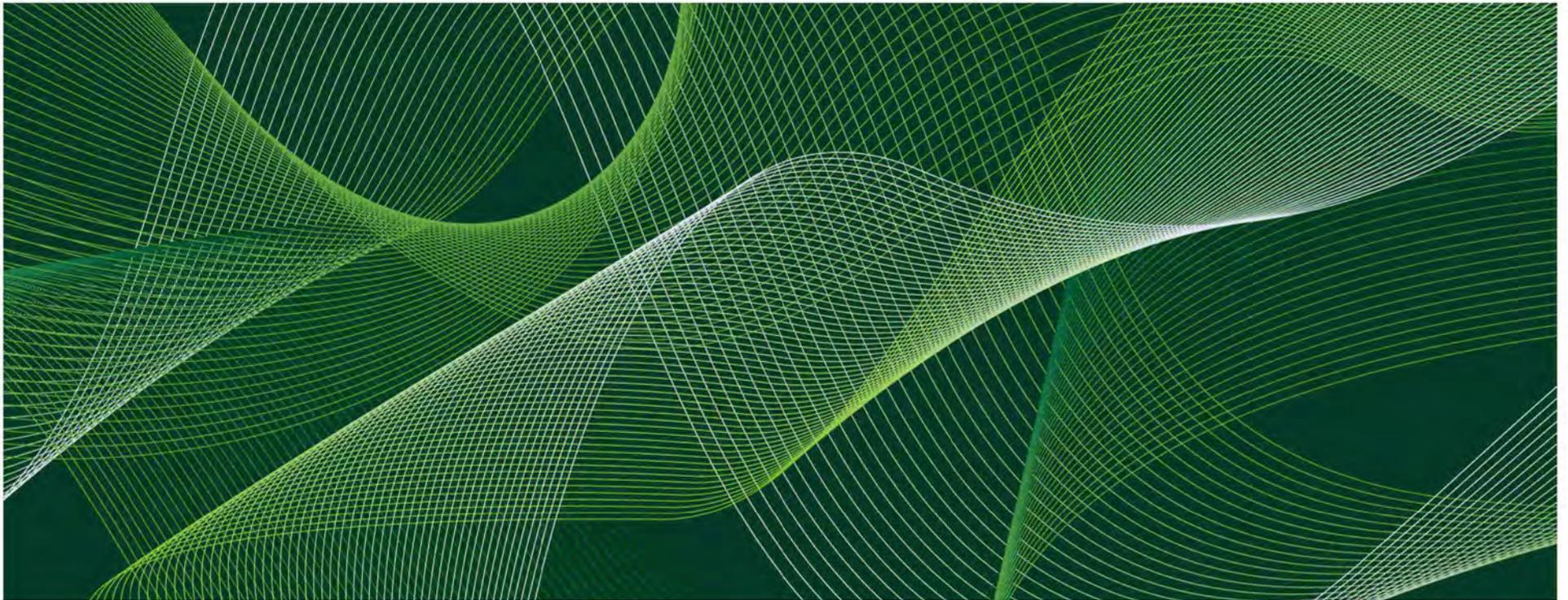


LEHMAN BROTHERS

2008 Q3 Liquidity Metrics

(Version 1)



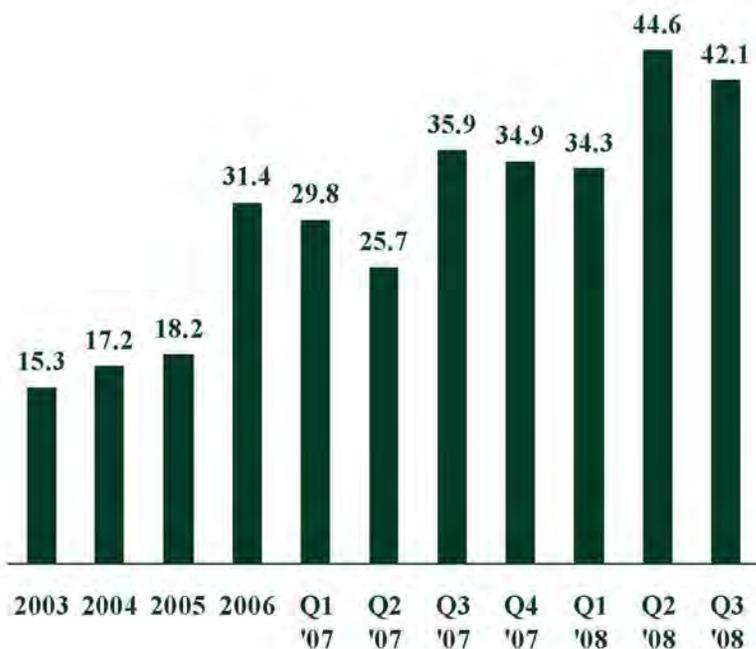
Confidential Presentation

Holdings Chain (Unsecured Funding)

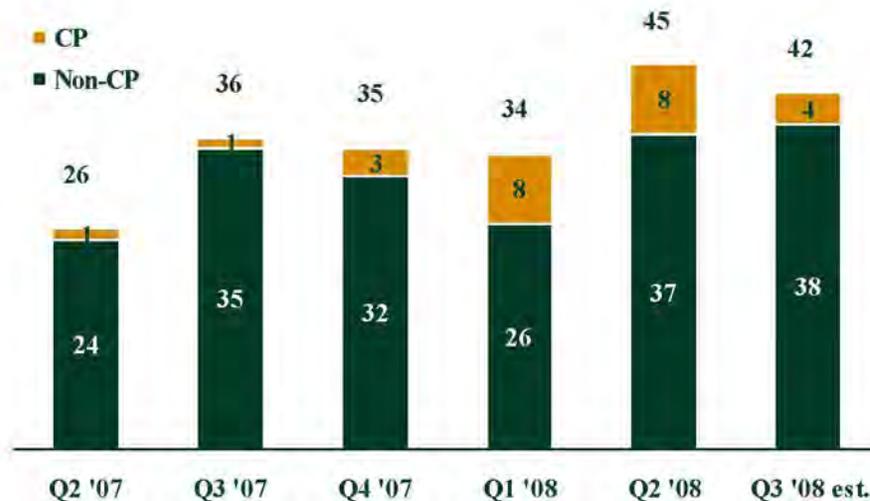
Liquidity Pool

- ◆ We ended 2008 Q3 with a \$42 billion liquidity pool, down 6% sequentially and up 17% year over year.
- ◆ Adjusted for the size of our commercial paper program, liquidity pool was up \$1 billion sequentially

Liquidity Pool (\$ Billions)



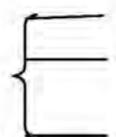
Liquidity Pool And CP (\$ Billions)



Composition Of Liquidity Pool As Of Q3 2008

Investment Type	Pledge Value*				
	LBHI	LBI	LBIE	Total	
	Pledge Value	Pledge Value	Pledge Value	Pledge Value	
	New York Inv	New York Inv	Europe Inv	Global Inv	
1. Cash					
Cash at Banks	3,378	-	-	3,378	
Other Cash Inv	553	-	-	553	
Money Funds	104	-	-	104	
Total Cash	A	4,035	-	4,035	
2. Boxed Inventory					
Private Label CMO's		454	-	10	464
Corporates		3,020	-	785	3,806
Governments / Treasuries		16,963	1,187	9,470	27,620
Asset Backed		674	-	88	762
Equities		8	-	1,557	1,565
Agencies		3,811	-	17	3,828
Canadian		-	-	15	15
Total Boxed Inventory	B	24,930	1,187	11,943	38,060
C&C Equivs Available to Holding Company (A+B)		28,965	1,187	11,943	42,095
Undrawn Committed Facilities					
Chase Facility					2,000
European Facility					2,500
C&C Equivs Available to Holding Company					46,595

Lehman CLOs:
\$4.1 bn



Notes:

*Pledge value = Market Value of the collateral * normal mkt haircut for each asset class

88% of the pool invested in cash and cash equivalents, Govies, Agencies and E1 (major index) equities

Asset Securitization As Of 2008 Q3

\$ Billions **CLO / CDO Investment Grade Positions and Funding Breakdown as of Aug 29, 2008**

