

Q3 2008 Financial Review

**Q3 2008
GREENBOOK
DRAFT VERSION
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I. Overview

Firm Overview – Quarter View

Third Quarter 2008

- Revenues of (\$ 2,922)mm, net income (\$ (3,939)mm) and EPS ((\$5.94)) versus Street expectations of (\$622 mm), (\$2,717 mm) and ((\$2.58)):
 - Results were driven by \$(5.7)bn of net write-downs: \$(5.0)bn in residential mortgages, \$(1.6)bn in commercial real estate partially offset by gains on structured notes liabilities of \$1.4bn as Lehman credit spreads continued to widen during the quarter (5 year widened to 375 bps from 265bps at Q2 '08).

Investment Banking Revenues

- Revenues of (\$ 611 mm) decreased -29% and -43% versus Q2 '08 and Q3 '07 respectively.
- Advisory revenues of (\$ 231 mm) decreased -3% versus Q2 '08 and -46% versus Q3 '07 as the decrease in M&A announcements since August 2007 impacted deal completion activity.
- Debt Origination revenues of (\$ 220 mm), decreased -24% versus Q2 '08 and decreased -37% versus Q3 '07 as Fixed Income issuance dropped from the hectic pace of Q2. Lehman share decreased in the quarter.
- Equity Origination revenues of (\$ 160 mm) decreased -52% versus Q2 '08 and fell -46% versus Q3 '07, as activity was very slow across all equity product lines as issuance decreased due to weak valuations and market volatility. FIG and Natural Resource sectors dominated equity issuance.
 - 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).

Capital Markets Revenues

- Revenue loss of (\$ (4,168)mm) driven by 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 \$0.7bn for the quarter. Gains on Lehman structured notes valuation were \$1.4bn. Total Net write-down of \$(5.7)bn compared to \$(3.7)bn in Q2 '08.
- Fixed Income loss of (\$ (4,625)mm), decreased versus Q2 '08 and Q3 '07.
 - Run rate revenues increased slightly vs. Q2 '08 as lower client revenues (down 17% vs. Q2'08 and down 9% vs. Q3'07) were offset by higher trading revenues in Rates, FX and Credit Products.
 - 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 (\$ 458 mm) decreased versus Q2 '08 and Q3 '07.
 - Client revenues were down 22% vs. Q2'08 and down 29% 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).

Investment Management Revenues

- Revenues of (\$ 634 mm) declined versus Q2 '08 by -25% and Q3 '07 by -21%.
- Asset Management revenues declined 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 (Spinnaker & DE Shaw).
- AUM of \$273bn decreased \$4bn over the prior quarter, as negative market performance of \$15bn was only partially offset by increased flows of \$11bn.
- Private Investment Management revenues of (\$ 274 mm) decreased 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.

Losses in the Regions amid write-downs and principal losses

- Non-US accounted for 29% of Q3 '08 total Firm losses, versus 57% in Q2 '08.
- Europe & the Middle East loss of (\$ (860)mm) mainly due to asset writedowns.
- Weak Asia-Pacific revenues of (\$ (14)mm) decreased versus both Q2 '08 and Q3 '07, mainly due to lower Capital Markets performance.
 - In the quarter Asia recorded a loss of -\$208mm related to the KSK position versus a loss of -\$115mm in Q2.

NPE of \$ 971 mm decreased -11% versus Q2 '08 and -1% versus Q3 '07, as Q2 '08 included a \$79mm depreciation charge on certain real estate related positions.

The Firm's tax rate increased in Q3 '08 to 32.6% versus 32.1% in Q2 '08.

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Quarterly Financial Review

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
Revenues:													
Commissions	195	209	165	569	639	658	688	674	-11%	-16%	1,867	1,783	5%
Principal Transactions	(126)	(1,484)	(3,673)	(5,284)	(3,442)	773	1,776	1,612	54%	nm	(7,953)	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	1,699	5,982	7,771	9,635	11,136	10,910	-23%	-45%	23,387	30,557	-23%
Asset Management / Other	138	145	150	432	414	438	459	472	4%	-8%	1,284	1,281	0%
Total Revenues	2,811	1,025	(1,525)	2,311	6,240	12,370	14,890	14,740	-63%	-84%	20,921	44,114	-53%
Interest Expense	(2,090)	(1,695)	(1,447)	(5,233)	(6,908)	(8,863)	(10,500)	(10,432)	-24%	-50%	(21,004)	(29,247)	-28%
<i>Note: Net Interest and Dividends</i>	286	210	252	749	863	771	637	478	-13%	56%	2,383	1,310	82%
Net Revenues	721	(670)	(2,973)	(2,922)	(668)	3,507	4,390	4,308	nm	nm	(84)	14,867	nm
Non-Interest Expenses:													
Compensation and Benefits	720	548	682	1,950	2,325	1,841	2,164	2,124	-16%	-8%	6,116	7,330	-17%
Business Development	25	23	20	68	87	89	103	91	-21%	-25%	244	275	-11%
Technology and Communications	107	100	102	309	309	302	311	282	0%	10%	921	834	10%
Professional Fees	38	33	34	104	100	98	120	128	4%	-19%	302	346	-13%
Brokerage and Clearance	79	84	69	232	252	253	240	224	-8%	3%	736	620	19%
Occupancy	68	66	67	202	188	185	173	170	8%	19%	574	468	23%
Other	23	27	6	56	159	75	51	84	-65%	-34%	290	211	37%
Total Non-Personnel Related Expenses	340	332	299	971	1,094	1,002	997	979	-11%	-1%	3,067	2,754	11%
Total Non-Interest Expenses	1,061	880	981	2,921	3,419	2,843	3,161	3,103	-15%	-6%	9,183	10,084	-9%
Income before Taxes	(340)	(1,550)	(3,954)	(5,843)	(4,087)	663	1,229	1,205	43%	nm	(9,267)	4,783	nm
Taxes	(102)	(465)	(1,337)	(1,904)	(1,313)	174	343	319	45%	nm	(3,043)	1,478	nm
Net Income	(238)	(1,085)	(2,616)	(3,939)	(2,774)	489	886	887	42%	nm	(6,224)	3,306	nm
Preferred Dividends	50	56	56	163	99	24	17	17	65%	nm	286	50	nm
Net Income Applicable to Common Stock	(288)	(1,141)	(2,673)	(4,102)	(2,873)	465	870	870	43%	nm	(6,510)	3,255	nm
Earnings Per Common Share	(\$0.44)	(\$1.61)	(\$3.76)	(\$5.94)	(\$5.14)	\$0.81	\$1.54	\$1.54	16%	nm	(\$10.83)	\$5.71	nm
First Call Estimates				(\$2.58)	(\$0.38)	\$0.72	\$1.42	\$1.47	nm	nm	\$0.00	\$5.31	-100%
Common Shares Used for EPS Calc	654.3	707.6	710.5	691.2	559.3	572.8	563.7	565.8	24%	22%	600.9	569.8	5%
Avg Common Equity (in Millions)	21,179	22,554	20,736	19,360	20,560	21,617	21,018	20,336	-6%	-5%	20,328	19,419	5%
Return on Common Equity	nm	nm	nm	nm	-55.9%	8.6%	16.6%	17.1%	nm	nm	-42.7%	22.4%	-65%
Avg Common Tangible Equity (in Millions)	17,079	18,457	16,645	15,267	16,454	17,497	16,901	16,456	-7%	-7%	16,222	15,756	3%
Return on Tangible Equity	nm	nm	nm	nm	-69.8%	10.6%	20.6%	21.1%	nm	nm	-53.5%	27.5%	-81%
Pretax Margin	nm	nm	nm	nm	0.0%	18.9%	28.0%	28.0%	nm	nm	nm	32.2%	nm
Tax Rate	30.0%	30.0%	33.8%	32.6%	32.1%	26.3%	27.9%	26.4%	0%	6%	32.8%	30.9%	1.9%
Headcount (period end)	26,021	26,172	25,935	25,935	26,189	28,088	28,556	28,783	-1%	-10%	25,935	28,783	-10%
Compensation & Benefits Ratio	nm	nm	nm	nm	-348.1%	52.5%	49.3%	49.3%	nm	nm	nm	49.3%	nm
Non-Personnel Expense / Revenue	nm	nm	nm	nm	-163.8%	28.6%	22.7%	22.7%	nm	nm	nm	18.5%	nm
Annualized NPE / Avg Head (\$Thousands)	156.9	152.1	138.2	149.7	167.1	142.8	139.6	136.0	-10%	10%	157.7	127.6	24%
Stock Price	\$19.81	\$17.34	\$16.09	\$16.09	\$36.81	\$50.99	\$62.63	\$54.83	-56%	-71%	\$16.09	\$54.83	-71%
Price to Earnings	nm	nm	nm	nm	0.0x	15.7x	10.1x	8.9x	nm	nm	-1.1x	7.2x	-8.3x
Book Value / Share	\$32.61	\$31.14	\$27.27	\$27.27	\$34.21	\$39.45	\$39.44	\$38.29	-20%	-29%	\$27.27	\$38.29	-29%
Price to Book Value	0.6x	0.6x	0.6x	0.6x	1.1x	1.3x	1.6x	1.4x	-0.5x	-0.8x	0.6x	1.4x	-0.8x
Non-US / Total Revenue	32%	12%	33%	29%	57%	62%	62%	53%	-28%	-24%	0%	46%	nm

