



EMC Mortgage Corporation – Issuer Profile

ANALYST

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Insight beyond the rating.

EXECUTIVE SUMMARY

EMC Mortgage Corporation (EMC) is a wholly owned subsidiary of The Bear Stearns Companies Inc.¹ (Bear Stearns). EMC specializes in the acquisition, securitization, servicing and disposition of residential loans. The company was founded in 1990 and as of June 2007 had more than 1,500 servicing professionals working throughout its two sites, one in Lewisville, Texas, and the other in Irvine, California. John Vella, president and chief executive officer, oversees EMC's servicing division, which as of June 2007 serviced a portfolio of more than 495,000 loans representing a total unpaid principal balance of approximately \$80.65 billion.

Since its inception in 1990, EMC has actively purchased re-performing and sub-performing residential whole loans (scratch and dent) and servicing rights. Consequently, EMC is one of the largest U.S. purchasers of scratch and dent mortgages from various institutions, including banks, mortgage companies and thrifts. In 2001, EMC expanded its purchase strategy to newly originated Alt-A loans through the conduit platform by which loans are purchased on both a bulk and flow delivery basis. In 2003, the conduit was expanded to purchase newly originated subprime loans. Loans are generally purchased with the ultimate strategy of securitization into an array of Bear Stearns securitizations based on product type and credit parameters, including those where the loan has become re-performing or cash-flowing.

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¹ Founded in 1923 and with its headquarters in New York, The Bear Stearns Companies Inc. (rated A (high) by DBRS) is the parent company of Bear, Stearns & Co. Inc. and is a leading investment banking, securities trading and brokerage firm, with approximately \$75.1 billion in total capital as of May 31, 2007. Further information about Bear Stearns is available on www.bearstearns.com.



Loans acquired by EMC are subject to a number of due diligence reviews prior to purchase. Portfolios may be reviewed for credit, data integrity, appraisal valuation and documentation, as well as for compliance with certain laws. In addition, bulk purchases are reviewed for compliance with the originator's underwriting guidelines, which have been deemed acceptable to EMC. Flow loan purchases are those typically originated by an approved mortgage bank pursuant to EMC's underwriting guidelines. Subsequent to purchase by EMC, loans are pooled together by product type and credit parameters and structured into residential mortgage-backed securities (RMBS), with the assistance of the Bear Stearns Financial Analytics and Structured Transactions (FAST) group, for distribution into the capital markets.

From year-end 2004 to June 2007, the loan count of EMC's servicing portfolio grew by approximately 102% and the unpaid principal balance of EMC's servicing portfolio grew by approximately 190%. EMC has been securitizing residential mortgage loans since 1999 and as of June 2007, was acting as servicer for approximately 312 series of RMBS and other mortgage loans with an outstanding principal balance of approximately \$80.65 billion. Exhibit I describes the size, composition and growth of EMC's servicing portfolio as of the dates indicated.

Exhibit I

Loan Type	As of December 31, 2004				As of December 31, 2005			
	No. of Loans	Amount (\$ Millions)	No. of Loans (%)	Amount (%)	No. of Loans	Amount (\$ Millions)	No. of Loans (%)	Amount (%)
Alt-A ARM	19,498	4,427.82	7.96	15.94	57,510	13,625.93	12.69	23.00
Alt-A Fixed	25,539	4,578.73	10.43	16.48	17,680	3,569.56	3.90	6.03
Prime ARM	8,311	1,045.61	3.39	3.76	7,428	1,010.07	1.64	1.71
Prime Fixed	14,560	1,573.27	5.95	5.66	15,975	2,140.49	3.52	3.61
Seconds	39,486	1,381.96	16.13	4.98	155,510	7,164.52	34.31	12.10
Subprime	114,436	13,706.36	46.74	49.34	142,890	20,373.55	31.53	34.40
Other	23,010	1,063.68	9.40	3.83	56,216	11,347.14	12.40	19.16
Total	244,840	27,777.43	100.00	100.00	453,209	59,231.26	100.00	100.00

Loan Type	As of December 31, 2006				As of June 30, 2007			
	No. of Loans	Amount (\$ Millions)	No. of Loans (%)	Amount (%)	No. of Loans	Amount (\$ Millions)	No. of Loans (%)	Amount (%)
Alta-A Arm	52,563	13,691.92	10.87	19.03	52,729	13,832.61	10.65	17.15
Alt-A Fixed	24,841	5,066.67	5.14	7.04	31,561	6,871.22	6.37	8.52
Prime ARM	6,374	879.66	1.32	1.22	6,260	929.78	1.26	1.15
Prime Fixed	14,872	2,152.61	3.08	2.99	15,078	2,409.08	3.04	2.99
Seconds	169,022	8,428.61	34.97	11.71	168,229	8,554.44	33.97	10.61
Subprime	132,808	20,106.00	27.47	27.94	137,526	22,509.79	27.77	27.91
Other	82,918	21,636.70	17.15	30.07	83,874	25,542.37	16.94	31.67
Total	483,398	71,962.17	100.00	100.00	495,257	80,649.29	100.00	100.00

ARM = adjustable-rate mortgage.

This report provides an overview of EMC's operations, including loan sourcing, servicing, deal performance and financial highlights.



