

LEHMAN BROTHERS

## Securitized Products P&L Update - July 2008



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## SECURITIZED PRODUCTS JULY COMMENTARY

- Securitized Products had a loss of (-1,897mm) for the month of July
- Residential Gross Writedowns of (-1,972mm)
  - 1,038mm bonds (-100mm synth long CDS (LXS / SARM); -148mm AA; -200mm A; -117mm BBB; -149mm BB;-63mm B;+10mm AAA  
-56mm below B; -13mm Wells Fargo put option; -202mm Europe)
  - 593mm loans (-278 PLs; -193mm 2nds; -33mm delinquency sweep; -14mm S&D; +1mm RM; -76mm Europe warehouse)
  - 341mm Residuals/NIMs (-301mm Prime; -5mm Non Prime; -36mm Europe)
- Residential Credit Hedges of -29mm
  - 31mm CDX: ITRX; Corp CDS
  - 22mm TRS
  - +19mm CMBX
  - +14mm Ceago
  - 5mm Equity
  - +5mm Corona
  - +3mm CDS on CDO
  - 16mm Europe
  - +5mm Other
- Residential Other +100mm (+87mm carry; +28mm servicing; -15mm interest rate hedges)
- Other ABS Gross Writedowns of (-74mm)
  - 47mm bonds (-29mm small business; -10mm IHOP/Applebee's; -1mm LIM; -3mm ABS MH; -4mm other ABS bonds)
  - 13mm loans (-9mm small business; -2mm student loans; -2mm Helocs)
  - 14mm other (-6mm residuals; -7mm GMAC/Cerberus)
- Other ABS Credit hedge gains of +19mm
  - +14mm CMBX
  - 9mm Corp CDS / CDX
  - +11mm CMBS TRS
  - +2mm ABX
- Other ABS - Other +11mm
  - +13mm Carry
  - 2mm Interest rate swaps
- Run Rate +48mm (+13mm Remics Agency positions; +16mm ALS; +2mm SBF; +2mm Campus Door; +7mm Warehouse lending fees  
+7mm agency pass-thrus; +10mm Europe; -12mm Asia; +4mm Insurance; +2mm Special Oppty Group)

