

Adjusted Assets, Adjusted Leveraged Ratio and Tangible Book Value Per Share

The following table sets forth information on our assets, shareholders' equity, leverage ratios and book value per share:

	As of August 2003
	(\$ in millions, except per share amounts)
Total assets	\$394,142
Adjusted assets (1)	273,745
Shareholders' equity	20,438
Tangible shareholders' equity (2)	15,247
Leverage ratio (3)	19.3x
Adjusted leverage ratio (4)	18.0x
Book value per share (5)	\$ 41.72
Tangible book value per share (6)	31.12

- (1) Adjusted assets excludes (i) low -risk collateralized assets generally associated with our matched book and securities lending businesses (which we calculate by adding our securities purchased under agreements to resell and securities borrowed, and then subtracting our nonderivative short positions), (ii) cash and securities we segregate 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 August 2003
	(in millions)
Total assets	\$ 394,142
Deduct: Securities purchased under agreements to resell	(25,208)
Securities borrowed	(120,830)
Add: Financial instruments sold, but not yet purchased, at fair value	102,015
Less derivatives	(41,801)
Subtotal	60,214
Deduct: Cash and securities segregated in compliance with U.S. federal and other regulations	(29,382)
Goodwill and identifiable intangible assets	(5,191)
Adjusted assets	<u>\$ 273,745</u>

- (2) Tangible shareholders' equity equals total shareholders' equity less goodwill and identifiable intangible assets. The following table sets forth a reconciliation of shareholders' equity to tangible shareholders' equity:

	As of August 2003
	(in millions)
Shareholders' equity	\$ 20,438
Deduct: Goodwill and identifiable intangible assets	(5,191)
Tangible shareholders' equity	<u>\$ 15,247</u>

- (3) Leverage ratio equals total assets divided by shareholders' equity.

- (4) Adjusted leverage ratio equals adjusted assets divided by tangible shareholders' equity. We believe that the adjusted leverage ratio is a more meaningful measure of our capital adequacy because it excludes certain low -risk collateralized assets that are generally supported with little or no capital and reflects the tangible equity deployed in our businesses.
- (5) Book value per share is based on common shares outstanding, including restricted stock units granted to employees with no future service requirements, of 489.9 million as of August 2003.
- (6) Tangible book value per share is computed by dividing tangible shareholders' equity by the number of common shares outstanding, including restricted stock units granted to employees with no future service requirements.