

## Return on Average Tangible Shareholders' Equity

(\$ in millions)

The following table sets forth the firm's return on average shareholders' equity (ROE) and return on average tangible shareholders' equity (ROTE):

	Quarter Ended						Six Months Ended	Nine Months Ended	Six Months Ended
	May 2004	February 2004	November 2003	August 2003	May 2003	February 2003	May 2004	August 2003	May 2003
Annualized ROE <sup>(1)</sup>	20.9%	23.5%	18.6%	13.4%	14.1%	13.7%	22.2%	13.8%	13.9%
Annualized ROTE <sup>(2)</sup>	26.7%	30.4%	24.6%	17.8%	18.7%	18.3%	28.5%	18.3%	18.5%

  

	Year Ended November		
	2003	2002	2001
ROE <sup>(1)</sup>	15.0%	11.3%	13.0%
ROTE <sup>(2)</sup>	19.9%	15.3%	17.8%

<sup>(1)</sup> Annualized ROE is computed by dividing annualized net earnings by average monthly shareholders' equity.

ROE is computed by dividing net earnings by average monthly shareholders' equity.

<sup>(2)</sup> Annualized ROTE is computed by dividing annualized net earnings by average monthly tangible shareholders' equity.

ROTE is computed by dividing net earnings by average monthly tangible shareholders' equity.

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Tangible shareholders' equity equals total shareholders' equity less goodwill and identifiable intangible assets. Management believes that annualized return on average tangible shareholders' equity is a meaningful measure of performance because it excludes the portion of shareholders' equity attributable to goodwill and identifiable intangible assets. As a result, this calculation measures corporate performance in a manner that treats underlying businesses consistently, whether they were acquired or developed internally. The following table sets forth a reconciliation of average shareholders' equity to average tangible shareholders' equity:

	Average for the						Six Months Ended	Nine Months Ended	Six Months Ended
	Quarter Ended						May 2004	August 2003	May 2003
	May 2004	February 2004	November 2003	August 2003	May 2003	February 2003			
Shareholders' equity	\$ 22,703	\$ 21,970	\$ 20,930	\$ 20,193	\$ 19,691	\$ 19,283	\$ 22,351	\$ 19,711	\$ 19,483
Deduct: Goodwill and identifiable intangible assets	(4,932)	(4,966)	(5,130)	(4,980)	(4,785)	(4,823)	(4,949)	(4,878)	(4,803)
Tangible shareholders' equity	<u>\$ 17,771</u>	<u>\$ 17,004</u>	<u>\$ 15,800</u>	<u>\$ 15,213</u>	<u>\$ 14,906</u>	<u>\$ 14,460</u>	<u>\$ 17,402</u>	<u>\$ 14,833</u>	<u>\$ 14,680</u>

  

	Average for the Year Ended November		
	2003	2002	2001
Shareholders' equity	\$ 20,031	\$ 18,659	\$ 17,704
Deduct: Goodwill and identifiable intangible assets	(4,932)	(4,837)	(4,727)
Tangible shareholders' equity	<u>\$ 15,099</u>	<u>\$ 13,822</u>	<u>\$ 12,977</u>

### Adjusted Assets, Adjusted Leveraged Ratio and Tangible Book Value Per 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 share:

	As of					As of		
	May 2004	February 2004	August 2003	May 2003	February 2003	November 2003	November 2002	November 2001
Total assets	\$ 467,921	\$ 443,285	\$ 394,142	\$ 404,698	\$ 371,968	\$ 403,799	\$ 355,574	\$ 312,218
Adjusted assets <sup>(1)</sup>	318,049	304,678	273,745	294,749	250,032	273,941	215,547	194,518
Shareholders' equity	\$ 23,152	\$ 22,235	\$ 20,438	\$ 20,042	\$ 19,514	\$ 21,632	\$ 19,003	\$ 18,231
Tangible shareholders' equity <sup>(2)</sup>	18,236	17,288	15,247	15,279	14,705	16,650	14,164	13,423
Tangible equity capital <sup>(2)</sup>	20,986	20,038	15,247	15,279	14,705	16,650	14,164	13,423
Leverage ratio <sup>(3)</sup>	20.2x	19.9x	19.3x	20.2x	19.1x	18.7x	18.7x	17.1x
Adjusted leverage ratio <sup>(4)</sup>	15.2x	15.2x	18.0x	19.3x	17.0x	16.5x	15.2x	14.5x
Book value per share <sup>(5)</sup>	\$ 47.58	\$ 45.51	\$ 41.72	\$ 41.39	\$ 40.05	\$ 43.60	\$ 38.69	\$ 36.33
Tangible book value per share <sup>(6)</sup>	37.48	35.38	31.12	31.56	30.18	33.56	28.84	26.75