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LEHMAN BROTHERS

Overview Q3 2008

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Segments

Segment Revenues	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
(<i>\$ in millions</i>)									Q2 '08	Q3 '07	2008	2007	vs. YTD '07
Investment Banking:													
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%
Investment Banking Revenues	228	250	133	611	858	867	831	1,071	-29%	-43%	2,336	3,071	-24%
Capital Markets:													
Fixed Income	133	(1,425)	(3,334)	(4,625)	(2,975)	262	727	1,058	55%	nm	(7,339)	5,132	nm
Equities	105	260	93	458	601	1,410	2,000	1,377	-24%	-67%	2,469	4,398	-44%
Capital Markets Revenues	238	(1,165)	(3,241)	(4,168)	(2,374)	1,672	2,727	2,435	76%	nm	(4,870)	9,530	nm
Investment Management:													
Asset Management	147	145	68	360	496	618	533	468	-27%	-23%	1,474	1,344	10%
Private Investment Management	107	100	67	274	352	351	299	334	-22%	-18%	977	922	6%
Investment Management Revenues	254	244	135	634	848	968	832	802	-25%	-21%	2,451	2,265	8%
Total Lehman Revenues	721	(670)	(2,973)	(2,922)	(668)	3,507	4,391	4,308	nm	nm	(84)	14,867	nm

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LEHMAN BROTHERS

Overview - Q3 2008

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BPM Revenues

LEHMAN BROTHERS (POST-NBM)

FIXED INCOME	
Global Rates	
COO	
HG Credit	
High Yield	
Total Credit Products	
Real Estate	
SP Trading	
SP Origination	
Securitized Products	
Municipals	
Commodities Trading	
Foreign Exchange	
FID Prime Services	
FID Corporate	
FID Support	
TOTAL FID	
EQUITIES	
Liquid Markets Americas	
Execution Services Europe	
Execution Services Asia	
Execution Services India	
Total Execution Services / Liquid Markets	
Flow Volatility	
Structured Volatility	
Prop / Risk Volatility	
Global Volatility	
Convertibles	
Equities Strategies	
Equities Prime Services	
Equities Support	
Equities Corporate	
TOTAL EQUITIES	
INVESTMENT BANKING	
Advisory	
Equities Origination	
Leveraged Finance	
Debt Origination	
Real Estate	
Other Origination	
Total Debt Capital Markets	
TOTAL INVESTMENT BANKING	
IMD	
Asset Management	
Private Equity	
PIM	
PIM ELIMINATION	
AM Seed Investments	
Principal Inventory	
PE Warehouse	
TOTAL IMD	
PRINCIPAL INVESTMENTS	
Global Trading Strategies	
Global Principal Strategies	
Investment Management Principal	
Private Equity Principal	
Asset Management Principal	
Minority Stakes Investments	
Total Investment Management Principal	
Global Opportunities Group	
Corporate & Other Principal Investments	
TOTAL PRINCIPAL INVESTMENTS	
NON CORE	
Non Core / Other	
PIM Offset	
Banking Offset	
TOTAL NONCORE	
TOTAL LEHMAN	

QUARTER TO DATE						
Q3 '08	Q2 '08	% DIFF	\$ DIFF	Q3 '07	% DIFF	\$ DIFF
87.2	(145.8)	167%	233.0	539.0	-88%	(610.8)
20.7	72.4	-71%	(51.7)	102.0	-80%	(81.4)
416.4	219.1	90%	197.2	10.0	n/m	406.4
(13.1)	(48.4)	73%	35.3	116.3	-111%	(129.4)
423.9	243.1	74%	180.8	228.3	88%	193.7
(2,322.9)	(1,453.8)	-40%	(874.4)	423.7	n/m	(2,451.7)
(3,785.6)	(1,413.7)	-157%	(2,365.9)	(18.8)	n/m	(2,766.9)
(850.2)	(148.7)	-343%	(503.5)	94.4	n/m	(744.6)
(4,435.8)	(1,565.4)	-183%	(2,869.4)	75.6	n/m	(4,511.5)
(18.3)	333.6	-105%	(412.0)	1.2	n/m	(19.5)
38.5	153.6	-36%	(55.1)	123.4	-20%	(24.9)
170.3	33.8	404%	136.5	36.5	77%	72.3
283.3	282.2	0%	1.2	257.2	10%	26.1
512.2	(76.7)	n/m	588.8	(825.5)	192%	1,127.5
(0.9)	(2.1)	58%	1.2	0.2	-472%	(7.1)
(4,907.6)	(2,138.2)	-130%	(2,769.4)	1,278.6	-484%	(6,186.2)
410.6	500.3	-18%	(89.7)	542.3	-24%	(131.6)
122.5	179.0	-32%	(56.5)	126.6	-3%	(4.1)
38.3	48.8	-22%	(10.5)	55.2	-31%	(16.9)
0.0	0.0	-66%	(0.0)	0.0	n/m	0.0
571.4	728.1	-22%	(156.7)	724.1	-21%	(152.7)
9.5	(25.2)	138%	34.7	1,272.5	-99%	(1,262.9)
(297.9)	(159.8)	-87%	(138.9)	728.6	-141%	(1,026.2)
102.0	(2.8)	n/m	104.9	(1,453.2)	107%	1,557.2
(186.1)	(188.8)	0%	0.7	545.3	-134%	(731.9)
(32.8)	87.4	-138%	(120.3)	(19.6)	-68%	(13.3)
33.9	115.2	-32%	(22.3)	103.9	-24%	(25.9)
244.5	403.8	-39%	(159.3)	263.1	-9%	(24.6)
(1.3)	0.7	-286%	(2.0)	(4.1)	69%	2.8
(24.5)	(85.1)	62%	40.6	(118.5)	79%	84.1
654.1	1,033.4	-40%	(429.3)	1,508.7	-57%	(851.8)
229.3	235.5	-3%	(6.1)	430.2	-47%	(200.8)
304.2	468.8	-35%	(164.7)	355.8	-15%	(51.6)
107.5	80.7	20%	27.8	(574.3)	119%	691.7
144.1	198.1	-27%	(54.0)	135.6	-28%	(51.5)
(445.0)	(370.0)	-20%	(74.8)	65.2	n/m	(510.2)
(158.3)	(81.7)	81%	66.4	(225.1)	30%	66.8
(351.5)	(301.8)	61%	550.3	(538.5)	35%	186.8
181.9	(137.6)	182%	379.5	247.5	-27%	(65.0)
330.3	331.7	0%	(1.4)	324.6	2%	5.7
89.7	98.7	1%	1.1	115.0	-13%	(15.3)
241.4	440.0	-22%	(98.6)	410.6	-17%	(69.3)
(61.2)	(80.2)	24%	19.0	(67.0)	9%	5.8
(30.8)	(28.6)	-16%	(4.3)	(79.5)	61%	48.8
(38.7)	(300.8)	87%	262.1	(9.5)	-308%	(28.2)
(92.3)	(136.7)	32%	44.4	(30.2)	-206%	(62.1)
548.2	326.0	68%	222.2	664.0	-17%	(115.8)
(426.0)	(207.0)	-106%	(219.0)	(92.7)	-360%	(333.3)
(75.9)	(158.1)	52%	62.1	(91.3)	17%	15.4
(124.5)	16.7	n/m	(141.3)	95.4	-231%	(220.0)
(9.3)	(136.6)	93%	127.5	(24.1)	61%	14.8
(58.7)	70.6	-183%	(129.3)	39.0	-251%	(97.7)
(192.6)	(49.5)	-289%	(143.1)	110.3	-275%	(302.9)
2.2	25.6	-91%	(23.4)	(11.3)	120%	13.5
27.3	33.2	-16%	(5.9)	5.0	450%	22.3
(665.0)	(356.7)	-87%	(308.3)	(88.0)	n/m	(665.0)
1,547.8	802.6	83%	745.2	877.8	58%	570.1
(280.2)	(359.8)	22%	79.6	(343.6)	18%	63.5
(1.7)	171.4	-104%	(173.0)	58.2	-103%	(59.8)
1,265.9	614.2	106%	651.6	692.3	81%	573.7
(2,922.3)	(667.9)	-338%	(2,254.4)	4,308.1	-166%	(7,230.4)

