FID Balance Sheet Management Policy

September 2007

LEHMAN BROTHERS

Where vision gets built.℠

Table of Contents

Balance Sheet Speeding Charge

Overview:

- To ensure that FID's businesses meet their net balance sheet targets at quarter ends an economic penalty charge will be assigned for any overage

Specifics of Policy:

- Balance Sheet limits will be allocated by region and POD
- Penalty Charge of $5mm per billion on net balance sheet overages (Quarterly) applicable at a regional POD level
- Incentive Gain of $5mm per billion on net balance sheet underages (Quarterly) applicable at a regional POD level
- Penalty Charge will be assessed in $500mm increments
- Transaction driven exceptions to this policy must be approved by Roger Nagioff and Gerry Reilly

Balance Sheet Target Allocation Policy

Overview:

- Create a discipline around balance sheet allocation, factoring in minimum hurdle rates, balance sheet efficiency and dead balance sheet

Specifics of Policy:

- Establish a minimum RROA of 3.0% over the trailing 4 quarters (at regional POD level) which the businesses will be measured against for incremental balance sheet requests. Businesses need to make the targeted RROA in order to be eligible for incremental balance sheet. If a business underperforms the minimum RROA it's balance sheet usage will be reviewed and target possibly reduced.

- Factors that will be taken into account in allocation of balance sheet target include:

  A) *Balance Sheet Performance* – balance sheet growth vs. revenue growth over the trailing four quarters

  B) *Balance Sheet Efficiency* – examples include odd lot inventory

  C) *Dead Balance Sheet* – Targets for dead balance sheet will set for each business. If a business exceeds it's target it will not be eligible for an incremental target increase

  D) *Balance Sheet MIS* – balance sheet return metrics (down to trader level RROA), odd lots and dead balance sheet

- Capital Plan – Going forward, FID's annual capital plan will be communicated to Senior FID management when it becomes available to enable them to better anticipate the availability of balance sheet

Aging Policy

Overview:

- To simplify the current policy and keep aging impactful in light of not only the growth in balance sheet but in the number FID desks and products FID trades

Specifics of Policy:

- Simplify Aging asset categories from 45 to 5. Each category will have a specific penalty charge

New Aging Coding	Aged Limit	Charge (bps)	Examples:
- Highly Liquid Trading Assets	-90 days	250	Treasuries, High Grade Bonds, Munis, Passthrus
- Liquid Trading Assets	-120 days	350	Strips, CMBS Investment Grade, CMO's remics, HY bonds
- Less Liquid Trading Assets	-180 days	450	ABS Non-Investment Trade, MTN's, Whole Loans,
- Illiquid Trading Assets	-360 days	500	RMBS Non Prime loans, Fixed rate Whole Loans
- Non Trading assets	N/A	N/A	Fails, Derivative MTM, Dead Balance Sheet

- Align new asset codes with existing Cash Capital haircuts in order to automate coding
- There will be no principal, flow or held for securitization classification. All balance sheet is subject to the aging policy
- **Proposal 1: Charging Threshold:** Businesses will be assessed an aging penalty charge to the extent that their aged inventory exceeds *15%* of net assets. The aged balance sheet that is subject to the exemption by liquidity bucket (ie the most liquid aged balance sheet will be exempted first)
- **Proposal 2: Targeted Aged Balance Sheet:** Establish a target for FID's total aged balance sheet (For example 8% of net assets). Each business will be assigned a specific charging threshold in order to bring FID to it's targeted percentage of Net balance sheet
- There will be a quarterly review of long dated aged positions by Senior FID and Finance management

Origination Balance Sheet

Overview:

- To develop a method of tracking the origination portion of FID's Balance Sheet

Specifics of Policy:

- FID's origination balance sheet is concentrated in three businesses Real Estate, Mortgages and Credit
- In order to completely capture all origination balance sheet each business will create a separate BPM level 2 dedicated specifically to housing origination positions
- This methodology is already in place for credit and municipals and will be instituted for all Fid businesses
- This will enable the creation of separate return metrics on origination balance sheet
- Target management will be jointly owned by FID and Banking. Banking will need to provide pipeline funding projections to FID so syndication needs can be taken into account in FID's target allocation process
- Origination targets should be set at the beginning of each quarter with the FID overall targets

