

# Q4 06

# SECURITIES INDUSTRY PERFORMANCE

REPORT FOR THE FOURTH QUARTER

## HIGHLIGHTS

- Industry ends on a high: operating profit hits record \$1.7 billion in Q4 06
- Blockbuster finale heralds fourth consecutive year of record profit at \$5.8 billion in 2006
- Sizzling M&A and stock markets ignite commissions, trading and investment
- Employment remains on expansionary track
- Investors enjoy another round of double-digit returns

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## GOOD NEWS FOR BROKERS = GREAT NEWS FOR ECONOMY

### Record quarter, record year

Awesome! In a word, that pretty much summarizes the Canadian securities industry's fourth quarter and fourth consecutive year at record heights.

A blockbuster finale helped catapult operating profit to a new stratosphere last year: fourth quarter operating profit totaled a quarterly high of \$1.7 billion – an increase of 41.9 per cent quarter-over-quarter and 40.2 per cent year-over-year (Chart 1). The record performance was built on the industry's success in all corners of the business. Operating revenue rose 21.1 per cent in the fourth quarter and 20.6 per cent for 2006 with double-digit gains in the major business segments.

For the year, operating profit totaled \$5.8 billion – shattering the last record of \$4.3 billion in 2005 by a comfortable 33.6 per cent. This four-peat was no small feat – operating profit has more than doubled from \$2.3 billion in 2002.

The record-breaking Canadian equity marketplace and sizzling mergers and acquisitions (M&A) environment provided the ideal backdrop to propel commission, trading and investment banking revenues to new heights. The stock market boom – the S&P/TSX Index soared to new highs and delivered a 17.3 per cent return in 2006 – was reflected in the industry's income: commissions and equity trading revenue rose 14.1 and 46.4 per cent respectively from 2005.

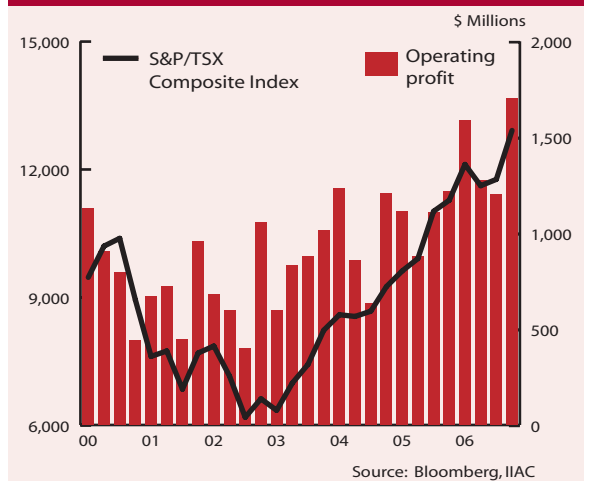
According to Financial Post Crosbie, Canadian M&A transactions totaled \$256 billion in 2006 – beating the previous high in 2000 by 15.3 per cent. The M&A mania was clearly a catalyst behind the industry's 9.1 per cent rise in investment banking and 83.8 per cent jump in corporate advisory fees over 2005.

At the other side of the profit equation, the industry also fared well. Despite mixed progress among firms, the industry on balance did a good job of keeping costs under control. Industry operating expenses were contained to a relatively modest increase of 3.6 per cent in the quarter and 8.2 per cent over 2005 despite the record activity.

### A good time was had by all

The industry's striking finish also led to a handsome return on equity (ROE) – a measure of the return on capital invested in the business – of 22.7 per cent last year, which was warmly embraced by shareholders. Leading the returns pack, with an ROE of 27.5 per cent, were the integrated firms, which bolstered not only their financial group's performance, but that of the industry.

Chart 1: Operating profit



While large integrated firms continue to dominate the landscape, the industry's success has been underpinned by substantial gains from all participants. Notably, the rapid growth of small, independent retail firms over the last few years has contributed to a more prosperous and competitive industry. The small, boutique firms' hiring campaign and aggressive venture into non-traditional services and products – e.g., discretionary managed accounts – in the last few years have paid off. The foray into these new businesses has not only broadened the group's product repertoire, income and client base, but has made the Canadian securities industry's playing field more competitive.

Last year's employment was kept on an expansionary track. A record 40,919 were employed in the industry in 2006, an increase of 4.5 per cent from the 2005 payroll. And while the largest job growth in recent years has stemmed from small, independent retail firms, it was the institutional group that stepped up hiring last year. Institutional firms increased head count by 10.5 per cent in 2006 – the largest percentage gain in the industry.

Adding it all up, it was an unprecedented year of double-digit growth for all. While the industry staged a spectacular show, a closer look behind the scenes indicates a strong, albeit varied, performance among the three groups.

