

Return on Average Tangible Shareholders' Equity

(\$ in millions)

The following table sets forth the firm's return on average shareholders' equity (ROE) and return on average tangible shareholders' equity (ROTE):

	Quarter Ended					Nine Months Ended Aug. 29, 2003	Six Months Ended May 30, 2003
	February 2004	November 2003	August 2003	May 2003	February 2003		
Annualized ROE ⁽¹⁾	23.5%	18.6%	13.4%	14.1%	13.7%	13.8%	13.9%
Annualized ROTE ⁽²⁾	30.4%	24.6%	17.8%	18.7%	18.3%	18.3%	18.5%

	Year Ended November		
	2003	2002	2001
ROE ⁽¹⁾	15.0%	11.3%	13.0%
ROTE ⁽²⁾	19.9%	15.3%	17.8%

⁽¹⁾ Annualized ROE is computed by dividing annualized net earnings by average monthly shareholders' equity.

ROE is computed by dividing net earnings by average monthly shareholders' equity.

⁽²⁾ Annualized ROTE is computed by dividing annualized net earnings by average monthly tangible shareholders' equity.

ROTE is computed by dividing net earnings by average monthly tangible shareholders' equity.

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Tangible shareholders' equity equals total shareholders' equity less goodwill and identifiable intangible assets. Management believes that tangible shareholders' equity is a meaningful measure because it reflects the equity deployed in the firm's businesses. The following table sets forth a reconciliation of shareholders' equity to tangible shareholders' equity:

	Average for the					Nine Months Ended Aug. 29, 2003	Six Months Ended May 30, 2003
	Quarter Ended						
	February 2004	November 2003	August 2003	May 2003	February 2003		
Shareholders' equity	\$ 21,970	\$ 20,930	\$ 20,193	\$ 19,691	\$ 19,283	\$ 19,711	\$ 19,483
Deduct: Goodwill and identifiable intangible assets	(4,966)	(5,130)	(4,980)	(4,785)	(4,823)	(4,878)	(4,803)
Tangible shareholders' equity	<u>\$ 17,004</u>	<u>\$ 15,800</u>	<u>\$ 15,213</u>	<u>\$ 14,906</u>	<u>\$ 14,460</u>	<u>\$ 14,833</u>	<u>\$ 14,680</u>

	Average for the Year Ended November		
	2003	2002	2001
Shareholders' equity	\$ 20,031	\$ 18,659	\$ 17,704
Deduct: Goodwill and identifiable intangible assets	(4,932)	(4,837)	(4,727)
Tangible shareholders' equity	<u>\$ 15,099</u>	<u>\$ 13,822</u>	<u>\$ 12,977</u>

Adjusted Assets, Adjusted Leveraged Ratio and Tangible Book Value Per Share

(\$ in millions, except per share amounts)

The following table sets forth information on our assets, shareholders' equity, leverage ratios and book value per share:

	As of				As of		
	February 2004	August 2003	May 2003	February 2003	November 2003	November 2002	November 2001
Total assets	\$ 443,285	\$ 394,142	\$ 404,698	\$ 371,968	\$ 403,799	\$ 355,574	\$ 312,218
Adjusted assets ⁽¹⁾	304,678	273,745	294,749	250,032	273,941	215,547	194,518
Shareholders' equity	\$ 22,235	\$ 20,438	\$ 20,042	\$ 19,514	\$ 21,632	\$ 19,003	\$ 18,231
Tangible shareholders' equity ⁽²⁾	17,288	15,247	15,279	14,705	16,650	14,164	13,423
Tangible equity capital ⁽²⁾	20,038	15,247	15,279	14,705	16,650	14,164	13,423
Leverage ratio ⁽³⁾	19.9x	19.3x	20.2x	19.1x	18.7x	18.7x	17.1x
Adjusted leverage ratio ⁽⁴⁾	15.2x	18.0x	19.3x	17.0x	16.5x	15.2x	14.5x
Book value per share ⁽⁵⁾	\$ 45.51	\$ 41.72	\$ 41.39	\$ 40.05	\$ 43.60	\$ 38.69	\$ 36.33
Tangible book value per share ⁽⁶⁾	35.38	31.12	31.56	30.18	33.56	28.84	26.75