FID's Aged Balance Sheet Proforma

		Current Method			New Method				
POD	**Region**	**Net Balance Sheet**	**Aged Balance Sheet**	**% Aged BS**	**Net Balance Sheet**	**Revised Aged BS**	**% Aged**	**% in Excess of 15%**	**Excess Aged BS**
Credit	SUM AMERICAS	18,477,250	2,713,577	15	18,477,250	2,811,748	15	0	6,111
	SUM ASIA	4,498,852	1,274,119	28	4,498,852	1,183,362	26	11	133,763
	SUM EUROPE	7,834,485	1,623,334	21	7,834,485	1,556,897	20	5	75,858
Credit Total		**30,810,586**	**5,611,031**	**18**	**30,810,586**	**5,552,007**	**18**	**3**	**167,660**
Fid Corporate Total	SUM AMERICAS	3,825,748	398,340	10	3,825,748	1,068,549	28	13	138,168
	SUM ASIA	542,745	-	-	542,745	-	-	-	-
	SUM EUROPE	1,604,670	114,059	7	1,604,670	746,128	46	31	235,010
Fid Corporate Total		**5,973,164**	**512,398**	**9**	**5,973,164**	**1,814,676**	**30**	**15**	**279,106**
Liquid Markets	SUM AMERICAS	28,573,077	2,434,214	9	28,573,077	1,414,634	5	-	-
	SUM ASIA	5,351,258	2,749,047	51	5,351,258	1,145,181	21	6	73,294
	SUM EUROPE	11,658,151	928,906	8	11,658,151	2,190,330	19	4	82,969
Liquid Markets Total		**45,582,487**	**6,112,168**	**13**	**45,582,487**	**4,750,146**	**10**	**-**	**-**
Municipals	SUM AMERICAS	6,234,150	529,660	8	6,234,150	593,898	10	-	-
Municipals Total		**6,234,150**	**529,660**	**8**	**6,234,150**	**593,898**	**10**	**-**	**-**
Real Estate	SUM AMERICAS	30,374,051	5,276,065	17	30,374,051	6,570,095	22	7	435,638
	SUM ASIA	6,030,449	1,397,964	23	6,030,449	1,396,444	23	8	113,902
	SUM EUROPE	11,294,904	31,803	0	11,294,904	427,730	4	-	-
Real Estate		**47,699,404**	**6,705,832**	**14**	**47,699,404**	**8,394,270**	**18**	**3**	**218,106**
Securitized Products	SUM AMERICAS	56,451,681	4,418,719	8	56,451,681	3,930,030	7	-	-
	SUM ASIA	2,009,315	257,871	13	2,009,315	257,912	13	-	-
	SUM EUROPE	7,936,787	60,222	1	7,936,787	1,338,142	17	2	24,889
Securitized Products Total		**66,397,783**	**4,736,813**	**7**	**66,397,783**	**5,526,085**	**8**	**-**	**-**
FID Core Total		**202,697,574**	**24,207,902**	**12**	**202,697,574**	**26,631,081**	**13**	**-**	**-**

