

2008 Budget Comparison

\$ millions, percent

	2004 Actual	2005 Actual	2006 Actual	2007 Actual	Original 2008 Budget	Revised 2008 Budget	2007 Actual vs. 2008 Original Bud	2007 Actual vs. 2008 Revised Bud
Divisional Revenues:								
Fixed Income	6,970	8,530	9,029	6,015	9,300	8,300	55%	38%
Equities	2,302	3,117	4,031	6,073	6,700	6,700	10%	10%
Banking	2,295	3,132	3,338	3,581	4,500	4,250	26%	19%
Investment Management	1,919	1,979	2,394	2,858	3,415	3,415	19%	19%
Principal Investing	251	312	888	1,712	2,050	2,050	20%	20%
Non Core/Other								
Banking Offset	(940)	(1,252)	(1,263)	(1,180)	(1,501)	(1,401)		
PIM Offset	(875)	(940)	(1,011)	(1,272)	(1,408)	(1,408)		
Non Core	(346)	(248)	177	1,470	(56)	(906)		
Total Non Core/Other	(2,161)	(2,440)	(2,097)	(982)	(2,965)	(3,715)		
Total Revenues	11,576	14,630	17,583	19,257	23,000	21,000	19%	9%
Regional Revenues:								
Europe and the Middle East	1,775	3,157	4,065	5,469	6,500	6,250	19%	14%
Asia Pacific	981	1,515	1,659	2,910	3,450	3,450	19%	19%
Expenses:								
Compensation	5,730	7,213	8,669	9,494	11,339	10,920	19%	15%
NPE	2,309	2,588	3,009	3,750	4,200	4,200	12%	12%
Real Estate Reconfiguration Charge	19	-	-	-	-	-	n/a	n/a
Total Expenses	8,058	9,801	11,678	13,244	15,539	15,120	17%	14%
Pre Tax Income	3,518	4,829	5,905	6,013	7,461	5,880	24%	-2%
Taxes	1,125	1,569	1,945	1,821	2,313	1,705	27%	-6%
Dividends on Trust Preferred Securities	24	-	-	-	-	-	n/a	n/a
Cumulative Effect of Accounting Change	-	-	47	-	-	-	n/a	n/a
Net Income	2,369	3,260	4,008	4,192	5,148	4,175	23%	0%
Earnings per Common Share								
Earnings per Common Share	\$ 3.95	\$ 5.43	\$ 6.81	\$ 7.26	\$ 8.99	\$ 7.32	24%	1%
First Call Estimate	n/a	n/a	n/a	n/a	\$ 7.73	\$ 6.80		
Return on Equity	17.9%	21.6%	23.4%	20.8%	21.5%	18.4%	+0.7pp	-2.4pp
Return on Tangible Equity	24.7%	27.8%	29.1%	25.7%	26.3%	22.8%	+0.6pp	-2.9pp
Book Value per Share	\$ 24.66	\$ 28.75	\$ 33.87	\$ 39.45	\$ 47.43	\$ 44.04	20%	12%
Compensation Ratio	49.5%	49.3%	49.3%	49.3%	49.3%	52.0%	-0.0pp	+2.7pp
NPE/Revenue	19.9%	17.7%	17.1%	19.5%	18.3%	20.0%	-1.2pp	+0.5pp
Pre Tax Margin	30.4%	33.0%	33.6%	31.2%	32.4%	28.0%	+1.2pp	-3.2pp
Effective Tax Rate	32.0%	32.5%	32.9%	30.3%	31.0%	29.0%	+0.7pp	-1.3pp
Net Margin	20.5%	22.3%	22.8%	21.8%	22.4%	19.9%	+0.6pp	-1.9pp

\$'s in millions except per share data

	2008
Total Revenues	13,933
Personnel Expenses	8,113
Non Personnel Expenses	3,532
Pretax Income	2,288
Income Tax	595
Net Income	1,693

Average Quarterly Revenue in Downturn Scenario	3,483
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	2008
2008 Budgeted Revenues	21,000
Client, Origination, Banking Revenue Loss	(3,066)
Total Revenues Before Risk Losses	17,935
Minimum Risk Level Required	13,933
Proposed Risk Appetite Limit	4,002

Average Quarterly Revenue Before Risk Losses	4,484
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	Three Year Quarterly Revenue Trend		
	2007	2006	2005
Q1	5,047	4,461	3,810
Q2	5,512	4,411	3,278
Q3	4,308	4,178	3,852
Q4	4,390	4,533	3,690

Risk Appetite Limit*\$ millions*

	2007-08 Scenario
Next 12 month proj. rev.	21,000
Client, Origination, Banking Revenue Loss	(3,066)
Total Revenues Before Risk Losses	17,935
Minimum Revenue Level Required	13,933
Proposed Risk Appetite Limit	4,002

*\$ Millions*Performance Indicators

Net Revenues	13,933	PE/ Revenue	58.2%
Personnel Expenses	8,113	NPE / Revenue	25.3%
Non Personnel Expenses	3,532	Pretax Margin	16.4%
Pretax Income	2,288	Effective Tax Rate	26.0%
Income Tax	595	ROE	7.9%
Net Income	1,693	ROTE	10.0%

Minimum revenue to achieve performance target

\$ millions

	<u>Stress Scenario</u>	<u>2008</u>	
	<u>Full Year</u>	<u>Budget</u>	
Revenues	13,933	21,000	
Compensation			
Fixed	5,988	5,988	6,803
Variable	2,125	5,100	4,536
Total Comp	8,113	11,088	11,339
NPE			
Fixed	2,898	3,220	
Variable	634	955	
Total NPE	3,532	4,175	
Pretax Earnings	2,288	5,737	
Tax	595	1,721	
Net Income	1,693	4,016	
Dividends	49	49	
Net income to common	1,644	3,967	
C&B Ratio	58.2%	52.8%	
NPE Ratio	25.3%	19.9%	
Pretax Margin	16.4%	27.3%	
Tax Rate	26.0%	30.0%	
Net Margin	12.2%	19.1%	
Additional share buyback	2,000		
EOP common equity	20,546		
Average common equity	20,795		
Average tangible equity	16,443		
ROE	7.9%		
ROTE	10.0%		
Diluted EPS Shares	550.5		
EPS	\$ 2.99		

*: Absolute change for ROE, ROTE, Ratios, Margins and Tax Rate

Net Income to Common	1,644
Common Equity (period end)	22,546
Average Common Equity	21,795
Adjusted Average Common Equity	21,309
Average Tangible Common Equity	17,443
Adjusted Average Tangible Common Equity	16,956
Diluted EPS Share Count	564
Book Value Share Count	543
Adjusted Common Equity	23,895

Downturn Scenario

\$ millions

	2008 Preliminary Budget				Next 12 Months	2008 Budget	Standard stress haircuts	Adjusted revenue losses after non-risk losses	% Change vs. 2008 Budget	Notes
	2001 Q1	2008 Q2	2008 Q3	2008 Q4						
Advisory	363	363	363	363	1,450	1,450	-30%	1,015	-30%	
Underwriting	650	650	650	650	2,600	2,600	-15%	2,210	-15%	
Client revenues	3,205	3,205	3,205	3,205	12,820	12,820	-15%	10,897	-15%	
IMD Fees	419	419	419	419	1,675	1,675	-10%	1,508	-10%	
Residential mortgages	125	125	125	125	500	500	-30%	350	-30%	
Principal	489	489	489	489	1,955	1,955		1,955	0%	
Total	5,250	5,250	5,250	5,250	21,000	21,000		17,935	-15%	

50%
4,002