**Securitized Products  
Revenues - BPM Format  
Fiscal Year 2008**

	<u>July YTD</u>	<u>July</u>	<u>June</u>	<u>Q2</u>	<u>May</u>	<u>Apr</u>	<u>Mar</u>	<u>Q1</u>	<u>Feb</u>	<u>Jan</u>	<u>Dec</u>
<b>America</b>											
Agency PT & Options	112.6	7.1	5.5	40.3	5.6	13.5	21.1	59.7	22.4	29.2	8.0
Agency Remics / Strips	161.7	13.2	28.4	49.8	33.1	22.9	(6.3)	70.4	12.7	46.3	11.4
Non-Prime	(531.5)	(130.2)	2.3	(374.8)	(48.1)	(103.0)	(223.6)	(28.8)	98.6	(100.9)	(26.4)
Prime	(3,225.8)	(1,377.6)	(294.3)	(861.3)	(530.4)	(19.2)	(311.6)	(692.6)	(293.3)	(351.9)	(47.4)
Structured Asset Solutions	(87.4)	(9.4)	12.9	(103.8)	(92.3)	(10.3)	(1.3)	12.9	1.3	4.5	7.2
ABS Trading	561.7	(13.2)	(5.9)	211.9	100.9	60.6	50.3	369.0	83.4	137.0	148.7
ABS CDO	(100.5)	(57.3)	25.6	32.6	(7.9)	(59.4)	99.9	(101.4)	(49.9)	(50.3)	(1.2)
Insurance Products	28.4	4.1	5.0	16.0	2.1	8.8	5.1	3.4	5.4	(2.0)	(0.0)
Non-Residential Trading	(111.9)	(17.1)	103.9	(187.3)	(126.3)	(20.3)	(40.8)	(11.5)	(13.1)	1.4	0.2
Special Opportunities Group	(7.9)	1.9	0.9	(15.2)	(16.9)	0.1	1.6	4.5	3.5	(0.8)	1.8
House - Risk	(173.9)	(5.1)	(38.9)	(91.0)	(75.3)	(6.9)	(8.9)	(38.8)	(18.7)	(13.2)	(6.9)
House - Admin	0.4	(0.0)	(0.0)	(0.1)	0.0	(0.0)	(0.0)	0.5	(0.0)	0.6	(0.1)
<b>Subtotal Americas</b>	<b>(3,374.1)</b>	<b>(1,583.7)</b>	<b>(154.7)</b>	<b>(1,283.0)</b>	<b>(755.4)</b>	<b>(113.2)</b>	<b>(414.4)</b>	<b>(352.8)</b>	<b>(147.9)</b>	<b>(300.1)</b>	<b>95.3</b>
Aurora	118.0	16.0	19.3	39.2	7.7	16.2	15.3	43.4	13.2	12.7	17.5
Campus Door	14.4	1.5	1.2	2.7	1.1	0.5	1.1	9.1	1.8	5.9	1.4
BNC	(22.6)	(0.0)	(0.1)	(9.0)	(0.1)	(8.1)	(0.8)	(13.5)	(4.6)	(4.6)	(4.3)
SBF	34.2	1.8	3.4	13.0	3.6	3.6	5.8	16.0	4.7	5.9	5.4
<b>Subtotal Origination Americas</b>	<b>143.9</b>	<b>19.3</b>	<b>23.7</b>	<b>45.9</b>	<b>12.3</b>	<b>12.2</b>	<b>21.4</b>	<b>55.0</b>	<b>15.1</b>	<b>19.8</b>	<b>20.1</b>
<b>TOTAL AMERICAS</b>	<b>(3,230.2)</b>	<b>(1,564.3)</b>	<b>(131.0)</b>	<b>(1,237.1)</b>	<b>(743.1)</b>	<b>(100.9)</b>	<b>(393.0)</b>	<b>(297.8)</b>	<b>(132.8)</b>	<b>(280.4)</b>	<b>115.4</b>
<b>Europe</b>											
ABS New Issue Non Captive	(0.6)	(0.0)	(0.0)	0.0	0.0	0.0	-	(0.6)	-	(0.0)	(0.6)
ABS Correlation Europe	(5.2)	0.4	(5.8)	(32.2)	(23.7)	(0.0)	(8.5)	32.4	24.4	0.0	8.0
ABS Secondary Other	34.1	3.0	9.3	5.4	1.1	1.2	3.1	16.4	12.9	3.5	-
RMBS Secondary	49.9	0.1	0.7	(2.7)	2.6	(8.7)	3.4	51.8	34.3	7.4	10.1
MBS Non-Captive	(87.8)	(5.4)	(3.7)	(33.9)	(17.9)	(5.1)	(11.0)	(44.8)	(39.1)	(5.7)	-
MBS Trading Secondary	0.6	9.4	(1.3)	(13.5)	(6.2)	(9.2)	1.9	6.0	5.6	0.4	0.0
Principle Finance	16.4	0.3	0.3	0.5	(0.1)	(0.2)	0.8	15.4	14.1	0.4	0.9
SP NPLs Europe	4.5	(0.9)	(0.6)	5.3	6.2	(0.2)	(0.6)	0.7	1.0	(0.3)	(0.0)
SF Prop Trading	(0.7)	4.1	3.1	(7.9)	(2.4)	(5.2)	(0.3)	-	-	-	-
Insurance Solutions	(0.1)	0.0	(0.1)	0.0	0.0	0.0	0.0	(0.0)	0.0	(0.0)	0.0
Legacy	(108.1)	(63.7)	25.5	(66.6)	(10.8)	(28.9)	(27.0)	(3.2)	(3.2)	-	-
<b>Subtotal Trading Europe</b>	<b>(97.0)</b>	<b>(52.7)</b>	<b>27.3</b>	<b>(145.6)</b>	<b>(51.1)</b>	<b>(56.2)</b>	<b>(38.3)</b>	<b>74.0</b>	<b>49.8</b>	<b>5.6</b>	<b>18.5</b>

