

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

(in millions, except per share amounts)

The table below presents the firm's return on average common shareholders' equity (ROE) and diluted earnings per common share, both including and excluding the impact of the U.K. bank payroll tax, the SEC settlement and the New York Stock Exchange (NYSE) Designated Market Maker (DMM) rights impairment.

	Year Ended December 2010	
Diluted earnings per common share	\$	13.18
Return on average common shareholders' equity ⁽¹⁾		11.5 %
Diluted earnings per common share, excluding the impact of the U.K. bank payroll tax, the SEC settlement and the NYSE DMM rights impairment ⁽²⁾	\$	15.22
Return on average common shareholders' equity, excluding the impact of the U.K. bank payroll tax, the SEC settlement and the NYSE DMM rights impairment ⁽²⁾		13.1 %

⁽¹⁾ ROE is computed by dividing net earnings applicable to common shareholders by average monthly common shareholders' equity.

⁽²⁾ Management believes that presenting the firm's results excluding the impact of the U.K. bank payroll tax, the SEC settlement and the NYSE DMM rights impairment is meaningful, as excluding these items increases the comparability of period-to-period results. The tables below present 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.

	Year Ended December 2010	
Net earnings applicable to common shareholders	\$	7,713
Impact of the U.K. bank payroll tax		465
Pre-tax impact of the SEC settlement		550
Tax impact of the SEC settlement		(6)
Pre-tax impact of the NYSE DMM rights impairment		305
Tax impact of the NYSE DMM rights impairment		(118)
Net earnings applicable to common shareholders, excluding the impact of the U.K. bank payroll tax, the SEC settlement and the NYSE DMM rights impairment	\$	8,909
Divided by: average diluted common shares outstanding		585.3
Diluted earnings per common share, excluding the impact of the U.K. bank payroll tax, the SEC settlement and the NYSE DMM rights impairment	\$	15.22

	Average for the Year Ended December 2010	
Total shareholders' equity	\$	74,257
Preferred stock		(6,957)
Common shareholders' equity		67,300
Impact of the U.K. bank payroll tax		359
Impact of the SEC settlement		293
Impact of the NYSE DMM rights impairment		14
Common shareholders' equity, excluding the impact of the U.K. bank payroll tax, the SEC settlement and the NYSE DMM rights impairment	\$	67,966

Ratio of Compensation and Benefits to Net Revenues Excluding the Impact of the 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 U.K. bank payroll tax is meaningful, as excluding this item increases the comparability of period-to-period results.

	Year Ended December 2010	
Compensation and benefits (which excludes the impact of the \$465 million U.K. bank payroll tax)	\$ 15,376	%
Ratio of compensation and benefits to net revenues	39.3	%
Compensation and benefits, including the impact of the \$465 million U.K. bank payroll tax	\$ 15,841	%
Ratio of compensation and benefits to net revenues, including the impact of the \$465 million U.K. bank payroll tax	40.5	%

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 excluding the impact of the U.K. bank payroll tax 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. The table below presents the calculation of the effective income tax rate excluding the impact of these amounts.

	Year Ended December 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	\$ 13,907	\$ 4,544	32.7%

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					
	December 2010	September 2010	June 2010	March 2010	December 2009	November 2008
Total assets	\$ 911,332	\$ 908,679	\$ 883,188	\$ 880,528	\$ 848,942	\$ 884,547
Adjusted assets ⁽¹⁾	588,927	585,760	557,011	554,486	551,071	533,344
Total shareholders' equity	77,356	75,657	73,819	72,944	70,714	64,369
Leverage ratio ⁽²⁾	11.8 x	12.0 x	12.0 x	12.1 x	12.0 x	13.7 x
Adjusted leverage ratio ⁽³⁾	7.6 x	7.7 x	7.5 x	7.6 x	7.8 x	8.3 x
Common shareholders' equity	\$ 70,399	\$ 68,700	\$ 66,862	\$ 65,987	\$ 63,757	\$ 47,898
Tangible common shareholders' equity ⁽⁴⁾	64,877	62,834	60,968	60,004	58,837	42,846
Book value per common share	\$ 128.72	\$ 127.08	\$ 123.73	\$ 122.52	\$ 117.48	\$ 98.68
Tangible book value per common share ^{(4) (5)}	118.63	116.23	112.82	111.41	108.42	88.27
Risk-weighted assets (RWAs) ⁽⁶⁾	\$ 444,290	\$ 443,792	\$ 451,247	\$ 455,790	\$ 431,890	\$ N.A.
Tier 1 common ratio ⁽⁷⁾	13.3 %	13.0 %	12.5 %	12.4 %	12.2 %	N.A.

