

PUBLIC DISCLOSURE

May 21, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Bank of New York
RSSD No. 541101**

**One Wall Street
New York, New York 10286**

**FEDERAL RESERVE BANK OF NEW YORK
33 LIBERTY STREET
NEW YORK, NEW YORK 10045**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

The Bank of New York (“BNY”) is rated **“Outstanding.”**

The outstanding performance of BNY with regard to the Community Reinvestment Act (“CRA”) is based on the following:

- A high level of community development loans, community development services and qualified investments, particularly investments that are not routinely provided by private investors.
- Occasional use of complex qualified investments, community development loans, or community development services.
- Excellent responsiveness to credit and community economic development needs in its assessment area.

SCOPE OF EXAMINATION

BNY’s performance was evaluated using the FFIEC interagency procedures and guidelines for wholesale and limited purpose institutions. The evaluation covers BNY’s activity from January 1, 2005 through December 31, 2006. Examiners also conducted interviews with representatives of two community development organizations in order to gain an understanding of local credit needs.

DESCRIPTION OF INSTITUTION

Headquartered in New York City, BNY’s assets totaled \$86 billion with total domestic deposits of \$30 billion and net loans of \$30 billion as of December 31, 2006. In July 2006, BNY requested wholesale bank designation for purposes of evaluation under the CRA. The Federal Reserve Board of Governors approved the request and designated BNY a wholesale bank on October 23, 2006.

On October 1, 2006, BNY exited the retail and regional middle market-businesses by swapping 338 retail branches to JPMorgan Chase in exchange for the bulk of that institution’s corporate trust business. The assumed corporate trust business included trustee and paying agency services for securities, loan agency services and document management. Subsequently, on March 21, 2007, BNY sold its interest in BNY Mortgage Company LLC (“BNYMC”), to EverBank, further reducing its retail banking profile.

In December 2006, BNY and Mellon Financial Corporation announced a merger to form The Bank of New York Mellon Corporation, creating a global asset management and securities servicing company. The merger was completed on July 2, 2007.

BNY does not extend home mortgage, small business or consumer credit to retail customers or to the public at large. The bank does, however, originate some retail loans to accommodate its private banking clientele.

BNY's primary business focus is now on trust and custody activities, with an emphasis on institutional securities processing. Securities services offered by BNY include global custody and fund services, depository receipts, global corporate trust services, correspondent clearing, collateral management and securities lending. BNY also offers treasury management services to corporations and financial institutions and asset management to corporations, institutions and high net-worth individuals.

BNY's previous CRA examination was conducted as of May 16, 2005, at which time the bank was evaluated under the large bank CRA procedures and given an overall rating of "Satisfactory." There are no financial or legal factors that would prevent BNY from fulfilling its obligations under CRA.

DESCRIPTION OF ASSESSMENT AREA

BNY's assessment area consists of the following:

MSA 35620 (New York-Northern New Jersey-Long Island-NY-NJ-PA)

- **MD 35644** (New York- White Plains-Wayne- NY-NJ Metropolitan Division) consisting of Hudson County in New Jersey and Bronx, Kings, New York, Queens, and Westchester Counties in New York.
- **MD 35004** (Nassau-Suffolk County, NY Metropolitan Division) consisting of Nassau County in New York.
- **MD 35084** (Newark-Union, NJ-PA Metropolitan Division) consisting of Essex, Morris and Union Counties in New Jersey.

MSA 14860 (Bridgeport-Stamford-Norwalk, CT)

- Consisting of portions of Fairfield County in Connecticut (the municipalities of Darien, Fairfield, Greenwich, New Canaan, Norwalk, Stamford and Westport).

The bank's assessment area is in compliance with the requirements Section 228.41 of Regulation BB. A map of the assessment area is on page BB12.

Since both MSAs are in the same Combined Statistical Area (CSA) and the Connecticut MSA assessment area does not extend significantly beyond the MSA boundary, they are analyzed as one assessment area for this evaluation.

PERFORMANCE CONTEXT

The data used to describe the assessment area and evaluate the context in which the bank operates was obtained from publicly available sources, including the U.S. Department of Commerce's Bureau of the Census, the U.S. Department of Labor, the U.S. Department of

Housing and Urban Development (“HUD”) and the New York City Department of Housing Preservation and Development (“HPD”).

Demographic Characteristics

According to the 2000 Census, the population in the assessment area is over 13 million, representing a 9% increase since 1990. Much of that increase is the result of immigration. Almost 2.9 million of New York City’s population of 8.9 million, or 33%, was born outside the United States. Flexible underwriting is needed for recent immigrants, who may have limited credit histories and nontraditional incomes. In addition, immigrants may be unfamiliar with the credit application process and could benefit from financial literacy education.

Income Characteristics

The HUD-adjusted median family income (“MFI”) for MD 35644 was \$59,200 in 2006 and \$57,650 in 2005. A significant proportion of families, almost 14%, subsist below the poverty level in the assessment area. In Bronx County, 28% of families are living below the poverty level. Almost 38% of the census tracts in the assessment area are low- and moderate-income (“LMI”), with those areas concentrated in upper Manhattan, northern Brooklyn and Bronx County. New York City also has a large proportion of non-family households, which tend to have lower incomes. Only 65% of households in the bank’s assessment area are families.

