

CONFIDENTIAL

9 AUGUST 2008

DRAFT

DISCUSSION MATERIALS

Project Green

LAZARD

Alternatives Under Review

- ❖ **Spin-off of CRE portfolio**
 - ❖ No capital raise or additional asset sales
 - ❖ In conjunction with additional equity capital raise
 - ❖ In conjunction with Investment Management Division sale
- ❖ **Issue Contingent Value Stock to existing shareholders with additional equity capital raise**
- ❖ **Sale of 100% of Investment Management Division**
- ❖ **Sale of 49% and 51% of Investment Management Division excluding minority stakes**
- ❖ **Going private transaction**
 - ❖ Cash only
 - ❖ In conjunction with CVS
 - ❖ In conjunction with 51% sale of Investment Management Division with FASB 159 election

Major Assumptions

(\$ in millions)

Alternatives	Category	Assumption
ASSET SALE	Assets sold	\$23,778
	Q3 2008 after-tax aggregate net loss (pre-tax = \$4,615)	3,000
	Q4 2008 after-tax aggregate net loss (pre-tax = \$3,077)	2,000
	Risk-weight on assets sold for Tier 1 Capital purposes	75%
CRE SPIN-OFF	CRE portfolio assets	\$30,000
	SpinCo equity	10,000
	SpinCo financing by Green	19,000
	SpinCo financing provided by third party	1,000
	Risk-weight on CRE assets for Tier 1 Capital purposes	100%
	Risk-weight on CRE financing for Tier 1 Capital purposes	50%
	CRE asset write-down over time	20%
SALE OF IMD	Total IMD value	\$7,500
	IMD value excluding minority stakes at cost	6,000
	2009E after-tax earnings for total IMD business	\$629
	2010E after-tax earnings for total IMD business	889
	Total IMD book value	\$4,800
	No book or cash tax on sale proceeds due to capital loss NOLs	
EMPLOYEE SHARES	Vested, saleable shares owned by employees [Not rolled over] (million)	31
	RSUs in trust (million)	97
	Post 2007 RSUs subject to 18 month vesting post change of control (million)	71
	Performance Stock Units (million)	22
GOING PRIVATE	Exchange of \$2bn of mandatory convertibles and \$4bn perpetual preferred at 15% premium to market	
	Remaining \$2.9bn of straight preferred securities to remain outstanding	
	Assumes employees rollover all 190 million RSUs/PSUs	

Green Strategic Alternatives – Key Summary Financial Metrics

(\$ in billions, except per share amounts)

	Status Quo 5/31/08 (c)	Pro Forma 11/30/08 (c)	CRE Spin-off		\$4bn Raise	
			Only	51% FMD Sale With F&B 189	Green + Ex. CRE	Green + \$12.31 CVS Consolidated
Balance Sheet Statistics:						
New Third-Party Capital Raised	--	--	--	--	\$4.0	\$4.0
Balance Sheet Cash Used	--	--	--	--	--	--
Net Leverage	10.1x	11.1x	16.7x	13.0x	13.8x	9.8x
Tier 1 Capital Ratio	13.5%	12.0%	7.8%	10.9%	10.1%	14.1%
Pre-Tax Charge to Breakeven			--	--	--	\$7.6
Net Assets	\$333.8	\$309.8	\$299.8	\$305.3	\$303.8	\$313.8
Tangible Equity Capital	33.2	27.9	17.9	23.4	21.9	31.9
Reported Common Book Value Per Share (a)	\$32.95	\$25.54	\$11.39	\$14.92	\$17.05	\$31.20
Normalized Earnings Statistics:						
2010E Earnings Per Share (a)		\$4.13	\$4.13	\$3.88	\$3.26	\$3.26
% Accretion / (Dilution)			0%	(6%)	(21%)	(21%)
2010E Operating ROE		15.3%	28.7%	22.5%	22.2%	13.4%
FYE 2010 Illustrative Share Price (b):						
(Normalized Earnings/Returns [2010E NI = \$3.3bn])						
Green Share Price		\$41.68	\$36.99	\$32.80	\$30.49	\$32.46
Cash Value + CVS Per Share (Today)		--	--	--	--	--
SpinCo/ CVS Share Price [80% Gross; 51% CRE, 44% CVS Net]		--	6.32	6.32	6.32	5.50
Aggregate FYE 2010 Share Price		\$41.68	\$43.31	\$39.11	\$36.81	\$37.96
FYE 2010 Illustrative Share Price (b):						
(Earnings/Returns [2010E NI = \$2.6bn/\$2.0bn])						
Green Share Price		\$28.32	\$23.63	\$26.32	\$25.01	\$26.98
Cash Value + CVS Per Share (Today)		--	--	--	--	--
SpinCo/ CVS Share Price [80% Gross; 51% CRE, 44% CVS Net]		--	6.32	6.32	6.32	5.50
Aggregate FYE 2010 Share Price		\$28.32	\$29.94	\$32.63	\$31.33	\$32.48