(1) Adjusted assets equals total assets less (i) low-risk collateralized assets generally associated with the firm's secured client financing transactions and federal funds sold and (ii) cash and securities segregated for regulatory and other purposes. The table below presents the reconciliation of total assets to adjusted assets.

	As of					
	December 2010	September 2010	June 2010	March 2010	December 2009	November 2008
Total assets	\$ 911,332	\$ 908,679	\$ 883,188	\$ 880,528	\$ 848,942	\$ 884,547
Deduct: Securities borrowed	(166,306)	(184,068)	(190,079)	(202,841)	(189,939)	(180,795)
Securities purchased under agreements to resell and federal funds sold	(188,355)	(178,109)	(169,280)	(166,368)	(144,279)	(122,021)
Add: Financial instruments sold, but not yet purchased, at fair value	140,717	155,217	147,170	140,081	129,019	175,972
Less derivative liabilities	(54,730)	(63,767)	(57,574)	(53,861)	(56,009)	(117,695)
Subtotal	85,987	91,450	89,596	86,220	73,010	58,277
Deduct: Cash and securities segregated for regulatory and other purposes	(53,731)	(52,192)	(56,414)	(43,053)	(36,663)	(106,664)
Adjusted assets	\$ 588,927	\$ 585,760	\$ 557,011	\$ 554,486	\$ 551,071	\$ 533,344

(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.

(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 management and investors use to assess capital adequacy. The table below presents the reconciliation of total shareholders' equity to tangible common shareholders' equity.

	As of					
	December 2010	September 2010	June 2010	March 2010	December 2009	November 2008
Total shareholders' equity	\$ 77,356	\$ 75,657	\$ 73,819	\$ 72,944	\$ 70,714	\$ 64,369
Deduct: Preferred stock	(6,957)	(6,957)	(6,957)	(6,957)	(6,957)	(16,471)
Common shareholders' equity	70,399	68,700	66,862	65,987	63,757	47,898
Deduct: Goodwill and identifiable intangible assets	(5,522)	(5,866)	(5,894)	(5,983)	(4,920)	(5,052)
Tangible common shareholders' equity	\$ 64,877	\$ 62,834	\$ 60,968	\$ 60,004	\$ 58,837	\$ 42,846

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

	As of					
	December 2010	September 2010	June 2010	March 2010	December 2009	November 2008
	(in millions)					
Common shares outstanding, including RSUs granted to employees with no future service requirements	546.9	540.6	540.4	538.6	542.7	485.4

(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 I).

(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 management and investors use to assess capital adequacy. The table below presents the reconciliation of Tier 1 capital to Tier 1 common capital.

	As of					
	December 2010	September 2010	June 2010	March 2010	December 2009	November 2008
Tier 1 capital	\$ 71,233	\$ 69,800	\$ 68,484	\$ 68,472	\$ 64,642	N.A.
Deduct: Preferred stock	(6,957)	(6,957)	(6,957)	(6,957)	(6,957)	N.A.
Junior subordinated debt issued to trusts	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	N.A.
Tier 1 common capital	\$ 59,276	\$ 57,843	\$ 56,527	\$ 56,515	\$ 52,685	N.A.