## Integrated firms: Steady and solid

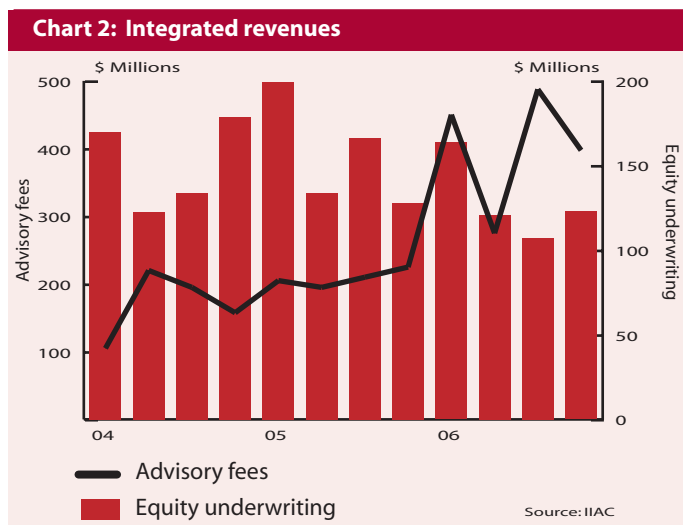
Integrated operating profit totaled a record \$912 million in the final quarter, an increase of 4.7 per cent quarter-over-quarter and 14.9 per cent year-over-year. For the year, operating profit soared to a record \$3.7 billion, surpassing the previous high of \$3.0 billion in 2005 by a solid 24.3 per cent. While these gains were relatively subdued compared to the more dramatic percentage gains by the retail and institutional firms, it was nonetheless another superb year for the integrated firms.

The integrated group remained the industry leader in cost control. In contrast to 2005, where integrated expenses actually declined 2.3 per cent from 2004, costs climbed 5.5 per cent in 2006. The higher costs, however, were more than offset by a 13.2 per cent increase in operating revenue.

Commissions – accounting for 40 per cent of the integrated revenue base – topped a record \$4 billion last year, an increase of 13 per cent over 2005. The gain was spurred not only by the record year in the equity market, but also in mutual fund assets. Mutual funds, representing over a quarter of integrated commissions, were up 15.5 per cent last year. The integrated group also increased their proprietary equity and fixed income trading revenue, up 4.6 per cent and 5.0 per cent respectively over 2005.

With the rather meager 1.4 per cent gain in investment banking revenue, this business yielded both the highest and lowest growth for the group. On the upside, the integrated

firm was a beneficiary of the record M&A activity last year, especially in the cross-border, high-end deals. Integrated advisory fees ratcheted up to \$644 million last year, a staggering 92.8 per cent increase over 2005 and the group's largest percentage revenue increase in 2006 (Chart 2).



On the downside, the only blemish on the group's performance last year was the 18.0 per cent downturn in integrated equity underwriting – accounting for over half of investment banking revenue. This reflected the more challenging environment in 2006 where the income trust slowdown, growing presence of private equity firms and increasing competition from the institutional firms adversely affected the group's equity underwriting.

## Institutional firms: A bankable year

It was a knockout year for the institutional group: fourth quarter operating profit skyrocketed to a record \$554 million, a hefty increase of 112.3 per cent quarter-over-quarter and 81.6 per cent year-over-year. And for 2006, institutional operating profit totaled a record \$1.5 billion, a 53.6 per cent increase over 2005.

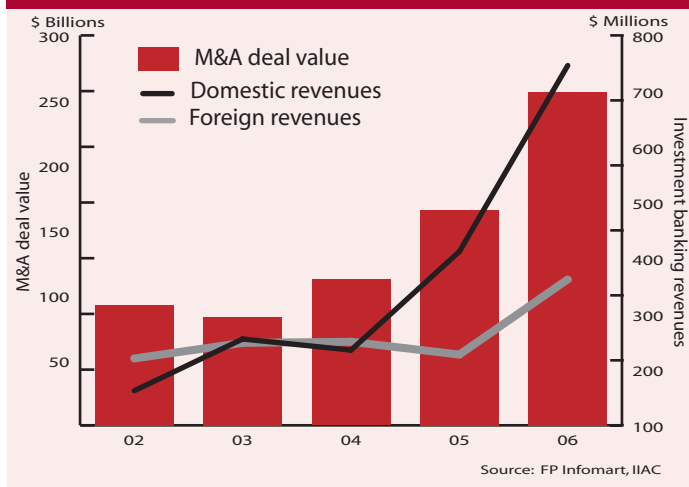
The group's explosive performance last year was underpinned by strong gains by domestic and foreign institutional firms. Domestic institutional operating profit totaled a record \$795 million, an increase of 47.5 per cent from 2005 while the foreign institutional camp's operating profit was not far behind at \$691 million, a 61.4 per cent increase.

The institutional firms also saw a notable 21.5 per cent increase in expenses from 2005. While the increase was significant, it was part of the cost of doing more business. Institutional employment expanded 10.5 per cent last year – the fastest job growth in the industry. Encouragingly, the surge in costs was more than offset by the 37.0 per cent increase in operating revenue as the group fired up double- or triple-digit gains in most business lines.

