

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 |
|--|--------------------|-------------|----------|---------------|---------------|---------------|---------------|-------------------|------------------|
| | November 2006 | August 2006 | May 2006 | February 2006 | November 2006 | November 2005 | November 2004 | August 2006 | May 2006 |
| Annualized return on average common shareholders' equity ⁽¹⁾ | 41.5% | 20.9% | 32.5% | 36.4% | 32.8% | 21.8% | 19.8% | 29.6% | 34.3% |
| Annualized return on average tangible common shareholders' equity ⁽²⁾ | 50.0% | 25.2% | 39.5% | 44.4% | 39.8% | 26.7% | 25.2% | 36.0% | 41.8% |

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

⁽²⁾ Return on average tangible common shareholders' equity is computed by dividing net earnings applicable to common shareholders by average monthly tangible common shareholders' equity.

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Tangible common shareholders' equity equals total shareholders' equity less preferred stock, goodwill and identifiable intangible assets, excluding power contracts. In 2006, management amended its calculation of tangible common shareholders' equity. Management no longer deducts 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. Prior periods have been adjusted to conform to the current presentation.

Management believes that return on average tangible common shareholders' equity is meaningful because it measures the performance of businesses consistently, whether they were acquired or developed internally. Return on average tangible common shareholders' equity is computed by dividing net earnings (or annualized net earnings for annualized return on tangible common shareholders' equity) applicable to common shareholders by average monthly tangible common shareholders' equity. The following table sets forth a reconciliation of total shareholders' equity to tangible common shareholders' equity:

| | Average for the | | | | | | | | |
|---|--------------------|-------------|-----------|---------------|---------------|---------------|---------------|-------------------|------------------|
| | Three Months Ended | | | | Year Ended | | | Nine Months Ended | Six Months Ended |
| | November 2006 | August 2006 | May 2006 | February 2006 | November 2006 | November 2005 | November 2004 | August 2006 | May 2006 |
| Total shareholders' equity | \$ 33,034 | \$ 32,618 | \$ 30,082 | \$ 28,724 | \$ 31,048 | \$ 26,264 | \$ 22,975 | \$ 30,498 | \$ 29,473 |
| Preferred stock | (3,100) | (2,850) | (1,963) | (1,750) | (2,400) | (538) | - | (2,190) | (1,871) |
| Common shareholders' equity | 29,934 | 29,768 | 28,119 | 26,974 | 28,648 | 25,726 | 22,975 | 28,308 | 27,602 |
| Goodwill and identifiable intangible assets, excluding power contacts | (5,089) | (5,094) | (4,999) | (4,896) | (5,013) | (4,737) | (4,918) | (4,995) | (4,948) |
| Tangible common shareholders' equity | \$ 24,845 | \$ 24,674 | \$ 23,120 | \$ 22,078 | \$ 23,635 | \$ 20,989 | \$ 18,057 | \$ 23,313 | \$ 22,654 |

Reconciliation of Net Earnings, Diluted Earnings Per Common Share, Common Shareholders' Equity and the Ratio of Compensation and Benefits to Net Revenues as reported, to these items excluding incremental non-cash expenses related to the accounting for certain share-based awards under SFAS No. 123-R

(\$ in millions, except per share amounts)

Statement of Financial Accounting Standards (SFAS) No. 123-R, "Share-Based Payment," focuses primarily on accounting for transactions in which an entity obtains employee services in exchange for share-based payments. In the first quarter of 2006, the firm adopted SFAS No. 123-R, which requires that share-based awards held by employees that were retirement-eligible, including those subject to non-compete agreements, be expensed in the year of grant. In addition to expensing current year awards, prior year awards must continue to be amortized over the relevant service period. Therefore, compensation and benefits expenses in 2006 included (and, to a lesser extent, 2007 and 2008 will include) both amortization of prior year share-based awards held by employees that were retirement-eligible on the date of adoption of SFAS No. 123-R and new awards granted to those employees. Management believes that presenting the firm's results excluding the impact of the continued amortization of these prior year share-based awards increases the comparability of period-to-period operating results and allows for a more meaningful representation of the relationship of current period compensation to net revenues.