	Securitizations	Original size	Original investment grade portion	Current size	Current investment grade portion	Funded by Holdings	Funded by Bankhaus	Funded by ECB *	Funded by Street Repo
U.S.	Freedom (Now Unwound)	2.83	2.26	-	-	-	-	-	-
	Spruce	1.87	1.46	1.18	0.77	0.53	0.24	-	-
	Pine	1.06	1.03	1.74	1.36	1.36	-	-	-
	RLT	1.66	0.33	0.73	0.29	-	-	-	0.29
	Sasco	3.43	2.05	3.05	1.66	1.66	1.18	-	-
	Verano	1.80	1.35	1.74	1.29	1.12	0.17	-	-
		12.66	8.48	8.44	5.37	4.67	1.59	-	0.29
Europe	Excalibur	4.27	3.39	4.02	3.19	-	0.54	2.65	-
	Thalia (Now Unwound)	-	-	-	-	-	-	-	-
	Saphir	2.69	2.69	2.10	2.10	-	-	2.10	-
	EMF NL 2008-1	0.41	0.32	0.30	0.30	-	-	0.30	-
	EMF NL PRIME	0.31	0.31	0.27	0.27	-	0.06	0.21	-
	EMF UK 2008-1	0.67	0.59	0.40	0.40	-	-	0.40	-
	Mortgage Funding	2.02	1.73	2.02	1.73	-	0.54	1.19	-
	Leoforos	0.58	0.22	0.58	0.22	-	0.22	-	-
	CLIO (aka Thalia II)	0.97	0.68	0.97	0.68	-	0.68	-	-
	EMF NL 2008-2	0.42	0.42	0.38	0.38	0.38	-	-	-
	Ruby	0.51	0.51	0.51	0.51	0.51	-	-	-
		12.86	10.86	11.55	9.78	0.89	2.04	6.85	-
		25.52	19.34	19.99	15.15	5.56	3.63	6.85	0.29

LEHMAN BROTHERS

Unencumbered Assets

- ◆ Market value of unencumbered assets stood at \$146 billion at the end of 2008 Q2, \$15 billion lower than at the end of Q1 as a result of the Firm's deleveraging efforts
 - \$10 billion lower in regulated entities
 - \$5 billion lower in unregulated entities

Unencumbered Assets (\$ Billions)

<i>\$ Billion</i>	Regulated	Unregulated	Total
2006 Q4	73	39	113
2007 Q4	96	63	159
2008 Q1	97	64	161
<i>April 30 (disclosed in UBS Conference presentation)</i>	87	70	157
2008 Q2 estimate	87	59	146

Liquidity Ratios

<i>\$ billions</i>	<u>2007</u>	<u>2008 Q1</u>	<u>2008 Q2</u>	<u>2008 Q3</u>
Holdings liquidity pool at pledge value	35.0	34.3	44.6	42.1
Unencumbered collateral				
Unregulated entities	63	64	59	
Regulated entities	95	97	87	
Total	158	166	146	
Liquidity pool / Short-term debt	124%	99%	124%	138%
L. Pool + 70% of Unreg. Entities Unencumbered Collateral	280%	229%	239%	

2008 Q1 Competitor Benchmarking

LIQUIDITY COMPARISON

2008 Q1

\$ billions

	<u>BSC</u>	<u>LEH</u>	<u>GS</u>	<u>MS</u>	<u>MER</u>
Short Term Borrowings	8.5	16.0	49.5	26.0	18.3
Current Portion of Long Term Debt	9.6 ⁽¹⁾	18.5	23.3	35.4	66.8
Total Short Term Debt	<u>18.1</u>	<u>34.5</u>	<u>72.8</u>	<u>61.3</u>	<u>85.1</u>
Holding Company					
Liquidity Pool	17.3	34.3	61.2	70.0	82.0
Unencumbered Collateral	14.4	64.0		N/D	57.0
Cash Value of Unencumbered Collateral (at 30% haircut)	10.1	44.8	33.4 ⁽²⁾		39.9
Liquidity Pool / Short Term Debt	95%	99%	84%	114%	96%
Liquidity Pool + Cash value of unencumbered collateral / Short Term Debt	151%	229%	130%	114%	143%
Unencumbered Collateral outside Holding Chain (in Regulated Entities)	9.9	96.9	50.6	53.0 ⁽³⁾	71.0

(1): Not disclosed. Assumed same number as in 2007 Q4

(2): Based on overall pledge value of Firm-wide collateral of \$96.1 billion; assume same regulated/unregulated mix as LEH

(3): Liquidity reserve at bank and non-bank subsidiaries

LEHMAN BROTHERS

2008 Q2 Competitor Benchmarking

LIQUIDITY COMPARISON

2008 Q2

\$ billions

	LEH	GS	MS	MER
Short Term Borrowings	14.3	42.2	23.8	19.1
Current Portion of Long Term Debt	21.0	28.9	35.1	51.4
Total Short Term Debt	35.3	71.2	58.9	70.5
Holding Company				
Liquidity Pool	44.6	87.8	80.0	92.0
Unencumbered Collateral	60.6		N/D	61.0
Cash Value of Unencumbered Collateral (at 30% haircut)	42.4	33.4 ⁽¹⁾		42.7
Liquidity Pool / Short Term Debt	126%	123%	136%	130%
Liquidity Pool + Cash value of unencumbered collateral / Short Term Debt	247%	170%	136%	191%
Unencumbered Collateral outside Holding Chain (in Regulated Entities)	87.3	48.1	89.0 ⁽²⁾	52.0

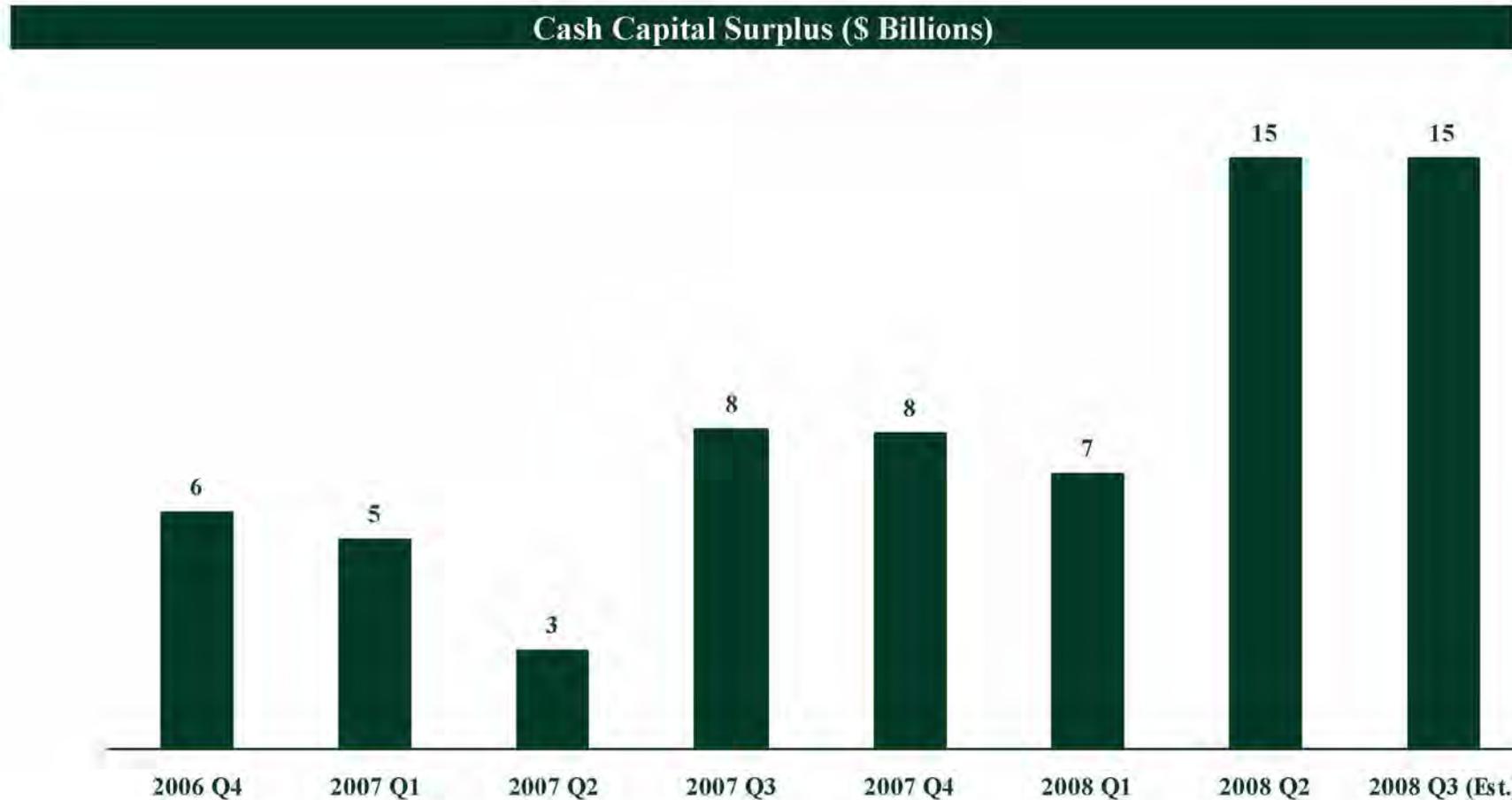
(1): Based on overall pledge value of Firm-wide collateral of \$81.5 billion; assume same regulated/unregulated mix as LEH

(2): Liquidity reserve at bank and non-bank subsidiaries

LEHMAN BROTHERS

Cash Capital Surplus

- ◆ We ended 2008 Q3 with a record \$15 billion cash capital surplus, flat sequentially and 88% year over year.