Housing Characteristics

The assessment area has approximately 5.1 million housing units, of which 40% percent are owner-occupied, 55% are rental units, and 5% are vacant. Housing is expensive relative to income levels in New York City, causing significant affordability issues for the LMI population. According to the National Association of Realtors, the median price of a single-family home in MD 35644 was \$559 thousand in the 3rd quarter of 2006, increasing from \$495 thousand in the 3rd quarter of 2005. These prices are unaffordable to LMI families, and even many middle-income borrowers.

The assessment area also has a shortage of affordable rental housing, with an increasing gap between renter incomes and the cost of housing. According to HPD’s 2005 New York City Housing and Vacancy Survey, the median income of renter households was \$32 thousand in 2004 while the median monthly gross rent was \$920 in 2005. The survey noted that almost 29% of all renter households in New York City paid more than 50% of their income for gross rent.

The sharp disparity between incomes and costs of either owned or rented housing indicates that the LMI population needs affordable mortgage programs and affordable rental property development. Programs to develop housing for the lowest income New Yorkers are especially needed.

Labor, Employment and Economic Characteristics

Employment has stabilized due to strong earnings in the financial sector and unemployment rates decreased during the examination period. The New York State Department of Labor reported

that the annual average unemployment rate for New York City was 5.8% in 2005, down from 7.0% in 2004. The annual average 2006 unemployment rates indicate a continued downward trend. Exhibit 1, below, provides additional assessment area demographics.

Exhibit 1

Assessment Area Demographics

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low -income	435	12.8	390,005	12.3	150,286	38.5	838,742	26.4
Moderate -income	849	25.1	823,133	26.0	169,770	20.6	523,748	16.5
Middle -income	1,095	32.3	1,049,219	33.1	82,132	7.8	573,797	18.1
Upper -income	940	27.7	908,754	28.7	29,241	3.2	1,234,824	38.9
Unknown -income	70	2.1	0	0.0	0	0.0	0	0.0
Total Assessment Area	3,389	100.0	3,171,111	100.0	431,429	13.6	3,171,111	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner -Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low -income	600,983	52,608	2.6	8.8	505,480	84.1	42,895	7.1
Moderate -income	1,297,974	280,023	13.7	21.6	948,271	73.1	69,680	5.4
Middle -income	1,613,849	810,937	39.7	50.2	742,710	46.0	60,202	3.7
Upper -income	1,579,896	899,164	44.0	56.9	604,832	38.3	75,900	4.8
Unknown -income	232	25	0.0	10.8	75	32.3	132	56.9
Total Assessment Area	5,092,934	2,042,757	100.0	40.1	2,801,368	55.0	248,809	4.9
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low -income	34,961	7.0	30,076	7.0	3,550	6.0	1,335	9.8
Moderate -income	89,206	17.8	77,733	18.1	8,466	14.4	3,007	22.0
Middle -income	149,089	29.8	129,734	30.3	15,491	26.3	3,864	28.3
Upper -income	223,223	44.6	187,582	43.8	30,304	51.4	5,337	39.1
Unknown -income	4,460	0.9	3,252	0.8	1,097	1.9	111	0.8
Total Assessment Area	500,939	100.0	428,377	100.0	58,908	100.0	13,654	100.0
	Percentage of Total Businesses:			85.5		11.8		2.7

Based on 2000 Census Information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

BNY provided a high level of community development loans, qualified investments and community development services, which were responsive to the credit and community development needs in the bank’s assessment area.

Community Development Lending

As shown in Exhibit 2, BNY’s community development lending totaled \$646 million. Of this total, \$613 million, or 95%, was originated since the prior CRA examination. The level of BNY’s community development lending activities compared favorably with other similarly situated banks operating in the assessment area. Included in the community development lending total were \$19 million in community development loans that were extended to organizations that did not have a presence in the BNY’s assessment area. BNY received credit for qualifying community development activities outside of its assessment area because it has adequately addressed community development credit needs within its assessment area.

Exhibit 2		
Summary of Community Development Lending		
January 1, 2005 – December 31, 2006*		
Designation	(\$ millions)	%
Affordable Housing	\$317	49%
Revitalize and Stabilize	\$263	41%
Community Services	\$35	5%
Economic Development	\$31	5%
TOTAL ACTIVITY	\$646	100%

**Lending activity includes new loans extended during the examination period as well as existing balances from the prior examination that were outstanding as of 12/31/06. Nine loans, totaling \$33 million, were outstanding from the prior CRA exam.*

Lending activity was directed to financial intermediaries that provide loans and other services to community development organizations. Most of these intermediaries take a multifaceted approach to community development and their activities meet multiple community development designations. In an effort to leverage its lending, BNY maintains ongoing relationships with its intermediary borrowers. These relationships facilitate investment and service activity as well as community development lending activity.

Most of the loans were extended to organizations that provide affordable housing, and were responsive to critical housing needs in the assessment area. In addition, some of the loans had flexible terms that resulted in reduced financing costs for borrowers.

