

<i>\$ millions</i>	2007		% Change	2006 Actual	% Change
	2007 Forecast	Downturn Scenario			
Revenues	19,650	<b>12,508</b>	-36%	17,583	-29%
Fixed PE	5,421	<b>5,103</b>	-6%	3,879	32%
Variable PE	4,266	<b>2,547</b>	-40%	4,790	-47%
Total Personnel Expense	9,687	<b>7,650</b>	-21%	8,669	-12%
Fixed NPE	2,750	<b>2,295</b>	-17%	2,380	-4%
Variable NPE	750	<b>477</b>	-36%	629	-24%
Total NPE	3,500	<b>2,772</b>	-21%	3,009	-8%
Pretax Income	6,463	<b>2,085</b>	-68%	5,905	-65%
Tax	2,152	<b>626</b>	-71%	1,944	-68%
Cumulative effect of accounting change	-	-		47	
Net Income	4,311	<b>1,460</b>	-66%	4,007	-64%
Preferred Dividends	66	<b>66</b>	0%	66	0%
Net Income to Common	4,245	<b>1,394</b>	-67%	3,941	-65%
Average common equity	19,695	<b>17,238</b>	-12%	16,876	2%
Average common tangible equity	16,363	<b>13,938</b>	-15%	13,564	3%
Additional share buyback		<b>2,000</b>			
Compensation / Revenue	49.3%	<b>61.2%</b>	11.9 pct.	49.3%	11.9 pct.
NPE / Revenue	17.8%	<b>22.2%</b>	4.4 pct.	17.1%	5.1 pct.
Pretax Margin	32.9%	<b>16.7%</b>	-16.2 pct.	33.6%	-16.9 pct.
Effective Tax Rate	33.3%	<b>30.0%</b>	-3.3 pct.	32.9%	-2.9 pct.
Net Margin	21.9%	<b>11.7%</b>	-10.3 pct.	22.8%	-11.1 pct.
ROE	21.6%	<b>8.1%</b>	-13.5 pct.	23.4%	-15.3 pct.
ROTE	25.9%	<b>10.0%</b>	-15.9 pct.	29.1%	-19.1 pct.