SPML	(65.9)	(1.3)	0.6	(50.7)	(15.7)	(5.0)	(30.1)	(14.4)	(18.2)	10.6	(6.9)
ELO	(46.9)	(16.9)	(6.0)	(5.8)	(4.4)	7.4	(8.8)	(18.1)	(20.4)	0.8	1.5
Preferred Mortgages	(47.1)	0.4	(2.5)	(24.0)	(5.2)	7.4	(26.2)	(21.1)	(18.7)	(7.0)	4.6
Capstone	41.2	4.3	5.4	20.3	14.1	2.2	4.0	11.2	3.9	4.5	2.9
MBS New Issue Captive Europe	(14.6)	(22.4)	0.9	6.9	0.6	0.8	5.5	-			
MBS Captive Hedging	(257.4)	(231.6)	(20.0)	(0.4)	2.4	(3.1)	0.3	(5.5)	(0.1)	(7.1)	1.7
MBS Captive Retained Classes	(207.7)	-	-	(129.8)	(35.0)	(35.3)	(59.5)	(77.9)	(63.6)	(14.0)	(0.3)
<b>Subtotal Origination Europe</b>	<b>(598.4)</b>	<b>(267.6)</b>	<b>(21.5)</b>	<b>(183.5)</b>	<b>(43.2)</b>	<b>(25.4)</b>	<b>(114.9)</b>	<b>(125.8)</b>	<b>(117.0)</b>	<b>(12.2)</b>	<b>3.5</b>
<b>TOTAL EUROPE</b>	<b>(695.4)</b>	<b>(320.3)</b>	<b>5.8</b>	<b>(329.1)</b>	<b>(94.4)</b>	<b>(81.6)</b>	<b>(153.1)</b>	<b>(51.8)</b>	<b>(67.2)</b>	<b>(6.6)</b>	<b>22.0</b>
<b>Asia</b>											
ABS New Issue	3.9	0.3	0.3	8.0	0.7	3.3	4.0	(4.8)	(13.4)	7.5	1.1
MBS Trading	6.9	0.4	0.3	4.8	0.3	4.7	(0.1)	1.3	0.5	0.5	0.3
Principle Finance	3.7	(1.7)	(1.1)	4.1	4.1	(0.1)	0.2	2.4	1.5	0.8	0.1
SP Australia	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal Asia</b>	<b>14.5</b>	<b>(1.0)</b>	<b>(0.5)</b>	<b>17.0</b>	<b>5.1</b>	<b>7.8</b>	<b>4.1</b>	<b>(1.0)</b>	<b>(11.4)</b>	<b>8.8</b>	<b>1.6</b>
Japan	(19.3)	(11.0)	(0.6)	(10.2)	(11.0)	0.3	0.6	2.6	0.9	0.4	1.2
Korea	9.2	(0.0)	(0.1)	1.1	0.6	0.2	0.3	8.2	1.3	5.7	1.2
<b>Subtotal Origination Asia</b>	<b>(10.1)</b>	<b>(11.0)</b>	<b>(0.8)</b>	<b>(9.0)</b>	<b>(10.4)</b>	<b>0.5</b>	<b>0.9</b>	<b>10.8</b>	<b>2.2</b>	<b>6.1</b>	<b>2.4</b>
<b>TOTAL ASIA</b>	<b>4.4</b>	<b>(12.1)</b>	<b>(1.2)</b>	<b>8.0</b>	<b>(5.3)</b>	<b>8.3</b>	<b>5.0</b>	<b>9.8</b>	<b>(9.1)</b>	<b>14.9</b>	<b>4.0</b>
<b>TOTAL</b>	<b>(3,921.1)</b>	<b>(1,896.7)</b>	<b>(126.4)</b>	<b>(1,558.2)</b>	<b>(842.8)</b>	<b>(174.3)</b>	<b>(541.1)</b>	<b>(339.8)</b>	<b>(209.1)</b>	<b>(272.1)</b>	<b>141.4</b>

