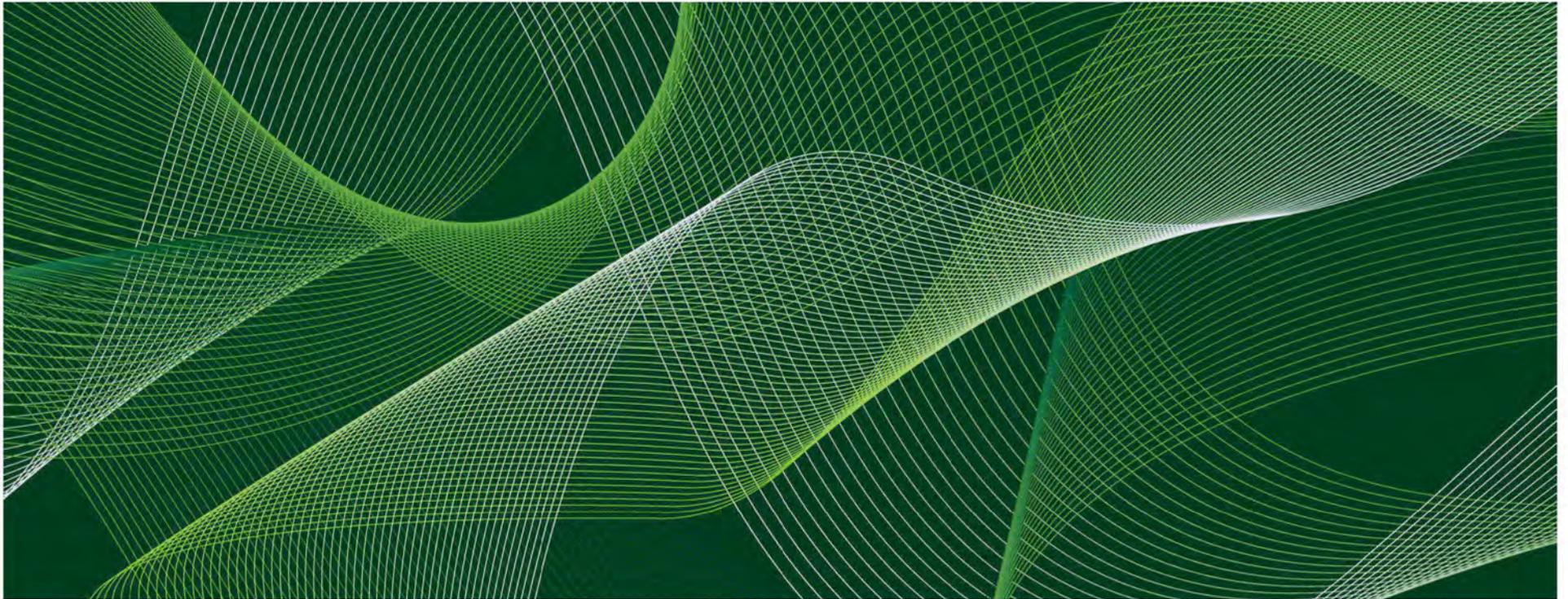


# Project Green – Revised Projected Capital Analysis



Confidential Presentation

# Assumptions and Refinements

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## Assumptions

- ◆ CRE assets of \$31.7B spun off at the end of 1Q09
  - SpinCo capitalized with 25% equity (\$7.9B) and 75% debt (\$23.8B)
  - Assumes \$2.0B of debt is syndicated to a third party
- ◆ \$4.2B of residential writedowns and \$2.5B of commercial writedowns in 2H08
- ◆ Common dividend suspended beginning in 4Q08
- ◆ New capital is raised at 1.25x RemainderCo book value pro forma for the spin
- ◆ Pro forma for spin-off of CRE and capital raise, net leverage (including full credit for hybrid instruments) target range of 11.0x – 13.0x