Short-Term Debt

	STD Acct'g View										Chg	
	Q2 '08					Q3 '08						
	Unreg		Reg		Q2 '08	Unreg		Reg		Q3 '08		
	Unsec	Sec	Unsec	Sec	Total	Unsec	Sec	Unsec	Sec	Total		
CP	7,948	-	-	-	7,948	4,350	-	-	-	4,350	(3,599)	
Structured Notes	922	-	13	-	935	691	-	-	-	691	(244)	
Bank Loans	1,231	-	-	-	1,231	1,225	-	-	-	1,225	(6)	
Zero Strike/Fully Funded	2,814	-	174	-	2,988	1,452	-	39	-	1,491	(1,497)	
Participation Gross-Up	-	451	-	209	660	-	488	-	198	686	26	
Overdrafts/Other e.g., Aegis	91	-	458	-	549	93	-	777	-	870	321	
Current Portion of LTD	20,634	-	357	-	20,991	19,971	350	337	499	21,157	166	
Total STD	33,640	451	1,002	209	35,302	27,781	838	1,153	697	30,469	(4,833)	
					STD Unsec	30,826				STD Unsec	26,329	(4,497)
					Reg Unsec	1,002				Reg Unsec	1,153	151
					Self funding Unse	2,814				Self funding Unse	1,452	(1,362)
					Secured	660				Secured	1,535	875
						<u>35,302</u>					<u>30,469</u>	<u>(4,833)</u>

External Reporting Disclosure Format

The repayment of approximately \$26.3 billion of unsecured debt issued by Holdings and unregulated entities. This includes approximately:

\$20.3 billion of current portion of long term borrowings. The remaining \$0.8 billion of current portion of long-term borrowings is related to regulated entities which maintain their own liquidity pool sized to cover the repayment of the approximately \$1.2 billion in aggregate of unsecured debt maturing in the next twelve months issued by those regulated entities.

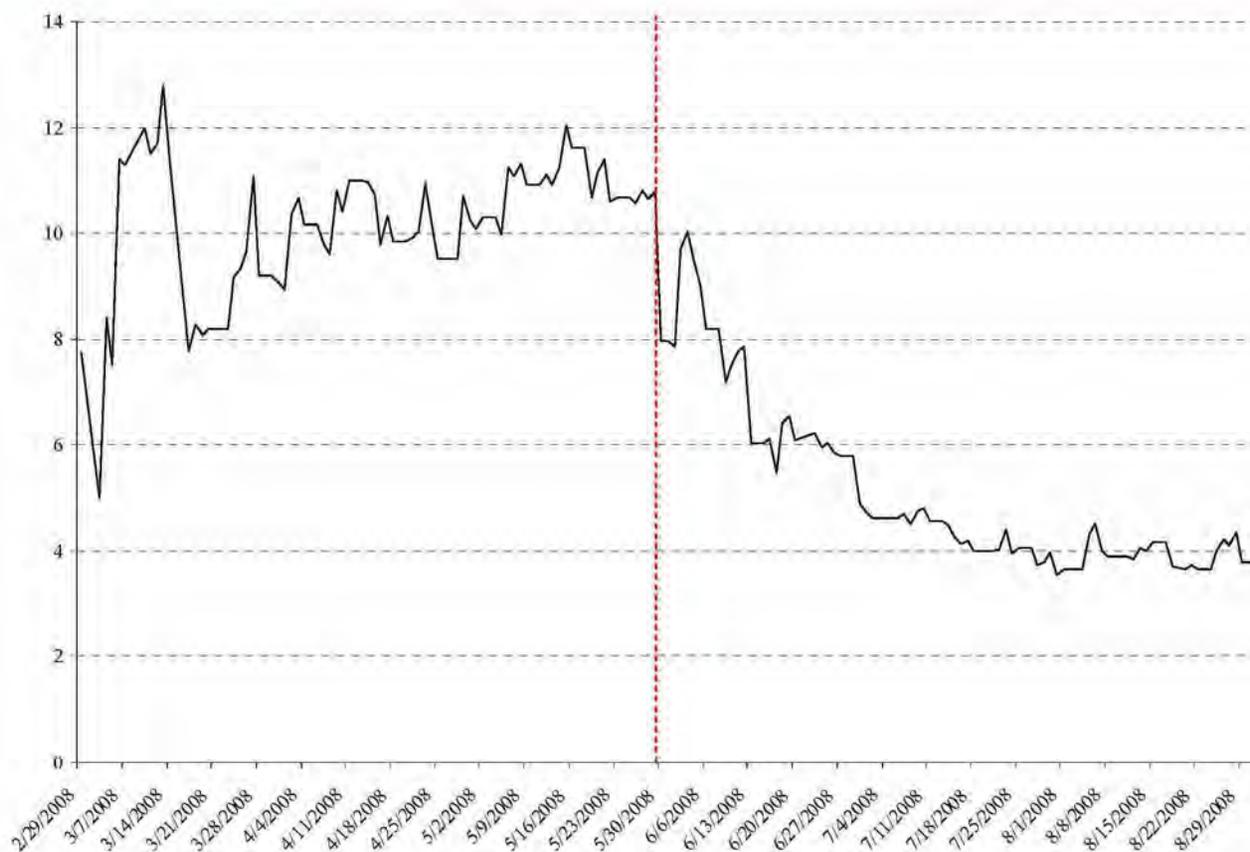
\$4.4 billion of commercial paper.

\$1.9 billion of bank loans and hybrid financial instruments with maturities of less than one year. This excludes approximately \$1.5 billion of structured note self-funding trades that are measured at fair value and managed by business unites through matched, unencumbered asset portfolios outside of Holdings' liquidity pool. The remaining 1.5 billion are bank loans in regulated entities

Commercial Paper

- ◆ We finished 2008 Q2 with \$3.8 billion of commercial paper compared with \$7.9 billion at the end of Q2, 7.8 billion at the end of Q1 and \$1.2 billion at the end of Q3 2007. Average life was xx days as of August 31 vs. 41 days as of 2008 Q2, 52 days as of 2008 Q1 and 51 days as of 2007 Q4.

Commercial Paper Outstanding (\$ Billions)



Long-Term Debt

Long Term Capital

8/28/2008

(in millions)

	Final FY2007	Final Q1 08	Final Q2 08	Forecast Q3 08	Forecast Q4 08	Forecast FY2008
Common Equity	21,408	21,838	19,283	19,629	20,069	20,069
Preferred Stock	1,095	2,993	6,993	8,993	8,993	8,993
Shareholders' Equity	22,503	24,831	26,276	28,622	29,062	29,062

- ◆ Average life of long-term debt was 8 years as of 2008 Q3 and 2008 Q2 versus 7 years as of 2008 Q1 and 2007 Q4

Long-Term Debt Outstanding (Excludes Current Portion)

Senior Notes

Beginning Balance	75,202	108,914	112,128	110,553	96,343	108,914
Issuance	69,646	16,144	11,504	2,212	1,320	31,181
Issuance - Debt Held in Inv	5,675	408	977	933	-	2,408
Bank Facilities	-	-	-	-	-	-
Rolling/Maturity	(41,727)	(14,044)	(13,799)	(11,804)	(5,639)	(45,285)
Other (2)	118	615	(257)	(5,551)	-	(5,192)
Ending Balance	108,914	112,128	110,553	96,343	92,024	92,024

Subordinated Notes

Beginning Balance	3,238	9,258	11,181	12,625	12,074	9,258
Issuance	5,906	1,503	1,979	3	-	3,484
Issuance - Debt Held in Inv	374	95	73	90	-	-
Rolling/Maturity	(805)	(125)	(222)	(523)	-	(869)
Other (2)	545	451	(388)	(121)	-	(56)
Ending Balance	9,258	11,181	12,625	12,074	12,074	11,817

Junior Subordinated Notes (1)

Beginning Balance	2,738	4,978	4,976	5,004	4,917	4,978
Issuance	2,263	-	26	-	-	26
Rolling/Maturity	(189)	-	(25)	(16)	-	(41)
Other (2)	166	(2)	27	(71)	-	(46)
Ending Balance	4,978	4,976	5,004	4,917	4,917	4,917

LTD Outstanding

123,150	128,284	128,182	113,334	109,015	108,758
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Total Long-Term Capital

145,653	153,114	154,458	141,955	138,076	137,819
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(1) Junior Subordinated Note excludes equity value and EAS (the difference to ledger will be captured in subordinated notes)