Institutional firms posted strong gains in the important revenue pillar of investment banking – about a third of the foreign institutional revenue base and half of domestic firms' income. Investment banking revenue was up 59.6 per cent for foreign firms and 21.5 per cent for domestic institutional firms.

Breaking it down, advisory fees surged 49.0 per cent for domestic and 96.5 per cent for foreign institutional firms. Equity underwriting revenue was up 12.2 per cent for domestic firms and 31.9 per cent for foreign firms. While both categories delivered spectacular results, the investment banking revenue increase was particularly impressive for domestic institutional firms (Chart 3).

**Chart 3: M&A and institutional investment banking revenues**



Why? In a nutshell, domestic institutional firms bolstered investment banking business in an acquisitive market dominated by cross-border, large-end deals. The record \$257 in M&A deals last year were dominated by cross-border transactions (77.0 per cent of total deal value) and mid-to-large-sized transactions (accounting for 90.0 per cent of total deal value). Traditionally, Canadian institutional firms have benefited from a higher proportion of smaller domestic deals. In contrast, foreign institutional and integrated firms were more geared towards larger, cross-border transactions.

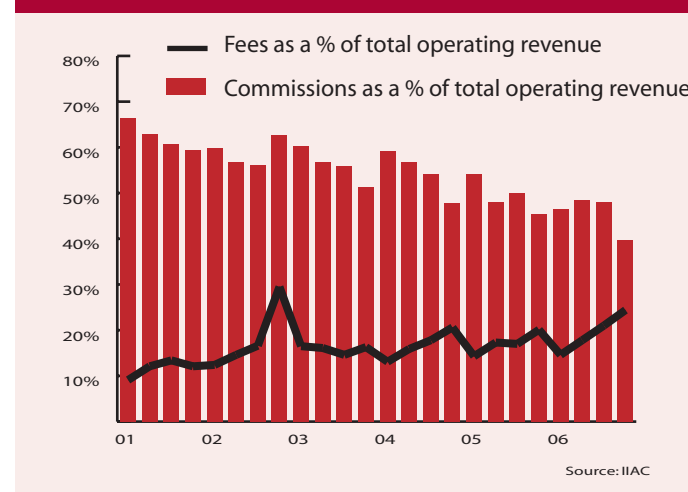
While this still holds, the competition may be heating up in the already competitive world of investment banking. The downturn in integrated equity underwriting and strong gains in domestic institutional investment banking suggest that the Canadian institutional firms scored some lucrative business in the higher-end deal spectrum.

## Retail firms: Small but still big

Canada's small, independent retail firms continued to deliver grand results: operating profit totaled a record \$237 million in the fourth quarter, up 243.5 per cent quarter-over-quarter and 146.2 per cent year-over-year. In 2006, retail profit hit a record \$554 million, up 57.4 per cent from 2005.

The retail firm's 18.7 per cent increase in operating revenue was powered by broad-based gains in all business categories. Not surprisingly, the record trading and mutual fund sales last year fueled commissions – the group's bread and butter revenue – to a record \$1.3 billion, an 11.0 per cent increase from 2005 (Chart 4).

**Chart 4: Retail fees and commissions**



Fees also provided a helping hand in boosting revenue. The retail firm's second largest revenue contributor, fees were up 37.6 per cent over 2005. The retail group's foray into non-traditional products and services over the last few years has been reflected in the steady increase in fee income. The growing shift from commission- to fee-based and wrap accounts continues to generate an important and growing source of income for the group.

A noteworthy development last year was the slowdown in the decline in the retail group numbers. There were 122 retail firms last year – only three less firms or a 2.4 per cent decline from 2005. The retail contraction last year was relatively mild compared to 2005 when the group was reduced by 12 firms or an 8.8 per cent decline from 2004.

The proliferation of small independent, boutique retail firms in 2002-04 created a highly competitive but saturated marketplace. Encouragingly, most of the downturn last year was due to consolidation in the retail introducers as opposed to crowding out. Despite the reduction, retail firm employment numbers expanded 3.3 per cent last year, reflecting the group's overall stellar performance.

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## Q4 2006 INDUSTRY HIGHLIGHTS