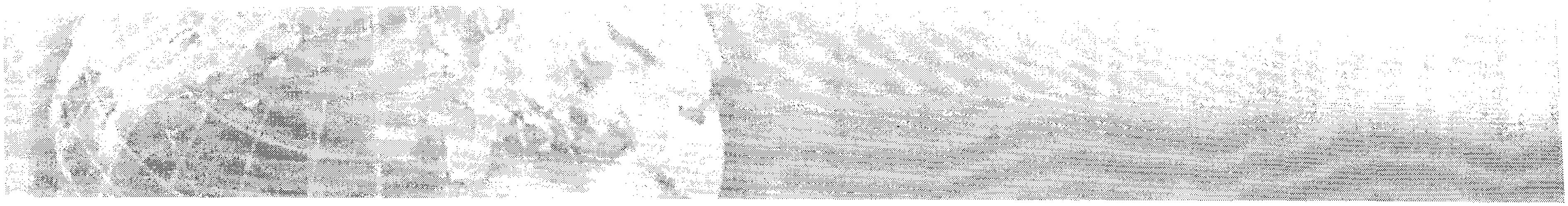
Aging Charges under New Methodology

Positions Aged by DOL

BPM Level 0	Net Balance Sheet	Aged BS	Revised Penalty Charge
GLOBAL RATES	509,206,461	509,206,461	1,060,847
FOREIGN EXCHANGE	391,048	391,048	815
PROP TRADING	28,096,783	0	0
Total LIQUID MARKETS	**537,694,292**	**509,597,509**	**1,061,661**
CDO	171,525,075	171,525,075	417,984
HIGH GRADE CREDIT	177,462,633	177,462,633	418,906
HIGH YIELD	269,423,142	269,423,142	763,912
TOTAL CREDIT	**618,410,850**	**618,410,850**	**1,600,802**
REAL ESTATE	1,673,508,562	1,547,682,514	6,551,580
SECURITIZED PRODUCTS	228,752,924	228,752,924	545,298
Grand Total	**3,937,309,976**	**3,811,483,928**	**11,775,634**

Aged by Liquidity

BPM Level 0	Net Balance Sheet	Aged BS	Revised Penalty Charge
GLOBAL RATES	859,376,495	859,376,495	1,790,368
FOREIGN EXCHANGE	391,048	-	-
PROP TRADING	28,096,783	28,096,783	81,949
Total LIQUID MARKETS	**887,864,326**	**887,473,278**	**1,872,317**
CDO	77,452,832	77,452,832	294,648
HIGH GRADE CREDIT	7,094,492	7,094,492	29,560
HIGH YIELD	187,252,295	187,252,295	710,564
TOTAL CREDIT	**271,799,619**	**271,799,619**	**1,034,772**
REAL ESTATE	688,557,629	688,557,629	2,868,990
SECURITIZED PRODUCTS	25,774,046	25,774,046	96,653
Grand Total	**2,287,442,602**	**2,287,442,602**	**7,043,910**



Appendix

FID's Aged Balance Sheet

- FID's Aged balance sheet has been 12-14% of net balance sheet this year, ranging from 22.9bn to 24.2bn

	Nov-06			Feb-07			May-07		
BPM Level 0	**Net BS**	**Aged BS**	**% Aged**	**Net BS**	**Aged BS**	**% Aged**	**Net BS**	**Aged BS**	**% Aged**
GLOBAL RATES	36,715	4,623	13%	35,770	3,883	11%	37,419	3,367	9%
PROP TRADING	3,986	1,692	42%	2,656	1,454	55%	3,931	2,283	58%
FOREIGN EXCHANGE	2,680	14	1%	2,738	129	5%	3,981	461	12%
COMMODITIES TRADING	128	0	0%	198	2	1%	251	2	1%
LIQUID MARKETS	**43,508**	**6,329**	**15%**	**41,362**	**5,467**	**13%**	**45,582**	**6,112**	**13%**
HIGH GRADE CREDIT	14,110	2,962	21%	13,132	2,502	19%	12,245	2,538	21%
CDO	9,053	526	6%	9,250	588	6%	9,034	652	7%
HIGH YIELD	6,141	1,035	17%	8,622	1,757	20%	9,531	2,422	25%
CREDIT	**29,304**	**4,523**	**15%**	**31,003**	**4,848**	**16%**	**30,811**	**5,611**	**18%**
SECURITIZED PRODUCTS	**51,894**	**4,516**	**9%**	**61,343**	**4,372**	**7%**	**66,492**	**4,737**	**7%**
REAL ESTATE	**33,536**	**7,496**	**22%**	**39,321**	**7,391**	**19%**	**47,699**	**6,706**	**14%**
MUNICIPALS	**7,501**	**731**	**10%**	**7,784**	**876**	**11%**	**6,234**	**530**	**8%**
FID CORP LOANS	1,046	452	43%	1,081	5	0%	1,015	508	50%
FID CORPORATE	959	0	0%	1,062	4	0%	1,532	4	0%
FID CORPORATE	**2,004**	**452**	**23%**	**2,143**	**9**	**0%**	**2,547**	**512**	**20%**
Grand Total	**167,747**	**24,046**	**14%**	**189,153**	**22,963**	**12%**	**206,015**	**24,208**	**12%**