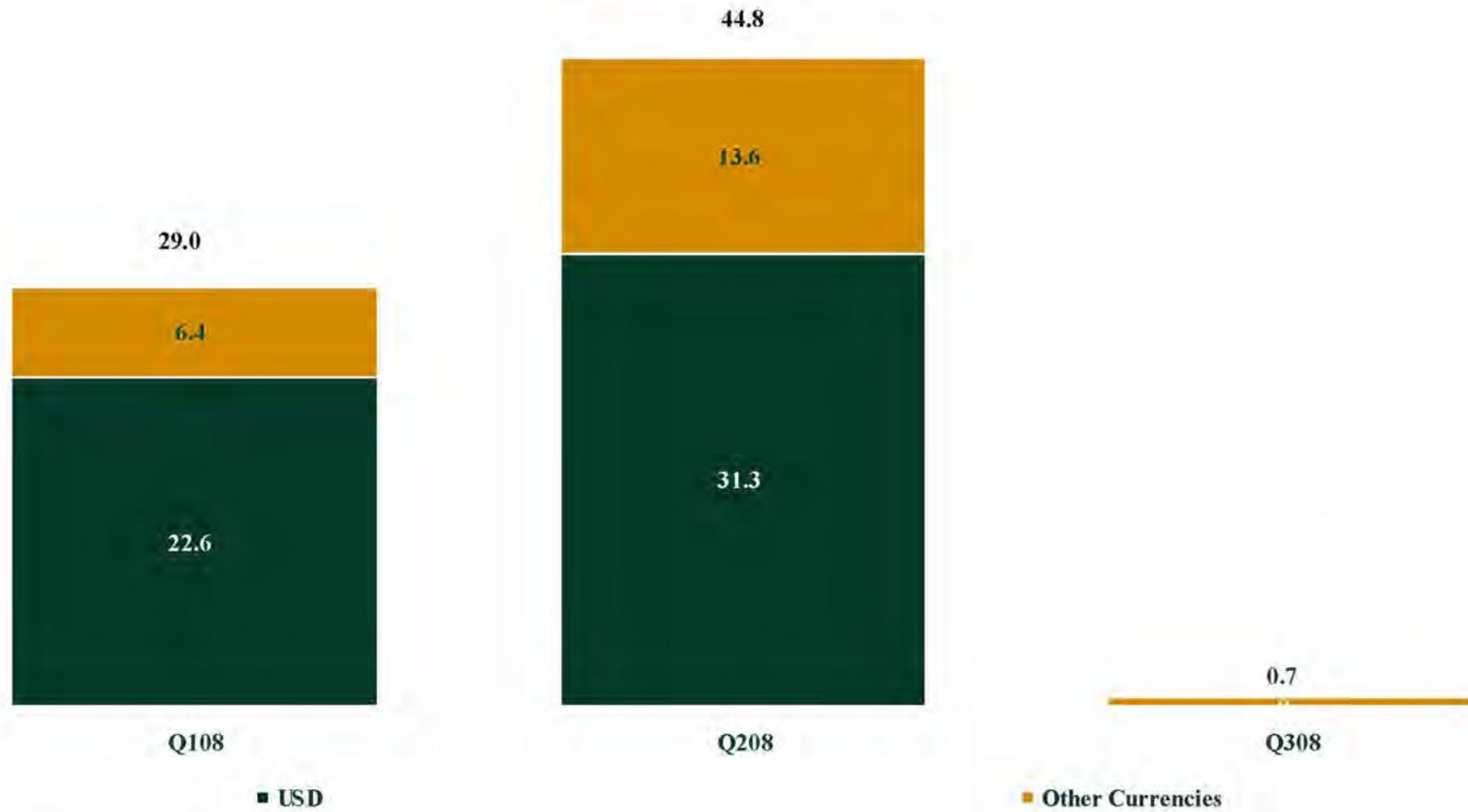
(2) Other includes EAS and other misc items.

Long-Term Debt Issuance

Anemic long-term debt issuance by the U.S. investment banks in the third quarter

U.S. Brokerage LTD Public Benchmarks Issuance

\$ bn



1. Other category is represented as USD equivalent
2. US brokerages include Lehman Brothers, Morgan Stanley, Merrill Lynch and Goldman Sachs

Committed Facilities

European Facility (\$ Millions)				U.S. Facility (\$ Millions)			
Draw Date	Repayment Date	Currency	Amount	Draw Date	Repayment Date	Currency	Amount
29-Jan-08	5-Feb-08	USD	2,500	14-Apr-08	28-Apr-08	USD	2,000
5-Feb-08	12-Feb-08	USD	2,500				
12-Feb-08	19-Feb-08	USD	2,500				
19-Feb-08	26-Feb-08	USD	2,500				
20-Mar-08	27-Mar-08	GBP	1,000				
27-Mar-08	3-Apr-08	GBP	1,000				

Neither facility was drawn during 2008 Q3

Cash Capital Facility Gains & Losses During Q3

\$ Millions

	<u>Banks</u>	<u>Secured/Unsecured</u>	<u>CCY</u>	<u>Amount (\$mm)</u>	<u>Collateral</u>	<u>Notes</u>
<u>Wins</u>						
	None					
<u>Losses</u>						
	SMBC	Secured	JPY	(500)	CWL / Corporate Loans	Facility was not extendible and is now rolling into current portion
	SMBC	Secured	USD	(350)	Corporate Loans	Facility was not extendible and is now rolling into current portion
				(850)		
<u>Pending Q4 Losses</u>						
	Danske	Secured	USD	(300)	CWL	Reduction to happen on 9/8
	Swedbank	Secured	USD	(350)	CWL	Reduction to happen on 9/21
				(650)		

Liquidity Impact Of A Rating Downgrade

- ◆ Table below incorporates all rating changes as of July 31, 2008. Note that most non-standard trades (i.e., trades with structured vehicles) typically have a 30 day grace period before we are required to post margin.
- ◆ None of our unsecured debt has a rating trigger
- ◆ One of our secured bank facilities has a termination event in case of a downgrade: liquidity impact would a loss of \$1.0 billion in case of a downgrade to Baa2 (or equivalent).
 - Additionally, a few have a rating band-based price schedule

Liquidity Impact Of A Rating Downgrade (\$ Millions)

	2008 July			2008 Q2			Variance		
	Immediate impact	1 notch downgrade	2 notches downgrade	Immediate impact	1 notch downgrade	2 notches downgrade	Immediate impact	1 notch downgrade	2 notches downgrade
Total Standard Trades	2,062	199	829	2,419	220	455	(357)	(20)	374
<u>Non-Standard trades</u>									
IRP transactions - Americas	33	313	96	72	451	2	(38)	(138)	94
IRP transactions - Europe	218	1,723	1,232	82	1,975	786	136	(253)	446
IRP transactions - Asia	-	2	-	-	2	6	-	-	(6)
CDO transactions - Americas	3	3	-	0	19	3	3	(16)	(3)
CDO transactions - Europe	-	28	42	295	74	215	(295)	(46)	(173)
CDO transactions - Asia	-	98	14	44	107	-	(44)	(8)	14
Securitized Products - Americas	-	61	16	170	61	16	(170)	-	-
Other (IRP) - Europe	-	-	-	14	14	28	(14)	(14)	(28)
Other transactions - Asia	-	-	-	-	-	-	-	-	-
Total Non-standard Trades	255	2,228	1,401	677	2,702	1,055	(422)	(474)	345
Total Collateral Requirement	2,316	2,427	2,229	3,095	2,921	1,510	(779)	(494)	720