NOTE: Securitized Products Revenues (50% of pass-thrus)

SP WRITEDOWN SUMMARY as of July 31, 2008

ABS CDO not in SP in 2007

	Q1 2008		Q2 2008		June 2008		July 2008		June/July 2008		FY 2008		FY 2007	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Residential Mortgages</b>	<b>(2,623)</b>	<b>(443)</b>	<b>(2,058)</b>	<b>(1,667)</b>	<b>(714)</b>	<b>(373)</b>	<b>(1,972)</b>	<b>(1,978)</b>	<b>(2,686)</b>	<b>(2,351)</b>	<b>(7,367)</b>	<b>(4,460)</b>	<b>(4,683)</b>	<b>(1,332)</b>
US Prime / Non Prime	(2,135)	(482)	(1,646)	(1,471)	(673)	(325)	(1,584)	(1,565)	(2,256)	(1,890)	(6,037)	(3,842)	(3,894)	(2,065)
US Derivatives	(40)	347	6	246	-	(21)	-	(15)	-	(36)	(34)	556	(598)	941
ABS CDO	(240)	(100)	(168)	(97)	(33)	(12)	(76)	(57)	(108)	(69)	(516)	(267)	(647)	(158)
Europe	(208)	(208)	(250)	(344)	(8)	(15)	(313)	(341)	(321)	(355)	(779)	(908)	(191)	(208)
<b>OTHER ABS</b>	<b>(161)</b>	<b>(89)</b>	<b>(361)</b>	<b>(382)</b>	<b>(103)</b>	<b>(25)</b>	<b>(74)</b>	<b>(52)</b>	<b>(177)</b>	<b>(78)</b>	<b>(699)</b>	<b>(549)</b>	-	-
Securitized Products	(161)	(89)	(256)	(277)	(103)	(25)	(74)	(52)	(177)	(78)	(594)	(444)	-	-
Capital Crossing	-	-	(105)	(105)	-	-	-	-	-	-	(105)	(105)	-	-
<b>Total Securitized Products</b>	<b>(2,784)</b>	<b>(532)</b>	<b>(2,419)</b>	<b>(2,049)</b>	<b>(817)</b>	<b>(398)</b>	<b>(2,046)</b>	<b>(2,030)</b>	<b>(2,863)</b>	<b>(2,429)</b>	<b>(8,066)</b>	<b>(5,009)</b>	<b>(5,330)</b>	<b>(1,490)</b>

not including AB!

S CDO

Securitized Products  
July 2008

	Gross Writedowns	Hedges	Other	Before Sales Credits Net Writedowns	Sales Credits	After Sales Credits Net Writedowns
Prime	(1,438)	(14)	77	(1,375)	33	(1,408)
Non Prime	(155)	2	23	(130)	9	(139)
ABS Secondary (Residential component)	10	(19)	(0)	(9)	8	(17)
<b>US Prime / Non Prime</b>	<b>(1,584)</b>	<b>(31)</b>	<b>100</b>	<b>(1,514)</b>	<b>50</b>	<b>(1,565)</b>
ABS Derivatives		(0)		(0)	15	(15)
<b>US Derivatives</b>	<b>-</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>	<b>15</b>	<b>(15)</b>
ABS CDO	(76)	19	(0)	(57)		(57)
<b>ABS CDO</b>	<b>(76)</b>	<b>19</b>	<b>(0)</b>	<b>(57)</b>	<b>-</b>	<b>(57)</b>
Europe	(313)	(16)		(329)	12	(341)
<b>Residential</b>	<b>(1,972)</b>	<b>(29)</b>	<b>100</b>	<b>(1,901)</b>	<b>77</b>	<b>(1,978)</b>
Other						
Non Residential Trading	(48)	25	6	(17)	4	(21)
Applebee's / IHOP	(10)	(9)	2	(16)	2	(19)
LIM	(1)	0	0	0		0
Special Oppty's Group (Applebee's VFN)				-		-
House-Risk (GMAC)	(7)			(7)		(7)
ABS Secondary (Other ABS component)	(8)	2	2	(4)	3	(6)
Capital Crossing				-		-
<b>Other ABS</b>	<b>(74)</b>	<b>19</b>	<b>11</b>	<b>(44)</b>	<b>9</b>	<b>(52)</b>
Subtotal Writedowns	(2,046)	(10)	111	(1,945)	86	(2,030)
Run Rate				48	16	32
<b>Total July</b>				<b>(1,897)</b>	<b>101</b>	<b>(1,998)</b>

