management Group

Robert P. Kelly*
Chairman, President and
Chief Executive Officer

Steven G. Elliott*
Senior Vice Chairman

Stephen E. Canter*
Vice Chairman

John T. Chesko*
Vice Chairman

John L. Klinck Jr.*
Vice Chairman

David F. Lamere*
Vice Chairman

Ronald P. O'Hanley*
Vice Chairman

James P. Palermo*
Vice Chairman

Senior Managers

Richard B. Arrington
Mellon Institutional Banking

Michael E. Bleier
General Counsel

Michael A. Bryson*
Chief Financial Officer

Gregory J. Cicero
Mellon Global Cash Management

Julian K.G. Clark
Mellon Investor Services

Frank D. Dittrich
Asset Servicing Operations

Thomas F. Eggers
The Dreyfus Corporation

Rose M. Gabbianelli
Corporate Affairs

James M. Gockley
Chief Auditor

Corey A. Griffin
The Boston Company
Asset Management LLC

Mitchell E. Harris
Standish Mellon Asset Management
Company LLC

David R. Holst
Private Wealth Management
Chairman, Mellon West

Lawrence Hughes
Private Wealth Management

Charles J. Jacklin
Mellon Capital Management

Gunjan Kedia
Investment Manager Solutions

David B. Kutch
Private Wealth Management
Chairman, Mid-Atlantic Region

Jonathan M. Little
Mellon Global Investments
Co-Chair, Mellon International

David R. Misch
Private Wealth Management

Helena L. Morrissey
Newton Investment Management
Co-Chair, Mellon International

J. David Officer
The Dreyfus Corporation

Andrew F. Pace
Strategic Sales and Marketing

Lisa B. Peters
Human Resources

Timothy P. Robison*
Chief Risk & Compliance Officer and
Corporate Ethics Officer

Richard A. Rua
Global Foreign Exchange

Kathy H. Rulong
Global Securities Lending

Vincent V. Sands
Mellon Global Securities Services

Alex G. Sciulli
Corporate Operations and Real Estate

Kevin L. Shearan
Chief Information Officer

Robert W. Stasik
Payment Solutions & Investor Services

Craig R. Sutherland
Private Wealth Management

Scott E. Wennerholm
Mellon Asset Management

Corporate Controller
Michael K. Hughey*

Treasurer
Leo Y. Au*

Corporate Secretary
Carl Krasik

**Designated as an executive officer for
Securities and Exchange Commission
reporting purposes*

Mellon Financial Corporation has included as Exhibit 31 to its Annual Report on Form 10-K for fiscal year 2005 filed with the Securities and Exchange Commission certificates of the Chief Executive Officer and Chief Financial Officer of the Corporation regarding the quality of the Corporation's public disclosure, and the Corporation has submitted to the New York Stock Exchange a certificate of the Chief Executive Officer of the Corporation certifying that he is not aware of any violation by the Corporation of New York Stock Exchange corporate governance listing standards.

Corporate Information

Corporate Headquarters

One Mellon Center
500 Grant Street
Pittsburgh, PA 15258
(412) 234-5000

Annual Meeting

The Annual Meeting of Shareholders will be held on the 10th floor of Two Mellon Center, 501 Grant Street, Pittsburgh, Pennsylvania, at 10 a.m. on Tuesday, April 18, 2006.

Annual Report

The 2005 Annual Report consists of the 2005 Summary Annual Report and the 2005 Financial Annual Report.

Exchange Listing

Mellon's common stock is traded on the New York Stock Exchange under the trading symbol MEL.

Stock Prices

Prices for Mellon's common stock can be viewed at www.mellon.com.

Transfer Agent and Registrar

Mellon Investor Services
P.O. Box 3315
South Hackensack, NJ 07606

or

Newport Office Center VII
480 Washington Boulevard
Jersey City, NJ 07310

Shareholder Services

Mellon Investor Services maintains the records for our registered shareholders and can provide a variety of services at no charge such as those involving:

- Change of name or address
- Consolidation of accounts
- Duplicate mailings
- Dividend reinvestment enrollment
- Lost stock certificates
- Transfer of stock to another person

Direct Stock Purchase and Dividend Reinvestment Plan

The Direct Stock Purchase and Dividend Reinvestment Plan provides a way to purchase shares of common stock directly from Mellon at the current market value. Non-shareholders may purchase their first shares of Mellon's common stock through the Plan, and shareholders may increase their shareholding by reinvesting cash dividends and through optional cash investments. Plan details are in a prospectus, which

may be obtained from Mellon Investor Services by e-mailing shrrelations@melloninvestor.com or by calling 1 800 205-7699.