(\$ millions unless otherwise noted)	Quarter-over-quarter			Year-over-year				Historical		
	Q4 06	Q3 06	Q4/Q3 06	Q4 05	Q4 06/05	2006 YTD	YTD 06/05	2005	2004	2005/04
<b>Number of firms</b>	198	198	0.0%	201	-1.5%	198	-1.5%	201	205	-2.0%
<b>Number of employees</b>	40,919	40,588	0.8%	39,174	4.5%	40,919	4.5%	39,174	37,739	3.8%
<b>Revenue</b>	4,285	3,537	21.1%	3,552	20.6%	15,879	17.8%	13,485	12,089	11.5%
<b>Commissions</b>	1,535	1,305	17.6%	1,326	15.8%	5,995	14.1%	5,252	4,785	9.8%
Mutual fund only commissions	514	466	10.3%	436	17.9%	1,966	13.8%	1,727	1,413	22.2%
<b>Investment banking revenues</b>	1,060	877	20.9%	892	18.8%	3,950	9.1%	3,621	3,120	16.1%
New issues - equity	564	451	25.1%	572	-1.4%	2,224	-8.4%	2,429	2,172	11.8%
New issues - debt	157	146	7.5%	144	9.0%	590	2.8%	574	502	14.3%
Corporate advisory fees	339	280	21.1%	175	93.7%	1,136	83.8%	618	446	38.6%
<b>Fixed income trading</b>	181	178	1.7%	203	-10.8%	806	14.2%	706	595	18.7%
<b>Equity trading</b>	232	149	55.7%	182	27.5%	811	46.4%	554	644	-14.0%
<b>Net interest</b>	415	400	3.8%	309	34.3%	1,571	33.2%	1,179	1,042	13.1%
<b>Fees</b>	656	510	28.6%	491	33.6%	2,146	25.9%	1,705	1,404	21.4%
<b>Other</b>	205	118	73.7%	148	38.5%	600	28.2%	468	498	-6.0%
<b>Operating expenses<sup>1</sup></b>	1,430	1,380	3.6%	1,323	8.1%	5,711	8.2%	5,279	5,187	1.8%
<b>Operating profit</b>	1,704	1,201	41.9%	1,215	40.2%	5,765	33.6%	4,315	3,553	21.4%
<b>Net profit (loss)</b>	739	483	53.0%	520	42.1%	2,515	43.6%	1,752	1,479	18.5%
<b>Shareholders' equity</b>	11,103	11,129	-0.2%	8,480	30.9%	11,103	29.2%	8,593	8,372	2.6%
<b>Regulatory capital</b>	19,804	20,216	-2.0%	17,430	13.6%	19,804	13.6%	17,430	15,108	15.4%
<b>Client cash holdings</b>	25,281	23,695	6.7%	23,156	9.2%	25,281	9.2%	23,156	22,109	4.7%
<b>Client debt margin outstanding</b>	11,710	12,254	-4.4%	11,580	1.1%	11,710	1.1%	11,580	9,478	22.2%
<b>Productivity (\$ thousands)<sup>2</sup></b>	419	349	20.2%	363	15.4%	388	4.6%	347	320	8.4%
<b>Annual return</b>	26.6%	17.4%	9.3%	23.0%	3.6%	22.7%	2.4%	20.3%	17.6%	2.7%

<sup>1</sup> Operating expenses reflect the underlying cost of running the securities firm and therefore exclude commissions, bonuses and other compensation to brokers.

<sup>2</sup> Annual revenue per employee.

## Definitions

### INTEGRATED FIRMS

Firms that are national in scope and have extensive retail and wholesale operations; includes dealers of the six major chartered banks (institutional and retail services).

### INSTITUTIONAL FIRMS

#### Domestic institutional

Firms that generate the bulk of their revenue from servicing institutional clients and have their head office located in Canada.

#### Foreign institutional

Firms that generate the bulk of their revenue from servicing institutional clients and have their head office located offshore.

### RETAIL FIRMS

#### Full service

Firms that generate the bulk of their revenue from servicing retail clients and have their own front and back offices.

#### Retail introducers

Firms that generate the bulk of their revenue from servicing retail clients typically do not have back offices (use a "carrier" firm to manage their back office).

## INTEGRATED FIRM HIGHLIGHTS

(\$ millions unless otherwise noted)	Quarter-over-quarter			Year-over-year				Historical		
	Q4 06	Q3 06	Q4/Q3 06	Q4 05	Q4 06/05	2006 YTD	YTD 06/05	2005	2004	2005/04
<b>Number of firms</b>	11	11	0.0%	11	0.0%	11	0.0%	11	12	-8.3%
<b>Number of employees</b>	26,477	26,245	0.9%	25,368	4.4%	26,477	4.4%	25,368	24,494	3.6%
<b>Revenue</b>	2,676	2,456	9.0%	2,372	12.8%	10,525	13.2%	9,298	8,557	8.7%
<b>Commissions</b>	1,030	881	16.9%	907	13.6%	4,036	13.3%	3,563	3,214	10.9%
Mutual fund only commissions	380	350	8.6%	322	18.0%	1,454	15.5%	1,259	1,028	22.5%
<b>Investment banking revenues</b>	588	591	-0.5%	531	10.7%	2,425	1.4%	2,391	2,215	7.9%
New issues - equity	307	268	14.6%	320	-4.1%	1,286	-18.0%	1,568	1,512	3.7%
New issues - debt	122	128	-4.7%	121	0.8%	494	1.0%	489	433	12.9%
Corporate advisory fees	159	195	-18.5%	90	76.7%	644	92.8%	334	271	23.2%
<b>Fixed income trading</b>	143	125	14.4%	135	5.9%	586	5.0%	558	536	4.1%
<b>Equity trading</b>	43	114	-62.3%	117	-63.2%	387	4.6%	370	498	-25.7%
<b>Net interest</b>	333	308	8.1%	265	25.7%	1,251	32.5%	944	828	14.0%
<b>Fees</b>	443	372	19.1%	351	26.2%	1,529	22.9%	1,244	1,019	22.1%
<b>Other</b>	96	65	47.7%	65	47.7%	311	36.4%	228	247	7.7%
<b>Operating expenses<sup>1</sup></b>	931	905	2.9%	878	6.0%	3,740	5.5%	3,545	3,629	-2.3%
<b>Operating profit</b>	912	871	4.7%	794	14.9%	3,725	24.3%	2,996	2,503	19.7%
<b>Net profit (loss)</b>	425	423	0.5%	369	15.2%	1,854	34.1%	1,383	1,082	27.8%
<b>Shareholders' equity</b>	6,730	6,836	-1.6%	4,525	48.7%	6,730	48.7%	4,525	4,443	1.8%
<b>Regulatory capital</b>	13,425	13,108	2.4%	11,150	20.4%	13,425	20.4%	11,150	9,228	20.8%
<b>Client cash holdings</b>	21,322	20,231	5.4%	19,715	8.2%	21,322	8.2%	19,715	18,918	4.2%
<b>Productivity (\$ thousands)<sup>2</sup></b>	404	374	8.0%	374	8.1%	398	8.3%	367	349	5.0%
<b>Annual return</b>	25.3%	24.8%	0.5%	33.8%	-8.5%	27.5%	-3.5%	31.0%	24.0%	7.0%

