

### Mark to Market Adjustments by Asset Class

	Q3 '08		Q2 '08		Q1 '08		YTD '08	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
\$ billions								
Residential Mortgage-Related Positions	(\$5.3)	(\$4.9)	(\$2.4)	(\$2.0)	(\$3.0)	(\$0.8)	(\$10.7)	(\$7.7)
Other Asset-Backed (Non Resi) Related Positions	(0.6)	(0.5)	(0.4)	(0.4)	(0.2)	(0.1)	(1.2)	(1.0)
Commercial Mortgage and RE Related Positions	(1.7)	(1.6)	(0.9)	(1.3)	(1.4)	(1.0)	(4.0)	(3.9)
Acquisition Finance Facilities	(0.2)	(0.0)	(0.3)	(0.4)	(0.7)	(0.5)	(1.2)	(0.9)
Subtotal	(7.8)	(7.0)	(4.0)	(4.1)	(5.3)	(2.4)	(17.1)	(13.5)
Valuation of Debt Liabilities	1.4	1.4	0.4	0.4	0.6	0.6	2.4	2.4
Total	(\$6.4)	(\$5.6)	(\$3.6)	(\$3.7)	(\$4.7)	(\$1.8)	(\$14.7)	(\$11.1)

Lehman Brothers  
Pre-Tax

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	Capital Markets			Banking			Investment Management			total	total	total	total	total	total	total	total	total	total	Total Lehman										
	FID	Equities	Capital Markets	Banking Division	NBM Eliminations	Banking	Private Equity	Asset Management	PM												Investment Management	Global Trading Strategies	Global Principal Strategies	Direct Principal Investments	Global Opportunities Group	PIP Corporate	Mortgage Capital Division	DAG	Back Office	Non-Corr
	(4,286.3)	664.9	(4,321.4)	352.9	(87.2)	265.7	(117.2)	192.7	-												78.8	(420.3)	(75.9)	15.5	2.2	13.8	0.3	0.6	0.4	1,542.9
<b>BPM Revenues</b>																														
BPM Expenses																														
Direct Comp	538.62	280.70	819.33	312.52	-	312.52	53.64	250.13	-	303.77	(69.56)	(0.54)	(0.07)	10.65	7.07	74.12	-	457.45	35.69	1,950.41										
Alloc NPE	198.44	166.36	364.82	56.49	0.70	57.19	9.17	73.14	-	82.31	2.72	2.47	0.28	0.90	0.59	54.96	0.01	371.43	33.00	970.70										
<b>Total Directs</b>	<b>737.06</b>	<b>447.06</b>	<b>1,184.15</b>	<b>369.01</b>	<b>0.70</b>	<b>369.71</b>	<b>62.81</b>	<b>323.26</b>	<b>-</b>	<b>386.07</b>	<b>(66.84)</b>	<b>1.93</b>	<b>0.28</b>	<b>11.56</b>	<b>7.66</b>	<b>129.10</b>	<b>0.01</b>	<b>828.88</b>	<b>68.68</b>	<b>2,921.11</b>										
BPM Allocations																														
Comp Allocation	226.27	195.21	521.48	186.83	(115.77)	71.06	26.62	(69.68)	-	(43.07)	5.25	4.61	1.10	2.02	0.15	(67.33)	0.00	(501.27)	5.94	(0.05)										
NPE Allocation	477.16	321.86	434.00	85.97	(25.51)	59.45	9.99	28.65	-	38.25	3.31	2.01	0.39	1.11	0.31	(60.67)	0.00	(374.11)	(104.03)	0.63										
<b>Total Alloc</b>	<b>603.00</b>	<b>350.49</b>	<b>855.49</b>	<b>272.70</b>	<b>(142.28)</b>	<b>130.51</b>	<b>36.21</b>	<b>(41.03)</b>	<b>-</b>	<b>(4.82)</b>	<b>8.56</b>	<b>6.61</b>	<b>1.49</b>	<b>3.13</b>	<b>0.46</b>	<b>(127.99)</b>	<b>0.00</b>	<b>(875.37)</b>	<b>(98.09)</b>	<b>(0.02)</b>										
<b>Total BPM Comp Expenses</b>	<b>864.90</b>	<b>475.92</b>	<b>1,340.81</b>	<b>499.35</b>	<b>(115.77)</b>	<b>383.58</b>	<b>80.25</b>	<b>180.44</b>	<b>-</b>	<b>260.70</b>	<b>(64.31)</b>	<b>4.06</b>	<b>1.03</b>	<b>12.68</b>	<b>7.22</b>	<b>6.79</b>	<b>0.00</b>	<b>(43.81)</b>	<b>41.62</b>	<b>1,950.37</b>										
<b>Total BPM NPE Expenses</b>	<b>477.16</b>	<b>321.86</b>	<b>799.02</b>	<b>142.46</b>	<b>(25.62)</b>	<b>116.54</b>	<b>18.76</b>	<b>101.79</b>	<b>-</b>	<b>120.55</b>	<b>6.03</b>	<b>4.48</b>	<b>0.67</b>	<b>2.01</b>	<b>0.90</b>	<b>(5.89)</b>	<b>0.01</b>	<b>(2.67)</b>	<b>(71.03)</b>	<b>970.70</b>										
<b>Total BPM Expenses</b>	<b>1,342.06</b>	<b>797.77</b>	<b>2,139.83</b>	<b>641.81</b>	<b>(141.39)</b>	<b>500.12</b>	<b>99.02</b>	<b>282.23</b>	<b>-</b>	<b>381.25</b>	<b>(58.28)</b>	<b>8.54</b>	<b>1.70</b>	<b>14.69</b>	<b>8.11</b>	<b>1.10</b>	<b>0.81</b>	<b>(46.48)</b>	<b>(25.41)</b>	<b>2,921.06</b>										
<b>BPM Pre-Tax</b>	<b>(6,328.36)</b>	<b>(1,324.44)</b>	<b>(6,461.00)</b>	<b>(288.23)</b>	<b>64.42</b>	<b>(224.60)</b>	<b>(216.21)</b>	<b>69.68</b>	<b>-</b>	<b>(348.78)</b>	<b>(361.89)</b>	<b>(64.48)</b>	<b>11.82</b>	<b>(1,244)</b>	<b>5.67</b>	<b>(0.84)</b>	<b>(6.01)</b>	<b>46.80</b>	<b>1,672.33</b>	<b>(5,824.336)</b>										
<b>BPM Pre-Tax Margin</b>	<b>122.9%</b>	<b>19.3%</b>	<b>31.0%</b>	<b>21.9%</b>	<b>42.4%</b>	<b>38.3%</b>	<b>164.6%</b>	<b>46.5%</b>	<b>80.0%</b>	<b>405.2%</b>	<b>266.1%</b>	<b>111.3%</b>	<b>87.6%</b>	<b>264.1%</b>	<b>41.2%</b>	<b>316.0%</b>	<b>664.7%</b>	<b>142.2%</b>	<b>101.9%</b>	<b>47.2%</b>										
<b>SEGMENT DATA</b>																														
Segment Revenues	(4,603)	454	(4,149)	611	-	611	100	265	374	679	420	76	(14)	(3)	(14)	(0)	(0)	(0)	(1,543)	0	(2,803)									
revenue adjustments	383	(211)	173	26	87	343	217	87	274	509	0	0	0	0	0	0	0	0	0	0	0									
Corporate Allocation %	15%	-16%	14%	-21%	0%	-21%	3%	3%	3%	75%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%									
<b>SEGMENT EXPENSE ADJUSTMENTS</b>																														
YTD Direct Comp Adj	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-									
RSU Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-									
Global Trading Strategies - Comp	(16.1)	(48.2)	(64.3)	-	-	-	-	-	-	-	64.3	-	-	-	-	-	-	-	-	-	-									
Global Trading Strategies - NPE	1.5	4.5	6.0	-	-	-	-	-	-	-	(6.0)	-	-	-	-	-	-	-	-	-	-									
<b>Total</b>	<b>(14.6)</b>	<b>(43.7)</b>	<b>(58.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.0)</b>										
GPS - Comp	4.1	-	4.1	-	-	-	-	-	-	-	-	(4.1)	-	-	-	-	-	-	-	-	-									
GPS - NPE	4.5	-	4.5	-	-	-	-	-	-	-	-	(4.5)	-	-	-	-	-	-	-	-	-									
<b>Total</b>	<b>8.5</b>	<b>-</b>	<b>8.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.0)</b>										
Direct Principal Investments - Comp	-	1.0	1.0	-	-	-	-	-	-	-	-	-	(1.0)	-	-	-	-	-	-	-	-									
Direct Principal Investments - NPE	-	0.7	0.7	-	-	-	-	-	-	-	-	-	(0.7)	-	-	-	-	-	-	-	-									
<b>Total</b>	<b>-</b>	<b>1.7</b>	<b>1.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>										
GOG - Comp	-	12.7	12.7	-	-	-	-	-	-	-	-	-	-	(12.7)	-	-	-	-	-	-	-									
GOG - NPE	-	2.0	2.0	-	-	-	-	-	-	-	-	-	-	(2.0)	-	-	-	-	-	-	-									
<b>Total</b>	<b>-</b>	<b>14.7</b>	<b>14.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.0)</b>										
PIP - Comp	-	7.2	7.2	-	-	-	-	-	-	-	-	-	-	-	(7.2)	-	-	-	-	-	-									
PIP - NPE	-	0.9	0.9	-	-	-	-	-	-	-	-	-	-	-	(0.9)	-	-	-	-	-	-									
<b>Total</b>	<b>-</b>	<b>8.1</b>	<b>8.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>										
Mortgage Capital - Comp	-	6.8	6.8	-	-	-	-	-	-	-	-	-	-	-	-	(6.8)	-	-	-	-	-									
Mortgage Capital - NPE	-	(5.7)	(5.7)	-	-	-	-	-	-	-	-	-	-	-	-	5.7	-	-	-	-	-									
<b>Total</b>	<b>-</b>	<b>1.1</b>	<b>1.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.0)</b>										
DAG - Comp	-	-	-	-	-	-	0.0	-	0.0	-	-	-	-	-	-	-	-	(0.0)	-	-										
DAG - NPE	-	-	-	-	-	-	0.0	-	0.0	-	-	-	-	-	-	-	-	(0.0)	-	-										
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.0)</b>	<b>-</b>	<b>-</b>										
Interest on Buildings - Comp	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Interest on Buildings - NPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>										
Back Office - Comp	(69.5)	6.9	(62.6)	9.2	-	9.2	1.5	3.9	4.1	9.6	-	-	-	-	-	-	-	-	43.8	0.0										
Back Office - NPE	(4.2)	0.4	(3.8)	0.6	-	0.6	0.1	0.2	0.3	0.6	-	-	-	-	-	-	-	-	2.7	0.0										
<b>Total</b>	<b>(73.7)</b>	<b>7.3</b>	<b>(66.4)</b>	<b>9.8</b>	<b>-</b>	<b>9.8</b>	<b>1.6</b>	<b>4.2</b>	<b>4.4</b>	<b>10.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46.5</b>	<b>0.0</b>										
Banking Related - Comp	(18.6)	(5.9)	(24.2)	24.2	-	24.2	-	-	-	24.2	-	-	-	-	-	-	-	-	-	-										
Banking Related - NPE	(5.9)	(3.3)	(9.2)	10.2	-	10.2	-	-	-	10.2	-	-	-	-	-	-	-	-	-	-										
<b>Total</b>	<b>(25.4)</b>	<b>(8.9)</b>	<b>(34.4)</b>	<b>34.4</b>	<b>-</b>	<b>34.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>										
Banking Capital Markets (Comp)	(11.7)	-	(11.7)	11.7	-	11.7	-	-	-	11.7	-	-	-	-	-	-	-	-	-	-										
Eliminate Research - Comp	-	35.3	35.3	-	-	35.3	-	-	-	35.3	-	-	-	-	-	-	-	-	-	-										
Eliminate Research - NPE	-	23.8	23.8	-	-	23.8	-	-	-	23.8	-	-	-	-	-	-	-	-	-	-										
<b>Total</b>	<b>-</b>	<b>59.1</b>	<b>59.1</b>	<b>(59.1)</b>	<b>-</b>	<b>(59.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(59.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>										
IMD Principal Inventory (Comp)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Private Equity Exp - Comp	-	19.0	19.0	-	-	19.0	-	-	-	(19.0)	-	-	-	-	-	-	-	-	-	-										
Private Equity Exp - NPE	-	1.9	1.9	-	-	1.9	-	-	-	(1.9)	-	-	-	-	-	-	-	-	-	-										
<b>Total</b>	<b>-</b>	<b>21.0</b>	<b>21.0</b>	<b>-</b>	<b>-</b>	<b>21.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>										
PII - Sales Credits - Comp	(46.7)	(47.8)	(94.5)	(0.5)	-	(0.5)	-	-	-	94.8	-	-	-	-	-	-	-	-	-	-										
PII - Sales Credits - NPE	(17.2)	(28.3)	(45.5)	(0.1)	(2.2)	(2.3)	-	-	-	47.8	-	-	-	-	-	-	-	-	-	-										

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Lehman Brothers  
Pre-Tax  
Q3

	Capital Markets			Banking			Investment Management			total Global Trading Strategies	total Global Principal Strategies	total Direct Principal Investments	total Global Opportunities Group	total PIP Corporate	total Mortgage Capital Division	total DAG	total Bank Office	total Non-Core	Total Lehman
	FID	Equities	Capital Markets	Banking Division	NBM Eliminations	Banking	Private Equity	Asset Management	PIM										
Total	PIM - Sales Credits - Total	(63.6)	(76.4)	(140.0)	(0.6)	(2.2)	(2.8)	142.8	142.8	-	-	-	-	-	-	-	-	-	(0.0)
Alloc Comp	PIM - In Division Cost Alloc - Comp	(9.3)	(9.3)	(18.6)	-	-	-	18.6	18.6	-	-	-	-	-	-	-	-	-	-
Alloc NPE	PIM - In Division Cost Alloc - NPE	(3.4)	(5.3)	(9.0)	-	-	-	9.0	9.0	-	-	-	-	-	-	-	-	-	-
Total	PIM - In Division Cost Alloc - Total	(12.7)	(14.9)	(27.6)	-	-	-	27.6	27.6	-	-	-	-	-	-	-	-	-	-
Alloc Comp	PIM - Comp Uplift Adj - Comp	2.5	(2.5)	0.1	10.1	(5.0)	5.0	-	(5.1)	(5.1)	-	-	-	-	-	-	-	-	(0.0)
Alloc NPE	PIM - Execution charges from Corp to IMD	-	-	-	-	-	-	-	(1.7)	(1.7)	-	-	-	-	-	-	-	1.7	-
Alloc Comp	PIM Banking Referral Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alloc NPE	PIM Pre-close Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alloc NPE	GLG Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alloc NPE	Enron Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alloc NPE	Legal Settlements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alloc Comp	IBD CAF Comp Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alloc Comp	YTD True up - Comp	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alloc NPE	YTD True up - NPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	YTD True up of BPM Allocation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alloc Comp	REVENUE YTD True up of BPM Allocation	25.0	-	25.0	12.5	-	12.5	-	4.2	4.2	-	-	-	-	-	-	-	-	(41.6)
Alloc NPE	Non-Core NPE Allocation Adj	(52.4)	-	(52.4)	(8.7)	-	(8.7)	-	(8.3)	(8.3)	-	-	-	-	-	-	-	-	89.4
Alloc Comp	Non-Core - Comp	(0.00)	0.00	(0.0)	0.00	-	0.0	0.00	0.00	0.00	-	-	-	-	-	-	-	-	0.00
Alloc NPE	Non-Core - NPE	(0.01)	0.00	(0.0)	0.00	-	0.0	0.00	0.00	0.00	-	-	-	-	-	-	-	-	0.00
Total	Corporate - Total	(0.0)	0.0	(0.0)	0.0	-	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	0.0
Alloc Comp	Pre-Close Adj - Comp	15.9	9.6	25.5	(1.3)	(2.3)	(3.6)	(5.4)	(20.4)	4.0	(21.8)	-	-	-	-	-	-	-	(0.000)
Alloc NPE	Pre-Close Adj - NPE	(120.1)	16.4	(103.6)	20.4	21.0	41.4	3.3	31.3	27.8	62.2	-	-	-	-	-	-	-	(0.000)
Total	Pre-Quarter Pre-Close Adjustment	(104.2)	26.1	(78.2)	19.2	18.6	37.8	(2.1)	10.9	31.8	40.3	-	-	-	-	-	-	-	(0.0)
Alloc Comp	Total Comp Adjustment	(117.51)	(21.76)	(139.27)	30.66	(7.39)	23.27	(22.96)	(12.35)	116.58	91.27	64.31	(4.06)	(1.63)	(12.68)	(7.22)	(6.79)	(0.00)	(41.62)
Alloc NPE	Total NPE Adjustment	(203.87)	13.91	(190.26)	(1.44)	16.73	17.35	1.46	23.22	63.01	107.71	(8.63)	(4.45)	(0.67)	(2.61)	(0.90)	5.69	(0.01)	2.87
Total	Total Adjustment	(321.38)	(8.24)	(329.62)	29.22	11.40	40.63	(21.49)	10.87	199.59	188.98	58.28	(8.54)	(1.70)	(14.89)	(8.11)	(1.10)	(0.01)	46.49
SEGMENT SUMMARY																			
Segment Revenues		(4,692.85)	454.40	(4,148.46)	611.22	-	611.22	99.83	259.94	274.25	634.63	-	-	-	-	-	-	-	(2,903.21)
Total Segment Comp Expenses		747.38	454.16	1,201.54	520.01	(123.15)	406.86	57.30	166.00	116.50	341.92	-	-	-	-	-	-	-	1,950.37
Total Segment NPE Expenses		273.30	335.17	608.47	141.02	(7.03)	133.99	20.24	125.01	83.01	228.27	-	-	-	-	-	-	-	970.73
Total Segment Expenses		1,020.68	789.33	1,810.01	671.03	(130.18)	640.85	77.54	291.01	199.50	670.23	-	-	-	-	-	-	-	2,921.10
Segment Pre-Tax		(6,823.39)	(334.3)	(6,968.47)	(59.8)	130.2	70.37	22.3	(33.3)	74.7	63.79	-	-	-	-	-	-	-	(6,824.3)
BPM Pre-Tax Margin		-12.2%	-27.2%	-143.6%	-9.8%	18.0%	11.41%	22.3%	-12.9%	27.2%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	206.5%
Pre-tax Less Previous Quarter Adj		(5,727.76)	(308.96)	(6,036.62)	(40.66)	148.83	108.17	20.18	(22.30)	106.26	104.14	-	-	-	-	-	-	-	(5,824.31)
Margin Less Previous Quarter Adj		124.4%	-68.0%	145.5%	-6.7%	0.0%	17.7%	20.2%	-8.6%	38.7%	16.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	200.6%
Variance		2.3%	5.7%	1.9%	3.1%	0.0%	6.2%	-2.1%	4.2%	11.5%	5.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Segment Comp/Revenue		-21.9%	-17.4%	-43.7%	11.8%	-1.9%	10.6%	-2.2%	4.3%	7.1%	10.6%	-	-	-	-	-	-	-	-67.2%
322.68		383.60	666.28	(124.16)	64.73	446.25	81.82	21.96	387.77	70.37	-	-	-	-	-	-	-	-	-
435.23		293.24	184.32	(40.99)	21.96	387.77	70.37	1.12	(66.24)	(12.64)	-	-	-	-	-	-	-	-	-
(424.89)		(70.58)	135.85	(1.00)	7.43	278.15	(34.86)	-	-	-	-	-	-	-	-	-	-	-	-
161.94		(41.93)	43.30	(33.86)	1.12	(66.24)	(12.64)	-	-	-	-	-	-	-	-	-	-	-	-
Total Segment Comp Expenses		915.98	469.50	1,405.48	613.33	(113.74)	499.58	70.22	160.88	144.24	395.34	-	-	-	-	-	-	-	-
Total Segment NPE Expenses		391.83	312.49	704.42	264.22	(98.17)	166.05	22.49	127.41	73.48	223.38	-	-	-	-	-	-	-	-
168.60		35.33	83.32	0.41	12.92	12.78	27.66	53.37	-	-	-	-	-	-	-	-	-	-	-
118.54		(22.68)	123.20	(91.14)	2.25	2.40	(9.55)	(4.88)	-	-	-	-	-	-	-	-	-	-	-

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## Balance Sheet and Capital Trend

	2008				2007			
	Q3 '08	Q2 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07
	Proforma*							
<b>ASSETS:</b>								
Gross Assets	600,000	645,432	639,432	786,035	691,063	659,216	605,861	562,283
Less:								
Segregated Cash & Securities	12,000	13,031	13,031	16,569	12,743	10,579	7,154	6,293
Reverse Repos	175,000	169,684	169,684	210,166	162,635	144,774	130,953	131,896
Securities borrowed	98,000	124,842	124,842	158,515	138,599	142,653	126,435	119,766
Goodwill and other intangibles	4,085	4,101	4,101	4,112	4,127	4,108	3,652	3,531
<b>Net Assets</b>	<b>310,915</b>	<b>333,774</b>	<b>327,774</b>	<b>396,673</b>	<b>372,959</b>	<b>357,102</b>	<b>337,667</b>	<b>300,797</b>
<b>LONG-TERM CAPITAL:</b>								
Senior Notes	97,372	110,553	110,553	112,128	108,914	106,807	91,433	83,536
Subordinated Notes	12,308	12,625	12,625	11,181	9,259	8,610	4,864	4,226
Junior Subordinated Notes (Trust Preferreds, ECAPs etc)	4,919	5,004	5,004	4,976	4,977	4,914	4,522	3,013
<b>Long-Term Debt (Excluding Current Portion)</b>	<b>114,600</b>	<b>128,182</b>	<b>128,182</b>	<b>128,285</b>	<b>123,150</b>	<b>120,331</b>	<b>100,819</b>	<b>90,775</b>
Common Stockholders' Equity	19,450	23,283	19,283	21,839	21,395	20,638	20,034	18,910
Preferred Stock	8,993	8,993	6,993	2,993	1,095	1,095	1,095	1,095
<b>Total Stockholders' Equity</b>	<b>28,443</b>	<b>32,276</b>	<b>26,276</b>	<b>24,832</b>	<b>22,490</b>	<b>21,733</b>	<b>21,129</b>	<b>20,005</b>
<b>Total Long-Term Capital</b>	<b>143,043</b>	<b>160,458</b>	<b>154,458</b>	<b>153,116</b>	<b>145,640</b>	<b>142,064</b>	<b>121,948</b>	<b>110,780</b>
<b>Tangible Equity Capital:</b>								
Total Stockholders' Equity	28,443	32,276	26,276	24,832	22,490	21,733	21,129	20,005
Junior Subordinated Notes	4,919	5,004	5,004	4,976	4,978	4,914	4,522	3,013
Less: Goodwill and other intangibles	(4,085)	(4,101)	(4,101)	(4,112)	(4,127)	(4,108)	(3,652)	(3,531)
Less: Hybrid Equity disqualified from leverage calculation	-	-	-	-	(238)	(375)	(117)	-
<b>Tangible Equity Capital</b>	<b>29,277</b>	<b>33,179</b>	<b>27,179</b>	<b>25,696</b>	<b>23,103</b>	<b>22,164</b>	<b>21,881</b>	<b>19,488</b>
<b>Leverage</b>								
Gross Leverage	21.1x	20.0x	24.3x	31.7x	30.7x	30.3x	28.7x	28.1x
Net Leverage	10.6x	10.1x	12.1x	15.4x	16.1x	16.1x	15.4x	15.4x
<b>Common Equity</b>								
Common Equity	19,450	23,283	19,283	21,839	21,395	20,638	20,034	18,910
Book Value Shares Outstanding	712.7	706.6	563.7	553.6	542.5	539.0	539.3	538.0
<b>Book Value per Share</b>	<b>\$27.29</b>	<b>\$32.95</b>	<b>\$34.21</b>	<b>\$39.45</b>	<b>\$39.44</b>	<b>\$38.29</b>	<b>\$37.15</b>	<b>\$35.15</b>
<b>Book Value per Share Qtr over Qtr % Δ</b>								
Book Value per Share Qtr over Qtr % Δ	-20.2%	-16.5%	-13.3%	0.0%	3.0%	3.1%	5.7%	3.8%
<b>Book Value per Share YTD % Δ</b>								
Book Value per Share YTD % Δ	-30.8%	-16.4%	-13.3%	0.0%	16.4%	13.0%	9.7%	3.8%
<b>Tangible Common Equity</b>								
Tangible Common Equity	15,366	19,182	15,182	17,727	17,268	16,530	16,381	15,379
Book Value Shares Outstanding	712.7	706.6	563.7	553.6	542.5	539.0	539.3	538.0
<b>Tangible Book Value per Share</b>	<b>\$21.56</b>	<b>\$27.15</b>	<b>\$26.93</b>	<b>\$32.02</b>	<b>\$31.83</b>	<b>\$30.67</b>	<b>\$30.37</b>	<b>\$28.59</b>

\* Q2 '08 Proforma for \$4bn Common Equity and \$2bn Mandatory Convertible Preferred issued in June.

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## Detailed Capital Trend

	Quarter Trend					YTD 2008	YTD 2007
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07		
<b>Change in LT Debt (\$ billions)</b>							
Beginning LT Debt (ex Current Portion)	128.2	128.3	123.2	120.3	100.8	123.2	81.2
New Issues	3.5	14.6	18.2	17.8	28.5	36.3	65.9
Rolling Into Current Portion/Buybacks	(12.6) (1)	(14.0)	(14.2)	(14.5)	(10.3)	(40.8)	(27.2)
FAS / FX Adjustments	(4.5) (2)	(0.6)	1.1	(0.5)	1.3	(4.1)	0.4
Net Change in Long Term Debt	(13.6)	(0.1)	5.1	2.8	19.5	(8.6)	39.2
<b>Ending LT Debt (ex Current Portion)</b>	<b>114.6</b>	<b>128.2</b>	<b>128.3</b>	<b>123.2</b>	<b>120.3</b>	<b>114.6</b>	<b>120.3</b>
<b>Change in Stockholders' Equity (\$ millions)</b>							
Beginning Common Stockholders' Equity	19,283	21,839	21,395	20,638	20,034	21,395	18,096
FAS 157 / FIN48 Adjustment to Opening Retained Earnings	-	-	(178)	-	-	(178)	67
Adjusted Beginning Common Stockholders' Equity	19,283	21,839	21,218	20,638	20,034	21,218	18,163
Common Dividends	(117)	(94)	(94)	(80)	(79)	(305)	(239)
Preferred Dividends	(163)	(99)	(24)	(17)	(17)	(286)	(50)
Treasury Stock Repurchases (see page 7)	(136)	(107)	(765)	(330)	(637)	(1,008)	(2,848)
Tax Credit related to RSU issuance and options	(23) (3)	(9)	45	149	60	13	284
RSUs & Options Amortization	444	444	935	329	315	1,823	1,624
Proceeds from Options Exercised	2	99	106	91	84	206	352
Fx Translation Adjustment/Other	84 (4)	(16)	(70) (5)	(61) (6)	(8)	(2)	45
FAS 158 Adjustment	-	-	-	(210)	-	-	-
Issuance of Common Stock	4,004	-	-	-	-	4,004	-
Net Income	(3,927)	(2,774)	489	886	882	(6,212)	3,306
Net Changes to Common Equity	167	(2,556)	622	758	604	(1,767)	2,474
<b>Total Common Stockholders' Equity</b>	<b>19,450</b>	<b>19,283</b>	<b>21,839</b>	<b>21,395</b>	<b>20,638</b>	<b>19,450</b>	<b>20,638</b>
<b>Preferred Stock</b>	<b>8,993</b>	<b>6,993</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>8,993</b>	<b>1,095</b>
<b>Total Stockholders' Equity</b>	<b>28,443</b>	<b>26,276</b>	<b>22,934</b>	<b>22,490</b>	<b>21,733</b>	<b>28,443</b>	<b>21,733</b>
<b>Total Long-Term Capital</b>	<b>143,043</b>	<b>154,458</b>	<b>151,219</b>	<b>145,640</b>	<b>142,064</b>	<b>143,043</b>	<b>142,064</b>

(1) Includes \$(7.1)B due to debt buyback and \$(5.2)B due to debt rolling into current portion.

(2) Includes \$(1.9)B due to FAS adjustments and \$(3.7)B due to FX movement as EUR and GBP depreciated against USD in August.

(3) Q3 Tax charge to equity, due to grant vs. issuance share price spread.

(4) MTM valuation on strategic hedge portfolio, made up mostly of EUR forwards. Material fluctuation a result of the EUR depreciating against the USD by 5.4% in August.

(5) Includes a one-time charge of \$(42)mm related to the Series J Preferred Stock issuance

(6) Includes \$(58)mm of Other Comprehensive Income related to non-CTA hedging

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## Common Stock Equivalents for EPS

	Weighted Shares for EPS							
	3Q08	2Q08	1Q08	Q407	YTD @ 3Q08	FY 07	FY 06	
<b>Common Stock Equivalents</b>								
T/S Method-Options	(A)	0.9	12.4	18.4	19.8	10.6	23.6	29.1
T/S Method-RSUs	(B)	2.1	0.1	2.9	1.3	1.7	4.1	6.3
		2.9	12.5	21.3	21.1	12.3	27.7	35.4
Avg Qtrly Closing Stock Price		\$20.28	\$43.11	\$59.42	\$60.43	\$20.28	\$60.43	\$74.01
<b>Options</b>								
# of Options	(C)	58.7	59.7	63.3	65.6	58.7	65.6	81.4
# of Dilutive Options	(D)	23.3	51.2	55.5	59.0	23.3	59.0	80.6
Avg Proceeds Per Options Dilutive (incl. tax benefit)	(E)	\$19.45	\$32.65	\$39.68	40.14	\$19.45	\$40.14	\$48.05
In the Money Per Options Dilutive		\$0.83	\$10.46	\$19.74	\$20.29	\$0.83	\$20.29	\$25.96
CSE Impact Q1						18.4	26.8	30.2
CSE Impact Q2						12.4	25.1	30.1
CSE Impact Q3						0.9	22.7	27.7
CSE Impact Q4							19.8	28.3
CSE Impact YTD						10.6	23.6	29.1
<b>RSUs</b>								
# Unvested RSUs	(F)	70.9	55.7	66.0	35.1	70.9	35.1	35.2
# Unvested RSUs Dilutive	(G)	14.9	3.6	38.4	7.7	14.9	7.7	35.2
Avg Proceeds Per RSUs Dilutive (incl. tax benefit)	(H)	\$17.44	\$41.78	\$54.98	\$50.48	\$17.44	\$50.48	\$59.88
In the Money Per RSUs Dilutive		\$2.84	\$1.33	\$4.44	\$9.95	\$2.84	\$9.95	\$14.13
CSE Impact Q1						2.9	7.7	7.7
CSE Impact Q2						0.1	4.8	7.5
CSE Impact Q3						2.1	2.7	4.7
CSE Impact Q4							1.3	5.6
CSE Impact YTD						1.7	4.1	6.3

(A) Decrease due primarily to lower stock price and exercises for the quarter.

(B) Increase due to new Equity Awards granted on 7/1/08 offset by decrease due to amortization and lower stock price.

(C) Decrease due to exercises and cancellations for the quarter.

(D) Exercises plus cancellations for the quarter plus lower stock price causing more options to be "out of the money".

(E) Decrease due to lower stock price, partially offset by which options exercised during the quarter (\$1 increase does not equate to \$1 in proceeds due to tax effects).

(F) Increase due to new Equity Awards granted on 7/1/08 offset by decrease due to amortization.

(G) Increase due to new Equity Awards granted on 7/1/08 offset by lower stock price.

(H) Decrease primarily due to lower stock price.

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## Shares Outstanding &amp; Weighted Avg. Shares for EPS

	ESTIMATE						Weighted Shares for EPS					
	3Q08	2Q08	1Q08	Q407	FY07	FY06	3Q08	2Q08	1Q08	Q407	FY07	FY06
Beginning Balance Shares Outstanding (Includes Vested RSUs)	563.7	553.6	542.5	539.0	534.2	546.0	559.3	551.5	542.5	540.4	534.2	546.0
<i>Activity:</i>												
Issuance of new common stock settled 6/12/08	143.0						125.9					
Eagle Energy & Grange Securities	-	-	-	-	0.9		-	-	-	0.1	0.6	
RSU amortization	11.2 (F)	8.5	20.2 (A)	5.4	34.2	19.2	9.6	10.9	13.8 (A)	5.7	22.7	10.0
Buybacks (incl. tenders)	(6.9) (G)	(2.7)	(13.0) (B)	(5.3)	(43.0)	(52.9)	(5.5)	(7.2)	(6.8)	(5.7)	(26.3)	(25.9)
Option exercises	0.1 (H)	3.9	3.5 (C)	3.4	15.4	22.5	1.5	4.1	2.0	2.1	9.4	12.9
Other misc	1.6 (I)	0.4	0.4	-	0.8	(0.6)	0.4	-	-	-	-	(0.0)
Subtotal Net Change in Period	149.0	10.1	11.1	3.5	8.3	(11.8)	131.9	7.8	9.0	2.2	6.3	(3.0)
Ending Shares for BV (Basic Shares)	712.7 (D)	563.7	553.6	542.5	542.5	534.2	691.2	559.3	551.5	542.6	540.6	543.0
T/S Method-Options- actual vs. diluted	58.7	59.7	63.3	65.6	65.6	81.4	0.9	12.4	18.4	19.8	23.6	29.1
T/S Method-RSUs- actual vs. diluted	70.9	55.7	66.0	35.1	35.1	35.2	2.1	0.1	2.9	1.3	4.1	6.3
Shares Outstanding + CS Equivalents (Diluted EPS)							694.2	571.8	572.8	563.7	568.3	578.4
<b>Ending Shares for Book Value (Basic Shares)</b>												
Common Stock Public	592.8	455.4	452.0	459.4	459.4	468.4						
Vested RSUs included in RSU Trust	96.2 (E)	97.3	99.4	72.5	72.5	64.9						
Common Stock Outstanding	689.0	552.7	551.4	531.9	531.9	533.4	674.8	552.8	527.9	530.8	530.7	534.9
Vested RSUs Not Yet in RSU Trust	23.7	11.0	2.2	10.6	10.6	0.9	16.4	6.5	23.6	11.8	9.9	8.1
Shares for Book Value (Basic Shares)	712.7	563.7	553.6	542.5	542.5	534.2	691.2	559.3	551.5	542.6	540.6	543.0

(A) Large increase in Q1 08 from Q4 07 due to approximately 11.3 ml shares being amortized in Dec 07 for Full Career employees (9.6 million shares on a weighted basis for Q1).

(B) Increase on an unweighted basis in Q1 08 from Q4 07 is due to substantial amount of buybacks in Q1 08.

(C) Increase in Q1 08 from Q4 07 on an unweighted basis is due to increase of option exercises in Q1 08.

(D) Shares for Book Value = Balance per Capitalization Table, minus RSU Trust (to avoid double-counting), plus amortized to date, less issuance to date. Plus this quarter 143 ml shares of new common stock.

(E) RSU Trust balance @ 08/31/08.

(F) Increase in 3Q08 from 2Q08 was due to the amortization of the new equity awards granted on 7/1/08.

(G) Increase on an unweighted basis in Q3 08 from Q2 08 is due to increase in amount of buybacks in Q3 08.

(H) Decrease in Q3 08 from Q2 08 on an unweighted basis is due to decrease in option exercises in Q3 08.

(I) Other misc is primarily dividend reinvestments - 2.4 million shs in 3Q08.

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## Balance Sheet – Gross and Net Assets

## Month End Gross Assets

Lehman Brothers Balance Sheet Consolidated	Draft 4 v2 Aug-08	Final May-08	Quarterly Incl(Dec)	Quarterly % Change
Global Rates	94,217	88,185	6,031	6.84%
High Grade Credit	9,788	10,884	(1,095)	-10.07%
CDO	8,271	7,785	485	6.23%
Securitized Products	52,645	51,292	(8,647)	-14.11%
Real Estate	51,519	59,852	(8,333)	-13.92%
High Yield	11,980	16,219	(4,239)	-26.14%
Municipal Bonds	6,550	6,460	90	1.39%
Energy Trading	6,885	5,847	1,038	17.76%
Global Foreign Exchange	3,802	4,487	(685)	-15.26%
FID Corporate	8,952	10,237	(1,276)	-12.46%
Insurance Products Groups	0	0	0	0.00%
FID Corp Loans	2,944	3,744	(800)	-21.37%
Investment Banking Division Loans	2,994	5,567	(2,573)	-46.22%
Total FID Core	260,557	280,559	(20,002)	-7.13%
Total FID Prime Services	119,845	89,786	30,059	33.48%
<b>Total FID</b>	<b>380,402</b>	<b>370,346</b>	<b>10,057</b>	<b>2.72%</b>
Execution Services / Liquid Market	7,729	11,481	(3,752)	-32.68%
Convertibles Products	1,779	2,817	(1,038)	-36.86%
Volatility	25,829	27,770	(1,941)	-6.99%
Equities Strategies (Proprietary Products)	4,811	2,979	1,831	61.47%
Firm Relationship Loans	2,288	3,586	(1,298)	-36.19%
Equity Corporate	828	1,361	(534)	-39.22%
Total Equity Core	43,253	49,994	(6,731)	-13.46%
Total Equity Prime Services	86,339	119,354	(33,016)	-27.66%
<b>Total Equities (1)</b>	<b>129,602</b>	<b>169,348</b>	<b>(39,747)</b>	<b>-23.47%</b>
Total Global Principal Strat.	3,737	5,808	(2,071)	-35.66%
Total Global Trading Strat.	4,676	4,963	(287)	-5.77%
Global Opportunities Group	1,216	1,127	90	7.97%
Direct Principal Investments	1,582	2,332	(749)	-32.14%
<b>Total Principal Investing</b>	<b>11,212</b>	<b>14,229</b>	<b>(3,018)</b>	<b>-21.21%</b>
Asset Management	5,846	7,101	(255)	-3.59%
Private Equity	5,586	5,864	(278)	-4.73%
Total IMD	12,432	12,965	(533)	-4.11%
Investment Banking Division	318	580	(265)	-45.60%
Treasury	53,016	56,049	(3,033)	-5.41%
Corporate Other Assets / Investments	16,463	15,914	549	3.45%
Total Non-Core	69,794	72,543	(2,749)	-3.79%
<b>Total Non-Core</b>	<b>93,439</b>	<b>99,737</b>	<b>(6,299)</b>	<b>-6.32%</b>
<b>Total Gross Assets</b>	<b>603,443</b>	<b>639,431</b>	<b>(35,989)</b>	<b>-27.07%</b>

## Month End Net Assets

Lehman Brothers Balance Sheet Consolidated	Draft 4 v2 Aug-08	Final May-08	Quarterly Incl(Dec)	Quarterly % Change
Global Rates	47,277	37,938	9,338	24.61%
High Grade Credit	7,412	8,600	(1,187)	-13.81%
CDO	8,105	7,619	486	6.38%
Securitized Products	49,996	57,435	(7,440)	-12.95%
Real Estate	51,105	58,242	(7,138)	-12.25%
High Yield	11,098	15,047	(3,949)	-26.25%
Municipal Bonds	6,179	6,047	132	2.18%
Energy Trading	6,589	5,562	1,028	18.48%
Global Foreign Exchange	3,802	4,171	(368)	-8.84%
FID Corporate	2,035	2,973	(938)	-31.55%
Insurance Products Groups	0	0	0	0.00%
FID Corp Loans	2,606	3,705	(1,099)	-29.66%
Investment Banking Division Loans	2,985	5,559	(2,573)	-46.29%
Total FID Core	199,189	212,897	(13,708)	-6.44%
Total FID Prime Services	9,636	3,283	6,353	193.54%
<b>Total FID</b>	<b>208,825</b>	<b>216,180</b>	<b>(7,355)</b>	<b>-3.40%</b>
Execution Services / Liquid Market	5,600	7,356	(1,756)	-23.87%
Convertibles Products	1,285	2,153	(867)	-40.29%
Volatility	22,551	23,150	(599)	-2.59%
Equities Strategies (Proprietary Products)	2,871	2,187	683	31.24%
Firm Relationship Loans	2,288	3,586	(1,298)	-36.19%
Equity Corporate	547	431	117	27.15%
Total Equity Core	35,143	38,862	(3,720)	-9.57%
Total Equity Prime Services	23,919	26,226	(2,307)	-8.80%
<b>Total Equities (1)</b>	<b>59,062</b>	<b>65,088</b>	<b>(6,027)</b>	<b>-9.26%</b>
Total Global Principal Strat.	1,454	1,601	(147)	-9.17%
Total Global Trading Strat.	4,389	4,844	(256)	-5.50%
Global Opportunities Group	1,076	979	87	9.94%
Direct Principal Investments	1,582	2,332	(749)	-32.14%
<b>Total Principal Investing</b>	<b>8,501</b>	<b>9,555</b>	<b>(1,054)</b>	<b>-11.03%</b>
Asset Management	3,832	4,073	(241)	-5.93%
Private Equity	5,371	5,649	(279)	-4.93%
Total IMD	9,202	9,722	(520)	-5.35%
Investment Banking Division	316	580	(265)	-45.60%
Treasury	10,220	8,972	1,248	13.90%
Corporate Other Assets / Investments	14,249	17,674	(3,425)	-19.38%
Total Non-Core	24,785	27,227	(2,442)	-8.97%
<b>Total Non-Core</b>	<b>42,488</b>	<b>46,505</b>	<b>(4,016)</b>	<b>-8.64%</b>
<b>Total Net Assets</b>	<b>310,375</b>	<b>327,773</b>	<b>(17,398)</b>	<b>-21.30%</b>

Management Balance Sheet may not tie to the Press Release Balance Sheet.

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## Principal Investing - Q3 2008 BS Analysis

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Principal Investing - total net balance sheet \$8.1bb

GTS - \$4.4bb

- Total Equity positions of \$3.1bb
  - Largest positions are KSK (\$.4bb), Navigator Gas (\$.17bb), Meg Energy (\$.13bb) & Anheuser Busch (\$.1bb)
- Total Debt positions of \$1.1bb
  - HY Loans (\$.18bb) GMAC (\$.1bb)
- Aviation (TRS to R3) is \$.2bb

GPS - \$1.3bb

- Primarily LP & GP in R3 (\$1.1bb)
- Also includes BAWAG, Firth Rixson, and Loan TRS (\$.2bb)

GOG - \$1.1bb

- Total Equity positions of \$.6bb
  - SAC PEI Luxco (\$1bb)
- Total Debt positions of \$.5bb
  - Daewoo Engineering (\$.1bb), SAC PEI Luxco (\$.1bb)

DPI - \$1.4bb

- LP Investments in Hedge funds and & Private Equity funds ~\$.8bb
  - One Williams Street (\$.34bb), Taj Capital (\$.16bb), Ramius (\$.13bb), Silverlake (\$.1bb)
- Private Company Investments ~\$.6bb
  - TXU (\$.3bb), First Data (\$.15bb), Tokyo Star Bank (\$.1bb)

## Treasury Stock Buybacks

2008

<u>2008</u>	Open Market Purchases	Tenders for RSUs & Options	Qtrly Shares	Cumulative Shares	Avg Price	Cumulative Avg Price	Cost (\$)	Cumulative Cost (\$)
Q1	11,767,651	1,192,396	12,960,047		59.05		765,311,093	
Q2	1,646,500	1,024,466	2,670,966		40.15		107,249,924	
Q3	6,092,144	778,572	6,870,716		19.77		135,812,114	
Q3 YTD	19,506,295	2,995,434		22,501,729		44.81		1,008,373,131

2007

<u>2007</u>	Open Market Purchases	Tenders for RSUs & Options	Qtrly Shares	Cumulative Shares	Avg Price	Cumulative Avg Price	Cost (\$)	Cumulative Cost (\$)
Q1	19,500,000	1,475,273	20,975,273		80.05		1,679,045,013	
Q2	6,455,600	745,405	7,201,005		73.83		531,660,307	
Q3	8,500,000	1,073,753	9,573,753		66.58		637,381,251	
Q4	98,923	5,188,276	5,287,199		62.43		330,061,026	
Q4 YTD	34,554,523	8,482,707		43,037,230		73.85		3,178,147,597

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## Debt Ratings and Credit Spreads

### Q3 2008 Issuance Activity

FIRM	TYPE	SUB TYPE	DATE ISSUED	MATURITY DATE	CURR	USD EQUIV.	COUPON
Bank of America	Vanilla	Float	07/30/2008	07/30/2009	USD	3,500 3ml + 20	
Bank of America	Vanilla	Fixed	07/31/2008	07/31/2028	EUR	1,775	7.00%
Bank of America	Vanilla	Fixed	07/31/2008	07/31/2028	GBP	2,213	7.00%
Bank of America	Vanilla	Float	08/06/2008	08/06/2009	USD	1,500 3ml + 20	
Bank of America	Vanilla	Float	08/22/2008	08/21/2009	USD	575 3ml + 20	
Bank of America	Vanilla	Float	08/25/2008	08/25/2009	USD	1,500 3ml + 20	
Citigroup	Vanilla	Fixed	06/25/2008	06/25/2038	GBP	1,568	6.80%
Citigroup	Vanilla	Fixed	07/01/2008	06/30/2011	JPY	1,727	2.66%
Citigroup	Vanilla	Fixed	08/19/2008	08/19/2013	USD	3,000	6.50%
Goldman Sachs	Vanilla	Fixed	08/07/2008	08/07/2025	GBP	686	7.13%
JPMorgan	Vanilla	Float	08/01/2008	08/21/2013	JPY	190	3m JP Libor + .95%
JPMorgan	Vanilla	Fixed	08/01/2008	08/01/2011	EUR	1,775	6.00%
Lehman Bros.	Preferred	Perp	06/12/2008		USD	2,000	8.75%

#### Third Quarter 2008 (Quarterly)

Q3 saw a continuation of the credit crisis with respect to spreads for banks and brokers. It also saw a halt to benchmark issuance as GS was the only broker in the high grade issuance market and that deal was only GBP350mm. Commercial banks were issuers throughout the quarter, albeit at a slower pace. Additionally, there was some capital issuance as well (see below for details).

Cash spreads widened out throughout the quarter and closed at the highs of the quarter, only below the all time highs set in mid-March (Bear crisis). CDS levels also widened out throughout the quarter but closed the period tighter than the widest levels seen in mid-August and early July.

Negative sentiment and carryover from the credit crisis pushed Lehman and Merrill to both execute capital raises within days of their respective Q2 earnings announcements. These stemmed tide of widening spreads for a bit but only temporarily.

Notable issuance for Q3:(see grid above). In addition to these, Lehman raised 4bil and Merrill raised 8.55bil through commons stock offerings.

#### Debt Ratings & Credit Spreads

	LEH Fixed Rate Issuance Levels			Spread vs. 10 Year UST			5y CDS				
	8/31/08	5/31/08	8/31/07	8/31/08	5/31/08	8/31/07	8/31/08	5/31/08	8/31/07		
2Y	8.01%	6.51%	6.34%	LEH	460	375	210	LEH	336	219	133
5Y	7.99%	7.27%	6.15%	GS	310	240	180	GS	148	92	73
10Y	8.41%	7.80%	6.63%	MS	400	295	180	MS	218	137	73
				MER	450	350	180	MER	311	177	80
				CITI	335	262	130	CITI	168	115	42
				BOA	325	220	130	BOA	129	77	38
				JPM	285	215	150	JPM	111	77	44

	Spread vs 1-Month Libor			Ratings				
	8/31/08	5/31/08	8/31/07	S&P		Moody's		
LEH	400	313	140	LEH	A	A1	A2	P1
GS	260	178	110	GS	AA-	A1+	Aa3	P1
MS	350	233	110	MS	A+	A1	A1	P1
MER	400	288	110	MER	A	A1	A2	P1
CITI	265	200	60	CITI	AA-	A1+	Aa3	P1
BOA	265	158	60	BOA	AA	A1+	Aa2	P1
JPM	220	153	80	JPM	AA-	A1+	Aa2	P1

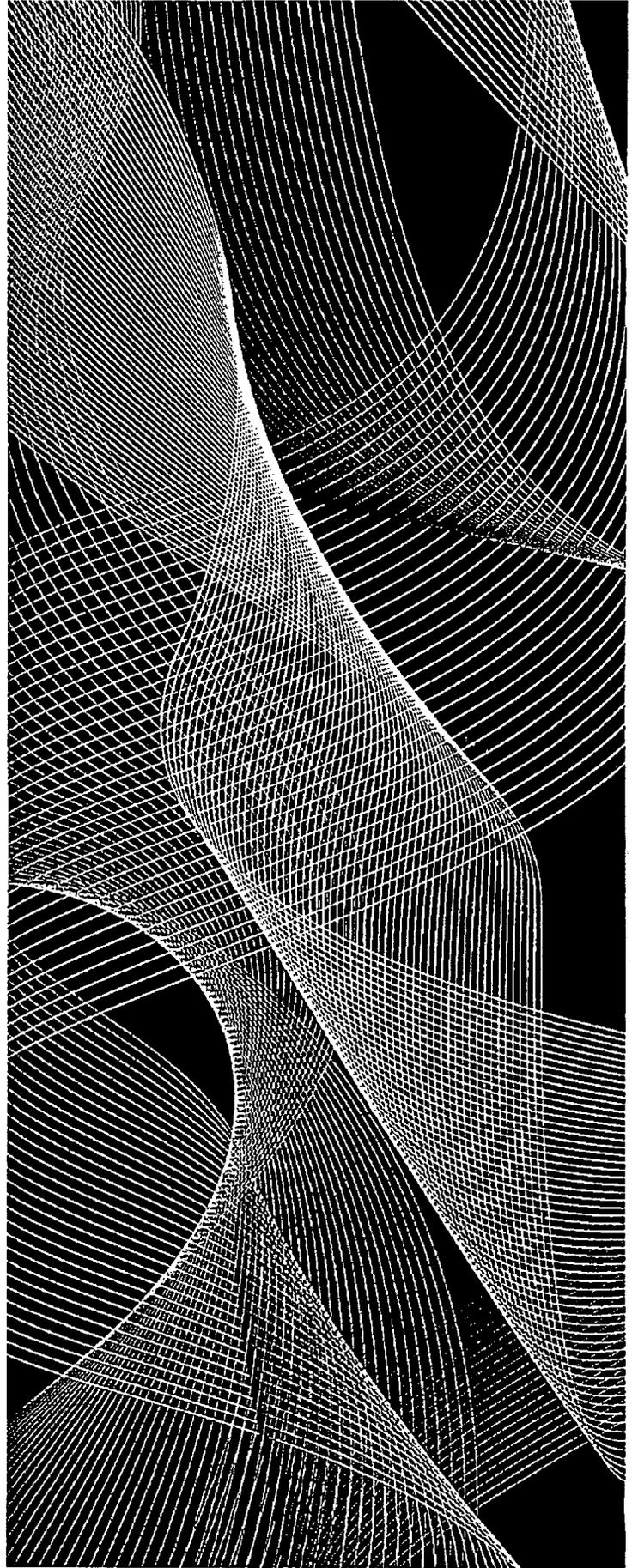
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Confidential

LEHMAN BROTHERS

# 2008 Q3 Liquidity Metrics

(Version 2 – Early Edition)



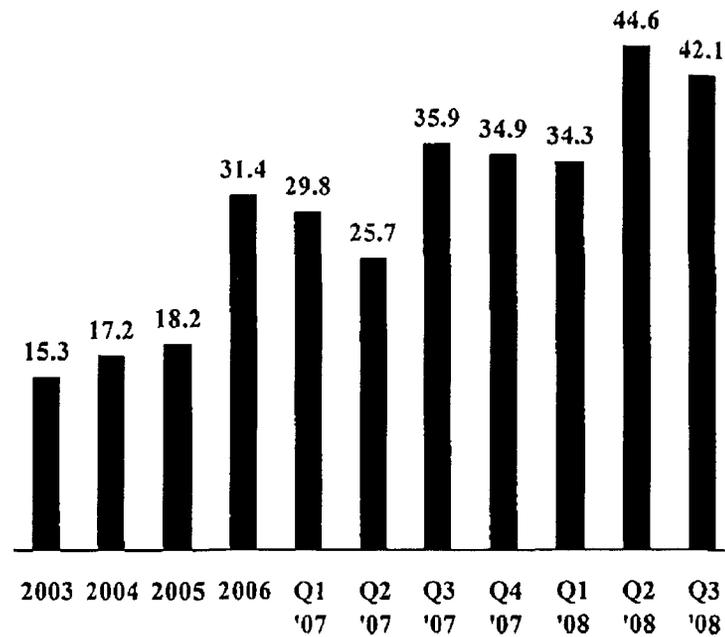
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**Holdings Chain (Unsecured Funding)**

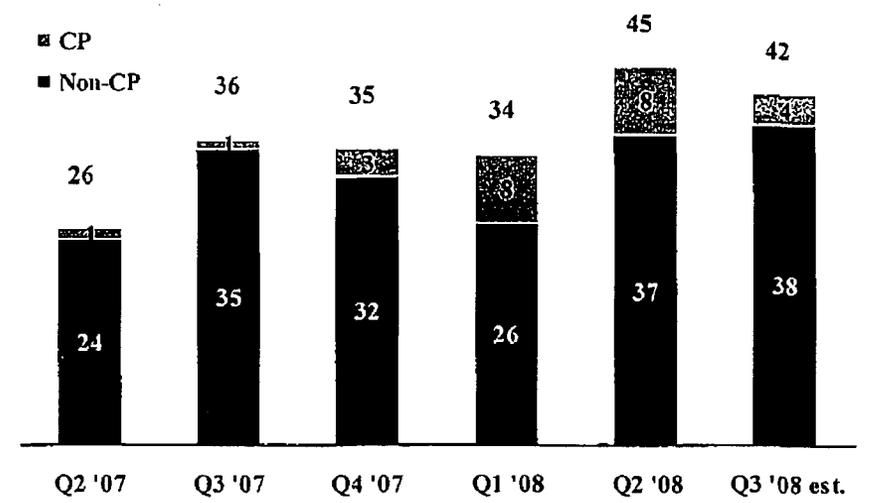
# Liquidity Pool

- ◆ We ended 2008 Q3 with a \$42 billion liquidity pool, down 6% sequentially and up 17% year over year.
- ◆ Adjusted for the size of our commercial paper program, liquidity pool was up \$1 billion sequentially and \$3 billion year over year.

**Liquidity Pool (\$ Billions)**



**Liquidity Pool And CP (\$ Billions)**



# Composition Of Liquidity Pool As Of Q3 2008

Amounts in millions

Investment Type	Pledge Value*				
	LBHI Pledge Value	LBI Pledge Value	LBIE Pledge Value	Total Pledge Value	
	New York Inv	New York Inv	Europe Inv	Global Inv	
<b>1. Cash</b>					
Cash at Banks	3,378	-	-	3,378	
Other Cash Inv	553	-	-	553	
Money Funds	104	-	-	104	
<b>Total Cash</b>	<b>A</b>	<b>4,035</b>	<b>-</b>	<b>4,035</b>	
<b>2. Boxed Inventory</b>					
Private Label CMO's					
Corporates					
Governments / Treasuries					
Asset Backed					
Equities					
Agencies					
Canadian					
	Lehman CLOs: \$4.1 bn				
<b>Total Boxed Inventory</b>	<b>B</b>	<b>24,930</b>	<b>1,187</b>	<b>11,943</b>	<b>38,060</b>
<b>C&amp;C Equivs Available to Holding Company (A+B)</b>		<b>28,965</b>	<b>1,187</b>	<b>11,943</b>	<b>42,095</b>
<b>Undrawn Committed Facilities</b>					
Chase Facility					2,000
European Facility					2,500
<b>C&amp;C Equivs Available to Holding Company</b>					<b>46,595</b>

**Notes:**

\*Pledge value = Market Value of the collateral \* normal mkt haircut for each asset class

**88% of the pool invested in cash and cash equivalents, Govies, Agencies and E1 (major index) equities**

# Asset Securitization As Of 2008 Q3

\$ Billions

## CLO / CDO Investment Grade Positions and Funding Breakdown as of Aug 29, 2008

Securitizations	Original		Current		Funded by Holdings		Funded by Bankhaus		Funded by ECB		Funded by Street Repo	
	Total	Investment Grade	Total	Investment Grade	Investment Grade	Mezzanine	Investment Grade	Mezzanine	Investment Grade	Mezzanine	Investment Grade	Mezzanine
<b>U.S.</b>												
Freedom (Now Unwound)	2.83	2.26	-	-	-	-	-	-	-	-	-	-
Spruce	1.87	1.46	1.18	0.77	0.77	0.17	-	0.24	-	-	-	-
Pine	1.06	1.03	1.74	1.36	1.36	0.38	-	-	-	-	-	-
RLT	1.66	0.33	0.73	0.29	-	0.45	-	-	-	-	0.29	-
Sasco	3.43	2.05	3.05	1.66	0.21	1.38	1.45	-	-	-	-	-
Verano	1.80	1.35	1.74	1.29	1.29	0.27	-	0.18	-	-	-	-
	<b>12.66</b>	<b>8.48</b>	<b>8.44</b>	<b>5.37</b>	<b>3.63</b>	<b>2.65</b>	<b>1.45</b>	<b>0.42</b>	-	-	<b>0.29</b>	-
<b>Europe</b>												
Excalibur	4.27	3.39	4.02	3.19	-	0.83	0.54	-	2.65	-	-	-
Thalia (Now Unwound)	-	-	-	-	-	-	-	-	-	-	-	-
Saphir	2.69	2.69	2.10	2.10	-	-	-	-	2.10	-	-	-
EMF NL 2008-1	0.41	0.32	0.30	0.30	-	-	-	-	0.30	-	-	-
EMF NL PRIME	0.31	0.31	0.27	0.27	-	-	0.06	-	0.21	-	-	-
EMF UK 2008-1	0.67	0.59	0.40	0.40	-	-	-	-	0.40	-	-	-
Mortgage Funding	2.02	1.73	1.65	1.53	-	0.12	-	-	1.07	-	0.46	-
Leoforos	0.58	0.22	0.58	0.22	-	0.36	0.22	-	-	-	-	-
CLIO (aka Thalia II)	0.97	0.68	0.97	0.68	-	0.29	0.68	-	-	-	-	-
EMF NL 2008-2	0.42	0.42	0.38	0.38	0.38	-	-	-	-	-	-	-
Ruby	0.51	0.51	0.51	0.51	0.51	-	-	-	-	-	-	-
	<b>12.86</b>	<b>10.86</b>	<b>11.18</b>	<b>9.58</b>	<b>0.89</b>	<b>1.60</b>	<b>1.50</b>	-	<b>6.73</b>	-	<b>0.46</b>	-
<b>Asia</b>												
KingFisher	1.31	0.80	1.57	0.96	0.96	0.61	-	-	-	-	-	-
<b>All Regions</b>	<b>26.83</b>	<b>20.14</b>	<b>21.19</b>	<b>15.91</b>	<b>5.48</b>	<b>4.86</b>	<b>2.95</b>	<b>0.42</b>	<b>6.73</b>	-	<b>0.75</b>	-

## Unencumbered Assets

- ◆ Market value of unencumbered assets stood at \$122 billion at the end of 2008 Q3, \$24 billion lower than at the end of Q2. Reduction is driven by:
  - \$10 billion due to a reduction in customer collateral (shown in regulated entities)
  - ~\$5 billion due asset writedowns (mostly shown in unregulated entities)
  - \$9 billion due to net asset sales in unregulated entities

### Unencumbered Assets (\$ Billions)

<i>\$ Billion</i>	Regulated	Unregulated	Total
2006 Q4	73	39	113
2007 Q3 (not public)	90	58	148
2007 Q4	96	63	159
2008 Q1	97	64	161
2008 Q2	87	59	146
2008 Q3 Estimate	74	48	122
QOQ Change	(13)	(11)	(24)
YOY Change (not public)	(16)	(10)	(27)

# Details Behind Unencumbered Assets

\$ Billions

	2008 Q3		
	Regulated	Unregulated	Total
MTS&TMS	25	15	40
Loan IQ	6	10	16
ITS	42	5	46
Topsides	1	18	19
<b>Total</b>	<b>74</b>	<b>48</b>	<b>122</b>

	2008 Q2		
	Regulated	Unregulated	Total
	26	21	47
	6	19	25
	54	4	58
	1	17	18
<b>Total</b>	<b>87</b>	<b>61</b>	<b>148</b>

	Change		
	Regulated	Unregulated	Total
	(2)	(6)	(8)
	0	(9)	(9)
	(12)	1	(11)
	(0)	2	1
<b>Total</b>	<b>(14)</b>	<b>(13)</b>	<b>(26)</b>

# Liquidity Ratios

<i>\$ billions</i>	<u>2007 Q3</u>	<u>2007 Q4</u>	<u>2008 Q1</u>	<u>2008 Q2</u>	<u>Estimated 2008 Q3</u>	<u>QOQ Change</u>	<u>YOY Change</u>
Holdings' liquidity pool at pledge value	35.9	35.0	34.3	44.6	42.1	(2.5)	6.2
Unencumbered collateral							
Unregulated entities	58.4	63.2	64.0	60.6	48.0	(12.6)	(10.4)
Regulated entities	90.0	95.5	96.9	87.3	73.5	(13.8)	(16.5)
<b>Total</b>	<b>148.4</b>	<b>158.7</b>	<b>166.0</b>	<b>147.9</b>	<b>121.5</b>	<b>(26.4)</b>	<b>(26.9)</b>
Short-term debt per 10-Q disclosure	26.3	28.1	34.5	35.3	30.5	(4.8)	4.1
Short-term debt covered by Liquidity Pool per MD&A	22.9	23.7	30.2	32.4	27.1	(5.3)	4.2
<b>Liquidity pool / Short-term debt per 10-Q</b>	<b>136%</b>	<b>125%</b>	<b>99%</b>	<b>126%</b>	<b>138%</b>	<b>12%</b>	<b>2%</b>
L. Pool + 70% of Unreg. Entities Unencumbered Collateral / STD (per 10-Q)	292%	282%	229%	247%	249%	2%	-43%
<b>Liquidity pool / Short-term debt per MD&amp;A</b>	<b>157%</b>	<b>148%</b>	<b>114%</b>	<b>138%</b>	<b>155%</b>	<b>18%</b>	<b>-1%</b>
L. Pool + 70% of Unreg. Entities Unencumbered Collateral / STD (per MD&A)	335%	334%	262%	269%	280%	11%	-56%

# 2008 Q1 Competitor Benchmarking

## LIQUIDITY COMPARISON

2008 Q1

\$ billions

	<u>BSC</u>	<u>LEH</u>	<u>GS</u>	<u>MS</u>	<u>MER</u>
Short Term Borrowings	8.5	16.0	49.5	26.0	18.3
Current Portion of Long Term Debt	9.6 <sup>(1)</sup>	18.5	23.3	35.4	66.8
Total Short Term Debt	18.1	34.5	72.8	61.3	85.1
Holding Company					
Liquidity Pool	17.3	34.3	61.2	70.0	82.0
Unencumbered Collateral	14.4	64.0		N/D	57.0
Cash Value of Unencumbered Collateral (at 30% haircut)	10.1	44.8	33.4 <sup>(2)</sup>		39.9
Liquidity Pool / Short Term Debt	95%	99%	84%	114%	96%
Liquidity Pool + Cash value of unencumbered collateral / Short Term Debt	151%	229%	130%	114%	143%
Unencumbered Collateral outside Holding Chain (in Regulated Entities)	9.9	96.9	50.6	53.0 <sup>(3)</sup>	71.0

(1): Not disclosed. Assumed same number as in 2007 Q4

(2): Based on overall pledge value of Firm-wide collateral of \$96.1 billion; assume same regulated/unregulated mix as LEH

(3): Liquidity reserve at bank and non-bank subsidiaries

# 2008 Q2 Competitor Benchmarking

## LIQUIDITY COMPARISON

2008 Q2

\$ billions

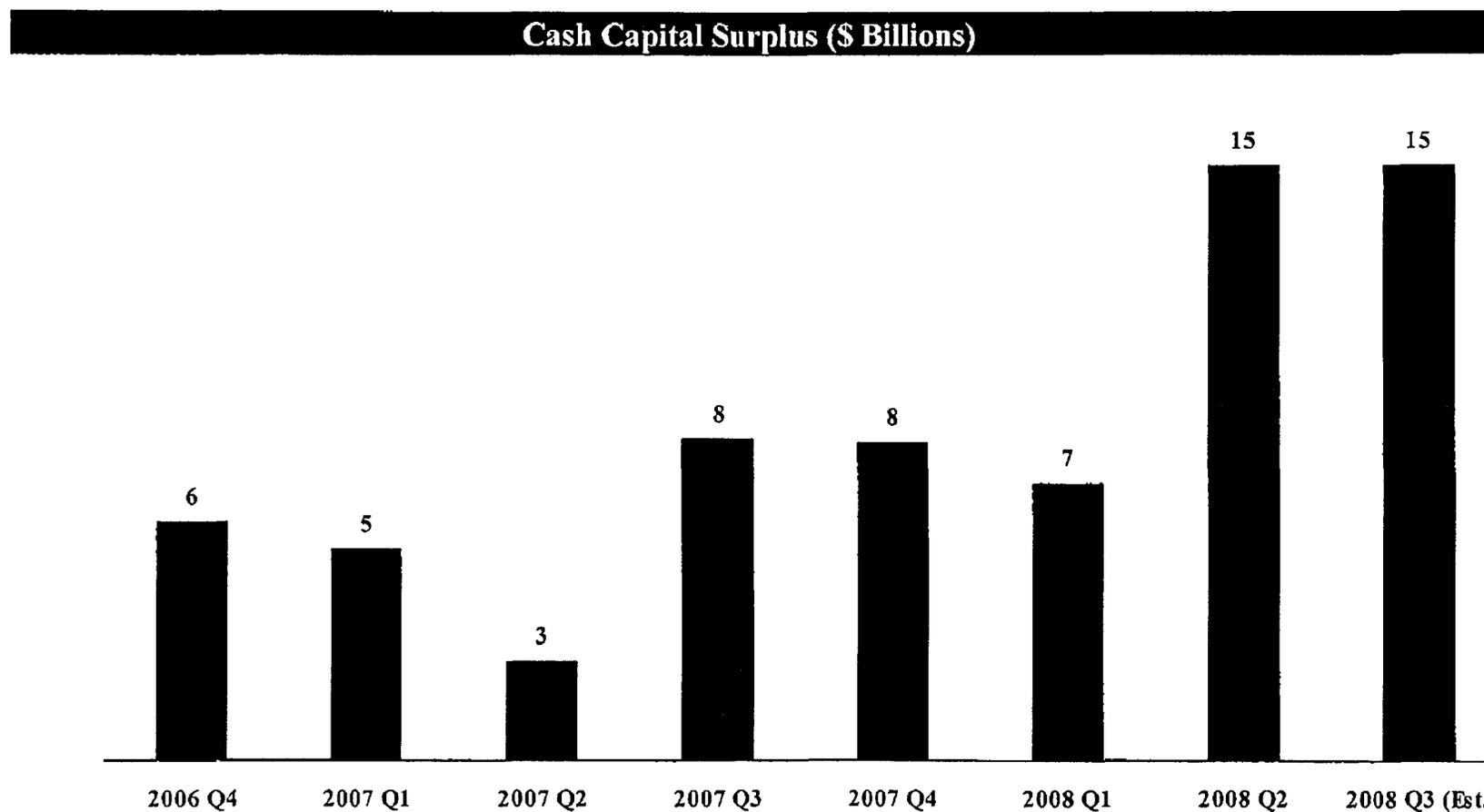
	<u>LEH</u>	<u>GS</u>	<u>MS</u>	<u>MER</u>
Short Term Borrowings	14.3	42.2	23.8	19.1
Current Portion of Long Term Debt	<u>21.0</u>	<u>28.9</u>	<u>35.1</u>	<u>51.4</u>
Total Short Term Debt	35.3	71.2	58.9	70.5
Holding Company				
Liquidity Pool	44.6	87.8	80.0	92.0
Unencumbered Collateral	60.6		N/D	61.0
Cash Value of Unencumbered Collateral (at 30% haircut)	42.4	33.4 <sup>(1)</sup>		42.7
Liquidity Pool / Short Term Debt	126%	123%	136%	130%
Liquidity Pool + Cash value of unencumbered collateral / Short Term Debt	247%	170%	136%	191%
Unencumbered Collateral outside Holding Chain (in Regulated Entities)	87.3	48.1	89.0 <sup>(2)</sup>	52.0

(1): Based on overall pledge value of Firm-wide collateral of \$81.5 billion; assume same regulated/unregulated mix as LEH

(2): Liquidity reserve at bank and non-bank subsidiaries

## Cash Capital Surplus

- ◆ We ended 2008 Q3 with a record \$15 billion cash capital surplus, flat sequentially and 88% year over year.



## Short-Term Debt

## Liquidity Pool - STD Disclosure

	STD Acct'g View										Chg
	Q2 '08					Q3 '08					
	Unreg		Reg		Q2 '08 Total	Unreg		Reg		Q3 '08 Total	
	Unsec	Sec	Unsec	Sec		Unsec	Sec	Unsec	Sec		
CP	7,948	-	-	-	7,948	3,783	-	-	-	3,783	(4,165)
Structured Notes	922	-	13	-	935	1,141	-	140	-	1,280	346
Bank Loans	1,231	-	-	-	1,231	1,218	-	-	-	1,218	(13)
Zero Strike/Fully Funded Participation Gross-Up	2,814	-	174	-	2,988	1,071	-	-	1,002	2,074	(914)
Overdrafts/Other e.g., Aegis	-	451	-	209	660	-	469	-	191	660	0
Current Portion of LTD	91	-	458	-	549	54	-	310	-	364	(185)
<b>Total STD</b>	<b>20,634</b>	<b>451</b>	<b>357</b>	<b>209</b>	<b>20,991</b>	<b>19,887</b>	<b>350</b>	<b>338</b>	<b>500</b>	<b>21,075</b>	<b>84</b>
	<b>33,640</b>	<b>451</b>	<b>1,002</b>	<b>209</b>	<b>35,302</b>	<b>27,154</b>	<b>819</b>	<b>788</b>	<b>1,693</b>	<b>30,455</b>	<b>(4,847)</b>

STD Unsec	30,826	STD Unsec	26,083	(4,743)
Reg Unsec	1,002	Reg Unsec	788	(214)
Self funding Unse	2,814	Self funding Unse	1,071	(1,743)
Secured	660	Secured	2,512	1,852
	<u>35,302</u>		<u>30,455</u>	<u>(4,847)</u>

## External Reporting Disclosure Format

The repayment of approximately \$26.1 billion of unsecured debt issued by Holdings and unregulated entities. This includes approximately:

\$20.2 billion of current portion of long term borrowings. The remaining \$0.9 billion of current portion of long-term borrowings is related to regulated entities which maintain their own liquidity pool sized to cover the repayment of the approximately \$0.8 billion in aggregate of unsecured debt maturing in the next twelve months issued by those regulated entities.

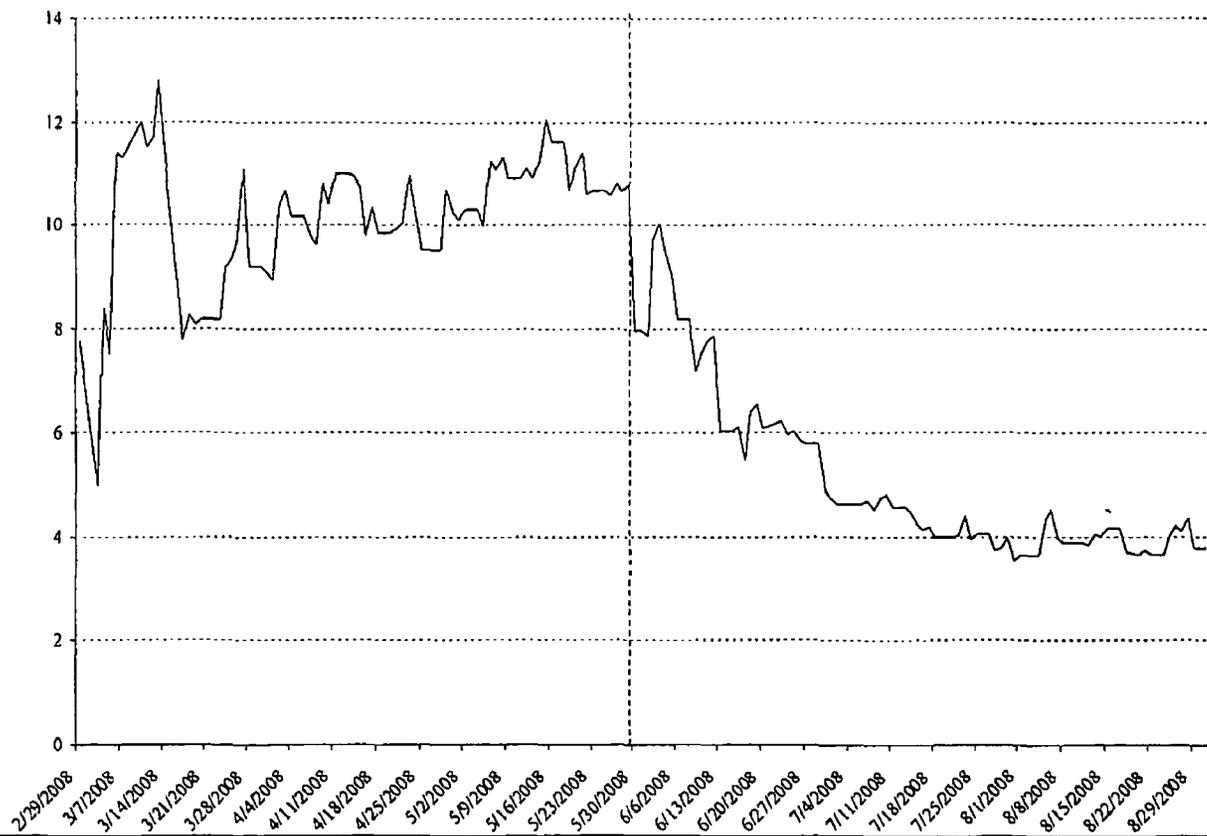
\$3.8 billion of commercial paper.

\$2.5 billion of bank loans and hybrid financial instruments with maturities of less than one year. This excludes approximately \$1.1 billion of structured note self-funding trades that are measured at fair value and managed by business unites through matched, unencumbered asset portfolios outside of Holdings' liquidity pool. The remaining 2.5 billion are bank loans in regulated entities.

# Commercial Paper

- ◆ We finished 2008 Q2 with \$3.8 billion of commercial paper compared with \$7.9 billion at the end of Q2, 7.8 billion at the end of Q1 and \$1.2 billion at the end of Q3 2007. Average life was 30 days as of 2008 Q3 vs. 41 days as of 2008 Q2, 52 days as of 2008 Q1 and 51 days as of 2007 Q4.
  - Reduction driven by increased risk aversion around our industry in general and Lehman Brothers in particular, which manifests itself in a sharp reduction in demand for term CP. Overnight CP has almost no liquidity value.

**Commercial Paper Outstanding (\$ Billions)**



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# CP Investors : August 29 vs. May 31

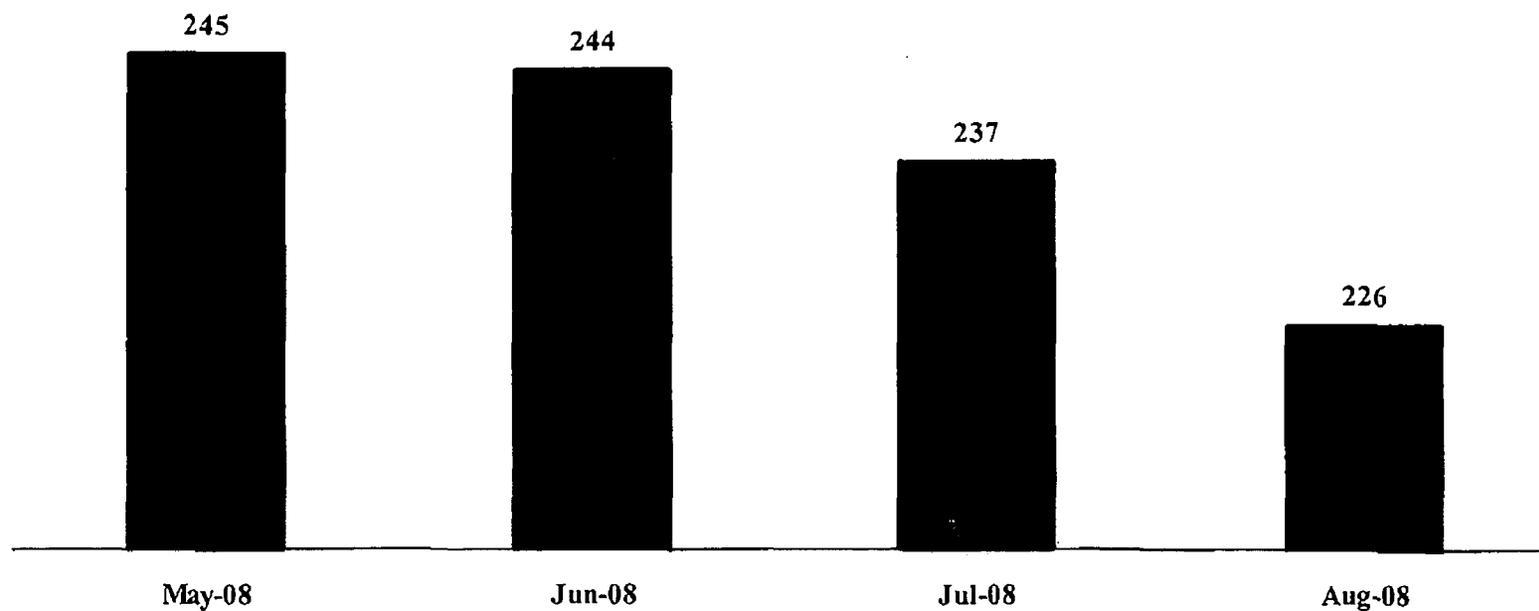
U.S. CP Investors			
Investor	5/31/2008	8/29/2008	DIFFERENCE
DREYFUS CORPORATION	575	0	(575)
AMERIPRISE FINANCIAL SERVICES, INC	616	148	(468)
DEUTSCHE INVESTMENT MANAGEMENT AMERICAS INC	395	0	(395)
JP MORGAN ASSET MANAGEMENT NY	605	225	(380)
WELLS CAPITAL MANAGEMENT CALIFORNIA	287	4	(282)
NEW YORK STATE COMPTROLLERS OFFICE	500	250	(250)
SAN DIEGO COUNTY	180	0	(180)
DELAWARE MANAGEMENT BUSINESS TRUST	159	0	(159)
HARRIS INVESTMENT MANAGEMENT ILLINOIS	141	1	(140)
NEW JERSEY DIVISION OF INVESTMENT	136	0	(136)
PENNSYLVANIA COMMONWEALTH	120	0	(120)
AIG GLOBAL INVESTMENT CORPORATION	212	100	(112)
NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY	110	0	(110)
CREDIT SUISSE ASSET MANAGEMENT LLC NEW YORK	109	0	(109)
CITY NB - BEVERLY HILLS	70	0	(70)
GUARDIAN LIFE INSURANCE NY	65	0	(65)
US TRUST CORPORATION NEW YORK	59	0	(59)
CREDIT SUISSE - NEW YORK	58	0	(58)
EATON VANCE MANAGEMENT	60	9	(51)
MEAG NEW YORK CORPORATION	50	0	(50)
OREGON STATE	50	0	(50)
THRIVENT FINANCIAL FOR LUTHERANS WISCONSIN	50	0	(50)
HARTFORD INVESTMENT MANAGEMENT CONNECTICUT	48	0	(48)
UBS FINANCIAL SERVICES NEW YORK	114	68	(47)
T ROWE PRICE MARYLAND	97	60	(37)
SILICON VALLEY BANK	35	0	(35)
SANTA BARBARA, COUNTY OF	32	0	(32)
RIDGEMOUNT CAPITAL MANAGEMENT INC	37	7	(30)
SAN MATEO, COUNTY OF	145	120	(25)
AGRIBANK FCB	25	0	(25)
EVERGREEN INVESTMENT MGMT CO LLC NORTH CAROLINA	282	270	(22)
CIGNA INTERNATIONAL INVESTMENT ADVISORS CONNECTICUT	21	0	(21)
AMALGAMATED BANK OF NY TRUST	20	0	(20)
MCDONALD INVESTMENTS OHIO	19	0	(19)
FOREST DUMMY: UNMAPPED SUBACCOUNT MASTER	18	0	(18)
BARCLAYS GLOBAL INVESTORS NA	15	0	(15)
BB & T (CRAIGIE)	14	0	(14)
WELLS FARGO BROKERAGE SERVICES MINNESOTA	23	10	(13)
SMITH GRAHAM & CO	11	0	(11)
COMMERCIAL PAPER LEHMAN HOUSE MASTER	8	2	(8)
GREAT PACIFIC SECURITIES CALIFORNIA	5	0	(5)
MEEDER ASSET MANAGEMENT	5	0	(5)
CLEARWATER ADVISORS IDAHO	6	3	(3)
RAINIER INVESTMENT MANAGEMENT	2	0	(2)
CITY OF FREMONT	4	2	(2)
RBC DAIN RAUSCHER MINNESOTA	1	0	(1)
BREMER FINANCIAL CORPORATION MINNESOTA	1	0	(1)
RESERVE FUND	640	640	0
CITY OF LONG BEACH-CA	65	65	0
FIRST NATIONAL BNK FORT COLLIN	11	11	0
WILMINGTON TRUST COMPANY	8	8	0
AMERICAN FAMILY LIFE /INV ADV	3	3	0
UMB BANK NA	1	1	0
ALLEGIANCE CAPITAL	0	0	0
HIBERNIA INVESTMENTS, LLC	0	0	0
WESTERN ASSET MANAGEMENT CO	0	0	0
CITIGROUP ASSET MANAGEMENT US	0	2	2
NEW YORK STATE TEACHERS RETIREMENT SYSTEM	0	5	5
PARTNER REINSURANCE COMPANY CT	0	10	10
AFL-CIO HOUSING INV TRUST	0	25	25
METROPOLITAN WATER DISTRICT	10	40	30
NEW YORK CITY	0	49	49
ABU DHABI INVESTMENT AUTHORITY	0	200	200
RUSSELL INVESTMENT MANAGEMENT COMPANY	350	618	268
<b>GRAND TOTAL</b>	<b>6,692</b>	<b>2,957</b>	<b>(3,734)</b>

European CP Investors			
Investor	5/31/2008	8/29/2008	DIFFERENCE
BARCLAYS	352	0	(352)
KBC BANK BELGIUM	154	0	(154)
BLACKROCK	98	0	(98)
INVESTCO ASSET MANAGEMENT	91	0	(91)
CITI SEG LENDING	62	0	(62)
JPMORGAN AM (UK) LTD	411	375	(36)
CNP	91	58	(34)
THREADNEEDLE	74	60	(14)
ROGGE	53	51	(2)
INVESCO	7	7	0
MORLEY FUND	97	182	85
KBC ASSET MANAGEMENT	0	87	87
ADIA	0	91	91
<b>GRAND TOTAL</b>	<b>1,492</b>	<b>912</b>	<b>(580)</b>

# Commercial Paper: An Industry View

- ◆ Directly-placed financial sector commercial paper market declined by close to \$20 billion during 2008 Q3
  - Increased risk aversion driving reduced appetite for term commercial paper
  - Limited liquidity value of overnight commercial paper
    - Per Lehman's Funding Framework, no asset funded by commercial paper; however, term commercial paper provides temporary liquidity, which may prove useful to cope with temporary market dislocation

Directly-Placed Financial Sector Commercial Paper (\$B)



Source: Federal Reserve

# Long-Term Debt

## Long Term Capital

8/31/2008

(in millions)

	Final FY2007	Final Q1 08	Final Q2 08	Forecast Q3 08	Forecast Q4 08	Forecast FY2008
<b>Long-Term Debt Outstanding (Excludes Current Portion)</b>						
<b>Senior Notes</b>						
Beginning Balance	75,202	108,914	112,128	110,553	96,559	108,914
Issuance	69,646	16,144	11,504	2,249	1,320	31,217
Issuance - Debt Held in Inv	5,675	498	977	933	-	2,408
Bank Facilities	-	-	-	-	-	-
Rolling/Maturity	(41,727)	(14,044)	(13,799)	(11,744)	(5,639)	(45,225)
Other (2)	118	615	(257)	(5,432)	-	(5,074)
<b>Ending Balance</b>	<b>108,914</b>	<b>112,128</b>	<b>110,553</b>	<b>96,559</b>	<b>92,240</b>	<b>92,240</b>
<b>Subordinated Notes</b>						
Beginning Balance	3,238	9,258	11,181	12,625	12,089	9,258
Issuance	5,906	1,503	1,979	3	-	3,484
Issuance - Debt Held in Inv	374	95	73	90	-	-
Rolling/Maturity	(805)	(125)	(222)	(521)	-	(868)
Other (2)	545	451	(385)	(107)	-	(42)
<b>Ending Balance</b>	<b>9,258</b>	<b>11,181</b>	<b>12,625</b>	<b>12,089</b>	<b>12,089</b>	<b>11,832</b>
<b>Junior Subordinated Notes (1)</b>						
Beginning Balance	2,738	4,978	4,976	5,004	4,924	4,978
Issuance	2,263	-	26	-	-	26
Rolling/Maturity	(189)	-	(25)	(16)	-	(41)
Other (2)	166	(2)	27	(64)	-	(39)
<b>Ending Balance</b>	<b>4,978</b>	<b>4,976</b>	<b>5,004</b>	<b>4,924</b>	<b>4,924</b>	<b>4,924</b>
<b>LTD Outstanding</b>	<b>123,150</b>	<b>128,284</b>	<b>128,182</b>	<b>113,571</b>	<b>109,252</b>	<b>108,995</b>
<b>Total Long-Term Capital</b>	<b>145,653</b>	<b>153,114</b>	<b>154,458</b>	<b>142,049</b>	<b>138,408</b>	<b>138,151</b>

- ◆ Average life of long-term debt was 8 years as of 2008 Q3 and 2008 Q2 versus 7 years as of 2008 Q1 and 2007 Q4

(1) Junior Subordinated Note excludes equity value and FAS (the difference to ledger will be captured in subordinated notes)

(2) Other includes FAS and other misc items.