Source: Company filings and equity research reports.

(a) Assumes base share count of 706.7 million at 5/31/08 and 11/30/08 and 799.7 million shares at FYE 2010, plus incremental shares issued in capital raise. Excludes the dilution effect of in-the-money options, if any.

(b) Net income from Green based on ROE of 14%, 11% and 8%, respectively for net income of \$3.3bn, \$2.4bn and \$2.0bn.

(c) Status quo adjusted for capital raise since 2Q'08. Pro forma reflects \$23.8 billion reduction in asset levels per management assuming \$7.7 billion pre-tax (\$5.0 billion after-tax) loss on asset sales.

Green Strategic Alternatives – Key Summary Financial Metrics (cont'd)

(\$ in billions, except per share amounts)

	Pro Forma 11/30/08 (c)	Self IMD			Green Go Private (d)		
		100% Sale	49% Sale With Consolidation	51% Sale With FASB 159	\$29.09 Cash 12.0% Tier 1 76% New Inv.	\$20.00 Cash 51% IMD Sale + FASB 159 63% New Inv.	\$18.00 Cash + \$12.51 CVS 12.0% Tier 1 76% New Inv.
Balance Sheet Statistics:							
New Third-Party Capital Raised	--	--	--	--	\$12.1	\$6.6	\$10.9
Balance Sheet Cash Used	--	--	--	--	0.1	2.5	0.1
Net Leverage	11.1x	9.4x	10.1x	9.4x	11.1x	11.1x	11.1x
Tier 1 Capital Ratio	12.0%	14.9%	13.5%	14.8%	12.0%	12.0%	12.0%
Pre-Tax Charge to Breakeven		\$10.8	\$5.6	\$10.4	--	--	--
Net Assets	\$309.8	\$315.5	\$312.7	\$315.3	\$309.7	\$309.7	\$309.7
Tangible Equity Capital	27.9	33.6	30.9	33.4	27.8	27.8	27.8
Reported Common Book Value Per Share (a)	\$25.54	\$29.36	\$27.27	\$29.08	\$24.25	\$31.31	\$24.27
Normalized Earnings Statistics:							
2010E Earnings Per Share (a)	\$4.13	\$3.28	\$3.88	\$3.88	\$4.28	\$5.85	\$4.28
% Accretion / (Dilution)		(20%)	(6%)	(6%)	4%	42%	4%
2010E Operating ROE	15.3%	11.2%	13.8%	13.0%	14.4%	15.0%	14.4%
FYE 2010 Illustrative Share Price (b):							
(Normalized Earnings/Returns [2010E NI = \$3.3bn])							
Green Share Price	\$41.68	\$32.89	\$36.58	\$37.17	\$44.04	\$54.13	\$41.39
Cash Value + CVS Per Share (Today)	--	--	--	--	20.00	20.00	23.50
SpinCo/CVS Share Price [80% Gross; 44% CVS Net]	--	--	--	--	--	--	5.50
Aggregate FYE 2010 Share Price/Investor % IRR (Go Private)	\$41.68	\$32.89	\$36.58	\$37.17	48%	65%	52%
FYE 2010 Illustrative Share Price (b):							
(Earnings/Returns [2010E NI = \$2.6bn/\$2.0bn])							
Green Share Price	\$28.32	\$26.41	\$30.10	\$30.69	\$36.82	\$44.17	\$40.82
Cash Value + CVS Per Share (Today)	--	--	--	--	20.00	20.00	23.50
SpinCo/CVS Share Price [80% Gross; 44% CVS Net]	--	--	--	--	--	--	5.50
Aggregate FYE 2010 Share Price/Investor % IRR (Go Private)	\$28.32	\$26.41	\$30.10	\$30.69	36%	49%	51%

