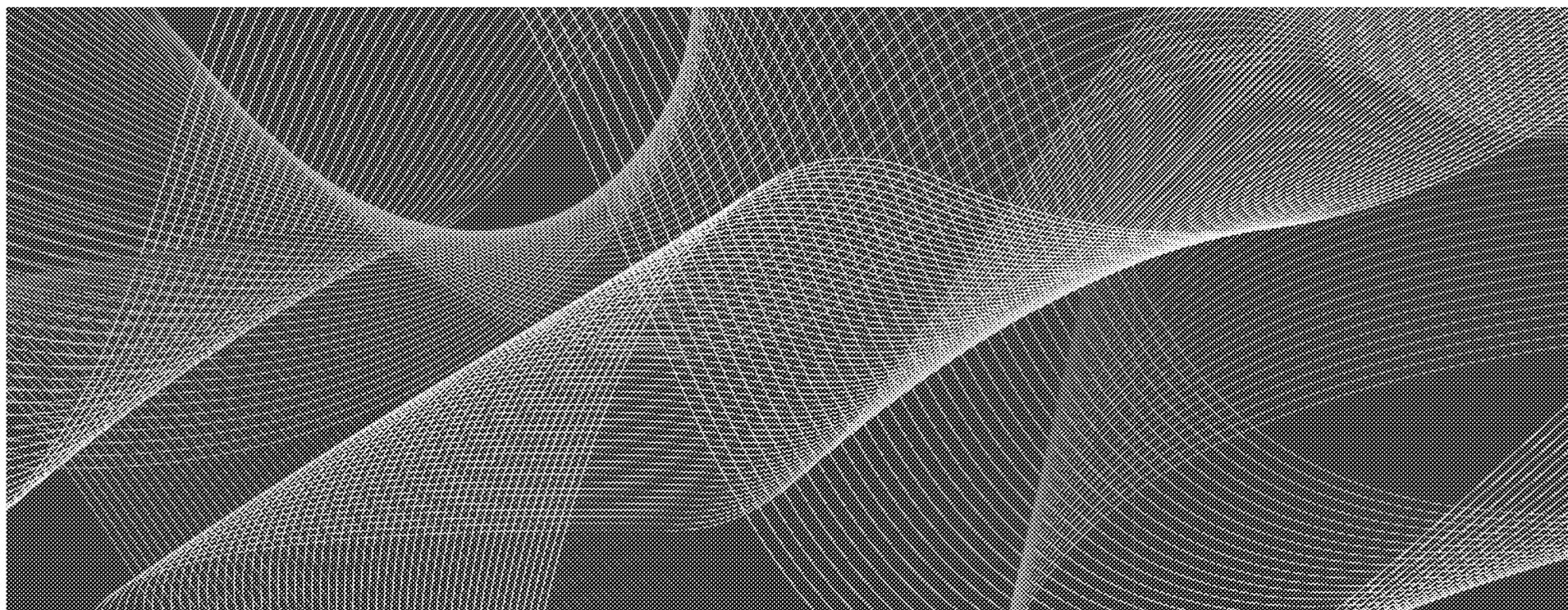


BPM

The Gameplan



Cautionary Notes

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Gameplan Summary

During Q3 we executed series of changes to ensure long-term success of the franchise.

- ◆ Announced creation of Real Estate Investments (REI) Global to remove substantially all of our commercial real estate (CRE) exposures
 - ◆ Strengthened our capital position
 - Announced conversion of \$2B preferred equity into common equity
 - Announced issuance of \$3.0B contingent preferred which will convert into \$3.0B common equity upon creation of REI
 - ◆ Significantly reduced less liquid asset exposure
 - Reduced residential mortgages exposure by 53% (\$13B)¹
 - Reduced commercial real estate exposure by 17% (\$7B)
 - Reduced high yield acquisition finance exposure by 38% (\$4B)
 - Reduced other ABS exposure by 24% (\$1.5B)
 - ◆ Announced sale of 55% stake in Investment Management Division
 - ◆ Implemented significant headcount reduction, focused on discretionary corporate areas and businesses in secular decline
 - ◆ Made multiple management changes to improve operational performance and risk management
 - ◆ Finalized restructuring of all securitized product origination platforms, including sales/closure of multiple businesses
 - ◆ Launched process to reduce non-personnel expenses - \$250M in annualized saves already identified, before divestitures
 - ◆ Reduced common dividend to 1.25 cents per quarter
- => Resulting “Core Lehman” is freed from illiquid asset overhang, capitalized to achieve mid-strong “A” rating, and could potentially deliver \$22-\$29 stock price over near term ²**

REI Global

What is REI Global?

REI Global is a standalone, publicly-traded company focused on managing Lehman's existing CRE assets to maximize shareholder value.

- ◆ **Lehman will transfer substantially all of its commercial real estate portfolio to the REI Global**
 - ~\$33B portfolio
 - 1,800 positions, including Archstone and SunCal
 - Highly diversified by geography (58% AM, 26% EU, 16% Asia) and property type

 - ◆ **Lehman will also transfer ~\$8B of equity and initially provide ~\$25B in debt financing**
 - Existing Lehman shareholders will receive new shares in REI Global
 - Coupon for Lehman note based on market rates for comparable seller financing L+300
 - Lehman note will have significant protections (e.g., mandatory amortization, cash repayment requirements, interest rate step ups)

 - ◆ **Company's primary purpose will be to monetize and distribute Lehman's existing commercial real estate assets**
 - Will not make new investments in new properties
 - All cash flow used to develop existing properties, protect current investments, reduce debt or returned to shareholders

 - ◆ **Company will have flexibility to manage portfolio in a way that maximizes shareholder value**
 - Will report financial results on a held-to-maturity basis, eliminating pressure to sell into distressed market
 - Can sell assets or hold them until maturity, whichever alternative offers a greater return
 - Retains flexibility to develop / restructure individual positions as warranted by specific situations
- => Will enable Lehman shareholders to maximize value from existing portfolio while increasing value of Core Lehman by eliminating market concerns about our balance sheet**

Risk Characteristics of Assets

REI Global's assets are very diverse with strong credit quality and cash flows.

Portfolio Characteristics

Whole Loans

- ◆ Geographically diverse
- ◆ Primarily senior loans; remainder Mezz
- ◆ Short maturity
- ◆ Conservative LTV at origination
- ◆ Mostly floating rate

Securities

- ◆ Predominantly European portfolio
- ◆ High credit quality
- ◆ Average position small

Equity

- ◆ Small number of large equity bridge positions, including Archstone and SunCal
- ◆ Larger number of small single-property positions

Company Assets (\$B)

	Exposure	Americas	Europe	Asia	Mark ⁽⁵⁾	# of Positions	Average Value ⁽¹⁾	Current WALTV ⁽²⁾	WAM ⁽³⁾	WALA ⁽⁴⁾	Fixed	Float
Whole loans												
Senior	\$15.8	\$8.6	\$3.5	\$3.6		669	\$24	79%	34	20	6%	94%
Mezzanine	3.9	3.1	0.5	0.4		216	18	82%	32	18	32%	68%
Equity	7.8	5.3	1.5	1.1		598	13					
Securities	4.8	0.8	3.5	0.5		302	16					
Revolver	0.1	0.1	-	-		1	113					
Other Corp Debt	1.9	1.9	-	-		2	935					
Total as of 7/31 ⁽⁶⁾	\$34.3	\$19.8	\$8.9	\$5.6	86	1,788	\$19.2					
Assets to be Sold ⁽⁷⁾	\$1.6											
Total Transferred	\$32.7											

1. In millions. Average value for Revolvers and Other Corporate Debt is related to Archstone
 2. WALTV is weighted average loan to value. Excludes Archstone bank debt
 3. WAM is weighted average number of months remaining to fully extended maturity

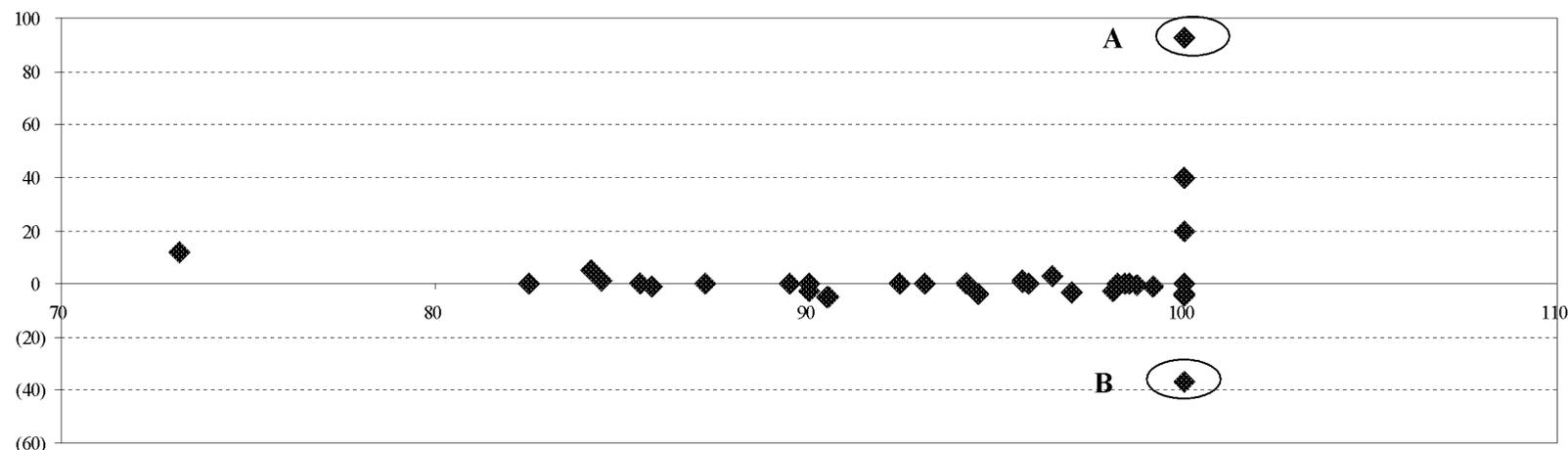
4. WALA is weighted average loan age in months
 5. Excludes interest only securities
 6. Includes assets to be sold (identified)
 7. Includes assets to be sold but not yet identified

Commercial Real Estate Marks

REI's portfolio will be marked to market at the time of the asset transfer. Recent sales have highlighted the consistency of our carrying marks with actual realized sales prices. For example, during Q3, we sold more than 60 positions. The vast majority of these were completed at prices in line with where the positions were marked at the beginning of the quarter.

Carrying Mark as of Q2 vs. Sale (Discount) in Q3

Deviation from mark



- ◆ On weighted average, the Firm sold positions within **0.60** of the mark prior to sale (average mark 94.5 vs. 93.9 average sale price)
- ◆ Outliers:
 - (A) REO sale in Asia (93 points over the current mark), which was required to be held at the lower of cost or market
 - (B) REO sale in Asia (37 points under mark), which was for ~\$700k resulting in a loss of only \$400K

REI Global Launch Status

Progress Against Milestones

 SEC Approval for Establishment of Listed Entity: <ul style="list-style-type: none">• Not a business transfer requiring three years of financials• Not a fair value entity• No 1940 Act application required• Form R-10 filing	Status: <ul style="list-style-type: none">• Agreed with SEC• Agreed with SEC• Agreed with SEC• Target end of October; SEC review of 1 month
 Business Model: <ul style="list-style-type: none">• Cash flow forecasts• Draft balance sheet• E&Y review	Status: <ul style="list-style-type: none">• Complete• Initiated• Initiated
 Consents: <ul style="list-style-type: none">• Determination of required consents• Obtaining necessary consents	Status: <ul style="list-style-type: none">• Complete, 90+% reviewed by external counsel• Not started
 Funding: <ul style="list-style-type: none">• Optimal funding structure for syndication• Syndication of seller financing	Status: <ul style="list-style-type: none">• Term sheets drafted• Not started
 Governance & Operations: <ul style="list-style-type: none">• Management structure<ul style="list-style-type: none">▪ Transfer of assets/location/custody• Board structure	Status: <ul style="list-style-type: none">• Initiated• Initiated• Not Started

Characteristics of Lehman Loan

Multiple aspects of the financing provide significant protection to the Lehman note.

