THE BANK OF NEW YORK COMPANY, INC.

Quarterly Report on Form 10-Q
For the quarterly period ended September 30, 2006

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

Continuing Operations (1)	September 30, 2006	June 30, 2006	September 30, 2005
Quarter			
Net Interest Income	$ 351	$ 358	$ 346
Noninterest Income	1,259	1,366	1,185
	1,610	1,724	1,531
Tax Equivalent Adjustment	7	7	7
Revenue (tax equivalent basis)	$ 1,617	$ 1,731	$ 1,538
Income from Continuing Operations Before Income Taxes	$ 422	$ 591	$ 490
Income Taxes	124	200	157
Income from Continuing Operations	298	391	333
Income from Discontinued Operations, Net of Taxes	54	57	56
Net Income	$ 352	$ 448	$ 389
Basic EPS:			
Income from Continuing Operations	$ 0.40	$ 0.52	$ 0.44
Income from Discontinued Operations, Net	0.07	0.07	0.07
Net Income	0.47	0.59	0.51
Diluted EPS:			
Income from Continuing Operations	0.39	0.52	0.44
Income from Discontinued Operations, Net	0.07	0.07	0.07
Net Income	0.46	0.59	0.51
Cash Dividends Per Share	0.22	0.21	0.21
Return on Average Common Shareholders' Equity	11.61%	15.85%	13.82%
Return on Average Assets	1.19	1.54	1.43
Efficiency Ratio	74.7	66.4	67.7
Efficiency Ratio Excluding Merger and Integration Costs	69.1	66.4	67.7

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

Continuing Operations (1)	September 30, 2006	June 30, 2006	September 30, 2005
Year-to-date			
Net Interest Income	$ 1,048	$ 697	$ 996
Noninterest Income	3,886	2,627	3,495
	4,934	3,324	4,491
Tax Equivalent Adjustment	21	14	22
Revenue (tax equivalent basis)	$ 4,955	$ 3,338	$ 4,513
Income from Continuing Operations Before Income Taxes	$ 1,548	$ 1,126	$ 1,478
Income Taxes	499	375	474
Income from Continuing Operations	1,049	751	1,004
Income from Discontinued Operations, Net of Taxes	173	119	162
Net Income	$ 1,222	$ 870	$ 1,166
Basic EPS:			
Income from Continuing Operations	$ 1.38	$ 0.99	$ 1.31
Income from Discontinued Operations, Net	0.23	0.15	0.21
Net Income	1.61	1.14	1.52
Diluted EPS:			
Income from Continuing Operations	1.36	0.98	1.30
Income from Discontinued Operations, Net	0.23	0.15	0.21
Net Income	1.59	1.13	1.51
Cash Dividends Per Share	0.64	0.42	0.61
Return on Average Common Shareholders' Equity	14.03%	15.30%	14.28%
Return on Average Assets	1.41	1.52	1.46
Efficiency Ratio	69.3	66.7	67.7
Efficiency Ratio Excluding Merger and Integration Costs	67.5	66.7	67.7
Assets	$ 97,808	$ 99,935	$ 93,081
Loans	33,958	35,650	34,358
Securities	22,015	27,355	26,127
Deposits - Domestic	20,837	25,602	19,775
- Foreign	34,116	31,139	26,270
Long-Term Debt	8,434	8,207	7,529
Common Shareholders' Equity	10,467	10,056	9,608
Employees	20,456	20,001	19,664

Allowance for Loan Losses as a Percent of Total Loans	1.00%	0.95%	1.37%
Allowance for Loan Losses as a Percent of Non-Margin Loans	1.16	1.10	1.68
Total Allowance for Credit Losses as a Percent of Total Loans	1.40	1.35	1.77
Total Allowance for Credit Losses as a Percent of Non-Margin Loans	1.63	1.57	2.16

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

Adjusted Results (1)	September 30, 2006	June 30, 2006	September 30, 2005
Quarter			
Net Interest Income	$ 506	$ 512	$ 492
Noninterest Income	1,325	1,426	1,248
	1,831	1,938	1,740
Tax Equivalent Adjustment	8	9	8
Revenue (tax equivalent basis)	$ 1,839	$ 1,947	$ 1,748
Net Income Including Merger and Integration Costs	$ 352	$ 448	$ 389
Merger and Integration Costs	74	-	-
Net Income Excluding Merger and Integration Costs	426	448	389
Diluted EPS Including Merger and Integration Costs	0.46	0.59	0.51
Merger and Integration Costs	0.10	-	-
Diluted EPS Excluding Merger and Integration Costs	0.56	0.59	0.51
Cash Dividends Per Share	0.22	0.21	0.21
Efficiency Ratio Excluding Merger and Integration Costs	66.5%	64.9%	65.5%
Year-to-date			

Net Interest Income	$ 1,506	$ 1,000	$ 1,417
Noninterest Income	4,083	2,758	3,682
	5,589	3,758	5,099
Tax Equivalent Adjustment	23	15	21
Revenue (tax equivalent basis)	$ 5,612	$ 3,773	$ 5,120
Net Income Including Merger and Integration Costs	$ 1,222	$ 870	$ 1,166
Merger and Integration Costs	74	-	-
Net Income Excluding Merger and Integration Costs	1,296	870	1,166
Diluted EPS Including Merger and Integration Costs	1.59	1.13	1.51
Merger and Integration Costs	0.10	-	-
Diluted EPS Excluding Merger and Integration Costs	1.69	1.13	1.51
Cash Dividends Per Share	0.64	0.42	0.61
Efficiency Ratio Excluding Merger and Integration Costs	65.5%	65.0%	65.8%

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

Adjusted Results (1)	September 30, 2006	June 30, 2006	September 30, 2005
Assets	$ 106,636	$ 108,881	$ 101,766
Loans	41,726	43,622	42,143
Securities	22,135	27,459	26,230
Deposits - Domestic	33,818	39,280	34,807
- Foreign	34,116	31,139	26,270
Long-Term Debt	8,434	8,207	7,529
Common Shareholders' Equity	10,467	10,056	9,608
Allowance for Loan Losses as a Percent of Total Loans	0.98%	0.96%	1.33%
Allowance for Loan Losses as a Percent of Non-Margin Loans	1.11	1.08	1.57
Total Allowance for Credit Losses as a Percent of Total Loans	1.33	1.30	1.68
Total Allowance for Credit Losses as a Percent of Non-Margin Loans	1.49	1.47	1.97
Employees	23,808	23,575	23,081

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

	September 30, 2006	June 30, 2006	September 30, 2005
Assets Under Custody			
(In trillions) - Estimated			
Assets Under Custody	$ 12.2	$ 12.0	$ 10.3
Equity Securities	31%	32%	31%
Fixed Income Securities	69	68	69
Cross-Border Assets Under Custody	$ 4.2	$ 4.1	$ 3.1
Assets Under Management			
(In billions) - Estimated			
Asset Management Sector	$ 120	$ 116	$ 106
Equity Securities	36	36	37
Fixed Income Securities	20	21	22
Alternative Investments	30	28	15
Liquid Assets	34	31	32
Foreign Exchange Overlay	11	11	10
Securities Lending Short-term Investment Funds	48	43	41
Total Assets Under Management	$ 179	$ 170	$ 157
Capital Ratios			
Tier 1 Capital Ratio	8.17%	7.96%	7.93%
Total Capital Ratio	12.32	12.06	12.20
Leverage Ratio	6.56	6.22	6.59
Tangible Common Equity Ratio	5.58	5.07	5.32
Performance Ratios			
Quarter			
Return on Average Common Shareholders' Equity	13.70%	18.17%	16.15%
Return on Average Common Shareholders' Equity Excluding Merger & Integration Costs	16.56	18.17	16.15
Return on Average Assets	1.29	1.63	1.53
Return on Average Assets Excluding Merger & Integration Costs	1.55	1.63	1.53

Year-to-date			
Return on Average Common Shareholders' Equity	16.35%	17.74%	16.59%
Return on Average Common Shareholders' Equity Excluding Merger & Integration Costs	17.33	17.74	16.59
Return on Average Assets	1.51	1.62	1.56
Return on Average Assets Excluding Merger & Integration Costs	1.60	1.62	1.56
Other Data			
Common Shareholders' Equity Per Share	$ 13.70	$ 13.18	$ 12.48
Market Value Per Share of Common Stock	35.26	32.20	29.41

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Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

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 that are discussed below and under the heading "Forward-Looking Statements and Risk 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. In addition, certain business terms used in this document are defined in the Company's 2005 Annual Report on Form 10-K.

OVERVIEW

The Bank of New York Company, Inc. (NYSE: BK) is a global leader in providing a comprehensive array of services that enable institutions and individuals to move and manage their financial assets in more than 100 markets worldwide. The Company has a long tradition of collaborating with clients to deliver innovative solutions through its core competencies: securities servicing, treasury management, private banking, and asset management. The Company's extensive global client base includes a broad range of leading financial institutions, corporations, government entities, endowments, and foundations. Its principal subsidiary, The Bank of New York ("The Bank"), founded in 1784, is the oldest bank in the United States and has consistently played a prominent role in the evolution of financial markets worldwide.

The Company's strategy over the past decade has been to focus on highly scalable, fee-based securities servicing and asset management businesses, and it has achieved top three market share in most of its major product lines. The Company distinguishes itself competitively by offering to various parties one of the industry's broadest arrays 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;
* sophisticated risk and performance measurement tools for analyzing portfolios; and
* 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's long-term objectives include:

* achieving positive operating leverage on an annual basis; and
* sustaining top-line growth by expanding client relationships and winning new ones.

To achieve its long-term objectives, 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. The Company has acquired over 90 businesses over the past ten years, almost exclusively in its securities servicing and asset management areas. The acquisition of the corporate trust business of JPMorgan Chase & Co. ("JPMorgan Chase") and the formation of BNY ConvergEx Group, both completed in early October, should also contribute to the Company's ability to achieve its long-term objectives.

As part of the transformation to a leading securities servicing provider, the Company has also de-emphasized or exited several of 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, significantly reducing non-financial corporate credit exposures by 41% from December 31, 2001 to December 31, 2005, and, most recently, the sale of the retail and regional middle market banking businesses in October 2006. To the extent these actions generated capital, the capital has been reallocated to the Company's higher-growth businesses or used to repurchase shares.

The Company's business model is well positioned to benefit from a number of long-term secular trends. These include:

* 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 2006 HIGHLIGHTS

The Company reported third quarter net income of $352 million and diluted earnings per share of 46 cents, including after-tax charges of $74 million, or 10 cents per share, for merger and integration costs. On an operating basis, excluding the merger and integration costs, third quarter net income was $426 million and diluted earnings per share was 56 cents, an increase of 10% from net income of $389 million and diluted earnings per share of 51 cents in the third quarter of 2005.

For the nine months ended September 30, 2006, net income was $1,222 million and diluted earnings per share was $1.59, including after-tax charges of $74 million, or 10 cents per share, for merger and integration costs. On an operating basis, excluding merger and integration costs, year-to-date net income was $1,296 million compared with $1,166 million last year and diluted earnings per share was $1.69, an increase of 12% over $1.51 in the prior year period.

On October 1, 2006, the Company acquired JPMorgan Chase's corporate trust business (the "Acquired Corporate Trust Business") and sold to JPMorgan Chase the Company's retail and regional middle market banking businesses. In the second quarter of 2006, the Company adopted discontinued operations accounting for its retail and regional middle market banking businesses. Therefore, the results from continuing operations through September 30, 2006 exclude the results of the Company's retail and regional middle market banking businesses but do not include the operations of the Acquired Corporate Trust Business, since the transaction did not close until October 1, 2006. Adjusted financial statements combining continuing and discontinued operations are presented in "Supplemental Financial Information."

Performance highlights for the quarter include:

* Strong revenue growth in issuer services and broker-dealer services, both up 14% over last year's third quarter.
* Private banking and asset management revenues up 23% from the year-ago quarter, led by the Alcentra and Urdang acquisitions.
* Disciplined expense control.
* Continued excellent asset quality, with zero charge-offs on a continuing operations basis.
* Closed the swap with JPMorgan Chase and the BNY ConvergEx transaction on schedule in early October.
* Completion of balance sheet repositioning actions tied to the JPMorgan Chase swap, taking advantage of favorable market conditions.

The following tables show the impact of the merger and integration costs associated with the JPMorgan Chase transaction on diluted earnings per share for the three months and nine months ended September 30, 2006:

	Diluted Earnings Per Share					
	Three Months Ended September 30, 2006			Nine Months Ended September 3		
(In dollars)	Continuing Operations	Discontinued Operations	Adjusted(1)	Continuing Operations	Discontinued Operations	Adju

Including Merger & Integration Costs	$ 0.39	$ 0.07	$ 0.46	$ 1.36	$ 0.23	$
Merger & Integration Costs	0.08	0.02	0.10	0.08	0.02	
Excluding Merger & Integration Costs	$ 0.47	$ 0.09	$ 0.56	$ 1.44	$ 0.25	$

Merger and integration costs include an investment portfolio restructuring loss, employee-related costs, and other transaction-related expenses.

Third quarter 2006 income from continuing operations excluding merger and integration costs was 47 cents of diluted earnings per share, up 7% from the 44 cents of diluted earnings per share in the third quarter of 2005. Net income on a continuing operations basis, excluding merger and integration costs, was $360 million in the third quarter of 2006, compared with $333 million last year. Net income from continuing operations was $391 million or 52 cents of diluted earnings per share in the second quarter of 2006. On a year-to-date basis, excluding merger and integration costs, income from continuing operations was $1,111 million, or $1.44 of diluted earnings per share, compared to $1,004 million, or $1.30 of diluted earnings per share in 2005, up 11%.

SUPPLEMENTAL FINANCIAL INFORMATION

On October 1, 2006, the Company purchased the Acquired Corporate Trust Business and sold the Company's retail and regional middle market banking businesses. The transaction further increases the Company's focus on the securities services and asset management businesses that are at the core of its long-term business strategy.

For the quarters and nine months ended September 30, 2006 and 2005, the Company has prepared supplemental financial information as follows:

* Full income statements and balance sheets for continuing operations, which exclude the results of substantially all of the Retail & Regional Middle Market Banking Business
* Full income statements and balance sheets for the Retail & Regional Middle Market Banking Business, which is reflected as discontinued operations
* Adjusted results, which combine continuing and discontinued operations to provide continuity with historical results
* Continuing operations and adjusted results including and excluding merger and integration costs

The Company believes that providing supplemental adjusted non-GAAP financial information is useful to investors in understanding the underlying operating performance of the Company and its businesses and performance trends, particularly in view of the materiality and strategic significance of the JPMorgan Chase transaction. Specifically, the Company believes that the results of continuing operations are of limited value in projecting future results because they do not include the net income associated with the Acquired Corporate Trust Business, which closed on October 1, 2006. By combining the results of continuing and discontinued operations and comparing the results with prior periods, the Company believes investors can obtain greater insight into the current performance of the Company in relation to historical results. By excluding merger and integration costs, the Company believes investors can gain greater insight into the operating performance of the Company. 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. A reconciliation of the Company's non-GAAP and GAAP financial results for the quarters and nine-month periods ended September 30, 2006 and 2005 are included in "Supplemental Data."

Income statements for both continuing operations and adjusted results are provided on the following two pages. In addition, see "Consolidated Financial Highlights - Supplemental Information" and "Supplemental Data."

THE BANK OF NEW YORK COMPANY, INC.
Income Statement - Supplemental Information
(In millions, except per share amounts)
(Unaudited)

Continuing Operations

	Quarter Ended September 30, 2006	Quarter Ended June 30, 2006	Quarter Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Net Interest Income	$ 351	$ 358	$ 346	$1,048	$ 99
Provision for Credit Losses	(4)	(1)	10	(5)	(1
Net Interest Income After Provision for Credit Losses	355	359	336	1,053	1,00
Noninterest Income					
Servicing Fees					
Securities	839	909	806	2,579	2,33
Global Payment Services	66	63	67	191	20
	905	972	873	2,770	2,53
Private Banking and Asset Management Fees	134	138	109	402	33
Service Charges and Fees	52	53	54	157	17
Foreign Exchange and Other Trading Activities	84	130	90	327	28
Securities Gains	21	23	15	61	5
Other	63	50	44	169	12
Total Noninterest Income	1,259	1,366	1,185	3,886	3,49

Noninterest Expense					
Salaries and Employee Benefits	644	656	585	1,904	1,72
Net Occupancy	70	68	60	206	18
Furniture and Equipment	46	48	50	145	14
Clearing	47	53	49	150	13
Sub-custodian Expenses	31	36	25	101	7
Software	53	53	54	161	16
Communications	26	22	23	74	6
Amortization of Intangibles	14	15	10	42	2
Merger and Integration Costs	89	-	-	89	
Other	172	183	175	519	50
Total Noninterest Expense	1,192	1,134	1,031	3,391	3,02
Income Before Income Taxes, Including Merger and Integration Costs	422	591	490	1,548	1,47
Income Taxes	124	200	157	499	47
Net Income Including Merger and Integration Costs	298	391	333	1,049	1,00
Merger and Integration Costs, Net of Taxes	62	-	-	62	
Net Income Excluding Merger and Integration Costs	$ 360	$ 391	$ 333	$1,111	$1,00
Diluted Earnings Per Share	$0.39	$0.52	$0.44	$1.36	$1.3
Diluted Earnings Per Share Excluding Merger and Integration Costs	0.47	0.52	0.44	1.44	1.3

Diluted earnings per share from continuing operations excluding merger and integration costs for the third quarter of 2006 were 47 cents, up from 44 cents a year ago. On the same basis for the year-to-date period, diluted earnings per share grew 11% from a year ago to $1.44.

THE BANK OF NEW YORK COMPANY, INC.
Income Statement - Supplemental Information
(In millions, except per share amounts)
(Unaudited)

	Adjusted Income Statement (1)				
	Quarter Ended			Nine Months Ended	
	September 30, 2006	June 30, 2006	September 30, 2005	September 30, 2006	200
Net Interest Income	$ 506	$ 512	$ 492	$1,506	$1,41

Provision for Credit Losses	(5)	-	10	-	
Net Interest Income After Provision for Credit Losses	511	512	482	1,506	1,41
Noninterest Income					
Servicing Fees					
Securities	839	909	806	2,579	2,33
Global Payment Services	74	70	75	214	22
	913	979	881	2,793	2,55
Private Banking and Asset Management Fees	145	150	120	436	36
Service Charges and Fees	90	91	93	270	28
Foreign Exchange and Other Trading Activities	86	132	93	333	29
Securities Gains	21	23	15	61	5
Other	70	51	46	190	13
Total Noninterest Income	1,325	1,426	1,248	4,083	3,68
Noninterest Expense					
Salaries and Employee Benefits	706	723	644	2,097	1,90
Net Occupancy	88	86	79	262	23
Furniture and Equipment	48	50	52	151	15
Clearing	47	53	49	150	13
Sub-custodian Expenses	31	36	25	101	7
Software	54	53	54	163	16
Communications	27	23	24	77	6
Amortization of Intangibles	14	15	10	42	2
Merger and Integration Costs	110	-	-	110	
Other	193	209	198	591	57
Total Noninterest Expense	1,318	1,248	1,135	3,744	3,33
Income Before Income Taxes, Including Merger and Integration Costs	518	690	595	1,845	1,75
Income Taxes	166	242	206	623	59
Net Income Including Merger and Integration Costs	352	448	389	1,222	1,16
Merger and Integration Costs, Net of Taxes	74	-	-	74	
Net Income Excluding Merger and Integration Costs	$ 426	$ 448	$ 389	$1,296	$1,16
Diluted Earnings Per Share	$0.46	$0.59	$0.51	$1.59	$1.5
Diluted Earnings Per Share, Excluding Merger and Integration Costs	0.56	0.59	0.51	1.69	1.5

Diluted earnings per share from adjusted results excluding merger and integration costs for the third quarter of 2006 were 56 cents, up from 51 cents a year ago. On the same basis for the year-to-date period, diluted earnings per share grew 12% from a year ago to $1.69.

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CONSOLIDATED INCOME STATEMENT REVIEW

Noninterest Income

Continuing Operations

(In millions)	3Q06	2Q06	3Q05	Percent Inc/(Dec) 3Q06 vs. 2Q06	Percent Inc/(Dec) 3Q06 vs. 3Q05	Year-to-date 2006	Year-to-date 2005	Percent Inc/(Dec)
Servicing Fees								
Securities	$ 839	$ 909	$ 806	(8)%	4%	$2,579	$2,330	11%
Global Payment Services	66	63	67	5	(1)	191	200	(5)
	905	972	873	(7)	4	2,770	2,530	9
Private Banking and Asset Management Fees	134	138	109	(3)	23	402	334	20
Service Charges and Fees	52	53	54	(2)	(4)	157	172	(9)
Foreign Exchange and Other Trading Activities	84	130	90	(35)	(7)	327	283	16
Securities Gains	21	23	15	(9)	40	61	50	22
Other	63	50	44	26	43	169	126	34
Total Noninterest Income	$1,259	$1,366	$1,185	(8)	6	$3,886	$3,495	11

Adjusted(1)

(In millions)	3Q06	2Q06	3Q05	Percent Inc/(Dec) 3Q06 vs. 2Q06	Percent Inc/(Dec) 3Q06 vs. 3Q05	Year-to-date 2006	Year-to-date 2005	Percent Inc/(Dec)
Servicing Fees								
Securities	$ 839	$ 909	$ 806	(8)%	4%	$2,579	$2,330	11%
Global Payment Services	74	70	75	6	(1)	214	226	(5)
	913	979	881	(7)	4	2,793	2,556	9
Private Banking and Asset Management Fees	145	150	120	(3)	21	436	366	19
Service Charges								

and Fees	90	91	93	(1)	(3)	270	288	(6)
Foreign Exchange and Other Trading Activities	86	132	93	(35)	(8)	333	292	14
Securities Gains	21	23	15	(9)	40	61	50	22
Other	70	51	46	37	52	190	130	46
Total Noninterest Income	$1,325	$1,426	$1,248	(7)	6	$4,083	$3,682	11

Unless otherwise indicated, the discussion below refers to noninterest income on both a continuing operations basis and on an adjusted basis.

The results of many of the Company's businesses are influenced by customer activities that vary by quarter. For instances, consistent with an overall decline in securities industry activity in the summer, the Company typically experiences a seasonal decline in the third quarter. The Company also experiences seasonal increases in securities lending and depositary receipts reflecting the European dividend distribution season during the second quarter of the year, and to a lesser extent, in the fourth quarter of the year.

The increase in noninterest income versus the year-ago quarter reflects growth in securities servicing and private banking and asset management fees, as well as a higher level of securities gains and other income, partially offset by declines in service charges and fees and foreign exchange and other trading activities. Most of these same trends explain the year-to-date increase in noninterest income, with the exception of foreign exchange and other trading activities, which were up significantly for the first nine months of the year. The sequential decline in noninterest income reflects a pronounced seasonal slowdown across several businesses.

The following table provides the breakdown of securities servicing fees.

				Percent Inc/(Dec)		Year-to-date		Percent
(In millions)	3Q06	2Q06	3Q05	3Q06 vs. 2Q06	3Q06 vs. 3Q05	2006	2005	Inc/ (Dec)
Execution and Clearing Services	$ 298	$ 334	$ 314	(11)%	(5)%	$ 971	$ 901	8%
Issuer Services	194	207	170	(6)	14	555	468	19
Investor Services	282	302	265	(7)	6	861	792	9
Broker-Dealer Services	65	66	57	(2)	14	192	169	14
Securities Servicing Fees	$ 839	$ 909	$ 806	(8)	4	$2,579	$2,330	11

Securities servicing fee growth over the third quarter and year-to-date periods of 2005 reflects double-digit growth in issuer and broker-dealer services. Securities servicing fees were down sequentially reflecting the pronounced seasonality that occurred during the third quarter. See "Institutional Services Segment" in "Business Segment Review" for additional details.

Global payment services fees increased sequentially, reflecting increased funds transfer volume. Global payment service fees were down from the year-ago quarter and on a year-to-date period. While the payments business continues to grow, reflecting increases in funds transfer volume and net new business, the level of fees has been impacted by customers paying with higher compensatory balances in lieu of fees. On an invoiced services basis, total revenue was up 7% over the third quarter of 2005 and 4% on a sequential-quarter basis.

Private banking and asset management fees increased significantly from the third quarter and year-to-date periods of 2005 primarily due to acquisitions and higher fees in private banking. The sequential-quarter decline in fees is attributable to a decline in activity-based fees in the private bank and lower performance fees for certain asset management activities. Total assets under management for private banking and asset management were $120 billion, up from $106 billion at September 30, 2005 and $116 billion at June 30, 2006. The year-over-year growth primarily reflects the acquisition of Alcentra and Urdang. The sequential-quarter increase reflects growth in money market and alternative investments.