The following are some examples of BNY’s community development loans:

- Bridge loans to financial intermediaries that develop affordable housing through low-income housing tax credits (“LIHTCs”).

- A \$25 million construction loan for economic development to finance a 24-story mixed-use building to consist of retail, parking and condo units in the City of New Brunswick, NJ Urban Enterprise Zone.
- A \$23 million construction loan to finance a revitalization and stabilization project located within South Norwalk, Connecticut's Reed Putnam Redevelopment District, part of the Reed Putnam Urban Renewal Plan.
- A \$20 million unsecured revolving line of credit for the construction of 223 residential units in Central Islip, NY, for revitalization and stabilization in the Central Islip Empire Zone and the Central Islip Planned Development District.

Qualified Investments

As shown in Exhibit 3, BNY made \$292 million in qualified investments. Qualified investments reflected \$174 million in new investments, or 60% of total qualified investments made since the last examination. New investments included \$3 million in grants and donations to organizations providing community development activities throughout BNY's assessment area. The level of BNY's qualified investment activities compared favorably with other similarly situated banks operating in the assessment area. As with lending activities, most community development investment activity was concentrated in New York City's five counties within the bank's assessment area.

Exhibit 3		
Summary of Qualified Investments		
January 1, 2005 – December 31, 2006*		
Designation	(\$ millions)	%
Affordable Housing	\$290	99%
Economic Development	\$1	>1%
Community Services	\$1	>1%
Revitalize and Stabilize	\$0	0%
TOTAL ACTIVITY	\$292	100%

* Includes investments and grants made during the examination period as well as existing balances from the prior examination that were outstanding as of 12/31/06.

Many of the bank's qualified investments are complex, requiring considerable management attention and expertise. LIHTCs are the largest proportion of the investment dollars. These investments, which help meet the assessment area's critical need for affordable housing, are considered complex because of their highly technical accounting requirements.

Examples of qualified investments include:

- A \$22 million investment in a LIHTC that finances an affordable housing project in New York, NY.
- An \$18 million investment in a LIHTC project located in Wildwood, NJ.

- A \$13 million investment in a LIHTC project that finances an affordable housing project located in Yonkers, NY.
- A \$9 million investment in a LIHTC project that finances an affordable housing project in Bronx, NY.
- A grant of \$500 thousand over a two year period (2005 and 2006) to support a homelessness prevention program.

Community Development Services

BNY provides community development services within its assessment area through board and committee memberships, the provision of technical assistance and development of new programs that respond to identified needs within distressed communities. Exhibit 4 summarizes the different types of services provided. Community development services increased, particularly in residential mortgage seminars/fairs and small business seminars, since the last examination.

EXHIBIT 4	
Summary of Community Development Services	
January 1, 2005 – December 31, 2006	
<u>ACTIVITY TYPE</u>	Current Examination
Board & Committee Memberships	37
Residential Mortgage Seminars/Fairs	52
Small Business Seminars	58
Financial Education Programs	5
Miscellaneous Activities	25
TOTAL	177

Most of the community development services provided are ongoing activities requiring regular participation on boards, loan committees and advisory committees of local community development organizations. Participation in community development services includes BNY management at the highest levels. For example, the bank’s president serves as a director on the boards of three community development organizations.

Examples of the BNY’s community development services follow:

- An executive vice president has served as president of the board of an affordable housing organization.
- A managing director is a board member of an organization focused on the long term effects of early childhood trauma and another organization whose mission is to meet child welfare and mental health needs of children and their families in the New York metropolitan area.
- A managing director also serves on the board of an organization that provides pro bono legal services to community development organizations and other nonprofit groups.

- A vice president is a board member of a non-profit corporation partnering with the US Small Business Administration and private sector lenders to provide growing businesses with long-term, fixed-rate financing, and a not-for-profit organization dedicated to the revitalization of the South Bronx and nearby communities.
- BNY provided first-time homebuyers seminars to potential buyers at two community groups in Harlem.
- BNY hosted an informational breakfast for bankers and other funders to learn about the community and youth initiatives at a local inner city college.
- BNY hosted an executive training seminar for community CDCs, The seminar focused on technology management and disaster recovery. Participants included executive directors and other senior staff members at 19 CDCs throughout New York City, many of whom are grantees of the Bank.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No practices were identified as being inconsistent with helping to meet the credit needs of the community.

CRA Appendix A

GLOSSARY

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Development Financial Institution ("CDFI"): A CDFI is an organization that has been certified by the U.S. Treasury as a provider of loans and services that assist specially funded institutions that revitalize LMI areas and assist LMI persons.

Family: A family is a group of two people or more related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: A household consists of all persons who occupy a housing unit. Persons not living in households are classified as living in group quarters.

Low-income: Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

Metropolitan Area (“MA”): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

Moderate-income: Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small loan(s) to business (es): A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”) and the Thrift Financial Reporting (“TFR”) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Upper-income: Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of a geography.

Wholesale bank: A bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with the CRA regulation.

Bank of New York

Connecticut, New Jersey & New York

Assessment Area January 1, 2005 - December 31, 2006

Legend

- County
- Assessment Area
- Branch