# Debt Issuance And BuyBack<sup>(1)</sup>

Data As Of 8/29/2008 (\$ Millions)

	Structure							Plain Vanilla							Total						
	YTD Issuance by Tenor (in \$mm)							YTD Issuance by Tenor (in \$mm)							YTD Issuance by Tenor (in \$mm)						
	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years	Total	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years	Total	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years	Total
2008 Q1	1,556	1,576	693	694	915	1,976	7,410	11	616	1,964	42	2	6,231	8,885	1,567	2,192	2,677	736	917	8,207	16,296
2008 Q2	1,239	823	448	323	365	1,284	4,482	510	1,082	416	85	56	7,422	9,571	1,749	1,904	864	408	421	8,708	14,053
2008 Q3	365	196	222	121	77	457	1,437	693	44	38	40	71	121	1,008	1,058	240	260	161	148	579	2,445
<b>Total</b>	<b>3,161</b>	<b>2,595</b>	<b>1,363</b>	<b>1,138</b>	<b>1,358</b>	<b>3,717</b>	<b>13,329</b>	<b>1,213</b>	<b>1,742</b>	<b>2,438</b>	<b>166</b>	<b>130</b>	<b>13,775</b>	<b>19,484</b>	<b>4,374</b>	<b>4,336</b>	<b>3,802</b>	<b>1,304</b>	<b>1,486</b>	<b>17,491</b>	<b>32,793</b>
	YTD BuyBack by Tenor (in \$mm)							YTD BuyBack by Tenor (in \$mm)							YTD BuyBack by Tenor (in \$mm)						
	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years	Total	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years	Total	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years	Total
2008 Q1	(126)	(174)	(155)	(61)	(145)	(437)	(1,098)	(290)	(300)	(1,337)	(65)	(6)	(165)	(2,163)	(416)	(474)	(1,493)	(126)	(151)	(602)	(3,262)
2008 Q2	(104)	(154)	(410)	(677)	(168)	(496)	(2,006)	(10)	-	(315)	(52)	(0)	(795)	(1,173)	(111)	(154)	(726)	(729)	(168)	(1,290)	(3,179)
2008 Q3	(165)	(1,020)	(420)	(263)	(200)	(417)	(2,485)	(10)	(23)	(294)	(374)	(50)	(3,310)	(4,061)	(175)	(1,043)	(713)	(635)	(250)	(3,727)	(6,546)
<b>Total</b>	<b>(392)</b>	<b>(1,348)</b>	<b>(985)</b>	<b>(1,001)</b>	<b>(514)</b>	<b>(1,349)</b>	<b>(5,589)</b>	<b>(310)</b>	<b>(323)</b>	<b>(1,947)</b>	<b>(490)</b>	<b>(56)</b>	<b>(4,270)</b>	<b>(7,397)</b>	<b>(702)</b>	<b>(1,671)</b>	<b>(2,933)</b>	<b>(1,491)</b>	<b>(570)</b>	<b>(5,619)</b>	<b>(12,986)</b>
	YTD EarlyCalls by Tenor (in \$mm)							YTD EarlyCalls by Tenor (in \$mm)							YTD EarlyCalls by Tenor (in \$mm)						
	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years	Total	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years	Total	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years	Total
2008 Q1	(333)	(332)	(156)	(226)	(401)	(590)	(2,038)	(3)	(13)	(425)	-	(11)	(5)	(457)	(326)	(345)	(581)	(226)	(412)	(595)	(2,495)
2008 Q2	(955)	(254)	(227)	(213)	(120)	(404)	(2,173)	(1)	(6)	-	-	-	(18)	(25)	(956)	(260)	(227)	(213)	(120)	(421)	(2,197)
2008 Q3	(209)	(59)	(44)	(12)	(3)	(44)	(370)	-	-	-	-	-	(10)	(10)	(209)	(59)	(44)	(12)	(3)	(54)	(380)
<b>Total</b>	<b>(1,497)</b>	<b>(646)</b>	<b>(426)</b>	<b>(451)</b>	<b>(523)</b>	<b>(1,038)</b>	<b>(4,581)</b>	<b>(5)</b>	<b>(18)</b>	<b>(425)</b>	<b>-</b>	<b>(11)</b>	<b>(32)</b>	<b>(492)</b>	<b>(1,501)</b>	<b>(664)</b>	<b>(851)</b>	<b>(451)</b>	<b>(534)</b>	<b>(1,070)</b>	<b>(5,073)</b>

1. Source: Because data above are calculated using a slightly different methodology, they may not match the data presented in the previous slide

# Long-Term Debt Maturity Schedule

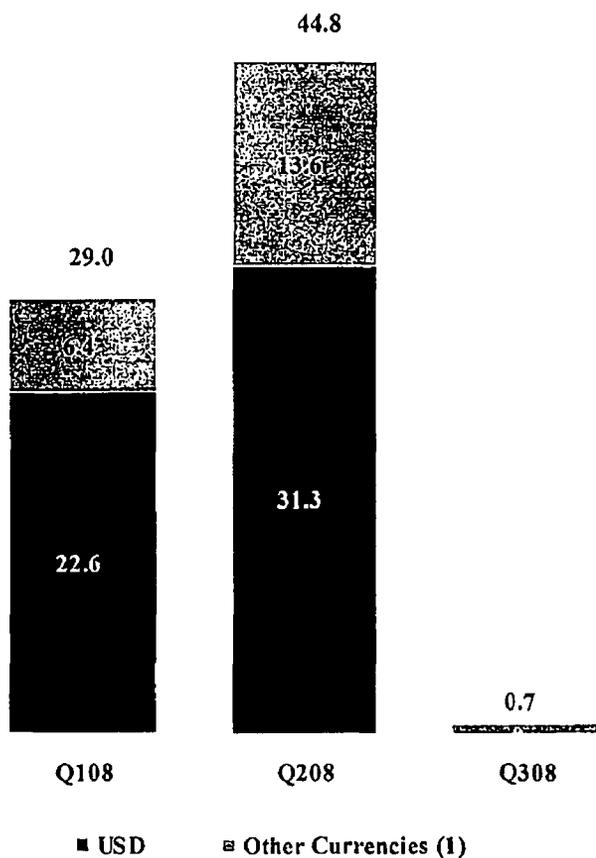
## Long-Term Debt Maturity Schedule (\$M)

	<u>Qtr</u>	<u>LTD</u>	<u>Extendibles</u>	<u>Total</u>
11/30/2009	2009 Q4	5,445	416	5,861
2/28/2010	2010 Q1	3,235	72	3,307
5/31/2010	2010 Q2	5,425	997	6,422
8/31/2010	2010 Q3	3,327	25	3,352
11/30/2010	2010 Q4	2,043	0	2,043
2/28/2011	2011 Q1	3,039	0	3,039
5/31/2011	2011 Q2	6,276	25	6,301
8/31/2011	2011 Q3	3,116	59	3,176
11/30/2011	2011 Q4	1,448	0	1,448
2/29/2012	2012 Q1	4,628	0	4,628
5/31/2012	2012 Q2	2,776	730	3,506
8/31/2012	2012 Q3	5,768	0	5,768
11/30/2012	2012 Q4	3,337	0	3,337
2/28/2013	2013 Q1	5,092	0	5,092
5/31/2013	2013 Q2	1,840	0	1,840
8/31/2013	2013 Q3	2,613	0	2,613
11/30/2013	2013 Q4	1,083	0	1,083
2/28/2014	2014 Q1	4,168	0	4,168
5/31/2014	2014 Q2	1,462	0	1,462
8/31/2014	2014 Q3	1,409	0	1,409
<b>Total</b>		<b>67,530</b>	<b>2,324</b>	<b>69,854</b>
<b>Mature after 2014Q3</b>		<b>43,717</b>	<b>0</b>	<b>43,717</b>
<b>Grand Total</b>		<b>111,247</b>	<b>2,324</b>	<b>113,571</b>

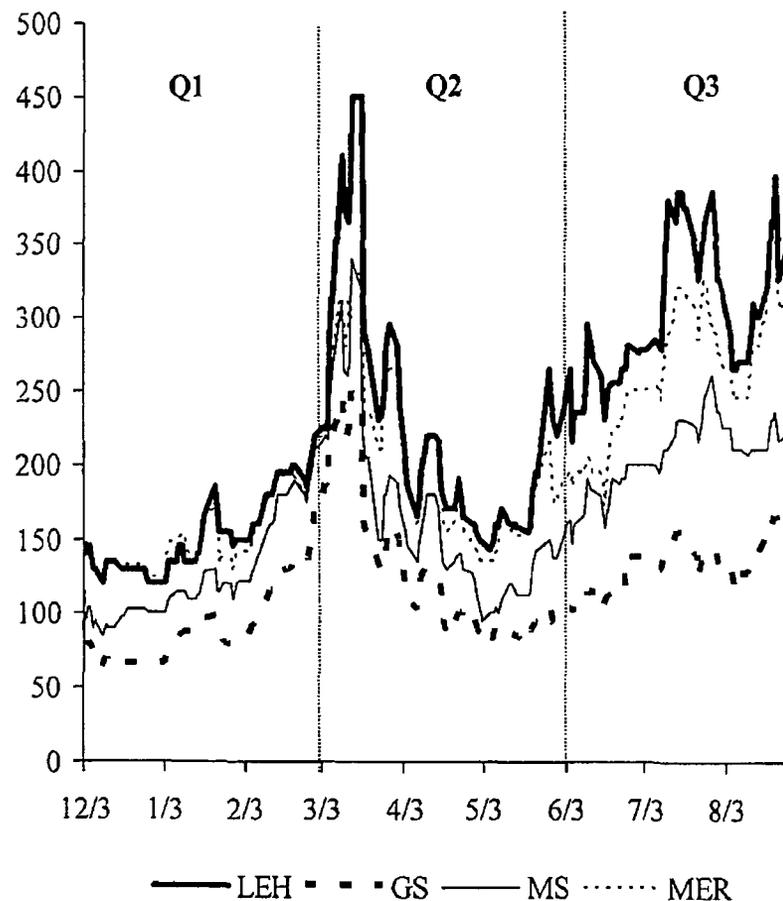
# Long-Term Debt Issuances

Issuance by investment banks in Q3 was virtually zero. There remains an overhang of supply from 2007 and 2008 H1, which has contributed to spread widening

Investment Bank<sup>(1)</sup> Public Benchmarks Issuances (\$B)



Investment Bank 5 Year Credit Default Swaps (Bps)



1. Other category is represented as USD equivalent  
 2. Investment banks include Lehman Brothers, Morgan Stanley, Merrill Lynch and Goldman Sachs

# Committed Facilities

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European Facility (\$ Millions)				U.S. Facility (\$ Millions)			
Draw Date	Repayment Date	Currency	Amount	Draw Date	Repayment Date	Currency	Amount
29-Jan-08	5-Feb-08	USD	2,500	14-Apr-08	28-Apr-08	USD	2,000
5-Feb-08	12-Feb-08	USD	2,500				
12-Feb-08	19-Feb-08	USD	2,500				
19-Feb-08	26-Feb-08	USD	2,500				
20-Mar-08	27-Mar-08	GBP	1,000				
27-Mar-08	3-Apr-08	GBP	1,000				

Neither facility was drawn during 2008 Q3

# Cash Capital Facility Gains & Losses During Q3

\$ Millions

<u>Banks</u>	<u>Secured/Unsecured</u>	<u>CCY</u>	<u>Amount (\$mm)</u>	<u>Collateral</u>	<u>Notes</u>
<u>Wins</u>					
None					
<u>Losses</u>					
SMBC	Secured	JPY	(500)	CWL / Corporate Loans	Facility was not extendible and is now rolling into current portion
SMBC	Secured	USD	(350)	Corporate Loans	Facility was not extendible and is now rolling into current portion
			(850)		
<u>Pending Q4 Losses</u>					
Danske	Secured	USD	(300)	CWL	Reduction to happen on 9/8
Swedbank	Secured	USD	(350)	CWL	Reduction to happen on 9/21
			(650)		

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## Liquidity Impact Of A Rating Downgrade

- ◆ Table below incorporates all rating changes as of August 31, 2008. Note that most non-standard trades (i.e., trades with structured vehicles) typically have a 30 day grace period before we are required to post margin.
- ◆ None of our unsecured debt has a rating trigger
- ◆ One of our secured bank facilities has a termination event in case of a downgrade: liquidity impact would a loss of \$1.0 billion in case of a downgrade to Baa2 (or equivalent).
  - Additionally, a few have a rating band-based price schedule

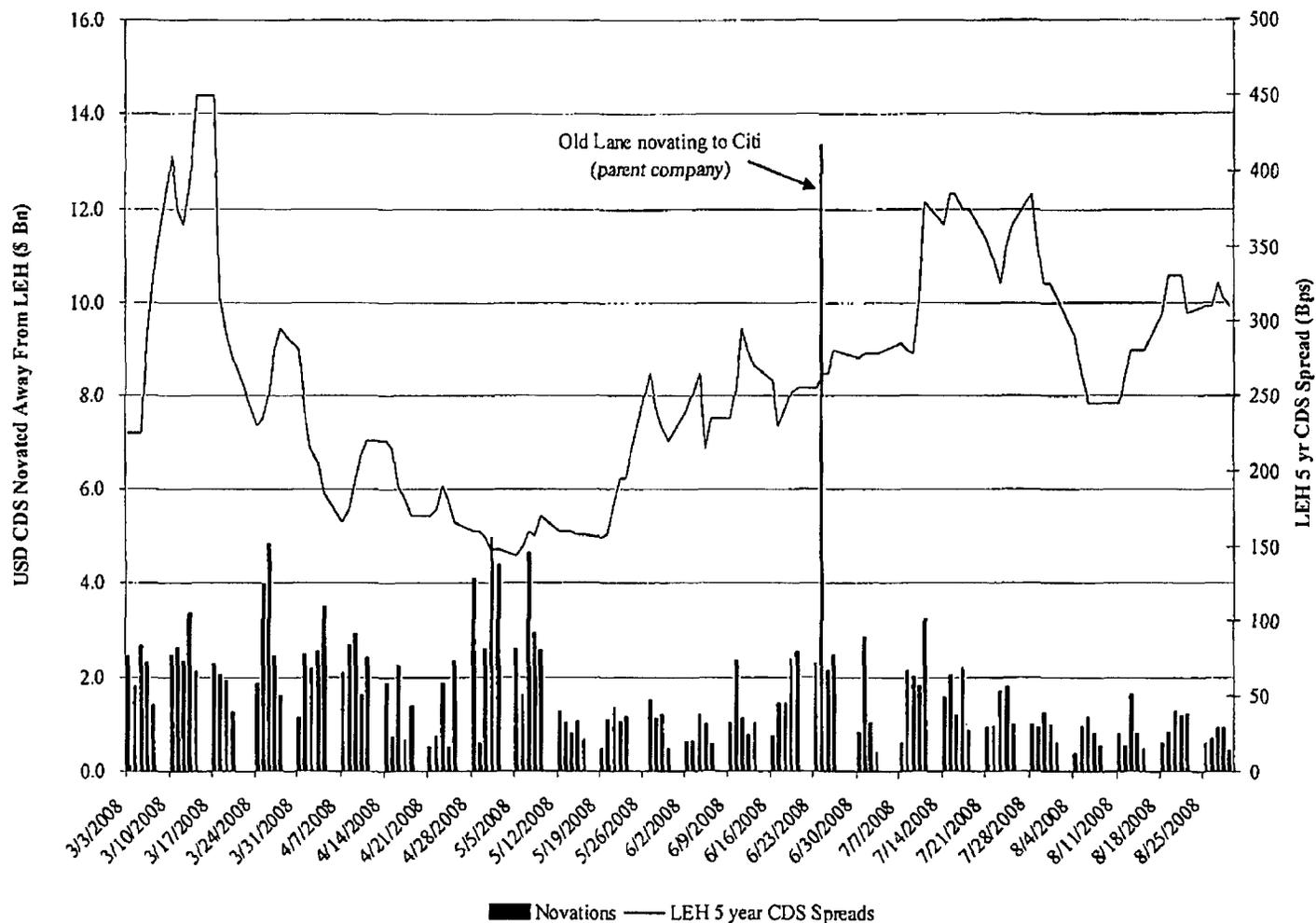
### Liquidity Impact Of A Rating Downgrade (\$ Millions)

	2008 Q3			2008 Q2			Variance		
	Immediate impact	1 notch downgrade	2 notches downgrade	Immediate impact	1 notch downgrade	2 notches downgrade	Immediate impact	1 notch downgrade	2 notches downgrade
<b>Total Standard Trades</b>	<b>2,575</b>	<b>79</b>	<b>402</b>	<b>2,419</b>	<b>220</b>	<b>455</b>	<b>156</b>	<b>(140)</b>	<b>(53)</b>
<b>Non-Standard trades</b>									
IRP transactions - Americas	79	382	467	72	451	2	7	(69)	466
IRP transactions - Europe	34	1,689	993	82	1,975	786	(48)	(286)	207
IRP transactions - Asia	-	12	-	-	2	6	-	10	(6)
CDO transactions - Americas	0	4	0	0	19	3	0	(14)	(3)
CDO transactions - Europe	-	28	36	295	74	215	(295)	(46)	(179)
CDO transactions - Asia	-	98	14	44	107	-	(44)	(8)	14
Securitized Products - Americas	-	312	-	170	61	16	(170)	251	(16)
Other (IRP) - Europe	-	23	-	14	14	28	(14)	9	(28)
<b>Total Non-standard Trades</b>	<b>113</b>	<b>2,548</b>	<b>1,511</b>	<b>677</b>	<b>2,702</b>	<b>1,055</b>	<b>(563)</b>	<b>(154)</b>	<b>456</b>
<b>Total Collateral Requirement</b>	<b>2,688</b>	<b>2,627</b>	<b>1,913</b>	<b>3,095</b>	<b>2,921</b>	<b>1,510</b>	<b>(407)</b>	<b>(294)</b>	<b>403</b>

Increase of \$600m in our 2 notch number results from more conservative Moody's "2nd trigger" at Baa1 coming in  
 Decrease of \$200m in 1 notch numbers for IRP Europe due to stronger dollar and lower Euro rates (we pay float mostly)  
 Decrease of \$200m in overall CDO numbers resulting from more in depth calculation of contingent collateral requirements  
 Decrease of \$563m in the immediate impact numbers due to ~\$400m of postings of collateral since the S&P and Moody's downgrades

# Novations

Novations continue to remain at subdued levels despite the widening of our credit spreads

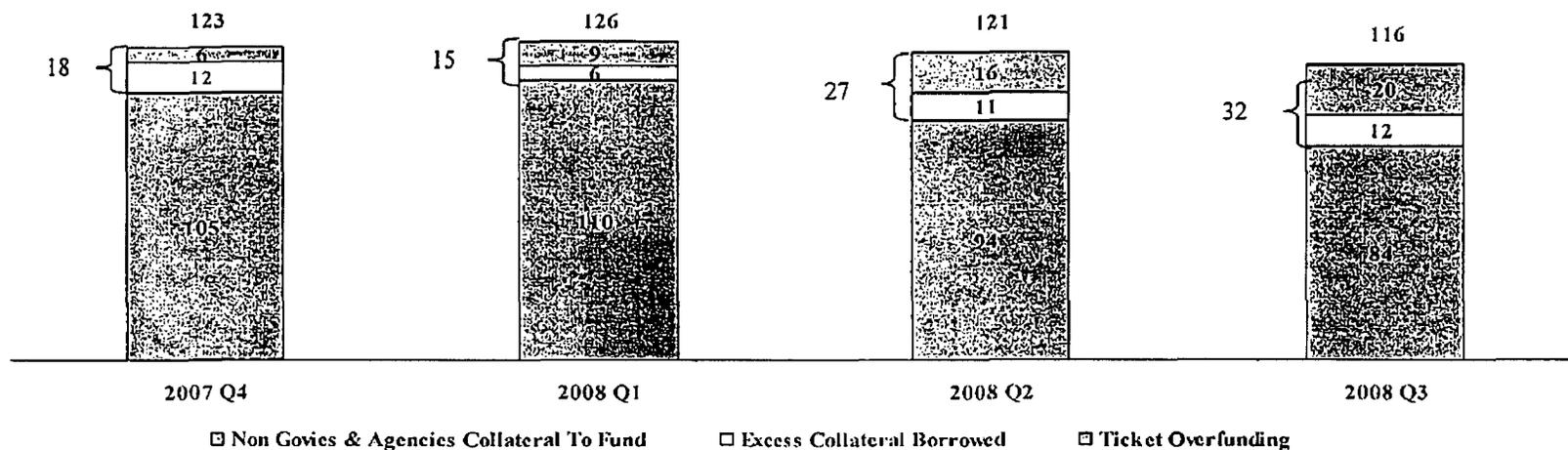


**Secured Funding & Prime Broker**

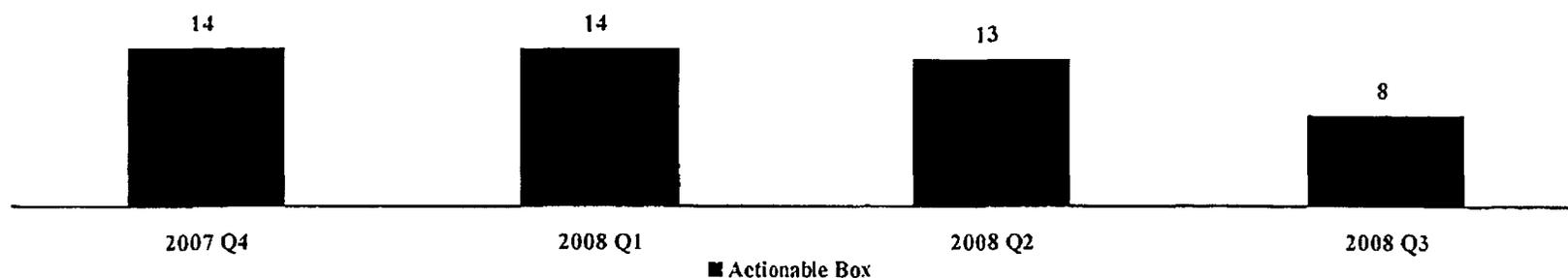
# Secured Funding

Deleveraging of balance sheet during Q3 drove reduction in secured funding requirements. Overfunding increased by \$5bn to \$32 billion.

## Non Govies & Agencies Tickets (\$B)



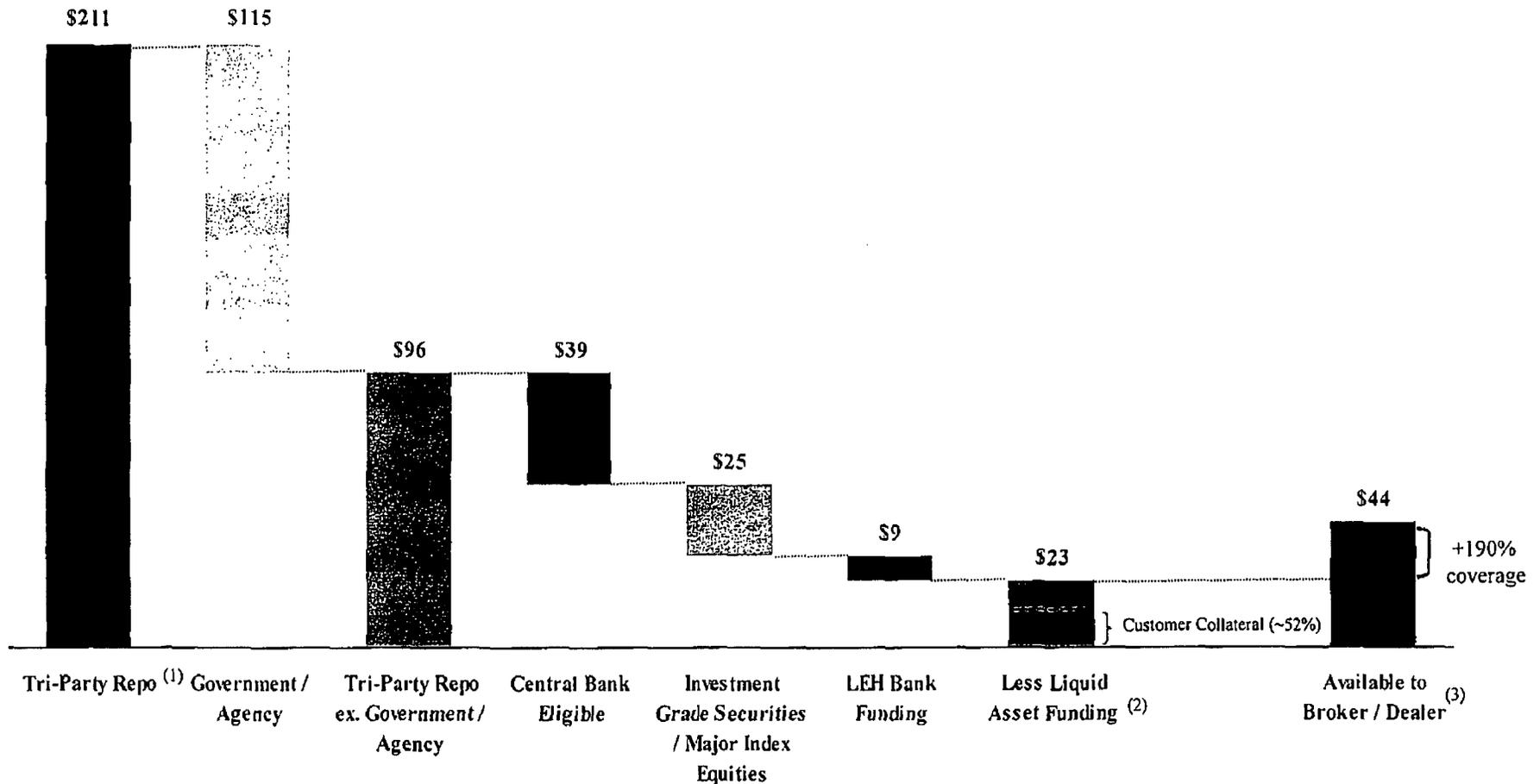
## Actionable Box (\$B)



# Liquidity Risk Of Secured Funding

Liquidity risk of our secured funding continues to be well contained.

Tri-Party Repo Book Collateral - August 31, 2008 (\$B)



Q2 '08:	\$188B	\$83B	\$105B	\$40B	\$25B	\$8B	\$32B	\$50B (+150% coverage)
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1. Gross exposure  
 2. Average tenor of repos funding less liquid assets stood at 41 days as of August 29, 2008. 28% of the \$23B is > 1 month duration  
 3. Includes Holdings' Liquidity Pool (\$42.1B), LBI's (\$0.9B), LBJ's (\$0.1B), and Bankhaus's (\$1.2B). Excludes \$1B of customer free credits in LBIE

# Key Repo Metrics

Secured funding has remained very resilient during Q3 with significant overfunding of our tri-party repo book and term funding for non-central bank eligible collateral of greater than one month.

## Non-Traditional<sup>1</sup> Repo Book Metrics

Triparty Repo Book	<u>Q407</u>	<u>Q108</u>	<u>Q208</u>	<u>Q308</u>	<u>Q3 vs Q2 Change</u>
Total Overfunding (\$B)	\$18	\$15	\$27	\$32	18%
Tickets	\$6	\$9	\$16	\$20	26%
Excess Collateral	\$12	\$6	\$11	\$12	9%
Average tenor (days)	27	22	35	33	-2
Central bank eligible	-	-	30	25	-5
Non Central bank eligible	-	-	38	38	0
% Overnight	52%	56%	42%	46%	4%
% <=1 week	13%	18%	12%	8%	-4%
% > 1 week	<u>35%</u>	<u>25%</u>	<u>46%</u>	<u>46%</u>	0%
% > 1 month	100%	100%	100%	100%	-1%

1. Non-traditional repo book excludes Governments, Treasuries, Government/MBS Agencies

# Loss Of Repo Counterparties

<b>Triparty Repo Book</b>	<b>Q407</b>	<b>Q108</b>	<b>Q208</b>	<b>Q308</b>	<b>Q3 vs Q2 Change</b>
# Repo Counterparts	78	70	68	62	-6

Net Loss: 8 Counterparts		Net Loss: 2 Counterparts		Net Loss: 6 Counterparts	
Q407 to Q108		Q108 to Q208		Q208 to Q308	
Gains	Losses	Gains	Losses	Gains	Losses
ECB	BARCLAYS	CACEIS BANK	UBS	ABN AMRO	AIM
FENWAY FUNDING LLC	WELLS FARGO	CONSORCIO	RABOBANK	DANMARKS NATIONALBANK	AMR
EXXONMOBIL FINANCIAL	FUND FCO2 STIFF	CONTROLADORA DE SERVICIOS DE	ABN AMRO	MET WEST	BANK OF AMERICA/NATIONSBANK
HYPO VEREINSBANK	DEUTSCHE BANK	FEDERAL RESERVE	MORGAN STANLEY	ROYAL BANK OF SCOTLAND PLC	CONTROLADORA DE SERVICIOS DE
MIZUHO	ELLINGTON	FIELD STREET MASTER FUND, LTD.	BANCO SANTANDER	SFTC	DREYFUS
UPICO	FIRST ASSET MGMT	FROST BANK	MET WEST/WACHOVIA	SUMITOMO	IBT
UPS	FROST BANK	MACQUARIE BANK LTD	SVENSKA BANK	SWEDBANK	JANUS
MANULIFE FINANCIAL	ZURCHER KANTONALBANK	METLIFE	CATER ALLEN	UNINET S.A. DE C.V.	LBBW
	OLD MUTUAL	OSAKA SECURITIES FINANCE	ING		MACQUARIE BANK LTD
	BANK OF KOREA	PASCAL FUND LTD	COMERICA		METLIFE
	BAYERISCHE	SOCIETE GENERALE	PUTNAM		MIZUHO
	CIBC	SWISS RE	ABBIEY NATIONAL SECURITIES INC.(NP)		PASCAL FUND LTD
	FARMERS & MERCHANTS BANK	TELEMEX	UPICO		SWISS RE
	ARCHE MASTER FUND LP	TENSOR	SEI		US BANK & TRUST
	SAFBAN	THE TOKYO MITSUBISHI CO.,LTD.	UPS		
	CAPITAL ADVISORS INC	TRIARA.COM	SFTC		
		WEST LB	NAVY FEDERAL CU		
		ZURCHER KANTONALBANK	MANULIFE FINANCIAL		
			COLUMBIA MGMT ADVISORS INC		
			TRAVELERS		
8	16	18	20	8	14

# July/August Lost Repo Capacity<sup>(1)</sup>

Shell Booked Variance - August 29th vs. July 1st  
 Excludes Bankhaus, ECB & Fed  
 Includes Non-Traditional Repo Book Only

Principal in SBN's

Region	Counterparty Group	EMG	Equities	HY ABS	HY Convert	HY Corp	HY PL	IG ABS	IG Convert	IG Corp	IG PL	MMKT	Muni	RWL	Cumulative Change Thru 8/29	Cumulative Change Thru 8/28	D-o-D Variance
Asia	CALYON		(0.5)												(0.5)	(0.5)	0.0
	JP MORGAN CHASE		0.2												0.2	0.2	(0.0)
	MITSUBISHI		0.3												0.3	0.3	0.0
	Other (3 Counterparties)		(0.0)												(0.0)	(0.0)	0.0
Asia Total			(0.0)												(0.0)	(0.0)	0.0
Europe	CITIBANK	0.0		0.0		0.0		(0.3)							(0.2)	(0.3)	0.1
	CSFB		(0.2)						(0.1)						(0.3)	(0.3)	0.0
	DRESDNER	(0.3)	(0.0)		0.1	0.0			0.0	0.1					(0.1)	(0.1)	0.0
	DZ BANK	(0.0)	0.3		0.3	(0.4)			0.0	0.0					0.1	0.1	0.0
	FORTIS	0.3	(0.3)												(0.0)	0.5	(0.5)
	ING	(0.1)				(0.1)		(0.0)		(0.2)					(0.4)	(0.4)	0.0
	KBC	(0.5)	0.1		(0.1)	(0.0)		(0.0)	0.0	(0.0)					(0.5)	(0.5)	0.0
	LCH							(0.2)		(0.1)					(0.3)	(0.4)	0.0
	NATIXIS	(0.0)	(0.1)		(0.2)	0.0		0.0	0.0						(0.3)	(0.3)	0.0
	RACERS							(1.1)							(1.1)	(1.1)	0.0
	RBC	0.5	(0.4)		0.0	0.0			(0.1)	0.7					0.8	0.6	0.2
	ROYAL BANK OF SCOTLAND PLC	0.5				0.1				0.1					0.6	0.7	(0.1)
	RZB	(0.1)	(0.4)		(0.1)	0.0		(0.0)	(0.0)	(0.0)					(0.6)	(0.6)	(0.0)
	STATE STREET	0.1			0.0	(0.0)		0.0	0.0	0.4					0.5	0.4	0.0
	Other (15 Counterparties)	(0.2)	0.2	0.0	0.0	(0.1)		0.0	(0.0)	0.1		0.0			0.0	0.0	(0.0)
Europe Total		0.1	(0.8)	0.0	0.0	(0.5)		(1.6)	(0.1)	1.1		0.0			(1.8)	(1.6)	(0.2)
U.S.	BGI		(0.1)			0.0	(0.1)	(0.3)		1.0	(1.7)	(0.5)			(1.7)	(1.7)	0.0
	BONY/MELLON							(0.6)			(0.1)	0.0			(0.7)	(0.7)	0.0
	DRESDNER	0.4								(0.5)		0.5	(0.0)		0.3	0.3	0.0
	DREYFUS			(1.0)		(0.7)									(1.7)	(1.7)	0.0
	DWIGHT A.M.			(0.0)		(0.2)	(0.0)								(0.3)	(0.3)	(0.0)
	FENWAY FUNDING LLC					(1.0)									(1.0)	(1.0)	0.0
	FHLMC											(3.0)			(3.0)	(3.0)	0.0
	FIDELITY	0.0	(0.1)			(1.5)	0.1			0.4	0.8			(0.2)	(0.6)	(0.6)	0.0
	FORTIS									0.3		1.0	0.7		2.1	0.8	1.3
	JP MORGAN CHASE	(0.2)			0.1	0.0		1.0				(3.6)			(2.7)	(2.8)	0.1
	LBBW												(0.8)		(0.8)	(0.8)	0.0
	MIZUHO										(0.5)				(0.5)	(0.5)	0.0
	NORTHERN	0.3				0.3				0.0		0.5			1.0	1.0	(0.0)
	NORWEST											(0.7)			(0.7)	(0.2)	(0.5)
	STATE STREET	0.5				0.0		0.0		0.0	0.7	0.0	0.0		1.2	1.2	(0.0)
	SUMITOMO									0.4					0.4	0.4	(0.0)
	SWISS RE										(0.9)				(0.9)	(0.9)	0.0
	Other (31 Counterparties)	0.1	(0.1)	0.0	(0.3)	(0.1)	(0.0)		0.4	(0.2)	(0.0)	0.0	(0.1)		(0.5)	(0.6)	0.1
U.S. Total			0.8	(1.4)	0.1	(3.4)	(0.1)	0.1	1.9	(5.5)	(2.1)	(0.1)	(0.3)		(10.0)	(11.0)	1.0
Cumulative Change Thru 8/29		0.1	0.0	(1.4)	0.2	(4.0)	(0.1)	(1.5)	(0.1)	3.0	(5.5)	(2.1)	(0.1)	(0.3)	(11.8)	(12.6)	0.8

Cumulative Change Thru 8/28	0.4	0.1	(1.4)	0.2	(4.0)	(0.1)	(1.7)	(0.1)	2.4	(5.5)	(2.3)	(0.3)	(0.3)		(12.6)		
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D-o-D Variance	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.2	(0.0)	0.6	(0.0)	0.2	0.2	(0.0)		0.8		
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BANKHAUS	(0.0)	(0.2)	0.4	(0.0)	0.0			0.0	0.1	0.0					0.2		
ECB								(0.0)							(0.0)		
FEDERAL RESERVE								9.1		(9.1)					0.0		

Total D-o-D Variance	(0.3)	(0.3)	0.4	0.0	0.1	0.0	9.3	(0.0)	0.7	(9.1)	0.2	0.2	(0.0)		1.0		
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1. Loss of repo capacity in June 2008 was negligible

## Federal Reserve Facilities

- ◆ We have not used the PDCF (Primary Dealer Credit Facility) since April 16
- ◆ We continue using the TSLF (Term Securities Lending Facility) to fund agencies (\$8.9 billion) and AAA-rated asset-backed securities (\$3.6 billion)
  - \$12.5 billion outstanding out of a total of \$65.9 billion (19% of total)
    - Last two Fed TSLF auctions were undersubscribed (\$66 billion bid versus \$125 billion offered by the Federal Reserve)
    - As a result, TSLF is a very competitive facility. Rate to swap these securities versus Treasuries is the minimum rate of 25 bps
  - We have ample alternative funding sources of Agency mortgage-backed securities – even in the current market environment for Fannie Mae and Freddie Mac and for AAA-rated asset-backed securities

### Federal Reserve Maturity Profile As Of Q308

*Sum of principal bn*

Shell Booked Summary	Collateral Allocated Summary	06 Sep to 27 Nov	Grand Total
ASSET BACKS - INVESTMENT GRADE	ASSET BACKS - INVESTMENT GRADE	0.6	0.6
	MBS	8.9	8.9
	PRIVATE LABELS - HIGH YIELD	0.0	0.0
	PRIVATE LABELS - INVESTMENT GRADE	3.0	3.0
ASSET BACKS - INVESTMENT GRADE Total		12.5	12.5
Grand Total		12.5	12.5

## Potential Withdrawal Of Fed Facilities

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- ◆ On July 30, 2008, the Federal Reserve extended the PDCF and TSLF till January 30, 2009. The extension was the result of tight liquidity in the financial markets.
- ◆ “In light of continued fragile circumstances in financial markets, the Board has extended the PDCF through January 30, 2009, and the Board and the Federal Open Market Committee (FOMC) have extended the TSLF through that same date. These facilities would be withdrawn should the Board determine that conditions in financial markets are no longer unusual and exigent.”
- ◆ We expect the facilities to be extended again if market conditions do not improve by January 2009
  - In the unlikely scenario where the facilities are not extended and the market conditions do not improve, we expect the impact to be somewhat limited
    - In our stress scenarios, we do not rely on either of these facilities to survive through an extreme disruption of secured funding markets
    - What is difficult to predict is the market reaction to such an announcement. Both facilities (especially the PDCF) have played a critical role of comforting market participants by establishing an “official” way to tap emergency liquidity

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Repo Book Details As of August 29, 2008

SECURED FUNDING					
	O/N and Open	2 - 14 Days	> 14 Days	TOTAL	
<b>SECURED FUNDING</b>					
<b>LIQUID</b>					
Treasuries	26.9	0.0	0.0	26.9	
G10 Governments	5.6	1.6	0.9	8.0	
Agencies	22.0	0.0	0.5	22.5	
Agency MBS	39.6	0.6	6.7	46.8	
Agency CMOs	4.2	0.0	6.3	10.5	
<b>SUBTOTAL LIQUID</b>	<b>98.2</b>	<b>2.2</b>	<b>14.3</b>	<b>114.7</b>	
<b>LESS LIQUID</b>					
<b>Asset Backed Securities</b>					
PDCF Eligible	0.6	0.1	0.6	1.4	
ECB or Other CB Eligible	0.9	0.1	11.4	12.3	
Non-Eligible	2.4	1.5	1.0	4.8	18.5
<b>Bank Loans</b>					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.0	0.0	0.0	0.0	0.0
<b>CMO Private Label</b>					
PDCF Eligible	0.6	0.0	3.6	4.3	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	2.5	1.2	0.9	4.6	8.9
<b>Commercial Paper</b>					
PDCF Eligible	7.1	0.0	0.0	7.1	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.0	0.0	0.0	0.1	7.2
<b>Corporates</b>					
PDCF Eligible	7.5	0.0	0.0	7.5	
ECB or Other CB Eligible	1.0	1.6	2.2	4.7	
Non-Eligible	7.6	1.8	2.5	11.8	24.0
<b>Equity</b>					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	8.9	4.1	12.9	25.9	25.9
<b>International</b>					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.2	0.1	0.3	0.6	
Non-Eligible	2.5	1.8	3.1	7.5	8.1
<b>Money Market</b>					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.0	0.0	0.0	0.0	0.0
<b>Municipals</b>					
PDCF Eligible	1.2	0.0	0.0	1.2	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	1.5	0.0	0.0	1.5	2.7
<b>Whole Loan</b>					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.1	0.1	0.5	0.6	0.6
<b>Other</b>					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.0	0.0	0.0	0.0	0.0
<b>SUBTOTAL LESS LIQUID</b>	<b>44.6</b>	<b>12.3</b>	<b>39.1</b>	<b>95.9</b>	
<b>SECURED FUNDING</b>					
Liquid Collateral	98.2	2.2	14.3	114.7	
PDCF Eligible	17.0	0.1	4.3	21.5	
ECB or Other CB Eligible	2.0	1.8	13.9	17.7	
Non-Eligible	25.5	10.4	21.0	56.8	
<b>TOTAL SECURED FUNDING</b>	<b>142.8</b>	<b>14.5</b>	<b>53.4</b>	<b>210.7</b>	
<b>UNSECURED FUNDING</b>					
CP, Other STD and Current Portion of LTD	1.1	1.7	24.8	27.7	
<b>MEMO: TSLF Eligible</b>					
Agency CMOs	4.2	0.0	6.3	10.5	
AAA Asset Backed	0.0	0.0	0.6	0.6	
AAA Private Labels	0.3	0.0	3.5	3.8	14.9

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# Liquidity Stress Scenario Assumptions

## Loss of Secured Funding

◆ Repos	<u>% Rolled</u>	<u>% Lost</u>
Governments & Agencies	100%	0%
Corporates		
High Grade	70%	30%
High Yield	0%	100%
Asset Backs / Private Labels		
High Grade	40%	60%
High Yield	0%	100%
Commercial Paper Repo	70%	30%
Muni	40%	60%
Equities / Convertibles		
E1	70%	30%
E2 / C1	0%	100%
E3 / C2	0%	100%
◆ Munis TOB – 7 day put exercised on day 1		
– Customer collateral returned /liquidated over 1 week		
– Firm collateral liquidated		
◆ Prime broker		
– Free credit balances withdrawn on day 1		
◆ Central banks		
– No PDCF or TSLF		
– Able to use ECB tender facility through Bankhaus, consistent with normal practice		

## Loss of Unsecured Funding

- ◆ Unsecured debt
  - CP and LCs: 0% roll at maturity
  - Buybacks: \$1 billion per month
  - Deposits at US banking affiliates: 80% roll at maturity
    - In practice, no impact on liquidity (operate with significant excess liquidity)
  - Ability to draw on committed facilities
- ◆ Loan funding
  - Per funding schedule for leveraged loans
  - Some loan commitments drawn outside of the bank entities
- ◆ Derivatives
  - Cash collateralization on derivative payables per CSA requested on day 1 (paid on day 2 per industry practice)
  - Margin disputes against us paid on day 3 and 4
  - 2 notch downgrade during second week
    - Note: The vast majority of the credit rating downgrade-related posting requirements come from derivative transactions with structured vehicles, which have a 30 day cure period, which gives us to assign or restructure the transactions, thereby avoiding the posting of additional collateral.
- ◆ Other
  - \$0.5 billion every other week to cover operational cash expenses (PE and NPE)
  - No sale of assets or reduction in customer funding

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## Stress Scenario – Overall Results

	2-Sep	3-Sep	4-Sep	5-Sep	8-Sep	9-Sep	10-Sep	11-Sep	12-Sep	15-Sep	Week 3	Week 4	Total
<b>Beginning Cash Position <sup>(1)</sup></b>	45.3	37.2	32.2	34.2	33.0	32.4	31.5	29.8	28.4	27.1	24.2	18.7	45.3
<b>Net Loss Secured Funding</b>	(6.5)	(3.7)	1.0	(0.0)	(0.1)	(0.8)	(1.2)	(0.8)	(0.2)	(1.0)	(2.7)	(4.2)	(20.3)
<b>Unsecured Funding</b>													
Unsecured Debt													
CP	(1.1)	(0.1)	(0.2)	-	(0.1)	(0.1)	(0.0)	(0.1)	(0.0)	(0.6)	(0.0)	(0.0)	(2.4)
STD excluding CP	(0.0)	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	0.0	(1.2)	(0.0)	(0.0)	(1.3)
LTD	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.3)	(0.0)	(0.0)	(0.1)	(0.5)	(0.9)	(2.0)
Buybacks	-	-	-	(0.2)	-	-	(0.2)	-	-	-	(0.4)	(0.2)	(1.0)
Deposits of Banking Affiliates	(0.4)	-	-	-	-	-	-	-	-	-	-	-	(0.4)
Committed Facility Drawdown	-	-	4.5	-	-	-	-	-	-	-	-	-	4.5
Net Loan Funding	-	-	(1.5)	-	(0.3)	-	-	-	(1.0)	-	(1.0)	-	(4.2)
Derivative Activity													
Posting of Uncalled Collateral	-	(1.2)	(1.2)	-	-	-	-	-	-	-	-	-	(2.4)
Downgrade (2 Notches)	-	-	-	-	-	-	-	(0.5)	-	-	-	-	(0.5)
Disputed Margin Payments	-	-	(0.5)	(0.5)	-	-	-	-	-	-	-	-	(1.1)
Cash outflows to fund operations (PE, NPE, etc.)	-	-	-	(0.5)	-	-	-	-	-	-	(0.5)	-	(0.9)
<b>Total Net Loss Unsecured Funding</b>	(1.6)	(1.3)	1.0	(1.2)	(0.5)	(0.1)	(0.5)	(0.6)	(1.0)	(1.9)	(2.7)	(1.1)	(11.6)
<b>Ending Cash Position</b>	37.2	32.2	34.2	33.0	32.4	31.5	29.8	28.4	27.1	24.2	18.7	13.4	13.4

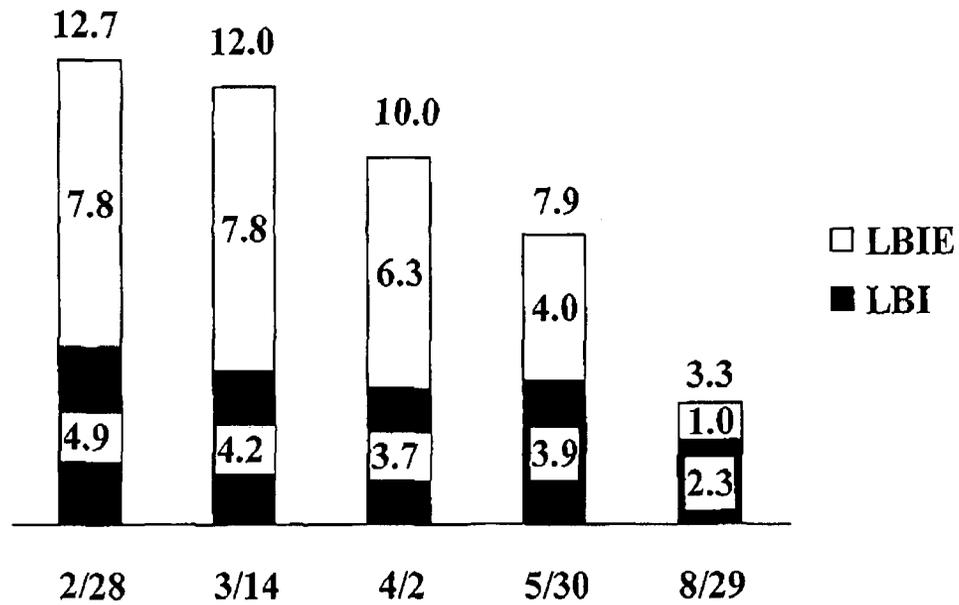
1. Includes Holdings' Liquidity Pool (\$42.1B), LBIE's (\$1.0 B), LBI's (\$0.9B), LBJ's (\$0.1B), and Bankhaus's (\$1.2B)

# Stress Scenario – Loss Of Secured Funding

Secured Funding	Total Reps Book	Total At Risk	2-Sep	3-Sep	4-Sep	5-Sep	8-Sep	9-Sep	10-Sep	11-Sep	12-Sep	15-Sep	Week 3	Week 4	Total	
<b>Lost Capacity</b>																
<b>LBJ</b>																
E1 - Major Index Equities	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
E2 - Non-Major Index Equities	1.5	0.8	0.2	-	-	-	-	-	-	-	-	-	-	-	0.6	0.8
E3 - Non-Major Index Equities (<\$5)	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
FMG	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Total LBJ	1.6	1.0	0.2	-	-	-	-	-	-	-	-	-	-	-	0.7	0.9
<b>LBIE</b>																
Government Agency	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sovereigns	7.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset Backs - Investment Grade	14.0	0.3	0.0	-	-	0.0	0.0	-	-	0.0	-	0.0	0.0	0.1	0.1	0.2
Asset Backs - Non-Investment Grade	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
C1 - Investment Grade Convertibles	0.4	0.1	0.0	0.0	-	0.0	0.0	-	-	0.0	-	0.0	0.0	-	0.1	0.1
C2 - Non-Investment Grade Convertibles	1.0	0.7	0.1	0.0	-	0.1	0.1	-	-	0.2	-	0.0	0.3	0.0	0.7	0.7
Corporates - Investment Grade	8.1	6.2	0.7	0.1	0.3	0.0	0.1	0.0	-	0.1	-	0.1	0.2	0.2	1.8	1.8
Corporates - Non-Investment Grade	3.0	1.2	0.6	0.0	0.1	0.1	0.0	-	-	0.1	-	0.0	0.2	0.1	1.2	1.2
E1 - Major Index Equities	5.2	2.0	0.1	0.0	0.1	0.2	0.1	0.1	0.0	0.0	-	0.0	0.0	-	0.6	0.6
E2 - Non-Major Index Equities	3.4	1.5	0.5	0.1	0.0	0.2	0.3	0.1	0.0	0.1	-	0.0	0.1	0.1	1.5	1.5
E3 - Non-Major Index Equities (<\$5)	3.4	1.9	0.6	0.0	0.0	0.1	0.1	0.0	-	0.5	0.2	0.3	0.0	-	1.9	1.9
FMG	8.1	3.3	1.2	0.2	0.1	0.2	0.1	0.0	0.0	0.1	-	0.0	0.6	0.6	3.3	3.3
Money Markets	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Private Labels - High Yield	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private Labels - Investment Grade	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Total LBIE	54.7	17.2	3.8	0.5	0.5	0.9	0.8	0.2	0.1	1.2	0.2	0.6	1.5	1.1	11.3	11.3
<b>LBI</b>																
Government Agency	22.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MBS	57.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sovereigns	27.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset Backs - Investment Grade	2.9	2.9	1.0	-	-	-	-	-	0.1	-	-	0.1	0.2	0.4	1.8	1.8
Asset Backs - Non-Investment Grade	1.6	1.4	0.5	-	-	-	-	-	0.6	-	-	0.2	0.1	-	1.4	1.4
C1 - Investment Grade Convertibles	0.4	0.4	0.4	-	-	-	-	-	-	-	-	-	-	-	0.4	0.4
C2 - Non-Investment Grade Convertibles	0.7	0.7	0.7	-	-	-	-	-	-	-	-	-	-	-	0.7	0.7
Corporates - Investment Grade	9.2	9.2	2.7	0.1	-	-	-	-	-	-	-	0.0	0.0	-	2.8	2.8
Corporates - Non-Investment Grade	3.8	3.5	3.3	-	-	-	0.0	-	0.2	-	-	0.0	-	-	3.5	3.5
E1 - Major Index Equities	5.0	3.1	0.9	-	-	-	-	-	-	-	-	-	-	-	0.9	0.9
E2 - Non-Major Index Equities	4.4	3.4	2.9	-	-	-	-	-	-	-	-	-	0.5	-	3.4	3.4
E3 - Non-Major Index Equities (<\$5)	0.2	0.1	0.1	-	-	-	-	-	0.1	-	-	-	-	-	0.1	0.1
Money Markets	7.2	7.2	2.1	-	-	-	-	-	-	-	-	-	-	-	2.1	2.1
Muni	2.7	2.7	1.6	-	-	-	-	-	-	-	-	-	-	-	1.6	1.6
Private Labels - High Yield	1.7	1.7	0.3	-	-	-	-	-	0.2	-	-	0.1	1.0	0.0	1.7	1.7
Private Labels - Investment Grade	7.2	6.2	1.7	-	-	-	-	-	0.0	-	-	0.1	0.1	1.8	3.7	3.7
Total LBI	153.7	42.4	18.1	0.1	-	-	0.0	-	1.2	-	-	0.5	1.9	2.2	24.0	24.0
<b>LBII</b>																
Wholesale Residential	0.6	0.2	0.1	-	-	-	0.1	-	-	-	-	-	-	-	-	0.2
<b>Total Lost Capacity</b>	<b>210.7</b>	<b>60.7</b>	<b>22.3</b>	<b>0.5</b>	<b>0.5</b>	<b>0.9</b>	<b>0.8</b>	<b>0.2</b>	<b>1.2</b>	<b>1.2</b>	<b>0.2</b>	<b>1.2</b>	<b>3.4</b>	<b>4.0</b>	<b>36.4</b>	<b>36.4</b>
<b>Mitigants and other stress elements</b>																
<b>LBIE</b>																
Prime Broker Customer Free Credits	-	-	(1.0)	-	-	-	-	-	-	-	-	-	-	-	-	(1.0)
Prime Broker Reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess Collateral Returned	-	-	2.8	0.3	0.2	0.9	0.7	0.1	0.1	0.2	-	0.1	0.2	0.1	5.6	5.6
ECB	-	-	0.9	0.2	0.3	-	0.1	-	-	0.1	-	0.1	0.2	0.4	2.2	2.2
Bankhaus Funding ECB Eligible	-	-	1.0	-	-	-	-	-	-	-	-	-	-	-	1.0	1.0
FYI: Additional repos with Bankhaus	-	-	-	-	-	-	-	0.1	-	0.8	0.2	0.1	-	-	1.2	1.2
Total LBIE	-	-	3.7	0.4	0.5	0.9	0.7	0.1	0.1	0.3	-	0.2	0.4	0.5	7.9	7.9
<b>LBI</b>																
Prime Broker Customer Free Credits	-	-	(2.3)	2.3	-	-	-	-	-	-	-	-	-	-	-	-
Unwinding of Muni TOB Prog.	-	-	-	-	-	-	-	(0.7)	-	-	-	-	0.7	-	-	-
Balance Sheet Reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Writedowns on balance sheet reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dealer-based Matched Book Reduction	-	-	-	-	1.0	-	-	-	-	-	-	-	-	-	1.0	1.0
Excess Collateral Returned	-	-	4.9	-	-	-	-	-	-	-	-	-	-	-	4.9	4.9
Term Overfunding	-	-	9.3	(5.8)	-	-	-	-	-	-	-	(0.1)	(0.4)	(0.7)	2.2	2.2
Total LBI	-	-	12.0	(3.6)	1.0	-	-	(0.7)	-	-	-	(0.1)	0.3	(0.7)	8.2	8.2
<b>Net Loss Secured Funding</b>	<b>(6.5)</b>	<b>(3.7)</b>	<b>1.0</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>(0.8)</b>	<b>(1.2)</b>	<b>(0.8)</b>	<b>(0.2)</b>	<b>(1.0)</b>	<b>(0.2)</b>	<b>(1.0)</b>	<b>(2.7)</b>	<b>(4.2)</b>	<b>(20.3)</b>	<b>(20.3)</b>

# Prime Broker

## Customer Free Credit Balances (\$ Billions)



# PB Gross Balance Sheet

## Commentary

- ◆ Q3 gross balance sheet is unchanged from Q2
  - Comprised primarily of net margin debits, reverses, and cash borrows
- ◆ Highly liquid, matched funded by asset type and maturity
  - 90% of the funded book is highly liquid securities and continuously repriced
  - 17% of Prime Services Gross Balance Sheet does not require funding
    - FAS 140, Segregated Cash, and Fails

## Balance sheet is used to finance customer positions

	Q2 '08	%	Q3 '08	%	Comments
Government Bonds and Agencies	69.4	33%	95.8	46%	Increased balance sheet in Liquid Markets
Investment Grade Bonds	13.5	6%	15.0	7%	Increased opportunities in Credit, growth in overall book
Index Equities	67.5	32%	46.7	22%	Decrease due to the reduction in Equity balances
<b>Highly Liquid Assets</b>	<b>150.4</b>	<b>72%</b>	<b>157.4</b>	<b>75%</b>	
High Yield / Non-Rated	13.2	6%	12.7	6%	Reduction in EM book, actively managing High Yield assets
Non-Agency	2.8	1%	1.9	1%	Reduction in Private Label financing
Non Index Equities	3.1	1%	2.9	1%	Remained consistent quarter over quarter
<b>Other Assets</b>	<b>19.1</b>	<b>9%</b>	<b>17.6</b>	<b>8%</b>	
FAS 140 Gross Up	29.8	14%	19.7	9%	Decrease due to the reduction in Equity balances
Segregated Cash	6.7	3%	5.2	2%	Reduction in Futures margin
Fails / Other Deposits	3.1	1%	9.5	5%	Fails up 4.7B, change in Repo 108 - 1.8B
<b>Other</b>	<b>39.6</b>	<b>19%</b>	<b>34.4</b>	<b>16%</b>	
<b>Gross Balance Sheet</b>	<b>209.1</b>		<b>209.4</b>		

Balance sheet analysis, methodology and composition signed off by PS Finance

**Bank Entities**

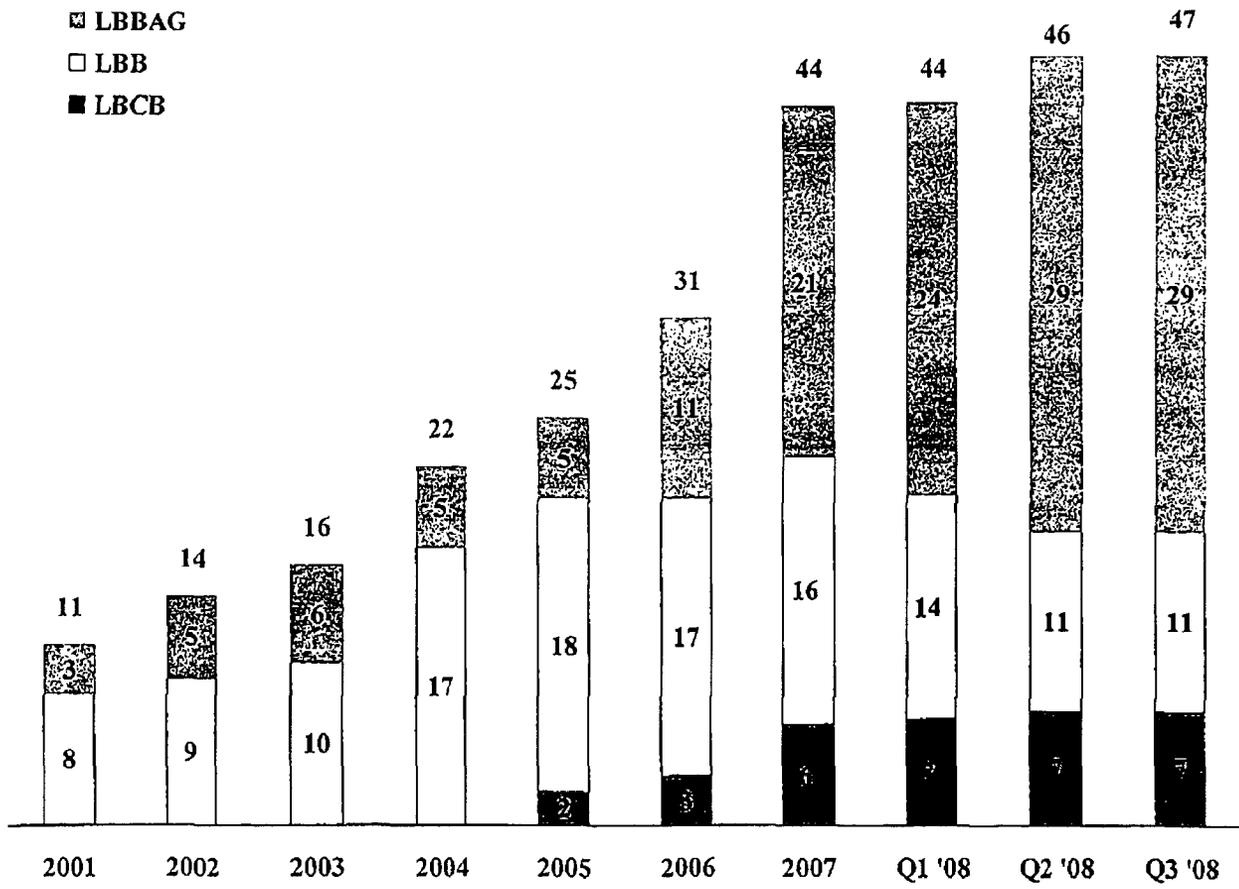
# Assets Funded In Bank Entities

Confidential

CONFIDENTIAL TREATMENT REQUESTED BY LEHMAN BROTHERS HOLDINGS INC.

LBHL\_SEC07940\_042706

**Lehman Banking Entities – Total Assets (\$Billions)**



# CD Issuance By Lehman U.S. Bank Entities

## CD Issuance - 3Q 2008

### LBB

#### vanilla fixed rate bullets

settle	notional	WAC (spread to 1mlibor)	WAM (months)
7/30/08	198,473,000	81.00	16.00
8/6/08	502,428,000	96.00	14.00
8/13/08	291,287,000	124.00	28.00

#### callable

June	100,500,000	40.00	4.50
July	17,500,000	65.00	60.00
August	-	0.00	0.00

<b>total</b>	<b>1,110,188,000</b>	<b>95.11</b>	<b>18.31</b>
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bps months

### LBCB

#### vanilla fixed rate bullets

settle	notional	WAC (spread to 1mlibor)	WAM (months)
6/30/08	242,062,000	81.70	40.00
7/23/08	269,259,000	102.00	19.00
7/30/08	267,396,000	81.00	16.00
8/6/08	539,000,000	96.00	14.00
8/13/08	357,000,000	124.00	28.00
8/20/08	115,776,000	132.00	28.00

#### structured bullets & callable

June	164,653,000	40.25	48.00
July	46,890,000	44.25	39.00
August	156,671,000	56.20	65.00

<b>total</b>	<b>2,158,707,000</b>	<b>91.58</b>	<b>27.69</b>
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bps months

## Pending Changes In ECB's Eurosystem Credit Operations

- ◆ On September 4, ECB President Trichet announced the following changes to the ECB's Eurosystem Credit Operations, under which the ECB provides EUR 300 bn (\$ 428 bn) of liquidity to Euro-area banks in return for good quality collateral. Key changes for Lehman Brothers are:
  - ABS haircut of up to 16.4% vs. 2%
    - Additional 5% discount on ABS valuation if securities are not priced daily
    - 12% haircut on all ABS vs. 2%
- ◆ Prohibition on use of ABS securities as collateral by counterparty or affiliate that has close links via currency hedge or guarantee
  - Explanation of what constitutes a "close link" to be forthcoming
- ◆ Detailed and comprehensive assessment of collateral pool pledge on a quarterly basis
- ◆ Change will become effective on February 1, 2009
  
- ◆ Impact on Lehman Brothers' repo with the ECB is as follows:
  - ECB position as of 8/31 \$ 12.0bn
  - Impact on increase of haircut from 2% to:
    - without daily pricing: 16.4% \$ 1.7bn
    - with daily pricing: 12.0% \$ 1.2bn
  - Transactions with internal swaps \$ 8.5bn

## Current Repo With ECB

Trade Name	Collateral Value \$	ECB Mark	S&P Rating	Swap
EXCALIBUR FUNDI #1 FRN 28Apr54	2,674,925,593	100.00	A	swap
SAPHIR FINANCE #4 FRN 20Feb46	1,745,163,301	100.00	A	swap
LANGTON SECURIT #1 FRN 18Dec54	1,548,165,192	99.48	AAA	no swap
MORTGAGE FUNDIN #1 FRN 13Mar46	1,066,212,753	94.94	AA	swap
EUROSAIL PLC #5X FRN 13Sep45	754,383,886	92.87	AAA	swap
PORTFOLIO GREEN #1 FRN 19Apr50	605,469,033	96.57	AAA	no swap
EUROSAIL PRIME #PR1X FRN 13Sep45	344,152,933	93.42	AAA	swap
SAPHIR FINANCE #2 FRN 10Jul17	341,852,000	100.00	A	no swap
EUROSAIL PLC #6NCX FRN 13Sep45	296,566,544	95.84	AAA	swap
EUROSAIL PLC #4X FRN 13Jun45	284,963,758	94.34	AAA	swap
EMF-UK 2008-1 P #1X FRN 13Mar46	281,028,303	92.93	AAA	swap
EMF-UK 2008-1 P #1X FRN 13Mar46	281,028,303	92.93	AAA	swap
EUROSAIL PLC #6NCX FRN 13Sep45	228,183,979	90.81	AAA	swap
EUROSAIL PLC #4X FRN 13Jun45	188,462,584	85.27	AAA	swap
EMF-NL 2008-1 #1X FRN 17Oct41	172,550,980	94.02	AAA	no swap
EUROSAIL PLC #NL2X FRN 17Oct40	155,895,113	95.19	AAA	swap
EMF-NL PRIME 20 #APRX FRN 17Apr41	150,750,895	93.01	AAA	no swap
BUNDESSCHATZWSG 4.000% 11Sep09	146,894,562	99.69	AAA	no swap
BUNDESSCHATZWSG 4.000% 11Sep09	146,894,562	99.69	AAA	no swap
EUROSAIL PLC #6NCX FRN 13Dec29	120,163,461	98.21	AAA	swap
SAPHIR FINANCE #5 FRN 10Jul50	104,129,298	100.00	A	no swap
EMF-NL 2008-1 #1X FRN 17Oct39	76,219,559	98.58	AAA	no swap
EMF-NL PRIME 20 #APRX FRN 17Apr41	71,417,204	97.72	AAA	no swap
EMF-UK 2008-1 P #1X FRN 13Mar26	44,806,233	98.09	AAA	swap
EMF-NL 2008-1 #1X FRN 17Oct41	42,282,624	93.35	AAA	no swap
EUROSAIL PLC #3X FRN 13Jun45	40,748,289	95.36	AAA	swap
SOUTHERN PACIFI #3X FRN 10Dec43	38,042,346	95.62	AAA	swap
EMF-NL PRIME 20 #APRX FRN 17Apr41	13,508,581	91.68	AAA	no swap

Total ECB Securities

11,964,861,868

**III. Market Environment**

# Market Environment- Economic Indicators

## Gross Domestic Product Growth <sup>(1)</sup>

	Lehman Forecast 2008 <sup>(2)</sup>				
	Global <sup>(3)</sup>	US	Euro Area	UK	Japan
Q1 '08		0.9%	2.7%	1.1%	3.2%
Q2 '08		3.3%	-0.8%	0.2%	-2.4%
Q3 '08		1.5%	-0.4%	-0.9%	2.0%
Q4 '08		-0.5%	0.8%	-1.6%	1.2%
2008	2.4%	1.8%	1.2%	1.0%	1.1%
2009	1.9%	1.0%	0.7%	0.3%	1.3%

	Actual 2007				
	Global <sup>(3)</sup>	US	Euro Area	UK	Japan
Q1 '07		0.0%	3.3%	3.2%	4.0%
Q2 '07		4.8%	1.4%	3.5%	-1.7%
Q3 '07		4.8%	2.6%	2.3%	1.0%
Q4 '07		-0.2%	1.5%	2.2%	2.4%
2007	3.4%	2.0%	2.6%	3.1%	2.1%

<sup>(1)</sup> Quarterly growth rates are annualized calendar year basis

<sup>(2)</sup> Source: Global Weekly Economic Indicator as of 9/5/08

<sup>(3)</sup> Global: all countries - as defined on the "The World at a Glance" section

# Market Environment- Central Bank Actions/Rates

Actuals 2008								
	Federal Reserve		European Central Bank		Bank of England		Bank of Japan	
	Meeting Date	Decision	Meeting Date	Decision	Meeting Date	Decision	Meeting Date	Decision
January	22-Jan	↓ 3.50%	10-Jan	4.00%	10-Jan	5.50%	22-Jan	0.50%
January	30-Jan	↓ 3.00%						
February	-	3.00%	7-Feb	4.00%	7-Feb	↓ 5.25%	15-Feb	0.50%
March	18-Mar	↓ 2.25%	6-Mar	4.00%	6-Mar	5.25%	7-Mar	0.50%
April	30-Apr	↓ 2.00%	10-Apr	4.00%	10-Apr	↓ 5.00%	9,30-Apr	0.50%
May	-	2.00%	8-May	4.00%	8-May	5.00%	20-May	0.50%
June	25-Jun	2.00%	5-Jun	4.00%	5-Jun	5.00%	13-Jun	0.50%
July	-	2.00%	3-Jul	↑ 4.25%	10-Jul	5.00%	15-Jul	0.50%
August	5-Aug	2.00%	7-Aug	4.25%	7-Aug	5.00%	19-Aug	0.50%
Lehman Forecast 2008								
September	16-Sep	2.00%	4-Sep	4.25%	4-Sep	5.00%	17-Sep	0.50%
October	29-Oct	2.00%	2-Oct	4.25%	9-Oct	↓ 4.75%	7,31-Oct	0.50%
November	-	2.00%	6-Nov	4.25%	6-Nov	4.75%	21-Nov	0.50%
December '08	16-Dec	2.00%	4-Dec	4.25%	4-Dec	↓ 4.75%	19-Dec	0.50%
2009	↓1.50%		↓3.00%		↓3.50%		↑0.75%	

Actuals 2007								
	Federal Reserve		European Central Bank		Bank of England		Bank of Japan	
	Meeting Date	Decision	Meeting Date	Decision	Meeting Date	Decision	Meeting Date	Decision
January	30,31-Jan	5.25%	11-Jan	3.50%	11-Jan	↑ 5.25%	18-Jan	0.25%
February	-	5.25%	8-Feb	3.50%	8-Feb	5.25%	21-Feb	↑ 0.50%
March	20,21-Mar	5.25%	8-Mar	↑ 3.75%	8-Mar	5.25%	20-Mar	0.50%
April	-	5.25%	12-Apr	3.75%	5-Apr	5.25%	10-Apr	0.50%
May	9-May	5.25%	10-May	3.75%	10-May	↑ 5.50%	17-May	0.50%
June	27,28-Jun	5.25%	6-Jun	↑ 4.00%	7-Jun	5.50%	15-Jun	0.50%
July	-	5.25%	5-Jul	4.00%	5-Jul	↑ 5.75%	12-Jul	0.50%
August	7-Aug	5.25%	2-Aug	4.00%	2-Aug	5.75%	23-Aug	0.50%
September	18-Sep	↓ 4.75%	6-Sep	4.00%	6-Sep	5.75%	19-Sep	0.50%
October	30,31-Oct	↓ 4.50%	4-Oct	4.00%	4-Oct	5.75%	11,31-Oct	0.50%
November	-	4.50%	8-Nov	4.00%	8-Nov	5.75%	13-Nov	0.50%
December '07	11-Dec	↓ 4.25%	6-Dec	4.00%	6-Dec	↓ 5.50%	20-Dec	0.50%

# Market Environment- US/International Debt

	Q3'08	Q2'08	Q1'08	Q4'07	Q3'07	Q2'07	Δbps		
							Q3'08 vs Q2'08	Q2'08 vs Q1'08	Q3'08 vs Q3'07
<b>US</b>									
2 year	2.37%	2.65%	1.62%	3.00%	4.14%	4.91%	(27)	103	(177)
10 year	3.81%	4.06%	3.51%	3.94%	4.53%	4.89%	(25)	55	(72)
2-10 year spread	144	142	189	94	40	(2)	3	(48)	105
<b>Euro</b>									
2 year	4.11%	4.34%	3.16%	3.83%	4.01%	4.39%	(23)	118	10
10 year	4.18%	4.43%	3.89%	4.13%	4.24%	4.42%	(25)	54	(7)
2-10 year spread	6	9	73	30	23	3	(3)	(64)	(16)
<b>UK</b>									
2 year	4.51%	5.07%	4.07%	4.52%	5.36%	5.75%	(57)	101	(86)
10 year	4.48%	4.99%	4.47%	4.64%	5.04%	5.26%	(51)	52	(56)
2-10 year spread	(2)	(9)	40	12	(33)	(49)	6	(49)	30
<b>Japan</b>									
2 year	0.73%	0.92%	0.57%	0.77%	0.88%	0.98%	(19)	35	(15)
10 year	1.42%	1.76%	1.37%	1.48%	1.61%	1.75%	(34)	39	(20)
2-10 year spread	69	84	80	71	73	77	(16)	4	(4)

\*Note: Rates represent as of 8/31/08

# Market Environment- Corporate Debt Spreads

	2008										Δ bps		
	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec'07	Q3'08 vs Q2'08	Q2'08 vs Q1'08	Q3'08 vs Q3'07	
<b>Investment Grade</b>													
Global	250	237	218	199	207	240	208	186	160	51	(9)	135	
US	304	288	265	235	244	289	247	226	198	69	(12)	159	
Europe	196	187	170	159	184	188	165	145	117	38	(6)	112	
<b>High Yield</b>													
Global	735	716	661	577	587	689	655	588	502	159	(78)	329	
US	794	767	708	622	653	781	745	668	569	172	(123)	351	
Europe	801	774	673	584	621	706	687	620	466	217	(103)	419	
US Fixed Rate Mortgage Backed Index	147	151	127	108	109	128	121	91	87	38	(12)	59	
US CMBS BBB Index	1469	1239	1047	885	1042	1381	1112	807	598	584	(227)	1061	
ABX AAA.06-1	493	388	307	256	217	420	364	201	258	237	(108)	379	
ABX AAA.06-2	903	718	725	560	420	620	665	347	335	343	(105)	757	
ABX AAA.07-1	1081	962	961	804	683	849	741	506	477	277	63	955	
CMBX 4 (2007) AAA	164	163	135	106	104	150	212	133	65	58	(106)		
CMBX 4 (2007) BBB	1881	1732	1476	1228	1234	1871	1515	1245	842	652	(287)		
CMBX 4 (2007) BBB-	2321	2249	1870	1613	1683	2049	1707	1465	1052	708	(94)		
Global Emerging Markets	337	331	322	259	287	323	303	280	249	78	(44)	120	

	2007											
	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec'06
<b>Investment Grade</b>												
Global	156	115	118	115	96	74	70	71	71	67	68	71
US	193	143	145	145	126	97	90	92	92	85	88	88
Europe	116	86	90	85	65	48	47	49	48	47	48	52
<b>High Yield</b>												
Global	496	379	371	406	373	268	225	247	255	252	243	255
US	556	421	405	442	413	292	238	266	275	266	258	275
Europe	468	356	347	382	324	210	187	210	223	222	211	232
US Fixed Rate Mortgage Backed Index	88	79	81	88	78	65	55	52	49	51	47	37
US CMBS BBB Index	569	429	382	408	272	172	167	187	160	126	109	105
ABX AAA.06-1	219	133	91	114	105	15	13	18	21	26	4	7
ABX AAA.06-2	333	261	109	146	144	23	22	18	22	26	10	9
ABX AAA.07-1	449	341	107	126	149	19	18	19	19	21	8	
CMBX 4 (2007) AAA	77	39										
CMBX 4 (2007) BBB	928	725										
CMBX 4 (2007) BBB-	1112	868										
Global Emerging Markets	254	189	197	217	198	152	133	140	145	155	144	135

For U.S. indices, the debt spread shows the average spread over the bellwether for the indicated index.

For other indices, the debt spread shows the average spread over the corresponding government benchmark for the indicated index.

Source: Lehman Live

\* As of 8/31/08

# Market Environment- Equity Market Indices

	2008										%Δ			Lehman Forecast- end '08 <sup>a</sup>		
	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec'07	Q3'08 vs Q2'08	Q2'08 vs Q1'08 vs	Q3'08 vs Q3'07	Forecast	%Δ vs. Q3'08	%Δ vs. Dec'07	
	DJIA	11,544	11,378	11,350	12,638	12,820	12,263	12,266	12,650	13265	-8.7%	3.0%	-13.6%			
NASDAQ	2,368	2,326	2,293	2,523	2,413	2,279	2,271	2,390	2652	-6.1%	11.1%	-8.8%				
NYSE	8,382	8,439	8,660	9,401	9,300	8,797	8,962	9,126	9740	-10.8%	4.9%	-12.7%				
S&P	1,283	1,267	1,280	1,400	1,386	1,323	1,331	1,379	1468	-8.4%	5.2%	-13.0%	1,450	13.0%	-1.3%	
FTSE 100	5,637	5,412	5,626	6,054	6,087	5,702	5,884	5,880	6457	-6.9%	2.9%	-10.6%	6,150	9.1%	-4.8%	
DAX	6,422	6,480	6,418	7,097	6,949	6,535	6,748	6,852	8067	-9.5%	5.2%	-15.9%				
NIKKEI	13,073	13,377	13,481	14,339	13,850	12,526	13,603	13,592	15308	-8.8%	5.4%	-21.1%				
HANG SENG	21,262	22,731	22,102	24,533	25,755	22,849	24,332	23,456	27371	-13.3%	0.8%	-11.4%				
KOSPI	1,474	1,595	1,675	1,852	1,825	1,704	1,712	1,625	1897	-20.4%	8.2%	-21.3%				
TOPIX	1,255	1,304	1,320	1,408	1,359	1,213	1,324	1,346	1476	-10.9%	6.3%	-22.0%	1,500	19.5%	14.2%	
FTSE WORLD	318	316	323	353	349	330	338	342	374	-10.1%	4.6%	-15.1%	361	13.6%	-3.6%	
FTSE US	537	530	535	585	577	551	555	575	612	-8.2%	5.4%	-12.3%				
FTSE EUROPE	175	172	176	196	195	185	190	191	216	-10.8%	2.9%	-18.6%				
FTSE EUROPE EX UK	345	341	345	388	388	369	380	382	438	-11.3%	2.2%	-22.0%	377	9.4%	16.2%	
FTSE ASIA	224	231	236	259	257	235	251	250	281	-13.5%	3.3%	-18.8%				
FTSE ASIA EX JAPAN	334	342	357	394	396	372	381	375	426	-15.2%	3.3%	-17.6%	420	25.8%	15.0%	

	2007											
	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec'06
DJIA	13,372	13,930	13,896	13,358	13,212	13,409	13,628	13,063	12,354	12,269	12,622	12,623
NASDAQ	2,661	2,859	2,702	2,596	2,546	2,603	2,605	2,525	2,422	2,416	2,464	2,415
NYSE	9,857	10,312	10,039	9,597	9,555	9,873	9,979	9,628	9,262	9,125	9,255	9,139
S&P	1,481	1,549	1,527	1,474	1,455	1,503	1,531	1,482	1,421	1,407	1,438	1,418
FTSE 100	6,433	6,722	6,467	6,303	6,360	6,608	6,621	6,449	6,308	6,172	6,203	6,221
DAX	7,871	8,019	7,862	7,638	7,584	8,007	7,883	7,409	6,917	6,715	6,789	6,597
NIKKEI	15,681	16,738	16,786	16,569	17,249	18,138	17,876	17,400	17,288	17,604	17,383	17,226
HANG SENG	28,644	31,353	27,142	23,984	23,185	21,773	20,634	20,319	19,801	19,652	20,106	19,965
KOSPI	1,906	2,065	1,946	1,873	1,933	1,744	1,701	1,542	1,453	1,417	1,360	1,434
TOPIX	1,532	1,620	1,617	1,608	1,706	1,775	1,756	1,701	1,714	1,753	1,722	1,681
FTSE WORLD	378	395	385	374	375	385	388	376	364	359	364	358
FTSE US	617	645	634	613	604	624	635	615	591	585	588	588
FTSE EUROPE	217	225	219	215	217	224	225	220	213	207	210	207
FTSE EUROPE EX UK	442	458	448	442	446	462	467	455	436	424	432	422
FTSE ASIA	286	303	290	276	284	283	277	266	263	264	261	258
FTSE ASIA EX JAPAN	431	459	435	405	406	394	384	369	360	353	349	348

Source: Lehman Brothers Global Strategy Weekly.

