



Saxon Mortgage Servicing, Inc. – Issuer Profile

ANALYSTS

Kathleen Tillwitz
Senior Vice President
U.S. Structured Finance
+1 212 806-3251
ktillwitz@dbrs.com

Karen Eissner
Vice President
U.S. Structured Finance
+1 703 896-6051
keissner@dbrs.com

Insight beyond the rating.

EXECUTIVE SUMMARY

Saxon Capital, Inc. and its subsidiaries – Saxon Mortgage, Inc., Saxon Home Mortgage, Inc. and Saxon Mortgage Servicing, Inc. (SMSI) – are wholly owned subsidiaries of Morgan Stanley Mortgage Capital Holdings LLC (Morgan Stanley), which is a leading global financial services firm providing a wide range of investment banking, securities, investment management and wealth-management services. The firm's employees serve clients worldwide, including corporations, governments, institutions and individuals from more than 600 offices in 32 countries.

Morgan Stanley presently operates three stand-alone mortgage businesses in the United States: Saxon Capital, Inc., a servicer, special servicer and wholesale originator of subprime loans; Morgan Stanley Credit Corp., a retail originator of prime loans; and Morgan Stanley Mortgage Capital Holdings, LLC, an aggregator of loans purchased from correspondent lenders. The consolidated platform is a fully integrated mortgage company consisting of four centrally managed business channels: servicing, conduit, wholesale and retail. The company originates, purchases and services a broad spectrum of products through each business channel.

SMSI began its mortgage loan servicing operations in 1960 under the name Cram Mortgage Service, Inc. Through its predecessors, SMSI has been servicing residential mortgage loans for more than 40 years. In September 2004, SMSI converted to a real estate investment trust (REIT) and in December 2006 was ultimately purchased by Morgan Stanley Mortgage Capital Holdings, LLC, which in turn is owned by Morgan Stanley. SMSI services mortgage loans for its affiliates as well as for third-party lenders and investors.

This report provides an overview of Saxon Capital's mortgage operations, including loan sourcing, servicing, deal performance and financial highlights.

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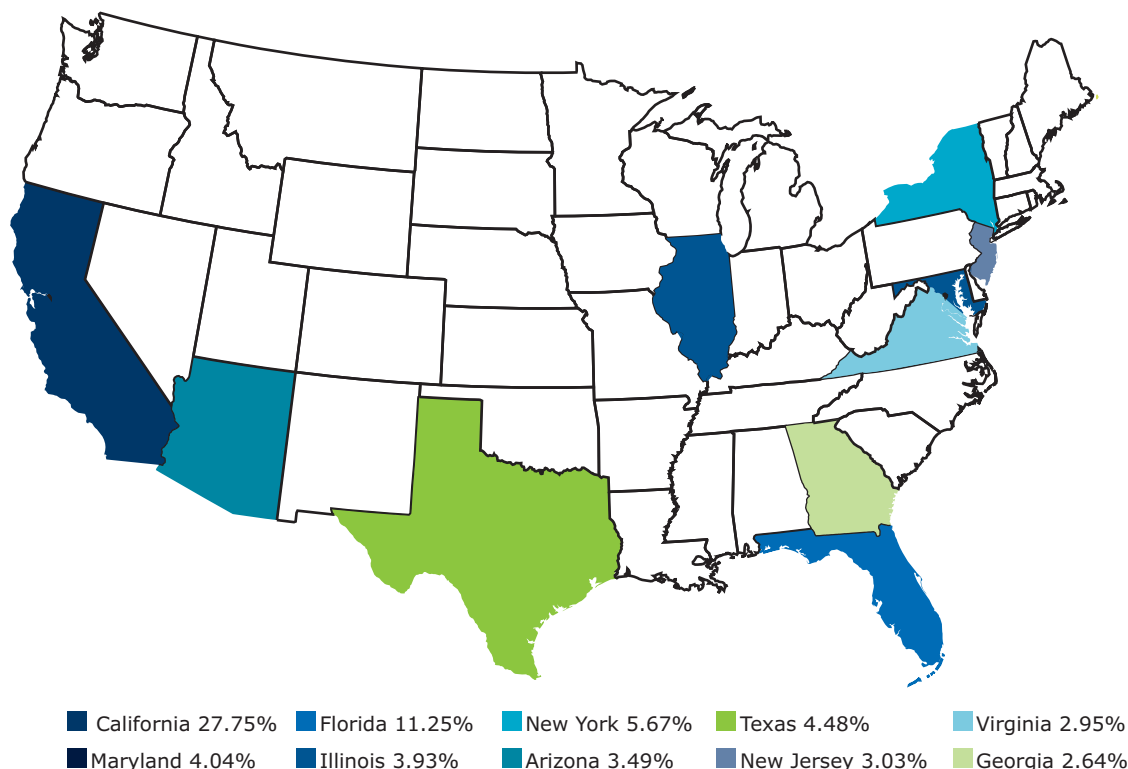
In 2001, SMSI began servicing loans from third parties as well as its affiliate, Saxon Home Mortgage, Inc. Currently, a substantial majority of loans in SMSI's serviced portfolio are serviced for third parties and consist of mostly subprime loans that are first- or second-lien, fixed-rate or adjustable-rate conventional mortgage loans. SMSI also services interest-only mortgages and loans with 40-year terms and in 2006 began servicing mortgages with loan terms of 50 years.

In September 2007, Morgan Stanley announced the consolidation of its mortgage businesses, which positions SMSI's servicing operations for portfolio growth despite cyclical downturns. The consolidation of the mortgage business is also expected to increase productivity and efficiencies throughout the organization. Morgan Stanley's new U.S. residential servicing platform will have its headquarters in Irving, Texas, and will retain the existing regional operations centers in Fort Worth, Texas; Foothill Ranch, California; Riverwoods, Illinois; and Tampa, Florida.

