From: Bismal, Anuraj [abismal@lehman.com]. Sent:1/29/2008 7:06 PM.
To: Stewart, Marie [marie.stewart@lehman.com]; Kelly, Martin [martin.kelly@lehman.com]; Beldner, Brett [brett.beldner@lehman.com]; Lee, Matthew [matthew.lee@lehman.com].
Cc: .
Bcc: .
Subject: Fw: January 2008 Balance Sheet Projection as of January 25, 2008.

Fyi only....

Repo105/108 is an important feature.

At year end we used 38B.

From the sound of it Q1 will be at a similar level to year end.

AB

----- Original Message -----
From: McGarvey, Michael
To: Bernard, Clement; Bismal, Anuraj
Cc: Lee, Matthew; Kelly, Martin; Stabenow, Sigrid M
Sent: Tue Jan 29 15:31:31 2008
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 overage are illiquid. They are mainly comprised of US treasuries and agencies, Euro and Gilt government bonds, agency passthrus 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 then 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 Projection vs
Jan-08 Jan-08 Target
Gross Leverage 32.4 36.5 4.1
Net Leverage 17.1 19.3 2.2

GROSS NET
Region Target Projection Over/(Under) Region Target Projection 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

<< OLE Object: Picture (Metafile) >>

<< File: January 2008 Projection as of 1.25.08.zip >>

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