Residential  
Gross Writedown Details:

US Prime / Non Prime	
<b>Prime</b>	
Whole Loans (-278mm PL's; -33mm delinquency sweep)	(311)
Securities (-100 synth long (LXS/SARM); -189 legacy; -350 subs -166 srs; -13 WF; -8 other)	(826)
Residuals	(301)
<b>Total Prime Gross Writedowns</b>	<b>(1,438)</b>
<b>Non Prime</b>	
Whole Loans (-193 2nds; -14 S&D; +1 RM)	(206)
Securities (+49 subs; +5 AAA; +2 1st Lien)	56

Residential  
Hedge Details:

US Prime / Non Prime	
<b>Prime</b>	
ABX / single name CDS	(5)
CDX -7; ITRXX -2	(9)
Bond Index (AAA)	0
CMBX	(0)
<b>Total Prime Hedges</b>	<b>(14)</b>
<b>Non Prime</b>	
ABX -10; single name CDS +5	(5)
CMBX	19

Residential  
Other Details:

US Prime / Non Prime	
<b>Prime</b>	
Interest Rate Hedges	(9)
Equity Hedges	
Peloton	0
Servicing	28
Carry	63
Countrywide	(0)
PMI (re-insurance)	(2)
W/L Sales/Deliveries	(1)
Deal P&L	3

Securitized Products  
July 2008

Residuals / NIMs	(5)
<b>Total Non Prime Gross Writedowns</b>	<b>(155)</b>
<b>ABS Secondary (Residential component)</b>	
Subprime bonds	9
ABS MH bonds (Resi component)	1
<b>Total ABS Secondary (Residential component) Gross Writedowns</b>	<b>10</b>
<b>Total US Prime / Non Prime Gross Writedowns</b>	<b>(1,583)</b>
<b>ABS CDO</b>	
Ceago	(69)
Corona	(8)
Pyxis	0
Ballyrock	1
Summer Street	0
CBASS	0
Other	
<b>Total ABS CDO Gross Writedowns</b>	<b>(76)</b>
<b>Europe</b>	
Residuals	(36)
Bonds	(202)
Warehouse	(76)
<b>Total Europe Gross Writedowns</b>	<b>(313)</b>
<b>Total Residential Gross Writedowns</b>	<b>(1,972)</b>

Other ABS  
Gross Writedown Details:

<b>Other ABS</b>	
<b>Non Residential Trading</b>	
Small Business Whole Loans	(9)
Small Business Securities	(29)
Residuals	(6)
Helocs	(2)
Student Loans	(2)
<b>Total Non Residential Trading Gross Writedowns</b>	<b>(48)</b>
<b>IHOP / Applebee's</b>	
IHOP / Applebee's	(10)

