

SEPTEMBER 2008

OVERVIEW OF DEBT MATURITIES FOR MAJOR US BROKER DEALERS

IBRC PRESENTATION -SEPTEMBER 5, 2008

STRICTLY PRIVATE AND CONFIDENTIAL

J.P.Morgan

Executive Summary

OVERVIEW OF DEBT MATURITIES FOR MAJOR US BROKER DEALERS

- As part of their ongoing liquidity management, the four major US broker-dealers maintain Liquidity Pools that cover more than 100% of their unsecured debt maturities twelve months forward. Access to the Fed Discount window has also been a key improvement to sources of liquidity.
- While spreads have widened over the last twelve months, firms have accessed the debt and equity markets, having raised \$86Bn YTD in addition to maintaining access to the commercial paper market.
- Asset dispositions continue resulting in deleveraging across the board. As of 2Q08, **Red** and **Red** have experienced a 10-25% reduction in leverage. Firms should continue to access the market opportunistically, albeit at lower levels and higher spreads than prior years (e.g. calendar of \$143Bn is lighter than \$188Bn in FY07.)
- While institutions are ahead of debt maturities, the independent business model continues to show signs of stress. Write-downs are likely to continue, funding costs will rise and regulatory oversight is expected to increase, resulting in additional pressure on their business model.
- Our exposure reduction/improvement continues with the most significant progress in operating exposure: YOY Changes: Primary (\$496 MM), Operating (\$4.8Bn) and Treasury (\$300mm).

(in \$MM)	LEH	Red	Red	Red
Ratings (JPM/S&P/Moody's)	4+ / A/A2	3- / A/A2	3 / A+ / A1	3+ / AA- / Aa3
CDS Spread Mid (1-yr /3-yr/5-yr) (at 8/28/08)	697 / 451 / 337	442 / 357 / 311	366 / 254 / 220	129 / 140 / 150
Total Assets (at 2QE08)	639,432	966,210	1,031,228	1,088,145
Market Cap (at 9/2/08)	11,540	43,110	46,690	65,290
Liquidity Pool (Parent)	44,600	92,000	80,000	87,756 (average)
JPM Lev Ratio (Liabilities - Matched Book/Equity at 1QE08/2QE08)	22.7x / 18.5x	21.7x / 21.1x	27.5x / 24.9x	24.4x / 20.7x
Bank Deposits (at 2QE08)	29,355	100,458	35,227	29,518
Upcoming Maturities (9/08-12/08)				
Bank Debt Maturities (JPM Share) - Unfunded	N/A	3,000 (210)	N/A	N/A
LTD Maturities	9,311	21,407	14,775	9,496
CP / Promissory Notes (@ 2Q08)	7,948 / 0	8,620 / 0	12,227 / 0	1,352 / 8,468
Total Debt Maturities Through 8/09 (9/08-8/09)				
Bank Debt Maturities (JPM Share) - Undrawn	N/A	5,700 (460)	4,992 (299)	N/A
LTD Maturities	24,526	47,045	31,298	28,246
Liquidity Pool (Parent) Coverage (through 8/09)	1.37x	1.65x	1.84x	2.31x

Long-term capital issuance

OVERVIEW OF DEBT MATURITIES FOR MAJOR US BROKER DEALERS

Bulge Bracket Comparables					
(in \$MM)	LEH	Red d ac ted	Red d ac ted	Red d ac ted	Total
JPM Lev. Ratio					
3EQ07	22.7x	21.7x	27.6x	23.7x	
4QE07	22.5x	24.0x	28.4x	23.2x	
1QE08	22.7x	21.7x	27.5x	24.4x	
2QE08	18.5x	21.1x	24.9x	20.7x	
Firm Adjusted Leverage					
3EQ07	16.1x	16.0x	18.8x	18.0x	
4QE07	16.1x	17.7x	17.6x	17.5x	
1QE08	15.4x	16.1x	16.0x	18.6x	
2QE08	12.1x	14.5x	14.1x	14.7x	
5-Year CDS Spreads (bps)					
3EQ07	143	63	75	77	
4QE07	121	130	96	70	
1QE08	216	269	206	170	
2QE08	216	254	135	95	
Debt and Equity Issuances					
<u>2006</u>					
Unsecured Debt	28,227	37,037	31,505	34,559	131,328
Fixed Income Hybrid	-	1,000	2,850	750	4,600
Equity Linked	-	-	-	-	-
Common	-	-	-	-	-
Total	28,227	38,037	34,355	35,309	135,928
<u>2007</u>					
Unsecured Debt	37,544	39,755	39,348	33,967	150,634
Fixed Income Hybrid	1,500	2,400	750	2,250	6,900
Equity Linked	-	-	5,500	-	5,500
Common	-	6,200 ¹	-	-	6,200
Total	39,044	48,375	45,598	36,217	169,234
<u>YTD 2008</u>					
Unsecured Debt	9,717	18,835	12,861	18,733	60,146
Fixed Income Hybrid	1,898	2,550	-	-	4,448
Equity Linked	6,000	6,600	-	-	12,600
Common	4,000	4,900 ²	-	-	8,900
Total	21,615	32,885	12,861	18,733	86,094