YEAR TO DATE			
AUGUST YTD 2008	AUGUST YTD 2007	% DIFF	\$ DIFF
942.2	1,382.8	-32%	(440.5)
212.7	448.7	-53%	(236.0)
1,301.5	553.1	135%	748.3
379.8	966.7	-61%	(586.9)
1,894.0	1,969.5	-4%	(74.5)
(4,768.4)	1,507.4	-412%	(6,215.5)
(5,385.4)	447.3	n/m	(5,832.7)
(856.9)	278.3	-408%	(1,135.1)
(6,242.2)	725.6	n/m	(6,967.8)
169.2	149.9	13%	19.3
304.5	151.7	101%	152.8
412.4	275.3	50%	137.1
934.8	590.6	81%	354.2
330.7	(1,085.0)	130%	1,415.7
(2.9)	0.2	n/m	(3.0)
(5,965.4)	5,656.8	-205%	(11,622.3)
1,395.9	1,252.0	11%	143.9
478.3	602.8	-21%	(124.5)
200.2	208.1	-4%	(7.9)
0.1	0.0	n/m	0.0
2,074.4	2,062.9	1%	11.6
79.3	1,327.3	-94%	(1,248.0)
(151.3)	(78.1)	-94%	(73.1)
50.9	180.3	-72%	(129.4)
(21.1)	1,429.5	-101%	(1,450.5)
77.9	83.1	-15%	(15.3)
282.4	388.9	-25%	(99.5)
935.2	909.3	3%	26.0
(2.4)	(2.1)	-13%	(0.3)
(204.7)	(288.0)	28%	83.2
3,151.8	4,692.6	-31%	(1,441.8)
804.3	866.3	-17%	(62.0)
1,028.8	991.6	5%	46.2
276.0	(58.2)	n/m	334.2
587.9	587.0	0%	0.9
(1,003.5)	238.6	n/m	(1,242.1)
(1,591.2)	(281.5)	-448%	(1,299.7)
(1,730.8)	475.9	-464%	(2,206.7)
103.3	2,423.7	-96%	(2,320.5)
(0.0)			
1,005.6	942.2	7%	63.4
290.9	284.3	2%	6.6
1,214.5	1,119.1	8%	95.3
(203.0)	(167.6)	-21%	(35.3)
(164.4)	(28.3)	n/m	(138.1)
(115.8)	(9.4)	n/m	(706.2)
(246.2)	(46.4)	-431%	(199.8)
1,181.7	2,096.8	-44%	(914.1)
(299.2)	246.5	-221%	(545.7)
(394.4)	192.4	-306%	(586.8)
(301.6)	285.0	-206%	(566.6)
(185.1)	9.9	n/m	(195.0)
183.2	116.7	57%	66.5
(303.5)	411.6	-174%	(715.1)
70.6	(11.3)	n/m	81.9
58.0	38.8	44%	17.2
(870.4)	870.0	-139%	(1,740.4)
3,171.2	958.0	232%	2,216.2
(1,011.5)	(861.5)	-6%	(60.0)
255.8	(784.5)	133%	1,040.3
2,415.5	(781.1)	409%	3,196.5
16.4	14,886.9	-100%	(14,850.5)

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Overview Q3 2008

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BPM to Segment Bridge

	Capital Markets			
	Fixed Income	Equities	Capital Markets	
BPM	(4,923)	669	(4,254)	
Underwriting Fees	(34)	(173)	(207)	Transfer FID & EQ's portion of origination fees to IBD Segment
Munis	(53)	-	(53)	
Banking Principal Transactions	(351)	2	(349)	IBD's Trading P&L (net of banking offset)
Banking Net Interest	(2)	(1)	(3)	
AM/Other Banking	-	1	1	
Banking Adjustments	(440)	(171)	(611)	
Global Trading Strategies	(226)	(198)	(426)	FID: GMAC/ABX; EQ: KSK
Global Principal Strategies	(75)	(1)	(76)	R3
Direct Principal Investments	-	27	27	Mark up on TXU \$61mm offset by a loss on Gulfmark \$(25mm)
Global Opportunities Group	-	2	2	
Asset Management Principal	(38)	(32)	(70)	FID: MTM on Resi inventory from bailed funds; EQ: Losses on Seed investments, BlueBay
Private Equity Principal	(95)	(122)	(217)	FID: MTM on RE direct investments; EQ: losses in MLP funds
Principal Adjustments	(436)	(323)	(759)	
PIM	(129)	(142)	(271)	Moved to IMD Segment
Firm Relationship Loans	(6)	6	-	Transfer FRLs P&L from EQ to FID (In segment, FID gets all FRLs P&L)
Credit Spread	1,070	357	1,426	75 / 25 Split
CDS Trade	42	-	42	
Credit Reserve	85	9	95	90 / 10 Split
Valuation	(5)	35	30	FID: ARS; EQ: Release EQ Vol reserves (EQ BPM taking the loss now)
Structured Trades	12	1	12	
Banking Trades	(18)	-	(18)	
Asia EQ Fx	-	(22)	(22)	
Other	123	38	160	Other residual Treasury P&L
Non-Core Adjustments	1,309	419	1,728	
Segment	(4,625)	458	(4,168)	

	Banking
BPM	182
Banking Offset	(2)
Banking 50%	180
Underwriting Fees	207
Munis	53
Other Banking	-
Capital Markets Banking	260
Principal transactions to FID	351
Principal transactions to Equity	(2)
Subtotal Principal Transactions	349
Banking Net Interest	3
AM/Other Banking	(1)
Non-Core	(180)
Segment	611