Recognizing that opportunities in the market may arise, Saxon Home Mortgage expanded its mortgage platform to facilitate significant portfolio growth and a wider array of product offerings. The company also anticipates increasing its acquired portfolios from its current \$26 billion to \$118 billion over the next three years.

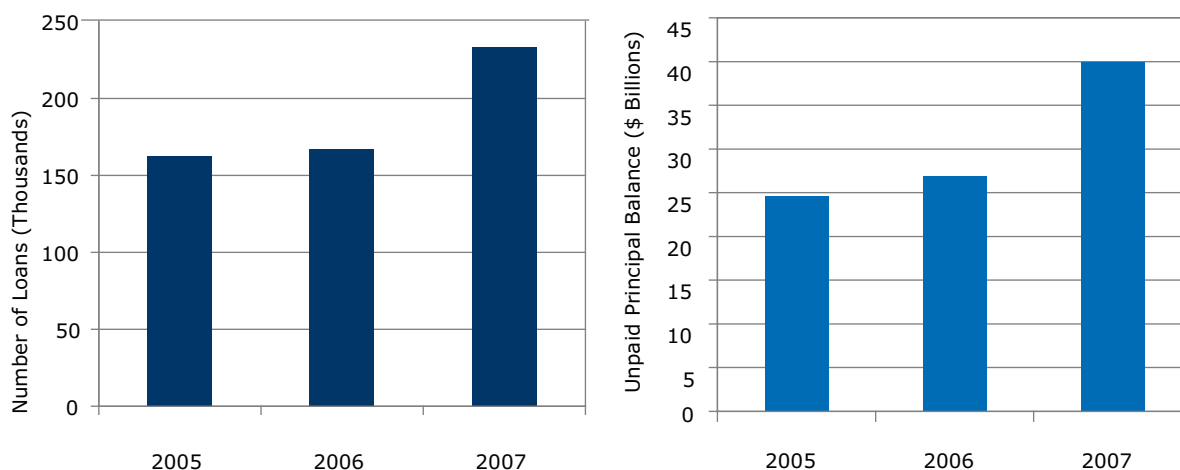
Loans acquired and serviced by Saxon Home Mortgage are subject to a wide array of due diligence reviews that include data integrity checks, credit and property due diligence and compliance reviews. Given that the majority of Saxon Home Mortgage's portfolio is serviced for third parties, the company has in place a variety of controls to facilitate loan boarding, investor reporting and loan accounting. Since its purchase by Morgan Stanley, SMSI has continued to refine its management structure by establishing a special servicing function that reflects performing and non-performing portfolio segments.

Subprime Portfolio Distribution by State as of September 2007





Subprime Portfolio Growth



MORTGAGE LOAN SOURCING AND UNDERWRITING

Saxon services loans that have been originated from the following platforms:

- Saxon Home Mortgage, Inc.
- eSaxon.com
- Saxon Asset Securities Trust

Saxon Home Mortgage, Inc.

Saxon Home Mortgage, Inc. is the retail mortgage lending name of Saxon Mortgage, Inc., an affiliate of Saxon Capital, Inc., and is licensed to originate loans throughout the United States. The unit provides direct lending services to subprime borrowers through multiple branch locations, toll-free telephone numbers and online applications. The company offers purchase money, home improvement, refinance and debt consolidation loan programs to borrowers of all credit ranges.

eSaxon.com

eSaxon.com is the online website used by conduits for bulk package sales and brokers to submit applications on conforming and non-conforming, Alt-A or subprime loans. Non-conforming loans typically differ from loans underwritten to the guidelines established by Fannie Mae and Freddie Mac. These differences can include loan-to-value ratios, borrower income, required documentation, interest rate, property type and borrower occupancy. Since Morgan Stanley maintains a correspondent conduit program, Saxon Capital, Inc. discontinued its correspondent program to avoid duplication.

Saxon Asset Securities Trust

Saxon Asset Securities Trust purchases and securitizes mortgage servicing rights from various lenders based on the originating lenders' underwriting guidelines. Products include prime, Alt-A, home equity and subprime mortgages.

APPLICATION PACKAGE AND REVIEW

Mortgage loans originated are based on application packages submitted through eSaxon.com or Saxon Home Mortgage, Inc. Loan packages generally include a mortgage application that provides information with respect to the applicant's liabilities, income, credit and employment history and other personal information. The eSaxon.com website has an automated loan center that provides brokers with access to online tools such as loan submission forms, lock requests, document preparation services, rates and disclosures. The site also provides access to pre-qualification software and automated underwriting systems that provide preliminary loan approvals and rate quotes.



Mortgage files are underwritten using an automated rules-based underwriting (AU) system. The broker enters borrower and loan program information directly into the AU system and if all underwriting requirements are met, an immediate loan approval is issued along with conditions, pricing and a preliminary commitment letter. All loan approvals are subject to an acceptable appraisal. While the broker enters the borrower information, credit reports are obtained independently by the system. Credit reports are generated directly from the system and are taken from the three nationally recognized credit repositories, showing all credit trades regardless of negative or positive status. Borrower credit scores are then established using the middle of the three credit scores or the lower of two scores if only two scores are reported. The underwriting system applies the applicant's liabilities, income, credit and employment histories in addition to other personal information and property data to a series of rules that include FICO scores (from the credit report) and debt-to-income ratios to derive a loan approval. Saxon Mortgage's underwriting system is fashioned after Freddie Mac and Fannie Mae automated underwriting systems and employs similar processes. After the borrower and property data is entered into the system, the loan is locked and referred to an underwriter for final processing.

Underwriters review the loan for reasonability and accuracy. Loan data, such as the applicant's sources of income and assets, is verified and matched to the information provided by the broker or originator. In addition to reviewing the borrower's credit history, underwriters calculate debt-to-income ratios to determine the applicant's ability to repay the loan.