<sup>1</sup> Operating expenses reflect the underlying cost of running the securities firm and therefore exclude commissions, bonuses and other compensation to brokers.

<sup>2</sup> Annual revenue per employee.

## INSTITUTIONAL FIRM HIGHLIGHTS

(\$ millions unless otherwise noted)	Quarter-over-quarter			Year-over-year				Historical		
	Q4 06	Q3 06	Q4/Q3 06	Q4 05	Q4 06/05	2006 YTD	YTD 06/05	2005	2004	2005/04
<b>Number of firms</b>	65	65	0.0%	65	0.0%	65	0.0%	65	56	16.1%
<b>Number of employees</b>	2,698	2,657	1.5%	2,442	10.5%	2,698	10.5%	2,442	2,010	21.5%
<b>Revenue</b>	778	504	54.4%	543	43.3%	2,469	37.0%	1,802	1,430	3.4%
<b>Commissions</b>	176	148	18.9%	129	36.2%	652	27.6%	511	457	11.9%
<b>Investment banking revenues</b>	363	209	73.7%	258	41.0%	1,108	31.7%	841	600	40.2%
New issues - equity	169	125	35.2%	163	4.0%	594	14.9%	517	400	29.1%
New issues - debt	20	8	150.0%	15	34.1%	56	5.7%	53	44	20.5%
Corporate advisory fees	174	77	126.0%	80	117.3%	459	69.4%	271	156	74.0%
<b>Fixed income trading</b>	16	31	-48.4%	44	-64.0%	137	69.1%	81	10	712.7%
<b>Equity trading</b>	122	24	408.3%	28	342.8%	220	197.3%	74	72	3.1%
<b>Net interest</b>	35	45	-22.2%	12	198.4%	135	57.0%	86	89	-3.3%
<b>Fees</b>	12	16	-25.0%	13	-7.7%	55	5.8%	52	38	35.7%
<b>Other</b>	55	31	77.4%	60	-8.3%	163	4.4%	156	164	-10.3%
<b>Operating expenses<sup>1</sup></b>	183	180	1.7%	154	19.2%	728	21.5%	599	503	19.1%
<b>Operating profit</b>	554	261	112.3%	305	81.6%	1,485	53.6%	967	754	7.6%
<b>Net profit (loss)</b>	249	58	329.3%	86	189.5%	527	99.6%	264	330	-36.1%
<b>Shareholders' equity</b>	3,263	3,223	1.2%	2,993	9.0%	3,263	9.0%	2,993	2,987	0.2%
<b>Regulatory capital</b>	4,867	5,641	-13.7%	4,877	-0.2%	4,867	-0.2%	4,877	4,465	9.2%
<b>Client cash holdings</b>	828	730	13.4%	641	29.1%	828	29.2%	641	598	7.2%
<b>Productivity (\$ thousands)<sup>2</sup></b>	1,153	759	52.0%	889	29.7%	915	24.0%	738	711	-15.0%
<b>Annual return</b>	30.5%	7.2%	23.3%	11.5%	19.0%	16.2%	7.3%	8.8%	11.0%	-2.2%

<sup>1</sup> Operating expenses reflect the underlying cost of running the securities firm and therefore exclude commissions, bonuses and other compensation to brokers.

<sup>2</sup> Annual revenue per employee.