	Investment Mgmt
BPM *	75
PIM	271
AM Seed and Strategic	67
AM Performance Fees	-
AM Management Fees	3
Asset Management Principal	70
Private Equity Principal	217
IMD Principal Adjustments	287
Segment	634

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

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Regional BPM to Segment Bridge

Americas					
	Jun	Jul	Aug	Q3	FY
BPM	590	(326)	(1,786)	(1,522)	311
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)

Americas Segment	495	(568)	(1,974)	(2,047)	(875)
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Europe					
	Jun	Jul	Aug	Q3	FY
BPM	(14)	(159)	(1,091)	(1,264)	(1,507)
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

Europe Segment	58	16	(934)	(860)	(599)
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Asia					
	Jun	Jul	Aug	Q3	FY
BPM	145	(185)	(96)	(136)	1,113
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

Asia Segment	168	(119)	(64)	(14)	1,391
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Global BPM	721	(670)	(2,972)	(2,922)	(83)
Global Segment	721	(670)	(2,972)	(2,922)	(83)

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Segments Trend by Region

GLOBAL										
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	FY '07	FY '06
Debt	72	107	41	220	288	322	233	350	1,551	1,424
Equity	77	59	23	160	330	214	210	296	1,015	815
Advisory	79	84	69	231	240	330	388	425	1,336	921
Attributable	0	0	0	0	0	(0)	(0)	(0)	-	0
Investment Banking Revenue	228	250	133	611	858	867	831	1,071	3,903	3,160
Fixed Income	133	(1,425)	(3,334)	(4,625)	(2,975)	262	727	1,058	5,859	8,447
Equity	105	260	93	458	601	1,410	2,000	1,377	6,398	3,559
Attributable	0	0	(0)	0	(0)	(0)	0	(0)	(0)	(0)
Capital Markets Revenue	238	(1,165)	(3,241)	(4,168)	(2,374)	1,672	2,727	2,435	12,257	12,007
Asset Management	147	145	68	360	496	618	533	468	1,877	1,432
Private Investment Management	107	100	67	274	352	351	299	334	1,220	985
Attributable	-	-	-	0	-	-	-	-	-	-
Investment Management Revenue	254	244	135	634	848	968	832	802	3,097	2,417
Total Lehman Revenue	721	(670)	(2,973)	(2,922)	(668)	3,507	4,391	4,308	19,258	17,583
Expenses					3,419	2,843	3,161	3,103	13,245	11,678
Pre-Tax Operating Income					(4,087)	663	1,229	1,205	6,013	5,905
Pre-Tax Operating Margin %					mm	19%	28%	28%	31%	34%

AMERICAS										
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	FY '07	FY '06
Debt	48	89	33	170	190	230	180	236	1,133	1,066
Equity	22	38	22	81	274	138	141	174	695	609
Advisory	41	57	60	158	144	217	230	336	897	684
Attributable	(2)	(4)	(9)	(15)	(32)	(43)	(19)	(35)	(129)	(109)
Investment Banking Revenue	108	181	105	394	576	541	532	711	2,596	2,251
Fixed Income	140	(1,279)	(2,431)	(3,570)	(2,051)	(107)	249	326	3,003	5,663
Equity	92	365	289	746	681	337	408	534	2,160	1,610
Attributable	(52)	(40)	(29)	(121)	(157)	(171)	(164)	(130)	(570)	(442)
Capital Markets Revenue	180	(954)	(2,171)	(2,945)	(1,527)	59	493	730	4,594	6,831
Asset Management	132	129	45	306	442	536	455	365	1,599	1,295
Private Investment Management	74	76	47	197	282	262	246	277	1,027	869
Attributable	-	-	-	0	-	-	-	-	-	(8)
Investment Management Revenue	207	205	91	503	724	798	701	643	2,626	2,156
Total Lehman Revenue	495	(568)	(1,975)	(2,047)	(226)	1,399	1,726	2,084	9,816	11,238
Expenses					1,942	1,644	1,590	1,947	7,153	7,134
Pre-Tax Operating Income					(2,169)	(245)	137	137	2,664	4,104
Pre-Tax Operating Margin %					mm	-18%	8%	7%	27%	36%

EUROPE & THE MIDDLE EAST										
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	FY '07	FY '06
Debt	21	12	5	38	57	73	35	96	330	309
Equity	56	20	2	77	51	58	51	99	245	181
Advisory	27	25	8	60	76	91	146	84	408	212
Attributable	2	3	9	14	27	42	14	32	117	97
Investment Banking Revenue	106	60	24	190	212	264	246	310	1,100	799
Fixed Income	(102)	(170)	(885)	(1,156)	(1,028)	(10)	104	381	1,497	1,805
Equity	(31)	57	(140)	(114)	86	211	998	552	2,807	1,317
Attributable	41	32	27	100	118	137	137	105	454	365
Capital Markets Revenue	(92)	(81)	(997)	(1,170)	(824)	338	1,239	1,038	4,758	3,487
Asset Management	12	12	18	42	45	74	70	94	256	131
Private Investment Management	32	26	21	78	68	84	48	54	182	111
Attributable	-	-	-	0	-	-	-	-	-	8
Investment Management Revenue	44	38	38	120	113	159	118	148	438	250
Total Lehman Revenue	58	16	(935)	(860)	(499)	760	1,603	1,496	6,296	4,536
Expenses					987	793	992	1,087	4,221	3,303
Pre-Tax Operating Income					(1,486)	(33)	611	410	2,075	1,233
Pre-Tax Operating Margin %					298%	-4%	38%	27%	33%	27%

ASIA-PACIFIC										
	Jun '08	Jul '08	Aug '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	FY '07	FY '06
Debt	3	6	5	12	41	19	18	18	89	49
Equity	0	1	(0)	1	5	19	18	23	75	24
Advisory	11	1	0	13	19	22	11	4	31	25
Attributable	0	0	0	1	5	2	5	4	11	12
Investment Banking Revenue	15	9	3	27	70	62	53	50	206	110
Fixed Income	95	24	(19)	101	103	378	374	350	1,359	979
Equity	44	(162)	(56)	(174)	(166)	862	594	291	1,431	633
Attributable	11	8	2	21	39	34	27	25	115	77
Capital Markets Revenue	150	(130)	(73)	(53)	(24)	1,274	995	667	2,906	1,689
Asset Management	3	3	6	12	9	7	8	9	22	6
Private Investment Management	1	(2)	0	-1	2	4	5	2	11	5
Attributable	-	-	-	0	-	-	-	-	-	-
Investment Management Revenue	4	1	6	11	11	12	13	12	33	11
Total Lehman Revenue	168	(119)	(64)	(14)	57	1,348	1,061	728	3,145	1,810
Expenses					489	634	526	426	1,860	1,241
Pre-Tax Operating Income					(432)	714	536	302	1,285	569
Pre-Tax Operating Margin %					-754%	53%	50%	41%	41%	31%