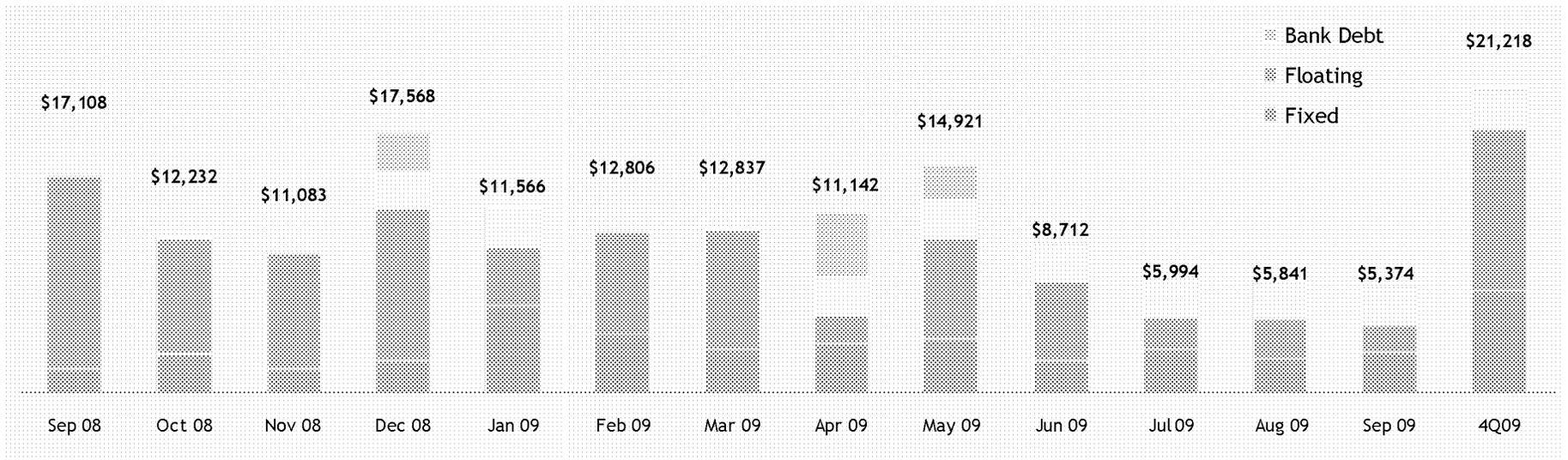
¹Private - Temasek

²Net Proceeds to MER from \$8.5Bn Capital Raise

Debt maturity schedule

OVERVIEW OF DEBT MATURITIES FOR MAJOR US BROKER DEALERS

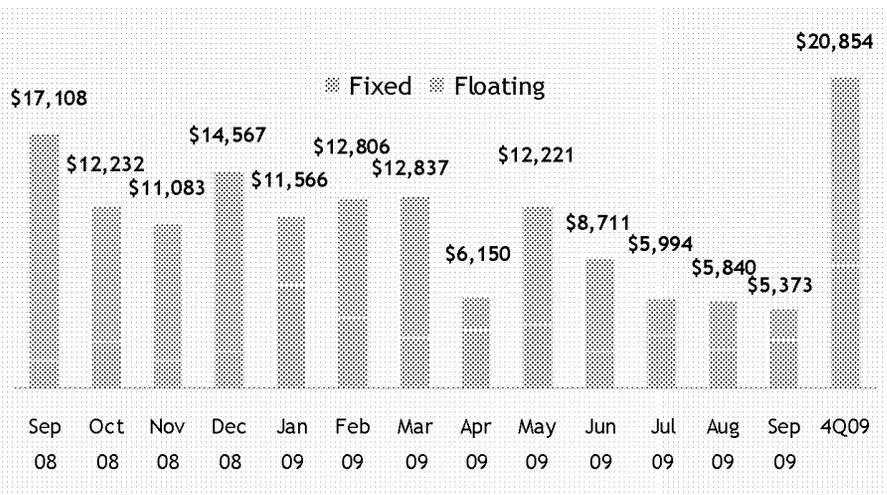
Bulge Bracket Debt Maturity Schedule (\$ MM)



Notes: 1.All foreign debt converted to USD as of 8/28/08; 2.Floating debt consists of floating and