<sup>a</sup>as of 9/5/08

# Market Environment- Equity Traded Value

	FY 2008 (daily avg in \$mm)												FY08
	Q3'08	Aug	Jul	Jun	Q2'08	May	Apr	Mar	Q1'08	Feb	Jan	Dec	
NASDAQ	25,581	21,033	27,625	27,986	26,934	26,073	25,338	29,398	33,126	31,411	40,271	27,339	28,482
NYSE	39,573	31,341	43,891	43,282	43,274	39,594	39,180	51,321	51,108	49,103	61,333	43,376	44,556
US	65,154	52,374	71,516	71,268	70,209	65,667	64,519	80,719	84,234	79,514	101,604	70,715	73,038
Toronto Stock Exchange	5,945	4,874	6,497	6,389	6,187	6,335	5,627	6,569	5,691	5,627	6,420	4,914	5,944
Bovespa (Brazil)	3,416	3,007	3,359	3,860	3,614	4,031	3,555	3,193	3,056	3,161	2,958	3,097	3,369
Mexico Stock Exchange	470	405	495	537	789	599	1,130	839	518	570	579	388	594
Total Americas	74,995	60,660	81,667	82,074	80,798	76,632	74,830	91,120	93,510	88,873	111,561	79,113	82,945
London Stock Exchange	18,238	13,039	17,648	17,742	17,305	16,087	15,900	20,238	18,944	18,313	22,160	15,694	17,483
Xetra (Germany)	10,511	8,257	12,026	11,105	11,360	9,755	10,716	12,835	12,879	12,126	17,711	11,085	11,873
Euronext (France)	9,595	7,416	10,805	10,417	10,197	9,004	10,004	11,813	11,812	11,230	14,511	9,330	10,518
Italy	5,277	3,978	5,331	6,193	7,988	6,644	7,415	8,493	7,231	6,585	8,020	7,021	6,791
SB Swiss	4,286	3,562	4,566	4,703	4,672	4,180	4,899	5,235	6,089	5,663	7,199	5,243	4,990
Spain	4,280	3,122	5,149	4,377	4,812	4,483	4,837	4,995	5,535	4,872	6,548	5,044	4,867
Total Europe	50,777	39,373	55,624	54,737	56,332	53,163	53,672	62,608	62,490	68,769	78,169	53,617	56,519
Tokyo Stock Exchange	-	-	-	-	-	-	-	-	23,617	23,749	26,358	20,737	-
Hong Kong Stock Exchange	5,264	5,254	5,474	5,043	7,164	6,771	7,119	7,588	6,431	6,857	10,118	7,967	6,835
Korea Stock Exchange	4,165	3,600	4,421	4,436	5,376	5,948	5,727	4,822	5,363	4,911	5,777	5,374	4,964
Australia Stock Exchange	4,107	3,927	4,269	4,101	4,216	4,264	3,740	4,070	4,100	4,474	4,123	3,660	4,141
Taiwan Stock Exchange	3,189	3,001	3,349	3,210	4,991	4,676	5,309	5,027	3,826	4,114	4,165	3,279	4,003
Total Asia	16,725	15,782	17,513	16,790	21,747	21,359	21,895	22,107	45,356	44,105	50,541	41,017	20,043
Global	141,897	115,815	154,904	153,601	158,878	151,154	150,396	175,835	202,357	191,747	238,271	173,748	159,508

Q3'08 vs Q2'08	Q2'08 vs Q1'08	Q3'08 vs Q3'07	FY '08 vs FY '07
-5.0%	-18.7%	-31.8%	-19.1%
-8.6%	-15.3%	-35.4%	-19.0%
-7.2%	-16.7%	-33.9%	-19.1%
-3.9%	8.7%	5.8%	15.9%
-5.5%	17.8%	34.7%	49.0%
-39.2%	52.3%	-12.2%	15.6%
-7.2%	-13.6%	-30.1%	-15.5%
-6.2%	-8.7%	-41.7%	-34.3%
-7.5%	-18.1%	-21.6%	0.6%
-6.9%	-13.7%	-15.4%	-0.3%
-33.9%	10.4%	-38.2%	-18.9%
-8.3%	-23.3%	-41.7%	-24.0%
-11.1%	-13.1%	-24.8%	-11.8%
-10.9%	-11.3%	-32.4%	-18.6%
-	-100.0%	-100.0%	-100.0%
-26.5%	-15.0%	-36.5%	-9.8%
-22.5%	-0.1%	-44.4%	-12.0%
-2.6%	2.8%	-68.8%	-40.3%
-38.1%	30.4%	-40.9%	-3.2%
-23.1%	-52.1%	-71.2%	-58.3%
-10.7%	-21.5%	-40.8%	-26.0%

	FY 2007 (daily avg in \$mm)												FY07				
	Q4'07	Nov	Oct	Sep	Q3'07	Aug	Jul	Jun	Q2'07	May	Apr	Mar		Q1'07	Feb	Jan	Dec
NASDAQ	42,236	36,465	45,472	42,466	37,375	34,519	42,842	35,035	32,729	30,714	30,204	37,040	28,094	29,302	26,977	28,033	35,226
NYSE	60,368	55,110	47,545	48,636	61,238	64,286	59,479	59,651	56,652	56,445	55,418	57,680	51,282	53,888	55,065	45,052	55,022
US	92,604	91,584	93,017	91,021	98,610	98,805	102,321	94,686	89,381	87,180	85,621	96,021	79,375	83,190	82,042	73,085	90,228
Toronto Stock Exchange	6,028	6,194	6,291	5,540	5,622	5,604	5,532	5,732	4,761	5,432	4,599	4,268	4,086	7,017	4,142	3,761	5,130
Bovespa (Brazil)	2,987	3,230	3,357	2,303	2,536	2,650	2,348	2,585	1,894	1,854	2,076	1,667	1,618	5,879	1,440	1,459	2,260
Mexico Stock Exchange	556	541	628	488	546	546	568	524	477	526	482	438	472	5,220	422	405	514
Total Americas	102,176	103,548	103,294	99,383	107,316	107,605	110,769	103,536	89,613	95,041	92,758	101,393	85,649	101,306	88,046	78,710	98,132
London Stock Exchange	25,361	22,933	26,638	26,398	27,874	28,048	26,966	28,643	29,132	30,522	25,494	30,947	24,053	27,282	24,560	20,068	26,620
Xetra (Germany)	12,485	13,781	11,839	11,804	13,400	13,825	12,547	13,828	11,798	11,792	11,002	12,490	9,367	11,179	9,466	7,344	11,806
Euronext (France)	11,431	12,405	10,764	11,128	11,327	11,780	10,596	11,597	10,355	9,905	10,233	10,909	8,984	9,639	9,198	8,046	10,553
Italy	8,661	8,520	9,265	7,735	8,542	7,940	7,710	10,003	9,427	11,104	8,791	8,325	6,621	8,288	6,738	5,856	8,378
SB Swiss	6,389	7,033	5,917	6,223	7,348	7,183	7,133	7,731	6,891	7,031	7,374	6,335	5,437	8,251	5,842	5,007	6,562
Spain	5,547	6,304	5,838	4,359	5,691	4,813	5,688	6,704	5,812	5,298	5,661	5,889	5,216	7,867	5,419	4,783	5,520
Total Europe	70,114	71,976	70,461	67,646	74,779	73,888	70,639	78,506	72,214	75,651	68,555	74,895	59,677	72,505	61,024	51,105	69,439
Tokyo Stock Exchange	23,272	25,109	22,602	21,846	24,469	26,665	23,018	23,493	24,181	23,492	22,332	26,660	22,426	27,103	22,054	18,532	23,815
Hong Kong Stock Exchange	12,334	11,705	15,054	10,056	8,287	9,202	8,377	7,140	5,271	6,079	5,181	4,575	4,601	4,599	5,169	3,910	7,668
Korea Stock Exchange	7,526	7,404	8,869	5,869	7,489	6,588	8,298	7,584	4,293	5,294	4,298	3,333	3,028	3,536	2,658	2,974	5,643
Australia Stock Exchange	4,272	4,605	4,306	3,668	12,388	4,308	28,067	4,028	3,787	4,410	3,578	3,306	7,280	16,798	2,677	2,382	8,930
Taiwan Stock Exchange	4,450	4,130	4,951	4,216	5,395	4,742	6,870	4,413	3,188	2,902	3,221	3,434	3,397	2,800	3,698	3,422	4,134
Total Asia	51,855	52,954	55,782	45,954	58,027	51,524	74,730	46,659	40,730	42,176	38,610	41,308	40,743	54,835	36,256	31,219	48,011
Global	224,144	228,478	229,537	212,984	239,621	232,717	256,139	228,700	210,457	212,869	199,923	217,596	185,869	228,647	185,325	161,035	215,583

Source: Bloomberg

# Market Activity – Commodity/Currency/Volatility

	2008										%Δ			Lehman Forecast*	
	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec'07	Q3'08 vs Q2'08	Q2'08 vs Q1'08	Q3'08 vs Q3'07	Q4'08	2,009	
<b>Commodities</b>															
Brent Crude Oil - Europe (spot price, US \$ per barrel)	111.98	123.24	139.3	127.08	113.14	100.22	100.15	92.56	93.89	-12%	27%	55%	105	99	
WTI Cushing Crude Oil - U.S. (spot price, US \$ per barrel)	115.46	124.08	140	127.35	115.63	101.58	101.84	91.75	96	-9%	25%	56%			
Gold (spot price, US \$ per ounce)	831.15	914.07	925.4	886.5	870.5	916.88	974.17	925.99	833.92	-6%	-9%	23%	1100	1200	
<b>Currencies</b>															
British Pound (in U.S. \$)	1.82	1.98	1.99	1.98	1.97	1.98	1.99	1.99	1.98	-8%	0%	-10%	1.79	1.87	
Euro (in U.S. \$)	1.47	1.56	1.58	1.56	1.56	1.58	1.52	1.49	1.46	-6%	2%	8%	1.43	1.40	
Japanese Yen (per U.S. \$)	108.80	107.91	106.21	105.51	104.01	99.69	103.74	106.45	111.71	3%	2%	-6%	102	100	
<b>Volatility (period end)</b>															
VIX (S&P 500 volatility)	20.65	22.94	23.95	17.83	20.24	25.61	26.54	26.20	22.50	16%	-32.8%	-12%			
VXN (NASDAQ 100 volatility)	24.02	26.24	29.76	20.85	23.87	29.04	28.44	31.08	25.90	15.2%	-26.7%	-2.1%			
VDAX (DAX volatility)	19.68	21.00	22.06	18.16	18.86	23.74	26.65	26.35	16.36	8.4%	-31.9%	-5.7%			
VSTOXX (Eurozone volatility)	21.06	23.33	24.67	19.68	21.52	27.31	28.69	30.05	18.06	7.0%	-31.4%	-13.9%			

	2007											
	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec'06
<b>Commodities</b>												
Brent Crude Oil - Europe (spot price, US \$ per barrel)	88.64	90.29	79.4	72.06	77.82	72.82	68.45	66.99	68.42	60.66	57.21	60.13
WTI Cushing Crude Oil - U.S. (spot price, US \$ per barrel)	88.71	94.53	81.66	74.04	78.21	70.68	64.01	65.71	65.87	61.79	58.14	61.05
Gold (spot price, US \$ per ounce)	783.75	796.59	743.6	673.4	664.3	649.65	660.5	678.45	663.79	669.35	653.2	636.7
<b>Currencies</b>												
British Pound (in U.S. \$)	2.06	2.08	2.05	2.02	2.03	2.01	1.98	2.00	1.97	1.96	1.97	1.96
Euro (in U.S. \$)	1.46	1.45	1.43	1.36	1.37	1.35	1.35	1.36	1.34	1.32	1.30	1.32
Japanese Yen (per U.S. \$)	111.23	115.43	114.80	115.78	118.60	123.18	121.73	119.52	117.83	118.56	120.69	119.07
<b>Volatility (period end)</b>												
VIX (S&P 500 volatility)	22.87	18.53	18.00	23.38	23.52	16.23	13.05	14.22	14.64	15.42	10.42	11.56
VXN (NASDAQ 100 volatility)	28.65	23.11	21.01	24.53	23.55	17.86	16.86	17.26	18.24	20.53	17.19	20.23
VDAX (DAX volatility)	17.55	16.89	17.07	20.87	23.12	18.13	14.94	16.68	15.91	16.76	14.45	13.85
VSTOXX (Eurozone volatility)	20.43	19.99	19.71	24.47	23.82	16.90	15.79	18.34	17.54	19.50	15.92	14.83

Source: Bloomberg

\*Source: Global Weekly Economic Monitor 9/5/08



LEHMAN BROTHERS  
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Segment Revenues <i>(\$ in millions)</i>	Q3 2008 Trend				Quarter Trend				Δ %		Year to Date		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 Versus		9 Months Ended		YTD '08
									Q2 '08	Q3 '07	2008	2007	vs. YTD '07
<b>Investment Banking:</b>													
Debt	72	107	41	220	288	322	233	350	-24%	-37%	830	1,318	-37%
Equity	77	59	23	160	330	214	210	296	-52%	-46%	705	805	-12%
Advisory	79	84	69	231	240	330	388	425	-3%	-46%	801	948	-16%
<b>Investment Banking Revenues</b>	<b>228</b>	<b>250</b>	<b>133</b>	<b>611</b>	<b>858</b>	<b>867</b>	<b>831</b>	<b>1,071</b>	<b>-29%</b>	<b>-43%</b>	<b>2,336</b>	<b>3,071</b>	<b>-24%</b>

### Q3'08 versus Q2'08 and Q3'07

- Volatile financial markets, decelerating global economy, and fear of inflation have all lead to another extremely challenging quarter leading to declines in both Equity and Fixed Income issuance.
- IBD Segment revenue of \$611mm for Q3'08 was down 29% and 43% versus \$858mm in Q2'08 and \$1.07bn in Q3'07, the lowest quarter since Q2'05.
- Revenues are down across all products and regions with the exception of Leverage Finance.
- M&A although down 3% vs. Q2'08, performed relatively well due to an increase in market volumes and our increase in market share of completed deals.
- Equities revenues are down 52% vs. Q2'08 and 46% vs. Q3'07 due to a decrease in issuance driven by weak valuations and market volatility. FIG and NR sectors dominated equity issuance.
- Overall Global volumes were inflated by European FIG rights issuance e.g. RBS, UBS, etc.
  - US IPO issuance dropped 95% and US Convert volumes dropped 61% from Q2.
- Fixed Income issuance dropped from the hectic pace of Q2. Lehman share decreased in the quarter.
- Europe fared better than its regional counterparts down 10% from Q2'08 vs. the US which is down 32% and Asia which is down 62%. International revenue as a % of total revenue in the quarter rose slightly to 36% vs. 33% for Q2'08 and 34% for Q3'07.
- Financial Sponsor activity has increased in Q3 from depressed levels.
- Total Q3'08 pipeline revenues of \$558mm are above Q2'08 by 4%.

LEHMAN BROTHERS  
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BANKING SEGMENT RESULTS SUMMARY

- ◆ We earned \$611mm (excludes \$177mm from Lehman issuance) for the quarter, down 29% and 43% vs. \$858mm in Q2'08 and \$1.07bn in Q3'07, this is the lowest quarter since Q2'05
  - We are down across all products and regions with the exception of Leverage Finance which is up from historically low levels, however Advisory and Europe held up well

**M&A**

- ◆ Market volumes have gradually increased over the year; while June & July volumes were good, August volumes were the slowest in 16 yrs
- ◆ Our share of completions are up yoy 23.3% vs. 19.1%; share of announced are down slightly yoy 17.0% vs. 17.5%
- ◆ Top announced deals in the quarter were Xborder transactions - Credit Mutual/Citibank, AIG Highstar/GNTR, Mubadala/GE, Staples/Corporate Express
- ◆ Good Asian contribution driven primarily by China Oil Field, China Unicorn, Citic/BBVA
- ◆ Strategic activity continues, most notably CVS, Teva, Gas Natural
- ◆ Latest market dynamic is investors coming in at deal announcement to take equity stake
  - E.g. Wrigley/Mars and Dow/Rohm & Haas

**Equities**

- ◆ Weak valuations and market volatility negatively effecting issuance
  - Need stability and investor appetite to absorb equity capital needed in the FIG sector
- ◆ Volumes in market overstated by huge deals for RBS & UBS
- ◆ Rights Offerings - positive quarter for us with Imperial Tobacco the biggest non financial deal ever at \$9.9bn and Carlsberg the biggest Danish deal ever at \$7bn
  - Very involved in the successful rights offering for Credit Agricole (No LTC)
  - Not involved in the two failed rights offering - HBOS and Bradford and Bingley
- ◆ IPO - very poor quarter for IPOs both in terms of amount of issuance and performance
  - We did not participate in any of the \$1.2bn US IPOs in the quarter, completed 1 European IPO which was the first FIG IPO and the first Spanish IPO this year (Caja de Ahorros)
- ◆ Converts - our ranking was boosted by our own Convert issuance
- ◆ Block/Risk Trades - have dried up due to the volatility in the market
- ◆ Monetizations have been impacted by lower valuations and weak investor appetite
- ◆ Sectors - drivers are still FIG and NR; NR is driven by both Capex and M&A related financings (XFO, Chesapeake and Petrohawk)

**Investment Grade**

- ◆ Issuance is driven primarily by M&A and Capex needs (Time Warner Cable, Staples, XFO, Rockies Express)
- ◆ However many acquisition related financings are accessing the CP market (Staples, HP, CME)
- ◆ Spreads are wider and approaching the widest seen earlier this year
- ◆ Hybrid issuance has dropped as investors are more risk averse
- ◆ Investors are demanding large risk premiums e.g. Citic, AXP, AIG

**Leverage Finance - HY Bonds and Loans**

- ◆ Investors focused on lower leverage; no refi's taking place
- ◆ Spreads widened over the quarter and now stand close to the widest seen earlier this year
- ◆ The 2008 vintage of LBOs are doing well, investors are showing strong interest in new deals that reflect better structures, covenant packages and lower leverage
- ◆ Increased Commodity hedging activity helped our LF business - Lion Energy & Chesapeake

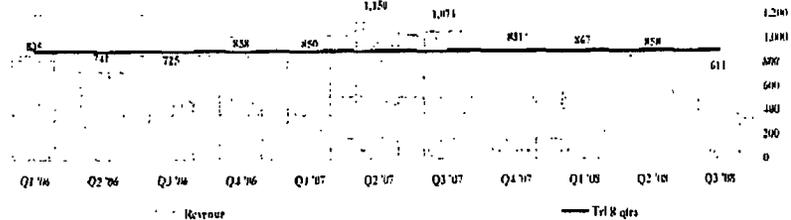
**Sponsors**

- ◆ LBOs have picked up - July marked the biggest month for buy-side activity for Sponsors this year
- ◆ Our deals include Converteam (LBO France), Unilever Detergent (Vestar), Sunguard (Silverlake), Express Energy (Macquarie)
- ◆ Deals are more bite sized and expect to remain that way

Segment Revenue (\$mm) - By Product & Trend

Product	--- % Chg ---				
	Q3'08	Q2'08	Q3'07	Q2'08	Q3'07
Advisory	231	240	425	-4%	-46%
Eq UAW	160	330	296	-51%	-46%
DCM	168	247	249	-32%	-33%
LF	52	41	101	27%	-19%
Total Debt	220	288	350	-24%	-37%
Total IBD	611	858	1,071	-29%	-43%
Americas	394	576	711	-32%	-45%
Europe	190	212	310	-10%	-39%
Asia	27	70	50	-62%	-46%

**Trend**



LEHMAN BROTHERS  
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SIGNIFICANT COMPLETED BANKING DEALS

Value (\$mil)	Deal	Industry	Region	Transaction Description	Revenue (\$mil)
<b>M&amp;A Completed</b>					
n/a	Tele Atlas N.V.	Tech	AM/EU	Sale to TomTom N.V.	21.1
4,716	Staples Inc.	CR	AM/EU	Acquisition of Corporate Express	18.0
7,555	CME Group	FIG	AM	Acquisition of NYMEX Holdings, Inc	18.0
<b>Equity</b>					
30,500DKK	Carlsberg A/S	FIG	EU	Rts	42.9
1,500	XTO Energy Inc.	NR	AM	Sec'd	21.0
€5900	Credit Agricole SA	FIG	EU	Rights	15.4
1,589	Chesapeake Energy Corp.	NR	AM	Sec'd	12.6
£4,700	Imperial Tobacco Group	FIG	EU	Rts	12.5
<b>Fixed Income</b>					
n/a	ABN AMRO Holdings, swap	FIG	EU	CDO	12.0
256	LINN Energy	NR	AM	ET/Sr. Note	10.0
n/a	Chesapeake Energy - Commodity Flow	NR	AM	ET	10.0
¥20000	Schiphol Group	Ind	EU	Prvt Plcmt/Deriv	9.0

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Banking-Debt Origination

LEHMAN BROTHERS  
THIRD QUARTER 2008  
BANKING ANALYSIS

Debt Origination

Global Revenues (\$mm)

	Quarter Trend									Δ %		9 Months Ending May		Δ %		Records			
	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year	
									Q2 '08	Q3 '07			YTD '08	YTD '07					
Leveraged Finance	12	38	1	52	41	76	32	101	25%	-49%	169	544	-69%	274	Q3 '04	544	YTD '07		
Debt Capital Markets	60	69	40	168	247	246	201	249	-32%	-32%	661	774	-15%	283	Q3 '05	774	YTD '07		
<b>Total Debt Origination</b>	<b>72</b>	<b>107</b>	<b>41</b>	<b>220</b>	<b>288</b>	<b>322</b>	<b>233</b>	<b>350</b>	<b>-24%</b>	<b>-37%</b>	<b>830</b>	<b>1,318</b>	<b>-37%</b>	<b>540</b>	<b>Q2 '07</b>	<b>1,318</b>	<b>YTD '07</b>		

Debt Market Environment

				Quarter Trend					Q3 '08		9 Months Ending May		Δ %		Records			
	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year
									Q2 '08	Q3 '07			YTD '08	YTD '07				
Global Market Volume	467,129	272,113	213,130	952,371	1,490,507	1,157,157	1,325,174	1,703,264	-36%	-44%	3,600,035	5,694,707	-37%	2,174,784	Q2 '07	5,694,707	YTD '07	
Lehman Market Volume	14,945	4,010	6,120	25,076	49,489	56,308	63,267	96,683	-49%	-74%	130,872	334,441	-61%	130,061	Q2 '07	341,028	YTD '06	
Lehman Market Share	3.2%	1.5%	2.9%	2.6%	3.3%	4.9%	4.9%	5.7%	-21%	-54%	3.6%	5.9%	-38%	7.5%	Q1 '04	n/a	n/a	
Fee share	0.0%	1.9%	0.0%	3.9%	4.3%	4.7%	5.1%	4.6%	.9%	-14%	3.9%	4.6%	-14%	7.0%	Q2 '02	6.8%	YTD '02	
Pipeline Value (\$B)	28.8	28.7	26.5	26.5	34.1	39.4	59.7	178.5	-22%	-83%	26.5	178.5	-83%	178.5	Q3 '07	178.5	YTD '07	
Pipeline Fees	77.8	85.8	83.9	83.9	74.4	104.2	141.3	172.0	13%	-51%	83.9	172.0	-51%	616.4	Q2 '07	333.4	YTD '06	

Q3'08 versus Q2'08 and Q3'07

Leveraged Finance:

- Leveraged Finance revenue of \$52mm in Q3'08 was 25% higher than Q2'08 and 49% lower than the \$101mm recorded in Q3'07, as the continued turbulence in the liquidity markets slowed Leveraged Loan and HY bond market activity, particularly among Financial Sponsors.
- Lehman High Yield market volume in Q3'08 was just \$0.5bn and market volume fell to \$13bn from \$20bn in Q2'08. Market share for the quarter was 4.1%, down from 5.3% in the prior quarter and the 5.5% from Q3'07.
- Leveraged Loans volumes also continue to decrease with Q3'08 market volume of \$174bn down 25% from Q2'08 and 60% vs. Q3'07. Lehman volume of \$2bn fell 43% and 85% over the same respective periods.
- Notable transactions and fees included commodity flow trades for Chesapeake Energy Corp (\$10mm) and Linn Energy (\$10mm).

Debt Capital Markets (non-leveraged finance):

- Debt Capital Market (non-leverage finance) revenue of \$168mm for Q3'08 fell 32% vs. Q2'08 and Q3'07. Weak Investment Grade.
- Lehman's investment grade volume fell 79% and 68% vs. Q2'08 and Q3'07 respectively, while the overall market volume fell 43% and 17% over the same periods. Lehman's Q3'08 market share of 1.3% fell vs. Q2'08 share of 3.7% and Q3'07 share of 3.5%.
- Debt Capital Market (non-leverage finance) revenue for Q3'08 included a Private Placement and swap for Schiphol Group (\$9mm) and investment grade offerings for XTO Energy (\$4mm) and Rockies Express Pipeline (\$3mm).

LEHMAN BROTHERS  
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BANKING ANALYSIS

Leveraged Finance Revenues (\$mm)

	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records					
	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	YTD Record	Year
									Q2 '08	Q3 '07			YTD '07				
High Yield	6	9	1	16	12	4	9	18	35%	-15%	31	145	-79%				
Leveraged Loans	1	15	-	16	15	54	10	53	6%	-71%	85	354	-76%				
Derivatives	2	14	1	17	14	17	13	28	22%	-38%	49	40	23%				
Other	3	0	(0)	3	1	0	1	1	202%	120%	4	5	-23%				
<b>Total Leveraged Finance</b>	<b>12</b>	<b>38</b>	<b>1</b>	<b>52</b>	<b>41</b>	<b>76</b>	<b>32</b>	<b>101</b>	<b>23%</b>	<b>-19%</b>	<b>169</b>	<b>544</b>	<b>-67%</b>	<b>274</b>	<b>Q3 '04</b>	<b>544</b>	<b>YTD '07</b>

	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	YTD Record	Year
									Q2 '08	Q3 '07			YTD '07				
Americas	12	38	1	51	19	54	26	59	172%	-13%	124	372	-67%	205	Q2 '07	372	YTD '07
Europe	0	0	(0)	0	5	19	5	35	92%	-90%	24	147	-84%	63	Q2 '07	147	YTD '07
Asia	0	(0)	0	0	18	3	0	7	-98%	-95%	21	25	-14%	18	Q2 '08	25	YTD '07
<b>Total Leveraged Finance</b>	<b>12</b>	<b>38</b>	<b>1</b>	<b>52</b>	<b>41</b>	<b>76</b>	<b>32</b>	<b>101</b>	<b>25%</b>	<b>-19%</b>	<b>169</b>	<b>544</b>	<b>-67%</b>	<b>274</b>	<b>Q3 '04</b>	<b>544</b>	<b>YTD '07</b>

Leveraged Finance Market Environment

	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	YTD Record	Year
									Q2 '08	Q3 '07			YTD '07				
Pipeline Value (\$B)	10.7	8.2	8.1	8.1	11.5	12.8	30.2	131.9	-10%	-24%	8.1	131.9	-94%	131.9	Q3 '07	131.9	YTD '07
Pipeline Fees	35.5	36.2	34.2	34.2	29.2	46.2	54.3	111.4	1%	-69%	34.2	111.4	-69%	501.8	Q2 '07	210.4	YTD '06

Debt Capital Markets Revenues (\$mm)

	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records					
	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	YTD Record	Year
									Q2 '08	Q3 '07			YTD '07				
Investment Grade	11	11	12	33	72	78	38	45	-53%	-26%	183	131	40%				
Hybrid	5	2	1	9	18	38	53	20	-49%	-55%	64	98	-34%				
Bridge & Bank Loans	0	5	5	10	8	5	(1)	3	19%	221%	23	15	56%				
Securitized Products	13	1	1	15	3	4	20	20	342%	-24%	22	62	-64%				
Derivatives & FX	5	9	22	36	27	67	33	48	32%	-36%	130	120	8%				
Commercial Paper	2	2	2	6	7	7	8	6	-15%	-9%	19	19	1%				
Liab Mgmt, Agy & Oth	5	(0)	(1)	4	(0)	(1)	(1)	(7)	-5259%	-156%	2	(12)	-121%				
Real Estate & Other	2	7	(16)	(7)	18	1	14	53	-138%	-113%	12	138	-92%				
Non-Banking	17	32	14	63	95	48	37	60	-34%	-1%	206	204	1%				
<b>Total Debt Capital Markets</b>	<b>60</b>	<b>69</b>	<b>40</b>	<b>168</b>	<b>247</b>	<b>246</b>	<b>201</b>	<b>249</b>	<b>-32%</b>	<b>-32%</b>	<b>661</b>	<b>774</b>	<b>-15%</b>	<b>283</b>	<b>Q3 '05</b>	<b>774</b>	<b>YTD '07</b>

	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	YTD Record	Year
									Q2 '08	Q3 '07			YTD '07				
Americas	35	51	32	119	171	176	154	177	-31%	-13%	465	580	-20%	211	Q1 '07	580	YTD '07
Europe	21	11	5	38	52	54	30	61	-28%	-38%	144	147	-2%	135	Q1 '06	221	YTD '05
Asia	3	6	3	12	41	19	18	18	-70%	-53%	73	71	3%	26	Q4 '04	61	YTD '05
<b>Total Debt Capital Markets</b>	<b>60</b>	<b>69</b>	<b>40</b>	<b>168</b>	<b>247</b>	<b>246</b>	<b>201</b>	<b>249</b>	<b>-32%</b>	<b>-32%</b>	<b>661</b>	<b>774</b>	<b>-15%</b>	<b>283</b>	<b>Q3 '05</b>	<b>774</b>	<b>YTD '07</b>

LEHMAN BROTHERS  
THIRD QUARTER 2008  
BANKING ANALYSIS

Equity Origination

Global Revenues (\$mm)

	Quarter Trend			Δ %		9 Months Ending May		Δ %		Records								
	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	YTD Record	Year	
									Q2 '08	Q1 '07								
IPO	0	4	1	5	10	50	89	100	-52%	-95%	65	243	-73%					
Secondary	61	44	17	122	144	61	43	61	-15%	29%	326	168	95%					
Blocks	0	3	1	6	10	1	16	6	-17%	13%	17	44	-62%					
Convertibles	7	1	0	8	62	50	14	23	-86%	-62%	120	96	26%					
Derivatives	2	5	4	11	16	41	35	77	-28%	-85%	68	193	-65%					
Other	6	1	1	7	88	13	14	30	-92%	-76%	108	63	73%					
<b>Global Finance Equities</b>	<b>77</b>	<b>59</b>	<b>23</b>	<b>160</b>	<b>330</b>	<b>214</b>	<b>210</b>	<b>296</b>	<b>-52%</b>	<b>-46%</b>	<b>705</b>	<b>805</b>	<b>-12%</b>	<b>334</b>	<b>Q2 '07</b>	<b>805</b>	<b>YTD '07</b>	

Equity Market Environment

	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	YTD Record	Year	
									Q2 '08	Q1 '07								
Global Market Volume	101,170	59,879	13,752	174,802	216,141	141,206	272,201	228,790	-12%	-24%	532,149	661,000	-19%	272,201	Q4 '07	661,000	YTD '07	
Lehman Market Volume	9,934	976	433	11,343	12,343	5,869	4,747	8,825	-8%	29%	29,555	25,098	18%	12,343	Q2 '08	29,555	YTD '08	
Lehman Market Share	2.8%	1.6%	3.1%	6.5%	5.7%	4.2%	1.7%	3.9%	14%	68%	5.6%	3.8%	46%	18.0%	Q3 '05	n/a	n/a	
Fee share	0.0%	4.5%	0.0%	4.5%	4.8%	-1.1%	3.0%	3.4%	-6%	11%	4.5%	3.4%	33%	4.8%	Q1 '02	4.5%	YTD '08	
Pipeline Value (\$B)	18.3	10.6	9.7	9.7	32.2	29.2	23.7	17.9	-70%	-46%	9.7	18	-46%	32	Q2 '08	22	YTD '06	
Pipeline Fees	192.7	156.5	151.9	151.9	212.1	301.7	315.6	317.4	-28%	-52%	151.9	317.4	-52%	422	Q3 '07	355	YTD '06	

Q3'08 versus Q2'08 and Q3'07

Equity Origination:

- Equity revenue of \$160mm fell 52% vs. near record Q2'08 and was down 46% vs. strong Q3'07.
- Lehman Equity Origination volume in Q3'08 fell 8% vs. the prior quarter, a smaller drop than the market decline of 19%. LB volume actually rose 29% vs. Q3'07 while the market was down 24% for the period. Q3'08 volume did include \$6.0bn of Lehman self-issuance. Lehman volumes were particularly strong in secondary issuance, led by transactions in the Natural Resources space and rights offerings. Excluding the self-issuance Lehman participated in four of the top ten equity issuances in the quarter.
- Lehman Q3'08 market share of 6.5% rose from the 5.7% reported in Q2'08 and the 3.9% of Q3'07, with Worldwide Equity ranking rising to #7 from #9 in CY 2007.
- Top Q3'08 transactions: Rights Offerings for Carlsberg A/S (\$43mm), Credit Agricole (\$15mm), and Imperial Tobacco Group (\$13mm), and follow-on offerings for XTO Energy (\$21mm) and Chesapeake Energy Corp (\$12mm).

LEHMAN BROTHERS  
THIRD QUARTER 2008  
BANKING ANALYSIS

Advisory

Global Revenues (\$mm)

	Quarter Trend								Δ %		9 Months Ending May		Δ %		Records			
	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year
									Q2 '08	Q1 '07				YTD '07				
Americas	41	57	60	158	144	217	230	336	10%	-31%	519	667	-22%	336	Q3 '07	667	YTD '07	
Europe	27	25	8	60	76	91	146	84	-21%	-28%	228	262	-13%	146	Q4 '07	262	YTD '07	
Asia	11	1	0	13	19	22	11	4	-33%	192%	54	19	179%	42	Q1 '00	54	YTD '08	
Global Advisory	79	84	69	231	240	330	388	425	-3%	-16%	801	948	-16%	425	Q3 '07	948	YTD '07	
Non-league table revenue				170	126	110	150	178	35%	-4%	407	478	-15%					
% of Total Advisory				74%	53%	33%	39%	42%			51%	50%						

Advisory Market Environment

	Jun			Q3 '08		Q2 '08		Q1 '08		Q4 '07		Q3 '07		Q3 '08		YTD '08		YTD '08 vs		Qtr Record	Qtr	YTD Record	Year
														Q2 '08	Q1 '07			YTD '07					
M&A Completed																							
Global Market Volume	225,334	336,647	129,690	691,671	661,994	753,765	1,137,140	1,024,307	-1%	-32%	2,107,431	2,977,626	-29%	1,137,140	Q4 '07	2,977,626	YTD '07						
Lehman Market Volume	44,287	99,950	22,608	166,845	185,666	95,193	389,995	117,047	-10%	-43%	447,704	469,791	-5%	389,995	Q4 '07	469,791	YTD '07						
Lehman Market Share	19.7%	29.7%	17.4%	24.1%	28.0%	12.6%	34.3%	11.4%	-14%	111%	21.2%	15.8%	35%	n/a	n/a	n/a	n/a						
M&A Announced																							
Global Market Volume	358,829	406,943	177,515	943,287	875,811	716,680	927,076	1,232,013	8%	-23%	2,535,779	3,558,684	-29%	1,346,161	Q2 '07	3,558,684	YTD '07						
Lehman M&A Announced	64,452	62,772	25,734	152,958	176,108	71,771	78,890	161,837	-13%	-5%	400,837	737,623	-46%	325,505	Q2 '07	737,623	YTD '07						
Lehman Market Share	18.0%	15.4%	14.3%	16.2%	20.1%	10.0%	8.5%	13.1%	-19%	23%	15.8%	20.7%	-24%	n/a	n/a	n/a	n/a						
M&A Completed Fee share	0.0%	4.9%	0.0%	4.9%	5.2%	7.0%	4.9%	4.9%	-6%	0%	4.9%	-4.9%	0%	7.0%	Q1 '08	5.2%	YTD '04						
Pipeline Value (\$B)	233	156	180	180	215	268	231	616	-16%	-71%	180	616.1	-71%	616.1	Q3 '07	616.1	YTD '07						
Pipeline Fees	282	333	322	322	249	340	374	501	29%	-36%	322	501.0	-36%	520.9	Q2 '07	501.0	YTD '07						

Q3'08 versus Q2'08 and Q3'07

Advisory:

- M&A revenue of \$231mm was down 3% vs. Q2'08 and was 46% lower vs. record Q3'07. Q3'08 was the lowest for advisory revenue since Q3'06.
- M&A Global Announced market volume of \$943bn in Q3'08 rose 8% vs. Q2'08 but was down 23% vs. still strong Q3'07, as turbulence in the liquidity and LBO markets continued to impact merger activity.
- Lehman announced volume of \$153bn fell 13% vs. Q2'08, but Q2'08 included the \$113bn Altria spin-off of Philip Morris International. Excluding that deal Q3'08 would have been 142% higher than Q2'08. Lehman announced share in the quarter was 16.2% vs. 20.1% in Q2'08 and 13.1% for Q3'07.
- Lehman's M&A Completed volume of \$167bn in Q3'08 fell 10% vs. Q2'08 (which also included the \$113bn Altria spin-off of Philip Morris International) but was 43% higher than Q3'07. Market M&A Completion volume actually fell 23% from Q3'07.
- Top Lehman transactions announced in the quarter (\$Deal size): Verizon Wireless (acq of Alltel Corp) \$113bn, Gas Natural (acq of Union Fenosa SA) \$12bn, and Groupe Credit Mutuel (Acq of Citibank Privatkunden) \$8bn.
- Large fees in Q3'08 included Tele Atlas NV \$21mm (sale to TomTom NV), CME Group \$18mm (Acq of NYMEX Holdings), Staples Inc. \$18mm (Acq of Corporate Express), and SAB Miller \$9mm (JV to combine operations of Miller Beer and Coors).

LEHMAN BROTHERS  
THIRD QUARTER 2008  
REGIONAL ANALYSIS

Europe Revenues (\$mm)	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records <sup>2</sup>			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '08	Q3 '07	YTD '08	YTD '07	YTD '08	YTD '07	Qtr Record	Qtr	YTD Record	Year
						Q2 '08 vs. Q3 '07									
Equity Underwriting	77	51	58	51	99	30%	-22%	186	194	-1%		99	Q3 '07	200	YTD '00
Leveraged Finance	0	5	19	5	35	-92%	-99%	24	147	-84%		63	Q2 '07	147	YTD '07
Debt Capital Markets	38	32	31	30	61	-28%	-38%	144	147	-2%		135	Q1 '06	221	YTD '05
Total Debt Underwriting	38	57	73	35	96	-34%	-61%	168	294	-43%		155	Q1 '06	294	YTD '07
Financial Advisory	60	76	91	136	81	-21%	-28%	228	262	-13%		146	Q4 '07	262	YTD '07
Attributable	14	27	42	14	32	-48%	-56%	82	104	-20%		42	Q1 '07	104	YTD '07
Total Banking	190	212	264	246	310	-10%	-39%	665	853	-22%		310	Q3 '07	834	YTD '07

Asia Revenues (\$mm)	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records <sup>2</sup>			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '08	Q3 '07	YTD '08	YTD '07	YTD '08	YTD '07	Qtr Record	Qtr	YTD Record	Year
						Q2 '08 vs. Q3 '07									
Equity Underwriting	1	5	19	18	23	-77%	-95%	24	57	-57%		67	Q2 '05	106	YTD '05
Leveraged Finance	0	18	3	0	7	-98%	-95%	21	25	n/a		18	Q2 '08	25	YTD '07
Debt Capital Markets	12	24	17	18	11	-49%	3%	32	46	13%		26	Q4 '04	61	YTD '05
Total Debt Underwriting	12	41	19	18	18	-70%	-53%	73	71	3%		41	Q2 '08	73	YTD '08
Financial Advisory	13	19	22	11	4	-33%	-192%	54	19	172%		42	Q1 '00	34	YTD '08
Attributable	1	5	2	5	4	-82%	-76%	7	6	24%		37	Q4 '01	23	YTD '01
Total Banking	27	70	62	53	50	-61%	-43%	159	153	-4%		96	Q2 '05	195	YTD '05

Q3'08 Europe revenue of \$190mm fell 10% vs. Q2'08 and 39% vs. Q3'07.

Equity Origination revenue of \$77mm was 50% above Q2'08 but 22% below Q3'07.

- Equity revenue for the quarter was based mostly on several large Rights Offerings.
- Top Q3'08 transactions: rights-offerings for Carlsberg S/A (\$43mm), Credit Agricole (\$15mm) and Imperial Tobacco Group (\$13mm).

Debt Capital Markets revenue fell 28% vs. Q2'08 and 38% versus Q3'07.

- Revenue was boosted by significant capital restructuring trades for several Financial Institutions clients.
- Top Q3'08 transactions included a credit solutions transaction for Schiphol Group (\$9mm) and a bridge financing for Carlsberg SA (\$3mm)

Leveraged Finance revenue was \$0mm, down from \$4mm in Q2'08 and \$35mm in Q3'07.

Advisory revenue of \$60mm in Q3'08 fell 21% vs. Q2'08 and 28% vs. Q3'07.

- Completed M&A transactions included Tele Atlas NV \$21mm (Sale to Tom Tom N.V.), and Groupe Credit Mutuel \$6mm (Acq of Citibank Deutschland).
- Key announced transactions for Q3'08 included: Gas Natural (acq of Union Fenosa SA) \$12bn, and Groupe Credit Mutuel (Acq of Citibank Privatkunden) \$8bn.

Q3'08 Asia revenue of \$27mm fell 62% vs. Q2'08 and 46% vs. Q3'07.

Equity Origination revenue was \$1mm, vs. \$5mm in Q2'08 and \$23mm in Q3'07.

- Asia equity market volume fell 39% in Q3'08 vs. the prior quarter, while Lehman volume fell 86%.
- Main Lehman deals in Q3'08 was a convertible deal for Norton Gold Fields Limited Australia) and an IPO for KSK Energy Ventures (India).

Debt Capital Markets revenue was \$12mm in Q3'08, down 49% vs. Q2'08 but up 5% vs. Q3'07.

- Main revenue gains came from client solutions transactions for Taiwan High Speed Rail Corp and China Oilfield Services.

Leveraged Finance revenue was \$0mm, down from \$18mm in Q2'08 and \$7mm in Q3'07.

Advisory revenue was \$13mm in the quarter, down 33% vs. Q2'08 but up 192% vs. Q3'07.

- Q3'08 included advisory fees earned from Asia Pacific Land Ltd (Japan), Primus Pacific Partners (Hong Kong) and Nippon Life Insurance (Japan).

LEHMAN BROTHERS  
THIRD QUARTER 2008  
INVESTMENT BANKING REVENUE TREND

Global Revenues (\$mm)

	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records <sup>1</sup>			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Qtr Record	Qtr	YTD Record	Year
						Q2 '08	Q1 '07			YTD '08	YTD '07				
Equity Underwriting	160	330	214	210	296	-52%	-16%	705	805	-12%	334	Q3 '04	805	YTD '07	
Leveraged Finance	52	41	76	32	101	25%	-49%	160	544	-69%	274	Q3 '04	344	YTD '07	
Debt Capital Markets	168	247	246	201	249	-32%	-32%	661	774	-15%	283	Q3 '05	774	YTD '07	
Total Debt Underwriting	220	288	322	233	350	-24%	-37%	830	1,318	-37%	340	Q2 '07	1,318	YTD '07	
Financial Advisory	231	240	330	388	425	-3%	-16%	801	948	-16%	425	Q4 '04	948	YTD '07	
Total Banking	611	858	867	831	1,071	-29%	-33%	2,336	3,071	-24%	1,150	Q2 '07	3,071	YTD '07	

Americas Revenues (\$mm)

	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records <sup>2</sup>			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Qtr Record	Qtr	YTD Record	Year
						Q2 '08	Q1 '07			YTD '08	YTD '07				
Equity Underwriting	81	274	138	141	174	-70%	-53%	494	551	-11%	285	Q3 '04	554	YTD '07	
Leveraged Finance	51	19	54	26	59	172%	-13%	124	372	-67%	266	Q3 '04	431	YTD '04	
Debt Capital Markets	119	171	176	134	177	-31%	-33%	463	580	-20%	211	Q1 '07	380	YTD '07	
Total Debt Underwriting	170	190	230	160	236	-11%	-28%	589	953	-38%	411	Q3 '04	953	YTD '07	
Financial Advisory	158	144	217	230	336	10%	-53%	519	667	-22%	336	Q3 '07	667	YTD '07	
Attributable	(14)	(32)	(43)	(19)	(33)	-54%	-59%	(89)	(110)	-18%	(2)	Q4 '00	-	-	
Total Banking	394	576	541	532	711	-32%	-45%	1,512	2,064	-27%	927	Q3 '04	2,064	YTD '07	

Europe Revenues (\$mm)

	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records <sup>2</sup>			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Qtr Record	Qtr	YTD Record	Year
						Q2 '08	Q1 '07			YTD '08	YTD '07				
Equity Underwriting	77	51	58	51	99	50%	-22%	186	194	-4%	99	Q3 '07	200	YTD '00	
Leveraged Finance	0	5	19	5	35	-92%	-99%	24	147	-84%	63	Q2 '07	147	YTD '07	
Debt Capital Markets	38	52	34	30	61	-28%	-38%	144	147	-2%	135	Q1 '06	221	YTD '05	
Total Debt Underwriting	38	57	73	35	96	-34%	-61%	168	294	-43%	155	Q1 '06	294	YTD '07	
Financial Advisory	60	76	91	146	84	-21%	-28%	228	262	-13%	146	Q4 '07	262	YTD '07	
Attributable	14	27	42	14	32	-48%	-56%	82	104	-20%	42	Q1 '07	104	YTD '07	
Total Banking	190	212	264	246	310	-10%	-39%	665	853	-22%	310	Q3 '07	854	YTD '07	

Asia Revenues (\$mm)

	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records <sup>2</sup>			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Qtr Record	Qtr	YTD Record	Year
						Q2 '08	Q1 '07			YTD '08	YTD '07				
Equity Underwriting	1	5	19	18	23	-77%	-95%	24	37	-37%	67	Q2 '05	106	YTD '05	
Leveraged Finance	0	18	3	0	7	-98%	-93%	21	25	n/a	18	Q2 '08	25	YTD '07	
Debt Capital Markets	12	24	17	18	11	-49%	5%	52	46	13%	26	Q4 '04	61	YTD '05	
Total Debt Underwriting	12	41	19	18	18	-70%	-33%	73	71	3%	41	Q2 '08	73	YTD '08	
Financial Advisory	13	19	22	11	4	-33%	192%	54	19	179%	42	Q1 '00	54	YTD '08	
Attributable	0	5	2	5	4	-91%	-88%	7	6	16%	37	Q4 '04	23	YTD '01	
Total Banking	27	70	62	53	50	-62%	-16%	159	153	4%	99	Q2 '05	206	YTD '05	

<sup>1</sup> Records date back to Q1 '98

<sup>2</sup> Records date back to Q1 '00



LEHMAN BROTHERS  
THIRD QUARTER 2008  
AMERICAS BANKING VOLUME

Americas Market Volume (\$mm):

	Fiscal Quarter Trend				9 Months Ending Mar				Calendar Year				Records			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	YTD '07	ANN '08	CY '07	CY '06	CY '05	Q3 '07	Q2 '07	YTD Record	Year
Total Equity (including right)	67,495	111,080	59,879	66,651	76,033	59%	-11%	237,651	311,569	305,670	552,438	2%	111,080	Q2 '08	238,454	YTD '08
Common Stock	54,198	78,560	36,891	54,713	56,986	-31%	-3%	154,158	203,040	203,336	179,943	7%	78,560	Q2 '08	159,649	YTD '08
IFOs	5,943	26,650	4,317	27,482	60,595	-76%	-51%	60,595	50,243	85,672	61,212	-1%	31,571	Q3 '07	60,595	YTD '07
Secondary	48,255	51,910	22,574	27,232	25,416	7%	99%	91,560	162,797	119,664	118,731	-2%	51,910	Q2 '08	122,139	YTD '08
Convertibles	13,297	32,530	32,987	11,938	19,047	-5%	-10%	83,493	91,550	180,334	72,495	-9%	40,833	Q2 '07	83,493	YTD '07
Total Debt	441,495	766,150	608,427	715,476	920,616	-47%	-12%	2,976,495	2,538,861	3,664,046	3,800,050	-11%	1,165,139	Q3 '07	2,976,495	YTD '07
Investment Grade	121,115	319,757	236,223	243,534	218,769	-67%	-45%	801,154	914,392	1,048,480	981,317	-1%	331,187	Q2 '07	801,154	YTD '07
Leveraged Loans	111,467	133,003	116,343	254,592	308,299	-16%	-6%	908,219	971,252	1,098,019	793,581	-5%	369,262	Q2 '07	910,319	YTD '07
High Yield	10,753	19,618	4,764	34,488	21,266	-43%	-49%	112,500	49,833	138,638	137,206	61%	54,271	Q2 '07	112,500	YTD '07
M&A Completed	361,231	372,980	364,920	612,971	637,157	-3%	-4%	1,774,974	1,699,131	2,384,866	1,814,948	-8%	657,157	Q3 '07	1,774,974	YTD '07
M&A Announced	542,991	346,669	348,435	336,756	731,421	-1%	-37%	2,121,538	1,495,384	2,334,441	2,035,814	-20%	745,574	Q3 '07	2,121,538	YTD '07

Americas Lehman Volume (\$mm):

	Fiscal Quarter Trend				9 Months Ending Mar				Calendar Year				Records			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	YTD '07	ANN '08	CY '07	CY '06	CY '05	Q3 '07	Q2 '07	YTD Record	Year
Total Equity (including right)	7,926	10,298	5,548	2,635	6,441	42%	23%	17,374	30,524	21,682	19,313	-1%	10,298	Q3 '08	21,772	YTD '08
Common Stock	3,526	4,324	2,368	2,537	4,202	-27%	-100%	10,637	18,263	11,782	13,769	57%	5,526	Q3 '08	13,768	YTD '08
IFOs	-	129	266	1,178	2,682	-100%	-100%	4,235	370	5,312	4,433	-9%	2,682	Q3 '07	4,235	YTD '07
Secondary	5,326	4,295	2,122	1,181	1,520	36%	26%	6,413	17,800	6,470	9,336	17%	5,526	Q3 '08	13,043	YTD '08
Convertibles	2,400	5,774	3,160	77	2,239	-38%	7%	6,736	12,261	9,660	5,544	35%	5,774	Q3 '08	11,334	YTD '08
Total Debt	16,885	33,729	44,837	53,925	64,568	-66%	-34%	231,560	154,631	298,038	340,027	-58%	100,192	Q2 '07	244,929	YTD '07
Investment Grade	4,298	16,646	21,776	10,310	14,043	-74%	-69%	62,645	55,345	70,632	71,777	-27%	24,600	Q2 '07	62,645	YTD '07
Leveraged Loans	1,512	2,449	3,217	16,571	10,382	-38%	-43%	37,004	8,241	51,133	24,734	-69%	16,571	Q4 '07	37,004	YTD '07
High Yield	1,069	1,069	-	2,960	1,078	-31%	-37%	7,927	2,383	9,806	8,337	-76%	4,106	Q3 '07	7,927	YTD '07
M&A Completed	78,331	139,951	44,011	286,903	104,150	-60%	-25%	402,240	367,260	515,071	387,595	-29%	206,961	Q4 '07	402,240	YTD '07
M&A Announced	83,668	162,014	54,353	34,124	132,000	-50%	-16%	448,561	472,467	478,073	385,159	-13%	165,014	Q3 '08	448,561	YTD '08

Lehman's America Market Share:

	Fiscal Quarter Trend				9 Months Ending Mar				Calendar Year				Records			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	YTD '07	ANN '08	CY '07	CY '06	CY '05	Q3 '07	Q2 '07	YTD Record	Year
Total Equity (including right)	11.7%	9.3%	9.3%	4.0%	8.5%	37%	18%	7.3%	9.8%	6.9%	7.7%	42%	14.2%	Q3 '05	21,772	YTD '08
Common Stock	10.3%	5.8%	8.9%	4.7%	7.4%	77%	18%	6.9%	8.3%	5.8%	7.7%	42%	17.0%	Q1 '06	13,768	YTD '08
IFOs	0.0%	0.5%	6.2%	5.0%	8.5%	-100%	-100%	7.0%	0.7%	6.4%	7.2%	-68%	11.8%	Q3 '06	4,235	YTD '07
Secondary	11.5%	8.5%	9.4%	4.3%	6.0%	15%	91%	6.9%	10.5%	5.4%	7.9%	98%	14.8%	Q3 '03	13,043	YTD '08
Convertibles	11.4%	7.5%	6.7%	138.8%	54.5%	51%	-77%	8.1%	9.0%	51.0%	34.1%	-82%	138.8%	Q4 '07	11,334	YTD '08
Total Debt	3.8%	4.4%	7.1%	7.5%	7.0%	-13%	-45%	7.8%	4.9%	8.1%	8.9%	-72%	16.5%	Q2 '05	244,929	YTD '07
Investment Grade	3.5%	5.2%	9.6%	4.2%	6.4%	-12%	-41%	7.8%	6.1%	6.8%	8.0%	-10%	10.4%	Q3 '03	62,645	YTD '07
Leveraged Loans	1.4%	1.8%	1.9%	7.1%	3.4%	-26%	-60%	4.1%	1.7%	4.7%	3.1%	-61%	7.1%	Q4 '07	37,004	YTD '07
High Yield	4.8%	5.4%	0.0%	8.7%	5.1%	-11%	-5%	7.0%	4.8%	2.3%	6.1%	-55%	10.6%	Q2 '03	7,927	YTD '07
M&A Completed	21.7%	35.1%	12.1%	32.7%	15.8%	-18%	37%	22.7%	25.0%	21.6%	21.4%	16%	38.1%	Q4 '04	402,240	YTD '07
M&A Announced	15.5%	30.9%	15.7%	8.6%	17.8%	-10%	-13%	21.2%	23.2%	20.3%	18.9%	9%	30.9%	Q2 '08	448,561	YTD '08

Lehman's America Ranking:

	Fiscal Quarter Trend				9 Months Ending Mar				Calendar Year				Records			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	YTD '07	ANN '08	CY '07	CY '06	CY '05	Q3 '07	Q2 '07	YTD Record	Year
Total Equity (including right)	1	5	4	6	8	3	8	6	3	8	6	6	3	8	6	Q3 '08
IFOs	11	11	2	7	6	11	1	5	11	1	5	3	2	11	5	Q1 '08
Secondary	3	3	1	8	6	3	7	4	3	7	7	7	1	3	7	Q1 '08
Convertibles	3	4	6	6	6	3	4	7	10	3	2	2	2	4	7	Q4 '05
Total Debt	7	7	6	3	4	10	3	2	10	3	2	1	1	3	2	Q3 '05
Investment Grade	17	12	13	8	7	7	7	10	13	9	10	4	1	4	10	Q3 '05
Leveraged Loans	15	12	13	8	9	15	9	7	9	7	7	4	4	9	4	Q3 '05
High Yield	9	8	6	6	6	9	7	7	9	7	7	7	9	4	Q1 '05	
M&A Completed	5	6	10	6	7	5	6	5	5	6	5	2	2	4	6	Q4 '04
M&A Announced	5	5	1	5	5	5	5	5	5	5	5	1	1	2	6	Q1 '08

\* Records date back to Q1 '03

LEHMAN BROTHERS  
THIRD QUARTER 2008  
EUROPE BANKING VOLUME

Europe Market Volumes (\$mm):

	Fiscal Quarter Trend			Q1 '08		Q2 '08		Q3 '08		9 Months Ending Mar		YTD '08		YTD '07		YTD '06		Records		
	Q1 '08	Q2 '08	Q3 '08	Q1 '08	Q2 '08	Q3 '08	Q1 '08	Q2 '08	Q3 '08	YTD '08	YTD '07	YTD '06	ANN '08	CY '07	CY '06	ANN '08	CY '07	ANN '08	CY '07	
Total Equity (including rights)	65,131	64,656	67,507	41,731	40,325	41,707	17,318	17,318	346,017	346,017	346,017	346,017	346,320	346,320	346,320	346,320	346,320	346,320	346,320	346,320
Common Stock	82,633	82,633	82,633	79,087	79,087	79,087	23,489	23,489	23,489	23,489	23,489	23,489	23,489	23,489	23,489	23,489	23,489	23,489	23,489	23,489
IPO	9,086	13,838	13,838	18,506	18,506	18,506	41,430	41,430	81,762	81,762	81,762	107,353	107,353	107,353	107,353	107,353	107,353	107,353	107,353	107,353
Secondary	73,547	42,833	19,218	19,218	46,586	51,315	135,098	132,727	22,727	22,727	22,727	183,147	178,483	155,739	155,739	155,739	155,739	155,739	155,739	155,739
Convertible	2,498	11,956	5,207	11,138	11,138	26,291	25,527	25,527	25,527	25,527	25,527	39,814	39,814	21,212	21,212	21,212	21,212	21,212	21,212	21,212
Total Debt	392,297	410,073	376,346	421,900	421,900	421,900	1,378,631	1,378,631	2,256,376	2,256,376	2,256,376	2,256,376	2,256,376	2,256,376	2,256,376	2,256,376	2,256,376	2,256,376	2,256,376	2,256,376
Investment Grade	350,988	372,156	370,270	424,797	424,797	424,797	1,034,007	1,034,007	1,034,007	1,034,007	1,034,007	1,034,007	1,034,007	1,034,007	1,034,007	1,034,007	1,034,007	1,034,007	1,034,007	1,034,007
Leveraged Loans	47,037	71,496	59,935	28,150	28,150	28,150	183,088	183,088	411,152	411,152	411,152	467,616	467,616	393,643	393,643	393,643	393,643	393,643	393,643	393,643
High Yield	1,973	9	9	9	9	9	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032
M&A Completed	390,073	429,253	394,139	563,742	563,742	563,742	1,213,464	1,213,464	1,226,335	1,226,335	1,226,335	1,435,906	1,435,906	1,435,906	1,435,906	1,435,906	1,435,906	1,435,906	1,435,906	1,435,906
M&A Announced	539,053	497,080	361,336	601,887	601,887	601,887	1,539,369	1,539,369	1,645,650	1,645,650	1,645,650	2,428,376	2,428,376	1,677,829	1,677,829	1,677,829	1,677,829	1,677,829	1,677,829	1,677,829

Europe Market Volumes (\$mm):

	Fiscal Quarter Trend			Q1 '08		Q2 '08		Q3 '08		9 Months Ending Mar		YTD '08		YTD '07		YTD '06		Records		
	Q1 '08	Q2 '08	Q3 '08	Q1 '08	Q2 '08	Q3 '08	Q1 '08	Q2 '08	Q3 '08	YTD '08	YTD '07	YTD '06	ANN '08	CY '07	CY '06	ANN '08	CY '07	ANN '08	CY '07	
Total Equity (including rights)	3,378	1,769	1,321	135	863	1,321	5,279	5,279	4,315	4,315	4,315	275	275	275	275	275	275	275	275	275
Common Stock	3,378	1,192	1,192	201	201	201	4,570	4,570	1,218	1,218	1,218	275	275	275	275	275	275	275	275	275
IPO	143	-	-	133	201	201	276	276	1,461	1,461	1,461	475	475	2,564	2,564	2,564	2,564	2,564	2,564	2,564
Secondary	3,235	1,192	1,192	1,192	1,192	1,192	4,427	4,427	2,704	2,704	2,704	675	675	2,761	2,761	2,761	2,761	2,761	2,761	2,761
Convertible	-	577	-	-	144	-	377	377	150	150	150	289	289	284	284	284	284	284	284	284
Total Debt	7,147	14,629	9,823	6,917	6,917	6,917	31,599	31,599	79,884	79,884	79,884	69	69	86,411	86,411	86,411	86,411	86,411	86,411	86,411
Investment Grade	7,147	12,072	4,683	4,683	2,326	2,326	30,390	30,390	66,000	66,000	66,000	69	69	31,638	31,638	31,638	31,638	31,638	31,638	31,638
Leveraged Loans	283	318	-	-	-	-	623	623	11,974	11,974	11,974	98	98	11,248	11,248	11,248	11,248	11,248	11,248	11,248
High Yield	-	-	-	-	-	-	-	-	1,520	1,520	1,520	100	100	1,302	1,302	1,302	1,302	1,302	1,302	1,302
M&A Completed	98,034	173,845	47,699	311,871	40,866	40,866	319,578	319,578	117,031	117,031	117,031	175	175	333,182	333,182	333,182	333,182	333,182	333,182	333,182
M&A Announced	86,106	124,001	30,790	47,184	51,224	51,224	340,899	340,899	365,801	365,801	365,801	147	147	389,333	389,333	389,333	389,333	389,333	389,333	389,333

Lehman's Europe Market Share:

	Fiscal Quarter Trend			Q1 '08		Q2 '08		Q3 '08		9 Months Ending Mar		YTD '08		YTD '07		YTD '06		Records	
	Q1 '08	Q2 '08	Q3 '08	Q1 '08	Q2 '08	Q3 '08	Q1 '08	Q2 '08	Q3 '08	YTD '08	YTD '07	YTD '06	ANN '08	CY '07	CY '06	ANN '08	CY '07	ANN '08	CY '07
Total Equity (including rights)	4.0%	2.0%	1.7%	0.3%	1.0%	1.7%	12.7%	12.7%	1.8%	1.8%	1.8%	1.8%	1.3%	1.3%	2.5%	1.0%	1.0%	1.0%	1.0%
Common Stock	4.1%	2.1%	1.7%	0.0%	0.0%	0.0%	4.1%	4.1%	0.6%	0.6%	0.6%	0.6%	2.0%	2.0%	2.0%	1.5%	1.5%	1.5%	1.5%
IPO	1.0%	0.0%	0.0%	0.7%	0.6%	0.7%	10.7%	10.7%	1.7%	1.7%	1.7%	1.7%	1.3%	1.3%	1.8%	1.0%	1.0%	1.0%	1.0%
Secondary	4.4%	2.8%	2.8%	0.0%	1.1%	2.8%	3.3%	3.3%	2.0%	2.0%	2.0%	6.0%	6.0%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%
Convertible	0.0%	4.3%	0.0%	0.0%	1.3%	0.0%	2.8%	2.8%	0.6%	0.6%	0.6%	1.6%	1.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Total Debt	1.8%	2.4%	2.0%	2.0%	1.6%	3.1%	11.1%	11.1%	3.5%	3.5%	3.5%	3.5%	2.7%	2.7%	3.4%	3.4%	3.4%	3.4%	3.4%
Investment Grade	0.7%	1.3%	0.9%	0.9%	0.9%	2.3%	2.8%	2.8%	2.9%	2.9%	2.9%	2.9%	2.2%	2.2%	3.1%	3.1%	3.1%	3.1%	3.1%
Leveraged Loans	0.6%	0.4%	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
High Yield	0.0%	0.0%	0.0%	0.0%	0.0%	7.6%	10.0%	10.0%	5.4%	5.4%	5.4%	5.4%	0.0%	0.0%	3.3%	3.3%	3.3%	3.3%	3.3%
M&A Completed	25.1%	40.5%	12.1%	37.6%	9.2%	9.2%	17.1%	17.1%	9.6%	9.6%	9.6%	17.1%	17.1%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
M&A Announced	16.9%	26.3%	8.5%	7.0%	19.8%	8.3%	36.1%	36.1%	19.8%	19.8%	19.8%	19.8%	20.3%	20.3%	12.8%	12.8%	12.8%	12.8%	12.8%

Lehman's Europe Ranking:

	Fiscal Quarter Trend			Q1 '08		Q2 '08		Q3 '08		9 Months Ending Mar		YTD '08		YTD '07		YTD '06		Records		
	Q1 '08	Q2 '08	Q3 '08	Q1 '08	Q2 '08	Q3 '08	Q1 '08	Q2 '08	Q3 '08	YTD '08	YTD '07	YTD '06	ANN '08	CY '07	CY '06	ANN '08	CY '07	ANN '08	CY '07	
Total Equity (including rights)	9	13	12	14	14	14	13	13	13	13	13	13	9	9	13	13	13	13	13	13
Common Stock	23	13	15	11	11	11	11	11	11	11	11	11	23	23	11	11	11	11	11	11
IPO	8	8	17	19	19	19	8	8	3	3	3	3	8	8	3	3	3	3	3	3
Secondary	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
Convertible	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
Total Debt	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23
Investment Grade	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Leveraged Loans	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
High Yield	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
M&A Completed	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
M&A Announced	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6

Records date back to Q1 '03

LEHMAN BROTHERS  
THIRD QUARTER 2008  
ASIA BANKING VOLUME

Asia Market Volume (\$mm)

	Fiscal Quarter Trend					Q %		9 Months Ending May		YTD '08 vs		Calendar Year				Records			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '08	Q2 '07	YTD '08	YTD '07	YTD '08	ANN '08	CY '07	CY '06	CY '07	Qtr Record	Qtr	YTD Record	Year	
Total Equity (including rights)	22,176	36,405	41,903	104,136	76,459	-3%	-71%	100,484	203,197	-51%	122,402	242,267	229,148	-9%	104,336	Q4 '07	203,197	YTD '07	
Common Stock	17,163	29,185	29,500	95,403	66,811	-1%	-71%	76,048	172,286	-56%	48,164	200,678	198,931	-1%	95,400	Q4 '07	172,286	YTD '07	
IPOs	4,799	7,570	15,544	16,930	21,733	-17%	-78%	27,873	61,926	-55%	27,383	79,505	88,863	-6%	42,260	Q4 '06	61,926	YTD '07	
Secondary	12,564	21,615	13,996	58,469	45,077	-2%	-72%	48,174	110,360	-56%	60,781	121,173	110,488	-6%	58,469	Q4 '07	110,360	YTD '07	
Convertibles	4,813	7,220	12,403	8,936	9,649	-31%	-80%	24,436	30,911	-31%	34,239	41,589	30,197	-18%	13,946	Q2 '07	30,911	YTD '07	
Total Debt	118,668	114,284	107,032	132,060	118,013	5%	1%	340,003	371,488	-8%	482,377	502,123	474,721	-5%	146,873	Q4 '06	371,488	YTD '07	
Investment Grade	77,245	84,034	51,179	76,802	59,287	4%	10%	212,463	205,399	5%	306,372	279,897	259,302	5%	84,038	Q2 '08	212,463	YTD '08	
Leveraged Loans	15,050	21,434	17,310	15,982	14,618	-10%	3%	53,794	42,825	26%	75,494	63,064	34,001	20%	21,875	Q2 '07	53,794	YTD '08	
High Yield	-	500	-	505	2,368	-100%	-100%	500	6,185	-92%	750	5,306	7,800	-67%	2,766	Q3 '06	6,185	YTD '07	
M&A Completed	95,311	134,085	156,614	138,987	175,903	-29%	-40%	386,010	461,197	-16%	541,073	635,979	468,469	-21%	199,206	Q2 '07	461,197	YTD '07	
M&A Announced	176,406	194,294	202,339	375,225	205,936	9%	-14%	573,039	595,093	-4%	722,694	966,909	616,634	-23%	375,225	Q4 '07	595,093	YTD '07	

Asia Lehman Volume (\$mm)

	Fiscal Quarter Trend					Q %		9 Months Ending May		YTD '08 vs		Calendar Year				Records			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '08	Q2 '07	YTD '08	YTD '07	YTD '08	ANN '08	CY '07	CY '06	CY '07	Qtr Record	Qtr	YTD Record	Year	
Total Equity (including rights)	39	276	168	1,248	1,092	-6%	-9%	483	3,400	-87%	472	4,413	1,020	-89%	1,864	Q2 '07	3,400	YTD '07	
Common Stock	39	76	168	838	767	-9%	-8%	283	2,175	-87%	172	2,778	831	-94%	964	Q2 '07	2,175	YTD '07	
IPOs	39	-	-	336	491	n/a	-9%	39	1,334	-92%	59	1,659	58	-96%	843	Q2 '07	1,334	YTD '07	
Secondary	-	76	168	512	276	-100%	-100%	244	842	-71%	114	1,119	773	-90%	512	Q4 '07	842	YTD '07	
Convertibles	-	200	-	411	325	-100%	-100%	300	1,235	-76%	300	1,635	190	-87%	900	Q2 '07	1,235	YTD '07	
Total Debt	943	1,130	765	1,807	503	-17%	87%	2,838	1,180	141%	4,257	3,717	1,265	17%	1,807	Q4 '07	2,838	YTD '08	
Investment Grade	-	-	100	30	167	n/a	-100%	80	719	-86%	150	833	928	-82%	525	Q3 '04	1,020	YTD '04	
Leveraged Loans	-	359	530	93	20	-100%	-100%	889	1,307	-32%	1,334	1,399	1,033	-1%	1,287	Q2 '07	1,307	YTD '07	
High Yield	-	-	-	-	-	n/a	n/a	-	100	-100%	-	100	-	-100%	333	Q4 '05	150	YTD '04	
M&A Completed	1,752	13,293	32,030	2,292	1,174	-87%	-9%	47,077	11,131	321%	65,362	18,303	7,065	257%	32,030	Q1 '08	47,077	YTD '08	
M&A Announced	11,688	7,340	29,094	7,393	4,026	33%	183%	48,323	8,816	392%	32,797	38,966	10,734	-7%	29,094	Q1 '08	48,323	YTD '08	

Lehman's Asia Market Share:

	Fiscal Quarter Trend					Q %		9 Months Ending May		YTD '08 vs		Calendar Year				Records	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '08	Q2 '07	YTD '08	YTD '07	YTD '08	ANN '08	CY '07	CY '06	CY '07	Record	Period	
Total Equity (including rights)	0.2%	0.8%	0.4%	1.2%	1.4%	-7%	-8%	0.5%	1.7%	-71%	0.4%	1.8%	0.4%	-79%	2.9%	Q4 '03	
Common Stock	0.2%	0.3%	0.6%	0.9%	1.1%	-14%	-8%	0.4%	1.3%	-71%	0.2%	1.4%	0.4%	-66%	1.7%	Q2 '07	
IPOs	0.8%	0.0%	0.0%	0.9%	2.3%	n/a	-4%	0.3%	2.2%	-94%	0.2%	2.1%	0.1%	-90%	3.9%	Q2 '07	
Secondary	0.0%	0.4%	1.2%	0.9%	0.6%	-100%	-100%	0.8%	0.8%	-14%	0.2%	0.9%	0.7%	-60%	2.4%	Q3 '04	
Convertibles	0.0%	2.8%	0.0%	4.6%	3.4%	-100%	-100%	0.5%	4.0%	-79%	0.9%	3.9%	0.6%	-78%	9.9%	Q4 '05	
Total Debt	0.8%	1.0%	0.7%	1.4%	0.4%	-20%	16%	0.8%	0.3%	163%	0.9%	0.7%	0.3%	19%	1.4%	Q4 '07	
Investment Grade	0.0%	0.0%	0.2%	0.1%	0.3%	n/a	-100%	0.0%	0.4%	-82%	0.0%	0.3%	0.4%	-84%	1.1%	Q1 '04	
Leveraged Loans	0.0%	1.7%	3.1%	0.6%	0.1%	-100%	-100%	1.7%	3.1%	-46%	1.8%	2.2%	3.0%	-20%	2.4%	Q2 '06	
High Yield	0.0%	0.0%	0.0%	0.0%	0.0%	n/a	n/a	0.0%	0.0%	-100%	0.0%	1.9%	0.0%	-100%	22.6%	Q4 '05	
M&A Completed	1.8%	9.9%	20.5%	1.6%	0.7%	-51%	176%	12.2%	2.4%	-40%	13.0%	2.8%	1.5%	363%	26.6%	Q3 '04	
M&A Announced	6.6%	3.9%	14.4%	2.0%	2.0%	71%	231%	8.4%	1.6%	-41%	7.3%	3.7%	1.7%	96%	24.4%	Q1 '03	

Lehman's Asia Rankings:

	Calendar Year					Calendar Year				Records	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	ANN '08	CY '07	CY '06	CY '07	Record	Period
Total Equity (including rights)	28	27	-	16	17	28	12	21	21	10	Q2 '01
Common Stock	-	-	-	-	-	-	-	-	-	-	-
IPOs	-	-	-	15	12	-	-	-	-	10	Q2 '07
Secondary	31	31	-	24	30	-	-	-	-	19	Q3 '06
Convertibles	14	14	-	8	8	-	-	-	-	7	Q2 '07
Total Debt	23	23	21	24	40	23	27	47	47	20	Q1 '03
Investment Grade	114	83	-	46	44	114	51	45	45	18	Q1 '04
Leveraged Loans	18	18	2	15	13	18	16	10	10	2	Q1 '08
High Yield	-	-	-	15	9	-	14	-	-	-	-
M&A Completed	2	1	1	20	18	2	20	29	29	1	Q2 '03
M&A Announced	10	6	1	19	21	10	17	28	28	1	Q2 '03

<sup>1</sup> Records date back to Q1 '03

LEHMAN BROTHERS  
THIRD QUARTER 2008  
INVESTMENT BANKING FEE SHARE\*

Global Fee Share:

						Δ %		Calendar Year		Δ %		Calendar Year		Records <sup>1</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		CY '07	CY '06	Fee Share	Period
						Q2 '08	Q3 '07			YTD '08	YTD '07				
Fee Share - All Products	4.6%	4.8%	5.6%	4.4%	4.4%	-1%	3%	4.6%	4.4%	3%	-1%	4.4%	4.6%	5.9%	Q1 '02
Equity	4.5%	4.8%	4.1%	3.0%	3.4%	-6%	11%	4.3%	3.4%	11%	3.2%	3.4%	4.8%	Q1 '02	
Debt	3.9%	4.3%	4.7%	5.1%	4.6%	-2%	-14%	3.9%	4.6%	-14%	5.6%	7.4%	7.0%	Q2 '02	
High Yield	4.4%	4.2%	0.0%	6.8%	6.0%	3%	-26%	4.4%	6.0%	-26%	6.6%	5.2%	8.2%	Q2 '02	
M&A Completed	4.9%	5.2%	7.0%	4.9%	4.9%	6%	0%	4.9%	4.9%	0%	4.6%	4.5%	7.0%	Q1 '08	

Americas Fee Share:

						Δ %		Calendar Year		Δ %		Calendar Year		Records <sup>1</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		CY '07	CY '06	Fee Share	Period
						Q2 '08	Q3 '07			YTD '08	YTD '07				
Fee Share - All Products	6.0%	6.3%	8.8%	6.2%	6.1%	-3%	-1%	6.0%	6.1%	-1%	6.2%	6.9%	8.8%	Q1 '08	
Equity	6.1%	6.9%	8.5%	4.9%	5.4%	-12%	14%	6.1%	5.4%	14%	5.0%	5.9%	8.5%	Q1 '08	
Debt	4.4%	4.6%	5.5%	6.3%	5.4%	-8%	-19%	4.4%	5.4%	-19%	7.1%	11.3%	9.2%	Q2 '05	
High Yield	4.8%	4.2%	0.0%	7.4%	6.6%	14%	-27%	4.8%	6.6%	-27%	7.2%	6.0%	9.2%	Q1 '05	
M&A Completed	7.1%	7.3%	11.7%	6.7%	6.7%	-3%	6%	7.1%	6.7%	6%	6.3%	6.2%	11.7%	Q1 '08	

Europe Fee Share:

						Δ %		Calendar Year		Δ %		Calendar Year		Records <sup>1</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		CY '07	CY '06	Fee Share	Period
						Q2 '08	Q3 '07			YTD '08	YTD '07				
Fee Share - All Products	3.5%	3.5%	1.6%	2.6%	2.7%	0%	28%	3.5%	2.7%	28%	2.5%	3.0%	4.8%	Q2 '04	
Equity	3.7%	2.6%	0.0%	1.7%	2.0%	-2%	83%	3.7%	2.0%	83%	1.6%	2.5%	7.1%	Q2 '04	
Debt	3.2%	3.8%	2.3%	3.4%	3.8%	-16%	-16%	3.2%	3.8%	-16%	3.2%	3.4%	4.3%	Q2 '03	
High Yield	0.0%	0.0%	0.0%	4.2%	3.9%	n/a	-100%	0.0%	3.9%	-100%	4.2%	3.7%	16.6%	Q1 '03	
M&A Completed	3.5%	3.7%	1.7%	3.0%	2.8%	-5%	26%	3.5%	2.8%	26%	2.8%	3.2%	7.2%	Q1 '04	

Asia Fee Share:

						Δ %		Calendar Year		Δ %		Calendar Year		Records <sup>1</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		CY '07	CY '06	Fee Share	Period
						Q2 '08	Q3 '07			YTD '08	YTD '07				
Fee Share - All Products	1.4%	1.6%	1.7%	1.4%	1.3%	-13%	7%	1.1%	1.3%	7%	1.5%	0.4%	2.4%	Q2 '03	
Equity	0.5%	0.5%	0.0%	1.4%	1.3%	0%	-60%	0.5%	1.3%	-60%	1.6%	0.3%	1.5%	Q2 '07	
Debt	1.3%	0.7%	4.6%	1.0%	0.1%	86%	1563%	1.3%	0.1%	1563%	3.2%	3.4%	4.6%	Q1 '08	
High Yield	0.0%	0.0%	0.0%	2.3%	4.6%	n/a	-100%	0.0%	4.6%	-100%	2.5%	0.0%	40.6%	Q1 '07	
M&A Completed	2.3%	3.0%	3.7%	1.5%	1.7%	-23%	38%	2.3%	1.7%	38%	1.6%	0.3%	5.7%	Q2 '03	

<sup>1</sup> Records date back to Q1 '02 (Global) and Q1 '03 (Regions)

\* As of 7/31/08

LEHMAN BROTHERS  
THIRD QUARTER 2008  
INVESTMENT BANKING PIPELINE FEES

Global Pipeline Fees (\$mm):<sup>1</sup>

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records <sup>2</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Fees	Period
						Q2 '08	Q3 '07					
Equity	152	212	302	316	317	-28%	-52%	152	317	-52%	422	Q2 '07
Leveraged Finance	34	29	46	54	111	17%	-69%	34	111	-69%	502	Q2 '07
Debt Capital Markets	50	45	58	87	61	10%	-18%	50	61	-18%	123	Q3 '06
Subtotal Debt	84	74	104	141	172	13%	-51%	84	172	-51%	616	Q2 '07
Advisory	322	249	340	374	501	29%	-36%	322	501	-36%	521	Q2 '07
Total	558	536	746	831	990	4%	-44%	558	990	-44%	1,560	Q2 '07

Americas Pipeline Fees (\$mm):<sup>1</sup>

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records <sup>2</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Fees	Period
						Q2 '08	Q3 '07					
Equity	119	151	214	285	286	-21%	-58%	119	286	-58%	377	Q2 '07
Leveraged Finance	30	27	39	38	109	10%	-73%	30	109	-73%	440	Q2 '07
Debt Capital Markets	22	23	36	70	54	0%	-58%	22	54	-58%	105	Q2 '07
Subtotal Debt	52	49	75	108	163	5%	-68%	52	163	-68%	545	Q2 '07
Advisory	167	176	213	218	310	-5%	-46%	167	310	-46%	378	Q2 '07
Total	338	376	504	611	759	-10%	-55%	338	759	-55%	1,301	Q2 '07

Europe Pipeline Fees (\$mm):<sup>1</sup>

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records <sup>2</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Fees	Period
						Q2 '08	Q3 '07					
Equity	16	61	83	30	13	-73%	27%	16	13	27%	112	Q2 '00
Leveraged Finance	5	-	-	10	-	n/a	n/a	5	-	#DIV/0!	62	Q2 '07
Debt Capital Markets	27	23	22	17	7	20%	290%	27	7	290%	36	Q2 '06
Subtotal Debt	32	23	22	27	7	-10%	354%	32	7	354%	76	Q3 '06
Advisory	137	59	105	136	184	131%	-26%	137	184	-26%	184	Q3 '07
Total	185	142	210	193	203	30%	-9%	185	203	-9%	243	Q2 '07

Asia Pipeline Fees (\$mm):<sup>1</sup>

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records <sup>2</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Fees	Period
						Q2 '08	Q3 '07					
Equity	17	-	5	-	19	n/a	-10%	17	19	-10%	48	Q1 '00
Leveraged Finance	-	2	7	6	2	-100%	-100%	-	2	n/a	7	Q1 '08
Debt Capital Markets	-	-	-	-	-	n/a	n/a	-	-	n/a	6	Q1 '00
Subtotal Debt	-	2	7	6	2	-100%	-100%	-	2	n/a	11	Q1 '00
Advisory	18	15	20	20	8	27%	143%	18	8	143%	20	Q1 '08
Total	35	17	32	27	28	109%	24%	35	28	24%	72	Q1 '00

<sup>1</sup> Fee information is for both lead and co-lead managed deals

<sup>2</sup> Records date back to Q1 '00

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LEHMAN BROTHERS  
THIRD QUARTER 2008  
INVESTMENT BANKING PIPELINE VALUES

Global Pipeline Value (\$bn):<sup>1</sup>

	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records <sup>2</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Value	Period
						Q2 '08	Q3 '07			YTD '07	YTD '07		
Equity	10	32	29	24	18	-70%	-16%	10	18	-16%	32	Q2 '08	
Leveraged Finance	8	12	13	30	132	-30%	-94%	8	132	-94%	132	Q3 '07	
Debt Capital Markets	18	23	27	30	47	-19%	-61%	18	47	-61%	45	Q3 '07	
Subtotal Debt	27	34	59	60	179	-22%	-85%	27	179	-85%	179	Q3 '07	
Advisory	180	215	268	231	616	-16%	-71%	180	616	-71%	616	Q3 '07	
<b>Total</b>	<b>217</b>	<b>282</b>	<b>337</b>	<b>315</b>	<b>813</b>	<b>-23%</b>	<b>-73%</b>	<b>217</b>	<b>813</b>	<b>-73%</b>	<b>813</b>	<b>Q3 '07</b>	

Americas Pipeline Value (\$bn):<sup>1</sup>

	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records <sup>2</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Value	Period
						Q2 '08	Q3 '07			YTD '07	YTD '07		
Equity	6	7	12	18	16	-6%	-60%	6	16	-60%	25	Q2 '07	
Leveraged Finance	7	11	11	27	126	-37%	-94%	7	126	-94%	126	Q3 '07	
Debt Capital Markets	8	10	14	23	35	-22%	-77%	8	35	-77%	35	Q3 '07	
Subtotal Debt	15	22	25	50	161	-30%	-91%	15	161	-91%	161	Q3 '07	
Advisory	86	84	105	56	274	1%	-69%	86	274	-69%	274	Q3 '07	
<b>Total</b>	<b>107</b>	<b>113</b>	<b>141</b>	<b>124</b>	<b>451</b>	<b>-5%</b>	<b>-76%</b>	<b>107</b>	<b>451</b>	<b>-76%</b>	<b>451</b>	<b>Q3 '07</b>	

Europe Pipeline Value (\$bn):<sup>1</sup>

	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records <sup>2</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Value	Period
						Q2 '08	Q3 '07			YTD '07	YTD '07		
Equity	3	26	17	6	1	-89%	115%	3	1	115%	26	Q2 '08	
Leveraged Finance	1	-	-	2	5	n/a	-81%	1	5	-81%	17	Q2 '07	
Debt Capital Markets	10	12	13	7	12	-16%	-10%	10	12	-10%	18	Q2 '06	
Subtotal Debt	11	12	13	9	17	-7%	-33%	11	17	-33%	32	Q2 '07	
Advisory	88	128	158	168	340	-31%	-74%	88	340	-74%	340	Q3 '07	
<b>Total</b>	<b>102</b>	<b>165</b>	<b>187</b>	<b>183</b>	<b>358</b>	<b>-38%</b>	<b>-71%</b>	<b>102</b>	<b>358</b>	<b>-71%</b>	<b>358</b>	<b>Q3 '07</b>	

Asia Pipeline Value (\$bn):<sup>1</sup>

	Quarter Trend					Δ %		9 Months Ending May		Δ %		Records <sup>2</sup>	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Value	Period
						Q2 '08	Q3 '07			YTD '07	YTD '07		
Equity	1	-	1	-	1	n/a	-30%	1	1	-30%	5	Q1 '07	
Leveraged Finance	-	0	2	0	0	-100%	-100%	-	0	n/a	2	Q1 '08	
Debt Capital Markets	-	-	-	-	-	n/a	n/a	-	-	n/a	4	Q3 '02	
Subtotal Debt	-	0	2	0	0	-100%	-100%	-	0	n/a	4	Q3 '02	
Advisory	7	3	6	7	2	113%	183%	7	2	183%	14	Q1 '05	
<b>Total</b>	<b>8</b>	<b>3</b>	<b>8</b>	<b>8</b>	<b>4</b>	<b>121%</b>	<b>103%</b>	<b>8</b>	<b>4</b>	<b>103%</b>	<b>15</b>	<b>Q1 '05</b>	

<sup>1</sup> Value includes only lead managed deals

<sup>2</sup> Records date back to Q1 '00

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LEHMAN BROTHERS  
THIRD QUARTER 2008  
PIPELINE OVERVIEW

- ◆ Q3'08 total pipeline volume of \$217bn is below Q2'08 by 23% and total book run revenues of \$558mm are above Q2'08 by 4%.
  - When compared to Q3'07 volume is down 73% and revenues declined 44%.

**M&A**

- ◆ Advisory revenue pipeline increased qoq by 29% driven by large cross border transactions that include \$8bn Credit Mutuel/Citibank Germany (\$25mm), \$5bn Finmeccanica SPA/DRS Tech (\$20mm), \$1bn AIG Highstar/GMTR (\$19mm), Mubadala Development/General Electric (\$17.5mm) and \$4bn China Oil Field Services/Awilco Offshore (\$7mm).
- ◆ We received League Table Credit only for \$64bn on deals awarded in the quarter including \$28bn Verizon/Alltel, \$9bn Continental AG/Schaeffler KG, \$4bn Sunpower/Cypress Semiconductor and \$1bn Telefonica SA/MediaSet.

