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Subject: Meeting Materials.

Please note that changes may be made. If so, Les Gorman will provide new docs. Thanks.

DRAFT

DISCUSSION MATERIALS

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# 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   |
|                 | Pre-tax loss on asset sale   | 4,100      |
|                 | After-tax loss on asset sale   | 2,800      |
|                 | 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%        |
| SALE OF IMD     | CRE asset write-down over time   | 25%        |
|                 | 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        |
| EMPLOYEE SHARES | Total IMD book value   | \$4,369    |
|                 | No book or cash tax on sale proceeds due to capital loss NOLs                                      |            |
|                 | Vested, saleable shares owned by employees [Not rolled over] (million)                             | 31         |
|                 | RSUs in trust (million)  | 97         |
| GOING PRIVATE   | Post 2007 RSUs subject to 18 month vesting post change of control (million)                        | 71         |
|                 | Performance Stock Units (million)  | 22         |
|                 | 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                           |            |
|                 | Target new investor ownership in Green   | 49.9%      |

## Green Strategic Alternatives – Key Summary Financial Metrics

(\$ in billions, except per share amounts)

|   | Status Quo<br>5/31/08 (b) | Pro Forma<br>8/31/08 (a) | CRE Spin-off |                             | \$3bn Raise |                     |
|---|---------------------------|--------------------------|--------------|-----------------------------|-------------|---------------------|
|   |                           |                          | Only         | With<br>50% IMD<br>FASB 159 | CRE         | CVS<br>Consolidated |
| <b>Balance Sheet Statistics:</b>                          |                           |                          |              |                             |             |                     |
| New Third-Party Capital Raised                            | --                        | --                       | --           | --                          | \$4.0       | \$4.0               |
| Balance Sheet Cash Used                                   | --                        | --                       | --           | --                          | --          | --                  |
| Net Leverage  | 10.1x                     | 10.2x                    | 14.7x        | 11.7x                       | 12.5x       | 9.1x                |
| Tier 1 Capital Ratio                                      | 13.5%                     | 13.3%                    | 9.2%         | 12.4%                       | 11.4%       | 15.3%               |
| Pre-Tax Charge to Breakeven                               |                           |                          | --           | --                          | --          | \$7.7               |
| Net Assets  | \$333.8                   | \$310.0                  | \$300.0      | \$305.8                     | \$304.0     | \$314.0             |
| Tangible Equity Capital                                   | 33.2                      | 30.4                     | 20.4         | 26.2                        | 24.4        | 34.4                |
| Reported Common Book Value Per Share (a)                  | \$32.95                   | \$28.99                  | \$14.84      | \$18.80                     | \$15.51     | \$26.22             |
| <b>Normalized Earnings Statistics:</b>                    |                           |                          |              |                             |             |                     |
| 2009E Earnings Per Share (a)                              | \$3.68                    | \$3.68                   | \$3.68       | \$3.55                      | \$2.91      | \$2.91              |
| % Accretion / (Dilution)                                  |                           |                          | 0%           | (3%)                        | (21%)       | (21%)               |
| 2009E Operating ROE                                       | 10.5%                     | 11.7%                    | 21.4%        | 16.8%                       | 16.9%       | 10.3%               |
| <b>FYE 2010 Illustrative Share Price (a):</b>             |                           |                          |              |                             |             |                     |
| <b>(Normalized Earnings/Returns)</b>                      |                           |                          |              |                             |             |                     |
| Green Share Price   |                           | \$48.84                  | \$43.53      | \$38.83                     | \$35.45     | \$45.44             |
| Cash Value + CVS Per Share (Today)                        |                           | --                       | --           | --                          | --          | --                  |
| SpinCo/ CVS Share Price [75% Gross; 38% CRE, 28% CVS Net] |                           | --                       | 5.40         | 5.40                        | 5.40        | 3.89                |
| Aggregate FYE 2010 Share Price                            |                           | \$48.84                  | \$48.93      | \$44.22                     | \$40.84     | \$49.33             |
| <b>FYE 2010 Illustrative Share Price (a):</b>             |                           |                          |              |                             |             |                     |
| <b>(Risk-Adjusted Earnings/Returns)</b>                   |                           |                          |              |                             |             |                     |
| Green Share Price   |                           | \$33.72                  | \$28.41      | \$31.50                     | \$29.30     | \$39.30             |
| Cash Value + CVS Per Share (Today)                        |                           | --                       | --           | --                          | --          | --                  |
| SpinCo/ CVS Share Price [75% Gross; 38% CRE, 28% CVS Net] |                           | --                       | 5.40         | 5.40                        | 5.40        | 3.89                |
| Aggregate FYE 2010 Share Price                            |                           | \$33.72                  | \$33.80      | \$36.89                     | \$34.70     | \$43.19             |

Source: Company filings and equity research reports.