MORTGAGE LOAN SOURCING AND UNDERWRITING

EMC services loans that have been originated from the following platforms:

- EMC Mortgage Conduit.
- Bear Stearns Residential Mortgage Corporation (BSRM), with its headquarters in Scottsdale, Arizona.
- Encore Credit, a division of BSRM, with its headquarters in Irvine, California.

EMC Mortgage Conduit

EMC Mortgage Conduit, located in Lewisville, Texas, purchases closed-end prime, Alt-A, subprime and scratch and dent loans. The mortgage loans purchased by EMC are typically non-conforming mortgage loans (i.e., loans that do not qualify for sale to Fannie Mae or Freddie Mac). Non-conforming loans typically differ from loans underwritten to the guidelines established by Fannie Mae and Freddie Mac. These differences can include maximum principal balances, loan-to-value ratios, borrower income, required documentation, interest rates, borrower occupancy of the mortgaged property and property type.

Bear Stearns Residential Mortgage Corporation (BSRM) and Encore Credit

BSRM, headquartered in Scottsdale, Arizona, is a wholly owned subsidiary of The Bear Stearns Companies Inc. BSRM has been in the residential mortgage banking business since March 2005. It is a full-service residential mortgage banking company that is licensed to originate loans throughout the United States. On February 9, 2007, BSRM completed a transaction whereby it acquired the subprime origination platform of Performance Credit Corp. (formerly known as Encore Credit Corp.).

Post acquisition, BSRM originates loans through two different divisions: The Bear Res division, based in Scottsdale, Arizona, originates prime, Alt-A and subprime loans. The Encore Credit division, based in Irvine, California, originates subprime loans.

APPLICATION PACKAGE AND REVIEW

All of the mortgage loans purchased or originated are based on loan application packages submitted through the wholesale or correspondent channels (bulk and flow). Loan packages generally include an application completed by the borrower that provides information with respect to the applicant's liabilities, income, credit history and employment history, as well as certain other personal information. The mortgage loan file also contains a credit report on each applicant from an approved credit-reporting company. Credit history is measured on credit depth, number of obligations, delinquency patterns and demonstrated intent to repay debts, which can be used to underwrite any file. Credit reports must be from the three nationally recognized credit repositories and show all credit trades regardless of negative or positive status.

Underwriters typically arrive at each borrower's credit score by choosing the middle score of three credit scores or the lower of two scores, if only two scores are reported. Loans are reviewed and verified for the loan applicant's sources of income (except under reduced documentation types where such information may not be independently verified). In addition to reviewing the applicant's credit history, underwriters calculate the debt-to-income ratio to determine the applicant's ability to repay the loan and review the application for compliance with underwriting guidelines. All applications are accompanied by an independent appraisal (see section Appraisal Requirements).

Exceptions to the underwriting guidelines are considered with reasonable compensating factors on a case-by-case basis and at the sole discretion of senior management. When exception loans are reviewed, all loan elements are examined as a whole to determine the level of risk associated with approving the loan, including appraisal, credit report, employment, compensating factors and the borrower's willingness and ability to repay the loan. Compensating factors may include, but are not limited to, validated and/or seasoned liquid reserves in excess of the program requirements, the borrower's demonstrated ability to accumulate savings or devote a greater portion of income to housing expenses and the borrower's poten-



tial for increased earnings based on education, job training, etc. Loan characteristics, such as refinance transactions where borrowers have reduced mortgage payments and lowered debt ratios may become compensating factors as well.

All loans purchased or originated must be in compliance with applicable federal and state laws and regulations and require a full appraisal of the mortgaged property. The maximum allowable loan-to-value ratio varies based on the income documentation, property type, creditworthiness, debt service-to-income ratio of the applicant and the overall risks associated with the loan decision. For a full description of EMC's current underwriting guidelines, please go to www.emcmortgagecorp.com.

APPRAISAL REQUIREMENTS

Each mortgaged property relating to an EMC or BSRM mortgage loan has been appraised by a qualified independent appraiser that is approved by each lender. Appraisals generally conform to the Uniform Standards of Professional Appraisal Practice, adopted by the Appraisal Standards Board of the Appraisal Foundation. Also, appraisals generally conform to the requirements of Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac require, among other things, that the appraiser, or its agent on its behalf, personally inspect the property inside and out and verify that the property is in good condition and that construction, if new, has been substantially completed. The appraised value will generally be based on prices obtained on recent sales of comparable properties, determined in accordance with Fannie Mae and Freddie Mac guidelines. In certain cases, an analysis based on income generated from the property or a replacement-cost analysis based on the current cost of constructing or purchasing a similar property may be used. EMC also uses automated valuation tools (CoreLogic's LoanSafe and cascading GeoAVM) to validate the original appraisal.

CORRESPONDENT AND WHOLESALE REQUIREMENTS

In order to qualify as a seller, a thorough review is done on prospective brokers or correspondents before they are approved (see charts below).