**Equities**

- ◆ Pipeline revenues are down 28% qoq driven by the completion of large deals for \$9.4bn Credit Agricole SA (\$23.4mm), \$6.0bn Carlsberg A/S (\$20.9mm) and \$9.4bn Imperial Tobacco (\$6.0mm). Postponed deals totaling \$86.1mm of revenue fell off the pipeline including "Project Michelangelo" (\$37.5mm).
- ◆ IPO's account for 54% of book run volume and 59% of associated revenue. Financial Sponsors account for 58% of IPO book run volume and 46% of revenue compared to a year ago at 9% and 10% respectively, as Sponsors prepare to take advantage of a window in the IPO market.
- ◆ Equity pipeline is not as dependable as previous due to deals awarded and executed in the same quarter (45%) in Q3'08. Deals include: \$1.8bn XTO Energy (\$12mm), \$1.3bn Chesapeake Energy (\$8.5mm), \$1.0bn Petrohawk Energy (\$9.0mm) \$0.3bn Energy Transfer Ptns (\$2.5mm).

**Leverage Finance**

- ◆ Pipeline increased on the back of increased Sponsor activity.
- ◆ New LBO deals mandated include: \$1bn Converteam (LBO France) (\$4.5mm), \$0.6mm Huish Detergents (Vestor) (\$4.7mm) and \$0.3mm Sungard Data (Silverlake) (\$2.8mm).

**DCM**

- ◆ On the back of the Credit Mutuel M&A the financing mandate for \$2.9bn with \$15mm of revenue represents 15% of our DCM revenue pipeline.

**Regional**

- ◆ Europe and Asia revenue pipeline are both ahead of last quarter. Asia is also ahead of Q3'07 pipeline.
- ◆ Our International revenue pipeline has jumped from 30% in Q2'08 to 40% in Q3'08.

Product	Volume (\$bn)				
	Q3'08	Q2'08	Q3'07	---- % Chg ----	
Advisory	180	215	616	-16%	-71%
Equity (Lead)	10	32	18	-69%	-44%
LF (Lead)	8	12	132	-33%	-94%
DCM (Lead)	18	23	47	-22%	-62%
Total IBD (Lead)	217	282	813	-23%	-73%

Product	Revenues (\$mm)				
	Q3'08	Q2'08	Q3'07	---- % Chg ----	
Advisory	322	248	501	30%	-36%
Equity (Lead)	144	204	279	-29%	-48%
LF (Lead)	34	28	111	21%	-69%
DCM (Lead)	50	45	61	11%	-18%
IBD (Lead)	550	525	952	5%	-42%
All Prod. (Co-Managed)	8	10	39	-20%	-79%
Total IBD	558	535	990	4%	-44%

Regions	Volume (\$bn)				
	Q3'08	Q2'08	Q3'07	---- % Chg ----	
Americas	107	113	451	-3%	-76%
Europe	102	166	358	-39%	-72%
Asia	8	3	4	133%	75%
Total IBD (Lead)	216	282	813	-23%	-73%

Regions	Revenues (\$mm)				
	Q3'08	Q2'08	Q3'07	---- % Chg ----	
Americas	330	366	721	-10%	-54%
Europe	185	142	203	30%	-9%
Asia	35	17	28	106%	25%
IBD (Lead)	550	525	952	5%	-42%
All Regions (Co-Managed)	8	10	39	-20%	-79%
Total IBD	558	535	990	4%	-44%

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LEHMAN BROTHERS  
THIRD QUARTER 2008  
LEAGUE TABLE COMPETITOR ANALYSIS

**(Fiscal Year)**

M&A Completed

	Q3 '08		Q2 '08		Q3 '07	
	Volume	Share	Volume	Share	Volume	Share
Lehman Brothers	166.8	24%	185.7	28%	117.0	11%
CS Sachs	259.6	38%	243.3	37%	304.9	30%
Morgan Stanley	200.6	29%	103.9	16%	250.0	24%
Merrill Lynch	153.0	22.4%	82.1	12.4%	143.2	14%
<b>Total Market</b>	<b>691.7</b>		<b>662.0</b>	<b>4%</b>	<b>1,024.3</b>	

Significant Transactions - Q2 '08

- \$75.2bn Suez SA (UBS/JPM/Roths/MS/BNP/Calyon/HSBC/Blackstone)/ Gaz de Fran (Leh/Mer/Laz/GS/ABN/Soc Gen)
- \$23.9bn Clear Channel Commun (GS/Laz)/ BT Triple Crown Co (MS/Citi/Credit Suisse/Deutsche/Wachovia)
- \$16bn Telcel-International Operatn (Leh/GS)/ Shareholders (-)
- \$14.3bn Endesa Iliaba (Citi/UBS/Mediobanca/MS/GS)/ E.ON AG (Deutsche/HSBC)
- \$13bn Electronic Data Systems Corp (Citi/Execore Partners)/ Hewlett-Packard Co (Leh/JPM)

High Yield Origination

	Q3 '08		Q2 '08		Q3 '07	
	Volume	Share	Volume	Share	Volume	Share
Lehman Brothers	0.5	1%	1.1	5%	2.0	6%
CS Sachs	0.4	1%	1.5	8%	2.5	7%
Morgan Stanley	1.4	4%	0.9	4%	2.1	6%
Merrill Lynch	0.4	1%	1.2	6%	2.4	7%
<b>Total Market</b>	<b>12.7</b>		<b>20.1</b>	<b>-37%</b>	<b>35.7</b>	<b>-64%</b>

Significant Transactions - Q2 '08

- \$1.2bn Vedanta Resources PLC (JPM/MS/Banque/Paribas/Citi/Deutsche)
- \$1.2bn IntelSat Corp (Credit Suisse/Banc of America/MS)
- \$1bn IntelSat Jackson (Banc of America/Credit Suisse/MS)
- \$0.8bn XM Satellite Radio Hldgs (JPM/MS/UBS)
- \$0.7bn Sequa Corp (Leh/Citi/JPM)

M&A Announced

	Q3 '08		Q2 '08		Q3 '07	
	Volume	Share	Volume	Share	Volume	Share
Lehman Brothers	153.0	16%	176.1	20%	161.8	13%
CS Sachs	296.3	31%	370.8	42%	357.0	29%
Morgan Stanley	163.4	17%	205.7	23%	327.9	27%
Merrill Lynch	182.1	19%	79.7	9%	220.7	18%
<b>Total Market</b>	<b>943.3</b>		<b>875.8</b>	<b>8%</b>	<b>1,232.0</b>	

Significant Transactions - Q2 '08

- \$59.6bn Anheuser-Busch Cos (GS/Citi/Mer/Moelis/UBS)/ InBev NV (Laz/JPM/Deutsche/BNP/Centerview)
- \$13.7bn Genentech (GS)/ Roche Holding AG (Greenhill)
- \$28.1bn Alltel Corp (Citi/GS/RBS)/ Verizon Wireless (Leh/UBS/MS)
- \$22.8bn Union Fenosa SA (-)/ Gas Natural SDGSA (Leh/UBS)
- \$19.8bn British American Tobacco PLC (Leh/GS/MS)/ Shareholders (-)

High Grade Origination

	Q3 '08		Q2 '08		Q3 '07	
	Volume	Share	Volume	Share	Volume	Share
Lehman Brothers	6.0	1%	28.7	4%	18.7	3%
CS Sachs	13.6	3%	30.6	4%	26.2	5%
Morgan Stanley	12.8	3%	37.4	5%	27.7	5%
Merrill Lynch	14.5	3%	42.2	5%	32.6	6%
<b>Total Market</b>	<b>449.3</b>		<b>782.9</b>	<b>-43%</b>	<b>542.8</b>	<b>-17%</b>

Significant Transactions - Q2 '08

- \$5.5bn Credit Suisse (Credit Suisse)
- \$5.2bn Siemens NV (Deutsche/GS)
- \$5.2bn ING Bank NV (Deutsche)
- \$5bn Soc Gen SA (Soc Gen)
- \$5bn Time Warner Cable (Leh/BofA/BNP/MS/Citi/Deutsche/GS ...)

Equity Origination

	Q3 '08		Q2 '08		Q3 '07	
	Volume	Share	Volume	Share	Volume	Share
Lehman Brothers	11.3	6%	12.3	6%	8.8	4%
CS Sachs	22.6	13%	19.1	9%	14.1	6%
Morgan Stanley	16.7	10%	20.6	10%	19.5	9%
Merrill Lynch	23.4	13%	10.5	5%	19.3	8%
<b>Total Market</b>	<b>173.8</b>		<b>216.1</b>	<b>-19%</b>	<b>228.8</b>	<b>-24%</b>

Significant Transactions - Q2 '08

- \$24.4bn RBS (Mer/RBS/GS)
- \$15.4bn UBS AG (JPM/MS/UBS/BNP/GS)
- \$12.2bn Ca Valt do Rio Dose SA (Credit Suisse/ABN/BNP/Calyon/Citi/HSBC/JPM/Santander)
- \$9.9bn Imperial Tobacco Group PLC (Leh/Citi/MS/Hoare Govett)
- \$9.8bn Mer Lynch & Co (Mer)

Note: All volumes in \$ millions

LEHMAN BROTHERS  
THIRD QUARTER 2008  
SIGNIFICANT BANKING DEALS IN PIPELINE

Value (\$mil)	Deal	Industry	Region	Transaction Description	Revenue (\$mil)	Est. Date of Completion
<b>M&amp;A Announced</b>						
7,811	Groupe Credit Mutuel	FIG	EU	Acquisition of Citibank Privatkunden AG & Co KGaA	28.0	Dec '08
5,482	Finmeccanica Spa	Ind	AM/EU	Sale of Converteam to LBO France	20.0	Oct '08
1,107	AIG Highstar Capital	PW	AM	Sale of 50% equity interest in Interger N.V.	19.0	Dec '08
n/a	Mubadala Development Company	FIG	AM/EU	Formation of global business partnership with GE	17.5	Sep '08
10,600	SprintNextel	COMM	AM	Merger of 4G Wimax assets with Clearwire	17.0	Mar '09
n/a	Almutamayeza Co.	Ind	EU	Sale of interest in Abdul Latif Jameel Group LLC	13.8	Sep '08
22,750	Gas Natural SDG	NR	EU	Acquisition of Union Fenosa SA	12.5	Nov '08
n/a	Barclays Private Equity	IND	EU	Sale of Converteam to LBO France	11.7	Oct '08
4,380	Choicepoint	TECH	AM	Sale of Converteam to LBO France	11.4	Oct '08
<b>Equity</b>						
2,200	Finmeccanica SPA	Ind	EU	Rts	11.8	Oct '08
750	McJunkin Red Man Corp (GSCP)	Ind	AM	IPO	9.9	Nov '08
<b>Fixed Income</b>						
3,900	Groupe Credit Mutuel - CIC	FIG	EU	Preferred	14.8	Sep '08
5,000	Las Vegas Sands	RE	AM	Bank loan	10.0	Oct '08

LEHMAN BROTHERS  
THIRD QUARTER 2008  
BANKING PIPELINE CHANGES: EQUITY MANDATES

(in \$ millions)				
Client	Transaction	*Value	*Fees	Expected Filing Date
<b>Total Pipeline at 5/31/08</b>		<b>32,200</b>	<b>203.8</b>	
<i>Significant Deals dropped off pipeline during Q3 2008:</i>				
Project Michelangelo	PPD	-	37.5	
Radian Group Inc.		800	10.0	
FPI, Group		800	6.0	
Endoceutics		-	4.8	
Ports America (AIG Highstar Capital)		-	4.5	
Solarwinds.Net		200	4.5	
Under \$4mm		700	2.5	
<b>Sub-total Dropped</b>		<b>2,500</b>	<b>76.8</b>	
<i>Significant Deals on pipeline completed in Q3 2008:</i>				
Credit Agricole SA		9,000	23.4	
Carlsberg A/S		6,000	20.9	
Imperial Tobacco Group PLC		2,400	6.0	
Innovative Windpower		-	4.0	
Under \$4mm		1,100	8.6	
<b>Sub-total Completed</b>		<b>25,500</b>	<b>62.9</b>	
<i>Significant Deals added to pipeline in Q3 2008:</i>				
Finmeccanica SPA	Ris	2,200	11.8	Oct-08
Mojunkin Red Man Corp	IPO	700	9.9	Nov-08
NX Infrastructure	Pri Place	-	7.5	Oct-08
Meg Energy	Pri Place	-	6.5	Nov-08
Avago Technologies (KKR/Silver Lake)	IPO	500	5.3	Dec-08
DLF Assets Private Ltd	Pri Place	-	5.0	Oct-08
Rexnord LLC (Apollo)	IPO	600	5.0	Oct-08
Promos Technologies	Cvt	500	4.5	Sep-08
Shinco GPS	IPO	200	4.2	TBD
Crimson Exploration	IPO	200	4.0	Oct-08
Under \$4mm		500	10.5	
<b>Sub-total Added</b>		<b>5,400</b>	<b>74.2</b>	
<i>Economic changes on pipeline in Q3'08</i>				
Cellebrum Ltd		100	1.5	
AGA Medical Corp (Welsh Carson)		-	1.4	
Pinnacle West Capital		-	1.4	
Rhine Resource Partners		100	1.0	
<b>Sub-total Added</b>		<b>100.0</b>	<b>5.3</b>	
<b>Total Pipeline at 8/31/08</b>		<b>9,700</b>	<b>143.6</b>	

\* Value and Fee includes only lead managed deals

LEHMAN BROTHERS  
THIRD QUARTER 2008  
BANKING PIPELINE CHANGES: LEVERAGED FINANCE

<i>(in \$ millions)</i>				
Client	Transaction	*Value	*Fees	Expected Filing Date
<b>Total Pipeline at 8/31/08</b>		<b>11,500</b>	<b>27.6</b>	
<i>Significant Deals dropped off pipeline during Q3 2008:</i>				
PT Pacific Oil & Gas Indonesia		100	2.3	
TRW Automotive Holdings (Blackstone)		400	1.8	
Key Energy		100	1.5	
<i>Sub-total Dropped</i>		<b>600</b>	<b>5.6</b>	
<i>Significant Deals complete on pipeline during Q3 2008:</i>				
O Reilly Automotive		1,200	3.0	
Linn Energy, LLC		400	2.0	
Six Gear Solution (Warburg Pincus)		800	1.9	
Six Flags		400	1.8	
Wesco Aircraft Hardware		100	0.5	
Mojunkin Corp		1,000	-	
<i>Sub-total Completed</i>		<b>3,900</b>	<b>9.2</b>	
<i>Significant Deals added on pipeline during Q3 2008:</i>				
Huish Detergents (Vestar)	Sr. Note	600	4.7	Sep-08
Converteam (LBO France)	Bank Loan	1,000	4.5	Sep-08
National Cinemedia	Bridge	-	3.8	Nov-08
Meg Energy	Sr Note	500	3.0	Sep-08
Waste Services	Bank Loan	300	2.8	Sep-08
Sungard Data Systems	Bank Loan/Bridge Loan	300	2.8	Oct-08
Bonten Media (Diamond Castle)	Bank Loan	100	1.9	Sep-08
Antero Resources	Bank Loan	200	0.7	Oct-08
<i>Sub-total Added</i>		<b>3,000</b>	<b>24</b>	
<i>Economic changes on pipeline in Q3' 08</i>				
Las Vegas Sands		(2,000)	(2.0)	
Wesco Aircraft Hardware		-	(0.9)	
<i>Sub-total Added</i>		<b>(1,900)</b>	<b>(3)</b>	
<b>Total Pipeline at 8/31/08</b>		<b>8,100</b>	<b>34.1</b>	



### Capital Markets Revenues

	Current Quarter Data				Quarter Trend				Δ %		9 Months Ended		Δ %		Records			
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08	Q3 '07	YTD 2008	YTD 2007	YTD '08 vs. YTD '07	Quarter Amount	Quarter	FY Amount	Year	
<b>EQUITIES</b>																		
Equity Division Subtotal	64	78	2	144	316	789	932	963	-57%	-85%	1,270	2,894	-56%	1,090	Q2 '07	3,827	2007	
Equity Prime Services	97	78	69	244	390	271	226	283	-38%	-14%	905	852	6%	390	Q2 '08	1,078	2007	
Global Principal Strategies - Equity	(1)	(0)	-	(1)	2	3	14	7	n/a	n/a	4	9	-56%	14	Q4 '07	23	2007	
Global Trading Strategies - Equity	21	(185)	(35)	(198)	(195)	417	235	(116)	1%	71%	24	141	-83%	417	Q1 '08	377	2007	
Direct Principal Investments - Equity	(19)	49	(3)	27	33	(5)	19	(2)	-18%	n/a	56	18	213%	33	Q2 '08	56	2008	
Global Opportunities Group - Equity	(0)	9	(7)	2	26	43	(10)	(11)	-90%	n/a	71	(11)	n/a	43	Q1 '08	71	2008	
Private Equity - EQ	(35)	(51)	(36)	(122)	29	(211)	25	70	n/a	n/a	(304)	224	n/a	78	Q1 '07	249	2007	
Asset Management Investments	(29)	40	(44)	(32)	(151)	(87)	522	(106)	-79%	-70%	(70)	(43)	n/a	522	Q4 '07	479	2007	
Equities Other	6	241	142	389	130	190	37	269	199%	35%	710	313	127%	389	Q3 '08	710	2008	
<b>Total Equities Segment</b>	<b>105</b>	<b>260</b>	<b>89</b>	<b>454</b>	<b>601</b>	<b>1,410</b>	<b>2,000</b>	<b>1,377</b>	<b>-24%</b>	<b>-67%</b>	<b>2,465</b>	<b>4,398</b>	<b>-44%</b>	<b>2,000</b>	<b>Q4 '07</b>	<b>6,398</b>	<b>2007</b>	
<b>FIXED INCOME</b>																		
Fixed Income Division Subtotal	228	(2,182)	(3,723)	(5,677)	(3,154)	(77)	139	332	80%	n/a	(8,903)	3,499	n/a	2,039	Q2 '06	7,192	2006	
FID Prime Services	83	89	94	267	276	260	248	221	-3%	21%	903	546	63%	360	Q1 '08	903	2008	
Global Principal Strategies	(2)	(43)	(31)	(75)	(160)	(163)	(3)	(98)	-53%	-24%	(398)	183	n/a	173	Q1 '07	180	2007	
Global Trading Strategies - Distressed	(152)	(59)	(12)	(222)	(12)	(82)	15	23	n/a	n/a	(316)	95	n/a	90	Q4 '04	166	2006	
Private Equity - FID	18	(7)	(106)	(95)	(149)	(9)	-	-	-36%	n/a	(253)	-	n/a	-	-	-	-	
Asset Management Principal - FID	3	(8)	(33)	(38)	(312)	(440)	-	-	-88%	n/a	(790)	-	n/a	-	-	-	-	
FID Other	(45)	783	499	1,238	535	674	329	580	111%	113%	2,446	809	202%	1,238	Q3 '08	2,446	2008	
<b>Total Fixed Income Segment</b>	<b>133</b>	<b>(1,425)</b>	<b>(3,311)</b>	<b>(4,603)</b>	<b>(2,975)</b>	<b>262</b>	<b>727</b>	<b>1,058</b>	<b>n/a</b>	<b>n/a</b>	<b>(7,317)</b>	<b>5,132</b>	<b>n/a</b>	<b>2,200</b>	<b>Q2 '06</b>	<b>8,447</b>	<b>2006</b>	
<b>Total Capital Markets Segment</b>	<b>238</b>	<b>(1,165)</b>	<b>(3,222)</b>	<b>(4,148)</b>	<b>(2,374)</b>	<b>1,672</b>	<b>2,727</b>	<b>2,435</b>	<b>n/a</b>	<b>n/a</b>	<b>(4,851)</b>	<b>9,530</b>	<b>n/a</b>	<b>3,594</b>	<b>Q2 '07</b>	<b>12,257</b>	<b>2007</b>	
<i>Total Prime Services</i>	<i>181</i>	<i>107</i>	<i>183</i>	<i>511</i>	<i>606</i>	<i>837</i>	<i>473</i>	<i>504</i>	<i>-23%</i>	<i>1%</i>	<i>1,806</i>	<i>1,398</i>	<i>29%</i>	<i>3,078</i>	<i>Q2 '08</i>	<i>12,007</i>	<i>2008</i>	

**Q3 '08 vs. Q2 '08 and Q3 '07 :**

**Capital Markets : (\$4,148)mm vs. (\$2,374)mm and \$2,435 mm.**

- Capital Markets revenues declined materially versus both Q2 '08 and Q3 '07 due to deteriorating market conditions and significant write-down in residential mortgages and commercial real estate.
- Gross write-down of \$(7.8)bn: \$(5.3)bn in residential mortgages, \$(1.7)bn in commercial real estate, \$(0.6)bn in Other ABS and \$(0.2)bn in acquisition finance facilities. Hedging gains were \$0.8bn for the quarter. Gains on Lehman structured notes valuation were \$1.4bn. Total Net write-down of \$(5.6)bn compared to \$(3.7)bn in Q2 '08.
- Fixed Income revenues of (\$4,603)mm:
  - Lower client revenues (down 17% vs. Q2'08 and down 9% vs. Q3'07) with decreases across the board.
  - Trading revenues in Rates, FX and High Grade Products were higher in Q3 '08 vs. Q2 '08.
  - Losses on Asset Management and Private Equity related principal investments were significantly lower than in Q2'08 (losses from providing support to funds).
- Equities revenues of \$454 mm were also down significantly versus the comparable periods.
  - Client revenues were down 22% vs. Q2'08 and down 28% vs. Q3'07 driven by Execution Services and Prime Services.
  - Significant Principal Investment losses were recognized in the quarter, including approximately \$(200)mm on our investment in KSK (India Power Plant), as well as losses in Private Equity principal (MLP Prop Fund and MLP Opportunity Fund).

## Equities Revenues & Sales Credits

	Current Quarter Data				Quarter Trend				Δ %		9 Months Ended		Δ %		Records			
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08	Q3 '07	YTD 2008	YTD 2007	YTD '08 vs. YTD '07	Quarter Amount	Quarter	FY Amount	Year	
<b>EQUITIES REVENUES</b>																		
Total Execution Services	76	121	118	316	528	657	374	509	-40%	-38%	1,501	1,495	0%	657	Q1 '08	1,869	2007	
Convertible	(22)	(48)	(3)	(72)	(7)	(4)	28	(33)	n/a	121%	(83)	28	n/a	62	Q4 '06	153	2006	
Volatility	(62)	0	(106)	(168)	(161)	267	385	455	4%	n/a	(62)	1,160	n/a	435	Q3 '07	1,543	2007	
Equity Strategies	44	21	15	79	53	14	131	63	-49%	26%	146	282	-48%	143	Q1 '06	413	2007	
Equities Corporate	28	(16)	(22)	(11)	(76)	(145)	14	(31)	-86%	-66%	(232)	(70)	230%	72	Q3 '06	26	2006	
Equity Division Subtotal	64	78	2	144	336	789	932	963	-57%	-85%	1,270	2,094	-56%	1,089	Q2 '07	3,827	2007	
Equity Prime Services	97	78	69	244	390	271	226	283	-38%	-14%	905	852	6%	390	Q2 '08	1,078	2007	
Global Principal Strategies - Equity	(1)	(0)	-	(1)	2	3	14	7	n/a	n/a	4	9	-56%	14	Q4 '07	23	2007	
Global Trading Strategies - Equity	21	(185)	(33)	(198)	(195)	417	235	(116)	1%	71%	24	141	-83%	417	Q1 '08	377	2007	
Direct Principal Investments - Equity	(19)	49	(3)	27	33	(5)	19	(2)	-18%	n/a	56	18	215%	40	Q1 '05	69	2004	
Global Opportunities Group - Equity	(0)	9	(7)	2	26	43	(10)	(11)	-90%	n/a	71	(11)	n/a	43	Q1 '08	71	2008	
Private Equity - EQ	(35)	(51)	(36)	(122)	29	(211)	25	70	n/a	n/a	(304)	224	n/a	78	Q1 '07	249	2007	
Asset Management Investments	(29)	40	(44)	(32)	(151)	(87)	522	(106)	-79%	-70%	(270)	(43)	n/a	522	Q4 '07	479	2007	
Equities Other	6	241	142	389	(30)	190	37	289	199%	35%	710	319	127%	389	Q3 '08	710	2008	
<b>Total Equities Segment</b>	<b>105</b>	<b>260</b>	<b>89</b>	<b>454</b>	<b>601</b>	<b>1,410</b>	<b>2,000</b>	<b>1,377</b>	<b>-24%</b>	<b>-47%</b>	<b>2,465</b>	<b>4,398</b>	<b>-44%</b>	<b>2,080</b>	<b>Q4 '07</b>	<b>6,398</b>	<b>2007</b>	
<b>SALES CREDITS DATA</b>																		
Execution Services - Americas	68	76	55	200	208	217	197	272	-4%	-2%	624	643	-3%	272	Q3 '07	840	2007	
Execution Services - Europe	34	38	24	96	113	139	191	170	-15%	-43%	349	451	-23%	191	Q4 '07	642	2007	
Execution Services - Asia	20	20	14	54	71	78	56	62	-24%	-12%	203	149	36%	78	Q1 '08	206	2007	
Total Execution Services	122	134	93	350	392	434	444	504	-11%	-31%	1,176	1,244	-5%	504	Q3 '07	1,687	2007	
Convertible	8	8	5	21	29	28	20	20	-26%	6%	78	56	39%	29	Q2 '08	78	2008	
Volatility	67	67	46	174	207	307	356	297	-13%	-1%	682	750	-9%	356	Q4 '07	1,106	2007	
Equity Capital Markets Prime Services	98	68	53	219	360	250	207	276	-39%	-20%	829	731	13%	360	Q2 '08	938	2007	
Equities Corporate	(7)	(4)	(2)	(13)	(17)	(34)	(80)	(51)	-20%	-74%	(64)	(50)	28%					
<b>Total Equities Sales Credits</b>	<b>289</b>	<b>267</b>	<b>195</b>	<b>751</b>	<b>965</b>	<b>985</b>	<b>947</b>	<b>1,042</b>	<b>-22%</b>	<b>-28%</b>	<b>2,701</b>	<b>2,731</b>	<b>-1%</b>	<b>1,042</b>	<b>Q3 '07</b>	<b>3,678</b>	<b>2007</b>	
Americas	122	120	88	330	396	391	353	405	-17%	-18%	1,117	1,065	5%	405	Q3 '07	1,418	2007	
Europe	122	104	77	302	424	435	410	471	-29%	-36%	1,161	1,258	-8%	471	Q3 '07	1,668	2007	
Asia	46	43	30	119	144	159	184	166	-18%	-29%	423	408	4%	184	Q4 '07	592	2007	
<b>Total Equities Sales Credits</b>	<b>289</b>	<b>267</b>	<b>195</b>	<b>751</b>	<b>965</b>	<b>985</b>	<b>947</b>	<b>1,042</b>	<b>-22%</b>	<b>-28%</b>	<b>2,701</b>	<b>2,731</b>	<b>-1%</b>	<b>1,042</b>	<b>Q3 '07</b>	<b>3,678</b>	<b>2007</b>	

### Fixed Income Revenues & Sales Credits

	Current Quarter Data				Quarter Trend				Δ %		9 Months Ended		Δ %		Records			
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08	Q3 '07	YTD 2008	YTD 2007	YTD '08 vs. YTD '07	Quarter Amount	Quarter	FY Amount	FY Year	
<b>FIXED INCOME REVENUES</b>																		
Interest Rate Products	29	106	(27)	107	(184)	962	303	624	n/a	-83%	885	1,220	-27%	962	Q1 '08	1,523	2007	
Foreign Exchange	47	46	72	165	8	218	78	71	n/a	133%	392	216	81%	218	Q1 '08	392	2008	
Liquid Markets	76	152	45	273	(176)	1,180	381	695	n/a	-61%	1,277	1,436	-11%	1,180	Q1 '08	1,816	2007	
CDO	33	7	(33)	7	54	36	(33)	104	-87%	-93%	96	380	-75%	177	Q2 '07	348	2007	
High Grade Credit	244	44	55	344	90	515	51	(87)	283%	n/a	948	181	424%	515	Q1 '08	948	2008	
High Yield	56	(48)	(103)	(93)	(390)	(140)	488	(630)	-76%	-85%	(624)	(79)	n/a	488	Q4 '07	668	2006	
Credit Products	333	3	(81)	256	(240)	410	506	(613)	n/a	n/a	420	483	-13%	631	Q1 '07	1,451	2006	
Securitized Products Trading	(141)	(1,655)	(2,940)	(3,836)	(1,466)	(247)	(707)	(10)	162%	n/a	(5,548)	366	n/a	646	Q2 '05	2,314	2003	
Securitized Products Origination	1	(259)	(392)	(650)	(147)	(60)	(61)	48	343%	n/a	(837)	178	n/a	220	Q2 '06	704	2006	
Securitized Products	(139)	(1,914)	(2,433)	(4,486)	(1,612)	(307)	(767)	37	178%	n/a	(6,403)	544	n/a	779	Q1 '03	2,754	2003	
Real Estate	(25)	(465)	(1,539)	(2,029)	(1,435)	(1,027)	(173)	308	-41%	n/a	(4,491)	1,206	n/a	611	Q3 '06	1,723	2006	
Municipal Bonds	(42)	(8)	(31)	(81)	318	(241)	57	(47)	n/a	72%	(4)	16	n/a	318	Q2 '08	271	2004	
Energy Trading	97	18	(17)	98	154	52	118	123	-36%	-20%	305	152	101%	154	Q2 '08	305	2008	
FID Corporate	(73)	32	333	292	(156)	(146)	18	(171)	n/a	n/a	(9)	(336)	-97%	292	Q3 '08	-	-	
Fixed Income Subtotal	228	(2,182)	(3,923)	(5,677)	(3,154)	(77)	139	332	80%	n/a	(8,908)	3,499	n/a	2,039	Q2 '06	7,192	2006	
FID Prime Services	83	89	94	267	276	360	248	221	-3%	21%	903	546	63%	360	Q1 '08	903	2008	
Global Principal Strategies	(2)	(43)	(31)	(75)	(160)	(163)	(3)	(98)	-53%	-24%	(398)	183	n/a	173	Q1 '07	180	2007	
Global Trading Strategies - Distressed	(152)	(59)	(12)	(232)	(12)	(82)	15	23	n/a	n/a	(316)	95	n/a	90	Q4 '04	166	2006	
Direct Principal Investments - FID	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a	-	-	-	-	
Global Opportunities Group - FID	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a	-	-	-	-	
Private Equity - FID	18	(7)	(106)	(95)	(149)	(9)	-	-	-36%	n/a	(253)	-	n/a	-	-	-	-	
Asset Management Principal - FID	3	(8)	(33)	(38)	(312)	(400)	-	-	-84%	n/a	(790)	-	n/a	-	-	-	-	
FID Other	(45)	783	499	1,238	515	674	329	580	131%	113%	2,446	809	202%	1,238	Q3 '08	2,446	2008	
Total Fixed Income Segment	133	(1,425)	(3,311)	(4,683)	(2,975)	262	737	1,054	55%	n/a	(7,317)	5,132	n/a	2,306	Q2 '06	8,447	2006	
<b>SALES CREDITS DATA</b>																		
Interest Rate Products	102	83	63	248	330	385	226	349	-25%	-29%	963	892	8%	385	Q1 '08	1,118	2007	
Foreign Exchange	42	48	41	131	165	177	138	141	-21%	-7%	474	348	36%	177	Q1 '08	486	2007	
Total Liquid Markets	144	131	104	379	495	562	364	490	-23%	-23%	1,437	1,240	16%	562	Q1 '08	1,604	2007	
CDO	47	48	34	130	122	270	134	144	7%	-10%	522	453	15%	270	Q1 '08	587	2007	
High Grade	67	65	45	174	223	185	157	204	-22%	-14%	582	521	12%	223	Q2 '08	678	2007	
High Yield	33	38	27	98	140	123	122	170	-30%	-42%	361	407	-11%	170	Q3 '07	529	2007	
Total Credit Products	147	151	104	402	484	579	412	518	-17%	-22%	1,465	1,381	6%	579	Q1 '08	1,793	2007	
Structured Finance	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a	-	-	-	-	
Mortgage Trading	70	87	63	220	267	199	130	198	-18%	11%	686	517	33%	267	Q2 '08	686	2008	
Total Securitized Products	70	87	63	220	267	199	130	198	-18%	11%	686	517	33%	267	Q2 '08	686	2008	
Real Estate	9	7	3	19	31	39	24	23	-38%	-16%	89	72	23%	39	Q1 '08	95	2007	
Municipal	6	8	6	19	33	22	27	25	-38%	-24%	72	53	35%	31	Q2 '08	80	2007	
Energy Trading	47	62	33	142	116	60	50	66	22%	116%	318	107	198%	142	Q3 '08	318	2008	
FID Capital Markets Prime Services	40	35	37	111	137	172	143	140	-19%	-20%	420	387	9%	172	Q1 '08	530	2007	
FID Comptenance Prod	(1)	(10)	0	(11)	(20)	(63)	(28)	(41)	-44%	-73%	(9)	(82)	15%	5	Q4 '06	-	-	
Total Fixed Income Sales Credits	468	461	356	1,285	1,556	1,592	1,122	1,417	-17%	-9%	4,434	3,674	21%	1,592	Q1 '08	4,796	2007	
Americas	313	322	230	865	1,056	960	681	900	-18%	-4%	2,882	2,369	22%	1,056	Q2 '08	3,052	2007	
Europe	126	106	96	328	360	418	316	403	-9%	-19%	1,105	940	18%	418	Q1 '08	1,256	2007	
Asia	29	32	30	92	140	215	123	114	-24%	-19%	447	365	22%	215	Q1 '08	488	2007	
Total FID Sales Credits	468	461	356	1,285	1,556	1,592	1,122	1,417	-17%	-9%	4,434	3,674	21%	1,592	Q1 '08	4,796	2007	

## Equities Division Details

	Current Quarter Data				Quarter Trend				Δ %		9 Months Ended		Δ %		Records			
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08	Q3 '07	YTD 2008	YTD 2007	YTD '08 vs. YTD '07	Quarter Amount	Quarter	FY Amount	Year	
<b>EQUITIES</b>																		
Americas	9	86	112	206	331	401	144	374	-38%	-45%	939	827	13%	401	Q1 '08	971	2007	
Europe	51	12	9	71	150	151	152	88	-52%	-19%	373	505	-26%	239	Q2 '07	657	2007	
Asia	17	23	(2)	38	47	104	78	48	-19%	-20%	190	164	16%	104	Q1 '08	241	2007	
<b>Total Execution Services</b>	<b>76</b>	<b>121</b>	<b>118</b>	<b>316</b>	<b>528</b>	<b>657</b>	<b>374</b>	<b>509</b>	<b>-40%</b>	<b>-38%</b>	<b>1,501</b>	<b>1,495</b>	<b>0%</b>	<b>657</b>	<b>Q1 '08</b>	<b>1,869</b>	<b>2007</b>	
Americas	2	(18)	0	(16)	19	15	23	(26)	n/a	-39%	19	(14)	n/a	54	Q4 '06	114	2006	
Europe	(21)	(24)	(0)	(45)	(5)	(7)	(2)	5	n/a	n/a	(57)	40	n/a	19	Q2 '07	39	2006	
Asia	(3)	(6)	(2)	(11)	(21)	(12)	7	(11)	-47%	1%	(45)	2	n/a	13	Q2 '07	9	2007	
<b>Convertible</b>	<b>(22)</b>	<b>(48)</b>	<b>(3)</b>	<b>(72)</b>	<b>(7)</b>	<b>(4)</b>	<b>28</b>	<b>(33)</b>	<b>n/a</b>	<b>121%</b>	<b>(83)</b>	<b>28</b>	<b>n/a</b>	<b>62</b>	<b>Q4 '06</b>	<b>153</b>	<b>2006</b>	
Americas	18	27	5	50	67	12	23	18	-26%	180%	129	89	45%	81	Q2 '07	129	2008	
Europe	(59)	(13)	(154)	(228)	(135)	105	158	309	69%	n/a	(259)	699	n/a	309	Q3 '07	856	2007	
Asia	1	(16)	(9)	(24)	(93)	151	205	128	-75%	n/a	33	373	-91%	205	Q4 '07	577	2007	
<b>Volatility</b>	<b>(41)</b>	<b>(4)</b>	<b>(157)</b>	<b>(202)</b>	<b>(161)</b>	<b>267</b>	<b>385</b>	<b>455</b>	<b>25%</b>	<b>n/a</b>	<b>(97)</b>	<b>1,160</b>	<b>n/a</b>	<b>455</b>	<b>Q3 '07</b>	<b>1,545</b>	<b>2007</b>	
Americas	27	41	22	91	(14)	0	32	28	n/a	224%	77	129	-40%	91	Q3 '08	161	2007	
Europe	(5)	(6)	7	(4)	44	22	24	(33)	n/a	-89%	62	25	147%	44	Q2 '08	62	2008	
Asia	22	(15)	(15)	(8)	23	(8)	76	69	n/a	n/a	7	128	-95%	83	Q1 '06	203	2007	
<b>Equity Strategies</b>	<b>44</b>	<b>21</b>	<b>15</b>	<b>79</b>	<b>53</b>	<b>14</b>	<b>131</b>	<b>63</b>	<b>49%</b>	<b>26%</b>	<b>146</b>	<b>282</b>	<b>-48%</b>	<b>143</b>	<b>Q1 '06</b>	<b>413</b>	<b>2007</b>	
Americas	4	(2)	(13)	(20)	(37)	(35)	11	(43)	-46%	-53%	(92)	(86)	7%	43	Q3 '06	16	2006	
Europe	1	(9)	2	(6)	(27)	(108)	2	13	-78%	n/a	(141)	21	n/a	23	Q3 '06	22	2007	
Asia	1	(1)	2	2	(12)	(2)	1	(1)	n/a	n/a	(12)	(5)	145%	13	Q4 '06	5	2006	
<b>Equities Corporate</b>	<b>7</b>	<b>(11)</b>	<b>(19)</b>	<b>(24)</b>	<b>(76)</b>	<b>(145)</b>	<b>14</b>	<b>(31)</b>	<b>-69%</b>	<b>-23%</b>	<b>(245)</b>	<b>(70)</b>	<b>249%</b>	<b>72</b>	<b>Q3 '06</b>	<b>26</b>	<b>2006</b>	
<b>Equity Division Subtotal</b>	<b>64</b>	<b>78</b>	<b>(46)</b>	<b>96</b>	<b>336</b>	<b>789</b>	<b>932</b>	<b>963</b>	<b>-71%</b>	<b>-90%</b>	<b>1,222</b>	<b>3,459</b>	<b>-65%</b>	<b>1,654</b>	<b>Q2 '07</b>	<b>4,391</b>	<b>2007</b>	

## Equities Divisional Commentary

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### Q3 '08 vs. Q2 '08 and Q3 '07:

#### Execution Services (includes Flow Volatility Americas):

- Down 40% globally with decreases in all regions, most notably in Europe due to losses primarily from long positions on Metal, Oil, Mining, Energy and other commodity related stocks including Commodity ETFs and BHP Billiton

#### Convertibles:

- Despite solid client revenues (6% increase vs. Q3 '07), losses were recorded during the quarter particularly in Europe, due to principal trading losses on financial services-related positions (e.g., Fortis - \$(40)mm) and credit spreads deterioration.

#### Equity Derivatives (Volatility):

- Revenues of (\$202)mm due in large part to losses out of Europe, and less significantly, out of Asia.
- Losses resulted from valuation adjustments related to dividends, increased credit reserves, and losses due to correlation in the structured volatility business.
  - Dividend risk was adjusted to reflect the increased likelihood of future dividend cuts, principally in the financial services sector (e.g., RBS, BBVA, DB) and major indices (e.g., Eurostoxx).
  - Credit reserves were increased on several long-dated option contracts as credit spreads widened throughout the quarter. In addition, there was very little corporate derivative origination activity in the quarter.
  - In Asia, losses were driven by deterioration of client activity and poor hedging on volatility exposure.

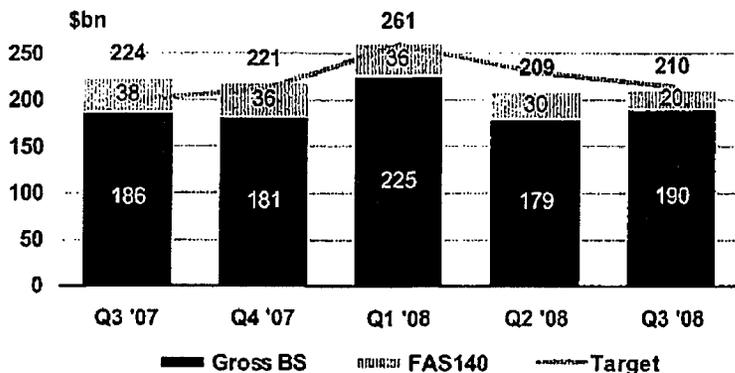
#### Equity Strategies:

- Improved performance compared to Q2 '08 due mainly to substantial improvement in Americas.
- Systematic Trading drove performance in the quarter by taking advantage of increased market volatility.

## Equities Prime Services

	Current Quarter Data				Quarter Trend				Δ %		9 Months Ended		Δ %		Records			
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08	Q3 '07	YTD 2008	YTD 2007	YTD '08 vs. YTD '07	Quarter Amount	Quarter	FY Amount	FY Year	
Americas	33	32	33	97	112	112	94	87	-13%	12%	322	258	24%	112	Q1 '08	352	2007	
Europe	46	32	26	104	221	101	88	141	-53%	-26%	426	450	-5%	235	Q2 '07	538	2007	
Asia	18	14	10	42	57	58	44	55	-25%	-23%	157	144	9%	58	Q1 '08	188	2007	
Equity Prime Services	97	78	69	244	390	271	276	283	-38%	-14%	905	852	6%	390	Q2 '08	1,078	2007	

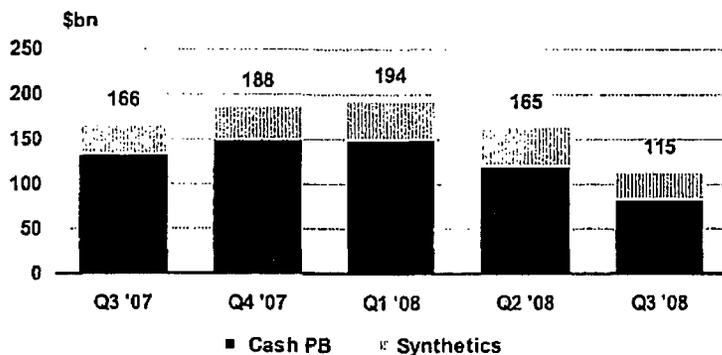
### Gross Balance Sheet Trend



### Gross Balance Sheet

	Q3 '08 Actual	Q3 '08 Target	Δ vs. Target	Q2 '08 Actual	Δ vs. Q2 '08
Equity Financing	69.4	81.0	-14%	91.5	-24%
Debt Financing	117.6	102.0	15%	84.1	40%
Synthetics	12.3	15.0	-18%	13.6	-9%
Futures / STG	5.2	8.5	-39%	6.9	-25%
Structured Arbitrage	5.4	7.5	-28%	13.1	-59%
<b>TOTAL</b>	<b>209.8</b>	<b>214.0</b>	<b>-2%</b>	<b>209.1</b>	<b>0%</b>

### Total Balances



Q3 revenues are down Q2 '08 and Q3 '07, with decreases across most flow and structured products

- Equity Synthetic revenues are down vs. Q2 due to declining client balances and decreased client activity throughout Q3
- Futures revenues reflected the impact of lower volumes across all regions as trading activity continued to slow in Q3
- Liquid Markets Q3 revenues were down vs. Q2 but still running substantially above budget and prior year
- Structured Arbitrage revenues of are down significantly vs. Q2 due to the seasonality of the business
- Strategic Transactions revenues are \$15mm
- Corporate contains \$13mm due to profits from the CME / NYMEX merger

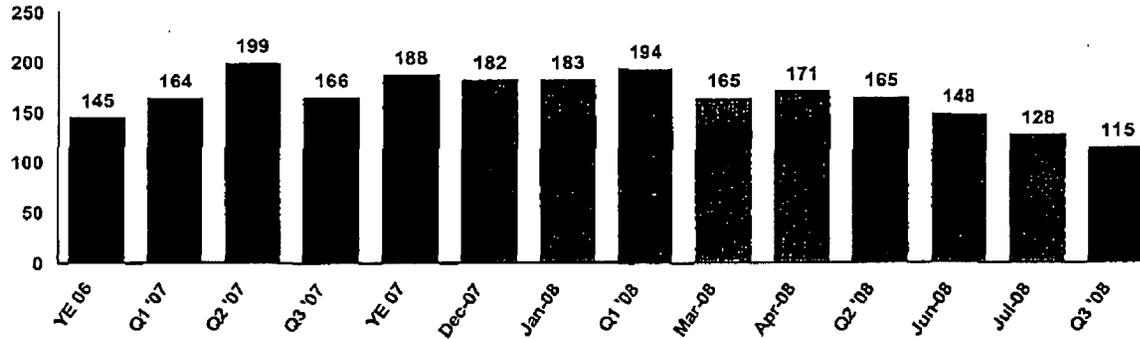
## Top Hedge Fund Client Balance Changes

### Top Decliners

Clients	Strategy	Net Balance Q3 '08 (in MM)	Net Balance Q2 '08 (in MM)	Variance (in MM)	Comments
GCNF	Equity Quant	1	6,048	(6,046)	Balances moved to JPM & DB / Counterparty Concern
GLG PARTNERS LONG/SHORT	Multi-Strategy	1,325	4,985	(3,661)	Balances moved primarily to MS
TIGER ASIA MANAGEMENT USA	Equity L/S	5,518	8,978	(3,461)	Balances moved to MS & DB
PROFUND ADVISORS LLC	Money Manager	2,314	5,506	(3,193)	Balances moved to multiple PB's / Counterparty Concern
GLG PARTNERS EUROPE	Multi-Strategy	1,855	5,009	(3,154)	Balances moved primarily to MS
TEWKSBURY CAPITAL MANAGEMENT BERMUDA	Equity Quant	794	2,447	(1,653)	Balances moved to DB & Barclays / Counterparty Concern
AMBER CAPITAL LP	Equity L/S	1,477	2,993	(1,516)	Redemptions / Fund Performance
CENTAURUS CAPITAL UK	Equity L/S	304	1,760	(1,457)	Deleveraging / Reduction in Short LPS Baskets on sectors
ARISTEIA CAPITAL NEW YORK	Equity L/S	3,262	4,644	(1,382)	Undesirable Collateral / Proactive Pricing on Convert positions
TYKHE FUND LTD	Equity Quant	3,120	4,403	(1,283)	Balances moved to MS (50%) / Counterparty Concern;
MARBLE BAR ASSET MANAGEMENT UK	Equity L/S	883	2,128	(1,246)	Deleveraging / Used Free Cash to buy US Treasuries
CAMDEN ASSET MANAGEMENT LP	Multi-Strategy	188	1,303	(1,115)	Balances moved to GS / Counterparty Concern
OCH ZIFF CAPITAL MANAGEMENT	Multi-Strategy	1,641	2,503	(862)	Deleveraging / Nothing Specific
CAPITAL FUND MANAGEMENT FRANCE	Equity Quant	1,997	2,807	(810)	Balances moved to other PB's / Counterparty Concern
JANA PARTNERS	Multi-Strategy	374	1,179	(805)	Deleveraging / Debit balances
<b>Total Top 15 Decliners</b>		<b>25,054</b>	<b>56,696</b>	<b>(31,642)</b>	
<b>Other Decliners</b>		<b>62,055</b>	<b>85,761</b>	<b>(23,706)</b>	
<b>Total of All Decliners; Q308 vs Q208</b>		<b>87,109</b>	<b>142,457</b>	<b>(55,348)</b>	
<b>Total of all Clients: Q3 08 vs. Q2 08</b>		<b>114,882</b>	<b>164,769</b>	<b>(49,887)</b>	

## Equity Balances Performance

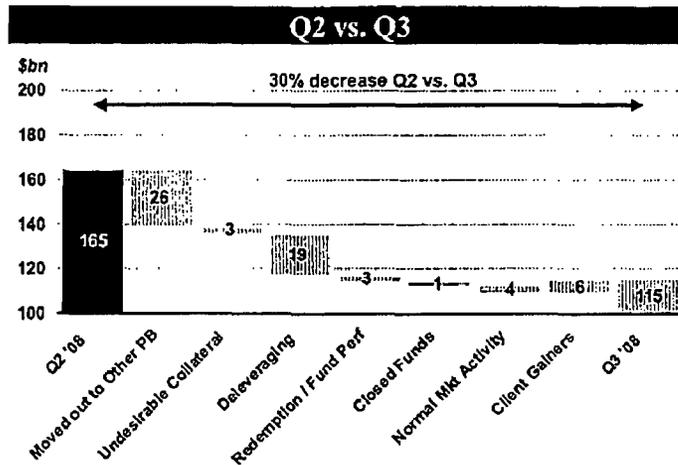
### Monthly Trend (\$bn)



### Performance by Client Segment

Segment	Q3 '08	Q2 '08	Δ vs. Q2 '08	Q1 '08	Δ vs. Q1 '08	Δ vs. Q4 '07
Equity L/S	23,870	34,142	-30%	36,356	-34%	-34%
Equity Quant	17,386	28,641	-39%	30,617	-43%	-46%
Fixed Income	11,092	10,714	4%	14,676	-24%	-12%
Dynamic Ext	106	250	-58%	229	-54%	-59%
Multi-Strategy	49,361	72,550	-32%	91,459	-46%	-45%
<b>Total HF</b>	<b>101,815</b>	<b>146,297</b>	<b>-30%</b>	<b>173,338</b>	<b>-41%</b>	<b>-40%</b>
Total Non HF	13,067	18,471	-29%	20,717	-37%	-24%
<b>Grand Total</b>	<b>114,882</b>	<b>164,768</b>	<b>-30%</b>	<b>194,054</b>	<b>-41%</b>	<b>-39%</b>

### Equity Balances – Gainers/Decliners



### Top 5 Gainers (\$mm)

- Harbert Fund Advisors, +\$1.1B
- Santa Fe Partners LLC, +\$0.5B
- SRM Advisors, +\$0.4B
- Morgan Stanley & Co International PLC, +\$0.4B
- Blackrock Investment Management, +\$0.3B

### Top Decliners By Category (\$mm)

Top 5 Redemptions / Top 5 Deleveraging				Top 5 Undesirable Collateral / Top 5 Closed Funds				Top 10 - Moved To Other PB / Counterparty Concerns			
Client	Q3 '08	Q2 '08	Variance	Client	Q3 '08	Q2 '08	Variance	Client	Q3 '08	Q2 '08	Variance
Amber	1,477	2,993	(1,516)	Aristeia	2,447	3,483	(1,036)	GCNF	1	6,048	(6,046)
Salida	1,084	1,699	(615)	CQS	920	1,465	(545)	GLG	1,965	5,489	(3,524)
State St Gl Adv	173	655	(481)	Silver Point	343	789	(446)	Profund	2,314	5,506	(3,193)
MKM	790	1,153	(363)	Libertyview	1,484	1,894	(410)	Tiger Asia	2,759	4,489	(1,730)
Ridgfield	180	392	(212)	Liberty Harbor	202	468	(266)	Tewksbury	794	2,447	(1,653)
<b>Top 5 Redemp</b>	<b>3,704</b>	<b>6,891</b>	<b>(3,187)</b>	<b>Top Un. Coll</b>	<b>5,396</b>	<b>8,099</b>	<b>(2,703)</b>	Camden	188	1,303	(1,115)
GLG	1,965	5,489	(3,524)	Saiffish	0	699	(699)	Tudor	1,790	2,742	(952)
Tiger Asia	2,759	4,489	(1,730)	Andor	11	58	(47)	Millennium	2,987	3,814	(827)
Centaurus	304	1,760	(1,457)	Eagle Lake	3	13	(10)	DE Shaw	829	1,603	(773)
Marble Bar	883	2,128	(1,245)	-	-	-	-	GSA	3,410	4,129	(719)
Tudor	1,790	2,742	(952)	-	-	-	-	<b>Total Top 10</b>	<b>17,038</b>	<b>37,571</b>	<b>(20,533)</b>
<b>Top 5 Delever</b>	<b>7,701</b>	<b>16,609</b>	<b>(8,909)</b>	<b>Top Closed</b>	<b>14</b>	<b>769</b>	<b>(756)</b>				

\*Normal Market Activity includes - Deleveraging, Redemptions, Normal Market Movements, etc

### Equities Principal Investments

	Current Quarter Data				Quarter Trend				Δ %		9 Months Ended		Δ %		Records			
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08	Q3 '07	YTD 2008	YTD 2007	YTD '08 vs. YTD '07	Quarter Amount	Quarter	FY Amount	Year	79
ABN-Amro Computer	-	-	-	-	-	15	(12)	(16)	n/a	n/a	15	(18)	n/a	15	Q1 '08	15	2008	78
Adel	-	-	-	-	-	2	12	(1)	n/a	n/a	2	(1)	n/a	12	Q4 '07	10	2007	76
Apo Argentina	9	-	-	9	16	-	-	(1)	-41%	n/a	26	1	n/a	25	Q1 '06	26	2006	75
Banco vs. Transamerica	-	-	-	-	-	(24)	(27)	(4)	n/a	n/a	(28)	(4)	n/a	-	-	-	-	74
Banco vs. Hughes Inc	-	-	-	-	-	-	-	(2)	n/a	n/a	-	14	n/a	15	Q2 '07	14	2007	73
BBK-Dillon Fk	-	-	-	-	-	-	12	31	n/a	n/a	-	11	n/a	13	Q4 '07	24	2007	72
Boyd Gaming Corp	-	-	-	-	-	(12)	(0)	-	n/a	n/a	(12)	-	n/a	-	-	-	-	71
Carrefour / CVS	-	-	-	-	-	-	-	-	n/a	n/a	-	34	n/a	32	Q1 '07	34	2007	70
CTI Group	-	-	-	-	(14)	-	-	-	n/a	n/a	(14)	1	n/a	1	Q1 '07	1	2007	69
Dana Corp	(15)	-	-	(13)	-	(16)	-	-	n/a	n/a	(20)	-	n/a	-	-	-	-	68
Firstbank AS	-	-	-	-	-	-	-	(11)	n/a	n/a	-	(11)	n/a	-	-	-	-	67
GSO	-	-	(32)	(22)	-	-	-	-	n/a	n/a	(22)	-	n/a	-	-	-	-	66
Hedges	40	-	(15)	26	(28)	-	-	0	n/a	n/a	(2)	(0)	644%	26	Q3 '03	410	2004	65
Imperial Sugar	-	-	-	-	(15)	3	(20)	(6)	n/a	n/a	(12)	33	n/a	41	Q1 '07	41	2006	64
Incyte	-	-	3	3	-	12	-	-	n/a	n/a	15	-	n/a	12	Q1 '08	15	2008	63
India Strategic	(4)	2	1	(1)	(10)	15	60	3	-91%	n/a	4	28	-86%	60	Q4 '07	88	2007	62
Jindal Steel	(10)	5	(5)	(9)	(1)	(9)	68	-	n/a	n/a	(20)	-	n/a	68	Q4 '07	68	2007	61
KSK	6	(182)	(25)	(201)	(188)	348	105	-	71%	n/a	229	-	n/a	544	Q1 '08	229	2008	60
Navigator Gas (previously reported in F	-	-	-	-	-	(9)	17	-	n/a	n/a	(9)	16	n/a	17	Q4 '07	34	2007	59
Navire International Corp	-	-	-	-	9	-	-	(4)	n/a	n/a	9	3	170%	9	Q2 '08	9	2008	58
Pac & Shipping Trust	-	-	-	-	-	-	-	15	n/a	n/a	-	15	n/a	15	Q3 '07	15	2007	57
Planet Sierra Bancshares	-	-	-	-	-	-	-	(14)	n/a	n/a	-	(14)	n/a	-	-	-	-	56
Projet Energy	(11)	10	-	(1)	-	-	-	-	n/a	n/a	(1)	-	n/a	-	-	-	-	55
Sequent Inc.	64	16	-	80	6	(8)	37	6	n/a	n/a	78	5	n/a	80	Q3 '08	78	2008	54
SLM Corp	-	-	-	-	-	(8)	(10)	(10)	n/a	n/a	-	(11)	n/a	-	-	-	-	53
Texas Corp	-	-	-	-	-	-	(6)	(8)	n/a	n/a	-	(5)	n/a	3	Q2 '07	-	-	52
Vastco positions under scope	-	-	-	-	-	-	-	(23)	n/a	n/a	-	(30)	n/a	-	-	-	-	51
Visteon	(17)	-	24	7	-	(4)	(22)	(3)	n/a	n/a	3	(1)	n/a	7	Q3 '08	3	2008	50
WCI Communications	-	-	-	-	-	-	-	(15)	n/a	n/a	-	(16)	n/a	-	-	-	-	48
Yahoo! Inc.	-	-	-	-	(15)	-	-	-	n/a	n/a	(15)	0	n/a	4	Q1 '06	3	2006	48
All Other QTS Equities	(42)	(26)	3	(75)	(25)	(9)	19	(31)	197%	141%	(19)	90	n/a	70	Q1 '07	109	2007	44
Global Trading Strategies - Equity	21	(185)	(35)	(198)	(195)	417	235	(116)	1%	71%	24	141	-83%	417	Q1 '08	377	2007	23
Direct Principal Investments - Equity	(19)	49	(3)	27	33	(5)	39	(2)	-18%	n/a	56	18	215%	33	Q2 '08	56	2008	21
Global Opportunities Group - Equity	(0)	9	(7)	2	26	43	(10)	(11)	-90%	n/a	71	(1)	n/a	43	Q1 '08	71	2008	19
Merchants Banking Fund	(11)	1	10	(1)	7	2	84	20	n/a	n/a	8	43	-80%	84	Q4 '07	125	2007	17
Vantage Capital Fund	(9)	4	(10)	(14)	10	(64)	2	22	n/a	n/a	(68)	50	n/a	25	Q1 '07	49	2007	16
Russ Estate Fund	(11)	(3)	(61)	(74)	14	(10)	2	9	n/a	n/a	(69)	17	n/a	47	Q4 '03	19	2007	15
Credit Related Funds	24	(10)	(42)	(27)	(7)	(7)	9	3	369%	n/a	(42)	29	n/a	20	Q3 '06	39	2007	14
Private Fund Investments Group	(16)	(5)	(21)	(43)	19	(40)	6	8	n/a	n/a	(64)	27	n/a	21	Q2 '07	33	2007	13
Infrastructure (incl. MLP)	(5)	(5)	(11)	(48)	2	(33)	(15)	0	n/a	n/a	(46)	72	n/a	39	Q2 '07	(3)	2007	12
Other (incl. P.A. DREF, Corporate)	(7)	13	99	105	(15)	(3)	0	7	n/a	n/a	82	(12)	n/a	105	Q3 '08	82	2008	6
Private Equity - EQ	(2)	(5)	(36)	(43)	18	(11)	25	70	n/a	n/a	(304)	124	n/a	78	Q1 '07	249	2007	5
Asset Management Investments	(28)	40	(44)	(32)	(151)	(87)	522	(186)	-79%	-70%	(270)	(43)	n/a	522	Q4 '07	479	2007	3

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## Equities Principal Investments Commentary

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Q3 '08 vs. Q2 '08 and Q2 '07:

### Global Trading Strategies (Equity):

#### *Q3 '08 Significant MTM and trading losses on:*

- KSK (India Power Plant) - (\$201)mm: stock price declined ~30% post July 14 listing; and liquidity discount reserve at 5.47% of MV
- Gain of \$80mm was recorded on Sequenom: stock price increased by almost 3 times during Q2 '08 after announcing favorable Down Syndrome test results.

### Direct Principal Investments:

- Mark up on TXU \$61mm offset by a loss on Gulfmark \$(25mm)

### Private Equity and Asset Management Principal Investments:

- Private Equity revenues were lower than in Q3 '08 as losses were recorded in MLP Prop Fund, MLP Opp Fund, and Private Fund Investments Group.
- Asset Management Investments losses in Q3 '08 were mostly related to losses on investments in our funds and losses on BlueBay were \$(19mm) in Q3 '08.

## Equities Corporate Revenues

	Current Quarter Data				Quarter Trend				Δ %		9 Months Ended		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus		YTD 2008	YTD 2007	YTD '08 vs. YTD '07
									Q2 '08	Q3 '07			
European Equity Valuation	-	-	-	-	-	-	-	(10)	n/a	n/a	-	(25)	n/a
Asia Valuation	-	-	-	-	-	-	(3)	-	n/a	n/a	-	-	n/a
Day 1 embedded Derivatives	0	0	0	1	1	-	-	-	15%	n/a	1	6	-81%
Italian Tax Rec	-	-	-	-	-	-	4	38	n/a	n/a	-	38	n/a
	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Credit Reserves	(26)	11	25	10	67	19	21	-	-85%	n/a	96	(2)	n/a
	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Europe Volatility	11	14	11	36	-	-	(60)	-	n/a	n/a	36	(14)	n/a
Private Equity/GP Carry	-	-	-	-	-	-	(0)	2	n/a	n/a	-	(4)	n/a
Structured Trades	-	-	-	-	-	2	4	4	n/a	n/a	2	12	-84%
Relationship Loans FRL Eq	(7)	(1)	14	6	47	22	13	30	-88%	-81%	75	39	95%
Debt Valuation	43	207	107	357	111	154	122	253	223%	41%	622	253	146%
Other (primarily Treasury P&L)	(15)	10	(15)	(20)	(133)	(34)	(53)	(185)	-85%	-89%	(115)	(152)	-24%
Equities Other	6	241	142	389	130	190	37	289	199%	35%	710	313	127%

### Q3 '08 vs. Q2 '08 and Q3 '07:

- **Debt Valuation:**
  - Gain of \$0.36bn allocated to EQ Segment (25%) as Lehman credit spreads continued to widen in the quarter. 5 year spread widened to 375 bps at Q3 '08 from 265bps at Q2 '08.



## Fixed Income Divisional Revenues

	Current Quarter Data				Quarter Trend				Δ %		9 Months Ended		Δ %		Records			
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08	Q3 '07	YTD 2008	YTD 2007	YTD '08 vs. YTD '07	Quarter Amount	Quarter	FY Amount	FY Year	
<b>FIXED INCOME REVENUES</b>																		
Americas	136	10	3	150	119	602	177	178	26%	-16%	871	525	66%	602	Q1 '08	871	2008	
Europe	(145)	89	(19)	(75)	(342)	282	98	356	-78%	n/a	(135)	547	n/a	356	Q3 '07	645	2007	
Asia	18	7	(12)	32	38	78	28	90	-16%	-64%	149	148	0%	90	Q3 '07	177	2007	
Interest Rate Products	29	106	(37)	107	(184)	962	303	624	n/a	-83%	885	1,220	-27%	962	Q1 '08	1,523	2007	
Americas	30	29	42	101	74	59	21	(5)	33%	n/a	234	38	n/a	101	Q3 '08	234	2008	
Europe	2	4	35	41	(62)	60	47	57	n/a	-27%	39	113	-65%	60	Q1 '08	160	2007	
Asia	16	13	(4)	24	(4)	99	10	20	n/a	21%	119	65	82%	99	Q1 '08	119	2008	
Foreign Exchange	47	46	72	165	8	218	78	71	n/a	133%	392	216	81%	218	Q1 '08	392	2008	
Liquid Markets Total	76	152	45	273	(176)	1,180	381	695	n/a	-61%	1,277	1,436	-11%	1,180	Q1 '08	1,816	2007	
Americas	45	(3)	(16)	26	(0)	(79)	(37)	50	n/a	-48%	(53)	112	n/a	64	Q2 '07	95	2006	
Europe	(3)	6	(9)	(6)	52	30	9	2	n/a	n/a	76	149	-46%	70	Q2 '07	149	2007	
Asia	(9)	4	(9)	(13)	2	84	(4)	53	n/a	n/a	73	128	-43%	84	Q1 '08	124	2007	
CDO	33	7	(33)	7	54	36	(33)	104	-87%	-93%	96	380	-75%	177	Q2 '07	348	2007	
Americas	217	75	51	343	96	445	77	(75)	257%	n/a	884	126	n/a	445	Q1 '08	884	2008	
Europe	21	(2)	9	28	29	59	(18)	(30)	-7%	n/a	116	5	n/a	59	Q1 '08	116	2008	
Asia	6	(28)	(5)	(26)	(36)	11	(8)	7	-26%	n/a	(51)	50	n/a	32	Q1 '06	70	2006	
High Grade Credit	244	44	55	344	90	515	51	(87)	283%	n/a	948	181	424%	515	Q1 '08	948	2008	
Americas	67	(2)	(42)	23	(308)	(18)	487	(525)	n/a	n/a	(303)	(122)	148%	487	Q4 '07	422	2006	
Europe	(24)	(28)	(63)	(115)	(152)	(147)	(71)	(160)	-24%	-28%	(414)	(161)	157%	26	Q4 '06	65	2006	
Asia	13	(18)	2	(3)	21	25	71	54	n/a	n/a	92	295	-55%	87	Q1 '07	276	2007	
High Yield	56	(48)	(103)	(95)	(390)	(140)	488	(630)	-76%	-85%	(624)	(79)	n/a	488	Q4 '07	668	2006	
Credit Products Total	333	3	(81)	256	(246)	410	506	(613)	n/a	n/a	420	483	-13%	431	Q1 '07	1,481	2006	
Americas	(143)	(1,581)	(1,702)	(3,426)	(1,291)	(233)	(715)	72	165%	n/a	(4,949)	364	n/a	599	Q2 '06	1,809	2006	
Europe	5	(321)	(710)	(1,025)	(329)	(84)	(73)	(45)	211%	n/a	(1,439)	130	n/a	158	Q2 '06	462	2006	
Asia	(1)	(32)	(21)	(35)	8	10	21	11	n/a	n/a	(17)	49	n/a	30	Q4 '06	70	2007	
Securitized Products	(139)	(1,914)	(2,435)	(4,486)	(1,612)	(307)	(767)	37	178%	n/a	(6,405)	544	n/a	779	Q1 '05	2,754	2005	
Americas	(37)	(369)	(1,371)	(1,777)	(1,414)	(824)	(342)	170	26%	n/a	(4,015)	673	n/a	368	Q3 '06	1,094	2006	
Europe	(5)	(79)	(161)	(245)	(83)	(252)	16	82	196%	n/a	(579)	301	n/a	133	Q2 '07	316	2007	
Asia	17	(16)	(7)	(7)	62	49	153	56	n/a	n/a	104	232	-55%	178	Q3 '05	385	2007	
Real Estate	(25)	(465)	(1,539)	(2,029)	(1,435)	(1,027)	(173)	308	-41%	n/a	(4,491)	1,206	n/a	611	Q3 '06	1,723	2006	
Americas	(42)	(8)	(31)	(81)	318	(241)	57	(47)	n/a	72%	(4)	16	n/a	318	Q2 '08	248	2006	
Europe	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a	-	-	-	-	
Asia	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a	-	-	-	-	
Municipal Bonds	(42)	(8)	(31)	(81)	318	(241)	57	(47)	n/a	72%	(4)	16	n/a	318	Q2 '08	271	2004	
Americas	86	(0)	(11)	75	172	51	85	107	-56%	-29%	298	126	136%	172	Q2 '08	298	2008	
Europe	9	13	(7)	16	(24)	5	28	16	n/a	-1%	(3)	25	n/a	28	Q4 '07	53	2007	
Asia	2	5	0	7	6	(3)	5	1	19%	n/a	10	0	n/a	7	Q3 '08	10	2008	
Energy Trading	97	18	(17)	98	154	52	118	123	-36%	-30%	305	152	101%	154	Q2 '08	305	2008	
Americas	(74)	(30)	338	234	8	(83)	49	(155)	n/a	n/a	159	(302)	n/a	234	Q3 '08	159	2008	
Europe	6	38	(12)	32	(121)	(53)	(23)	15	n/a	112%	(141)	(2)	n/a	32	Q3 '08	-	-	
Asia	(5)	24	7	26	(42)	(10)	(7)	(32)	n/a	n/a	(27)	(31)	-13%	26	Q3 '08	24	2006	
FID Corporate	(73)	32	333	292	(156)	(146)	18	(178)	n/a	n/a	(9)	(336)	-97%	292	Q3 '08	-	-	
Fixed Income Subtotal	228	(8,182)	(3,723)	(5,677)	(3,154)	(77)	139	332	80%	n/a	(8,508)	3,499	n/a	1,039	Q2 '06	7,192	2006	

## Fixed Income Divisional Commentary

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Q3 '08 vs. Q2 '08 and Q3 '07:

**Interest Rate Products:**

- Trading generated modest gains on multiple strategies across the global platform
- Trading gains and client revenues partially offset by write-downs on GSE debt

**Foreign Exchange:**

- Significant improvement in trading results in Europe: gains largely from strengthening USD towards end of quarter.

**Credit Products:**

- In response to market conditions, our Credit positions evolved throughout Q3 - Minimal trading loss on an alternating long and short credit position.
- HY: Losses on alternating long and short credit positions, spreads generally widened throughout the quarter however there were distinct periods of tightening.
- HG: gains on short credit positions

**Securitized Products and Real Estate:**

- Quarterly results dominated by asset write-downs

**Municipal Bonds:**

- Revenues of (\$81)mm as Municipals underperformed treasuries

**Energy Trading:**

- Second consecutive quarter of record client revenues
- Results reflect continued positive momentum of the franchise

## Fixed Income Principal Revenues

	Current Quarter Data				Quarter Trend				Δ %		9 Months Ended		Δ %		Records			
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08	Q3 '07	YTD 2008	YTD 2007	YTD '08 vs. YTD '07	Quarter Amount	Quarter	FY Amount	Year	
ABX Index	-	-	-	-	5	(21)	30	98	n/a	n/a	(16)	133	n/a	98	Q3 '07	164	2007	
ABX 3	(93)	-	(7)	(100)	(22)	-	-	-	356%	n/a	(121)	-	n/a	-	-	-	-	
CDXOX7	-	(5)	-	(5)	(5)	12	(14)	44	5%	n/a	1	47	-97%	44	Q3 '07	33	2007	
Chrysler	-	(16)	-	(16)	-	-	-	-	n/a	n/a	(16)	-	n/a	-	-	-	-	
Delta Airline	-	-	-	-	-	(3)	2	(3)	n/a	n/a	(3)	(12)	-76%	2	Q4 '07	-	-	
Ford	-	-	-	-	-	-	(1)	(5)	n/a	n/a	-	(2)	n/a	2.50	Q1 '07	-	-	
General Motors	(69)	(39)	(3)	(111)	15	(70)	(12)	(109)	n/a	2%	(166)	(101)	65%	34	Q2 '06	96	2006	
Hedges	9	-	-	9	-	-	-	-	n/a	n/a	9	-	n/a	9	Q3 '08	9	2008	
Navigator Gas (currently reported in Esp)	-	-	-	-	-	-	-	-	n/a	n/a	-	17	n/a	18	Q3 '06	29	2006	
Newspaper CDS	-	-	-	-	-	13	-	-	n/a	n/a	13	-	n/a	13	Q1 '08	13	2008	
Term Loan Deal	(8)	-	-	(8)	43	(37)	(5)	(12)	n/a	-38%	(2)	(12)	-82%	43	Q2 '08	-	-	
Univision Communications Inc	-	-	-	-	(7)	11	-	-	n/a	n/a	4	-	n/a	11	Q1 '08	4	2008	
Cash CDO's	-	-	(3)	(3)	-	-	-	-	n/a	n/a	(5)	-	n/a	-	-	-	-	
All Other GTS FID	9	2	3	13	(41)	13	16	10	n/a	35%	(15)	25	n/a	90	Q4 '04	111	2004	
Global Trading Strategies - FID	(152)	(59)	(13)	(222)	(12)	(82)	13	23	n/a	n/a	(316)	95	n/a	90	Q4 '04	166	2006	
Global Principal Strategies	(2)	(43)	(31)	(75)	(160)	(163)	(3)	(38)	-53%	-24%	(358)	183	n/a	173	Q1 '07	188	2007	
Private Equity - FID	18	(7)	(106)	(95)	(149)	(9)	-	-	-36%	n/a	(253)	-	n/a	-	Q4 '11	-	2006	
Asset Management Investments	3	(8)	(33)	(38)	(312)	(440)	-	-	-88%	n/a	(790)	-	n/a	-	Q4 '11	(750)	2008	

### Q3 '08 vs. Q2 '08 and Q3 '07:

#### Global Trading Strategies:

Q3 '08 Significant MTM and trading activity in the quarter:

- **ABX Index (\$100)mm**
  - Strategy: credit default swap indices linked to subprime RMBS securities – (long protection)
- **General Motors (\$111)mm**
  - Strategy: Long GMAC debt position, short credit default swaps, treasuries

#### Global Principal Strategies:

- Losses from R3 investments

#### Private Equity Principal – FID:

- MTM on Real Estate direct investments: Sunca, Archstone, Coeur Defense, Toy Bldg, Roslyn
- Losses on European Mezzanine warehoused investments

#### Asset Management Principal:

- Realized loss from sale of bond inventory from liquidated funds, as well as MTM on remaining positions

## Fixed Income Corporate Revenues

	Current Quarter Data				Quarter Trend				Δ %		9 Months Ended		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08	Q3 '07	YTD 2008	YTD 2007	YTD '08 vs. YTD '07
CDO	-	-	-	-	55	-	-	23	n/a	n/a	55	24	127%
Day One Embedded Derivatives	1	1	1	2	2	-	3	3	4%	-42%	3	13	-76%
Energy Trades FID	12	(1)	-	11	(3)	-	1	(24)	n/a	n/a	8	(44)	n/a
Asia Valuation (FID)	-	-	-	-	-	-	(7)	-	n/a	n/a	-	-	n/a
FID Valuation	-	-	-	-	3	30	(30)	-	n/a	n/a	33	-	n/a
Credit Valuation Adj	(234)	96	224	86	599	173	191	(2)	-86%	n/a	858	4	n/a
DTE Option Reserve	-	-	-	-	-	-	-	-	n/a	n/a	-	1	n/a
Auction Rate Securities	(3)	(2)	(1)	(5)	(33)	(43)	(30)	-	-84%	n/a	(81)	-	n/a
Deferml Reserve	-	-	-	-	-	-	(31)	-	n/a	n/a	-	-	n/a
Peninsular Golf RE (FID Eur)	-	-	-	-	-	-	8	-	n/a	n/a	-	-	n/a
Corporate FX	(11)	(18)	(25)	(54)	(56)	(41)	(33)	(10)	-3%	444%	(151)	(16)	n/a
JGB Bond	-	-	-	-	-	-	-	(8)	n/a	n/a	-	(30)	n/a
IBD Principal Transactions (FRL's, etc.)	18	(26)	(58)	(66)	(167)	(125)	(13)	(30)	-61%	117%	(302)	(39)	n/a
Structured Trades FID	-	0	-	0	-	-	4	4	n/a	-87%	0	12	-96%
CDS Trade	31	12	(1)	42	(12)	84	(11)	88	n/a	-52%	126	92	37%
Debt Valuation	129	620	320	1,069	319	462	352	597	235%	79%	1,850	582	218%
Other (primarily Net Interest)	13	100	39	153	(173)	134	(75)	(61)	n/a	n/a	53	204	-74%
FID Other	(45)	783	499	1,238	535	674	329	580	131%	113%	2,446	809	202%

## Q3 '08 vs. Q2 '08 and Q3 '07:

- **Debt Valuation:**
  - Gain of \$1.1bn allocated to FID Segment (75%) as Lehman credit spreads continued to widen in the quarter. 5 year spread widened to 375 bps at Q3 '08 from 265bps at Q2 '08.

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# *SALES CREDITS*

## Equities Institutional Secondary Client Revenues

(\$mm)

Global Institutional Secondary Client revenues of \$751mm are down 22% or \$214mm Q3 '08 compared to Q2 '08.