## DOMESTIC INSTITUTIONAL FIRM HIGHLIGHTS

(\$ millions unless otherwise noted)	Quarter-over-quarter			Year-over-year				Historical		
	Q4 06	Q3 06	Q4/Q3 06	Q4 05	Q4 06/05	2006 YTD	YTD 06/05	2005	2004	2005/04
<b>Number of firms</b>	47	48	-2.1%	49	-4.1%	47	-4.1%	49	40	22.5%
<b>Number of employees</b>	1,869	1,831	2.1%	1,670	11.9%	1,869	11.9%	1,670	1,255	33.1%
<b>Revenue</b>	427	290	47.2%	323	32.2%	1,386	28.2%	1,080	728	48.5%
<i>Commissions</i>	113	94	20.2%	78	44.9%	415	32.6%	313	245	27.8%
<i>Investment banking revenues</i>	241	155	55.5%	202	19.3%	746	21.5%	614	350	75.4%
New issues - equity	147	106	38.7%	148	-0.7%	505	12.2%	450	288	56.3%
New issues - debt	3	2	50.0%	3	0.0%	10	0.0%	10	9	11.1%
Corporate advisory fees	92	46	100.0%	51	80.4%	231	49.0%	155	54	187.0%
<i>Fixed income trading</i>	2	6	-66.7%	1	100.0%	16	77.8%	9	17	-47.1%
<i>Equity trading</i>	25	-3	933.3%	15	66.7%	53	17.8%	45	42	7.1%
<i>Net interest</i>	13	12	8.3%	8	62.5%	45	50.0%	30	18	66.7%
<i>Fees</i>	10	13	-23.1%	9	11.1%	47	6.8%	44	34	29.4%
<i>Other</i>	23	13	76.9%	10	130.0%	63	162.5%	24	21	14.3%
<b>Operating expenses<sup>1</sup></b>	93	88	5.7%	86	8.1%	361	15.0%	314	227	38.3%
<b>Operating profit</b>	300	147	104.1%	156	92.3%	795	47.5%	539	338	59.5%
<b>Net profit (loss)</b>	156	31	403.2%	53	194.3%	316	137.6%	133	91	46.2%
<b>Shareholders' equity</b>	1,414	1,334	6.0%	1,210	16.9%	1,414	16.9%	1,210	1,238	-2.3%
<b>Regulatory capital</b>	1,754	1,689	3.8%	1,546	13.5%	1,754	13.5%	1,545	1,401	10.3%
<b>Productivity (\$ thousands)<sup>2</sup></b>	914	634	0.4%	774	18.1%	742	14.6%	647	580	11.6%
<b>Annual return</b>	44.1%	9.3%	34.8%	17.5%	26.6%	22.3%	11.4%	11.0%	7.4%	3.6%

<sup>1</sup> Operating expenses reflect the underlying cost of running the securities firm and therefore exclude commissions, bonuses and other compensation to brokers.

<sup>2</sup> Annual revenue per employee.

## FOREIGN INSTITUTIONAL FIRM HIGHLIGHTS

(\$ millions unless otherwise noted)	Quarter-over-quarter			Year-over-year				Historical		
	Q4 06	Q3 06	Q4/Q3 06	Q4 05	Q3 06/05	2006 YTD	YTD 06/05	2005	2004	2005/04
<b>Number of firms</b>	18	17	5.9%	16	12.5%	18	12.5%	16	16	0.0%
<b>Number of employees</b>	829	826	0.4%	772	7.4%	829	7.4%	772	755	2.3%
<b>Revenue</b>	351	214	64.0%	219	60.3%	1083	50.2%	721	702	2.7%
<i>Commissions</i>	63	54	16.7%	52	22.2%	236	18.8%	199	211	-5.8%
<i>Investment banking revenues</i>	122	55	121.8%	55	120.2%	362	59.6%	227	250	-9.3%
New issues - equity	22	18	22.2%	14	55.4%	89	31.9%	67	113	-40.3%
New issues - debt	17	6	183.3%	12	41.7%	46	6.4%	43	35	23.6%
Corporate advisory fees	83	30	176.7%	30	181.1%	228	96.5%	116	102	13.8%
<i>Fixed income trading</i>	15	25	-40.0%	43	-65.1%	121	68.6%	72	-7	1125.5%
<i>Equity trading</i>	96	27	255.6%	12	694.8%	167	485.8%	29	30	-5.0%
<i>Net interest</i>	22	33	-33.3%	4	494.9%	90	60.8%	56	71	-21.2%
<i>Fees</i>	2	3	-33.3%	4	-46.7%	7	-12.5%	8	4	100.0%
<i>Other</i>	32	18	77.8%	50	-36.0%	100	-24.2%	132	143	-8.0%
<b>Operating expenses<sup>1</sup></b>	89	92	-3.3%	68	31.8%	367	28.7%	285	280	1.9%
<b>Operating profit</b>	254	114	122.8%	149	70.5%	691	61.4%	428	416	2.9%
<b>Net profit (loss)</b>	93	28	232.1%	33	181.8%	211	61.1%	131	239	-45.9%
<b>Shareholders' equity</b>	1,849	1,888	-2.1%	1,783	3.7%	1,849	3.7%	1,783	1,769	0.8%
<b>Regulatory capital</b>	3,113	3,952	-21.2%	3,332	-6.6%	3,113	-6.6%	3,332	3,065	8.7%
<b>Productivity (\$ thousands)<sup>2</sup></b>	1,694	1,036	0.6%	1,135	49.3%	1,306	40%	934	930	0.4%
<b>Annual return</b>	20.1%	5.9%	14.2%	7.4%	12.7%	11.4%	4.1%	7.3%	13.5%	-6.2%

<sup>1</sup> Operating expenses reflect the underlying cost of running the securities firm and therefore exclude commissions, bonuses and other compensation to brokers.