Secured Funding & Prime Broker

Current Funding Mix

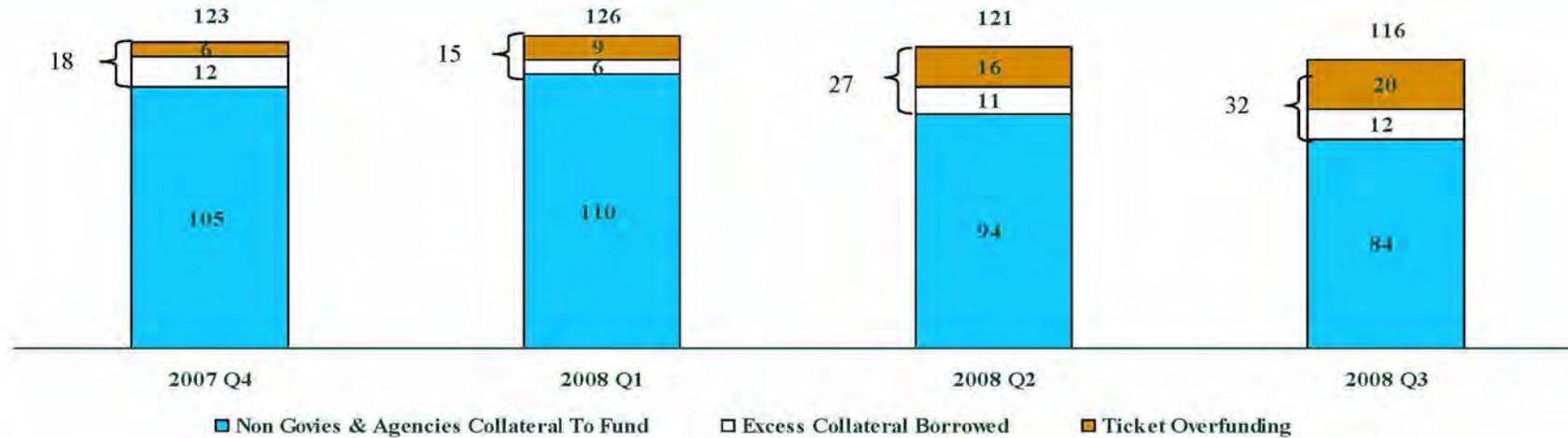
- ◆ Funding mix has not fundamentally changed since the end of Q2
 - Holdings' cash capital usage of \$133 billion funding less liquid assets (e.g., loans, derivative receivables, haircuts on liquid securities, etc.) – down \$8 billion QOQ as a result of asset writedowns and sales
 - Cash capital sources are primarily long-term debt (\$114 billion) and stockholders' equity (\$29 billion)
 - Bank deposits of approximately \$31 billion funding less liquid assets in our bank entities (Lehman Brothers Commercial Bank (LBCB), Lehman Brothers Bank and Lehman Brothers Bankhaus) – up \$2 billion QOQ
 - During Q3, we grew deposits in LBCB by \$2 billion in anticipation of the end of the expiration of the de novo period that took place on August 25.
 - Repo funding – At the end of Q3, our triparty repo book stood at \$211 billion – up \$23 billion QOQ, due to an increase in Governments and Agency collateral.

- ◆ Going forward, expect cash capital at Holdings and repo funding to continue their downward trend to be partially offset by growth in our bank entities
 - Long-term debt issuance market unlikely to return to normal in the next six months
 - Repo market will continue to be challenging as lenders shy away from hard to value asset classes (asset-backed securities, munis)
 - Assets in our bank entities projected to grow
 - New transactions / businesses to be migrated to LBCB
 - [Not public: Application to move assets funded by Holdings through a Regulation 23A exemption process]
 - Tapping alternative sources of deposits (U.S. and Asia in particular) for Lehman Brothers Bankhaus

Tri-Party Repo And Box

Deleveraging of balance sheet during Q3 drove reduction in secured funding requirements. Overfunding increased by \$5bn to \$32 billion.

Non Govies & Agencies Tickets (\$Bn)



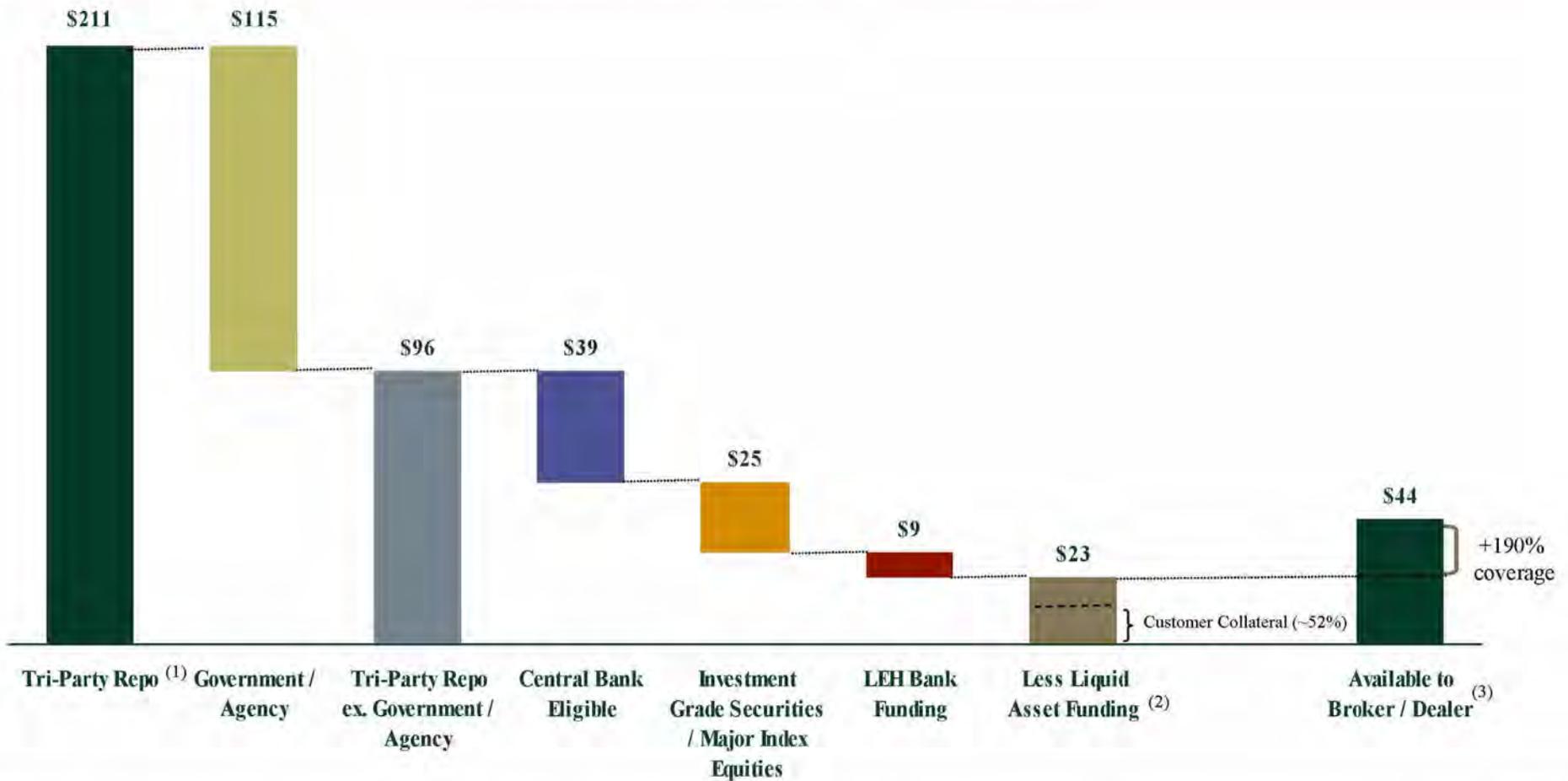
Actionable Box (\$Bn)



Liquidity Risk Of Secured Funding

Liquidity risk of our secured funding continues well contained.

Tri-Party Repo Book Collateral - August 31, 2008 (\$Bn)



Q2 '08:	\$188B	\$83B	\$105B	\$40B	\$25B	\$8B	\$32B	\$50B (+150% coverage)
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LEHMAN BROTHERS

1. Gross exposure
 2. 28% of the \$23B is > 1 month duration
 3. Includes Liquidity Pool (\$42.1B), LBI (\$0.9B), LBJ (\$0.1B), and Bankhaus (\$1.2B)

Key Repo Metrics

Secured funding has remained very resilient during Q3 with significant overfunding of our tri-party repo book and term funding for non-central bank eligible collateral of greater than one month.

Non-Traditional ¹ Repo Book Metrics

Triparty Repo Book	<u>Q407</u>	<u>Q108</u>	<u>Q208</u>	<u>Q308</u>	<u>Q3 vs Q2 Change</u>
Total Overfunding (\$B)	\$18	\$15	\$27	\$32	18%
Tickets	\$6	\$9	\$16	\$20	26%
Excess Collateral	\$12	\$6	\$11	\$12	9%
Average tenor (days)	27	22	35	33	-2
Central bank eligible	-	-	30	25	-5
Non Central bank eligible	-	-	38	38	0
% Overnight	52%	56%	42%	46%	4%
% <=1 week	13%	18%	12%	8%	-4%
% > 1 week	<u>35%</u>	<u>25%</u>	<u>46%</u>	<u>46%</u>	0%
% > 1 month	100%	100%	100%	100%	-1%

Loss Of Repo Counterparties

Triparty Repo Book	Q407	Q108	Q208	Q308	Q3 vs Q2 Change
# Repo Counterparts	78	70	68	62	-6