Service charges and fees were down sequentially and from prior year periods principally due to lower capital market fees.

Foreign exchange and other trading revenues were down sequentially and from the third quarter of 2005, but up significantly from last year on a year-to-date basis. Foreign exchange results were particularly weak in the third quarter of 2006, compared with the year-over-year and sequential quarter, as the typical seasonal slowdown was exacerbated by an eight-year historical low in volatility. On a year-to-date basis, foreign exchange was up reflecting higher customer volumes driven by cross-border investment flows, good new business activity, and increased volatility in the first six months of 2006. Other trading was down from the 2005 periods and sequentially primarily due to weaker results in interest rate derivatives and fixed income trading.

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Securities gains in the third quarter were up significantly from the year-ago quarter and down on a sequential-quarter basis. The gains in the quarter were primarily attributable to continued strong returns on investments in the sponsor fund portfolio. Securities gains were up in the first nine months of 2006 versus a year ago reflecting favorable market conditions and liquidity in the private equity markets.

Other noninterest income is comprised of asset-related gains, equity investments, and other transactions. Asset-related gains include gains on lease residuals, as well as loan and real estate dispositions. Equity investment income primarily reflects the Company's proportionate share of the income from its investment in Wing Hang Bank Limited, AIB/BNY Securities Services (Ireland) Limited, and RBSI Securities Services (Holdings) Limited. Other income primarily includes income or loss from insurance contracts, low income housing and other investments as well as various miscellaneous revenues. The breakdown among these three categories is shown below:

Other Noninterest Income

(In millions)	3Q06	2Q06	3Q05	Year-to-date 2006	Year-to-date 2005
Asset-Related Gains	$ 40	$ 18	$ 21	$ 92	$ 70
Equity Investment Income	13	14	13	38	35
Other	10	18	10	39	21
Other Noninterest Income from Continuing Operations	63	50	44	169	126
Other Noninterest Income from Discontinued Operations	7	1	2	21	4
Adjusted Other Noninterest Income	$ 70	$ 51	$ 46	$ 190	$ 130

Other noninterest income increased versus the third quarter of 2005 and the second quarter of 2006. The current quarter results include a higher level of asset-related gains compared to the third quarter of 2005 and the second quarter of 2006. The year-to-date period of 2006 includes a pre-tax gain of $35 million related to the conversion of the Company's New York Stock Exchange seats into cash and shares of NYSE Group, Inc. common stock. The year-to-date period of 2005 includes a $17 million gain on the sale of the Company's interest in Financial Models Company, Inc.

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Net Interest Income

Continuing Operations

(Dollars in millions)	3Q06	2Q06	3Q05	Percent Inc/(Dec) 3Q06 vs. 2Q06	Percent Inc/(Dec) 3Q06 vs. 3Q05	Year-to-date 2006	Year-to-date 2005	Percent Inc/(Dec)
Net Interest Income	$ 351	$358	$346	(2)%	1%	$1,048	$ 996	5%
Tax Equivalent Adjustment(1)	7	7	7			21	22	
Net Interest Income on a Tax Equivalent Basis	$ 358	$365	$353	(2)	1	$1,069	$1,018	5
Interest Rate Spread	1.14%	1.29%	1.52%			1.26%	1.56%	
Net Interest Margin	1.89	1.95	2.09			1.93	2.04	

Adjusted(2)

(Dollars in millions)	3Q06	2Q06	3Q05	Percent Inc/(Dec) 3Q06 vs. 2Q06	Percent Inc/(Dec) 3Q06 vs. 3Q05	Year-to-date 2006	Year-to-date 2005	Percent Inc/ (Dec)
Net Interest Income	$506	$512	$492	(1)%	3%	$1,506	$1,417	6%
Tax Equivalent Adjustment(1)	8	9	8			23	21	
Net Interest Income on a Tax Equivalent Basis	$514	$521	$500	(1)	3	$1,529	$1,438	6
Interest Rate Spread	1.54%	1.65%	1.84%			1.64%	1.87%	
Net Interest Margin	2.33	2.36	2.42			2.34	2.37	

Net interest income on a continuing operations basis and on an adjusted basis increased from the year-ago quarter and year-to-date periods reflecting higher interest-earning assets and the higher value of interest-free balances in a rising rate environment. Average interest-earning assets increased to $76.1 billion in the third quarter of 2006 from $67.9 billion in last year's third quarter. Net interest income decreased on a sequential-quarter basis reflecting a seasonal decline in interest-free balances.

On a continuing operations basis, the interest rate spread was 1.14% in the third quarter of 2006, compared with 1.52% in the third quarter of 2005 and 1.29% in the second quarter of 2006. The net interest margin was 1.89% in the third quarter of 2006, compared with 2.09% in the third quarter of 2005 and 1.95% in the second quarter of 2006. The decrease in the net interest margin primarily reflects the decline in interest-free deposits related to securities servicing businesses.

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On a continuing operations basis, the year-to-date interest rate spread was 1.26% in 2006 compared with 1.56% in 2005, while the net interest margin was 1.93% in 2006 and 2.04% in 2005.

Noninterest Expense and Income Taxes

Continuing Operations

Percent Inc/(Dec) Year-to-date Percent

(In million)	3Q06	2Q06	3Q05	3Q06 vs. 2Q06	3Q06 vs. 3Q05	2006	2005	Inc/ (Dec)
Salaries and Employee Benefits	$ 644	$ 656	$ 585	(2)%	10%	$1,904	$1,721	11%
Net Occupancy	70	68	60	3	17	206	184	12
Furniture and Equipment	46	48	50	(4)	(8)	145	149	(3)
Clearing	47	53	49	(11)	(4)	150	137	9
Sub-custodian Expenses	31	36	25	(14)	24	101	72	40
Software	53	53	54	-	(2)	161	160	1
Communications	26	22	23	18	13	74	66	12
Amortization of Intangibles	14	15	10	(7)	40	42	28	50
Merger and Integration Costs	89	-	-			89	-	
Other	172	183	175	(6)	(2)	519	506	3
Total Noninterest Expense Including Merger and Integration Costs	1,192	1,134	1,031	5	16	3,391	3,023	12
Merger and Integration Costs	(89)	-	-			(89)	-	
Total Noninterest Expense Excluding Merger and Integration Costs	$1,103	$1,134	$1,031	(3)	7	$3,302	$3,023	9

Adjusted (1)

				Percent Inc/(Dec)		Year-to-date		Percent
(In million)	3Q06	2Q06	3Q05	3Q06 vs. 2Q06	3Q06 vs. 3Q05	2006	2005	Inc/ (Dec)
Salaries and Employee Benefits	$ 706	$ 723	$ 644	(2)%	10%	$2,097	$1,902	10%
Net Occupancy	88	86	79	2	11	262	239	10
Furniture and Equipment	48	50	52	(4)	(8)	151	155	(3)
Clearing	47	53	49	(11)	(4)	150	137	9
Sub-custodian Expenses	31	36	25	(14)	24	101	72	40
Software	54	53	54	2	-	163	162	1
Communications	27	23	24	17	13	77	69	12
Amortization of Intangibles	14	15	10	(7)	40	42	28	50
Merger and Integration Costs	110	-	-			110	-	
Other	193	209	198	(8)	(3)	591	571	4
Total Noninterest Expense Including Merger and Integration Costs	1,318	1,248	1,135	6	16	3,744	3,335	12
Merger and Integration Costs	(110)	-	-			(110)	-	
Total Noninterest Expense Excluding Merger and Integration								

Costs	$1,208	$1,248	$1,135	(3)	6	$3,634	$3,335	9
	======	======	======			======	======	

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Unless otherwise indicated, the discussion below refers to noninterest expense on both a continuing operations basis and on an adjusted basis.

Excluding merger and integration costs, noninterest expense for the third quarter and first nine months of 2006 was up over last year reflecting increased costs associated with new business and acquisitions as well as higher pension costs. On a sequential-quarter basis excluding merger and integration costs, noninterest expense was down reflecting disciplined expense control, lower incentive compensation and a decline in expenses related to lower transaction volumes.

Relative to the year-ago periods, salaries and benefits increased reflecting higher staff levels tied to new business and acquisitions. Pension expense was also higher on a year-over-year basis. The sequential-quarter decline in salaries and employee benefits reflected a lower level of incentive compensation tied to revenues in the current quarter as well as an adjustment in the second quarter of 2006 related to SFAS 123(R).

Clearing and sub-custodian expenses were higher on a year-to-date basis reflecting increased asset values and transaction volumes. On a sequential-quarter basis, clearing and sub-custodian expenses declined reflecting the seasonal slowdown in activity.

Merger and integration costs primarily included a loss in connection with the restructuring of the Company's investment portfolio and employee-related costs such as severance. The swap of the Acquired Corporate Trust Business for the retail and regional middle market banking businesses is expected to result in a more liability-sensitive balance sheet because corporate trust liabilities reprice more quickly than retail deposits. The Company sold $5.5 billion of investment portfolio securities during the period to reduce interest rate sensitivity going forward.

Other noninterest expense is attributable to vendor services, business development, legal expenses, settlements and claims, and other. Vendor services include professional fees, computer services, market data, courier, and other services. Business development includes advertising, charitable contributions, travel, and entertainment expenses. The breakdown among these four categories is shown below:

Other Noninterest Expense

				Year-to-date	
(In millions)	3Q06	2Q06	3Q05	2006	2005
Vendor Services	$ 85	$ 88	$ 72	$244	$218
Business Development	27	28	23	78	68
Legal Fees, Settlements and Claims	8	13	40	43	98
Other	52	54	40	154	122
Other Noninterest Expense from	------	-------	-----	----	----

Continuing Operations	172	183	175	519	506
Other Noninterest Expense from Discontinued Operations	21	26	23	72	65
Adjusted Other Noninterest Expense	$ 193	$ 209	$ 198	$591	$571

Other continuing expenses were higher on a year-to-date basis reflecting higher vendor services, business development and other costs partially offset by lower legal fees, settlement and claims. On a sequential-quarter basis, other continuing operations expenses in the third quarter of 2006 decreased due to lower claims and consulting costs. The decline in legal fees, settlements and claims over the prior year periods reflects the settlement of certain regulatory matters over the past year. The sequential decline reflects lower claims.

The effective tax rate for the third quarter of 2006 on a continuing operations basis was 29.4%, compared to 32.0% in the third quarter of 2005 and 33.8% in the second quarter of 2006. The effective tax rate for the nine-month period ended September 30, 2006 was 32.2%, compared with 32.1% for the nine-month period ended September 30, 2005. The effective tax rate for the third quarter of 2006 on an adjusted basis was 32.0%, compared to 34.6% in the third quarter of 2005 and 35.1% in the second quarter of 2006. The effective tax rate for the nine-month period ended September 30, 2006 was 33.8% compared with 33.7% for the nine-month period ended September 30, 2005. The decreases on both a sequential and year-over-year quarterly basis primarily reflect increased tax credits related to synthetic fuels. The sequential-quarter increase in synthetic fuel tax credits was driven by the decline in the price of oil.

The Company's effective tax rate in the future is expected to be impacted by the price of oil, which determines the amount of synthetic fuel tax credits (Section 29 of the Internal Revenue Code) it will receive. These credits relate to investments that produce alternative fuel from coal byproducts.

At September 30, 2006, the Company assumed a $65 average price per barrel for the last three months of 2006 to estimate the 2006 benefit from synthetic fuel credits. To the extent the average oil price differs from this assumption, the table below shows the estimated effect on earnings per share ("EPS") for 2006.

Avg. Price Per Barrel September 30, 2006 - December 31, 2006	Phase-out %	Net Benefit	EPS Effect
$ 56	23.56%	$ 43.7	$ 0.01
59	29.06	40.6	0.01
62	34.56	37.4	-
*65	40.51	34.0	- * (1)
68	45.55	31.1	-
71	51.05	28.0	(0.01)
74	56.55	24.9	(0.01)

(1) September 30, 2006 assumption used to compute effective tax rate.

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Credit Loss Provision and Net Charge-Offs

(In millions)	3Q06	2Q06	3Q05	Year-to-date 2006	Year-to-date 2005
Provision					
Continuing Operations	$ (4)	$ (1)	$ 10	$ (5)	$ (10)
Discontinued Operations	(1)	1	-	5	15
Adjusted Total Provision	$ (5)	$ -	$ 10	$ -	$ 5
Net (Charge-offs)/Recoveries:					
Commercial	$ -	$ 2	$ (2)	$ 2	$ (4)
Foreign	-	4	(2)	7	(6)
Other	-	1	-	1	-
Total Continuing Operations	-	7	(4)	10	(10)
Discontinued Operations	(9)	(6)	(9)	(22)	(24)
Adjusted Total Net (Charge-offs)/Recoveries	$ (9)	$ 1	$ (13)	$ (12)	$ (34)

The sequential increase in the credit to the provision for continuing operations reflects a continued strong credit environment. During the third quarter of 2006, nonperforming loans remained at low levels.

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BUSINESS SEGMENT REVIEW

Segment Data

The Company has an internal information system that produces performance data for its three 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 U.S. 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 when organizational changes are made.

In 2005, the Company determined that it was appropriate to modify its segment presentation to provide more transparency into its results of operations and to better reflect modifications in the management structure that the Company implemented during the fourth quarter of 2005. All prior periods have been restated to reflect this realignment.

On October 1, 2006, the Company sold substantially all of the assets of the Company's retail and regional middle market banking businesses. The business segment information is reported on a continuing operations basis for all periods presented, but does not include the operations of the Acquired Corporate Trust Business, which was also acquired on October 1, 2006. As a result, information related to the Company's retail and regional middle market banking businesses is no longer included in the segment data. See "Discontinued Operations" in the Notes to the Consolidated Financial Statements for a discussion of discontinued operations. The Company currently reports results for three segments, with the Institutional Services Segment being further subdivided into four business groupings. These segments are shown below:

* Institutional Services Segment
    - Investor & Broker-Dealer Services Business
    - Execution & Clearing Services Business
    - Issuer Services Business
    - Treasury Services Business
* Private Bank & BNY Asset Management Segment
* Corporate and Other Segment

Other specific segment accounting principles employed include:

* The measure of revenues and profit or loss by a segment has been adjusted to present segment data on a tax equivalent basis.
* The provision for credit losses allocated to each 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 credit portfolio. This method is different from that required under U.S. generally accepted accounting principles as it anticipates future losses which are not yet probable and therefore not recognizable under U.S. generally accepted accounting principles.
* Balance sheet assets and liabilities and their related income or expense are specifically assigned to each segment.
* Net interest income is allocated to segments based on the yields on the assets and liabilities generated by each segment. Assets and liabilities generated by credit-related activities are allocated to businesses based on borrower usage of those businesses' products or services. Credit-only relationships and borrowers using both credit and payment services remain in Treasury Services Business. Segments with a net liability position are allocated assets primarily from the securities portfolio.
* Revenues and expenses associated with specific client bases are included in those segments. For example, foreign exchange activity associated

with clients using custody products is allocated to Investor & Broker-Dealer Services Business (which includes the Company's custody operations.)
* Noninterest income associated with Treasury-related services (global payment services for corporate customers, as well as lending and credit-related services) is similarly allocated back to the other Institutional Services businesses.
* Support and other indirect expenses are allocated to segments based on internally-developed methodologies.

DESCRIPTION OF BUSINESS SEGMENTS

The activities within each business segment are described below.

Institutional Services Segment

Investor & Broker-Dealer Services Business

Investor & Broker-Dealer Services includes global custody, global fund services, securities lending, global liquidity services, outsourcing, government securities clearance, collateral management, credit-related services, and other linked revenues, principally foreign exchange and execution and clearing revenues.

In Investor Services, the Company is one of the leading custodians with $12.2 trillion of assets under custody at September 30, 2006. The Company is one of the largest mutual fund custodians for U.S. funds and one of the largest providers of fund services in the world with over $1.8 trillion in total assets. The Company services more than 16% of the total industry assets for U.S. exchange-traded funds and at 122 separate portfolios, 38% of the total number of funds in the market. The Company is also a leading U.K. custodian. In securities lending, the Company is the largest lender of U.S. Treasury securities and depositary receipts with a lending pool of approximately $1.8 trillion in 27 markets around the world.

The Company's Broker-Dealer Services business clears approximately 50% of transactions in U.S. Government securities. The Company is a leader in global clearance, clearing equity and fixed income transactions in 101 markets. With over $1.3 trillion in tri-party balances worldwide, the Company is the world's largest collateral management agent.

Execution & Clearing Services Business

The Company provides execution, clearing and financial services outsourcing solutions in over 80 global markets, executing 620 million shares each day and clearing more than one million trades daily.

The Company's Pershing subsidiary provides clearing, execution, financing, and custody for introducing broker-dealers and registered investment advisors. Pershing services more than 1,100 retail and institutional financial organizations and independent investment advisors who collectively represent nearly six million individual investors.

In Execution Services, the Company provides broker-assisted and electronic trading services, transition management, and independent research services. The Company's Execution Services business is one of the largest global institutional agency brokerage organizations. In addition, it is one of the leading institutional electronic brokers for non-U.S. dollar equity execution. The Company joined forces with Eze Castle Software and GTCR Golder Rauner, LLC, a private equity firm, to form a new company called BNY ConvergEx Group on October 2, 2006. BNY ConvergEx Group brings together BNY Securities Group's trade execution, commission management businesses, independent research and transition management business with Eze Castle Software, a leading provider of trade order management and related investment technologies. See "Other Developments."

As a result of the BNY ConvergEx transaction, beginning in the fourth quarter of 2006, the Company's Execution and Clearing Services business will consist of its Pershing clearing business, its 35% equity interest in BNY ConvergEx Group and the Company's B-Trade and G-Trade businesses which are expected to become part of the BNY ConvergEx Group in 2008.

Issuer Services Business

Issuer Services includes corporate trust, depositary receipts, employee investment plan services, stock transfer, and credit-related services.

In Issuer Services, the Company is depositary for more than 1,255 American and global depositary receipt programs, with a 64% market share, servicing leading companies from 61 countries. As a trustee, the Company provides diverse services for corporate, municipal, structured, 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 $3 trillion in outstanding debt securities. The Company is the third largest stock transfer agent in the United States, servicing more than 17 million shareowners. Employee Investment Plan Services has more than 120 clients with 650,000 employees in over 54 countries.

Treasury Services Business

Treasury Services includes global payment services for corporate customers as well as lending and credit-related services.

Corporate Global Payment Services offers leading-edge technology, innovative products, and industry expertise to help its clients optimize cash flow, manage liquidity, and make payments around the world in more than 100 different currencies. The Company maintains a global network of branches, representative offices and correspondent banks to provide comprehensive payment services including funds transfer, cash management, trade services and liquidity management. The Company is the fourth largest funds transfer bank in the U.S. transferring over $1.1 trillion daily via more than 150,000 wire transfers.

The Company provides lending and credit-related services to large public and private corporations nationwide. Special industry groups focus on industry segments such as media, telecommunications, cable, energy, real estate, retailing, and healthcare. Credit-related revenues are allocated to businesses other than Treasury Services to the extent the borrower uses those businesses' products or services. Credit-only relationships and borrowers using both credit and payment services remain in Treasury Services. Through BNY Capital Markets, Inc., the Company provides a broad range of capital markets and investment banking services including syndicated loans, bond underwriting, private placements of corporate debt and equity securities, and merger, acquisition, and advisory services. The Company is an active arranger or agent of syndicated financings for clients in the U.S., having completed 82 transactions totaling in excess of $51 billion during the first nine months of 2006.

For its credit services business overall, the Company's corporate lending strategy is to focus on those clients and industries that are major users of securities servicing and global payment services.

Private Bank & BNY Asset Management Segment

The Private Bank & BNY Asset Management Segment includes traditional banking and trust services for wealthy clients and investment management services for institutional and high-net-worth clients. In private banking, the Company offers a full array of wealth management services to help individuals plan, invest, and arrange intergenerational wealth transition, which includes financial and estate planning, trust and fiduciary services, customized banking services, brokerage and investment solutions.

BNY Asset Management provides investment solutions for some of the wealthiest individuals, largest corporations and most prestigious organizations around the world applying a broad spectrum of investment strategies and wealth management solutions. BNY Asset Management's alternative strategies have expanded to include funds of hedge funds, private equity, alternative fixed income, and real estate.

The Company's asset management subsidiaries include:

* Ivy Asset Management Corporation, one of the country's leading fund of hedge funds firms, offers a comprehensive range of multi-manager hedge fund products and customized portfolio solutions.

* Alcentra offers sophisticated alternative credit investments, including leveraged loans and subordinated and distressed debt.

* Urdang, a real estate investment firm, offers the opportunity to invest in real estate through separate accounts, a closed-end commingled fund that invests directly in properties, and a separate account that invests in publicly-traded REITs.

* Estabrook Capital Management LLC offers value-oriented investment management strategies, including socially responsible investing.

* Gannett Welsh & Kotler specializes in tax-exempt securities management and equity portfolio strategies.

The Company also provides investment management services directly to institutions and manages the "Hamilton" family of mutual funds.

Corporate and Other Segment

The Corporate and Other Segment primarily includes the Company's leasing operations and corporate overhead. Net interest income in this segment primarily reflects the funding cost of goodwill and intangibles. The tax equivalent adjustment on net interest income is eliminated in this segment. Provision for credit losses reflects the difference between the aggregate of the credit provision over a credit cycle for the other two reportable segments and the Company's recorded provision. The Company's approach to acquisitions is highly centralized and controlled by senior management. Accordingly, the resulting goodwill and other intangible assets are included in this segment's assets. Noninterest expense includes the related amortization. Noninterest income primarily reflects leasing, securities gains, and income from the sale of other corporate assets. Noninterest expenses include direct expenses supporting the leasing activities as well as certain corporate overhead not directly attributable to the operations of the other segments.

In addition, this segment includes the difference between amounts previously reported in the Company's Retail and Middle Market Banking Segment and the discontinued operations of the Company's retail and regional middle market banking businesses.

Segment Analysis

Institutional Services Segment

(In millions)	3Q06	2Q06	3Q05	Inc/(Dec) 3Q06 vs. 2Q06	Inc/(Dec) 3Q06 vs. 3Q05	Year-to-date 2006	Year-to-date 2005	Inc/ (Dec)
Net Interest Income	$ 329	$ 337	$ 307	$ (8)	$ 22	$ 981	$ 879	$ 102
Noninterest Income	1,095	1,196	1,056	(101)	39	3,414	3,102	312
Total Revenue	1,424	1,533	1,363	(109)	61	4,395	3,981	414
Provision for Credit Losses	16	16	13	-	3	48	45	3
Noninterest Expense	915	947	873	(32)	42	2,768	2,563	205
Income Before Taxes	493	570	477	(77)	16	1,579	1,373	206
Average Assets	82,011	82,666	75,109	(655)	6,902	81,248	74,148	7,100
Average Deposits	52,513	51,680	45,087	833	7,426	51,279	44,228	7,051

The Company's Institutional Services business is conducted in four business groupings: Investor & Broker-Dealer Services, Execution & Clearing Services, Issuer Services, and Treasury Services. Income before taxes was up 3% to $493 million for the third quarter of 2006 from $477 million in the third quarter of 2005, and down 14% from $570 million in the second quarter of 2006. For the first nine months of 2006, income before taxes was up 15% to $1,579 million compared with 2005.

As of September 30, 2006, assets under custody rose to $12.2 trillion, from $10.3 trillion at September 30, 2005 and $12.0 trillion at June 30, 2006. The increase in assets under custody relative to September 30, 2005 primarily reflects rising asset prices and new business wins. Equity securities comprised 31% of the assets under custody at September 30, 2006, compared with 32% at June 30, 2006, while fixed income securities were 69% compared with 68% at June 30, 2006. Assets under custody at September 30, 2006 consisted of assets related to the custody and mutual funds businesses of $7.6 trillion, broker-dealer services assets of $2.5 trillion, and all other assets of $2.1 trillion.

The third quarter of 2006 was impacted by a pronounced seasonal decline that impacted results in market-related businesses such as foreign exchange and execution services. Non-program equity trading volumes were down 11% sequentially and up only 2% year-over-year. Foreign exchange volatility was at an eight-year low. In addition, average daily U.S. fixed income trading volume was down 3% sequentially and 1% year-over-year. Total debt issuance declined 15% sequentially and 8% year-over-year. One of the positives in the quarter was asset prices, which were strong sequentially, with the S&P 500 (registered trademark) Index up 5% and the MSCI (registered trademark) EAFE Index up 3%. In the first nine months of 2006, depositary receipts trading exceeded $1.1 trillion, up over 50% from the comparable period in 2005. The sale of global collateralized debt obligations is up 20% year-to-date versus 2005. Despite these mixed conditions, the Company had a solid quarter because of the diversity of its business mix. Strong growth in the depositary receipt and collateral management businesses were offset by weaker results in the Company's execution and clearing businesses.

