



News Release

Contact: Mike Dunn
212-922-7859
dunn.mg@mellon.com

Corporate Affairs

FOR IMMEDIATE RELEASE

DEMOGRAPHIC CHANGES COULD DETERMINE WINNERS AND LOSERS IN GLOBAL STOCK MARKETS, ACCORDING TO MELLON CAPITAL ANALYSIS *Spain is expected to benefit while U.S. faces headwinds*

SAN FRANCISCO, April 24, 2007 — Stock market prices over the next couple of decades are likely to be affected by aging populations, with demographic tailwinds benefiting the markets in Spain and Germany the most through the year 2015, according to an analysis by Mellon Capital Management, an investment subsidiary of Mellon Financial Corporation.

Over the longer term, from 2015 through 2025, Spain is expected to continue to benefit from changing demographics while most major markets will face a demographic headwind that will trim returns, according to the report. From 2015 to 2025, this headwind is expected to reduce investment returns by 17.8 percent in the United States, or slightly less than two percent per year.

The April 2007 report was written by Charles Jacklin, president and chief executive officer of Mellon Capital, and Ralph Goldsticker, managing director of research, at the business unit. They concluded that the most powerful effect of changing demographics will be the declining middle age populations in most developed economies.

“An economy with a large population between the ages of 40 and 64 will have a greater demand for financial assets while an economy with a larger population of individuals older than 64 will have a lower demand,” Jacklin said. “However, we do not expect that the selling of assets by the aging group of retirees over 65 to match the impact of the shrinking middle-aged population. In fact retirees could reduce their asset holdings at a slower rate than many expect because of fear of outliving their assets, the need to cover growing medical costs, and the desire to bequeath wealth to their heirs.”

Goldsticker said the demographic patterns of the U.S. are similar to those in most advanced economies that face a shrinking middle-aged working population. In the U.S., the leading edge of the baby boom generation will begin turning 65 in 2011. Over the next 18 years, 75 million Americans will reach age 65. In comparison, the following “Generation X” comprises approximately 50 million individuals, resulting in an increasing dependency ratio. This ratio is defined as the ratio of retired workers to middle-aged productive workers.

He added, “It is important to remember that other factors could offset changing demographics and future investment patterns may not be like those of the past. In addition, markets around the world could begin to become more integrated, resulting in some kind of averaging of the expected returns due to demographics.”

Founded in 1983 by innovators in the investment management field, Mellon Capital specializes in global quantitative investment strategies. As of March 31, 2007, the firm had \$180.4 billion in assets under management, including assets managed by dual officers and \$31.2 billion in overlay strategies. Additional information about Mellon Capital is available at www.mcm.com.

Mellon Financial Corporation is a global financial services company. Headquartered in Pittsburgh, Mellon is one of the world’s leading providers of financial services for institutions, corporations and high net worth individuals, providing asset management, wealth management, asset servicing, issuer services and treasury services. Mellon has approximately \$5.8 trillion in

assets under management, administration or custody, including \$1.034 trillion under management. News and other information about Mellon is available at www.mellon.com.

#