Prospective Broker Review

MINIMUM CRITERIA

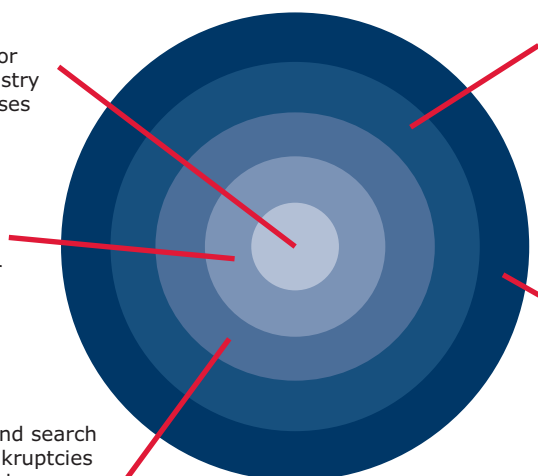
- \$25,000 in net worth
- Two years as a broker or three years in the industry
- Proper and active licenses

APPLICATION REVIEW

- Most recent financials
- Verification of state licensing
- Verification of taxpayer identification
- Principal officers/DBAs
- Reference check

BACKGROUND CHECKS

- Civil/criminal background search
- Judgements, liens, bankruptcies
- Credit check of principals
- Utilize several third-party resources, including MARI and Lexis-Nexis



BROKER MONITORING

Ongoing Review

- Monthly license verification
- Continual monitoring through MARI

Annual Re-Certification of Brokers

- Financial health
- Rollover licenses
- Verification of principals

Collateral Performance

- Track performance of loans delivered through approved brokers
- Focus on:
 - First Pay Defaults
 - Early Pay Defaults
 - Delinquencies

APPROVED BROKERS

Encore (Subprime) – 10,470
Bear Residential (Alt-A) – 6,620

Prospective Correspondent Review

MINIMUM CRITERIA

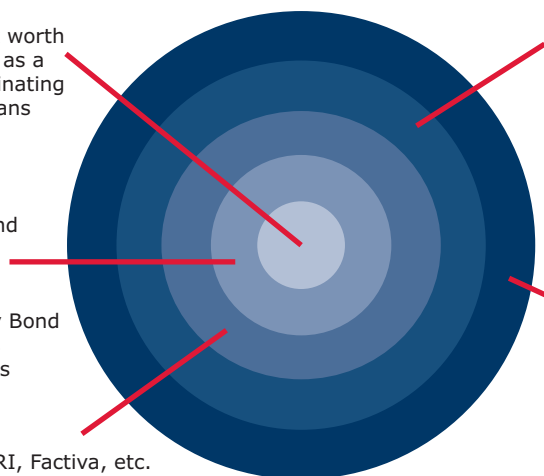
- \$1 million tangible net worth
- Two years' experience as a mortgage banker originating Alt-A and subprime loans
- HUD approval

APPLICATION REVIEW

- Most recent audited and interim financial statements
- State licensing
- E&O insurance/Fidelity Bond
- Quality control reports
- Policies and procedures

BACKGROUND CHECKS

- Dun & Bradstreet, MARI, Factiva, etc.
- Warehouse banks, mortgage insurance companies, investors
- Civil/criminal background search
- Judgements, liens, bankruptcies
- Credit check of principals
- Utilize several third party resources, including MARI and Lexis-Nexis



OPERATIONS CALL

- Interview operations managers
- Business channels and delivery methods
- Future product volume estimates
- Credit and appraisal review process
- Compliance practices
- Quality control procedures
- Vendor resources
- Financial performance

SELLER MONITORING

Annual Re-Certification of Sellers

- Management discussion
- State licensing
- Fidelity bond
- E & O Insurance

Ongoing Review

- Financial position:
 - Capitalization
 - Profitability
 - Liquidity
- Delinquency – FPDs/EPDs
- Quality control findings
- Repurchases

SERVICING

EMC was incorporated in the state of Delaware on September 26, 1990, as a wholly owned subsidiary of The Bear Stearns Companies Inc. The company was established as a mortgage banking company to facilitate the purchase and servicing of whole loan portfolios containing various levels of quality from investment-grade, non-investment-grade and real estate owned (REO) assets. EMC maintains its principal office in Lewisville, Texas, but also has an additional servicing site located in Irvine, California. John Vella, president and chief executive officer, oversees the company's servicing operation, which as of June 2007 serviced a portfolio of more than 495,000 loans, representing a total unpaid principal balance exceeding \$80.65 billion. The company has a very seasoned and tenured executive management team averaging 20-plus years of experience. Over the last year, the servicing platform has continued to invest in its senior management staff by hiring an additional nine executives, all of whom have a substantial amount of industry experience.

EMC recently initiated an expanded loss mitigation program to assist borrowers in avoiding foreclosure and benefit investors by reducing the loss typically associated with foreclosure. As part of the program, a solicitation team called the EMC Mod Squad has implemented various workout strategies to assist borrowers that are in default or may face future default as a result of payment shock. Also, EMC has engaged in one-on-one meetings with borrowers, working with local community groups and holding educational workshops in an effort to reach out to these homeowners. Various financial restructuring alternatives are being offered based on need, including different types of loan modifications. Since this group was initiated in April 2007, the team has modified approximately 3,500 loans, or 3.8% of EMC's 30+ days delinquent portfolio as of July 2007.

In an effort to be prudent and reduce the number of modified loans that re-default, EMC verifies the borrower's debts and income for all loans to determine whether the borrower is eligible for a modification, which will require a trial period (usually three months) before the loan terms are converted into a modification. Borrowers are asked to sign a formal repayment plan, called a stipulated repayment plan. Borrowers who remain current on the stipulated repayment plan would then be modified in lieu of



moving forward with foreclosure proceedings. The loans are coded as delinquent while in the trial period and are then converted to a current status once the modification has taken place. These practices can serve to mitigate losses to a transaction by requiring the borrowers to demonstrate their ability and willingness to pay on the stipulated repayment plan before a loan is modified.