- > Americas down \$59mm or 15% overall versus Q2 '08
  - Americas Liquid Markets down 4% - Cash & Programs down 2% directly impacted by volumes
  - Flow Volatility (down 10%) as client hedging activity via Flow OTC options slowed
- > Europe down \$130mm or 30% overall versus Q2 '08 - Seasonal Structured Arbitrage attributing to \$100mm less
  - Execution Services down 19% - Cash market volumes down 50% reflected in client activity
  - Volatility down 10% - noise around L.B.'s strategies see less activity in Delta 1 & Flow OTC Options
- > Asia down \$25mm or 17% overall versus Q2 '08
  - Execution Services down 19% driven by decreased volumes; Programs down 21% client risk appetite low
  - Volatility continues to suffer as clients hedging activity in OTC Options decrease - Flow Vol down 50%
- > Prime Services Q3 '08 down \$140mm or 39% vs. Q2 '08 driven by end of seasonal Structured Arbitrage
  - Equity Financing down 50% due to end of seasonal Structured Arbitrage (Q3 \$28mm vs. Q2 \$128mm)
    - Balances have decreased significantly directly impacting Synthetic Prime Brokerage (down \$12mm)
- > The top three client segments in Q3'08 are Hedge Funds (43%), Money Managers (26%) and Banks (11%)
  - Q3 has seen less activity by Hedge Funds and a 6% increase in activity by Money Managers

Product:	Q3 '08	Q2 '08	Q3 '07	Vs. Q2 '08	Vs. Q3 '07
Americas Cash	103.6	105.7	113.9	-2%	-9%
Portfolio	40.8	41.6	97.8	-7%	-58%
Flow Volatility	48.1	53.7	54.1	-10%	-11%
Event Driven	7.2	6.6	12.4	9%	-42%
<b>Liquid Markets Am</b>	<b>199.7</b>	<b>207.6</b>	<b>278.2</b>	<b>-4%</b>	<b>-28%</b>
Europe Cash**	57.3	69.4	82.8	-7%	-31%
Portfolio	38.9	41.9	61.4	-7%	-37%
Flow Volatility	32.7	47.9	46.3	-32%	-29%
<b>Execution Services Eu</b>	<b>128.9</b>	<b>159.2</b>	<b>190.4</b>	<b>-19%</b>	<b>-32%</b>
Asia Cash	37.9	46.8	41.7	-9%	9%
Portfolio	11.0	13.8	12.4	-31%	-2%
Event Driven	-	-	-	-	-
<b>Execution Services As</b>	<b>48.9</b>	<b>60.6</b>	<b>54.1</b>	<b>-19%</b>	<b>-10%</b>
Convertible	21.2	28.9	19.7	-26%	8%
Volatility*	147.6	165.7	287.5	-11%	-49%
Prime Services	219.2	359.9	283.2	-39%	-23%
Equities Corporate	(13.5)	(16.8)	(50.7)	-20%	-73%
<b>Total Equities Secondary</b>	<b>751.0</b>	<b>965.1</b>	<b>1,062.5</b>	<b>-22%</b>	<b>-29%</b>
<b>Region:</b>					
Americas	330.7	389.5	433.4	-15%	-24%
Europe	301.6	431.4	470.7	-30%	-36%
Asia	119.1	144.3	158.5	-17%	-23%
<b>Total Equities Secondary</b>	<b>751.3</b>	<b>965.1</b>	<b>1,062.5</b>	<b>-22%</b>	<b>-29%</b>

Rank	Client	Segment	Q3 '08	Q2 '08	Q3 '07	Vs. Q2 '08	Vs. Q3 '07
1	GLG PARTNEAS	Hedge Fund	26.0	36.9	31.7	-30%	-18%
2	HENDERSON LAND DEVELOPMENT	Corp/Pension	15.0	6.9	5.3	116%	80%
3	FIDELITY	Money Manager	13.4	13.7	17.1	-2%	-21%
4	SAC CAPITAL	Hedge Fund	11.4	10.2	7.0	12%	62%
5	HARBERT MANAGEMENT	Hedge Fund	11.0	14.5	0.4	-24%	nm
6	MILLENNIUM PARTNERS	Hedge Fund	10.8	6.6	8.2	63%	31%
7	TIGER ASIA MGMT	Corp/Pension	10.8	13.3	8.2	-19%	31%
8	BARCLAYS GLOBAL CAPITAL	Money Manager	10.8	13.2	12.6	-19%	-4%
9	MOORE CAPITAL	Hedge Fund	9.0	12.2	10.0	-27%	10%
10	QUANTLAB CAPITAL	Hedge Fund	8.0	6.1	5.8	31%	38%

Rank	Client	Segment	Q3 '08	Q2 '08	Q3 '07	Vs. Q2 '08	Vs. Q3 '07
1	HENDERSON LAND DEVELOPMENT	Corp/Pension	15.0	6.9	5.3	116%	80%
2	MILLENNIUM PARTNERS	Hedge Fund	10.8	6.6	8.2	63%	31%
3	R3 CAPITAL MANAGEMENT	Hedge Fund	4.2	0.2	-	nm	nm
4	BANCO POPULAR SPAIN	Banks	4.6	0.5	0.1	772%	nm
5	JP MORGAN PRIVATE BANK	Banks	4.8	1.1	1.4	331%	-24%

Rank	Account	Client Type	Q3 '08	Q2 '08	Q3 '07	Vs. Q2 '08	Vs. Q3 '07
1	GCNF	Hedge Fund	1.0	11.8	-	-92%	nm
2	GLG PARTNERS	Hedge Fund	2.7	11.7	5.8	-77%	-53%
3	DZ BANK	Banks	4.8	13.7	12.1	-65%	-60%
4	DEUTSCHE ASSET MGMT EUROPE	Money Manager	-	5.1	0.1	100%	100%
5	MELLON BANK	Banks	9.6	12.6	8.3	-24%	-16%

% of Total	Client	Q3 '08	Q2 '08	Q3 '07	Vs. Q2 '08	Vs. Q3 '07
43%	HEDGE FUNDS	329.5	374.4	445.7	-12%	-26%
26%	MONEY MANAGER	191.7	245.5	249.7	-22%	-23%
11%	BANKS	78.7	162.0	154.6	-51%	-49%
10%	CORP/PENSION	77.5	82.7	73.9	-6%	5%
4%	INSURANCE COMPANY	32.3	47.9	41.5	-33%	-22%
2%	BROKER/DEALER	16.3	21.4	32.3	-24%	-50%
1%	GOVERNMENTS	4.2	3.6	10.4	15%	-60%
3%	OTHER	21.2	27.6	54.4	-23%	-61%
100%	Total	751.3	965.1	1,062.5	-22%	-29%

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## FID Institutional Secondary Client Revenues

(\$ in mm)

- FID institutional secondary client revenue for Q3 '08 is \$1,285mm, down \$271mm or 17% vs. Q2 '08 & down \$129mm or 9% vs. Q3 '07
- Q3 '08 vs. Q2 '08:**
  - Record quarter in Commodities up \$26mm or 22%, driven by large Nat Gas and Oil structured deals, along with continued growth of the business
  - Credit is down \$82mm or 17%, due to slowdown in High Grade and High Yield activity
    - HG down \$49mm or 22% following a record Q2. HY down \$42mm or 30%; both driven by significant volume decrease and lack of liquidity within the market
    - CDOs up \$7mm or 6%, CDO up slightly driven by several one time bespoke & structured transactions in Europe & Latam
  - Rates down \$82mm or 23%, driven by decline in US swaps and global options as the number of large one-time transactions decreases along with client risk appetite
  - Securitized products down \$47mm or 18% following a record Q2; driven by prime business, slowdown in number of large one-time transactions and ABS derivatives where ABX volumes are down almost 50%
  - Foreign Exchange down \$35mm or 21%, driven by slowdown in option transactions
- Q3 '08 vs. Q3 '07:**
  - Commodities up \$76mm or 116%, driven by growth in the business and large structured transactions
  - Credit is down \$114mm or 22%; Q3-07 record for HY and business impacted by decreased volumes and overall market concerns
  - Rates down \$101mm or 29%, significant decrease in derivative large one-time transactions

FID Inst'l Secondary Client Revenue by Product					
Product:	TOTAL SALES (Q over Q)			Variance %	
	Q3 '08	Q2 '08	Q3 '07	vs. Q2 '08	vs. Q3 '07
Global Rates	254.0	330.0	349.5	-23%	-27%
FX	130.6	165.4	139.9	-21%	-7%
Liquid Mkts :	384.6	495.4	489.3	-22%	-21%
High Grade	179.4	222.7	203.6	-19%	-12%
High Yield	100.0	140.1	169.9	-29%	-41%
CDO	128.7	121.6	142.3	6%	-10%
Credit Products :	408.0	484.4	515.8	-16%	-21%
Securitized Products	215.3	266.6	199.4	-19%	8%
Prime Services	102.4	136.5	136.0	-25%	-25%
Municipals	19.7	31.2	25.3	-37%	-22%
Real Estate	19.6	30.8	23.3	-36%	-16%
Commodities	142.4	116.3	65.6	22%	117%
FID Corp / Other	(9.7)	(19.9)	(60.8)	-51%	-84%
Total FID :	1,282.3	1,541.4	1,394.0	-17%	-8%
Firm Capital	2.9	14.6	20.0	-80%	-86%
Total	1,285.1	1,555.9	1,414.0	-17%	-9%
Region:					
Americas	867.7	1,056.3	974.9	-18%	-11%
Europe	324.3	360.0	327.5	-10%	-1%
Asia	93.0	139.7	111.6	-33%	-17%
Total	1,285.1	1,555.9	1,414.0	-17%	-9%

Record Quarter: Q3 '08

### Top Clients (Institutional Secondary Production)

Top 10 Global Accounts (Based on Q3 '08 Rankings)						
Rank	Account	TOTAL SALES			VARIANCE	
		Q3 '08	Q2 '08	Q3 '07	vs. Q2 '08	vs. Q3 '07
1	Chesapeake Energy Oklahoma	40.0	7.9	1.1	32.0	38.9
2	Harben Fund Advisors, Inc.	30.8	26.9	8.6	3.9	22.2
3	Baupost Group Llc	25.9	23.3	1.5	2.6	24.5
4	Pineco-Pacific Investm Mgmt California	25.1	17.8	20.4	7.3	4.6
5	Linn Energy, Llc	23.7	-	15.2	23.7	8.5
6	Bbva Banco Provincial Venezuela	20.7	0.1	0.0	20.6	20.6
7	Moore Capital Management Usa	13.8	32.1	21.6	(18.2)	(7.8)
8	Western Asset Management Co	13.7	16.9	17.2	(3.2)	(3.5)
9	Blackrock Financial Management	13.5	17.0	17.7	(3.5)	(4.3)
10	Abn Amro Bank Nv	12.7	0.6	0.5	12.1	12.3

Top 5 Gainers (Based on \$ Revenue Growth - Q3 '08 vs Q2 '08) *						
Rank	Account	TOTAL SALES			VARIANCE	
		Q3 '08	Q2 '08	Q3 '07	vs. Q2 '08	vs. Q3 '07
1	Chesapeake Energy Oklahoma	40.0	7.9	1.1	32.0	38.9
2	Linn Energy, Llc	23.7	-	15.2	23.7	8.5
3	Bbva Banco Provincial Venezuela	20.7	0.1	0.0	20.6	20.6
4	Abn Amro Bank Nv	12.7	0.6	0.5	12.1	12.3
5	National City Bank	10.9	1.7	1.3	9.3	9.6

\* based on clients with revenue in both FY 2007 & FY 2008

Top 5 Decliners (Based on \$ Revenue Decline - Q3 '08 vs Q2 '08) *						
Rank	Account	TOTAL SALES			VARIANCE	
		Q3 '08	Q2 '08	Q3 '07	vs. Q2 '08	vs. Q3 '07
1	Moore Capital Management Usa	13.8	32.1	21.6	(18.2)	(7.8)
2	Mizuho Corporate Bank Uk	2.6	20.2	3.1	(17.6)	(0.4)
3	Bank of Tokyo-Mitsubishi Uj	1.6	15.2	7.6	(13.5)	(6.0)
4	Bank Of Tokyo-Mitsubishi Uj	2.3	12.8	4.8	(10.5)	(2.4)
5	Putnam Investment Management Llc	12.1	22.3	16.4	(10.3)	(4.3)

\* based on clients with revenue in both FY 2007 & FY 2008

Inst'l Secondary Client Revenue by Client Segment						
% of Q3 '08	Industry	TOTAL SALES			VARIANCE	
		Q3 '08	Q2 '08	Q3 '07	vs. Q2 '08	vs. Q3 '07
27%	Hedge Fund	347.0	441.1	454.6	(94.0)	(107.6)
21%	Money Manager	215.5	329.3	290.7	(53.8)	(15.1)
23%	Bank	294.9	335.4	299.4	(40.5)	(4.5)
13%	Corp/Pension	167.4	158.2	118.5	9.3	48.9
6%	Insurance	79.6	122.9	74.1	(43.3)	5.5
5%	Broker/Dealer	61.2	82.8	76.8	(21.6)	(15.6)
3%	Government	40.4	69.3	90.7	(28.9)	(50.3)
1%	Other	18.9	16.9	9.2	2.0	9.7

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# *OTHER*

### Mark to Market Adjustments by Asset Class

	Q3 '08		Q2 '08		Q1 '08		YTD '08	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
\$ billions								
Residential Mortgage-Related Positions	(\$5.3)	(\$4.9)	(\$2.4)	(\$2.0)	(\$3.0)	(\$0.8)	(\$10.7)	(\$7.7)
Other Asset-Backed (Non Resi) Related Positions	(0.6)	(0.5)	(0.4)	(0.4)	(0.2)	(0.1)	(1.2)	(1.0)
Commercial Mortgage and RE Related Positions	(1.7)	(1.6)	(0.9)	(1.3)	(1.4)	(1.0)	(4.0)	(3.9)
Acquisition Finance Facilities	(0.2)	(0.0)	(0.3)	(0.4)	(0.7)	(0.5)	(1.2)	(0.9)
Subtotal	(7.8)	(7.0)	(4.0)	(4.1)	(5.3)	(2.4)	(17.1)	(13.5)
Valuation of Debt Liabilities	1.4	1.4	0.4	0.4	0.6	0.6	2.4	2.4
Total	(\$6.4)	(\$5.6)	(\$3.6)	(\$3.7)	(\$4.7)	(\$1.8)	(\$14.7)	(\$11.1)

## Firm Write Down Summary

### FIRM WRITEDOWN SUMMARY as of August 29, 2008

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	Q1 2008		Q2 2008		June		July		Aug Fcst		Q3 Forecast		FY 2008	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Residential Mortgages</b>	(2,623)	(443)	(2,058)	(1,667)	(714)	(373)	(1,972)	(1,978)	(2,307)	(2,287)	(4,993)	(4,637)	(9,674)	(6,747)
US Prime / Non Prime	(2,135)	(482)	(1,646)	(1,471)	(673)	(325)	(1,584)	(1,565)	(1,499)	(1,458)	(3,755)	(3,348)	(7,536)	(5,300)
US Derivatives	(40)	347	6	246	0	(21)	0	(15)	0	(53)	0	(69)	(34)	903
ABS CDO	(240)	(100)	(168)	(97)	(33)	(12)	(76)	(57)	(70)	(30)	(178)	(99)	(586)	(296)
Europe	(208)	(208)	(250)	(344)	(8)	(15)	(313)	(341)	(704)	(712)	(1,025)	(1,067)	(1,483)	(1,620)
Asia	0	0	0	0	0	0	0	0	(34)	(34)	(34)	(34)	(34)	(34)
<b>OTHER ABS</b>	(161)	(89)	(361)	(382)	(103)	(7)	(74)	(51)	(416)	(395)	(593)	(453)	(1,115)	(924)
Securitized Products	(161)	(89)	(256)	(277)	(103)	(25)	(74)	(52)	(209)	(191)	(386)	(269)	(803)	(635)
Capital Crossing	0	0	(105)	(105)	0	0	0	0	(84)	(84)	(84)	(84)	(189)	(189)
CDO	0	0	0	0	0	0	0	0	(38)	(38)	(38)	(38)	(38)	(38)
Leveraged Loans	0	0	0	0	0	19	(0)	2	(42)	(39)	(42)	(19)	(42)	(19)
VFN	0	0	0	0	0	0	0	0	(43)	(43)	(43)	(43)	(43)	(43)
<b>Government/Agencies</b>	0	0	0	0	0	0	(104)	(104)	(128)	(128)	(232)	(232)	(232)	(232)
Rates Americas	0	0	0	0	0	0	(104)	(104)	(117)	(117)	(221)	(221)	(221)	(221)
Equities	0	0	0	0	0	0	0	0	(11)	(11)	(11)	(11)	(11)	(11)
<b>Real Estate</b>	(1,385)	(1,005)	(894)	(1,348)	(91)	(22)	(431)	(418)	(1,166)	(1,145)	(1,688)	(1,585)	(3,967)	(3,938)
Mortgage Inventory	(1,049)	(669)	(128)	(582)	(83)	(14)	(222)	(209)	(405)	(384)	(710)	(607)	(1,887)	(1,857)
US CMBS Held for Sale	(282)	(282)	(450)	(450)	(16)	(16)	(204)	(204)	(629)	(629)	(848)	(848)	(1,580)	(1,580)
Corporate Debt	(54)	(54)	(27)	(27)	7	7	(5)	(5)	(32)	(32)	(50)	(50)	(111)	(111)
Corporate Equity	0	0	(289)	(289)	0	0	0	0	(100)	(100)	(100)	(100)	(389)	(389)
<b>CAF Portfolio 100% view</b>	(726)	(532)	(311)	(372)	(73)	4	(47)	(17)	(40)	(28)	(160)	(41)	(1,196)	(945)
CAF US	(533)	(419)	(202)	(247)	(33)	24	(28)	(6)	(10)	(5)	(71)	14	(856)	(652)
CAF Europe	(193)	(113)	(109)	(125)	(40)	(20)	(19)	(12)	(30)	(23)	(88)	(54)	(340)	(293)
<b>Investment Management (IMD)</b>	(411)	(411)	(311)	(311)	0	0	(10)	(10)	(90)	(90)	(100)	(100)	(822)	(822)
Residential	(411)	(411)	(311)	(311)	0	0	(10)	(10)	(37)	(37)	(47)	(47)	(769)	(769)
Commercial	0	0	0	0	0	0	0	0	(53)	(53)	(53)	(53)	(53)	(53)
<b>Principal Investing (PI)</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Credit Spread P&amp;L on LEH debt</b>	617	617	442	442	172	172	827	827	427	427	1,426	1,426	2,485	2,485
<b>FIRM Disclosure</b>	(4,689)	(1,863)	(3,492)	(3,637)	(809)	(226)	(1,812)	(1,751)	(3,719)	(3,646)	(6,339)	(5,622)	(14,521)	(11,123)

<sup>1</sup> CAF Portfolio excludes Applebee's, LIM and Hilton

## Summary Disclosures

### Key Exposure Summary

	Balances as of			July - May Variance
	29-Aug-08	Q2'2008	Q1'2008	
<b>Residential mortgages:</b>				
Securities	\$9.3	\$15.0	\$18.2	(\$5.7)
Whole loans	\$6.3	\$8.3	\$11.9	(\$2.0)
Servicing and other	\$1.7	\$1.6	\$1.7	\$0.1
	\$17.3	\$24.9	\$31.8	(\$7.6)
<b>Other ABS (non-residential)</b>	\$4.8	\$6.5	\$6.5	(\$1.7)
<b>Commercial mortgages:</b>				
Whole loans	\$15.5	\$19.9	\$24.9	(\$4.4)
Securities and other	\$8.5	\$9.5	\$11.2	(\$1.0)
	\$24.0	\$29.4	\$36.1	(\$5.4)
<b>Real estate investments <sup>1</sup></b>	\$8.7	\$10.4	\$12.9	(\$1.7)
<b>Acquisition Finance Facilities:</b>				
<b>High Grade</b>				
Contingent Commitments	\$0.7	\$1.7	\$7.2	(\$1.0)
Unfunded Commitments	\$1.9	\$1.1	\$0.8	\$0.8
Funded Loans	\$0.7	\$3.7	\$2.9	(\$3.0)
	\$3.3	\$6.4	\$10.9	(\$3.1)
<b>High Yield</b>				
Contingent Commitments	\$0.4	\$0.4	\$3.7	(\$0.0)
Unfunded Commitments	\$1.8	\$2.1	\$2.2	(\$0.3)
Funded Loans	\$4.9	\$9.0	\$11.9	(\$4.1)
	\$7.1	\$11.6	\$17.8	(\$4.6)
	\$10.4	\$18.0	\$28.7	(\$7.6)

<sup>1</sup> REPS includes IMD

### Aggregate residential mortgage inventory

In billions	Balances as of			July - May Variance
	29-Aug-08	Q2'2008	Q1'2008	
Prime and Alt-A	\$4.3	\$8.6	\$12.9	(4.2)
Europe	\$7.6	9.3	9.5	(1.7)
Subprime/Second Lien	\$1.5	2.8	4.0	(1.3)
ABS-CDO	\$0.5	0.6	0.9	(0.1)
Asia-Pacific	\$0.5	0.7	0.7	(0.2)
Other U.S.	\$1.2	1.3	2.1	(0.1)
Servicing	\$1.7	1.6	1.7	0.1
	\$17.3	\$24.9	\$31.8	(\$7.6)

### Commercial mortgage inventory

In billions	29-Aug-08	Q2'2008	Q1'2008	Variance
America	\$11.0	\$13.5	\$17.4	(2.5)
Europe	\$6.0	\$7.8	10.0	(1.8)
Asia-Pacific	\$7.0	\$8.1	8.7	(1.1)
	\$24.0	\$29.4	\$36.1	(\$5.4)

### Subprime mortgage inventory

In billions	29-Aug-08	Q2'2008	Q1'2008	Variance
Whole Loans	\$0.6	\$1.1	\$1.3	(0.5)
Securities	0.9	1.7	2.7	(0.8)
Servicing & Other	0.0	0.0	0.0	(0.0)
	\$1.5	\$2.8	\$4.0	(\$1.3)

### High yield instruments

In billions	29-Aug-08	Q2'2008	Q1'2008	Variance
High yield instruments	\$20.0	\$23.9	\$30.9	(3.9)

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### Mortgage Disclosure Detail by BPM

Residential	US Prime	US Sub-Prime	US S&D RM	US SP CDO	Total US SP Real	Sub-Total SP EUR	Sub-Total SP ASIA	Total SP Real	Total IMD	Total Real Estate	Total MCD	Total Munis	Total Rates	Total GTS	Total
Whole loans	1,207	618	895		2,719	3,116	483	6,318			15	5			6,338
Securities	2,870	913	258	490	4,530	4,540	0	9,070	54			11	85	64	9,284
Servicing Rights	1,640	20	7		1,667			1,667							1,667
Other					-			-							-
<b>Real Sub-Total</b>	<b>5,718</b>	<b>1,551</b>	<b>1,160</b>	<b>490</b>	<b>8,916</b>	<b>7,656</b>	<b>483</b>	<b>17,055</b>	<b>54</b>	<b>-</b>	<b>15</b>	<b>15</b>	<b>85</b>	<b>64</b>	<b>17,289</b>

Commercial	Total US SP CMBS	SP EUR CMBS	SP ASIA CMBS	Total SP CMBS					Total Comm.
Whole loans			42	42		15,443		7	15,492
Securities	1			1	83	8,412			8,496
Servicing Rights									-
Other									-
<b>Commercial Sub-Total</b>	<b>1</b>		<b>42</b>	<b>43</b>	<b>83</b>	<b>23,855</b>	<b>-</b>	<b>7</b>	<b>23,987</b>

Other Asset Backed	Other US SP ABS	Non Real Mortg.	Total US ABS Other	SP EUR ABS Other	SP ASIA ABS Other	Total SP ABS Other	Prime Services	High Yield	CDO	Rates	GTS/GOG	Total Other ABS
Whole loans	0	1,865	1,865			1,865						1,865
Securities	1,186	202	1,388	208		1,596	228	193	822	14	138	2,891
Servicing Rights	-	29	29			29						29
Other	-		-			-			(62)			(62)
<b>Other ABS Sub-Total</b>	<b>1,186</b>	<b>2,096</b>	<b>3,282</b>	<b>208</b>		<b>3,490</b>	<b>228</b>	<b>193</b>	<b>760</b>	<b>-</b>	<b>14</b>	<b>4,622</b>

## Securitized Products Balance Sheet

(In millions)	US Prime	US 2nd Ljcn	US Sub-Prime	US Non-Prime	US S&D / RM	Other US ABS	Total US Real Non Agency	US Agency Residential	Total US Residential	Non Real Mortg.	Sub-Total SP US	Sub-Total SP EUR	Sub-Total SP ASIA	Total SP
Whole loans	1,207	497	120	618	895	0	2,719		2,719	1,804	4,523	3,116	525	8,164
Origination WL Inventory	-	-	-	-	-	-	-		-	61	61	-	-	61
<b>Securitized</b>	<b>2,616</b>	<b>4</b>	<b>207</b>	<b>211</b>	<b>202</b>	<b>2,458</b>	<b>5,487</b>		<b>5,487</b>	<b>184</b>	<b>5,671</b>	<b>4,527</b>	<b>0</b>	<b>10,199</b>
IG Retained Interests	1,576	0	170	170	70	449	2,264		2,264	116	2,380	289		2,669
FAS140 IG	(221)	-	(198)	(198)	-	(23)	(441)		-	(82)	(523)	-	-	(523)
Agented	(123)	-	(2)	(2)	-	(302)	(427)		-	-	(427)	-	-	(427)
Net IG Retained Interest	1,232	0	(30)	(30)	70	125	1,396		1,396	33	1,430	289		1,719
NIG Retained Interests	131	4	16	20	8	780	939		939	67	1,006	30		1,036
FAS140 NIG	(15)	-	(2)	(2)	(6)	-	(24)		-	(4)	(28)	-	-	(28)
Agented	(10)	(0)	(1)	(2)	(0)	(719)	(731)		-	(0)	(731)	-	-	(731)
Net NIG Retained Interest	106	3	13	16	2	61	184		184	63	247	30		277
Other Traded Securities	910	0	21	21	124	1,229	2,284		2,284	1	2,285	4,208	0	6,494
IG	580	0	16	16	124	898	1,718		1,718	(0)	1,718	4,138	-	5,856
NIG	229	0	5	5	0	455	690		690	1	691	70	0	762
Residuals	162	0	0	0	39	-	201		201	27	228	220		449
FAS140 Resid	(7)	(0)	(0)	(0)	(6)	-	(13)		(13)	(0)	(13)	-	-	(13)
Agented	(12)	-	(0)	(0)	(0)	-	(12)		(12)	(0)	(12)	-	-	(12)
Net Retained Interest	143	0	0	0	33	-	176		176	27	203			203
Traded Residuals (Agented)	16	-	4	4	0	-	20		20	0	20			20
Gross-Up	5,202	-	1,223	1,223	490	-	7,914		7,914	696	8,610	1,478		10,088
FAS140 Derivatives	5,177	-	1,037	1,037	490	-	7,704		7,704	696	8,400	1,274		9,674
FAS140 Repurchase Option	-	-	185	185	-	-	185		185	-	185	-		185
Non Performing Loans	25	-	-	-	-	-	25		25	-	25	-		25
FIN 46 Gross-Up	-	-	-	-	-	-	-		-	-	-	204		204
Servicing Rights	1,640	2	18	20	7	-	1,667		1,667	29	1,696			1,696
Other	-	-	-	-	-	-	-		-	-	-			-
<b>Total Mortgage Inventory (GAAP)</b>	<b>11,842</b>	<b>503</b>	<b>1,572</b>	<b>2,076</b>	<b>1,633</b>	<b>2,458</b>	<b>18,008</b>		<b>16,008</b>	<b>2,800</b>	<b>20,809</b>	<b>9,341</b>	<b>525</b>	<b>30,676</b>
<b>Total Real Estate Owned (REO)</b>	<b>36</b>	<b>-</b>	<b>27</b>	<b>27</b>	<b>81</b>	<b>-</b>	<b>145</b>		<b>145</b>	<b>-</b>	<b>145</b>	<b>-</b>	<b>-</b>	<b>145</b>
<b>Pass Thru's</b>														
MBS Pools	261	-	-	-	237	-	498	4,834	5,332	-	5,332	-	-	5,332
Agency CMO	129	-	-	-	-	32	160	4,383	4,553	-	4,553	-	-	4,553
When Issued	0	-	-	-	-	1	1	33	34	-	34	-	-	34
Agency CMO's	129	-	-	-	-	32	161	4,426	4,587	-	4,587	-	-	4,587
Treasuries	26	-	-	-	-	45	72	177	249	-	249	-	-	249
<b>Total Govt &amp; Agencies Inventory (GAAP)</b>	<b>416</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>237</b>	<b>78</b>	<b>731</b>	<b>9,437</b>	<b>10,167</b>	<b>-</b>	<b>10,167</b>	<b>-</b>	<b>-</b>	<b>10,167</b>
<b>Total Corporate Debt and Other (GAAP)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,389</b>	<b>1,389</b>	<b>-</b>	<b>1,389</b>	<b>-</b>	<b>1,389</b>	<b>203</b>	<b>876</b>	<b>2,467</b>
<b>Total Corporate Equities (GAAP)</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>10</b>	<b>116</b>	<b>5</b>	<b>130</b>
<b>Other GAAP Line Items</b>	<b>1,282</b>	<b>-</b>	<b>37</b>	<b>37</b>	<b>-</b>	<b>5,503</b>	<b>6,823</b>	<b>13</b>	<b>6,836</b>	<b>87</b>	<b>6,922</b>	<b>535</b>	<b>15</b>	<b>7,473</b>
<b>Total Securitized Products</b>	<b>13,576</b>	<b>503</b>	<b>1,637</b>	<b>2,140</b>	<b>1,951</b>	<b>9,438</b>	<b>27,105</b>	<b>9,450</b>	<b>36,555</b>	<b>2,887</b>	<b>39,442</b>	<b>10,195</b>	<b>1,421</b>	<b>51,658</b>

### Securitized Products Resi Exposure by Asset Class

(In millions)	US Prime	US Sub-Prime	US 2nd Lien	US S&D	US RM	US CDO	Total US Residential	Sub-Total SP EUR	Sub-Total SP ASIA	Total Residential	BBF	US Non-Res CC	CD	Other ABS	EUR Non-Res	Total CMBS	Total Non-Res	Total Resi & Non-Res	
<b>ASSETS</b>																			
Whole loans	1,207	120	497	255	839		2,719	3,116	483	6,316	705	610	549			42	1,907	8,225	
Securitized	2,692	904	4	154	85	490	4,309	4,319	0	8,628	175	-	-	1,186	208	1	1,570	10,199	
AAA	1,699	185	0	135	-	5	2,024	3,762	-	5,787	51	-	-	380	23	-	435	6,222	
AA	320	324	0	6	40	10	699	214	-	914	5	-	-	60	37	-	102	1,016	
A	187	203	-	3	24	10	427	112	-	540	18	-	-	42	46	1	107	647	
BBB	112	93	-	3	-	5	212	159	0	371	40	-	-	33	73	-	146	518	
BB	88	48	2	5	-	367	510	27	-	537	32	-	-	170	16	0	217	754	
B	39	13	0	1	-	31	84	3	-	87	28	-	-	95	-	-	123	210	
CCC & Below	64	35	1	2	-	44	146	-	-	146	-	-	-	315	-	-	315	461	
NR	184	4	-	-	-	18	206	42	-	248	1	-	-	109	14	-	124	372	
Residuals	177	4	0	4	35	-	221	220	-	442	27	-	-	-	-	-	27	469	
Servicing Rights	1,640	18	2	7	-	-	1,667	-	-	1,667	29	-	-	-	-	-	29	1,696	
Other																			
<b>Total Cash Positions</b>	<b>5,716</b>	<b>1,047</b>	<b>503</b>	<b>421</b>	<b>739</b>	<b>490</b>	<b>8,916</b>	<b>7,656</b>	<b>483</b>	<b>17,055</b>	<b>936</b>	<b>610</b>	<b>549</b>	<b>1,186</b>	<b>208</b>	<b>43</b>	<b>3,533</b>	<b>20,588</b>	
<b>HEDGES *</b>																			
ABX Total	(89)	345	-	-	-	(36)	250	-	-	250	(38)	-	-	-	-	-	(38)	212	
ABCDS Total	(59)	(1,162)	-	-	-	(218)	(1,441)	-	-	(1,441)	(7)	-	-	-	-	-	(7)	(1,447)	
Single Name TRS Total	-	348	-	-	-	189	515	-	-	515	-	-	-	-	-	-	-	515	
Bond Index TRS Total	(337)	0	-	-	-	-	(337)	(311)	-	(668)	-	-	-	-	-	-	-	(668)	
CDS on CDO Total	-	(193)	-	-	-	9	(183)	-	-	(183)	-	-	-	-	-	-	-	(183)	
ABX - CDS on CC AAA	-	(147)	-	-	-	-	(147)	-	-	(147)	-	-	-	-	-	-	-	(147)	
AA	-	0	-	-	-	-	0	-	-	0	-	-	-	-	-	-	-	0	
A	-	(3)	-	-	-	-	(3)	-	-	(3)	-	-	-	-	-	-	-	(3)	
BBB	-	(30)	-	-	-	-	(30)	(2,524)	-	(2,554)	-	-	-	-	-	-	-	(2,554)	
BB & Below	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
ABX - CDS on CDO Total	-	(180)	-	-	-	-	(180)	(2,524)	-	(2,704)	-	-	-	-	-	-	-	(2,704)	
CMBX Total	(0)	(189)	-	-	-	-	(189)	-	-	(189)	(120)	-	-	-	-	-	(120)	(308)	
Bond Index TRS/CMBX Total	-	-	-	-	-	-	-	-	-	-	(389)	-	-	-	-	-	(389)	(389)	
Corp CDS - Single Name Total	(161)	(1,300)	-	-	-	(130)	(1,591)	-	-	(1,591)	(168)	-	-	-	-	-	(168)	(1,699)	
Corp CDS - CDX/AAA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
AA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
A	(806)	(749)	-	-	-	-	(1,555)	-	-	(1,555)	(106)	-	-	-	-	-	(106)	(1,661)	
BBB	(594)	(161)	-	-	-	-	(655)	-	-	(655)	(50)	-	-	-	-	-	(50)	(715)	
BB & Below	-	(600)	-	-	-	-	(600)	-	-	(600)	-	-	-	-	-	-	-	(600)	
Corp CDS - CDX/Traxx Total	(1,310)	(1,511)	-	-	-	-	(2,820)	-	-	(2,820)	(157)	-	-	-	-	-	(157)	(2,977)	
Synthetic Long Total	678	1,857	-	-	-	-	2,234	-	-	2,234	-	-	-	-	-	-	-	2,234	
<b>Total Hedges</b>	<b>(1,268)</b>	<b>(2,268)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(219)</b>	<b>(3,771)</b>	<b>(2,835)</b>	<b>-</b>	<b>(6,606)</b>	<b>(817)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(817)</b>	<b>(7,423)</b>	
<b>NET EXPOSURE</b>	<b>4,448</b>	<b>(1,240)</b>	<b>503</b>	<b>421</b>	<b>739</b>	<b>274</b>	<b>5,146</b>	<b>4,821</b>	<b>483</b>	<b>10,450</b>	<b>119</b>	<b>610</b>	<b>549</b>	<b>1,186</b>	<b>208</b>	<b>43</b>	<b>2,715</b>	<b>13,165</b>	

## Other ABS Exposures

Asset Description	August 20th Net			BPM Level 0	August 20th Net			Rating	Total	%
	Balance Sheet	Q2'2008	Variance		Balance Sheet	Q2'2008	Variance			
<i>LIM + Dominos</i>	77	221	(144)					A	173	5.9%
<i>Applebees</i>	237	1,020	(783)	GOG	10	6	4	A-	46	1.6%
<i>Franchise</i>	314	1,241	(927)	GFS	0	0	0	A+	11	0.4%
Manufactured Housing	382	440	(57)	GTS	128	157	(30)	AA-	195	6.6%
Auto Loan Bonds	95	130	(35)	<i>Principal Investing</i>	138	163	(25)	AA	53	1.8%
Credit Card Bonds	29	226	(198)	CDO	834	1,034	(200)	AA+	1	0.0%
Aircraft Receivable Bonds	110	117	(7)	High Yield	193	0	193	AAA	617	20.8%
Structured Settlements	0	87	(87)	Global rates	0	14	(14)	BBB	441	14.9%
Insurance	87	0	87	Securitized Products	3,281	5,294	(2,013)	BBB-	23	0.8%
CLO/CBO	73	348	(275)	<i>Fixed Income</i>	4,308	6,342	(2,034)	BBB±	17	0.6%
ABCP	76	76	(0)	Asset Management	0	5	(5)	<i>Investment Grade</i>	1,578	53.3%
Student Loans	4	7	(3)	Private Equity	0	35	(35)	B	163	5.5%
Catastrophe Bond	13	0	13	<i>Investment Management</i>	0	40	(40)	B-	51	1.7%
Other	3	19	(15)	Prime Services	228	0	228	B+	6	0.2%
<b>Other ABS</b>	<b>1,186</b>	<b>2,691</b>	<b>(1,505)</b>	<i>GAAP adjustment</i>	(62)	(62)	0	BB	364	12.3%
Student Loans	549	402	147	<i>Europe</i>	208	0	208	BB-	50	1.7%
Small Business Financing	936	1,561	(625)	<b>Total ABS Other</b>	<b>4,821</b>	<b>6,483</b>	<b>(1,662)</b>	BB+	112	3.8%
Capital Crossing	610	640	(30)	<b>Q3 ABS Other Target</b>	<b>4,000</b>		<b>(821)</b>	C	10	0.3%
Non-Resi	2,096	2,603	(508)					C-	3	0.1%
<i>Securitized Products</i>	3,281	5,294	(2,013)					C+	22	0.7%
<i>High Yield</i>	193	0	193					CC	31	1.0%
<i>CDO's - CLO/CBO</i>	834	1,034	(200)					CC-	7	0.2%
<i>Global Rates -CLO</i>	0	14	(14)					CC+	36	1.2%
								CCC	47	1.6%
<i>GTS - CLO</i>	138	163	(25)					CCC-	32	1.1%
<i>IMD - CLO</i>	0	5	(5)	<b>Collateral Type</b>				CCC+	115	3.9%
<i>PE - CLO</i>	0	35	(35)	ABCP	76	76	(0)	D	0	0.0%
<i>Asset Management</i>	0	40	(40)	Auto Loans	95	130	(35)	DD+	7	0.2%
Prime Services	228	0	228	Credit Cards	29	226	(198)	DDD	38	1.3%
<i>GAAP Adjustment</i>	(62)	(62)	0	Franchise	504	1,241	(737)	DDD±	1	0.0%
<i>Europe</i>	208	0	208	MH	382	440	(57)	<i>Non-Investment Grade</i>	1,095	37.0%
<b>July ABS Other</b>	<b>4,821</b>	<b>6,483</b>	<b>(1,662)</b>	NIM	0	7	(7)	NR	290	9.8%
				Other	27	521	(495)	<b>Total Securities</b>	<b>2,962</b>	
				Aircraft	110	117	(7)	<i>Servicing Rights</i>	29	
				Insurance	87	0	87	<i>Residual</i>	27	
				SBA Nim	82	57	25	WL	1,865	
				SBA Residual	24	31	(7)	<i>Whole Loan &amp; Other</i>	<b>1,921</b>	
				SBA Security	84	428	(333)	<b>Sub Total</b>	<b>4,883</b>	
				Servicing Rights	29	31	(3)		0	
				Structured Settlements	0	67	(67)	<i>GAAP Adjustment</i>	(62)	
				Consumer Loans	177	0	177	<b>Total ABS Other</b>	<b>4,821</b>	
				Student Loans	21	7	14			
				Whole Loans	1,865	1,935	(70)			
				CLO/CBO	1,281	1,211	70			
				<i>GAAP Adjustment</i>	(62)	(62)	0			
				<b>Total ABS Other</b>	<b>4,821</b>	<b>6,483</b>	<b>(1,662)</b>			

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## Commercial Real Estate Balance Sheet

### GAAP Asset Class / Lien Type Mix

(\$ in millions)	At Risk Balance Sheet					
	Total	Mortgage Inventory	Held for Sale	Corporate Equity	Corporate Debt	Other Assets
First	17,881	12,357	2,499	-	3,025	-
Mezz	4,075	3,183	867	-	24	-
NPL	1,666	1,666	-	-	-	-
Securities	4,254	4,252	-	-	-	2
Equity / REO	9,398	2,514	5,070	1,814	-	-
Other:						
Financing Trades	2,090	-	229	-	1,861	-
Corporate Loans	1,330	-	-	-	1,330	-
Derivative MTM / Treas.	307	-	-	-	-	307
Revolvers	301	-	9	-	292	-
<b>Total</b>	<b>41,302</b>	<b>23,973</b>	<b>8,674</b>	<b>1,814</b>	<b>6,532</b>	<b>309</b>

### GAAP Asset Class / Property Type Mix

(\$ in millions)	At Risk Balance Sheet					
	Total	Mortgage Inventory	Held for Sale	Corporate Equity	Corporate Debt	Other Assets
Office	7,755	3,451	3,153	31	1,120	-
Mixed Use	4,461	3,030	130	57	1,244	-
Multi-family	8,195	3,656	650	1,651	2,237	-
Hotel	4,062	2,468	399	-	1,195	-
Land / SF	5,092	2,401	2,587	-	104	-
Retail	1,908	1,387	254	-	267	-
Condominium	2,177	1,455	721	-	-	-
Other <sup>(1)</sup>	7,651	6,124	780	74	363	309
<b>Total</b>	<b>41,302</b>	<b>23,973</b>	<b>8,674</b>	<b>1,814</b>	<b>6,532</b>	<b>309</b>

<sup>(1)</sup> Other includes CMBS securities, derivative MTM, industrial, storage and other miscellaneous items

### GREG Real Estate Exposure by Asset Class

(In millions)	US Commercial	US PTG	US REITS	Total US	Europe Commercial	Europe PTG	Total Europe	Asia Commercial	Asia PTG	Total Asia	Total
<b>ASSETS</b>											
Fixed Rate Whole Loans											
Fixed Rate Large Loans and Conduit	57			57			0				57
B-Notes and Mezz Fixed Rate Loans	1,220			1,220			0				1,220
Fixed Rate Loan Commitments	-			-			0				-
<b>Total Fixed Rate Whole Loans</b>	<b>1,277</b>			<b>1,277</b>			<b>0</b>				<b>1,277</b>
Floating Rate Whole Loans											
Floating Rate Sr, Mezz & B-Notes	5,797		3,994	9,791	4,775	499	5,275	3,126	1,699	4,826	17,693
PTG Debt		6,117		6,117							8,316
<b>Total Floating Rate Whole Loans</b>	<b>5,797</b>	<b>6,117</b>	<b>3,994</b>	<b>15,908</b>	<b>4,775</b>	<b>499</b>	<b>5,275</b>	<b>3,126</b>	<b>1,699</b>	<b>4,826</b>	<b>26,008</b>
PTG and Equity/Bridge Equity/Asia NPL		5,722		5,722		1,313	1,313		2,660		9,694
Securities											
Fixed Rate IG	438			438			3,065	445		445	438
Floating Rate IG	224			224	3,065		200	63		63	3,734
NIG	28			28	200						291
<b>Total Securities</b>	<b>690</b>			<b>690</b>	<b>3,265</b>	<b>0</b>	<b>3,265</b>	<b>508</b>	<b>-</b>	<b>508</b>	<b>4,463</b>
Financing Trade	711			711	882		882				1,593
<b>Total Cash Positions</b>	<b>8,475</b>	<b>11,839</b>	<b>3,994</b>	<b>24,308</b>	<b>8,923</b>	<b>1,812</b>	<b>10,735</b>	<b>3,634</b>	<b>4,359</b>	<b>7,993</b>	<b>43,035</b>
<b>HEDGES (Notional)</b>											
CMBX	(264)			(264)							(264)
AAA											-
AA											-
A	(85)			(85)							(85)
BBB	(119)			(119)							(119)
BBB-	(60)			(60)							(60)
HVOL	(75)			(75)							(75)
ITraxx	(737)			(737)							(737)
CDX IG.s											-
CDS											-
TRS/DNS	(776)			(776)							(776)
<b>Total Hedges</b>	<b>(1,852)</b>	<b>-</b>	<b>-</b>	<b>(1,852)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,852)</b>
<b>NET EXPOSURE</b>	<b>6,623</b>	<b>11,839</b>	<b>3,994</b>	<b>22,456</b>	<b>8,923</b>	<b>1,812</b>	<b>10,735</b>	<b>3,634</b>	<b>4,359</b>	<b>7,993</b>	<b>41,183</b>
Total Cash Positions	8,475	11,839	3,994	24,308	8,923	1,812	10,735	3,634	4,359	7,993	43,035
Plus: Deriv mtm and other (UST)	324			324			0				324
Plus: Gross-ups	4,180	2,024		6,204	4,205		4,205	453		453	10,862
<b>Total Balance Sheet</b>	<b>12,979</b>	<b>13,863</b>	<b>3,994</b>	<b>30,836</b>	<b>13,128</b>	<b>1,812</b>	<b>14,940</b>	<b>4,087</b>	<b>4,359</b>	<b>8,446</b>	<b>54,221</b>

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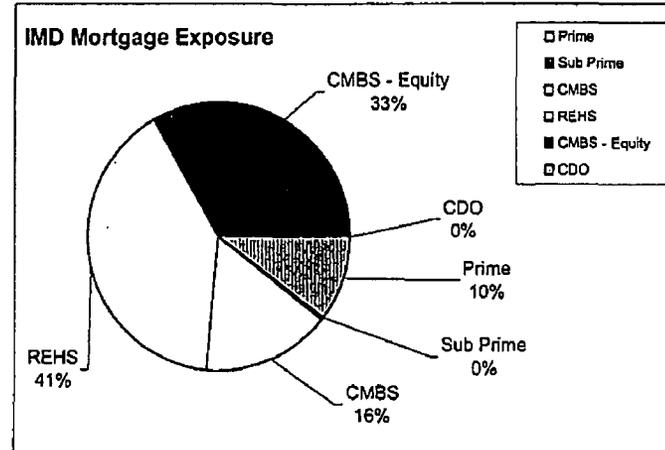
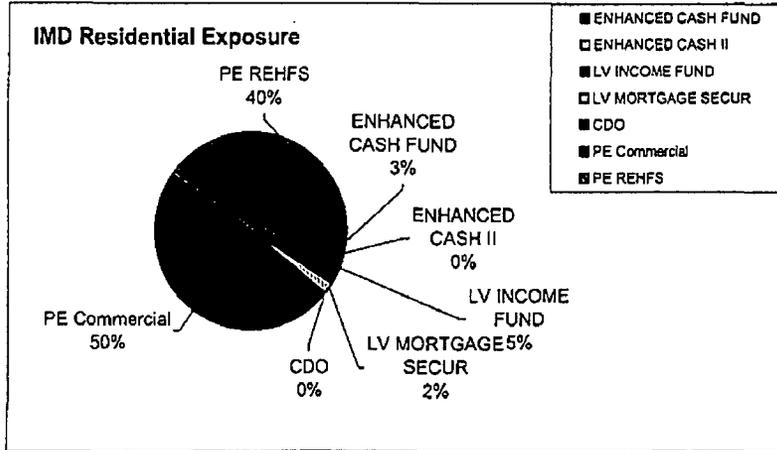
### IMD Mortgage Exposure

Inventory By Account	Prime	Sub Prime	CMBS	REHS	CMBS - Equity	CDO	Grand Total
ABS FUND	-	-	-	-	-	-	-
ENHANCED CASH FUND	16.1	-	1.6	-	-	-	17.8
ENHANCED CASH II	-	0.2	-	-	-	-	0.2
Lincoln Capital Govt Agcy	-	-	-	-	-	-	-
LV INCOME FUND	26.8	-	-	-	-	-	26.8
LV MORTGAGE SECUR	8.9	1.7	-	-	-	-	10.6
CDO	-	-	-	-	-	0.1	0.1
Private Equity	-	-	-	-	-	-	-
PE Commercial	-	-	78.9	-	169.9	-	248.9
PE REHFS	-	-	-	205.9	-	-	205.9
<b>Grand Total</b>	<b>51.9</b>	<b>1.9</b>	<b>80.6</b>	<b>205.9</b>	<b>169.9</b>	<b>0.1</b>	<b>510.2</b>

Q2'2008	Variance
7.4	(7.4)
38.6	(20.8)
42.7	(42.5)
0.1	-
47.2	(20.4)
56.6	(46.0)
-	0.1
34.9	(34.9)
560.7	(311.8)
282.0	(76.1)
<b>1,070.2</b>	<b>(560.0)</b>

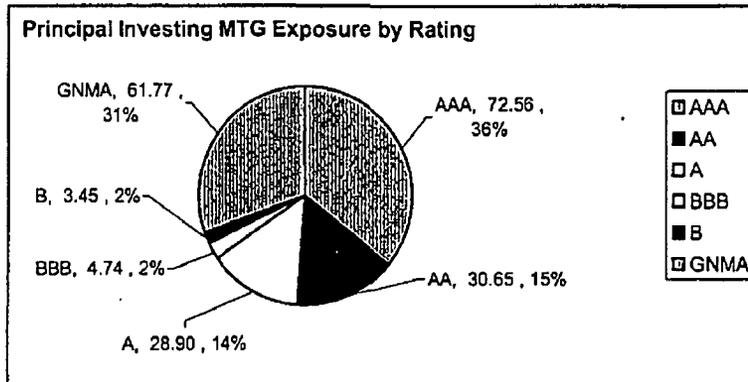
Collateral by Rating	Prime	Sub Prime	CMBS	REHS	CMBS - Equity	CDO	Grand Total
A	-	0.2	-	-	-	-	0.2
AA	3.1	-	-	-	-	-	3.1
AAA	25.9	-	-	-	-	-	25.9
B	4.3	-	-	-	-	-	4.3
B-	-	-	-	-	-	-	-
BB	-	-	-	-	-	-	-
BBB	1.8	0.2	-	-	-	-	2.1
GNMA	16.1	-	1.6	-	-	-	17.8
OTHER	0.5	1.4	-	-	-	-	1.9
NR	-	-	78.9	205.9	169.9	0.1	454.8
<b>Grand Total</b>	<b>51.9</b>	<b>1.9</b>	<b>80.6</b>	<b>205.9</b>	<b>169.9</b>	<b>0.1</b>	<b>510.2</b>

Q2'2008	Variance
-	0.2
16.3	(13.2)
85.4	(59.5)
1.7	2.6
3.4	(3.4)
10.6	(10.6)
24.2	(22.1)
38.6	(20.8)
-	1.9
890.0	(435.2)
<b>1,070.2</b>	<b>(560.0)</b>



### Principal Investing Mortgage Exposure

Sum of Long Inventory, TD @ MV						
BPM Level 0	Asset Category 2	Prime	Other ABS	Total	Q2'2008	Variance
GLOBAL TRADING STRATEGIES	AAA		72.6	72.6	75.1	(2.5)
	AA	30.6		30.6	33.3	(2.7)
	A	28.9		28.9	30.8	(1.9)
	BBB	4.7		4.7	8.8	(4.1)
	B		3.4	3.4	-	3.4
	GNMA		51.6	51.6	75.1	(23.5)
GLOBAL OPPORTUNITIES GROUP	GNMA			10.2	6.2	4.0
Grand Total		64.3	127.6	202.1	229.3	(27.2)



## ABS CDO Exposure

Cash Positions Rating	Ceago			Other Resi CDO			Total ABS CDO		
	Notional	Exposure	Av price	Notional	Exposure	Av price	Notional	Exposure	Av price
AAA	-	-		9	4	50.40%	9	4	50.40%
AA	-	-		38	10	25.53%	38	10	25.53%
A	6	5	92.5%	22	5	23.60%	27	10	37.67%
BBB	-	-		8	5	56.65%	8	5	56.65%
BB	834	367	44.0%	2	0	2.57%	836	367	43.89%
B	76	23	30.8%	31	8	25.05%	107	31	29.14%
CCC + Below	35	7	20.2%	586	37	6.25%	620	44	7.03%
NR	0	2	N/A	62	16	26.26%	62	18	29.40%
<b>Total Positions by Rating</b>	<b>951</b>	<b>405</b>	<b>42.56%</b>	<b>758</b>	<b>85</b>	<b>11.17%</b>	<b>1,709</b>	<b>489</b>	<b>28.64%</b>
<b>Hedge Positions</b>									
ABX	-	3		(415)	(40)		(415)	(36)	
ABCDs	(509)	(221)		(646)	1		(1,154)	(219)	
Single Name TRS	208	169		-	-		208	169	
Bond Index TRS	-	-		-	-		-	-	
CDS on CDO	-	-		(1,170)	(190)		(1,170)	(190)	
ABX - CDS on CDO	-	-		(361)	(180)		(361)	(180)	
CMBX	-	-		-	-		-	-	
Bond Index TRS/CMBS	-	-		-	-		-	-	
Corp CDS - Single Name	(185)	(130)		-	-		(185)	(130)	
Corp CDS - CDX/Itraxx	-	-		-	-		-	-	
<b>Total Hedges</b>	<b>(486)</b>	<b>(178)</b>		<b>(2,591)</b>	<b>(408)</b>		<b>(3,077)</b>	<b>(587)</b>	
<b>Total Net Exposure</b>	<b>465</b>	<b>227</b>		<b>(1,833)</b>	<b>(324)</b>		<b>(1,368)</b>	<b>(97)</b>	

## CAF Exposure

	August 31, 2008						May 31, 2008						% Change	
	Funded	Unfunded	Contingent	Notional	MV	Avg \$	Funded	Unfunded	Contingent	Notional	MV	Avg \$	Notional	MV
High Yield	4,924	1,834	376	7,134	6,432	90.158	9,003	2,126	425	11,554	10,369	89.743	-38%	-38%
Real Estate	466	-	-	466	461	98.927	527	-	-	527	521	98.861	-12%	-12%
Bridge Equity	2,220	-	-	2,220	1,555	70.040	2,221	-	-	2,221	1,689	76.022	0%	-8%
<b>Total Commitments</b>	<b>7,610</b>	<b>1,834</b>	<b>376</b>	<b>9,820</b>	<b>8,448</b>	<b>86.027</b>	<b>11,752</b>	<b>2,126</b>	<b>425</b>	<b>14,302</b>	<b>12,579</b>	<b>87.948</b>	<b>-31%</b>	<b>-33%</b>
% change from prior period	-35%	-14%	-12%	-31%	-33%									
 HY CAF Hedges				100	4					(525)	(139)		n/m	n/m
High Grade Commitments	707	1,868	674	3,249	3,195	98.313	3,653	1,116	1,672	6,441	6,381	99.057	-50%	-50%
<b>High Yield Disclosure</b>	<b>4,924</b>	<b>1,834</b>	<b>376</b>	<b>7,134</b>	<b>6,432</b>	<b>90.158</b>	<b>9,003</b>	<b>2,126</b>	<b>425</b>	<b>11,554</b>	<b>10,369</b>	<b>89.743</b>	<b>-38%</b>	<b>-38%</b>
<b>High Grade Disclosure</b>	<b>707</b>	<b>1,868</b>	<b>674</b>	<b>3,249</b>	<b>3,195</b>	<b>98.313</b>	<b>3,653</b>	<b>1,116</b>	<b>1,672</b>	<b>6,441</b>	<b>6,381</b>	<b>99.057</b>	<b>-50%</b>	<b>-50%</b>

LEHMAN BROTHERS HOLDINGS INC.			Hedges (\$mm)		
Deal Name	August 31, 2008		Deal Name	May 31, 2008	
	Notional	MV		Notional	MV
CDX HY	-	(0.0)	CDX HY	(75)	1.7
LCDX S9	-	(0.0)	LCDX S9	-	-
CDS - FDC	-	-	CDS - FDC	(155)	(67.8)
CDS - GS	-	-	CDS - GS	(40)	(1.4)
CDS - MER	-	2.9	CDS - MER	(20)	2.1
CDS - MS	-	-	CDS - MS	(10)	1.5
Bond Index ICAP2/HIYLD	(200)	(0.4)	Bond Index ICAP2/HIYLD	(450)	(8.7)
FDC - Bond	-	-	FDC - Bond	(75)	(67.5)
LIBOR Swap	300	1.4	LIBOR Swap	300	1.6
<b>Total Hedges</b>	<b>100</b>	<b>4</b>	<b>Total Hedges</b>	<b>(525)</b>	<b>(139)</b>

Largest Exposures (\$mm)	
High Grade:	
Imperial Tobacco	935
Staples	806
Philip Morris	556
Time Warner Cable	268
High Yield:	
Archstone	4,232
Term Revolver	2,110
Bridge Eq.	1,477
Mezz Debt	461
Permanant Equity	184
Hilton	427
Fusion CLO	399
TXU	297
Houghton Mifflin	292
Debitel	291
Converteam	266
First Data	228
HD Supply	226

### Level 3 Assets by Product

	May 2008			Projected movements - August 2008		Comments
	Closing	Closing	Closing	Purch	Sales	
<b>Mrtg and Mrtg Backed</b>						
<b>Securitized products</b>						
Subprime						
Whole loans - subprime	188					
Whole loans - Second Liens	868					
Bonds IG (AAA & above)						
Bonds IG (AA & below)	-					
Bonds NIG (below BBB)	28					
Prime Whole Loan						
ABS Subprime NIG	94					
		1,178				
Scratch & Dent						
Whole loans		380				
Prime						
NIG (below BBB)	344					
Prime NPL & Others	48					
Investment Grade (BBB rated)	-					
ABS Prime NIG	11					
		403				
Other						
Residuals	808					
NIG (non-Residential)	1,313					
IG (non-Residential)	-					
CDO	624					
Student loan	394					
Other	57					
Capital Crossing Whole loans	100					
Total securitized products - US		3,396				
			5,357		4,307	
Italian residential mortgages			106		106	
Securitized products - London			3,155		3,155	
Securitized products - Tokyo			1,258		1,119	
Total securitized products			9,874		8,687	
<b>Real Estate</b>						
Asia Non performing loan portfolios		1,978			1,978	
Real estate PTG US		5,418		(200)	5,197	
Real estate PTG Europe		444		1,000	1,444	Expected incr due to lack of observability in continued sales.
Real estate PTG Asia		3,025		(152)	2,842	RE Thy1
Total Real Estate			10,865		11,461	
IMD			75		75	
Others			(216)		(216)	
Mrtg and Mrtg Backed total			20,598	648	20,007	

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### Level 3 Assets by Product (cont'd)

	May 2008			Projected movements		August 2008	
	Closing	Closing	Closing	Purch/Sales	Closing	Comments	
<b>Corp Debt and Other</b>							
Non performing loans		1,129	<sup>32</sup>		1,129		
Real estate Tokyo loans		263	<sup>33</sup>		263		
High-yield loans - other than Credit Tokyo	<sup>17</sup>	696	<sup>34</sup>		696		
Convertibles various desks		321	<sup>35</sup>		321		
Credit Tokyo loans		930	<sup>36</sup>		904		
Cash CDO Equity tranche	<sup>18</sup>	284	<sup>37</sup>		284		
Securitized products - Asia		519	<sup>38</sup>		519		
Trade Claims		76	<sup>39</sup>		76		
Loans London	<sup>19</sup>	603	<sup>40</sup>		216		
Auction Rate Securities Credit		842	<sup>41</sup>		842		
Others		(73)			(73)		
<b>Corp Debt and Other total</b>					<b>5,590</b>		<b>5,177</b>
<b>Corp Equities</b>							
Real Estate - Archstone		1,610	<sup>42</sup>		1,597		
Private Equities (BD/PE)	<sup>20</sup>	4,144	<sup>43</sup>		4,144		
GTS Asia - KSK/India power plants		551	<sup>44</sup>		-		
GTS/GPS - Private Equities		901	<sup>45</sup>		901		
DPI - Private Equities	<sup>21</sup>	971	<sup>46</sup>		971		
Credit group PE		1,253	<sup>47</sup>		1,253		
Private Equities (non PE/Credit group)		385	<sup>48</sup>		145		
Others		342			342		
<b>Corp Equities total</b>					<b>10,157</b>		<b>9,353</b>
<b>Derivatives</b>							
Munis (All tax deals)		453			453		
Credit derivatives (CDO/CDO*2)		381			381		
Inflation swaps with Republic of Italy		671			671		
IRP London ether trades	<sup>22</sup>	(332)			(332)		
Commodities		132			180		
Equities	<sup>23</sup>	574			670		
Securitized Products - XL Hedge	<sup>24</sup>	172			172		
Others		(465)		(100)	(564)	IRP Tky1	
<b>Derivatives total</b>					<b>1,566</b>		<b>1,631</b>
<b>Level 3 - Total Forecast</b>					<b>37,511</b>		<b>36,169</b>



INVESTMENT MANAGEMENT DIVISION

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(In millions)	Month Trend			Quarter Trend					Δ %		9 Months Ending August		Δ %		Records			
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Qtr Record	Qtr	YTD Record	Year
									Q2 '08	Q3 '07			YTD '07	Q2 '07	Q1 '08	Q3 '07	YTD '07	
High Net Worth (PAM)	53	55	51	159	163	173	162	162	-3%	-2%	494	455	9%	173	Q1 '08	494	YTD '08	
Equity	31	30	30	91	93	94	90	98	-1%	-7%	279	290	-4%	98	Q3 '07	290	YTD '07	
Fixed Income	14	15	15	44	41	37	39	31	8%	39%	121	84	44%	44	Q3 '08	121	YTD '08	
Other Asset Management	3	6	3	12	14	22	21	(1)	-13%	-1041%	49	25	92%	22	Q1 '08	49	YTD '08	
Traditional Asset Management	101	105	100	306	310	326	312	290	-1%	6%	943	854	10%	326	Q1 '08	943	YTD '08	
AM Alternatives	15	8	(68)	(40)	87	199	103	54	-112%	-183%	240	176	36%	199	Q1 '08	240	YTD '08	
Private Equity	31	32	37	100	99	93	118	125	1%	-20%	291	313	-7%	125	Q3 '07	313	YTD '07	
Alternative Investments	46	40	(32)	54	186	291	221	179	-71%	-70%	531	489	9%	291	Q1 '08	531	YTD '08	
Total Asset Management	147	145	68	360	496	618	533	468	-27%	-23%	1,474	1,344	10%	618	Q1 '08	1,474	YTD '08	
FID	39	40	30	129	183	167	115	151	-29%	-14%	479	421	14%	183	Q2 '08	479	YTD '08	
EQUITY	48	60	37	145	169	184	184	183	-14%	-21%	498	500	-1%	184	Q1 '08	500	YTD '07	
Total PIM	107	100	67	274	352	351	299	334	-22%	-18%	976	921	6%	352	Q2 '08	976	YTD '08	
Total Investment Management	254	245	135	634	848	968	832	802	-25%	-21%	2,450	2,265	8%	968	Q1 '08	2,450	YTD '08	
Americas	207	205	91	503	725	798	701	643	-31%	-22%	230	135	71%					
Europe	44	38	38	120	112	159	118	148	7%	-19%	5	21	-77%					
Asia	4	1	6	11	10	12	13	11	3%	-5%	976	921	6%					
Total Lehman AUM	285,603	276,803	273,225	273,225	277,179	276,751	282,127	274,858	-1%	-1%	273,225	274,858	-1%	282,127	Q4 '07	274,858	YTD '07	

**Q3 '08 vs. Q2 '08**

- ❖ Investment Management Division revenues of \$634mm were 25% or \$214mm lower than 2Q '08 due to a \$136mm decrease in Asset Management and a \$78mm decrease in PIM revenues.
- ❖ Asset Management revenues of \$360mm declined 27%, or \$136mm, versus Q2 '08, largely due to a \$65mm impairment reserve taken against our 20% minority stake interest in Ospraie combined with lower revenues from our other minority stakes, specifically DE Shaw (down \$63mm) and Spinnaker (down \$5mm).
- ❖ Private Investment Management revenues of \$274mm declined 22%, or \$78mm versus Q2 '08, due to a combination of lower industry wide activity and client sensitivity to transacting with Lehman as a result of press coverage. Decreases were experienced across almost all products.
- ❖ AUM of \$273bn decreased \$4bn over the prior quarter, as negative market performance of \$15bn was only partially offset by increased flows of \$11bn.

**Q3 '08 vs. Q3 '07**

- ❖ Investment Management revenues of \$634mm decreased 21%, or \$168mm, versus Q3 '07 due to a \$108mm decrease in Asset Management revenues and a \$60mm decrease in PIM revenues.
- ❖ Asset Management revenues of \$360mm decreased 23%, or \$108mm, versus Q3 '07 due primarily to an impairment reserve of \$65mm take against our investment in Ospraie Management combined with a \$35mm decrease in minority stake revenue.
- ❖ Private Investment Management revenues of \$274mm decreased by 18% or \$60mm versus Q3 '07 due to a combination of lower industry wide activity, client sensitivity to transacting with Lehman as a result of press coverage, and IR's focus on addressing client concerns. Decreases seen across most products.
- ❖ AUM of \$273bn decreased \$2bn, or 1%, versus the same time last year, as inflows of \$3bn were offset by negative market performance of \$5bn.

## ASSET MANAGEMENT REVENUES

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(\$ in millions)	Month Trend			Quarter Trend					Δ %		9 Months Ending August		Δ %		Records			
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs. Q2 '08	Q3 '07	YTD '08	YTD '07	YTD '08 vs. YTD '07	Qtr Record	Qtr	YTD Record	Year	
High Net Worth (PAM)	53	55	51	159	163	173	162	162	-3%	-2%	494	455	9%	173	Q1 '08	494	YTD '08	
Equity	31	30	30	91	93	94	90	98	-1%	-7%	279	290	-4%	98	Q3 '07	290	YTD '07	
Fixed Income	14	15	15	44	41	37	39	31	8%	39%	121	84	44%	44	Q3 '08	121	YTD '08	
Other Asset Management	3	6	3	12	14	22	21	(1)	-13%	n/a	49	25	92%	22	Q1 '08	49	YTD '08	
Traditional Asset Management	101	105	100	306	310	326	312	290	-1%	6%	943	854	10%	326	Q1 '08	943	YTD '08	
AM Alternatives	15	8	(68)	(46)	87	199	103	54	-152%	-183%	240	176	36%	199	Q1 '08	240	YTD '08	
Private Equity	31	32	37	100	99	93	118	125	1%	-20%	291	313	-7%	125	Q3 '07	313	YTD '07	
Alternative Investments	46	40	(32)	54	186	291	221	179	-71%	-70%	531	489	9%	291	Q1 '08	531	YTD '08	
Total Asset Management	147	145	68	360	496	618	533	468	-27%	-23%	1,474	1,344	10%	618	Q1 '08	1,474	YTD '08	
Revenue By Region																		
Americas	132	130	44	306	442	536	455	365	-31%	-16%	1,285	1,143	12%	536	Q1 '08	1,285	YTD '08	
Europe	12	13	18	42	45	74	70	94	-7%	-53%	162	185	-13%	94	Q3 '07	185	YTD '07	
Asia Pacific	3	3	6	12	9	7	8	9	38%	26%	28	15	87%	12	Q3 '08	28	YTD '08	
Total Asset Management	147	145	68	360	496	618	533	468	-27%	-23%	1,474	1,344	10%	618	Q1 '08	1,474	YTD '08	

**Q3 '08 vs. Q2 '08**

❖ Asset Management revenues of \$360mm fell below Q2 '08 by 27%, or \$136mm, largely driven by a decline in AM Alternatives relating to minority stakes.

❖ Traditional Asset Management revenues of \$306mm were slightly down (\$4mm) from Q2 '08.:

❖ High Net Worth revenues of \$159mm fell \$4mm, or 3%, from Q2 '08. Billable AUM remained essentially flat in the quarter, however asset mix shifted from Equity to Fixed Income, resulting in lower overall effective fee rates.

❖ Equity revenues of \$91mm were down \$2mm or 1% versus Q2 '08 as billable AUM remained flat in the quarter.

❖ Record Fixed Income revenues of \$44mm were up \$3mm, or 8%, from 2Q '08, driven by new Sealink mandate revenue of \$1.4mm and revenue true-ups for CLO's totaling \$1.9mm offset by a decrease in liquidity revenue due to outflows in the quarter. Billable AUM was up 6% in the quarter.

❖ Alternative Investments revenues of \$54mm decreased by \$132mm, from Q2 '08

❖ AM Alternatives had a loss of (\$46mm) due to a \$65mm impairment reserve on our Ospraie MS; DE Shaw revenues down \$63mm and Spinnaker down \$5mm.

❖ Private Equity revenues virtually flat versus last quarter.

**Q3 '08 vs. Q3 '07**

❖ Asset Management revenues of \$360mm decreased 23%, or \$108mm, versus Q3 '07.

❖ Traditional Asset Management revenues of \$306mm surpassed the same quarter last year by 6%, or \$16mm.

❖ High Net Worth revenues of \$159mm was down from Q2 '07 by 2%.

❖ Equity revenues of \$91mm were down 7% versus Q3 '07, as billable AUM fell by 2%.

❖ Record Fixed Income revenues of \$44mm increased 39%, or \$13mm, versus Q3 '07, as billable AUM increased 16%.

❖ Alternative Investments revenues of \$54mm were down \$125mm or 70% versus Q3 '07.

❖ AM Alternatives revenues of (\$46mm) decreased \$100mm versus Q3 '07, primarily due conversion of GLG interest (\$28mm in 3Q07) and the Ospraie impairment of (\$65mm). Combined with lower revenues for Spinnaker of \$12mm.

❖ Private Equity revenues of \$100mm decreased \$25mm versus Q3 '07 due to decrease in carry (down \$35mm).

## ASSET MANAGEMENT REVENUE BY TYPE

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(\$ in millions)	Month Trend			Quarter Trend				Fiscal Year		Fiscal Year		Δ %		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	YTD '08	YTD '07	Q3 '08 vs.		YTD '08 vs.	
											Q2 '08	Q3 '07	YTD '07	
<b>Recap by Revenue Type</b>														
Traditional Asset Management	100	103	99	302	304	319	304	299	925	853	-1%	1%	8%	
AM Alternatives	5	6	4	14	17	16	16	12	47	28	-13%	23%	64%	
Private Equity	28	25	26	79	85	71	63	69	235	159	-6%	14%	48%	
Management Fees	133	134	129	396	405	406	382	381	1,207	1,040	-2%	4%	16%	
AM Alternatives	-	-	-	-	0	12	2	2	12	29	n/a	-100%	-60%	
Private Equity	(1)	0	(1)	(2)	(1)	5	36	33	3	84	-160%	-103%	-97%	
Incentive Fees / GP Carry	(1)	0	(1)	(2)	(1)	17	38	36	15	113	-160%	-105%	-87%	
Minority Stakes	10	3	(72)	(60)	71	171	86	40	182	119	-185%	-252%	53%	
Implied Fees	1	1	1	4	6	6	5	(8)	16	13	-43%	144%	25%	
PE Marketing Fees	0	0	8	8	1	0	4	7	8	24	n/a	14%	-65%	
Other	4	7	4	15	14	17	19	14	46	35	8%	6%	31%	
Principal Gains and Other	15	11	(60)	(34)	92	195	113	52	253	191	-137%	-164%	33%	
<b>Total Asset Management</b>	<b>147</b>	<b>145</b>	<b>68</b>	<b>360</b>	<b>496</b>	<b>618</b>	<b>533</b>	<b>468</b>	<b>1,474</b>	<b>1,344</b>	<b>-27%</b>	<b>-23%</b>	<b>10%</b>	

**Q3 '08 vs. Q2 '08****Management Fees**

- ❖ Traditional Asset Management Fees of \$302mm are down \$2mm from the prior quarter due to change in asset mix of PAM accounts.
- ❖ AM Alternatives Management Fees were \$14mm for the quarter versus \$17mm in the prior quarter, down 13%.
- ❖ Private Equity Management fees were down 6% this quarter as Q2 '08 contained retro revenues relating to closing of RE III.

**Incentive Fees/GP Carry**

- ❖ There were no incentive fees for Q3 '08 or Q2 '08.

**Principal Gains and Other**

- ❖ Principal Gains and Other revenues of (\$34mm) fell 137% from the prior quarter, led by a decline in Minority Stakes, specifically Osparic (\$65mm), DE Shaw (\$63mm) and Spinnaker (\$5mm).

**Q3 '08 vs. Q3 '07****Management Fees**

- ❖ Traditional Asset Management fees were up slightly Q3 '07 due to increases in fixed income assets.
- ❖ AM Alternatives management fees increased \$2mm, or 23%, versus the same quarter last year as 3Q 08 includes revenues for Credit Arbitrage and Mortgage Opportunity.
- ❖ Private Equity management fees increased \$10mm from same quarter last year due to fund closings such as RE III and Sec Opps II.

**Incentive Fees/GP Carry**

- ❖ There were no incentive fees for Q3'08 vs \$36mm in Q3 '07 related to PE, primarily Real Estate \$20mm.

**Principal Gains and Other**

- ❖ Revenues were down \$86mm versus Q3 '07, primarily due to a decrease in Minority Stakes, specifically Ospraie impairment charge (\$65mm), GLG (\$25mm) and Spinnaker (\$17mm).

**AM ALTERNATIVE INVESTMENTS**

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(\$ in millions)	Month Trend			Quarter Trend					Δ %		9 Months Ending August		Δ %		Records				
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Qtr Record	Qtr	YTD Record	Year	
									Q2 '08	Q3 '07			YTD '08	YTD '07					
<b>AM Alternatives</b>																			
<b>Management Fees:</b>																			
Quant Funds	1	1	1	2	3	2	1	2	-21%	28%	7	4	87%		3	Q2 '08	7	YTD '08	
Global Macro	0	0	1	1	1	1	0	0	-4%	n/a	3	0	n/a		1	Q2 '08	3	YTD '08	
Antibenchmark Funds	0	0	0	1	2	1	1	2	-32%	-35%	4	4	16%		2	Q3 '07	4	YTD '08	
Single Manager Funds	3	3	2	9	12	12	11	10	-25%	-12%	33	25	31%		12	Q2 '08	33	YTD '08	
Liberty View	2	2	2	5	7	8	7	7	-25%	-27%	21	18	18%		8	Q1 '08	21	YTD '08	
Commodities	1	1	0	3	4	4	3	2	-26%	35%	11	6	74%		4	Q2 '08	11	YTD '08	
Satori Tech	0	0	0	0	0	0	0	0	-23%	-15%	1	1	-11%		0	Q2 '08	1	YTD '07	
Structured Asset Management	0	0	0	1	1	1	(1)	(0)	-33%	n/a	3	0	n/a		1	Q2 '08	3	YTD '08	
Other Management Fees	1	1	0	2	0	1	5	(0)	n/a	n/a	3	(1)	-114%		5	Q4 '07	3	YTD '08	
<b>Total Management Fees</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>14</b>	<b>17</b>	<b>16</b>	<b>16</b>	<b>12</b>	<b>-13%</b>	<b>23%</b>	<b>47</b>	<b>28</b>	<b>64%</b>		<b>17</b>	<b>Q2 '08</b>	<b>47</b>	<b>YTD '08</b>	
<b>Incentive Fees:</b>																			
Quant Funds	0	0	0	0	0	8	0	0	n/a	n/a	8	-	n/a		8	Q1 '08	8	YTD '08	
Global Macro	0	0	0	0	0	8	0	0	n/a	n/a	8	-	n/a		8	Q1 '08	8	YTD '08	
Antibenchmark Funds	0	0	0	0	0	0	0	0	n/a	n/a	-	-	n/a		-	Q1 '06	-	YTD '04	
Single Manager Funds	0	0	0	0	0	4	3	1	n/a	-100%	4	26	-83%		16	Q1 '07	26	YTD '07	
Liberty View	0	0	0	0	0	0	2	3	n/a	-100%	0	26	-99%		14	Q1 '07	26	YTD '07	
Commodities	0	0	0	0	0	0	0	0	n/a	n/a	-	-	n/a		-	Q1 '06	-	YTD '04	
Satori Tech	0	0	0	0	0	4	1	(1)	n/a	100%	4	-	n/a		4	Q1 '08	4	YTD '08	
Structured Asset Management	0	0	0	0	0	0	0	0	n/a	n/a	-	-	n/a		-	Q1 '06	-	YTD '04	
Other Incentive Fees	0	0	0	0	0	0	(1)	1	n/a	-100%	0	4	-99%		3	Q1 '07	4	YTD '07	
<b>Total Incentive Fees</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>2</b>	<b>2</b>	<b>n/a</b>	<b>-100%</b>	<b>12</b>	<b>29</b>	<b>-60%</b>		<b>18</b>	<b>Q1 '07</b>	<b>29</b>	<b>YTD '07</b>	
<b>Minority Stakes:</b>																			
DE Shaw	9	1	(12)	(2)	61	110	58	(14)	-103%	83%	170	26	n/a		110	Q1 '08	170	YTD '08	
Ospraie	(0)	0	(65)	(64)	1	16	4	0	n/a	n/a	(47)	6	n/a		16	Q1 '08	11	YTD '06	
GLG	0	0	3	3	0	17	13	28	n/a	-8%	20	44	-54%		28	Q3 '07	44	YTD '07	
Marble Bar	0	0	0	0	1	10	4	5	-100%	-100%	11	15	-26%		21	Q4 '06	15	YTD '07	
Spinnaker	1	1	1	3	8	18	7	20	-61%	-84%	29	29	0%		-	-	-	-	
<b>Total Minority Stakes</b>	<b>10</b>	<b>3</b>	<b>(72)</b>	<b>(60)</b>	<b>71</b>	<b>171</b>	<b>86</b>	<b>40</b>	<b>-185%</b>	<b>-252%</b>	<b>182</b>	<b>119</b>	<b>53%</b>		<b>171</b>	<b>Q1 '08</b>	<b>182</b>	<b>YTD '08</b>	
<b>Total AM Alternatives</b>	<b>15</b>	<b>8</b>	<b>(68)</b>	<b>(46)</b>	<b>87</b>	<b>199</b>	<b>103</b>	<b>54</b>	<b>-152%</b>	<b>-185%</b>	<b>240</b>	<b>176</b>	<b>36%</b>		<b>199</b>	<b>Q1 '08</b>	<b>240</b>	<b>YTD '08</b>	

**Q3 '08 vs. Q2 '08**

❖ AM Alternatives revenues of (\$46mm) fell below Q2 '08 by \$133mm, primarily due to declines in Minority Stakes.

❖ Management Fees were down 13% from the prior quarter, primarily driven by decrease in LibertyView fees due to lower assets and fund mix, combined with lower fees on SCF (as sub-advisory fee to Gresham ↑ 10bps)

❖ Incentive Fees: There were no incentive fees in the quarter.

❖ Minority Stakes were down \$131mm, or 185% from the prior quarter  
 ❖ Ospraie impairment charge resulting from a decision to close flagship fund (\$65mm); DE Shaw decrease in quarterly revenues of (\$63mm) due to the main fund, Oculus, down 2.3% vs up 9.3% in Q2 '08; Spinnaker (\$5mm)

**Q3 '08 vs. Q3 '07**

❖ AM Alternative Investments revenues of (\$46mm) are down \$100mm versus Q3 '07.

❖ Management Fees of \$14mm increased \$2mm this quarter, led by an increase in Other Management Fees (+\$2mm) due to new product launches (Cr Arb, Mort Opps)

❖ Incentive Fees: There were no incentive fees in the quarter.

❖ Minority Stakes revenues of (\$60mm) decreased \$100mm versus Q3 '07, led by Ospraie impairment charge (\$65mm), GLG (\$25mm) and Spinnaker (\$17mm).

PRIVATE EQUITY

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(\$ in millions)	Month Trend			Quarter Trend				Δ %		9 Months Ending August		Δ %		Records				
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	YTD Record	Year	
									Q2 '08	Q3 '07			YTD '07					
<b>Private Equity - Management Fees</b>																		
Merchant Banking	5	5	5	15	15	16	10	19	0%	-18%	47	27	70%	19	Q3 '07	47	YTD '08	
Venture Capital	1	1	1	3	3	3	1	1	7%	105%	9	4	122%	3	Q1 '08	9	YTD '08	
Real Estate	8	4	5	17	23	9	9	11	-24%	54%	49	27	81%	23	Q2 '08	49	YTD '08	
Private Funds Investment Group	7	8	8	23	20	18	18	15	15%	54%	61	45	38%	23	Q3 '08	61	YTD '08	
Credit Related	2	2	2	6	7	7	5	7	-12%	-11%	19	17	16%	7	Q1 '08	19	YTD '08	
Infrastructure	1	1	1	3	3	5	7	6	-15%	-54%	11	9	25%	7	Q4 '07	11	YTD '08	
Partnership Account	0	0	0	0	0	(0)	0	0	-100%	n/a	(0)	0	-131%	0	Q2 '08	0	YTD '07	
Sales and Marketing	0	0	0	0	0	0	0	0	n/a	n/a	-	-	n/a	-	Q2 '06	-	YTD '04	
LBAIM	3	4	5	12	14	12	12	11	-12%	15%	38	30	27%	14	Q2 '08	38	YTD '08	
<b>Total PE Management Fees</b>	<b>28</b>	<b>25</b>	<b>26</b>	<b>79</b>	<b>85</b>	<b>71</b>	<b>63</b>	<b>69</b>	<b>-6%</b>	<b>14%</b>	<b>235</b>	<b>159</b>	<b>48%</b>	<b>85</b>	<b>Q2 '08</b>	<b>235</b>	<b>YTD '08</b>	
<b>Private Equity - GP Carry</b>																		
Merchant Banking	(0)	(0)	3	3	0	(0)	7	3	n/a	-7%	3	4	-32%	7	Q4 '07	4	YTD '07	
Venture Capital	0	0	0	0	0	0	0	0	n/a	n/a	-	-	n/a	-	Q2 '06	-	YTD '04	
Real Estate	0	0	(4)	(4)	(0)	3	10	20	n/a	-122%	(1)	23	-107%	36	Q1 '06	36	YTD '06	
Private Funds Investment Group	(0)	0	(0)	(0)	(0)	0	16	2	-20%	-116%	(0)	2	-116%	16	Q4 '07	2	YTD '07	
Credit Related	0	0	0	0	0	0	3	6	n/a	-100%	-	6	-100%	6	Q3 '07	6	YTD '07	
Infrastructure	0	0	0	0	0	(3)	(7)	0	n/a	-100%	(3)	13	-121%	7	Q2 '07	13	YTD '07	
Partnership Account	(0)	0	0	0	(1)	(3)	5	2	150%	-87%	(3)	2	-220%	5	Q4 '07	2	YTD '07	
LBAIM	0	0	0	0	0	7	2	0	-100%	-100%	8	13	-43%	11	Q1 '07	13	YTD '07	
Other allocations (GP Carry)	0	0	0	0	0	0	0	0	n/a	n/a	-	21	-100%	18	Q2 '07	21	YTD '07	
<b>Total Private Equity GP Carry</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>(2)</b>	<b>(1)</b>	<b>5</b>	<b>36</b>	<b>33</b>	<b>-160%</b>	<b>-105%</b>	<b>3</b>	<b>84</b>	<b>-97%</b>	<b>38</b>	<b>Q1 '06</b>	<b>84</b>	<b>YTD '07</b>	
<b>Other PE (inc. third party marketing / MAP)</b>	<b>5</b>	<b>6</b>	<b>12</b>	<b>22</b>	<b>15</b>	<b>16</b>	<b>19</b>	<b>23</b>	<b>52%</b>	<b>-1%</b>	<b>53</b>	<b>70</b>	<b>-24%</b>	<b>29</b>	<b>Q1 '07</b>	<b>70</b>	<b>YTD '07</b>	
<b>Total Private Equity</b>	<b>31</b>	<b>32</b>	<b>37</b>	<b>100</b>	<b>99</b>	<b>93</b>	<b>118</b>	<b>125</b>	<b>1%</b>	<b>-20%</b>	<b>291</b>	<b>313</b>	<b>-7%</b>	<b>125</b>	<b>Q3 '07</b>	<b>313</b>	<b>YTD '07</b>	

LBAIM and MAP were moved from Traditional Asset Management to Private Equity in Q1 '08. History has been revised.

**Q3 '08 vs. Q2 '08**

❖ Private Equity revenues increased from \$99mm in Q2 '08 to \$100mm in Q3 '08, up 1%.

❖ Management and Other Fees increased by \$1mm, primarily due to increases in Secondary Opportunity II and Sales & Marketing, offset by decreases in Real Estate III due to a true up vs. Q2. Sales & Marketing in Q3 '08 represents Private Funds Marketing placement fees for Tenaska and ComVest.

**Q3 '08 vs. Q3 '07**

❖ Private Equity revenues of \$100mm decreased \$25mm, or 20%, versus Q3 '07.

❖ Management Fees increased 14%, or \$10mm, versus the same quarter last year, primarily due to Real Estate III (+\$9mm), Secondary Opportunities II (+\$6mm), and Merchant Banking IV (-\$3mm).

❖ GP Carry declined by \$35mm versus Q3 '07. The GP carry gains in Q3 '07 were primarily attributable to Infrastructure and Partnership Account/DPEF/Pre-Tax Plan.

## ASSETS UNDER MANAGEMENT BY ASSET CLASS AND BUSINESS

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(\$ in millions)

	Month Trend			Quarter Trend					Δ %		9 Months Ending August		Δ %		Records				
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year	
									Q2 '08	Q1 '07			YTD '07						
<b>AUM by Asset Class:</b>																			
Fixed Income	95,470	93,829	93,105	93,105	75,290	76,356	75,393	71,719	24%	30%	93,105	71,719	30%	93,105	Q3 '08	93,105	YTD '08		
Equities	102,870	97,123	97,672	97,672	109,426	101,404	107,078	104,215	-11%	-6%	97,672	104,215	-6%	109,426	Q2 '08	104,215	YTD '07		
Alternative Investments	38,696	38,979	38,642	38,642	38,614	33,964	33,480	30,407	0%	27%	38,642	30,407	27%	38,642	Q3 '08	38,642	YTD '08		
Money Markets	48,567	46,873	43,806	43,805	53,848	65,027	66,177	68,517	-19%	-36%	43,805	68,517	-36%	68,517	Q3 '07	68,517	YTD '07		
<b>Total Lehman AUM</b>	<b>285,603</b>	<b>276,803</b>	<b>273,225</b>	<b>273,225</b>	<b>277,179</b>	<b>276,751</b>	<b>282,127</b>	<b>274,858</b>	<b>-1%</b>	<b>-1%</b>	<b>273,225</b>	<b>274,858</b>	<b>-1%</b>	<b>282,127</b>	<b>Q4 '07</b>	<b>274,858</b>	<b>YTD '07</b>		
<b>AUM by Business:</b>																			
High Net Worth (P&I)*	59,980	57,352	57,327	57,327	62,714	58,447	60,192	57,677	-9%	-1%	57,327	57,677	-1%	62,714	Q2 '08	57,677	YTD '07		
AM Equities	54,649	52,545	53,079	53,079	57,471	53,783	57,115	55,269	-8%	-4%	53,079	55,269	-4%	57,951	Q2 '07	55,269	YTD '07		
AM Fixed Income	126,092	121,897	118,295	118,295	111,828	122,211	117,458	113,116	6%	5%	118,295	113,116	5%	122,211	Q1 '08	118,295	YTD '08		
Private Investment Management*	5,460	5,343	5,250	5,250	5,860	7,902	13,661	18,279	-10%	-71%	5,250	18,279	-71%	20,745	Q2 '07	18,279	YTD '07		
Traditional Asset Management	246,181	237,137	233,951	233,951	237,873	242,343	248,426	244,342	-2%	-4%	233,951	244,342	-4%	263,621	Q4 '07	249,521	YTD '07		
Alternatives	9,402	9,980	9,444	9,444	9,047	8,621	8,277	6,984	4%	35%	9,444	6,984	35%	9,444	Q3 '08	9,444	YTD '08		
Private Equity	30,020	29,686	29,830	29,830	30,259	25,787	25,424	23,533	-1%	27%	29,830	23,533	27%	30,259	Q2 '08	29,830	YTD '08		
Alternative Asset Management	39,422	39,666	39,274	39,274	39,306	34,408	33,701	30,517	0%	29%	39,274	30,517	29%	39,306	Q2 '08	39,274	YTD '08		
<b>Total Lehman AUM</b>	<b>285,603</b>	<b>276,803</b>	<b>273,225</b>	<b>273,225</b>	<b>277,179</b>	<b>276,751</b>	<b>282,127</b>	<b>274,858</b>	<b>-1%</b>	<b>-1%</b>	<b>273,225</b>	<b>274,858</b>	<b>-1%</b>	<b>282,127</b>	<b>Q4 '07</b>	<b>274,858</b>	<b>YTD '07</b>		

- ❖ Assets under Management of \$273bn decreased \$4bn versus Q2 '08 and \$2bn versus Q3 '07
- ❖ Outflow in Money Markets totaled \$10bn in Q3, offset by new Saxony / Sealink fixed income mandate of \$22bn
- ❖ Market Depreciation was approximately \$15bn in Q3 '08 as a result of market environment
- ❖ Assets under Management excluding Liquidity products have increased 7.5% vs. Q2 '08, or \$21bn (excluding market change)

## ASSETS UNDER MANAGEMENT

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**AUM BY BUSINESS CLASS – QTR OVER QTR**

- **HNW (PAM)** ended the quarter with an AUM level of \$57.3bn, a decrease of \$5.4bn, or (9.0%) over the prior quarter due to market depreciation.
- **Equities AUM** of \$53.1bn represent an (8.0%) decrease from prior quarter. The decrease of \$4.4bn includes net inflows of \$0.8bn and market depreciation of \$5.2bn.
- **Fixed Income AUM** increased by 6%, or \$6.5bn, versus the prior quarter to \$118.3bn. The increase was due to net inflows of \$9.6bn and market depreciation of \$3.1bn. Net inflows include the Fixed Income Structured Products mandate Sealink (Saxony) for \$20.4bn. Liquidity Funds continued with net outflows for the quarter of \$10.7bn. Net out flows in Americas funds were \$3.2bn and Europe funds were \$7.5bn.
- **PIM AUM** decreased \$0.6bn over the last quarter due to net outflows of \$0.4bn and market value declines of \$0.2bn across both cash management and discretionary accounts. Cash management saw continued deterioration of the auction rate market.
- **Alternative Investments AUM** were flat to prior quarter at \$39.3bn.
- **Private Equity AUM** stays flat at \$30.0bn versus 2Q08

**AUM BY BUSINESS – LAST TWELVE MONTHS**

- **HNW AUM** of \$57.3bn represents a slight decrease of \$350mm, or less than (1%), over the LTM. PAM-MM assets decreased \$3.5bn or (10%), of the decrease, \$0.7bn was net outflows and \$2.8bn was market depreciation. HNW equity estimated market performance as of 08/31/08 is (5.8%), while the S&P total for twelve months ended was (11.1%). Wealth Management assets increased \$1.7bn, with net inflows of \$2.0bn and market depreciation of \$0.3bn. New business of \$3.2bn for the LTM includes the acquisition of Robeco Municipal Management for \$786mm. Private Investment Management (Neubridge) cross-sell synergies have yielded over \$2.9 bn of new PAM AUM contributing to positive overall PAM net flows of \$3.3 bn for the year. As of 08/31/08, in the aggregate, the equity weighting of HNW portfolios decreased from the prior year of 81% to 74%.
  - **Equities AUM** of \$53.1bn, represents a (4.0%) decrease over the LTM. The decrease of \$2.2bn is primarily due to market depreciation. Sub-Advised outflows of \$1.7bn are partially offset by the net inflows from SMA of \$1.2bn. Equity funds decreased by \$1.8bn or (7%), with net outflows of \$0.8bn and market depreciation of \$1.0bn. Sub-Advised decrease in assets of \$2.3bn, or (34.0%), includes the lost Met Real Estate portfolio for \$1.2bn. SMA Equity products increased \$1.3bn, or up 12%, over the LTM, with net inflows of \$1.2bn and market appreciation of \$0.1bn.
  - **Fixed income AUM** grew 5% or \$5.2bn, versus the prior year to \$118.3bn. The growth was primarily due to net inflows. Net inflows include new mandate in Fixed Income Structured Products, Sealink (Saxony) for \$20.4bn. For the LTM, the outflows of \$15.0bn are mainly in all Liquidity products.
  - **PIM** decreased \$8.4bn on a YTD basis due mainly to decreases in cash management including \$2.5bn PIM assets transferred from AUM to AUS in Q1 '08 due to a change in account status from discretionary to transactional.
  - **Alternatives AUM** rose \$2.5bn, or up 35%, to 9.42bn versus the prior year. The rise was primarily due to net inflows in all products except the Satori Tech Fund. The Commodity Fund had net inflows of \$1.2bn and Structured Products \$0.7bn.
  - **Private Equity AUM** increased \$6.3bn or 27% versus 3Q07, primarily resulting from new Fund closings. Real Estate Opportunity Fund III completed several additional closings for a total of \$2.9bn. Real Estate Mezzanine Fund II closed \$0.7bn. Secondary Opportunity Fund II closed at \$1.8bn. Loan Opportunity Fund closed \$0.7bn. LB Distressed Opportunities Fund closed \$0.3bn. The inflows were partially offset by distributions and Funds AUM decrease as result of commitment period ended (e.g. Euro Mezz Fund I, Real Estate Mezz Fund I and Secondary Opportunity Fund I).
- \* As of July 2008, over 85% of Neuberger Berman mutual funds AUM carry a Morningstar 4/5-star rating.