variable debt; 3.Fixed debt consists of fixed, zero coupon, step coupon debt; 4. Loans consist of Standby LC's, R/C Commit., T/L, and all other traditional credit products.

Source: Bloomberg

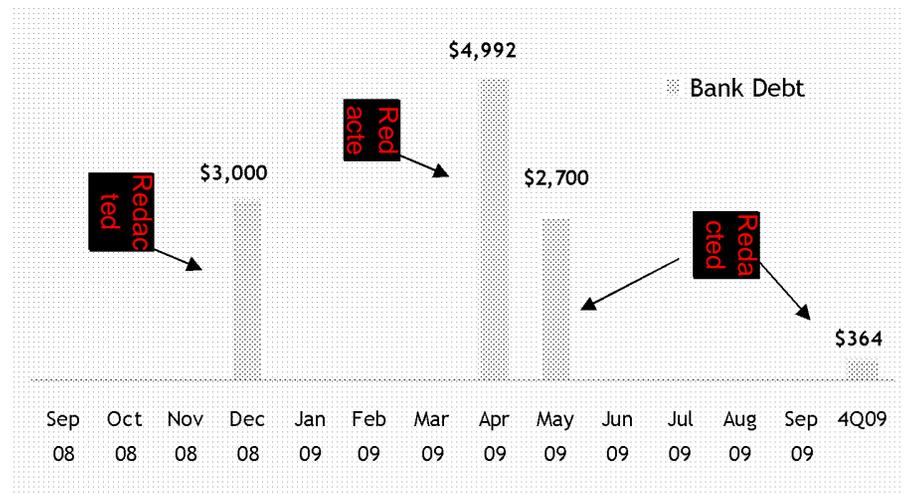
Bond Debt Maturity Schedule (\$ MM)



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Source: Bloomberg

Bank Debt Maturity Schedule (\$ MM)