Dividend Payments

Subject to approval of the board of directors, dividends are paid on Mellon's common stock on or about the 15th day of February, May, August and November.

Electronic Deposit of Dividends

Registered shareholders may have quarterly dividends paid on Mellon's common stock deposited electronically to their checking or savings account, free of charge. To have your dividends deposited electronically, send a written request by e-mail to shrrelations@melloninvestor.com or by mail to Mellon Investor Services, P.O. Box 3315, South Hackensack, NJ 07606. For more information, call 1 800 205-7699.

Form 10-K and Shareholder Publications

For a free copy of Mellon's Annual Report on Form 10-K or the quarterly earnings news release on Form 8-K, as filed with the Securities and Exchange Commission, send a written request by e-mail to mellon_10-K/8-K@mellon.com or by mail to the Secretary of Mellon, One Mellon Center, Room 4826, Pittsburgh, PA 15258-0001.

The 2005 Summary and Financial Annual Reports, as well as Forms 10-K, 8-K and 10-Q, and quarterly earnings and other news releases can be viewed and printed at www.mellon.com.

Internet Access

Mellon: www.mellon.com
Mellon Investor Services:
www.melloninvestor.com
Also see Internet access for Business Groups/Principal Entities, pp. 20–21.

Investor Relations

Visit www.mellon.com/investorrelations/ or call (412) 234-5601.

Publication Requests/ Securities Transfer Agent

To request the Annual Report or quarterly information or to address issues regarding stock holdings, certificate replacement/transfer, dividends and address changes, visit www.melloninvestor.com or call 1 800 205-7699.

Corporate Social Responsibility

Corporate Social Responsibility information, including a report on Mellon's comprehensive community involvement such as charitable contributions, is available online at www.mellon.com or by calling (412) 234-8680.

Corporate Communications/ Media Relations

Members of the media should direct inquiries to media@mellon.com or (412) 234-7157.

The contents of the listed Internet sites are not incorporated into this Annual Report.

Mellon entities are Equal Employment Opportunity/Affirmative Action employers. Mellon is committed to providing equal employment opportunities to every employee and every applicant for employment, regardless of, but not limited to, such factors as race, color, religion, sex, national origin, age, familial or marital status, ancestry, citizenship, sexual orientation, veteran status or being a qualified individual with a disability.

Mellon undertakes no obligation to update any statement in this Summary Annual Report or the 2005 Financial Annual Report to reflect events or circumstances after the date on which such statement is made. Information in this Summary Annual Report is as of February 15, 2006, unless otherwise specified.

Shareholder Account Access

By Internet

24 hours a day/7 days a week
www.melloninvestor.com/ISD
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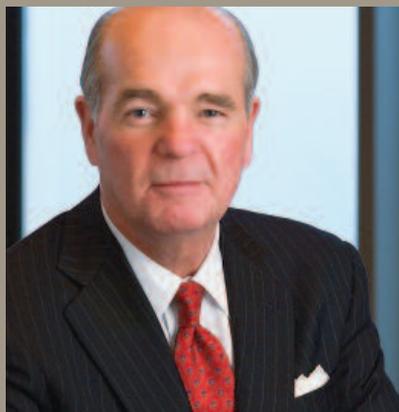
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Martin G. McGuinn
Chairman and Chief Executive Officer
1999 – 2006

Martin G. “Marty” McGuinn served as Mellon chairman and chief executive officer until February 13, 2006. During his tenure, Marty led the strategic repositioning of the Corporation, transforming Mellon from a corporate and retail bank to a leading global asset manager and global custodian.

Under Marty’s leadership, assets under management grew by more than 9 percent per year compared to an S&P 500 stock index that was virtually flat, and Mellon became the 7th largest U.S. asset manager and 12th largest in the world. Since 1999, Mellon’s assets under custody or administration grew by more than 10 percent per year, and now Mellon is the 5th largest global custodian.

Through frequent communication and corporate-wide initiatives to sharpen our focus on Mellon’s core businesses and meet or exceed clients’ expectations, Marty led Mellon through a very challenging period, including one of the worst stock market declines in history and the tragedy of September 11, 2001.

Today, Mellon is recognized for delivering strong investment performance, innovative technology and exceptional client service. It is with sincere appreciation that we thank Marty McGuinn for his outstanding leadership in positioning Mellon so well for the future.



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