CURRENT QUARTER AUM ROLLFORWARD

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CURRENT QUARTER ROLLFORWARD BY BUSINESS

\$ Millions	CURRENT QUARTER ROLLFORWARD BY BUSINESS						Q3 '08	% Δ
	Q2 '08	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation		
<b>Lehman Brothers</b>								
High Net Worth (PAM)*	62,714	2,752	(1,099)	(1,346)	307	(5,694)	57,327	-9%
AM Equities	57,471	1,811	(710)	(320)	781	(5,173)	53,079	-8%
AM Fixed Income	111,828	20,930	(1,222)	(10,110)	9,598	(3,131)	118,295	6%
Private Investment Management *	5,860	549	(132)	(782)	(365)	(245)	5,250	-10%
Traditional Asset Management	237,873	26,042	(3,164)	(12,558)	10,321	(14,243)	233,951	-2%
Alternatives	9,047	287	(72)	590	805	(408)	9,444	4%
Private Equity	30,259	654	(1,118)	22	(443)	13	29,830	-1%
Alternative Asset Management	39,306	940	(1,189)	611	362	(395)	39,274	0%
<b>Total</b>	<b>277,179</b>	<b>26,983</b>	<b>(4,353)</b>	<b>(11,946)</b>	<b>10,683</b>	<b>(14,637)</b>	<b>273,225</b>	<b>-1%</b>

CURRENT QUARTER ROLLFORWARD BY ASSET CLASS

\$ Millions	CURRENT QUARTER ROLLFORWARD BY ASSET CLASS						Q3 '08	Per Disclosure	PAM Rebalance	% Δ
	Q2 '08	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation				
<b>Lehman Brothers</b>										
Fixed Income	75,290	20,931	(1,225)	130	19,836	(3,347)	91,780	93,105	1,325	24%
Equities	109,426	1,906	(780)	(549)	576	(5,372)	104,631	97,672	(6,960)	-11%
Alternatives	38,614	878	(1,210)	660	327	(296)	38,646	38,642	(4)	0%
Money Markets	53,848	516	(39)	(10,841)	(10,364)	71	43,554	43,805	251	-19%
High Net Worth (PAM)		2,752	(1,099)	(1,346)	307	(5,694)	(5,387)		5,387	
<b>Total</b>	<b>277,179</b>	<b>26,983</b>	<b>(4,353)</b>	<b>(11,946)</b>	<b>10,683</b>	<b>(14,637)</b>	<b>273,225</b>	<b>273,225</b>	<b>(0)</b>	<b>-1%</b>

\*Includes alternative assets

High Net Worth rebalance occurs because the HNW business does not have the information needed to calculate net flows and market appreciation by asset class.

## YTD AUM ROLLFORWARD

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## YEAR TO DATE ROLLFORWARD BY BUSINESS

\$ Millions	YEAR TO DATE ROLLFORWARD BY BUSINESS						Q3 '08	% Δ
	Q4 '07	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation		
Lehman Brothers								
High Net Worth (PAM)*	60,192	6,667	(2,540)	(2,435)	1,687	(4,552)	57,327	-5%
AM Equities	57,115	4,784	(4,058)	(781)	(55)	(3,981)	53,079	-7%
AM Fixed Income	117,458	25,340	(4,166)	(18,511)	2,064	(1,827)	118,295	1%
Private Investment Management *	13,661	970	(6,697)	(2,823)	(8,550)	139	5,250	-62%
Traditional Asset Management	248,426	37,762	(17,467)	(24,549)	(4,254)	(10,221)	233,951	-6%
Alternatives	8,277	1,433	(876)	796	1,354	(187)	9,444	14%
Private Equity	25,424	6,217	(1,523)	33	4,728	(322)	29,830	17%
Alternative Asset Management	33,701	7,650	(2,398)	830	6,082	(509)	39,274	17%
<b>Total</b>	<b>282,127</b>	<b>45,412</b>	<b>(19,865)</b>	<b>(23,719)</b>	<b>1,828</b>	<b>(10,730)</b>	<b>273,225</b>	<b>-3%</b>

## YEAR TO DATE ROLLFORWARD BY ASSET CLASS

\$ Millions	YEAR TO DATE ROLLFORWARD BY ASSET CLASS						Q3 '08	Per Disclosure	PAM Rebalance	% Δ
	Q4 '07	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation				
Lehman Brothers										
Fixed Income	75,393	25,218	(4,024)	(2,268)	18,925	(2,880)	91,438	93,105	1,667	23%
Equities	107,078	5,191	(4,347)	(1,128)	(284)	(4,109)	102,685	97,672	(5,013)	-9%
Alternatives	33,480	7,302	(2,412)	643	5,534	(375)	38,638	38,642	4	15%
Money Markets	66,177	1,034	(6,536)	(18,532)	(24,034)	1,185	43,329	43,805	477	-34%
High Net Worth (PAM)		6,667	(2,546)	(2,435)	1,687	(4,552)	(2,865)		2,865	
<b>Total</b>	<b>282,127</b>	<b>45,412</b>	<b>(19,865)</b>	<b>(23,719)</b>	<b>1,828</b>	<b>(10,730)</b>	<b>273,225</b>	<b>273,225</b>	<b>(1)</b>	<b>-3%</b>

\*Includes alternative assets

High Net Worth rebalance occurs because the HNW business does not have the information needed to calculate net flows and market appreciation by asset class.

## FULL YEAR AUM ROLLFORWARD

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## FULL YEAR ROLLFORWARD BY BUSINESS

\$ Millions	FULL YEAR ROLLFORWARD BY BUSINESS						Q3 '08	% Δ
	Q3 '07	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation		
Lehman Brothers								
High Net Worth (PAM)*	57,677	8,695	(2,944)	(2,482)	3,269	(3,619)	57,327	-1%
AM Equities	55,269	6,132	(4,613)	(1,640)	(121)	(2,069)	53,079	-4%
AM Fixed Income	113,116	27,712	(7,571)	(14,710)	5,431	(253)	118,295	5%
Private Investment Management *	18,279	2,939	(7,266)	(9,405)	(13,733)	703	5,250	-71%
Traditional Asset Management	244,342	45,478	(22,394)	(28,237)	(5,153)	(5,238)	233,951	-4%
Alternatives	6,984	2,022	(1,110)	1,342	2,254	206	9,444	35%
Private Equity	23,533	8,161	(1,822)	131	6,470	(173)	29,830	27%
Alternative Asset Management	30,517	10,183	(2,931)	1,473	8,724	33	39,274	29%
<b>Total</b>	<b>274,858</b>	<b>55,661</b>	<b>(25,325)</b>	<b>(26,764)</b>	<b>3,571</b>	<b>(5,205)</b>	<b>273,225</b>	<b>-1%</b>

## FULL YEAR ROLLFORWARD BY ASSET CLASS

\$ Millions	FULL YEAR ROLLFORWARD BY ASSET CLASS						Q3 '08	Per Disclosure	PAM Rebalance	% Δ
	Q3 '07	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation				
Lehman Brothers										
Fixed Income	71,719	27,583	(4,307)	(3,023)	20,253	(1,522)	90,450	93,105	2,656	30%
Equities	104,215	6,677	(4,800)	(1,921)	(44)	(2,197)	101,975	97,672	(4,304)	-6%
Alternatives	30,407	9,698	(2,945)	1,306	8,059	166	38,632	38,642	11	27%
Money Markets	68,517	3,008	(10,130)	(20,644)	(27,966)	1,968	42,519	43,805	1,286	-36%
High Net Worth (PAM)		8,695	(2,944)	(2,482)	3,269	(3,619)	(350)		350	
<b>Total</b>	<b>274,858</b>	<b>55,661</b>	<b>(25,325)</b>	<b>(26,764)</b>	<b>3,571</b>	<b>(5,204)</b>	<b>273,225</b>	<b>273,225</b>	<b>(1)</b>	<b>-1%</b>

\*Includes alternative assets

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## PRIVATE EQUITY FUND DISCLOSURE

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AUM3Q08		AUM2Q08	
<b>Merchant Banking</b>		<b>Merchant Banking</b>	
Cap III - non dedicated, Other	8	Cap III - non dedicated, Other	4
Merchant Banking II	113	Merchant Banking II	119
Merchant Banking III	1,054	Merchant Banking III	934
Merchant Banking IV - Global	2,450	Merchant Banking IV - Global	2,450
Merchant Banking IV - Europe	957	Merchant Banking IV - Europe	1,010
<b>Total Merchant Banking</b>	<b>4,580</b>	<b>Total Merchant Banking</b>	<b>4,517</b>
<b>Venture Capital</b>		<b>Venture Capital</b>	
Venture Capital: Fund of Funds	8	Venture Capital: Fund of Funds	8
Venture Capital II	14	Venture Capital II	28
Venture Capital III	76	Venture Capital III	72
Venture Capital IV	251	Venture Capital IV	254
Venture Capital V	365	Venture Capital V	365
European VC	0	European VC	1
Healthcare	38	Healthcare	38
<b>Total Venture Capital</b>	<b>751</b>	<b>Total Venture Capital</b>	<b>768</b>
<b>Real Estate</b>		<b>Real Estate</b>	
Real Estate Opportunity Fund I	651	Real Estate Opportunity Fund I	697
Real Estate Opportunity Fund II	2,059	Real Estate Opportunity Fund II	2,067
Real Estate Mezzanine Fund I	1,096	Real Estate Mezzanine Fund I	1,065
Real Estate Opportunity Fund III	3,235	Real Estate Opportunity Fund III	3,225
Real Estate Mezzanine Fund II	668	Real Estate Mezzanine Fund II	565
<b>Total Real Estate</b>	<b>7,710</b>	<b>Total Real Estate</b>	<b>7,619</b>
<b>Private Fund Investments</b>		<b>Private Fund Investments</b>	
LBO Funds	88	LBO Funds	90
Secondary Opportunities Fund I	492	Secondary Opportunities Fund I	492
Co-Investment Fund I	1,638	Co-Investment Fund I	1,638
Crossroads Fund of Funds 17	644	Crossroads Fund of Funds 17	644
Crossroads Fund of Funds 18	1,513	Crossroads Fund of Funds 18	1,513
Crossroads (Legacy)	139	Crossroads (Legacy)	180
Emerging Managers	155	Emerging Managers	130
Real Assets Fund	92	Real Assets Fund	73
FRF	680	FRF	680
NJ Fund of Funds - Dallas	105	NJ Fund of Funds - Dallas	105
Project Copa	587	Project Copa	571
CIC	8	CIC	8
LB Distressed Opportunities Fund	267	LB Distressed Opportunities Fund	265
Secondary Opportunities Fund I I	1,776	Secondary Opportunities Fund I I	1,588
LB Indiana PERF	41	LB Indiana PERF	41
Ford Fund	175		
<b>Total PFIF</b>	<b>8,400</b>	<b>Total PFIF</b>	<b>7,990</b>
<b>Credit Related</b>		<b>Credit Related</b>	
European Mezzanine Fund I	348	European Mezzanine Fund I	1,165
CDO Opportunity Fund I	420	CDO Opportunity Fund I	447
CDO Opportunity Fund II	470	CDO Opportunity Fund II	470
CDO Mezzanine Fund I	122	CDO Mezzanine Fund I	123
Loan Opportunity Fund	671	Loan Opportunity Fund	671
Distressed Structured Credit	6	Distressed Structured Credit	6
European Mezzanine Fund II	-	European Mezzanine Fund II	186
<b>Total Credit Related</b>	<b>2,036</b>	<b>Total Credit Related</b>	<b>3,066</b>
<b>Infrastructure</b>		<b>Infrastructure</b>	
MLP Opportunity Fund I	528	MLP Opportunity Fund I	607
<b>Total Infrastructure</b>	<b>528</b>	<b>Total Infrastructure</b>	<b>607</b>
<b>LBAIM</b>		<b>LBAIM</b>	
LBAIM	4,912	LBAIM	4,699
<b>Total LBAIM</b>	<b>4,912</b>	<b>Total LBAIM</b>	<b>4,699</b>
<b>MAP</b>		<b>MAP</b>	
Artisan	378	Artisan	456
Baillie Gifford	310	Baillie Gifford	334
Julius Beer	183	Julius Beer	173
Burgundy	35	Burgundy	21
Global Equity	9		
<b>Total MAP</b>	<b>913</b>	<b>Total MAP</b>	<b>984</b>
<b>Total AUM - PE Business</b>	<b>29,830</b>	<b>Total AUM - PE Business</b>	<b>30,259</b>

❖ European Mezz Fund II merged in Global Fund in Q3 and postponed fee and therefore excluded from AUM

❖ European Mezz Fund I reached end of investment period. AUM now reported at market value of assets instead of fund commitment (consistent with fee billing)

ASSETS UNDER MANAGEMENT QUARTERLY TREND

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Assets Under Management by Business  
(\$ in millions)

	Quarter Trend										Δ %			
											Q3 '08 vs.			
	Q3 '08	% of Total	Q2 '08	% of Total	Q1 '08	% of Total	Q4 '07	% of Total	Q3 '07	% of Total	Q4 '06	% of Total	Q2 '08	Q3 '07
High Net Worth (PAM)	57,327	21%	62,714	23%	58,447	21%	60,192	21%	57,677	21%	49,919	22%	-9%	-1%
AM Equities	53,079	19%	57,471	21%	53,783	19%	57,115	20%	55,269	20%	52,663	23%	-8%	-4%
AM Fixed Income	118,295	43%	111,828	40%	122,211	44%	117,458	42%	113,116	41%	86,084	38%	6%	5%
Private Investment Management	5,250	2%	5,860	2%	7,902	3%	13,661	5%	18,279	7%	16,132	7%	-10%	-71%
Traditional Asset Management	233,951	86%	237,873	86%	242,343	88%	248,426	88%	244,342	89%	204,798	91%	-2%	-4%
Alternatives	9,444	3%	9,047	3%	8,621	3%	8,277	3%	6,984	3%	3,639	2%	4%	35%
Private Equity	29,830	11%	30,259	11%	25,787	9%	25,424	9%	23,533	9%	16,457	7%	-1%	27%
Alternative Asset Management	39,274	14%	39,306	14%	34,408	12%	33,701	12%	30,517	11%	20,096	9%	0%	29%
<b>Total Lehman</b>	<b>273,225</b>		<b>277,179</b>		<b>276,751</b>		<b>282,127</b>		<b>274,858</b>		<b>224,894</b>		<b>-1%</b>	<b>-1%</b>
<b>TOTAL % CHANGE:</b>	<b>-1%</b>		<b>0%</b>		<b>-2%</b>		<b>3%</b>		<b>22%</b>					

Assets Under Management by Asset Class  
(\$ in millions)

	Quarter Trend										Δ %			
											Q3 '08 vs.			
	Q3 '08	% of Total	Q2 '08	% of Total	Q1 '08	% of Total	Q4 '07	% of Total	Q3 '07	% of Total	Q4 '06	% of Total	Q2 '08	Q3 '07
Fixed Income	93,105	34%	75,290	27%	76,356	28%	75,393	27%	71,719	26%	60,956	27%	24%	30%
Equities	97,672	36%	109,426	39%	101,404	37%	107,078	38%	104,215	38%	94,574	42%	-11%	-6%
Alternative	38,642	14%	38,614	14%	33,964	12%	33,480	12%	30,407	11%	20,822	9%	0%	27%
Money Market/Cash	43,805	16%	53,848	19%	65,027	23%	66,177	23%	68,517	25%	48,542	22%	-19%	-36%
<b>Total Lehman</b>	<b>273,225</b>		<b>277,179</b>		<b>276,751</b>		<b>282,127</b>		<b>274,858</b>		<b>224,894</b>		<b>-1%</b>	<b>-1%</b>
<b>TOTAL % CHANGE:</b>	<b>-1%</b>		<b>0%</b>		<b>-2%</b>		<b>3%</b>		<b>22%</b>					

## LARGE FLOWS FOR Q3 2008 (ASSET VALUES)

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Flow Type	Line of Business	Product	Client	Flows In/(Out) (in millions)	BPS
<b>Contributions / New Accounts</b>					
	AM Fixed Income	Structured Products	SeaLink Funding	20,449	3
	AM Fixed Income	Core	Florida State Board of Administration	1,788	8
	AM Fixed Income	LB USD Liquidity Fund	Band & CO. C/O US Bank	1,689	16
	AM Fixed Income	Short Duration Municipal	SEI Institutional Tax Free	1,577	45
	AM Fixed Income	Short Duration Municipal	SEI Tax Free Money Market Fund	413	45
	AM Fixed Income	LB USD Liquidity Fund	The Bank of New York Mellon	397	16
	AM Fixed Income	LB EUR Liquidity Fund	Groupe Eurotunnel SA	311	11
	AM Fixed Income	LB USD Liquidity Fund	Bank of New York	273	6
	AM Fixed Income	Quant Segregated Acc.	Blue Sky Group BV	262	14
	AM Fixed Income	Core	Texas Teachers	233	20
	AM Equities	Sub-Advised Funds	NB NVIT Socially Responsible	411	N/A
<b>Withdrawals / Closed Business</b>					
	AM Fixed Income	Fixed Income	Band & CO US Bank	(2,678)	6
	AM Fixed Income	Fixed Income	Bluetrend Master Fund	(2,094)	6
	AM Fixed Income	Fixed Income Management	Bluecrest Capital International Limited	(680)	6
	AM Fixed Income	Fixed Income Management	Bank of New York - Europe Stif Sweep	(530)	16
	AM Fixed Income	LB EUR Liquidity Fund	State Street Bank GMBH on Behalf of EADS	(424)	6
	AM Fixed Income	LB USD Liquidity Fund	AQR Capital Management	(409)	8
	AM Fixed Income	Enhanced Index	Delaware - Index	(397)	6
	AM Fixed Income	Fixed Income	SEI Institutional Tax Free	(322)	10
	AM Fixed Income	LB EUR Liquidity Fund	Groupe Eurotunnel SA	(319)	11
	AM Fixed Income	Mortgage	Florida State Board of Admin Enhanced Index	(253)	3
	AM Equities	Miscellaneous	American Skandian N & B Value	(477)	N/A

## LARGE FLOWS FOR YTD 2008 (ASSET VALUES)

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Flow Type	Business Segment	Strategy	Account Name	Amount	Est. Effective Fee Rate
New Business	Institutional Asset Management - Americas	Passive Index	FLAGSTONE	318	0.07%
New Business	Institutional Asset Management - Americas	Short Duration	INTEGRATED PAYMENT SYSTEMS	233	0.05%
New Business	Institutional Asset Management - Americas	Passive Index	MICROSOFT GLOBAL FINANCE	250	0.03%
Contribution	Institutional Asset Management - Europe	Offshore Liquidity	AQR GLOBAL ASSET ALLOCATION MASTER A	243	0.04%
Contribution	Institutional Asset Management - Europe	Offshore Liquidity	BLUECREST	362	0.06%
Contribution	Institutional Asset Management - Europe	LB EUR/USD Liquidity Fund	LEHMAN BROTHERS INTERNATIONAL (EUROPE) TREASURY FU	458	0.06%
Contribution	Institutional Asset Management - Europe	Offshore Liquidity	MBAM JANKAKOT LEVERAGED FUND LTD	160	0.08%
Contribution	Institutional Asset Management - Europe	LB USD Liquidity Fund	STRATEGIC COMMODITIES MASTER FUND LTD	244	0.08%
Contribution	Private Asset Management	Mid-to Large Cap Value	UNION BANCAIRE PRIVEE	2,029	0.60%
Contribution	Private Asset Management	Mid-to Large Cap Value	KUWAIT INVESTMENT AUTHORITY	389	1.20%
Closed Business	Funds & Related	REIT - Specialty	MET SERIES - REAL ESTATE	(1,212)	N/A
Closed Business	Institutional Asset Management - Americas	Fixed Income	HOUCHENS INVESTMENTS INC.	(504)	0.12%
Withdrawal	Institutional Asset Management - Americas	Fixed Income	SEI INSTITUTIONAL TAX FREE	(323)	0.45%
Withdrawal	Institutional Asset Management - Americas	Enhanced Index	CASEY FAMILY PROGRAM'S PORTFOLIO	(163)	0.14%
Withdrawal	Institutional Asset Management - Americas	Enhanced Index	INDIANA PERF	(650)	0.05%
Withdrawal	Institutional Asset Management - Americas	Enhanced Index	KENTUCKY RETIREMENT SYSTEM	(375)	0.02%
Withdrawal	Institutional Asset Management - Europe	LB USD Liquidity Fund	BLUECREST CAPITAL MANAGEMENT	(958)	0.06%
Withdrawal	Institutional Asset Management - Europe	Offshore USD Liquidity	BLUETREND MASTER FUND LTD	(780)	0.06%
Withdrawal	Institutional Asset Management - Europe	Offshore Liquidity	CACEIS/TOPAZE UK REAL ESTATE FUND	(129)	0.00%
Withdrawal	Institutional Asset Management - Europe	Offshore Liquidity	LA SALLE BANK NA. AS CUSTODIAN FOR	(744)	0.16%
Withdrawal	Institutional Asset Management - Europe	Offshore USD Liquidity	LEHMAN BROTHERS - ADP CLIENT 12 OMNIBUS SWEEP	(104)	0.16%
Withdrawal	Institutional Asset Management - Europe	LB EUR Liquidity Fund	LEHMAN BROTHERS HOLDINGS INC UK BRANCH	(419)	0.04%
Withdrawal	Institutional Asset Management - Europe	Offshore Liquidity	LEHMAN BROTHERS HOLDINGS PLC	(385)	0.00%
Withdrawal	Institutional Asset Management - Europe	LB EUR Liquidity Fund	STATE STREET BANK GMBH ON BEHALF OF EADS	(437)	0.08%
Withdrawal	Institutional Asset Management - Europe	Offshore USD Liquidity	STICHTING PENSIOENFONDS VOOR DE GEZONDHEID	(801)	0.04%
Withdrawal	Institutional Asset Management - Asia	Offshore Liquidity	CATHAY LIFE INSURANCE CO. LTD	(276)	0.06%
Withdrawal	Institutional Asset Management - Asia	Offshore Liquidity	GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTI	(441)	0.06%
Withdrawal	Funds & Related	Mid-to Large Cap Value	MET SERIES NB PARTNERS #FN86	(470)	N/A

## CLIENT ASSETS

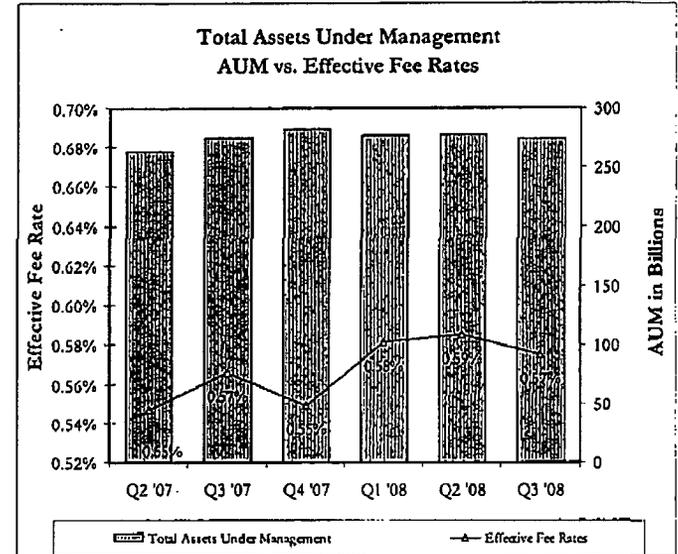
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(\$ in millions)	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008	July 2008	August 2008
<b>Assets Under Supervision</b>										
PIM HNW	60,106	55,309	62,420	52,210	45,535	45,243	43,973	39,360	37,623	37,623
Mutual Funds	11,123	11,667	12,824	14,113	11,756	10,864	11,624	10,256	9,110	8,854
<i>Internal Funds - Neuberger Liq Series</i>	5,647	5,944	6,178	6,355	4,728	4,055	4,595	3,933	3,540	2,678
External Mutual Funds	5,476	5,723	6,645	7,758	7,028	6,809	7,029	6,323	5,570	6,176
Fed Sweep	3,006	3,027	3,680	4,430	4,435	3,847	3,942	3,741	3,763	3,493
LB Bank Sweep	1,099	1,204	1,295	1,342	942	953	1,002	864	637	633
Investment Mgmt/EMM	886	889	889	889	812	812	960	960	900	886
MAP External	7,504	7,442	6,906	6,848	6,362	6,676	6,745	5,995	5,379	5,255
Hedge Advisor	606	590	571	559	555	523	553	562	562	492
Fee Based Trading	90	90	90	90	90	90	90	90	90	90
Eaton Vance Exchange Funds	45	45	45	45	45	45	45	45	106	106
PIM Grange	378	364	343	354	337	343	0	0	0	0
Dartmouth	170	164	121	133	133	115	103	103	103	64
<b>Total AUS</b>	<b>79,366</b>	<b>74,848</b>	<b>83,006</b>	<b>74,658</b>	<b>66,272</b>	<b>65,456</b>	<b>64,442</b>	<b>58,042</b>	<b>54,733</b>	<b>54,819</b>
SMA AUA	3,654									42,007

EFFECTIVE FEE RATES

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(In millions)	Quarter Trend					Δ %		Fiscal Year		Δ %
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	Δ YTD '08 vs YTD '07
						Q2 '08	Q3 '07			
<b>Management Fees</b>										
High Net Worth (PAM)	159	163	173	162	162	-3%	-2%	494	455	9%
Equity	91	93	94	90	98	-1%	-7%	279	290	-4%
Fixed Income	44	41	37	39	31	8%	19%	121	84	44%
<b>Other Asset Management</b>	<b>8</b>	<b>8</b>	<b>15</b>	<b>12</b>	<b>9</b>	<b>8%</b>	<b>-5%</b>	<b>31</b>	<b>24</b>	<b>31%</b>
Traditional Asset Management	302	304	319	304	299	-1%	1%	925	853	8%
AM Alternatives	14	17	16	16	12	-13%	23%	47	28	64%
Private Equity	79	85	71	63	69	-6%	14%	235	159	48%
Alternative Asset Management	94	101	87	79	81	-7%	15%	281	187	50%
<b>Total Management Fees</b>	<b>396</b>	<b>405</b>	<b>406</b>	<b>382</b>	<b>381</b>	<b>-2%</b>	<b>4%</b>	<b>1,207</b>	<b>1,040</b>	<b>16%</b>
<b>Assets Under Management</b>										
High Net Worth (PAM)	57,327	62,714	58,447	60,192	57,677	-9%	-1%	57,327	57,677	-1%
AM Equities	53,079	57,471	53,783	57,115	55,269	-8%	-4%	53,079	55,269	-4%
AM Fixed Income	118,295	111,828	122,211	117,458	113,116	6%	5%	118,295	113,116	5%
Other	5,250	5,800	7,902	13,661	18,279	-10%	-7%	5,250	18,279	-71%
Traditional Asset Management	233,951	237,873	242,343	248,426	244,342	-2%	-4%	233,951	244,342	-4%
Alternatives	9,444	9,047	8,621	8,277	6,984	4%	15%	9,444	6,984	35%
Private Equity	29,830	30,259	25,787	25,424	23,533	-1%	27%	29,830	23,533	27%
Alternative Asset Management	39,274	39,306	34,408	33,701	30,517	0%	29%	39,274	30,517	29%
<b>Total Asset Management</b>	<b>273,225</b>	<b>277,179</b>	<b>276,751</b>	<b>282,127</b>	<b>274,858</b>	<b>-1%</b>	<b>-1%</b>	<b>273,225</b>	<b>274,858</b>	<b>-1%</b>
<b>Effective Fee Rates</b>						Δ in basis points			Δ in basis points	
High Net Worth (PAM)	1.06%	1.08%	1.16%	1.10%	1.12%	-2 bp's	-6 bp's	1.12%	1.03%	9 bp's
AM Equities	0.66%	0.67%	0.68%	0.64%	0.67%	-1 bp's	-1 bp's	0.67%	0.69%	-1 bp's
AM Fixed Income	0.15%	0.14%	0.12%	0.14%	0.12%	1 bp's	3 bp's	0.14%	0.10%	4 bp's
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0 bp's	0 bp's	0.44%	0.20%	24 bp's
Traditional Asset Management	0.51%	0.51%	0.52%	0.49%	0.50%	1 bp's	1 bp's	0.51%	0.46%	5 bp's
Alternatives	0.62%	0.75%	0.74%	0.83%	0.74%	-12 bp's	-11 bp's	0.70%	0.50%	20 bp's
Private Equity	1.05%	1.21%	1.11%	1.03%	1.25%	-15 bp's	-20 bp's	1.13%	0.87%	27 bp's
Alternative Asset Management	0.95%	1.10%	1.02%	0.98%	1.14%	-14 bp's	-19 bp's	1.03%	0.78%	25 bp's
<b>Total Effective Fee Rate</b>	<b>0.57%</b>	<b>0.59%</b>	<b>0.58%</b>	<b>0.55%</b>	<b>0.57%</b>	<b>-1 bp's</b>	<b>1 bp's</b>	<b>0.58%</b>	<b>0.50%</b>	<b>8 bp's</b>



Comments:

Lehman's Q3 '08 effective fee rate of 0.57% decreased versus Q2 '08, due to a change in assets mix of PAM towards fixed income, a decrease in Alternative rates led by a 10bps increase in the sub-advisory fee paid to Gresham for SCF, a change in asset mix for LV Funds, combined with legacy PE funds becoming fully invested and changing basis to AUM rather than commitment which is usually at a lower rate.

MAP fees have moved from Asset Management management fees to Private Equity Other Fees. History has been revised.

## PRIVATE INVESTMENT MANAGEMENT REVENUES

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(\$ in millions)	Month Trend			Quarter Trend					Δ %		9 Months Ending August		Δ %		Records			
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year
									Q2 '08	Q1 '07			YTD '07	YTD '07				
FID	59	40	30	129	183	167	115	151	-29%	-14%	479	421	14%	183	Q2 '08	479	YTD '08	
Equity	48	60	37	145	169	184	184	183	-14%	-21%	498	500	-1%	184	Q1 '08	500	YTD '07	
<b>Total PIM</b>	<b>107</b>	<b>100</b>	<b>67</b>	<b>274</b>	<b>352</b>	<b>351</b>	<b>299</b>	<b>334</b>	<b>-22%</b>	<b>-18%</b>	<b>976</b>	<b>921</b>	<b>6%</b>	<b>352</b>	<b>Q2 '08</b>	<b>976</b>	<b>YTD '08</b>	
<b>Regional Revenue</b>																		
Americas	74	76	47	197	283	262	246	277	-30%	-29%	741	765	-3%	283	Q2 '08	765	YTD '07	
Europe	32	26	21	78	67	84	48	54	17%	-44%	230	135	71%	84	Q1 '08	230	YTD '08	
Asia Pacific	1	(2)	0	(1)	2	4	5	2	-161%	-152%	5	21	-77%	23	Q3 '06	21	YTD '07	
<b>Total PIM</b>	<b>107</b>	<b>100</b>	<b>67</b>	<b>274</b>	<b>352</b>	<b>351</b>	<b>299</b>	<b>334</b>	<b>-22%</b>	<b>-18%</b>	<b>976</b>	<b>921</b>	<b>6%</b>	<b>352</b>	<b>Q2 '08</b>	<b>976</b>	<b>YTD '08</b>	

Investment Rep Headcount (avg)	556	557	555	556	553	547	538	534	556	534
Investment Rep Headcount (period end)	564	558	544	544	563	549	549	549	544	549
Annualized Avg. IR Production	2.3	2.1	1.5	2.0	2.5	2.7	2.2	2.5	2.0	2.5

**Q3 '08 vs. Q2 '08**

❖ Private Investment Management revenues of \$274mm declined 22%, or \$78mm versus Q2 '08, due to a combination of lower industry wide activity, client sensitivity to transacting with Lehman as a result of press coverage, (IR's focus on addressing client concerns) coming off a record Q2 for FID product.

❖ Fixed Income PIM revenues of \$129mm decreased \$54mm or 29% from the prior quarter. Declines were seen in most asset classes including: Securitized Products, High Grade, Global Rates, and Municipals down \$18mm, \$15mm, \$11mm and \$8mm respectively. Of the \$18mm decline in Securitized products, \$9mm of the variance was due to an ABS derivative unwind (Morgan Stanley Capital Services) transaction in the second quarter.

❖ Equities PIM revenues of \$145mm decreased \$24mm, or 14%, versus Q2 '08 primarily due to declines in Execution Services of \$12mm and declines in Volatility of 9mm.

❖ PIM's Capital Markets annualized productivity decreased to \$2.0mm from the Q2 '08 level of \$2.5mm, driven by lower revenues in Q3 '08 vs. Q2 '08

**Q3 '08 vs. Q3 '07**

❖ Private Investment Management revenues of \$274mm decreased by 18%, or \$60mm, versus Q3 '07 due to a combination of lower industry wide activity, client sensitivity to transacting with Lehman as a result of press coverage, and IR's focus on addressing client concerns. Decreases seen across most products.

❖ Fixed Income PIM revenues of \$129mm decreased \$22mm or 14%, versus Q3 '07 primarily driven by declines in High Grade and CDO's of \$8mm in each product.

❖ Equities PIM revenues of \$145mm decreased \$38mm or 21% versus Q3'07 primarily driven by declines in Execution Services, Equities Syndicate and Volatility of \$16mm, \$8mm and \$5mm respectively

❖ PIM's annualized capital markets productivity has decreased to \$2.0mm from the Q3 '07 level of \$2.5mm due to declines in revenue.

PRIVATE INVESTMENT MANAGEMENT REVENUE TREND

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(\$ in millions)	Month Trend			Quarter Trend					Δ %		9 Months Ending August		Δ %		Records				
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year	
									Q2 '08	Q3 '07			YTD '07	YTD '07					
<b>Fixed Income PIM</b>																			
Global Rates	11	8	5	24	34	53	23	27	-31%	-13%	111	80	38%	53	Q1 '08	111	YTD '08		
High Grade	13	8	10	31	47	44	27	39	-33%	-21%	122	118	3%	47	Q2 '08	122	YTD '08		
CDO	12	0	0	13	4	15	7	21	244%	-40%	31	64	-51%	28	Q1 '07	64	YTD '07		
Structured Finance	0	0	0	0	0	0	0	0	n/a	n/a	-	-	n/a	3	Q3 '06	1	YTD '06		
Real Estate	0	0	0	1	4	2	3	4	-81%	-81%	7	7	0%	4	Q2 '08	7	YTD '07		
Securitized Products	12	13	8	34	52	30	26	28	-35%	20%	116	69	68%	52	Q2 '08	116	YTD '08		
Fin Financing	1	1	1	3	5	6	4	4	-26%	-12%	14	12	13%	6	Q3 '06	14	YTD '08		
High Yield	2	1	1	5	8	5	6	8	-35%	-39%	17	21	-17%	8	Q3 '07	21	YTD '07		
Municipals	4	4	2	10	19	8	6	8	-45%	33%	37	22	69%	19	Q2 '08	37	YTD '08		
Futures	0	0	0	1	2	1	2	2	-63%	-54%	4	4	1%	2	Q2 '08	4	YTD '08		
Foreign Exchange	1	2	2	5	5	6	5	7	-4%	-35%	15	16	-7%	7	Q3 '06	16	YTD '07		
Liquid Markets Proprietary	0	0	0	0	0	0	0	0	n/a	n/a	-	-	n/a	0	Q2 '06	-	YTD '04		
FID Corp	1	2	0	3	5	(4)	6	3	-28%	2%	4	8	-43%	6	Q4 '07	8	YTD '07		
<b>Total FID</b>	<b>59</b>	<b>40</b>	<b>30</b>	<b>129</b>	<b>183</b>	<b>167</b>	<b>115</b>	<b>151</b>	<b>-29%</b>	<b>-14%</b>	<b>479</b>	<b>421</b>	<b>14%</b>	<b>183</b>	<b>Q2 '08</b>	<b>479</b>	<b>YTD '08</b>		
<b>% FID</b>	<b>55%</b>	<b>40%</b>	<b>45%</b>	<b>47%</b>	<b>52%</b>	<b>48%</b>	<b>39%</b>	<b>45%</b>			<b>49%</b>	<b>46%</b>							
<b>Equity PIM</b>																			
Execution Services - Americas	23	35	20	78	84	85	91	94	-7%	-17%	246	263	-6%	94	Q3 '07	263	YTD '07		
Execution Services - Europe	5	4	4	13	16	14	23	21	-18%	-39%	43	54	-22%	23	Q4 '07	54	YTD '07		
Execution Services - Asia	1	(2)	0	(1)	2	4	5	2	-141%	-137%	5	5	2%	5	Q4 '07	5	YTD '08		
Convertibles	2	2	0	4	6	3	0	3	-33%	40%	14	9	58%	6	Q2 '08	14	YTD '08		
Volatility	12	15	8	36	45	63	47	41	-20%	-13%	144	114	26%	63	Q1 '08	144	YTD '08		
CM Futures	0	0	0	0	0	0	0	0	3%	21%	1	1	48%	0	Q4 '06	1	YTD '08		
Relative Value	1	1	1	3	4	4	4	6	-27%	-57%	10	17	-41%	6	Q3 '07	17	YTD '07		
Equity Finance	5	4	4	13	13	17	15	16	1%	-21%	43	40	8%	17	Q1 '08	43	YTD '08		
Equity Corporate	0	(0)	(1)	(1)	(1)	(7)	(3)	(2)	9%	40%	(9)	(3)	-192%	(0)	Q4 '06	-	YTD '04		
<b>Total Equity</b>	<b>48</b>	<b>60</b>	<b>37</b>	<b>145</b>	<b>169</b>	<b>184</b>	<b>184</b>	<b>183</b>	<b>-14%</b>	<b>-21%</b>	<b>498</b>	<b>500</b>	<b>-3%</b>	<b>184</b>	<b>Q1 '08</b>	<b>500</b>	<b>YTD '08</b>		
<b>% EQ</b>	<b>45%</b>	<b>60%</b>	<b>55%</b>	<b>53%</b>	<b>48%</b>	<b>52%</b>	<b>61%</b>	<b>55%</b>			<b>51%</b>	<b>54%</b>							
<b>Regional View</b>																			
Americas	74	76	47	197	283	262	246	277	-30%	-29%	741	765	-3%	283	Q2 '08	765	YTD '07		
Europe	32	26	21	78	67	84	48	54	17%	44%	230	135	71%	84	Q1 '08	230	YTD '08		
Asia (and other)	1	(2)	0	(1)	2	4	5	2	-161%	-152%	5	21	-77%	23	Q3 '06	21	YTD '07		
<b>Private Investment Management</b>	<b>107</b>	<b>100</b>	<b>67</b>	<b>274</b>	<b>352</b>	<b>351</b>	<b>299</b>	<b>334</b>	<b>-22%</b>	<b>-18%</b>	<b>976</b>	<b>921</b>	<b>6%</b>	<b>352</b>	<b>Q2 '08</b>	<b>976</b>	<b>YTD '08</b>		
<b>% Europe</b>	<b>10%</b>	<b>26%</b>	<b>31%</b>	<b>29%</b>	<b>19%</b>	<b>24%</b>	<b>16%</b>	<b>16%</b>			<b>24%</b>	<b>15%</b>							

## PRIVATE INVESTMENT MANAGEMENT SALES FORCE VIEW

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(\$ in millions)	Quarter Trend					Δ %	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3'07	Q3 '08 vs.	
						Q2 '08	Q3'07
<b>High Net Worth</b>							
Equities	58	61	67	79	69	-6%	-17%
Fixed Income	33	48	41	34	46	-32%	-29%
<b>Total High Net Worth</b>	<b>90</b>	<b>109</b>	<b>108</b>	<b>113</b>	<b>115</b>	<b>-17%</b>	<b>-22%</b>
<b>FID ICG</b>							
Equities	(1)	1	19	3	7	-158%	-111%
Fixed Income	92	135	125	80	103	-31%	-10%
<b>Total FID ICG</b>	<b>92</b>	<b>136</b>	<b>145</b>	<b>83</b>	<b>110</b>	<b>-33%</b>	<b>-16%</b>
<b>Equities ICG</b>							
Equities	91	106	98	101	108	-14%	-15%
Fixed Income	1	1	1	1	1	-29%	-1%
<b>Total Equities ICG</b>	<b>92</b>	<b>107</b>	<b>99</b>	<b>103</b>	<b>109</b>	<b>-14%</b>	<b>-15%</b>
<b>Total All</b>	<b>274</b>	<b>352</b>	<b>351</b>	<b>299</b>	<b>334</b>	<b>-22%</b>	<b>-18%</b>
Asset Management/Other	62	81	76	88	69	-24%	-11%
Add Back Equity Syndicate Haircut	6	6	5	9	8	-4%	-24%
<b>Total PIM</b>	<b>342</b>	<b>440</b>	<b>432</b>	<b>396</b>	<b>411</b>	<b>-22%</b>	<b>-17%</b>
<b>Annualized Avg. IR Production</b>	<b>2.0</b>	<b>2.5</b>	<b>2.7</b>	<b>2.2</b>	<b>2.5</b>		

**Money Managers**

	Fund Performance		Benchmark Performance		Verse Benchmark	
	3 Month	July YTD	3 Month	July YTD	3 Month	July YTD
Straus/Schwartz	(9.2)	(11.0)	(8.0)	(12.7)	3.4	1.6
Kaminsky	(4.1)	(5.3)	(8.0)	(12.7)	8.6	7.4
Bolton	(6.4)	(9.6)	(8.0)	(12.7)	6.3	3.0
MLG	(0.5)	1.5	(8.0)	(12.7)	12.1	14.2
Appel - Large Cap	(4.8)	(10.0)	(8.0)	(12.7)	7.9	2.6

**Mutual Funds**

	Fund Performance		Benchmark Performance		Verse Benchmark	
	3 Month	July YTD	3 Month	July YTD	3 Month	July YTD
Genesis	(2.3)	(0.4)	0.1	(6.0)	(2.5)	5.6
Partners	(9.7)	(12.1)	(10.0)	(13.9)	0.4	1.8
Socially Resp	(5.8)	(9.6)	(8.0)	(12.7)	2.2	3.1
Guardian	(4.8)	(9.3)	(8.0)	(12.7)	3.3	3.4
Int Investor	(10.7)	(13.7)	(10.1)	(13.4)	(0.7)	(0.2)

**Alternative Products**

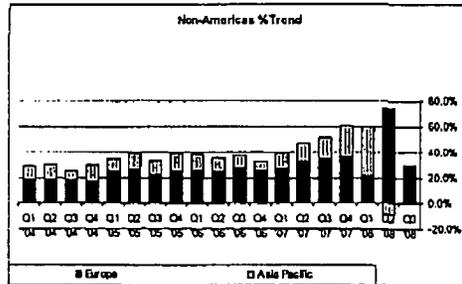
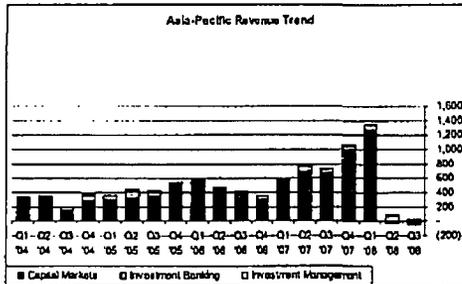
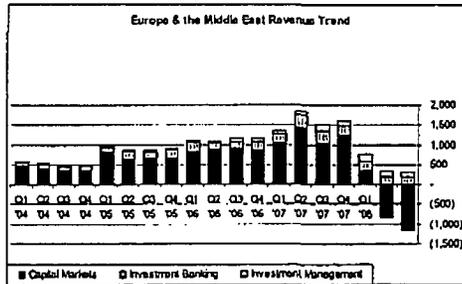
	Fund Performance		Benchmark Performance		Verse Benchmark	
	July	July YTD	July	July YTD	July	July YTD
Strategic Commodities Fund LLC	-9.8%	14.1%	-4.2%	10.0%	-5.6%	4.1%
LibertyView Convertible Arbitrage Fund, LLC Onshore	-3.6%	-9.0%	-2.1%	-7.6%	-1.5%	-1.5%
LibertyView Credit Opportunities Fund, LLC Onshore	-2.3%	-9.9%	-0.4%	-4.5%	-1.9%	-5.4%
LibertyView Credit Opportunities Fund II, LLC Onshore	-2.3%	-9.9%	-0.4%	-4.5%	-1.9%	-5.4%
LibertyView Credit Opportunities Fund II, LLC Offshore	-2.3%	-9.9%	-0.4%	-4.5%	-1.9%	-5.4%
LibertyView Alternative Blend Fund, LLC Onshore	-3.4%	-11.5%	-2.5%	-4.5%	-0.9%	-7.1%
LibertyView Fund, LLC Onshore	-0.5%	-4.5%	-2.5%	-4.5%	2.0%	0.0%
LibertyView Plus Fund-Euro Ltd. Offshore	-0.5%	-4.6%	-2.5%	-4.5%	2.0%	-0.1%
LibertyView Special Opportunities Fund, LLC Onshore	-4.7%	-17.1%	-2.5%	-4.5%	-2.2%	-12.6%



# Regional Revenue Summary

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	Q3 '08 Trend				Quarter Trend				Δ %		YTD		Δ %	Records	
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08	Q3 '07	9 Months Ended 2008	2007	YTD 2008 vs. YTD 2007	Quarter	YTD
	Investment Banking	103	170	104	377	539	511	521	594	-30%	-46%	1,427	2,002	-29%	Q2 '07
Capital Markets	178	(956)	(2,168)	(2,944)	(1,527)	58	481	726	93%	n/a	(4,414)	4,091	n/a	Q1 '07	FY 2006
Investment Management	206	197	86	489	698	774	678	618	-30%	-21%	1,961	1,861	5%	Q1 '08	FY 2008
<b>US</b>	<b>488</b>	<b>(589)</b>	<b>(1,978)</b>	<b>(2,078)</b>	<b>(290)</b>	<b>1,342</b>	<b>1,680</b>	<b>2,038</b>	<b>617%</b>	<b>n/a</b>	<b>(1,026)</b>	<b>7,954</b>	<b>n/a</b>	<b>Q1 '07</b>	<b>FY 2006</b>
Investment Banking	106	60	23	189	212	264	248	310	-11%	-39%	664	854	-22%	Q3 '07	FY 2007
Capital Markets	(92)	(81)	(981)	(1,154)	(824)	338	1,239	1,038	40%	n/a	(1,639)	3,519	n/a	Q2 '07	FY 2007
Investment Management	44	38	38	120	113	159	118	148	6%	-19%	391	320	22%	Q1 '08	FY 2008
<b>Europe &amp; the Middle East</b>	<b>58</b>	<b>15</b>	<b>(919)</b>	<b>(845)</b>	<b>(499)</b>	<b>760</b>	<b>1,603</b>	<b>1,496</b>	<b>69%</b>	<b>n/a</b>	<b>(583)</b>	<b>4,693</b>	<b>n/a</b>	<b>Q2 '07</b>	<b>FY 2007</b>
Investment Banking	15	9	3	27	70	62	53	50	-61%	-45%	159	153	4%	Q2 '05	FY 2006
Capital Markets	150	(130)	(79)	(54)	(24)	1,274	995	667	124%	n/a	1,197	1,911	-37%	Q1 '08	FY 2007
Investment Management	4	1	5	11	11	12	13	12	2%	-4%	34	20	70%	Q1 '04	FY 2004
<b>Asia-Pacific</b>	<b>168</b>	<b>(119)</b>	<b>(64)</b>	<b>(15)</b>	<b>57</b>	<b>1,348</b>	<b>1,061</b>	<b>728</b>	<b>n/a</b>	<b>n/a</b>	<b>1,390</b>	<b>2,084</b>	<b>-33%</b>	<b>Q1 '08</b>	<b>FY 2007</b>
Investment Banking	5	10	2	17	38	31	11	17	-54%	2%	85	62	38%		
Capital Markets	1	2	0	3	0	1	13	4	1060%	-9%	5	10	-49%		
Investment Management	1	9	5	14	26	24	23	25	-44%	-42%	65	64	1%		
<b>Other Americas</b>	<b>7</b>	<b>21</b>	<b>7</b>	<b>35</b>	<b>64</b>	<b>56</b>	<b>46</b>	<b>48</b>	<b>-45%</b>	<b>-23%</b>	<b>155</b>	<b>138</b>	<b>14%</b>		
Investment Banking	228	250	133	611	658	867	831	1,071	-29%	-43%	2,336	3,071	-24%	Q2 '07	FY 2007
Capital Markets	238	(1,165)	(3,222)	(4,148)	(2,374)	1,672	2,727	2,435	75%	n/a	(4,851)	8,530	n/a	Q2 '07	FY 2007
Investment Management	254	244	135	634	848	968	832	802	-25%	-21%	2,451	2,265	8%	Q1 '08	FY 2008
<b>Total Lehman</b>	<b>721</b>	<b>(670)</b>	<b>(2,954)</b>	<b>(2,903)</b>	<b>(668)</b>	<b>3,507</b>	<b>4,380</b>	<b>4,308</b>	<b>335%</b>	<b>n/a</b>	<b>(65)</b>	<b>14,867</b>	<b>n/a</b>	<b>Q2 '07</b>	<b>FY 2007</b>
Investment Banking	120	69	27	217	282	325	299	360	-23%	-40%	824	1,007	-18%	Q2 '07	FY 2007
Capital Markets	58	(211)	(1,054)	(1,207)	(847)	1,612	2,234	1,705	42%	n/a	(442)	5,430	n/a	Q4 '07	FY 2007
Investment Management	48	39	44	131	124	170	131	150	6%	-18%	425	340	25%	Q1 '08	FY 2008
<b>Non-Americas</b>	<b>226</b>	<b>(103)</b>	<b>(984)</b>	<b>(860)</b>	<b>(441)</b>	<b>2,108</b>	<b>2,664</b>	<b>2,225</b>	<b>95%</b>	<b>n/a</b>	<b>808</b>	<b>6,777</b>	<b>-8%</b>	<b>Q4 '07</b>	<b>FY 2007</b>
<b>% of Firm Revenues</b>	<b>31.4%</b>	<b>15.3%</b>	<b>33.3%</b>	<b>28.6%</b>	<b>66.1%</b>	<b>60.1%</b>	<b>60.7%</b>	<b>51.6%</b>	<b>-36.5%</b>	<b>-22.0%</b>	<b>-1250.0%</b>	<b>45.6%</b>	<b>-1295.6%</b>		
Investment Banking	125	80	29	234	319	356	310	377	-27%	-38%	909	1,069	-15%		
Capital Markets	59	(209)	(1,054)	(1,204)	(847)	1,614	2,246	1,708	42%	n/a	(438)	5,439	n/a		
Investment Management	49	48	49	145	150	185	154	185	-3%	-21%	490	404	21%		
<b>Non-US</b>	<b>233</b>	<b>(62)</b>	<b>(976)</b>	<b>(825)</b>	<b>(376)</b>	<b>2,164</b>	<b>2,710</b>	<b>2,270</b>	<b>118%</b>	<b>n/a</b>	<b>961</b>	<b>8,913</b>	<b>-8%</b>		
<b>% of Firm Revenues</b>	<b>32.3%</b>	<b>12.2%</b>	<b>33.0%</b>	<b>28.4%</b>	<b>56.6%</b>	<b>61.7%</b>	<b>61.7%</b>	<b>52.7%</b>	<b>-28.2%</b>	<b>-24.3%</b>	<b>-1490.3%</b>	<b>46.5%</b>	<b>-1536.8%</b>		



# Americas\* Segments – Quarterly Review

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	Q3 '08 Trend				Quarter Trend				Δ % Q3 '08 versus Q2 '08	Q3 '08 Q3 '07	Δ % Q3 '08 versus Q3 '07	YTD		Δ % YTD '08 vs. YTD '07
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07				9 Months Ended 2008	2007	
<b>INVESTMENT BANKING</b>														
Equity Underwriting	22	18	22	62	274	131	141	174	-20%	-33%	874	554	-11%	
Leveraged Finance	12	18	1	31	19	34	16	59	172%	-13%	124	172	-67%	
Debt Capital Markets	22	21	22	65	114	149	126	136	-42%	-51%	310	468	-10%	
Public Finance	17	19	11	47	17	16	27	41	-7%	19%	124	119	21%	
Total Debt Underwriting	49	59	34	138	190	230	170	136	-10%	-18%	590	955	-18%	
Financial Advisory	41	37	60	138	164	217	210	236	10%	-51%	519	667	-22%	
EMD Attributable	(11)	(4)	(9)	(14)	(23)	(43)	(19)	(32)	-51%	-37%	(90)	(110)	-18%	
<b>Total Investment Banking Segment</b>	<b>108</b>	<b>121</b>	<b>166</b>	<b>375</b>	<b>576</b>	<b>541</b>	<b>532</b>	<b>781</b>	<b>-31%</b>	<b>-44%</b>	<b>1,512</b>	<b>1,864</b>	<b>-27%</b>	
<b>CAPITAL MARKETS</b>														
<b>EQ/DTIS</b>														
<b>Equity Services</b>														
Equities Services - Americas	9	86	112	206	273	325	144	174	-15%	-41%	805	827	-1%	
Convertible	2	(18)	0	(16)	19	13	23	(14)	nt	-39%	19	(14)	nt	
Volatility	18	33	8	59	67	12	23	14	-11%	231%	131	89	53%	
Equity Strategies	27	41	22	91	48	80	32	24	18%	224%	219	129	70%	
Equity Corporate	4	(8)	(26)	(30)	(41)	(39)	11	(43)	-28%	-31%	(110)	(66)	27%	
Equity Drivings Subtotal	66	134	117	311	366	394	233	351	-15%	-11%	1,091	945	13%	
Equity Prime Services	13	22	33	67	113	113	94	87	-13%	15%	322	258	24%	
Equity Including Prime Services	79	166	149	408	478	506	327	438	-16%	-7%	1,293	1,203	16%	
Global Principal Strategies - Equity	(1)	(5)	-	(1)	2	3	14	7	nt	nt	4	9	-54%	
Global Trading Strategies - Equity	36	(4)	3	33	(10)	(11)	7	(10)	nt	nt	(9)	106	nt	
Global Corporate Group - Equity	(15)	53	(4)	31	48	6	8	(11)	-31%	nt	54	5	nt	
Global Corporate Group - Equity	-	-	-	-	-	-	-	-	nt	nt	-	-	nt	
Private Equity - EQ	(23)	(73)	8	(54)	23	(21)	(103)	43	nt	nt	(242)	168	nt	
Asset Management Investments	6	(7)	(7)	(10)	28	(22)	16	(54)	nt	-83%	(7)	(51)	-63%	
Equity Other	(3)	185	145	234	131	129	161	218	178%	54%	616	296	113%	
Equities Attributable	(17)	(20)	(9)	(37)	(23)	(42)	(65)	(40)	-2%	-3%	(117)	(128)	-9%	
<b>Total Equities Capital Markets</b>	<b>75</b>	<b>568</b>	<b>279</b>	<b>709</b>	<b>644</b>	<b>295</b>	<b>343</b>	<b>494</b>	<b>10%</b>	<b>64%</b>	<b>3,619</b>	<b>1,624</b>	<b>2%</b>	
<b>FIXED INCOME</b>														
Interest Rate Products	136	10	3	150	119	682	177	176	26%	-16%	871	525	66%	
Foreign Exchange	20	29	42	101	74	59	31	(5)	15%	nt	224	38	nt	
Capital Markets	166	39	43	250	194	661	193	172	29%	45%	1,103	562	97%	
CEO	45	(7)	(16)	36	(7)	(79)	(37)	50	nt	-87%	(3)	112	nt	
High Grade Credit	217	75	51	343	96	445	77	(73)	257%	nt	324	176	nt	
High Yield	67	(7)	(43)	23	(148)	(18)	487	(323)	nt	nt	(103)	(123)	148%	
Credit Products	129	69	(7)	191	(113)	349	526	(599)	nt	nt	518	116	353%	
Government Products	(147)	(1,381)	(1,702)	(2,430)	(1,201)	(231)	(713)	71	nt	nt	(4,949)	364	nt	
Real Estate	(17)	(69)	(1,371)	(1,777)	(1,414)	(24)	(142)	170	nt	nt	(4,015)	673	nt	
Municipal Bonds	(43)	(8)	(71)	(121)	318	(24)	57	(47)	nt	72%	(4)	34	nt	
Energy Trading	86	(0)	(11)	75	172	51	83	107	-54%	-29%	292	136	134%	
FIX Corporate	(74)	(20)	118	234	8	(31)	49	(151)	nt	nt	159	(202)	nt	
Fixed Income Subtotal	285	(1,881)	(2,738)	(4,232)	(3,246)	(119)	(143)	(230)	nt	nt	(4,878)	1,565	nt	
FIX Prime Services	61	72	75	209	202	329	184	182	3%	13%	711	474	64%	
FIX Including Prime Services	348	(1,809)	(2,663)	(4,023)	(3,043)	(21)	43	(46)	nt	nt	(4,167)	1,999	nt	
Global Principal Strategies	(1)	(42)	(31)	(73)	(67)	(23)	(53)	(37)	16%	29%	(343)	129	nt	
Global Trading Strategies - Derivatives	(148)	(53)	(9)	(112)	(13)	(74)	17	20	nt	nt	(299)	85	nt	
Private Equity - FIX	18	(7)	(106)	(99)	(149)	(9)	-	-	-24%	nt	(253)	-	nt	
Asset Management Principal - FIX	3	(8)	(13)	(18)	(312)	(400)	-	-	-83%	nt	(79)	-	nt	
FIX Other	(80)	64	413	976	513	520	243	409	90%	139%	2,009	541	271%	
FIX Attributable	(14)	(20)	(20)	(64)	(120)	(22)	(92)	(90)	-20%	-7%	(332)	(377)	20%	
<b>Total Fixed Income Capital Markets</b>	<b>192</b>	<b>(1,397)</b>	<b>(2,447)</b>	<b>(3,659)</b>	<b>(1,121)</b>	<b>(24)</b>	<b>150</b>	<b>236</b>	<b>nt</b>	<b>nt</b>	<b>(6,077)</b>	<b>2,477</b>	<b>nt</b>	
<b>Total Capital Markets Segment</b>	<b>180</b>	<b>(759)</b>	<b>(2,168)</b>	<b>(3,541)</b>	<b>(1,527)</b>	<b>59</b>	<b>493</b>	<b>730</b>	<b>nt</b>	<b>nt</b>	<b>(4,459)</b>	<b>4,101</b>	<b>nt</b>	
<b>INVESTMENT MANAGEMENT</b>														
Private Investment Management	74	76	47	197	282	263	244	272	-10%	-19%	741	792	-5%	
Asset Management	109	106	20	235	369	461	401	304	-34%	-23%	1,067	955	8%	
Private Equity	23	23	25	71	74	71	53	61	-1%	17%	219	138	37%	
Total Asset Management	132	129	45	206	442	536	455	365	-11%	-16%	1,286	1,144	12%	
PTM Attributable	-	-	-	-	-	-	-	-	nt	nt	-	-	nt	
<b>Total IMD Segment</b>	<b>207</b>	<b>205</b>	<b>91</b>	<b>503</b>	<b>724</b>	<b>729</b>	<b>701</b>	<b>643</b>	<b>-31%</b>	<b>-22%</b>	<b>2,024</b>	<b>1,928</b>	<b>5%</b>	
<b>TOTAL LEHMAN</b>	<b>495</b>	<b>(568)</b>	<b>(1,970)</b>	<b>(3,041)</b>	<b>(120)</b>	<b>1,399</b>	<b>1,726</b>	<b>1,884</b>	<b>nt</b>	<b>nt</b>	<b>(971)</b>	<b>8,999</b>	<b>nt</b>	

\* Includes US and Other Americas

## Americas BPM to Segment Rec

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	Capital Markets		
	Fixed Income	Equities	Capital Markets
<b>BPM</b>	(3,689)	660	(3,029)
Underwriting Fees	(55)	(133)	(187)
Munis	(53)	-	(53)
Banking Principal Transactions	(288)	4	(284)
Banking Net Interest	(6)	(2)	(8)
Am/Other Banking	-	1	1
<b>Banking Adjustments</b>	<b>(401)</b>	<b>(130)</b>	<b>(531)</b>
Global Trading Strategies	(212)	35	(177)
Global Principal Strategies	(73)	(1)	(74)
Direct Principal Investments	-	31	31
Global Opportunities Group	-	-	-
Asset Management Principal	(38)	(10)	(48)
Private Equity Principal	(95)	(54)	(149)
<b>Principal Adjustments</b>	<b>(416)</b>	<b>2</b>	<b>(416)</b>
<b>PIM</b>	<b>(74)</b>	<b>(120)</b>	<b>(194)</b>
Firm Relationship Loans	(6)	6	-
Credit Spread	813	271	1,084
CDS Trade	42	-	42
Credit Reserve	81	9	90
Valuation	(5)	-	(5)
Structured Trades	12	1	12
Banking Trades	-	-	-
Asia EQ Fx	-	-	-
Other	79	45	124
<b>Non-Core Adjustments</b>	<b>1,022</b>	<b>328</b>	<b>1,350</b>
<b>Segment</b>	<b>(3,650)</b>	<b>709</b>	<b>(2,941)</b>

Banking	
BPM	(8)
Banking Offset	64
Banking 50%	43
Underwriting Fees	187
Munis	53
Other Banking	-
Capital Markets Banking	240
Principal transactions to FID	288
Principal transactions to Equity	(4)
Subtotal Principal Transactions	284
Banking Net Interest	8
AM/Other Banking	(1)
Non-Core	(180)
<b>Segment</b>	<b>395</b>

Investment Mgmt	
BPM *	112
PIM	194
AM Seed and Strategic	46
AM Performance Fees	-
AM Management Fees	2
Asset Management Principal	48
Private Equity Principal	149
IMD Principal Adjustments	197
<b>Segment</b>	<b>503</b>

\* Includes all IMD / PI JV Principal Revenues, excluding PIM

# Americas Summary

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	Q3 '08 Trend				Quarter Trend				Δ %		YTD		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus		9 Months Ended		YTD 2008 vs.
									Q2 '08	Q3 '07	2008	2007	YTD 2007
Investment Banking	108	181	106	395	576	541	532	711	-31%	-44%	1512	2064	-27%
Equities Capital Markets	75	355	279	709	644	295	343	494	10%	44%	1649	1633	1%
Fixed Income Capital Markets	105	(1,309)	(2,447)	(3,650)	(2,171)	(236)	150	236	-68%	n/a	-6057	2468	n/a
IMD	207	205	91	503	724	798	701	643	-31%	-22%	2026	1925	5%
<b>Total Americas</b>	<b>495</b>	<b>(568)</b>	<b>(1,970)</b>	<b>(2,043)</b>	<b>(226)</b>	<b>1,399</b>	<b>1,726</b>	<b>2,084</b>	<b>-803%</b>	<b>n/a</b>	<b>(871)</b>	<b>8,090</b>	<b>n/a</b>
<b>% of Firm Revenues</b>	<b>68.6%</b>	<b>84.7%</b>	<b>66.7%</b>	<b>70.4%</b>	<b>33.9%</b>	<b>39.9%</b>	<b>39.3%</b>	<b>48.4%</b>	<b>36.5%</b>	<b>22.0%</b>	<b>1350.0%</b>	<b>54.4%</b>	<b>1295.6%</b>

## Lehman's Americas Market Share:

	Fiscal Quarter Trend					Δ %		9 Months Ending May		Δ %
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.
						Q2 '08	Q3 '07			YTD '07
Total Equity (including rights)	11.7%	9.3%	9.3%	4.0%	8.5%	27%	39%	10.0%	7.3%	36%
Common Stock	10.2%	5.8%	8.9%	4.7%	7.4%	77%	38%	7.8%	6.9%	13%
IPOs	0.0%	0.5%	6.2%	5.0%	8.5%	-100%	-100%	1.1%	7.0%	-85%
Secondary	11.5%	8.5%	9.4%	4.3%	6.0%	35%	91%	9.8%	6.9%	43%
Convertibles	11.4%	7.5%	6.7%	138.8%	54.5%	51%	-79%	14.4%	8.1%	78%
Total Debt	3.8%	4.4%	7.1%	7.5%	7.0%	-13%	-45%	5.2%	7.8%	-33%
Investment Grade	3.5%	5.2%	9.6%	4.2%	6.4%	-32%	-45%	6.4%	7.8%	-18%
Leveraged Loans	1.4%	1.8%	1.9%	7.1%	3.4%	-26%	-60%	1.7%	4.1%	-58%
High Yield	4.8%	5.4%	0.0%	8.7%	5.1%	-11%	-5%	4.5%	7.0%	-36%
M&A Completed	21.7%	35.1%	12.1%	32.7%	15.8%	-38%	37%	23.0%	22.7%	2%
M&A Announced	15.5%	30.9%	15.7%	8.6%	17.8%	-50%	-13%	21.4%	21.2%	1%

## Americas Headcount QTD

	5/31/2008	Adds	Terms	Transfers	8/31/2008	Change	
						#	%
Fixed Income	1,730	137	(124)	(214)	1,529	(201)	-12%
Equities	1,108	100	(52)	-	1,156	48	4%
Prime Services	341	26	(6)	1	362	21	6%
Investment Banking	1,182	239	(135)	(28)	1,258	76	6%
Investment Management							
Private Investment Management	1,070	31	(57)	(15)	1,029	(41)	-4%
Asset Management	1,047	48	(41)	13	1,067	20	2%
Private Equity	363	35	(26)	20	392	29	8%
Total IMD	2,480	114	(124)	18	2,488	8	0%
Principal Investing	59	1	(4)	-	56	(3)	-5%
Mortgage Capital	1,966	73	(399)	(1)	1,639	(327)	-17%
Total Corporate Divisions	5,696	268	(220)	201	5,945	249	4%
<b>Total</b>	<b>14,562</b>	<b>958</b>	<b>(1,064)</b>	<b>(23)</b>	<b>14,433</b>	<b>(129)</b>	<b>-1%</b>

## The outlook at a glance

%	3Q07	4Q07	1Q08	2Q08	3Q08 E	4Q08 E	1Q09 E	2Q09 E	2007	2008 E	2009 E
Real GDP	4.6	-0.2	0.8	3.3	1.5	-0.5	0.0	1.5	2.0	1.8	1.0
Private consumption	2.0	1.0	0.9	1.7	-0.7	-1.0	-0.4	0.7	2.8	0.9	0.1
Government expenditure	3.8	0.8	1.9	3.9	1.8	1.5	1.2	1.2	2.1	2.4	1.5
Non res fixed invest	8.7	3.4	2.4	2.2	2.7	-4.1	-4.3	-2.3	4.9	3.4	-1.8
Residential fixed invest	-20.8	-27.0	-25.0	-15.8	-14.2	-15.0	-8.0	0.0	-17.9	-20.5	-6.9
Exports	22.0	4.4	5.1	13.2	5.0	4.5	4.0	4.0	8.4	8.7	4.8
Imports	3.0	-2.3	-0.8	-7.5	-2.1	0.0	1.0	1.0	2.2	-2.2	0.9
Contributions to GDP:											
Domestic final sales	1.8	-0.1	0.1	1.5	-0.4	-1.3	-0.7	0.4	1.8	0.6	0.0
Inventories	0.7	-1.0	0.0	-1.4	0.8	0.2	0.4	0.7	-0.4	-0.2	0.3
Net trade	2.2	0.9	0.8	3.1	1.1	0.6	0.4	0.4	0.6	1.5	0.8
Unemployment rate	4.7	4.8	4.9	5.3	5.8	6.0	6.2	6.3	4.6	5.5	6.3
Non-farm payrolls, 000	71	80	-82	-55	-74	-80	-90	-20	91	-73	-3
Consumer prices	2.4	6.0	4.2	4.3	5.4	4.5	3.3	2.3	2.9	4.8	1.8
Core CPI	2.1	2.3	2.4	2.5	2.6	2.6	2.5	2.6	2.3	2.5	2.3
Core PCE deflator	2.0	2.2	2.2	2.2	2.5	2.4	2.2	2.1	2.2	2.1	1.9
Federal deficit (fiscal yr, \$bn)									-162	-425	-450
Current account deficit (% GDP)									-5.3	-4.8	-3.7
Fed funds	4.75	4.25	2.25	2.00	2.00	2.00	1.50	1.50	4.25	2.00	1.50
3-month USD LIBOR	5.23	4.70	2.69	2.78	2.80	2.80	2.20	2.10	4.70	2.60	1.90
TSY 2-year note	3.88	3.05	1.58	2.62	2.40	2.30	2.10	2.10	3.05	2.30	2.40
TSY 5-year note	4.24	3.44	2.44	3.33	3.10	3.30	3.30	3.30	3.44	3.30	3.50
TSY 10-year note	4.59	4.02	3.41	3.97	3.90	4.00	4.10	4.20	4.02	4.00	4.30

Notes: Quarterly real GDP and its contribution to the seasonally adjusted annualized rate. Changes, now to a quarterly average as a percentage of the labor force. Lehman measures and QY GDP are year-to-date changes. Interest rate forecasts are end of period. Payrolls are monthly average changes. Table last revised 29 Aug. All brackets are fiscal forecasts (i.e., the single fiscal policy outcome).  
Source: BEA, Commerce & Census Departments, and Lehman Brothers

# Europe & the Middle East & Asia-Pacific

## Europe & the Middle East Segments – Quarterly Review

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	Q3 '08 Trend				Quarter Trend				Q3 '08 versus Q2 '08	Q3 '07	Δ %	YTD		YTD '08 vs. YTD '07	Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07				9 Months Ended 2008	2007		
<b>INVESTMENT BANKING</b>															
Equity Underwriting	56	20	2	77	51	58	51	99	50%	-72%	166	194	-4%		
Leveraged Finance	0	0	(9)	0	5	19	5	35	-92%	-69%	24	147	-84%		
Debt Capital Markets	21	13	4	37	51	54	30	61	-30%	-39%	141	147	-1%		
Public Finance	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
Total Debt Underwriting	21	12	4	37	57	73	35	96	-13%	-61%	165	294	-43%		
Financial Advisory	27	25	3	60	76	91	146	84	-21%	-28%	223	262	-13%		
IBD Attributable	2	1	9	18	27	42	34	32	-83%	-56%	81	454	-82%		
<b>Investment Banking Segment</b>	<b>104</b>	<b>60</b>	<b>23</b>	<b>199</b>	<b>211</b>	<b>264</b>	<b>246</b>	<b>310</b>	<b>-11%</b>	<b>-39%</b>	<b>644</b>	<b>854</b>	<b>-23%</b>		
<b>CAPITAL MARKETS</b>															
<b>FIXED INCOME</b>															
Earning Services	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
Insurance Services - Europe	51	12	9	71	150	151	152	88	-52%	-19%	373	505	-26%		
Convertible	(21)	(24)	(8)	(45)	(5)	(7)	(7)	5	n/a	n/a	(57)	40	n/a		
Volatility	(53)	(17)	(104)	(181)	(135)	(103)	(58)	(30)	34%	n/a	(11)	(69)	n/a		
Equity Strategies	(5)	(6)	7	(4)	44	21	24	113	n/a	-89%	42	23	147%		
Equity Composites	0	(7)	2	(5)	(2)	(10)	2	13	-82%	n/a	(14)	21	n/a		
Equity (Dividend Solutions)	(24)	(42)	(19)	(64)	27	163	133	164	n/a	n/a	76	1,239	-93%		
Equity Prime Services	45	32	26	104	211	181	28	141	-53%	-26%	416	450	-7%		
Equity Including Prime Services	12	(19)	(42)	(40)	248	262	(11)	(22)	n/a	n/a	432	1,727	-74%		
Global Principal Strategies - Equity	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
Global Trading Strategies - Equity	(7)	4	(3)	(6)	6	1	2	(4)	n/a	-51%	8	16	-51%		
Direct Principal Investments - Equity	0	0	0	0	0	(8)	11	9	277%	-64%	(1)	12	n/a		
Global Opportunities Group - Equity	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
Private Equity - EQ	(6)	(17)	(49)	(72)	(3)	2	130	24	n/a	n/a	(7)	50	n/a		
Asset Management Investments	(13)	50	(16)	(19)	(167)	(64)	500	(50)	-89%	-62%	(50)	(7)	n/a		
Equities Other	1	29	10	42	1	9	(67)	52	n/a	-18%	53	(1)	n/a		
Equities Attributable	13	8	18	31	34	18	55	35	-7%	-10%	163	111	-7%		
<b>Total Equities Capital Markets</b>	<b>(18)</b>	<b>64</b>	<b>(129)</b>	<b>(83)</b>	<b>118</b>	<b>249</b>	<b>1,083</b>	<b>287</b>	<b>n/a</b>	<b>n/a</b>	<b>285</b>	<b>1,920</b>	<b>-85%</b>		
<b>FIXED INCOME</b>															
Interest Rate Products	(143)	89	(19)	(73)	(242)	242	99	336	n/a	n/a	(135)	547	n/a		
Foreign Exchange	2	4	15	41	(63)	60	47	37	n/a	-27%	39	113	-65%		
Liquid Markets	(143)	94	16	(34)	(403)	342	144	413	n/a	n/a	(96)	660	n/a		
CMO	(3)	6	(9)	(6)	52	30	9	2	n/a	n/a	76	140	-44%		
High Grade Credit	21	(1)	9	28	29	59	(19)	(20)	-7%	n/a	816	5	n/a		
High Yield	(24)	(28)	(63)	(115)	(152)	(147)	(71)	(165)	-24%	-28%	(414)	(161)	157%		
Crude Products	(7)	(24)	(62)	(93)	(71)	(51)	(80)	(78)	n/a	-8%	(23)	(1)	n/a		
Securitized Products	3	(32)	(71)	(102)	(129)	(84)	(73)	(43)	214%	n/a	(1,439)	130	n/a		
Real Estate	(8)	(7)	(14)	(24)	(3)	(23)	26	82	n/a	n/a	(579)	301	n/a		
Municipal Bonds	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
Energy Trading	9	11	(7)	16	(24)	5	28	16	n/a	-1%	(1)	15	n/a		
FD Composites	6	38	(13)	37	(171)	(53)	(21)	18	n/a	112%	(141)	(2)	n/a		
Fixed Income Subtotal	(114)	(27)	(93)	(1,349)	(1,033)	(1,04)	82	303	n/a	n/a	(1,481)	1,994	n/a		
FD Prime Services	17	16	17	51	69	55	38	11	-23%	67%	121	35	176%		
FD Including Prime Services	(117)	(43)	(110)	(1,297)	(964)	(49)	69	313	n/a	n/a	(1,359)	1,193	n/a		
Global Principal Strategies	(8)	(6)	(6)	(6)	(57)	(6)	(9)	(13)	n/a	n/a	(33)	18	n/a		
Global Trading Strategies - Derivatives	0	(1)	(7)	(9)	(1)	(9)	2	(3)	n/a	401%	(18)	(0)	n/a		
Private Equity - FID	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
Asset Management Principal - FID	-	-	-	-	(35)	-	-	-	n/a	n/a	(15)	-	n/a		
FID Other	15	95	17	166	(4)	103	40	103	n/a	61%	268	181	48%		
FID Attributable	28	24	17	69	81	92	82	70	-19%	-2%	253	206	21%		
<b>Total Fixed Income Capital Markets</b>	<b>(74)</b>	<b>(144)</b>	<b>(181)</b>	<b>(1,271)</b>	<b>(943)</b>	<b>89</b>	<b>246</b>	<b>451</b>	<b>n/a</b>	<b>n/a</b>	<b>(1,925)</b>	<b>1,999</b>	<b>n/a</b>		
<b>Total Capital Markets Segment</b>	<b>(82)</b>	<b>(73)</b>	<b>(201)</b>	<b>(1,354)</b>	<b>(824)</b>	<b>518</b>	<b>1,339</b>	<b>1,018</b>	<b>n/a</b>	<b>n/a</b>	<b>(1,639)</b>	<b>3,519</b>	<b>n/a</b>		
<b>INVESTMENT MANAGEMENT</b>															
Private Investment Management	32	26	21	78	68	64	48	34	16%	44%	210	131	71%		
Asset Management	5	0	10	32	27	18	41	64	-19%	-66%	106	131	-19%		
Private Equity	0	6	8	20	18	17	29	30	7%	-34%	53	55	0%		
Total Asset Management	17	12	18	42	45	74	70	94	-9%	-50%	161	156	-3%		
FIM Attributable	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
<b>Total IIM Segment</b>	<b>44</b>	<b>38</b>	<b>39</b>	<b>120</b>	<b>113</b>	<b>139</b>	<b>118</b>	<b>148</b>	<b>6%</b>	<b>-15%</b>	<b>371</b>	<b>328</b>	<b>12%</b>		
<b>TOTAL LEHMAN</b>	<b>54</b>	<b>16</b>	<b>(119)</b>	<b>(415)</b>	<b>(497)</b>	<b>769</b>	<b>1,601</b>	<b>1,496</b>	<b>n/a</b>	<b>n/a</b>	<b>(487)</b>	<b>4,691</b>	<b>n/a</b>		

### Europe & the Middle East - Executive Summary

- Second consecutive quarterly loss \$(845)mm, offsetting positive Q1 '08, bringing YTD revenue to \$(583)mm
- Results were driven by \$(1.4)bn of asset writedowns including \$(1.1)bn in residential mortgages, \$(0.2)bn in commercial real estate and \$(0.1)bn in leveraged loans, offset by \$0.2bn allocation of the Firm's debt valuation gain.