Market Data

	3Q06	2Q06	3Q05	Percent Inc/(Dec) 3Q06 vs. 2Q06	Percent Inc/(Dec) 3Q06 vs. 3Q05	Year-to-date 2006	Year-to-date 2005	Percent Inc/(Dec)
S&P 500 (registered trademark) Index (1)	1,336	1,270	1,229	5%	9%	1,336	1,229	9%
NASDAQ (registered trademark) Composite Index (1)	2,258	2,172	2,152	4	5	2,258	2,152	5
Lehman Brothers Aggregate Bond (service mark) Index (1)	220.0	213.2	210.0	3	5	220.0	210.0	5
MSCI (registered trademark) EAFE Index (1)	1,885.3	1,822.9	1,618.8	3	16	1,885.3	1,618.8	16
NYSE Volume (In billions)	108.8	121.6	100.8	(11)	8	344.1	304.8	13
NASDAQ (registered trademark) Volume (In billions)	114.6	134.2	104.9	(15)	9	379.6	338.6	12

(1) Period End

The results for the businesses in the Institutional Services Segment are discussed below.

Investor & Broker-Dealer Services Business

(In millions)	3Q06	2Q06	3Q05	Inc/(Dec) 3Q06 vs. 2Q06	Inc/(Dec) 3Q06 vs. 3Q05	Year-to-date 2006	Year-to-date 2005	Inc/(Dec)
Net Interest Income	$ 150	$ 155	$ 144	$ (5)	$ 6	$ 454	$ 421	$ 33
Noninterest Income	480	524	455	(44)	25	1,494	1,357	137
Total Revenue	630	679	599	(49)	31	1,948	1,778	170
Provision for Credit Losses	2	3	1	(1)	1	8	5	3
Noninterest Expense	436	458	408	(22)	28	1,332	1,212	120
Income Before Taxes	192	218	190	(26)	2	608	561	47
Average Assets	39,729	39,839	36,282	(110)	3,447	39,250	35,969	3,281

Average Deposits	33,343	32,906	27,675	437	5,668	32,705	27,569	5,136
Nonperforming Assets	7	3	10	4	(3)	7	10	(3)
Net Charge-offs	-	-	-	-	-	1	1	-

In the third quarter of 2006, income before taxes in the Investor & Broker-Dealer Services business was $192 million essentially flat with the $190 million in the third quarter of 2005 and down from $218 million in the second quarter of 2006. The decline on a sequential-quarter basis reflects seasonally weaker transaction volumes in custody activities. For the first nine months of 2006, income before taxes was $608 million compared with $561 million in 2005. The year-to-date increase reflects improvements in both net interest income and noninterest income.

Noninterest income was $480 million in the third quarter of 2006, compared with $455 million in the third quarter of 2005 and $524 million in the second quarter of 2006. The year-over-year increase in noninterest income in the third quarter of 2006 compared to 2005 is attributable to an increase in broker-dealer service fees as well as foreign exchange and other trading revenue generated by clients in this segment. On a year-to-date basis, noninterest income increased to $1,494 million from $1,357 million, reflecting the same factors impacting the quarterly results.

Investor services fees increased from the year-ago quarter reflecting improved performance in global custody activities, consistent with higher volumes of cross-border transactions, as well as continued strong performance in securities lending. The decline in fees from the second quarter is consistent with seasonally lower securities lending revenue and lower transaction volumes in global custody and fund services. On a year-to-date

basis, investor services fees increased compared with 2005, reflecting the same factors driving the year-over-year quarterly increase.

Broker-dealer services fees improved versus the year-ago period as a result of continued strong performance in domestic and global collateral management fees, an increase in transaction volumes and good net new business flows. Broker-dealer services fees were down modestly from the second quarter of 2006 consistent with the seasonal slowdown in fixed income trading. The Company now handles approximately $1.3 trillion of financing for the Company's broker-dealer clients daily through collateralized financing agreements, up approximately 15% from a year ago.

Net interest income in the Investor & Broker-Dealer Services business was $150 million in the third quarter of 2006, compared with $144 million in the third quarter of 2005 and $155 million in the second quarter of 2006. On a year-over-year basis, net interest income growth in the third quarter reflects increased deposit flows from customers in both businesses and higher rates. The sequential-quarter decline reflects lower interest-free balances. Average deposits generated by the Investor & Broker-Dealer Services business were $33.3 billion in the third quarter of 2006, compared with $27.7 billion in the third quarter of 2005 and $32.9 billion in the second quarter of 2006. Average assets in the business were $39.7 billion in the third quarter of 2006, compared with $36.3 billion in the third quarter of 2005 and $39.8 billion in the second quarter of 2006. For the first nine months of 2006, average deposits were $32.7 billion compared with $27.6 billion in 2005. On the same basis, average assets in the business were $39.3 billion in 2006 compared with $36.0 billion in 2005.

Noninterest expense was $436 million in the third quarter of 2006, compared with $408 million in the third quarter of 2005 and $458 million in the second quarter of 2006. The year-over-year increase in noninterest expense was due to higher compensation costs as well as increases in pension, technology and occupancy costs partially offset by lower claims from customers. The sequential decline in noninterest expense in the third quarter was attributable primarily to lower volume driven expenses. For the first nine months of 2006, noninterest expense increased to $1,332 million compared with $1,212 million in 2005, reflecting activity-based costs associated with revenue growth and higher technology and pension costs.

Net charge-offs were zero in the third quarter of 2006, third quarter of 2005 and second quarter of 2006. On a year-to-date basis, net charge-offs were $1 million in both 2006 and 2005. Nonperforming assets were $7 million at September 30, 2006, compared with $10 million at September 30, 2005 and $3 million at June 30, 2006.

Execution & Clearing Services Business

(In millions)	3Q06	2Q06	3Q05	Inc/(Dec) 3Q06 vs. 2Q06	Inc/(Dec) 3Q06 vs. 3Q05	Year-to-date 2006	Year-to-date 2005	Inc/ (Dec)
Net Interest Income	$ 69	$ 66	$ 55	$ 3	$ 14	$ 196	$ 152	$ 44
Noninterest Income	336	359	339	(23)	(3)	1,085	975	110
Total Revenue	405	425	394	(20)	11	1,281	1,127	154
Provision for Credit Losses	1	-	-	1	1	1	-	1
Noninterest Expense	298	302	301	(4)	(3)	897	858	39
Income Before Taxes	106	123	93	(17)	13	383	269	114
Average Assets	14,884	15,092	14,355	(208)	529	14,985	14,274	711
Average Deposits	264	205	222	59	42	216	191	25
Average Payables to Customers and Broker-Dealers	4,657	5,034	5,714	(377)	(1,057)	4,972	6,025	(1,053)
Nonperforming Assets	1	-	1	1	-	1	1	-
Net Charge-offs/ (Recoveries)	-	(4)	2	4	(2)	(6)	5	(11)

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In the third quarter of 2006, income before taxes in the Execution & Clearing Services Business increased to $106 million from $93 million a year ago and decreased from $123 million in the second quarter of 2006. On a year-to-date basis, income before taxes increased to $383 million from $269 million in 2005. The increase in execution and clearing fees on a year-to-date basis reflects growth in value-added fees at Pershing, an acquisition and increased cross-border trading activity in execution services. The year-to-date period also reflects the $35 million gain related to the conversion of the Company's New York Stock Exchange seats into cash and shares of NYSE Group, Inc. common stock.

Noninterest income was $336 million in the third quarter of 2006, compared with $339 million in the third quarter of 2005 and $359 million in the second quarter of 2006. For the first nine months of 2006, noninterest income increased to $1,085 million from $975 million in 2005.

Execution and clearing fees decreased from the third quarter of 2005 and second quarter of 2006. The decline in third quarter's execution and clearing fees from the year-ago quarter reflects the previously disclosed loss of a significant customer at Pershing, as well as a shift from traditional broker-assisted execution to lower-commission electronic and program trading in execution services. The sequential-quarter decline in execution and clearing services reflects a seasonal reduction in trading volumes, as well as lower transition management activity.

Net interest income in the Execution & Clearing Services business was $69 million in the third quarter of 2006, compared with $55 million in the third quarter of 2005 and $66 million in the second quarter of 2006. On a year-to-date basis, net interest income was $196 million, up from $152 million in 2005. The increase in net interest income reflects the benefit of rising interest rates on spreads at Pershing, partially offset by the loss of margin debits associated with a significant customer.

Average assets in the business were $14.9 billion in the third quarter of 2006, compared with $14.4 billion in the third quarter of 2005 and $15.1 billion in the second quarter of 2006. For the first nine months of 2006, average assets were $15.0 billion compared with $14.3 billion in 2005. Average payables to customers and broker-dealers were $4.7 billion in the third quarter of 2006, compared with $5.7 billion in the third quarter of 2005 and $5.0 billion in the second quarter of 2006. For the first nine months of 2006, average payables to customers and broker-dealers were $5.0 billion compared with $6.0 billion in 2005. The decrease in third quarter balances from last year reflects the previously disclosed loss of a significant customer.

Noninterest expense was $298 million in the third quarter of 2006, compared with $301 million in the third quarter of 2005 and $302 million in the second quarter of 2006. The decrease in noninterest expense on a year-over-year basis was due to lower clearing fees and claims by customers offset by higher technology expenses. The decrease in noninterest expense sequentially was attributable to lower clearing fees and incentive compensation partially offset by higher severance. For the first nine months of 2006, noninterest expense was $897 million compared with $858 million in 2005. The increase reflects higher clearing fees, incentive compensation and an acquisition.

Net charge-offs were zero in the third quarter of 2006, $2 million in the third quarter of 2005 and a recovery of $4 million in the second quarter of 2006, respectively. On a year-to-date basis, net charge-offs were a recovery of $6 million compared with charge-offs of $5 million in 2005. Nonperforming assets were $1 million at September 30, 2006, compared with $1 million at September 30, 2005 and zero at June 30, 2006.

Issuer Services Business

				Inc/(Dec)		Year-to-date		
(In millions)	3Q06	2Q06	3Q05	3Q06 vs. 2Q06	3Q06 vs. 3Q05	2006	2005	Inc/ (Dec)
Net Interest Income	$ 68	$ 74	$ 63	$ (6)	$ 5	$ 209	$ 173	$ 36

Noninterest Income	221	240	197	(19)	24	641	558	83
Total Revenue	289	314	260	(25)	29	850	731	119
Provision for Credit Losses	4	4	3	-	1	12	9	3
Noninterest Expense	134	135	115	(1)	19	391	341	50
Income Before Taxes	151	175	142	(24)	9	447	381	66
Average Assets	15,409	15,549	13,800	(140)	1,609	15,185	13,465	1,720
Average Deposits	9,625	9,584	8,681	41	944	9,222	8,311	911
Nonperforming Assets	7	3	10	4	(3)	7	10	(3)
Net Charge-offs	-	-	1	-	(1)	-	1	(1)

In the third quarter of 2006, income before taxes in the Issuer Services Business increased to $151 million from $142 million in the third quarter of 2005 and declined from $175 million in the second quarter of 2006. For the first nine months of 2006, income before taxes increased to $447 million from $381 million in 2005. The year-over-year increases in 2006 reflect growth in net interest income and higher depositary receipt and corporate trust fees. The sequential-quarter decline reflects seasonally lower depositary receipt fees.

Noninterest income was $221 million in the third quarter of 2006, compared with $197 million in the third quarter of 2005 and $240 million in the second quarter of 2006. For the first nine months of 2006, noninterest income was $641 million compared with $558 million in 2005. Issuer services fees increased substantially versus the year-ago periods but were down on a sequential-quarter basis. The depositary receipt business benefited from both a higher level of net issuance, reflecting the continued growth in cross-border investing activity, as well as increased corporate actions related to mergers, acquisitions and spin-offs. Growth in corporate trust revenues over the year-ago quarter was primarily attributable to continued strong results in global trust products and structured finance, notably asset-backed and mortgage-backed securities. On a sequential-quarter basis, corporate trust fees were flat while there was a seasonal decline in depositary receipt fees.

Net interest income in the Issuer Services business was $68 million in the third quarter of 2006, compared with $63 million in the third quarter of 2005 and $74 million in the second quarter of 2006. For the first nine months of 2006, net interest income was $209 million compared with $173 million in 2005. The increases in net interest income year-over-year were driven primarily by the increases in interest rates and higher average assets. On a sequential-quarter basis interest-free balances declined.

Average deposits generated by the Issuer Services business were $9.6 billion in the third quarter of 2006, compared with $8.7 billion in the third quarter of 2005 and $9.6 billion in the second quarter of 2006 reflecting increased liquidity from the Company's issuer services customers compared with 2005. On a year-to-date basis, average deposits were $9.2 billion compared with $8.3 billion in 2005. Average assets in the business were $15.4 billion in the third quarter of 2006, compared with $13.8 billion in the third quarter of 2005 and $15.5 billion in the second quarter of 2006. On a year-to-date basis, average assets were $15.2 billion compared with $13.5 billion in 2005.

Noninterest expense was $134 million in the third quarter of 2006, compared with $115 million in the third quarter of 2005 and $135 million in the second quarter of 2006. For the first nine months of 2006, noninterest expense was $391 million compared with $341 million in 2005. The rise in noninterest expense year-over-year was attributable to higher salaries and benefits and sub-custodian expense reflecting increased activity.

Net charge-offs were zero in the third quarter of 2006, down from $1 million third quarter of 2005 and unchanged from the second quarter of 2006. For the first nine months of 2006, net charge-offs were zero compared with $1 million in 2005. Nonperforming assets were $7 million at September 30, 2006, compared with $10 million at September 30, 2005 and $3 million at June 30, 2006.

Treasury Services Business

(In millions)	3Q06	2Q06	3Q05	Inc/(Dec) 3Q06 vs. 2Q06	Inc/(Dec) 3Q06 vs. 3Q05	Year-to-date 2006	Year-to-date 2005	Inc/ (Dec)
Net Interest Income	$ 42	$ 42	$ 45	$ -	$ (3)	$ 122	$ 133	$ (11)
Noninterest Income	58	73	65	(15)	(7)	194	212	(18)
Total Revenue	100	115	110	(15)	(10)	316	345	(29)
Provision for Credit Losses	9	9	9	-	-	27	31	(4)
Noninterest Expense	47	52	49	(5)	(2)	148	152	(4)
Income Before Taxes	44	54	52	(10)	(8)	141	162	(21)
Average Assets	11,989	12,186	10,672	(197)	1,317	11,828	10,440	1,388
Average Deposits	9,281	8,984	8,509	297	772	9,136	8,157	979
Nonperforming Assets	23	11	32	12	(9)	23	32	(9)
Net Charge-offs/ (Recoveries)	-	(2)	1	2	(1)	(1)	3	(4)

In the third quarter of 2006, income before taxes in the Treasury Services Business was $44 million, compared with $52 million in the third quarter of 2005 and $54 million in the second quarter of 2006. On a year-to-date basis, income before taxes was $141 million compared with $162 million in 2005. The decrease reflects declines in both net interest income and noninterest income.

The decrease in noninterest income to $58 million in the current period from $65 million in the third quarter of 2005 was due to lower global payments fees as more clients used compensating balances to pay for services. The sequential-quarter decrease in noninterest income reflects lower foreign exchange related revenue. For the first nine months of 2006, noninterest income decreased to $194 million from $212 million in 2005 due to lower global payments fees.

Net interest income was $42 million in the third quarter of 2006, compared with $45 million in the third quarter of 2005 and $42 million in the second quarter of 2006. On a year-over-year basis, the decrease reflects lower credit spreads due to the higher asset quality of the portfolio partially offset by customers using compensating balances to pay for global payment services in lieu of fees. For the first nine months of 2006, net interest income was $122 million compared with $133 million in 2005. Average assets for the third quarter of 2006 were $12.0 billion, compared with $10.7 billion in the third quarter of 2005 and $12.2 billion in the second quarter of 2006. For the first nine months of 2006, average assets were $11.8 billion compared with $10.4 billion in 2005. Average deposits were $9.3 billion in the third quarter of 2006, compared with $8.5 billion in the third quarter of 2005 and $9.0 billion in the second quarter of 2006. For the first nine months of 2006, average deposits were $9.1 billion compared with $8.2 billion in 2005.

The provision for credit losses, which is assessed on a long-term credit cycle basis (see "Business Segments Accounting Principles"), was $9 million in the third quarter of 2006, the third quarter of 2005 and the second quarter of 2006. For the first nine months of 2006, provision for credit losses was $27 million compared with $31 million in 2005. The year-to-date decrease reflects improved credit quality.

Net charge-offs in the Treasury Services business were zero in the third quarter of 2006, compared with a charge-off of $1 million in the third quarter of 2005 and a recovery of $2 million in the second quarter of 2006. For the

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first nine months of 2006, net charge-offs were a recovery of $1 million compared with a charge-off of $3 million in 2005. Nonperforming assets were $23 million at September 30, 2006, compared with $32 million at September 30, 2005, and $11 million at June 30, 2006.

Noninterest expense in the third quarter of 2006 was $47 million, compared to $49 million in the third quarter of 2005 and $52 million in the second quarter of 2006. For the first nine months of 2006, noninterest expense was $148 million compared with $152 million in 2005. The decrease in noninterest expense year-over-year was due in part to lower consulting expenses.

Private Bank & BNY Asset Management Segment

				Inc/(Dec)		Year-to-date		
(In millions)	3Q06	2Q06	3Q05	3Q06 vs. 2Q06	3Q06 vs. 3Q05	2006	2005	Inc/ (Dec)
Net Interest Income	$ 16	$ 16	$ 16	$ -	$ -	$ 49	$ 49	$ -
Noninterest Income	135	137	112	(2)	23	401	338	63
Total Revenue	151	153	128	(2)	23	450	387	63
Provision for Credit Losses	-	-	1	-	(1)	-	3	(3)
Noninterest Expense	104	99	80	5	24	293	237	56
Income Before Taxes	47	54	47	(7)	-	157	147	10
Average Assets	2,414	2,448	2,207	(34)	207	2,468	2,210	258
Average Deposits	2,079	2,205	1,864	(126)	215	2,020	1,833	187
Nonperforming Assets	-	-	1	-	(1)	-	1	(1)
Net Charge-offs/ (Recoveries)	-	(1)	-	1	-	(1)	-	(1)

In the third quarter of 2006, income before taxes in the Private Bank & BNY Asset Management Segment was $47 million, compared with $47 million in the third quarter of 2005 and $54 million in the second quarter of 2006. On a year-to-date basis, income before taxes was $157 million compared to $147 million in 2005. The improvement year-over-year is attributable to the acquisitions of Alcentra and Urdang as well as higher fee levels in private banking.

Noninterest income was $135 million in the third quarter of 2006, compared

with $112 million in the third quarter of 2005 and $137 million in the second quarter of 2006. Private bank and asset management revenues in the third quarter of 2006 were up year-over-year. The year-over-year growth reflects the acquisitions of Alcentra and Urdang as well as organic growth. On a sequential-quarter basis, the decrease is attributable to a decline in activity-based fees in the private bank and lower performance fees for certain asset management activities. The S&P 500 (registered trademark) Index was up 5% sequentially for the quarter, with average daily price levels essentially flat compared with the second quarter of 2006. Performance for the NASDAQ (registered trademark) Composite Index was up 4% for the third quarter of 2006, with average daily prices down by 4% from the second quarter of 2006.
The S&P 500 (registered trademark) Index and the NASDAQ (registered trademark) Composite Index were up 9% and 5% respectively over the third quarter of 2005.

Assets Under Management - Asset Management Sector

(In billions)- Estimated	3Q06	2Q06	3Q05
Equity Securities	$ 36	$ 36	$ 37
Fixed Income Securities	20	21	22
Alternative Investments	30	28	15
Liquid Assets	34	31	32
Total Assets Under Management	$120	$116	$106

Assets under management ("AUM") were $120 billion at September 30, 2006, compared with $106 billion at September 30, 2005, and $116 billion at June 30, 2006. The year-over-year increases in AUM primarily reflect the acquisition of Alcentra and Urdang. The sequential-quarter growth reflects growth in money market and alternative investments. Institutional clients represent 74% of AUM while individual clients equal 26%. At September 30, 2006, such assets were invested 30% in equities, 17% in fixed income, and 25% in alternative investments, with the remaining amount invested in liquid assets.

Net interest income in the Private Bank & BNY Asset Management Segment was $16 million in the third quarter of 2006, essentially flat in comparison to the third quarter of 2005 and the second quarter of 2006. For the first nine months of 2006 and 2005, net interest income was $49 million. Average deposits generated by the Private Bank & BNY Asset Management Segment were $2.1 billion in third quarter of 2006, compared with $1.9 billion in the third quarter of 2005 and $2.2 billion in the second quarter of 2006. For the first nine months of 2006, average deposits were $2.0 billion compared with $1.8 billion in 2005. Average assets in the segment were $2.4 billion in the third quarter of 2006, compared with $2.2 billion in the third quarter of 2005 and $2.4 billion in the second quarter of 2006. For the first nine months of 2006, average assets were $2.5 billion compared with $2.2 billion in the first nine months of 2005.

Noninterest expense was $104 million in the third quarter of 2006, compared with $80 million in the third quarter of 2005 and $99 million in the second quarter of 2006. For the first nine months of 2006, noninterest expense was $293 million compared with $237 million in 2005. Relative to a year ago, the increase reflects the acquisitions of Alcentra and Urdang as well as higher compensation, technology, and pension costs. The increase in noninterest expense on a sequential basis was primarily attributable to higher compensation costs.

Net charge-offs were zero in the third quarter of 2006 and the third quarter of 2005 and a recovery of $1 million in the second quarter of 2006. On a year-to-date basis, net charge-offs were a recovery of $1 million in 2006 compared with zero in 2005. Nonperforming assets were zero at September 30, 2006, compared with $1 million at September 30, 2005, and zero at June 30, 2006.

Corporate and Other Segment

(In millions)	3Q06	2Q06	3Q05	Inc/(Dec) 3Q06 vs. 2Q06	Inc/(Dec) 3Q06 vs. 3Q05	Year-to-date 2006	Year-to-date 2005	Inc/ (Dec)
Net Interest Income	$ 6	$ 5	$ 23	$ 1	$ (17)	$ 18	$ 68	$ (50)
Noninterest Income	29	33	17	(4)	12	71	55	16
Total Revenue	35	38	40	(3)	(5)	89	123	(34)
Provision for Credit Losses	(20)	(17)	(4)	(3)	(16)	(53)	(58)	5
Noninterest Expense	173	88	78	85	95	330	223	107
Income Before Taxes	(118)	(33)	(34)	(85)	(84)	(188)	(42)	(146)
Average Assets	11,154	11,279	8,666	(125)	2,488	10,900	8,545	2,355
Nonperforming Assets	-	15	5	(15)	(5)	-	5	(5)
Net Charge-offs/ (Recoveries)	-	-	-	-	-	(3)	-	(3)

In the third quarter of 2006, income before taxes in the Corporate and Other Segment was a loss of $118 million, compared with a loss of $34 million in the third quarter of 2005 and a loss of $33 million in the second quarter of 2006. The increase in the loss reflects merger and integration costs associated with the Acquired Corporate Trust Business.

Net interest income in the Corporate and Other Segment was $6 million in the third quarter of 2006, compared with $23 million in the third quarter of 2005 and $5 million in the second quarter of 2006. For the first nine months of 2006, net interest income was $18 million compared with $68 million in 2005. The decreases in net interest income over the 2005 periods reflect the impact

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of accounting for the retail and regional middle market banking businesses as discontinued operations and lower leasing income.

Noninterest income was $29 million in the third quarter of 2006, compared with $17 million in the third quarter of 2005 and $33 million in the second quarter of 2006. The increase in noninterest income over last year's third quarter reflects higher securities and asset-related gains. The decrease in noninterest income in the third quarter of 2006 over the second quarter of 2006 is attributable to lower securities gains. For the first nine months of 2006, noninterest income was $71 million compared with $55 million in 2005. Securities gains were $21 million in the third quarter of 2006, compared with $15 million in the third quarter of 2005 and $23 million in the second quarter of 2006. Securities gains on a year-to-date basis were $61 million in 2006 compared with $50 million in 2005.

Provision for credit losses was a credit of $20 million in the third quarter of 2006, compared with a $4 million credit in the third quarter of 2005 and a $17 million credit in the second quarter of 2006. For the first nine months of 2006, provision for credit losses was a $53 million credit compared with a credit of $58 million in 2005. The provision for credit losses reflects the difference between the aggregate of the credit provision over a credit cycle assigned to the other segments and the Company's recorded provision. As such, the favorable credit environment has currently resulted in the business segments absorbing more than the Company's aggregate reported credit provision.

