

Tri-Party Repos and Collateral – Lehman – 9/12/08

- Tri-party investors held US\$4.1 billion margin on their tri-party repos on 9/12.
- Total financing was US\$87.1 billion against US\$91.1 billion in collateral. Financing was down by US\$23 billion compared to 9/11.
- JPM also provided Lehman separately a US\$1.4 billion secured broker loan 200% collateralized by securities that are ineligible under the broker loan collateral schedule.

US\$ million Security Type	Count	Collateral Market Value	Overnight Financing by Tri-Party Investors	%	Overnight Margin	
Fed-Eligible - Total	3,530	51,440	50,255	56%	102.4%	
USTs	324	18,876	18,618	21%	101.4%	
Agency Securities	315	8,616	8,508	9%	101.3%	
Agency MBSs	1,829	19,822	19,227	22%	103.1%	
Agency CMOs	1,062	4,128	3,901	5%	105.8%	
DTC-Eligible - Total	7,219	33,084	30,278	36%	109.3%	← DTC haircuts have increased
ABSs	659	3,851	3,301	4%	116.7%	
CDOs	147	863	727	1%	118.7%	
ARS	0	0	0	0%	0.0%	
Corporates	1,729	9,779	8,984	11%	108.9%	
CPs	102	4,950	4,593	5%	107.8%	
Money Market	8	7	7	0%	105.0%	
Multilaterals	3	3	3	0%	102.0%	
Equities	2,101	6,869	6,454	8%	106.4%	← JPM requires 125% intraday margin for equities
Munis	581	1,968	1,837	2%	107.1%	
Other	0	0	0	0%	0.0%	
CMOs	1,889	4,795	4,372	5%	109.7%	
Cash	9	3,411	3,411	4%	100.0%	
Trust Receipt	13	3,199	3,137	4%	102.0%	← Trust receipts are not unwound and do not create intraday credit risk for JPM
TOTAL	10,771	91,135	87,080	100%	104.7%	
Collateral El. for Intraday Financin		87,935				
Margin Held/Required			4,054			

9/13 Unwind - Lehman

- After the morning unwind on 9/15 JPM will have US\$9.8 billion margin covering its intraday financing:
 - US\$3.6 billion margin reflecting the tri-party investor margin excluding equities.
 - US\$1.7 billion representing the 125% margin for equities assuming the Lehman pledges the US\$1.2 billion margin above what it used for tri-party investors on 9/12.
 - US\$4.5 billion locked up as extra collateral (adjusted to Gifford Fong's prices).
- JPM will also have the additional US\$5 billion cash collateral obtained on Friday as a cushion although that covers all JPM's credit exposure.

9/15 PDCF Analysis – Lehman

In a worst-case scenario, if Lehman had no tri-party investor rolling over repos, it would need to rely on the PDCF for overnight financing. The analysis below reflects the impact for JPM:

US\$ million Security Type	Collateral Market Value	Securities Ineligible for PDCF	Eligible Securities for PDCF	Fed (PDCF) Financing	Collateral Coverage %
Fed-Eligible - Total	51,440	3,011	48,429	46,408	104.4%
USTs	18,876	0	18,876	18,415	102.5%
Agency Securities	8,616	363	8,253	7,897	104.5%
Agency MBSs	19,822	2,648	17,174	16,201	106.0%
Agency CMOs	4,128	0	4,128	3,894	106.0%
DTC-Eligible - Total	33,084	15,515	17,569	15,933	110.3%
ABSs	3,851	1,488	2,363	2,208	107.0%
CDOs	863	354	509	0	0.0%
ARS	0	0	0	0	0.0%
Corporates	9,779	3,414	6,365	5,949	107.0%
CPs	4,950	24	4,926	4,603	107.0%
Money Market	7	0	7	7	107.0%
Multilaterals	3	0	3	3	107.0%
Equities	6,869	6,856	13	0	0.0%
Munis	1,968	914	1,054	985	107.0%
Other	0	0	0	0	0.0%
CMOs	4,795	2,465	2,330	2,178	107.0%
Cash	3,411	0	3,411	3,411	100.0%
TOTAL	87,935	18,526	69,409	65,751	105.6%

- US\$18.5 billion in securities are ineligible for PDCF.
- Lehman would need to allocate US\$69.4 billion in eligible collateral against US\$65.7 billion in PDCF financing, with a US\$3.7 billion margin.
- Lehman would be left with US\$18.5 billion in lower-quality tri-party collateral to cover a US\$18.3 billion financing¹ need.
- JPM's total intraday collateral, including the incremental US\$4.5 billion collateral provided by Lehman, would be US\$23 billion. JPM would therefore be 125% collateralized.

¹ US\$18.3 bi equals overnight tri-party investor financing (US\$84 bi) minus PDCF financing (US\$65.7 bi).