### Fixed Income:

- Trading loss in Interest Rates due to June GBP/EUR yield curve inversion offset by FX trading gains from strengthening USD in July & August

### Equities:

- Losses in Convertibles due to Fortis profit downgrade
- Losses in Equity Derivative Exotics due to a reduction in forward dividend yields and short vega/long correlation positions drove reduction in Equity Facilitation revenue
- Losses in Private Equity due to Real Estate and Euro Mezz funds; and losses were also recorded on Bluebay and GLG shareholdings

### Investment Banking:

- LEH ranked 6th in M&A Announced league table, up from 11th in 2007
- Strong ECM revenue boosted by several large rights issues

### Investment Management:

- 11% increase in regional AUM from \$32bn to \$36bn including \$10bn from Saxony mandate offset by Liquidity fund redemptions

## Europe & the Middle East BPM to Segment Rec

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	Capital Markets		
	Fixed Income	Equities	
<b>BPM</b>	(1,229)	(35)	(1,261)
Underwriting Fees	14	(39)	(25)
Munis	-	-	-
Banking Principal Transactions	(46)	(2)	(48)
Banking Net Interest	4	1	5
Am/Other Banking	-	0	0
<b>Banking Adjustments</b>	(28)	(40)	(69)
Global Trading Strategies	(9)	(6)	(14)
Global Principal Strategies	(0)	-	(0)
Direct Principal Investments	-	0	0
Global Opportunities Group	-	-	-
Asset Management Principal	-	(19)	(19)
Private Equity Principal	-	(72)	(72)
<b>Principal Adjustments</b>	(9)	(97)	(106)
<b>PIM</b>	(55)	(23)	(78)
<b>Firm Relationship Loans</b>	0	(0)	-
Credit Spread	182	61	242
CDS Trade	-	-	-
Credit Reserve	-	-	-
Valuation	-	35	35
Structured Trades	-	-	-
Banking Trades	(18)	-	(18)
Asis EQ Fx	-	-	-
Other	17	(17)	0
<b>Non-Core Adjustments</b>	181	79	260
<b>Segment</b>	(1,071)	(83)	(1,154)

Banking	
BPM	162
Banking Offset	(56)
<b>Banking 50%</b>	<b>121</b>
Underwriting Fees	25
Munis	-
Other Banking	-
<b>Capital Markets Banking</b>	<b>25</b>
Principal transactions to FID	46
Principal transactions to Equity	2
<b>Subtotal Principal Transactions</b>	<b>48</b>
Banking Net Interest	(5)
AM/Other Banking	(0)
Non-Core	0
<b>Segment</b>	<b>189</b>

Investment Mgmt	
BPM *	(50)
PIM	78
AM Seed and Strategic	18
AM Performance Fees	-
AM Management Fees	1
Asset Management Principal	19
Private Equity Principal	72
IMD Principal Adjustments	91
<b>Segment</b>	<b>120</b>

\* Includes all IMD / PJ JV Principal Revenues, excluding PIM

## Regional Sales Credits – Europe &amp; the Middle East

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	Current Quarter Data				Quarter Comparatives				Δ %		YTD		Δ %	Records		
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus		2008	2007	YTD '08 vs. YTD '07	Amt	Quarter	
									Q2 '08	Q3 '07						
<b>SALES CREDITS DATA</b>																
<b>Total Execution Services</b>	34	38	24	97	114	140	143	170	-15%	-43%	350	430	-19%	170	Q3 '07	
Convertibles	1	1	0	2	3	4	6	4	-28%	-46%	10	13	-21%	8	Q4 '07	
Volatility	43	42	37	122	122	238	255	212	0%	-43%	482	510	-6%	255	Q4 '07	
Equity Capital Markets Prime Services	46	24	15	85	192	82	65	132	-56%	-35%	359	367	-2%	192	Q2 '08	
Equities Corporate	(3)	(1)	-	(4)	(8)	(29)	(59)	(47)	-40%	-92%	(39)	(61)	-36%			
<b>Total Equities Sales Credits</b>	122	104	77	302	424	435	410	471	-29%	-36%	1,161	1,258	-8%	471	Q3 '07	
Interest Rate Products	45	39	26	111	117	118	70	172	-5%	-36%	345	368	-6%	172	Q3 '07	
Foreign Exchange	20	22	22	65	83	84	85	87	-22%	-25%	232	200	16%	87	Q3 '07	
<b>Total Liquid Markets</b>	65	62	49	176	200	202	155	259	-12%	-32%	578	568	2%	259	Q3 '07	
CDO	13	31	13	58	30	109	51	48	93%	20%	196	182	8%	109	Q1 '08	
High Grade	7	7	4	19	27	27	29	30	-32%	-38%	73	69	5%	30	Q3 '07	
High Yield	4	7	5	16	13	11	21	45	28%	-64%	40	89	-53%	45	Q3 '07	
<b>Total Credit Products</b>	24	45	23	92	70	146	101	122	32%	-24%	308	340	-9%	146	Q1 '08	
<b>Total Securitized Products</b>	5	11	13	29	27	26	16	32	6%	-9%	82	55	48%	32	Q3 '07	
Real Estate	1	1	0	2	4	9	14	1	-38%	179%	15	2	n/a	14	Q4 '07	
Energy Trading	22	2	2	26	33	30	19	11	-23%	131%	89	20	347%	33	Q2 '08	
FID Capital Markets Prime Services	11	8	7	26	35	38	40	21	-26%	24%	99	52	92%	40	Q4 '07	
FID Corp/Insurance Prod	(1)	(23)	1	(23)	(9)	(34)	(29)	(43)	145%	-47%	(66)	(97)	-32%			
<b>Total Fixed Income Sales Credits</b>	126	106	96	328	360	418	316	403	-9%	-19%	1,105	940	18%	418	Q1 '08	
<b>Total Europe &amp; Middle East Sales Cred</b>	248	210	172	630	784	853	726	874	-20%	-28%	2,267	2,198	3%	874	Q3 '07	

# Europe & the Middle East Summary

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	Q3 '08 Trend				Quarter Trend				Δ %		YTD		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08 Q3 '07		9 Months Ended 2008 2007		YTD 2008 vs. YTD 2007
Investment Banking	106	60	23	189	212	264	246	310	-11%	-39%	664	854	-22%
Equities Capital Markets	(18)	64	(129)	(83)	118	249	1,053	587	n/a	n/a	285	1920	-85%
Fixed Income Capital Markets	(74)	(146)	(851)	(1,071)	(943)	89	186	451	-14%	n/a	-1925	1599	n/a
IMD	44	38	38	120	113	159	118	149	6%	-19%	391	320	22%
<b>Total Europe &amp; the Middle East</b>	<b>58</b>	<b>16</b>	<b>(919)</b>	<b>(845)</b>	<b>(499)</b>	<b>760</b>	<b>1,603</b>	<b>1,496</b>	<b>-69%</b>	<b>n/a</b>	<b>(583)</b>	<b>4,693</b>	<b>n/a</b>

Lehman's Europe Market Share:

	Fiscal Quarter Trend					Δ %		9 Months Ending May		Δ %
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs. Q2 '08 Q3 '07		YTD '08	YTD '07	YTD '08 vs. YTD '07
Total Equity (including rights)	4.0%	2.6%	0.3%	1.0%	1.7%	54%	129%	2.7%	1.8%	52%
Common Stock	4.1%	2.1%	0.0%	0.0%	0.0%	94%	n/a	2.6%	0.6%	367%
IPOs	1.6%	0.0%	0.7%	0.6%	0.4%	n/a	307%	0.7%	1.7%	-60%
Secondary	4.4%	2.8%	0.0%	1.1%	2.8%	58%	59%	3.3%	2.0%	60%
Convertibles	0.0%	4.8%	0.0%	1.3%	0.0%	-100%	n/a	2.8%	0.6%	382%
Total Debt	1.8%	2.4%	2.6%	1.6%	3.1%	-24%	-41%	2.3%	3.5%	-35%
Investment Grade	0.7%	3.2%	2.7%	0.9%	1.3%	-78%	-46%	2.3%	2.9%	-21%
Leveraged Loans	0.6%	0.4%	0.0%	0.0%	1.8%	37%	-66%	0.3%	2.9%	-88%
High Yield	0.0%	0.0%	0.0%	0.0%	7.6%	n/a	-100%	0.0%	5.4%	-100%
M&A Completed	25.1%	40.5%	12.1%	37.6%	9.2%	-38%	174%	26.3%	9.6%	174%
M&A Announced	16.9%	26.4%	8.5%	7.9%	8.3%	-36%	103%	18.0%	19.8%	-9%

Europe Headcount QTD

	5/31/2008				8/31/2008	Change	
	Adds	Terms	Transfers	#		%	
Fixed Income	964	100	(91)	(52)	921	(43)	-4%
Equities	623	58	(38)	1	644	21	3%
Prime Services	182	11	(10)	(1)	182	-	0%
Investment Banking	750	68	(66)	(4)	748	(2)	0%
Investment Management							
Private Investment Management	114	-	(9)	(3)	102	(12)	-11%
Asset Management	115	13	(11)	(3)	114	(1)	-1%
Private Equity	98	9	(8)	6	105	7	7%
Total IMD	327	22	(28)	-	321	(6)	-2%
Principal Investing	20	-	(4)	2	18	(2)	-10%
Mortgage Capital	721	54	(331)	(6)	438	(283)	-39%
Total Corporate Divisions	2,399	64	(225)	53	2,291	(108)	-5%
<b>Total</b>	<b>5,986</b>	<b>377</b>	<b>(793)</b>	<b>(7)</b>	<b>5,563</b>	<b>(423)</b>	<b>-7%</b>

The outlook at a glance

%	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	2007	2008	2009
Real GDP	2.3	1.4	2.7	-0.8	-0.4	0.8	1.0	0.8	2.6	1.2	0.7
Household consumption	1.7	0.6	-0.1	-0.5	0.5	0.4	0.5	0.6	1.6	0.4	0.6
Fixed investment	3.8	4.5	6.1	-4.6	-0.3	-1.4	-1.5	-1.8	4.2	1.8	-1.4
Government consumption	2.1	1.2	1.2	2.2	2.0	1.6	1.6	1.6	2.4	1.6	1.8
Exports of goods and services	7.3	1.7	7.4	-1.5	-3.5	3.9	3.8	2.8	6.1	2.6	2.4
Imports of goods and services	9.2	-1.4	7.9	-1.6	-2.6	2.4	2.0	1.6	5.5	2.5	1.4
Contributions to GDP:											
Domestic final sales	2.2	1.6	1.5	-1.0	0.6	0.2	0.3	0.4	2.3	0.9	0.2
Inventories	0.8	-1.6	1.3	0.1	-0.5	-0.2	-0.1	-0.2	0.0	0.1	0.0
Net trade	-0.7	1.4	-0.1	0.0	-0.4	0.7	0.8	0.6	0.3	0.2	0.5
Unemployment rate	7.4	7.3	7.2	7.3	7.4	7.7	7.9	8.0	7.4	7.4	8.0
Compensation per employee	2.2	2.7	3.1	3.4	4.2	4.1	3.2	2.5	2.4	3.7	2.3
Labour productivity	0.8	0.5	0.4	0.6	0.5	0.4	0.4	0.3	0.8	0.5	0.3
Unit labour costs	1.4	2.0	2.4	2.5	3.5	3.7	2.8	2.2	1.5	3.0	2.0
Consumer prices	1.9	2.9	3.4	3.6	3.9	3.1	2.3	1.7	2.1	3.5	1.8
Core consumer prices	1.9	1.9	1.8	1.7	1.7	1.6	1.7	1.8	1.9	1.8	1.8
ECB main ref. rate	4.00	4.00	4.00	4.00	4.25	4.25	4.00	3.50	4.00	4.25	3.00
3-month rates	4.79	4.69	4.73	4.95	4.93	4.90	4.50	3.90	4.69	4.90	3.40
10-yr bond yields	4.32	4.32	3.90	4.00	4.00	3.95	3.80	3.75	4.32	3.95	3.75
Stavros	1.39	1.46	1.55	1.56	1.46	1.43	1.40	1.40	1.46	1.43	1.40

Notes: Quarterly national accounts figures are % q-o-q changes at a seasonally adjusted annualized rate. Annual figures are % y-o-y changes. Unemployment is % of labour force. Inflation, wages, productivity and unit labour costs are % y-o-y. Market held and currencies are end-of-period. Source: Lehman Brothers Global Economics.

# Asia-Pacific Segments – Quarterly Review

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	Q3 '08 Trend				Quarter Trend				Δ %		YTD		Δ %		
	Jan '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs. Q3 '07	Q2 '08 vs. Q2 '07	9 Months Ended 2008	9 Months Ended 2007	YTD '08 vs. YTD '07		
<b>INVESTMENT BANKING</b>															
Equity Underwriting	0	1	(9)	1	5	19	18	23	-77%	-91%	24	57	-57%		
Leveraged Finance	0	(5)	0	0	18	3	0	7	-98%	-91%	21	25	-14%		
Debt Capital Markets	3	7	3	12	24	17	18	11	-49%	1%	52	46	13%		
Public Finance	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
Total Debt Underwriting	3	4	3	12	41	19	18	18	-10%	-31%	73	71	3%		
Financial Advisory	11	1	0	13	19	22	11	4	-33%	192%	54	19	179%		
FID Attributable	0	0	0	1	5	2	5	4	-82%	-75%	7	6	24%		
<b>Investment Banking Segment</b>	<b>15</b>	<b>5</b>	<b>-2</b>	<b>27</b>	<b>70</b>	<b>61</b>	<b>53</b>	<b>30</b>	<b>-41%</b>	<b>-4%</b>	<b>159</b>	<b>153</b>	<b>4%</b>		
<b>CAPITAL MARKETS</b>															
<b>EQUITIES</b>															
Equities Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equities Services - Ann	17	23	(2)	38	47	104	78	48	-19%	-20%	150	164	10%		
Commodities	(3)	(6)	(7)	(11)	(21)	(12)	7	(15)	-47%	1%	(45)	2	n/a		
Volatility	(23)	(16)	(8)	(46)	(93)	151	203	178	-51%	n/a	11	373	-97%		
Equity Structuring	21	(15)	(15)	(7)	23	(8)	76	69	n/a	n/a	7	128	-93%		
Equities Corporate	24	(1)	1	24	(12)	(7)	3	(1)	n/a	n/a	10	(5)	n/a		
Equity Derivatives Subtotal	38	(14)	(27)	(2)	(50)	132	346	333	-95%	n/a	173	641	-74%		
Equity Prime Services	18	14	10	42	57	58	44	55	-25%	-25%	157	144	9%		
Equity Including Prime Services	57	(3)	(16)	40	0	290	410	377	n/a	-64%	330	885	-59%		
Global Principal Structuring - Equity	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
Global Trading Structuring - Equity	(8)	(184)	(3)	(227)	(193)	530	327	(7)	n/a	n/a	112	19	491%		
Direct Principal Investments - Equity	(4)	(3)	3	(4)	(19)	-	-	-	-71%	n/a	(20)	-	n/a		
Global Operations Group - Equity	(9)	9	(7)	2	26	43	(10)	(11)	-90%	n/a	71	(11)	n/a		
Private Equity - EQ	(6)	1	9	4	9	(2)	(2)	3	-54%	20%	10	6	68%		
Asset Management Investments	(1)	(1)	(1)	(7)	(3)	(1)	-	-	7%	n/a	(7)	-	n/a		
Equities Other	7	17	(13)	11	8	3	(0)	5	27%	-41%	22	18	17%		
Equities Attributable	4	2	(1)	6	4	4	9	19	43%	7%	18	18	-1%		
<b>Total Equities Capital Markets</b>	<b>48</b>	<b>(140)</b>	<b>(60)</b>	<b>(17)</b>	<b>(142)</b>	<b>844</b>	<b>664</b>	<b>236</b>	<b>6%</b>	<b>n/a</b>	<b>531</b>	<b>850</b>	<b>-38%</b>		
<b>FIXED INCOME</b>															
Interest Rate Products	38	7	(17)	27	38	78	28	90	-16%	-61%	149	148	0%		
Foreign Exchange	16	13	(4)	24	(4)	99	10	20	n/a	21%	119	63	52%		
Legal Markets	53	19	(16)	56	34	177	38	110	64%	-97%	247	214	25%		
COO	(9)	4	(9)	(13)	3	64	(4)	33	n/a	n/a	73	128	-43%		
High Grade Credit	6	(28)	(5)	(40)	(36)	11	(8)	7	-24%	n/a	(31)	50	n/a		
High Yield	13	(18)	7	(3)	71	28	71	54	n/a	n/a	97	205	-53%		
Credit Products	10	(42)	(12)	(43)	37	120	59	114	n/a	n/a	114	382	-70%		
Securitized Products	(1)	(12)	(24)	(35)	8	10	23	11	n/a	n/a	(17)	49	n/a		
Real Estate	17	(16)	(7)	(7)	63	49	153	36	n/a	n/a	104	232	-55%		
Municipal Bonds	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
Energy Trading	2	5	0	7	6	(3)	5	1	196%	n/a	30	0	n/a		
FID Corporate	(5)	24	7	26	(42)	(10)	(7)	(27)	n/a	n/a	(27)	(23)	-15%		
Fixed Income Subtotal	76	(23)	(50)	5	104	343	278	240	-95%	-97%	451	846	-47%		
FID Prime Services	3	1	2	6	8	7	6	6	-14%	5%	31	17	26%		
<b>FID Including Prime Services</b>	<b>80</b>	<b>(21)</b>	<b>(48)</b>	<b>11</b>	<b>112</b>	<b>349</b>	<b>277</b>	<b>246</b>	<b>-90%</b>	<b>-94%</b>	<b>472</b>	<b>863</b>	<b>-45%</b>		
Global Principal Structuring	(1)	(1)	0	(1)	(3)	(14)	57	12	-94%	n/a	(3)	23	n/a		
Global Trading Structuring - Derivative	(4)	(1)	5	(4)	2	1	(5)	3	n/a	n/a	3	11	-95%		
Private Equity - FID	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
Asset Management Principal - FID	-	-	-	-	-	(3)	-	-	n/a	n/a	(5)	-	n/a		
FID Other	21	47	28	96	27	48	45	68	261%	42%	170	63	100%		
FID Attributable	7	6	3	15	33	30	17	20	-57%	-26%	80	71	12%		
<b>Total Fixed Income Capital Markets</b>	<b>183</b>	<b>38</b>	<b>(33)</b>	<b>119</b>	<b>138</b>	<b>408</b>	<b>381</b>	<b>370</b>	<b>-14%</b>	<b>46%</b>	<b>665</b>	<b>1,054</b>	<b>-37%</b>		
<b>Total Capital Markets Segment</b>	<b>150</b>	<b>(130)</b>	<b>(70)</b>	<b>(5)</b>	<b>(24)</b>	<b>1,274</b>	<b>995</b>	<b>617</b>	<b>n/a</b>	<b>n/a</b>	<b>1,197</b>	<b>1,911</b>	<b>-37%</b>		
<b>INVESTMENT MANAGEMENT</b>															
Private Investment Management	1	(3)	0	(1)	3	4	5	2	n/a	n/a	5	5	0%		
Asset Management	1	1	1	3	2	4	2	2	63%	66%	10	4	119%		
Private Equity	2	3	4	9	6	1	6	7	13%	22%	18	10	85%		
Total Asset Management	3	3	6	12	9	7	8	9	40%	32%	28	14	95%		
PM Attributable	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a		
<b>Total IM Segment</b>	<b>4</b>	<b>1</b>	<b>6</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>11</b>	<b>2%</b>	<b>-4%</b>	<b>34</b>	<b>20</b>	<b>70%</b>		
<b>TOTAL LEHMAN</b>	<b>164</b>	<b>(117)</b>	<b>(64)</b>	<b>(15)</b>	<b>57</b>	<b>1,348</b>	<b>1,041</b>	<b>728</b>	<b>n/a</b>	<b>n/a</b>	<b>1,299</b>	<b>2,084</b>	<b>-33%</b>		

## Asia Pacific - Executive Summary

- Loss of \$(15)mm driven by MTM on KSK - stock price declined approximately 30% post July 14 posting, and liquidity discount reserve taken at 5.47% of MV
- Client revenues declined 26% vs. Q2 '08 due to: FID liquid markets sales contraction, declining EQ volumes & client concerns on LEH

## Fixed Income:

- Approximately \$0.1bn of writedowns were recorded in the region: \$34 on residential mortgages and \$60mm on commercial real estate.
- Losses in Credit Products were driven by global correlation remarks & Exotics, JPY vol/vega, model skew adjustments & reserve on the Mobile 8 trade

## Equities:

- Execution Services declined 19% but in line with EQ volume contraction
- Losses in Volatility: market staying away from derivatives after prior trade losses; a general lack of liquidity in indices and market participants on the sidelines creating hedging challenges

## Asia-Pacific BPM To Segment Rec

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	Capital Markets		
	Fixed Income	Equities	
BPM	5	39	44
Underwriting Fees	6	(1)	5
Munis	-	-	-
Banking Principal Transactions	(6)	(0)	(6)
Banking Net Interest	(0)	(0)	(1)
AM/Other Banking	-	0	0
<b>Banking Adjustments</b>	<b>0</b>	<b>(1)</b>	<b>(1)</b>
Global Trading Strategies	(2)	(227)	(229)
Global Principal Strategies	(1)	-	(1)
Direct Principal Investments	-	(4)	(4)
Global Opportunities Group	-	2	2
Asset Management Principal	-	(3)	(3)
Private Equity Principal	-	4	4
<b>Principal Adjustments</b>	<b>(3)</b>	<b>(229)</b>	<b>(232)</b>
PIM	-	1	1
Firm Relationship Loans	-	-	-
Credit Spread	75	25	100
CDS Trade	-	-	-
Credit Reserve	-	-	-
Valuation	-	-	-
Structured Trades	-	-	-
Banking Trades	-	-	-
Asia EQ Fx	-	(22)	(22)
Other	27	9	36
<b>Non-Core Adjustments</b>	<b>102</b>	<b>12</b>	<b>114</b>
<b>Segment</b>	<b>119</b>	<b>(172)</b>	<b>(54)</b>

Banking	
BPM	47
Banking Offset	(21)
<b>Banking 50%</b>	<b>27</b>
Underwriting Fees	(5)
Munis	-
Other Banking	(0)
<b>Capital Markets Banking</b>	<b>(6)</b>
Principal transactions to FID	6
Principal transactions to Equity	0
<b>Subtotal Principal Transactions</b>	<b>6</b>
Banking Net Interest	1
AM/Other Banking	(0)
Non-Core	-
<b>Segment</b>	<b>27</b>

Investment Mgmt	
BPM *	13
PIM	(1)
AM Seed and Strategic	3
AM Performance Fees	-
AM Management Fees	0
Asset Management Principal	3
Private Equity Principal	(4)
<b>IMD Principal Adjustments</b>	<b>(1)</b>
<b>Segment</b>	<b>11</b>

\* Includes all IMD / PJ JV Principal Revenues, excluding PIM

## Regional Sales Credits – Asia-Pacific

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	Current Quarter Data				Quarter Comparatives				Δ %		YTD		Δ %	Records	
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus		2008	2007	YTD '08 vs.	Amt	Quarter
									Q2 '08	Q3 '07			YTD '07		
<b>SALES CREDITS DATA</b>															
Total Execution Services	20	20	14	54	71	78	59	62	-24%	-13%	203	142	43%	78	Q1 '08
Convertibles	0	1	0	2	2	1	2	3	-3%	-36%	5	5	-8%	3	Q3 '07
Volatility	9	7	3	19	22	31	79	44	-12%	-57%	72	125	-43%	79	Q4 '07
Equity Capital Markets Prime Services	16	16	12	44	50	49	44	57	-12%	-23%	143	136	5%	57	Q3 '07
Equities Corporate	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a	-	-
<b>Total Equities Sales Credits</b>	<b>46</b>	<b>43</b>	<b>30</b>	<b>119</b>	<b>144</b>	<b>159</b>	<b>184</b>	<b>166</b>	<b>-18%</b>	<b>-29%</b>	<b>423</b>	<b>408</b>	<b>4%</b>	<b>184</b>	<b>Q4 '07</b>
Interest Rate Products	15	8	12	35	57	75	40	52	-39%	-34%	167	183	-9%	76	Q2 '07
Foreign Exchange	5	6	4	15	39	39	20	28	-63%	-48%	93	60	53%	39	Q2 '08
<b>Total Liquid Markets</b>	<b>20</b>	<b>13</b>	<b>16</b>	<b>49</b>	<b>96</b>	<b>114</b>	<b>61</b>	<b>80</b>	<b>-49%</b>	<b>-39%</b>	<b>259</b>	<b>243</b>	<b>7%</b>	<b>114</b>	<b>Q1 '08</b>
CDO	1	13	10	24	10	81	15	15	135%	64%	115	61	89%	81	Q1 '08
High Grade	1	3	1	5	9	7	5	5	-48%	-11%	21	14	46%	9	Q2 '08
High Yield	1	1	0	2	10	3	4	5	-80%	-60%	15	11	38%	10	Q2 '08
<b>Total Credit Products</b>	<b>3</b>	<b>16</b>	<b>11</b>	<b>31</b>	<b>30</b>	<b>90</b>	<b>24</b>	<b>25</b>	<b>4%</b>	<b>23%</b>	<b>152</b>	<b>86</b>	<b>76%</b>	<b>90</b>	<b>Q1 '08</b>
<b>Total Securitized Products</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>1</b>	<b>-82%</b>	<b>-99%</b>	<b>0</b>	<b>6</b>	<b>-98%</b>	<b>23</b>	<b>Q4 '07</b>
Real Estate	2	0	-	3	12	17	9	7	-79%	-62%	31	42	-26%	22	Q1 '07
Energy Trading	2	1	3	7	8	2	2	1	-15%	n/a	16	2	n/a	8	Q2 '08
FID Capital Markets Prime Services	1	1	1	3	4	5	4	5	-30%	-43%	12	13	-13%	5	Q3 '07
FID Corp/Insurance Prod	0	-	(1)	(0)	(11)	(12)	-	(6)	-96%	-92%	(23)	(28)	-16%	-	-
<b>Total Fixed Income Sales Credits</b>	<b>29</b>	<b>32</b>	<b>30</b>	<b>92</b>	<b>140</b>	<b>215</b>	<b>123</b>	<b>114</b>	<b>-34%</b>	<b>-19%</b>	<b>447</b>	<b>365</b>	<b>22%</b>	<b>215</b>	<b>Q1 '08</b>
<b>Total Asia Pacific Sales Credits</b>	<b>75</b>	<b>76</b>	<b>61</b>	<b>211</b>	<b>284</b>	<b>374</b>	<b>307</b>	<b>280</b>	<b>-26%</b>	<b>-25%</b>	<b>869</b>	<b>773</b>	<b>12%</b>	<b>374</b>	<b>Q1 '08</b>

## Asia-Pacific Summary

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	Q3 '08 Trend				Quarter Trend				Δ %		YTD		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 versus Q2 '08 Q3 '07		9 Months Ended 2008	2007	YTD 2008 vs. YTD 2007
Investment Banking	15	9	3	27	70	62	53	50	-61%	-45%	159	153	4%
Equities Capital Markets	48	(160)	(60)	(172)	(162)	866	604	296	-6%	n/a	531	855	-38%
Fixed Income Capital Markets	102	30	(13)	119	138	409	391	370	-14%	-68%	665	1056	-37%
IMD	4	1	6	11	11	12	13	12	2%	-4%	34	20	70%
<b>Total Asia-Pacific</b>	<b>168</b>	<b>(119)</b>	<b>(64)</b>	<b>(15)</b>	<b>57</b>	<b>1,348</b>	<b>1,061</b>	<b>728</b>	<b>n/a</b>	<b>n/a</b>	<b>1,390</b>	<b>2,084</b>	<b>-33%</b>

**Lehman's Asia Market Share:**

	Fiscal Quarter Trend					Δ %		9 Months Ending May		Δ %
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs. Q2 '08 Q3 '07		YTD '08	YTD '07	YTD '08 vs. YTD '07
<b>Total Equity (including rights)</b>	<b>0.2%</b>	<b>0.8%</b>	<b>0.4%</b>	<b>1.2%</b>	<b>1.4%</b>	<b>-77%</b>	<b>-88%</b>	<b>0.5%</b>	<b>1.7%</b>	<b>-71%</b>
Common Stock	0.2%	0.3%	0.6%	0.9%	1.1%	-14%	-80%	0.4%	1.3%	-71%
IPOs	0.8%	0.0%	0.0%	0.9%	2.3%	n/a	-64%	0.1%	2.2%	-94%
Secondary	0.0%	0.4%	1.2%	0.9%	0.6%	-100%	-100%	0.5%	0.8%	-34%
Convertibles	0.0%	2.8%	0.0%	4.6%	3.4%	-100%	-100%	0.8%	4.0%	-79%
<b>Total Debt</b>	<b>0.8%</b>	<b>1.0%</b>	<b>0.7%</b>	<b>1.4%</b>	<b>0.4%</b>	<b>-20%</b>	<b>86%</b>	<b>0.8%</b>	<b>0.3%</b>	<b>163%</b>
Investment Grade	0.0%	0.0%	0.2%	0.1%	0.3%	n/a	-100%	0.0%	0.4%	-87%
Leveraged Loans	0.0%	1.7%	3.1%	0.6%	0.1%	-100%	-100%	1.7%	3.1%	-46%
High Yield	0.0%	0.0%	0.0%	0.0%	0.0%	n/a	n/a	0.0%	1.6%	-100%
M&A Completed	1.8%	9.9%	20.5%	1.6%	0.7%	-81%	176%	12.2%	2.4%	405%
M&A Announced	6.6%	3.9%	14.4%	2.0%	2.0%	71%	233%	8.4%	1.6%	411%

**Asia Headcount QTD**

	5/31/2008	Adds	Terms	Transfers	8/31/2008	Change	
						#	%
Fixed Income	619	40	(41)	(25)	593	(26)	-4%
Equities	479	36	(44)	-	471	(8)	-2%
Prime Services	65	4	(1)	5	73	8	12%
Investment Banking	326	40	(24)	10	352	26	8%
Investment Management	-	-	-	-	-	-	0%
Private Investment Management	-	-	-	-	-	-	0%
Asset Management	44	2	(8)	(1)	37	(7)	-16%
Private Equity	43	6	(4)	5	50	7	16%
Total IMD	87	8	(12)	4	87	-	0%
Principal Investing	56	2	(3)	(3)	52	(4)	-7%
Mortgage Capital	69	-	(15)	-	54	(15)	-22%
Total Corporate Divisions	1,346	82	(110)	39	1,357	11	1%
<b>Total</b>	<b>3,047</b>	<b>212</b>	<b>(250)</b>	<b>30</b>	<b>3,039</b>	<b>(8)</b>	<b>0%</b>

**India Headcount QTD**

	5/31/2008	Adds	Terms	Transfers	8/31/2008	Change	
						#	%
Fixed Income	98	47	(7)	(61)	77	(21)	-21%
Equities	108	28	(12)	25	149	41	38%
Prime Services	89	2	(2)	(23)	66	(23)	-26%
Investment Banking	47	16	(5)	(5)	53	6	13%
Investment Management	-	-	-	-	-	-	0%
Private Investment Management	-	-	-	-	-	-	0%
Asset Management	-	-	-	-	-	-	0%
Private Equity	-	-	-	-	-	-	0%
Total IMD	-	-	-	-	-	-	0%
Principal Investing	-	-	-	-	-	-	0%
Mortgage Capital	154	2	(11)	(5)	140	(14)	-9%
Total Corporate Divisions	2,098	371	(125)	69	2,415	317	15%
<b>Total</b>	<b>2,594</b>	<b>468</b>	<b>(162)</b>	<b>-</b>	<b>2,900</b>	<b>306</b>	<b>12%</b>

## Regional BPM to Segment Revenue Bridge

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Americas					
	Jun	Jul	Aug	Q3	FY
BPM	590	(326)	(1,920)	(1,656)	176
IBD Attributable	(2)	(4)	(9)	(15)	(90)
FID Attributable	(34)	(30)	(20)	(84)	(333)
Equities Attributable	(17)	(10)	(9)	(37)	(117)
Total Attributable	(54)	(43)	(38)	(136)	(539)
Credit Spread Adj	(41)	(198)	(102)	(342)	(596)
Valuation Adjustments	-	-	(48)	(48)	(51)
Non-Core Attributable	(41)	(198)	(150)	(390)	(647)
<b>Americas Segment</b>	<b>495</b>	<b>(568)</b>	<b>(2,109)</b>	<b>(2,182)</b>	<b>(1,010)</b>

Europe					
	Jun	Jul	Aug	Q3	FY
BPM	(14)	(159)	(1,077)	(1,250)	(1,493)
IBD Attributable	2	3	9	14	82
FID Attributable	28	24	17	69	253
Equities Attributable	13	8	10	31	103
Total Attributable	43	35	36	114	438
Credit Spread Adj	29	141	73	242	422
Valuation Adjustments	-	-	48	48	48
Non-Core Attributable	29	141	121	290	470
<b>Europe Segment</b>	<b>58</b>	<b>16</b>	<b>(920)</b>	<b>(845)</b>	<b>(584)</b>

Asia					
	Jun	Jul	Aug	Q3	FY
BPM	145	(185)	(97)	(136)	1,112
IBD Attributable	0	0	0	1	7
FID Attributable	7	6	3	15	80
Equities Attributable	4	2	(1)	6	14
Total Attributable	11	8	2	21	101
Credit Spread Adj	12	58	30	100	174
Valuation Adjustments	-	-	-	-	3
Non-Core Attributable	12	58	30	100	177
<b>Asia Segment</b>	<b>168</b>	<b>(119)</b>	<b>(64)</b>	<b>(15)</b>	<b>1,390</b>
<b>Global BPM</b>	<b>721</b>	<b>(670)</b>	<b>(3,093)</b>	<b>(3,043)</b>	<b>(204)</b>
<b>Global Segment</b>	<b>721</b>	<b>(670)</b>	<b>(3,093)</b>	<b>(3,043)</b>	<b>(204)</b>

**VIII. Comp/Headcount**

## Personnel Expenses

In Millions	Quarter			August YTD				
	Q3 '08	Q3 '07	%d	Q2 '08	%d	2008	2007	%d
Production Compensation	98.7	133.6	-26%	114.8	-14%	336.1	402.0	-16%
Software Cap	-15.1	-29.7	-49%	-8.6	73%	-41.5	-77.1	-46%
Salaries	634.9	662.9	-4%	667.2	-3%	1,999.4	1,894.3	6%
Other Compensation & Benefits:								
Cars & Non-Expat Housing	8.5	7.4	15%	8.3	2%	25.3	20.9	21%
Expatriate	18.6	17.9	3%	17.7	5%	53.1	45.7	16%
Other Compensation	37.2	70.3	-47%	15.8	136%	127.4	149.4	-13%
Benefits	83.0	100.5	-17%	88.0	-6%	241.7	265.2	-9%
Payroll Taxes	81.5	104.2	-22%	79.0	3%	317.4	413.5	-23%
Recruiting Incentives	61.3	76.3	-20%	74.0	-17%	258.0	227.5	13%
Recoveries	-	-	-	-	-	-	-	-
Severance	27.8	39.5	-30%	139.9	-80%	199.9	57.6	247%
Total Other Compensation & Benefits	317.8	416.2	-24%	422.6	-23%	1,222.8	1,179.8	4%
PY Equity Award Amortization	412.2	285.9	44%	413.9	0%	1,200.3	861.1	39%
Bonus	501.9	655.1	-23%	714.8	-30%	1,398.9	3,069.4	-54%
Total Compensation & Benefits	1,950.4	2,124.0	-8%	2,324.6	-16%	6,116.0	7,329.6	-17%
Fixed Expenses	1,239.6	1,171.3	6%	1,286.4	-4%	3,872.8	3,502.2	11%
Variable Expenses	710.8	952.7	-25%	1,038.3	-32%	2,243.2	3,827.4	-41%

	Q3 '08 vs. Q3 '07	Q3 '08 vs. Q2 '08	YTD '08 vs. YTD '07
* Production Compensation	Decrease of \$35mm reflects a decrease in MCD (\$20mm) and JMD (\$15mm)	Decrease of \$16mm reflects a decrease in IMD (\$15mm) and MCD (\$1mm)	Decrease of \$66mm reflects a decrease in MCD (\$69mm), offset by an increase in IMD (\$3mm)
* Salaries	Decrease of \$28mm due to headcount reductions, offset by annual salary increases across all divisions and FX impacts	Decrease of \$32mm due to headcount reductions across all divisions	Increase of \$105mm due to additional hirings, annual salary increases across all divisions and FX impacts
* Cars & Non-Expat Housing	Increase primarily due to Asia growth		Increase primarily due to Asia growth
* Expatriate	Increase primarily due to tax equalization in Asia	Increase primarily due to tax equalization in Asia	Increase primarily due to tax equalization in Asia
* Other Compensation	Decrease of \$33mm due to decreased BOD/Other Comp costs (\$8mm), Temp Costs-Mortgages (\$7mm), Relo/Non-Expat Expenses (\$7mm), Deal Related Fees (\$5mm) by decreases in Relo Non Expat costs (\$4mm) and Temp Overtime charges (\$3mm), and Non Project Temps(\$3mm).	Increase of \$21mm due to increased PT/Interns costs (\$15mm), BOD/Other Comp costs (\$12mm), offset mainly by decreases in Relo Non Expat costs (\$4mm) and Temp Costs-Mortgages(\$2mm)	Decrease of \$22mm due to decreases in Temp Costs-Mortgages (\$18mm), Relo Non Expat(\$6mm) and Deal related Comp(\$4mm) offset mainly by an increase in BOD/Other Comp costs(\$6mm)
* Benefits	Decrease of \$17mm mainly due to decrease in Pension costs (\$11mm), Other Benefit costs(\$5mm) and TDSP costs (\$1mm)	Decrease of \$5mm mainly due to true up in US DB Pension in Q2(\$10mm) offset by increases in Other Benefit Costs(\$5mm)	Decrease of \$24mm mainly due to decreases in Pension costs(\$12mm), Other Benefit costs (\$9mm), and TDSP costs(\$3mm)
* Payroll Taxes	Decrease of \$23mm due to reduced National Insurance tax accrual (\$32mm) offset by an increase in the FICA Medicare tax accrual (\$9mm)	Increase of \$3mm due to increased National Insurance tax accrual (\$5mm) offset by a decrease in the FICA Medicare tax accrual (\$2mm)	Decrease of \$96mm due to reduced National Insurance accrual (\$89mm) on bonus and lower payroll taxes on vesting of CSA's
* Severance	Decrease primarily due to severance charges in Q3 2007 relating to MCD reductions	Decrease primarily due to severance related to the March & May exercises in Q2 2008	Increase primarily due to severance related to the March & May exercises in Q2 2008
* PY Equity Award Amortization	Increase of \$126mm primarily due to the roll-on of the 2007 & 2008 awards offset by the roll-off of the 2002 awards.	Expense remains flat quarter over quarter. In Q2 there was ~\$54mm of amortization accelerations related to the GPS spinoff and Firm headcount reductions. In Q3 we have expensed ~\$51mm related to the July 2008 awards granted	Increase of \$339mm primarily due to the roll-on of the 2007 & 2008 awards offset by the roll-off of the 2002 award. In addition in 2008 we have accelerated amortization associated with the GPS spinoff and Firm headcount reductions (\$54mm) and booked a Q1 true-up to projected forfeitures of ~\$14mm

## QTD 2008 Headcount Analysis

### QTD Headcount Analysis

- ❖ Headcount decreased 1% (254 heads) since the beginning of the quarter
- ❖ Headcount reduction was comprised of:
  - a decrease of 639 heads in the Mortgage Subsidiaries mainly due to decreases in Capstone (238), SBF (146), Campus Door (94) and LBB (56)
  - a decrease of 84 heads in the front offices, mainly due to a decrease in FID (291), partially offset by increases in IBD (106) and Equities (102)
  - an increase of 469 heads in the Corporate divisions, mainly due to increases in ITD (373), GDM (132) and Finance (24), partially offset by decreases in Corporate Services (42) and Recruiting (13)
- ❖ From a regional perspective, % changes are: Americas -1%, Europe -7%, Asia 0%, and India 12%

Global	HC @ 05/31/08	Adds	Terms	Transfers	YTD 08/31/08	Net Change Vs. Beginning of Quarter 5/31/2008	
						Change	%
Fixed Income	3,411	324	(263)	(352)	3,120	(291)	-9%
Equities	2,318	222	(146)	26	2,420	102	4%
Prime Services	677	43	(19)	(18)	683	6	1%
Investment Banking	2,305	363	(230)	(27)	2,411	106	5%
Investment Management:							0%
Private Investment Management	1,184	31	(66)	(18)	1,131	(53)	-4%
Asset Management	1,206	63	(60)	9	1,218	12	1%
Private Equity	504	50	(38)	31	547	43	9%
Total IMD	2,894	144	(164)	22	2,896	2	0%
Principal Investing	135	3	(11)	(1)	126	(9)	-7%
Mortgage Capital	2,910	129	(756)	(12)	2,271	(639)	-22%
Total Corporate	11,539	787	(680)	362	12,008	469	4%
<b>Total</b>	<b>26,189</b>	<b>2,015</b>	<b>(2,269)</b>	<b>-</b>	<b>25,935</b>	<b>(254)</b>	<b>-1%</b>

<u>Regions</u>							
Americas	14,562	958	(1,064)	(23)	14,433	(129)	-1%
Europe	5,986	377	(793)	(7)	5,563	(423)	-7%
Asia	3,047	212	(250)	30	3,039	(8)	0%
India	2,594	468	(162)	-	2,900	306	12%
<b>Total</b>	<b>26,189</b>	<b>2,015</b>	<b>(2,269)</b>	<b>-</b>	<b>25,935</b>	<b>(254)</b>	<b>-1%</b>

## QTD 2008 Headcount Analysis

### Americas QTD

	5/31/2008	Adds	Terms	Transfers	8/31/2008	Change	
						#	%
Fixed Income	1,730	137	(124)	(214)	1,529	(201)	-12%
Equities	1,108	100	(52)	-	1,156	48	4%
Prime Services	341	26	(6)	1	362	21	6%
Investment Banking	1,182	239	(135)	(28)	1,258	76	6%
Investment Management							
Private Investment Management	1,070	31	(57)	(15)	1,029	(41)	-4%
Asset Management	1,047	48	(41)	13	1,067	20	2%
Private Equity	363	35	(26)	20	392	29	8%
Total IMD	2,480	114	(124)	18	2,488	8	0%
Principal Investing	59	1	(4)	-	56	(3)	-5%
Mortgage Capital	1,966	73	(399)	(1)	1,639	(327)	-17%
Total Corporate Divisions	5,696	268	(220)	201	5,945	249	4%
<b>Total</b>	<b>14,562</b>	<b>958</b>	<b>(1,064)</b>	<b>(23)</b>	<b>14,433</b>	<b>(129)</b>	<b>-1%</b>

### Asia QTD

	5/31/2008	Adds	Terms	Transfers	8/31/2008	Change	
						#	%
Fixed Income	619	40	(41)	(23)	593	(26)	-4%
Equities	479	36	(44)	-	471	(8)	-2%
Prime Services	65	4	(1)	5	73	8	12%
Investment Banking	326	40	(24)	10	352	26	8%
Investment Management							
Private Investment Management	-	-	-	-	-	-	0%
Asset Management	44	2	(8)	(1)	37	(7)	-16%
Private Equity	43	6	(4)	5	50	7	16%
Total IMD	87	8	(12)	4	87	-	0%
Principal Investing	56	2	(3)	(3)	52	(4)	-7%
Mortgage Capital	69	-	(15)	-	54	(15)	-22%
Total Corporate Divisions	1,346	82	(110)	39	1,357	11	1%
<b>Total</b>	<b>3,047</b>	<b>212</b>	<b>(250)</b>	<b>30</b>	<b>3,039</b>	<b>(8)</b>	<b>0%</b>

### Europe QTD

	5/31/2008	Adds	Terms	Transfers	8/31/2008	Change	
						#	%
Fixed Income	964	100	(91)	(52)	921	(43)	-4%
Equities	623	58	(38)	1	644	21	3%
Prime Services	182	11	(10)	(1)	182	-	0%
Investment Banking	750	68	(66)	(4)	748	(2)	0%
Investment Management							
Private Investment Management	114	-	(9)	(3)	102	(12)	-11%
Asset Management	115	13	(11)	(3)	114	(1)	-1%
Private Equity	98	9	(8)	6	105	7	7%
Total IMD	327	22	(28)	-	321	(6)	-2%
Principal Investing	20	-	(4)	2	18	(2)	-10%
Mortgage Capital	721	54	(331)	(6)	438	(283)	-39%
Total Corporate Divisions	2,399	64	(225)	53	2,291	(108)	-5%
<b>Total</b>	<b>5,986</b>	<b>377</b>	<b>(793)</b>	<b>(7)</b>	<b>5,563</b>	<b>(423)</b>	<b>-7%</b>

### India QTD

	5/31/2008	Adds	Terms	Transfers	8/31/2008	Change	
						#	%
Fixed Income	98	47	(7)	(61)	77	(21)	-21%
Equities	108	28	(12)	25	149	41	38%
Prime Services	89	2	(2)	(23)	66	(23)	-26%
Investment Banking	47	16	(5)	(5)	53	6	13%
Investment Management							
Private Investment Management	-	-	-	-	-	-	0%
Asset Management	-	-	-	-	-	-	0%
Private Equity	-	-	-	-	-	-	0%
Total IMD	-	-	-	-	-	-	0%
Principal Investing	-	-	-	-	-	-	0%
Mortgage Capital	154	2	(11)	(5)	140	(14)	-9%
Total Corporate Divisions	2,098	373	(125)	69	2,415	317	15%
<b>Total</b>	<b>2,594</b>	<b>468</b>	<b>(162)</b>	<b>-</b>	<b>2,900</b>	<b>306</b>	<b>12%</b>

## YTD 2008 Headcount Analysis

## YTD Headcount Analysis

- ❖ Headcount decreased 9% (2,621 heads) since the beginning of the year
- ❖ Headcount reduction was comprised of:
  - a decrease of 2,147 heads in the Mortgage Subsidiaries mainly due to decreases in Aurora (945), Capstone (417), SBF (281) and LBB (26)
  - a decrease of 955 heads in the front offices, mainly due to decreases in FID (665), IMD (145), IBD (131) and Prime Services (16)
  - an increase of 481 heads in the Corporate divisions, mainly due to increases in ITD (310), GDM (143) and CMT (97), partially offset by decreases in Corporate Services (80) and ESS (17)
- ❖ From a regional perspective, % changes are: Americas -15%, Europe -14%, Asia 7%, and India 28%

Global	HC @ 12/01/07	Adds	Terms	Transfers	YTD 08/31/08	Net Change Vs. Beginning of Year 12/1/2007	
						Change	%
Fixed Income	3,785	574	(803)	(436)	3,120	(665)	-18%
Equities	2,428	441	(480)	31	2,420	(8)	0%
Prime Services	699	95	(86)	(25)	683	(16)	-2%
Investment Banking	2,542	495	(579)	(47)	2,411	(131)	-5%
Investment Management:							
Private Investment Management	1,256	77	(197)	(5)	1,131	(125)	-10%
Asset Management	1,347	133	(239)	(23)	1,218	(129)	-10%
Private Equity	438	108	(79)	80	547	109	25%
Total IMD	3,041	318	(515)	52	2,896	(145)	-5%
Principal Investing	116	26	(91)	75	126	10	9%
Mortgage Capital	4,418	610	(2,658)	(99)	2,271	(2,147)	-49%
Total Corporate	11,527	2,171	(2,139)	449	12,008	481	4%
<b>Total</b>	<b>28,556</b>	<b>4,730</b>	<b>(7,351)</b>	<b>-</b>	<b>25,935</b>	<b>(2,621)</b>	<b>-9%</b>

Regions	HC @ 12/01/07	Adds	Terms	Transfers	YTD 08/31/08	Change	%
Americas	17,015	2,097	(4,626)	(53)	14,433	(2,582)	-15%
Europe	6,437	898	(1,767)	(5)	5,563	(874)	-14%
Asia	2,843	688	(578)	86	3,039	196	7%
India	2,261	1,047	(380)	(28)	2,900	639	28%
<b>Total</b>	<b>28,556</b>	<b>4,730</b>	<b>(7,351)</b>	<b>-</b>	<b>25,935</b>	<b>(2,621)</b>	<b>-9%</b>

## YTD 2008 Headcount Analysis

## Americas YTD

	12/1/2007	Adds	Terms	Transfers	8/31/2008	Change	
						#	%
Fixed Income	2,067	229	(470)	(297)	1,529	(538)	-26%
Equities	1,222	200	(261)	(5)	1,156	(66)	-5%
Prime Services	368	40	(41)	(5)	362	(6)	-2%
Investment Banking	1,351	272	(332)	(33)	1,258	(93)	-7%
Investment Management							
Private Investment Management	1,132	70	(166)	(7)	1,029	(103)	-9%
Asset Management	1,193	91	(199)	(18)	1,067	(126)	-11%
Private Equity	316	76	(63)	63	392	76	24%
Total IMD	2,641	237	(428)	38	2,488	(153)	-6%
Principal Investing	78	7	(64)	35	56	(22)	-28%
Mortgage Capital	3,194	413	(1,965)	(3)	1,639	(1,555)	-49%
Total Corporate Divisions	6,094	699	(1,065)	217	5,945	(149)	-2%
<b>Total</b>	<b>17,015</b>	<b>2,097</b>	<b>(4,626)</b>	<b>(53)</b>	<b>14,433</b>	<b>(2,582)</b>	<b>-15%</b>

## Asia YTD

	12/1/2007	Adds	Terms	Transfers	8/31/2008	Change	
						#	%
Fixed Income	590	126	(109)	(14)	593	3	1%
Equities	440	102	(86)	15	471	31	7%
Prime Services	62	12	(8)	7	73	11	18%
Investment Banking	325	81	(70)	16	352	27	8%
Investment Management							
Private Investment Management	19	-	(18)	(1)	-	(19)	-100%
Asset Management	32	18	(12)	(1)	37	5	16%
Private Equity	40	10	(6)	6	50	10	25%
Total IMD	91	28	(36)	4	87	(4)	-4%
Principal Investing	26	18	(12)	20	52	26	100%
Mortgage Capital	70	9	(23)	(2)	54	(16)	-23%
Total Corporate Divisions	1,239	312	(234)	40	1,357	118	10%
<b>Total</b>	<b>2,843</b>	<b>688</b>	<b>(578)</b>	<b>86</b>	<b>3,039</b>	<b>196</b>	<b>7%</b>

## Europe YTD

	12/1/2007	Adds	Terms	Transfers	8/31/2008	Change	
						#	%
Fixed Income	1,037	160	(213)	(63)	921	(116)	-11%
Equities	645	105	(108)	2	644	(1)	0%
Prime Services	191	18	(30)	3	182	(9)	-5%
Investment Banking	810	125	(165)	(22)	748	(62)	-8%
Investment Management							
Private Investment Management	105	7	(13)	3	102	(3)	-3%
Asset Management	122	24	(28)	(4)	114	(8)	-7%
Private Equity	82	22	(10)	11	105	23	28%
Total IMD	309	53	(51)	10	321	12	4%
Principal Investing	12	1	(15)	20	18	6	50%
Mortgage Capital	908	181	(640)	(11)	438	(470)	-52%
Total Corporate Divisions	2,325	255	(545)	56	2,291	(234)	-9%
<b>Total</b>	<b>6,437</b>	<b>898</b>	<b>(1,767)</b>	<b>(5)</b>	<b>5,563</b>	<b>(874)</b>	<b>-14%</b>

## India YTD

	12/1/2007	Adds	Terms	Transfers	8/31/2008	Change	
						#	%
Fixed Income	91	59	(11)	(62)	77	(14)	-15%
Equities	121	34	(25)	19	149	28	23%
Prime Services	78	25	(7)	(30)	66	(12)	-15%
Investment Banking	56	17	(12)	(8)	53	(3)	-5%
Investment Management							
Private Investment Management	-	-	-	-	-	-	0%
Asset Management	0	-	-	-	-	-	0%
Private Equity	0	-	-	-	-	-	0%
Total IMD	0	-	-	-	-	-	0%
Principal Investing	0	-	-	-	-	-	0%
Mortgage Capital	246	7	(30)	(83)	140	(106)	-43%
Total Corporate Divisions	1,669	905	(295)	136	2,415	746	45%
<b>Total</b>	<b>2,261</b>	<b>1,047</b>	<b>(380)</b>	<b>(28)</b>	<b>2,900</b>	<b>639</b>	<b>28%</b>

## Fixed vs. Variable Expenses

Fixed vs Variable Expenses												
(in Millions)	Quarter								YTD			
	Q3 '08		Q3 '07		Q2 '08		2008		2007			
	\$ Δ	% Δ	\$ Δ	% Δ	\$ Δ	% Δ	\$ Δ	% Δ	\$ Δ	% Δ	\$ Δ	% Δ
<b>Variable:</b>												
Production Comp	98.7	133.6	-34.9	-26%	114.8	-16.1	-14%	336.1	402.0	-65.9	-16%	
Cars	1.5	1.7	-0.2	-12%	1.4	0.1	5%	4.7	5.0	-0.2	-4%	
Expat	18.6	17.9	0.6	3%	17.7	0.8	5%	53.1	45.7	7.5	16%	
Other Compensation	37.2	70.3	-33.1	-47%	15.8	21.4	136%	127.4	149.4	-22.1	-15%	
Recruiting Incentives - variable	25.2	34.5	-9.4	-27%	33.8	-8.7	-26%	123.0	98.2	24.8	25%	
Severance	27.8	39.5	-11.7	-30%	139.9	-112.1	-80%	199.9	57.6	142.3	247%	
Bonus	501.9	655.1	-153.3	-23%	714.8	-212.9	-30%	1,398.9	3,069.4	-1,670.5	-54%	
<b>Total Variable Expenses</b>	<b>710.8</b>	<b>952.7</b>	<b>-241.9</b>	<b>-25%</b>	<b>1,038.3</b>	<b>-327.4</b>	<b>-32%</b>	<b>2,243.2</b>	<b>3,827.4</b>	<b>-1,584.2</b>	<b>-41%</b>	
<i>% of total</i>	<i>36%</i>	<i>45%</i>			<i>45%</i>			<i>37%</i>	<i>52%</i>			
<b>Fixed:</b>												
Salaries	634.9	662.9	-28.1	-4%	667.2	-32.3	-5%	1,999.4	1,894.3	105.0	6%	
Software Cap	-15.1	-29.7	14.6	-49%	-8.6	-6.5	75%	-41.5	-77.1	35.6	-46%	
Non Expat Housing	6.9	5.7	1.3	23%	6.9	0.1	1%	20.6	16.0	4.6	29%	
Benefits	83.0	100.5	-17.6	-17%	88.0	-5.1	-6%	241.7	265.2	-23.5	-9%	
Payroll Taxes	81.5	104.2	-22.7	-22%	79.0	2.5	3%	317.4	413.5	-96.1	-23%	
Recruiting Incentives - fixed	36.2	41.8	-5.6	-13%	40.1	-4.0	-10%	135.0	129.3	5.7	4%	
Recoveries	-	-	-	-	-	-	-	-	-	-	-	
PY Equity Award Amortization	412.2	285.9	126.3	44%	413.9	-1.7	0%	1,200.3	861.1	339.2	39%	
<b>Total Fixed Expenses</b>	<b>1,239.6</b>	<b>1,171.3</b>	<b>68.2</b>	<b>6%</b>	<b>1,286.4</b>	<b>-46.8</b>	<b>-4%</b>	<b>3,872.8</b>	<b>3,502.2</b>	<b>370.6</b>	<b>11%</b>	
<i>% of total</i>	<i>64%</i>	<i>55%</i>			<i>55%</i>			<i>63%</i>	<i>48%</i>			
<b>Total Expenses</b>	<b>1,950.4</b>	<b>2,124.0</b>	<b>-173.6</b>	<b>-8%</b>	<b>2,324.6</b>	<b>-374.2</b>	<b>-16%</b>	<b>6,116.0</b>	<b>7,329.6</b>	<b>-1,213.6</b>	<b>-17%</b>	

# Headcount by Country

	31-Aug-08											Monthly Variance B/(W)	1-Dec-07	% of Total					
	FID	EQ	PS	PI	IBD	IND	MCD	IT	OPS	CORP	GRAND TOTAL		GRAND TOTAL	YTD Variance B/(W)	Current Headcount % of Region	Current Headcount % of Global			
<b>Americas</b>																			
Argentina	-	-	-	-	-	64	-	-	6	-	70	1	69	1	0%	0%	1%		
Brazil	9	1	-	-	6	-	-	3	2	4	25	(1)	14	11	0%	0%	79%		
Canada	9	1	-	-	17	-	-	-	-	-	27	2	21	6	0%	0%	29%		
Mexico	-	-	-	-	4	-	-	-	-	-	4	-	5	(1)	0%	0%	-20%		
Uruguay	-	-	-	-	-	2	-	-	-	-	2	-	2	-	0%	0%	0%		
USA	1,511	1,154	362	56	1,231	2,422	1,639	2,491	1,094	2,345	14,305	(162)	16,204	(2,599)	99%	55%	-15%		
<b>Total Americas</b>	1,529	1,156	362	56	1,258	2,488	1,639	2,494	1,102	2,349	14,435	(161)	17,015	(2,582)	100%	56%	-15%		
<b>Europe</b>																			
France	18	21	1	-	30	20	-	5	8	23	126	(2)	116	10	2%	0%	9%		
Germany	14	21	-	-	47	7	-	3	6	35	133	(2)	134	(1)	2%	1%	-1%		
Israel	3	3	-	-	10	-	-	-	-	5	21	(3)	20	1	0%	0%	5%		
Italy	22	15	-	-	35	11	-	5	6	33	128	(3)	137	(9)	2%	0%	-7%		
Luxembourg	1	-	2	-	-	-	-	-	1	-	4	-	5	(1)	0%	0%	-20%		
Netherlands	-	2	-	-	18	4	61	-	-	3	88	(1)	125	(37)	2%	0%	-30%		
Netherlands - Antilles	-	-	-	-	-	-	-	-	-	1	1	-	1	-	0%	0%	0%		
Portugal	64	-	-	-	-	-	-	-	-	-	64	4	48	16	1%	0%	33%		
Qatar	-	4	-	-	2	-	-	-	-	-	2	-	2	-	0%	0%	0%		
Russia	3	4	-	-	6	-	-	1	2	8	24	1	11	13	0%	0%	118%		
Spain	-	2	-	-	17	7	-	1	1	8	36	-	35	1	1%	0%	3%		
Sweden	-	-	-	-	1	-	-	34	-	-	35	-	37	(2)	1%	0%	-5%		
Switzerland	8	12	-	-	2	18	-	2	3	13	58	(1)	60	(2)	1%	0%	-3%		
Turkey	-	5	-	-	3	-	-	-	1	2	11	-	2	9	0%	0%	450%		
United Arab Emirates	3	-	-	-	17	3	-	1	-	7	31	7	19	12	1%	0%	63%		
United Kingdom	784	559	179	18	562	249	377	639	435	999	4,801	(78)	5,685	(884)	86%	19%	-16%		
<b>Total Europe</b>	921	644	182	18	748	321	438	691	463	1,337	5,563	(78)	6,437	(874)	100%	21%	-14%		
<b>Asia</b>																			
Australia	35	5	1	-	16	4	-	6	11	31	109	(1)	133	(24)	4%	0%	-18%		
China	130	171	32	15	280	52	-	98	62	285	965	18	789	176	32%	4%	22%		
-Hong Kong	123	165	32	14	185	46	-	91	62	201	919	16	759	160	30%	4%	21%		
-Beijing	-	-	-	1	15	-	-	-	-	2	18	-	15	3	1%	0%	20%		
-Shanghai	7	6	-	-	6	-	7	-	2	28	2	2	15	13	1%	0%	87%		
India	26	42	7	9	26	13	-	8	13	34	178	(10)	152	26	6%	1%	17%		
Japan	297	195	27	24	74	15	54	221	181	275	1,363	(24)	1,444	(81)	45%	5%	-6%		
Korea	22	33	-	3	14	-	-	8	14	27	121	1	112	9	4%	0%	8%		
Singapore	73	14	6	1	16	3	-	53	38	52	256	1	155	101	8%	1%	63%		
Taiwan, Province of China	-	11	-	-	6	-	-	1	4	7	29	(4)	40	(11)	1%	0%	-28%		
Thailand	10	-	-	-	-	-	-	1	1	6	18	1	18	-	1%	0%	0%		
<b>Total Asia</b>	582	471	73	52	352	87	54	396	324	637	3,029	(18)	2,843	186	100%	12%	7%		
<b>India</b>																			
India	77	149	66	-	53	-	140	1,262	433	720	2,908	20	2,261	649	100%	11%	28%		
<b>Total India</b>	77	149	66	-	53	-	140	1,262	433	720	2,908	20	2,261	649	100%	11%	28%		
<b>TOTAL</b>	3,120	2,420	683	126	2,411	2,896	2,271	4,843	1,322	4,843	25,935	(237)	28,556	(2,621)	100%	100%	-9%		

IX. NPE

## NPE Financial Review

	3Q'08	2Q'08	3Q'07	3Q'08 vs 2Q'08		3Q'08 vs 3Q'07	
				Inc / (Dec)	%	Inc / (Dec)	%
Business Development	\$ 68.4	\$ 86.5	\$ 89.7	\$ (18.1)	-21.0%	\$ (21.3)	-23.7%
Technology & Communications	309.1	309.4	281.6	(0.3)	-0.1%	27.5	9.8%
Occupancy	201.8	187.6	170.0	14.3	7.6%	31.8	18.7%
Professional Fees	103.9	100.0	128.2	3.9	3.9%	(24.4)	-19.0%
Other	55.7	159.2	85.2	(103.6)	-65.0%	(29.5)	-34.7%
<b>Total Fixed</b>	<b>\$ 738.9</b>	<b>\$ 842.7</b>	<b>\$ 754.7</b>	<b>\$ (103.8)</b>	<b>-12.3%</b>	<b>\$ (15.8)</b>	<b>-2.1%</b>
Brokerage & Clearance	\$ 231.8	\$ 251.6	\$ 224.2	\$ (19.7)	-7.8%	\$ 7.6	3.4%
<b>Total Non Personnel Expenses</b>	<b>\$ 970.7</b>	<b>\$ 1,094.2</b>	<b>\$ 978.9</b>	<b>\$ (123.5)</b>	<b>-11.3%</b>	<b>\$ (8.2)</b>	<b>-0.8%</b>



## NPE Financial Review

Non-Personnel Expenses decreased \$8.2 million or 0.6% in 3Q'08 vs. 3Q'07

Key summary components of the decrease are as follows:

(\$21 m)	<b>Business Development - Decrease primarily due to:</b>
\$0 m	Corporate Events - expense in 3Q'08 for Beijing Olympics, offset by cost-cutting measures, delays and cancellation of events/conferences
(\$5 m)	Marketing/Advertising decrease - (\$4.0m) related to MCD restructuring, and (\$1.0m) decline in advertising demand in 2008 and 3Q'07 expenses for COPA road show
(\$18 m)	T&E decrease - MCD restructuring, reduction in workforce and effect of 2Q'08 policy change implementation
\$28 m	<b>Technology &amp; Communications - Increase primarily due to:</b>
\$12 m	Communications increase - \$6.4m of depreciation, network circuit installations (Verizon, Saws, Global Crossing, Radlantz) and build out costs associated with expansion of current facilities and new space (Piscataway data center, Governor Phillip Tower, IFC2, Man Yee, Mia, GS2, Paris Otens, South Quay Plaza), \$1.5m related to 3 months of monthly depreciation for Cisco global network infrastructure maintenance (2 months write-off of double amortization), \$1.3m AT&T accrual catch-up for phone, data and direct voice lines, \$1.0m FX Hedge and Recoveries, \$0.5m UK catch-up of network spending on Eurus Frankfurt, \$0.4m MCD Lake Forest retirement of assets, and \$0.3m increase in Blackberry and cell phone wireless usage
\$6 m	Technology increase - maintenance, contracts and licensing vendor costs to give the Firm a competitive edge in the marketplace, create a more efficient system, support post-trade processing, modernization of web based application tools for high frequency traders and provide online services to analyze exposure to risk (Tristana, Exegy, Quotelision, Evars, Oracle, Sungard, Software AG, Sun Microsystems), and depreciation up by \$2.8m associated with new FA acquisitions for Piscataway data center, partially offset by (\$5.2m) savings generated by ARGV mainframe contract transition to IBM and (\$2.0m) release of Microsoft over accrued costs and roll off of prior years amortization of EA (Enterprise Agreement) 6.0 license
\$8 m	System Consultants increase - \$4.8m less software capitalization due to front office project delays and lower in-house and outsource consultant hires as a result of personnel economics, \$3.5m increase in vendor services (Joint Tech and Trinum) associated with new build out of Shenzhen global support center in 2008 and costs for IMD's Wealth Management Alternative Investment and Performance Management Reporting, and FID Commodities Derivative project, partially offset by \$2.0m release of excess reserve (Tech Admin, Pershing) and lower MCD expenses due to Firm restructuring
\$5 m	NRTD increase - new subscriptions and publications required to obtain more financial data to mitigate risk and improve strategic investment decisions (Bloomberg, Thomson, Markit, FT Interactive, Reuters, Factset)
\$5 m	Market Data increase - \$4.2m increase in Bloomberg terminal counts in all regions and \$0.8m increase in entitlement costs for new Bloomberg and Reuters terminals
(\$7 m)	Mail/Print decrease - (\$3.0m) less MCD spend due to business restructuring, (\$3.0m) vendor accrual releases in 3Q'08 for GBC, GRD, ADP, UNIMAC, Williams Lea, Pitney Bowes, and DCS, and (\$0.2m) July'08 implementation of colored printing policy change (need SVP approval) and savings from double-sided default printer settings
\$32 m	<b>Occupancy - Increase primarily due to:</b>
\$22 m	Space expansion - \$0.3m 1271 8th Ave, \$5.3m Asia facilities (IFC2, Man Yee, Australia's Governor Phillip Tower, Ceejay House, Mia), \$4.7m Piscataway data center, \$2.7m 399 Park 4th floor, \$3.1m Europe & Middle East facilities (GS2, Paris, South Quay Plaza), \$1.4m Kensington, \$1.0m Cranford data center and \$0.6m 101 Hudson 11th floor
\$4 m	Broadgate 6 building - \$1.9m FA write-offs and \$1.7m rent penalty (early exit charges/breach of contract)
\$3 m	FX Hedge
\$3 m	Lake Forest write-off
\$2 m	Farnborough rent (new BCP - Business Continuity Planning building)
\$1 m	IFC2 & Man Yee rent renewal increase in 3Q'08
(\$3 m)	Not impact of continuing MCD office closures
(\$24 m)	<b>Professional fees - Decrease primarily due to:</b>
\$9 m	Legal increase - \$2.3m NYAG Mortgage Back Securities, \$2.2m Marubeni litigation costs, \$1.5m FD Capital (Project School), \$1.0m of MCD business restructuring expenses, \$0.7m Regulatory Master Action rate accrual increase, \$0.7m new indicies received from Skadden Arp Edge Capture LLC and Edge S, \$0.7m FID's Employment Law, and \$0.4m IMD's Saxony accrual
\$4 m	Accounting Audit increase - \$2.3m charges in 3Q'08 (\$1.0m product audits, \$0.5m Korea tax Audit, \$0.4m additional Firm Audit fees for 2007 and \$0.3m of invoices and accruals related to Wool companies in Korea), \$1.4m release of Siron Indes contingency in 3Q'07
\$3 m	Busted Deals - \$1.5m Project Helios, East end PKD BP, \$0.8m Project Florian and \$0.3m HVB Doorslip
\$2 m	Tempa increase - 3Q'07 YTD reclassification to PE for employees at Lehman over 6 months
(\$2 m)	Consulting Services decrease - 3Q'07 costs of (\$3.0m) for Equity Val Remediation, (\$0.5m) for Project Swiss and (\$0.5m) payment to Job Bust, partially offset by \$1.8m one time reclassification of EQ Itation Advisory fees from Brokerage and Execution in 3Q'08
(\$6 m)	Training decrease - Leadership course cancellations related to MD and SVP training, product training and off-site conferences and elimination of several high cost vendors
(\$34 m)	Recruiting decrease - spend significantly lower across all Regions in 2008 due to headcount reset/current market condition
(\$30 m)	<b>Other - Decrease primarily due to:</b>
\$13 m	Meher auction rates case settlement paid to NY State Attorney General's Office
\$4 m	FA Interest charges for Piscataway data center go-live in May'08
\$3 m	MCD increase in net mortgage origination and processing fees related to ALS one-time LPMI insurance charge
\$3 m	June 2007 reclassification of Asia's Withholding tax to Income Tax
\$1 m	One-time YTD credit adjustment in 3Q'07 for Property insurance
\$1 m	3Q'08 renewal of insurance premiums for Europe & Middle East
\$1 m	Increase in Asia's 2008 taxes
(\$1 m)	MCD UK platforms (SPML, PML and LMC) Goodwill amortization costs
(\$2 m)	Minority interest (a credit) for LBSF, Libra Holding 1, LB Latin America Ltd and De Shaw 1/3rd party vendor
(\$3 m)	FID Accumulated depreciation for Global commercial real estate edged over 1 year: (\$14.0m) correction in 3Q as 2Q incurred additional depreciation for properties Lehman does not own majority voting rights, partially offset by \$11.0m in 3Q
(\$11 m)	Release of Legal Settlement reserve for Meher auction rates matter
(\$37 m)	MCD impairments (\$44m 3Q'07 vs. \$6.7m 3Q'08)
(\$2 m)	Other
\$8 m	<b>Brokerage &amp; Clearance - Increase primarily due to:</b>
\$25 m	Volume Increases: \$17.0m Futures, \$4.0m Commodities and Derivatives, \$1.7m FX \$1.7m OTC ECN, \$0.7m Bonds/Notes
\$4 m	IMD PAM Equity execution via external vendors in 3Q'08
\$3 m	FX Hedge Impact
\$2 m	NYSE & NASD TAF Regulatory accrual true-ups in 3Q'08
\$1 m	MFS Sharing reclass into BC&E
(\$2 m)	Italian Advisory Fees reclassification to Consulting Services
(\$3 m)	DTC One Box Consolidation expense release in 2Q'08
(\$6 m)	COPA expense in 3Q'07
(\$14 m)	Futures - \$9.2m reserve release and \$5.1m reclassification of expenses to Contra Revenue in Asia



## Tax Analysis – Financial Review

	2008 1ST QUARTER		2008 2ND QUARTER		2008 3RD QUARTER		2008 AUGUST YTD	
<b>PRETAX INCOME</b>	663,149		(4,086,676)		(5,824,366)		(9,247,893)	
TAX AT MARGINAL RATE	280,830	42.35%	(1,479,064)	36.19%	(2,038,528)	35.00%	(3,236,763)	35.00%
STATE TAX SAVINGS ON FOREIGN EARNINGS (@ 7.34%)	(81,827)	-12.34%	81,827	-2.00%	-	0.00%	-	0.00%
MARGINAL RATE AFTER GEOGRAPHIC MIX	199,003	30.01%	(1,397,237)	34.19%	(2,038,528)	35.00%	(3,236,763)	35.00%
<b>I. TAX DEDUCTIBILITY FROM STRUCTURAL ELEMENTS</b>								
NON-DEDUCTIBLE MEALS AND ENTERTAINMENT	1,756	0.26%	711	-0.02%	1,425	-0.02%	3,892	-0.04%
NON-DEDUCTIBLE FOREIGN LOSSES	-	0.00%	225,000	-5.51%	175,000	-3.00%	400,000	-4.33%
OTHER	(253)	-0.04%	78	0.00%	103	0.00%	(72)	0.00%
	1,503	0.23%	225,789	-5.53%	176,528	-3.03%	403,820	-4.37%
<b>II. TAX ADVANTAGED ASSETS</b>								
DIVIDEND RECEIVED DEDUCTION	(10,086)	-1.52%	(2,932)	0.07%	(1,759)	0.03%	(14,777)	0.16%
MUNI INCOME	(13,989)	-2.11%	(21,208)	0.52%	(28,268)	0.49%	(63,463)	0.69%
	(24,075)	-3.63%	(24,140)	0.59%	(30,028)	0.52%	(78,243)	0.85%
<b>III. TAX STRATEGIES</b>								
STRUCTURED TRANSACTIONS	(2,688)	-0.41%	(20,033)	0.49%	19,655	-0.34%	(3,066)	0.03%
GOODWILL AMORTIZATION - SPINKER	-	0.00%	(268)	0.01%	(401)	0.01%	(669)	0.01%
GOODWILL AMORTIZATION - GRANGE	(347)	-0.05%	(347)	0.01%	(347)	0.01%	(1,041)	0.01%
TAX CREDITS FROM UNCONSOLIDATED SUBSIDIARY	(1,667)	-0.25%	(2,291)	0.06%	(692)	0.01%	(4,650)	0.05%
	(4,702)	-0.71%	(22,939)	0.56%	18,215	-0.31%	(9,426)	0.10%
<b>IV. TAX DEPARTMENT INITIATIVES</b>								
STATE TAX SAVINGS NON-NY INCOME (LEHMAN RE/ WHARF)	(438)	-0.07%	438	-0.01%	-	0.00%	-	0.00%
TAX CREDITS	(3,169)	-0.48%	(12,553)	0.31%	(3,200)	0.05%	(18,922)	0.20%
APB 23	(74,568)	-11.24%	(10,484)	0.26%	(20,441)	0.35%	(105,493)	1.14%
DELAWARE & JERSEY BANK SAVINGS	7	0.00%	(7)	0.00%	-	0.00%	-	0.00%
	(78,168)	-11.79%	(22,606)	0.55%	(23,641)	0.41%	(124,415)	1.35%
<b>V. FULL YEAR GAAP ANNUALIZATION ADJUSTMENT</b>	85,787	12.94%	(85,787)	2.10%	-	0.00%	-	0.00%
<b>VI. ADD STATE PROVISION (NET OF FEDERAL BENEFIT)</b>								
NYS CAPITAL TAX (10M)	-	0.00%	3,250	-0.08%	1,625	-0.03%	4,875	-0.05%
OTHER STATES (5M)	-	0.00%	1,625	-0.04%	813	-0.01%	2,438	-0.03%
LB BANK AND SUBS (@ 4%)	-	0.00%	4,472	-0.11%	3,795	-0.07%	8,267	-0.09%
	-	0.00%	9,347	-0.23%	6,233	-0.11%	15,580	-0.17%
<b>EFFECTIVE TAX RATE BEFORE ONE TIME ITEMS</b>	179,348	27.04%	(1,317,573)	32.24%	(1,891,221)	32.47%	(3,029,447)	32.76%
<b>ONE TIME ITEMS</b>								
P/L IMPACT OF FIN 48	8,883	1.34%	-	0.00%	-	0.00%	8,883	-0.10%
ADJUSTMENT TO 07-00 AUDIT APPEALS	(13,789)	-2.08%	-	0.00%	-	0.00%	(13,789)	0.15%
RESERVE - 162M ADJUSTMENT	-	0.00%	2,930	-0.07%	-	0.00%	2,930	-0.03%
PENALTIES ON ASIA FIN 48 LIABILITIES	-	0.00%	1,583	-0.04%	(648)	0.01%	935	-0.01%
NON CREDITABLE ASIA FIN 48 LIABILITIES	-	0.00%	-	0.00%	1,202	-0.02%	1,202	-0.01%
STATE AUDIT SETTLEMENTS	-	0.00%	-	0.00%	(6,940)	0.12%	(6,940)	0.08%
<b>EFFECTIVE TAX RATE</b>	174,442	26.31%	(1,313,060)	32.13%	(1,897,607)	32.58%	(3,036,226)	32.83%

## Q3 '08 vs Q2 '08

	3RD QUARTER 2008		2ND QUARTER 2008		VARIANCE	
<b>PRETAX INCOME</b>	<b>(5,824,366)</b>		<b>(4,086,676)</b>		<b>(1,737,690)</b>	
TAX AT MARGINAL RATE	(2,038,528)	35.00%	(1,479,064)	36.19%	(559,464)	-1.19%
STATE TAX SAVINGS ON FOREIGN EARNINGS (@ 7.34%)	-	0.00%	81,827	-2.00%	(81,827)	2.00%
MARGINAL RATE AFTER GEOGRAPHIC MIX	(2,038,528)	35.00%	(1,397,237)	34.19%	(641,291)	0.81%
<b>I. TAX DEDUCTIBILITY FROM STRUCTURAL ELEMENTS</b>						
NON-DEDUCTIBLE MEALS AND ENTERTAINMENT	1,425	-0.02%	711	-0.02%	714	-0.01%
NON-DEDUCTIBLE FOREIGN LOSSES	175,000	-3.00%	225,000	-5.51%	(50,000)	2.50%
OTHER	103	0.00%	78	0.00%	25	0.00%
	176,528	-3.03%	225,789	-5.53%	(49,261)	2.49%
<b>II. TAX ADVANTAGED ASSETS</b>						
DIVIDEND RECEIVED DEDUCTION	(1,759)	0.03%	(2,932)	0.07%	1,173	-0.04%
MUNI INCOME	(28,268)	0.49%	(21,208)	0.52%	(7,060)	-0.03%
	(30,028)	0.52%	(24,140)	0.59%	(5,888)	-0.08%
<b>III. TAX STRATEGIES</b>						
STRUCTURED TRANSACTIONS	19,655	-0.34%	(20,033)	0.49%	39,688	-0.83%
GOODWILL AMORTIZATION - SPINA K&R	(401)	0.01%	(268)	0.01%	(133)	0.00%
GOODWILL AMORTIZATION - GRANGE	(347)	0.01%	(347)	0.01%	-	0.00%
TAX CREDITS FROM UNCONSOLIDATED SUBSIDIARY	(692)	0.01%	(2,291)	0.06%	1,599	-0.04%
	18,215	-0.31%	(22,939)	0.56%	41,154	-0.87%
<b>IV. TAX DEPARTMENT INITIATIVES:</b>						
STATE TAX SAVINGS NON-NY INCOME (LEHMAN RE)	-	0.00%	438	-0.01%	(438)	0.01%
TAX CREDITS	(3,200)	0.05%	(12,553)	0.31%	9,353	-0.25%
APB 23	(20,441)	0.35%	(10,484)	0.26%	(9,957)	0.09%
DELAWARE & JERSEY BANK SAVINGS	-	0.00%	(7)	0.00%	7	0.00%
	(23,641)	0.41%	(22,606)	0.55%	(1,035)	-0.15%
<b>V. FULL YEAR GAAP ANNUALIZATION ADJUSTMENT</b>						
	-	0.00%	(85,787)	2.10%	85,787	-2.10%
<b>VI. ADD STATE PROVISION (NET OF FEDERAL BENEFIT)</b>						
NYS CAPITAL TAX (10M)	1,625	-0.03%	3,250	-0.08%	(1,625)	0.05%
OTHER STATES (5M)	813	-0.01%	1,625	-0.04%	(812)	0.03%
LB BANK AND SUBS (@ 4%)	3,795	-0.07%	4,472	-0.11%	(677)	0.04%
	6,233	-0.11%	9,347	-0.23%	(3,114)	0.12%
<b>EFFECTIVE TAX RATE BEFORE ONE TIME ITEMS</b>	<b>(1,891,321)</b>	<b>32.47%</b>	<b>(1,317,573)</b>	<b>32.24%</b>	<b>(573,648)</b>	<b>0.23%</b>
<b>ONE-TIME ITEMS</b>						
RESERVE - 162M ADJUSTMENT	-	0.00%	2,930	-0.07%	(2,930)	0.07%
PENALTIES ON ASIA FIN 48 LIABILITIES	(648)	0.01%	1,583	-0.04%	(2,231)	0.05%
NON CREDITABLE ASIA FIN 48 LIABILITIES	1,202	-0.02%	-	0.00%	1,202	-0.02%
STATE AUDIT SETTLEMENTS	(6,940)	0.12%	-	0.00%	(6,940)	0.12%
<b>EFFECTIVE TAX RATE</b>	<b>(1,897,607)</b>	<b>32.58%</b>	<b>(1,313,060)</b>	<b>32.13%</b>	<b>(584,547)</b>	<b>0.45%</b>

## Q3 '08 vs Q3 '07

	3RD QUARTER 2008		3RD QUARTER 2007		VARIANCE	
<b>PRETAX INCOME</b>	<b>(5,824,366)</b>		<b>1,205,178</b>		<b>(7,029,544)</b>	
TAX AT MARGINAL RATE	(2,038,528)	35.00%	510,354	42.35%	(2,548,882)	-7.35%
STATE TAX SAVINGS ON FOREIGN EARNINGS (@ 7.34%)	-	0.00%	(109,351)	-9.07%	109,351	9.07%
MARGINAL RATE AFTER GEOGRAPHIC MIX	(2,038,528)	35.00%	401,004	33.27%	(2,439,532)	1.73%
<b>I. TAX DEDUCTIBILITY FROM STRUCTURAL ELEMENTS</b>						
ES/PCOLI	-	0.00%	36,526	3.20%	(36,526)	-3.20%
NON-DEDUCTIBLE MEALS AND ENTERTAINMENT	1,425	-0.02%	2,084	0.17%	(659)	-0.20%
NON-DEDUCTIBLE FOREIGN LOSSES	175,000	-3.00%	-	0.00%	175,000	-3.00%
OTHER	103	0.00%	1,310	0.11%	(1,208)	-0.11%
	176,528	-3.03%	41,921	3.48%	134,607	-6.51%
<b>II. TAX ADVANTAGED ASSETS</b>						
DIVIDEND RECEIVED DEDUCTION	(1,759)	0.03%	(10,785)	-0.90%	9,029	0.93%
MINI INCOME	(28,268)	0.49%	(13,095)	-1.02%	(15,173)	1.52%
	(30,028)	0.52%	(23,880)	-1.40%	(6,144)	2.50%
<b>III. TAX STRATEGIES</b>						
STRUCTURED TRANSACTIONS	19,655	-0.34%	(5,788)	-0.48%	25,443	0.14%
GOODWILL AMORTIZATION - SPINA KER	(401)	0.01%	161	0.01%	(562)	-0.01%
GOODWILL AMORTIZATION - GRANGE	(347)	0.01%	(1,042)	-0.09%	695	0.09%
TAX CREDITS FROM UNCONSOLIDATED SUBSIDIARY	(692)	0.01%	(3,158)	-0.26%	2,466	0.27%
	18,215	-0.31%	(9,827)	-0.82%	28,042	0.50%
<b>IV. TAX DEPARTMENT INITIATIVES:</b>						
INVESTMENT INCOME	-	0.00%	(952)	-0.08%	952	0.08%
STATE TAX SAVINGS NON-NY INCOME (NET)	-	0.00%	(69)	-0.01%	69	0.01%
STATE TAX SAVINGS NON-NY INCOME (LEHMAN RE)	-	0.00%	(475)	-0.04%	475	0.04%
STATE INVESTMENT CREDITS	(3,200)	0.05%	(27,117)	-2.25%	23,917	2.30%
AMORTIZATION OF FUEL INVESTMENT COSTS	-	0.00%	-	0.00%	-	0.00%
APB 23	(20,441)	0.35%	(90,109)	-7.48%	69,668	7.83%
DELAWARE & JERSEY BANK SAVINGS	-	0.00%	1,745	0.14%	(1,745)	-0.14%
TAX RATE AFTER TAX DEPARTMENT STRATEGIES	(23,641)	0.41%	(117,004)	-9.71%	93,365	10.11%
<b>V. PROVISIONS FOR TAX EXPOSURES</b>	-	0.00%	3,889	0.32%	(3,889)	-0.32%
<b>VI. FULL YEAR GAAP ANNUALIZATION ADJUSTMENT</b>	-	0.00%	46,307	3.84%	(46,307)	-3.84%
<b>VII. ADD STATE PROVISION (NET OF FEDERAL BENEFIT)</b>						
NY CAPITAL TAX (10M)	1,625	-0.03%	-	0.00%	1,625	-0.03%
OTHER STATES (1M)	813	-0.01%	-	0.00%	813	-0.01%
LA BANK AND SUBS (@ 1%)	3,795	-0.07%	-	0.00%	3,795	-0.07%
	6,233	-0.11%	-	0.00%	6,233	-0.11%
<b>EFFECTIVE TAX RATE BEFORE ONE TIME ITEMS</b>	<b>(1,891,231)</b>	<b>32.47%</b>	<b>342,404</b>	<b>28.41%</b>	<b>(2,233,636)</b>	<b>4.06%</b>
<b>ONE TIME ITEMS</b>						
NB - SALE OF CLEARING SERVICES (w/o GOODWILL)	-	0.00%	10,530	0.87%	(10,530)	-0.87%
LBH NY AUDIT SETTLEMENT	-	0.00%	(1,473)	-0.12%	1,473	0.12%
LBH HISTORIC 936	-	0.00%	20,000	1.66%	(20,000)	-1.66%
APB 23 - PRIOR YEAR TRUE UP (UK STATS) & RESERVE ADJ	-	0.00%	(85,400)	-7.09%	85,400	7.09%
UK DTA RATE CHANGE PLUS PLC NOL	-	0.00%	15,000	1.24%	(15,000)	-1.24%
VALUATION ALLOWANCE AGAINST FOREIGN DTA'S	-	0.00%	17,500	1.45%	(17,500)	-1.45%
PENALTIES ON ASIA FIN 48 LIABILITIES	(648)	0.01%	-	0.00%	648	-0.01%
NON CREDITABLE ASIA FIN 48 LIABILITIES	1,202	-0.02%	-	0.00%	1,202	-0.02%
STATE AUDIT SETTLEMENTS	(6,940)	0.12%	-	0.00%	(6,940)	0.12%
<b>EFFECTIVE TAX RATE</b>	<b>(1,897,607)</b>	<b>32.58%</b>	<b>318,561</b>	<b>26.43%</b>	<b>(2,215,521)</b>	<b>6.15%</b>



## GAAP Income Statement

GAAP Lines (\$ in millions)	Q3 2008 Trend				Quarter Trend				Δ %		Year to Date		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 Versus Q2 '08	Q3 '07	9 Months Ended 2008	2007	YTD '08 vs. YTD '07
<b>Revenues:</b>													
Commissions	195	209	165	569	639	658	688	674	-11%	-16%	1,867	1,783	5%
Principal Transactions	(126)	(1,484)	(3,663)	(5,273)	(3,442)	773	1,776	1,612	53%	nm	(7,943)	7,421	nm
Investment Banking	228	250	133	611	858	867	831	1,071	-29%	-43%	2,336	3,071	-24%
Gross Interest and Dividend Income	2,377	1,905	1,781	6,064	7,771	9,635	11,136	10,910	-22%	-44%	23,469	30,557	-23%
Asset Management / Other	138	145	150	432	414	438	459	472	4%	-8%	1,284	1,281	0%
<b>Total Revenues</b>	<b>2,811</b>	<b>1,025</b>	<b>(1,433)</b>	<b>2,403</b>	<b>6,240</b>	<b>12,370</b>	<b>14,890</b>	<b>14,740</b>	<b>-61%</b>	<b>-84%</b>	<b>21,013</b>	<b>44,114</b>	<b>-52%</b>
Interest Expense	(2,090)	(1,695)	(1,521)	(5,306)	(6,908)	(8,863)	(10,500)	(10,432)	-23%	-49%	(21,078)	(29,247)	-28%
Note: Net Interest and Dividends	286	210	261	757	863	771	637	478	-12%	58%	2,391	1,310	82%
<b>Net Revenues</b>	<b>721</b>	<b>(670)</b>	<b>(2,954)</b>	<b>(2,903)</b>	<b>(668)</b>	<b>3,507</b>	<b>4,390</b>	<b>4,308</b>	<b>nm</b>	<b>nm</b>	<b>(65)</b>	<b>14,867</b>	<b>nm</b>
<b>Non-Interest Expenses:</b>													
Compensation and Benefits	720	548	682	1,950	2,325	1,841	2,164	2,124	-16%	-8%	6,116	7,330	-17%
Total Non-Personnel Related Expenses	340	332	299	971	1,094	1,002	997	979	-11%	-1%	3,067	2,754	11%
<b>Total Non-Interest Expenses</b>	<b>1,061</b>	<b>880</b>	<b>981</b>	<b>2,921</b>	<b>3,419</b>	<b>2,843</b>	<b>3,161</b>	<b>3,103</b>	<b>-15%</b>	<b>-6%</b>	<b>9,183</b>	<b>10,084</b>	<b>-9%</b>
<b>Income before Taxes</b>	<b>(340)</b>	<b>(1,550)</b>	<b>(3,935)</b>	<b>(5,824)</b>	<b>(4,087)</b>	<b>663</b>	<b>1,229</b>	<b>1,205</b>	<b>43%</b>	<b>nm</b>	<b>(9,248)</b>	<b>4,783</b>	<b>nm</b>
Taxes	(102)	(465)	(1,331)	(1,898)	(1,313)	174	343	319	45%	nm	(3,036)	1,478	nm
<b>Net Income</b>	<b>(238)</b>	<b>(1,085)</b>	<b>(2,604)</b>	<b>(3,927)</b>	<b>(2,774)</b>	<b>489</b>	<b>1,886</b>	<b>887</b>	<b>42%</b>	<b>nm</b>	<b>(6,212)</b>	<b>3,306</b>	<b>nm</b>