Source: Company filings and equity research reports.

- (a) Going private Green share price calculated assuming a total number of shares based on 190 million employee shares and employee ownership percentage as per each scenario. IRR assumes transaction close at FYE 2008. Assumes 706.7 million base share count at 11/30/08 and 799.7 million share count at FYE 2010 plus incremental shares issued in capital raise for share price, earnings per share and book value per share purposes. Excludes the dilution effect of in-the-money options, if any.
- (b) Net income from Green based on ROE of 14%, 11% and 8%, respectively for net income of \$3.3bn, \$2.4bn and \$2.0bn.
- (c) Pro forma for capital raise since 2Q'08 and \$23.8 billion reduction in asset levels per management assuming \$7.7 billion pre-tax (\$5.0 billion after-tax) loss on asset sales.
- (d) All cash going private scenarios accounted for under recap accounting.

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Green Strategic Alternatives — Summary Observations

GREEN CRITERIA	STATUS QUO	CRE SPINOFF			CVS + \$4BN	SALE OF IMD			GO PRIVATE		
		ONLY	50% IMD SALE W/FASB 159 ACCT	WITH \$4BN RAISE		100% SALE	49% SALE W/ CONSOL	51% SALE W/ FASB 159 ACCT	\$20.00 CASH 12.0% TIER 1 75% NEW INV.	\$29.00 CASH 51% IMD SALE + FASB 159 63% NEW INV.	\$18.00 CASH + \$12.51 CVS 12.0% TIER 1 76% NEW INV.
BALANCE SHEET											
EARNINGS POWER/ROI											
PERCEIVED BUSINESS MIX											
TRANSACTION/OPERATING EXECUTION RISK											
COMMENTS	<ul style="list-style-type: none"> Full exposure to CRE Market expecting action 	<ul style="list-style-type: none"> Eliminates CRE exposure to franchise Probable rating agency downgrade Leverage and capital likely not feasible following spinoff only Under \$4bn raise scenario, dilutive equity offering IMD sale results in loss of stable/valuable IM earnings Multiple transactions 	<ul style="list-style-type: none"> Eliminates CRE exposure to franchise CVS facilitates capital raise Dilutive equity offering Trading of CVS? CVS oversight 	<ul style="list-style-type: none"> Loss or partial loss of stable/valuable IM earnings Full exposure to CRE Timing required 	<ul style="list-style-type: none"> CVS eliminates CRE exposure to franchise IMD sale results in loss of stable/valuable IM earnings Trading of CVS? Requires large equity investment without sale of IMD Multiple transactions CVS facilitates capital raise CVS oversight 						
<p> Least desirable Less desirable Desirable More desirable Most desirable </p>											

Select Publicly Traded Broker-Dealer Comparables

(\$ in millions)