Exceptions to underwriting guidelines are considered on a case-by-case basis when reasonable compensating factors are evident in the file. Experienced underwriters manually review the loan attributes as a whole and assess the level of risk associated with the loan, including the appraisal, credit report and the borrower's willingness and ability to repay the debt. Compensating factors may include (but are not limited to) verified excess reserves or liquid assets, the borrower's demonstrated ability to accumulate savings or devote a greater portion of income to housing and the borrower's potential for increased earnings based on education or job training.

All loans purchased or originated must be in compliance with applicable federal and state laws and regulations and require a full appraisal of the mortgaged property. The maximum allowable loan-to-value ratio varies based on the income documentation, property type, creditworthiness, debt-to-income ratio of the applicant and the overall risks associated with the loan decision.

APPRAISAL REQUIREMENTS

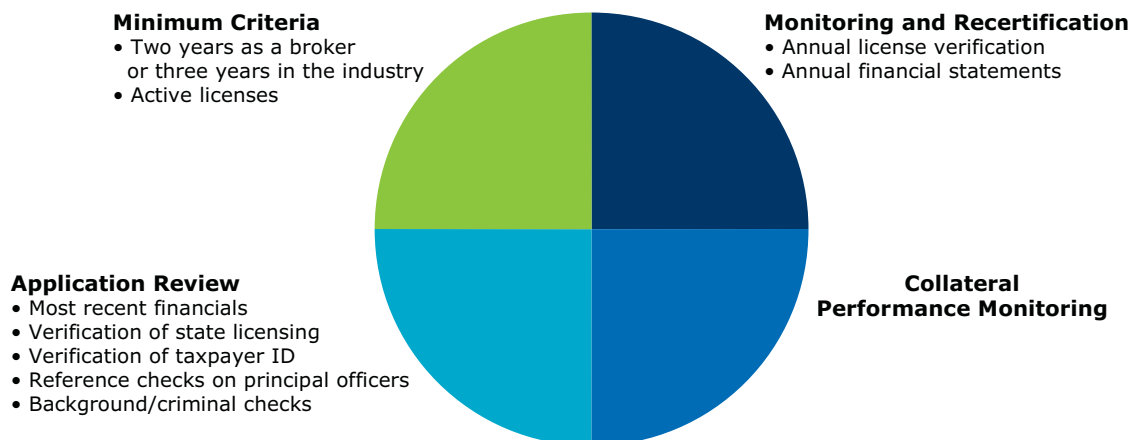
An independent appraiser that has been approved by Saxon Home Mortgage, Inc. or eSaxon.com is required to appraise each mortgaged property. Appraisals generally conform to the Uniform Standards of Professional Appraisal Practice. In addition, Saxon Home Mortgage follows Fannie Mae and Freddie Mac guidelines, which require that appraisers personally perform interior and exterior inspections of the property to verify and report its condition. The appraised value is typically based on the recent sale prices of comparable properties. Saxon Home Mortgage also uses automated valuation tools to supplement independent appraisals.

Correspondent Management

Saxon has an extensive counterparty management process to ensure that its correspondents and other counterparties meet annual recertification requirements. New counterparties are evaluated using a variety of criteria, including audited financials, industry experience, business strategy, funding facilities and internal controls. Correspondents are managed using dashboard reports and are recertified annually. Recertification includes reviews of financial condition and performance. Brokers submitting loans to eSaxon.com undergo a thorough review and approval process, both initially and annually. Data on broker principals is checked to several third-party sources, including LexisNexis. The chart below details prospective broker requirements.



Broker Requirements



SERVICING

Located in Fort Worth, Saxon Mortgage Servicing, Inc. (SMSI) performs loan servicing for Morgan Stanley mortgage products as well as third-party portfolios from various investors and financial institutions. SMSI has serviced residential mortgage loans since its inception as Cram Mortgage Services in 1960. The company operated as a full-service mortgage brokerage firm specializing in subprime mortgages through 1994 when it was acquired by Dominion Resources, Inc., a regional utility company. Dominion Resources, Inc. subsequently divested both companies in July 2001 through a Rule 144A equity private placement that created Saxon Capital, Inc. (SCI). In September 2004, SCI converted to a REIT. Ultimately, Morgan Stanley Mortgage Capital Holding, LLC, a wholly owned subsidiary of Morgan Stanley, acquired the company in December 2006 and dissolved the REIT at that time.

Since its acquisition by Morgan Stanley, SMSI has increased its third-party servicing, expanded its capacity, converted to a new servicing system and expanded its management and staff. In October 2007, Morgan Stanley announced a restructuring of its residential mortgage business both to reflect current market conditions and to position the business for long-term growth. The plan reduces origination capacity to a level appropriate for the existing market and integrates its global mortgage businesses under a single platform. The restructuring will result in a net reduction in force of approximately 500 employees in the United States. However, the company does not expect its servicing operations to be affected because of the importance of servicing in today's environment.

David Dill, president of SMSI, oversees the servicing operations, which as of September 2007 serviced a portfolio of 233,240 loans totaling \$39.9 billion. The company has very seasoned management, averaging more than 20 years of industry experience. Over the past few years, SMSI has added highly experience managers to its senior team to increase its "bench strength" and prepare the company for its planned growth.

In January 2007, SMSI formed a special-servicing division. The unit is structured with an emphasis on default-resolution capabilities, maintaining home ownership for borrowers and minimizing loan level losses. As of September 2007, the unit was servicing approximately \$1.1 billion (\$700 million in distressed assets). Forecasted special-servicing volume is expected from interim or primary servicing for subprime loans, acquired defaulted loans from distressed and non-distressed sellers, acquired subordinate or residual positions, 90-day delinquent loans swept from servicers of Morgan Stanley-issued home equity asset-backed securities (ABS) and third-party servicing on a contract basis.



