

From: jrosenthal@metlife.com <jrosenthal@metlife.com>
To: skandarian@metlife.com
Subject: Fw: Lehman Structured Finance Assessment
Sent: Wed 13 Aug 2008 20:38:46

Steve, below is a summary of the work done so far on the RMBS portfolio. Bottom line, we have come up with an adjustment of about \$2.1 billion after having analyzed just under 20% of the portfolio. More work is being done to get our arms around the rest of the RMBS assets.

We are not yet in a position to put a value on the rest of the assets that bear consideration---Corporate debt (funded and unfunded), private equity and hedge fund investments, other commitments (generally off balance sheet, including the \$5+b of fund of funds guarantees for eg), their muni portfolio (about \$4b) and certain derivative positions (mostly level 3 category). We had conversations about their collateralized funding business and are okay with those assets. I will keep you posted.

----- Forwarded by John Rosenthal/Inv/MetLife/US on 08/13/2008 04:34 PM -----

William Moretti/Inv/MetLife/US

08/13/2008 04:32 PM

To

John Rosenthal/Inv/MetLife/US

cc

Subject

Lehman Structured Finance Assessment

John:

As we discussd, our team reviewed a portion of Lehman's Structured Finance portfolio. Below are some observations:

* In general, the portfolio is highly distressed and is comprised mostly of transactions from 2006 & 2007 that Lehman was not able to fully sell in the primary market, or whole loans that did not make it to securitization. Most of the transactions are from Lehman shelves or other issuers that our team had typically never approved for investment.

* The total portfolio of structured finance that we will analyze is approximately \$30bn. Over the past few days, we received information on \$10.7bn and we were able to analyze \$4.8bn. We were unable to analyze half of the portfolio mostly due to unavailable information on the securities - not available on Bloomberg or Intex. We will attempt to gather additional information from Lehman that may allow us to continue our analysis on these securities.

* Of the approximate \$20bn that we still have not yet received information, \$9bn are European securities (\$5bn of which Lehman has lined up to sell), \$8bn are whole loans and \$600mm are Asian securities.

* Our initial assessment of these securities shows a downward adjustment of ~\$2bn on the ~\$5bn analyzed. Most of the adjustments came from \$1.1bn in Alt A securities, \$450mm in ABSCDO, \$350mm in Subprime and \$150mm in Other Residential. Due to the highly distressed and illiquid nature of these securities, our calculated market value is a compilation of our base case default scenario and current market values. Since many of these securities are already marked to a "deep discount" our base case and stress case scenarios overlap in many instances.

* Attached please find our preliminary valuation of the structured finance portfolio.

(See attached file: Residential -Summary V3.xls)

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Preliminary Valuation

Summary			
	MV (\$MM)	MV Impact	Net MV
Prime (Alt A)	7,913	1,165	6,747
Non-Prime (Sub-prime)	2,114	349	1,765
Other Residential (SD & RM)	1,127	149	978
SP CDO	544	457	88
Total US Residential	11,698	2,120	9,578
Europe Resi	8,881	0	8,881
Asia Resi	611	0	611
Total Residential	21,190	2,120	19,070
Total CMBS	2,629	226	2,403
Other Asset Backed	5,830	0	5,830
Grand Total (Resi & Comm)	29,649	2,346	27,303

Total MV	Whole Loans	Sec w/o Info	Sec w/ Info	Sec Analyzed	MV Impact	% MV Adjustment
29,649	6,097	10,901	10,991	4,780	2,346	49%
100%	27%	37%	36%			

Prime (Alt A)						
MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	\$ Analyzed	
Whole Loans			0%			
- Performing	1,893					
- Non-Performing						
IG + NIG Securities	2,939	37.77	25.39	56%	539	1,643
IO/PO Securities	633	3.17	2.56	61%	75	389
Residuals	551	1.27	0.00	100%	551	551
Servicing Rights	1,658	1.25		0%		
Others	238			0%		
Grand Total	7,913					

Non-Prime (Sub-prime)						
MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	\$ Analyzed	
Whole Loans			0%			
- Performing	894					
- Non-Performing						
IG + NIG Securities	1,145	30.26	15.55	60%	341	688
Residuals	8	0.33	1.00	100%	8	8
Servicing Rights	21	0.27		0%		
Others	45			0%		
Grand Total	2,114					