Source: Bloomberg

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Comparables

OVERVIEW OF DEBT MATURITIES FOR MAJOR US BROKER DEALERS

Comparables				
(in \$MM)	LEH	Red d acle Red	Red d acle Red	Red d acle Red
Ratings (JPM/S&P/Moody's)	4+ / A/A2	3- / A/A2	3/A+ / A1	3+ / AA- / Aa3
CDS Spread Mid (1-yr/3-yr/5-yr) (at 8/28/08)	697/451/337	442/357/311	366/254/220	129/140/150
Total Assets (at 2QE08)	639,432	966,210	1,031,228	1,088,145
Market Cap (at 9/2/08)	11,540	43,110	46,690	65,290
Total Debt Maturities (9/08- 8/09)				
Bank Loan Maturities (JPM Share)	N/A	5,700 (460)	4,992 (299)	N/A
LTD Maturities	24.526	47,045	31,298	28,246
CP / Promissory Notes	7,948 / 0	8,620 / 0	12,227 / 0	1,352 / 8,468
Liquidity Pool (Parent) / LTD Maturities	1.81x	1.96x	2.56x	3.11x
Liquidity Pool (Parent) / LTD + CP Maturities	1.37x	1.65x	1.84x	2.31x
Long-Term Capital (at 2QE08)				
Equity Capital	26,276	34,778	34,493	44,818
Long-Term Debt (includes CMLTD)	149,173	270,436	210,724	210,990
Long-Term Capital (Equity + LTD)	175,449	305,214	245,217	255,808
Cash Capital Surplus ¹	15,800	62,600	63,000	77,000
JPM Leverage Ratio (Adj. Liab./Equity) ² (at 2QE08)	18.5x	21.1x	24.9x	20.7x
Firm Adjusted Leverage ³	12.1x	14.5x	14.1x	14.7x
LTD / Equity	5.7x	7.8x	6.1x	4.7x
Liquidity Model (at 2QE08)				
Liquidity Pool (Parent)	44,600	92,000	80,000	87,756 (average)
Liquidity Pool (Total)	192,500	205,000	169,000	169,270 (average)
Other				
Bank Deposits (at 2QE08)	29,355	100,458	35,227	29,518
Double Leverage (as of FYE07)	0.91 x	1.00x	1.12x	0.93 x
Tier 1 Capital (at 2QE08)	10.7%	7.6% ⁴	12.4%	10.8%
Asset Classification				
Level I (% of total assets)	45,565 (7.1%)	99,506 (10.3%)	124,507 (11.4%)	119,563 (11.6%)
Level II ⁵ (% of total assets)	161,836 (25.3%)	296,679 (30.7%)	473,528 (43.5%)	201,636 (19.6%)
Level III (% of total assets)	45,445 (7.1%)	64,195 (6.6%)	78,088 (7.2%)	69,194 (6.7%)
Level III Assets / Equity Capital	1.7x	1.7x	1.7x	2.0x

¹ The difference between long-term capital and total capital uses.

² (Total Liabilities - Matched Repo Book) / Total Equity

³ The adjusted leverage calculation varies by firm, however, in most cases represents adjusted total assets divided tangible equity.

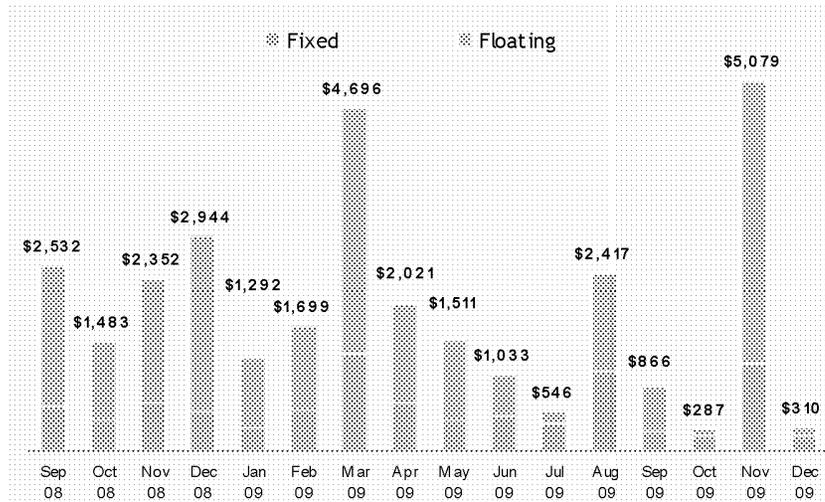
⁴ Pro forma for common stock offering and early conversion of mandatory convertible preferred is 10.5%.

⁵ Adjusted for netting and cash collateral

Lehman Brothers

OVERVIEW OF DEBT MATURITIES FOR MAJOR US BROKER DEALERS

Lehman Brothers Debt Maturity Schedule (\$Millions)



Notes: 1.All foreign debt converted to USD as of 8/28/08; 2.Floating debt consists of floating and variable debt; 3.Fixed debt consists of fixed, zero coupon, step coupon debt; Source: Bloomberg

Liquidity Update

- Parent liquidity pool was \$42Bn at 8/31, down from \$44.6Bn at 2Q08.
 - Pool composition:
 - \$37Bn (88%) in cash, Government / Agency securities and equities listed in major indices (Level 1)
 - \$5Bn (12%) primarily in Lehman CLO securities, 2/3 of which are backed by corporate loans (Level 2 / Level 3)
 - Debt maturities of \$31.1Bn through 12/09 covered 1.4x by parent liquidity pool
- LEH continues to delever as adj. leverage at 2Q08 was lowest among peers at 18.5x.
- Should regulators implement a 15x leverage mandate, LEH's adj. liab. would need to decline \$91Bn if equity is held constant
- \$3.8Bn in CP outstanding as of 8/29 with average life of 32.2 days
 - 60% / 40% issued out of Lehman Brothers Holdings Inc. and Lehman Brothers Holdings Inc. UK

