

# How Bad Is It?

The disconnect between initial and final assessments of subprime fallout.

THE BANKS	THE CFOs	WHAT THEY INITIALLY SAID	THE REAL DAMAGE*
<b>Merrill Lynch</b>	<b>Jeffrey Edwards</b> (replaced by Nelson Chai, 12/10/07)	<b>"...Proactive, aggressive risk management has put us in an exceptionally good position."</b> (7/17/07)	Net write-downs of <b>\$7.9 billion in Q3</b> and another <b>\$11.5 billion in Q4</b>
<b>Citigroup</b>	<b>Gary Crittenden</b>	<b>"...There is no specific number that we're targeting. It depends on what the market conditions actually are during the time period."</b> (7/20/07)	Net write-downs of <b>\$5.9 billion in Q3</b> and another <b>\$18.1 billion in Q4</b>
<b>Morgan Stanley</b>	<b>David Sidwell</b> (retired; replaced by Colm Kelleher, 12/01/07)	<b>"Ultimately, what we believe is important in terms of what hits our balance sheet is making sure that we understand the credit and maintain very high credit standards."</b> (6/20/07)	Net write-downs of <b>\$9.4 billion in Q4</b>
<b>Bear Stearns</b>	<b>Sam Molinaro</b>	<b>"We feel like we have those situations reasonably well in hand and well hedged."</b> (6/14/07)	<b>Q4 loss of \$859 million</b> —nearly triple the forecast, and a <b>\$1.9 billion write-down</b>
<b>Lehman Brothers</b>	<b>Chris O'Meara</b> (replaced by Erin Callan, 9/20/07; O'Meara is now chief risk officer)	<b>"The mortgage business is in a very challenging situation and really that's it."</b> (6/12/07)	Net write-downs of <b>\$700 million in Q3</b> and <b>\$830 million in Q4</b>
<b>UBS</b>	<b>Clive Standish</b> (retired; replaced by Marco Suter, 10/1/07)	<b>"Our first order of priority is, wherever possible, to get a marking that is completely transparent...."</b> (8/14/07)	Net write-downs of <b>\$3.4 billion in Q3</b> and <b>\$10 billion in Q4</b>
<b>Goldman Sachs</b>	<b>David Viniar</b>	<b>"...While I cannot predict the short term, we remain bullish on the prospects for Goldman Sachs."</b> (12/12/06)	Posted a <b>Q4 gain of 2.2%</b> , to <b>\$3.2 billion</b> , beating analysts' forecasts and boosting earnings for the yr. by <b>21%</b> , to <b>\$11.4 billion</b> .

\*As of December 2007