

Net Earnings Applicable to Common Shareholders, Diluted Earnings per Common Share (EPS) and Average Common Shareholders' Equity Excluding the Impact of the Series G Preferred Stock Dividend

(\$ in millions, except per share amounts)

Management believes that presenting the firm's results excluding the impact of the \$1.64 billion Series G Preferred Stock dividend in the first quarter of 2011 is meaningful because it increases the comparability of period-to-period results. EPS and return on average common shareholders' equity (ROE) excluding this dividend are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies. The table below presents the firm's EPS and annualized ROE including and excluding the impact of the Series G Preferred Stock dividend.

	For the			
	Six Months Ended June 30, 2011		Three Months Ended March 31, 2011	
Diluted earnings per common share	\$	3.40	\$	1.56
Annualized return on average common shareholders' equity ⁽¹⁾		8.0 %		12.2 %
Diluted earnings per common share, excluding the impact of the Series G Preferred Stock dividend ⁽²⁾	\$	6.25	\$	4.38
Annualized return on average common shareholders' equity, excluding the impact of the Series G Preferred Stock dividend ⁽²⁾		10.2 %		14.5 %

⁽¹⁾ Annualized ROE is computed by dividing annualized net earnings applicable to common shareholders by average monthly common shareholders' equity. The impact of the \$1.64 billion Series G Preferred Stock dividend in the first quarter of 2011 was not annualized in the calculation of annualized net earnings applicable to common shareholders for the six months ended June 2011 as this amount has no impact on other quarters in the year.

⁽²⁾ The tables below present the calculation of net earnings applicable to common shareholders, EPS and average common shareholders' equity excluding the impact of the \$1.64 billion Series G Preferred Stock dividend.

	For the			
	Six Months Ended June 30, 2011		Three Months Ended March 31, 2011	
Net earnings applicable to common shareholders	\$	1,960	\$	908
Impact of the Series G Preferred Stock dividend		1,643		1,643
Net earnings applicable to common shareholders, excluding the impact of the Series G Preferred Stock dividend		3,603		2,551
Divided by: average diluted common shares outstanding		576.4		583.0
Diluted earnings per common share, excluding the impact of the Series G Preferred Stock dividend	\$	6.25	\$	4.38

	Average for the			
	Six Months Ended June 30, 2011		Three Months Ended March 31, 2011	
Total shareholders' equity	\$	74,519	\$	76,052
Preferred stock		(4,753)		(5,993)
Common shareholders' equity		69,766		70,059
Impact of the Series G Preferred Stock dividend		939		411
Common shareholders' equity, excluding the impact of the Series G Preferred Stock dividend	\$	70,705	\$	70,470

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

(\$ in millions, except per share amounts)

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. EPS and ROE excluding these items are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies. The table below presents the firm's EPS and annualized ROE including and excluding the impact of the U.K. bank payroll tax and the SEC settlement.

	For the	
	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Diluted earnings per common share	\$ 0.78	\$ 6.41
Annualized return on average common shareholders' equity ⁽¹⁾	7.9 %	13.1 %
Diluted earnings per common share, excluding the impact of U.K. bank payroll tax and SEC settlement ⁽²⁾	\$ 2.75	\$ 8.36
Annualized return on average common shareholders' equity, excluding the impact of U.K. bank payroll tax and SEC settlement ⁽²⁾	9.5 %	14.8 %

⁽¹⁾ Annualized ROE is computed by dividing annualized net earnings applicable to common shareholders by average monthly common shareholders' equity. The impact of 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 three and six months ended June 2010 as these are one-time events and therefore these amounts have no impact on other quarters in the year.

⁽²⁾ The tables below present the calculation of net earnings applicable to common shareholders, EPS and average common shareholders' equity excluding the impact of the \$600 million U.K. bank payroll tax and the \$550 million SEC settlement.

	For the	
	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Net earnings applicable to common shareholders	\$ 453	\$ 3,749
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	\$ 1,597	\$ 4,893
Divided by: average diluted common shares outstanding	580.4	585.2
Diluted earnings per common share, excluding the impact of U.K. bank payroll tax and SEC settlement	\$ 2.75	\$ 8.36

	Average for the	
	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Total shareholders' equity	\$ 73,529	\$ 72,986
Preferred stock	(6,957)	(6,957)
Common shareholders' equity	66,572	66,029
Impact of U.K. bank payroll tax	300	171
Impact of SEC settlement	136	78
Common shareholders' equity, excluding the impact of U.K. bank payroll tax and SEC settlement	\$ 67,008	\$ 66,278

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

(\$ in millions)

Management believes that presenting the firm's effective income tax rate for 2010 excluding the impact of the U.K. bank payroll tax for the full year and the SEC settlement, substantially all of which is non-deductible, is meaningful as excluding these items increases the comparability of period-to-period results. Effective income tax rate excluding the impact of these items is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies. The table below presents the calculation of the effective income tax rate excluding the impact of these amounts.