- ◆ **Conservative leverage at REI Global**
 - Capital structure is 75% debt / 25% equity
 - Leverage is based on marked asset values – would be 64% on original face value
 - => Implies portfolio value would need to decrease to 0.64x original face for Lehman note to be impaired

- ◆ **Significant cash flow at REI Global will result in rapid de-leveraging**
 - Forecast assumes [x%] haircut to contractual obligations and \$1.5B accumulated cash credit reserve over first five years
 - Even with these assumptions, REI Global forecast to reduce leverage to 50% LTV within 3 years

- ◆ **Significant restrictive covenants**
 - 100% of excess cash required to repay Lehman note¹
 - No dividends over \$35M p.a. until debt service coverage >2x
 - Mandatory amortization starting year 1
 - Interest rate steps up from L+300 to L+400 if asset quality deteriorates

- ◆ **Equity capital sufficient to absorb even a major stress event**
 - Analysis based on largest 2-year property value decline for each property type, by region
 - Applied worst 2-year decline to current MTM value of all properties in REI Global portfolio
 - Equity able to absorb 100% of loss with no impact to debt financing

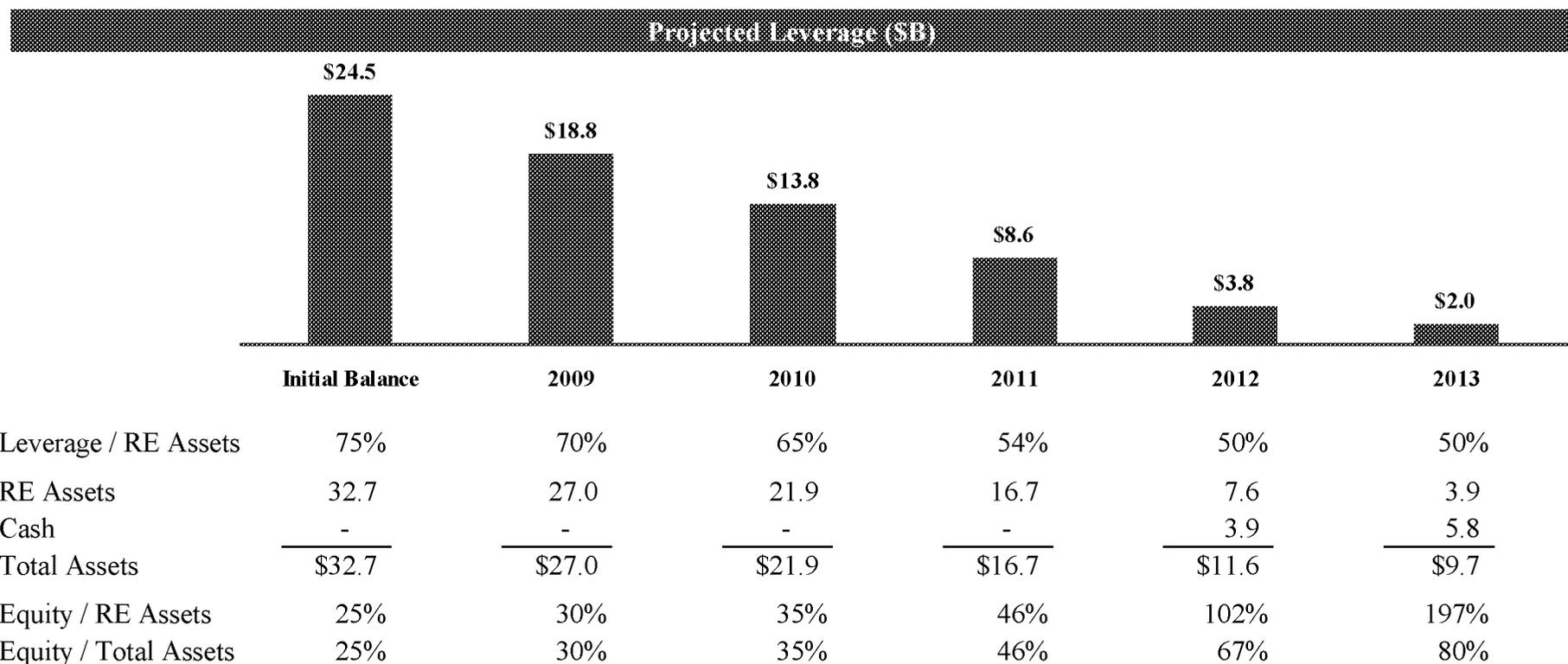
- ◆ **REI Global not subject to mark-to-market accounting, therefore not pressured to sell assets in distressed environment**
 - Changes in investor yield demands will not impair asset values or force sales that result in realizing losses

1. "Excess cash" defined as sum of cash inflows to REI Global less cash outflows required for interest expense, operating expenses, commitments to develop existing properties and cash reserves

Significant Cash Flow Will Result in Rapid Deleveraging

Given the cash flow sweep, REI leverage declines rapidly from 75% to 50% marked LTV.

- ◆ REI Global is required to use excess cash flow to pay down the Lehman note until 50% LTV is achieved
 - Effect is to reduce REI Global’s leverage by 24% (\$5.8B) by year-end 2009, and by 44% (\$10.8B) by year end 2010
- ◆ As leverage decreases, book equity-to-asset ratio increases from 25% of total assets at YE ‘08 to 80% of total assets in 2013
- ◆ The forecasted cash flows assumed in this deleveraging were haircut by [xx]% from contractually obligated levels, and further reduced by the creation of a cash reserve of \$1.5B over first 5 years



1. Assumes sufficient cash flow is available to reduce leverage in each impairment scenario.

Equity Able to Absorb Major Stress Event

Stress Test Methodology

Determine Property Value Decline

Identify largest sequential 2-year decline in property values for each property type in every geographic market where REI Global owns assets

Apply Decline to REI Portfolio

Apply worst 2 year property value decline to current mark-to-market value of each property in REI Global portfolio

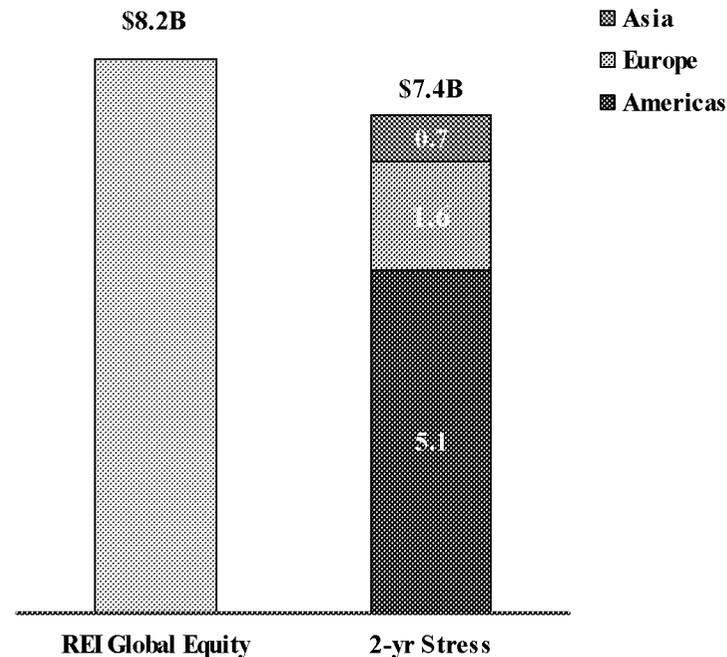
Calculate Impairment

Determine impact on REI assets based on REI's aggregate exposure to the property and REI's position in the overall capital structure

Scenario Losses (\$B)

Resulting Impact on REI Global Asset Values

Americas	Land (2nd & Mezz)	-70%
	Land (Equity)	-54%
	Non-land (Bridge equity)	-72%
	Non-land (Equity)	-38%
	Non-land (2nd & Mezz)	-22%
Europe	Bridge equity	-97%
	Equity	-71%
	2 nd & Mezz.	-39%
Asia	Mezzanine	-37%
	Equity	-25%



Balance Sheet Evolution

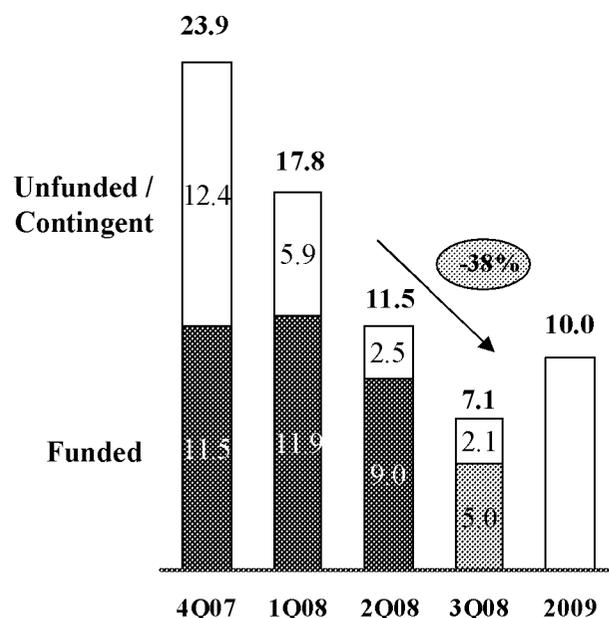
Reduced Exposures

In Q3, we continued to reduce our exposures to less liquid asset classes. Following the spin of our CRE assets, we believe we will be appropriately positioned in each of these areas.

Reduction in Key Asset Classes (SB)

High Yield Acquisition Financing

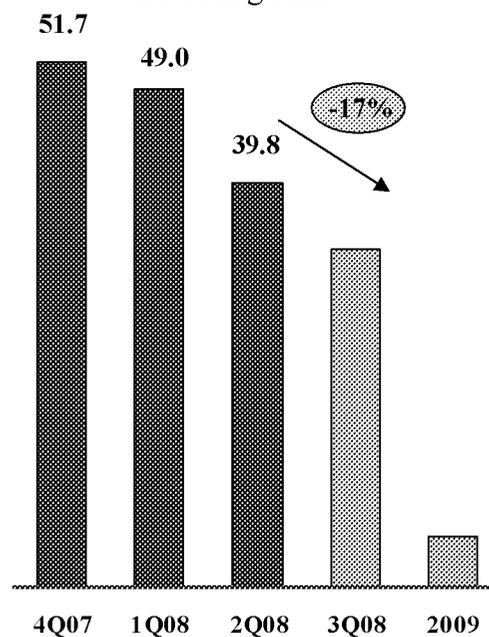
Appropriately Positioned



◆ Below threshold maximum

Comm. Mortgages & Real Estate Held for Sale

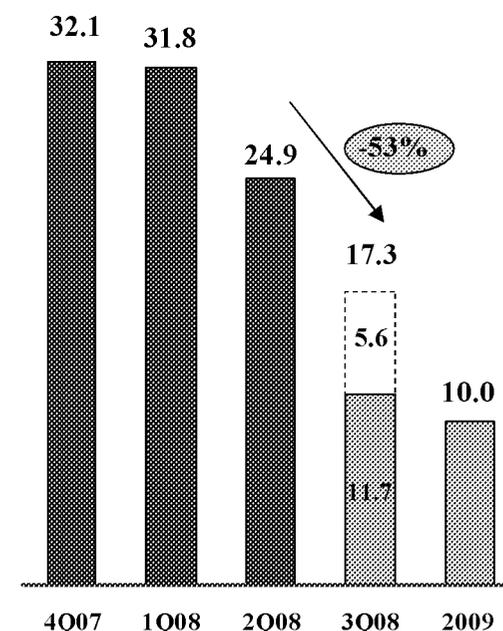
Executing Plan



◆ Below threshold maximum, following creation of REI Global

Residential Mortgages

Actively Trading



◆ Down to manageable exposure, pro-forma for EU bulk sales
◆ Trading business active and focused on making markets

Characteristics of Remaining Resi Exposure

- ◆ **Residential mortgages portfolio down to \$11.7B (pro-forma for bulk sales) from \$25B in Q2 to \$32B in Q1**
 - Achieved by sales through traditional channels, a bulk sale of European assets and write-downs

- ◆ **Remaining portfolio has improved risk profile with significant diversification**
 - Of remaining \$11.7B exposure, 38% (\$4.4B) in less credit-sensitive areas: \$3B in servicing, AAA IOs and reverse mortgages, \$0.5B in Asia and \$0.9B in U.S. vintages 2005 and earlier