The following tables set forth a reconciliation of net earnings, diluted earnings per common share, common shareholders' equity and the ratio of compensation and benefits to net revenues, as reported, to these items excluding the impact of the continued amortization of prior year share-based awards granted to retirement-eligible employees:

| | Three Months Ended | | | | Year Ended November 2006 | Nine Months Ended August 2006 | Six Months Ended May 2006 |
|---|--------------------|-----------------|-----------------|-----------------|-----------------------------|----------------------------------|------------------------------|
| | November 2006 | August 2006 | May 2006 | February 2006 | | | |
| Net earnings | \$ 3,152 | \$ 1,594 | \$ 2,312 | \$ 2,479 | \$ 9,537 | \$ 6,385 | \$ 4,791 |
| Impact of the continued amortization of prior year share-based awards, net of tax | 81 | 90 | 91 | 159 | 421 | 340 | 250 |
| Net earnings, excluding the impact of the continued amortization of prior year share-based awards | 3,233 | 1,684 | 2,403 | 2,638 | 9,958 | 6,725 | 5,041 |
| Preferred stock dividends | (48) | (39) | (26) | (26) | (139) | (91) | (52) |
| Net earnings applicable to common shareholders, excluding the impact of the continued amortization of prior year share-based awards | <u>\$ 3,185</u> | <u>\$ 1,645</u> | <u>\$ 2,377</u> | <u>\$ 2,612</u> | <u>\$ 9,819</u> | <u>\$ 6,634</u> | <u>\$ 4,989</u> |

| | Three Months Ended | | | | Year Ended November 2006 | Nine Months Ended August 2006 | Six Months Ended May 2006 |
|--|--------------------|----------------|----------------|----------------|-----------------------------|----------------------------------|------------------------------|
| | November 2006 | August 2006 | May 2006 | February 2006 | | | |
| Diluted earnings per common share | \$ 6.59 | \$ 3.26 | \$ 4.78 | \$ 5.08 | \$ 19.69 | \$ 13.12 | \$ 9.86 |
| Impact of the continued amortization of prior year share-based awards, net of tax | 0.18 | 0.19 | 0.19 | 0.33 | 0.88 | 0.71 | 0.52 |
| Diluted earnings per common share, excluding the impact of the continued amortization of prior year share-based awards | <u>\$ 6.77</u> | <u>\$ 3.45</u> | <u>\$ 4.97</u> | <u>\$ 5.41</u> | <u>\$ 20.57</u> | <u>\$ 13.83</u> | <u>\$ 10.38</u> |

| | Average for the Three Months Ended | | | | Year Ended November 2006 | Nine Months Ended August 2006 | Six Months Ended May 2006 |
|--|---------------------------------------|------------------|------------------|------------------|-----------------------------|----------------------------------|------------------------------|
| | November 2006 | August 2006 | May 2006 | February 2006 | | | |
| Total shareholders' equity | \$ 33,034 | \$ 32,618 | \$ 30,082 | \$ 28,724 | \$ 31,048 | \$ 30,498 | \$ 29,473 |
| Preferred stock | (3,100) | (2,850) | (1,963) | (1,750) | (2,400) | (2,190) | (1,871) |
| Common shareholders' equity | 29,934 | 29,768 | 28,119 | 26,974 | 28,648 | 28,308 | 27,602 |
| Impact of the continued amortization of prior year share-based awards, net of tax | (192) | (147) | (105) | (48) | (122) | (98) | (76) |
| Common shareholders' equity, excluding the impact of the continued amortization of prior year share-based awards | 29,742 | 29,621 | 28,014 | 26,926 | 28,526 | 28,210 | 27,526 |
| Goodwill and identifiable intangible assets, excluding power contracts (see Return on Average Tangible Common Shareholders' Equity above) | (5,089) | (5,094) | (4,999) | (4,896) | (5,013) | (4,995) | (4,948) |
| Tangible common shareholders' equity (see Return on Average Tangible Common Shareholders' Equity above), excluding the impact of the continued amortization of prior year share-based awards | <u>\$ 24,653</u> | <u>\$ 24,527</u> | <u>\$ 23,015</u> | <u>\$ 22,030</u> | <u>\$ 23,513</u> | <u>\$ 23,215</u> | <u>\$ 22,578</u> |

The following table sets forth the firm's return on average common shareholders' equity and return on average tangible common shareholders' equity, excluding the impact of the continued amortization of prior year share-based awards:

| | Three Months Ended | | | | Year Ended | Nine Months Ended | Six Months Ended |
|--|--------------------|-------------|----------|---------------|---------------|-------------------|------------------|
| | November 2006 | August 2006 | May 2006 | February 2006 | November 2006 | August 2006 | May 2006 |
| Annualized return on average common shareholders' equity (See Return on Average Common Shareholders' Equity above) | 42.8% | 22.2% | 33.9% | 38.8% | 34.4% | 31.4% | 36.2% |
| Annualized return on average tangible common shareholders' equity (See Return on Average Tangible Common Shareholders' Equity above) | 51.7% | 26.8% | 41.3% | 47.4% | 41.8% | 38.1% | 44.2% |