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Exposure

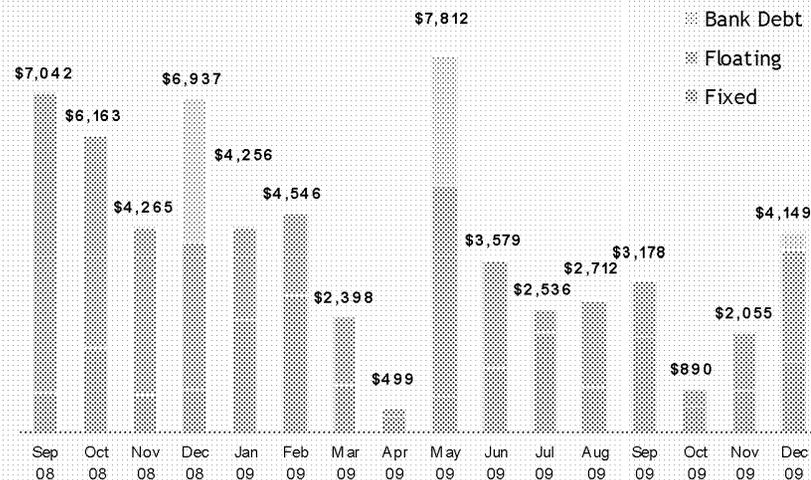
As of Sep 1, 2008	Approved Limit (\$MM)	Outstanding Exp. (\$MM)	Maturity Date/Tenor	No. Trades
Committed	327	93		
Secured	0	0		
Unsecured	327	93	2010, 2011	
Uncommitted	62	2		
Secured	0	0		
Unsecured	62	2	2009	
Counterparty	4,632	1,959		
Derivatives (DRE)	3,203	1,904	50 yrs	74K
Securities Trading	177	13	6 mo.	
Securities Loan Trading	49	6	3 mo.	
Securities Lending	318	1	1 yr	
MBS/Whole Loan Trading	322	2	3 mo.	
Securities Financing	554	33	1 yr	
Dealer CLR RRepo	5	0		
F&O Clearing	4	0	3 days	
Risk Participations bought by Ctpy.		521		
Other (3rd PTY Support, TOI, Econ. Dep.)		52		
Overdrafts		18		
Total Primary Exposure	5,021	2,645		
Total Primary CDS Hedges	0			
Derivatives	5,450			
Intraday/Funds Trans/ACH	4,855			
Securities Trading/Financing/Other	376			
Total Settlement/Operating Exposure	10,681			
Deposit Guidance/Local	250			
Fed Funds	0			
Treasury Exposure	250			
Single Name Position Risk	(92)			
Equity Investment	0			
Ratings	JPM	S&P	Moody's	
	4+ /Neg	A/Neg	AZ/Neg	

BROKER DEALERS 6

Redacted

Redacted

Debt Maturity Schedule (\$Millions)



Notes: 1.All foreign debt converted to USD as of 8/28/08; 2.Floating debt consists of floating and variable debt; 3.Fixed debt consists of fixed, zero coupon, step coupon debt; Source: Bloomberg

Liquidity Update

- Redacted maintained a liquidity pool of \$92Bn at 2Q08
 - Pool composition - \$62bn in cash with remainder in cash equivalents
 - Debt maturities of \$63Bn through 12/09 covered 1.5x by parent liquidity pool
- Redacted continues to delever, with adjusted leverage of 21.1x at 2Q08
 - Should regulators implement a 15x leverage mandate, Redacted's adj. liabilities would need to decline \$212Bn
- Redacted has 5 programs - Euro, Canada, India, Australia and Tokyo

