



**Ricardo S.
Chiavenato@JPMCHASE**

To: Piers Murray/JPMCHASE@JPMCHASE, Henry E
Steuart/JPMCHASE@JPMCHASE
cc: Jennifer L Regan/JPMCHASE@JPMCHASE
Subject: Re: Lehman - Analysis of SecLending Loans and Collateral

09/10/2008 06:51 AM

Piers,

I didn't see your message last night. Can we have a call this morning ?

Ricardo Chiavenato - TSS Risk Management - 212-552-7505 - 1 CMP/58th floor

✉ Piers Murray

----- Original Message -----

From: Piers Murray
Sent: 09/09/2008 09:49 PM CDT
To: Ricardo Chiavenato; Henry Steuart
Cc: Jennifer Regan
Subject: Re: Lehman - Analysis of SecLending Loans and Collateral

Can we discuss tonight - I can't read this off bbery.

Sent from my BlackBerry Handheld.

✉ Ricardo S. Chiavenato

----- Original Message -----

From: Ricardo S. Chiavenato
Sent: 09/09/2008 09:48 PM EDT
To: Piers Murray; Henry Steuart
Cc: Jennifer Regan
Subject: Fw: Lehman - Analysis of SecLending Loans and Collateral

Piers,

I am forwarding an updated analysis of our seclending loans and collateral.

Let me know if you want to discuss it.

Although seclending accounts for the bulk of the collateral held for Lehman, the exposure is relatively small due to our overcollateralization..

ricardo.s.chiavenato@jpmorgan.com ☎ Phone: 212-552-7505 📱 Cell: 646-208-8186 ✉ 1
Chase Manhattan Plaza, Floor 58, New York, NY 10005

----- Forwarded by Ricardo S. Chiavenato/JPMCHASE on 09/09/2008 09:46 PM -----

T&SS Risk Management

**Ricardo S.
Chiavenato/JPMCHASE**
09/09/2008 09:46 PM

Paul UK Wilson/JPMCHASE, John
ToShellard/JPMCHASE@JPMCHASE, Sandra E
O'Connor/JPMCHASE@JPMCHASE, Shirley
McCoy/JPMCHASE@JPMCHASE

cc

Lehman - Analysis of SecLending Loans and
SubjectCollateral

Here is the updated analysis of the loans and collateral being fed to credit systems. This covers all indemnified transactions.

Since the SecLending feed is still on a T+2 basis I believe this reflects Friday's activity. I will confirm tomorrow.

These numbers have decreased compared to the August 22 run I did.

We have implemented the margining at 102% at all times since our last discussion so now we have a slightly better collateral cushion (although we still run the risk of small shortfalls due to margin calls in transit).

Let me know if you want to have a quick call to discuss.