CDX -2;Corp CDS -2;ITRXX -1	(5)
RPX	(2)
Equity	(5)
<b>Total Non Prime Hedges</b>	<b>2</b>
<b>ABS Secondary (Residential component)</b>	
ABX	(6)
Corp CDS	(5)
Single name TRS on subprime	(8)
<b>Total ABS Secondary (Residential component)</b>	<b>(19)</b>
<b>Total US Prime / Non Prime Hedges</b>	<b>(31)</b>
<b>US Derivatives</b>	
<b>ABS Derivatives / House-Risk</b>	
ABX / Single name CDS	44
CDS on CDO / CDO	3
ABX flow trading	(4)
Corp CDS / CDX	(12)
TRS	(14)
Cairn	(24)
Other	5
<b>Total US Derivatives Hedges</b>	<b>(0)</b>
<b>ABS CDO</b>	
Ceago	14
Corona	5
Ballyrock	(0)
Summer Street	(0)
CBASS	(0)
Other	(0)
<b>Total ABS CDO Hedges</b>	<b>19</b>
<b>Europe - CDS Hedges</b>	<b>(16)</b>
<b>Total Residential Hedges</b>	<b>(28)</b>

Other ABS  
Hedge Details:

<b>Other ABS</b>	
<b>Non Residential Trading</b>	
ABX	1
CMBX +14;CMBS TRS +11	25
CDX -450k;Corp CDS -305k	(1)
<b>Total Non Residential Trading Hedges</b>	<b>25</b>
<b>Applebee's-Corp CDS( monoline)/CDX</b>	<b>(9)</b>
<b>LIM-Corp CDS( monoline)/interest rate sv</b>	<b>0</b>

Other	(4)
<b>Total Prime Other</b>	<b>77</b>
<b>Non Prime</b>	
Carry	23
Interest Rate Hedges	(5)
Servicing	7
Other	(2)
<b>Total Non Prime Other</b>	<b>23</b>
<b>ABS Secondary (Residential component)</b>	
Carry	2
Interest Rate Hedges	(0)
Other	(2)
<b>Total ABS Secondary (Residential component)</b>	<b>(0)</b>
<b>ABS CDO - Other</b>	
<b>Total Residential Other</b>	<b>100</b>

Other ABS  
Other Details:

<b>Other ABS</b>	
<b>Non Residential Trading</b>	
Carry	7
Interest Rate Hedges	(1)
Other	(0)
<b>Total Non Residential Trading O</b>	<b>6</b>
<b>IHOP / Applebee's - Carry</b>	<b>2</b>
<b>LIM - Carry</b>	<b>0</b>

Securitized Products  
July 2008

Total IHOP / Applebee's	(10)
LIM (Local Insight Media)	(1)
GMAC (Cerberus)	(7)
<b>ABS Secondary (Other ABS component)</b>	
ABS MH bonds (Other ABS component)	(3)
Other ABS bonds (Consumer; Auto; Aircraft; fixed rate real estate)	(4)
Insurance TRS	(0)
<b>Total ABS Secondary (Other ABS component) Gross Writedowns</b>	<b>(8)</b>
<b>Total Other ABS Gross Writedowns</b>	<b>(74)</b>

<b>ABS Secondary (Other ABS component)</b>	
ABX	1
Corp CDS	1
<b>Total ABS Secondary (Other ABS compo</b>	<b>2</b>
<b>Total Other ABS Hedges</b>	<b>19</b>

<b>ABS Secondary - Other</b>	
Carry	4
Interest Rate Hedges	(1)
Other	-
<b>Total ABS Secondary Other</b>	<b>2</b>
<b>Other ABS</b>	<b>11</b>

Write downs  
(in millions)

	Loans	Bonds	Other	Total	
Residential					
Non Prime	(193)	61	(5)	(137)	
Prime	(311)	(833)	(301)	(1,445)	
ABS CDO		(76)		(76)	
Other Resi	(13)	1	-	(12)	
<b>Americas</b>	<b>(517)</b>	<b>(846)</b>	<b>(306)</b>	<b>(1,669)</b>	
<b>Europe</b>	<b>(76)</b>	<b>(202)</b>	<b>(36)</b>	<b>(313)</b>	
<b>Total Residential</b>	<b>(593)</b>	<b>(1,048)</b>	<b>(341)</b>	<b>(1,982)</b>	Includes -10 for IMD
Other ABS	(13)	(47)	(14)	(74)	