Net Loss: 8 Counterparts		Net Loss: 2 Counterparts		Net Loss: 6 Counterparts	
Q407 to Q108		Q108 to Q208		Q208 to Q308	
Gains	Losses	Gains	Losses	Gains	Losses
ECB	BARCLAYS	CACEIS BANK	UBS	ABN AMRO	AIM
FENWAY FUNDING LLC	WELLS FARGO	CONSORCIO	RABOBANK	DANMARKS NATIONALBANK	AMR
EXXONMOBIL FINANCIAL	FUND FCO2 STIFF	CONTROLADORA DE SERVICIOS DE	ABN AMRO	MET WEST	BANK OF AMERICA/NATIONS BANK
HYPO VEREINSBANK	DEUTSCHE BANK	FEDERAL RESERVE	MORGAN STANLEY	ROYAL BANK OF SCOTLAND PLC	CONTROLADORA DE SERVICIOS DE
MIZUHO	ELLINGTON	FIELD STREET MASTER FUND, LTD.	BANCO SANTANDER	SFTC	DREYFUS
UPICO	FIRST ASSET MGMT	FROST BANK	MET WEST/WACHOVIA	SUMITOMO	IBT
UPS	FROST BANK	MACQUARIE BANK LTD	SVENSKA BANK	SWEDBANK	JANUS
MANULIFE FINANCIAL	ZURCHER KANTONALBANK	METLIFE	CATER ALLEN	UNINET S.A. DE C.V.	LBBW
	OLD MUTUAL	OSAKA SECURITIES FINANCE	ING		MACQUARIE BANK LTD
	BANK OF KOREA	PASCAL FUND LTD	COMERICA		METLIFE
	BAYERISCHE	SOCIETE GENERALE	PUTNAM		MIZUHO
	CIBC	SWISS RE	ABBNEY NATIONAL SECURITIES INC.(NP)		PASCAL FUND LTD
	FARMERS & MERCHANTS BANK	TELEMEX	UPICO		SWISS RE
	ARCHE MASTER FUND LP	TENSOR	SEI		US BANK & TRUST
	SAFBAN	THE TOKYO TANSHI CO.,LTD.	UPS		
	CAPITAL ADVISORS INC	TRIARA.COM	SFTC		
		WEST LB	NAVY FEDERAL CU		
		ZURCHER KANTONALBANK	MANULIFE FINANCIAL		
			COLUMBIA MGMT ADVISORS INC		
			TRAVELERS		
8	16	18	20	8	14

July/August Lost Repo Capacity

Shell Booked Variance - August 29th vs. July 1st
 Excludes Bankhaus, ECB & Fed
 Includes Non-Traditional Repo Book Only

Principal in \$Bn's

Region	Counterparty Group	EMG	Equities	HY ABS	HY Convert	HY Corp	HY PL	IG ABS	IG Convert	IG Corp	IG PL	MMKT	Muni	RWL	Cumulative Change Thru 8/29	Cumulative Change Thru 8/28	D-o-D Variance
Asia	CALYON		(0.5)												(0.5)	(0.5)	0.0
	JP MORGAN CHASE		0.2												0.2	0.2	(0.0)
	MITSUBISHI		0.3												0.3	0.3	0.0
	Other (3 Counterparties)		(0.0)												(0.0)	(0.0)	0.0
Asia Total			(0.0)												(0.0)	(0.0)	0.0
Europe	CFIBANK	0.0		0.0		0.0		(0.3)							(0.2)	(0.3)	0.1
	CSPB		(0.2)						(0.1)						(0.3)	(0.3)	0.0
	DRESDNER	(0.3)	(0.0)		0.1	0.0				0.1					(0.1)	(0.1)	0.0
	DZ BANK	(0.0)	0.3		0.3	(0.4)			0.0	0.0					0.1	0.1	0.0
	FORTIS		0.3	(0.3)											(0.0)	0.5	(0.5)
	ING	(0.1)				(0.1)		(0.0)		(0.2)					(0.4)	(0.4)	0.0
	KBC	(0.5)	0.1		(0.1)	(0.0)		(0.0)	0.0	(0.0)					(0.5)	(0.5)	0.0
	LCH							(0.2)		(0.1)					(0.3)	(0.4)	0.0
	NATIXIS	(0.0)	(0.1)		(0.2)	0.0		0.0	0.0						(0.3)	(0.3)	0.0
	RACERS							(1.1)							(1.1)	(1.1)	0.0
	RBC	0.5	(0.4)		0.0	0.0			(0.1)	0.7					0.8	0.6	0.2
	ROYAL BANK OF SCOTLAND PLC	0.5				0.1				0.1					0.6	0.7	(0.1)
	RZB	(0.1)	(0.4)		(0.1)	0.0		(0.0)	(0.0)	(0.0)					(0.6)	(0.6)	(0.0)
	STATE STREET	0.1			0.0	(0.0)		0.0	0.0	0.4					0.5	0.4	0.0
	Other (15 Counterparties)	(0.2)	0.2	0.0	0.0	(0.1)		0.0	(0.0)	0.1		0.0			0.0	0.0	(0.0)
Europe Total		0.1	(0.8)	0.0	0.0	(0.5)		(1.6)	(0.1)	1.1		0.0			(1.8)	(1.6)	(0.2)
U.S.	BGI		(0.1)			0.0	(0.1)	(0.3)		1.0	(1.7)	(0.5)			(1.7)	(1.7)	0.0
	BONY/MELLON							(0.6)			(0.1)	0.0			(0.7)	(0.7)	0.0
	DRESDNER		0.4							(0.5)		0.5	(0.0)		0.3	0.3	0.0
	DREYFUS			(1.0)		(0.7)									(1.7)	(1.7)	0.0
	DWIGHT A.M.			(0.0)		(0.2)	(0.0)								(0.3)	(0.3)	(0.0)
	FENWAY FUNDING LLC					(1.0)									(1.0)	(1.0)	0.0
	FILMC											(3.0)			(3.0)	(3.0)	0.0
	FIDELITY		0.0	(0.1)		(1.5)	0.1			0.4	0.8			(0.2)	(0.6)	(0.6)	0.0
	FORTIS									0.3		1.0	0.7		2.1	0.8	1.3
	JP MORGAN CHASE	(0.2)			0.1	0.0		1.0			(3.6)				(2.7)	(2.8)	0.1
	LBBW												(0.8)		(0.8)	(0.8)	0.0
	MIZUHO										(0.5)				(0.5)	(0.5)	0.0
	NORTHERN		0.3			0.3				0.0		0.5			1.0	1.0	(0.0)
	NORWEST											(0.7)			(0.7)	(0.2)	(0.5)
	STATE STREET		0.5			0.0		0.0		0.0	0.7	0.0	0.0		1.2	1.2	(0.0)
	SCMITOMO									0.4					0.4	0.4	(0.0)
	SWISS RE										(0.9)				(0.9)	(0.9)	0.0
	Other (31 Counterparties)	0.1	(0.1)	0.0	(0.3)	(0.1)	(0.0)		0.4	(0.2)	(0.0)	0.0	(0.1)		(0.5)	(0.6)	0.1
U.S. Total		0.8	(1.4)	0.1	(3.4)	(0.1)	0.1	0.1	1.9	(5.5)	(2.1)	(0.1)	(0.3)		(10.0)	(11.0)	1.0
Cumulative Change Thru 8/29		0.1	0.0	(1.4)	0.2	(4.0)	(0.1)	(1.5)	(0.1)	3.0	(5.5)	(2.1)	(0.1)	(0.3)	(11.8)	(12.6)	0.8
Cumulative Change Thru 8/28		0.4	0.1	(1.4)	0.2	(4.0)	(0.1)	(1.7)	(0.1)	2.4	(5.5)	(2.3)	(0.3)	(0.3)	(12.6)		
D-o-D Variance		(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.2	(0.0)	0.6	(0.0)	0.2	0.2	(0.0)	0.8		
BANKHAUS		(0.0)	(0.2)	0.4	(0.0)	0.0		0.0		0.1	0.0				0.2		
ECB								(0.0)							(0.0)		
FEDERAL RESERVE								9.1			(9.1)				0.0		
Total D-o-D Variance		(0.3)	(0.3)	0.4	0.0	0.1	0.0	9.3	(0.0)	0.7	(9.1)	0.2	0.2	(0.0)	1.0		

Federal Reserve Facilities

- ◆ We have not used the PDCF (Primary Dealer Credit Facility) since April 16
- ◆ We continue using the TSLF (Term Securities Lending Facility) to fund agencies (\$8.9 billion) and AAA-rated asset-backed securities (\$3.6 billion)
 - \$12.5 billion outstanding out of a total of \$65.9 billion (19% of total)
 - Last two Fed TSLF auctions were undersubscribed (\$66 billion bid versus \$125 billion offered by the Federal Reserve)
 - As a result, TSLF is a very competitive facility. Rate to swap these securities versus Treasuries is the minimum rate of 25 bps
 - We have ample alternative funding sources of Agency mortgage-backed securities – even in the current market environment for Fannie Mae and Freddie Mac and for AAA-rated asset-backed securities