- ◆ **Our remaining exposures are marked to reflect conservative assumptions about home price depreciation, defaults and recoveries**
 - Aggregate portfolio mark is down over 20 points since end of Q2
 - Current marks yield 12% returns and assume considerable further deterioration in the U.S. housing market:
 - Conservative default assumptions:
 - 44% Prime/Alt-A defaults (vs. current 60-day+ delinquencies of 18%)
 - 59% Non-Prime defaults (vs. current 60-day+ delinquencies of 23%)
 - Conservative U.S. home price depreciation and recovery assumptions:
 - 32% drop in national home prices, peak to trough (vs. 17% decline to date)
 - 48% drop in California home prices, peak to trough (vs. 23% decline to date)
 - 45% recovery rate on Prime/Alt-A, so that a home originally worth \$400K sells for \$180 thousand
 - U.S. portfolio has positive yields even if 80% of borrowers default, with only a 35% recovery on the loan amount

- ◆ **Our resi book is now at the appropriate size to support our position as the #1 U.S. mortgage trader**
 - We have completed the transitions from an origination business to a secondary trading and advisory business
 - We continue to actively trade client flows across many different product types (e.g., prime, Alt-A, Alt-B, subprime, HELOCs, IOs) and now have a book designed to adequately support the secondary trading of these sectors
 - We see significant opportunities in secondary trading, with wider bid offers, fewer competitors and more efficient pricing of capital

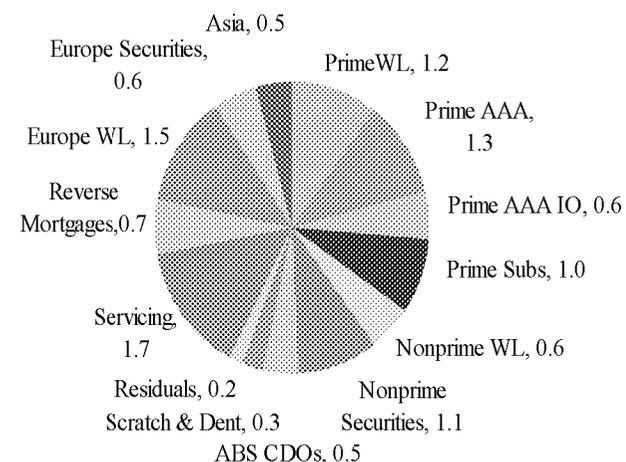
Residential Mortgages – Materially Reduced Exposure

Exposure in Residential Mortgages \$B

	2Q 2008			3Q 2008			3Q 2008 Proforma			% Chg in Mkt
	Face	Mkt Value	Price	Face	Mkt Value	Price	Face	Mkt Value	Price	
US										
Prime/Alt-A										
Whole loans	2.4	2.1	86.6	1.8	1.2	67.2	1.8	1.2	67.2	-41%
AAA securities	4.3	3.4	78.3	2.4	1.3	54.3	2.4	1.3	54.3	-62%
AAA IO	0.5	0.5		0.6	0.6		0.6	0.6		8%
Subordinates	4.7	1.8	37.3	4.8	1.0	21.3	4.8	1.0	21.3	-42%
Total Prime / Alt-A	12.0	7.7	64.6	9.6	4.1	42.8	9.6	4.1	42.8	-47%
Non-Prime										
Whole Loans	1.7	1.1	63.2	1.5	0.6	42.1	1.5	0.6	42.1	-41%
Securities	3.8	1.9	50.9	3.5	1.1	32.9	3.5	1.1	32.9	-43%
Total Non-Prime	5.4	3.0	54.7	4.9	1.7	34.7	4.9	1.7	34.7	-43%
Servicing	1.7	1.7		1.7	1.7		1.7	1.7		0%
Reverse Mortgages	0.7	0.7	99.1	0.7	0.7	95.9	0.7	0.7	95.9	3%
Residuals	0.9	0.9		0.2	0.2		0.2	0.2		-76%
Scratch & Dent Loans	0.9	0.4	43.4	0.5	0.3	54.0	0.5	0.3	54.0	-34%
ABS CDOs	1.8	0.6	35.0	1.7	0.5	28.6	1.7	0.5	28.6	-21%
Total US	23.3	14.9	64.1	19.3	9.2	47.4	19.3	9.2	47.4	-39%
Europe										
Whole loans										
UK	2.4	2.2	88.9	2.2	1.8	84.1	0.7	0.5	74.5	-77%
Ireland	0.3	0.3	97.3	0.3	0.3	92.0	0.3	0.3	92.0	-12%
Netherlands	0.4	0.4	98.5	0.1	0.1	90.2	0.0	0.0		-100%
Italy	0.2	0.2	89.1	0.2	0.1	74.4	0.2	0.1	74.4	-22%
NPL	1.2	0.6	52.8	1.5	0.6	38.5	1.5	0.6	38.5	-6%
Europe Wholeloans	4.5	3.7	80.7	4.3	2.9	67.8	2.7	1.5	55.4	-60%
Securities	5.7	5.3	91.8	5.3	4.5	85.0	0.7	0.5	70.5	-90%
Residuals	0.4	0.4		0.2	0.2		0.1	0.1		-86%
Total Europe	10.7	9.3	87.4	9.8	7.6	77.9	3.5	2.1	59.4	-78%
Asia (Japan / Korea)										
Whole loans	0.5	0.5	100.0	0.7	0.5	66.8	0.7	0.5	66.8	1%
Securities	0.2	0.2	87.8	0.0	0.0	-	0.0	0.0	-	-97%
Total Asia	0.7	0.7	96.4	0.7	0.5	67.1	0.7	0.5	67.1	-26%
Total Residential	34.6	24.9	71.9	29.8	17.3	57.9	23.5	11.7	49.8	-53%

- ◆ Portfolio reduced by 53% since Q2
- ◆ Reduction in credit-sensitive areas
 - Non-Prime down 43%
 - Prime Subordinates down 42%
 - Residuals down 76%
 - Europe down 78%

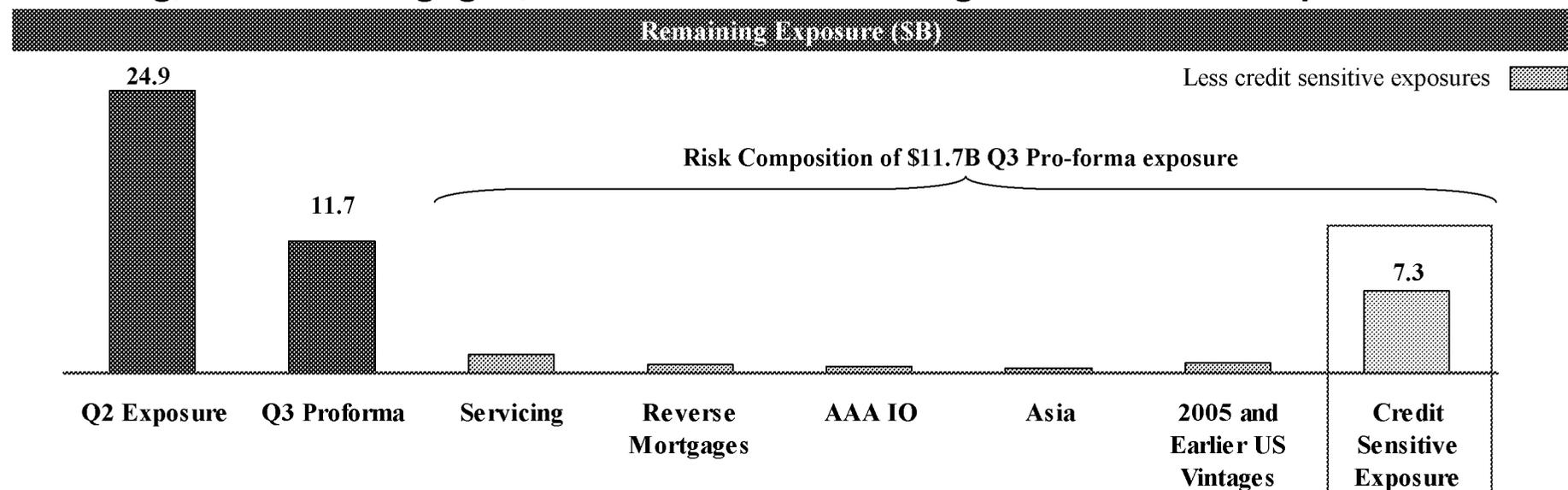
Q3 2008 Proforma - \$11.7B



1. Prime/Nonprime securities include some Scratch and Dent Liquidating Trust deals

Residential Mortgages – Improved Risk Profile

38% of our remaining exposure is in less-credit sensitive areas, such as AAA IOs, servicing, reverse mortgages, Asia and U.S. assets originated in 2005 and prior.



Servicing

- ◆ Comprised of 25% fixed rates, 50% hybrids and 25% Negams, with limited subprime and second-lien servicing (\$26M of \$1.7B)
- ◆ Average multiple is 3.9x IO stream which is conservative in context of where banks hold the asset
- ◆ While increasing levels of delinquencies adversely impact servicing valuation, it benefits greatly from the inability of borrowers to refinance.
 - Like AAA IOs, it has some negative correlation to other positions

Reverse Mortgages

- ◆ Loans with an average original LTV ratio of 30%. Even with a strong drop in home-prices, recoveries should be close to 100%
- ◆ Assets with similar credit risk profile (ABX 06-1 AAAs) are trading at L+300bps, where these are priced at L +400bps

AAA IO

- ◆ We expect to earn a base-case yield of 20% on these assets
- ◆ Assuming reasonable discounts to current cashflow, we should receive 75% of our invested amount within 18 months and 100% in under 3 years.
- ◆ These assets have some negative correlation with rest of book, with higher severities increasing value of these bonds and back-ended defaults benefiting these securities (while hurting AAA securities)

Asia

- ◆ 57% of portfolio in Japanese performing whole loans marked in line with recent bids at 90
- ◆ Remaining portfolio primarily Thai and Malaysian NPLs marked in 30-50 range

Largest Remaining Exposures

Prime / Alt-A Loans and AAAs	<ul style="list-style-type: none">◆ The loan coupon on average is 7.4%. The aggregate portfolio is on average 700 FICO, 80 LTV and 30% California.◆ Assets earn 10-12% yield under base-case assumption of 40-50% defaults on assets◆ Need 80-100% of the borrowers to default for 0% yield.◆ Loans marked at 67 and securities marked at 54
Prime / Alt-A Subordinates	<ul style="list-style-type: none">◆ Has 3 components – 2005 and earlier (23%), 2006 and later (47%) and Scratch & Dent (30%)◆ Pre-2005 subordinates are marked at 28, post 2006 subordinates marked at 13 and Scratch & Dent securities equate to a loan value of 45 (which are consistent with market observables)
Non-Prime Loans	<ul style="list-style-type: none">◆ Mostly second liens (81%) and subprime first-liens (19%).◆ Seconds have net coupon of 11.3%, are marked to 42 and need 78% defaults to generate 0% yield.◆ Subprime first liens are marked at 44 and have an average WAC of 7.8%. These loans have an average FICO score of 646, combined LTV of 90% and California concentration of 14.6% (vs. 30% for the average subprime deal in the market)
Non-Prime Securities	<ul style="list-style-type: none">◆ Consists of subprime AAAs (30%), wrapped HELOCs (18%) and other subprime subordinates (52%)◆ About 50% of subordinates are from 2005 or earlier vintages (which haven't seen the magnitude of credit deterioration that recent originations have and also have de-levered)◆ At current marks the securities have a base-case yield of 15% and need 87% defaults to earn 0% yield
ABS CDOs	<ul style="list-style-type: none">◆ Consists mainly (\$384M) of super senior high grade (33% AAA, 37%AA and 30% A RMBS by original rating) CDO with a wrap from XLCA. This is the most senior 85% of the capital structure.◆ On the aggregate portfolio, we expect a base-case yield of 9% with a 25% recovery from XLCA, and 16% yield assuming that the recovery from XLCA is 50%
Europe	<ul style="list-style-type: none">◆ \$900M in loans (mostly UK and Ireland), \$600M in NPLs and \$600M in securities◆ The average LTV of loans in UK and Ireland is in the 65-70% territory◆ Current prices consistent with recent sales