9/12 Tri-Party Repo Details – Lehman

US\$ million Security Type	Rating	Count	Collateral Market Value	Overnight Financing Provided by Tri-Party Investors	%	Overnight Margin
Fed-Eligible - Total		3,530	51,440	50,255	56%	102.4%
USTs	AAA	324	18,876	18,618	21%	101.4%
Agency Securities	AAA	315	8,616	8,508	9%	101.3%
Agency MBSs	AAA	1,829	19,822	19,227	22%	103.1%
Agency CMOs	AAA	1,062	4,128	3,901	5%	105.8%
DTC-Eligible - Total		7,219	33,084	30,278	36%	109.3%
ABSs	AAA	28	447	406	0%	110.0%
	AA+ - BBB-	249	2,051	1,860	2%	110.3%
	BB+ and below	381	1,173	882	1%	132.9%
	Not Rated	1	180	153	0%	118.0%
CDOs	AAA	8	133	121	0%	110.0%
	AA+ - BBB-	69	462	406	1%	114.0%
	BB+ and below	70	267	199	0%	133.7%
	Not Rated	0	0	0	0%	0.0%
Corporates	AAA	57	432	405	0%	106.6%
	AA+ - BBB-	895	6,607	6,146	7%	107.5%
	BB+ and below	773	2,582	2,281	3%	113.2%
	Not Rated	4	159	151	0%	105.0%
CPs	A-1/P1/F1	91	4,925	4,569	5%	107.8%
	A-2/P2/F2	11	24	24	0%	102.0%
	A-3/P3/F3	0	0	0	0%	0.0%
	Not Rated	0	0	0	0%	0.0%
Money Market	AAA	0	0	0	0%	0.0%
	AA+ - BBB-	7	6	6	0%	105.0%
	BB+ and below	0	0	0	0%	0.0%
	Not Rated	1	1	1	0%	105.0%
Multilaterals	AAA	3	3	3	0%	102.0%
	Below AAA	0	0	0	0%	0.0%
Equities	NA	2,101	6,869	6,454	8%	106.4%
Munis	AAA	164	441	406	0%	108.5%
	AA+ - BBB-	371	1,317	1,231	1%	107.0%
	BB+ and below	1	1	1	0%	100.0%
	Not Rated	45	210	200	0%	105.0%
CMOs	AAA	574	1,473	1,408	2%	104.6%
	AA+ - BBB-	549	2,712	2,452	3%	110.6%
	BB+ and below	766	610	511	1%	119.3%
	Not Rated	0	0	0	0%	0.0%
Cash	NA	9	3,411	3,411	4%	100.0%
Trust Receipt		13	3,199	3,137	4%	102.0%
TOTAL		10,771	91,135	87,080	100%	104.7%
Collateral Eligible for Intraday Financing Margin Held			87,935	4,054		

9/12 PDCF-Ineligible Securities Details – Lehman

Security Type	Rating	Count	Collateral Value	Tri-Party Investor Overnight Financing	Average Security Price	Average Security Factor	BDAS Margin	Calculated Margin
1 - FED-ELIGIBLE		LEHMAN						
USTs		-	0.0	0.0	0.00	0.00	0.00%	0.00%
Agencies Securities		35	363.7	356.6	94.89	0.82	102.00%	102.00%
Agencies MBSs		185	2,648.2	2,596.3	102.28	0.99	102.00%	102.00%
Agencies CMOs		-	0.0	0.0	0.00	0.00	0.00%	0.00%
FED-Eligible Total	Total	220	3,011.9	2,952.8				102.00%
2 - DTC-ELIGIBLE								
Corporate	AAA	9	7.0	6.8	62.36	1.00	102.00%	102.00%
Corporate	AA+ - BBB-	101	840.1	823.6	90.48	0.99	102.00%	102.00%
Corporate	BB+ and below	694	2,408.3	2,361.0	84.57	0.99	102.00%	102.00%
Corporate	Not Rated	4	158.6	155.5	63.88	1.00	102.00%	102.00%
Corporate	Total	808	3,413.9	3,347.0				102.00%
CP	A-1/P1/F1	-	0.0	0.0	0.00	0.00	0.00%	0.00%
CP	A-2/P2/F2	11	24.4	23.9	99.65	1.00	102.00%	102.00%
CP	A-3/P3/F3 and Below	-	0.0	0.0	0.00	0.00	0.00%	0.00%
CP	Not Rated	-	0.0	0.0	0.00	0.00	0.00%	0.00%
CP	Total	11	24.4	23.9				102.00%
Muni	AAA	44	166.9	163.7	153.14	1.00	102.00%	102.00%
Muni	AA+ - BBB-	55	537.0	526.5	107.18	1.00	102.00%	102.00%
Muni	BB+ and below	1	0.5	0.5	100.00	1.00	102.00%	102.00%
Muni	Not Rated	45	210.0	205.9	80.65	1.00	102.00%	102.00%
Muni	Total	145	914.5	896.6				102.00%
ABS	AAA	7	132.0	129.4	64.56	0.82	102.00%	102.00%
ABS	AA+ - BBB-	35	64.6	63.3	30.55	0.77	102.00%	102.00%
ABS	BB+ and below	348	1,111.5	1,089.7	30.35	0.79	102.00%	102.00%
ABS	Not Rated	1	180.4	176.9	100.00	1.00	102.00%	102.00%
ABS	Total	391	1,488.5	1,459.3				102.00%
CMO	AAA	80	342.9	336.2	38.94	0.60	102.00%	102.00%
CMO	AA+ - BBB-	192	1,523.4	1,493.5	32.52	0.79	102.00%	102.00%
CMO	BB+ and below	752	599.1	587.4	17.44	0.90	102.00%	102.00%
CMO	Not Rated	-	0.0	0.0	0.00	0.00	0.00%	0.00%
CMO	Total	1,024	2,465.4	2,417.1				102.00%
CDO	AAA	-	0.0	0.0	0.00	0.00	0.00%	0.00%
CDO	AA+ - BBB-	9	85.3	83.6	85.85	0.76	102.00%	102.00%
CDO	BB+ and below	68	269.3	264.0	40.64	0.93	102.00%	102.00%
CDO	Not Rated	-	0.0	0.0	0.00	0.00	0.00%	0.00%
CDO	Total	77	354.6	347.6				102.00%
Equity	Total	1,875	6,849.0	6,714.7	103.42	99.95	102.00%	102.00%
DTC-Eligible - Total		4,339	15,510.2	15,206.1				102.00%
Total	Total	4,559	18,522.1	18,159.0				102.00%