	\$ millions	2007 Budget	Stress Scenario	Non-risk revenue losses		\$ millions	2006 Forecast	Stress Scenario	Non-risk revenue losses		\$ millions	2007 Budget	Base Case	Stressed Revenues	% Change vs. 2007
IBD:	Advisory	1,250	-20%	(250)	IBD:	Advisory	940	-20%	(188)	IBD:	Advisory	1,250	1,024	819	(34)%
	Underwriting	2,450	-10%	(245)		Underwriting	2,398	-10%	(240)		Underwriting	2,450	3,292	2,963	21%
	<b>Total</b>	<b>3,700</b>		<b>(495)</b>		<b>Total</b>	<b>3,338</b>		<b>(428)</b>		<b>Total</b>	<b>3,700</b>	<b>4,316</b>	<b>3,782</b>	2%
FID:	PTG	710			FID:	PTG	1,000			FID:	PTG	710	1,000	1,000	41%
	Prop Trading	280				Prop Trading	327				Prop Trading	280	327	327	17%
	In Business	150				In Business	325				In Business	150	325	325	117%
	Proprietary / Principal	1,140				Proprietary / Principal	1,652				Proprietary / Principal	1,140	1,652	1,652	45%
	Secondary Client	6,520	-10%	(652)		Secondary Client	5,536	-10%	(554)	-24%	(1,538)	6,520	5,536	4,982	(24)%
	Mortgage originations	1,375	-15%	(206)		Mortgage originations	1,017	-15%	(153)		Mortgage originations	1,375	1,017	864	(37)%
	Total Secondary	9,035		(858)		Total Secondary	8,205		(706)		Total Secondary	9,035	8,205	7,499	(17)%
	Banking revenues (incl. in IBD)	765				Banking revenues	824				Banking revenues	765	824	824	8%
	<b>Total FID</b>	<b>9,800</b>				<b>Total FID</b>	<b>9,029</b>				<b>Total FID</b>	<b>9,800</b>	<b>9,029</b>	<b>8,323</b>	(15)%
EQU:	Equity Strategies	275			EQU:	Equity Strategies	225			EQU:	Equity Strategies	275	96	96	(65)%
	In business	250				In business	488				In business	250	644	644	158%
	Proprietary / Principal	525				Proprietary / Principal	713				Proprietary / Principal	525	740	740	41%
	Secondary clients	3,515	-10%	(352)		Secondary clients	2,913	-10%	(291)	-25%	(893)	3,515	2,872	2,585	(26)%
	Total Secondary	4,040				Total Secondary	3,626				Total Secondary	4,040	3,612	3,325	(18)%
	Banking revenues (incl. in IBD)	460				Banking revenues	406				Banking revenues	460	448	448	(3)%
	<b>Total Equities</b>	<b>4,500</b>				<b>Total Equities</b>	<b>4,032</b>				<b>Total Equities</b>	<b>4,500</b>	<b>4,060</b>	<b>3,773</b>	(16)%
IMD:	Private Equity	138			IMD:	Private Equity	127			IMD:	Private Equity	138	284	284	106%
	Asset Management	73				Asset Management	102				Asset Management	73	200	200	174%
	Proprietary / Principal	211				Proprietary / Principal	229				Proprietary / Principal	211	484	484	129%
	Fees & Other	1,589	-10%	(159)		Fees & Other	1,424	-10%	(142)		Fees & Other	1,589	1,344	1,210	(24)%
	<b>Total IMD</b>	<b>1,800</b>				<b>Total IMD</b>	<b>1,653</b>				<b>Total IMD</b>	<b>1,800</b>	<b>1,828</b>	<b>1,694</b>	(6)%
GTS:	<b>GTS Total</b>	<b>400</b>			GTS:	<b>GTS Total</b>	<b>418</b>			GTS:	<b>GTS Total</b>	<b>400</b>	<b>508</b>	<b>508</b>	27%
GPS:	<b>GPS Total</b>	<b>400</b>			GPS:	<b>GPS Total</b>	<b>159</b>			GPS:	<b>GPS Total</b>	<b>400</b>	<b>456</b>	<b>456</b>	14%
OTH:	<b>Non-Core Total</b>	<b>275</b>	0%	-	OTH:	<b>Non-Core Total</b>	<b>184</b>	0%	-	OTH:	<b>Non-Core Total</b>	<b>275</b>	<b>(176)</b>	<b>(176)</b>	(164)%
<b>FIRM:</b>	<b>Total Firm</b>	<b>19,650</b>		<b>(1,864)</b>	<b>FIRM:</b>	<b>Total Firm</b>	<b>17,583</b>		<b>(1,568)</b>	16,015	<b>FIRM: Total Firm</b>	<b>19,650</b>	<b>18,749</b>	<b>17,087</b>	(13)%
		\$ Millions	% Total				\$ Millions	% Total				\$ Millions	\$ Millions	\$ Millions	
FYI:	Proprietary / Principal	2,676	14%		FYI:	Proprietary / Principal	3,171	18%		FYI:	Proprietary / Principal	2,676	3,840	3,840	
	Advisory	1,250	6%			Advisory	940	5%			Advisory	1,250	1,024	819	
	Underwriting	2,450	12%			Underwriting	2,398	14%			Underwriting	2,450	3,292	2,963	
	Mortgage Origination	1,375	7%			Mortgage Origination	1,017	6%			Mortgage Origination	1,375	1,017	864	
	Client Revenues	10,035	51%			Client Revenues	8,449	48%			Client Revenues	10,035	8,408	7,567	
	AM Fees & Other	1,589	8%			AM Fees & Other	1,424	8%			AM Fees & Other	1,589	1,344	1,210	
	Non-Core	275	1%			Non-Core	184	1%			Non-Core	275	(176)	(176)	
	<b>Total</b>	<b>19,650</b>	<b>100%</b>			<b>Total</b>	<b>17,583</b>	<b>100%</b>			<b>Total</b>	<b>19,650</b>	<b>18,749</b>	<b>17,087</b>	