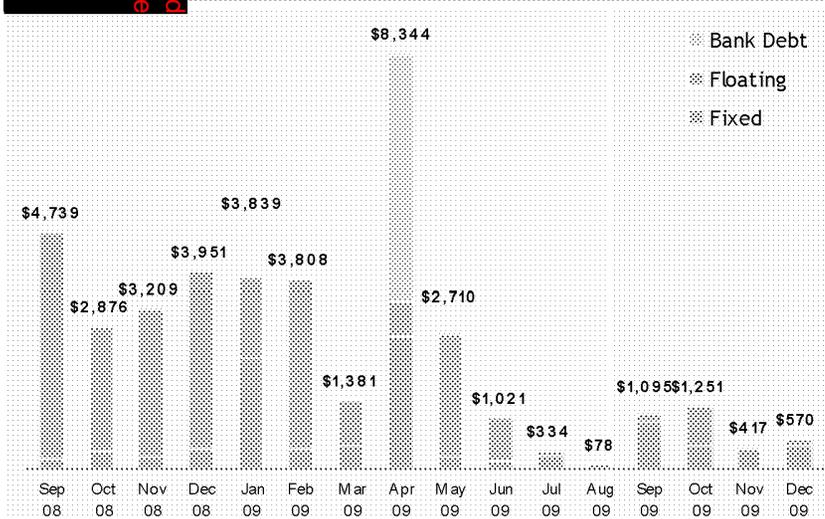
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Exposure

As of Sep 1, 2008	Approved Limit (\$MM)	Outstanding Exp. (\$MM)	Maturity Date/Tenor	No. Trades
Committed				
Secured	460	0	2009	
Unsecured	188	75	2010	
Uncommitted				
Secured	4	0		
Unsecured	660	262	13yrs	
Counterparty				
Derivatives (DRE)	4,561	2,866	50yrs	57K
Securities Trading	256	10	6 mo.	
Securities Loan Trading	51	16	3 mo.	
Securities Lending	69	9	1yr	
MBS/Whole Loan Trading	446	0	3 mo.	
Securities Financing	540	18	1yr	
Dealer CLR RRepo/F&O	39	12		
Risk Participations bought by Cpty.		856		
Other (3rd PTY Support, TOI, Econ. Dep.)		108		
Overdrafts		0		
Total Primary Exposure	7,274	4,232		
Total Primary CDS Hedges	(50)			
Derivatives	5,775			
Intraday/Funds Trans/ACH	785			
Securities Trading/Financing/Other	5,828			
Total Settlement/Operating Exposure	12,388			
Deposit Guidance/Local	140			
Fed Funds	100			
Treasury Exposure	240			
Single Name Position Risk	(115)			
Equity Investment	516			
Ratings	JPM	S&P	Moody's	
	3-/Neg	A/Neg	A2/Sta	

Redacted

Debt Maturity Schedule (\$millions)



Notes: 1.All foreign debt converted to USD as of 8/28/08; 2.Floating debt consists of floating and variable debt; 3.Fixed debt consists of fixed, zero coupon, step coupon debt; Source: Bloomberg

Liquidity Update

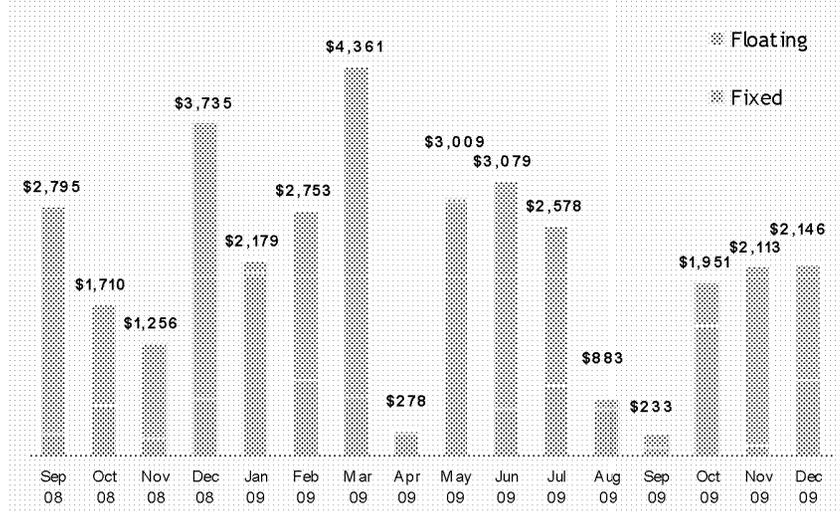
- maintained a liquidity pool of \$80Bn at 2Q08
 - Pool composition - Cash & Equivalents
 - Debt maturities of \$39.6Bn through 12/09 covered 2.0x by parent liquidity pool
- continues to delever, with adj. leverage of 24.9x at 2Q08
- Should regulators implement a 15x leverage mandate, would be required to reduce adj. liabilities by \$342Bn
- Approx. \$8Bn in CP outstanding in 8/08, down from \$12Bn at 2Q08, with an average maturity of approx. 90 days
 - CP primarily issued at U.S. Holdco, though small programs in Canada, Japan, Europe and Australia