Aged Balance Sheet Classification

- 50% of FID's net balance sheet is classified as flow, while 29% is prop and 21% held for securitization
- 12% of FID's B/S is aged as of May Month End. Prop, High Yield and High Grade Credit have the highest concentrations

Aging Classification	Flow		Held Sec/Synd		Principal				
BPM Level 0	**Aged B/S**	**Net B/S**	**Aged B/S**	**Net B/S**	**Aged B/S**	**Net B/S**	**Aged B/S**	**Net B/S**	***Aged % of Net***
GLOBAL RATES	2,579	34,664	0	0	788	2,755	3,367	37,419	*9.0%*
PROP TRADING	0	1,079	0	0	2,283	2,852	2,283	3,931	*58.1%*
FOREIGN EXCHANGE	132	3,519	0	0	328	462	461	3,981	*11.6%*
COMMODITIES TRADING	2	251	0	0	0	0	2	251	*0.6%*
TOTAL LIQUID MARKETS	**2,713**	**39,513**	**0**	**0**	**3,399**	**6,069**	**6,112**	**45,582**	*13.4%*
CDO	83	4,770	126	1,938	443	2,326	652	9,034	*7.2%*
HIGH GRADE CREDIT	207	7,348	0	211	2,330	4,687	2,538	12,245	*20.7%*
HIGH YIELD	214	4,000	0	0	2,207	5,531	2,422	9,531	*25.4%*
TOTAL CREDIT	**505**	**16,118**	**126**	**2,149**	**4,980**	**12,544**	**5,611**	**30,811**	*18.2%*
SECURITIZED PRODUCTS	**1,573**	**37,238**	**483**	**19,941**	**2,681**	**9,218**	**4,737**	**66,398**	*7.1%*
REAL ESTATE	**312**	**1,571**	**668**	**19,884**	**5,727**	**26,244**	**6,706**	**47,699**	*14.1%*
MUNICIPALS	**53**	**5,343**	**0**	**0**	**476**	**892**	**530**	**6,234**	*8.5%*
INSURANCE PRODUCTS	0	42	0	0	0	49	0	91	*0.0%*
FID CORP LOANS	0	96	0	0	508	919	508	1,015	*50.1%*
FID CORPORATE	0	1,437	0	0	4	4	4	1,441	*0.3%*
TOTAL FID CORPORATE	**0**	**1,574**	**0**	**0**	**512**	**972**	**512**	**2,547**	*20.1%*
TOTAL FID CORE	**5,156**	**101,101**	**1,276**	**41,975**	**17,775**	**59,622**	**24,208**	**202,698**	*11.9%*
Precentage of Total FID	*21.3%*	*49.9%*	*5.3%*	*20.7%*	*73.4%*	*29.4%*	*11.9%*		

Aged Balance Sheet Stratification - Flow

- FID has 491 Flow positions aged greater than a year

(in $mm's)

BUSINESS UNIT	Days Aged Past Limit																		Total		
	< 90 days			90-120			120-180			180-360			360-540			>540					
	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size
CDO	42	8	5.2	0	2	0.0	-	-	0.0	41	2	20.7	-	-	-	-	-	-	83	12	6.9
Commodities Trading	2	3	0.5	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	2	3	0.5
Derivatives	131	15	8.7	9	6	1.6	0	2	0.0	24	3	8.0	-	-	-	0	2	0.0	165	28	5.9
Foreign Exchange	131	14	9.3	-	-	0.0	-	-	-	1	1	1.2	-	-	-	0	4	0	132	19	7.0
Governments	1,674	315	5.3	112	52	2.2	293	68	2.8	275	105	2.6	58	49	1.2	1	103	0.0	2,414	692	3.5
High Grade Credit	187	83	2.2	10	8	1.3	6	23	1.0	0	6	0	0	6	0	4	10	0.4	207	136	1.5
High Yield	200	31	6.4	1	3	0.4	13	9	12.9	0	1	0	1	1	1	-	-	-	214	45	4.8
Municipals	53	14	3.8	-	-	0.0	-	-	0.0	-	-	-	-	-	-	0	4	0.0	53	18	3.0
Real Estate	127	36	3.5	31	7	4.5	21	3	0.9	133	24	6	-	-	-	-	-	-	312	70	4.5
Securitized Products	1,004	425	2.4	117	101	1	152	103	1	182	188	1	26	101	0	92	211	0	1,573	1,129	1.4
TOTAL FID FLOW	**3,551**	**944**	**3.8**	**282**	**179**	**1.6**	**485**	**208**	**1.5**	**656**	**330**	**2.0**	**85**	**157**	**0.5**	**97**	**334**	**0.3**	**5,156**	**2,152**	**2.4**
Americas	1,655	764	2.2	161	112	1.4	182	160	0.6	360	295	1.2	29	142	0.2	97	323	0.3	2,483	1,796	1.4
Europe	469	84	5.6	19	54	0.3	21	27	2	28	9	3.1	0	2	0.0	0	11	0	537	187	2.9
Asia	1,428	96	14.9	102	13	7.9	282	21	10.8	268	26	10.3	56	13	4.3	-	-	-	2,136	169	12.6