(a) Assumes share count equal to 706.7 million shares plus incremental shares issued in capital raise. Excludes the dilution effect of in-the-money options, if any.

(b) Status quo adjusted for capital raise since 2Q'08. Pro forma reflects \$23.8 billion reduction in asset levels per management assuming \$4.1 billion pre-tax (\$2.8 billion after-tax) loss on asset sales.

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

(\$ in billions, except per share amounts)

|  | Pro<br>Forma<br>5/31/08 (b) | Sell IMD                      |                              | Green Go Private (c)                          |  |  |   |         |
|--|-----------------------------|-------------------------------|------------------------------|---|--|--|---|---------|
|  |                             | 49% Sale<br>With<br>100% Sale | 51% Sale<br>With<br>PASC 159 | \$19.30 Cash<br>9.2% Tier 1<br>49.9% New Inv. | \$19.30 Cash<br>11.0% Tier 1<br>66.4% New Inv. | \$19.30 Cash<br>51% IMD Sale<br>+ PASC 159<br>49.9% New Inv. | \$15.00 Cash<br>+ 38.19 CVS<br>11.0% Tier 1<br>61.9% New Inv. |         |
| <b>Balance Sheet Statistics:</b>                           |                             |                               |                              |   |  |  |   |         |
| New Third-Party Capital Raised                             | --                          | --                            | --                           | --  | \$3.7  | \$7.2  | \$3.7   | \$4.6   |
| Balance Sheet Cash Used                                    | --                          | --                            | --                           | --  | 8.1  | 4.5  | 5.1   | 4.5     |
| Net Leverage   | 10.2x                       | 8.7x                          | 9.4x                         | 8.7x  | 13.6x  | 11.8x  | 10.9x   | 11.8x   |
| Tier 1 Capital Ratio                                       | 13.3%                       | 16.4%                         | 14.8%                        | 16.2%   | 9.2%   | 11.0%  | 12.1%   | 11.0%   |
| Pre-Tax Charge to Breakeven                                |                             | \$11.9                        | \$5.7                        | \$11.2  | --   | --   | --  | --      |
| Net Assets   | \$310.0                     | \$316.1                       | \$312.9                      | \$315.8                                       | \$301.9  | \$305.5  | \$304.7   | \$305.5 |
| Tangible Equity Capital                                    | 30.4                        | 36.5                          | 33.3                         | 36.2  | 22.3   | 25.9   | 28.1  | 25.9    |
| Reported Common Book Value Per Share (a)                   | \$28.99                     | \$33.42                       | \$30.93                      | \$32.95                                       | \$19.39  | \$24.47  | \$23.35   | \$24.47 |
| <b>Normalized Earnings Statistics:</b>                     |                             |                               |                              |   |  |  |   |         |
| 2009E Earnings Per Share (a)                               | \$3.68                      | \$3.09                        | \$3.54                       | \$3.55  | \$3.49   | \$3.64   | \$3.36  | \$3.64  |
| % Accretion / (Dilution)                                   |                             | (16%)                         | (4%)                         | (3%)  | (5%)   | (1%)   | (9%)  | (1%)    |
| 2009E Operating ROE  | 11.7%                       | 8.8%                          | 10.7%                        | 10.1%   | 15.7%  | 13.2%  | 12.9%   | 13.6%   |
| <b>FYE 2010 Illustrative Share Price (a):</b>              |                             |                               |                              |   |  |  |   |         |
| <b>(Normalized Earnings/Returns)</b>                       |                             |                               |                              |   |  |  |   |         |
| Green Share Price  | \$48.84                     | \$38.94                       | \$43.03                      | \$43.78                                       | \$82.49  | \$59.27  | \$73.72   | \$64.03 |
| Cash Value + CVS Per Share (Today)                         | --                          | --                            | --                           | --  | 19.30  | 19.30  | 19.30   | 17.25   |
| SpinCo/CVS Share Price [75% Gross; 28% CVS Net]            | --                          | --                            | --                           | --  | --   | --   | --  | 2.25    |
| Aggregate FYE 2010 Share Price/Investor % IRR (Go Private) | \$48.84                     | \$38.94                       | \$43.03                      | \$43.78                                       | 107%   | 75%  | 95%   | 107%    |
| <b>FYE 2010 Illustrative Share Price (a):</b>              |                             |                               |                              |   |  |  |   |         |
| <b>(Risk-Adjusted Earnings/Returns)</b>                    |                             |                               |                              |   |  |  |   |         |
| Green Share Price  | \$33.72                     | \$31.61                       | \$35.70                      | \$36.45                                       | \$54.30  | \$49.12  | \$60.06   | \$63.12 |
| Cash Value + CVS Per Share (Today)                         | --                          | --                            | --                           | --  | 19.30  | 19.30  | 19.30   | 17.25   |
| SpinCo/CVS Share Price [75% Gross; 28% CVS Net]            | --                          | --                            | --                           | --  | --   | --   | --  | 2.25    |
| Aggregate FYE 2010 Share Price/Investor % IRR (Go Private) | \$33.72                     | \$31.61                       | \$35.70                      | \$36.45                                       | 68%  | 60%  | 76%   | 105%    |