Includes Assets shown as 2005 or earlier vintage US securities on the previous slide

US Assets Default Assumptions

- ◆ Marks reflect default rate assumptions of 44% for Prime/Alt-A positions and 59% for Nonprime positions. These default rates would represent more than 2.5x the current delinquency rates on Lehman's portfolio
- ◆ To earn L+100 on assets, Alt-A defaults need to be 63% while nonprime defaults need to be 76%. This is 3.3x our actual 60+ day delinquencies in securities and loans
- ◆ Even if ~80% of borrowers default, the U.S. Prime and Non-Prime portfolio yields positive returns

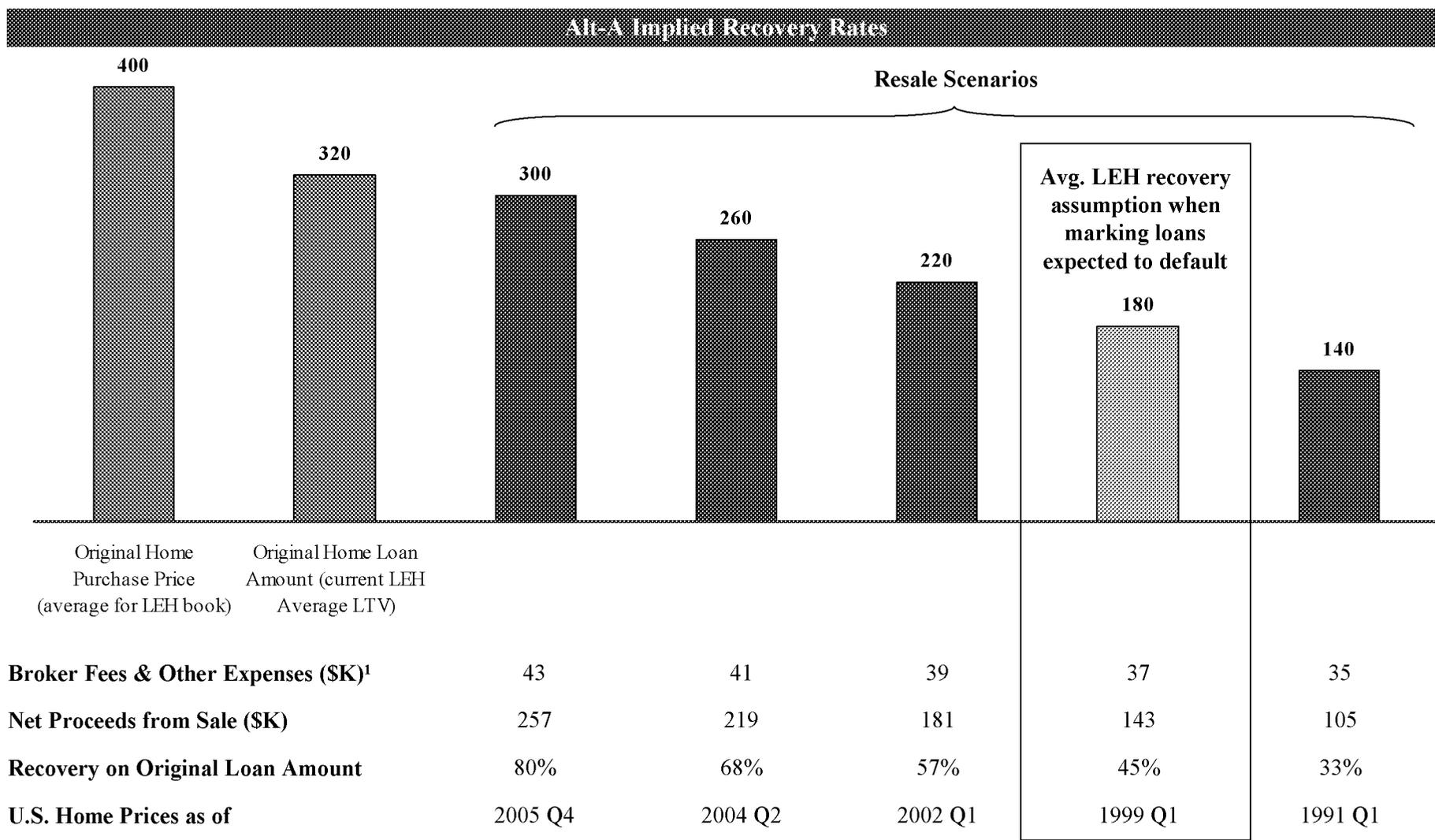
Projected Defaults vs. Current Delinquencies

	Remaining Positions Market Value (\$bn)	Current Base Case Default Assumptions (%)	Remaining Positions Base Case Yield (%)	Default scenario to yield L +100 (%)	Default scenario to earn 0% yield (%)	Actual Delinq. 60 days or longer (%)	Current Base Case Recovery Assumption (%)	Recovery Scenario to yield L + 100 (%)	Recovery Scenario to earn 0% yield (%)
Prime/Alt-A	\$4.1bn	44%	14.2%	63%	79%	18%	45%	40%	40%
• Seconds	0.5	70	14.6	76	79	34	0	0	0
• HELOCs	0.2	33	20.4	89	100	16	30	20	20
• Subprime	1.0	59	14.5	73	87	19	40	30	30
Total Non-Prime	\$1.7bn	59%	15.1%	76%	86%	23%	27	20	20

1. The base case scenario assumes a 32% drop in national home prices, peak to trough (vs. 17% decline to date), and a 48% drop in California home prices, peak to trough (vs. 23% decline to date)
2. The delinquency / default numbers on securities do not include the liquidating trust NPL deals. The biggest position on these deals is the 53.5-72.5% slice of the liquidating trust.
3. The aggregate yield on the portfolio is about 12%. The remaining portfolio is mostly comprised of lower risk assets such as servicing and reverse mortgages where the expected return in the base case is lower.

Residential Marks – Recovery Assumptions

The conservative recovery assumptions underpinning our 12% yield marks imply a home purchased at \$400K, with a \$320K original loan, liquidating at \$180K. This would correspond to 1999 price levels for the entire country.



LEHMAN BROTHERS

1. Assumes 5% broker fee and 8% in advances
 2. US Home Prices are based on OFHEO's National House Price Index

Key Credit Metrics Solid Post De-Risking

Lehman's credit metrics will compare favorably to those of its competitors subsequent to the de-risking initiatives.

Credit Metrics (\$B)

	Lehman				"Core" Lehman ¹	MER	MS	GS
	Q4 '07	Q1 '08	Q2 '08	Q3 '08 E	Q4 '08	Q2 '08	Q2 '08	Q2 '08
Net Leverage	16.1x	15.4x	12.1x	10.6x	10.9x	15.2x	12.8x	12.8x
Tier 1 Ratio	na	na	10.7%	11.0%	10.7%	7.6%	12.4%	10.8%
Less Liquid Assets ²								
Residential Mortgage	\$32	\$32	\$25	\$17	\$10	\$55	\$19	\$15
Commercial Mortgage & RHS	52	49	40	33	5	22	16	17
Other ABS / CDO	6	7	7	5	3	26	18	6
HY Acquisition Finance	24	18	12	7	6	8	13	22
PE & Other Principal	4	5	4	4	4	4	15	29
Total LLA's	\$118	\$110	\$88	\$66	\$28	\$115	\$80	\$89
Level III Assets (net of derivatives)	\$39	\$40	\$38	\$35	\$23	\$24	\$62	\$66

1. "Core" Lehman in Q4'08 after CRE Spinoff, expected capital raising and a 55% Sale of Asset Management, PIM, and Alternatives businesses

2. Less Liquid for Peers as of Q2'08

- MER – Residential and Commercial are reported on a 'net basis' and includes positions held in banks. Other ABS includes Super Senior ABS/CDO Gross Longs and Secondary Trading ABS/CDO Net. All ABS/CDO include Resi and non Resi positions, as MER separates these positions from straight Resi and Commercial positions
- MS – Residential and Commercial are reported on a 'gross basis' and includes positions held in First Republic and other banks. Other ABS/CDO includes both Resi and non Resi positions, as MS separates these positions from straight Resi and Commercial positions.
- GS – Residential and Commercial are reported on a 'gross basis'. Other ABS/CDO is the difference between Total Mortgage and ABS disclosed and the disclosed Residential and Commercial Mortgage positions. Private Equity includes PE, and investments in SMFG and ICBC

Q3 Actions Taken: Expenses, Headcount and Management

Q3 Headcount Reduction

In Q3, we reduced headcount, focusing disproportionately on businesses in secular decline and on discretionary corporate areas.

Headcount Reduction

	11/30/07	6/30/08	Net Reductions ¹	Pro Forma	% Change from 6/30	Associate & Analyst Class ²	9/15/08
Fixed Income	3,467	3,012	(262)	2,750	(9%)	203	2,953
Equities	2,427	2,332	(164)	2,168	(7%)	160	2,327
Prime Services	699	686	(64)	622	(9%)	51	674
Investment Banking	2,537	2,275	(178)	2,097	(8%)	324	2,421
Investment Management	3,035	2,877	(40)	2,837	(1%)	74	2,911
Principal	111	125	(18)	107	(14%)	0	107
Front Office ex-Mortgages	12,276	11,307	(726)	10,581	(6%)	812	11,393
Mortgage Capital ³	4,419	2,692	(1,209)	1,483	(45%)	0	1,483
Front Office	16,695	13,999	(1,935)	12,064	(14%)	812	12,876
IT	4,860	4,909	(158)	4,751	(3%)	91	4,842
Operations	2,422	2,625	4	2,629	0%	94	2,723
Finance	2,193	2,163	51	2,214	2%	53	2,267
Core HR	423	412	(16)	396	(4%)	4	400
Legal / Compliance / Audit	836	837	12	849	1%	14	863
Discretionary Corp	1,120	1,076	(298)	778	(28%)	3	781
Total Corporate	11,854	12,022	(405)	11,617	(3%)	259	11,876
Total Firm	28,549	26,021	(2,340)	23,681	(9%)	1,071	24,752

1. Incl. completed reductions & those targeted by 9/15/08 as well as transfers, pipeline activity and replacement hires.

2. Includes all analysts and associates who will be joining after 6/30/08.

3. Mortgage Capital net reductions include Q4 pipeline.

4. Note: 13% reduction in headcount from 11/30/07 to 9/15/08

Non-Personnel Expense – Reduction Scenario

We have also identified a set of near term cost reduction opportunities worth \$250M in annualized saves before any additional impact from potential divestitures.

NPE Reduction Scenario (\$M)		
Baseline	2009 Adjusted Run-Rate¹	\$4,069
Less Targeted NPE Savings	Headcount-driven	\$28
	Office consolidations / subleases	\$99
	Country office closures	\$22
	Mortgage Capital exit	\$12
	Efficiency gains	\$85
	NPE Saves (pre-divestitures)	\$246
	Investment Mgmt. divestiture	\$428
	Commercial Real Estate Partnership	\$74
	NPE Saves (post-divestitures)	\$749
	NPE post saves and divestiture	\$3,320

¹ Includes increase of \$35M for incoming analyst and associate hires.

Management

Management Changes

Individual	Current Position	Prior Positions	Years at Lehman
Riccardo Banchetti	Co-CEO of Europe & Middle East	◆ CEO & COO of Italy	15
Jerry Donini	Global Head of Equities	◆ Head of Americas Equities	10
Eric Felder	Global Co-Head of Fixed Income	◆ Head of Global Credit Products and Municipal Finance	14
Mike Gelband	Global Head of Capital Markets	◆ Global Head of Fixed Income	24
Alex Kirk	Head of Principal Investing	◆ COO of Fixed Income ◆ Global Head of Credit Products	13
Hyung Soon Lee	Global Co-Head of Fixed Income	◆ Head of Capital Markets, Asia-Pacific	15
Ian Lowitt	Chief Financial Officer	◆ Co-CAO ◆ Treasurer	14
Bart McDade	President & COO	◆ Global Head of Equities ◆ Global Head of Fixed Income	25
Christian Meissner	Co-CEO of Europe & Middle East	◆ Head of Investment Banking, Europe & Middle East	4

Q3 Results

Quarterly Performance BPM

During Q3, we expect to post a net loss of \$3.9B. This was driven by \$7.5B in gross writedowns as we continued to reduce our exposure to less liquid asset classes.

