

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				February 2006	Year Ended			Nine Months Ended	Six Months Ended
	February 2007	November 2006	August 2006	May 2006		November 2006	November 2005	November 2004	August 2006	May 2006
Annualized return on average common shareholders' equity ⁽¹⁾	38.0%	41.5%	20.9%	32.5%	36.4%	32.8%	21.8%	19.8%	29.6%	34.3%
Annualized return on average tangible common shareholders' equity ⁽²⁾	44.7%	50.0%	25.2%	39.5%	44.4%	39.8%	26.7%	25.2%	36.0%	41.8%

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

⁽²⁾ Return on average tangible common shareholders' equity is computed by dividing net earnings (or annualized net earnings for annualized return on average tangible common shareholders' equity) 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 return on average tangible common shareholders' equity is meaningful because it measures the performance of businesses consistently, whether they were acquired or developed internally.

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

	Average for the									
	Three Months Ended				February 2006	Year Ended			Nine Months Ended	Six Months Ended
	February 2007	November 2006	August 2006	May 2006		November 2006	November 2005	November 2004	August 2006	May 2006
Total shareholders' equity	\$ 36,258	\$ 33,034	\$ 32,618	\$ 30,082	\$ 28,724	\$ 31,048	\$ 26,264	\$ 22,975	\$ 30,498	\$ 29,473
Preferred stock	(3,100)	(3,100)	(2,850)	(1,963)	(1,750)	(2,400)	(538)	-	(2,190)	(1,871)
Common shareholders' equity	33,158	29,934	29,768	28,119	26,974	28,648	25,726	22,975	28,308	27,602
Goodwill and identifiable intangible assets, excluding power contacts	(5,002)	(5,089)	(5,094)	(4,999)	(4,896)	(5,013)	(4,737)	(4,918)	(4,995)	(4,948)
Tangible common shareholders' equity	<u>\$ 28,156</u>	<u>\$ 24,845</u>	<u>\$ 24,674</u>	<u>\$ 23,120</u>	<u>\$ 22,078</u>	<u>\$ 23,635</u>	<u>\$ 20,989</u>	<u>\$ 18,057</u>	<u>\$ 23,313</u>	<u>\$ 22,654</u>

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						
	February 2007	August 2006	May 2006	February 2006	November 2006	November 2005	November 2004
Total assets	\$ 912,495	\$ 798,309	\$ 798,884	\$ 758,821	\$ 838,201	\$ 706,804	\$ 531,379
Adjusted assets ⁽¹⁾	606,139	523,083	522,336	495,086	541,033	466,500	347,082
Total shareholders' equity	36,900	33,493	31,800	28,915	35,786	28,002	25,079
Tangible equity capital ⁽²⁾	34,662	31,113	29,488	26,717	33,517	26,030	22,958
Leverage ratio ⁽³⁾	24.7 x	23.8 x	25.1 x	26.2 x	23.4 x	25.2 x	21.2 x
Adjusted leverage ratio ⁽⁴⁾	17.5 x	16.8 x	17.7 x	18.5 x	16.1 x	17.9 x	15.1 x
Common shareholders' equity	\$ 33,800	\$ 30,393	\$ 29,200	\$ 27,165	\$ 32,686	\$ 26,252	\$ 25,079
Tangible common shareholders' equity ⁽⁵⁾	28,812	25,263	24,138	22,217	27,667	21,530	20,208
Book value per common share ⁽⁶⁾	\$ 77.12	\$ 67.87	\$ 64.92	\$ 60.42	\$ 72.62	\$ 57.02	\$ 50.77
Tangible book value per common share ⁽⁷⁾	65.74	56.42	53.66	49.42	61.47	46.76	40.91

⁽¹⁾ Adjusted assets excludes (i) low-risk collateralized assets generally associated with the matched book and securities lending businesses (which is calculated by adding securities borrowed and financial instruments purchased under agreements to resell, at fair value, and then subtracting nonderivative short positions), (ii) cash and securities we segregate 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 a reconciliation of total assets to adjusted assets:

	As of						
	February 2007	August 2006	May 2006	February 2006	November 2006	November 2005	November 2004
Total assets	\$ 912,495	\$ 798,309	\$ 798,884	\$ 758,821	\$ 838,201	\$ 706,804	\$ 531,379
Deduct: Securities borrowed	(241,270)	(210,190)	(210,287)	(200,017)	(219,342)	(191,800)	(155,086)
Financial instruments purchased under agreements to resell, at fair value	(81,866)	(82,958)	(86,944)	(96,442)	(82,126)	(83,619)	(44,257)
Add: Financial instruments sold, but not yet purchased, at fair value	166,481	156,557	159,801	153,887	155,805	149,071	132,097
Less derivative liabilities	(66,409)	(57,196)	(63,316)	(55,259)	(65,496)	(57,829)	(64,001)
Subtotal	100,072	99,361	96,485	98,628	90,309	91,242	68,096
Deduct: Cash and securities segregated for regulatory and other purposes	(78,284)	(76,309)	(70,740)	(60,956)	(80,990)	(51,405)	(48,179)
Goodwill and identifiable intangible assets, excluding power contacts	(4,988)	(5,130)	(5,062)	(4,948)	(5,019)	(4,722)	(4,871)
Adjusted assets	\$ 606,139	\$ 523,083	\$ 522,336	\$ 495,086	\$ 541,033	\$ 466,500	\$ 347,082

⁽²⁾ Tangible equity capital equals total shareholders' equity and junior subordinated debt issued to a trust 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 a trust to be a component of its tangible equity capital base due to the inherent characteristics of these securities, including the long-term nature of the securities, the firm's ability to defer coupon interest for up to ten consecutive semiannual periods and the subordinated nature of the obligations in its capital structure. The following table sets forth the reconciliation of total shareholders' equity to tangible equity capital:

	As of						
	February 2007	August 2006	May 2006	February 2006	November 2006	November 2005	November 2004
Total shareholders' equity	\$ 36,900	\$ 33,493	\$ 31,800	\$ 28,915	\$ 35,786	\$ 28,002	\$ 25,079
Add: Junior subordinated debt issued to a trust	2,750	2,750	2,750	2,750	2,750	2,750	2,750
Deduct: Goodwill and identifiable intangible assets, excluding power contacts	(4,988)	(5,130)	(5,062)	(4,948)	(5,019)	(4,722)	(4,871)
Tangible equity capital	\$ 34,662	\$ 31,113	\$ 29,488	\$ 26,717	\$ 33,517	\$ 26,030	\$ 22,958

⁽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 a reconciliation of total shareholders' equity to tangible common shareholders' equity:

	As of						
	February 2007	August 2006	May 2006	February 2006	November 2006	November 2005	November 2004
Total shareholders' equity	\$ 36,900	\$ 33,493	\$ 31,800	\$ 28,915	\$ 35,786	\$ 28,002	\$ 25,079
Deduct: Preferred stock	(3,100)	(3,100)	(2,600)	(1,750)	(3,100)	(1,750)	-
Common shareholders' equity	33,800	30,393	29,200	27,165	32,686	26,252	25,079
Deduct: Goodwill and identifiable intangible assets, excluding power contacts	(4,988)	(5,130)	(5,062)	(4,948)	(5,019)	(4,722)	(4,871)
Tangible common shareholders' equity	\$ 28,812	\$ 25,263	\$ 24,138	\$ 22,217	\$ 27,667	\$ 21,530	\$ 20,208

⁽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 restricted stock units granted to employees with no future service requirements. The following table sets forth the common shares outstanding, including restricted stock units granted to employees with no future service requirements:

	As of						
	February 2007	August 2006	May 2006	February 2006 (in millions)	November 2006	November 2005	November 2004
Common shares outstanding, including RSUs granted to employees with no future service requirements	438.3	447.8	449.8	449.6	450.1	460.4	494.0