

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				Six Months Ended	Nine Months Ended	Year Ended		
	November 2004	August 2004	May 2004	February 2004	May 28, 2004	Aug. 27, 2004	November 2004	November 2003	November 2002
Annualized ROE ⁽¹⁾	19.9%	15.1%	20.9%	23.5%	22.2%	19.8%	19.8%	15.0%	11.3%
Annualized ROTE ⁽²⁾	25.0%	19.2%	26.7%	30.4%	28.5%	25.3%	25.2%	19.9%	15.3%

⁽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 annualized return on average tangible shareholders' equity is a meaningful measure of performance because it excludes the portion of the firm's shareholders' equity attributable to goodwill and identifiable intangible assets. As a result, this calculation measures corporate performance in a manner that treats underlying businesses consistently, whether they were acquired or developed internally. The following table sets forth a reconciliation of average shareholders' equity to average tangible shareholders' equity:

	Quarter Ended				Average for the		Year Ended		
	November 2004	August 2004	May 2004	February 2004	Six Months Ended May 2004	Nine Months Ended August 2004	November 2004	November 2003	November 2002
Shareholders' equity	\$ 24,007	\$ 23,214	\$ 22,703	\$ 21,970	\$ 22,351	\$ 22,616	\$ 22,975	\$ 20,031	\$ 18,659
Deduct: Goodwill and identifiable intangible assets	(4,874)	(4,900)	(4,932)	(4,966)	(4,949)	(4,933)	(4,918)	(4,932)	(4,837)
Tangible shareholders' equity	<u>\$ 19,133</u>	<u>\$ 18,314</u>	<u>\$ 17,771</u>	<u>\$ 17,004</u>	<u>\$ 17,402</u>	<u>\$ 17,683</u>	<u>\$ 18,057</u>	<u>\$ 15,099</u>	<u>\$ 13,822</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 the firm's assets, shareholders' equity, leverage ratios and book value per share:

	As of			As of		
	August 2004	May 2004	February 2004	November 2004	November 2003	November 2002
Total assets	\$ 486,686	\$ 467,921	\$ 443,285	\$ 531,379	\$ 403,799	\$ 355,574
Adjusted assets ⁽¹⁾	303,186	318,049	304,678	347,082	273,941	215,547
Shareholders' equity	\$ 23,514	\$ 23,152	\$ 22,235	\$ 25,079	\$ 21,632	\$ 19,003
Tangible shareholders' equity ⁽²⁾	18,629	18,236	17,288	20,208	16,650	14,164
Tangible equity capital ⁽²⁾	21,379	20,986	20,038	22,958	16,650	14,164
Leverage ratio ⁽³⁾	20.7x	20.2x	19.9x	21.2x	18.7x	18.7x
Adjusted leverage ratio ⁽⁴⁾	14.2x	15.2x	15.2x	15.1x	16.5x	15.2x
Book value per share ⁽⁵⁾	\$ 48.08	\$ 47.58	\$ 45.51	\$ 50.77	\$ 43.60	\$ 38.69
Tangible book value per share ⁽⁶⁾	38.09	37.48	35.38	40.91	33.56	28.84

⁽¹⁾ Adjusted assets excludes (i) low-risk collateralized assets generally associated with the firm's matched book and securities lending businesses (which is calculated by adding securities purchased under agreements to resell and securities borrowed, and then subtracting nonderivative short positions), (ii) cash and securities segregated 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		
	August 2004	May 2004	February 2004	November 2004	November 2003	November 2002
Total assets	\$ 486,686	\$ 467,921	\$ 443,285	\$ 531,379	\$ 403,799	\$ 355,574
Deduct: Securities purchased under agreements to resell	(40,309)	(27,601)	(27,182)	(44,257)	(26,856)	(45,772)
Securities borrowed	(151,237)	(137,873)	(132,059)	(155,086)	(129,118)	(113,579)
Add: Financial instruments sold, but not yet purchased, at fair value	101,758	111,523	107,601	132,097	102,699	83,473
Less derivatives	(39,484)	(40,459)	(42,258)	(64,001)	(41,886)	(38,921)
Subtotal	62,274	71,064	65,343	68,096	60,813	44,552
Deduct: Cash and securities segregated in compliance with U.S. federal and other regulations	(49,343)	(50,546)	(39,762)	(48,179)	(29,715)	(20,389)
Goodwill and identifiable intangible assets	(4,885)	(4,916)	(4,947)	(4,871)	(4,982)	(4,839)
Adjusted assets	<u>\$ 303,186</u>	<u>\$ 318,049</u>	<u>\$ 304,678</u>	<u>\$ 347,082</u>	<u>\$ 273,941</u>	<u>\$ 215,547</u>

(2) Tangible shareholders' equity equals total shareholders' equity less goodwill and identifiable intangible assets. Tangible equity capital includes tangible shareholders' equity and junior subordinated debt issued to a trust. Management considers junior subordinated debt issued to a trust to be a component of the firm's tangible equity capital base due to the inherent characteristics of these securities, including the long-term nature of the securities, the ability to defer coupon interest for up to ten consecutive semiannual periods and the subordinated nature of the obligations in the firm's capital structure. The following table sets forth a reconciliation of shareholders' equity to tangible shareholders' equity and tangible equity capital:

	As of			As of		
	August 2004	May 2004	February 2004	November 2004	November 2003	November 2002
Shareholders' equity	\$ 23,514	\$ 23,152	\$ 22,235	\$ 25,079	\$ 21,632	\$ 19,003
Deduct: Goodwill and identifiable intangible assets	<u>(4,885)</u>	<u>(4,916)</u>	<u>(4,947)</u>	<u>(4,871)</u>	<u>(4,982)</u>	<u>(4,839)</u>
Tangible shareholders' equity	\$ 18,629	\$ 18,236	\$ 17,288	\$ 20,208	\$ 16,650	\$ 14,164
Add: Junior subordinated debt issued to a trust	<u>2,750</u>	<u>2,750</u>	<u>2,750</u>	<u>2,750</u>	<u>-</u>	<u>-</u>
Tangible equity capital	<u>\$ 21,379</u>	<u>\$ 20,986</u>	<u>\$ 20,038</u>	<u>\$ 22,958</u>	<u>\$ 16,650</u>	<u>\$ 14,164</u>

(3) Leverage ratio equals total assets divided by 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 capital adequacy 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) Book value per share is based on 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		
	August 2004	May 2004	February 2004	November 2004	November 2003	November 2002
	(in millions)					
Common shares outstanding, including RSUs granted to employees with no future service requirements	489.1	486.6	488.6	494.0	496.1	491.2