

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 2007	February 2007	November 2006	August 2006	May 2006	November 2006	November 2005	November 2004	August 2006	May 2007	May 2006
Annualized return on average common shareholders' equity ⁽¹⁾	26.7%	38.0%	41.5%	20.9%	32.5%	32.8%	21.8%	19.8%	29.6%	32.3%	34.3%
Annualized return on average tangible common shareholders' equity ⁽²⁾	31.2%	44.7%	50.0%	25.2%	39.5%	39.8%	26.7%	25.2%	36.0%	37.8%	41.8%

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

	Average for the										
	Three Months Ended					Year Ended			Nine Months Ended	Six Months Ended	
	May 2007	February 2007	November 2006	August 2006	May 2006	November 2006	November 2005	November 2004	August 2006	May 2007	May 2006
Total shareholders' equity	\$ 37,374	\$ 36,258	\$ 33,034	\$ 32,618	\$ 30,082	\$ 31,048	\$ 26,264	\$ 22,975	\$ 30,498	\$ 36,804	\$ 29,473
Preferred stock	(3,100)	(3,100)	(3,100)	(2,850)	(1,963)	(2,400)	(538)	-	(2,190)	(3,100)	(1,871)
Common shareholders' equity	34,274	33,158	29,934	29,768	28,119	28,648	25,726	22,975	28,308	33,704	27,602
Goodwill and identifiable intangible assets, excluding power contacts	(4,938)	(5,002)	(5,089)	(5,094)	(4,999)	(5,013)	(4,737)	(4,918)	(4,995)	(4,967)	(4,948)
Tangible common shareholders' equity	\$ 29,336	\$ 28,156	\$ 24,845	\$ 24,674	\$ 23,120	\$ 23,635	\$ 20,989	\$ 18,057	\$ 23,313	\$ 28,737	\$ 22,654

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 2007	February 2007	August 2006	May 2006	November 2006	November 2005	November 2004
Total assets	\$ 943,196	\$ 912,495	\$ 798,309	\$ 798,884	\$ 838,201	\$ 706,804	\$ 531,379
Adjusted assets ⁽¹⁾	653,861	606,139	523,083	522,336	541,033	466,500	347,082
Total shareholders' equity	38,459	36,900	33,493	31,800	35,786	28,002	25,079
Tangible equity capital ⁽²⁾	38,540	34,662	31,113	29,488	33,517	26,030	22,958
Leverage ratio ⁽³⁾	24.5 x	24.7 x	23.8 x	25.1 x	23.4 x	25.2 x	21.2 x
Adjusted leverage ratio ⁽⁴⁾	17.0 x	17.5 x	16.8 x	17.7 x	16.1 x	17.9 x	15.1 x
Common shareholders' equity	\$ 35,359	\$ 33,800	\$ 30,393	\$ 29,200	\$ 32,686	\$ 26,252	\$ 25,079
Tangible common shareholders' equity ⁽⁵⁾	30,440	28,812	25,263	24,138	27,667	21,530	20,208
Book value per common share ⁽⁶⁾	\$ 81.30	\$ 77.12	\$ 67.87	\$ 64.92	\$ 72.62	\$ 57.02	\$ 50.77
Tangible book value per common share ⁽⁷⁾	69.99	65.74	56.42	53.66	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 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 a reconciliation of total assets to adjusted assets:

	As of						
	May 2007	February 2007	August 2006	May 2006	November 2006	November 2005	November 2004
Total assets	\$ 943,196	\$ 912,495	\$ 798,309	\$ 798,884	\$ 838,201	\$ 706,804	\$ 531,379
Deduct: Securities borrowed	(243,835)	(241,270)	(210,190)	(210,287)	(219,342)	(191,800)	(155,086)
Financial instruments purchased under agreements to resell, at fair value	(69,213)	(81,866)	(82,958)	(86,944)	(82,126)	(83,619)	(44,257)
Add: Financial instruments sold, but not yet purchased, at fair value	177,202	166,481	156,557	159,801	155,805	149,071	132,097
Less derivative liabilities	(70,304)	(66,409)	(57,196)	(63,316)	(65,496)	(57,829)	(64,001)
Subtotal	106,898	100,072	99,361	96,485	90,309	91,242	68,096
Deduct: Cash and securities segregated for regulatory and other purposes	(78,266)	(78,284)	(76,309)	(70,740)	(80,990)	(51,405)	(48,179)
Goodwill and identifiable intangible assets, excluding power contacts	(4,919)	(4,988)	(5,130)	(5,062)	(5,019)	(4,722)	(4,871)
Adjusted assets	\$ 653,861	\$ 606,139	\$ 523,083	\$ 522,336	\$ 541,033	\$ 466,500	\$ 347,082

(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 2007	February 2007	August 2006	May 2006	November 2006	November 2005	November 2004
Total shareholders' equity	\$ 38,459	\$ 36,900	\$ 33,493	\$ 31,800	\$ 35,786	\$ 28,002	\$ 25,079
Add: Junior subordinated debt issued to trusts	5,000	2,750	2,750	2,750	2,750	2,750	2,750
Deduct: Goodwill and identifiable intangible assets, excluding power contacts	(4,919)	(4,988)	(5,130)	(5,062)	(5,019)	(4,722)	(4,871)
Tangible equity capital	<u>\$ 38,540</u>	<u>\$ 34,662</u>	<u>\$ 31,113</u>	<u>\$ 29,488</u>	<u>\$ 33,517</u>	<u>\$ 26,030</u>	<u>\$ 22,958</u>

(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						
	May 2007	February 2007	August 2006	May 2006	November 2006	November 2005	November 2004
Total shareholders' equity	\$ 38,459	\$ 36,900	\$ 33,493	\$ 31,800	\$ 35,786	\$ 28,002	\$ 25,079
Deduct: Preferred stock	(3,100)	(3,100)	(3,100)	(2,600)	(3,100)	(1,750)	-
Common shareholders' equity	35,359	33,800	30,393	29,200	32,686	26,252	25,079
Deduct: Goodwill and identifiable intangible assets, excluding power contacts	(4,919)	(4,988)	(5,130)	(5,062)	(5,019)	(4,722)	(4,871)
Tangible common shareholders' equity	<u>\$ 30,440</u>	<u>\$ 28,812</u>	<u>\$ 25,263</u>	<u>\$ 24,138</u>	<u>\$ 27,667</u>	<u>\$ 21,530</u>	<u>\$ 20,208</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						
	May 2007	February 2007	August 2006	May 2006 (in millions)	November 2006	November 2005	November 2004
Common shares outstanding, including RSUs granted to employees with no future service requirements	434.9	438.3	447.8	449.8	450.1	460.4	494.0