Quarterly P&L (\$B) - BPM

<i>(BPM View)</i>	2007		2008		
	Q3	Q4	Q1	Q2	Q3
Revenues					
Fixed Income	\$1.3	\$0.4	\$1.0	(\$2.1)	(\$4.8)
Equities	1.5	1.5	1.4	1.1	0.7
Investment Banking (Post Offset)	0.3	0.8	0.2	(0.0)	0.2
Investment Management	0.4	1.0	(0.1)	(0.1)	0.1
Principal Investments	(0.2)	0.3	0.2	(0.3)	(0.5)
Corp/Other	1.0	0.5	0.8	0.8	1.4
Total Net Revenues	\$4.3	\$4.4	\$3.5	(\$0.7)	(\$2.9)
Compensation and Benefits	\$2.1	\$2.2	\$1.8	\$2.3	\$2.0
Non-Personnel Expenses	1.0	1.0	1.0	1.1	1.0
Total Expenses	\$3.1	\$3.2	\$2.8	\$3.4	\$2.9
Pre-Tax Income	\$1.2	\$1.2	\$0.7	(\$4.1)	(\$5.8)
Net Income	\$0.9	\$0.9	\$0.5	(\$2.8)	(\$3.9)
Diluted EPS	\$1.54	\$1.54	\$0.81	(\$5.14)	(\$5.90)
Book Value Per Share	\$38.29	\$39.44	\$39.45	\$34.21	\$27.38

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Note: Business Performance Management ("BPM") View is a form of management reporting and differs from GAAP.

Q3 Writedowns

The writedowns were concentrated in our residential mortgage business, specifically within the U.S. Alt-A portfolio.

Writedowns and Net Revenues (\$B)

	Q1 '08	Q2 '08	Q3 '08		US Alt-A	US Non- Prime	Europe	Asia/US Other	Total
Run Rate Revenues	\$5.3	\$4.2	\$3.4						
Residentials	(3.0)	(2.4)	(5.1)		\$0.7	\$0.4	\$0.6	\$0.0	\$1.7
Commercials	(1.4)	(0.9)	(1.7)						
Other ABS	(0.2)	(0.4)	(0.5)		1.8	0.1	0.3	0.1	2.3
HY Acquisition Facilities	(0.7)	(0.3)	(0.2)		0.6	0.0	0.1	0.0	0.7
Total Gross Writedowns	(5.3)	(3.9)	(7.5)		0.0	0.0	0.0	0.4	0.4
				Total	\$3.1	\$0.5	\$0.9	\$0.5	\$5.1
Hedges	3.4	0.3	2.0						
Defensive Trading	0.0	(0.7)	0.0						
Principal Investing	0.2	(0.5)	(0.7)						
Net Revenues	\$3.5	(\$0.7)	(\$2.9)						

Run-Rate Revenues

Excluding the effect of these writedowns and the offsetting hedges and losses on our principal portfolio, our run rate revenue was \$3.4B.

Run-Rate Revenues (\$B)

	2008		
	Q1	Q2	Q3
Run-Rate Revenues	\$5.3	\$4.2	\$3.4
Gross MTM Adjustments	(5.3)	(3.9)	(7.5)
Hedges ¹	3.4	0.3	2.0
Principal Portfolio	0.2	(0.5)	(0.7)
Loss on Defensive Positions	-	(0.7)	-
Net Revenues (Reported)	\$3.5	(\$0.7)	(\$2.9)
Run-Rate Revenues	\$5.3	\$4.2	\$3.4
Compensation & Benefits	1.8	2.3	2.0
Non-Personnel Expenses	1.0	1.1	1.0
Pre-Tax Income	\$2.5	\$0.8	\$0.4

- ◆ \$5.1B due to cost of sales & writedowns in residential mortgages
- ◆ \$1.7B due to cost of sales & writedowns in CRE
- ◆ \$0.7B due to cost of sales & writedowns in other ABS/LBO

1. Including gains on debt of \$0.6B in Q1 08, \$0.4B in Q2 08 and \$1.4B estimated in Q3 08.

Capital and Liquidity

Capital Position Post Restructuring

Capital Scenario (\$B)							
	Q2 '08	Q3 '08	Q4 '08	REI Global	Q4 '08 Proforma 1	55% Sale IMD	Q4 '08 Proforma 2
Common Equity							
Beginning Common	\$21.8	\$19.3	\$19.5		\$19.5		\$19.5
Net Income to Common	(2.9)	(4.1)	(0.0)		(0.0)	(0.0)	(0.0)
Common Dividends	(0.1)	(0.1)	(0.0)		(0.0)		(0.0)
Equity Awards, net	0.5	0.5	0.3		0.3		0.3
Issuances (Repurchases)	(0.1)	3.9	0.0	3.0	3.0		3.0
Convert Preferred to Common				2.0	2.0		2.0
CRE Spin				(8.2)	(8.2)		(8.2)
+ Ending Common	\$19.3	\$19.5	\$19.7		\$16.6		\$16.6
Preferred Equity							
Beginning Preferred Stock	7.0	7.0	9.0		9.0		9.0
Issuances (Repurchases)	0.0	2.0					
Convert Preferred to Common				(2.0)	(2.0)		(2.0)
+ Ending Preferred Stock	\$7.0	\$9.0	\$9.0		\$7.0		\$7.0
+ Junior Sub. Debt	5.0	5.0	5.0		5.0		5.0
= Permanent Capital	\$31.3	\$33.5	\$33.7		\$28.6		\$28.6
- Less Intangible Assets	(4.1)	(4.1)	(4.1)		(4.1)	3.2	(0.9)
= Leverage Equity	\$27.2	\$29.4	\$29.6		\$24.5		\$27.7
Certain Deferred Tax Assets	(2.3)	(4.5)	(4.3)		(4.3)		(4.3)
Capital Req. for Insurance Entities	(0.1)	(0.1)	(0.1)		(0.1)		(0.1)
Cumulative Fair Value Gains on Debt, After Tax	(1.5)	(2.5)	(2.5)		(2.5)		(2.5)
- Total Capital Deductions	(\$3.9)	(\$7.1)	(\$6.9)		(\$6.9)		(\$6.9)
= Tier 1 Capital	\$23.2	\$22.2	\$22.7		\$17.5		\$20.7
Net Assets	\$328	\$310	\$310	(\$8)	\$302	(\$0)	\$302
Net Leverage Ratio	12.1x	10.6x	10.5x		12.3x		10.9x
Risk Weighted Assets	\$217	\$202	\$202	(\$7)	\$195	(\$0)	\$194
Tier 1 Ratio	10.7%	11.0%	11.2%		9.0%		10.7%
Common + Mandatory as % of Permanent	62%	64%	64%		65%		65%

IMD Sale Impact

A sale of 55% of IMD businesses would have reduced Lehman's pre-tax profits by ~\$230M in 2008

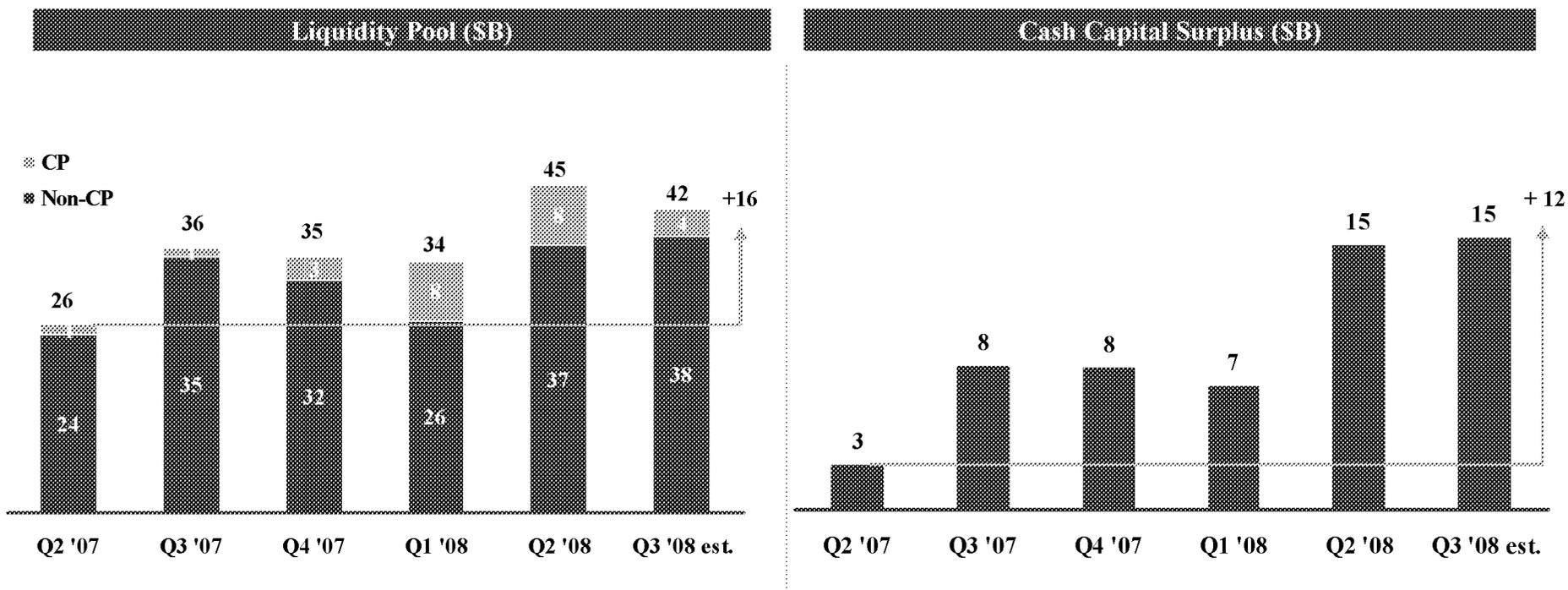
P&L Impact to Lehman (\$M)

	2008 Est.
Revenues	\$2,233
Direct Compensation	(1,202)
Direct NPE	(358)
Indirect Expenses	
Dedicated Allocations	(246)
Shared Allocations	(144)
Total Expenses	(1,950)
Pre-tax Income of Sold Entity	\$283
Lehman Share of Entity (45%)	127
Pre-tax Income Foregone	(\$156)
50% of IMD Shared Allocations Not Eliminated at Core Lehman	(72)
Total Pre-tax Income Reduction at Core Lehman	(\$228)
Lehman 2007 Pre-tax Income	\$6,013

Holding Company Liquidity

We have a \$42B liquidity pool and \$15B cash capital surplus at Holdings

- ◆ Since Q2 '07 when the funding environment became more challenging, we have grown our liquidity pool by \$16 billion and our cash capital surplus by \$12 billion
 - We closed Q3 '08 with an estimated liquidity pool of \$42 billion, slightly higher than its Q2 level after adjusting for the reduction in our commercial paper outstanding
 - Cash capital surplus is estimated to be near record levels of about \$15 billion at the end of Q3 '08 – unchanged from Q2



Secured Funding

Our Secured funding position also remains strong with significant overfunding of our Tri-party Repo Book and an increase in the length of our funding for non-central bank eligible collateral.