\$ millions except per share data

	<u>2007</u>		<u>2007</u>
<b>Total Revenues</b>	<b>12,508</b>	<b>2007 Budgeted Revenues</b>	<b>19,650</b>
Personnel Expense	7,650	Client, Origination, Banking Revenue Loss	(3,349)
Non Personnel Expense	<u>2,772</u>	<b>Total Revenues Before Risk Losses</b> <sup>1,2</sup>	<b>16,301</b>
<b>Pretax Income</b>	<b>2,085</b>	Minimum Revenue Level Required	<u>12,508</u>
Income Tax	<u>626</u>	<b>Proposed Risk Appetite Limit</b>	<b>3,793</b>
<b>Net Income</b>	<b>1,460</b>		
Average Quarterly Revenue in Downturn Scenario	3,127	Average Qtr Revenue Before Risk Losses	4,075

*Performance Indicators*

Earnings per Share	\$2.42
PE / Revenue	61.2%
NPE / Revenue	22.2%
Pretax Margin	16.7%
Effective Tax Rate	30.0%
<b>Return on Equity</b>	<b>8.1%</b>
Return on Tangible Equity	10.0%

*Three Year Quarterly Revenue Trend*

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Q1	4,461	3,810	3,144
Q2	4,411	3,278	2,926
Q3	4,178	3,852	2,623
Q4	4,533	3,690	2,883

<i>\$ millions</i>	2007 Revenue Downturn	2006 Forecast	2007 vs. 2006
Fixed Income	8,323	9,029	(8)%
Equities	3,741	4,032	(7)%
Investment Banking	2,910	3,338	(13)%
Investment Management	1,511	1,653	(9)%
Global Trading Strategies	418	418	-
Global Principal Strategies	159	159	-
Other	(1,046)	(1,045)	-
<b>Total</b>	<b>16,015</b>	<b>17,583</b>	<b>(9)%</b>

<i>\$ millions</i>	<i>Average Usage</i> <sup>1</sup>				<i>YE '06</i>	<i>12/29</i>	<i>Limit</i>	
	<i>1Q06</i>	<i>2Q06</i>	<i>3Q06</i>	<i>4Q06</i>			<i>2006</i>	<i>2007</i>
Fixed Income	953	922	1,203	1,489	1,611	1,649	1,625	2,200
Equities	398	436	357	392	382	647	550	800
Capital Markets Prime Services <sup>2</sup>	-	-	75	85	71	106	100	150
Investment Management	235	267	303	384	451	454	325	450
Global Trading Strategies	189	249	296	349	392	352	450	450
Global Principal Strategies <sup>3</sup>	-	-	149	171	196	212	300	450
Principal Investing / IBD	-	-	-	-	87	65	-	100
Strategic Investing						20		150
Diversification	(477)	(584)	(755)	(818)	(913)	(885)	(1,050)	(1,450)
<b>Total</b>	<b>1,298</b>	<b>1,290</b>	<b>1,628</b>	<b>2,052</b>	<b>2,277</b>	<b>2,535</b>	<b>2,300</b>	<b>3,300</b>

	<b>1998</b>	<b>2001</b>	<b>2002</b>
<i>Return on Equity</i>			
LEH	15.2%	15.9%	11.2%
MS	24.5%	18.5%	14.1%
MER	13.4%	2.7%	11.7%
BSC	21.7%	13.7%	18.1%
GS		13.0%	11.3%