On December 14, 2005, EMC received a civil investigative demand (CID) from the Federal Trade Commission (FTC), seeking documents and data relating to EMC's business and servicing practices. The CID was issued pursuant to a December 8, 2005, resolution of the FTC authorizing non-public investigations of various unnamed subprime lenders, loan servicers and loan brokers to determine whether there had been violations of certain consumer protections laws. EMC has cooperated with the FTC's inquiry and to date has not received any additional formal requests or notices as a result of the inquiry.

Loan Boarding and Administration

The servicing process begins with the electronic transfer of data from EMC's new loan boarding systems (FiServ and ELI) to its servicing system, the Mortgage Servicing Package (MSP) from Fidelity National Default Solutions (Fidelity). All non-bulk purchased loans are boarded onto the servicing platform within 48 hours of funding. Bulk purchased loans are boarded typically 30 to 45 days after the transaction funding. The servicing group maintains imaged files for each loan boarded to re-verify data against the borrower's file. Additionally, the MSP system uses automated edits to check for completeness of account data as well as its fundamental reasonableness for certain fields.

Welcome calls begin seven days before the first due date. During these calls, associates will (1) confirm the borrower's contact data, payment amount, due dates and grace period; (2) describe payment method options; and (3) underscore EMC's accessibility should the borrower run into payment difficulties. If they are unable to contact a borrower after 25 days, a letter is mailed to confirm the borrower's information.

Collections and Delinquencies

Most payments (approximately 48%) are received through a lock-box system. Other payment methods used by borrowers include automated clearing house (ACH) and Speedpay, where borrowers can make payments over the phone or Internet. If the borrower makes a Speedpay payment via the Internet, there is no fee associated with the service.

Universal agents handle both inbound customer service and outbound low-risk collection calls. Loan resolution specialists work moderate and high-risk accounts until foreclosure referral. For high-risk accounts, collection calls begin at day 5. The EMC Mod Squad provides additional focus for 90-day pre- and post-reset borrowers. Also, the EMC Mod Squad has engaged in one-on-one meetings with borrowers, working with local community groups and holding educational workshops in an effort to reach out to these homeowners with workout opportunities. The following is a general outline of EMC's collection efforts:

- **Delinquent 1 to 29 Days:** Collection calls, as determined by a risk score, begin on day 5 of delinquency for high-risk accounts, day 12 for moderate-risk accounts and day 18 for low-risk accounts. At 16 days past due, a reminder notice is sent to the borrower. If contact with the borrower has not been made by day 20, the skip-tracing process begins. EMC uses a predictive dialer system to work accounts in this delinquency bucket. This system places an agent on the line with the borrower or leaves a message on an answering machine.
- **Delinquent 30 to 59 Days:** If there is still no contact with the borrower by day 32, a collection letter is sent to the borrower, followed by a property inspection at day 40 to assess whether the property is still occupied. At day 45, a workout letter outlining payment options is sent to the borrower.



- **Delinquent 60+ Days:** At 60 days past due, with no borrower contact over the past 30 days, EMC employs workout vendors to solicit borrowers through a door-knocker campaign. A notice of intent to foreclose is sent out at day 65. Around day 75, a collateral value (either through CoreLogic's HistoryPro or a broker price opinion (BPO)) is ordered to determine the value of the property. Each loan undergoes a review prior to foreclosure referral between day 95 and day 120. Generally, a BPO is ordered 60 days prior to foreclosure sale. Loans with no equity or second liens are generally charged off at 180 days past due.

Loss Mitigation Techniques

Loss mitigation attempts to resolve loan delinquency through a number of channels, including the following (percentages as of June 2007):

- **Repayment and Stipulated Repayment Plans:** Approximately 17% of delinquent accounts are typically resolved through repayment and stipulated repayment plans. Under EMC's repayment plans, borrowers are expected to become current on their accounts within six to 12 months in terms of full principal, interest, taxes and insurance payments. Repayment plans, which constitute approximately 62.6% of delinquent account resolutions, are the most common method employed to resolve delinquencies. Stipulated repayment plans, which account for 28.6% of delinquent resolutions, are typically used for loans in foreclosure and require the borrower to pay under a three-month trial period prior to EMC executing a modification.
- **Short Sales:** Approximately 6.8% of cases are resolved through short sales, in which EMC agrees to accept an amount lower than the mortgage balance.
- **Deed-in-Lieu:** This is used infrequently and occurs when the borrower agrees to turn over the deed to the house prior to foreclosure sale.
- **Deferments:** This loss mitigation technique is used in less than 1% of the cases and brings a loan current by deferring the arrearage balance until maturity or pay off.
- **Modification:** EMC uses various types of modifications, including resetting the monthly payment over the remaining loan term to recoup all due and unpaid mortgage payments, late charges, attorney and other fees; capitalizing all unpaid amounts and other costs into a balloon payment due at maturity; and reducing a borrower's note rate, extending the term of the mortgage or reducing the loan's unpaid principal balance by forgiving the debt.
- **Foreclosure:** This channel is pursued when other loss mitigation methods are not effective. The foreclosure process typically starts between day 90 and day 120 of delinquency.

Real Estate Owned (REO)

Once the foreclosure process is complete and the property is vacant, EMC begins the liquidation process. In cases where the property is not vacant, EMC must go through the legal eviction process while simultaneously offering the borrower incentives, such as cash in exchange for keys, to vacate the property voluntarily.