Noninterest expense includes unallocated corporate overhead, amortization of goodwill, nonrecurring items including merger and integration costs, and certain expenses previously allocated to the Retail and Middle Market Banking Segment that are not included in the businesses sold to JPMorgan Chase. Noninterest expense was $173 million in the third quarter of 2006, compared with $78 million in the third quarter of 2005 and $88 million in the second quarter of 2006. For the first nine months of 2006, noninterest expense was $330 million compared with $223 million in 2005. The year-over-year growth includes merger and integration costs and higher intangible amortization. The sequential-quarter increase reflects merger and integration costs associated with the Acquired Corporate Trust Business. The Company expects certain costs previously allocated to the Retail and Middle Market Banking Segment now included with Corporate and Other Segment will be reallocated to the Institutional Services Segment as a result of the acquisition of the Acquired Corporate Trust Business.

Net charge-offs were zero in the third quarter of 2006, the third quarter of 2005 and the second quarter of 2006. On a year-to-date basis, net charge-offs were a recovery of $3 million in 2006 compared with zero in 2005. Nonperforming assets were zero at September 30, 2006, compared with $5 million at September 30, 2005, and $15 million at June 30, 2006. The decrease in nonperforming assets at September 30, 2006 from June 30, 2006, primarily reflects the sale of an aircraft.

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Significant other items related to the Corporate and Other Segment are presented in the following table.

				Year-to-date	
(In millions)	3Q06	2Q06	3Q05	2006	2005
Items impacting net interest income:					
Cost to Carry Goodwill and Intangibles	$ (26)	$ (26)	$ (25)	$ (76)	$ (75)
Tax Equivalent Basis	(7)	(7)	(7)	(21)	(22)
Items impacting noninterest expense:					
Goodwill and Intangibles Amortization	$ 14	$ 15	$ 10	$ 42	$ 28

Other items - Acquisitions are the responsibility of corporate management.

Accordingly, goodwill and the funding cost of goodwill are assigned to the Corporate and Other Segment. If the funding cost of goodwill was allocated to the other two segments, it would be assigned on the basis of the goodwill attributable to each segment.

The tax equivalent adjustment is eliminated in the Corporate and Other Segment. Certain revenue and expense items have been driven by corporate decisions and have been included in the Corporate and Other Segment. In the third quarter of 2006, these included merger and integration costs of $89 million associated with the Acquired Corporate Trust Business. In the second quarter of 2006, these included a charge of $12 million associated with the implementation of SFAS 123(R) related to the retirement provisions of equity compensation programs.

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

(Dollars in millions) For the Quarter Ended September 30, 2006	Investor & Broker-Dealer Services	Execution & Clearing Services	Issuer Services	Treasury Services	Sub-total Institutional Services	Private Bank & BNY Asset Management	Corp a Oth
Net Interest Income	$ 150	$ 69	$ 68	$ 42	$ 329	$ 16	$
Noninterest Income	480	336	221	58	1,095	135	
Total Revenue	630	405	289	100	1,424	151	
Provision for Credit Losses	2	1	4	9	16	-	
Noninterest Expense	436	298	134	47	915	104	
Income Before Taxes	$ 192	$ 106	$ 151	$ 44	$ 493	$ 47	$ (
Contribution Percentage (1)	36%	19%	28%	8%	91%	9%	
Average Assets	$ 39,729	$ 14,884	$ 15,409	$ 11,989	$82,011	$ 2,414	$11

(Dollars in millions) For the Quarter Ended June 30, 2006	Investor & Broker-Dealer Services	Execution & Clearing Services	Issuer Services	Treasury Services	Sub-total Institutional Services	Private Bank & BNY Asset Management	Corp a Oth
Net Interest Income	$ 155	$ 66	$ 74	$ 42	$ 337	$ 16	$
Noninterest Income	524	359	240	73	1,196	137	
Total Revenue	679	425	314	115	1,533	153	
Provision for Credit Losses	3	-	4	9	16	-	
Noninterest Expense	458	302	135	52	947	99	

Income Before Taxes	$ 218	$ 123	$ 175	$ 54	$ 570	$ 54	$
Contribution Percentage (1)	35%	20%	28%	8%	91%	9%	
Average Assets	$ 39,839	$ 15,092	$ 15,549	$ 12,186	$82,666	$ 2,448	$11

(Dollars in millions) For the Quarter Ended September 30, 2005	Investor & Broker-Dealer Services	Execution & Clearing Services	Issuer Services	Treasury Services	Sub-total Institutional Services	Private Bank & BNY Asset Management	Corp a Oth
Net Interest Income	$ 144	$ 55	$ 63	$ 45	$ 307	$ 16	$
Noninterest Income	455	339	197	65	1,056	112	
Total Revenue	599	394	260	110	1,363	128	
Provision for Credit Losses	1	-	3	9	13	1	
Noninterest Expense	408	301	115	49	873	80	
Income Before Taxes	$ 190	$ 93	$ 142	$ 52	$ 477	$ 47	$
Contribution Percentage (1)	36%	18%	27%	10%	91%	9%	
Average Assets	$ 36,282	$ 14,355	$ 13,800	$ 10,672	$75,109	$ 2,207	$8,

(Dollars in millions) For the Nine Months Ended September 30, 2006	Investor & Broker-Dealer Services	Execution & Clearing Services	Issuer Services	Treasury Services	Sub-total Institutional Services	Private Bank & BNY Asset Management	Corp a Oth
Net Interest Income	$ 454	$ 196	$ 209	$ 122	$ 981	$ 49	$
Noninterest Income	1,494	1,085	641	194	3,414	401	
Total Revenue	1,948	1,281	850	316	4,395	450	
Provision for Credit Losses	8	1	12	27	48	-	
Noninterest Expense	1,332	897	391	148	2,768	293	
Income Before Taxes	$ 608	$ 383	$ 447	$ 141	$ 1,579	$ 157	$ (
Contribution Percentage (1)	35%	22%	26%	8%	91%	9%	
Average Assets	$ 39,250	$ 14,985	$ 15,185	$ 11,828	$81,248	$ 2,468	$10

(Dollars in millions) For the Nine Months Ended September 30, 2005	Investor & Broker-Dealer Services	Execution & Clearing Services	Issuer Services	Treasury Services	Sub-total Institutional Services	Private Bank & BNY Asset Management	Corp a Oth
Net Interest Income	$ 421	$ 152	$ 173	$ 133	$ 879	$ 49	$
Noninterest Income	1,357	975	558	212	3,102	338	
Total Revenue	1,778	1,127	731	345	3,981	387	
Provision for Credit Losses	5	-	9	31	45	3	
Noninterest Expense	1,212	858	341	152	2,563	237	
Income Before Taxes	$ 561	$ 269	$ 381	$ 162	$ 1,373	$ 147	$
Contribution Percentage (1)	37%	18%	25%	10%	90%	10%	
Average Assets	$ 35,969	$ 14,274	$ 13,465	$ 10,440	$74,148	$ 2,210	$ 8

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 2005 Annual Report on Form 10-K. Four of the Company's more critical accounting policies are those related to the allowance for credit losses, the valuation of derivatives and securities where quoted market prices are not available, goodwill and other intangibles, and pension accounting.

Allowance for Credit Losses

The allowance for credit losses and allowance for lending-related commitments consist of four elements: (1) an allowance for impaired credits; (2) an allowance for higher risk rated loans and exposures; (3) an allowance for pass rated loans and exposures; and (4) an unallocated allowance based on general economic conditions and certain risk factors in the Company's individual portfolio and markets. Further discussion on the four elements can be found under "Consolidated Balance Sheet Review" in the MD&A section.

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. Probability of default ratings are assigned after analyzing the credit quality of each borrower/counterparty and the Company's internal ratings are generally consistent with external ratings agencies' 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 portion of the allowance related to impaired credits is based on the present value of future cash flows. 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.

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.

A key variable in determining the allowance is management's judgment in determining the size of the unallocated allowance. At September 30, 2006, the unallocated allowance was 22% of the total allowance. If the unallocated allowance were five percent higher or lower, the allowance would have increased or decreased by $24 million, respectively.

The credit rating assigned to each credit is another significant variable in determining the allowance. If each credit were rated one grade better, the allowance would have decreased by $75 million, while if each credit were rated one grade worse, the allowance would have increased by $143 million.

Similarly, if the loss given default were one rating worse, the allowance would have increased by $45 million, while if the loss given default were one rating better, the allowance would have decreased by $42 million.

For impaired credits, if the fair value of the loans were 10% higher or lower, the allowance would have decreased or increased by $3 million, respectively.

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Valuation of Derivatives and Securities Where Quoted Market Prices Are Not Available
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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 independent 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 "Summary of Significant Accounting and Reporting Policies" of the Notes to Consolidated Financial Statement in the Company's 2005 Annual Report on Form 10-K.

To assist in assessing the impact of a change in valuation, at September 30, 2006, approximately $1.8 billion of the Company's portfolio of securities and derivatives is not priced based on quoted market prices because no such quoted market prices are available. A change of 2.5% in the valuation of these securities and derivatives would result in a change in pre-tax income of $45 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 FASB Statement No. 141 ("SFAS 141"), "Business Combinations". Goodwill ($3,801 million at September 30, 2006) and indefinite-lived intangible assets ($378 million at September 30, 2006) 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, indefinite-lived intangibles, and other intangibles requires subjective judgments concerning estimates of the fair value of acquired assets. 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 their fair value to their carrying value. Other intangible assets ($494 million at September 30, 2006) 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 to 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 that require amortization. See Note "Goodwill and Intangibles" in the Notes to Consolidated Financial Statements for additional information regarding intangible assets.

To assist in assessing the impact of a goodwill, indefinite-lived intangibles, or other intangible asset impairment charge, at September 30, 2006, the Company has $4.7 billion of goodwill, indefinite-lived intangibles, and other intangible assets. The impact of a 5% impairment charge would result in reduction in pre-tax income of approximately $234 million.

Pension Accounting

The Company has defined benefit plans covering approximately 13,900 U.S. employees and approximately 3,175 non-U.S. employees at September 30, 2005.

The Company has three defined benefit pension plans in the U.S. and six overseas. The U.S. plans account for 82% of the projected benefit obligation. Pension expense was $26 million in 2005 while there were pension credits in 2004 and 2003 of $24 million and $39 million. In addition to its pension plans, the Company also has an Employee Stock Ownership Plan ("ESOP") which may provide additional benefits to certain employees. Upon retirement, covered employees are entitled to the higher of their benefit under the ESOP or the defined benefit plan. If the benefit is higher under the defined benefit plan, the employees' ESOP account is contributed to the pension plan.

A number of key assumption and measurement date values determine pension expense. The key elements include the long-term rate of return on plan assets, the discount rate, the market-related value of plan assets, and for the primary U.S. plan the price used to value stock in the ESOP. Since 2003, these key elements have varied as follows:

(Dollars in millions, except per share amounts)	2006	2005	2004	2003
Domestic Plans:				
Long-Term Rate of Return on Plan Assets	7.88%	8.25%	8.75%	9.00%
Discount Rate	5.88	6.00	6.25	6.50
Market-Related Value of Plan Assets(1)	$ 1,324	$ 1,502	$ 1,523	$ 1,483
ESOP Stock Price(1)	30.46	30.67	27.88	33.30
Net U.S Pension Credit/(Expense)		$ (17)	$ 31	$ 46
All other Pension Credit/(Expense)		(9)	(7)	(7)
Total Pension Credit/(Expense)(2)		$ (26)	$ 24	$ 39

(1) Actuarially smoothed data. See "Summary of Significant Accounting and Reporting Policies" in Notes to the Consolidated Financial Statements in the 2005 Annual Report on Form 10-K.

(2) Includes discontinued operations expense. Pension benefits expense is estimated to include discontinued operations expense of $6 million for both 2006 and 2005.

The discount rate for U.S. pension plans was determined after reviewing a number of high quality long-term bond indices whose yields were adjusted to match the duration of the Company's pension liability. The Company also reviewed the

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results of several models that matched bonds to the Company's pension cash flows. The various indices and models produced discount rates ranging from 5.68% to 6.2%. After reviewing the various indices and models, the Company selected a discount rate of 5.875%. The discount rates for foreign pension plans are based on high quality corporate bonds rates in countries that have an active corporate bond market. In those countries with no active corporate bond market, discount rates are based on local government bond rates plus a credit spread.

The Company's expected long-term rate of return on plan assets is based on anticipated returns for each asset class. For 2006 and 2005, the assumptions for the long-term rates of return on plan assets were 7.88% and 8.25%, respectively. Anticipated returns are weighted for the target allocation for each asset class. Anticipated returns are based on forecasts for prospective returns in the equity and fixed income markets, which should track the long-term historical returns for these markets. The Company also considers the growth outlook for U.S. and global economies, as well as current and prospective interest rates.

The market-related value of plan assets also influences the level of pension expense. Differences between expected and actual returns are recognized over five years to compute an actuarially derived market-related value of plan assets. In 2005, the market-related value of plan assets declined as the extraordinary actual return in 2000 was replaced with a more modest return.

Unrecognized actuarial gains and losses are amortized over the future service period (11 years) of active employees if they exceed a threshold amount. The Company currently has unrecognized losses which are being amortized.

For 2005, U.S. pension expense increased by $48 million reflecting changes in assumptions, the amortization of unrecognized pension losses and a decline in the market-related value of plan assets. These same factors have resulted in a further increase in pension expense in 2006. To reduce the impact of these factors, the Company changed certain of its domestic defined benefit pension plans during the third quarter of 2005. The primary change was to switch the computation of the benefits from final average pay to career average pay effective January 1, 2006. As a result U.S. pension expense was up $16 million in the first nine months of 2006 and is expected to increase by approximately $21 million for the year 2006.

The annual impacts on the primary U.S. plan of hypothetical changes in the key elements on the pension expense are shown in the tables below.

(Dollars in millions)	Increase in Pension Expense		2006 Base	Decrease in Pension Expense	
Long-Term Rate of Return on Plan Assets	6.88%	7.38%	7.88%	8.38%	8.88%
Change in Pension Expense	$ 16.0	$ 7.9	N/A	$ 7.9	$ 15.7
Discount Rate	5.38%	5.63%	5.88%	6.13%	6.38%
Change in Pension Expense	$ 14.9	$ 7.2	N/A	$ 6.9	$ 13.4
Market-Related Value of Plan Assets	-20.00%	-10.00%	$1,324	+10.00%	+20.00%
Change in Pension Expense	$ 50.8	$ 25.4	N/A	$ 25.4	$ 50.8
ESOP Stock Price	$20.46	$25.46	$30.46	$35.46	$40.46
Change in Pension Expense	$ 15.2	$ 7.3	N/A	$ 6.7	$ 12.9

CONSOLIDATED BALANCE SHEET REVIEW

Total assets were $106.6 billion at September 30, 2006, compared with $101.8 billion at September 30, 2005 and $108.9 billion at June 30, 2006. The increase in assets from September 30, 2005 reflects increases in foreign deposits, which were invested in interest-bearing deposits in banks. Total shareholders' equity was $10.5 billion at September 30, 2006, compared with $9.6 billion at September 30, 2005 and $10.1 billion at June 30, 2006.

Return on average common equity for the third quarter of 2006 was 13.70%, (16.56% excluding merger and integration costs) compared with 16.15% in the third quarter of 2005 and 18.17% in the second quarter of 2006.

Return on average assets for the third quarter of 2006 was 1.29%, (1.55% excluding merger and integration costs) compared with 1.53% in the third quarter of 2005 and 1.63% in the second quarter of 2006.

Investment Securities

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

Investment Securities (at Fair Value)

(In millions)	9/30/06	12/31/05
Fixed Income:		
Mortgage-Backed Securities	$ 17,665	$ 22,484
Asset-Backed Securities	381	305
Corporate Debt	1,305	1,034
Short-Term Money Market Instruments	509	975
U.S. Treasury Securities	155	226
U.S. Government Agencies	594	620
State and Political Subdivisions	216	224
Emerging Market Debt (Collateralized By U.S. Treasury Zero Coupon Obligations)	117	117
Other Foreign Debt	10	363
Subtotal Fixed Income	20,952	26,348
Equity Securities:		
Money Market Funds	1,101	922
Other	61	31
Subtotal Equity Securities	1,162	953
Adjusted Securities	22,114	27,301
Securities of Discontinued Operations (1)	(120)	(108)
Securities from Continuing Operations	$ 21,994	$ 27,193

(1) Securities of State and Political Subdivisions.

Total investment securities were $22.0 billion at September 30, 2006, compared with $26.1 billion at September 30, 2005, and $27.3 billion at June 30, 2006. Average adjusted investment securities were $25.5 billion in the third quarter of 2006, compared with $25.6 billion in the third quarter of last year and $27.3 billion in the second quarter of 2006. The Company sold $5.5 billion of investment securities in the third quarter as part of a portfolio restructuring related to the Acquired Corporate Trust Business at a pre-tax loss of $79 million. The Company's portfolio of highly rated mortgage-backed securities, are 86% rated AAA, 10% AA, and 4% A. In replacing securities that mature or are paid off, 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, 2006 was approximately 1.89 years.

Net unrealized losses for securities available-for-sale was $4 million at September 30, 2006, compared with net unrealized losses of $59 million at September 30, 2005, and net unrealized losses of $274 million at June 30, 2006. The change in the value of available-for-sale securities at September 30, 2006 from June 30, 2006 reflects the decrease in long-term interest rates over the quarter. 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

(Dollars in billions)

Continuing Operations	Period End			Quarterly Average			Year-to-date Average		
	Total	Non-Margin	Margin	Total	Non-Margin	Margin	Total	Non-Margin	Margi
September 30, 2006	$33.9	$ 29.2	$ 4.7	$33.6	$ 28.4	$ 5.2	$33.0	$ 27.6	$ 5.
December 31, 2005	32.9	26.8	6.1	33.0	26.5	6.5	32.0	25.6	6.
September 30, 2005	34.4	28.1	6.3	32.2	25.8	6.4	31.8	25.4	6.

Total loans were $33.9 billion at September 30, 2006, compared with $32.9 billion at December 31, 2005. The increase in total loans from December 31, 2005 primarily reflects increased lending to securities servicing customers partially offset by a decrease in margin loans reflecting the loss of a significant customer at Pershing. Average total loans were $33.6 billion in the third quarter of 2006, compared with $32.2 billion in the third quarter of 2005. The increase in average loans from September 30, 2005 results from purchases of residential mortgage loans and increased lending to financial institutions.

The following tables provide additional details on the Company's credit exposures and outstandings for continuing operations at September 30, 2006 in comparison to December 31, 2005.

Overall Loan Portfolio

(In billions)	September 30, 2006 Loans	September 30, 2006 Unfunded Commitments	September 30, 2006 Total Exposure	December 31, 2005 Loans	December 31, 2005 Unfunded Commitments	December 31, 2005 Total Exposure
Financial Institutions	$ 13.6	$ 26.4	$ 40.0	$ 13.0	$ 22.4	$ 35.4
Corporate	4.7	19.6	24.3	3.7	19.6	23.3
	18.3	46.0	64.3	16.7	42.0	58.7
Consumer & Middle Market	4.0	0.3	4.3	3.2	0.3	3.5
Leasing Financings	5.5	0.1	5.6	5.5	0.1	5.6
Commercial Real Estate	1.4	1.4	2.8	1.4	1.2	2.6
Margin loans	4.7	-	4.7	6.1	-	6.1
Total	$ 33.9	$ 47.8	$ 81.7	$ 32.9	$ 43.6	$ 76.5

Financial Institutions

The financial institutions portfolio exposure was $40.0 billion at September 30, 2006, compared to $35.4 billion at December 31, 2005. The increase in exposure from year-end 2005 reflects greater activity in the capital markets in the third quarter of 2006, which drove increased demands for credit from financial institutions. These exposures are of high quality with 85% meeting the investment grade criteria of the Company's rating system. These exposures are generally short-term, with 76% 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.

(In billions)

Lending Division	September 30, 2006 Loans	September 30, 2006 Unfunded Commitments	September 30, 2006 Total Exposures	September 30, 2006 %Inv Grade	September 30, 2006 %due	December 31, 2005 Unfunded	December 31, 2005 Total

Included in the Company's corporate exposures are automotive and airline exposures. The Company continues to seek to selectively reduce automotive exposures given ongoing weakness in the domestic automotive industry. Total exposures reported in the Automotive Division were down $176 million at September 30, 2006 compared with December 31, 2005. At September 30, 2006, this broadly defined industry portfolio consists of exposures of $182 million to Big Three automotive manufacturing, $179 million to finance subsidiaries, $378 million to highly rated asset-backed securitization vehicles, $245 million to suppliers, and $141 million of other.

The Company's exposure to the airline industry consists of a $328 million leasing portfolio (including a $17 million real estate lease exposure). The airline-leasing portfolio consists of $128 million to major U.S. carriers, $138 million to foreign airlines and $62 million to U.S. regionals.

During the third quarter of 2006, the airline industry continued to face liquidity issues driven by persistently high fuel prices and the inability to implement meaningful fare increases. The industry's considerable excess capacity and higher oil prices continue to negatively impact the valuations of aircraft, especially the less fuel-efficient models, 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.

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.

	For the Quarter Ended				
Rating(1)	9/30/06	6/30/06	3/31/06	12/31/05	9/30/05
AAA to AA-	77%	77%	77%	74%	71%
A+ to A-	10	10	8	13	13
BBB+ to BBB-	7	6	9	9	13
Noninvestment Grade	6	7	6	4	3
Total	100%	100%	100%	100%	100%

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

Nonperforming Assets

(Dollars in millions)	9/30/2006	6/30/2006	Change 9/30/2006 vs. 6/30/2006	Percent Inc/ (Dec)
Loans:				
Commercial	$ 28	$ 10	$ 18	180%
Foreign	10	10	-	-
Total Nonperforming Loans	38	20	18	90
Other Assets Owned	-	12	(12)	
Nonperforming Assets on a Continuing Operations Basis	38	32	6	19
Nonperforming Assets Related to Discontinued Operations	25	42	(17)	(40)
Adjusted Total				

Nonperforming Assets	$ 63	$ 74	$ (11)	(15)

Continuing Operations		
Nonperforming Assets Ratio	0.1%	0.1%
Allowance for Loan Losses/Nonperforming Loans	892	1,685
Allowance for Loan Losses/Nonperforming Assets	892	1,053
Total Allowance for Credit Losses/Nonperforming Loans	1,253	2,400
Total Allowance for Credit Losses/Nonperforming Assets	1,253	1,500

Adjusted		
Nonperforming Assets Ratio	0.2%	0.2%
Allowance for Loan Losses/Nonperforming Loans	651	673
Allowance for Loan Losses/Nonperforming Assets	651	564
Total Allowance for Credit Losses/Nonperforming Loans	878	915
Total Allowance for Credit Losses/Nonperforming Assets	878	766

The sequential-quarter increase in continuing nonperforming assets primarily reflects the addition of an automotive supplier partially offset by the sale of an aircraft.

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Activity in Nonperforming Assets

(In millions) Continuing Operations	Quarter End September 30, 2006	Year-to-date September 30, 2006
Balance at Beginning of Period	$ 32	$ 39
Additions	21	33
Charge-offs	-	-
Paydowns/Sales	(12)	(31)
Other	(3)	(3)
Balance at End of Period	$ 38	$ 38

On a continuing operations basis, interest income would have been increased by $0.3 million and $0.2 million for the third quarters of 2006 and 2005 if loans on nonaccrual status at September 30, 2006 and 2005 had been performing for the entire period. On a year-to-date basis, interest income would have increased by $1.1 million and $1.4 million for 2006 and 2005 had loans on nonaccrual status at September 30, 2006 and 2005 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:

(In millions)	September 30, 2006	June 30, 2006	September 30, 2005
Impaired Loans with an Allowance	$ 11	$ 12	$ 18
Impaired Loans without an Allowance(1)	19	-	22
Impaired Loans on a Continuing Operations basis	30	12	40
Impaired Loans related to Discontinued Operations	12	27	30
Adjusted Total Impaired Loans	$ 42	$ 39	$ 70
Continuing Operations			
Allowance for Impaired Loans(2)	$ 2	$ 3	$ 5
Average Balance of Impaired Loans during the Quarter	20	15	86
Interest Income Recognized on Impaired Loans during the Quarter	0.3	-	0.4
Adjusted			
Allowance for Impaired Loans(2)	$ 5	$ 10	$ 20
Average Balance of Impaired Loans during the Quarter	42	42	120
Interest Income Recognized on Impaired Loans during the Quarter	0.5	0.5	1.2

(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.