<sup>2</sup> Annual revenue per employee.

## RETAIL FIRM HIGHLIGHTS

(\$ millions unless otherwise noted)	Quarter-over-quarter			Year-over-year				Historical		
	Q4 06	Q3 06	Q4/Q3 06	Q4 05	Q4 06/05	2006 YTD	YTD 06/05	2005	2004	2005/04
<b>Number of firms</b>	122	122	0.0%	125	-2.4%	122	-2.4%	125	137	-8.8%
<b>Number of employees</b>	11,744	11,698	0.5%	11,354	3.4%	11,744	3.3%	11,364	11,235	1.1%
<b>Revenue</b>	778	576	35.1%	601	29.5%	2,832	18.7%	2,385	2,102	13.5%
<b>Commissions</b>	329	277	18.8%	300	9.8%	1,307	11.0%	1,177	1,115	5.6%
Mutual fund only commissions	133	115	15.7%	114	16.8%	509	8.9%	468	384	21.9%
<b>Investment banking revenues</b>	110	76	44.7%	93	18.2%	417	7.1%	389	305	27.8%
New issues - equity	89	58	53.4%	82	9.1%	343	-0.3%	344	259	32.6%
New issues - debt	15	9	66.7%	7	100.8%	40	26.8%	32	26	23.7%
Corporate advisory fees	6	9	-33.3%	4	50.8%	33	139.8%	14	20	-30.0%
<b>Fixed income trading</b>	16	22	-27.3%	8	101.2%	78	18.2%	66	49	35.2%
<b>Equity trading</b>	121	10	1110.0%	43	181.0%	258	133.9%	110	74	49.1%
<b>Net interest</b>	47	47	0.0%	40	16.6%	185	23.8%	149	125	19.5%
<b>Fees</b>	203	121	67.8%	102	99.1%	563	37.6%	409	346	18.1%
<b>Other</b>	54	22	145.5%	15	262.4%	127	51.1%	84	87	-3.8%
<b>Operating expenses<sup>1</sup></b>	317	295	7.5%	276	14.9%	1,243	9.5%	1,135	1,055	7.6%
<b>Operating profit</b>	237	69	243.5%	96	146.2%	554	57.4%	352	296	19.0%
<b>Net profit (loss)</b>	65	2	3150.0%	26	147.3%	134	27.6%	105	66	0.6%
<b>Shareholders' equity</b>	1,109	1,070	3.6%	954	16.3%	1,109	15.4%	961	942	2.1%
<b>Regulatory capital</b>	1,512	1,467	3.1%	1,385	9.2%	1,512	7.8%	1,402	1,415	-0.9%
<b>Client cash holdings</b>	3,105	2,734	13.6%	2,808	10.6%	3,105	10.9%	2,800	2,594	8.0%
<b>Productivity (\$ thousands)<sup>2</sup></b>	265	197	34.4%	212	25.2%	723	244.7%	210	187	12.2%
<b>Annual return</b>	23.4%	0.7%	22.7%	11.0%	12.4%	12.1%	1.1%	11.0%	7.0%	4.0%

<sup>1</sup> Operating expenses reflect the underlying cost of running the securities firm and therefore exclude commissions, bonuses and other compensation to brokers.

<sup>2</sup> Annual revenue per employee.

