

From: McGarvey, Michael <mmcgarve@lehman.com>
Sent: Wednesday, January 30, 2008 1:46 PM (GMT)
To: Kelly, Martin <martin.kelly@lehman.com>; Bernard, Clement <clement.bernard@lehman.com>; Bismal, Anuraj <abismal@lehman.com>
Cc: Lee, Matthew <matthew.lee@lehman.com>; Stabenow, Sigrid M <sstabeno@lehman.com>
Subject: RE: January 2008 Balance Sheet Projection as of January 25, 2008

Martin,

As of the 28th, Rates had 113.6bn of net assets. Right now our quarter end forecast is at ~3bn over target so we should reduce net assets by 68bn.

Thanks,
Mike

>
> _____
> From: Kelly, Martin
> Sent: Wednesday, January 30, 2008 12:12 AM
> To: McGarvey, Michael; Bernard, Clement; Bismal, Anuraj
> Cc: Lee, Matthew; Stabenow, Sigrid M
> Subject: RE: January 2008 Balance Sheet Projection as of January
> 25, 2008

>
> Mike - what are current total assets for Rates? And using the below,
> this will reduce by approx \$60b by qtr end?

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> _____
> From: McGarvey, Michael
> Sent: Tuesday, January 29, 2008 3:32 PM
> To: Bernard, Clement; Bismal, Anuraj
> Cc: Lee, Matthew; Kelly, Martin; Stabenow, Sigrid M
> Subject: RE: January 2008 Balance Sheet Projection as of January
> 25, 2008

> Anuraj,

>
> Global Rate's current balance sheet usage is necessary in
> order to take advantage of a number of opportunities in a highly
> volatile rate market. None of the assets making up the current coverage
> are illiquid. They are mainly comprised of US treasuries and agencies,
> Euro and Gilt government bonds, agency passthru and JBG's.
> As of the 25th, Rates has made 583mm in revenue or 74% of
> it's full year budget. Along with High Grade Credit, Rates is
> basically carrying the FID division. Given the situation in Real
> Estate and Mortgages as well as the overall capital picture of the
> firm this has been an extremely important revenue stream because Rates
> uses a comparably small amount of capital relative to other
> businesses.

> For quarter end balance sheet Rates America's and Asia are
> projecting to make target while Europe has a ~3bn overage they are
> working on solving. Please let me know if you have any questions.
>

- > -Here is a list of some of the major balance sheet items that should
- > clean up by February month end.
- > * 25bn of settled pools (vs. TBA's) to be exited on February 12th
- > * 10bn of specified agency mortgage pools to be substantially
- > reduced by Q1
- > * 17bn of additional repo 105. We are working on at least getting
- > back to our Q4 usage of 27bn. This will be ramped up in increments
- > over the next few weeks
- > * 3bn of short term rate securities that will not be on b/s on
- > 2/28
- > * 5bn of excess JBG's in yen Governments
- > * 3bn of non Hoffman basis strategy related treasuries
- > * 2bn of Coupon Flow US treasuries
- > * 1.5bn of US derivative cash hedges that should be off b/s by Q1

> Thanks,
> Mike

> From: Bernard, Clement
> Sent: Tuesday, January 29, 2008 1:31 PM
> To: Bismal, Anuraj; McGarvey, Michael
> Cc: Lee, Matthew; Kelly, Martin
> Subject: RE: January 2008 Balance Sheet Projection as of January
> 25, 2008

> The big spike in Rates is due to some specific transaction long agency
> short TBA that should settle before the end of the quarter. Overall we
> have a problem of \$ 15 that we are talking the business to. We are
> taking action to reduce that overage.

> Mike add anything you feel I have missed

> From: Bismal, Anuraj
> Sent: Tuesday, January 29, 2008 8:17 AM
> To: McGarvey, Michael; Bernard, Clement
> Cc: Lee, Matthew; Kelly, Martin
> Subject: FW: January 2008 Balance Sheet Projection as of January
> 25, 2008

> Mike,

> I thought I would check with you that the large balance sheet in Rates
> is due to this being a great revenue opportunity rather than these
> assets being hard to unwind.

> I am wondering if there would be any difficult in getting balance
> sheet down for Q1.

> Thanks
> Anuraj

> From: Chang, Alan
> Sent: Monday, January 28, 2008 10:52 PM
> To: Global Balance Sheet Projection
> Subject: January 2008 Balance Sheet Projection as of January 25,

> 2008
 >
 > The Net Leverage increased 1.8 from 17.5 to 19.3.
 >
 > Two main drivers:
 >
 > FID Core - Global Rates BPM (+34.5B)
 > * Primarily driven by Pass-Thru desk - higher net balance sheet
 > due to TBA carry trades.
 >
 > FID Prime Service - Liquid Markets Financing (+9.3B)
 > * Due to increased fails which we are expecting to remain on the
 > balance sheet through month end.
 >
 >
 >

	Target Jan-08	Projection Jan-08	vs Target
> Gross Leverage		32.4	36.5
> 4.1			
> Net Leverage		17.1	19.3
> 2.2			

	GROSS		NET	
> Region	Target	Projection	Over/(Under)	Over/(Under)
> Region	Target	Projection	Over/(Under)	Over/(Under)
> Americas	506.5	566.7	60.1	
> Americas	263.8	304.7		
> 40.9				
> Europe	167.5	195.7	28.2	
> Europe	97.9	104.8		
> 6.9				
> Asia	74.5	80.9		
> 6.4	Asia	45.7	50.3	
> 4.7				
> TOTAL	748.6	843.3	94.7	
> TOTAL	407.3	459.8		
> 52.4				

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