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Allowance

(Dollars in millions)	September 30, 2006	June 30, 2006	September 30, 2005
Margin Loans	$ 4,719	$ 5,096	$ 6,320
Non-Margin Loans	29,239	30,554	28,038
Loans on a Continuing Operations Basis	33,958	35,650	34,358
Margin Loans	-	-	-
Non-Margin Loans	7,768	7,972	7,785
Loans Related to Discontinued Operations	7,768	7,972	7,785

Adjusted Total Loans	$ 41,726	$ 43,622	$ 42,143
Continuing Operations			
Allowance for Loan Losses	$ 339	$ 337	$ 471
Allowance for Lending-Related Commitments	137	143	136
Allowance for Credit Losses on a Continuing Operations Basis	476	480	607
Discontinued Operations			
Allowance for Loan Losses	71	80	90
Allowance for Lending-Related Commitments	6	7	9
Allowance for Credit Losses Related to Discontinued Operations	77	87	99
Adjusted Total Allowance for Credit Losses	$ 553	$ 567	$ 706
Continuing Operations			
Allowance for Loan Losses As a Percent of Total Loans	1.00%	0.95%	1.37%
Allowance for Loan Losses As a Percent of Non-Margin Loans	1.16	1.10	1.68
Total Allowance for Credit Losses As a Percent of Total Loans	1.40	1.35	1.77
Total Allowance for Credit Losses As a Percent of Non-Margin Loans	1.63	1.57	2.16
Adjusted			
Allowance for Loan Losses As a Percent of Total Loans	0.98%	0.96%	1.33%
Allowance for Loan Losses As a Percent of Non-Margin Loans	1.11	1.08	1.57
Total Allowance for Credit Losses As a Percent of Total Loans	1.33	1.30	1.68
Total Allowance for Credit Losses As a Percent of Non-Margin Loans	1.49	1.47	1.97

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On a continuing operations basis, the total allowance for credit losses was $476 million, or 1.40% of total loans at September 30, 2006, compared with $607 million, or 1.77% of total loans at September 30, 2005 and $480 million, or 1.35% of total loans at June 30, 2006. The decline in the allowance from the third quarter of 2005 reflects the charge-off of aircraft leases in the fourth quarter of 2005.

The Company has $4.7 billion of secured margin loans on its balance sheet at September 30, 2006. The Company has rarely suffered a loss on these types of loans and does not allocate any of its allowance for credit losses to these loans. As a result, the Company believes the ratio of total allowance for credit losses to non-margin loans is a more appropriate metric to measure the adequacy of the reserve.

On a continuing operations basis, the ratio of the total allowance for credit losses to non-margin loans was 1.63% at September 30, 2006, compared with 2.16% at September 30, 2005 and 1.57% at June 30, 2006, reflecting improvement in the credit quality since the third quarter of 2005. The ratio of the allowance for loan losses to nonperforming assets was 892% at September 30, 2006, compared with 796% at September 30, 2005, and 1,053% at June 30, 2006.

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

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

The third element, pass rated credits, is based on the Company's expected loss model. Borrowers are assigned to pools based on their credit ratings. The expected loss for each loan in a pool incorporates the borrower's credit rating, loss given default rating and maturity. The credit rating is dependent upon the borrower's probability of default. The loss given default incorporates a recovery expectation. Borrower and loss given default ratings are reviewed semi-annually at a minimum and are periodically mapped to third party, including rating agency, default and recovery data bases to ensure ongoing consistency and validity. Commercial loans over $1 million are individually analyzed before being assigned a credit rating. The Company also applies this technique to its leasing and consumer portfolios. All current consumer loans are included in the pass rated consumer pools.

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; and
* 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 on a continuing operations basis as follows:

	September 30, 2006	December 31, 2005
Domestic		
Real Estate	1%	1%
Commercial	69	72
Consumer	6	4
Foreign	2	3
Unallocated	22	20
	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

On a continuing operations basis, total deposits were $55.0 billion at September 30, 2006, compared with $49.8 billion at December 31, 2005, and $56.7 billion at June 30, 2006. The increase from December 31, 2005 was primarily due to increased market activity levels, compared with year-end 2005 which resulted in higher levels of customer deposits. The sequential-quarter decline was primarily due to a lower volume of securities servicing transactions in the third quarter compared to the second quarter of 2006. Noninterest-bearing deposits were $11.5 billion at September 30, 2006, compared with $12.7 billion at December 31, 2005. Interest-bearing deposits were $43.5 billion at September 30, 2006, compared with $37.1 billion at December 31, 2005.

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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 from the Company's securities servicing businesses and private banking and asset management 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 at The Bank of New York Company, Inc. parent company ("Parent").

On a continuing operations 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 $14.0 billion and $12.4 billion on an average basis for the first nine months of 2006 and 2005. Average foreign deposits, primarily from the Company's European based securities servicing business, were $32.2 billion and $25.9 billion for the first nine months of 2006 and 2005. The increase in foreign deposits reflects greater liquidity from the Company's corporate trust and custody businesses. Domestic savings and other time deposits were $1.1 billion on an average basis for the first nine months of 2006 compared to $1.0 billion in 2005. On a year-to-date basis, average payables to customers and broker-dealers decreased to $5.0 billion from $6.0 billion in 2005. The decline in payables to customers and broker-dealers reflects the loss of a significant customer at Pershing. Long-term debt averaged $8.2 billion and $7.2 billion for the first nine months of 2006 and 2005, respectively. The increase in long-term debt reflects the movement of Pershing from a subsidiary of the Bank to a subsidiary of the Parent and the building of liquidity to pay debt maturing in 2007. A significant reduction in the Company's securities servicing businesses would reduce its access to deposits.

The Company's transaction with JPMorgan Chase altered the composition of the balance sheet. When the Acquired Corporate Trust Business is fully integrated in 2007, approximately $14 billion of U.S. dollar retail deposits will have been replaced with approximately $11 billion to $14 billion of institutional corporate trust deposits. Approximately $7 billion to $10 billion of deposits related to the Acquired Corporate Trust Business have not yet transitioned to the Company. These deposits will transition to the Company as regulatory approval is received to operate in certain foreign locations and as the novation process proceeds in other foreign locations. The Company expects the transition will be substantially complete by June 30, 2007. Until the transition is complete, JPMorgan Chase will pay the Company for the net economic value of these deposits. These payments will be recorded in noninterest income. On the asset side of the balance sheet, approximately $8 billion of retail and middle market loans sold to JPMorgan Chase will be replaced with liquid assets and securities. Goodwill and intangibles are expected to increase approximately $2.25 billion. As a result of the transaction, the Company expects its balance sheet footings to decline.

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

At September 30, 2006, the Bank can pay dividends of approximately $718 million to the Parent without the need for regulatory waiver. This dividend capacity would increase in the remainder of 2006 to the extent of the Bank's net income less dividends. Nonbank subsidiaries of the Parent have liquid assets of approximately $258 million. These assets could be liquidated and the proceeds delivered by dividend or loan to the Parent.

For the quarter ended September 30, 2006, the Parent's quarterly average commercial paper borrowings were $109 million compared with $231 million in 2005. At September 30, 2006, the Parent had cash of $693 million compared with $409 million at September 30, 2005 and $515 million at June 30, 2006. Net of commercial paper outstanding, the Parent's cash position at September 30, 2006 increased by $391 million compared with September 30, 2005.

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The Parent has a back-up line of credit of $275 million with 14 financial institutions. This line of credit matured in October 2006. There were no borrowings under the line of credit during the third quarters of 2006 and 2005. On October 10, 2006, the Company entered into a new credit agreement of $250 million with 11 financial institutions. This line of credit matures in October 2011.

The Parent also has the ability to access the capital markets. On June 5, 2006, the Company filed a new S-3 automatic shelf registration statement with the SEC covering its existing debt, preferred stock, trust preferred securities, and common stock.

Access to the capital markets is partially dependent on the Company's credit ratings, which as of September 30, 2006 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
Dominion Bond Rating Service	R-1(middle)	A(high)	AA(low)	AA	Stable

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

The Parent does not have any long-term debt that becomes due in 2006 subsequent to September 30, 2006. The Parent has $700 million of long-term debt that is due in 2007. In addition, the Parent periodically has the option to call $152 million of subordinated debt in the remainder of 2006, 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.

The Company has $800 million of trust preferred securities that are callable in 2006. These securities qualify as Tier 1 Capital. The Company has not yet decided if it will call these securities. The decision to call will be based on interest rates, the availability of cash and capital, and regulatory conditions. If the Company calls the trust preferred securities, it expects to replace them with new trust preferred securities or senior or 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, 2006 and 2005 was 103% and 104%, respectively. 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.

Pershing LLC, an indirect subsidiary of the Company, has committed and uncommitted lines of credit in place for liquidity purposes. The committed line of credit of $500 million with five financial institutions matures in March 2007. There were no borrowings against this line of credit during the third quarter of 2006. Pershing LLC has three separate uncommitted lines of credit amounting to $1 billion in aggregate. Average daily borrowing under these lines was $4 million, in aggregate, during the third quarter of 2006.

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Pershing Limited, an indirect subsidiary of the Company, has committed and uncommitted lines in place for liquidity purposes. The committed lines of credit of $275 million with four financial institutions mature in March 2007. Average daily borrowings under these lines were $23 million, in aggregate, during the third quarter of 2006. Pershing Limited has three separate uncommitted lines of credit amounting to $300 million in aggregate. Average daily borrowing under these lines was $48 million, in aggregate, during the third quarter of 2006.

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

Cash provided by operating activities was $4.8 billion for the first nine months of 2006, compared with $0.2 billion used by operating activities through September 30, 2005. The source of funds in 2006 was principally due to the changes in trading activities and net income. The use of funds from operations in 2005 was principally the result of changes in trading activities.

In the first nine months of 2006, cash used for investing activities was $6.8 billion as compared to cash used for investing activities in the first nine months of 2005 of $7.0 billion. In the first nine months of 2006, purchases of securities available-for-sale and change in interest-bearing deposits were a significant use of funds. Purchases of securities available-for-sale and principal disbursed on loans to customers were a significant use of funds in 2005.

Through September 30, 2006, cash provided by financing activities was $1.1 billion, compared to $6.5 billion in the first nine months of 2005. Primary sources of funds in 2006 and 2005 include deposits and proceeds from the issuance of long-term debt. In 2006, these sources were partially offset by declines in federal funds purchased and securities sold under repurchase agreements and payables to customers and broker-dealers.

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CAPITAL RESOURCES

Shareholders' equity was $10,467 million at September 30, 2006, compared with $10,056 million at June 30, 2006, and $9,876 million at December 31, 2005. During the third quarter of 2006, the Company retained $184 million of earnings. In October 2006, the Company declared a quarterly common stock dividend of 22 cents per share. Accumulated other comprehensive income increased $165 million from June 30, 2006, primarily reflecting lower unrealized mark-to-market losses in the securities available-for-sale portfolio.

In the third quarter of 2006, the Company issued $90 million of callable medium-term subordinated notes bearing interest at rates from 5.75% to 6.35%. The notes are due in 2021 and 2031 and are callable by the Company after three to five years. The notes qualify as Tier 2 capital.

Regulators establish certain levels of capital for bank holding companies and banks, including the Company and the Bank, in accordance with established quantitative measurements. For the Parent to maintain its status as a financial holding company, the Bank must, among other things, qualify as well capitalized. In addition, major bank holding companies such as the Parent are expected by the regulators to be well capitalized. As of September 30, 2006 and 2005, 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, 2006		September 30, 2005				
	Company	Bank	Company	Bank	Company Targets	Well Capitalized Guidelines	Adequately Capitalized Guidelines
Tier 1 (1)	8.17%	8.85%	7.93%	8.37%	7.75%	6%	4%
Total Capital (2)	12.32	11.59	12.20	11.52	11.75	10	8
Leverage	6.56	7.15	6.59	7.01		5	3-5
TCE	5.58	6.77	5.32	6.29	5.00	N.A.	N.A.

The Company's Tier 1 capital and Total Capital ratios were 8.17% and 12.32% at September 30, 2006, compared with 7.93% and 12.20% at September 30, 2005, and 7.96% and 12.06% at June 30, 2006. The leverage ratio was 6.56% at September 30, 2006, compared with 6.59% at September 30, 2005, and 6.22% at June 30, 2006. The Company's TCE as a percentage of total assets was 5.58% at September 30, 2006, compared with 5.32% at September 30, 2005, and 5.07% at June 30, 2006. The Company's Acquired Corporate Trust Business and certain accounting charges, in the fourth quarter of 2006 and the first quarter of 2007, will reduce the Company's TCE ratio to a range of 4.25-4.75%. The Company expects its TCE ratio to return to its target level in the fourth quarter of 2007. The TCE 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 and the balance sheet as a whole, are higher to finance these activities. For year-end 2006 and quarter-ends in 2007, the size of the balance sheet will depend on the novation of deposits and the receipt of approval to open new subsidiaries related to the Acquired Corporate Trust Business.

A billion dollar change in assets changes the TCE ratio by 5 basis points while a $100 million change in common equity changes the TCE ratio by 10 basis points.

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On October 3, 2006, pursuant to a 10b5-1 plan, the Company repurchased 10 million shares of its common stock at an initial price of $35.33 from a broker-dealer counterparty who borrowed the shares, as part of an accelerated share repurchase program. The repurchase was triggered by the announcement of the closing of the BNY ConvergEx transaction. The initial price is subject to a purchase price adjustment based on the price the counterparty pays for the Company's shares it purchases over time in the open market to cover the borrowed shares. Also on October 3, 2006, the Company repurchased an additional 2.1 million shares pursuant to a commitment previously entered into.

On March 1, 2005, the Board of Governors of the Federal Reserve System (the "FRB") adopted a final rule that allows the continued limited inclusion of trust preferred securities in the Tier 1 capital of bank holding companies (BHCs). Under the final rule, the Company will be subject to a 15 percent limit in the amount of trust preferred securities that can be included in Tier 1 capital, net of goodwill, less any related deferred tax liability. Amounts in excess of these limits will continue to be included in Tier 2 capital. The final rule provides a five-year transition period, ending March 31, 2009, for application of quantitative limits. Under the transition rules, the Company expects all its trust preferred securities to continue to qualify as Tier 1 capital. Both the Company and the Bank are expected to remain "well capitalized" under the final rule. At the end of the transition period, the Company expects all its current trust preferred securities will continue to qualify as Tier 1 capital.

The following table presents the components of the Company's risk-based capital at September 30, 2006 and 2005:

	September 30,	
(In millions)	2006	2005
Shareholders' Equity	$10,467	$ 9,608
Securities Valuation Allowance	(8)	23
Trust Preferred Securities	1,150	1,150
Adjustments: Intangibles	(4,779)	(4,421)
Merchant Banking Investments	(20)	(8)
Tier 1 Capital	6,810	6,352
Qualifying Subordinated Debt	2,902	2,709
Qualifying Allowance for Loan Losses	553	706
Tier 2 Capital	3,455	3,415
Total Risk-Based Capital	$10,265	$ 9,767
Risk-Adjusted Assets	$83,316	$80,065

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TRADING ACTIVITIES

The fair value and notional amounts of the Company's financial instruments held for trading purposes at September 30, 2006 and 2005 are as follows:

	September 30, 2006		3Q06 Average
(In millions)	Notional	Fair Value	Fair Value

Trading Account	Amount	Assets	Liabilities	Assets	Liabilities
Interest Rate Contracts:					
Futures and Forward Contracts	$ 74,313	$ -	$ -	$ -	$ -
Swaps	310,105	1,192	741	1,562	1,068
Written Options	207,219	-	856	-	929
Purchased Options	169,122	211	-	215	-
Foreign Exchange Contracts:					
Swaps	2,531	-	-	-	-
Written Options	9,266	-	52	-	127
Purchased Options	11,719	45	-	192	-
Commitments to Purchase and Sell Foreign Exchange	91,790	15	37	126	196
Debt Securities	-	1,618	188	2,487	209
Credit Derivatives	1,539	3	9	3	9
Equities	13,044	182	219	127	135
Total Trading Account		$3,266	$ 2,102	$4,712	$ 2,673

(In millions)	September 30, 2005 Notional	Fair Value		3Q05 Average Fair Value	
Trading Account	Amount	Assets	Liabilities	Assets	Liabilities
Interest Rate Contracts:					
Futures and Forward Contracts	$ 29,868	$ -	$ -	$ -	$ 9
Swaps	252,347	1,690	1,059	1,577	870
Written Options	203,688	-	1,201	-	1,222
Purchased Options	158,130	211	-	160	-
Foreign Exchange Contracts:					
Swaps	3,087	-	-	-	-
Written Options	5,316	-	-	-	2
Purchased Options	7,096	28	-	44	-
Commitments to Purchase and Sell Foreign Exchange	79,491	522	471	422	398
Debt Securities	-	3,642	124	3,359	104
Credit Derivatives	1,807	1	5	1	7
Equities	2,999	198	140	159	115
Total Trading Account		$6,292	$ 3,000	$5,722	$ 2,727

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 a separate unit on a daily basis. Based on certain assumptions, the VAR methodology is designed to capture 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 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. Stress tests by their design incorporate the impact of reduced liquidity and the breakdown of observed correlations. The results of these stress tests are reviewed weekly with senior management.

The following table indicates the calculated VAR amounts for the trading portfolio for the periods indicated.

(Dollars in millions)	3rd Quarter 2006			Year-to-date 2006			
	Average	Minimum	Maximum	Average	Minimum	Maximum	9/30/0
Interest rate	$ 2.7	$ 1.9	$ 3.7	$ 2.9	$ 1.9	$ 7.6	$ 2.
Foreign Exchange	1.0	0.6	1.7	1.1	0.6	1.8	1.
Equity	1.1	0.5	2.6	1.0	0.5	3.7	1.
Credit Derivatives	0.9	0.7	2.2	1.0	0.6	2.2	0.
Diversification	(1.6)	NM	NM	(1.6)	NM	NM	(1.
Overall Portfolio	4.1	3.0	5.8	4.4	3.0	6.7	3.

(Dollars in millions)	3rd Quarter 2005			Year-to-date 2005			
	Average	Minimum	Maximum	Average	Minimum	Maximum	9/30/0
Interest rate	$ 2.7	$ 1.8	$ 4.4	$ 2.8	$ 1.8	$ 4.6	$ 3.
Foreign Exchange	1.1	0.4	2.9	1.6	0.4	4.1	0.
Equity	0.5	0.3	0.8	0.6	0.3	1.1	0.
Credit Derivatives	1.2	0.9	1.8	1.6	0.9	2.1	1.
Diversification	(1.0)	NM	NM	(1.3)	NM	NM	(1.
Overall Portfolio	4.5	3.2	7.0	5.3	3.2	9.1	5.

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.

During the third quarter of 2006, interest rate risk generated approximately 44% of average VAR, credit derivatives generated 21% of average VAR, foreign exchange accounted for 16% of average VAR, and equity generated 19% of average VAR. During the third quarter and first nine months of 2006, 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 on which the Company's trading revenues fell within particular ranges during the past year.

Distribution of Revenues(1)

Revenue Range	9/30/06	6/30/06	3/31/06	12/31/05	9/30/05
(Dollars in millions)	Number of Occurrences				
Less than $(2.5)	0	0	0	0	0
$(2.5)~ $ 0	3	2	4	3	3
$ 0 ~ $ 2.5	52	39	40	44	51
$ 2.5 ~ $ 5.0	8	21	18	14	8
More than $5.0	0	2	0	0	2

For the Quarter Ended

(1) Based on revenues before deducting share of joint venture partner, Susquehanna Trading.

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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 U.S. dollar interest rates. Exposure to movements in foreign currency interest rates also exists, but to a 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, and the impact of derivative financial instruments used for interest rate risk management purposes. These assumptions have been developed through a combination of historical analysis and future expected pricing behavior. These assumptions are inherently uncertain, and, as a result, the earnings simulation model cannot precisely estimate net interest income or the impact of higher or lower interest rates on net interest income. Actual results may differ from projected results due to timing, magnitude and frequency of interest rate changes and changes in market conditions and management's strategies, among other factors.

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) Estimated Changes in Net Interest Income

	Pro forma September 30, 2006		Adjusted June 30, 2006	
	$	%	$	%
+200 Basis Point Ramp vs. Stable Rate	$ (4)	(0.2)%	$ (62)	(3.0)%
+100 Basis Point Ramp vs. Stable Rate	7	0.4	(28)	(1.3)
-100 Basis Point Ramp vs. Stable Rate	(11)	(0.6)	15	0.7
-200 Basis Point Ramp vs. Stable Rate	(37)	(2.0)	9	0.5

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The pro forma data in the above table reflects the swap with JPMorgan Chase as if the transaction was fully integrated into the Company on September 30, 2006. The Company's swap with JPMorgan Chase would have resulted in a more liability-sensitive balance sheet because corporate trust liabilities reprice more quickly than retail deposits. Among other actions, the Company restructured its investment portfolio to readjust its interest rate sensitivity.

The base case scenario Fed Funds rate in the September 30, 2006 analysis and the June 30, 2006 analysis was 5.25%. The 100 basis point ramp scenarios assumes short-term rates change 25 basis points in each of the next four quarters, while the 200 basis point ramp scenarios assumes a 50 basis point per quarter change. Both the +100 basis point and the +200 basis point September 30, 2006 scenarios assume parallel shifts of the yield curve. These scenarios do not reflect strategies that management could employ to limit the impact as interest rate expectations change.

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.

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STATISTICAL INFORMATION

Operating Leverage

Operating leverage is measured by comparing the rate of increase in revenue to the rate of increase in expenses. The tables below show the computation of operating leverage. The 2006 results are also computed excluding merger and integration costs and one-time costs associated with SFAS 123(R). The Company believes excluding these costs provides the reader with supplemental information with which to assess the Company's future performance.

Including Merger and Integration Costs

3Q06 vs. 3Q05

(Dollars in million)

	Continuing Operations			Adjusted (a)		
	3Q 2006	3Q 2005	% Change	3Q 2006	3Q 2005	% Change
Noninterest Income	$ 1,259	$ 1,185	6.2%	$ 1,325	$ 1,248	6.2%
Net Interest Income	351	346	1.4	506	492	2.8
Total Revenue	1,610	1,531	5.2	1,831	1,740	5.2
Total Expense	1,192	1,031	15.6	1,318	1,135	16.1
Operating Leverage			(10.4)%			(10.9)%

3Q06 vs. 2Q06

(Dollars in million)

	Continuing Operations			Adjusted (a)		
	3Q 2006	2Q 2006	% Change	3Q 2006	2Q 2006	% Change
Noninterest Income	$ 1,259	$ 1,366	(7.8)%	$ 1,325	$ 1,426	(7.1)%
Net Interest Income	351	358	(2.0)	506	512	(1.2)
Total Revenue	1,610	1,724	(6.6)	1,831	1,938	(5.5)
Total Expense	1,192	1,134	5.1	1,318	1,248	5.6
Operating Leverage			(11.7)%			(11.1)%

YTD 2006 vs. YTD 2005

(Dollars in million)

	Continuing Operations			Adjusted (a)		
	YTD 2006	YTD 2005	% Change	YTD 2006	YTD 2005	% Change
Noninterest Income	$ 3,886	$ 3,495	11.2%	$ 4,083	$ 3,682	10.9%
Net Interest Income	1,048	996	5.2	1,506	1,417	6.3
Total Revenue	4,934	4,491	9.9	5,589	5,099	9.6
Total Expense	3,391	3,023	12.2	3,744	3,335	12.3
Operating Leverage			(2.3)%			(2.7)%

(a) Adjusted combines continuing and discontinued operations.

Excluding Merger and Integration Costs

3Q06 vs. 3Q05

(Dollars in million)

	Continuing Operations			Adjusted (a)		
	3Q 2006	3Q 2005	% Change	3Q 2006	3Q 2005	% Change
Noninterest Income	$ 1,259	$ 1,185	6.2%	$ 1,325	$ 1,248	6.2%
Net Interest Income	351	346	1.4	506	492	2.8
Total Revenue	1,610	1,531	5.2	1,831	1,740	5.2
Total Expense	1,103	1,031	7.0	1,208	1,135	6.4
Operating Leverage			(1.8)%			(1.2)%

3Q06 vs. 2Q06

(Dollars in million)

	Continuing Operations			Adjusted (a)		
	3Q 2006	2Q 2006(b)	% Change	3Q2006	2Q 2006(b)	% Change
Noninterest Income	$ 1,259	$ 1,366	(7.8)%	$ 1,325	$ 1,426	(7.1)%
Net Interest Income	351	358	(2.0)	506	512	(1.2)
Total Revenue	1,610	1,724	(6.6)	1,831	1,938	(5.5)
Total Expense	1,103	1,117	(1.3)	1,208	1,231	(1.9)
Operating Leverage			(5.3)%			(3.6)%

YTD 2006 vs. YTD 2005

(Dollars in million)

	Continuing Operations			Adjusted (a)		
	YTD 2006(b)	YTD 2005	% Change	YTD 2006(b)	YTD 2005	% Change
Noninterest Income	$ 3,886	$ 3,495	11.2%	$ 4,083	$ 3,682	10.9%
Net Interest Income	1,048	996	5.2	1,506	1,417	6.3
Total Revenue	4,934	4,491	9.9	5,589	5,099	9.6
Total Expense	3,285	3,023	8.7	3,617	3,335	8.5
Operating Leverage			1.2%			1.1%

(a) Adjusted combines continuing and discontinued operations.
(b) Excludes the $12 million impact related to SFAS 123 (R) and charges and accounting changes resulting from the JPMorgan Chase transaction.