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The firm's ratio of compensation and benefits to net revenues, excluding the impact of the continued amortization of prior year share-based awards, is computed by dividing compensation and benefits, excluding the impact of the continued amortization of prior year share-based awards held by employees that were retirement-eligible on the date of adoption of SFAS No. 123-R, by net revenues. Management believes that presenting the ratio of compensation and benefits to net revenues excluding the impact of the continued amortization of these awards enhances the comparability of period-to-period compensation and benefits and allows for a more meaningful representation of the relationship of current period compensation to net revenues. The following table sets forth the reconciliation of the ratio of compensation and benefits to net revenues, as reported, to the ratio of compensation and benefits to net revenues excluding the impact of the continued amortization of prior year share-based awards:

| | Three Months Ended | | | | Year Ended | Nine Months Ended | Six Months Ended |
|---|--------------------|-----------------|-----------------|-----------------|------------------|-------------------|------------------|
| | November 2006 | August 2006 | May 2006 | February 2006 | November 2006 | August 2006 | May 2006 |
| Compensation and benefits | \$ 2,505 | \$ 3,530 | \$ 5,108 | \$ 5,314 | \$ 16,457 | \$ 13,952 | \$ 10,422 |
| Impact of the continued amortization of prior year share-based awards | (129) | (133) | (138) | (237) | (637) | (508) | (375) |
| Compensation and benefits, excluding the impact of the continued amortization of prior year share-based awards | <u>\$ 2,376</u> | <u>\$ 3,397</u> | <u>\$ 4,970</u> | <u>\$ 5,077</u> | <u>\$ 15,820</u> | <u>\$ 13,444</u> | <u>\$ 10,047</u> |
| Total net revenues | \$ 9,407 | \$ 7,584 | \$ 10,241 | \$ 10,433 | \$ 37,665 | \$ 28,258 | \$ 20,674 |
| Ratio of compensation and benefits to net revenues, excluding the impact of the continued amortization of prior year share-based awards | 25.3% | 44.8% | 48.5% | 48.7% | 42.0% | 47.6% | 48.6% |

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 | | | | | |
|---|---------------|---------------|---------------|-------------|------------|---------------|
| | November 2006 | November 2005 | November 2004 | August 2006 | May 2006 | February 2006 |
| Total assets | \$ 838,201 | \$ 706,804 | \$ 531,379 | \$ 798,309 | \$ 798,884 | \$ 758,821 |
| Adjusted assets ⁽¹⁾ | 541,033 | 466,500 | 347,082 | 523,083 | 522,336 | 495,086 |
| Total shareholders' equity | 35,786 | 28,002 | 25,079 | 33,493 | 31,800 | 28,915 |
| Tangible equity capital ⁽²⁾ | 33,517 | 26,030 | 22,958 | 31,113 | 29,488 | 26,717 |
| Leverage ratio ⁽³⁾ | 23.4 x | 25.2 x | 21.2 x | 23.8 x | 25.1 x | 26.2 x |
| Adjusted leverage ratio ⁽⁴⁾ | 16.1 x | 17.9 x | 15.1 x | 16.8 x | 17.7 x | 18.5 x |
| Common shareholders' equity | \$ 32,686 | \$ 26,252 | \$ 25,079 | \$ 30,393 | \$ 29,200 | \$ 27,165 |
| Tangible common shareholders' equity ⁽⁵⁾ | 27,667 | 21,530 | 20,208 | 25,263 | 24,138 | 22,217 |
| Book value per common share ⁽⁶⁾ | \$ 72.62 | \$ 57.02 | \$ 50.77 | \$ 67.87 | \$ 64.92 | \$ 60.42 |
| Tangible book value per common share ⁽⁷⁾ | 61.47 | 46.76 | 40.91 | 56.42 | 53.66 | 49.42 |