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 share count 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) Pro forma for capital raise since 2Q'08 and \$23.8 billion reduction in asset levels per management assuming \$4.1 billion pre-tax (\$2.8 billion after-tax) loss on asset sales.
- (c) All cash going private scenarios accounted for under recap accounting.

## Green Strategic Alternatives — Summary Observations

| GREEN CRITERIA                       | STATUS QUO  | CRE SPINOFF   |   |  | CVS + \$4BN   | SALE OF IMD |                     |                           | GO PRIVATE   |                |                           |     |
|--------------------------------------|---|---|---|--|---|-------------|---------------------|---------------------------|--------------|----------------|---------------------------|-----|
|                                      |   | ONLY  | WITH \$4BN RAISE  | WITH 100% IMD SALE   |   | 100% SALE   | 49% SALE W/ CONSOL. | 51% SALE W/ PASB 159 ACCT | \$19.3B CASH |                | 51% SALE W/ PASB 159 ACCT | CVS |
|                                      |   |   |   |  |   |             |                     |                           | 9.2% TIER 1  | 11.0% TIER 1   |                           |     |
| BALANCE SHEET                        |   |   |   |  |   |             |                     |                           |              |                |                           |     |
| EARNINGS POWER/ROE                   |   |   |   |  |   |             |                     |                           |              |                |                           |     |
| PERCEIVED BUSINESS MIX               |   |   |   |  |   |             |                     |                           |              |                |                           |     |
| TRANSACTION/OPERATING EXECUTION RISK |   |   |   |  |   |             |                     |                           |              |                |                           |     |
| COMMENTS                             | <ul style="list-style-type: none"> <li>Full exposure to CRE</li> <li>Market expecting action</li> </ul> | <ul style="list-style-type: none"> <li>Eliminates CRE exposure to franchise</li> <li>Probable rating agency downgrade</li> <li>Leverage and capital likely not feasible following spinoff only</li> <li>Under \$4bn raise scenario, dilutive equity offering</li> <li>IMD sale results in loss of stable/valuable IM earnings</li> <li>Multiple transactions</li> </ul> | <ul style="list-style-type: none"> <li>Eliminates CRE exposure to franchise</li> <li>CVS facilitates capital raise</li> <li>Dilutive equity offering</li> <li>Trading of CVS?</li> <li>CVS oversight</li> </ul> | <ul style="list-style-type: none"> <li>Loss or partial loss of stable/valuable IM earnings</li> <li>Full exposure to CRE</li> <li>Timing required</li> </ul> | <ul style="list-style-type: none"> <li>CVS eliminates CRE exposure to franchise</li> <li>IMD sale results in loss of stable/valuable IM earnings</li> <li>Trading of CVS?</li> <li>Requires large equity investment without sale of IMD</li> <li>Multiple transactions</li> <li>CVS facilitates capital raise</li> <li>CVS oversight</li> </ul> |             |                     |                           |              |                |                           |     |
|                                      |   | Least desirable   |   | Less desirable   |   | Desirable   |                     | More desirable            |              | Most desirable |                           |     |