	Green (a)	Goldman Sachs	Merrill Lynch (b)	Morgan Stanley	Peer Universe	
					Mean	Median
Market Statistics:						
Share Price (8/8/08)	\$18.62	\$175.95	\$26.87	\$45.04		
As % 52-Week High	28%	71%	34%	65%	57%	65%
As % 52-Week Low	150%	117%	110%	145%	124%	117%
Fully Diluted Market Capitalization	\$12,930	\$72,791	\$41,150	\$51,258		
Price as a Multiple of:						
2008E Calendarized EPS (c)	NM	10.4x	NM	9.6x	2.6x	3.5x
2009E Calendarized EPS (c)	4.9x	8.7	9.9x	7.8	8.8	8.7
2010E Calendarized EPS (c)	4.5	8.1	8.7	6.7	7.8	8.1
Reported Common Book Value	0.57x	1.80x	1.27x	1.50x	1.52x	1.56x
Tangible Common Book Value	0.69	2.07	1.51	1.69	1.76	1.69
Other Statistics:						
2008E ROE (b)	NM	17.4%	NM	15.2%	(2.8%)	4.8%
2009E ROE (b)	12.1%	18.2%	13.5%	16.4%	16.3%	16.4%
2010E ROE (b)	13.7%	16.9%	11.3%	17.2%	15.1%	16.9%
IBES LTG	10.5%	14.0%	12.0%	12.2%	12.7%	12.2%
Tier 1 Capital Ratio	13.5%	10.8%	11.0%	12.4%	11.4%	11.6%
Gross Leverage	20.0x	24.3x	23.7x	25.1x	24.4x	24.3x
Net Leverage	10.1	14.7	14.1	14.1	14.3	14.1
Capital Raise since 3Q '07	\$14,902	\$0	\$25,800	\$5,579		
% of Equity (2Q '08)	57%	0%	63%	14%		
Write-downs since 3Q '07	\$10,830	\$4,485	\$29,700	\$11,700		
% of Assets (2Q '07)	1.7%	0.5%	2.8%	1.0%		

Source: Company filings, press releases and equity research.

(a) Pro forma for capital raise since 2Q'08.

(b) Includes expected write-downs in 3Q '08 for Merrill Lynch.

(c) Based on IBES median consensus.

Select Comparable Operating Statistics

(\$ in millions)

	Green (c)	Goldman Sachs	Merrill Lynch (b)	Morgan Stanley
Balance Sheet Statistics:				
Reported Common Book Value	\$23,287	\$41,718	\$32,304	\$33,393
Tangible Common Book Value	19,186	36,441	27,246	29,503
Common Book Value Per Share	\$32.95	\$97.49	\$21.09	\$30.11
Tangible Common Book Value Per Share	27.15	85.16	17.79	26.60
Gross Leverage	20.0x	24.3x	23.7x	25.1x
Net Leverage	10.1x	14.7x	14.1x	14.1x
Tier 1 Capital Ratio	13.5%	10.8%	11.0%	12.4%
Total Risk-Based Capital Ratio	18.8%	14.2%	17.5%	18.6%
Net Assets	\$333,778	\$653,514	\$575,395	\$579,124
Total Assets	645,436	1,088,145	972,502	1,031,228
Tangible Equity Capital	33,183	44,541	40,776	41,070
Total Stockholders' Equity	32,280	44,818	41,070	41,070
Earnings Statistics (IBES Median):				
2009E Calendarized EPS	\$3.79	\$20.14	\$2.72	\$5.81
2009E Operating ROE	12.1%	18.2%	13.5%	16.4%
Issuer Credit Ratings (Outlook) (c):				
S&P	A (ON)	AA- (ON)	A (ON)	A+ (ON)
Moody's	A2 (ON)	Aa3 (OS)	A2 (OS)	Aa3 (WN)

Source: Company filings and press releases.

(a) Pro forma for capital raise since 2Q'08.

(b) Includes expected write-downs in 3Q '08 for Merrill Lynch.

(c) ON - Outlook Negative; OS - Outlook Stable; WN - Watch Negative.