Average Balances and Rates on a Taxable Equivalent Basis

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

	For the three months ended September 30, 2006			For the three months ended September 30, 200		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Avera Rate
ASSETS						
Interest-Bearing Deposits in Banks (primarily foreign)	$ 16,033	$ 166	4.11%	$ 8,629	$ 68	3.1
Federal Funds Sold and Securities Purchased Under Resale Agreements	1,907	22	4.63	2,197	18	3.3
Margin Loans	5,158	85	6.54	6,392	71	4.4
Non-Margin Loans						
Domestic Offices	17,258	199	4.61	15,293	151	3.9
Foreign Offices	11,136	168	5.96	10,561	121	4.5
Total Non-Margin Loans	28,394	367	5.14	25,854	272	4.1
Securities						
U.S. Government Obligations	198	2	4.24	228	2	3.5
U.S. Government Agency Obligations	3,427	42	4.95	3,956	41	4.1
Obligations of States and Political Subdivisions	99	2	8.67	134	3	9.4
Other Securities	18,395	251	5.48	17,109	187	4.3
Trading Securities	2,477	30	4.69	3,361	38	4.4
Total Securities	24,596	327	5.33	24,788	271	4.3
Total Interest-Earning Assets	76,088	967	5.07	67,860	700	4.1
Allowance for Credit Losses	(346)			(471)		
Cash and Due from Banks	2,226			2,423		
Other Assets	17,611			16,170		
Assets of Discontinued Operations Held for Sale	13,285	193	5.83	14,929	177	4.7
TOTAL ASSETS	$ 108,864	$ 1,160		$ 100,911	$ 877	

LIABILITIES AND SHAREHOLDERS' EQUITY

Interest-Bearing Deposits						
Money Market Rate Accounts	$ 5,117	$ 36	2.83%	$ 6,210	$ 29	1.8
Savings	460	1	0.74	614	1	0.7
Certificates of Deposit of $100,000 & Over	4,310	59	5.42	3,124	28	3.5
Other Time Deposits	294	4	5.03	783	7	3.3
Foreign Offices	33,724	291	3.43	25,887	152	2.3
Total Interest-Bearing Deposits	43,905	391	3.54	36,618	217	2.3
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	2,728	34	5.02	1,245	9	2.9
Other Borrowed Funds	1,834	27	5.99	1,716	13	3.1
Payables to Customers and Broker-Dealers	4,657	42	3.62	5,714	35	2.4
Long-Term Debt	8,339	115	5.37	7,568	73	3.8
Total Interest-Bearing Liabilities	61,463	609	3.93	52,861	347	2.6
Noninterest-Bearing Deposits	10,687			10,333		
Other Liabilities	13,167			13,224		
Common Shareholders' Equity	10,262			9,564		
Liabilities of Discontinued Operations Held for Sale	13,285	38	1.15	14,929	31	0.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 108,864	$ 647		$ 100,911	$ 378	
Interest Earnings and Interest Rate Spread (Continuing)		$ 358	1.14%		$ 353	1.5
Net Interest Margin (Continuing)			1.89%			2.0

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

	For the nine months ended September 30, 2006			For the nine months ended September 30, 2005		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Averag Rate
ASSETS						
Interest-Bearing Deposits in Banks (primarily foreign)	$ 12,720	$ 372	3.91%	$ 9,207	$ 206	2.9
Federal Funds Sold and Securities Purchased Under Resale Agreements	1,775	52	3.99	2,610	51	2.5
Margin Loans	5,438	247	6.08	6,380	188	3.9
Non-Margin Loans						

Domestic Offices	16,453	559	4.54	15,054	427	3.7
Foreign Offices	11,140	468	5.61	10,336	322	4.1
Total Non-Margin Loans	27,593	1,027	4.97	25,390	749	3.9
Securities						
U.S. Government Obligations	213	7	4.23	289	7	3.2
U.S. Government Agency Obligations	3,795	132	4.65	3,690	110	3.9
Obligations of States and Political Subdivisions	109	7	8.42	147	10	9.0
Other Securities	18,717	728	5.19	15,732	498	4.2
Trading Securities	3,878	132	4.55	3,084	99	4.3
Total Securities	26,712	1,006	5.03	22,942	724	4.2
Total Interest-Earning Assets	74,238	2,704	4.87	66,529	1,918	3.8
Allowance for Credit Losses	(341)			(473)		
Cash and Due from Banks	3,187			2,752		
Other Assets	17,532			16,095		
Assets of Discontinued Operations Held for Sale	13,856	568	5.48	15,309	504	4.4
TOTAL ASSETS	$ 108,472	$ 3,272		$ 100,212	$ 2,422	
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-Bearing Deposits						
Money Market Rate Accounts	$ 5,251	$ 101	2.57%	$ 6,263	$ 74	1.5
Savings	461	4	1.29	624	4	0.8
Certificates of Deposit of $100,000 & Over	4,221	159	5.03	3,016	70	3.1
Other Time Deposits	629	22	4.67	352	8	3.0
Foreign Offices	32,176	751	3.12	25,896	413	2.1
Total Interest-Bearing Deposits	42,738	1,037	3.25	36,151	569	2.1
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	2,532	88	4.65	1,262	23	2.4
Other Borrowed Funds	2,045	69	4.54	1,831	33	2.4
Payables to Customers and Broker-Dealers	4,972	124	3.34	6,025	88	1.9
Long-Term Debt	8,167	317	5.13	7,223	187	3.4
Total Interest-Bearing Liabilities	60,454	1,635	3.61	52,492	900	2.2
Noninterest-Bearing Deposits	10,561			9,910		
Other Liabilities	13,589			13,104		
Common Shareholders' Equity	10,012			9,397		
Liabilities of Discontinued Operations Held for Sale	13,856	111	1.07	15,309	83	0.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 108,472	$ 1,746		$ 100,212	$ 983	
Interest Earnings and Interest Rate Spread (Continuing)		$ 1,069	1.26%		$ 1,018	1.5
Net Interest Margin (Continuing)			1.93%			2.0

SUPPLEMENTAL DATA

THE BANK OF NEW YORK COMPANY, INC.
Adjusted(1) Average Balances and Rates on a Taxable Equival
(Dollars in millions)

	For the three months ended September 30, 2006			For the three months ended September 30, 200		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Avera Rate
ASSETS						
Interest-Bearing Deposits in Banks (primarily foreign)	$ 16,033	$ 166	4.11%	$ 8,629	$ 68	3.1
Federal Funds Sold and Securities Purchased Under Resale Agreements	3,006	37	4.89	4,465	38	3.3
Margin Loans	5,158	85	6.54	6,392	71	4.4
Non-Margin Loans						
Domestic Offices	25,174	343	5.44	22,955	271	4.6
Foreign Offices	11,135	168	5.96	10,561	121	4.5
Total Non-Margin Loans	36,309	511	5.60	33,516	392	4.6
Securities						
U.S. Government Obligations	198	2	4.24	228	2	3.5
U.S. Government Agency Obligations	3,427	42	4.95	3,956	41	4.1
Obligations of States and Political Subdivisions	220	4	7.06	231	4	6.5
Other Securities	21,616	284	5.26	21,227	224	4.2
Trading Securities	2,477	30	4.69	3,361	38	4.4
Total Securities	27,938	362	5.18	29,003	309	4.2
Total Interest-Earning Assets	88,444	1,161	5.23	82,005	878	4.2
Allowance for Credit Losses	(417)			(562)		
Cash and Due from Banks	2,777			2,974		
Other Assets	18,060			16,494		
TOTAL ASSETS	$108,864			$100,911		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-Bearing Deposits						
Money Market Rate Accounts	$ 5,586	$ 37	2.64%	$ 6,827	$ 30	1.7
Savings	7,379	32	1.71	8,637	27	1.2
Certificates of Deposit of $100,000 & Over	4,323	59	5.41	3,137	28	3.5
Other Time Deposits	1,052	10	3.74	1,529	11	2.8
Foreign Offices	33,724	291	3.43	25,887	152	2.3
Total Interest-Bearing Deposits	52,064	429	3.27	46,017	248	2.1
Federal Funds Purchased and Securities						

Sold Under Repurchase Agreements	2,728	34	5.02	1,245	9	2.9
Other Borrowed Funds	1,834	27	5.99	1,716	13	3.1
Payables to Customers and Broker-Dealers	4,657	42	3.62	5,714	35	2.4
Long-Term Debt	8,340	115	5.37	7,568	73	3.8
Total Interest-Bearing Liabilities	69,623	647	3.69	62,260	378	2.4
Noninterest-Bearing Deposits	15,743			15,815		
Other Liabilities	13,236			13,272		
Common Shareholders' Equity	10,262			9,564		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$108,864			$100,911		
Interest Earnings and Interest Rate Spread		$ 514	1.54%		$ 500	1.8
Net Interest Margin			2.33%			2.4

THE BANK OF NEW YORK COMPANY, INC.
Adjusted (1) Average Balances and Rates on a Taxable Equiva
(Dollars in millions)

	For the nine months ended September 30, 2006			For the nine months ended September 30, 200		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Avera Rate
ASSETS						
Interest-Bearing Deposits in Banks (primarily foreign)	$ 12,720	$ 372	3.91%	$ 9,207	$ 206	2.9
Federal Funds Sold and Securities Purchased Under Resale Agreements	3,098	102	4.42	4,813	102	2.8
Margin Loans	5,438	247	6.08	6,380	188	3.9
Non-Margin Loans						
Domestic Offices	24,349	973	5.34	22,606	760	4.5
Foreign Offices	11,140	468	5.61	10,336	322	4.1
Total Non-Margin Loans	35,489	1,441	5.43	32,942	1,082	4.3
Securities						
U.S. Government Obligations	213	7	4.23	289	7	3.2
U.S. Government Agency Obligations	3,795	132	4.65	3,690	110	3.9
Obligations of States and Political Subdivisions	220	11	6.87	214	11	7.0
Other Securities	22,395	831	4.94	20,449	617	4.0
Trading Securities	3,878	132	4.55	3,084	98	4.3
Total Securities	30,501	1,113	4.87	27,726	843	4.0
Total Interest-Earning Assets	87,246	3,275	5.01	81,068	2,421	3.9

Allowance for Credit Losses	(418)			(578)		
Cash and Due from Banks	3,784			3,342		
Other Assets	17,860			16,380		
TOTAL ASSETS	$108,472			$100,212		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-Bearing Deposits						
Money Market Rate Accounts	$ 5,795	$ 103	2.40%	$ 6,939	$ 77	1.4
Savings	7,786	95	1.63	8,824	72	1.0
Certificates of Deposit of $100,000 & Over	4,233	159	5.02	3,028	70	3.0
Other Time Deposits	1,377	39	3.77	1,101	20	2.3
Foreign Offices	32,176	751	3.12	25,896	413	2.1
Total Interest-Bearing Deposits	51,367	1,147	2.99	45,788	652	1.9
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	2,532	88	4.65	1,262	23	2.4
Other Borrowed Funds	2,045	70	4.54	1,831	33	2.4
Payables to Customers and Broker-Dealers	4,972	124	3.34	6,025	88	1.9
Long-Term Debt	8,166	317	5.12	7,223	187	3.4
Total Interest-Bearing Liabilities	69,082	1,746	3.37	62,129	983	2.1
Noninterest-Bearing Deposits	15,733			15,533		
Other Liabilities	13,645			13,153		
Common Shareholders' Equity	10,012			9,397		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$108,472			$100,212		
Interest Earnings and Interest Rate Spread		$ 1,529	1.64%		$ 1,438	1.8
Net Interest Margin			2.34%			2.3

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

	Quarter Ended September 30, 2006		
	Continuing Operations	Discontinued Operations	Adjusted Results(1)
Net Interest Income	$ 351	$ 155	$ 506

Provision for Credit Losses	(4)	(1)	(5)
Net Interest Income After Provision for Credit Losses	355	156	511
Noninterest Income			
Servicing Fees			
Securities	839	-	839
Global Payment Services	66	8	74
	905	8	913
Private Banking and Asset Management Fees	134	11	145
Service Charges and Fees	52	38	90
Foreign Exchange and Other Trading Activities	84	2	86
Securities Gains	21	-	21
Other	63	7	70
Total Noninterest Income	1,259	66	1,325
Noninterest Expense			
Salaries and Employee Benefits	644	62	706
Net Occupancy	70	18	88
Furniture and Equipment	46	2	48
Clearing	47	-	47
Sub-custodian Expenses	31	-	31
Software	53	1	54
Communications	26	1	27
Amortization of Intangibles	14	-	14
Merger and Integration Costs	89	21	110
Other	172	21	193
Total Noninterest Expense	1,192	126	1,318
Income Before Income Taxes, Including Merger and Integration Costs	422	96	518
Income Taxes	124	42	166
Net Income Including Merger and Integration Costs	298	54	352
Merger and Integration Costs, Net of Taxes	62	12	74
Net Income Excluding Merger and Integration Costs	$ 360	$ 66	$ 426
Diluted Earnings Per Share	$0.39	$0.07	$0.46
Diluted Earnings Per Share Excluding Merger and Integration Costs	$0.47	$0.09	$0.56

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

	Quarter Ended September 30, 2005		
	Continuing Operations	Discontinued Operations	Adjusted Results(1)
Net Interest Income	$ 346	$ 146	$ 492
Provision for Credit Losses	10	-	10
Net Interest Income After Provision for Credit Losses	336	146	482
Noninterest Income			
Servicing Fees			
Securities	806	-	806
Global Payment Services	67	8	75
	873	8	881
Private Banking and Asset Management Fees	109	11	120
Service Charges and Fees	54	39	93
Foreign Exchange and Other Trading Activities	90	3	93
Securities Gains	15	-	15
Other	44	2	46
Total Noninterest Income	1,185	63	1,248
Noninterest Expense			
Salaries and Employee Benefits	585	59	644
Net Occupancy	60	19	79
Furniture and Equipment	50	2	52
Clearing	49	-	49
Sub-custodian Expenses	25	-	25
Software	54	-	54
Communications	23	1	24
Amortization of Intangibles	10	-	10
Other	175	23	198
Total Noninterest Expense	1,031	104	1,135
Income Before Income Taxes	490	105	595
Income Taxes	157	49	206
Net Income	$ 333	$ 56	$ 389
Diluted Earnings Per Share	$0.44	$0.07	$0.51

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

	Quarter Ended June 30, 2006		
	Continuing Operations	Discontinued Operations	Adjusted Results(1)
Net Interest Income	$ 358	$ 154	$ 512
Provision for Credit Losses	(1)	1	-
Net Interest Income After Provision for Credit Losses	359	153	512
Noninterest Income			
Servicing Fees			
Securities	909	-	909
Global Payment Services	63	7	70
	972	7	979
Private Banking and Asset Management Fees	138	12	150
Service Charges and Fees	53	38	91
Trading Activities	130	2	132
Securities Gains	23	-	23
Other	50	1	51
Total Noninterest Income	1,366	60	1,426
Noninterest Expense			
Salaries and Employee Benefits	656	67	723
Net Occupancy	68	18	86
Furniture and Equipment	48	2	50
Clearing	53	-	53
Sub-custodian Expenses	36	-	36
Software	53	-	53
Communications	22	1	23
Amortization of Intangibles	15	-	15
Other	183	26	209

Total Noninterest Expense	1,134	114	1,248
Income Before Income Taxes	591	99	690
Income Taxes	200	42	242
Net Income	$ 391	$ 57	$ 448
Diluted Earnings Per Share	$0.52	$0.07	$0.59

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

	Adjusted Results (1)				
	Quarter Ended				
	September 30, 2006	September 30, 2005	June 30, 2006	9/30/06 vs. 9/30/05	9/30/ vs 6/30/
Net Interest Income	$ 506	$ 492	$ 512	3%	(1
Provision for Credit Losses	(5)	10	-		
Net Interest Income After Provision for Credit Losses	511	482	512	6	-
Noninterest Income					
Servicing Fees					
Securities	839	806	909	4	(8
Global Payment Services	74	75	70	(1)	6
	913	881	979	4	(7
Private Banking and Asset Management Fees	145	120	150	21	(3
Service Charges and Fees	90	93	91	(3)	(1
Foreign Exchange and Other Trading Activities	86	93	132	(8)	(35
Securities Gains	21	15	23	40	(9
Other	70	46	51	52	37
Total Noninterest Income	1,325	1,248	1,426	6	(7
Noninterest Expense					
Salaries and Employee Benefits	706	644	723	10	(2

Net Occupancy	88	79	86	11	2
Furniture and Equipment	48	52	50	(8)	(4
Clearing	47	49	53	(4)	(11
Sub-custodian Expenses	31	25	36	24	(14
Software	54	54	53	-	2
Communications	27	24	23	13	17
Amortization of Intangibles	14	10	15	40	(7
Merger and Integration Costs	110	-	-		
Other	193	198	209	(3)	(8
Total Noninterest Expense	1,318	1,135	1,248	16	6
Income Before Income Taxes, Including Merger and Integration Costs	518	595	690	(13)	(25
Income Taxes	166	206	242	(19)	(31
Net Income Including Merger and Integration Costs	352	389	448	(10)	(21
Merger and Integration Costs, Net of Taxes	74	-	-		
Net Income Excluding Merger and Integration Costs	$ 426	$ 389	$ 448	10	(5
Diluted Earnings Per Share	$0.46	$0.51	$0.59	(10)	(22
Diluted Earnings Per Share, Excluding Merger and Integration Costs	$0.56	$0.51	$0.59	10	(5

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

	Nine Months Ended September 30,				
	Continuing Operations	Discontinued Operations	2006 Adjusted Results(1)	2005 Adjusted Results(1)	9/30/06 vs. 9/30/05
Net Interest Income	$1,048	$ 458	$1,506	$1,417	6
Provision for Credit Losses	(5)	5	-	5	
Net Interest Income After Provision for Credit Losses	1,053	453	1,506	1,412	7
Noninterest Income					
Servicing Fees					

Securities	2,579	-	2,579	2,330	11
Global Payment Services	191	23	214	226	(5
	2,770	23	2,793	2,556	9
Private Banking and Asset Management Fees	402	34	436	366	19
Service Charges and Fees	157	113	270	288	(6
Foreign Exchange and Other Trading Activities	327	6	333	292	14
Securities Gains	61	-	61	50	22
Other	169	21	190	130	46
Total Noninterest Income	3,886	197	4,083	3,682	11
Noninterest Expense					
Salaries and Employee Benefits	1,904	193	2,097	1,902	10
Net Occupancy	206	56	262	239	10
Furniture and Equipment	145	6	151	155	(3
Clearing	150	-	150	137	9
Sub-custodian Expenses	101	-	101	72	40
Software	161	2	163	162	1
Communications	74	3	77	69	12
Amortization of Intangibles	42	-	42	28	50
Merger and Integration Costs	89	21	110	-	
Other	519	72	591	571	4
Total Noninterest Expense	3,391	353	3,744	3,335	12
Income Before Income Taxes, Including Merger and Integration Costs	1,548	297	1,845	1,759	5
Income Taxes	499	124	623	593	5
Net Income Including Merger and Integration Costs	1,049	173	1,222	1,166	5
Merger and Integration Costs, Net of Taxes	62	12	74	-	
Net Income Excluding Merger and Integration Costs	$1,111	$ 185	$1,296	$1,166	11
Diluted Earnings Per Share	$1.36	$0.23	$1.59	$1.51	5
Diluted Earnings Per Share, Excluding Merger and Integration Costs	1.44	0.25	1.69	1.51	12

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

	Nine Months Ended September 30, 2005		
	Continuing Operations	Discontinued Operations	2005 Adjusted Results(1)
Net Interest Income	$ 996	$ 421	$1,417
Provision for Credit Losses	(10)	15	5
Net Interest Income After Provision for Credit Losses	1,006	406	1,412
Noninterest Income			
Servicing Fees			
Securities	2,330	-	2,330
Global Payment Services	200	26	226
	2,530	26	2,556
Private Banking and Asset Management Fees	334	32	366
Service Charges and Fees	172	116	288
Foreign Exchange and Other Trading Activities	283	9	292
Securities Gains	50	-	50
Other	126	4	130
Total Noninterest Income	3,495	187	3,682
Noninterest Expense			
Salaries and Employee Benefits	1,721	181	1,902
Net Occupancy	184	55	239
Furniture and Equipment	149	6	155
Clearing	137	-	137
Sub-custodian Expenses	72	-	72
Software	160	2	162
Communications	66	3	69
Amortization of Intangibles	28	-	28
Other	506	65	571
Total Noninterest Expense	3,023	312	3,335
Income Before Income Taxes	1,478	281	1,759
Income Taxes	474	119	593
Net Income	$1,004	$ 162	$1,166
Diluted Earnings Per Share	$1.30	$0.21	$1.51

THE BANK OF NEW YORK COMPANY, INC.
Consolidated Balance Sheets - Supplemental Data
(In millions)
(Unaudited)

	September 30, 2006			December 31, 2005		
	Continuing Operations	Discontinued Operations	Adjusted	Continuing Operations	Discontinued Operations	
Assets						
Cash and Due from Banks	$ 2,072	$ 578	$ 2,650	$ 2,882	$ 633	$
Interest-Bearing Deposits in Banks	16,753	-	16,753	8,644	-	
Securities	22,015	120	22,135	27,218	108	
Trading Assets at Fair Value	3,266	-	3,266	5,930	-	
Federal Funds Sold and Securities Purchased Under Resale Agreements	5,139	-	5,139	2,425	-	
Loans	33,619	7,697	41,316	32,601	7,714	
Premises and Equipment	1,009	113	1,122	960	100	
Due from Customers on Acceptances	311	-	311	212	21	
Accrued Interest Receivable	406	49	455	363	28	
Goodwill	3,801	109	3,910	3,510	109	
Intangible Assets	872	-	872	811	-	
Other Assets	8,545	162	8,707	7,710	95	
Total Assets	$ 97,808	$ 8,828	$106,636	$ 93,266	$ 8,808	$
Liabilities and Shareholders' Equity						
Deposits	$ 54,953	$12,981	$ 67,934	$ 49,787	$ 14,637	$
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	1,040	-	1,040	834	-	
Trading Liabilities	2,102	-	2,102	2,401	-	
Payables to Customers and Broker-Dealers	6,673	-	6,673	8,623	-	
Other Borrowed Funds	1,121	-	1,121	860	-	
Acceptances Outstanding	318	-	318	212	23	
Accrued Taxes and Other Expenses	4,140	34	4,174	4,123	1	
Accrued Interest Payable	201	12	213	163	9	
Other Liabilities	4,152	8	4,160	2,697	11	
Long-Term Debt	8,434	-	8,434	7,817	-	
Total Liabilities	83,134	13,035	96,169	77,517	14,681	
Shareholders' Equity	10,467	-	10,467	9,876	-	
Total Liabilities and						

Shareholders' Equity	$ 93,601	$13,035	$106,636	$ 87,393	$ 14,681	$
	========	=======	========	========	==========	=

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OTHER DEVELOPMENTS

The Company completed two strategic transactions during the beginning of the fourth quarter that sharpen its focus on securities servicing and asset management, and enhance its ability to grow and generate attractive returns for shareholders.

On October 1, 2006, the Company completed its acquisition of the JPMorgan Chase Corporate Trust Business and the sale of its retail and regional middle market banking businesses to JPMorgan Chase. The transaction significantly strengthens the Company's leadership position in corporate trust, both in the U.S. and internationally, as it now serves a combined client base with $8 trillion in total debt outstanding in 20 countries. The acquisition diversifies the Company's growing revenue base by both geography and product and expands its global footprint with the addition of seven new offices in Europe, five in Asia, and three in Latin America.

On October 2, 2006, the Company completed the transaction that resulted in the formation of BNY ConvergEx Group, LLC. The Company joined forces with Eze Castle Software, LLC and GTCR Golder Rauner, LLC, a private equity firm, to form BNY ConvergEx Group, in which the Company retains a 35% interest. BNY ConvergEx Group brings together the Company's trade execution, commission management, independent research and transition management businesses with Eze Castle Software, a leading provider of trade order management and related investment technologies. BNY ConvergEx Group's comprehensive suite of services, advanced technology offerings and breadth of distribution channels enable its customers to manage all aspects of the investment cycle, including idea generation, research, trade analysis, execution and wholesale clearing, risk management, commission management, transition management, compliance and portfolio management. With approximately 635 employees worldwide, BNY ConvergEx Group has a global presence in New York, Boston, San Francisco, Chicago, Dallas, Stamford, London, Bermuda, Tokyo, Hong Kong, and Sydney.