LEHMAN BROTHERS INTERNATIONAL (EUROPE)		Risk Analysis
LBIE - Indemnified Repos		
European Govt. Bonds Collateral Held	164,197,785	Neutral correlation - cash lent vs. government collateral No collateral cushion ?? Small
Cash Lent	164,197,786	
Collateral Cushion	(1)	
Collateral Cushion (%)	100.0%	
LBIE - Indemnified Sec. Loans		
Cash Collateral Held	2,419,664,399	Positive correlation due to large volume of stocks lent with good quality collateral
European Govt. Bonds Collateral Held	1,703,705,120	
Total Collateral	4,123,369,519	Good collateral cushion
Corp. Bond Sec. Loans	131,435,711	Large for this entity but small compared to LBI
Govt. Bond Sec. Loans	512,322,530	
Equities Sec. Loans	3,325,386,490	
Total Loans	3,969,144,731	
Collateral Cushion	154,224,788	
Collateral Cushion (%)	103.9%	
LEHMAN BROTHERS EQUITY FINANCE (CAYMAN) LTD		
LBEF - Indemnified Sec. Loans		
European Govt. Bonds Collateral Held	9,487,096	Positive correlation due to stocks lent and government bond collateral Large collateral cushion due to difference currency of loan/collateral Very small
Equities Sec. Loans	8,780,000	
Collateral Cushion	707,096	
Collateral Cushion (%)	108.1%	
LEHMAN BROTHERS INCORPORATED		
LBIE - Indemnified Sec. Loans		
Cash Collateral Held	9,750,583,139	Negative correlation due to large volume of USTs lent (likely to go up in value if Lehman defaults), despite generally good quality collateral vs. other securities lent Tight collateral cushion close to 102% due to same currency loans Largest portfolio
Corp. Bond Collateral Held (US - mainly AAA)	3,804,164,033	
EM Govt. Bond Collateral Held	1,481,946,963	
Agency MBS Collateral Held	4,904,743,720	
UST Collateral Held	4,455,681,247	
Total Collateral	24,397,119,102	
UST Sec. Loans	17,569,220,121	
Other Govt. Bond Sec. Loans	877,959,700	
Agency MBS Sec. Loans	1,636,634,472	
MBS/ABS Sec. Loans	7,188,494	
Corp. Bond Sec. Loans	2,174,645,285	
Equities Sec. Loans	1,669,078,331	
Total Loans	23,934,726,403	
Collateral Cushion	462,392,699	
Collateral Cushion (%)	101.9%	

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✉ Paul UK Wilson/JPMCHASE

Paul UK Ricardo S. Chiavenato/JPMCHASE@JPMCHASE
Wilson/JPMCHASE To

09/09/2008 04:16 PM

Sandra E O'Connor/JPMCHASE@JPMCHASE, Shirley
ccMcCoy/JPMCHASE@JPMCHASE, John
Shellard/JPMCHASE@JPMCHASE
Re: Lehman

Subject

Ricardo,

Thanks and I agree. I will ensure my team keeps things in a general sense as outlined below, as opposed to any specifics. I will let you know of any client feedback.

Regards,

Paul

Paul R Wilson
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✉ Ricardo S. Chiavenato

----- Original Message -----

From: Ricardo S. Chiavenato
Sent: 09/09/2008 04:13 PM EDT
To: Paul UK Wilson
Cc: Sandra O'Connor; Shirley McCoy; John Shellard
Subject: Re: Lehman

Paul,

You are covering the right points below.

We are having daily calls with Risk Management and Credit in TSS and the IB to track and discuss Lehman. For the time being we are not changing any credit limits for seclending due to our collateralization and to the fact that pulling out at this stage might make things worse and even trigger their collapse. This may change depending on our view if Lehman will be able to overcome its challenges and we are reassessing this daily.

I can not share all details since a lot of it is confidential and related to the IB but I will keep everyone updated on the general direction. I will also circulate tomorrow an updated analysis of our loans/collateral as I did last time Lehman's share prices declined since that gives us a good sense of where we can face losses, correlation, etc.

Thanks.

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✉ Paul UK Wilson/JPMCHASE

Paul UK Wilson/JPMCHASE

To Sandra E O'Connor, Ricardo S.
Chiavenato/JPMCHASE@JPMCHASE

09/09/2008 03:56 PM

cc
Subject: Lehman

Given today's events I am sure tomorrow we will get calls from clients as well as see a number of clients restricting Lehman. Not sure what or if any action we have taken today, but absent anything specific, which we typically don't communicate anyway, I will get my team to respond to clients as follows. These will be verbal responses. For certain clients, we will make pro-active calls. Please give any comments back by return so I can distribute.:

- i) We remain fully collateralised on loans to Lehman
- ii) They have continued to meet their margin calls fully and in a timely way
- iii) We are marking at 102 and 105 at a loan level at all times
- iv) Clients remain indemnified by JPMorgan in the event of a collateral shortfall in the instance of a borrower default
- v) Consistent with our overall risk management of all borrowers in the program we continually review balances, collateral, etc in light of evolving market conditions and make adjustments as we see appropriate.
- vi) We continue to monitor the situation with regards to changing market events and circumstances.

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