<i>Comp &amp; Benefits Ratio</i>			
LEH	50.7%	51.0%	51.0%
MS	41.0%	42.4%	41.5%
MER	52.3%	51.5%	50.7%
BSC	48.2%	51.5%	48.9%
GS		48.7%	48.2%

		2006			Stress Sceanario	Non-risk revenue losses	Stressed Revenues	% Change vs. 2007
		2007 Budget	Forecast	Base Case				
IBD:	Advisory	1,250	940	1,250	-20%	(250)	1,000	(20)%
	Underwriting	2,450	2,398	2,450	-10%	(245)	2,205	(10)%
	<b>Total IBD</b>	<b>3,700</b>	<b>3,338</b>	<b>3,700</b>		<b>(495)</b>	<b>3,205</b>	<b>(13)%</b>
FID:	PTG	710	1,000	710			710	0%
	Prop Trading	280	327	280			280	0%
	In Business	150	325	150			150	0%
	Proprietary / Principal	1,140	1,652	1,140			1,140	0%
	Secondary Client	6,520	5,536	6,520	-10%	(652)	5,868	(10)%
	Mortgage originations	1,375	1,017	1,375	-15%	(206)	1,169	(15)%
	Total Secondary	9,035	8,205	9,035		(858)	8,177	(9)%
	Banking revenues	765	824	765			765	0%
<b>Total FID</b>	<b>9,800</b>	<b>9,029</b>	<b>9,800</b>			<b>8,942</b>	<b>(9)%</b>	
EQU:	Equity Strategies	275	225	275			275	0%
	In business	250	488	250			250	0%
	Proprietary / Principal	525	713	525			525	0%
	Secondary clients	3,515	2,913	3,515	-10%	(352)	3,164	(10)%
	Total Secondary	4,040	3,626	4,040			3,689	(9)%
	Banking revenues	460	406	460			460	0%
<b>Total Equities</b>	<b>4,500</b>	<b>4,032</b>	<b>4,500</b>			<b>4,149</b>	<b>(8)%</b>	
IMD:	Private Equity	138	127	138			138	0%
	Asset Management	73	102	73			73	0%
	Proprietary / Principal	211	229	211			211	0%
	Fees & Other	1,589	1,424	1,589	-10%	(159)	1,430	(10)%
<b>Total IMD</b>	<b>1,800</b>	<b>1,653</b>	<b>1,800</b>			<b>1,641</b>	<b>(9)%</b>	
GTS:	<b>Total GTS</b>	<b>400</b>	<b>418</b>	<b>400</b>			<b>400</b>	<b>0%</b>
GPS:	<b>Total GPS</b>	<b>400</b>	<b>159</b>	<b>400</b>			<b>400</b>	<b>0%</b>
OTH:	<b>Total Non Core</b>	<b>275</b>	<b>184</b>	<b>-</b>	0%	-	<b>-</b>	<b>(100)%</b>
FIRM:	<b>Total Firm</b>	<b>19,650</b>	<b>17,583</b>	<b>19,375</b>		<b>(1,864)</b>	<b>17,511</b>	<b>(11)%</b>

\$ millions	2007 Budget	2006 Actual	Versus 2006 Revenues		Adjusted revenue losses after non-risk losses	% Change vs. 2007	Notes
			Standard stress haircuts	Adjusted stress haircuts			
Advisory	1,250	940	-20%	-10%	846	-32%	Adjusted to reflect additional capacity and business cycle
Underwriting	2,450	2,398	-10%	-10%	2,158	-12%	
Client revenues	10,035	8,449	-10%	-5%	8,027	-20%	Adjusted to reflect additional capacity
IMD Fees	1,589	1,424	-10%	-5%	1,353	-15%	Adjusted to reflect additional capacity
Mortgage originations	1,375	1,017	-30%	-5%	966	-30%	Adjusted to reflect business cycle
Principal	2,676	3,171		-16%	2,676	0%	Capped at lower 2007 budgeted levels
Other	275	184		0%	275	0%	Based on 2007 budget (achievable in a downturn)
Total	19,650	17,583			16,301	-17%	