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GAAP Segments by Product

	Q3 '08 Trend				Quarter Trend				Δ %		YTD		Δ %		Records		2 Year Trend	
	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	Quarter	YTD	Full Year 2007	Full Year 2006	
INVESTMENT BANKING																		
Equity Underwriting	77	59	23	160	330	214	210	296	-52%	-46%	705	805	-12%	Q2 '07	Q3 '07	1,015	815	
Leveraged Finance	12	38	1	52	41	76	32	101	25%	-49%	169	544	-69%	Q2 '07	Q3 '07	576	519	
Debt Capital Markets	46	40	29	115	190	220	174	208	-39%	-45%	526	662	-21%	Q1 '06	Q3 '07	836	781	
Public Finance	13	29	11	53	57	26	27	41	-7%	29%	136	112	21%	Q2 '08	Q3 '08	139	125	
Total Debt Underwriting	72	107	41	220	288	322	233	350	-24%	-37%	830	1,318	-37%	Q2 '07	Q3 '07	1,551	1,424	
Financial Advisory	79	84	69	231	240	330	388	425	-3%	-46%	801	948	-16%	Q3 '07	Q3 '07	1,336	921	
Investment Banking Segment	228	250	133	611	858	867	831	1,071	-29%	-43%	2,336	3,071	-24%	Q2 '07	Q3 '07	3,903	3,160	
CAPITAL MARKETS:																		
EQUITIES																		
Total Execution Services	76	121	118	316	528	581	374	509	-40%	-38%	1,425	1,495	-5%	Q1 '08	Q3 '07	1,869	1,199	
Convertibles	(22)	(48)	(3)	(72)	(7)	(4)	28	(33)	n/a	121%	(83)	28	n/a	Q4 '06	Q3 '06	56	153	
Volatility	(62)	0	(155)	(216)	(161)	267	385	455	n/a	n/a	(111)	1,160	n/a	Q3 '07	Q3 '07	1,545	739	
Equity Strategies	44	21	19	83	115	94	131	63	-28%	32%	292	282	4%	Q1 '06	Q3 '08	413	225	
Equities Corporate	28	(16)	(22)	(11)	(80)	(149)	14	(31)	n/a	-66%	(240)	(70)	241%	Q3 '06	Q3 '06	(56)	26	
Equity Division Subtotal	64	78	(43)	99	336	789	932	963	-70%	-90%	1,225	2,894	-58%	Q2 '07	Q3 '07	3,827	2,343	
Equity Prime Services	97	78	69	244	390	271	226	283	-38%	-14%	905	852	6%	Q2 '08	Q3 '08	1,078	760	
Equity Including Prime Services	161	156	26	343	726	1,060	1,158	1,246	-53%	-72%	2,130	3,747	-43%	Q2 '07	Q3 '07	4,905	3,102	
Global Principal Strategies - Equity	(1)	(0)	-	(1)	2	3	14	7	n/a	n/a	4	9	-56%	Q4 '07	Q3 '07	23	-	
Global Trading Strategies - Equity	21	(185)	(35)	(198)	(195)	417	235	(116)	1%	71%	24	141	-83%	Q1 '08	Q3 '06	377	252	
Direct Principal Investments - Equity	(19)	49	(3)	27	33	(5)	19	(2)	-18%	n/a	56	18	215%	Q1 '05	Q3 '08	37	-	
Global Opportunities Group - Equity	(0)	9	(7)	-	26	43	(10)	(11)	n/a	n/a	68	(11)	n/a	Q1 '08	Q3 '08	(21)	-	
Private Equity - EQ	(35)	(51)	(36)	(122)	29	(211)	25	70	n/a	n/a	(304)	224	n/a	Q1 '07	Q3 '07	249	194	
Asset Management Investments	(29)	40	(44)	(32)	(151)	(87)	522	(106)	n/a	-70%	(270)	(43)	n/a	Q4 '07	-	479	-	
Equities Other	6	241	191	438	130	190	37	289	236%	52%	758	313	142%	Q3 '08	Q3 '08	350	11	
Total Equities Capital Markets	105	260	93	458	601	1,410	2,000	1,377	-24%	-67%	2,469	4,398	-44%	Q4 '07	Q3 '07	6,398	3,559	
FIXED INCOME																		
Interest Rate Products	48	101	(252)	(103)	(267)	962	303	624	-61%	n/a	592	1,220	-51%	Q1 '08	Q3 '07	1,523	1,255	
Foreign Exchange	47	32	67	147	8	218	78	71	n/a	107%	373	216	73%	Q1 '08	Q3 '08	294	217	
Liquid Markets	95	133	(185)	43	(259)	1,180	381	695	n/a	-94%	965	1,436	-33%	Q1 '08	Q3 '07	1,816	1,472	
CDO	33	7	(33)	7	54	36	(33)	104	-87%	-93%	96	380	-75%	Q2 '07	Q3 '07	348	261	
High Grade Credit	244	44	55	344	90	515	51	(87)	283%	n/a	948	181	424%	Q1 '08	Q3 '08	231	522	
High Yield	56	(48)	(103)	(95)	(390)	(140)	488	(630)	-76%	-85%	(624)	(79)	n/a	Q4 '07	Q3 '05	409	668	
Credit Products	333	3	(81)	256	(246)	410	506	(613)	n/a	n/a	420	483	-13%	Q1 '07	Q3 '06	988	1,451	
Securitized Products	(139)	(1,914)	(2,433)	(4,486)	(1,612)	(307)	(767)	37	178%	n/a	(6,405)	544	n/a	Q1 '05	Q3 '05	(224)	2,326	
Real Estate	(25)	(465)	(1,539)	(2,029)	(1,435)	(1,027)	(173)	308	n/a	n/a	(4,491)	1,206	n/a	Q3 '06	Q3 '06	1,033	1,723	
Municipal Bonds	(42)	(8)	(31)	(81)	318	(241)	57	(47)	n/a	72%	(4)	16	n/a	Q2 '08	Q3 '06	72	248	
Energy Trading	97	18	(17)	98	154	52	118	123	-36%	-20%	305	152	101%	Q2 '08	Q3 '08	270	28	
FID Corporate	(92)	51	552	511	(73)	(146)	18	(171)	n/a	n/a	292	(336)	n/a	Q3 '08	Q3 '08	(317)	(56)	
Fixed Income Subtotal	228	(2,182)	(3,734)	(5,687)	(3,154)	(77)	139	332	80%	n/a	(8,918)	3,499	n/a	Q2 '06	Q3 '06	3,638	7,192	
FID Prime Services	83	89	94	267	276	360	248	221	-3%	21%	903	546	65%	Q1 '08	Q3 '08	793	607	
FID Including Prime Services	311	(2,092)	(3,640)	(5,421)	(2,877)	283	387	554	88%	n/a	(8,015)	4,045	n/a	Q2 '06	Q3 '06	4,432	7,799	
Global Principal Strategies	(2)	(43)	(31)	(75)	(160)	(163)	(3)	(98)	-53%	-24%	(398)	183	n/a	Q1 '07	Q3 '07	180	159	
Global Trading Strategies - Distressed	(152)	(59)	(17)	(228)	(12)	(82)	15	23	n/a	n/a	(322)	95	n/a	Q4 '04	Q3 '06	110	166	
Private Equity - FID	18	(7)	(106)	-	(149)	(9)	-	-	n/a	n/a	(158)	-	n/a	Q4 '07	Q3 '08	-	-	
Asset Management Principal - FID	3	(8)	(33)	-	(312)	(440)	-	-	n/a	n/a	(752)	-	n/a	Q4 '07	Q3 '08	-	-	
FID Other	(45)	783	493	1,231	535	674	329	580	130%	112%	2,440	809	202%	Q3 '08	Q3 '08	1,157	324	
Total Fixed Income Capital Markets	133	(1,425)	(3,334)	(4,625)	(2,975)	262	727	1,058	n/a	n/a	(7,339)	5,132	n/a	Q2 '06	Q3 '06	5,859	8,447	
Total Capital Markets Segment	238	(1,165)	(3,241)	(4,168)	(2,374)	1,672	2,727	2,435	n/a	n/a	(4,870)	9,530	n/a	Q2 '07	Q3 '07	12,257	12,007	
INVESTMENT MANAGEMENT																		
Private Investment Management	107	100	67	274	352	351	299	334	-22%	-18%	977	922	6%	Q2 '08	Q3 '08	1,220	985	
Asset Management	116	113	31	260	398	525	443	370	-35%	-30%	1,182	1,120	6%	Q1 '08	Q3 '08	1,564	1,216	
Private Equity	31	32	37	100	99	93	90	98	1%	2%	291	223	30%	Q3 '08	Q3 '08	313	215	
Total Asset Management	147	145	68	360	496	618	533	468	-27%	-23%	1,474	1,344	10%	Q1 '08	Q3 '08	1,877	1,432	
Total IMD Segment	254	244	135	634	848	968	832	802	-25%	-21%	2,451	2,265	8%	Q1 '08	Q3 '08	3,097	2,417	
TOTAL LEHMAN	721	(670)	(2,973)	(2,922)	(668)	3,507	4,390	4,308	338%	n/a	(84)	14,867	n/a	Q2 '07	Q3 '07	19,257	17,583	