On September 7, 2006, the Company reached an agreement to sell its transfer agency software business, Rufus, to Bravura Solutions Limited ("Bravura"), a leading global supplier of wealth management applications and professional services, for a maximum of GBP 32 million. Under the agreement, Bravura will acquire all of the software and intellectual property comprising Rufus, and all existing employees will transfer to Bravura. The transaction is expected to be completed in the fourth quarter of 2006, and is subject to approval by Bravura's shareholders.

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FORWARD-LOOKING STATEMENTS AND RISK FACTORS THAT COULD AFFECT FUTURE RESULTS

Much of the information in this document is forward-looking. This includes all statements about the Company's earnings and revenue outlook, projected business growth, the expected outcome of legal, regulatory and investigatory proceedings, predicted loan losses, and the Company's plans, objectives and strategies. Forward-looking statements represent the Company's current estimates or expectations of future events or results.

The Company, or its executive officers and directors on its behalf, may make additional forward-looking statements from time to time. When used in this report, any press release or any such oral statement, words such as "estimate," "forecast," "project," "anticipate," "confident," "target," "expect," "intend," "think," "continue," "seek," "believe," "plan," "goal," "could," "should," "may," "will," "strategy," and words of similar meaning, signify forward-looking statements.

Forward-looking statements 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 expected results. Results could be affected by a number of factors, some of which by their nature are dynamic and subject to rapid and possibly abrupt changes that the Company is necessarily unable to predict accurately, including the Risk Factors set forth in the section "Forward-Looking Statements and Risk Factors That Could Affect Future Results" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2005 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006.

Forward-looking statements speak only as of the date they are made. The Company will not update forward-looking statements to reflect new facts, changes in assumptions or circumstances, or subsequent events.

GOVERNMENT MONETARY POLICIES AND COMPETITION

Government Monetary Policies

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

Competition

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

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 banking 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 commercial finance companies, 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.

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WEBSITE INFORMATION

The Company makes available on its website, www.bankofny.com:

* All of its SEC filings, including annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports, SEC Forms 3, 4 and 5 and its proxy statement as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC;
* Its earnings releases and management conference calls and presentations; and
* Its corporate governance guidelines and the charters of the Audit and Examining, Compensation and Organization, and Nominating and Governance Committees of its Board of Directors.

The corporate governance guidelines and committee charters are available in print to any shareholder who requests them. Requests should be sent to The Bank of New York Company, Inc., Corporate Communications, One Wall Street, NY, NY 10286.

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

	September 30, 2006	December 31, 2005
Assets		
Cash and Due from Banks	$ 2,072	$ 2,882
Interest-Bearing Deposits in Banks	16,753	8,644
Securities		
Held-to-Maturity (fair value of $1,716 in 2006 and $1,847 in 2005)	1,737	1,872
Available-for-Sale	20,278	25,346
Total Securities	22,015	27,218
Trading Assets at Fair Value	3,266	5,930
Federal Funds Sold and Securities Purchased Under Resale Agreements	5,139	2,425
Loans (less allowance for loan losses of $339 in 2006 and $326 in 2005)	33,619	32,601
Premises and Equipment	1,009	960
Due from Customers on Acceptances	311	212
Accrued Interest Receivable	406	363
Goodwill	3,801	3,510
Intangible Assets	872	811
Other Assets	8,545	7,710
Assets of Discontinued Operations Held for Sale	8,828	8,808

Total Assets	$ 106,636	$ 102,074
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-Bearing (principally domestic offices)	$ 11,451	$ 12,706
Interest-Bearing		
Domestic Offices	9,785	10,415
Foreign Offices	33,717	26,666
Total Deposits	54,953	49,787
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	1,040	834
Trading Liabilities	2,102	2,401
Payables to Customers and Broker-Dealers	6,673	8,623
Other Borrowed Funds	1,121	860
Acceptances Outstanding	318	212
Accrued Taxes and Other Expenses	4,140	4,123
Accrued Interest Payable	201	163
Other Liabilities (including allowance for lending-related commitments of $137 in 2006 and $144 in 2005)	4,152	2,697
Long-Term Debt	8,434	7,817
Liabilities of Discontinued Operations Held for Sale	13,035	14,681
Total Liabilities	96,169	92,198
Shareholders' Equity		
Common Stock-par value $7.50 per share, authorized 2,400,000,000 shares, issued 1,049,888,635 shares in 2006 and 1,044,994,517 shares in 2005	7,874	7,838
Additional Capital	2,015	1,826
Retained Earnings	7,820	7,089
Accumulated Other Comprehensive Income	(66)	(134)
	17,643	16,619
Less: Treasury Stock (285,692,282 shares in 2006 and 273,662,218 shares in 2005), at cost	7,169	6,736
Loan to ESOP (203,507 shares in 2006 and 203,507 shares in 2005), at cost	7	7
Total Shareholders' Equity	10,467	9,876
Total Liabilities and Shareholders' Equity	$ 106,636	$ 102,074

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THE BANK OF NEW YORK COMPANY, I
Consolidated Statements of Inco
(In millions, except per share am
(Unaudited)

	For the three months ended September 30, 2006	2005	For the nine months ended September 30, 2006	2005	Percent 3Q06 vs. 3Q05
Interest Income					
Loans	$ 367	$ 272	$1,027	$ 749	35%
Margin loans	85	71	247	188	20
Securities					
Taxable	282	216	827	576	31
Exempt from Federal Income Taxes	10	10	28	28	-
	292	226	855	604	29
Deposits in Banks	166	68	372	206	144
Federal Funds Sold and Securities Purchased Under Resale Agreements	22	18	52	51	22
Trading Assets	28	38	130	98	(26)
Total Interest Income	960	693	2,683	1,896	39
Interest Expense					
Deposits	391	217	1,037	569	80
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	34	9	88	23	278
Other Borrowed Funds	27	13	69	33	108
Customer Payables	42	35	124	88	20
Long-Term Debt	115	73	317	187	58
Total Interest Expense	609	347	1,635	900	76
Net Interest Income	351	346	1,048	996	1
Provision for Credit Losses	(4)	10	(5)	(10)	
Net Interest Income After Provision for Credit Losses	355	336	1,053	1,006	6
Noninterest Income					
Servicing Fees					
Securities	839	806	2,579	2,330	4
Global Payment Services	66	67	191	200	(1)
	905	873	2,770	2,530	4
Private Banking and Asset Management Fees	134	109	402	334	23
Service Charges and Fees	52	54	157	172	(4)
Foreign Exchange and Other Trading Activities	84	90	327	283	(7)
Securities Gains	21	15	61	50	40
Other	63	44	169	126	43
Total Noninterest Income	1,259	1,185	3,886	3,495	6
Noninterest Expense					
Salaries and Employee Benefits	644	585	1,904	1,721	10
Net Occupancy	70	60	206	184	17
Furniture and Equipment	46	50	145	149	(8)

Clearing	47	49	150	137	(4)
Sub-custodian Expenses	31	25	101	72	24
Software	53	54	161	160	(2)
Communications	26	23	74	66	13
Amortization of Intangibles	14	10	42	28	40
Merger and Integration Costs	89	-	89	-	
Other	172	175	519	506	(2)
Total Noninterest Expense	1,192	1,031	3,391	3,023	16
Income from Continuing Operations before Income Taxes	422	490	1,548	1,478	(14)
Income Taxes	124	157	499	474	(21)
Income from Continuing Operations	298	333	1,049	1,004	(11)

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THE BANK OF NEW YORK COMPANY, I
Consolidated Statements of Inco
(In millions, except per share am
(Unaudited)

	For the three months ended September 30, 2006	2005	For the nine months ended September 30, 2006	2005	Percent 3Q06 vs. 3Q05
Discontinued Operations					
Income from Discontinued Operations	$ 96	$ 105	$ 297	$ 281	(9)%
Income Taxes	42	49	124	119	(14)
Discontinued Operations, Net	54	56	173	162	(4)
Net Income	$ 352	$ 389	$1,222	$1,166	(10)
Per Common Share Data:					
Basic Earnings					
Income from Continuing Operations	$ 0.40	$ 0.44	$ 1.38	$ 1.31	(9)
Income from Discontinued Operations, Net	0.07	0.07	0.23	0.21	-
Net Income	0.47	0.51	1.61	1.52	(8)
Diluted Earnings					
Income from Continuing Operations	$ 0.39	$ 0.44	$ 1.36	$ 1.30	(11)
Income from Discontinued Operations, Net	0.07	0.07	0.23	0.21	-
Net Income	0.46	0.51	1.59	1.51	(10)
Cash Dividends Paid	0.22	0.21	0.64	0.61	5
Diluted Shares Outstanding	767	769	768	773	-

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THE BANK OF NEW YORK COMPANY, INC.
Consolidated Statement of Changes in Shareholders' Equity
For the nine months ended September 30, 2006
(Dollars in millions)
(Unaudited)

Common Stock		
Balance, January 1		$ 7,838
Issuances in Connection with Employee Benefit Plans		36
Balance, September 30		7,874
Additional Capital		
Balance, January 1		1,826
Issuances in Connection with Employee Benefit Plans		189
Balance, September 30		2,015
Retained Earnings		
Balance, January 1		7,089
Net Income	$ 1,222	1,222
Cash Dividends on Common Stock		(491)
Balance, September 30		7,820
Accumulated Other Comprehensive Income		
Balance, January 1		(134)
Change in Fair Value of Securities Available-for-Sale, Net of Taxes of $79	117	117
Reclassification Adjustment, Net of Taxes of $(36)	(53)	(53)
Foreign Currency Translation Adjustment, Net of Taxes of $2	7	7
Net Unrealized Derivative loss on Cash Flow Hedges, Net of Taxes of $2	2	2
Minimum Pension Liability Adjustment, Net of Taxes of $(3)	(5)	(5)
	68	
Balance, September 30		(66)
Total Comprehensive Income	$ 1,290	
Less Treasury Stock		
Balance, January 1		6,736
Issued		(18)
Acquired		451
Balance, September 30		7,169
Less Loan to ESOP		

Balance, January 1	7
Loan to ESOP	-
Balance, September 30	7
Total Shareholders' Equity, September 30, 2006	$ 10,467

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

	For the nine months ended September 30, 2006	2005
Operating Activities		
Net Income	$ 1,222	$ 1,166
Adjustments to Determine Net Cash Attributable to Operating Activities:		
Provision for Credit Losses and Losses on Other Real Estate	-	5
Depreciation and Amortization	350	370
Deferred Income Taxes	187	236
Securities Gains	18	(50)
Change in Trading Activities	3,085	(1,815)
Change in Accruals and Other, Net	(99)	(119)
Net Cash Provided by (Used for) Operating Activities	4,763	(207)
Investing Activities		
Change in Interest-Bearing Deposits in Banks	(7,784)	713
Change in Margin Loans	1,370	(262)
Purchases of Securities Held-to-Maturity	(538)	(508)
Paydowns of Securities Held-to-Maturity	193	277
Maturities of Securities Held-to-Maturity	97	38
Purchases of Securities Available-for-Sale	(8,834)	(13,018)
Sales of Securities Available-for-Sale	7,379	3,578
Paydowns of Securities Available-for-Sale	3,704	5,103
Maturities of Securities Available-for-Sale	3,091	1,787
Net Principal Disbursed on Loans to Customers	(2,443)	(6,687)
Sales of Loans and Other Real Estate	132	141
Change in Federal Funds Sold and Securities Purchased Under Resale Agreements	(2,714)	2,136
Purchases of Premises and Equipment	(127)	(71)
Acquisitions, Net of Cash Acquired	(359)	(257)
Proceeds from the Sale of Premises and Equipment	3	-

Other, Net	67	51
Net Cash Used for Investing Activities	(6,763)	(6,979)
Financing Activities		
Change in Deposits	2,668	3,459
Change in Federal Funds Purchased and Securities Sold Under Repurchase Agreements	206	2,144
Change in Payables to Customers and Broker-Dealers	(1,950)	(560)
Change in Other Borrowed Funds	256	694
Proceeds from the Issuance of Long-Term Debt	1,208	1,589
Repayments of Long-Term Debt	(556)	(102)
Issuance of Common Stock	243	140
Treasury Stock Acquired	(451)	(406)
Cash Dividends Paid	(491)	(482)
Net Cash Provided by Financing Activities	1,133	6,476
Effect of Exchange Rate Changes on Cash	2	317
Change in Cash and Due From Banks	(865)	(393)
Cash and Due from Banks at Beginning of Period	3,515	3,886
Cash Related to Discontinued Operations	(578)	(558)
Cash and Due from Banks at End of Period	$ 2,072	$ 2,935

Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Period for:		
Interest	$ 1,703	$ 965
Income Taxes	469	273
Noncash Investing Activity (Primarily Foreclosure of Real Estate)	-	-

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

1. General

The accounting and reporting policies of The Bank of New York Company, Inc., a financial holding company, and its consolidated subsidiaries (the "Company") conform with U.S. 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. Certain other reclassifications have been made to prior periods to place them on a basis comparable with current period presentation.

2. Accounting Changes and New Accounting Pronouncements

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 ("SFAS 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 ("APB 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 No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS 148 permitted 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 nine months ended September 30, 2006, approximately 6.2 million options were granted. In the third quarter and first nine months of 2006, the Company recorded $10 million and $35 million of stock option expense.

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)	Third Quarter 2006	Third Quarter 2005	Year-to-date 2006	Year-to-date 2005
Reported net income	$ 352	$ 389	$1,222	$1,166
Stock based employee compensation costs, using prospective method, net of tax	6	8	20	22
Stock based employee compensation costs, using retroactive restatement method, net of tax	(6)	(8)	(20)	(29)
Pro forma net income	$ 352	$ 389	$1,222	$1,159
Reported diluted earnings per share	$ 0.46	$ 0.51	$ 1.59	$ 1.51
Impact on diluted earnings per share	-	-	-	(0.01)
Pro forma diluted earnings per share	$ 0.46	$ 0.51	$ 1.59	$ 1.50

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The fair value of options granted in 2006 and 2005 were estimated at the grant date using the following weighted average assumptions:

	Year-to-date 2006	Year-to-date 2005

Dividend yield	2.77%	2.77%
Expected volatility	22.43	25.21
Risk free interest rates	4.72	4.18
Expected options lives (in years)	6	5

There were no stock options granted in the third quarter of 2006 and 2005.

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004) ("SFAS 123(R)"), "Share-Based Payment," which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS 123(R) eliminates the ability to account for share-based compensation transactions using APB 25 and requires that such transactions be accounted for using a fair value-based method. SFAS 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. The Company adopted SFAS 123(R) on January 1, 2006 using the "modified prospective" method. Under this method, compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123(R) that remain unvested on the effective date.

The Company adopted the fair value method of accounting for stock-based compensation prospectively as of January 1, 2003. As of January 1, 2006, the Company was amortizing all of its unvested stock option grants.

Certain of the Company's stock compensation grants vest when the employee retires. SFAS 123(R) requires the completion of expensing of new grants with this feature by the first date the employee is eligible to retire. For grants prior to January 1, 2006, the Company will continue to expense them over their stated vesting period. The adoption of SFAS 123(R) increased pre-tax expense in 2006 by $12 million, which was recorded in the second quarter of 2006.

In June 2005, the FASB ratified the consensus in EITF Issue No. 04-5("EITF 04-5"), "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights", which provides guidance in determining whether a general partner controls a limited partnership. The adoption of EITF 04-5 did not have a significant impact on the Company's financial condition or results of operations.

In February 2006, the FASB issued SFAS No. 155 ("SFAS 155"), "Accounting for Certain Hybrid Financial Instruments", an amendment of SFAS 140 and SFAS 133. SFAS 155 permits the Company to elect to measure any hybrid financial instrument at fair value if the hybrid instrument contains an embedded derivative that otherwise would require bifurcation and be accounted for separately under SFAS 133. This statement clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133 and that concentrations of credit risk in the form of subordination are not embedded derivatives. SFAS 155 is effective for all financial instruments acquired, issued, or subject to a remeasurement event after December 31, 2006. On October 25, 2006, the FASB announced plans to issue guidance, which will impact the financial instruments covered by SFAS 155. Depending on which financial instruments the statement applies to, the Company could experience additional income statement volatility after adoption of SFAS 155. This volatility could lead the Company to enter into hedging strategies or alter the types of financial instruments it invests in.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for

Uncertainty in Income Taxes." The Interpretation clarifies the accounting for

uncertain tax positions in accordance with SFAS No. 109, "Accounting for Income Taxes." The Interpretation requires that a tax position meet a "more-likely-than-not threshold" for the benefit of the uncertain tax position to be recognized in the financial statements. A tax position that fails to meet a more-likely-than-not recognition threshold will result in either reduction of current or deferred tax assets, and/or recording of current or deferred tax liabilities. The proposed Interpretation also provides guidance on measurement, derecognition of tax benefits, classification, interim period accounting disclosure, and transition requirements in accounting for uncertain tax positions. The Company is assessing the impact of adopting the new pronouncement, which will become effective January 1, 2007.

In July 2006, the FASB issued FASB Staff Position ("FSP") FAS 13-2, "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leverage Lease Transaction," revising the accounting guidance under SFAS No. 13 ("SFAS 13"), "Accounting for Leases," for leveraged leases. This FSP modifies existing interpretations of SFAS 13 and associated industry practice. As a result, in January 2007, the Company expects to recognize a one-time after-tax charge to capital of $340 to $385 million related to a change in the timing of its lease cash flows due to the LILO settlement. See Note "Commitments and Contingent Liabilities". However, an amount approximating this one-time charge will be taken into income over the remaining term of the affected leases.

In September 2006, the FASB issued SFAS No. 157 ("SFAS 157"), "Fair Value Measurements." The Statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands additional disclosures about fair value measurements. SFAS 157 clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability, in an orderly transaction between market participants. The Statement nullifies the consensus reached in EITF Issue No. 02-3 prohibiting the recognition of day one gain or loss on derivative contracts (and hybrid instruments measured at fair value under SFAS 133 as modified by SFAS 155) where the Company cannot verify all of the significant model inputs to observable market data and verify the model to market transactions. However, SFAS 157 requires that a fair value measurement technique include an adjustment for risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model if market participants would also include such an adjustment. SFAS 157 will require the Company to consider the effect of its own credit standing in determining the fair value of its liabilities. In addition, SFAS 157 prohibits the recognition of "block discounts" for large holdings of unrestricted financial instruments where quoted prices are readily and regularly available in an active market. The requirements of SFAS 157 are to be applied prospectively, except for changes in fair value measurements that result from the initial application of SFAS 157 to existing derivative financial instruments measured under EITF Issue No. 02-3, existing hybrid instruments measured at fair value, and block discounts, which are to be recorded as an adjustment to opening retained earnings in the year of adoption. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS 157.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)." This statement would require the Company to (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status, (b) measure a plan's assets and its obligations that determine its funded status as of the end of the fiscal year, and (c) recognize changes in the funded status of a defined postretirement plan in the year in which the changes occur (reported in comprehensive income). The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective as of the end of the fiscal year ending after December 15, 2006. The requirement to measure the plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The Company anticipates that the adoption of this statement will result in a material charge to equity of approximately $400 million. However, the actual amount will depend on the 2006 funded status of the

Company's pension and postretirement obligations and the manner in which the Company adopts this statement.

Certain other prior year information has been reclassified to conform its presentation with the 2006 financial statements.

3. Acquisitions and Dispositions

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

The Company announced four acquisitions in 2006. The total cost of completed acquisitions in the third quarter and first nine months of 2006 was zero and $325 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 completed acquisitions in the third quarter of 2006 and first nine months of 2006 was zero and $214 million, respectively. The tax-deductible portion of goodwill related to completed acquisitions in the third quarter and first nine months of 2006 was zero and $75 million, respectively. At September 30, 2006, the Company was liable for potential contingent payments related to acquisitions in the amount of $168 million. During the third quarter and the first nine months of 2006, the Company paid or accrued $12 million and $35 million for contingent payments related to acquisitions made in prior years.

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On January 3, 2006, the Company acquired Alcentra, an international asset management group focused on managing funds that invest in non-investment grade debt. Alcentra's management team retained a 20 percent interest. Alcentra has operations in London and Los Angeles and at acquisition managed 15 different investment funds with over $6.2 billion of assets.

On March 2, 2006, the Company acquired Urdang, a real estate investment management firm that at acquisition managed approximately $3.0 billion in direct investments and portfolios of REIT securities.

On June 12, 2006, the Company acquired the bond administration business of TD Banknorth, N.A. The TD Banknorth portfolio includes bond trustee, paying/fiscal agent, master trustee, transfer agent and registrar appointments. The transaction involves the purchase of approximately 350 bond trusteeships and agency appointments, representing $5.2 billion of principal debt outstanding for an estimated 230 clients.

On October 1, 2006, the Company sold its retail and regional middle market banking businesses to JPMorgan Chase for the net asset value plus a premium of $2.3 billion. JPMorgan Chase sold its corporate trust business to the Company for the net asset value plus a premium of $2.15 billion. The difference between premiums resulted in a net cash payment of $150 million to the Company. There is also a contingent payment of up to $50 million to the Company tied to customer retention. For further details, see "Discontinued Operations" Note.

The transaction further increases the Company's focus on the securities services and wealth management businesses that have fueled the Company's growth in recent years and that are at the core of its long-term business strategy.

The Company recorded an after-tax gain of approximately $1.4 billion on the businesses sold. The Company also expects to incur after-tax charges of $150 million related to the acquisition. The transaction is expected to be dilutive to GAAP earnings per share through 2009 (4.5 percent in 2007 to 1.5 percent in 2009), but to be accretive to cash earnings per share in 2009 when cost savings are fully phased in.

The Company's transaction with JPMorgan Chase altered the composition of the balance sheet. When the Acquired Corporate Trust Business is fully integrated in 2007, approximately $14 billion of U.S. dollar retail deposits

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will have been replaced with approximately $11 to $14 billion of institutional corporate trust deposits. Approximately $7 billion to $10 billion of deposits related to the Acquired Corporate Trust Business have not yet transitioned to the Company. These deposits will transition to the Company as regulatory approval is received to operate in certain foreign locations and as the novation process proceeds in other foreign locations. The Company expects the transition will be substantially complete by June 30, 2007. Until the transition is complete, JPMorgan Chase will pay the Company for the net economic value of these deposits. These payments will be recorded in noninterest income. On the asset side of the balance sheet, approximately $8 billion of retail and middle market loans sold to JPMorgan Chase will be replaced with liquid assets and securities. Goodwill and intangibles are expected to increase approximately $2.25 billion. As a result of the transaction, the Company expects its balance sheet footings to decline.

JPMorgan Chase's corporate trust business comprises issues representing $5 trillion in total debt outstanding. It has 2,400 employees in more than 40 locations globally. The Company's corporate trust business comprises issues representing $3 trillion in total debt outstanding. It has 1,300 employees in 25 locations globally.

The Company's retail bank consisted of 338 branches in the tri-state region, serving approximately 700,000 consumer households and small businesses with $13 billion in deposits and $9 billion in assets at September 30, 2006. The Company's regional middle market businesses provided financing, banking and treasury services for middle market clients, serving more than 2,000 clients in the tri-state region. Together, the units had 4,000 employees located in New York, New Jersey, Connecticut and Delaware.

On October 2, 2006, the Company completed the transaction resulting in the formation of BNY ConvergEx Group. BNY ConvergEx Group brings together BNY Securities Group's trade execution, commission management, independent research and transition management business with Eze Castle Software, a leading provider of trade order management and related investment technologies. This transaction enables the Company to achieve several objectives including repositioning its execution services business for faster growth and enhancing the product offering for the Company's client base, while allowing the Company to withdraw capital committed to the business.

BNY ConvergEx Group will be a leading global agency brokerage and technology company offering a complete spectrum of pre-trade, trade, and post-trade solutions for traditional money managers, hedge funds, broker-dealers, corporations and plan sponsors. BNY ConvergEx Group will have a global presence in New York, Boston, San Francisco, Chicago, Dallas, Stamford, London, Bermuda, Tokyo, Hong Kong, and Sydney.

The Company and GTCR Golder Rauner, LLC each hold a 35 percent stake in BNY ConvergEx Group, with the balance held by Eze Castle Software's investors and BNY ConvergEx Group's management team. BNY ConvergEx Group, with pro forma 2005 revenues of approximately $340 million, will be an affiliate of The Bank of New York and will be reflected on the Company's financial statements as an equity investment. After the use of the proceeds to repurchase 12.1 million shares, the transaction is expected to be neutral to earnings per share.

The BNY Securities Group businesses to be included in BNY ConvergEx Group will be BNY Brokerage, Lynch, Jones, & Ryan, G-Port, Westminster Research and BNY Jaywalk. Each business will retain its respective brand name and continue to operate as it does today, while taking advantage of the combined capabilities of BNY ConvergEx Group. In addition, The Bank of New York's B-Trade and G-Trade businesses are expected to become part of BNY ConvergEx Group in 2008, although in the interim they will continue to be owned by The Bank of New York. The Company's Pershing subsidiary, a leading global provider of clearing and financial services outsourcing, is not included in this transaction.