Aged Balance Sheet Stratification - Principal

(in $mm's)

BUSINESS UNIT	Days Aged Past Limit																		Total		
	< 90 days			90-120			120-180			180-360			360-540			>540					
	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size
CDO	62	67	0.9	12	18	0.6	43	21	0.4	258	111	2.3	38	26	1.5	30	63	0.5	443	306	1.4
Derivatives	113	38	3.0	4	7	0.6	20	14	0.9	267	22	12.1	46	19	2.4	10	5	2.0	460	105	4.4
Fid Corp Loans	177	60	2.9	54	13	4.1	71	44	1.6	56	43	1.3	62	59	1.0	89	89	1.0	508	308	1.7
Fid Corporate	-	-	-	-	-	-	4	2	0.0	-	-	-	-	-	-	-	-	-	4	2	2.1
Foreign Exchange	249	3	83.1	-	-	-	-	-	-	-	-	-	-	-	-	79	6	13.2	328	9	36.5
Governments	50	9	5.5	13	5	2.5	10	4	1.5	150	7	21.5	15	1	14.7	90	10	9.0	328	36	9.1
High Grade Credit	685	132	5.2	92	25	3.7	316	46	3.3	630	96	6.6	401	73	5.5	207	97	2.1	2,330	469	5.0
High Yield	1,275	111	11.5	238	42	5.7	169	23	2.4	349	70	5.0	57	49	1.2	119	231	0.5	2,207	526	4.2
Municipals	65	27	2.4	137	14	9.8	54	30	1.1	96	50	1.9	39	39	1.0	85	178	0.5	476	338	1.4
Prop Trading	1,775	27	65.8	144	11	13.1	63	6	3.2	147	20	7.3	42	20	2.1	111	53	2.1	2,283	137	16.7
Real Estate	962	134	7.2	704	47	15.0	771	116	4.5	1,479	173	8.5	1,361	225	6.0	449	95	4.7	5,727	790	7.2
Securitized Products	930	233	4.0	126	58	2.2	248	93	0.9	542	265	2.0	313	238	1.3	522	816	0.6	2,681	1,703	1.6
TOTAL FID PRINCIPAL	**6,344**	**841**	**7.5**	**1,524**	**240**	**6.3**	**1,769**	**399**	**2.1**	**3,974**	**857**	**4.6**	**2,374**	**749**	**3.2**	**1,790**	**1,643**	**1.1**	**17,775**	**4,729**	**3.8**
Americas	4,206	550	7.6	1,029	167	6.2	1,282	284	2.0	2,933	635	4.6	2,109	636	3.3	1,287	1,395	0.9	12,845	3,667	3.5
Europe	1,109	146	7.6	150	40	3.8	70	42	0.6	612	110	5.6	68	57	1.2	211	81	2.6	2,219	476	4.7
Asia	1,030	145	7.1	344	33	10.4	417	73	3.7	430	112	3.8	197	56	3.5	293	167	1.8	2,711	586	4.6

Aged Balance Sheet Stratification–Held for Sec

- The majority of Held for Securitization inventory is aged between 120-360 days

(in $mm's)