Currently, all special servicing accounts that are 60+ days past due are managed by the unit and its default strategy emphasizes a balance between individual and team loan ownership. The unit performs daily contact attempts, heavy skip tracing and leverages SMSI's predictive modeling expertise, technology and loss mitigation decision tools.

Loan Boarding and Administration

SMSI has a dedicated loan acquisition team that works with prior servicers to obtain preliminary data, establish transfer dates and board third-party loans using proprietary conversion technology that converts data from servicing systems and other platforms with 99% accuracy. The system tests and validates more than 500 data fields during the conversion process.

The loan acquisition unit initiates a welcome letter to mortgage customers that provides payment amounts, due dates and grace-period information along with a temporary payment coupon. The letter is timed to occur two days after the goodbye letter is sent. In addition to the welcome letter, at least three call attempts are made within 15 days of the loan boarding to the servicing system. After 15 days, any loans that remain delinquent are moved to dialer collection campaigns.

SMSI outsources its document imaging for all newly originated and acquired loan files to Stewart Title Guaranty Company (Stewart Title). In addition, Stewart Title processes all lien releases and performs trailing-documents functions for the company.

Collections and Delinquencies

SMSI receives the majority of its payments through an in-house lock-box system. Other payment methods used by borrowers include Western Union automated clearing house (ACH) payments, Advanced Financial Services (AFS) and QuickCollect, where borrowers are able to make payments over the phone.

Universal agents handle both inbound customer service and inbound and outbound early-stage collection calls using Avaya predictive dialer and call optimizer software. Freddie Mac's Early Indicator Score (EIS) system is used to identify higher-risk delinquencies and to delay foreclosure referral for lower-risk borrowers. SMSI closely monitors the first payment and early payment default accounts.

SMSI uses a vendor, Titanium Solutions, to provide third-party, face-to-face borrower contact and skip tracing. Loan selection is based on no contact for 45 days (as of the 60th day of delinquency) on all levels of loss and all loans in excess of 50% estimated loss severity regardless of prior contact.

The following is a brief outline of SMSI's collection efforts:

- **Delinquent 1 to 29 Days:** Current-month collection efforts start on the second day of delinquency. Loans are initially loaded through the dialer but may be called using manual dialing lists as each month progresses.
- **Delinquent 30 to 59 Days:** Calls are placed on loans of less than \$300,000, starting on the first day of the month and are attempted every other day until contact or repayment arrangements are made. Loans in excess of \$300,000 and in a 30-day delinquent status are referred to a special collections unit to make manual collection calls. The special collections unit also accelerates collection efforts on first payment and early payment default loans.
- **Delinquent 60 Days:** The later-stage delinquency teams use a combination of manual and dialer calls with the objective of full reinstatement using short-term repayment plans prior to foreclosure and identifying borrowers for alternative workout options.
- **Delinquent 90 Days:** The 90-day team primarily uses manual calling techniques as well as letters, skip tracing and third-party vendors when necessary to make contact. Since loans are primarily in foreclosure, the team employs more detailed counseling and a review of financial information along with a full discussion of workout options.



Call Center Statistics (as of September 2007)

Cure Ratios

– Current Month	90.94%
– Two-Month	59.74%
Answer Rate	98.68%
Promises to Pay Kept	39.76%
Right Party Contact Rate	30.45%
First Call Resolution Rate	88.54%

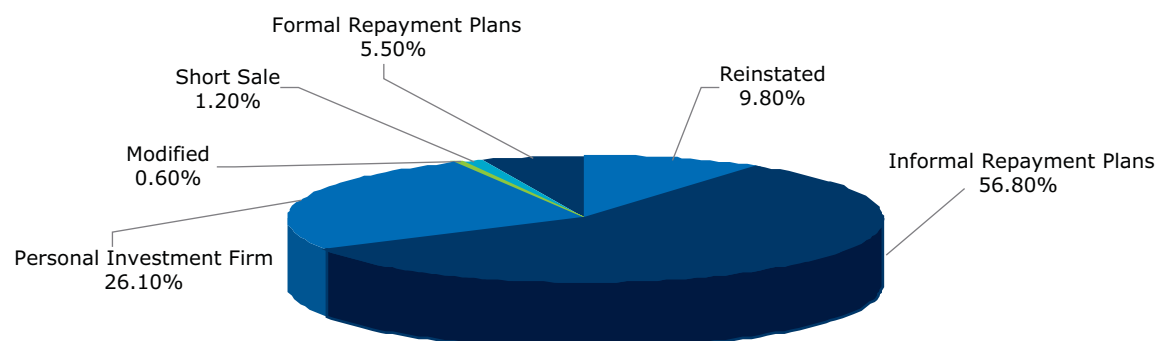
Loss Mitigation Techniques

SMSI's collections and workout staff make decisions in accordance with investor guidelines and according to its loss mitigation authority matrix. It does not extend terms or maturity dates or defer payments at any point in the delinquency. Loss mitigation attempts to resolve delinquency through a number of channels, including the following:

- **Repayment and Forbearance Plans:** Approximately 32% of delinquent accounts are typically resolved through repayment plans where borrowers are expected to become current within six to 12 months. Repayment plans are the most common method used to resolve delinquencies. Forbearance plans are used for loans that are in foreclosure, are longer than six months in duration and require a full financial review of the borrower. All collection staff has the authority to make these plans.
- **Modification:** About 1% to 2% of SMSI collection efforts result in modifications. Options include rate reduction, capitalization of interest, stipulated repayment to modification plans and debt forgiveness. Borrowers are fully qualified through a financial analysis, and trial modifications or stipulated repayment plans are often used in an effort to facilitate ongoing resolution.
- **Short Sale or Payoff:** SMSI's workout staff can authorize a short sale or short payoff, which entails acceptance of less than the total payment in full either through the sale of the property or through refinancing. This workout option totals 2% of resolutions.
- **Deed in Lieu of Foreclosure:** SMSI's management is authorized to approve this workout type, and approval is based on the risk of the lien position. A full assignment of interest in the property to the lien holder is made in lieu of the foreclosure process.