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LEHMAN BROTHERS

Overview Q3 2008

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Overview Quarterly Trend

GAAP Lines <i>(\$ in millions)</i>	2008			2007				2006				Full Year		
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06	2007	2006	2005
Revenues:														
Commissions	569	639	658	688	674	568	540	519	530	511	490	2,471	2,049	1,728
Principal Transactions	(5,284)	(3,442)	773	1,776	1,612	2,889	2,920	2,504	2,247	2,586	2,464	9,197	9,802	7,811
Investment Banking	611	858	867	831	1,071	1,150	850	858	726	741	835	3,903	3,160	2,894
Gross Interest and Dividend Income	5,982	7,771	9,635	11,136	10,910	10,558	9,089	8,900	7,867	7,330	6,189	41,693	30,285	19,043
Asset Management / Other	432	414	438	459	472	413	396	379	358	347	329	1,740	1,413	944
Total Revenues	2,311	6,240	12,370	14,890	14,740	15,579	13,795	13,160	11,727	11,515	10,307	59,003	46,709	32,420
Interest Expense	(5,233)	(6,908)	(8,863)	(10,500)	(10,432)	(10,067)	(8,749)	(8,627)	(7,549)	(5,846)	(5,846)	(39,746)	(29,126)	(17,790)
<i>Note: Net Interest and Dividends</i>	749	863	771	637	478	492	341	273	318	226	343	1,947	1,159	1,253
Net Revenues	(2,922)	(668)	3,507	4,390	4,308	5,512	5,047	4,533	4,178	4,411	4,461	19,257	17,583	14,630
Non-Interest Expenses:														
Compensation and Benefits	1,950	2,325	1,841	2,164	2,124	2,718	2,488	2,236	2,060	2,174	2,199	9,494	8,669	7,213
Business Development	68	87	89	103	91	100	84	90	77	74	60	378	301	234
Technology and Communications	309	309	302	311	282	287	265	260	247	239	228	1,145	973	834
Professional Fees	104	100	98	120	128	120	98	119	90	83	72	466	364	282
Brokerage and Clearance	232	252	253	240	224	201	194	167	164	158	141	859	629	548
Occupancy	202	188	185	173	170	152	146	129	128	139	141	641	537	490
Other	56	159	75	51	84	55	72	44	45	45	70	262	204	201
Total Non-Personnel Related Expenses	971	1,094	1,002	997	979	915	860	809	751	739	711	3,751	3,009	2,589
Total Non-Interest Expenses	2,921	3,419	2,843	3,161	3,103	3,633	3,348	3,044	2,811	2,913	2,910	13,245	11,678	9,801
Income before Taxes	(5,843)	(4,087)	663	1,229	1,205	1,879	1,699	1,489	1,367	1,498	1,551	6,013	5,905	4,829
Taxes	(1,904)	(1,313)	174	343	319	606	553	484	451	496	513	1,820	1,944	1,569
Net Income	(3,939)	(2,774)	489	886	887	1,273	1,146	1,004	916	1,002	1,086	4,192	4,007	3,260
Preferred Dividends	163	99	24	17	17	17	17	17	17	16	16	67	66	69
Net Income Applicable to Common Stock	(4,102)	(2,873)	465	870	870	1,256	1,129	987	899	986	1,070	4,125	3,941	3,191
Earnings Per Common Share	\$ (5.94)	\$ (5.14)	\$0.81	\$1.54	\$1.54	\$2.21	\$1.96	\$1.72	\$1.57	\$1.69	\$1.83	\$7.24	\$6.81	\$5.43
First Call Estimates	(\$2.58)	(\$0.38)	\$0.72	\$1.42	\$1.47	\$1.88	\$1.96	\$1.68	\$1.49	\$1.60	\$1.59	\$7.30	\$6.76	\$5.38
Common Shares Used for EPS Calc	691.2	559.3	572.8	563.7	565.8	568.1	575.4	573.1	573.3	582.759	584.2	569.8	578.4	587.2
Avg Common Equity (in Millions)	19,360	20,560	21,617	21,018	20,336	19,472	18,537	17,699	17,094	16,643	16,049	19,815	16,876	14,741
Return on Common Equity	-84.8%	-55.9%	8.6%	16.6%	17.1%	25.8%	24.4%	22.3%	21.0%	23.7%	26.7%	20.8%	23.4%	21.6%
Avg Common Tangible Equity (in Millions)	15,267	16,454	17,497	16,901	16,456	15,880	15,090	14,336	13,763	13,353	12,780	16,059	13,564	11,469
Return on Tangible Equity	-107.5%	-69.8%	10.6%	20.6%	21.1%	31.6%	29.9%	27.6%	26.1%	29.5%	33.5%	25.7%	29.1%	27.8%
Pretax Margin	200.0%	nm	18.9%	28.0%	28.0%	34.1%	33.7%	32.8%	32.7%	34.0%	34.8%	31.2%	33.6%	33.0%
Tax Rate	32.6%	32.1%	26.3%	27.9%	26.4%	32.3%	32.5%	32.5%	33.0%	33.1%	33.1%	30.3%	32.9%	32.5%
Headcount (period end)	25,935	26,189	28,088	28,556	28,783	28,323	27,090	25,936	24,775	23,387	22,919	28,556	25,936	22,919
Compensation & Benefits Ratio	-66.7%	-348.1%	52.5%	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%
Non-Personnel Expense / Revenue	-33.2%	-163.8%	28.6%	22.7%	22.7%	16.6%	17.0%	17.8%	18.0%	16.7%	15.9%	19.5%	17.1%	17.7%
Annualized NPE / Avg Head (\$Thousands)	149.7	167.1	142.8	139.6	136.0	129.3	127.0	124.8	121.3	126.3	124.0	131.4	116.0	112.9
Stock Price	\$16.09	\$36.81	\$50.99	\$62.63	\$54.83	\$73.38	\$73.31	\$73.67	\$63.81	\$66.61	\$72.98	\$62.63	\$73.67	\$63.00
Price to Earnings	-0.7x	nm	15.7x	10.1x	8.9x	8.3x	9.3x	10.7x	10.2x	9.8x	10.0x	8.7x	10.8x	11.6x
Book Value / Share	27.27	34.21	\$39.45	\$39.44	\$38.29	\$37.15	\$35.15	\$33.87	\$32.16	\$31.08	\$30.01	\$39.57	\$33.87	\$28.75
Price to Book Value	0.6x	1.1x	1.3x	1.6x	1.4x	2.0x	2.1x	2.2x	2.0x	2.1x	2.4x	1.6x	2.2x	2.2x
Tangible Book Value/Share	\$21.54	\$26.93	\$32.02	\$31.83	\$30.67	\$30.37	\$28.59	\$27.58	\$25.91	\$25.02	\$24.00	\$31.84	\$27.58	\$22.78
Price to Tangible Book Value	0.7x	1.4x	1.6x	2.0x	1.8x	2.4x	2.6x	2.7x	2.5x	2.7x	3.0x	2.0x	2.7x	2.8x
Non-US / Total Revenue	30%	57%	62%	62%	53%	48%	40%	34%	38%	36%	39%	50%	37%	37%

