

Net Earnings Applicable to Common Shareholders, Diluted Earnings per Common Share and Average Common Shareholders' Equity Excluding the Impact of U.K. Bank Payroll Tax and SEC Settlement

(in millions, except per share amounts)

The following table sets forth the firm's annualized return on average common shareholders' equity and diluted earnings per common share, both including and excluding the impact of the \$600 million U.K. bank payroll tax and the \$550 million SEC settlement in the second quarter of 2010:

	For the			
	Nine Months Ended September 2010		Three Months Ended June 2010	
Diluted earnings per common share	\$	9.39	\$	0.78
Annualized return on average common shareholders' equity ⁽¹⁾		11.6 %		7.9 %
Diluted earnings per common share, excluding the impact of U.K. bank payroll tax and SEC settlement ⁽²⁾	\$	11.34	\$	2.75
Annualized return on average common shareholders' equity, excluding the impact of U.K. bank payroll tax and SEC settlement ⁽²⁾		13.2 %		9.5 %

⁽¹⁾ Annualized ROE is computed by dividing annualized net earnings applicable to common shareholders by average monthly common shareholders' equity. The \$600 million U.K. bank payroll tax and the \$550 million SEC settlement in the second quarter of 2010 were not annualized in the calculation of annualized net earnings applicable to common shareholders for the nine months ended September 2010 as these were one-time events and therefore these amounts have no impact on other quarters in the year.

⁽²⁾ Management believes that presenting the firm's results excluding the impact of the \$600 million U.K. bank payroll tax and the \$550 million SEC settlement in the second quarter of 2010 is meaningful as these were one-time events and excluding them increases the comparability of period-to-period results. The following tables set forth the calculation of net earnings applicable to common shareholders, diluted earnings per common share and average common shareholders' equity excluding the impact of these amounts:

	For the			
	Nine Months Ended September 2010		Three Months Ended June 2010	
Net earnings applicable to common shareholders	\$	5,486	\$	453
Impact of U.K. bank payroll tax		600		600
Pre-tax impact of SEC settlement		550		550
Tax impact of SEC settlement		(6)		(6)
Net earnings applicable to common shareholders, excluding the impact of U.K. bank payroll tax and SEC settlement	\$	6,630	\$	1,597
Divided by: average diluted common shares outstanding		584.4		580.4
Diluted earnings per common share, excluding the impact of U.K. bank payroll tax and SEC settlement	\$	11.34	\$	2.75

	Average for the			
	Nine Months Ended September 2010		Three Months Ended June 2010	
Total shareholders' equity	\$	73,557	\$	73,529
Preferred stock		(6,957)		(6,957)
Common shareholders' equity		66,600		66,572
Impact of U.K. bank payroll tax on average common shareholders' equity		300		300
Impact of SEC settlement on average common shareholders' equity		218		136
Common shareholders' equity, excluding the impact of U.K. bank payroll tax and SEC settlement	\$	67,118	\$	67,008

Effective Income Tax Rate Excluding the Impact of U.K. Bank Payroll Tax and SEC Settlement

(\$ in millions)

Management believes that presenting the firm's effective income tax rate excluding the impact of the \$600 million U.K. bank payroll tax and the \$550 million SEC settlement in the second quarter of 2010, substantially all of which is non-deductible, is meaningful as these were one-time events and excluding them increases the comparability of period-to-period results. The following table sets forth the calculation of the effective income tax rate excluding the impact of these amounts:

	For the Nine Months Ended September 2010		
	Pre-tax earnings	Provision for taxes	Effective income tax rate
As reported	\$ 9,418	\$ 3,451	36.6%
Add back:			
Impact of U.K. bank payroll tax	600	-	
Impact of SEC settlement	550	6	
As adjusted	<u>\$ 10,568</u>	<u>\$ 3,457</u>	32.7%

	For the Six Months Ended June 2010		
	Pre-tax earnings	Provision for taxes	Effective income tax rate
As reported	\$ 6,607	\$ 2,538	38.4%
Add back:			
Impact of U.K. bank payroll tax	600	-	
Impact of SEC settlement	550	6	
As adjusted	<u>\$ 7,757</u>	<u>\$ 2,544</u>	32.8%

Ratio of Compensation and Benefits to Net Revenues Excluding the Impact of U.K. Bank Payroll Tax

(\$ in millions)

Management believes that presenting the firm's ratio of compensation and benefits to net revenues excluding the impact of the \$600 million U.K. bank payroll tax in the second quarter of 2010 is meaningful as this was a one-time event and excluding it increases the comparability of period-to-period results.

