

From: O'Meara, Chris M (NY) <comeara@lehman.com>
Sent: Thursday, September 27, 2007 1:52 PM (GMT)
To: Lowitt, Ian T <ilowitt@lehman.com>
Subject: RE: Daily Risk Appetite and VaR Report - 9/25/07

Limit breach is mostly driven by increase in Lev Fin and RE Bridge exposure, which we view as a temporary limit breach, which will work down naturally. It is not a breach of equity adequacy, just the 10% ROE performance test. I am working with team on better understanding the specifics of the calculation. It is not risk that can be diversified away through macro hedging. It needs to be sold down. More to come. C

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> From: Lowitt, Ian T
> Sent: Thursday, September 27, 2007 9:41 AM
> To: O'Meara, Chris M (NY)
> Subject: FW: Daily Risk Appetite and VaR Report - 9/25/07
>
> Getting further above limit. Know you met with the team. Do we have
> a plan? Ian
>
> _____
> From: Peng, Jenny
> Sent: Wednesday, September 26, 2007 10:10 PM
> To: Goldfarb, David; McDade, Bart; O'Meara, Chris M (NY); Grieb,
> Edward; Antoncic, Madelyn; Gentile, Joseph; Nagioff, Roger; Lowitt,
> Ian T
> Cc: Hawkins, Thomas; Oramas-Scala, Lesley; Neave, Jon; Azerad,
> Robert; Jacob, Rolly; Jacob, Anu; Pulido, Albert; Sayani, Faizal
> Subject: Daily Risk Appetite and VaR Report - 9/25/07
>
> << File: RiskAppetite_20070925.xls >>
>
> The overall Risk Appetite usage as of 9/25/07 was \$3849mm (up \$174mm)
> vs. \$3500mm limit:
>
> * Fixed Income - RA \$2540mm (up \$17mm) vs. \$2500mm limit
>
>
> * Securitized Products- RA \$394mm (down \$55mm)
>
> VaR decreased \$3.7mm as the subprime desk sold forward \$200mm loans,
> and subprime desk's non-agency exposure decreased by \$53k/bp to
> \$845k/bp.
>
>
> * Equity - RA \$815mm (up \$79mm) vs. \$800mm limit
>
> * Volatility Flow- RA \$291mm (up \$49mm)
>

> VaR increased \$3.8mm as long gamma exposure reduced by
> \$102mm to long \$80mm, and short vega increased \$1.7mm(mainly from
> Small Cap-Index).
>
> * Syndicate- RA \$118mm (up \$64mm)
>
> VaR increased \$4.2mm as Asia added a block trade in
> Nitto Denko with a long \$231mm delta.
>
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> The overall VaR as of 9/25/07 was \$132.5mm (up \$15.4mm), 60-day Moving
> Average was \$95.9mm, and unweighted VaR was \$102.7mm (up\$7.5mm). VaR
> increase driven by GTS and the Securitized Products businesses which
> together had an incremental VaR of \$15.0mm.
>
> Regards,
> Jenny