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Segment Quarterly Trend

Segment Revenues (\$ in millions)	2008			2007				2006				Full Year		
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06	2007	2006	2005
Investment Banking:														
Debt	220	288	322	233	350	540	428	378	348	289	410	1,551	1,424	1,304
Equity	160	330	214	210	296	334	175	224	183	208	199	1,015	815	824
Advisory	231	240	330	388	425	277	247	256	195	244	226	1,336	921	766
Investment Banking Revenues	611	858	867	831	1,071	1,150	850	858	726	741	835	3,903	3,160	2,894
Pre-Tax Operating Income		193	182	207	288	338	189	135	131	164	230	1,022	660	856
Pre-Tax Operating Margin %		22.4%	21.0%	24.9%	26.9%	29.4%	22.2%	15.7%	18.1%	22.1%	27.6%	26.2%	20.9%	29.6%
Capital Markets:														
Fixed Income	(4,625)	(2,975)	262	727	1,058	1,901	2,172	2,135	2,010	2,200	2,102	5,859	8,447	7,334
Equities	458	601	1,410	2,000	1,377	1,692	1,329	900	837	878	944	6,398	3,559	2,473
Capital Markets Revenues	(4,168)	(2,374)	1,672	2,727	2,435	3,594	3,502	3,035	2,847	3,078	3,046	12,257	12,007	9,807
Pre-Tax Operating Income		(4,509)	237	761	715	1,354	1,369	1,191	1,114	1,213	1,202	4,199	4,720	3,570
Pre-Tax Operating Margin %		nm	14.2%	27.9%	29.4%	37.7%	39.1%	39.2%	39.1%	39.4%	39.5%	34.3%	39.3%	36.4%
Investment Management:														
Asset Management	360	496	618	533	468	460	416	368	349	347	368	1,877	1,432	1,026
Private Investment Management	274	352	351	299	334	308	279	272	256	245	212	1,220	985	903
Investment Management Revenues	634	848	968	832	802	768	695	640	605	592	580	3,097	2,417	1,929
Pre-Tax Operating Income		229	245	261	202	188	141	163	122	121	119	791	525	403
Pre-Tax Operating Margin %		27.1%	25.3%	31.4%	25.2%	24.4%	20.3%	25.5%	20.1%	20.5%	20.6%	25.6%	21.7%	20.9%
Total Lehman Revenues	(2,922)	(668)	3,507	4,391	4,308	5,512	5,047	4,533	4,178	4,411	4,461	19,258	17,583	14,631

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LEHMAN BROTHERS

Overview Q3 2008

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Segment Products Quarterly Trend

	2008			2007				2006				Full Year		
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06	2007	2006	2005
INVESTMENT BANKING														
Equity Underwriting	160	330	214	210	296	334	175	224	183	208	199	1,015	815	824
Leveraged Finance	52	41	76	32	101	274	169	135	143	104	137	576	519	432
Debt Capital Markets	115	190	220	174	208	224	230	212	175	146	248	836	781	730
Public Finance	53	57	26	27	41	42	30	31	30	38	26	139	125	141
Total Debt Underwriting	220	288	322	233	350	540	428	378	348	289	410	1,551	1,424	1,304
Financial Advisory	231	240	330	388	425	277	247	256	195	244	226	1,336	921	765
Investment Banking Segment	611	858	867	831	1,071	1,150	850	858	726	741	835	3,903	3,160	2,894
CAPITAL MARKETS:														
EQUITIES														
Total Execution Services	316	528	581	374	509	525	461	340	253	413	193	1,869	1,199	990
Convertibles	(72)	(7)	(4)	28	(33)	12	49	62	10	30	51	56	153	16
Volatility	(216)	(161)	267	385	455	435	270	117	103	229	289	1,545	739	499
Equity Strategies	83	115	94	131	63	140	79	21	22	39	143	413	225	157
Equities Corporate	(11)	(80)	(149)	14	(31)	(22)	(17)	19	72	(35)	(30)	(56)	26	(46)
Equity Division Subtotal	99	336	789	932	963	1,090	842	559	460	675	648	3,827	2,343	1,623
Equity Prime Services	244	390	271	226	283	371	198	200	234	194	131	1,078	760	606
Equity Including Prime Services	343	726	1,060	1,158	1,246	1,461	1,039	759	695	870	779	4,905	3,102	2,229
Global Principal Strategies - Equity	(1)	2	3	14	7	2	-	-	-	-	-	23	-	-
Global Trading Strategies - Equity	(198)	(195)	417	235	(116)	144	65	65	37	13	137	377	252	63
Direct Principal Investments - Equity	27	33	(5)	19	(2)	23	(2)	-	-	-	-	37	-	-
Global Opportunities Group - Equity	-	26	43	(10)	(11)	-	-	-	-	-	-	-	(21)	-
Private Equity - EQ	(122)	29	(211)	25	70	76	78	71	54	21	48	249	194	159
Asset Management Investments	(32)	(151)	(87)	522	(106)	49	14	-	-	-	-	479	-	-
Equities Other	438	130	190	37	289	(31)	56	5	51	(26)	(20)	350	11	23
Total Equities Segment	458	601	1,410	2,000	1,377	1,692	1,329	900	837	878	944	6,398	3,559	2,474
FIXED INCOME														
Interest Rate Products	(103)	(267)	962	303	624	364	231	150	198	362	545	1,523	1,255	1,216
Foreign Exchange	147	8	218	78	71	58	87	19	77	37	83	294	217	212
Liquid Markets	43	(259)	1,180	381	695	422	318	170	275	399	628	1,816	1,472	1,428
CDO	7	54	36	(33)	104	177	100	54	83	99	25	348	261	164
High Grade Credit	344	90	515	51	(87)	79	189	86	78	117	241	231	522	387
High Yield	(95)	(390)	(140)	488	(630)	210	342	283	12	184	188	409	668	560
Credit Products	256	(246)	410	506	(613)	466	631	424	173	401	453	988	1,451	1,111
Securitized Products	(4,486)	(1,612)	(307)	(767)	37	213	293	580	551	772	423	(224)	2,326	2,754
Real Estate	(2,029)	(1,435)	(1,027)	(173)	308	487	410	307	611	430	375	1,033	1,723	1,601
Municipal Bonds	(81)	318	(241)	57	(47)	8	55	38	22	106	82	72	248	228
Energy Trading	98	154	52	118	123	16	13	6	(1)	15	8	270	28	-
FID Corporate	511	(73)	(146)	18	(171)	(92)	(72)	63	(15)	(84)	(20)	(317)	(56)	(180)
Fixed Income Subtotal	(5,687)	(3,154)	(77)	139	332	1,519	1,647	1,588	1,615	2,039	1,950	3,638	7,192	6,942
FID Prime Services	267	276	360	248	221	157	167	166	148	163	130	793	607	487
FID Including Prime Services	(5,421)	(2,877)	283	387	554	1,677	1,815	1,754	1,763	2,202	2,080	4,432	7,799	7,429
Global Principal Strategies	(75)	(160)	(163)	(3)	(98)	109	173	114	45	-	-	180	159	(9)
Global Trading Strategies - Distressed	(228)	(12)	(82)	15	23	5	68	62	55	32	17	110	166	(9)
Private Equity - FID	-	(149)	(9)	-	-	-	-	-	-	-	-	-	-	-
Asset Management Principal - FID	-	(312)	(440)	-	-	-	-	-	-	-	-	-	-	-
FID Other	1,231	535	674	329	580	112	117	205	148	(34)	5	1,137	324	(87)
Total Fixed Income Segment	(4,625)	(2,975)	262	727	1,058	1,901	2,172	2,135	2,010	2,200	2,102	5,859	8,447	7,334
Total Capital Markets Segment	(4,168)	(2,374)	1,672	2,727	2,435	3,594	3,502	3,035	2,847	3,078	3,046	12,257	12,007	9,807
INVESTMENT MANAGEMENT														
Private Investment Management	274	352	351	299	334	308	279	272	256	245	212	1,220	985	903
Asset Management	260	398	525	443	370	396	355	321	286	301	308	1,564	1,216	878
Private Equity	100	99	93	90	98	64	61	47	63	46	60	313	215	148
Total Asset Management	360	496	618	533	468	460	416	368	349	347	368	1,877	1,432	1,026
Total IMD Segment	634	848	968	832	802	768	695	640	605	592	580	3,097	2,417	1,929
TOTAL LEHMAN	(2,922)	(668)	3,507	4,390	4,308	5,512	5,047	4,533	4,178	4,411	4,461	19,257	17,583	14,630

