

Adjusted Assets, Tangible Equity Capital, Adjusted Leverage Ratio and Tangible Book Value Per Common Share

(\$ in millions, except per share amounts)

The following table sets forth information on the firm's assets, shareholders' equity, leverage ratios and book value per common share:

	As of							
	March 2009	December 2008	August 2008	May 2008	February 2008	November 2008	November 2007	November 2006
Total assets	\$ 925,290	\$ 1,112,225	\$ 1,081,773	\$ 1,088,145	\$ 1,189,006	\$ 884,547	\$ 1,119,796	\$ 838,201
Adjusted assets ⁽¹⁾	535,767	726,116	621,574	651,039	786,646	528,161	745,700	540,683
Total shareholders' equity	63,553	63,054	45,599	44,818	42,629	64,369	42,800	35,786
Tangible equity capital ⁽²⁾	63,415	62,908	45,384	44,541	42,428	64,186	42,728	33,517
Leverage ratio ⁽³⁾	14.6 x	17.6 x	23.7 x	24.3 x	27.9 x	13.7 x	26.2 x	23.4 x
Adjusted leverage ratio ⁽⁴⁾	8.4 x	11.5 x	13.7 x	14.6 x	18.5 x	8.2 x	17.5 x	16.1 x
Common shareholders' equity	\$ 47,046	\$ 46,571	\$ 42,499	\$ 41,718	\$ 39,529	\$ 47,898	\$ 39,700	\$ 32,686
Tangible common shareholders' equity ⁽⁵⁾	41,908	41,425	37,284	36,441	34,328	42,715	34,628	27,667
Book value per common share ⁽⁶⁾	\$ 98.82	\$ 95.84	\$ 99.30	\$ 97.49	\$ 92.44	\$ 98.68	\$ 90.43	\$ 72.62
Tangible book value per common share ⁽⁷⁾	88.02	85.25	87.11	85.16	80.28	88.00	78.88	61.47

⁽¹⁾ Adjusted assets excludes (i) low-risk collateralized assets generally associated with the matched book and securities lending businesses and federal funds sold, (ii) cash and securities segregated for regulatory and other purposes and (iii) goodwill and identifiable intangible assets, excluding power contracts. Identifiable intangible assets associated with power contracts are not deducted from total assets in order to be consistent with the calculation of tangible equity capital and the adjusted leverage ratio (see footnote 2 below). The following table sets forth the reconciliation of total assets to adjusted assets:

	As of							
	March 2009	December 2008	August 2008	May 2008	February 2008	November 2008	November 2007	November 2006
Total assets	\$ 925,290	\$ 1,112,225	\$ 1,081,773	\$ 1,088,145	\$ 1,189,006	\$ 884,547	\$ 1,119,796	\$ 838,201
Deduct: Securities borrowed	(228,245)	(203,341)	(302,676)	(298,424)	(294,047)	(180,795)	(277,413)	(219,342)
Securities purchased under agreements to resell, at fair value, and federal funds sold	(143,155)	(129,532)	(135,415)	(133,372)	(109,900)	(122,021)	(87,317)	(82,476)
Add: Trading liabilities, at fair value	147,221	186,031	186,441	182,869	230,060	175,972	215,023	155,805
Less derivative liabilities	(90,620)	(121,622)	(103,904)	(98,022)	(118,776)	(117,695)	(99,378)	(65,496)
Subtotal	56,601	64,409	82,537	84,847	111,284	58,277	115,645	90,309
Deduct: Cash and securities segregated for regulatory and other purposes	(69,586)	(112,499)	(99,430)	(84,880)	(104,496)	(106,664)	(119,939)	(80,990)
Goodwill and identifiable intangible assets, excluding power contracts	(5,138)	(5,146)	(5,215)	(5,277)	(5,201)	(5,183)	(5,072)	(5,019)
Adjusted assets	\$ 535,767	\$ 726,116	\$ 621,574	\$ 651,039	\$ 786,646	\$ (528,161)	\$ 745,700	\$ 540,683

