

### Return on Average Tangible Common Shareholders' Equity

(\$ in millions)

The following table sets forth the firm's return on average common shareholders' equity and return on average tangible common shareholders' equity:

	Quarter Ended						Six Months Ended	Nine Months Ended	Six Months Ended	Year Ended		
	May 2005	February 2005	November 2004	August 2004	May 2004	February 2004	May 2005	August 2004	May 2004	November 2004	November 2003	November 2002
	Annualized return on average common shareholders' equity <sup>(1)</sup>	13.4%	23.5%	19.9%	15.1%	20.9%	23.5%	18.5%	19.8%	22.2%	19.8%	15.0%
Annualized return on average tangible common shareholders' equity <sup>(2)</sup>	17.2%	29.6%	25.0%	19.2%	26.7%	30.4%	23.5%	25.3%	28.5%	25.2%	19.9%	15.3%

<sup>(1)</sup> Annualized return on average common shareholders' equity is computed by dividing annualized net earnings applicable to common shareholders by average monthly common shareholders' equity.

<sup>(2)</sup> Annualized return on average tangible common shareholders' equity is computed by dividing annualized 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 less goodwill and identifiable intangible assets. Management believes that annualized return on average tangible common shareholders' equity is a meaningful measure of performance because it excludes the portion of the firm's common 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 the reconciliation of average total shareholders' equity to average tangible common shareholders' equity:

	Average for the											
	Quarter Ended						Six Months Ended	Nine Months Ended	Six Months Ended	Year Ended		
	May 2005	February 2005	November 2004	August 2004	May 2004	February 2004	May 2005	August 2004	May 2004	November 2004	November 2003	November 2002
Total shareholders' equity	\$ 26,226	\$ 25,735	\$ 24,007	\$ 23,214	\$ 22,703	\$ 21,970	\$ 25,967	\$ 22,616	\$ 22,351	\$ 22,975	\$ 20,031	\$ 18,659
Deduct: Preferred stock	(375)	-	-	-	-	-	(214)	-	-	-	-	-
Common shareholders' equity	25,851	25,735	24,007	23,214	22,703	21,970	25,753	22,616	22,351	22,975	20,031	18,659
Deduct: Goodwill and identifiable intangible assets	(5,685)	(5,329)	(4,874)	(4,900)	(4,932)	(4,966)	(5,482)	(4,933)	(4,949)	(4,918)	(4,932)	(4,837)
Tangible common shareholders' equity	\$ 20,166	\$ 20,406	\$ 19,133	\$ 18,314	\$ 17,771	\$ 17,004	\$ 20,271	\$ 17,683	\$ 17,402	\$ 18,057	\$ 15,099	\$ 13,822

**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					As of		
	May 2005	February 2005	August 2004	May 2004	February 2004	November 2004	November 2003	November 2002
Total assets	\$ 624,472	\$ 596,149	\$ 486,686	\$ 467,921	\$ 443,285	\$ 531,379	\$ 403,799	\$ 355,574
Adjusted assets <sup>(1)</sup>	406,085	372,792	303,186	318,049	304,678	347,082	273,941	215,547
Total shareholders' equity	26,395	26,075	23,514	23,152	22,235	25,079	21,632	19,003
Tangible equity capital <sup>(2)</sup>	23,389	23,145	21,379	20,986	20,038	22,958	16,650	14,164
Leverage ratio <sup>(3)</sup>	23.7x	22.9x	20.7x	20.2x	19.9x	21.2x	18.7x	18.7x
Adjusted leverage ratio <sup>(4)</sup>	17.4x	16.1x	14.2x	15.2x	15.2x	15.1x	16.5x	15.2x
Common shareholders' equity	\$ 25,645	\$ 26,075	\$ 23,514	\$ 23,152	\$ 22,235	\$ 25,079	\$ 21,632	\$ 19,003
Tangible common shareholders' equity <sup>(5)</sup>	19,889	20,395	18,629	18,236	17,288	20,208	16,650	14,164
Tangible book value per common share <sup>(7)</sup>	41.46	41.57	38.09	37.48	35.38	40.91	33.56	28.84

<sup>(1)</sup> Adjusted assets exclude (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		
	May 2005	February 2005	August 2004	May 2004	February 2004	November 2004	November 2003	November 2002
Total assets	\$ 624,472	\$ 596,149	\$ 486,686	\$ 467,921	\$ 443,285	\$ 531,379	\$ 403,799	\$ 355,574
Deduct: Securities purchased under agreements to resell	(77,097)	(66,007)	(40,309)	(27,601)	(27,182)	(44,257)	(26,856)	(45,772)
Securities borrowed	(176,315)	(180,362)	(151,237)	(137,873)	(132,059)	(155,086)	(129,118)	(113,579)
Add: Financial instruments sold, but not yet purchased, at fair value	142,386	125,556	101,758	111,523	107,601	132,097	102,699	83,473
Less derivatives short positions	(54,373)	(51,662)	(39,484)	(40,459)	(42,258)	(64,001)	(41,886)	(38,921)
Subtotal	88,013	73,894	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	(47,232)	(45,202)	(49,343)	(50,546)	(39,762)	(48,179)	(29,715)	(20,389)
Goodwill and identifiable intangible assets	(5,756)	(5,680)	(4,885)	(4,916)	(4,947)	(4,871)	(4,982)	(4,839)
Adjusted assets	<u>\$ 406,085</u>	<u>\$ 372,792</u>	<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 equity capital equals total shareholders' equity and junior subordinated debt issued to a trust less goodwill and identifiable intangible assets. 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 total shareholders' equity to tangible equity capital:

	As of					As of		
	May 2005	February 2005	August 2004	May 2004	February 2004	November 2004	November 2003	November 2002
Total shareholders' equity	\$ 26,395	\$ 26,075	\$ 23,514	\$ 23,152	\$ 22,235	\$ 25,079	\$ 21,632	\$ 19,003
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	(5,756)	(5,680)	(4,885)	(4,916)	(4,947)	(4,871)	(4,982)	(4,839)
Tangible equity capital	<u>\$ 23,389</u>	<u>\$ 23,145</u>	<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 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 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) Tangible common shareholders' equity equals total shareholders' equity less preferred stock less goodwill and identifiable intangible assets.

The following table sets forth a reconciliation of total shareholders' equity to tangible common shareholders' equity:

	As of					As of		
	May 2005	February 2005	August 2004	May 2004	February 2004	November 2004	November 2003	November 2002
Total shareholders' equity	\$ 26,395	\$ 26,075	\$ 23,514	\$ 23,152	\$ 22,235	\$ 25,079	\$ 21,632	\$ 19,003
Deduct: Preferred stock	(750)	-	-	-	-	-	-	-
Common shareholders' equity	25,645	26,075	23,514	23,152	22,235	25,079	21,632	19,003
Deduct: Goodwill and identifiable intangible assets	(5,756)	(5,680)	(4,885)	(4,916)	(4,947)	(4,871)	(4,982)	(4,839)
Tangible common shareholders' equity	<u>\$ 19,889</u>	<u>\$ 20,395</u>	<u>\$ 18,629</u>	<u>\$ 18,236</u>	<u>\$ 17,288</u>	<u>\$ 20,208</u>	<u>\$ 16,650</u>	<u>\$ 14,164</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					As of		
	May 2005	February 2005	August 2004	May 2004	February 2004	November 2004	November 2003	November 2002
Common shares outstanding, including RSUs granted to employees with no future service requirements	479.7	490.6	489.1	486.6	488.6	494.0	496.1	491.2

(in millions)