	For the Nine Months Ended September 2010	
Compensation and benefits (which excludes the impact of the \$600 million U.K. bank payroll tax)	\$ 13,123	
Ratio of compensation and benefits to net revenues	43.0	%
Compensation and benefits, including the impact of the \$600 million U.K. bank payroll tax	\$ 13,723	
Ratio of compensation and benefits to net revenues, including the impact of the \$600 million U.K. bank payroll tax	45.0	%

Adjusted Assets, Tangible Equity Capital, Adjusted Leverage Ratio, Tangible Book Value Per Common Share and Tier 1 Common Ratio

(\$ in millions, except per share amounts)

The following table sets forth information on the firm's assets, shareholders' equity, leverage ratios, book value per common share and Tier 1 common ratio:

	As of			
	September 2010	June 2010	March 2010	December 2009
Total assets	\$ 908,679	\$ 883,188	\$ 880,528	\$ 848,942
Adjusted assets ⁽¹⁾	579,894	551,117	548,503	546,151
Total shareholders' equity	75,657	73,819	72,944	70,714
Tangible equity capital ⁽²⁾	74,791	72,925	71,961	70,794
Leverage ratio ⁽³⁾	12.0 x	12.0 x	12.1 x	12.0 x
Adjusted leverage ratio ⁽⁴⁾	7.8 x	7.6 x	7.6 x	7.7 x
Common shareholders' equity	\$ 68,700	\$ 66,862	\$ 65,987	\$ 63,757
Tangible common shareholders' equity ⁽⁵⁾	62,834	60,968	60,004	58,837
Book value per common share	\$ 127.08	\$ 123.73	\$ 122.52	\$ 117.48
Tangible book value per common share ^{(5) (6)}	116.23	112.82	111.41	108.42
Risk-weighted assets (RWAs) ⁽⁷⁾	\$ 443,792	\$ 451,247	\$ 455,790	\$ 431,890
Tier 1 common ratio ⁽⁸⁾	13.0 %	12.5 %	12.4 %	12.2 %

⁽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 which are deducted when calculating tangible equity capital (see footnote 2 below). The following table sets forth the reconciliation of total assets to adjusted assets:

	As of			
	September 2010	June 2010	March 2010	December 2009
Total assets	\$ 908,679	\$ 883,188	\$ 880,528	\$ 848,942
Deduct: Securities borrowed	(184,068)	(190,079)	(202,841)	(189,939)
Securities purchased under agreements to resell and federal funds sold	(178,109)	(169,280)	(166,368)	(144,279)
Add: Trading liabilities, at fair value	155,217	147,170	140,081	129,019
Less derivative liabilities	(63,767)	(57,574)	(53,861)	(56,009)
Subtotal	91,450	89,596	86,220	73,010
Deduct: Cash and securities segregated for regulatory and other purposes	(52,192)	(56,414)	(43,053)	(36,663)
Goodwill and identifiable intangible assets	(5,866)	(5,894)	(5,983)	(4,920)
Adjusted assets	\$ 579,894	\$ 551,117	\$ 548,503	\$ 546,151

⁽²⁾ Tangible equity capital equals total shareholders' equity and junior subordinated debt issued to trusts less goodwill and identifiable intangible assets. 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			
	September 2010	June 2010	March 2010	December 2009
Total shareholders' equity	\$ 75,657	\$ 73,819	\$ 72,944	\$ 70,714
Add: Junior subordinated debt issued to trusts	5,000	5,000	5,000	5,000
Deduct: Goodwill and identifiable intangible assets	(5,866)	(5,894)	(5,983)	(4,920)
Tangible equity capital	\$ 74,791	\$ 72,925	\$ 71,961	\$ 70,794

⁽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 the firm's 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. 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 (RSUs) granted to employees with no future service requirements. Management believes that tangible common shareholders' equity and tangible book value per common share are meaningful because they are measures that management 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			
	September 2010	June 2010	March 2010	December 2009
Total shareholders' equity	\$ 75,657	\$ 73,819	\$ 72,944	\$ 70,714
Deduct: Preferred stock	(6,957)	(6,957)	(6,957)	(6,957)
Common shareholders' equity	68,700	66,862	65,987	63,757
Deduct: Goodwill and identifiable intangible assets	(5,866)	(5,894)	(5,983)	(4,920)
Tangible common shareholders' equity	\$ 62,834	\$ 60,968	\$ 60,004	\$ 58,837

⁽⁶⁾ The following table sets forth common shares outstanding, including RSUs granted to employees with no future service requirements:

	As of			
	September 2010	June 2010	March 2010	December 2009
Common shares outstanding, including RSUs granted to employees with no future service requirements	540.6	540.4	538.6	542.7

(in millions)

⁽⁷⁾ RWAs are calculated in accordance with the regulatory capital requirements currently applicable to bank holding companies, which are based on the Capital Accord of the Basel Committee on Banking Supervision (Basel I).

⁽⁸⁾ The Tier 1 common ratio equals Tier 1 capital less preferred stock and junior subordinated debt issued to trusts, divided by RWAs. Management believes that the Tier 1 common ratio is meaningful because it is one of the measures that management and investors use to assess capital adequacy. The following table sets forth the reconciliation of Tier 1 capital to Tier 1 common capital:

	As of			
	September 2010	June 2010	March 2010	December 2009
Tier 1 capital	\$ 69,800	\$ 68,484	\$ 68,472	\$ 64,642
Deduct: Preferred stock	(6,957)	(6,957)	(6,957)	(6,957)
Junior subordinated debt issued to trusts	(5,000)	(5,000)	(5,000)	(5,000)
Tier 1 common capital	\$ 57,843	\$ 56,527	\$ 56,515	\$ 52,685