⁽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, 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. In 2006, management amended its calculation of adjusted assets. It no longer deducts identifiable intangible assets associated with power contracts from total assets. Management amended its calculation in order to be consistent with the calculation of tangible equity capital and the adjusted leverage ratio (see footnote 2 below). Prior periods have been adjusted to conform to the current presentation. The following table sets forth a reconciliation of total assets to adjusted assets:

| | As of | | | | | |
|--|---------------|---------------|---------------|-------------|------------|---------------|
| | November 2006 | November 2005 | November 2004 | August 2006 | May 2006 | February 2006 |
| Total assets | \$ 838,201 | \$ 706,804 | \$ 531,379 | \$ 798,309 | \$ 798,884 | \$ 758,821 |
| Deduct: Securities borrowed | (219,342) | (191,800) | (155,086) | (210,190) | (210,287) | (200,017) |
| Financial instruments purchased under agreements to resell | (82,126) | (83,619) | (44,257) | (82,958) | (86,944) | (96,442) |
| Add: Financial instruments sold, but not yet purchased, at fair value | 155,805 | 149,071 | 132,097 | 156,557 | 159,801 | 153,887 |
| Less derivative liabilities | (65,496) | (57,829) | (64,001) | (57,196) | (63,316) | (55,259) |
| Subtotal | 90,309 | 91,242 | 68,096 | 99,361 | 96,485 | 98,628 |
| Deduct: Cash and securities segregated for regulatory and other purposes | (80,990) | (51,405) | (48,179) | (76,309) | (70,740) | (60,956) |
| Goodwill and identifiable intangible assets, excluding power contacts | (5,019) | (4,722) | (4,871) | (5,130) | (5,062) | (4,948) |
| Adjusted assets | \$ 541,033 | \$ 466,500 | \$ 347,082 | \$ 523,083 | \$ 522,336 | \$ 495,086 |

(2) Tangible equity capital equals total shareholders' equity and junior subordinated debt issued to a trust less goodwill and identifiable intangible assets, excluding power contracts. In 2006, management amended its calculation of tangible equity capital. It no longer deducts 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. Prior periods have been adjusted to conform to the current presentation. The firm considers junior subordinated debt issued to a trust to be a component of its tangible equity capital base due to the inherent characteristics of these securities, including the long-term nature of the securities, the firm's ability to defer coupon interest for up to ten consecutive semiannual periods and the subordinated nature of the obligations in its capital structure. The following table sets forth the reconciliation of total shareholders' equity to tangible equity capital:

| | As of | | | | | |
|--|---------------|---------------|---------------|-------------|-----------|---------------|
| | November 2006 | November 2005 | November 2004 | August 2006 | May 2006 | February 2006 |
| Total shareholders' equity | \$ 35,786 | \$ 28,002 | \$ 25,079 | \$ 33,493 | \$ 31,800 | \$ 28,915 |
| Add: Junior subordinated debt issued to a trust | 2,750 | 2,750 | 2,750 | 2,750 | 2,750 | 2,750 |
| Deduct: Goodwill and identifiable intangible assets, excluding power contracts | (5,019) | (4,722) | (4,871) | (5,130) | (5,062) | (4,948) |
| Tangible equity capital | \$ 33,517 | \$ 26,030 | \$ 22,958 | \$ 31,113 | \$ 29,488 | \$ 26,717 |

(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 our 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. In 2006, management amended its calculation of tangible common shareholders' equity. It no longer deducts 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. Prior periods have been adjusted to conform to the current presentation. The following table sets forth a reconciliation of total shareholders' equity to tangible common shareholders' equity:

| | As of | | | | | |
|--|---------------|---------------|---------------|-------------|-----------|---------------|
| | November 2006 | November 2005 | November 2004 | August 2006 | May 2006 | February 2006 |
| Total shareholders' equity | \$ 35,786 | \$ 28,002 | \$ 25,079 | \$ 33,493 | \$ 31,800 | \$ 28,915 |
| Deduct: Preferred stock | (3,100) | (1,750) | - | (3,100) | (2,600) | (1,750) |
| Common shareholders' equity | 32,686 | 26,252 | 25,079 | 30,393 | 29,200 | 27,165 |
| Deduct: Goodwill and identifiable intangible assets, excluding power contracts | (5,019) | (4,722) | (4,871) | (5,130) | (5,062) | (4,948) |
| Tangible common shareholders' equity | \$ 27,667 | \$ 21,530 | \$ 20,208 | \$ 25,263 | \$ 24,138 | \$ 22,217 |

(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 restricted stock units granted to employees with no future service requirements. The following table sets forth the common shares outstanding, including restricted stock units granted to employees with no future service requirements:

| | As of | | | | | |
|--|---------------|---------------|---------------|-------------|----------|---------------|
| | November 2006 | November 2005 | November 2004 | August 2006 | May 2006 | February 2006 |
| Common shares outstanding, including RSUs granted to employees with no future service requirements | 450.1 | 460.4 | 494.0 | 447.8 | 449.8 | 449.6 |

(in millions)