Approximately 49% of SMSI loans are reinstated and 16% are full payoffs.

Method of Cure (as at September 2007)

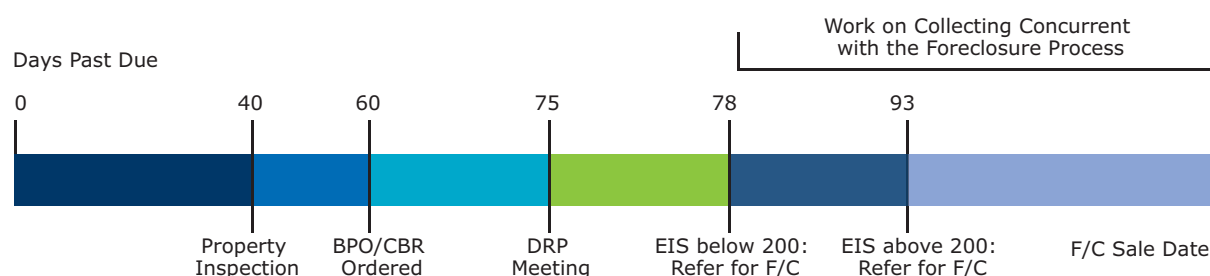




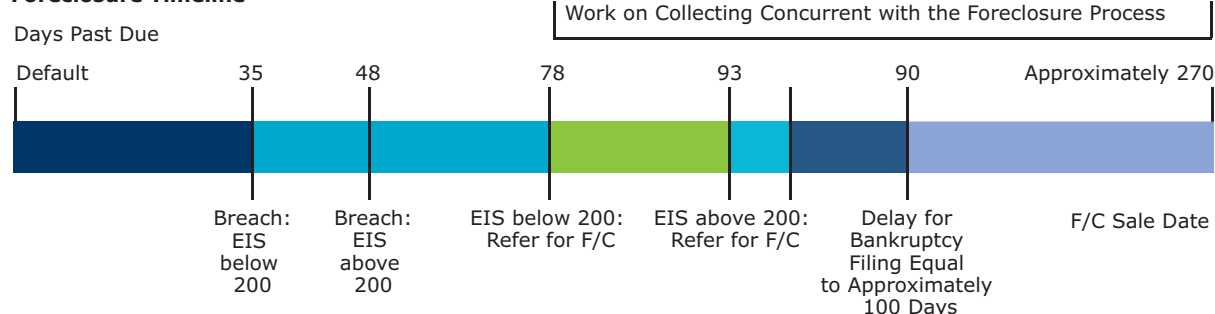
Percentage of Accounts Cured (Based on Unpaid Principal Balance (UPB))

	2007 YTD	2006	2005	2004	2003	2002
60 to 89 Days	41.51%	49.24%	54.33%	58.38%	57.62%	54.78%
90 to 119 Days	21.87%	30.61%	39.19%	44.04%	35.00%	34.80%
120 to 149 Days	13.06%	19.93%	25.19%	26.44%	23.87%	25.23%
150+ Days	8.86%	10.77%	13.47%	12.14%	10.08%	11.82%

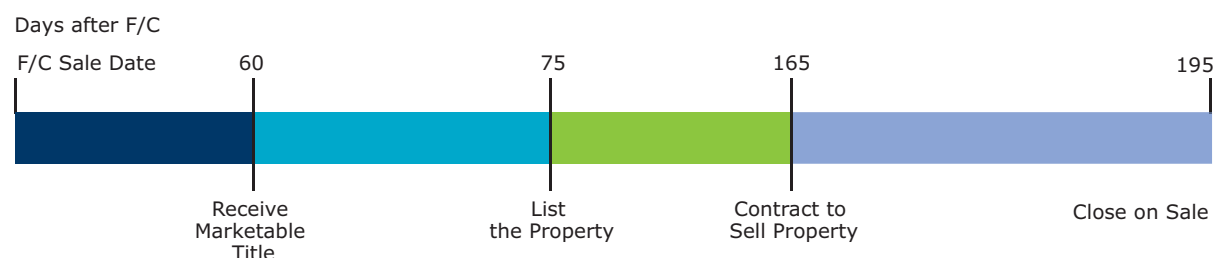
Collections, Foreclosures and REO Timelines



Foreclosure Timeline



REO Timeline



BPO = Broker's Price Opinion. CBR = Credit Bureau Report. EIS = Early Indicator Score. F/C = Electronic Foreclosure Referral. All statistical data as of June 30, 2007, unless otherwise specified. Source: Saxon Mortgage Services, Inc.

Real Estate Owned

SMSI currently outsources its real estate owned (REO) asset management to three domestic vendors. The company has clearly defined authority matrices that the vendors use to make decisions on behalf of SMSI. SMSI caps its fee at \$1,500 for all outsourcers. Additionally, SMSI does not repair individual properties, except to bring them into compliance with current building codes. The company indicated that this practice reduces upfront repair costs that may cause further losses and lengthen carrying time in a declining market. In addition, expenses are paid at liquidation settlement using the HUD-1 Form rather than throughout the marketing process, which avoids additional expenses.



SMSI is restructuring the department and has developed plans to expand to four vendors to provide for greater competition, control and flexibility. List prices and sales activity will be controlled internally and the staff will be aligned to each outsourced vendor. Vendors currently operate with their own proprietary technology and feed data into Fiserv, the company servicing system. SMSI has recently implemented REOTrans, which provides additional functionality for timeline and fee control, portfolio segmentation and reporting.

Current REO Performance

	2007 YTD	2006
Turn Rate	18.47%	19%
Sales Price	93.31%	96%
Days on Market	120 days	115 days

Internal Controls

SMSI's policy and procedure manuals are available to all employees through the company's intranet. Updates are made annually and revised according to an established change procedure.