Goal	15,908
Variance	(393)

	<i>\$ millions</i>	2007 Budget	2006 Forecast	Base Case	Stress Scenario	Non-risk revenue losses	Stressed Revenues	% Change vs. 2007
IBD:	Advisory	1,250	940	1,250	-10%	(125)	1,125	(10)%
	Underwriting	2,450	2,398	2,450	-10%	(245)	2,205	(10)%
	<b>Total IBD</b>	<b>3,700</b>	<b>3,338</b>	<b>3,700</b>		<b>(370)</b>	<b>3,330</b>	<b>(10)%</b>
FID:	PTG	710	1,000	710			710	0%
	Prop Trading	280	327	280			280	0%
	In Business	150	325	150			150	0%
	Proprietary / Principal	1,140	1,652	1,140			1,140	0%
	Secondary Client	6,520	5,536	6,520	-5%	(326)	6,194	(5)%
	Mortgage originations	1,375	1,017	1,375	-5%	(69)	1,306	(5)%
	Total Secondary	9,035	8,205	9,035		(395)	8,640	(4)%
	Banking revenues	765	824	765			765	0%
	<b>Total FID</b>	<b>9,800</b>	<b>9,029</b>	<b>9,800</b>			<b>9,405</b>	<b>(4)%</b>
EQU:	Equity Strategies	275	225	275			275	0%
	In business	250	488	250			250	0%
	Proprietary / Principal	525	713	525			525	0%
	Secondary clients	3,515	2,913	3,515	-5%	(176)	3,339	(5)%
	Total Secondary	4,040	3,626	4,040			3,864	(4)%
	Banking revenues	460	406	460			460	0%
	<b>Total Equities</b>	<b>4,500</b>	<b>4,032</b>	<b>4,500</b>			<b>4,324</b>	<b>(4)%</b>
IMD:	Private Equity	138	127	138			138	0%
	Asset Management	73	102	73			73	0%
	Proprietary / Principal	211	229	211			211	0%
	Fees & Other	1,589	1,424	1,589	-5%	(79)	1,510	(5)%
	<b>Total IMD</b>	<b>1,800</b>	<b>1,653</b>	<b>1,800</b>			<b>1,721</b>	<b>(4)%</b>
GTS:	<b>Total GTS</b>	<b>400</b>	<b>418</b>	<b>400</b>			<b>400</b>	<b>0%</b>
GPS:	<b>Total GPS</b>	<b>400</b>	<b>159</b>	<b>400</b>			<b>400</b>	<b>0%</b>
OTH:	<b>Total Non Core</b>	<b>275</b>	<b>184</b>	<b>-</b>	0%	-	-	(100)%
FIRM:	<b>Total Firm</b>	<b>19,650</b>	<b>17,583</b>	<b>19,375</b>		<b>(1,020)</b>	<b>18,355</b>	<b>(7)%</b>

<i>\$ millions</i>	2007 Budget	2006 Actual	Adjusted revenue losses after non-risk losses	% Change vs. 2006	% Change vs. 2007	Notes
Investment Banking	3,700	3,338	3,004	-10%	-19%	Adjusted to reflect additional capacity and business cycle
Equities	4,500	4,032	3,698	-8%	-18%	
Fixed Income	9,800	9,029	8,189	-9%	-16%	Adjusted to reflect additional capacity
IMD	1,800	1,653	1,564	-5%	-13%	Adjusted to reflect additional capacity
GPS & GTS	800	577	577	0%	-28%	Adjusted to reflect business cycle
Other	275	184	275	49%	0%	Based on 2007 budget (achievable in a downturn)
Banking Offset	(1,225)	(1,230)	(1,007)	-18%	-18%	Based on 2007 budget (achievable in a downturn)
Total	19,650	17,583	16,301	-7%	-17%	

Goal	15,908
Variance	(393)