## SECURITIZED PRODUCTS JULY COMMENTARY

### SECURITIZED PRODUCTS (-1,897mm)

#### SECURITIZED PRODUCTS AMERICAS (-1,564mm)

##### ABS Derivatives: +32k

- +35mm single name CDS/ABX, mainly from trading P&L and manual remarks.
- 4mm ABX flow trading, as the desk traded 6.5B in transacted notional and ABX spreads widened across most series.
- 12mm short corporate CDS as spreads tightened, with PMI from 1299 to 1207bps, MGIC from 945 to 873bps, and CDX NA IG 10 from 140 to 132 bps.
- 12mm markdowns on single name TRS.
- +6mm MTM in ABX hedges, mainly from long 275mm ABX A 06-1 as sprds (80bps) to 3335bps.
- 19mm MTM in 1.26B Cairn CDS (24mm), partially offset by gains in short 166mm ABX AAA 06-1 +5mm.
- +6mm MTM in Sigma Finance commercial paper.

##### ABS CDO Americas: -57mm

- 27mm markdown on Ceago supersenior from 55 to 50.
- 11mm MTM losses in short 78mm Ambac Corp CDS as sprds tightened from 2458 to 1336bps.
- 19mm MTM losses in short 108mm XL Capital Corp CDS as sprds tightened from 3377 to 1392bps.

##### Non Prime: -130mm

- +51mm gain on investment grade and non-investment grade nonprime securities, residuals and NIMs
- 206mm loss on first and second lien whole loan positions
- +2mm gain on credit hedges: (-10mm ABX; +19mm CMBX; -2mm CDX; -2mm Corp CDS; -5mm equity; +5mm single name CDS; -1mm ITRAXX; -2.5mm RP)
- 5mm Interest rate hedges (IRS; Passthru; Eurodollar futures)
- +6.5mm loan servicing revenue
- +23mm Monthly carry

##### Prime: -1,375mm

- 826mm in MTM/Trading on Prime Securities including both Fixed and Hybrid Retained Interests, Subs, Secondary positions as well as Synthetic Long CDS trades
- 311mm of MTM losses on Prime Whole Loan positions
- 301mm of MTM losses on Residual Fixed, Hybrid and MTA positions

## SECURITIZED PRODUCTS JULY COMMENTARY

-9mm of MTM Losses on Interest Rate hedge positions including Swaps and TSYs  
-14mm of MTM Losses on Hedge positions including ABX, TRS and Single Name CDS positions  
    (-7mm short 1bn CDX; -5mm ABX / CDS; -2mm short 230mm ITRX)  
+28mm in Fixed, Hybrid and OA Servicing revenue  
+63mm in Carry across all Prime positions  
-4mm in July LTD charges

### Non-Residential Trading: -17mm

-9mm MTM losses on SBC whole loans  
-36mm MTM losses on SBC cash securities/residuals  
+25mm gain on credit hedges (+14mm CMBX; +11mm CMBX TRS; +1mm ABX; -300k Corp CDS; -450k CDX)  
+5mm Monthly carry  
-2mm in markdowns on HELOC securities

### House: -5mm

No significant items to highlight

### Origination: +19mm

+19mm Operating revenues from Affiliates (+16mm ALS; +2mm SBF; +1mm Campus Door)

### ABS Secondary: -13mm

+7mm Trading & MTM gains on Floating Rate Home Equity ABS positions  
+2mm MTM gains on ABX MTM on AAA\_071 (short 220mm) AA\_071 (short 50mm) AAA\_061 (short 25mm)  
-10mm MTM losses on short Corp CDS  
-8mm MTM losses on subprime synthetic longs  
-4mm MTM losses on various esoteric ABS positions

### Agency PT & Options: +7mm

MTM, Trading and Carry gains in 30 year FNMA passthrough positions

### Remics: +13mm

+30mm Gains on Long IO positions

## SECURITIZED PRODUCTS JULY COMMENTARY

-32mm Loss on Long PO positions  
+20mm MTM Gains from various FNMA SF 30 Yr 6.0/6.5 coupons  
-11mm MTM losses on short Eurodollar Futures  
+9mm MTM gains on Inverse floaters & Inverse IO positions.  
-2mm Trading & MTM losses in short 300mm Treasury Notes.