SMSI has active audit and compliance programs to ensure the company is using prudent loan-servicing practices and is in compliance with all regulatory and investor guidelines. This is in addition to annual oversight by its parent, Morgan Stanley. The company also has a compliance committee that is composed of representatives of each functional area. The committee meets about eight times a year and in addition to assuring that current procedures meet regulatory requirements, it recommends new policies and procedures or changes to existing policies and procedures.

Technology

SMSI's primary system of record is FiServ's MortgageServ system. The company also uses the Avaya Call Management System for telephony applications and its intervoice response system (IVR), which allows borrowers to complete routine requests without having to speak to an agent. Calling campaigns are developed using Freddie Mac's EIS system, which scores SMSI's portfolio monthly. Campaign Optimizer provides a best-time-to-call application for outbound campaigns and is made through a blended Mosaix Dialer, which allows agents to take inbound and outbound calls. The dialer sends only live voice calls to agents and leaves virtual messages when voicemail or answering machines are detected. RightForce provides staff scheduling and workforce management applications.

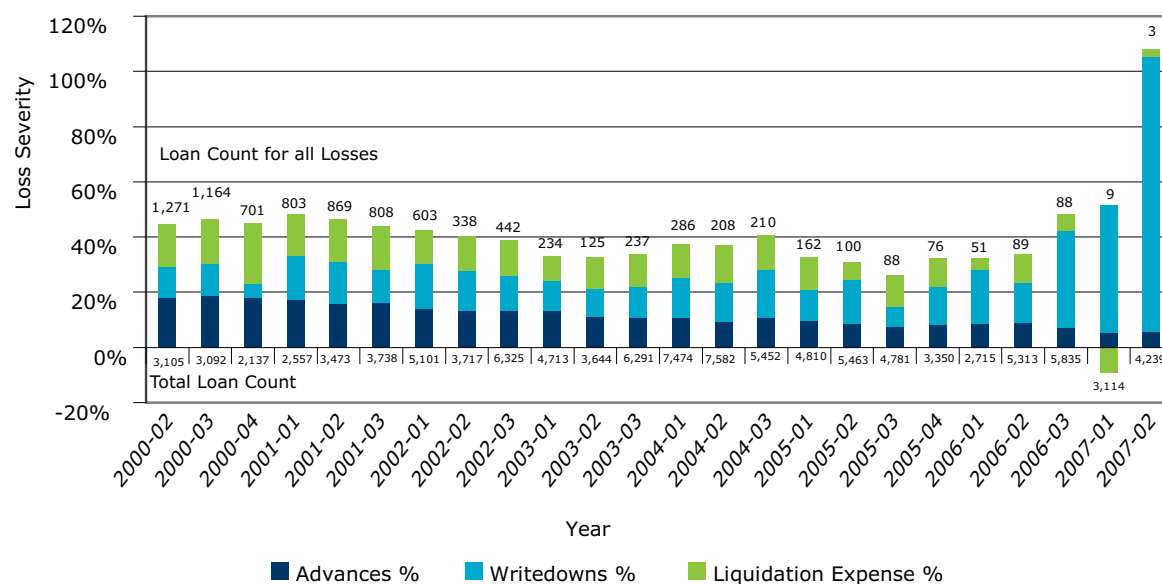
SMSI has four technology locations: Fort Worth, Tampa, Glen Allen and Foothill Ranch. The company maintains redundant data centers in Glen Allen and Fort Worth. The company has fully documented disaster recovery plans in place. Thirty-two hours of on-site test time is maintained with Sun Guard, with workspace for 150 people at a Sun Guard facility. The last test was completed in August 2007 with no significant issues identified.



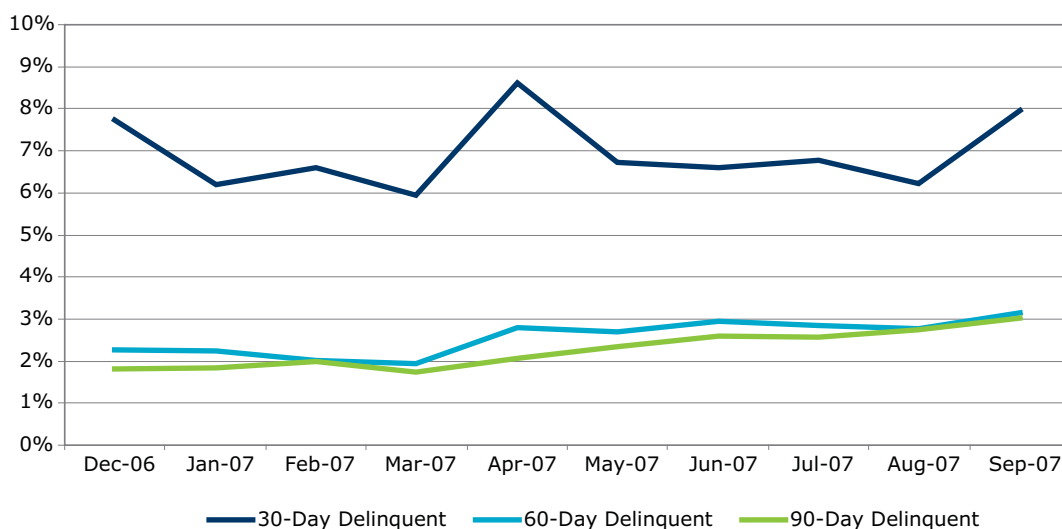
DEAL PERFORMANCE HIGHLIGHTS

SMSI securitizes loans under numerous shelves based on product type and credit profile. This segmentation is done to provide greater consistency in collateral profiles and product performance. Generally, SMSI services subprime assets that are purchased and securitized. The delinquency and cumulative loss performance of SMSI's subprime transactions by vintage from 2000 through 2007 can be found in the chart below. For additional deal performance, including loan-level modification information by securitization, please see SMSI's website at saxonmortgage.com.