	For the		
	Year Ended December 31, 2010		
	Pre-tax earnings	Provision for taxes	Effective income tax rate
As reported	\$ 12,892	\$ 4,538	35.2%
Add back:			
Impact of the U.K. bank payroll tax	465	-	
Impact of the SEC settlement	550	6	
As adjusted	<u>\$ 13,907</u>	<u>\$ 4,544</u>	32.7%

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

(\$ in millions)

The firm's total compensation and benefits expense including the \$600 million bank payroll tax were \$4.40 billion and \$9.90 billion for the three and six months ended June 2010, respectively. 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 is meaningful as this is a one-time event and excluding it increases the comparability of period-to-period results. The ratio of compensation and benefits to net revenues excluding the impact of this item is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies. The table below presents the calculation of the ratio of compensation and benefits to net revenues including and excluding the impact of this item.

	For the	
	Six Months Ended	
	June 2010	
Compensation and benefits (which excludes the impact of the \$600 million U.K. bank payroll tax)	\$ 9,295	
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	\$ 9,895	
Ratio of compensation and benefits to net revenues, including the impact of the \$600 million U.K. bank payroll tax	45.8	%

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

(\$ in millions, except per share amounts)

The table below presents information on the firm's assets, shareholders' equity, leverage ratios, book value per common share and Tier 1 common ratio.

	As of					
	June 2011		March 2011		December 2010	
Total assets	\$	936,910	\$	933,289	\$	911,332
Adjusted assets ⁽¹⁾		639,809		633,073		588,927
Total shareholders' equity		72,356		72,469		77,356
Leverage ratio ⁽²⁾		12.9 x		12.9 x		11.8 x
Adjusted leverage ratio ⁽³⁾		8.8 x		8.7 x		7.6 x
Common shareholders' equity	\$	69,256	\$	69,369	\$	70,399
Tangible common shareholders' equity ⁽⁴⁾		64,069		64,131		64,877
Book value per common share ⁽⁵⁾	\$	131.44	\$	129.40	\$	128.72
Tangible book value per common share ^{(4) (5)}		121.60		119.63		118.63
Risk-weighted assets (RWAs) ⁽⁶⁾	\$	451,010	\$	455,811	\$	444,290
Tier 1 common ratio ⁽⁷⁾		12.9 %		12.8 %		13.3 %

(1) Adjusted assets equals total assets less (i) low-risk collateralized assets generally associated with the firm's secured client financing transactions, federal funds sold and excess liquidity and (ii) cash and securities segregated for regulatory and other purposes. Adjusted assets is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies. The table below presents the reconciliation of total assets to adjusted assets.

	As of					
	June 2011	March 2011	December 2010			
Total assets	\$	936,910	\$	933,289	\$	911,332
Deduct: Securities borrowed		(175,472)		(184,217)		(166,306)
Securities purchased under agreements to resell and federal funds sold		(162,285)		(162,094)		(188,355)
Add: Financial instruments sold, but not yet purchased, at fair value		149,639		150,998		140,717
Less derivative liabilities		(47,492)		(51,391)		(54,730)
Subtotal		102,147		99,607		85,987
Deduct: Cash and securities segregated for regulatory and other purposes		(61,491)		(53,512)		(53,731)
Adjusted assets	\$	639,809	\$	633,073	\$	588,927

⁽²⁾ The leverage ratio equals total assets divided by total shareholders' equity.

⁽³⁾ The adjusted leverage ratio equals adjusted assets divided by total shareholders' equity. 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. The adjusted leverage ratio is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies.

⁽⁴⁾ 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 the firm and investors use to assess capital adequacy. Tangible common shareholders' equity and tangible book value per common share are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies. The table below presents the reconciliation of total shareholders' equity to tangible common shareholders' equity.

	As of		
	June 2011	March 2011	December 2010
Total shareholders' equity	\$ 72,356	\$ 72,469	\$ 77,356
Deduct: Preferred stock	(3,100)	(3,100)	(6,957)
Common shareholders' equity	69,256	69,369	70,399
Deduct: Goodwill and identifiable intangible assets	(5,187)	(5,238)	(5,522)
Tangible common shareholders' equity	<u>\$ 64,069</u>	<u>\$ 64,131</u>	<u>\$ 64,877</u>

⁽⁵⁾ The table below presents common shares outstanding, including RSUs granted to employees with no future service requirements.

	As of		
	June 2011	March 2011 (in millions)	December 2010
Common shares outstanding, including RSUs granted to employees with no future service requirements	526.9	536.1	546.9

⁽⁶⁾ 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 1).

⁽⁷⁾ The Tier 1 common ratio equals Tier 1 common capital divided by RWAs. Management believes that the Tier 1 common ratio is meaningful because it is one of the measures that the firm and investors use to assess capital adequacy and, while not currently a formal regulatory capital ratio, this measure is of increasing importance to regulators. The Tier 1 common ratio is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies. The table below presents the reconciliation of Tier 1 capital to Tier 1 common capital.

	As of		
	June 2011	March 2011	December 2010
Tier 1 capital	\$ 66,365	\$ 66,387	\$ 71,233
Deduct: Preferred stock	(3,100)	(3,100)	(6,957)
Junior subordinated debt issued to trusts	(5,000)	(5,000)	(5,000)
Tier 1 common capital	<u>\$ 58,265</u>	<u>\$ 58,287</u>	<u>\$ 59,276</u>