### Structured Asset Solutions: -9mm

-16mm Ihop/Applebee's (-9.5mm bond writedowns; -9mm hedges; +2mm carry)  
+1mm in Greentree Equity MTM  
+4mm Radian Fees  
+1mm Greentree Commitment Fee

### Insurance Solutions +4mm

+1mm in LeRe related revenue  
+1mm in Fees/Carry related to Golden Gate Notes  
+0.2mm Golden Gate Retainer Fee  
+4mm Trading P&L on Insurance ABS  
-2mm Wilton Re Holdings MTM

### Special Opportunities Group +2mm

+0.5mm MTM on AerCap Holdings  
+0.5mm MTM on Petromena and Orchid Structured Finance CDO  
+0.8mm various VFN interest income

### SECURITIZED PRODUCTS EUROPE (-320mm)

-313mm gross writedowns (-202mm bonds; -76mm bonds; -36mm residuals)  
-16mm hedges

### SECURITIZED PRODUCTS ASIA (-12mm)

-11mm MTM of MCD Japan loan portfolio

<b>Prime P&amp;L</b>		
<b>July YTD</b>		
Writedowns / Markups		
Whole Loans	(1,062)	
Securities	(2,800)	
Residuals	(311)	
		(4,173)
Credit Hedges		
ABX / CDS	2	
CMBX	40	
Corp CDS / CDX / ITRAXX	(51)	
Bond Index <b>(1)</b>	235	
		227
Interest Rate Hedges		
		(87)
Securitizedizations		
Prime	(21)	
Option ARM	-	
		(21)
Agency Deliveries		
		3
Whole Loan Sales		
		(3)
Servicing (including Carry)		
Fixed Rate Servicing	174	
Hybrid Servicing	162	
Option Arm Servicing	151	
		487

<b>Non Prime P&amp;L</b>		
<b>July YTD</b>		
Writedowns - Subprime (not including Rev Mtges or Scratch & Dent)		
Whole Loans	(647)	
Securities	(640)	
Residuals	(74)	
		(1,360)
Credit Hedges (not including Rev Mtges or Scratch & Dent)		
ABX / CDS	854	
Corp CDS / Bond Index <b>(1)</b>	(26)	
Equity	(2)	
		825
Interest Rate Hedges		
		43
Securitizedizations - Subprime		
		(55)
Servicing		
		17
Counterparty reserve release		
		44
Reverse Mtges <b>(2)</b>		
Writedowns	(54)	
Securitizedizations	-	
Hedge Losses	(20)	
Other - Carry; Secondary trading; LTD	13	
		(60)

Servicing Related Hedges		20
Increase in Rep and Warrants Reserves		
First Magnus	17	
Non First Magnus	(109)	
		(92)
Countrywide Commitment Fees		6
Carry		396
Other - Secondary trading; Aging Charges; LTD		11
Total Prime YTD P&L per GL		<u>(3,226)</u>
<b>(1) Bond Index hedges are AAA</b>		

Scratch & Dent <b>(2)</b>		
Writedowns		(337)
Securizations		-
ABX / CDS		187
Counterparty rep and warrant reserve release		4
Other - Carry; Secondary trading; LTD		33
		(113)
Carry		129
Other - Subprime - Secondary trading; LTD		(2)
Total Non Prime YTD P&L per GL		<u>(532)</u>
<b>(1) Bond Index hedges are AAA</b>		
<b>(2) Reverse Mtges and Scratch &amp; Dent are not related to Subprime</b>		