⁽¹⁾ Adjusted assets excludes (i) low-risk collateralized assets generally associated with our matched book and securities lending businesses (which we calculate by adding our securities purchased under agreements to resell and securities borrowed, and then subtracting our nonderivative short positions), (ii) cash and securities we segregate in compliance with regulations and (iii) goodwill and identifiable intangible assets. The following table sets forth a reconciliation of total assets to adjusted assets:

	As of				As of		
	February 2004	August 2003	May 2003	February 2003	November 2003	November 2002	November 2001
Total assets	\$ 443,285	\$ 394,142	\$ 404,698	\$ 371,968	\$ 403,799	\$ 355,574	\$ 312,218
Deduct: Securities purchased under agreements to resell	(27,182)	(25,208)	(22,460)	(30,536)	(26,856)	(45,772)	(27,651)
Securities borrowed	(132,059)	(120,830)	(111,553)	(109,085)	(129,118)	(113,579)	(101,164)
Add: Financial instruments sold, but not yet purchased, at fair value	107,601	102,015	105,325	92,859	102,699	83,473	74,717
Less derivatives	(42,258)	(41,801)	(49,761)	(47,126)	(41,886)	(38,921)	(36,660)
Subtotal	65,343	60,214	55,564	45,733	60,813	44,552	38,057
Deduct: Cash and securities segregated in compliance with U.S. federal and other regulations	(39,762)	(29,382)	(26,737)	(23,239)	(29,715)	(20,389)	(22,134)
Goodwill and identifiable intangible assets	(4,947)	(5,191)	(4,763)	(4,809)	(4,982)	(4,839)	(4,808)
Adjusted assets	<u>\$ 304,678</u>	<u>\$ 273,745</u>	<u>\$ 294,749</u>	<u>\$ 250,032</u>	<u>\$ 273,941</u>	<u>\$ 215,547</u>	<u>\$ 194,518</u>

(2) Tangible shareholders' equity equals total shareholders' equity less goodwill and identifiable intangible assets. Tangible equity capital includes tangible shareholders' equity and an additional amount of up to 15% of tangible equity capital in the form of junior subordinated debt issued to a trust. We consider junior subordinated debt issued to a trust to be a component of our tangible equity capital base due to the inherent characteristics of these securities, including the long-term nature of the securities, our ability to defer coupon interest for up to ten consecutive semi-annual periods and the subordinated nature of the obligations in our capital structure. The following table sets forth a reconciliation of shareholders' equity to tangible shareholders' equity and tangible equity capital:

	As of				As of		
	February 2004	August 2003	May 2003	February 2003	November 2003	November 2002	November 2001
Shareholders' equity	\$ 22,235	\$ 20,438	\$ 20,042	\$ 19,514	\$ 21,632	\$ 19,003	\$ 18,231
Deduct: Goodwill and identifiable intangible assets	(4,947)	(5,191)	(4,763)	(4,809)	(4,982)	(4,839)	(4,808)
Tangible shareholders' equity	\$ 17,288	\$ 15,247	\$ 15,279	\$ 14,705	\$ 16,650	\$ 14,164	\$ 13,423
Add: Junior subordinated debt issued to a trust	2,750	-	-	-	-	-	-
Tangible equity capital	<u>\$ 20,038</u>	<u>\$ 15,247</u>	<u>\$ 15,279</u>	<u>\$ 14,705</u>	<u>\$ 16,650</u>	<u>\$ 14,164</u>	<u>\$ 13,423</u>

(3) Leverage ratio equals total assets divided by shareholders' equity.

(4) Adjusted leverage ratio equals adjusted assets divided by tangible equity capital. We believe that the adjusted leverage ratio is a more meaningful measure of our capital adequacy because it excludes certain low-risk collateralized assets that are generally supported with little or no capital and reflects the tangible equity deployed in our businesses.

(5) Book value per share is computed by dividing shareholders' equity by the number of common shares outstanding, including restricted stock units (RSUs) granted to employees with no future service requirements.

(6) Tangible book value per share is computed by dividing tangible 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				As of		
	February 2004	August 2003	May 2003	February 2003	November 2003	November 2002	November 2001
	(in millions)						
Common shares outstanding, including RSUs granted to employees with no future service requirements	488.6	489.9	484.2	487.3	496.1	491.2	501.8