## Select Publicly Traded Broker-Dealer Comparables

(\$ in millions)

|                                     | Green (a) | Goldman Sachs | Merrill Lynch (b) | Morgan Stanley | Peer Universe |        |
|-------------------------------------|-----------|---------------|-------------------|----------------|---------------|--------|
|                                     |           |               |                   |                | Mean          | Median |
| <b>Market Statistics:</b>           |           |               |                   |                |               |        |
| Share Price (8/5/08)                | \$20.24   | \$180.77      | \$28.22           | \$43.20        |               |        |
| As % 52-Week High                   | 31%       | 73%           | 36%               | 63%            | 57%           | 63%    |
| As % 52-Week Low                    | 163%      | 120%          | 116%              | 139%           | 125%          | 128%   |
| Fully Diluted Market Capitalization | \$14,055  | \$74,785      | \$43,218          | \$49,164       |               |        |
| <b>Price as a Multiple of:</b>      |           |               |                   |                |               |        |
| 2008E Calendarized EPS (c)          | NM        | 10.7x         | NM                | 9.2x           | 2.4x          | 3.3x   |
| 2009E Calendarized EPS (c)          | 5.3x      | 9.0           | 10.4x             | 7.4            | 8.9           | 9.0    |
| 2010E Calendarized EPS (c)          | 4.9       | 8.3           | 9.1               | 6.4            | 8.0           | 8.3    |
| Reported Common Book Value          | 0.61x     | 1.85x         | 1.34x             | 1.43x          | 1.54x         | 1.43x  |
| Tangible Common Book Value          | 0.75      | 2.12          | 1.59              | 1.62           | 1.78          | 1.62   |
| <b>Other Statistics:</b>            |           |               |                   |                |               |        |
| 2008E ROE (b)                       | NM        | 17.4%         | NM                | 15.2%          | (2.6%)        | 4.0%   |
| 2009E ROE (b)                       | 12.1%     | 18.2%         | 13.5%             | 16.4%          | 16.0%         | 16.4%  |
| 2010E ROE (b)                       | 13.7%     | 16.9%         | 11.6%             | 17.2%          | 15.2%         | 16.9%  |
| IBES LTG                            | 10.5%     | 14.0%         | 12.0%             | 12.2%          | 12.7%         | 12.2%  |
| Tier 1 Capital Ratio                | 13.3%     | 10.8%         | 11.0%             | 12.4%          | 11.4%         | 11.0%  |
| Gross Leverage                      | 21.1x     | 24.3x         | 23.7x             | 25.1x          | 24.4x         | 24.3x  |
| Net Leverage                        | 10.2      | 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 and \$23.8 billion reduction in asset levels per management assuming \$4.1 billion pre-tax (\$2.8 billion after-tax) loss on asset sales.  
 (b) Includes expected write-downs in 3Q '08 for Merrill Lynch.  
 (c) Based on IBES median consensus.

## Select Comparable Operating Statistics

(\$ in millions)

|   | Green (a) | Goldman Sachs | Merrill Lynch (b) | Morgan Stanley |
|---|-----------|---------------|-------------------|----------------|
| <b>Balance Sheet Statistics:</b>            |           |               |                   |                |
| Reported Common Book Value                  | \$20,487  | \$41,718      | \$32,304          | \$33,393       |
| Tangible Common Book Value                  | 16,386    | 36,441        | 27,246            | 29,503         |
| Common Book Value Per Share                 | \$28.99   | \$97.49       | \$21.09           | \$30.11        |
| Tangible Common Book Value Per Share        | 23.19     | 85.16         | 17.79             | 26.60          |
| Gross Leverage                              | 21.1x     | 24.3x         | 23.7x             | 25.1x          |
| Net Leverage                                | 10.2x     | 14.7x         | 14.1x             | 14.1x          |
| Liquidity Position                          | \$45,000  | \$87,756      | \$98,292          | \$135,000      |
| Tier 1 Capital Ratio                        | 13.3%     | 10.8%         | 11.0%             | 12.4%          |
| Total Risk-Based Capital Ratio              | 19.1%     | 14.2%         | 17.5%             | 18.6%          |
| Net Assets                                  | \$310,000 | \$653,514     | \$575,395         | \$579,124      |
| Total Assets                                | 621,658   | 1,088,145     | 972,502           | 1,031,228      |
| Tangible Equity Capital                     | 30,383    | 44,541        | 40,776            | 41,070         |
| Total Stockholders' Equity                  | 29,480    | 44,818        | 41,070            | 41,070         |
| <b>Earnings Statistics (IBES Median):</b>   |           |               |                   |                |
| 2009E Calendarized EPS                      | \$3.79    | \$20.14       | \$2.72            | \$5.81         |
| 2009E Operating ROE                         | 12.1%     | 18.2%         | 13.5%             | 16.4%          |
| <b>Issuer Credit Ratings (Outlook) (c):</b> |           |               |                   |                |
| 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 and \$23.8 billion reduction in asset levels per management assuming \$4.1 billion pre-tax (\$2.8 billion after-tax) loss on asset sales.  
 (b) Includes expected write-downs in 3Q '08 for Merrill Lynch.  
 (c) ON - Outlook Negative; OS - Outlook Stable; WN - Watch Negative.