BUSINESS UNIT	Days Aged Past Limit																		Total		
	< 90 days			90-120			120-180			180-360			360-540			>540					
	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size	$ mv	# Pos	Avg Ps Size
CDO	39	11	3.6	10	3	3.4	76	12	-	-	-	-	-	-	-	-	-	-	126	26	4.8
Governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	1	0.0	0	1	0.0
High Grade Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	1	0.2	0	1	0.2
Real Estate	367	161	2.3	33	47	0.7	43	40	1.3	118	33	3.6	65	14	4.6	43	11	3.9	668	306	2.2
Securitized Products	347	100	3.5	38	17	2.3	57	45	0.8	34	67	0.5	4	20	0.2	3	26	0.1	483	275	1.8
TOTAL FID HELD/SEC	**753**	**272**	**2.8**	**82**	**67**	**1.2**	**176**	**97**	**1.8**	**152**	**100**	**1.5**	**68**	**34**	**2.0**	**46**	**39**	**1.2**	**1,276**	**609**	**2.1**
Americas	215	100	2.2	53	21	2.5	133	57	2.0	34	67	0.5	4	20	0.2	4	29	0.1	442	294	1.5
Europe	2	6	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	6	0.3
Asia	535	166	3.2	29	46	0.6	43	40	1.3	118	33	3.6	65	14	4.6	43	10	4.3	832	309	2.7

Current Aging Limits and Charges

Asset Code	Definition / Class	Age Limit	Initial Charge	Add'l Charge (per 30 Days)
B	Borrows	0	0.00	0.00
O	Other	0	0.00	0.00
OBB	Off Balance Sheet Benefit	0	0.00	0.00
GC	Governments Coupons	30	30.00	30.00
EGC	European Governments Coupons	60	30.00	30.00
GCH	Treasuries	60	30.00	30.00
AB	Agency Benchmark	90	50.00	30.00
AO	Agencies/Callables - Off The Runs	90	50.00	30.00
CIG	CMBS - Investment Grade	90	240.00	50.00
HGIG	High Grade Investment Grade	90	100.00	30.00
PRF	NON DRD Preferred Security	90	300.00	50.00
HGNIG	High Grade - Non-Investment Grad	90	300.00	50.00
HYB	High Yield Bonds	90	300.00	50.00
MIG	Municipals - Investment Grade	90	150.00	50.00
RIG	RMBS - Passthrus	90	30.00	25.00
GS	Governments Strips	120	30.00	30.00
DRD	DRD Preferred Security	120	0.00	0.00
HYD	High Yield Distressed	120	400.00	100.00
MNIG	Municipals - Non-Investment Grad	120	600.00	100.00
AIG	ABS - Investment Grade	150	100.00	50.00
EMGSOV	EMG Sovereigns	150	200.00	50.00
EMGSA	EMG Sovereigns Agency	150	200.00	50.00
HGWL	High Grade Loans	150	150.00	50.00
HYWL	High Yield Loans	150	300.00	100.00
MWL	Municipal Loans	150	240.00	100.00
RIGC	RMBS - Investment Grade CMO's	150	100.00	50.00
RIGR	RMBS - Agency Remics/Strips	150	30.00	25.00
AGS	Agencies	180	50.00	30.00
AMTN	Agency	180	50.00	30.00
ANIG	ABS - Non-Investment Grade	180	250.00	50.00
AWL	ABS - Whole Loans	180	100.00	50.00
CNIG	CMBS - Non-Investment Grade	180	1,000.00	100.00
EMGCOF	EMG Corporates	180	300.00	50.00
WHSE	Warehouse Inventory	180	400.00	50.00
RNIG	RMBS - Non-Investment Grade	180	250.00	50.00
RWL	RMBS - Whole Loans	180	100.00	50.00
RWLRM	RMBS - Non-Prime	180	100.00	50.00
CBN	CMBS - Investment Grade B-Notes	270	400.00	100.00
CFXWL	CMBS - Fixed Rate Whole Loans	270	400.00	100.00
RNPL	RMBS - Non-Prime Loans	270	250.00	50.00
RRWL	n/a	270	100.00	50.00
SAIG	n/a	270	100.00	50.00
CFLWL	CMBS - Floating Rate Whole Loan	360	400.00	100.00
E	Equity	360	0.00	0.00
FFWL	n/a	360	100.00	50.00