Federal Reserve Maturity Profile As Of Q308

Sum of principal bn

Shell Booked Summary	Collateral Allocated Summary	06 Sep to 27 Nov	Grand Total
ASSET BACKS - INVESTMENT GRADE	ASSET BACKS - INVESTMENT GRADE	0.6	0.6
	MBS	8.9	8.9
	PRIVATE LABELS - HIGH YIELD	0.0	0.0
	PRIVATE LABELS - INVESTMENT GRADE	3.0	3.0
ASSET BACKS - INVESTMENT GRADE Total		12.5	12.5
Grand Total		12.5	12.5

Potential Withdrawal Of Fed Facilities

- ◆ On July 30, 2008, the Federal Reserve extended the PDCF and TSLF till January 30, 2009. The extension was the result of tight liquidity in the financial markets.
- ◆ “In light of continued fragile circumstances in financial markets, the Board has extended the PDCF through January 30, 2009, and the Board and the Federal Open Market Committee (FOMC) have extended the TSLF through that same date. These facilities would be withdrawn should the Board determine that conditions in financial markets are no longer unusual and exigent.”
- ◆ We expect the facilities to be extended again if market conditions do not improve by January 2009
 - In the unlikely scenario where the facilities are not extended and the market conditions do not improve, we expect the impact to be somewhat limited
 - In our stress scenarios, we do not rely on either of these facilities to survive through an extreme disruption of secured funding markets
 - What is difficult to predict is the market reaction to such an announcement. Both facilities (especially the PDCF) have played a critical role of comforting market participants by establishing an “official” way to tap emergency liquidity

Repo Book Details As of August 29, 2008

SECURED FUNDING	SECURED FUNDING				
	O/N and Open	2 - 14 Days	> 14 Days	TOTAL	
LIQUID					
Treasuries	26.9	0.0	0.0	26.9	
G10 Governments	5.6	1.6	0.9	8.0	
Agencies	22.0	0.0	0.5	22.5	
Agency MBS	39.6	0.6	6.7	46.8	
Agency CMOs	4.2	0.0	6.3	10.5	
SUBTOTAL LIQUID	98.2	2.2	14.3	114.7	
LESS LIQUID					
Asset Backed Securities					
PDCF Eligible	0.6	0.1	0.6	1.4	
ECB or Other CB Eligible	0.9	0.1	11.4	12.3	
Non-Eligible	2.4	1.5	1.0	4.8	18.5
Bank Loans					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.0	0.0	0.0	0.0	0.0
CMO Private Label					
PDCF Eligible	0.6	0.0	3.6	4.3	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	2.5	1.2	0.9	4.6	8.9
Commercial Paper					
PDCF Eligible	7.1	0.0	0.0	7.1	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.0	0.0	0.0	0.1	7.2
Corporates					
PDCF Eligible	7.5	0.0	0.0	7.5	
ECB or Other CB Eligible	1.0	1.6	2.2	4.7	
Non-Eligible	7.6	1.8	2.5	11.8	24.0
Equity					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	8.9	4.1	12.9	25.9	25.9
International					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.2	0.1	0.3	0.6	
Non-Eligible	2.5	1.8	3.1	7.5	8.1
Money Market					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.0	0.0	0.0	0.0	0.0
Municipals					
PDCF Eligible	1.2	0.0	0.0	1.2	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	1.5	0.0	0.0	1.5	2.7
Whole Loan					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.1	0.1	0.5	0.6	0.6
Other					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.0	0.0	0.0	0.0	0.0
SUBTOTAL LESS LIQUID	44.6	12.3	39.1	95.9	
SECURED FUNDING					
Liquid Collateral	98.2	2.2	14.3	114.7	
PDCF Eligible	17.0	0.1	4.3	21.5	
ECB or Other CB Eligible	2.0	1.8	13.9	17.7	
Non-Eligible	25.5	10.4	21.0	56.8	
TOTAL SECURED FUNDING	142.8	14.5	53.4	210.7	
UNSECURED FUNDING					
	O/N and Open	2 - 14 Days	> 14 Days - 1 Year	TOTAL	
CP, Other STD and Current Portion of LTD	1.1	1.7	24.8	27.7	
MEMO: ISLF Eligible					
	O/N and Open	2 - 14 Days	> 14 Days - 1 Year	TOTAL	
Agency CMOs	4.2	0.0	6.3	10.5	
AAA Asset Backed	0.0	0.0	0.6	0.6	
AAA Private Labels	0.3	0.0	3.5	3.8	14.9

Stress Scenario Assumptions

Loss of Secured Funding

	% Rolled	% Lost
? Repos		
Governments & Agencies	100%	0%
Corporates		
High Grade	70%	30%
High Yield	0%	100%
Asset Backs / Private Labels		
High Grade	40%	60%
High Yield	0%	100%
Commercial Paper	70%	30%
Muni	40%	60%
Equities / Convertibles		
E1	70%	30%
E2 / C1	0%	100%
E3 / C2	0%	100%

? Munis TOB – 7 day put exercised on day 1
 –Customer collateral returned /liquidated over 1 week
 –Firm collateral liquidated

? Dealer-based matched book
 –Unwound to release haircut

? Central banks
 –No PDCF
 –Able to use ECB tender facility through Bankhaus, consistent with normal practice

Loss of Unsecured Funding

? Unsecured Debt
 –CP and LCs: 0% roll at maturity
 –Buybacks: \$1 billion per month
 –Deposits at US banking affiliates: 80% roll at maturity
 ? In practice, no impact on liquidity (operate with significant excess liquidity)
 –Ability to draw on committed facilities same day

? Loan Funding
 –Per funding schedule for leveraged loans
 –\$2.0 billion per week for unfunded revolvers

? Derivatives
 –Cash collateralization on derivative payables per CSA requested on day 1 (paid on day 2 per industry practice)
 –Margin disputes against us paid on day 3 and 4
 –2 notch downgrade during second week

? Other
 –\$0.5 billion a week to cover operational cash expenses (PE and NPE)

Stress Scenario – Overall Results

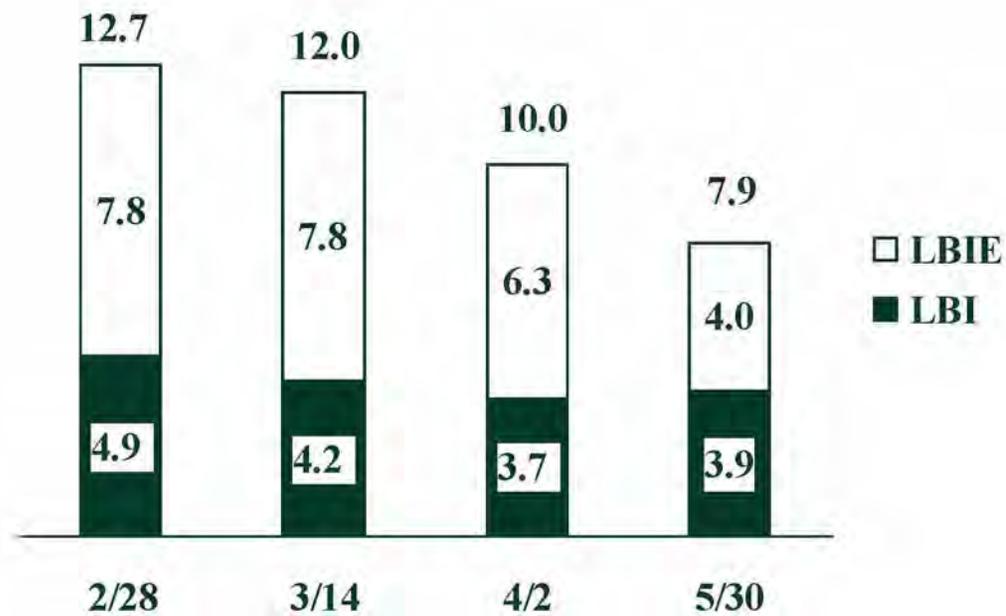
	2-Jun	3-Jun	4-Jun	5-Jun	6-Jun	9-Jun	10-Jun	11-Jun	12-Jun	13-Jun	16-Jun	17-Jun	18-Jun	19-Jun	20-Jun	23-Jun	24-Jun	25-Jun	26-Jun	27-Jun	Total	
Beginning Cash Position ⁽¹⁾	58.6	33.4	28.2	32.4	30.4	27.0	21.5	21.1	20.5	16.3	13.8	13.5	13.4	17.2	16.1	12.9	11.9	11.4	10.8	10.6	11.4	
Net Loss Secured Funding	(23.6)	(1.2)	0.7	(0.2)	(1.4)	(5.1)	(0.2)	-	(3.6)	(0.1)	(0.2)	-	3.0	(0.5)	(0.8)	(0.8)	(0.5)	-	(0.0)	(0.1)	(34.6)	
Unsecured Funding																						
Unsecured Debt																						
CP	(1.3)	(3.4)	(0.1)	(0.9)	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)	(0.5)	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)	(0.2)	(0.0)	(0.3)	(0.2)	(0.4)	(8.8)	
STD excluding CP	(0.0)	(0.0)	(0.0)	(0.0)	-	(0.0)	(0.0)	-	(0.0)	(0.0)	(1.2)	-	-	-	-	-	-	-	-	-	(1.2)	
LTD	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.0)	(0.0)	(0.1)	-	(0.0)	-	-	(0.1)	-	-	-	-	-	-	-	(0.4)	
Buybacks	-	-	-	(0.2)	-	-	(0.2)	-	-	-	(0.2)	-	-	-	(0.2)	-	-	(0.2)	-	-	(1.0)	
Deposits of Banking Affiliates	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.1)	
Letters of Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Committed Facility Draw down	-	-	4.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.5	
Loan Activity																						
Securitization / Syndication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Draw on commitments	-	-	-	-	(2.0)	-	-	-	-	(2.0)	-	-	-	-	(2.0)	-	-	-	-	-	(6.0)	
Funding	(0.2)	0.0	0.0	-	(0.2)	-	-	-	-	-	1.5	-	1.1	-	-	-	-	-	-	-	2.2	
Bankhaus Funding	-	-	-	0.3	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.7	
Derivative Activity																						
Posting of Uncalled Collateral	-	(0.6)	(0.5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.1)	
Downgrade (2 Notches)	-	-	-	-	-	-	-	(0.4)	-	-	-	-	-	-	-	-	-	-	-	-	(0.4)	
Margin Payments	-	-	(0.4)	(0.4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.7)	
Cash outflows to fund operations (PE, NPE, etc.)	-	-	-	(0.5)	-	-	-	-	(0.5)	-	-	-	-	(0.5)	-	-	-	-	-	-	(1.4)	
Total Net Loss Unsecured Funding	(1.6)	(4.0)	3.5	(1.7)	(2.0)	(0.3)	(0.3)	(0.6)	(0.6)	(2.5)	(0.0)	(0.1)	0.8	(0.5)	(2.4)	(0.2)	(0.0)	(0.5)	(0.2)	(0.4)	(13.8)	
Ending Cash Position	33.4	28.2	32.4	30.4	27.0	21.5	21.1	20.5	16.3	13.8	13.5	13.4	17.2	16.1	12.9	11.9	11.4	10.8	10.6	10.2	10.2	