As of June 2007, EMC had 7,124 units in inventory, averaged approximately 200 days to liquidate and returned a 90% net proceeds compared with the sale price. Real estate owned (REO) functions are outsourced to several third-party vendors across the country, with the exception of 15% of the volume, which is managed internally to maintain the expertise should it be necessary to bring the function back in house. Recently, EMC has started using auctions to move the aged inventory in REO, which to date has been very successful. The company plans to continue to utilize this process particularly in areas where foreclosures have multiplied.



Internal Controls

EMC's policy and procedure manuals are available to all employees through the company's intranet. A dedicated team writes and publishes all the policies to ensure consistency and compliance. All updates to procedures must be signed off by senior managers before they are incorporated into the online manuals.

EMC has many levels of loan servicing audits designed to ensure that the company is using prudent loan servicing practices and is in compliance with all regulatory and investor guidelines. The results of the audits are distributed to senior management at Bear Stearns as well as the corporate audit group. Over the last 12 months, there have been no material findings in any audits that would affect EMC's ability to service mortgage loans.

Technology

EMC's primary servicing system of record is Fidelity's MSP. Outbound calling campaigns are conducted through Aspect's Ensemble Pro and a Davox predictive dialer, which contains call optimizer software. For inbound calls, EMC employs Aspect's Ensemble Pro Interactive Voice Response (IVR) Unit. The company uses Early Resolution™ within its collections and loss mitigation functions to identify workout solutions. Attorney communication within the bankruptcy and foreclosure areas is managed through the Fidelity's NewTrak system. The oversight and tracking of vendor costs is handled by First American's iClear system. Remend REO Agent is employed to manage the workflow of the REO process.

In January 2007, EMC opened an additional 122,000-square-foot site in Lewisville, Texas, where it has moved the entire servicing platform from its former site in Irving, Texas. This location provides EMC with enhanced disaster recovery and business continuity, with fully redundant processing. The facility has a backup generator on site that can provide up to three days of power without refueling. In April 2007, EMC expanded to a second call center, which includes loss mitigation specialists, in Encore Credit's excess space in Irvine, California,, to create better efficiencies by offering hours of service in a different time zone.

EMC has a fully documented disaster recovery plan in place and employs SunGard for both recovery services and as a disaster recovery site. A test of the SunGard disaster recovery plan was completed in March 2007 with no significant issues identified.

DEAL PERFORMANCE HIGHLIGHTS

EMC securitizes loans under numerous shelves, based on product type and credit profile (see Bear Stearns Shelf Data as of June 2007 in Appendix A). This segmentation is done to provide greater consistency in collateral profiles and product performance. Generally, EMC services the subprime assets that are purchased and securitized. The delinquency and cumulative loss performance of Bear Stearns subprime (BSABS HE and single-seller) transactions by vintage from 2004 through 2006 compared with an industry composite can be found in Appendix A. For additional deal performance, including loan-level modification information by securitization, please see EMC's website at EMCmortgagecorp.com.

FINANCIAL OVERVIEW FOR BEAR STEARNS

On September 21, 2007, DBRS confirmed all ratings for The Bear Stearns Companies Inc. (Bear Stearns or the Company) and related entities, including the Company's long-term Issuer & Senior Debt rating of A (high) and its Short-Term Instruments rating of R-1 (middle). At the same time, DBRS confirmed the Positive trend on the Company's long-term ratings.

The Bear Stearns ratings are underpinned by the Company's resilient earnings power and business diversification. Many of the Company's businesses continue to perform strongly, although the mortgage businesses currently face a difficult environment. DBRS notes the success Bear Stearns has had in broadening its franchise, expanding its international businesses and strengthening its earnings power, while maintaining its strong financial profile and its conservative risk management.



The Company has achieved strong revenue growth in recent years in its broadly diversified fixed-income franchise, which includes its vertically integrated mortgage origination, securitization and servicing platform. EMC forms part of that integrated platform. Credit, interest rate and currency products have also contributed to revenue growth in fixed income. Bear Stearns also has substantially increased the contribution from its equities, investment banking and clearing services franchises in recent years.

The Company's strong financial profile is also supported by sound liquidity management and capital resources that are commensurate with the Company's conservative risk culture and its solid earnings track record.

Bear Stearns reported revenues, net of interest expense, of \$9.2 billion in F2006 and net income of \$2.1 billion. For the first six months of F2007, net revenues were \$5 billion and net income was \$915 million.

The rating and trend confirmations on June 26, 2007, followed the announcement that Bear Stearns had extended secured financing in the form of repurchase agreements to a hedge fund managed by Bear Stearns Asset Management, the Company's asset management business. That hedge fund had experienced margin calls and investor redemption requests due to losses in collateralized debt obligations (CDOs) and other structured securities it held. DBRS views the Company's risk exposure through the financing as manageable.

