

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 February 2003
	(\$ in millions, except per share amounts)
Total assets	\$371,968
Adjusted assets (1)	250,032
Shareholders' equity	19,514
Tangible shareholders' equity (2)	14,705
Leverage ratio (3)	19.1x
Adjusted leverage ratio (4)	17.0x
Book value per share (5)	\$ 40.05
Tangible book value per share (6)	30.18

- (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 February 2003
	(in millions)
Total assets	\$371,968
Deduct: Securities purchased under agreements to resell	(30,536)
Securities borrowed	(109,085)
Add: Financial instruments sold, but not purchased, at fair value (excluding derivatives)	45,733
Deduct: Cash and securities segregated in compliance with U.S. federal and other regulations	(23,239)
Goodwill and identifiable intangible assets	(4,809)
Adjusted assets	<u>\$250,032</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 February 2003
	(in millions)
Shareholders' equity	\$19,514
Deduct: Goodwill and identifiable intangible assets	(4,809)
Tangible shareholders' equity	<u>\$14,705</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 487.3 million as of February 2003 and 491.2 million as of November 2002.
- (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.