

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

The following table sets forth the firm's annualized 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) Series H preferred stock:

	Nine Months Ended September 2009
Diluted earnings per common share	\$ 13.74
Annualized return on average common shareholders' equity ⁽¹⁾	19.2%
Diluted earnings per common share, excluding the impact of one-time TARP Series H preferred dividend ⁽²⁾	\$ 14.53
Annualized return on average common shareholders' equity, excluding the impact of one-time TARP Series H preferred dividend ⁽²⁾	20.0%

⁽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 TARP Series H preferred stock (calculated as the difference between the carrying value and the redemption value of the preferred stock) in the second quarter of 2009 was not annualized in the calculation of annualized net earnings applicable to common shareholders for the nine months ended September 2009 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 TARP Series H 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:

	Nine Months Ended September 2009
Net earnings applicable to common shareholders	\$ 7,405
Impact of one-time TARP Series H preferred dividend	426
Net earnings applicable to common shareholders, excluding the impact of one-time TARP Series H preferred dividend	7,831
Divided by: average diluted common shares outstanding	539.0
Diluted earnings per common share, excluding the impact of one-time TARP Series H preferred dividend	\$ 14.53

	Average for the Nine Months Ended September 2009
Total shareholders' equity	\$ 64,789
Preferred stock	(12,685)
Common shareholders' equity	52,104
Impact of one-time TARP Series H preferred dividend on average common shareholders' equity	170
Common shareholders' equity, excluding the impact of one-time TARP Series H preferred dividend on average common shareholders' equity	\$ 52,274

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			
	September 2009	June 2009	March 2009	November 2008
Total assets	\$ 882,185	\$ 889,544	\$ 925,290	\$ 884,547
Adjusted assets ⁽¹⁾	556,229	553,021	535,901	528,292
Total shareholders' equity	65,354	62,813	63,553	64,369
Tangible equity capital ⁽²⁾	65,420	62,840	63,549	64,317
Leverage ratio ⁽³⁾	13.5 x	14.2 x	14.6 x	13.7 x
Adjusted leverage ratio ⁽⁴⁾	8.5 x	8.8 x	8.4 x	8.2 x
Common shareholders' equity	\$ 58,397	\$ 55,856	\$ 47,046	\$ 47,898
Common shareholders' equity, excluding impact of TARP warrant repurchase ⁽⁵⁾	59,497	N.A.	N.A.	N.A.
Tangible common shareholders' equity ⁽⁵⁾	53,463	50,883	42,042	42,846
Tangible common shareholders' equity, excluding impact of TARP warrant repurchase ⁽⁵⁾	54,563	N.A.	N.A.	N.A.
Book value per common share ⁽⁶⁾	\$ 110.75	\$ 106.41	\$ 98.82	\$ 98.68
Book value per common share, excluding impact of TARP warrant repurchase ^{(5) (6)}	112.83	N.A.	N.A.	N.A.
Tangible book value per common share ^{(5) (6)}	101.39	96.94	88.30	88.27
Tangible book value per common share, excluding impact of TARP warrant repurchase ^{(5) (6)}	103.48	N.A.	N.A.	N.A.

⁽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			
	September 2009	June 2009	March 2009	November 2008
Total assets	\$ 882,185	\$ 889,544	\$ 925,290	\$ 884,547
Deduct: Securities borrowed	(221,817)	(218,544)	(228,245)	(180,795)
Securities purchased under agreements to resell and federal funds sold	(142,589)	(138,339)	(143,155)	(122,021)
Add: Trading liabilities, at fair value	150,383	147,297	147,221	175,972
Less derivative liabilities	(64,040)	(68,151)	(90,620)	(117,695)
Subtotal	86,343	79,146	56,601	58,277
Deduct: Cash and securities segregated for regulatory and other purposes	(42,959)	(53,813)	(69,586)	(106,664)
Goodwill and identifiable intangible assets	(4,934)	(4,973)	(5,004)	(5,052)
Adjusted assets	\$ 556,229	\$ 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			
	September 2009	June 2009	March 2009	November 2008
Total shareholders' equity	\$ 65,354	\$ 62,813	\$ 63,553	\$ 64,369
Add: Junior subordinated debt issued to trusts	5,000	5,000	5,000	5,000
Deduct: Goodwill and identifiable intangible assets	(4,934)	(4,973)	(5,004)	(5,052)
Tangible equity capital	<u>\$ 65,420</u>	<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 the firm's 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) 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 TARP Series H preferred stock (calculated as the difference between the carrying value and the redemption value of the preferred stock) in the second quarter of 2009 was not annualized in the calculation of annualized net earnings applicable to common shareholders for the nine months ended September 2009 since it has no impact on other quarters in the year.

	As of					
	September 2009			June 2009	March 2009	November 2008
	As reported	Add back: impact of TARP warrant repurchase	Excluding impact of TARP warrant repurchase			
Total shareholders' equity	\$ 65,354	\$ 1,100	\$ 66,454	\$ 62,813	\$ 63,553	\$ 64,369
Deduct: Preferred stock	(6,957)	-	(6,957)	(6,957)	(16,507)	(16,471)
Common shareholders' equity	58,397	1,100	59,497	55,856	47,046	47,898
Deduct: Goodwill and identifiable intangible assets	(4,934)	-	(4,934)	(4,973)	(5,004)	(5,052)
Tangible common shareholders' equity	<u>\$ 53,463</u>	<u>\$ 1,100</u>	<u>\$ 54,563</u>	<u>\$ 50,883</u>	<u>\$ 42,042</u>	<u>\$ 42,846</u>

(6) Book value and tangible book value per common share are based on 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			
	September 2009	June 2009	March 2009	November 2008
Common shares outstanding, including RSUs granted to employees with no future service requirements	527.3	524.9	476.1	485.4

(in millions)