⁽²⁾ Tangible equity capital equals total shareholders' equity and junior subordinated debt issued to trusts less goodwill and identifiable intangible assets, excluding power contracts. The firm does not deduct identifiable intangible assets associated with power contracts from total shareholders' equity because, unlike other intangible assets, less than 50% of these assets are supported by common shareholders' equity. The firm considers junior subordinated debt issued to trusts to be a component of its tangible equity capital base due to certain characteristics of the debt, including its long-term nature, the firm's ability to defer payments due on the debt and the subordinated nature of the debt in the firm's capital structure. The following table sets forth the reconciliation of total shareholders' equity to tangible equity capital:

	As of							
	March 2009	December 2008	August 2008	May 2008	February 2008	November 2008	November 2007	November 2006
Total shareholders' equity	\$ 63,553	\$ 63,054	\$ 45,599	\$ 44,818	\$ 42,629	\$ 64,369	\$ 42,800	\$ 35,786
Add: Junior subordinated debt issued to trusts	5,000	5,000	5,000	5,000	5,000	5,000	5,000	2,750
Deduct: Goodwill and identifiable intangible assets, excluding power contracts	(5,138)	(5,146)	(5,215)	(5,277)	(5,201)	(5,183)	(5,072)	(5,019)
Tangible equity capital	<u>\$ 63,415</u>	<u>\$ 62,908</u>	<u>\$ 45,384</u>	<u>\$ 44,541</u>	<u>\$ 42,428</u>	<u>\$ 64,186</u>	<u>\$ 42,728</u>	<u>\$ 33,517</u>

⁽³⁾ The leverage ratio equals total assets divided by total shareholders' equity.

⁽⁴⁾ The adjusted leverage ratio equals adjusted assets divided by tangible equity capital. Management believes that the adjusted leverage ratio is a more meaningful measure of capital adequacy than the leverage ratio because it excludes certain low-risk collateralized assets that are generally supported with little or no capital and reflects the tangible equity capital deployed in the firm's businesses.

⁽⁵⁾ Tangible common shareholders' equity equals total shareholders' equity less preferred stock, goodwill and identifiable intangible assets, excluding power contracts. The firm does not deduct identifiable intangible assets associated with power contracts from total shareholders' equity because, unlike other intangible assets, less than 50% of these assets are supported by common shareholders' equity. Management believes that tangible common shareholders' equity is meaningful because it is one of the measures that the firm and investors use to assess capital adequacy. The following table sets forth the reconciliation of total shareholders' equity to tangible common shareholders' equity:

	As of							
	March 2009	December 2008	August 2008	May 2008	February 2008	November 2008	November 2007	November 2006
Total shareholders' equity	\$ 63,553	\$ 63,054	\$ 45,599	\$ 44,818	\$ 42,629	\$ 64,369	\$ 42,800	\$ 35,786
Deduct: Preferred stock	(16,507)	(16,483)	(3,100)	(3,100)	(3,100)	(16,471)	(3,100)	(3,100)
Common shareholders' equity	47,046	46,571	42,499	41,718	39,529	47,898	39,700	32,686
Deduct: Goodwill and identifiable intangible assets, excluding power contracts	(5,138)	(5,146)	(5,215)	(5,277)	(5,201)	(5,183)	(5,072)	(5,019)
Tangible common shareholders' equity	<u>\$ 41,908</u>	<u>\$ 41,425</u>	<u>\$ 37,284</u>	<u>\$ 36,441</u>	<u>\$ 34,328</u>	<u>\$ 42,715</u>	<u>\$ 34,628</u>	<u>\$ 27,667</u>

⁽⁶⁾ Book value per common share is based on common shares outstanding, including restricted stock units (RSUs) granted to employees with no future service requirements.

⁽⁷⁾ Tangible book value per common share is computed by dividing tangible common shareholders' equity by the number of common shares outstanding, including RSUs granted to employees with no future service requirements. The following table sets forth the common shares outstanding, including RSUs granted to employees with no future service requirements:

	As of							
	March 2009	December 2008	August 2008	May 2008	February 2008	November 2008	November 2007	November 2006
	(in millions)							
Common shares outstanding, including RSUs granted to employees with no future service requirements	476.1	485.9	428.0	427.9	427.6	485.4	439.0	450.1