## Refinements to Model

- ◆ Including \$31.7B of CRE assets in SpinCo
  - Previously including \$33.2B of CRE assets in Spinco
- ◆ 3Q08 and 4Q08 projections
- ◆ 30% marginal tax rate
- ◆ Capital need now driven by net leverage ratio target including full credit for hybrids, as rating agencies will likely allow grace period before exclusion of hybrids from ratio

# Income Statement

(\$ and shares in millions)

	2Q08	3Q08	4Q08	1Q09	CRE Spin	PF 1Q09	New Capital	PF 1Q09	2Q09	3Q09	4Q09
<b>Income Statement</b>											
Baseline Net Revenue <sup>(1)</sup>	\$4,232	\$3,092	\$3,175	\$3,750					\$4,000	\$4,000	\$4,000
Residential Writedown (Net)	(\$2,400)	(\$3,450)	(\$750)	-					-	-	-
Commercial Writedown (Net)	(1,300)	(1,500)	(1,000)	-					-	-	-
Other Writedowns Writedown (Net) <sup>(2)</sup>	(400)	(150)	-	-					-	-	-
Principal + Trading Losses	(1,200)	(563)	-	-					-	-	-
Debt Revaluation	400	850	(150)	-					-	-	-
Net Revenue	(\$668)	(\$1,721)	\$1,275	\$3,750					\$4,000	\$4,000	\$4,000
Compensation	\$2,325	\$1,947	\$2,053	\$2,063					\$2,200	\$2,200	\$2,200
Non-Personnel Expense	1,094	1,025	1,078	950					950	950	950
Pre-tax Net Income	(\$4,087)	(\$4,693)	(\$1,856)	\$738					\$850	\$850	\$850
Taxes @ 30%	1,313	1,408	557	(221)					(255)	(255)	(255)
<b>Net Income</b>	<b>(\$2,774)</b>	<b>(\$3,285)</b>	<b>(\$1,299)</b>	<b>\$516</b>					<b>\$595</b>	<b>\$595</b>	<b>\$595</b>

1. Includes CVA.

2. Includes GSE and acquisition facilities writedowns.

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# Balance Sheet

(\$ and shares in millions)

	2Q08	3Q08	4Q08	1Q09	CRE Spin	PF 1Q09	New Capital	PF 1Q09	2Q09	3Q09	4Q09
<b>Balance Sheet</b>											
Beginning Common Equity	\$21,839	\$19,282	\$19,916	\$18,742					\$14,464	\$15,318	\$16,074
Net Income	(2,774)	(3,285)	(1,299)	516					595	595	595
Common Dividends	(94)	(118)	-	-					-	-	-
Preferred Dividends	(99)	(166)	(169)	(168)					(172)	(172)	(170)
Equity Credits (Amortization)	534	339	295	794					430	333	246
Equity Buybacks	(108)	(135)	-	-					-	-	-
Issuance	-	4,004	-	-					-	-	-
Other	(16)	(6)	-	-					-	-	-
Ending Common Equity	\$19,282	\$19,916	\$18,742	\$19,884	(\$7,925)	\$11,959	\$2,505	\$14,464	\$15,318	\$16,074	\$16,745
Preferreds	\$6,993	\$8,993	\$8,993	\$8,993		\$8,993		\$8,993	\$8,993	\$8,993	\$7,993
Stockholder's Equity	\$26,275	\$28,908	\$27,734	\$28,877		\$20,952		\$23,457	\$24,310	\$25,066	\$24,738
Subordinated Notes	\$5,004	\$5,026	\$5,026	\$5,026		\$5,026		\$5,026	\$5,026	\$5,026	\$4,026
Intangibles	(4,101)	(4,101)	(4,101)	(4,101)		(\$4,101)		(\$4,101)	(\$4,101)	(\$4,101)	(\$4,101)
Leverage Equity (Incl. Excess Pref.)	\$27,178	\$29,833	\$28,659	\$29,802		\$21,877		\$24,382	\$25,235	\$25,991	\$24,662
Net Assets	\$327,774	\$325,000	\$300,000	\$300,000	(\$9,925)	\$290,075	\$2,505	\$292,580	\$292,580	\$292,580	\$292,580