Other Residential - (Scratch & Dent and Reverse Mtg)						
MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	\$ Analyzed	
Whole Loans			0%			
- Performing	849					
- Non-Performing						
IG + NIG Securities	271	16.8	7.59	100%	149	271
Residuals						
Servicing Rights	7	2.55		0%		
Others						
Grand Total	1,127					

SP CDO						
MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	\$ Analyzed	
Whole Loans						
- Performing						
- Non-Performing						
IG + NIG Securities	544	31.24	5.00	100%	457	544
Residuals						
Servicing Rights						
Others						
Grand Total	544					

Europe						
MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	\$ Analyzed	
Whole Loans			0%			
- Performing	1,919					
- Non-Performing						
IG + NIG Securities	6,962			0%		
Residuals						
Servicing Rights						
Others						
Grand Total	8,881					

Asia						
MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	\$ Analyzed	
Whole Loans			0%			
- Performing	462					
- Non-Performing						
IG + NIG Securities	149			0%		
Residuals						
Servicing Rights						
Others						
Grand Total	611					

Commercial - (CMBS)						
MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	\$ Analyzed	
Whole Loans						
- Performing						
- Non-Performing						
IG + NIG Securities	2,629	61.54	31.55	26%	226	686
Other				0%		
Residuals						
Servicing Rights						
Others						
Grand Total	2,629					

Other Asset Backed						
MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	\$ Analyzed	
Whole Loans						
- Performing	2,040			0%		
- Non-Performing						
IG + NIG Securities	2,400			0%		
Residuals	35			0%		
Servicing Rights	29			0%		
Others	1,325			0%		
Grand Total	5,830					

Summary	
MV (\$MM)	Comments on Observations from List of Securities
Alt A	7,864 Overwhelmingly from 2007 vintage Lehman related shelve and other shelve that MetLife typically does not participate in
Non-Prime	2,172 Mostly from 06-07 vintage and subordinate positions that are highly distressed
Other	1,160 Majority of the securities may be HELOCs?
Total US	11,196
Europe	9,754 Close to a deal to selling >\$5bn of UK assets and servicer (Capstone)
Asia	643 No information
ABS CDO	544 No information
Grand Total	21,107

Whole Loans	MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	Comments
Performing	1,571	75.00				TBD
Non-Performing	155	45.00				TBD
Securities						
AAA	2,759	67.70				TBD - likely < \$60
Sube	1,153	22.00				TBD - likely \$5-\$15
Residuals	453	Mostly 2007				Hard to analyze - close to \$0
Servicing Rights	1,653					Hard to analyze - Based on mtgs of \$130bn
Grand Total	7,864					

Whole Loans	MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	Comments
Subprime	134	38.00				TBD
2nd Len	650	50.00				Alt-A loans - 70% performing marked at \$60; 30% NP marked at \$10 - likely <\$40
Securities						
AAA	363	67.00				TBD - >50% are "back-end" AAA securities priced likely <\$50
Sube	991	31.50				TBD - likely \$5-\$15
Residuals	8					Hard to analyze - close to \$0
Servicing Rights	26					Hard to analyze
Grand Total	2,172					

Whole Loans	MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	Comments
Surch & Dent	251	41.25				TBD - likely <\$25
Reverse Mtg	629	97.26				TBD
Securities						
AAA	144	59.94				No information
Sube	59					
Residuals	40					Hard to analyze - close to \$0
Servicing Rights	7					Hard to analyze
Grand Total	1,160					

Whole Loans	MV (\$MM)	LB Mark	Met Price	% Analyzed	MV Impact	Comments
UK	2,106	90.18				Close to selling combined \$5bn in UK whole loans & securities
Ireland	281	96.04				Not familiar with this sector
Netherlands	417	92.45				Not familiar with this sector
Italy	179	88.9				Not familiar with this sector
NPLs	633	39.96				Not familiar with this sector
Securities						
AAA	4,071	93.56				Selling ~\$3bn UK securities
Sube	788	69.13				No information
Residuals	329					Hard to analyze - close to \$0
Grand Total	8,784					

Whole Loans	MV (\$MM)	Mark	Met Price	% Analyzed	MV Impact	Comments
Surch & Dent	251	41.25				TBD - likely <\$25
Reverse Mtg	629	97.26				TBD
Securities						
AAA	144	59.94				No information
Sube	59					
Residuals	40					Hard to analyze - close to \$0
Servicing Rights	7					Hard to analyze
Grand Total	1,160					