Loss Severity by Deal



Saxon Mortgage Servicing Production: Delinquency Trends





FINANCIAL OVERVIEW FOR MORGAN STANLEY

On December 19, 2007, DBRS confirmed its ratings for Morgan Stanley (the Company), and related entities, including the Company's Issuer & Senior Debt rating of AA (low) and its Short-Term Instruments rating of R-1 (middle). The trend on all ratings remains Stable.

This rating action follows Morgan Stanley's announcement of a net loss of \$3.6 billion for fiscal Q4 2007, which ended on November 30. The Company reported net income for the full fiscal year 2007 of \$3.2 billion, down significantly from \$7.5 billion in F2006. The quarterly loss was driven by large write-down losses due to Morgan Stanley's exposure to collateralized debt obligations (CDOs) backed by subprime mortgages and other mortgage-related assets.

The large write-down losses reflect disruption in mortgage markets that continued to deteriorate in November from already stressed levels in October. The Company recorded a pre-tax write-down of \$7.8 billion, net of hedges, on its exposure to subprime-related assets, and it recorded an additional \$1.6 billion write-down on other mortgage-related assets.

The rating confirmation reflects DBRS's view that Morgan Stanley's disappointing performance in Q4 2007 was driven by concentrated risk positions, rather than by significant weakness in the Company's overall franchise. DBRS notes that Morgan Stanley is taking action to review and improve its risk management to avoid the occurrence of such outsized losses in the future. At the same time, DBRS notes that severely disrupted markets have caused losses for many capital market participants since the summer, albeit to varying amounts.

Morgan Stanley's ratings continue to reflect the strength of its powerful global franchise and its strong earnings power, as well as its sound liquidity and robust financial profile. In DBRS's view, Morgan Stanley's recent disappointing performance has so far not permanently impaired its franchise strength and recurring earnings power. DBRS notes positively that in order to preserve its robust financial profile, the Company is raising approximately \$5 billion in additional capital, which more than offsets its Q4 2007 loss.

DBRS expects Morgan Stanley to return to solid profitability in the first half of 2008, despite what is likely to remain a challenging operating environment. A return to healthy recurring earnings power, combined with the continuation of franchise enhancement will underpin current rating levels. However, if Morgan Stanley fails to generate solid earnings over the coming quarters or if its performance versus peers indicates that its franchise is impaired, this will be viewed negatively from a ratings perspective.



Morgan Stanley Financial Overview

	For the fiscal year					2007 vs. 2006		2007 vs. 2003	
	2007	2006	2005	2004	2003	\$ million	%	\$ million	%
Income statement (USD millions)									
Net interest income	2,781	1,879	2,435	3,869	3,036	902.0	48.0	-255.0	(13.6)
Principal transactions & inv inc	6,468	13,407	8,505	6,117	6,372	-6,939.0	(51.8)	96.0	0.7
Commissions	4,682	3,770	3,331	3,235	2,861	912.0	24.2	1,821.0	48.3
Advisory fees	2,541	1,843	1,478	1,156	662	698.0	37.9	1,879.0	102.0
Underwriting fees	3,827	2,912	2,365	2,185	1,778	915.0	31.4	2,049.0	70.4
Investment banking fees	6,368	4,755	3,843	3,341	2,440	1,613.0	33.9	3,928.0	82.6
Asset management fees	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other rev, net of provision for loan losses	7,727	9,941	8,574	7,071	6,044	-2,214.0	(22.3)	1,683.0	16.9
Total net revenue	28,026	33,752	26,688	23,633	20,753	-5,726.0	(17.0)	7,273.0	21.5
Compensation expenses	16,552	14,328	10,749	9,812	8,483	2,224.0	15.5	8,069.0	56.3
Non-compensation expenses	8,033	8,451	8,079	7,011	6,115	-418.0	(4.9)	1,918.0	22.7
Total non-interest expenses	24,585	22,779	19,346	16,823	14,598	1,806.0	7.9	9,987.0	43.8
Pre-tax income*	3,394	10,973	7,342	6,810	6,155	-7,579.0	(69.1)	-2,761.0	(25.2)
Net income	3,209	7,472	4,939	4,486	3,787	-4,263.0	(57.1)	-578.0	(7.7)
Franchise revenue mix (%)									
						% points	%	% points	%
Net interest income/net revenue	9.9	5.6	9.1	16.4	14.6	4.4	78.2	-4.7	(84.5)
Principal transactions & inv inc/net rev	23.1	39.7	31.9	25.9	30.7	-16.6	(41.9)	-7.6	(19.2)
Commissions/net revenue	16.7	11.2	12.5	13.7	13.8	5.5	49.6	2.9	26.1
Investment banking fees/net rev	22.7	14.1	14.4	14.1	11.8	8.6	61.3	11.0	77.8
Other revenue/net revenue	27.6	29.5	32.1	29.9	29.1	-1.9	(6.4)	-1.6	(5.3)
Profitability (%)									
Compensation expense/net rev	59.2	42.5	40.3	41.5	40.9	16.7	39.4	18.3	43.1
Non-compensation expense/net rev	28.7	25.0	30.3	29.7	29.5	3.7	14.7	-0.8	(3.0)
Total expense ratio	87.9	67.5	72.5	71.2	70.3	20.4	30.2	17.5	26.0
Pre-tax profit margin	12.1	32.5	27.5	28.8	29.6	-20.4	(62.7)	-17.5	(53.7)
Effective tax rate	24.5	30.1	24.5	28.6	29.0	-5.6	(18.7)	-4.5	(15.1)
Return on average common equity	8.9	23.5	17.3	16.8	16.5	-14.6	(62.0)	-7.5	(32.2)
Return on average equity	8.8	23.2	17.3	16.8	16.5	-14.4	(61.9)	-7.6	(32.8)
Return on average assets	0.27	0.74	0.60	0.66	0.67	-0.5	(63.5)	-0.4	(54.1)
Balance sheet (USD billions)									
						\$ billion	%	\$ billion	%
Assets									
Cash	n.a.	20.6	29.4	32.8	29.7	n.a.	n.a.	n.a.	n.a.
Segregated cash + securities received as col-lateral	61.6	94.2	83.7	74.6	55.8	-32.5	(34.6)	5.8	6.2
Collateralized agrmts (rev repos + secs borrowed)	374.3	475.4	419.0	331.4	232.0	-101.1	(21.3)	142.3	29.9
Fin instr owned (incl pledged sec, other inv)	n.a.	374.8	258.3	204.0	201.8	n.a.	n.a.	n.a.	n.a.
Total Receivables	n.a.	134.3	84.5	64.1	47.2	n.a.	n.a.	n.a.	n.a.
Minority interest, fixed assets & other assets	n.a.	18.5	21.5	38.2	34.8	n.a.	n.a.	n.a.	n.a.
Intangibles and goodwill	4.1	3.4	2.5	2.2	1.5	0.7	21.9	2.6	76.5
Total assets	1,051.7	1,121.2	898.8	747.3	602.8	-69.5	(6.2)	448.8	40.0
Memo: Net adjusted assets**	611.7	548.3	393.7	339.2	313.5	63.4	11.6	298.2	54.4
Liabilities									
Payables	0.0	147.3	120.4	123.3	104.6	-147.3	(100.0)	-104.6	(71.0)
Deposits	n.a.	28.3	18.7	13.8	12.8	n.a.	n.a.	n.a.	n.a.
Commercial paper & other s-t borrowings	n.a.	22.4	31.1	36.3	28.4	n.a.	n.a.	n.a.	n.a.
Securities loaned	n.a.	150.3	120.5	97.1	64.4	n.a.	n.a.	n.a.	n.a.
Collateralized financings	0.0	417.8	357.7	285.8	212.0	-417.8	(100.0)	-212.0	(50.7)
Financial instruments sold, not yet purchased	134.3	183.1	147.0	111.3	111.4	-48.8	(26.6)	22.9	12.5
Obligation to return securities pledged	n.a.	64.6	43.6	37.8	27.3	n.a.	n.a.	n.a.	n.a.
Memo: long-term debt	0.0	145.0	110.5	95.3	65.6	-145.0	(100.0)	-65.6	(45.2)
Other liabilities & accr exp, incl min interests	0.0	25.0	17.1	15.5	12.9	-25.0	(100.0)	-12.9	(51.7)
Total liabilities	n.a.	1,033.5	846.1	719.1	575.1	n.a.	n.a.	n.a.	n.a.
Memo: Total hybrids	n.a.	4.9	2.8	3.0	2.9	n.a.	n.a.	n.a.	n.a.
Memo: Total sub debt and hybrids	4.9	8.8	6.8	7.1	3.5	-3.9	(44.6)	1.4	16.1