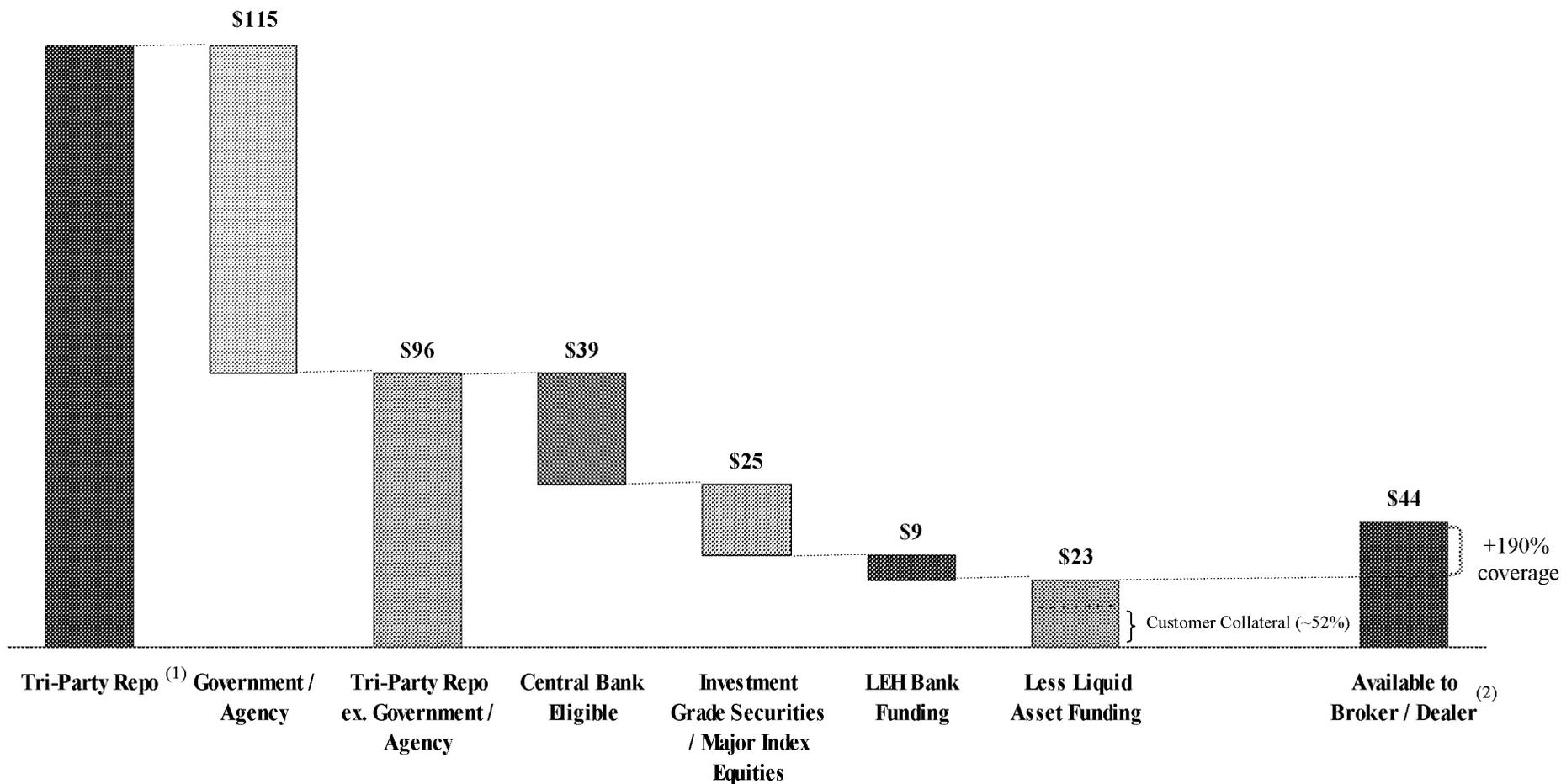
Non-Government & Agency Repo Book Metrics (\$B)

TriParty Repo Book	Q407	Q108	Q208	Q308	Q3 vs Q2 Change
Total Overfunding	\$18	\$15	\$27	\$27	0%
Average tenor (days)	27	22	35	32	(3)
Central bank eligible	-	-	30	27	(3)
Non Central bank eligible	-	-	38	37	(1)
% > 1 week	35%	25%	46%	50%	4%
% > 1 month	24%	20%	29%	30%	1%

Note: Primary Tri-party Repo provider in the U.S. is JPMorgan Chase

Liquidity Risk Of Secured Funding

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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1. Gross exposure
2. Includes Liquidity Pool (\$42.1B), LBI (\$0.9B), LBJ (\$0.1B), and Bankhaus (\$1.2B) – Excludes \$1 billion of customer free credits in LBIE

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Core Lehman

How Core Lehman Has Changed

Businesses Exited / Repositioned

Exited

- ◆ Residential mortgage origination, globally
- ◆ Non-U.S. residential mortgage servicing
- ◆ All other asset origination (e.g., student loans)

Repositioned

- ◆ Commercial Real Estate
 - Transition to fund format and advisory

Changes to Operating Model

Balance Sheet / Funding

- ◆ Funding Mix
 - Reduced reliance on wholesale secured funding for illiquid assets
 - Wholesale secured funding to be concentrated in liquid assets
 - Increased use of bank deposits
- ◆ Balance sheet composition
 - Increase percent of BS devoted to liquid assets
 - Customer-driven balance sheet allocation

Business Investment

- ◆ Define growth objectives based on market opportunity and Lehman's comparative advantage rather than competitor actions and/or market perceptions
- ◆ Pay structure substantially more variable

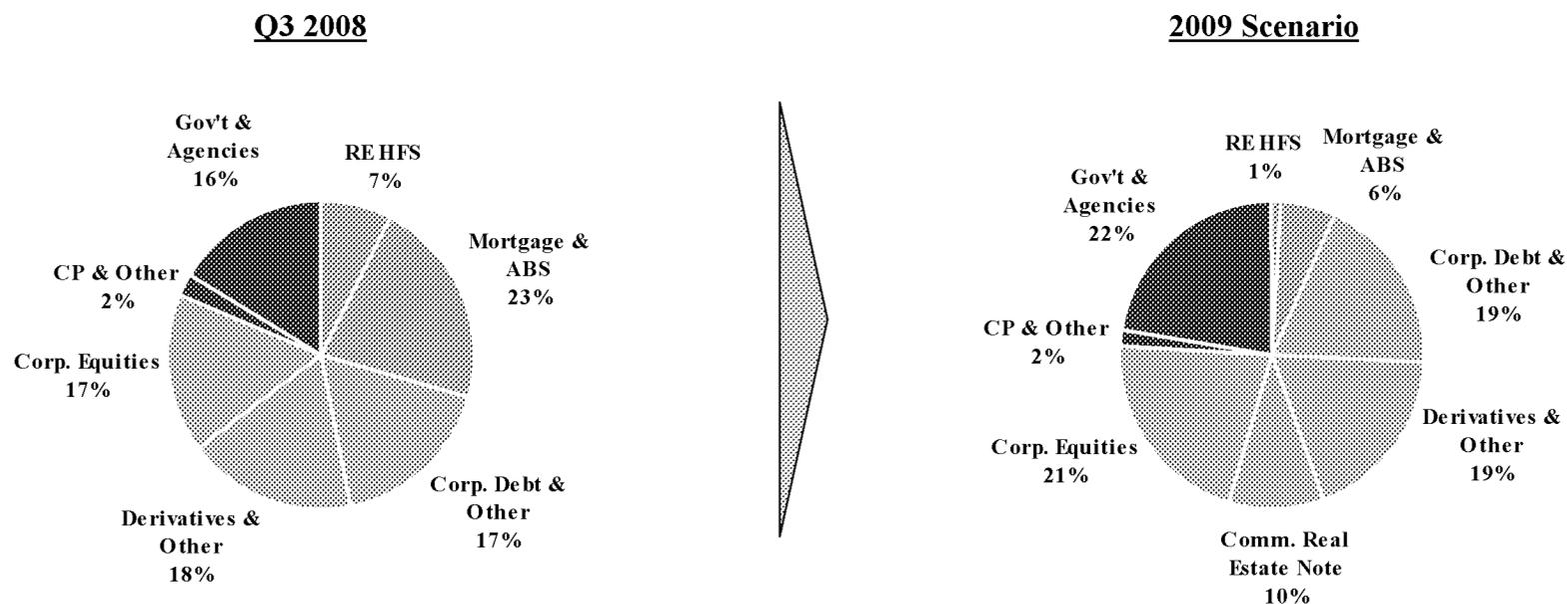
Risk Rules

- ◆ Define balance sheet
 - Committed to running BS with constant discipline with respect to:
 - Leverage
 - Asset composition
- ◆ Reduce tail risk
 - Recognize limitations of risk management models (VaR)
 - High hurdle rates and absolute limits on funding of illiquid assets
 - Concentration/notional limits
 - Level 3, absolute, principal

Balance Sheet Composition

Our balance sheet will include a substantially smaller proportion of less liquid assets.

Financial Instruments and Other Inventory Positions Owned



Less Liquid Assets

Rules of the Road

- ◆ Maintain ~\$300B B/S at under 12x net leverage
- ◆ Concentration limits (absolute, less liquid, level 3)
- ◆ Charge for illiquidity and hedgability
- ◆ Minimum return hurdle on risk equity

Assets (\$B)	Q3 '08	Target
Residential Mortgages	\$12 ¹	\$10
Comm. Mtg & RE HFS	33	5
Other ABS	5	1
HY Acq Financing	7	10
PE & Other Principal	4	4
Total Less Liquid Assets	\$61	\$30

Funding Profile

Core Lehman will have less reliance on wholesale secured funding for illiquid assets and increased use of bank deposits. Even with no new debt issuance in 2009, Core Lehman likely to have sufficient cash capital to fund the business.

Net Asset Funding Scenario (\$B)

Funding Source	2Q-08	2009	Comment
Cash Capital	\$127	\$103	- Assumes no long term debt issuances in '08 or '09 - Cash capital cushion of \$15B
Banks	43	60	- Increase bank deposit funding ~\$1B to \$2B p/month
Repos			- Inventory funding only; excludes matched book repos
Gov. & Agencies	22	50	- Non Gov. & Agency assets represent smaller % of repo funding
Non Gov. & Agencies	37	24	- 63% at 2Q-08; 32% end '09
Non Recourse Borrowings	22	0	- Primarily FAS 140 gross up associated with CRE and Resi
Payables	71	59	- Includes \$23B derivative liabilities - Includes \$33B customer & other payables
Holdings' Liquidity Pool	6	4	
Total	\$328	\$300	

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Note 1: Q2 Tri-Party repo funding (\$188B) included: inventory (\$72B), matched book (\$97B), other (\$17B)

Note 2: Bridge from Q2 net assets (\$328B) to gross assets (\$639B): securities borrowed to cover short positions, matched book reverse repos, cash/securities segregated and intangible assets

Capital Position

Core Lehman will be capitalized consistent with a mid-strong “A” rating and will be able to support \$300B in net assets.

Capital Scenario (\$B)

	Scenario			
	Q2 '08	Q3 '08	Q4 '08	2009
Common Equity				
Beginning Common	\$21.8	\$19.3	\$19.5	\$21.7
Net Income to Common	(2.9)	(4.1)	(0.0)	0.4
Common Dividends	(0.1)	(0.1)	(0.0)	(0.1)
Equity Awards, net & Other	0.5	0.5	0.3	1.8
Issuances (Repurchases)	(0.1)	3.9	0.0	
Convert Preferred to Common			2.0	3.0
CRE Spin				(8.2)
Ending Common	\$19.3	\$19.5	\$21.7	\$18.7
Preferred Equity				
Beginning Preferred Stock	7.0	7.0	9.0	10.0
Issuances (Repurchases)	0.0	2.0	3.0	(3.0)
Convert Preferred to Common			(2.0)	
Ending Preferred Stock	\$7.0	\$9.0	\$10.0	\$7.0
Junior Sub. Debt	5.0	5.0	5.0	5.0
Total Equity Capital	\$31.3	\$33.5	\$36.7	\$30.7
Less Intangible Assets	(4.1)	(4.1)	(4.1)	(0.9)
Tangible Equity Capital	\$27.2	\$29.4	\$32.6	\$29.8
Common % of Total Equity Capital	62%	58%	59%	61%
Net Assets	\$328	\$310	\$310	\$300
Net Leverage Ratio	12.1x	10.6x	9.5x	10.1x
Tier 1 Capital Ratio	10.7%	11.0%	11.2%	11.9%
Total Risk Based Capital Ratio	16.1%	16.5%	16.9%	16.3%

◆ Q4 Assumptions

- \$2B preferred converted to \$2B common
 - 90M common shares issued
- Issued \$3.0B contingent convertible security; assumes conversion to common in 1Q09 at creation of REI Global
 - 180M common shares converted at \$17 per share (1x proforma book value after CRE spin)
- No share repurchases
- Break even Q4 net income

◆ 2009 Assumptions

- CRE assets spun out in Q1
- \$1.8B equity issued in the form of Restricted Stock Units (“RSU”), including \$0.5B associated with severance costs and accelerated IMD RSU vesting
- No share repurchases

Why Are We Confident Core Lehman Can Compete?