Stress Scenario – Loss Of Secured Funding

	2-Jun	3-Jun	4-Jun	5-Jun	6-Jun	9-Jun	10-Jun	11-Jun	12-Jun	13-Jun	16-Jun	17-Jun	18-Jun	19-Jun	20-Jun	23-Jun	24-Jun	25-Jun	26-Jun	27-Jun	Total	
Secured Funding																						
Lost Capacity																						
LBJ																						
E3 - Non-Major Index Equities (<5%)	-	-	-	-	-	0.2	-	-	-	-	-	-	-	-	-	0.2	-	-	-	-	-	0.4
LBJ	-	-	-	-	-	0.2	-	-	-	-	-	-	-	-	-	0.2	-	-	-	-	-	0.4
LBIE																						
Asset Backs - Investment Grade	0.2	-	-	-	-	0.2	-	-	0.0	-	-	-	-	0.0	-	0.0	-	-	-	-	-	0.4
C1 - Investment Grade Convertibles	0.0	0.0	-	0.4	0.0	0.0	-	-	-	0.0	0.0	-	-	0.0	0.0	0.0	-	-	0.0	-	-	0.5
C2 - Non-Investment Grade Convertibles	0.1	0.0	-	0.1	-	0.2	-	-	0.0	0.0	0.0	-	-	0.2	0.0	0.0	-	-	0.0	-	-	0.6
Corporates - Investment Grade	0.2	0.1	-	0.2	0.2	0.0	-	-	0.0	0.0	0.1	-	-	0.0	0.0	0.0	-	-	0.0	-	-	0.7
Corporates - Non-Investment Grade	0.2	-	-	0.1	0.5	0.3	-	-	0.2	0.0	0.0	-	-	0.2	0.0	0.1	-	-	0.0	-	-	1.6
E1 - Major Index Equities	0.0	0.2	0.0	0.0	-	0.0	-	-	0.1	0.1	0.5	-	-	0.0	0.0	0.1	-	-	0.0	-	-	0.9
E2 - Non-Major Index Equities	0.0	0.2	0.0	0.3	0.1	0.1	-	-	0.0	0.1	0.1	-	-	0.1	0.0	0.1	-	-	0.0	-	-	1.3
E3 - Non-Major Index Equities (<5%)	0.0	0.0	0.4	0.5	0.1	0.1	-	-	-	0.2	0.0	-	-	0.1	0.1	0.1	-	0.2	0.0	-	-	1.7
EMG	0.6	0.2	0.0	0.1	0.4	1.2	-	-	0.5	0.0	0.1	-	-	0.3	0.0	0.5	-	-	0.0	-	-	4.0
Total LBIE	1.4	0.8	0.4	1.6	1.3	2.0	-	-	0.9	0.4	0.6	-	-	0.9	0.2	1.1	-	0.2	0.1	-	11.8	
LBI																						
Asset Backs - Investment Grade	1.8	-	0.3	-	-	-	0.1	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	2.2
Asset Backs - Non-Investment Grade	1.1	-	0.0	-	-	-	0.1	-	0.7	-	-	-	-	-	-	-	-	-	-	-	-	1.8
C1 - Investment Grade Convertibles	0.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.6
C2 - Non-Investment Grade Convertibles	0.8	-	-	-	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0
Corporates - Investment Grade	2.0	0.0	0.0	0.0	0.0	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.0
Corporates - Non-Investment Grade	4.3	-	-	0.0	0.1	-	-	-	1.0	-	-	-	-	-	-	-	-	-	-	-	-	5.5
E1 - Major Index Equities	0.8	-	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.8
E2 - Non-Major Index Equities	3.3	-	-	-	0.5	0.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.2
E3 - Non-Major Index Equities (<5%)	0.1	-	-	-	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1
Money Markets	2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.2
Muni	1.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.3
Private Labels - High Yield	1.8	0.0	-	-	-	-	0.0	-	0.3	-	-	-	-	-	-	-	-	0.1	-	-	-	2.3
Private Labels - Investment Grade	2.2	0.1	0.0	-	-	-	-	-	0.0	-	-	-	-	-	-	-	-	0.4	-	-	-	2.7
Total LBI	22.2	0.1	0.3	0.0	0.8	0.5	0.2	-	2.0	-	-	-	-	-	-	-	0.5	-	-	-	26.6	
Total Lost Capacity	23.6	0.9	0.7	1.6	2.1	2.7	0.2	-	2.9	0.4	0.6	-	-	0.9	0.2	1.3	0.5	0.2	0.1	-	38.8	
Mitigants and other stress elements																						
LBIE																						
Prime Broker Customer Free Credits	(4.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4.0)
Prime Broker Reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Term Overfunding	1.2	0.7	0.4	1.4	0.7	0.4	-	-	0.1	0.3	0.3	-	-	0.2	(0.7)	0.2	-	0.2	0.0	-	-	5.5
ECB	0.1	-	-	-	-	0.2	-	-	0.0	-	-	-	-	0.0	-	-	-	-	-	-	-	0.3
Bankhaus	-	-	-	-	-	-	-	-	-	0.0	0.1	-	-	0.1	0.0	0.2	-	-	0.0	-	-	0.4
Total LBIE	(2.6)	0.7	0.4	1.4	0.7	0.5	-	-	0.1	0.3	0.4	-	-	0.4	(0.6)	0.5	-	0.2	0.1	-	2.4	
LBI																						
Prime Broker Customer Free Credits	(3.9)	3.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unwinding of Muni TOB Prog. (\$6 billion gross)	-	-	-	-	-	(3.0)	-	-	-	-	-	-	3.0	-	-	-	-	-	-	-	-	-
Balance Sheet Reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Writedowns on balance sheet reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dealer-based Matched Book Reduction	-	-	1.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0
Term Overfunding excl. TSLF	6.6	(4.9)	-	-	-	-	-	-	(0.8)	-	-	-	-	-	-	-	-	-	-	-	(0.1)	0.8
TSLF Overfunding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total LBI	2.7	(1.0)	1.0	-	-	(3.0)	-	-	(0.8)	-	-	-	3.0	-	-	-	-	-	-	-	(0.1)	1.8
Net Loss Secured Funding	(23.6)	(1.2)	0.7	(0.2)	(1.4)	(5.1)	(0.2)	-	(3.6)	(0.1)	(0.2)	-	3.0	(0.5)	(0.8)	(0.8)	(0.5)	-	(0.0)	(0.1)	(34.6)	

Prime Broker

Customer Free Credit Balances (\$ Billions)



Bank Entities

Assets Funded In Bank Entities

Lehman Banking Entities – Total Assets (\$Billions)