Odd Lots

CURRENT FID ODD LOT INVENTORY

BPM Level 0	Odd Lot Inventory	Aged Odd Lots	Aging Charge
GLOBAL RATES	4,149	591	(0.5)
PROP TRADING	224	136	0.0
FOREIGN EXCHANGE	76	30	(0.0)
COMMODITIES TRADING	3	1	(0.0)
TOTAL LIQUID MARKETS	**4,452**	**758**	**(0.5)**
CDO	388	129	(0.1)
HIGH GRADE CREDIT	1,041	309	(0.1)
HIGH YIELD	849	159	(0.1)
TOTAL CREDIT	**2,279**	**597**	**(0.3)**
SECURITIZED PRODUCTS	**4,604**	**1,842**	**(2.1)**
REAL ESTATE	**2,193**	**914**	**(1.9)**
MUNICIPALS	**391**	**110**	**(0.0)**
FID CORP LOANS	377	26	0.0
FID CORPORATE	271	15	(0.0)
TOTAL FID CORPORATE	**648**	**41**	**(0.0)**
TOTAL FID CORE	**14,568**	**4,263**	**(4.8)**

BPM Specific Odd Lot Definitions

BPM	Market Value under
• IRP	<10mm
• Securitised Products	<5mm
• High Grade	<5mm
• Real Estate	<5mm
• High Yield	<3mm
• Munis	<3mm
• Structured Finance	<3mm
• CDO	<5mm

FID Balance Sheet Metrics-Historical Trend

Global FID	2005	2006				2007		
	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	▲%
Net Balance Sheet	131	141	150	151	171	187	200	53%
Net B/S Limit	131	144	154	155	168	175	202	54%
Variance vs. Limit	(0.4)	(3.1)	(3.8)	(3.7)	3.2	12.4	(1.6)	288%
Revenue	1,722	2,219	2,328	1,927	1,910	2,011	2,045	19%
RROA	5.3%	6.3%	6.2%	5.1%	4.5%	4.3%	4.1%	-23%
VAR	28.8	32.2	26.4	39.1	34.6	49.9	43.6	51%

Liquid Markets	2005	2006				2007		
	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	▲%
Net Balance Sheet	29	33	37	35	42	42	44	54%
Net B/S Limit	28	33	39	39	43	44	41	45%
Variance vs. Limit	0.1	(0.2)	(2.3)	(4.3)	(1.0)	(1.8)	2.7	1685%
Revenue	312	772	469	284	144	388	505	62%
RROA	4.38%	9.29%	5.13%	3.29%	1.36%	3.71%	4.61%	5%
VAR	N/A	N/A	17.38	24	22.20	17.70	22.98	32%

Credit	2005	2006				2007		
	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	▲%
Net Balance Sheet	21	21	25	23	30	32	31	47%
Net B/S Limit	20	19	26	26	30	33	34	69%
Variance vs. Limit	1.3	1.8	(1.1)	(3.2)	(0.1)	(1.0)	(2.6)	-307%
Revenue	449	660	585	412	703	900	868	93%
RROA	8.4%	12.6%	9.5%	7.3%	9.5%	11.4%	11.1%	32%
VAR	N/A	N/A	13.07	14.1	21.05	26.62	30.74	135%

Securitized Products	2005	2006				2007		
	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	▲%
Net Balance Sheet	52	53	51	56	52	61	66	27%
Net B/S Limit	48	54	52	53	53	53	60	25%
Variance vs. Limit	4.2	(0.5)	(0.3)	3.3	(0.4)	8.7	6.4	51%
Revenue	641	516	829	590	625	340	286	-55%
RROA	4.9%	3.9%	6.5%	4.2%	4.8%	2.2%	1.7%	-65%
VAR	N/A	N/A	13.50	13.4	11.04	19.83	21.03	56%

Real Estate	2005	2006				2007		
	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	▲%
Net Balance Sheet	22	26	31	32	34	39	47	111%
Net B/S Limit	22	23	30	31	36	37	48	118%
Variance vs. Limit	0.2	3.4	1.2	0.5	(2.0)	2.7	(1.0)	-536%
Revenue	444	479	503	708	427	507	572	29%
RROA	8.0%	7.3%	6.4%	8.9%	5.1%	5.2%	4.9%	-39%
VAR	N/A	N/A	3.93	4.58	4.66	4.41	4.56	16%