

Return on Average Tangible Common Shareholders' Equity

(\$ in millions, except per share amounts)

The following table sets forth the firm's return on average common shareholders' equity and return on average tangible common shareholders' equity:

	Three Months Ended					Year Ended			Nine Months Ended	Six Months Ended	
	May 2008	February 2008	November 2007	August 2007	May 2007	November 2007	November 2006	November 2005	August 2007	May 2008	May 2007
Annualized return on average common shareholders' equity ⁽¹⁾	20.4%	14.8%	34.6%	31.6%	26.7%	32.7%	32.8%	21.8%	32.0%	17.6%	32.3%
Annualized return on average tangible common shareholders' equity ⁽²⁾	23.5%	17.0%	40.1%	36.6%	31.2%	38.2%	39.8%	26.7%	37.5%	20.2%	37.8%

⁽¹⁾ Return on average common shareholders' equity (ROE) is computed by dividing net earnings (or annualized net earnings for annualized ROE) applicable to common shareholders by average monthly common shareholders' equity.

⁽²⁾ Return on average tangible common shareholders' equity (ROTE) is computed by dividing net earnings (or annualized net earnings for annualized ROTE) applicable to common shareholders by average monthly tangible common shareholders' equity.

Tangible common shareholders' equity equals total shareholders' equity less preferred stock, goodwill and identifiable intangible assets, excluding power contracts. Identifiable intangible assets associated with power contracts are not deducted from total shareholders' equity because, unlike other intangible assets, less than 50% of these assets are supported by common shareholders' equity.

Management believes that ROTE is meaningful because it measures the performance of businesses consistently, whether they were acquired or developed internally.

The following table sets forth the reconciliation of average total shareholders' equity to average tangible common shareholders' equity:

	Three Months Ended					Year Ended			Nine Months Ended	Six Months Ended	
	May 2008	February 2008	November 2007	August 2007	May 2007	November 2007	November 2006	November 2005	August 2007	May 2008	May 2007
Total shareholders' equity	\$ 43,261	\$ 42,779	\$ 39,687	\$ 38,667	\$ 37,374	\$ 37,959	\$ 31,048	\$ 26,264	\$ 37,384	\$ 43,076	\$ 36,804
Preferred stock	(3,100)	(3,100)	(3,100)	(3,100)	(3,100)	(3,100)	(2,400)	(538)	(3,100)	(3,100)	(3,100)
Common shareholders' equity	40,161	39,679	36,587	35,567	34,274	34,859	28,648	25,726	34,284	39,976	33,704
Goodwill and identifiable intangible assets, excluding power contacts	(5,218)	(5,204)	(4,996)	(4,926)	(4,938)	(4,971)	(5,013)	(4,737)	(4,956)	(5,212)	(4,967)
Tangible common shareholders' equity	\$ 34,943	\$ 34,475	\$ 31,591	\$ 30,641	\$ 29,336	\$ 29,888	\$ 23,635	\$ 20,989	\$ 29,328	\$ 34,764	\$ 28,737

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						
	May 2008	February 2008	August 2007	May 2007	November 2007	November 2006	November 2005
Total assets	\$ 1,088,145	\$ 1,189,006	\$ 1,045,778	\$ 943,196	\$ 1,119,796	\$ 838,201	\$ 706,804
Adjusted assets ⁽¹⁾	653,514	788,746	706,903	653,861	747,300	541,033	466,500
Total shareholders' equity	44,818	42,629	39,118	38,459	42,800	35,786	28,002
Tangible equity capital ⁽²⁾	44,541	42,428	39,203	38,540	42,728	33,517	26,030
Leverage ratio ⁽³⁾	24.3 x	27.9 x	26.7 x	24.5 x	26.2 x	23.4 x	25.2 x
Adjusted leverage ratio ⁽⁴⁾	14.7 x	18.6 x	18.0 x	17.0 x	17.5 x	16.1 x	17.9 x
Common shareholders' equity	\$ 41,718	\$ 39,529	\$ 36,018	\$ 35,359	\$ 39,700	\$ 32,686	\$ 26,252
Tangible common shareholders' equity ⁽⁵⁾	36,441	34,328	31,103	30,440	34,628	27,667	21,530
Book value per common share ⁽⁶⁾	\$ 97.49	\$ 92.44	\$ 84.65	\$ 81.30	\$ 90.43	\$ 72.62	\$ 57.02
Tangible book value per common share ⁽⁷⁾	85.16	80.28	73.10	69.99	78.88	61.47	46.76

