

Net Earnings Applicable to Common Shareholders, Diluted Earnings per Common Share and Average Common Shareholders' Equity Excluding the Impact of One-Time TARP Preferred Dividend
(\$ in millions, except per share amounts)

The following table sets forth the firm's return on average common shareholders' equity and diluted earnings per common share, both including and excluding the impact of the one-time preferred dividend related to the repurchase of the firm's Troubled Asset Relief Program (TARP) preferred stock:

	Three Months Ended	Six Months Ended
	June 2009	June 2009
Annualized return on average common shareholders' equity ⁽¹⁾	23.0%	18.3%
Annualized return on average common shareholders' equity, excluding the impact of one-time TARP preferred dividend ⁽²⁾	23.8%	19.2%
Diluted earnings per common share	\$ 4.93	\$ 8.42
Diluted earnings per common share, excluding the impact of one-time TARP preferred dividend ⁽²⁾	\$ 5.71	\$ 9.23

⁽¹⁾ Annualized return on average common shareholders' equity (ROE) is computed by dividing annualized net earnings applicable to common shareholders by average monthly common shareholders' equity. The one-time preferred dividend of \$426 million related to the repurchase of the firm's TARP preferred stock (calculated as the difference between the carrying value and the redemption value of the preferred stock) was not annualized in the calculation of annualized net earnings applicable to common shareholders since it has no impact on other quarters in the year.

⁽²⁾ Management believes that presenting the firm's results excluding the impact of the one-time preferred dividend of \$426 million related to the repurchase of the firm's TARP preferred stock is meaningful because it 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 this one-time preferred dividend:

	Three Months Ended	Six Months Ended
	June 2009	June 2009
Net earnings applicable to common shareholders	\$ 2,718	\$ 4,377
Impact of one-time TARP preferred dividend	426	426
Net earnings applicable to common shareholders, excluding the impact of one-time TARP preferred dividend	3,144	4,803
Divided by: average diluted common shares outstanding	551.0	520.1
Diluted earnings per common share, excluding the impact of one-time TARP preferred dividend	<u>\$ 5.71</u>	<u>\$ 9.23</u>

	Average for the	
	Three Months Ended	Six Months Ended
	June 2009	June 2009
Total shareholders' equity	\$ 66,870	\$ 65,167
Preferred stock	(14,125)	(15,139)
Common shareholders' equity	52,745	50,028
Impact of one-time TARP preferred dividend on average common shareholders' equity	107	61
Common shareholders' equity, excluding the impact of one-time TARP preferred dividend on average common shareholders' equity	<u>\$ 52,852</u>	<u>\$ 50,089</u>

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		
	June 2009	March 2009	November 2008
Total assets	\$ 889,544	\$ 925,290	\$ 884,547
Adjusted assets ⁽¹⁾	553,021	535,901	528,292
Total shareholders' equity	62,813	63,553	64,369
Tangible equity capital ⁽²⁾	62,840	63,549	64,317
Leverage ratio ⁽³⁾	14.2 x	14.6 x	13.7
Adjusted leverage ratio ⁽⁴⁾	8.8 x	8.4 x	8.2
Common shareholders' equity	\$ 55,856	\$ 47,046	\$ 47,898
Tangible common shareholders' equity ⁽⁵⁾	50,883	42,042	42,846
Book value per common share ⁽⁶⁾	\$ 106.41	\$ 98.82	\$ 98.68
Tangible book value per common share ⁽⁷⁾	96.94	88.30	88.27

⁽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. The following table sets forth the reconciliation of total assets to adjusted assets:

	As of		
	June 2009	March 2009	November 2008
Total assets	\$ 889,544	\$ 925,290	\$ 884,547
Deduct: Securities borrowed	(218,544)	(228,245)	(180,795)
Securities purchased under agreements to resell and federal funds sold	(138,339)	(143,155)	(122,021)
Add: Trading liabilities, at fair value	147,297	147,221	175,972
Less derivative liabilities	(68,151)	(90,620)	(117,695)
Subtotal	79,146	56,601	58,277
Deduct: Cash and securities segregated for regulatory and other purposes	(53,813)	(69,586)	(106,664)
Goodwill and identifiable intangible assets	(4,973)	(5,004)	(5,052)
Adjusted assets	\$ 553,021	\$ 535,901	\$ 528,292

(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		
	June 2009	March 2009	November 2008
Total shareholders' equity	\$ 62,813	\$ 63,553	\$ 64,369
Add: Junior subordinated debt issued to trusts	5,000	5,000	5,000
Deduct: Goodwill and identifiable intangible assets	(4,973)	(5,004)	(5,052)
Tangible equity capital	<u>\$ 62,840</u>	<u>\$ 63,549</u>	<u>\$ 64,317</u>

(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 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. Management believes that tangible common shareholders' equity is meaningful because it is one of the measures that the firm 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		
	June 2009	March 2009	November 2008
Total shareholders' equity	\$ 62,813	\$ 63,553	\$ 64,369
Deduct: Preferred stock	(6,957)	(16,507)	(16,471)
Common shareholders' equity	55,856	47,046	47,898
Deduct: Goodwill and identifiable intangible assets	(4,973)	(5,004)	(5,052)
Tangible common shareholders' equity	<u>\$ 50,883</u>	<u>\$ 42,042</u>	<u>\$ 42,846</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		
	June 2009	March 2009 (in millions)	November 2008
Common shares outstanding, including RSUs granted to employees with no future service requirements	524.9	476.1	485.4