The Bear Stearns Companies Inc. Financial Overview

Income Statement (\$ millions)	H1 2007	2006	2005	2004	2003	2002	2006 versus 2005		2006 versus 2002	
							Delta	%	Delta	%
Total net revenue	4,994	9,227	7,411	6,813	5,994	5,128	1,816	24.5	4,099	79.9
Pre-tax earnings	1,389	3,147	2,207	2,022	1,772	1,311	940	42.6	1,836	140.0
Net income	915	2,054	1,462	1,345	1,156	878	592	40.5	1,176	133.8
Pre-tax margin (%)	27.8	34.1	29.8	29.7	29.6	25.6	4.3	14.5	8.5	33.4
Return on average common equity (%)*	14.3	19.1	16.5	19.1	20.2	18.1	2.6	15.8	1.0	5.5
Balance Sheet (\$ billions)										
Total assets	423.3	350.4	287.3	252.1	209.2	181.5	63.1	22.0	169.0	93.1
Total tangible equity	13.5	12.0	10.7	8.9	7.8	6.7	1.3	12.2	5.3	78.5
Adjusted assets, net**	265.3	202.2	163.7	123.3	87.7	78.8	38.6	23.6	123.4	156.5
Common equity	12.9	11.8	10.4	8.5	6.9	5.8	1.4	13.0	6.0	103.2
Total stockholders' equity	13.3	12.1	10.8	9.0	7.5	6.4	1.3	12.4	5.7	90.1
Total liabilities (including hybrids)	410.0	338.3	276.5	243.1	201.1	174.5	61.8	22.4	163.8	93.9
Net adjusted assets/total assets (%)	62.7	57.7	57.0	48.9	41.9	43.5	0.7	1.3	14.3	32.8
Gross leverage (x)***	31.8	28.9	26.6	28.0	28.0	28.4	2.3	8.5	0.5	1.6
Net leverage (x)****	19.7	16.8	15.3	13.9	11.2	11.7	1.5	10.1	5.1	43.7
Net adjusted assets/total broker capital (x)	3.5	3.0	3.0	2.7	2.4	2.6	0.0	0.6	0.4	17.2

* H1 2007 annualized.

** Adjusted assets, net = total assets - (intangible assets + segregated cash + securities received for collateral + securities purchased to resell + securities borrowed).

*** Gross leverage (x) = total assets/total stockholders capital.

**** Net leverage (x) = net adjusted assets/total tangible capital.

Source: SNL Financial and company reports.



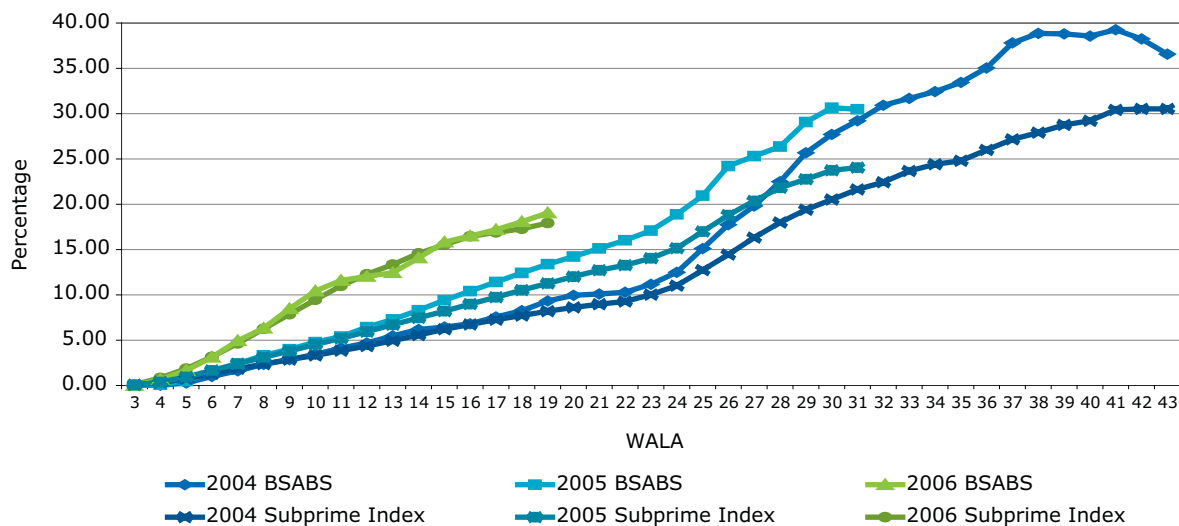
APPENDIX A: BEAR STEARNS SHELF DATA AS OF JUNE 2007

BBG	Designation	Credit	Product	Structure	2005 Deals	2005 Collateral at Issuance	2006 Deals	2006 Collateral at Issuance	2007 Deals	2007 Collateral at Issuance
Prime	Numeric	Prime	Fixed	PT	5	\$1,263	3	\$1,116	2	\$1,011
Prime	CL	Prime	Fixed	PT	2	205	1	198	0	0.00
BSARM	Numeric	Prime	H-ARMs	PT	11	13,281	4	3,791	4	4,037
SAMI	AR	Prime	SD-ARMs	PT	8	6,776	8	13,347	3	2,901
GPMF	AR HE	Alt-A	OAs, HELOCs	PT, OC	5 0	7,748 0.00	3 0	4,592 0.00	0 1	0.00 666
BALTA	Numeric	Alt -A	Mixed ARMs	PT, OC	10	18,297	8	17,488	3	2,563
BSABS	AC	Alt-A	Fixed	PT, OC	9	3,224	5	2,506	5	2,076
BSMF	AC	Prime, Alt-A, Sub	Fixed, OAs, SOAs, 2nds	PT, OC	0	0.00	1	247	0	0.00
	SL						5	5,417	2	645
	AR						6	2,1787	5	6,015
BSABS	SD	Prime, Alt-A	S&D/Seas	PT, OC	4	1,460	4	1,3127	3	1,144
SACO	Numeric	Prime, Alt-A	2nds	OC	15	6,636	11	5,800	3	497
BSSLT	Numeric	Prime, Alt-A	2nds	PT, OC	0	0.00	0	0.00	2	2,676
BSABS	MS – HE	Sub	ARMs, Fixed	OC	12	9,356.32	10	7,205.04	5	4,022.29
BSABS	SS – FR, FS, AQ, TC, PC, EC	Sub	ARMs, Fixed	OC	6	3,691.93	4	2,032.35	3	942.98
BSABS	Numeric	Sub	S&D/Seas	OC	4	1,295.72	4	919.66	2	454.08
EMCM	Alpha	Sub	Re	OC	2	270.77	1	115.13	0	0.00
Total					93	\$73,503.18	78	\$68,258.68	43	\$29,650.52