⁽¹⁾ Adjusted assets excludes (i) low-risk collateralized assets generally associated with the matched book and securities lending businesses, (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						
	May 2008	February 2008	August 2007	May 2007	November 2007	November 2006	November 2005
Total assets	\$ 1,088,145	\$ 1,189,006	\$ 1,045,778	\$ 943,196	\$ 1,119,796	\$ 838,201	\$ 706,804
Deduct: Securities borrowed	(298,424)	(294,047)	(267,200)	(243,835)	(277,413)	(219,342)	(191,800)
Financial instruments purchased under agreements to resell, at fair value	(130,897)	(107,800)	(80,494)	(69,213)	(85,717)	(82,126)	(83,619)
Add: Financial instruments sold, but not yet purchased, at fair value	182,869	230,060	196,106	177,202	215,023	155,805	149,071
Less derivative liabilities	(98,022)	(118,776)	(84,695)	(70,304)	(99,378)	(65,496)	(57,829)
Subtotal	84,847	111,284	111,411	106,898	115,645	90,309	91,242
Deduct: Cash and securities segregated for regulatory and other purposes	(84,880)	(104,496)	(97,677)	(78,266)	(119,939)	(80,990)	(51,405)
Goodwill and identifiable intangible assets, excluding power contacts	(5,277)	(5,201)	(4,915)	(4,919)	(5,072)	(5,019)	(4,722)
Adjusted assets	\$ 653,514	\$ 788,746	\$ 706,903	\$ 653,861	\$ 747,300	\$ 541,033	\$ 466,500

(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						
	May 2008	February 2008	August 2007	May 2007	November 2007	November 2006	November 2005
Total shareholders' equity	\$ 44,818	\$ 42,629	\$ 39,118	\$ 38,459	\$ 42,800	\$ 35,786	\$ 28,002
Add: Junior subordinated debt issued to trusts	5,000	5,000	5,000	5,000	5,000	2,750	2,750
Deduct: Goodwill and identifiable intangible assets, excluding power contacts	(5,277)	(5,201)	(4,915)	(4,919)	(5,072)	(5,019)	(4,722)
Tangible equity capital	\$ 44,541	\$ 42,428	\$ 39,203	\$ 38,540	\$ 42,728	\$ 33,517	\$ 26,030

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

(4) 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. The following table sets forth the reconciliation of total shareholders' equity to tangible common shareholders' equity:

	As of						
	May 2008	February 2008	August 2007	May 2007	November 2007	November 2006	November 2005
Total shareholders' equity	\$ 44,818	\$ 42,629	\$ 39,118	\$ 38,459	\$ 42,800	\$ 35,786	\$ 28,002
Deduct: Preferred stock	(3,100)	(3,100)	(3,100)	(3,100)	(3,100)	(3,100)	(1,750)
Common shareholders' equity	41,718	39,529	36,018	35,359	39,700	32,686	26,252
Deduct: Goodwill and identifiable intangible assets, excluding power contacts	(5,277)	(5,201)	(4,915)	(4,919)	(5,072)	(5,019)	(4,722)
Tangible common shareholders' equity	\$ 36,441	\$ 34,328	\$ 31,103	\$ 30,440	\$ 34,628	\$ 27,667	\$ 21,530

(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						
	May 2008	February 2008	August 2007	May 2007 (in millions)	November 2007	November 2006	November 2005
Common shares outstanding, including RSUs granted to employees with no future service requirements	427.9	427.6	425.5	434.9	439.0	450.1	460.4