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# Shares, Ratios and New Capital

(\$ and shares in millions)

	2Q08	3Q08	4Q08	1Q09	CRE Spin	PF 1Q09	New Capital	PF 1Q09	2Q09	3Q09	4Q09
<b>Shares</b>											
Book Value Shares	563.7	708.8	706.3	730.7		730.7	122.4	853.1	861.6	871.6	876.4
End of Period Common Shares	552.7	701.5	703.4	726.2		726.2	122.4	848.6	856.9	866.7	871.3
<b>Ratios</b>											
Excess Preferreds (35%)	\$1,614	\$3,295	\$3,927	\$3,311		\$7,579		\$6,230	\$5,770	\$5,363	\$3,002
<b>Net Leverage</b>	<b>12.1x</b>	<b>10.9x</b>	<b>10.5x</b>	<b>10.1x</b>		<b>13.3x</b>		<b>12.0x</b>	<b>11.6x</b>	<b>11.3x</b>	<b>11.9x</b>
Net Leverage (Excl. Excess Pref.)	12.8x	12.2x	12.1x	11.3x		20.3x		16.1x	15.0x	14.2x	13.5x
Book Value / Share	\$34.21	\$28.10	\$26.53	\$27.21		\$16.37		\$16.95	\$17.78	\$18.44	\$19.11
CRE SpinCo Book Value / Share					\$10.91						
<b>Capital Raise</b>											
Capital Raise Amount						\$2,505					
Capital Raise Multiple						1.25x					
Capital Raise Price						\$20.46					
New Investor Ownership (Basic)								14.4%			

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# Sensitivity Analysis

(\$ in millions)

		Net Leverage Post-New Capital Size of Investment		
		\$4,000	\$5,000	\$6,000
		<b>2H08</b>	<b>(\$1,500)</b>	11.2x
<b>CRE</b>	<b>(\$2,000)</b>	11.3x	10.9x	10.5x
<b>Writedown</b>	<b>(\$2,500)</b>	11.4x	11.0x	10.6x
	<b>(\$3,000)</b>	11.5x	11.1x	10.7x
	<b>(\$3,500)</b>	11.6x	11.2x	10.8x

1Q09 Book Value / Share	
1Q09 Post-Spin BV / Share	Investment Price <b>@ 1.25x</b>
\$16.98	\$21.23
\$16.68	\$20.84
\$16.37	\$20.46
\$16.06	\$20.07
\$15.75	\$19.69

1Q09 Ownership Size of Investment		
\$4,000	\$5,000	\$6,000
20.6%	24.5%	28.0%
20.9%	24.8%	28.4%
21.2%	25.2%	28.8%
21.5%	25.5%	29.2%
21.9%	25.9%	29.6%

(\$ in millions)

		Net Leverage Post-New Capital Size of Investment		
		\$4,000	\$5,000	\$6,000
		<b>2H08</b>	<b>(\$1,500)</b>	11.2x
<b>CRE</b>	<b>(\$2,000)</b>	11.3x	10.9x	10.5x
<b>Writedown</b>	<b>(\$2,500)</b>	11.4x	11.0x	10.6x
	<b>(\$3,000)</b>	11.5x	11.1x	10.7x
	<b>(\$3,500)</b>	11.6x	11.2x	10.8x

1Q09 Book Value / Share	
1Q09 Post-Spin BV / Share	Investment Price <b>@ 1.50x</b>
\$16.98	\$25.48
\$16.68	\$25.01
\$16.37	\$24.55
\$16.06	\$24.09
\$15.75	\$23.63

1Q09 Ownership Size of Investment		
\$4,000	\$5,000	\$6,000
17.8%	21.3%	24.5%
18.0%	21.6%	24.8%
18.3%	21.9%	25.2%
18.6%	22.2%	25.5%
18.9%	22.6%	25.9%

*If a single investor owns between 20%-30%, there is a \$500M tax benefit in common equity. If a single investor owns more than 30%, there is a one-time DTA writedown of \$700M in common equity. Analysis does not include these impacts.*

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