2nds = 2nd Liens. CL = Called Loan. H-ARMs = Hybrid ARMs. MS = Multi-Seller. OAs = Option ARMs. PT = Pass-through. Re = Re-performing. S&D = Scratch and Dent. SD-ARMs = Short Duration ARMs. Seas = Seasoned. SOAs = Secure Option ARMs. Sub = Subprime. SS = Single Seller.

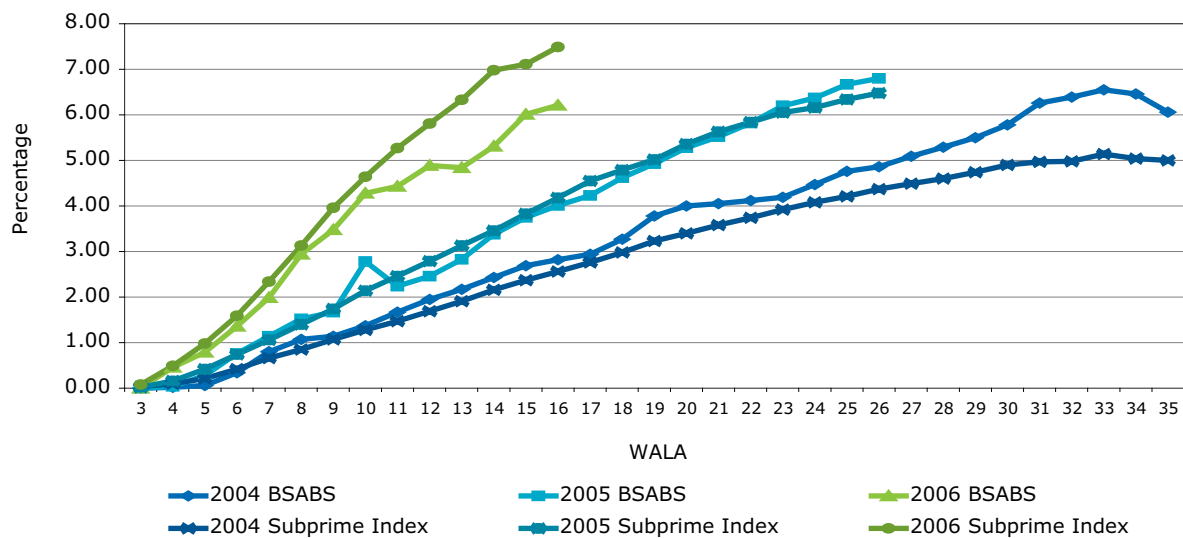


Chart 1: BSABS Subprime 60+ Day Delinquency, 2004 to 2006 Vintage – ARM Loans



Source: Bear Stearns and Loan Performance.

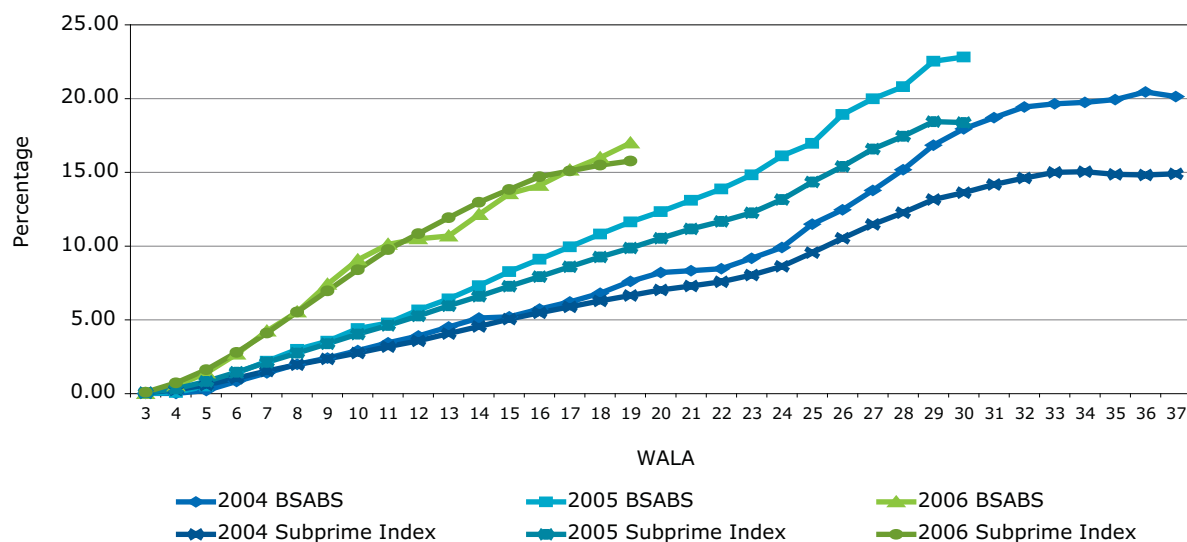
Chart 2: BSABS Subprime 60+ Day Delinquency, 2004 to 2006 Vintage – Fixed Loans



Source: Bear Stearns and Loan Performance.