Equity

Preferred Equity	1.1	1.1	0.0	0.0	0.0	0.0	0.0	1.1	100.0
Common equity	30.2	34.3	29.2	28.2	24.9	-4.1	(12.0)	5.3	15.5
Total stockholders' equity	31.3	35.4	29.2	28.2	24.9	-4.1	(11.6)	6.4	18.1
Tangible common equity	26.1	30.9	26.7	26.0	23.3	-4.8	(15.6)	2.7	8.9
Memo: Total tangible equity	n.a.	36.9	29.5	29.0	26.2	n.a.	n.a.	n.a.	n.a.
Memo: Total broker capital***	n.a.	163.6	126.2	111.5	81.2	n.a.	n.a.	n.a.	n.a.

Capital Ratios

						Delta	%	Delta	%
Net adjusted assets/total assets (%)	58.2	48.9	43.8	45.4	52.0	9.3	18.9	6.2	12.6
Gross leverage (x)****	33.6	31.7	30.8	26.5	24.2	1.9	6.1	9.4	29.6
Net leverage (x)*****	n.a.	14.9	13.3	11.7	12.0	n.a.	n.a.	n.a.	n.a.
Net adjusted assets/total broker capital (x)	n.a.	3.4	3.1	3.0	3.9	n.a.	n.a.	n.a.	n.a.
Total tangible equity/tangible assets (%)	n.a.	3.3	3.3	3.9	4.4	n.a.	n.a.	n.a.	n.a.
Total tangible equity/net adjusted assets (%)	n.a.	6.7	7.5	8.5	8.4	n.a.	n.a.	n.a.	n.a.
Stockholders' equity/total assets (%)	3.0	3.2	3.2	3.8	4.1	-0.2	(5.7)	-1.2	(36.5)

Liquidity Ratios (%)

						Delta	%	Delta	%
Long-term debt/total liabilities	n.a.	14.0	13.1	13.3	11.4	n.a.	n.a.	n.a.	n.a.
Net adjusted assets/long-term debt (x)	n.a.	3.8	3.6	3.6	4.8	n.a.	n.a.	n.a.	n.a.

* Pre-tax income = Income from continuing operations before losses from unconsolidated investees, income taxes, dividends on preferred securities subject to mandatory redemption and cumulative effect of accounting changes, net

** Adjusted assets, net = total assets - (intangible assets + segregated cash + securities received for collateral + securities purchased to resell + securities borrowed).

*** Total broker capital = total tangible equity + long-term debt (less current portion).

**** Gross leverage (x) = total assets/total stockholders' equity.

***** Net leverage (x) = net adjusted assets/total tangible equity.

Source: DBRS, SNL Financial, Company reports.

Note: All figures are in U.S. dollars unless otherwise noted.

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