## FULL SERVICE RETAIL FIRM HIGHLIGHTS

(\$ millions unless otherwise noted)	Quarter-over-quarter			Year-over-year				Historical		
	Q4 06	Q3 06	Q4/Q3 06	Q4 05	Q4 06/05	2006 YTD	YTD 06/05	2005	2004	2005/04
<b>Number of firms</b>	36	36	0.0%	36	0.0%	36	0.0%	36	38	-5.3%
<b>Number of employees</b>	6,381	6,341	0.6%	6,225	2.5%	6,381	2.5%	6,225	5,986	4.0%
<b>Revenue</b>	418	328	27.4%	335	24.8%	1,565	15.8%	1,351	1,198	13.0%
<b>Commissions</b>	191	163	17.2%	171	11.6%	763	7.3%	711	676	5.2%
Mutual fund only commissions	75	67	11.9%	70	7.4%	294	1.9%	289	248	16.3%
<b>Investment banking revenues</b>	75	43	74.4%	57	32.0%	264	19.7%	221	173	27.6%
New issues - equity	59	30	96.7%	48	22.9%	211	10.9%	190	148	28.3%
New issues - debt	12	7	71.4%	7	79.7%	30	33.1%	23	11	103.7%
Corporate advisory fees	4	7	-42.9%	3	33.3%	23	197.7%	8	14	-42.9%
<b>Fixed income trading</b>	15	16	-6.3%	18	-16.5%	60	33.4%	45	23	92.0%
<b>Equity trading</b>	29	7	314.3%	12	150.1%	73	69.2%	43	36	19.2%
<b>Net interest</b>	25	26	-3.8%	16	56.1%	101	12.8%	90	73	22.7%
<b>Fees</b>	67	61	9.8%	51	30.8%	247	22.4%	202	173	16.5%
<b>Other</b>	16	12	33.3%	10	57.8%	57	43.3%	40	41	-3.3%
<b>Operating expenses<sup>1</sup></b>	179	171	4.7%	166	8.1%	711	4.9%	678	609	11.3%
<b>Operating profit</b>	75	34	120.6%	39	92.3%	211	45.5%	145	151	-4.0%
<b>Net profit (loss)</b>	35	3	1066.7%	9	288.9%	64	18.5%	54	47	14.9%
<b>Shareholders' equity</b>	747	716	4.3%	604	23.7%	747	23.7%	604	569	6.1%
<b>Regulatory capital</b>	910	911	-0.1%	852	6.8%	910	6.8%	852	789	8.0%
<b>Client cash holdings</b>	2,190	1,950	12.3%	2,137	2.5%	2,190	2.5%	2,137	2,015	6.1%
<b>Productivity (\$ thousands)<sup>2</sup></b>	262	207	0.3%	215	21.7%	245	13.0%	217	200	8.6%
<b>Annual return</b>	18.7%	1.7%	17.1%	6.0%	12.8%	8.6%	-0.4%	8.9%	8.3%	2.0%

<sup>1</sup> Operating expenses reflect the underlying cost of running the securities firm and therefore exclude commissions, bonuses and other compensation to brokers.

<sup>2</sup> Annual revenue per employee.

## RETAIL INTRODUCER FIRM HIGHLIGHTS

(\$ millions unless otherwise noted)	Quarter-over-quarter			Year-over-year				Historical		
	Q4 06	Q3 06	Q4/Q3 06	Q4 05	Q3 06/05	2006 YTD	YTD 06/05	2005	2004	2005/04
<b>Number of firms</b>	86	86	0.0%	89	-3.4%	86	-3.4%	89	99	-10.1%
<b>Number of employees</b>	5,363	5,345	0.3%	5,139	4.4%	5,363	4.4%	5,139	5,249	-2.1%
<b>Revenue</b>	413	248	66.5%	302	36.8%	1,320	27.7%	1,034	906	14.2%
<b>Commissions</b>	139	114	21.9%	119	17.2%	544	16.8%	466	439	6.1%
Mutual fund only commissions	57	48	18.8%	45	27.0%	215	20.1%	179	135	32.1%
<b>Investment banking revenues</b>	35	33	6.1%	46	-24.3%	153	-9.3%	169	132	28.1%
New issues - equity	30	28	7.1%	42	-28.0%	133	-13.5%	154	111	38.3%
New issues - debt	3	3	0.0%	2	50.0%	10	11.1%	9	14	-37.7%
Corporate advisory fees	2	2	0.0%	3	-22.1%	10	66.7%	6	6	0.0%
<b>Fixed income trading</b>	6	6	0.0%	6	0.0%	23	9.6%	21	25	-17.2%
<b>Equity trading</b>	39	3	1200.0%	26	51.2%	131	95.1%	67	38	74.8%
<b>Net interest</b>	22	21	4.8%	17	32.9%	83	38.5%	60	52	15.0%
<b>Fees</b>	135	60	125.0%	76	76.7%	316	52.5%	207	173	19.7%
<b>Other</b>	38	11	245.5%	13	189.9%	70	58.2%	44	46	-4.3%
<b>Operating expenses<sup>1</sup></b>	138	125	10.4%	125	10.2%	532	16.4%	457	446	2.6%
<b>Operating profit</b>	162	35	362.9%	77	109.7%	343	66.0%	207	146	41.9%
<b>Net profit (loss)</b>	30	-1	3100.0%	25	20.4%	70	36.7%	51	19	168.7%
<b>Shareholders' equity</b>	363	354	2.5%	358	1.5%	363	1.4%	358	372	-3.8%
<b>Regulatory capital</b>	603	556	8.5%	551	9.5%	603	9.4%	551	626	-12.0%
<b>Client cash holdings</b>	940	784	19.9%	663	41.7%	940	41.8%	663	579	14.5%
<b>Productivity (\$ thousands)<sup>2</sup></b>	308	186	66.0%	235	31.1%	246	22.3%	201	173	16.6%
<b>Annual return</b>	33.1%	-1.1%	34.2%	27.9%	5.2%	19.3%	5.0%	14.3%	5.1%	9.2%

<sup>1</sup> Operating expenses reflect the underlying cost of running the securities firm and therefore exclude commissions, bonuses and other compensation to brokers.

<sup>2</sup> Annual revenue per employee.