◆ **Broadly diversified business mix currently generating \$13B+ in run rate revenues, excluding marks**

- Eleven major business lines generating more than \$400M in 2008 revenues, ex marks
- No individual business representing more than 15% of Firm total
- Not reliant on Mortgages or Commercial Real Estate – completed transition in 2007

◆ **Balance sheet capacity more than sufficient to support client mission**

- Targeting \$300B in net assets at under 12x leverage ratio – down significantly from 2007
- However, BS devoted to active trading businesses (ex Securitized Product and Real Estate) will be 30% higher than 2007 and expected to produce only comparable revenues
 - => Greater active BS capacity to generate revenues

◆ **Market opportunity still there, despite severe disruptions to certain businesses**

- Half of fee pool down 30%+ from 2007 (e.g., securitized products, real estate, origination)
- But other half remains largely intact (e.g., Rates, FX, Commodities)

◆ **Competitive advantages in each business, grounded in existing capabilities**

- Intellectual capital, client franchise, our business model, technology
- Success requires nothing new, only execution against model

Diversified Business Mix Generating \$13B+ Run Rate BPM

2008/2009 Revenue Scenario (\$B) BPM

(BPM View)

	Actuals				Scenario		Excl. Marks & 45% IMD 2008
	2005	2006	2007	2008	2009 ¹		
Fixed Income							
FX	\$0.3	\$0.3	\$0.4	\$0.6	\$0.6	\$0.6	\$0.6
Real Estate	2.0	2.1	1.3	(4.7)	0.2	(0.8)	(0.8)
Securitized Prod.	3.0	2.6	(0.1)	(6.4)	0.7	1.4	1.4
Commodities	0.0	0.0	0.3	0.5	0.5	0.5	0.5
Munis	0.4	0.4	0.2	0.2	0.3	0.2	0.2
Credit	1.8	2.4	2.1	2.3	2.0	2.4	2.4
Rates	1.4	1.3	1.7	1.4	1.5	1.6	1.6
FID Prime Services	0.5	0.6	0.8	1.2	0.8	1.2	1.2
Corp/Other/PIM Adj.	(0.9)	(0.7)	(0.8)	0.2	(0.6)	0.1	0.1
Total Fixed Income	\$8.5	\$9.0	\$6.0	(\$4.8)	\$5.9	\$7.1	
Equities							
Liquid Mkts	\$1.7	\$2.0	\$2.7	\$2.4	\$2.2	\$2.4	\$2.4
Converts	0.1	0.2	0.1	0.1	0.2	0.1	0.1
Vol	0.6	0.9	1.9	0.4	1.2	0.4	0.4
EQ Strat	0.2	0.2	0.6	0.3	0.5	0.3	0.3
EQ Prime Services	0.6	0.8	1.2	1.1	1.2	1.1	1.1
Corp/Other/PIM Adj.	(0.1)	(0.1)	(0.3)	(0.3)	(0.5)	(0.3)	(0.3)
Total Equities	\$3.2	\$4.0	\$6.1	\$4.2	\$4.7	\$4.2	
Invest. Mgmt.	\$1.2	\$1.7	\$2.6	\$0.5	\$0.5	\$0.5	
Invest. Banking (Net)	\$1.9	\$2.1	\$2.4	\$1.0	\$2.0	\$2.2	
Principal Investing	\$0.1	\$0.6	\$0.7	(\$0.6)	\$0.3	\$0.0	
Corp/Other	(\$0.2)	\$0.2	\$0.3	\$0.6	\$0.1	\$0.6	
Revenue Pre Debt Reval	\$14.6	\$17.6	\$18.1	\$0.9	\$13.4	\$14.6	
Debt Reval	0.0	0.0	1.2	2.4	(1.0)	2.4	
Total Reported	\$14.6	\$17.6	\$19.3	\$3.4	\$12.4	\$17.0	

1. 2009 FID and Equities total excludes PIM HNW revenues
 Note: Business Performance Management ("BPM") View is a form of management reporting and differs from GAAP.

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Balance Sheet Capacity More Than Sufficient BPM

We are confident that we can deliver on our revenue goals, because we have done so in both 2005 and 2006 with substantially less balance sheet devoted to the businesses remaining in Core Lehman.

Revenue & Net Asset Scenario (\$B) BPM

(BPM View)

	Actuals			Scenario	
	2005	2006	2007	2008	2009
Fixed Income (Incl. Prime Services)					
Revenues	\$8.5	\$9.0	\$6.0	(\$4.8)	\$5.9
Net Assets	134	174	233	206	154
<hr/>					
Revenues (ex. RE and Sec. Prod.)	\$3.6	\$4.3	\$4.8	\$6.3	\$5.1
Net Assets (ex. RE and Sec. Prod.)	59	89	106	133	138
<hr/>					
Equities (Incl. Prime Services)					
Revenues	\$3.2	\$4.0	\$6.1	\$4.2	\$4.7
Net Assets	53	68	89	65	75
<hr/>					
Total Firm Net Assets	\$211	\$269	\$373	\$310	\$300

Note: Business Performance Management ("BPM") View is a form of management reporting and differs from GAAP.

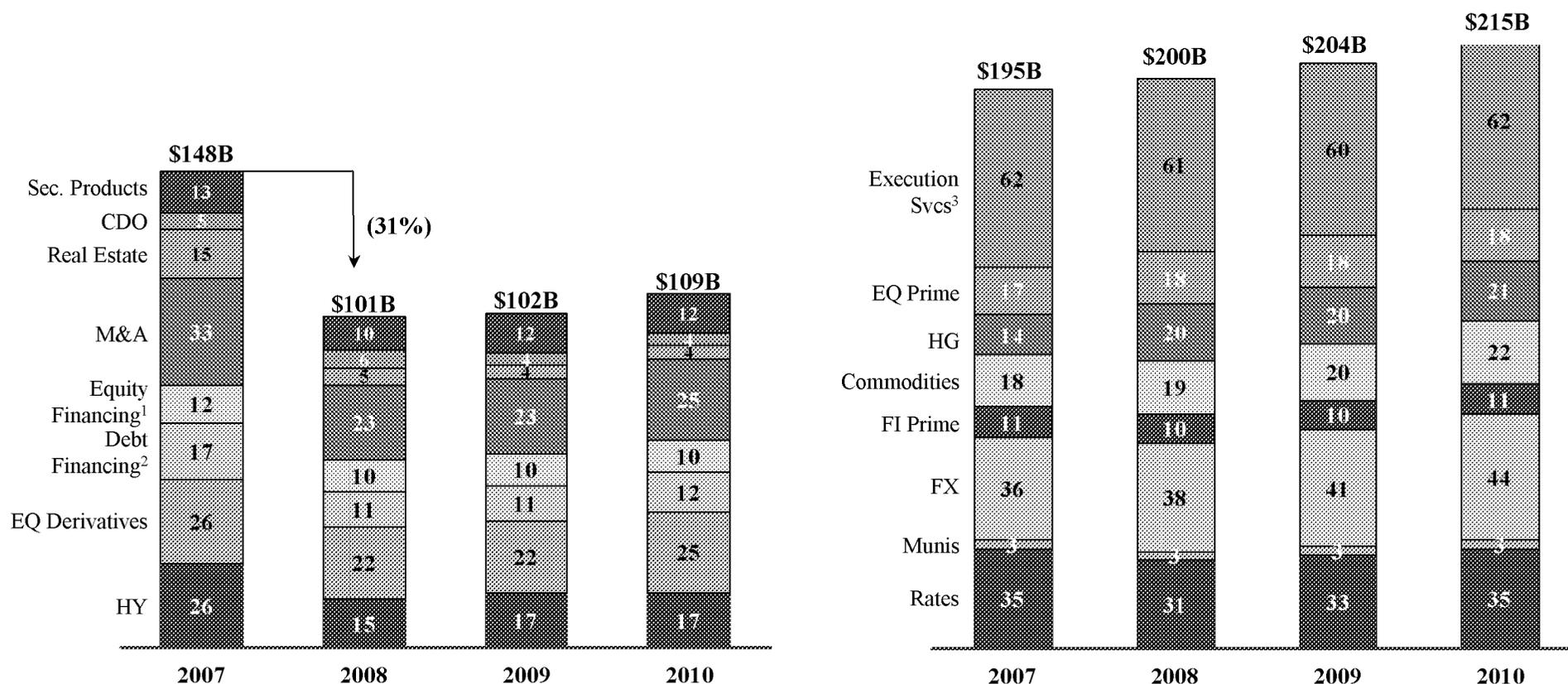
Market Opportunity Still There, Despite Disruptions

There is still a significant market opportunity in our core businesses, despite disruptions in key products. While half of the fee pool has been affected, the other half remains largely intact.

Global Institutional Investment Banking Client Fee Pools (\$B) – BPM

Secular & Cyclical Decline

Less Impacted by Market Downturn



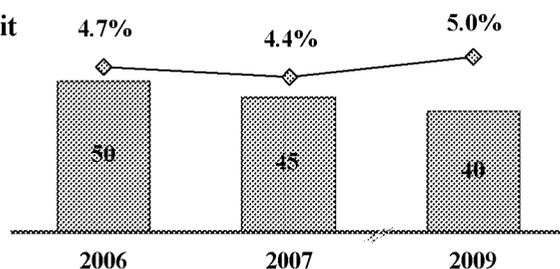
LEHMAN BROTHERS

1. Represents 50% of Equity Financing revenues. Remaining 50% in Execution Services
 2. Represents 50% of Debt Financing revenues. Remaining 50% in Credit Products
 3. Includes Americas Flow Derivatives

Franchise Businesses

 Market size (\$B)
 Lehman market share (%)

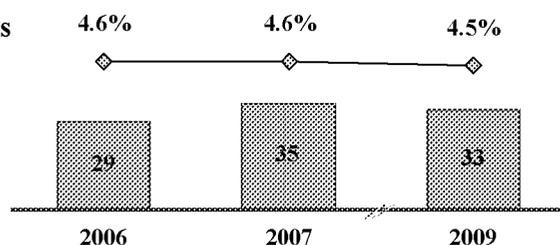
Credit



Competitive Edge

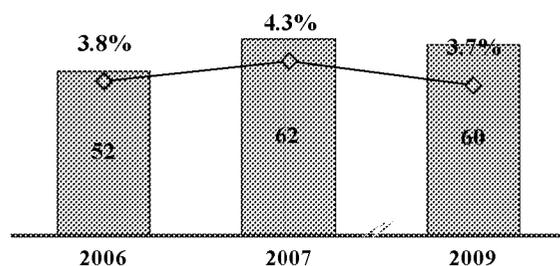
- Comprehensive client solutions platform integrated across cash and synthetics/structured credit
- Largest content provider of deep fundamental research and credit portfolio strategy
- Real-time delivery of proprietary analytics via LehmanLive
- Ability to track portfolio performance using Lehman Index benchmarks

Rates



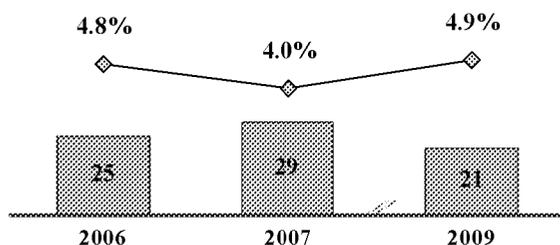
- Dominant player in dollar cash, derivatives and structured products
- Customized cross-market macro client strategy
- Fully developed exotics structured solutions platform
- Integrated into IBD for structured solutions

Execution Services



- Client-centric model focused on delivering best-in-class service and execution to targeted set of top tier clients
 - Liquidity depth for key clients
 - Breadth and quality of fundamental research
 - Innovative content (e.g., quantitative strategies)
 - Technology leadership: Quant Applications, Algorithms, Analytics, Web Bench, LX, POINT

Global Finance



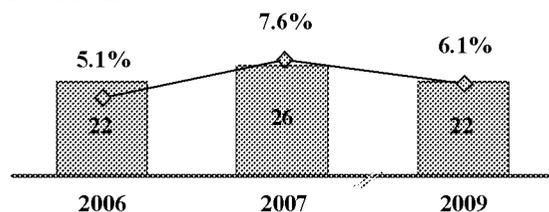
- “Product agnostic” solutions-based approach to client financing and capital needs
- Industry-leading risk solutions capability
- Equities and Fixed Income origination mindset, content and distribution platform

LEHMAN BROTHERS

Franchise Businesses

 Market size (\$B)
 Lehman market share (%)