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## GAAP - Commissions

GAAP Lines (\$ in millions)	Q3 2008 Trend				Quarter Trend				Δ %		Year to Date		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 Versus Q2 '08	Q3 '07	9 Months Ended 2008	2007	YTD '08 vs. YTD '07
NYSE	6	6	6	19	25	23	26	24	-26%	-22%	67	56	19%
AMEX	-	-	-	-	-	0	0	0	nm	-100%	0	0	-87%
Commissions OTC	54	49	59	162	179	208	236	240	-9%	-32%	549	677	-19%
Regional, Canadian & Other	88	104	55	246	258	276	269	212	-4%	16%	780	343	128%
TMS Listed Agency	30	32	27	90	99	107	106	139	-9%	-35%	296	598	-50%
ITS Secondary	13	13	12	39	56	52	56	50	-32%	-23%	147	141	4%
Security Commissions	191	205	160	556	617	667	694	665	-10%	-16%	1,840	1,816	1%
Commodities	12	14	9	36	44	41	49	55	-19%	-35%	121	122	-1%
Mutual Funds	1	4	1	6	7	6	5	5	-12%	33%	19	14	35%
Options and Related	21	19	15	55	58	48	40	50	-5%	9%	160	115	39%
Neuberger Exchange Commissions	(2)	(0)	2	0	2	(3)	(2)	(2)	-92%	nm	(1)	(44)	-97%
Soft Dollar	(20)	(21)	(20)	(60)	(60)	(62)	(61)	(60)	1%	1%	(182)	(152)	20%
Stat Arb Expense	(10)	(11)	(2)	(23)	(30)	(39)	(36)	(39)	-22%	-41%	(92)	(91)	0%
Transactional Expenses	(32)	(32)	(20)	(83)	(88)	(104)	(99)	(101)	-5%	-17%	(275)	(287)	-4%
Commissions Other	0	(1)	0	(1)	1	0	0	0	nm	nm	1	3	-78%
<b>Total Commissions</b>	<b>195</b>	<b>209</b>	<b>165</b>	<b>569</b>	<b>639</b>	<b>658</b>	<b>688</b>	<b>674</b>	<b>-11%</b>	<b>-16%</b>	<b>1,867</b>	<b>1,783</b>	<b>5%</b>
<b>By Segment Product</b>													
Execution Services - Americas	57	61	47	165	178	202	180	209	-8%	-21%	545	570	-4%
Execution Services - Europe	34	34	30	99	121	139	153	136	-18%	-27%	359	378	-5%
Execution Services - Asia	20	21	12	53	60	56	68	47	-11%	14%	170	107	58%
<b>Total Execution Services</b>	<b>112</b>	<b>117</b>	<b>89</b>	<b>317</b>	<b>359</b>	<b>386</b>	<b>401</b>	<b>392</b>	<b>-12%</b>	<b>-19%</b>	<b>1,061</b>	<b>1,055</b>	<b>1%</b>
Convertibles	3	1	1	5	4	5	(0)	(1)	24%	nm	14	(3)	nm
Volatility	2	(2)	6	6	(0)	(13)	4	2	nm	157%	(7)	(7)	12%
Equity Strategies	1	0	2	3	(0)	(0)	(0)	(0)	nm	nm	3	(0)	nm
Equities Corporate	0	(1)	1	(0)	(1)	2	6	(6)	-89%	-98%	1	(6)	nm
Equity BPM Division Subtotal	118	115	98	331	362	391	411	387	-9%	-14%	1,084	1,039	4%
Equity Prime Services	17	21	18	55	51	47	41	55	8%	0%	153	137	12%
<b>Equity Including Prime Services</b>	<b>134</b>	<b>136</b>	<b>116</b>	<b>386</b>	<b>413</b>	<b>438</b>	<b>452</b>	<b>442</b>	<b>-6%</b>	<b>-13%</b>	<b>1,237</b>	<b>1,176</b>	<b>5%</b>
Equities Other	(0)	0	(0)	(0)	1	(8)	3	(7)	nm	-93%	(7)	(26)	-72%
<b>Total Equities</b>	<b>134</b>	<b>136</b>	<b>116</b>	<b>386</b>	<b>414</b>	<b>430</b>	<b>455</b>	<b>435</b>	<b>-7%</b>	<b>-11%</b>	<b>1,230</b>	<b>1,150</b>	<b>7%</b>
<b>Total Fixed Income</b>	<b>10</b>	<b>8</b>	<b>11</b>	<b>30</b>	<b>40</b>	<b>32</b>	<b>40</b>	<b>47</b>	<b>-24%</b>	<b>-36%</b>	<b>101</b>	<b>107</b>	<b>-6%</b>
<b>Total IMD</b>	<b>51</b>	<b>65</b>	<b>38</b>	<b>154</b>	<b>185</b>	<b>196</b>	<b>193</b>	<b>192</b>	<b>-17%</b>	<b>-20%</b>	<b>535</b>	<b>526</b>	<b>2%</b>
<b>Total Commissions</b>	<b>195</b>	<b>209</b>	<b>165</b>	<b>569</b>	<b>639</b>	<b>658</b>	<b>688</b>	<b>674</b>	<b>-11%</b>	<b>-16%</b>	<b>1,867</b>	<b>1,783</b>	<b>5%</b>

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# GAAP – Principal Transactions

GAAP Line (\$ in millions)	Q3 2008 Trend				Quarter Trend				Δ %		Year to Date		Δ %
	Jan '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 Versus	Q3 '07	9 Months Ended	2007	YTD '08
									Q2 '08	Q3 '07	2008	2007	vs. YTD '07
Arbitrage	(844)	(467)	(246)	(1,558)	(165)	(1,240)	797	(37,051)	nm	-96%	(3,163)	296	nm
Bank Loans / Fees	46	53	27	126	75	84	109	55	69%	130%	283	163	75%
Block Trading	(21)	(7)	2	(25)	(14)	(35)	(19)	(77)	75%	-67%	(74)	(136)	-45%
Commodities Trading	835	431	(208)	1,059	(1,660)	4,897	550	1,777	nm	-40%	3,486	673	nm
Convertible Options	1,688	(179)	613	2,122	310	(2,382)	24	99	nm	nm	250	967	-74%
Coporate Bonds	2,928	(4,785)	1,129	(736)	(402)	(3,479)	(4,513)	40,542	83%	nm	(4,617)	20,257	nm
Government & Agency Bonds	188	(312)	(1,014)	(1,137)	27	(950)	(1,837)	(1,930)	nm	-41%	(2,070)	(1,746)	19%
Money Markets	(8)	1	(13)	(20)	(16)	(4)	73	(11)	25%	87%	(41)	31	nm
Mortgage Bonds	(914)	(2,062)	(2,154)	(5,080)	(3,055)	(1,228)	(1,979)	(775)	66%	nm	(9,363)	(359)	nm
Municipal Bonds	(52)	(17)	(4)	(73)	161	(201)	50	(64)	nm	15%	(113)	(146)	-22%
Swaps & Derivatives	1,290	1,267	(1,881)	775	410	5,106	7,533	38	89%	nm	6,291	(10,377)	nm
Trading OTC	(4,907)	3,726	(156)	(1,337)	1,256	1,777	1,035	(1,648)	nm	-19%	1,696	(905)	nm
Trading FX	18	18	(34)	3	(52)	(204)	39	100	nm	-97%	(251)	(2,820)	-91%
Yield Enhancement	(150)	(12)	49	(114)	(840)	(215)	(146)	(206)	-86%	-41%	(1,168)	901	nm
Trading Other	(206)	700	219	713	389	(399)	60	808	83%	-17%	701	807	-13%
Net Trading	(126)	(1,483)	(3,671)	(5,282)	(3,376)	706	1,758	1,637	48%	nm	(8,152)	7,607	nm
IBD JV	(0)	(0)	(0)	(0)	134	66	19	(45)	nm	-99%	199	(186)	nm
ITP Brokerage Expense	0	1	8	9	1	0	(1)	1	nm	nm	10	1	nm
Net Brokerage	-	(0)	(0)	(0)	(0)	(0)	0	(0)	232%	nm	(0)	(0)	nm
<b>Total Principal Transactions</b>	<b>(126)</b>	<b>(1,484)</b>	<b>(3,663)</b>	<b>(5,273)</b>	<b>(3,442)</b>	<b>772</b>	<b>1,776</b>	<b>1,612</b>	<b>43%</b>	<b>nm</b>	<b>(7,943)</b>	<b>7,421</b>	<b>nm</b>
<b>By Segment Product</b>													
Total Execution Services	(24)	3	30	9	191	393	(10)	156	-95%	-94%	493	443	11%
Convertible	(27)	(53)	9	(71)	(23)	7	30	(8)	223%	152%	(85)	44	nm
Volatility	(45)	45	(143)	(143)	(58)	347	363	466	145%	nm	146	1,210	-88%
Event Driven	-	-	-	-	-	(2)	1	(21)	nm	-100%	(2)	32	nm
Equity Strategies	45	30	13	78	44	28	150	59	78%	33%	150	300	-50%
Equities Corporate	2	(6)	(26)	(30)	(90)	(149)	5	(26)	-67%	14%	(268)	(62)	nm
Equity BPM Division Subtotal	(49)	10	(117)	(156)	66	324	540	606	nm	nm	434	1,967	-78%
Equity Prime Services	(14)	(6)	47	27	30	99	(94)	8	-12%	227%	157	135	16%
Equity Including Prime Services	(63)	4	(70)	(129)	96	623	446	615	nm	nm	591	2,102	-72%
Global Principal Strategies - Equity	(1)	(0)	-	(1)	2	3	14	7	nm	nm	4	9	-56%
Global Trading Strategies - Equity	21	(183)	(35)	(198)	(195)	416	130	(116)	1%	71%	23	141	-84%
Direct Principal Investments - Equity	(20)	53	1	33	39	-	-	(4)	-16%	nm	72	20	270%
Global Opportunities Group - Equity	1	17	(9)	9	45	-	-	-	-81%	nm	54	-	nm
Private Equity (MB)	(16)	(37)	(37)	(90)	38	(172)	46	97	nm	nm	(225)	302	nm
Asset Management Investments	(28)	40	(42)	(29)	(140)	(68)	519	(106)	-79%	-72%	(237)	(43)	nm
Equities Other	38	245	200	483	201	248	100	269	140%	80%	932	277	236%
Equities Attributable	-	-	-	-	-	-	-	-	nm	nm	-	-	nm
<b>Total Equities</b>	<b>(68)</b>	<b>137</b>	<b>11</b>	<b>78</b>	<b>86</b>	<b>1,050</b>	<b>1,256</b>	<b>763</b>	<b>-10%</b>	<b>-90%</b>	<b>1,214</b>	<b>2,808</b>	<b>-37%</b>
Liquid Markets	71	166	74	311	(175)	1,242	423	742	nm	-58%	1,378	1,705	-19%
Credit Products	270	(0)	(112)	158	(488)	245	359	(661)	nm	nm	55	375	-85%
Securitized Products	(110)	(2,017)	(2,582)	(4,908)	(2,043)	(616)	(943)	(111)	140%	nm	(7,587)	119	nm
Real Estate	(25)	(423)	(1,639)	(2,107)	(1,519)	(1,100)	(184)	219	39%	nm	(4,726)	956	nm
Municipal Bonds	(55)	(18)	(34)	(107)	270	(253)	55	(40)	nm	169%	(90)	39	nm
Energy Trading	101	25	(11)	115	165	58	123	124	-31%	-7%	338	151	123%
FID Corporate	(43)	(17)	328	219	(136)	(142)	32	(174)	nm	nm	(39)	(291)	-87%
Fund Income BPM Subtotal	12	(2,345)	(3,987)	(6,319)	(3,766)	(585)	(126)	99	68%	nm	(10,670)	3,056	nm
FID Prime Services	(39)	18	15	(8)	(56)	73	156	115	-84%	nm	10	197	-95%
FID Including Prime Services	(29)	(2,326)	(3,972)	(6,327)	(3,822)	(512)	31	213	65%	nm	(10,660)	3,253	nm
Global Principal Strategies	4	(16)	(28)	(39)	(175)	(193)	(17)	(127)	-66%	-53%	(437)	135	nm
Global Trading Strategies - Divested	(151)	(58)	4	(204)	(7)	(82)	174	70	nm	nm	(293)	166	nm
Private Equity - FID	18	(7)	(103)	(92)	(157)	-	-	-	-33%	nm	(229)	-	nm
Asset Management Principal - FID	3	(8)	(32)	(38)	(132)	-	-	-	-85%	nm	(350)	-	nm
FID Other	30	266	500	1,286	662	157	118	472	94%	172%	2,104	432	nm
<b>Total Fixed Income</b>	<b>(133)</b>	<b>(1,669)</b>	<b>(3,633)</b>	<b>(5,426)</b>	<b>(3,788)</b>	<b>(621)</b>	<b>305</b>	<b>619</b>	<b>43%</b>	<b>nm</b>	<b>(9,855)</b>	<b>3,985</b>	<b>nm</b>
<b>Total FID</b>	<b>75</b>	<b>47</b>	<b>(3)</b>	<b>85</b>	<b>268</b>	<b>353</b>	<b>215</b>	<b>221</b>	<b>-67%</b>	<b>-61%</b>	<b>698</b>	<b>627</b>	<b>11%</b>
<b>Total Principal Transactions</b>	<b>(126)</b>	<b>(1,484)</b>	<b>(3,663)</b>	<b>(5,273)</b>	<b>(3,442)</b>	<b>772</b>	<b>1,776</b>	<b>1,612</b>	<b>43%</b>	<b>nm</b>	<b>(7,943)</b>	<b>7,421</b>	<b>nm</b>

## GAAP – Investment Banking

GAAP Lines <i>(\$ in millions)</i>	Q3 2008 Trend				Quarter Trend				Δ %		Year to Date		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 Versus Q2 '08	Q3 '07	9 Months Ended 2008	2007	YTD '08 vs. YTD '07
Mergers and Advisory Fees	80	84	68	231	240	330	388	425	-4%	-46%	801	949	-16%
FID JV	1	1	1	2	11	72	8	11	-78%	-79%	85	22	287%
Equity JV	-	-	-	-	(0)	7	12	11	-100%	-100%	7	92	-92%
High Yield JV	-	-	-	-	(7)	7	5	0	-100%	-100%	(0)	(0)	-79%
Real Estate JV	1	(1)	0	(0)	(140)	(98)	(46)	28	-100%	nm	(238)	77	nm
JV Banking	2	(0)	1	2	(136)	(12)	(21)	50	nm	-95%	(145)	191	nm
Origination	147	171	66	383	754	549	465	598	-49%	-36%	1,687	1,935	-13%
G/L Investments	-	-	-	-	-	(0)	-	-	nm	nm	(0)	-	nm
Banking Transactional Expenses	0	(4)	(2)	(6)	(0)	(1)	(1)	(1)	nm	nm	(7)	(3)	104%
<b>Total Investment Banking</b>	<b>228</b>	<b>250</b>	<b>133</b>	<b>611</b>	<b>858</b>	<b>867</b>	<b>831</b>	<b>1,071</b>	<b>-29%</b>	<b>-43%</b>	<b>2,336</b>	<b>3,071</b>	<b>-24%</b>
<b>By Segment Product</b>													
Equity Underwriting	77	59	23	160	330	214	210	296	-52%	-46%	705	805	-12%
Debt Underwriting	72	107	41	220	288	322	233	350	-24%	-37%	830	1,318	-37%
Financial Advisory	79	84	69	231	240	330	388	425	-3%	-46%	801	948	-16%
<b>Investment Banking Segment</b>	<b>228</b>	<b>250</b>	<b>133</b>	<b>611</b>	<b>858</b>	<b>867</b>	<b>831</b>	<b>1,071</b>	<b>-29%</b>	<b>-43%</b>	<b>2,336</b>	<b>3,071</b>	<b>-24%</b>

## GAAP – Interest &amp; Dividends

GAAP Lines ( <i>\$ in millions</i> )	Q3 2008 Trend				Quarter Trend				Δ %		Year to Date		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 Versus		9 Months Ended		YTD '08 vs. YTD '07
									Q2 '08	Q3 '07	2008	2007	
Coupon Income	1,116	746	687	2,549	3,218	3,490	3,252	2,639	-21%	-3%	9,257	7,037	32%
Financing Income	912	936	895	2,743	3,854	4,985	6,911	7,089	-29%	-61%	11,582	20,343	-43%
Customer Interest	61	66	60	188	195	311	348	316	-4%	-41%	894	753	-8%
Dividend Income	35	10	(19)	26	126	147	144	245	-79%	-89%	299	629	-52%
Other Income	252	148	158	558	377	702	481	621	48%	-10%	1,637	1,795	-9%
<b>Total Interest &amp; Dividends</b>	<b>2,377</b>	<b>1,905</b>	<b>1,781</b>	<b>6,064</b>	<b>7,771</b>	<b>9,635</b>	<b>11,136</b>	<b>10,910</b>	<b>-22%</b>	<b>-44%</b>	<b>23,469</b>	<b>30,557</b>	<b>-23%</b>
Short-term Debt Expense	(79)	(53)	(57)	(189)	(324)	(384)	(391)	(379)	-42%	-50%	(897)	(1,127)	-20%
Repo Expense	(1,028)	(869)	(734)	(2,631)	(3,467)	(5,286)	(5,865)	(6,307)	-24%	-58%	(11,384)	(18,051)	-37%
Customer Expense	(207)	(193)	807	407	(676)	(630)	(1,248)	(953)	nm	nm	(901)	(2,420)	-63%
Long-Term Debt	(502)	(524)	(481)	(1,507)	(1,754)	(1,845)	(1,789)	(1,706)	-14%	-12%	(5,106)	(4,400)	16%
Other Expense	(275)	(57)	(1,054)	(1,386)	(685)	(719)	(1,206)	(1,086)	102%	28%	(2,789)	(3,248)	-14%
<b>Total Interest Expense</b>	<b>(2,090)</b>	<b>(1,695)</b>	<b>(1,521)</b>	<b>(5,306)</b>	<b>(6,908)</b>	<b>(8,863)</b>	<b>(10,500)</b>	<b>(10,432)</b>	<b>-23%</b>	<b>-49%</b>	<b>(21,078)</b>	<b>(29,247)</b>	<b>-28%</b>
<b>Net Interest &amp; Dividends</b>	<b>287</b>	<b>210</b>	<b>260</b>	<b>757</b>	<b>863</b>	<b>771</b>	<b>637</b>	<b>478</b>	<b>-12%</b>	<b>-56%</b>	<b>2,391</b>	<b>1,310</b>	<b>82%</b>

Dividend Income By Region													
Americas	32	17	13	61	76	128	105	126	-19%	-52%	265	379	-30%
Europe & the Middle East	(6)	(23)	(48)	(78)	20	11	27	69	nm	nm	(47)	149	nm
Asia-Pacific	10	17	16	43	30	8	13	49	42%	-13%	81	102	-21%
<b>Global</b>	<b>35</b>	<b>10</b>	<b>(19)</b>	<b>26</b>	<b>126</b>	<b>147</b>	<b>144</b>	<b>245</b>	<b>-79%</b>	<b>-89%</b>	<b>299</b>	<b>629</b>	<b>-52%</b>

By Segment Product													
Equities	387	241	189	817	1,420	957	1,996	1,850	-42%	-56%	3,193	4,906	-35%
Fixed Income	1,980	1,662	1,590	5,232	6,349	8,665	9,123	9,048	-18%	-42%	20,246	25,615	-21%
Capital Markets Segment	2,367	1,903	1,779	6,049	7,769	9,621	11,120	10,897	-22%	-44%	23,439	30,522	-23%
Investment Management	10	3	2	15	2	13	17	13	nm	18%	30	35	-16%
<b>Interest Income</b>	<b>2,377</b>	<b>1,905</b>	<b>1,781</b>	<b>6,064</b>	<b>7,771</b>	<b>9,635</b>	<b>11,136</b>	<b>10,910</b>	<b>-22%</b>	<b>-44%</b>	<b>23,469</b>	<b>30,557</b>	<b>-23%</b>
Equities	(350)	(261)	(228)	(838)	(1,341)	(1,033)	(1,820)	(1,688)	-37%	-50%	(3,212)	(4,485)	-28%
Fixed Income	(1,727)	(1,428)	(1,287)	(4,443)	(5,555)	(7,807)	(8,623)	(8,689)	-20%	-49%	(17,804)	(24,634)	-28%
Capital Markets Segment	(2,077)	(1,689)	(1,514)	(5,281)	(6,896)	(8,840)	(10,443)	(10,377)	-23%	-49%	(21,016)	(29,119)	-28%
Investment Management	(13)	(6)	(6)	(26)	(12)	(24)	(56)	(55)	108%	-53%	(61)	(128)	-52%
<b>Interest Expense</b>	<b>(2,090)</b>	<b>(1,695)</b>	<b>(1,521)</b>	<b>(5,306)</b>	<b>(6,908)</b>	<b>(8,863)</b>	<b>(10,500)</b>	<b>(10,432)</b>	<b>-23%</b>	<b>-49%</b>	<b>(21,078)</b>	<b>(29,247)</b>	<b>-28%</b>
<b>Net Interest &amp; Dividends</b>	<b>287</b>	<b>210</b>	<b>260</b>	<b>757</b>	<b>863</b>	<b>771</b>	<b>637</b>	<b>478</b>	<b>-12%</b>	<b>-56%</b>	<b>2,391</b>	<b>1,310</b>	<b>82%</b>

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## GAAP – Asset Management/Other

GAAP Lines (\$ in millions)	Q3 2008 Trend				Quarter Trend				Δ %		Year to Date		Δ %
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 Versus		9 Months Ended		YTD '08
									Q2 '08	Q3 '07	2008	2007	vs. YTD '07
Adv & Custodial Fees	8	4	15	28	41	29	25	34	-32%	-18%	97	88	11%
Fee Income	6	7	(2)	11	19	42	13	17	-41%	-34%	71	79	-10%
Investment Management & Admin	95	98	101	294	295	309	318	297	0%	-1%	898	850	6%
Managed Asset Products	6	6	6	19	20	21	18	20	-5%	-7%	59	45	31%
FE Management Fees	26	30	30	85	86	57	89	94	-1%	-9%	228	209	9%
Asset Management Other	(12)	(6)	(20)	(38)	(37)	(37)	(34)	(31)	3%	24%	(113)	(85)	33%
<b>Total Asset Management Fees</b>	<b>130</b>	<b>139</b>	<b>129</b>	<b>398</b>	<b>422</b>	<b>419</b>	<b>429</b>	<b>430</b>	<b>-6%</b>	<b>-8%</b>	<b>1,240</b>	<b>1,186</b>	<b>4%</b>
ILRT	0	(1)	0	(1)	(3)	(2)	(4)	4	-75%	nm	(6)	4	nm
Other Income	7	7	21	35	(5)	21	33	38	nm	-6%	51	91	-44%
<b>Total Other Revenue</b>	<b>7</b>	<b>6</b>	<b>21</b>	<b>34</b>	<b>(9)</b>	<b>19</b>	<b>30</b>	<b>42</b>	<b>nm</b>	<b>-18%</b>	<b>44</b>	<b>95</b>	<b>-53%</b>
<b>Total Asset Management / Other</b>	<b>138</b>	<b>145</b>	<b>150</b>	<b>432</b>	<b>414</b>	<b>438</b>	<b>459</b>	<b>472</b>	<b>4%</b>	<b>-8%</b>	<b>1,284</b>	<b>1,281</b>	<b>0%</b>
<b>By Segment Product</b>													
Equities	2	6	4	12	20	7	15	18	-41%	-31%	39	39	2%
Fixed Income	3	3	8	14	(20)	2	6	23	nm	-41%	(4)	38	nm
Capital Markets	5	9	12	26	0	9	21	41	nm	-36%	35	77	-54%
Asset Management	101	104	102	307	315	337	348	334	-3%	-8%	958	981	-2%
Private Equity	31	32	37	100	99	93	90	98	1%	2%	291	223	30%
Investment Management	133	136	138	407	413	429	438	432	-2%	-6%	1,249	1,204	4%
<b>Total Asset Management / Other</b>	<b>138</b>	<b>145</b>	<b>150</b>	<b>432</b>	<b>414</b>	<b>438</b>	<b>459</b>	<b>472</b>	<b>4%</b>	<b>-8%</b>	<b>1,284</b>	<b>1,281</b>	<b>0%</b>





# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

**LEH - Q3 2008 Preliminary Lehman Brothers Holdings Inc. Earnings  
Conference Call**

Event Date/Time: Sep. 10. 2008 / 8:00AM ET

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**Dick Fuld**

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**Ian Lowitt**

*Lehman Brothers - CFO*

**Bart McDade**

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**Guy Moszkowski**

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## PRESENTATION

**Operator**

Good morning and welcome to Lehman Brothers investor conference call. At this time all participants are in a listen-only mode. [Operator Instructions]. Today's call is being recorded, and if you have any objections you may disconnect at this time.

I would now like to turn the call over to Ms. Shaun Butler, Director of Investor Relations. Ms. Butler, you may begin.

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**Shaun Butler - Lehman Brothers - IR Director**

Thank you for joining us this morning. Before we begin, let me point out that this presentation contains forward-looking statements. These statements are not guarantees of future performance. They only represent the firm's current expectations, estimates and projections regarding future events.

The firm's actual results and financial condition may differ, perhaps materially, from the anticipated results and financial condition in any such forward-looking statements. These forward-looking statements are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and beyond our control.

For more information concerning the risks and other factors that could affect the firm's future results and financial condition, see risk factors and management's discussion and analysis of financial condition and results of operation in the firm's most recent annual report on Form 10-K and the most recent quarterly report on Form 10-Q as filed with the SEC. The firm's financial

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statements for the third fiscal quarter of 2008 are not finalized until they have filed in its quarterly report on Form 10-Q for the third fiscal quarter of 2008.

The firm is required to consider all available information through the finalization of its financial statements, and the possible impact on its financial condition and results of operations for the reporting period, including the impact of such information on the complex and subjective judgments that will be discussed on today's call, as well as estimates the firm made in preparing certain of the preliminary information included in these remarks. Subsequent information or events may lead to material differences between the preliminary results of operations described in these remarks, and the results of operations that will be described in the firm's subsequent earnings release, and between such subsequent earnings release and results of operations described in the firm's quarterly report on Form 10-Q for the third fiscal quarter of 2008.

Those differences may be adverse. Listeners to these remarks should consider this possibility. This presentation contains certain non-GAAP financial measures relating to these financial – information relating to these financial measures can be found in the morning's preliminary earnings press release which has been posted on the firm's website, [www.Lehman.com](http://www.Lehman.com) and filed with the SEC in a Form 8-K available at [www.SEC.gov](http://www.SEC.gov).

At the end of the call we will open the session to Q&A, and Bart McDade will be joining us for that portion of the call. I will now turn the call over to Dick Fuld.

**Dick Fuld - Lehman Brothers - Chairman, CEO**

Shaun, thank you. I want to thank all of you for joining us today on what's clearly short notice.

In light of these last two days, this morning we pre-released our quarterly results. We are also announcing several important financial and operating changes that amount to a significant repositioning of the firm, including aggressively reducing our exposure to both commercial real estate and residential real estate assets.

These will accomplish a substantial de-risking of our balance sheet and reinforce the emphasis on our client-focused businesses. They are also meant to mitigate the potential for future write-downs, and to allow the firm to return to profitability and strengthen our ability to earn appropriate risk-unadjusted equity returns.

I will discuss the strategic actions we are taking to restructure and reposition the firm, and then the rationale for each. After my comments, Ian will discuss the mechanics of the various transactions, our results for the quarter, our remaining asset exposures at the quarter end, and pro forma for today's announcements and our current capital and liquidity positions.

This quarter's loss was mostly due to the sales and write-downs of our residential and commercial real estate assets (technical difficulty) extent, a slower business environment. Since the second quarter, there was a significant additional deterioration in the credit markets, and with a disproportionate impact on the legacy asset classes where we had remaining exposures.

In addition, part of the move to more quickly exit the real estate positions further added to the losses. As you know over the past few quarters our plan was to protect our shareholders, our capital and our franchise by maintaining strong liquidity and exiting our real estate exposures in a measured way over time.

Losses created by these concentrated legacy assets have clouded the underlying value of our franchise. In addition, there's been intense public scrutiny which caused us significant distractions among our clients, our counterparties, and also our employees.

When you look at our segment performance, investment banking, fixed income and equities and IMD, our market share and how we are winning mandates, you'll see that our client relationships remain strong. Now, I spent a great deal of time in this

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quarter with our clients, our creditors and our employees. And while they continue to stand with us, we nevertheless cannot put the strength of our franchise and their continued trust at risk.

The set of decisions announced today will best protect the core client franchise, and create a very clean, liquid balance sheet. So today we are taking a number of necessary actions. Here's the summary.

We put a concrete plan in place to exit the vast majority of our commercial real estate. We are reducing our residential and leveraged loan exposures down to appropriate operating levels.

We are in the final stages of raising capital with sale of a majority stake in IMD. Strengthening our capital base – excuse me – as we strengthened our capital base in June, protected our liquidity and are cutting our dividend.

We reshaped our human capital and product depth, expense base to these changing markets. Lastly, we implemented a series of management changes, some of which you saw in the last couple of days. Taken together, these actions have quickly de-risked and resized the firm. Let me just go through each in more detail.

Today we announced a plan to separate a vast majority of our commercial real estate assets from our core business by spinning off those assets to our shareholders and to an independent, publicly-traded entity which will be adequately capitalized. The spinoff improves our balance sheet while preserving value for our shareholders. The spinoff entity will be able to manage its assets for economic value maximization over a longer time horizon, given the fact that it will not be a marked-to-market entity but rather use held-to-maturity accounting.

This will preserve economic value for our shareholders. We also significantly reduced the residential mortgage and acquisition finance exposures. In addition to the sell-down of residential over the course of this quarter, we are finalizing with BlackRock a bulk sale of our UK residential assets (technical difficulty) sale within the next few weeks.

This will bring our total residential exposure down by approximately half since the second quarter. These remaining residential assets have been significantly marked down, and are now at levels that imply a default and cumulative loss rates well above the fundamental expectations. I will provide further transparency here, including detail on how we are marking the remaining positions.

Next, let me talk about our investment management division. (technical difficulty) more thorough review of this business and reached out to third parties to validate the value proposition that we've been building. While IMD continues to have a strategic connection to some of our other businesses, and adds diversification value to our earnings, we believe that we can capture capital benefits of a partial monetization while also continuing to build value through a series of commercial partnering agreements.

We are in the final stages of selling a majority stake in our IMD business. We've been running a process with selected strategic and financial investors, and we expect to reach a definitive agreement on a transaction that appropriately values this attractive asset and maintains a strategic relationship.

This will serve two primary purposes – one, raise tangible equity capital for the firm on a cost-efficient basis; and two, maintain strategic ties to the business through commercial arrangements and a large minority stake which will continue to give us a significant amount of IMD's earnings into our income. Next, we are cutting our annual dividend to \$0.05 per share to preserve capital, given the near-term operating environment.

We ended the quarter with more tangible equity than we started, and at a net leverage ratio of 10.6 versus 12.1 at the end of the second quarter. We'll think about future capital by looking at the total equity capital raised from IMD, and by ensuring the core Lehman Brothers after the commercial real estate spinoff has proper tangible capital to support our client franchise.

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Taking all this together, the spinoff of our commercial real estate assets, the significant reduction in our residential and acquisition finance exposure, monetization of a majority stake in IMD, dividend cut, we will have what we believe to be a strong and clean balance sheet which will allow us to focus on supporting our core client businesses. In addition to all of this, we remain committed to examining all strategic alternatives to maximize shareholder value.

This firm has a history of facing adversity and delivering. We have a long track record of pulling together when times are tough and then taking advantage of global opportunities.

I believe as a firm we've made (technical difficulty) choices and we've put the changes in place. We are on the right track to put these last two quarters behind us.

We will not be distracted from our (technical difficulty) which is protecting and building our client franchise. Today's strategic actions, each of which is significant in its own right, taken together as a whole significantly reduces our remaining risk and greatly improves our ability to create value for our shareholders.

So I want to thank our clients, thank our counterparties for their tremendous support during this period. Today we've taken definitive steps and have put in place a credible plan. Ian, let me turn it over to you now.

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**Ian Lowitt - Lehman Brothers - CFO**

Thanks, Dick. During the past quarter we experienced significant market pressure and scrutiny around our legacy residential and commercial real estate assets, and more recently, speculation around our various strategic alternatives. In the last two trading days, this speculation has intensified such that it became prudent to release our results and clarify our restructuring plan early, recognizing the need to move quickly and decisively to resolve the overhang on our business.

Importantly, as we will discuss today, we ended the third quarter with a capital position and leverage ratios stronger than the second quarter. Total shareholder equity increased 8% to \$28 billion; we reduced net leverage to 10.6 times from 12.1 times, and our Tier 1 capital ratio is estimated at approximately 11% versus 10.7% last quarter.

Today, I shall walk you through our restructuring around commercial real estate, residential mortgages, other asset exposures, and our investment management division. And then I will review our results for the quarter along with our current liquidity and our operating model going forward.

I will start with our commercial real estate initiatives. We face specific concerns with respect to our commercial real estate exposure, which as you know is comprised of a large diversified portfolio of individually underwritten assets.

As of the close of the third quarter, our commercial mortgage and real estate held-for-sale positions totaled \$32.6 billion, down 18% from the \$39.8 billion at the end of the second quarter. We have successfully sold down a significant amount of these assets over the past few quarters. In order for us to realize fair value, buyers require lengthy asset-specific diligence on each position.

Despite our success in reducing assets over the past few quarters, the current strategy does not accomplish the disposition of assets quickly enough. To accomplish the goals of rapidly separating us from the legacy commercial assets and enabling our shareholders to retain the value of this portfolio, we will be spinning off the commercial real estate portfolio from our remaining business through the formation of Real Estate Investments Global or REI Global.

We expect to spin REI Global to our existing shareholders as an independently managed and traded public company in the first quarter of 2009. This transaction will separate core Lehman Brothers from these legacy assets, and importantly it will enable

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shareholders to retain upside in this high quality asset portfolio, where the assets will be held to maturity or sold over time in a disciplined manner to optimize value.

Moving on to execution, approximately \$25 billion to \$30 billion of commercial assets are expected to be transferred into REI Global. The exact amount of assets transferred will be determined after taking into account activity in this portfolio until the spinoff is completed. We expect continued paydown and some additional dispositions over this period.

Pro forma for the transaction, our remaining commercial mortgage and real estate held for sale positions in core Lehman are expected to be approximately \$5 billion. The portfolio we expect to contribute to REI Global is highly diversified across regions and asset types. By value, approximately 57% are in the Americas, 26% in Europe, and 17% in Asia. Approximately 58% are debt positions, 26% are equity positions, and 16% are securities.

No property type represents more than 22% of the portfolio, with multifamily at 22%, and office at 18%. And lastly, we also intend to include our SunCal and Archstone positions in this portfolio. This portfolio is currently marked at a weighted average price of 85.

All assets will be transferred to REI Global and are carrying values as of the time of the spin. Our commercial mortgage positions are carried at marked to market, reflecting all current market pricing information for each asset.

The real estate held-for-sale portfolio, consisting of assets across the capital structure, is booked at lower of cost or market as we take write-downs on this book, but do not reflect market value gains until a sale event occurs. REI Global will account for its assets on a held-to-maturity basis and will be able to manage the assets without the pressure of marked to market volatility. REI Global will not be forced to sell assets below what it believes to be their intrinsic value.

In terms of capitalizing REI Global, Lehman Brothers will contribute equity equal to 20% to 25% of asset value and provide debt financing for the 75% to 80% of the total. So it will be capitalized at approximately three to four times debt to book equity, which is consistent with other publicly traded real estate entities.

The firm will spin its entire equity interest in REI Global to Lehman shareholders. Debt financing provided by Lehman Brothers will be liquidity-neutral to Lehman as we currently fund these assets with long-term capital. To the extent we syndicate a portion of the debt, this will have a positive impact on our liquidity.

In aggregate, this pool of assets generates significant cash flow. When combined with the normal course of asset sale activity, these cash flows will be dedicated to paying down debt, managing the assets, and returning cash to REI Global shareholders over time. Based on the expected assets to be contributed to REI Global, the portfolio is projected to generate cash flow through interest income, paydowns, debt repayment, equity distributions, and asset sales.

We estimate cash flow for debt paydown of approximately \$5 billion per year over the next three years. We expect rapid debt paydown at REI Global, with debt to total assets decreasing from 75% to 80%, to approximately 50% within four years. Initially, REI Global expects to pay a modest annual dividend, but once leverage reaches a certain threshold, cash flows may allow for additional distributions to equity.

We have conducted extensive stress tests on the portfolio, and are confident that REI Global has sufficient equity even in severely stressed scenarios. For our stress test, we identified two year time periods from 1990 to 2006 with the largest decline in property values for each property type in every geographic market where REI Global will own material commercial real estate assets, and applied these declines to our current portfolio.

We believe these stress tests are conservative for several reasons. First, we are applying price declines to already marked down positions, and applying worst-case scenarios for all regions and property types simultaneously.

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Second, we assume we sell our assets at the low point of the stress scenario. And finally, our sample timeframe includes periods of severe commercial real estate stress when there were significantly greater oversupply than the current environment.

We applied the stress test before any deleveraging of the portfolio which, given the expected cash flows, should be delevering quite rapidly. Even under this extreme stress test, REI Global will be adequately capitalized and is not expected to result in impairment to the debt.

Following the spinoff, our shareholders will hold shares of both Lehman Brothers and REI Global. Importantly, these actions will enable our shareholders to benefit from the intrinsic value of our commercial real estate portfolio.

As part of an independent company without the need to mark to market, assets may be monetized in an orderly manner over time, with more negotiating leverage and at prices which maximize returns. We've resolved all material execution obstacles and are highly confident that we can complete this transaction in the first quarter of 2009.

Moving onto our efforts on the residential front, during the quarter we moved quickly to bring our residential mortgage exposures down significantly, from \$24.9 billion in the second quarter, to \$13.2 billion, a reduction of 47%. This includes a reduction of approximately \$4 billion in UK residential assets that we are formally engaged with BlackRock to sell.

Please note that since the BlackRock transaction will be completed after the close of the third quarter, it will be reflected in our fourth-quarter numbers. Excluding these sales, our residential mortgage position as of the third quarter was \$17.2 billion, a 31% reduction versus last quarter.

After these dispositions, our residential mortgage inventory will be \$13.2 billion, of which approximately 32% of the assets are in less-risky asset classes, including \$1.6 billion of Alt-A servicing rights, and \$600 million of Alt-A AAA I/O securities, both of which have negative correlations to deteriorating markets; and \$600 million of reverse mortgages that have an LTV of approximately 39%, \$500 million in Asia, and approximately \$900 million of assets across the US portfolio in vintages 2005 and earlier.

The rest of the assets — and this includes the \$900 million of the 2005 and earlier vintages — are as follows. \$3.7 billion of additional Alt-A exposure, marked at an average of 39 versus 63 last quarter; \$1.6 billion of subprime and second-lien exposure, marked at an average of 34 versus 55 last quarter; \$3.6 billion of European exposure, marked at an average of 69 versus 83 last quarter; \$500 million of remaining ABS CDO assets, marked at an average of 29 versus 35 last quarter; and \$500 million of additional other US exposure which is marked at an average of 45 versus 48 last quarter. Overall, the US residential book had a weighted average price of 59 at the beginning of the third quarter, and now has a weighted average price of 39, a decline of 20 points.

During the quarter we traded significant US residential assets, with sales of \$5.5 billion and purchases of \$3.2 billion, for total trading activity of \$8.7 billion. This market activity gives us confidence in the accuracy of our marks as of the third quarter.

We'd like to note that we believe current market prices reflect an exceptionally conservative valuation outlook for the US residential market. At current prices, our US residential portfolio generates a 12% yield or approximately LIBOR plus 800 if approximately 50% of the loans default and average recovery rates are only 40%.

This base case assumes national home prices drop 32% peak to trough, versus 18% to date, with California down 50% versus 27% to date. For a 0% yield and only principal repayment, over 80% of the borrowers would need to default with an average 35% recovery rate.

In our Alt-A portfolio, the assets would generate a yield of LIBOR plus 1000, with 44% defaults, LIBOR plus 100 with 63% defaults, and a 0% yield at 79% of defaults, each with a 40% to 45% recovery rate. The current 60-day delinquency rate including real

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estate owned is 18% on this portfolio. So defaults would need to be 2.5 times the current delinquency rates for the LIBOR plus 1000 case, 3.6 times for the LIBOR plus 100 case, and 4.5 times for the 0% yield case.

In our nonprime portfolio, the assets would generate a yield of LIBOR plus 1100 with 59% defaults, LIBOR plus 100 with 76% defaults, and a 0% yield at 85% defaults, each with a 20% to 30% recovery rate assumption. The current 60-plus day delinquency rates including real estate owned is 23% on this portfolio, so defaults would need to be 2.5 times the current delinquency rates for the LIBOR plus 1100 case, 3.2 times for the LIBOR plus 100 case, and 3.7 for the 0% yield case. So current prices imply extremely severe additional deterioration in housing.

Our pro forma remaining \$13.2 billion of residential assets are diversified across product type and region, with about 32% of the exposure in servicing AAA I/O's, reverse mortgages, Asian exposure, and 2005 and earlier vintages. We plan to reduce this position somewhat over the coming quarters, maintaining a balance sheet necessary to support the market-making opportunities. Bid/ask spreads continue to be attractive, with multiple distinct business opportunities across secondary and distressed trading, servicing and NPL management, as well as client advisory.

Regarding other exposures, our other asset-backed positions were reduced by 29%, from \$6.5 billion to \$4.6 billion during the quarter, and we reduced our acquisition finance exposure by 42%, from \$18 billion to \$10.4 billion, which includes a 38% decline in our high yield acquisition finance exposures from \$11.5 billion to \$7.1 billion.

Pro forma for the BlackRock sale and commercial real estate spinoff, our aggregate exposure to residential and commercial mortgage assets, other asset-backed and acquisition finance will be reduced from \$89 billion at the end of the second quarter, to approximately \$30 billion to \$35 billion; so very significant progress in moving the legacy assets and creating a clean balance sheet for core Lehman going forward.

Turning to the investment management division, today we announced our intent to sell a majority stake of a subset of our investment management business. The subset includes our asset management, private equity and wealth management businesses, but excludes our middle-market institutional business which will be folded into capital markets, and our minority stakes in third-party hedge fund managers. This transaction has attractive capital and operating characteristics.

On the capital front, we will be receiving significant proceeds at closing. Additionally, goodwill on our books related to the Neuberger business will be eliminated, resulting in an estimated increase of over \$3 billion in our tangible book value and Tier 1 capital.

Following the transaction closing, IMD's operating results will not be consolidated. Given that we will be retaining a meaningful interest in a subset of IMD, as well as 100% of the middle-market institutional business, and our minority investments in hedge fund managers, the impact on our pretax earnings is estimated to be modest.

On a fiscal 2007 basis, the pro forma impact would have been less than 5% of the firm's pretax earnings. After closing, IMD will have an autonomous governance structure from our investment banking and capital market divisions. However, IMD will remain an important strategic platform for the firm.

The business will continue to operate under the Lehman Brothers and Neuberger Berman brands. Clients will continue to be able to access all of the capabilities of the firm across operating units. We are in advanced discussions with a number of potential partners for the IMD business, and expect to announce the details of the transaction in due course.

We realize that we have given you a lot to absorb with regard to the restructuring, but hopefully we have been able to clarify some of the mechanics and rationale behind our initiatives. To help put our actions into perspective, taking into account all the transactions we have announced today, our balance sheet exposures will be reduced to the following levels – approximately \$5 billion of commercial assets, approximately \$13 billion of residential assets, less than \$5 billion of other asset-backed positions,

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and approximately \$10 billion of acquisition finance facilities which includes \$7 billion of high yield facilities. We believe that the Lehman of early 2009 will be significantly de-risked financial institution.

To reiterate, these actions represent the major components of the restructuring which, once complete, will allow Lehman to emerge as a clean company and be able to thrive away from its legacy assets. This will allow us to refocus our efforts on growing our client-facing franchise. Additionally, core Lehman Brothers can be more fairly valued in the public markets, and we will be better able to restore the confidence of our key stakeholders including equity investors, debt investors, clients, counterparties and employees. We will be discussing core Lehman Brothers in greater detail in the section on our operating model.

Turning to our capital position, despite our third-quarter loss, we ended the quarter with a larger equity base and greater capital ratios versus the prior period, driven by our June capital raise and a decrease in risk-weighted assets. As of June 31, total stockholder equity was approximately \$28 billion, up 8% from the second quarter, and our long-term capital ended the quarter at \$143 billion.

During the quarter we reduced our gross assets by approximately 6%, from \$639 billion to approximately \$600 billion, and we reduced our net assets by approximately 5%, from \$328 billion to approximately \$311 billion. We ended the quarter with gross leverage of 21.1 times, compared to 24.3 times as of the second quarter, and our net leverage was 10.6 times versus 12.1 times last quarter.

We estimate that our Tier 1 capital ratio under the CSC regulatory framework will be approximately 11%, and our total capital ratio between approximately 16.5% and 17% as of August 31, compared to 10.7% and 16.1% at the second quarter, respectively. Our third-quarter Tier 1 ratio is well above our target level, and the total capital ratio is well in excess of the 10% minimum regulatory threshold.

Book value per share declined this quarter to 27.29, driven by the June capital raise and our third-quarter loss. Additionally, the sale of a majority stake in the part of our IMD business, and the reduction in our annual common stock dividend from \$0.68 a share to \$0.05 a share for an annual saving of \$450 million, are both intended to give us greater capital flexibility going forward.

Turning to the third quarter, we posted our second consecutive quarterly loss with net revenues of negative \$2.9 billion, a net loss of \$3.9 billion, and a diluted loss per share of \$5.92. The loss was driven primarily by gross marked to market adjustments of \$7.8 billion, including a \$5.3 billion gross write-down on residential mortgage assets, \$1.7 billion related to our commercial mortgage and real estate portfolio, \$600 million on other asset-backed assets, and \$200 million on our acquisition finance facilities.

Gross marked to market adjustments were offset by \$800 million of hedging gains during the quarter, and \$1.4 billion of debt valuation gains resulting in \$5.6 billion in net write-downs. We also experienced approximately \$716 million of principal losses during the quarter, including approximately \$380 million in fixed income, \$320 million in equities, and \$[50] million in IMD.

Gross write-downs of \$5.3 billion on residential assets in the third quarter were driven by market factors, including rising delinquencies and loss expectations, supply overhang concerns, and a continued difficult financing environment as well as our own accelerated selling activity during the period. Net mark to market adjustments on residential assets totaled \$4.9 billion, as hedges offset only 8% of gross write-downs.

The majority of our write-downs were in Alt-A driven by an increase in Alt-A delinquencies and loss expectations which were specific to Alt-A prices and did not affect the performance of our hedges. Unfortunately there is no direct hedge for Alt-A assets, as there is in subprime with ABX.

Our strategy around hedging is to break the exposures into spread and HBA credit exposure. We use ABX to hedge the HPA exposure, and a combination of CDX, CMBX, single name financial CDS, and swaps to hedge the spread exposure. Our HPA

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hedges were ineffective as Alt-A prices dropped 20 to 25 points during the quarter, while ABX AAA on average dropped eight points and ABX subs – that's AA through triple B- – dropped only four points.

And our spread hedges were also ineffective, as residential credit sectors widened significantly by 200 to 600 basis points while other spread sectors were more range bound. Our corporate hedges, for example, widened only 35 basis points. This difficulty in hedging and associated basis risk supported our decision to more rapidly decrease our residential assets this quarter, as our best hedge is to reduce absolute exposure.

In the commercial market, gross marked to market adjustments totaled \$1.7 billion, compared to 900 in the second quarter and \$1.4 billion in the first quarter of 2008.

Real estate values continued to come under pressure during the third quarter, mainly due to the weakening economy and the lack of liquidity in the market. Our write-downs are driven by higher discount rates, changes in our exit capitalization rate assumptions, as well as credit events related to certain properties. On a net basis, commercial write-downs for the quarter totaled \$1.6 billion.

Excluding net marked to market adjustments, debt-valuation gains and principal losses, our remaining revenues were \$3.5 billion, implying positive pretax results of approximately \$600 million and extremely trying circumstances. In investment banking, revenues of \$611 million were in line with a slower overall banking market, where estimated global market fees are down 25% on an annualized basis, year over year.

While underwriting activity was depressed across the debt and equity markets, M&A activity remained solid. We posted revenues of \$634 million in investment management. Our AUM was slightly down at \$273 billion, versus \$277 billion in the second quarter, as market depreciation more than offset net inflows. However, management fees remain stable, quarter over quarter.

Total IMD revenues were done sequentially, driven by lower transactional activity in private investment management, and a smaller contribution from our stakes in alternative asset managers. During the third quarter, we recorded a loss of \$60 million associated with our investments in hedge fund managers, compared to a gain of approximately \$70 million in the second quarter.

In capital markets we reported revenues of negative \$4.1 billion. Excluding net marked to market adjustments, debt valuation gains and losses on principal investments, our run-rate revenues in capital markets were \$2.2 billion, or down 15% versus \$2.6 billion in the second quarter on a comparable basis.

Despite a difficult operating environment in the third quarter, our underlying client franchises remained solid. On a year-to-date basis, capital market client revenues, the internal operating metric by which we track client activity, were up 11% versus the first nine months of last year. And while third-quarter client revenues were down 19% sequentially, this period results are comparable to our average quarterly client revenue for full-year 2007.

In fixed income capital markets, the run-rate revenues were flat versus the second quarter at \$1.8 billion. During the quarter we had strong trading revenues in rates, foreign exchange and credit products. Overall activity levels remained robust year to date, with particular strength in commodities, foreign exchange, securitized product and credit.

In equities capital markets, run rate revenues were approximately \$425 million, down 43% versus \$750 million last quarter. While client revenues were down approximately 22%, run-rate revenues were impacted by trading losses and volatility products.

Cash equities and flow volatility activity generally remained strong in the US this quarter, with more pronounced declines in Europe and Asia. Structured volatility activity remained depressed across regions given the weakening equity market worldwide.

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Prime services revenues and equities were also down from last quarter, mainly reflecting continued deleveraging among hedge fund clients, and diversification of balances across brokers and not a lost clients. Year to date, the prime services business is well ahead of 2007 revenues.

With respect to expenses, given the continued difficult overall market environment, we remain diligent on cost initiatives, with notable developments during the quarter. We've reduced headcount by approximately 1500 positions since the beginning of the third quarter in discretionary corporate areas, and those businesses which we believe are in secular decline. We expect small reductions in staffing in our client-facing businesses, which should bolster our revenue capacity once we reach a more stable part of the cycle.

Non-personnel expenses were \$971 million in the third quarter, down 11% from the \$1.1 billion in the second quarter. We've identified a set of near-term cost reduction opportunities totaling \$250 million in annualized cost savings before any additional impact from potential divestitures.

Although we expect these savings in future quarters, it is important to note that with our third-quarter revenue run rate of \$3.5 billion and third-quarter expenses of \$2.9 billion, we are pretax-positive for the quarter excluding the markdowns, debt valuation gains, and principal losses. I will now provide an update on our liquidity position, which remains very strong.

We maintained our cash capital surplus at \$15 billion at the end of the third quarter. Our liquidity pool also remains strong at \$42 billion, versus a record \$45 billion at May 31. The decline in this figure versus the end of the second quarter is strictly attributable to our managing down our commercial paper outstandings, which ended the quarter at \$4 billion versus \$8 billion at the end of the second quarter.

Funding provided by our wholly owned banking entities also remained stable this quarter, with \$47 billion of assets funded in our banks, versus \$46 billion last quarter. And we have a focused effort to increase this amount in the coming quarters. In particular, we expect amounts funded in our Utah-based industrial bank to increase going forward, as our three year de novo period ended at the end of August.

As an update, on our secured funding positions, total tri-party repo was approximately \$211 billion as of the third quarter, of which \$115 billion is treasuries and agencies. The remaining \$96 billion of tri-party repo compares to the \$105 billion last quarter and includes \$39 billion of collateral which is central-bank eligible.

The \$57 billion of non-central-bank-eligible collateral compares to \$65 billion of non-eligible collateral last quarter, and includes \$25 billion of highly liquid investment-grade fixed income securities and major index-listed equities. Now, the \$9 billion of non-central-bank-eligible collateral is currently funded through repos with our own banking entities, versus \$8 billion last quarter.

The remaining \$23 billion of collateral, half of which is client collateral, is covered more than 190% by liquidity pools available to the broker-dealers. By comparison, last quarter our remaining collateral was \$32 billion, and this amount was covered more than 150% by liquidity pools available to the broker-dealers.

The average tenor of our non-central-bank eligible tri-party repo remains broadly in line with the last few quarters at over 35 days. Nearly half of our total tri-party repo has a tenor greater than one week, and nearly 30% is over one month. Additionally, we have maintained a significant overfunding position in tri-party repo of approximately \$32 billion, versus \$27 billion last quarter.

Throughout the market volatility of the past six months, our liquidity and funding framework has served us extremely well, and we remain focused on increasing the funding available in our bank entities and mitigating any liquidity risks to our secured and unsecured funding positions. Through last night, our liquidity pool remained essentially unchanged at \$41 billion.

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Let me briefly review our operating model going forward, as we focus again on core Lehman Brothers and executing our business plan in today's market environment. Despite difficult market conditions, essential client needs have not changed. With the need for investment ideas, trading liquidity, and restructuring advice increasing, our core business model remains strong.

We will continue to focus on the client franchise, looking to increase wallet share with a targeted group of global clients. Our client franchise rests on a foundation of delivering intellectual capital through research and our commitment to idea generation, as exemplified by our top-ranked research in both fixed income and equities, as well as differentiated service.

While the market has undoubtedly changed, Lehman's core competencies and culture remain as relevant as ever to the marketplace. Importantly, our operating model going forward incorporates a number of significant attributes. We expect core Lehman Brothers to be well-capitalized with anticipated leverage of 10 to 12 times, and capital to support a \$300 billion net balance sheet, slightly smaller than where we are today.

Clearly, a greater proportion of this balance sheet will be dedicated to client activities, as our real estate-related assets fall from approximately 30% of our total inventory at the end of the third quarter, to approximately 5% under the spinoff scenario. Core Lehman Brothers is intended to have less reliance on wholesale secured funding for our less-liquid assets, and an increased use of bank deposits from our wholly owned bank subsidiaries. And even under the scenario of limited debt-issuing capacity in 2009, we anticipate that core Lehman will have ample cash capital to sustain its business activities.

Under various revenue scenarios, we believe core Lehman Brothers can generate at least \$13 billion of revenues, using a detailed bottoms-up analysis by business and adjusting for the IMD transaction. This is reinforced by our run-rate revenues of \$7.7 billion for the second and third quarters of this year, excluding the marked to market adjustments, debt-valuation gains and principal losses over the last six months, but including IMD for the period.

Our objectives in establishing core Lehman Brothers are to refocus our efforts on growing our client-facing franchise, while restoring the confidence of our key stakeholders, including equity investors, debt investors, clients, counterparties and employees. Additionally, we believe core Lehman Brothers can be more fairly valued in the marketplace.

Let me conclude by making the following points. We believe that the comprehensive plan we've outlined today directly addresses the issues the market has been grappling with in recent weeks. We have introduced a solid plan and timetable to deal with our remaining commercial real estate exposure. We have materially reduced our residential mortgage exposure, and marked our remaining holdings to levels that make future write-downs unlikely.

We have made significant progress in cleansing our balance sheet so that core Lehman can stabilize and ultimately grow and thrive with a strong and clean balance sheet. We have maintained our strong liquidity and capital profiles even in this difficult environment, and the potential sale of IMD further improves our capital position.

Our clients and counterparties have continued to stick with the firm, which has been instrumental in supporting our client run rates, and we believe that core Lehman has the appropriate foundation to achieve sustainable profitability going forward.

That concludes the prepared remarks, and we would like to move on to Q&A.

## QUESTIONS AND ANSWERS

### Operator

Thank you. (Operator Instructions) Glenn Schorr.

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**Glenn Schorr - UBS - Analyst**

UBS. Okay, so a lot of moving parts, but I will try to stay focused on the key issues of the commercial real estate spin, the current marks and Lehman's capital position after. So let me just check a couple things.

Tier 1 of 11% is as of the end of August. Is that pro forma with the Neuberger gain or not?

**Ian Lowitt - Lehman Brothers - CFO**

No, that's not pro forma. That's our actual levels at the end of August.

**Glenn Schorr - UBS - Analyst**

Okay, and then the \$3 billion, it's worded interesting. So I've got to ask the question. The \$3 billion tangible book value benefit, what does it do for total capital in Tier 1? What's Tier 1 pro forma Neuberger sale, or IMD sale?

**Ian Lowitt - Lehman Brothers - CFO**

Well, I mean with the sale, clearly we remove the goodwill and that improves Tier 1 capital by over \$3 billion. You know, we don't want to speculate on exactly what the proceeds are going to be, but the –

**Glenn Schorr - UBS - Analyst**

Okay, I don't need the proceeds, I just want to make sure that theoretically if tangible book value benefit is \$3 billion, all else equal your Tier 1 benefits by \$3 billion?

**Ian Lowitt - Lehman Brothers - CFO**

Yes, and to the extent that there's gains relative to the book value on an after-tax basis, that would increase it. But clearly, you know, all of the indications are that we will be materially – the bids will be materially above the book value of – I'm sorry, the goodwill value and as a consequence, minimally what will happen is that you gain over \$3 billion as a result of the goodwill. And there may be additional gains in Tier 1 based on whatever the actual price itself is.

**Glenn Schorr - UBS - Analyst**

Okay. So it's not a clear one to one, that's for sure.

**Ian Lowitt - Lehman Brothers - CFO**

Minimally, it clears out the goodwill.

**Glenn Schorr - UBS - Analyst**

Okay. And I know what the tax basis of what – at the time of the Neuberger transaction, but can you help us with the tax basis of IMD?

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**Ian Lowitt - Lehman Brothers - CFO**

We would rather not go into that.

**Glenn Schorr - UBS - Analyst**

You'll wait till after the sale? Okay. So then, the REI spin, the marks are – I'm assuming that there – there was thoughts about selling all of the commercial real estate assets and that you were exploring all options and you viewed this one better than selling them at whatever the bids came in. But my gut is the bids came in well below the \$0.85 average mark.

Reconcile that difference as that's – the difference is the equity that you are putting into the spin. So Lehman is putting in somewhere between 5 and \$7.5 billion of equity into the REI spin, if the percentage – the \$25 billion to \$30 billion times the 20% to 25% equity that you gave us. So is that all equity from Lehman or is any of that third party raised?

**Ian Lowitt - Lehman Brothers - CFO**

Yes, I think that the way we would think about the alternatives with regard to the real estate is maybe a little different than you described it. I mean, if we did try to sell the whole portfolio in a very rapid timeframe, you would clearly pay a very substantial bid/offer spread on that. And the capturing of that value would essentially be value that was retained by the shareholders or whichever the acquiring entity was. By creating the spin, we are obviously shifting the assets off our balance sheets, still to our shareholders, but it's our shareholders that capture that value associated with the disposition of the assets over a period of time, rather than locking in a known loss at this point.

**Glenn Schorr - UBS - Analyst**

I understand, but the way the math looks is if you are going to inject equity to protect REI, and make people feel okay about it, it's the equivalent of a 20%/25%.

**Ian Lowitt - Lehman Brothers - CFO**

So we would in fact be contributing equity in exactly as you are describing. You know, that's in part to – the level of equity is determined based on what you need to do to support the seller financing, and the amount of equity that we put in as you described, in that sort of range.

Obviously, it's hard to know exactly what the asset levels are likely to be because we will continue to have dispositions and paydowns over the remaining time. But that's sort of the range of it. Clearly we are holding a chunk of equity in our existing Lehman against those exposures. So it's not as though there's a complete – so that obviously needs to be factored into how does that play through in terms of the capitalization of core Lehman.

**Glenn Schorr - UBS - Analyst**

I am with you. And then, are you able to tell us, ex-Archstone/SunCal what the average mark is on the rest of the portfolio?

**Ian Lowitt - Lehman Brothers - CFO**

Well, the portfolio is at about 85 and the – SunCal and Archstone, which were 75 last quarter, have been marked down some amount this quarter.

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**Glenn Schorr - UBS - Analyst**

Got it. And is the Archstone debt included in this, or is that part of the leverage lending?

**Ian Lowitt - Lehman Brothers - CFO**

Archstone debt and SunCal debt would be included in the new company.

**Glenn Schorr - UBS - Analyst**

Okay. And then does it need shareholder approval, the REI spin?

**Ian Lowitt - Lehman Brothers - CFO**

No.

**Glenn Schorr - UBS - Analyst**

Okay, and then I guess the biggie after all this, if that equity contribution is being made across to REI and some of it might have been already theoretically in there against those assets, what do you anticipate the capital needs of "good Lehman" or the more de-risked Lehman, post spin? Because obviously you can't fund the 5 to \$7 billion equity injection into REI and maintain your Tier 1 around where it is now.

**Ian Lowitt - Lehman Brothers - CFO**

No, I think that -- we think that clearly with -- our capital position at the moment is strong. We recognize that with the REI spin we are going to need to put equity into that.

But with the IMD sale and the proceeds associated with that, and the de-risking that goes on, in order to maintain our ratios which is 10 to 12 on the \$300 billion balance sheet, Tier 1 of sort of 11%, we are confident that we can maintain that. So we would in fact be going down some amount of equity as a result of the spin. We will be increasing our equity as a result of IMD.

We will have much less risk on our balance sheet which would allow us to let our leverage drift up from, say, 10.5 times to, say, 12 times which would then leave you with a requirement for leverageable equity around \$25 billion. And in order to maintain the 11% Tier 1 ratio, we will be as a result of the de-risking, bringing down our risk-weighted assets. So we feel that in combination, these things allow us to maintain our strong capital ratios within the construct of the set of things that we're doing now.

**Glenn Schorr - UBS - Analyst**

Okay. I should end there and let others have a chance. Thank you.

**Operator**

Michael Hecht.

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**Michael Hecht - Banc of America Securities - Analyst**

Banc of America. Can you guys help us -- following up on Glenn's question just, I mean book value ended the quarter at 27 and change. So you guys kind of run the numbers on what you think pro forma book value per share would be, post the REI transaction and the IMD transactions?

**Ian Lowitt - Lehman Brothers - CFO**

I mean, I think that -- lots of things moving around with regard to that. You know, I think that you can compute it in part based on how much equity we are going to shift over to REI and what that is as a share of the total common. And I think on the basis of that you will get pretty close to the number. And then the remainder is obviously in core Lehman.

**Michael Hecht - Banc of America Securities - Analyst**

Okay. And then I guess, you talked a little bit about the -- well, I guess how should we think about the impact you guys are seeing on the client-facing franchise? I mean, how much of the 20% or so sequential decline that you mentioned some of the run-rate revenues is from the client-facing side versus just some of the cyclical pressures? And then can you touch on the impact you think you are seeing so far in September, especially given the pressure the stock has been under?

**Ian Lowitt - Lehman Brothers - CFO**

I think that the -- we think that the marketplace itself was sort of seasonally slow in the third quarter, and our estimates of that are in the 10% to 20% range. So we think that -- and the other indications we have don't suggest real share erosion. So we think that broadly our activity is in line with what we think the marketplace has been, and I think that what we're seeing into September is broadly similar.

I think over the last two days, obviously there's been more impact in terms of what's happened with the stock, what's happened with our debt spreads. But we are obviously hopeful that in the description of what our plan is and being clearer about what our quarter is and what we're doing going forward, and what we're planning with regard to IMD, that those stabilize and as a consequence the impact on the client business is more limited. And as a consequence of people getting excited about clean Lehman and the fact that the plan actually separates us from our legacy assets, that we actually do have the platform to really succeed and grow.

**Michael Hecht - Banc of America Securities - Analyst**

Okay. And then I guess the various issues [thrown] around the firm, can you just talk a little bit about the impact you're seeing on morale, turnover, and then also senior managements relationship with the Board and how management and the Board is currently weighing the cost of staying independent versus maybe selling out to a larger player to help diversify the firms funding mix and maybe restore confidence?

**Dick Fuld - Lehman Brothers - Chairman, CEO**

Let me talk about that; this is Dick. First on employee morale, clearly we spent a ton of time over these last number of years building a strong, very cohesive culture. As I said in my comments, we've been through adversity before and we always come out a lot stronger.

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It would be foolish for me to say that all of our employees have gone through this period unaffected, because that clearly is not the case. They've been distracted by rumors, they've been distracted a little bit by comments in the press which I mentioned in my comments.

But I will tell you the employees of this firm are holding wonderfully and continuing to do their business day to day in a very strong way, and that culture is holding. As far as turnover, I see no indication of anything that would be abnormal at all. As far as the Board, I'm not sure what you were asking me there. Were you asking me, what is the relationship of (multiple speakers) --?

**Michael Hecht** - *Banc of America Securities - Analyst*

Yes, just a little perspective on how they are kind of viewing the various things going on and the different strategic alternatives you guys are weighing including staying independent versus a potential outright sale.

**Dick Fuld** - *Lehman Brothers - Chairman, CEO*

Well, we've had a number of board meetings -- some in person, some telephonic -- over the last number of weeks and months. A clear goal was to discuss all of these which we've taken you through today, and all of the strategic options. I must say the Board has been wonderfully supportive, clearly understand and understood each of those options and the implications of each to the Firm.

As far as the last question about a sale of part or all of the Firm, I have always said that, if anybody came with an attractive proposition that made it compelling for shareholder value, that would be brought to the Board, discussed with the Board and evaluated. That has not changed.

**Michael Hecht** - *Banc of America Securities - Analyst*

Okay. I just have a follow-up on the investment-management business. I mean, one, just thinking about the sales structure, it seems pretty unique. Can you give us a little more color on how you kind of sell 55% of something but yet kind of retain a majority of the earnings contribution?

Then also, just looking at the flow trends in the asset management business in the quarter, I mean, overall pretty strong but it looked like you had another \$10 million of outflows from money funds after seeing \$11 billion or so last quarter. Obviously not a big revenue deal but I just wanted to get some color on what's going on there.

Then, if you had \$11 billion in inflows overall, it implies some pretty strong inflows in some of the long-term products -- maybe just some color there, too.

**Ian Lowitt** - *Lehman Brothers - CFO*

Sure. Yes, I think as you point out, the investment-management business is doing well through this period and on a net basis, we are seeing inflows. You know, there are outflows in the money market product, but to your point, that doesn't have a lot of impact on revenues.

You know, with regard to how this plays through, clearly when you think about the IMD segment, it includes the middle-market institutional business, which we are retaining, the minority stakes, and then it also, if we were going to move forward with this in this form, we would obviously retain our share of whatever the earnings are of the portions of IMD that we are selling off in this form.

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So the combination of those things, retaining two of the revenue streams and earning streams at 100%, and then a little bit less than 50% of the earnings streams that we sell, (inaudible) how the pretax impact of this is the levels that we indicated in the remarks.

You know, the way in which one would essentially establish this is we will have to create a separate entity, which is our IMD business, and then that will have separate governance associated with it. But I think a lot of the value how it integrates into the rest of Lehman Brothers. While that will now be done on a probably more formalized basis with service-level agreements and things of that kind, we are confident that that's the best way to get the most value out of it, both for sort of core Lehman as well as for the investor.

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**Michael Hecht** - *Banc of America Securities - Analyst*

Okay. Thanks a lot, guys.

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**Operator**

Mike Mayo.

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**Mike Mayo** - *Deutsche Bank - Analyst*

Deutsche Bank. I have one general question but with some specifics. So, the real issue I'm trying to get my arms around is what are the remaining marks that you have on your real estate exposure? So I guess I will start with the residential real estate. It's down to \$17 billion, and you said it will decline by another \$4 billion with the pending sale to BlackRock. Are the marks for that pending sale in the third-quarter results? If not, what kind of marks might we expect in the fourth quarter?

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**Bart McDade** - *Lehman Brothers - President, COO*

Mike, it's Bart. A significant amount of the marks for the pending sale have been taken in the third quarter.

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**Mike Mayo** - *Deutsche Bank - Analyst*

But there's still some in the fourth quarter?

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**Ian Lowitt** - *Lehman Brothers - CFO*

Yes, there's probably some in the fourth quarter, based on where the final pricing comes out.

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**Mike Mayo** - *Deutsche Bank - Analyst*

Okay. To what degree have you provided seller financing?

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**Ian Lowitt** - *Lehman Brothers - CFO*

On the BlackRock transaction, we will be providing seller financing probably at the 75% level. There's cash sweep features that create additional protection for us, but we will be providing seller financing on that transaction.

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**Mike Mayo - Deutsche Bank - Analyst**

Of the remaining \$13 billion, how aggressive might you be in off-loading that?

**Ian Lowitt - Lehman Brothers - CFO**

We think that there are a couple of additional trades in Europe that are currently being contemplated, which would reduce that exposure some amount beyond that. But I think we feel our objective is to run this business in and around \$10 billion over a period of time, so we are not anticipating aggressive additional dispositions. Obviously, we will continue to buy and sell assets but that's probably the level that we're hoping to operate at.

**Mike Mayo - Deutsche Bank - Analyst**

Okay, so residential real estate is mostly where you want it to be with these pending transactions?

**Bart McDade - Lehman Brothers - President, COO**

That's correct, Mike. I think, if you looked at, and Ian gave you a flavor for the diversification now in the book, it really feels like a set of trading books that [aren't] appropriate size to operate in these markets.

Clearly, we're going to continue to trade out of assets that we see having less value and try to acquire, in the trading activity, assets that, in the flow, assets that have more value. But across the board, US and Europe, it now really looks and feels and is operating as an active trading book.

**Mike Mayo - Deutsche Bank - Analyst**

So let's just accept what you're saying as absolutely correct. That implies the main issue is the lingering commercial real estate exposure. I appreciate the breakdown, how much it's been marked down in each of the subcategories of residential, but you didn't give us that same breakdown for the commercial real estate exposure. At a minimum, whole loans are two-thirds of the commercial mortgages. How much have those whole loans been written down?

**Ian Lowitt - Lehman Brothers - CFO**

Well, I think that, last quarter, we said that, within the whole loans, the seniors were in the mid-90s. Now they are sort of in the very low 90s and the mezzanine piece, which was in a very high 80s, is now in a very low 80s.

**Mike Mayo - Deutsche Bank - Analyst**

Okay. Then more conceptually, why do you need more capital? I mean, I can answer this question, but you said you capital ratios – tier 1 in total – are well above the minimums, yet at the same time you are raising tangible equity by \$3 billion. So that implies you need some additional capital.

Is one way to think about this is that the remaining marks on the commercial real estate are maybe \$7 billion, because that's what you need to capitalize REI with?

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**Ian Lowitt - Lehman Brothers - CFO**

No, I think that would be absolutely the wrong way to think about it. The way I think you should think about it is we are basically going to be spinning off a series of assets at much, much lower leverage ratios than the leverage ratios we want to operate with in aggregate. So if we want to operate in aggregate with a leverage ratio of 10 to 12, and then you spin off a chunk of your assets and you're leveraging that at 3 to 4 times, then a consequence of that is you need to or you want to have more tier 1 capital in order to maintain your leverage ratio in that sort of 10 to 12 range rather than have it increased more than that. So I think that's the predominant way to think about that.

**Mike Mayo - Deutsche Bank - Analyst**

Then as a follow-up, to the extent you might need \$7 billion to capitalize that entity, and you'll get \$3 billion with the spin of part of IMD, how would you get the other \$4 billion?

**Ian Lowitt - Lehman Brothers - CFO**

Well, we don't feel that we need to raise that extra amount to cover the \$7 billion, because you will have less sort of leverageable equity in core Lehman than in, you know, where you are at the end of this quarter. So at the end of this quarter we are at 29.5, basically, of leverageable capital.

The amount that you need in the remaining core Lehman, given that it has \$300 billion of assets and you're going to lever at, say, 12 to 1, is only sort of 25 times. So you could actually have your leverageable equity come down some amount and have the \$5 billion to \$7 billion sitting in the real estate entity and still be well-capitalized within sort of the remaining core Lehman.

**Mike Mayo - Deutsche Bank - Analyst**

Last question – it will be debated on probably many phone calls today, but what last statement can you say to give comfort that there aren't major additional marks in the commercial real estate before the transfer – before the REI spin? Dick, maybe you can respond to that, because this is I think that is the issue right now.

**Dick Fuld - Lehman Brothers - Chairman, CEO**

You're talking about strictly the commercial real estate?

**Mike Mayo - Deutsche Bank - Analyst**

Yes, just commercial real estate.

**Dick Fuld - Lehman Brothers - Chairman, CEO**

We had a number of sales this last quarter, and it's been a very hard – I think actually Ian spoke about it – a very hard stress analysis at the losses though that we did incur were more limited and driven in part to the increase in yield expectations among investors. We do not envision large write-downs in the commercial real estate portfolio, given the current market.

**Mike Mayo - Deutsche Bank - Analyst**

But the CMBX declined a lot this quarter. Can you help reconcile the two thoughts?

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**Ian Lowitt** - *Lehman Brothers - CFO*

I think CMBX actually tightened a lot last quarter, and there were no gains associated with it is our portfolio is almost exclusively floating-rate. So there's really no real impact on our real estate position as a result of the CMBX. I think that clearly there's an enormous amount of attention from – in our auditors and others around our marks with regard to the real estate. You know, as we spin it off, we're going to be filing of Form 10, we're going to have the audited balance sheet associated with that.

To Dick's point, we sold a lot of real estate last quarter and this quarter, and our sales are in and around our marks, which again gives us comfort that, even in a difficult environment where people are looking to take advantage of the fact that we are obviously looking to reduce our exposure quite quickly, the fact that we are selling in and around our marks over many, many billions of dollars of transactions and many, many different accounts and many, many different positions, that again gives us comfort that the marks that we maintain and the levels at which we will be transferring these assets into the new entity are essentially the right levels.

**Mike Mayo** - *Deutsche Bank - Analyst*

Okay, that's helpful. Thank you.

**Operator**

Douglas Sipkin.

**Douglas Sipkin** - *Wachovia Securities - Analyst*

Wachovia. Just one follow-up on some of the discussion, and then just a general comment about the recent government activity. I'm just trying to understand the book value implications for the spin into the commercial business. I know a couple of other analysts have highlighted about \$6 billion to \$7 billion in equity basically transferring over in. I mean, is there going to be a significant book value implication from this transfer? I'm just not clear on that.

**Ian Lowitt** - *Lehman Brothers - CFO*

I think we would say that, if it was the \$6 billion to \$7 billion, it would be \$6 billion to \$7 billion out of the \$19 billion of tangible book that we actually operate with, and that would give you a way to split the book value that we think goes into the new entity and the book value that remains.

**Douglas Sipkin** - *Wachovia Securities - Analyst*

So you've identified \$3 billion of I guess essentially goodwill coming back, because you're selling a majority stake in Neuberger Berman, but that doesn't account for any potential gain that might exist. Is that correct?

**Ian Lowitt** - *Lehman Brothers - CFO*

That is correct.

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**Douglas Sipkin - Wachovia Securities - Analyst**

So arguably, that \$3 billion could be, depending upon the pricing – I mean, a considerable amount higher I would imagine, even though it's probably a challenging environment to sell a piece of an asset-management business, the AUM level is substantially higher from when you first bought it. Isn't that correct?

**Ian Lowitt - Lehman Brothers - CFO**

Exactly right, so I think you're thinking about it exactly the right way.

**Douglas Sipkin - Wachovia Securities - Analyst**

Then just a general question, and I know it's kind of early into the government action over the weekend. What are your views on the impact that's going to have on your business? Have you seen any tangible impact of that already? I know agency spreads have rallied. Just generally speaking, what do you think that can potentially do over the next three to six months to the mortgage markets?

**Bart McDade - Lehman Brothers - President, COO**

Doug, it's Bart. I think we would argue the event itself was extremely constructive from a point of view of both the specific actions around the capital market's affect on the capital structure of Fannie and Freddie, but as significantly, the notion of and the actions of the treasury to move into using the balance sheet and actually acquire mortgage assets we thought was equally impactful. So we were very constructive. We have held a number of research calls in from the risk side. We are very constructive. That was a very significant event, not only for the companies but for the markets as a whole.

To answer your question what's happened, a lot of market experts have seen it; we've seen a change in positive psychology, a slight improvement. We were not expecting that it would be an over-night affect, but over time, the impact, the positive impact of both of the events we think does lead to more constructive and more liquid markets, which is what we all need.

**Douglas Sipkin - Wachovia Securities - Analyst**

Then just a follow-up, I mean, obviously, there's a pretty substantial backlog of debt that needs to get refinanced. Any view as to when maybe that business can start to open up again? It's possible this action helps, or any viewpoint as to when it may come or does it just require a little bit better tone around the economy?

**Bart McDade - Lehman Brothers - President, COO**

I think, if you're speaking to – you are speaking to the securitized markets or you're speaking (multiple speakers)?

**Douglas Sipkin - Wachovia Securities - Analyst**

No, no, like just debt finance – I mean you guys always talk about there's a huge backlog of refinancing and there's a lot of money on the sidelines. I'm just talking sort of corporate debt.

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**Ian Lowitt - Lehman Brothers - CFO**

We think it's obviously helpful at some level, but I think that more stabilization is probably necessary to be able to address what's already a lot of buildup.

**Douglas Sipkin - Wachovia Securities - Analyst**

Great, thanks.

**Operator**

Bill Tanona.

**Bill Tanona - Goldman Sachs - Analyst**

Goldman Sachs. Good morning. I guess the first question is are you guys providing financing for the investment management sale?

**Ian Lowitt - Lehman Brothers - CFO**

You know, we are expecting bids back very, very soon, and we will see, as a result of what comes back, whether that's necessary, but it's not currently anticipated.

**Bill Tanona - Goldman Sachs - Analyst**

Okay. Then I guess, in terms of understanding, I know somebody else had already asked the question but I guess I just don't understand the financial impact of the sale. Will this still be consolidated, considering that you are retaining the majority of the pretax income, or how should we think about the revenue impact as a result of this sale? Because I just don't understand how you guys can sell 55% yet retain the vast majority of the pretax income.

**Ian Lowitt - Lehman Brothers - CFO**

No, I think you are right that we would not be consolidating, and I think that maybe I can clarify on this question sort of what's happening there.

It's actually, you take the whole segment and divide it into a piece that's being sold and a piece that isn't. The piece that isn't being sold obviously just stays inside Lehman Brothers and gets incorporated in predominantly into our Capital Market segment.

For the piece that we are selling, we won't be consolidating that, and that represents a small piece of the earnings but actually a larger fraction of the revenues. So we think that the revenue impacts might be quite a bit larger in that sense, but that the pretax effect is more muted in part because the margins on the pieces that we're selling are lower than the margins on the pieces that we're keeping, and then, of the pieces that we're selling, we're still going to retain 45% to 49% of those earnings.

**Bill Tanona - Goldman Sachs - Analyst**

Okay. I guess, taking that a step further in terms of thinking about the run rate that you guys provided, exit these write-downs this quarter at \$3.5 billion, what would be kind of the run rate pro forma for this sale of the investment-management division

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as well as the transfer of the assets to the new co., considering that was I guess \$5 billion of cash flow a year that you guys had indicated?

**Ian Lowitt - Lehman Brothers - CFO**

Yes, we think that 2008, excluding the marks and excluding our IMD, the run rate, pre the debt valuation, is 14.6, so that includes the earlier time periods. But essentially what we're forecasting for next year is a little bit lower than what we've had for the full year, but it's obviously in line with what we have for the last two quarters.

**Bill Tanona - Goldman Sachs - Analyst**

But does that exclude the cash flows from the spinoff of the new co.? Because I'm trying to understand that \$5 billion in cash flow and the paydown in debt being reduced to 50-50 over the course of four years and the impact that might have on the revenues as well.

**Ian Lowitt - Lehman Brothers - CFO**

Yes. Actually, what we're doing with a lot of the cash flow that comes in is using it to just mark down the bases, so the impact on our revenues of that is not significant. A lot of the reduction in our commercial positions is coming down as a result of sort of paydowns. So part of the reduction this quarter is the result of paydowns. They don't go into revenue; they just enable you to reduce your balances within commercial. So that was between \$1.5 billion and \$2 billion this quarter.

So the run rate that we are seeing of sort of paydowns is actually consistent with what's forecast from a cash flow perspective going forward.

**Bill Tanona - Goldman Sachs - Analyst**

Okay. Then in terms of there's a lot of questions on the marks of the portfolio. Will there be an independent firm that actually verifies the value at which these commercial real estate assets are actually being put into this new hold co.?

**Ian Lowitt - Lehman Brothers - CFO**

There will be audited financials as part of the Form 10 filing.

**Bill Tanona - Goldman Sachs - Analyst**

Okay. Then just lastly, in terms of buying shares, you look at the stock trading right now at about a third of book value; it has been for a while. We really haven't seen much in the way of senior executives buying the stock. I assume part of that is because of your involvement around some of these transactions. I guess, going ahead, what is it going to take to kind of see some of the senior executives purchasing stock down here as a sign of confidence?

**Ian Lowitt - Lehman Brothers - CFO**

Yes, I think the reason is obviously there's been a great deal of nonpublic and material information which has precluded any of our senior executives from buying any stock. We also have not been using the Firm's capital to go into the marketplace and buy stock because we feel that preserving capital in this environment is the most important thing that we can actually do. So, I think that's really all of the dynamics around the stock.

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**Bill Tanona - Goldman Sachs - Analyst**

I guess, going forward, what would it take to get senior executives to be purchasing stock?

**Ian Lowitt - Lehman Brothers - CFO**

I think we need to be in a circumstance where there isn't any nonmaterial public information that is precluding us from doing that.

**Bill Tanona - Goldman Sachs - Analyst**

Okay, thanks.

**Ian Lowitt - Lehman Brothers - CFO**

I think we have time for just one more question, because we wanted to conclude this before the markets actually open.

**Operator**

Our last question comes from Guy Moszkowski. Please state your company name.

**Guy Moszkowski - Merrill Lynch - Analyst**

I'm with Merrill Lynch. Is it correct to assume that REI will be structured as a REIT? And is that why it won't be subject to mark to market?

**Ian Lowitt - Lehman Brothers - CFO**

It's not going to be structured as a REIT, and it won't be subject to mark to market because it's going to be just on a held-to-maturity basis and the discussions that we've had have confirmed that that's the way in which it will be treated.

**Guy Moszkowski - Merrill Lynch - Analyst**

Okay. Just switching to IMD, is there something contemplated in the way this will be structured which will enhance the retention of IMD personnel?

**Ian Lowitt - Lehman Brothers - CFO**

I think the retention of IMD folks is a critical element of the structuring, so that's something that both we and whoever the acquirer is would be very, very attentive to.

**Guy Moszkowski - Merrill Lynch - Analyst**

So presumably that will be included in the economics and would probably affect the price to some extent?

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**Ian Lowitt - Lehman Brothers - CFO**

Yes.

**Guy Moszkowski - Merrill Lynch - Analyst**

Has there been any change in how you calculate your debt valuation gains in the quarter? Because for the period up to the end of August, we couldn't see a degree of spread widening in your debt that was commensurate with the scale of the gain.

**Ian Lowitt - Lehman Brothers - CFO**

Yes, I think we mark off the cash curves in the US and also in Europe for the European debt. We could certainly show you those numbers.

**Guy Moszkowski - Merrill Lynch - Analyst**

Okay, that might be helpful. Maybe I will follow-up later.

Then finally, with the big spinoff of the CRE assets, and you did talk about generally rightsizing businesses internally, can you give us a sense of how you are sizing personnel and capital commitment of that business going forward, relative to kind of the run rates of commercial real estate over the last couple of years?

**Ian Lowitt - Lehman Brothers - CFO**

Sure. I think we're looking to migrate that business from, you know, to one which is much, much more focused on advice and restructuring advice. To the extent that there is sort of investment within the business that would be done really through the private equity investment funds, not on balance sheet. So I think that is the principle ways in which we are thinking of restructuring that business.

**Guy Moszkowski - Merrill Lynch - Analyst**

Okay, that's helpful. Thank you very much. Thanks for doing the call this morning.

**Ian Lowitt - Lehman Brothers - CFO**

Well, thank you all for joining us on short notice. Obviously, there were a lot of questions; we got through a lot of important stuff. I'm sure there will be follow-up questions that you and others have. We are obviously ready to deal with those questions and at your disposal. We would like to close by thanking our clients, our employees, our investors and our counterparties for standing with us.

**Operator**

That concludes today's call. Thank you for participating. You may now disconnect your line.

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