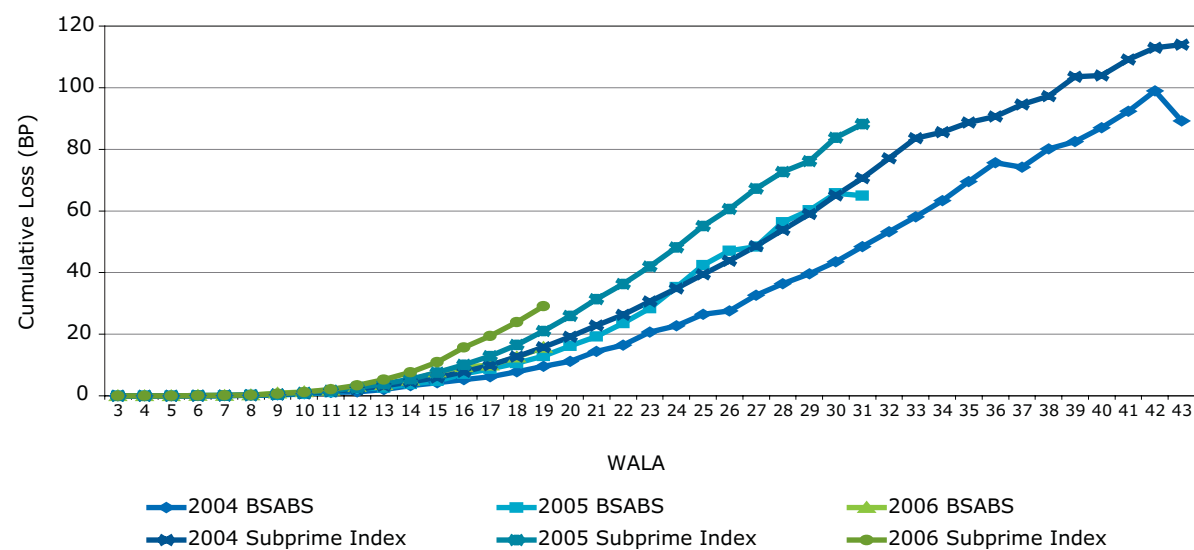


Chart 3: BSABS Subprime 60+ Day Delinquency, 2004 to 2006 Vintage – All Loans



Source: Bear Stearns and Loan Performance.

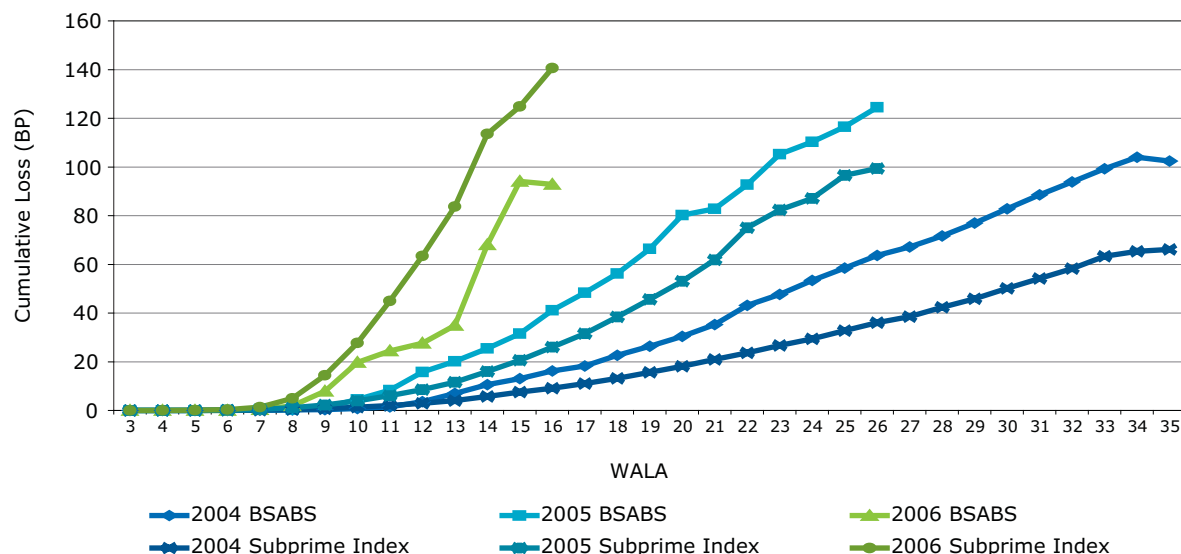
Chart 4: BSABS Subprime Cumulative Loss, 2004 to 2006 Vintage – Arm Loans



Source: Bear Stearns and Loan Performance.



Chart 5: BSABS Subprime Cumulative Loss, 2004 to 2006 Vintage – Fixed Loans



Source: Bear Stearns and Loan Performance.

Note: All figures are in U.S. dollars unless otherwise noted.

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