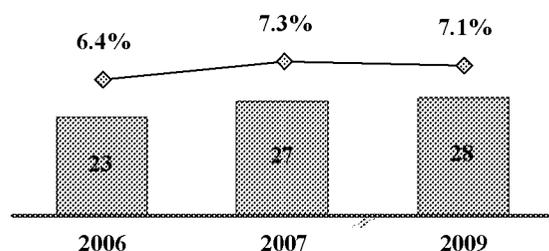
EQ Derivatives



Competitive Edge

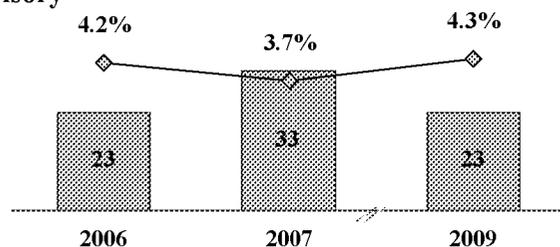
- Flow Vol: Market leadership in U.S. and Europe
- Corporate derivatives
 - Integrated Equities and Banking effort
 - Quality of IBD client relationships
 - Dedicated team leveraging Lehman's deep structuring expertise

Prime Services



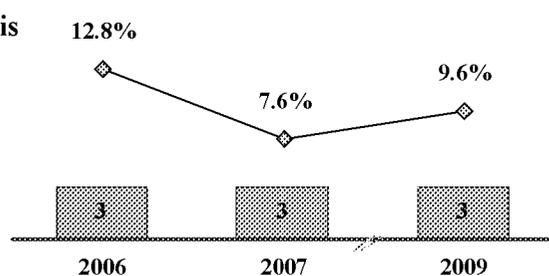
- Integrated Financing, Futures and Prime Brokerage services across capital markets
- Technology-driven client solutions
- Stat Arb / High Frequency infrastructure
- Innovative financing solutions (e.g., risk-based scenario margining product)
- Intellectual capital (strategic advisory, synthetics to non-trad players)
- Strong quantitative and analytics framework

Advisory



- 20+ year senior banker client relationships
- Structuring excellence and creativity
- Integrated financing and derivatives capability
- Global service model for largest accounts

Munis

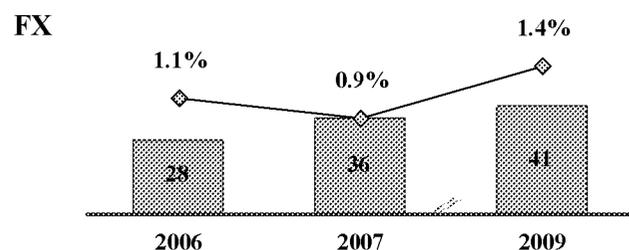


- Integrated model between investment banking and capital markets, driving innovation and greater product penetration
- Strong derivatives franchise

LEHMAN BROTHERS

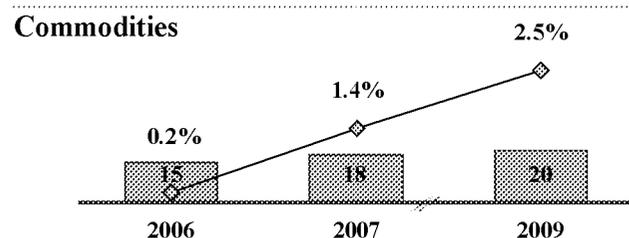
Emerging Growth Businesses

 Market size (\$B)
 Lehman market share (%)

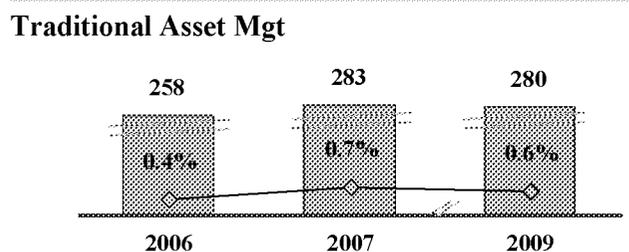


Competitive Edge

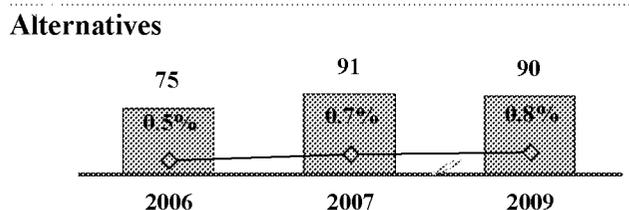
- Highly ranked global Research capability
- Leading electronic platform: FXLive



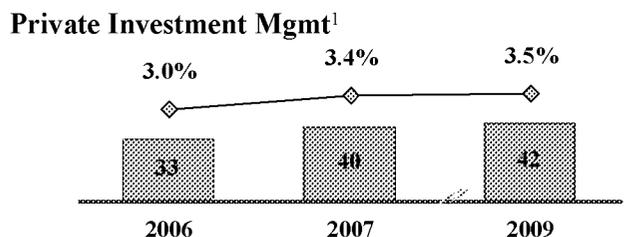
- Integrated Investment Banking and Capital Markets business model
 - Origination mindset
- Leading Nat Resources and Power Investment Banking franchise



- Investment process and talent to consistently generate superior performance
- Diversified platform across clients, geographies and asset classes
- Partnership model to provide clients with holistic solutions across entire portfolio



- Ability to leverage multiple capital markets and Neuberger salesforces for fund-raising
- Privileged access to deal flow by leveraging Banking, Research and HNW networks
- Consistent track record of 20% returns across Merchant Banking, VC, RE, Co-Invest and FoFs



- Highly productive middle mkt/HNW salesforces
- Advisory model (vs transactional brokerage)
- Full complement of institutional quality product

LEHMAN BROTHERS

1. Excludes private banking market

Revenue Return on Net Assets

Revenue returns on net assets in the 2009 Scenario are reasonable in light of historical performance, even during 2001-2002 downturn.

Revenue Returns

(BPM View)

	2009 Scenario	2007	2006	2005	2004	2003	2002	2001	2000
Fixed Income									
FX	10%	9%	11%	11%	12%	9%	14%	16%	13%
Real Estate (Post Spin)	3%	3%	8%	9%	4%	2%	3%	2%	n.a. ²
Securitized Prod.	3%	0%	5%	7%	7%	4%	3%	2%	n.a. ²
Commodities	7%	28%	44%	n.m. ³					
Munis	5%	3%	8%	12%	13%	16%	17%	20%	13%
Credit	6%	6%	9%	9%	9%	9%	6%	5%	4%
Rates	2%	4%	4%	6%	5%	6%	4%	2%	3%
Total	4%	3%	6%	8%	7%	5%	4%	4%	3%
Equities									
Liquid Mkts	28%	33%	28%	40%	n.a.	n.a.	n.a.	n.a.	n.a.
Converts	4%	3%	5%	2%	4%	10%	5%	6%	6%
Vol	5%	7%	5%	3%	n.a.	n.a.	n.a.	n.a.	n.a.
EQ Strat	9%	14%	15%	30%	1%	19%	n.a.	n.a.	n.a.
Total	10%	13%	11%	10%	9%	12%	10%	9%	8%

Accounting adjustments prevent historical comparability

1. Based on Business Performance Management ("BPM") reporting, which is a form of mgmt reporting & differs from GAAP. Represents revenue over average net assets, except for 2000, which uses EOP balance for net assets.
2. Mortgage Trading / Real Estate balance sheet not allocated in 2000.
3. Commodities revenue and balance sheet insignificant for 2000 through 2005.

2009 Income Scenario

Core Lehman could potentially generate low double-digit ROEs post LEH CRE spin and NPE reductions.

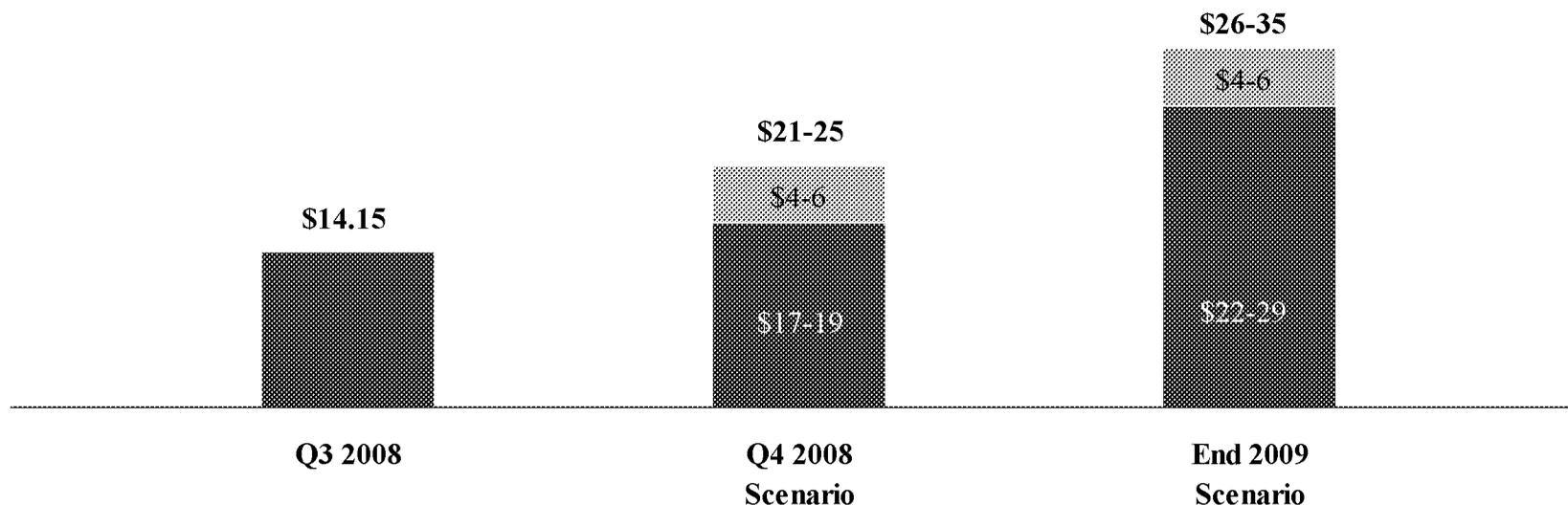
2009 Income Statement Scenario (\$B)

Core Revenues	\$13.4
Less Debt Revaluation	(1.0)
Net Revenues	\$12.4
Compensation & Benefits	6.6
Non-Personnel Expenses	3.3
Restructuring, Incl. Acceleration IMD RSUs	1.1
Pre-Tax Income	\$1.4
Taxes	0.4
Preferred Dividends	0.5
Net Income to Common	\$0.4
Return on Common Equity	2%
ROE (Ex. Debt Reval & Restructuring)	11%

Theoretical Valuation

Theoretically, we could envision a scenario generating ~\$26-35 per share for the combined value of Core Lehman and LEH CRE at end 2009.

Core Lehman & CRE Theoretical Valuation (Price per Share)



(\$B, except share data)

	Lehman
Net Inc. to Common	(\$4.1)
Common Equity ¹	\$19
Book Value per Share	\$27.38
Price / Book	0.5x
Price Range	
Price / LTM Earnings	NM

	Core LEH	CRE
Net Inc. to Common	(\$0.0)	n/a
Common Equity	\$14	\$8
Book Value per Share	\$16.93	\$10.21
Price / Book	1.0x - 1.1x	0.4x - 0.6x
Price Range	\$17 - \$19	\$4 - \$6
Price / LTM Earnings	NM	NM

	Core LEH	CRE
Net Inc. to Common	\$1.1 ²	(\$0.1)
Common Equity	\$19	\$8
Book Value per Share	\$18.18	\$10.21
Price / Book	1.2x - 1.6x	0.4x - 0.6x
Price Range	\$22 - \$29	\$4 - \$6
Price / LTM Earnings	20x - 26x	NM

Assumes market values CRE independently post announcement

1. Core Lehman Common Equity in Q4 2008 reflects conversion of \$2B of preferred stock to \$2.0B of common stock; 2009 includes conversion of \$3B contingent preferred equity.
 2. LTM net income for Core LEH in 2009 excludes one-time restructuring charge of \$1.1B and excludes one time impact to net income for conversion of common to preferred (est. \$0.6B)
 Note: Lehman Brothers provides no assurances of future stock price performance