<sup>(1)</sup> Adjusted assets excludes (i) low-risk collateralized assets generally associated with the firm's matched book and securities lending businesses (which is calculated by adding securities purchased under agreements to resell and securities borrowed, and then subtracting nonderivative short positions), (ii) cash and securities segregated in compliance with regulations and (iii) goodwill and identifiable intangible assets. The following table sets forth a reconciliation of total assets to adjusted assets:

	As of					As of		
	May 2004	February 2004	August 2003	May 2003	February 2003	November 2003	November 2002	November 2001
Total assets	\$ 467,921	\$ 443,285	\$ 394,142	\$ 404,698	\$ 371,968	\$ 403,799	\$ 355,574	\$ 312,218
Deduct: Securities purchased under agreements to resell	(27,601)	(27,182)	(25,208)	(22,460)	(30,536)	(26,856)	(45,772)	(27,651)
Securities borrowed	(137,873)	(132,059)	(120,830)	(111,553)	(109,085)	(129,118)	(113,579)	(101,164)
Add: Financial instruments sold, but not yet purchased, at fair value	111,523	107,601	102,015	105,325	92,859	102,699	83,473	74,717
Less derivatives	(40,459)	(42,258)	(41,801)	(49,761)	(47,126)	(41,886)	(38,921)	(36,660)
Subtotal	71,064	65,343	60,214	55,564	45,733	60,813	44,552	38,057
Deduct: Cash and securities segregated in compliance with U.S. federal and other regulations	(50,546)	(39,762)	(29,382)	(26,737)	(23,239)	(29,715)	(20,389)	(22,134)
Goodwill and identifiable intangible assets	(4,916)	(4,947)	(5,191)	(4,763)	(4,809)	(4,982)	(4,839)	(4,808)
Adjusted assets	<u>\$ 318,049</u>	<u>\$ 304,678</u>	<u>\$ 273,745</u>	<u>\$ 294,749</u>	<u>\$ 250,032</u>	<u>\$ 273,941</u>	<u>\$ 215,547</u>	<u>\$ 194,518</u>

(2) Tangible shareholders' equity equals total shareholders' equity less goodwill and identifiable intangible assets. Tangible equity capital includes tangible shareholders' equity and an additional amount of up to 15% of tangible equity capital in the form of junior subordinated debt issued to a trust. Management considers junior subordinated debt issued to a trust to be a component of the firm's tangible equity capital base due to the inherent characteristics of these securities, including the long-term nature of the securities, the ability to defer coupon interest for up to ten consecutive semi-annual periods and the subordinated nature of the obligations in the firm's capital structure. The following table sets forth a reconciliation of shareholders' equity to tangible shareholders' equity and tangible equity capital:

	As of					As of		
	May 2004	February 2004	August 2003	May 2003	February 2003	November 2003	November 2002	November 2001
Shareholders' equity	\$ 23,152	\$ 22,235	\$ 20,438	\$ 20,042	\$ 19,514	\$ 21,632	\$ 19,003	\$ 18,231
Deduct: Goodwill and identifiable intangible assets	<u>(4,916)</u>	<u>(4,947)</u>	<u>(5,191)</u>	<u>(4,763)</u>	<u>(4,809)</u>	<u>(4,982)</u>	<u>(4,839)</u>	<u>(4,808)</u>
Tangible shareholders' equity	\$ 18,236	\$ 17,288	\$ 15,247	\$ 15,279	\$ 14,705	\$ 16,650	\$ 14,164	\$ 13,423
Add: Junior subordinated debt issued to a trust	<u>2,750</u>	<u>2,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tangible equity capital	<u>\$ 20,986</u>	<u>\$ 20,038</u>	<u>\$ 15,247</u>	<u>\$ 15,279</u>	<u>\$ 14,705</u>	<u>\$ 16,650</u>	<u>\$ 14,164</u>	<u>\$ 13,423</u>

(3) Leverage ratio equals total assets divided by 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 because it excludes certain low-risk collateralized assets that are generally supported with little or no capital and reflects the tangible equity deployed in the firm's businesses.

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

(6) Tangible book value per share is computed by dividing tangible 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					As of		
	May 2004	February 2004	August 2003	May 2003	February 2003	November 2003	November 2002	November 2001
	(in millions)							
Common shares outstanding, including RSUs granted to employees with no future service requirements	486.6	488.6	489.9	484.2	487.3	496.1	491.2	501.8