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Exposure		Approved Limit (\$MM)	Outstanding Exp. (\$MM)	Maturity Date/Tenor	No. Trades
As of Sep 1, 2008					
Committed					
Secured		0	0		
Unsecured		302	0	2009	
Uncommitted					
Secured		0	0		
Unsecured		535	374	1 yr.	
Counterparty					
Derivatives (DRE)		5,269	4,594	50 yrs	97K
Securities Trading		348	14	6 mo.	
Securities Loan Trading		97	8	1 yr.	
Securities Lending		429	725	1 yr.	
MBS/Whole Loan Trading		445	12	3 mo.	
Securities Financing		749	99	1 yr.	
ADR Pre-release/ F&O		9	0	1 mo.	
Risk Participations bought by Ctpty.			354		
Other (3rd PTY Support, TOI, Econ. Dep.)			720		
Overdrafts			39		
Total Primary Exposure		8,183	6,939		
Total Primary CDS Hedges			50		
Derivatives		9,279			
Intraday/Funds Trans/ACH		6,934			
Securities Trading/Financing/Other		1,084			
Total Settlement/Operating Exposure		12,297			
Deposit Guidance/Local		5			
Fed Funds		0			
Treasury Exposure		5			
Single Name Position Risk		(265)			
Equity Investment		361			
Ratings	JPM	S&P	Moody's		
	3/Neg	A+ /Neg	A1/Sta		

Redacted

Debt Maturity Schedule (\$millions)



Notes: 1.All foreign debt converted to USD as of 8/28/08; 2.Floating debt consists of floating and variable debt; 3.Fixed debt consists of fixed, zero coupon, step coupon debt; Source: Bloomberg

Liquidity Update

- Redacted maintained a liquidity pool of \$125Bn at 8/08
 - Pool composition - Sovereign obligations of US, UK, Germany, France & Japan - composition weighted by currency needs. US Treasuries is largest concentration - JGB's the smallest
 - Debt maturities of \$35.1Bn through 12/09 covered 3.5x by parent liquidity pool
- Redacted continues to delever, with adj. leverage of 20.7x at 2Q08
- If regulators instituted a 15x leverage target, it would result in a \$255Bn reduction to adj. liabilities
- Approx \$1.4Bn in CP outstanding, with 57 day average maturity / \$10Bn Promissory Note Program with 76 day average maturity
 - CP issued by 3 entities Redacted (all about equal size & tenor)
 - Promissory notes issued by several entities primarily into US & European market

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Exposure

	Approved Limit (\$MM)	Outstanding Exp. (\$MM)	Maturity Date/Tenor	No. Trades
Committed				
Secured	-	-		
Unsecured	-	-		
Uncommitted				
Secured	10	-		
Unsecured	265	280		
Counterparty				
Derivatives (DRE)	5,460	2,659	30 yrs	110K
Securities Trading	253	12	6 mo.	
Securities Loan Trading	123	24	3 mo.	
Securities Lending	115	145	1 yr	
MBS/Whole Loan Trading	363	8	3 mo.	
Securities Financing	357	16	1 yr	
Dealer CLR Repo	-	-		
F&O Clearing	13	-	3 d	
Risk Participations bought by Cpty.	-	593		
Other (3rd PTY Support, TOI, Econ. Dep.)	-	724		
Overdrafts	-	-		
Total Primary Exposure	6,959	4,461		
Total Primary CDS Hedges	85			
Derivatives	9,062			
Intraday/Funds Trans/ACH	5,379			
Securities Trading/Financing/Other	378			
Total Settlement/Operating Exposure	14,819			
Deposit Guidance/Local	180			
Fed Funds	-			
Treasury Exposure	180			
Single Name Position Risk	(493)			
Equity Investment	-			
Ratings				
	JPM	S&P	Moody's	
	3+/Sta	AA-/Neg	Aa3/Sta	