In September 2006, the Company reached an agreement to sell its transfer agency software business, Rufus, to Bravura Solutions Limited ("Bravura"), a leading global supplier of wealth management applications and professional services, for a maximum of GBP 32 million. Under the agreement, Bravura will

acquire all of the software and intellectual property comprising Rufus, and all existing employees will transfer to Bravura. The transaction is expected to be completed in the fourth quarter of 2006, and is subject to approval by Bravura's shareholders.

4. Discontinued Operations

In the second quarter of 2006, the Company adopted discontinued operations accounting for its retail and regional middle market banking businesses sold to JPMorgan Chase.

Results for all the retail and regional middle market banking businesses are reported separately as discontinued operations for all periods presented. The assets and liabilities of the businesses being sold are included in assets of discontinued operations held for sale and liabilities of discontinued operations held for sale on the consolidated balance sheet. Net interest income has been computed by allocating investment securities and federal funds sold and related interest income to discontinued operations to match the amount and duration of the assets sold with the amount and duration of the liabilities sold.

Also included in the sales agreement between the Company and JPMorgan Chase are provisions related to transitional services that will be provided for a period of up to 8 months after closing, subject to extensions.

Summarized financial information for discontinued operations related to the sale of the retail and regional middle market banking businesses is as follows:

(In millions)	3Q06	2Q06	3Q05	Year-to-date 2006	Year-to-date 2005
Net Interest Income	$ 155	$ 154	$ 146	$ 458	$ 421
Noninterest Income	66	60	63	197	187
Total Revenue, Net of Interest Expense	$ 221	$ 214	$ 209	$ 655	$ 608
Income from Discontinued Operations	$ 96	$ 99	$ 105	$ 297	$ 281
Income Taxes	42	42	49	124	119
Income from Discontinued Operations, Net of Taxes	$ 54	$ 57	$ 56	$ 173	$ 162

The following is a summary of the assets and liabilities of discontinued operations held for sale as of September 30, 2006 and December 31, 2005:

(In millions)	September 30, 2006	December 31, 2005
Assets		
Cash and Due from Banks	$ 578	$ 633
Securities	120	108
Loans	7,697	7,714
Goodwill	109	109
Other Assets	324	244
Total Assets	$ 8,828	$ 8,808
Liabilities		
Deposits	$12,981	$14,637
Other Liabilities	54	44
Total Liabilities	$13,035	$14,681

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5. Goodwill and Intangibles

Goodwill by reportable segment is as follows:

(In millions)	September 30, 2006	December 31, 2005
Institutional Services	$ 3,195	$ 3,121
Private Bank & BNY Asset Management	606	389
Corporate & Other	-	-
Consolidated Total	$ 3,801	$ 3,510

The Company's reporting units are tested annually for goodwill impairment.

Intangible Assets

	September 30, 2006				December 31, 2005		
(Dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period in Years	Gross Carrying Amount	Accumulated Amortization	Net Carry Amou
Trade Names	$ 378	$ -	$ 378	Indefinite Life	$ 370	$ -	$
Customer Relationships	630	(138)	492	15	531	(99)	
Other Intangible Assets	25	(23)	2	6	28	(19)	

The aggregate amortization expense of intangibles was $14 million and $10 million for the quarters ended September 30, 2006 and 2005, respectively. The aggregate amortization expense of intangibles was $42 million and $28 million for the nine months ended September 30, 2006 and 2005. Estimated amortization expense for current intangibles for the next five years is as follows:

(In millions)	For the Year Ended December 31,	Amortization Expense
	2006	$57
	2007	54
	2008	53
	2009	51
	2010	49

6. Allowance for Credit Losses

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

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

The portion of the allowance for credit losses allocated to impaired loans (nonaccrual commercial loans over $1 million) is measured by the difference between their recorded value and fair value. Fair value is 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:

Continuing Operations

(In millions)	Three Months Ended September 30, 2006		
	Allowance for Loan Losses	Allowance for Lending-Related Commitments	Allowance for Credit Losses
Balance, Beginning of Period	$ 337	$ 143	$ 480
Charge-Offs	-	-	-
Recoveries	-	-	-
Net Charge-Offs	-	-	-
Provision	2	(6)	(4)
Balance, End of Period	$ 339	$ 137	$ 476

(In millions)	Three Months Ended September 30, 2005		
	Allowance for Loan Losses	Allowance for Lending-Related Commitments	Allowance for Credit Losses
Balance, Beginning of Period	$ 463	$ 138	$ 601
Charge-Offs	(4)	-	(4)
Recoveries	-	-	-
Net Charge-Offs	(4)	-	(4)
Provision	12	(2)	10
Balance, End of Period	$ 471	$ 136	$ 607

(In millions)	Nine Months Ended September 30, 2006		
	Allowance for Loan Losses	Allowance for Lending-Related Commitments	Allowance for Credit Losses
Balance, Beginning of Period	$ 326	$ 145	$ 471
Charge-Offs	(4)	-	(4)
Recoveries	14	-	14
Net Charge-Offs	10	-	10
Provision	3	(8)	(5)
Balance, End of Period	$ 339	$ 137	$ 476

(In millions)	Nine Months Ended September 30, 2005		
	Allowance for Loan Losses	Allowance for Lending-Related Commitments	Allowance for Credit Losses
Balance, Beginning of Period	$ 491	$ 136	$ 627
Charge-Offs	(12)	-	(12)
Recoveries	2	-	2
Net Charge-Offs	(10)	-	(10)
Provision	(10)	-	(10)
Balance, End of Period	$ 471	$ 136	$ 607

7. Capital Transactions

The Company has 5 million authorized shares of Class A preferred stock having a par value of $2.00 per share. At September 30, 2006 and December 31, 2005, 3,000 shares were outstanding.

In addition to the Class A preferred stock, the Company has 5 million authorized shares of preferred stock having no par value, with no shares outstanding at September 30, 2006 and December 31, 2005, respectively.

On October 10, 2006, the Board of Directors declared a quarterly dividend of 22 cents per share payable November 3, 2006 to shareholders of record on October 25, 2006.

The Company repurchased 9,870 shares in the third quarter of 2006. On October 3, 2006, the Company repurchased 12.1 million common shares including 10 million shares through an accelerated share repurchase program.

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8. 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, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Income from Continuing Operations	$ 298	$ 333	$ 1,049	$ 1,004
Income from Discontinued Operations	54	56	173	162
Net Income (1)	$ 352	$ 389	$ 1,222	$ 1,166
Basic Weighted Average Shares Outstanding	757	761	758	766
Shares Issuable Upon Conversion of Employee Stock Options	10	8	10	7
Diluted Weighted Average Shares Outstanding	767	769	768	773
Basic Earnings Per Share:				
Income from Continuing Operations	$ 0.40	$ 0.44	$ 1.38	$ 1.31
Income from Discontinued Operations	0.07	0.07	0.23	0.21
Net Income	0.47	0.51	1.61	1.52
Diluted Earnings Per Share:				
Income from Continuing Operations	$ 0.39	$ 0.44	$ 1.36	$ 1.30
Income from Discontinued Operations	0.07	0.07	0.23	0.21
Net Income	0.46	0.51	1.59	1.51

9. Employee Benefit Plans

The components of net periodic benefit cost are as follows:

	Pension Benefits								Healthcare Benefits		
	Three Months Ended September 30,				Nine Months Ended September 30,				Three Months Ended September 30,		Nine Mon Septembe
	Domestic		Foreign		Domestic		Foreign		Domestic		Domes
(In millions)	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
Net Periodic Cost (Income)											
Service Cost	$ 13	$ 16	$ 2	$ 2	$ 37	$ 48	$ 7	$ 6	$ -	$ -	$ -
Interest Cost	13	14	3	2	40	42	9	7	2	2	8

Expected Return on Assets	(25)	(30)	(4)	(2)	(75)	(90)	(11)	(8)	(1)	(2)	(3)
Other	9	4	2	-	27	13	4	1	3	2	8
Net Periodic Cost (Income)(1)	$ 10	$ 4	$ 3	$ 2	$ 29	$ 13	$ 9	$ 6	$ 4	$ 2	$ 13

10. Income Taxes

The statutory federal income tax rate is reconciled to the Company's effective income tax rate on a continuing operations basis below:

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Federal Rate	35.0%	35.0%
State and Local Income Taxes, Net of Federal Income Tax Benefit	1.7	3.2
Nondeductible Expenses	0.2	0.6
Credit for Synthetic Fuel Investments	(1.6)	(2.2)
Credit for Low-Income Housing Investments	(1.9)	(1.9)
Tax-Exempt Income From Municipal Securities	(0.1)	(0.2)
Other Tax-Exempt Income	(1.3)	(1.3)
Foreign Operations	(0.6)	(0.2)
Other - Net	0.8	(0.9)
Effective Rate	32.2%	32.1%

11. Derivatives and Hedging Relationships

Derivative contracts, such as futures contracts, forwards, interest rate swaps, foreign currency swaps and options and similar products used in trading activities, are recorded at fair value. The Company does not recognize gains or losses at the inception of derivative transactions if the fair value is not determined based upon observable market transactions and market data. Gains and losses are included in foreign exchange and other trading activities in non-interest income. Unrealized gains and losses are reported on a gross basis in trading account assets and trading liabilities, after taking into consideration master netting agreements.

The Company enters into various derivative financial instruments for non-trading purposes primarily as part of its asset/liability management ("ALM") process. These derivatives are designated as fair value and cash flow hedges of certain assets and liabilities when the Company enters into the derivative contracts. Gains and losses associated with fair value hedges are recorded in income as well as any change in the value of the related hedged item. Gains and losses on cash flow hedges are recorded in other comprehensive income. If a derivative used in ALM does not qualify as a hedge it is marked to market and the gain or loss is included in net interest income.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value hedges to specific assets or liabilities on the balance sheet.

The Company formally assesses both at the hedge's inception and on an ongoing basis whether the derivatives that are used in hedging transactions are highly effective and whether those derivatives are expected to remain highly effective in future periods. The Company evaluates ineffectiveness in terms of amounts that could impact a hedge's ability to qualify for hedge accounting and the risk that the hedge could result in more than a de minimus amount of ineffectiveness. At inception, the potential causes of ineffectiveness related to each of its hedges is assessed to determine if the Company can expect the hedge to be highly effective over the life of the transaction and to determine the method for evaluating effectiveness on an ongoing basis. Recognizing that changes in the value of derivatives used for hedging or the value of hedged items could result in significant ineffectiveness, the Company has processes in

place designed to identify and evaluate such changes when they occur. Quarterly, the Company performs a quantitative effectiveness assessment and records any ineffectiveness.

The Company utilizes interest rate swap agreements to manage its exposure to interest rate fluctuations. For hedges of fixed rate loans, asset-backed securities, deposits and long term debt, the hedge documentation specifies the terms of the hedged items and interest rate swaps and indicates that the derivative is hedging a fixed rate item and is a fair value hedge, that the hedge exposure is to the changes in the fair value of the hedged item due to changes in benchmark interest rates, and that the strategy is to eliminate fair value variability by converting fixed rate interest payments to LIBOR.

The fixed rate loans hedged generally have a maturity of 1 to 10 years and are not callable. These loans are hedged with "pay fixed rate, receive variable rate" swaps with similar notional amounts, maturities, and fixed rate coupons. The swaps are not callable. At September 30, 2006, $147 million of loans were hedged with interest rate swaps which had notional values of $150 million.

The securities hedged generally have a weighted average life of 10 years and are callable six months prior to maturity. These securities are hedged with pay fixed rate, receive variable rate swaps of like maturity, repricing and fixed rate coupon. The swaps are callable six months prior to maturity. At September 30, 2006, $230 million of securities were hedged with interest rate swaps which had notional values of $230 million.

The fixed rate deposits hedged generally have original maturities of 1 to 12 years (64% are one year deposits) and, except for three deposits, are not callable. These deposits are hedged with receive fixed rate, pay variable rate swaps of similar maturity, repricing and fixed rate coupon. The swaps are not callable except for the three that hedge the callable deposits. At September 30, 2006, $1,958 million of deposits were hedged with interest rate swaps which had notional values of $1,958 million.

The fixed rate long-term debt hedged generally has an original maturity of 5 to 30 years. The Company issues both callable and non-callable debt. The non-callable debt is hedged with simple interest rate swaps similar to those described for deposits. Callable debt is hedged with callable swaps where the call dates of the swaps exactly match the call dates of the debt. At September

30, 2006, $5,489 million of debt was hedged with interest rate swaps which had notional values of $5,514 million.

In addition to the fair value hedges discussed above, the Company has three cash flow hedges utilizing interest rate swaps to hedge the variability in expected future cash flows attributable to floating rates on an interest-only strip, a deposit and a long-term debt issue. The hedge documentation specifies the terms of the hedged items and interest rate swaps and indicates that the derivative is hedging future variable interest payments and is a cash flow hedge, that the hedge exposure is the variability in interest payments, and that the strategy is to eliminate variability by converting floating rate interest payments to fixed payments. For cash flow hedges the interest rate swap is marked to market with the changes in value recorded in other comprehensive income. The amount recognized as other comprehensive income for the cash flow hedge is reclassified to net interest income as interest is realized on the hedged item.

The Company has a $269 million interest-only strip of which $200 million is hedged with a $200 million receive fixed rate, pay variable rate interest rate swaps to remove the variability in the cash flows received from the security. Payments on the interest-only strip are related to a money market fund. During the next twelve months, net gains of $3 million (pre-tax) included in other comprehensive income are expected to be reclassified to income.

The deposit hedged has a principal amount of $275 million and has a LIBOR based floating rate and an 18 month maturity. The deposit is hedged with a receive LIBOR, pay fixed rate swap with the same maturity and interest payment dates as the deposit to eliminate the variability in interest payments on the

deposit. During the next twelve months, net losses of $1 million (pre-tax) included in other comprehensive income are expected to be reclassified to income.

The long term debt hedged has a principal amount of $400 million and has a LIBOR based floating rate and a 2 year maturity. The debt is hedged with a receive LIBOR, pay fixed rate swap with the same maturity and interest payment dates as the debt to eliminate the variability in interest payments on the debt. During the next twelve months, net losses of $1 million (pre-tax) included in other comprehensive income are expected to be reclassified to income.

In addition, the Company enters into foreign exchange hedges. The Company uses forward foreign exchange contracts with maturities of 12 months or less to hedge its Sterling and Euro foreign exchange exposure with respect to forecasted expense transactions in non-U.S. entities which have the U.S. dollar as their functional currency. As of September 30, 2006, the hedged forecasted foreign currency transactions and linked forwards were $96 million with $2 million gains recorded in other comprehensive income. These gains are expected to be reclassified to expense over the next twelve months.

Forward foreign exchange contracts are also used to hedge the value of the Company's investments in foreign subsidiaries. These forward contracts have a maturity of less than six months. The derivatives employed are designated as net investment hedges of changes in value of the Company's foreign investment due to exchange rates, such that changes in value of the forward exchange contracts offset the changes in value of the foreign investments due to changes in foreign exchange rates. The change in fair market value of these contracts is deferred and reported within accumulated translation adjustments in shareholders' equity, net of tax effects. At September 30, 2006, foreign exchange contracts, with notional amounts totaling $1,678 million, were designated as hedges of corresponding amounts of net investments.

The Company discontinues hedge accounting prospectively when it determines that a derivative is no longer an effective hedge, the derivative expires or is sold, or management discontinues the derivative's hedge designation.

Ineffectiveness related to derivatives and hedging relationships was recorded in income as follows:

(In millions) Hedges	Quarter End September 30, 2006	Year-to-Date September 30, 2006
Fair Value Hedge of Loans	$ 0.1	$ 0.1
Fair Value Hedge of Securities	0.1	0.1
Fair Value Hedge of Deposits and Long-Term Debt	0.5	(0.1)
Cash Flow Hedges	0.1	(0.4)
Other	0.4	0.4
Total	$ 1.2	$ 0.1

Other includes ineffectiveness recorded on foreign exchange hedges.

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12. 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.

The Company's significant trading and off-balance-sheet risks are securities, foreign currency and interest rate risk management products, commercial lending commitments, letters of credit, and securities lending indemnifications. The Company assumes these risks to reduce interest rate and foreign currency risks, to provide customers with the ability to meet credit and liquidity needs, to hedge foreign currency and interest rate risks, and to trade for its own account. These items involve, to varying degrees, credit, foreign exchange, and interest rate risk not recognized in the balance sheet. The Company's off-balance-sheet risks are managed and monitored in manners similar to those used for on-balance-sheet risks. There are no significant industry concentrations of such risks.

A summary of the notional amount of the Company's off-balance-sheet credit transactions, net of participations, at September 30, 2006 and December 31, 2005 for continuing operations follows:

Off-Balance-Sheet Credit Risks

(In millions)	September 30, 2006	December 31, 2005
Lending Commitments	$ 36,308	$ 33,407

Standby Letters of Credit	10,827	9,873
Commercial Letters of Credit	1,077	1,122
Securities Lending Indemnifications	388,371	310,970

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. The allowance for lending-related commitments at September 30, 2006 and December 31, 2005 was $137 million and $144 million.

A securities lending transaction is a fully collateralized transaction in which the owner of a security agrees to lend the security through an agent (the Company) to a borrower, usually a broker/dealer or bank, on an open, overnight or term basis, under the terms of a prearranged contract, which generally matures in less than 90 days. The Company generally lends securities with indemnification against broker default. 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, 2006 and December 31, 2005, securities lending indemnifications were secured by collateral of $406.5 billion and $317.4 billion, respectively.

Standby letters of credit principally support corporate obligations and include $1.2 billion that were collateralized with cash and securities on September 30, 2006 and $0.6 billion on December 31, 2005. At September 30, 2006, approximately $7.1 billion of the standby letters of credit will expire within one year, and the remaining balance will expire between one to five years.

The notional amounts for other off-balance-sheet risks (See "Trading Activities" in the MD&A section) 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.

Other

The Company has provided standard representations for underwriting agreements, acquisition and divestiture agreements, sales of loans and commitments, and other similar types of arrangements and customary indemnification for claims and legal proceedings related to its provision of financial services. Insurance has been purchased to mitigate certain of these risks. The Company is a minority equity investor in, and member of, several industry clearing or settlement exchanges through which foreign exchange, securities, or other transactions settle. Certain of these industry clearing or settlement exchanges require their members to guarantee their obligations and liabilities or to provide financial support in the event other partners do not honor their obligations. It is not possible to estimate a maximum potential amount of payments that could be required with such agreements.

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 cross-border leveraged leasing investments, referred to as "LILOs", prior to mid-1999 that the IRS has challenged. In 2004, the IRS proposed adjustments to the Company's tax treatment of these transactions. As previously disclosed, beginning in the fourth quarter of 2004, the Company had several appellate conferences with the IRS in an attempt to settle the proposed adjustments related to these LILO transactions.

On February 28, 2006, the Company settled this matter with the IRS relating to LILO transactions closed in 1996 and 1997. The settlement does not affect 2006 net income, as the impact of the settlement was fully reserved.

The Company's 1998 leveraged lease transactions are in a subsequent audit cycle and were not part of the settlement. The Company believes that a comparable settlement for 1998 will ultimately be possible, given the similarity between these leases and the settled leases. However, negotiations are not complete and the treatment of the 1998 leases may still be litigated. Under current U.S. generally accepted accounting principles, if the 1998 leases are settled on a basis comparable to the 1996 and 1997 leases, the Company would not expect the settlement of the 1998 leases to have an impact on net income, based on existing reserves.

In the fourth quarter of 2005 the Company deposited funds with the IRS in anticipation of reaching a settlement on all of its LILO investments.

On February 11, 2005, the IRS released Notice 2005-13, which identified certain lease investments known as "SILOs" as potentially subject to IRS challenge. The Company believes that certain of its lease investments entered into prior to 2004 may be consistent with transactions described in the notice. In response, the Company is reviewing its lease portfolio and evaluating the technical merits of the IRS' position. Although it is likely the IRS will challenge the tax benefits associated with these leases, the Company remains confident that its tax treatment of the leases complied with statutory, administrative and judicial authority existing at the time they were entered into.

The Company currently believes it has adequate tax reserves to cover its LILO exposure and any other potential tax exposures, 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 appropriate.

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

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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, after giving effect to applicable reserves, 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 legal actions.

See discussion of contingent legal matters in the "Legal and Regulatory Proceedings" section.

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

UNITED STATES
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, 2006

Commission file number 001-06152

THE BANK OF NEW YORK COMPANY, INC.
Incorporated in the State of New York
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Address: One Wall Street
New York, New York 10286
Telephone: (212) 495-1784

As of October 31, 2006, The Bank of New York Company, Inc. had 751,841,679 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 a large accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

The registrant is not a shell company (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.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's Disclosure Committee, whose members include the Chief Executive Officer and Chief Financial Officer, has responsibility for ensuring that there is an adequate and effective process for establishing, maintaining, and evaluating disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in its SEC reports is timely recorded, processed, summarized and reported. In addition, the Company has established a Code of Conduct designed to provide a statement of the values and ethical standards to which the Company requires its employees and directors to adhere. The Code of Conduct provides the framework for maintaining the highest possible standards of professional conduct. The Company also maintains an ethics hotline for employees. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

As of 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 Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e) and 15d-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

In the ordinary course of business, the Company may routinely modify, upgrade and enhance its internal controls and procedures for financial reporting. However, there have not been any changes in the Company's internal controls over financial reporting as defined in Exchange Act Rule 13a-15(f) and 15d-15(f) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL AND REGULATORY PROCEEDINGS

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. In regulatory enforcement matters, claims for disgorgement and the imposition of penalties and/or other remedial sanctions are possible. 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, on the basis of 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, after giving effect to applicable reserves, 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 legal actions.

As previously disclosed in the Company's 2005 Annual Report on Form 10-K, the U.S. Securities and Exchange Commission ("SEC") is investigating 1) the appropriateness of certain expenditures made in connection with marketing and distribution of the Hamilton Funds; 2) possible market-timing transactions cleared by Pershing LLC ("Pershing"); 3) the trading activities of Pershing

Trading Company LP, a floor specialist, on two regional exchanges from 1999 to 2004; and 4) the Company's role as auction agent in connection with certain auction rate securities.

As to the market-timing and auction agent matters, the Company has reached agreements in principle with the SEC Staff; however, there can be no assurance that settlements of these matters will be reached.

Because the conduct at issue in the Pershing market timing and floor specialist investigations is alleged to have occurred largely during the period when Pershing was owned by Credit Suisse (USA), Inc. ("CS"), the Company has made claims for indemnification against CS relating to these matters under the agreement relating to the acquisition of Pershing. CS is disputing these claims for indemnification.

ITEM 1A. RISK FACTORS

See "Forward-Looking Statements and Risk Factors That Could Affect Future Results" in "Management's Discussion and Analysis of Financial Condition and Results of Operations." There have been no material changes to the risk factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 and the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) 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 2006.

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 Under the Plans or Programs
July 1-31	6,162	$ 32.65	6,162	20,270,352
August 1-31	3,708	33.58	3,708	20,266,644
September 1-30	-	-	-	20,266,644
Total	9,870		9,870	

Shares were repurchased through the Company's stock repurchase programs announced on July 12, 2005 and June 30, 2006, which permit the repurchase of 34 million shares.

ITEM 6. EXHIBITS

Pursuant to the rules and regulations of the Securities and Exchange Commission, the Company has filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in the Company's public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe the Company's actual state of affairs at the date hereof and should not be relied upon.

3.1 The By-Laws of The Bank of New York Company, Inc. as amended through April 12, 2005, incorporated by reference to Exhibit 3(ii) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

3.2 Restated Certificate of Incorporation of The Bank of New York Company, Inc. dated May 8, 2001, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-3 filed June 7, 2001 (File No. 333-62516, 333-62516-01, 333-62516-02, 333-62516-03 and 333-62516-04).

4 None of the outstanding instruments defining the rights of holders of long-term debt of the Company represent long-term debt in excess of 10% of the total assets of the Company. The Company hereby agrees to furnish to the Commission, upon request, a copy of any of such instrument.

10.1 Purchase and Assumption Agreement, dated April 7, 2006, by and between The Bank of New York Company, Inc. and JPMorgan Chase & Co., incorporated by reference to Exhibit 99.1 to the Company's Current

Report on Form 8-K as filed with the Commission on April 13, 2006.

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12 Ratio of Earnings to Fixed Charges for the Three Months and Nine Months Ended September 30, 2006 and 2005.

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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.

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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 6, 2006

By: /s/ Thomas J. Mastro

Name: Thomas J. Mastro
Title: Comptroller

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EXHIBIT INDEX

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