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LEHMAN BROTHERS

Overview - Q3 2008

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II. Liquidity, B/S & Cap.

Balance Sheet and Capital Trend

	2008				2007			
	Q3 '08	Q2 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07
		Proforma*						
ASSETS:								
Gross Assets	603,443	645,432	639,432	786,035	691,063	659,216	605,861	562,283
Less:								
Segregated Cash & Securities	13,446	13,031	13,031	16,569	12,743	10,579	7,154	6,293
Reverse Repos	177,724	169,684	169,684	210,166	162,635	144,774	130,953	131,896
Securities borrowed	97,813	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
Net Assets	310,375	333,774	327,774	396,673	372,959	357,102	337,667	300,797
LONG-TERM CAPITAL:								
Senior Notes	96,559	110,553	110,553	112,128	108,914	106,807	91,433	83,536
Subordinated Notes	12,089	12,625	12,625	11,181	9,259	8,610	4,864	4,226
Junior Subordinated Notes (Trust Preferreds, ECAPs etc)	4,923	5,004	5,004	4,976	4,977	4,914	4,522	3,013
Long-Term Debt (Excluding Current Portion)	113,571	128,182	128,182	128,285	123,150	120,331	100,819	90,775
Common Stockholders' Equity	19,439	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
Total Stockholders' Equity	28,431	32,276	26,276	24,832	22,490	21,733	21,129	20,005
Total Long-Term Capital	142,003	160,458	154,458	153,116	145,640	142,064	121,948	110,780
Tangible Equity Capital:								
Total Stockholders' Equity	28,431	32,276	26,276	24,832	22,490	21,733	21,129	20,005
Junior Subordinated Notes	4,923	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)	-
Tangible Equity Capital	29,270	33,179	27,179	25,696	23,103	22,164	21,881	19,488
Gross Leverage	21.2x	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
Common Equity	19,439	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
Book Value per Share	\$27.27	\$32.95	\$34.21	\$39.45	\$39.44	\$38.29	\$37.15	\$35.15
Book Value per Share Qtr over Qtr % Δ	-20.3%	-16.5%	-13.3%	0.0%	3.0%	3.1%	5.7%	3.8%
Book Value per Share YTD % Δ	-30.8%	-16.4%	-13.3%	0.0%	16.4%	13.0%	9.7%	3.8%
Tangible Common Equity	15,354	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
Tangible Book Value per Share	\$21.54	\$27.15	\$26.93	\$32.02	\$31.83	\$30.67	\$30.37	\$28.59

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

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LEHMAN BROTHERS

Balance Sheet/Capital – Q3 2008

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Detailed Capital Trend

	Quarter Trend					YTD	YTD
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	2008	2007
Change in LT Debt (\$ billions)							
Beginning LT Debt (ex Current Portion)	128.2	128.3	123.2	120.3	100.8	123.2	81.2
New Issues (see page 12)	3.3	14.6	18.2	17.8	28.5	36.1	65.9
Rolling Into Current Portion/Buybacks	(12.3) (1)	(14.0)	(14.2)	(14.5)	(10.3)	(40.5)	(27.2)
FAS / FX Adjustments	(5.6) (2)	(0.6)	1.1	(0.5)	1.3	(5.2)	0.4
Net Change in Long Term Debt	(14.6)	(0.1)	5.1	2.8	19.5	(9.6)	39.2
Ending LT Debt (ex Current Portion)	113.6	128.2	128.3	123.2	120.3	113.6	120.3
Change in Stockholders' Equity (\$ millions)							
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)	(1)	45
FAS 158 Adjustment	-	-	-	(210)	-	-	-
Issuance of Common Stock	4,004	-	-	-	-	4,004	-
Net Income	(3,939)	(2,774)	489	886	887	(6,224)	3,306
Net Changes to Common Equity	155	(2,556)	622	758	604	(1,779)	2,474
Total Common Stockholders' Equity	19,439	19,283	21,839	21,395	20,638	19,439	20,638
Preferred Stock	8,993	6,993	1,095	1,095	1,095	8,993	1,095
Total Stockholders' Equity	28,431	26,276	22,934	22,490	21,733	28,431	21,733
Total Long-Term Capital	142,003	154,458	151,219	145,640	142,064	142,003	142,064

(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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Balance Sheet - Capital - Q3 2008

2

Common Stock Equivalents for EPS

		Weighted Shares for EPS						
		3Q08	2Q08	1Q08	Q407	YTD @ 3Q08	FY 07	FY 06
Common Stock Equivalents								
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
Options								
# 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
RSUs								
# 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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Balance Sheet/Capital – O3 2008

3

Shares Outstanding & 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

Ending Shares for Book Value (Basic Shares)												
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 mil 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 mil 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 - Capital - Q3 2008

4

Balance Sheet – Gross and Net Assets

Month End Gross Assets

Lehman Brothers Balance Sheet Consolidated	Draft 4 v2 Aug-08	Final May-08	Quarterly Inc/(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	61,292	(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	8,962	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%
Total FID	380,402	370,346	10,057	2.72%
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	43,263	49,994	(6,731)	-13.46%
Total Equity Prime Services	86,339	119,354	(33,016)	-27.66%
Total Equities (1)	129,602	169,348	(39,747)	-23.47%
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%
Total Principal Investing	11,212	14,229	(3,018)	-21.21%
Asset Management	6,846	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	316	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%
Total Non-Core	93,439	99,737	(6,299)	-6.32%
Total Gross Assets	603,443	639,431	(35,989)	-27.07%

Month End Net Assets

Lehman Brothers Balance Sheet Consolidated	Draft 4 v2 Aug-08	Final May-08	Quarterly Inc/(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%
Total FID	208,825	216,180	(7,355)	-3.40%
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%
Total Equities (1)	59,062	65,088	(6,027)	-9.26%
Total Global Principal Strat.	1,454	1,601	(147)	-9.17%
Total Global Trading Strat.	4,389	4,644	(256)	-5.50%
Global Opportunities Group	1,076	979	97	9.94%
Direct Principal Investments	1,582	2,332	(749)	-32.14%
Total Principal Investing	8,501	9,555	(1,054)	-11.03%
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%
Total Non-Core	42,488	46,505	(4,016)	-8.64%
Total Net Assets	310,375	327,773	(17,398)	-21.30%

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Balance Sheet/Capital – Q3 2008

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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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Balance Sheet/Capital – Q3 2008

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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

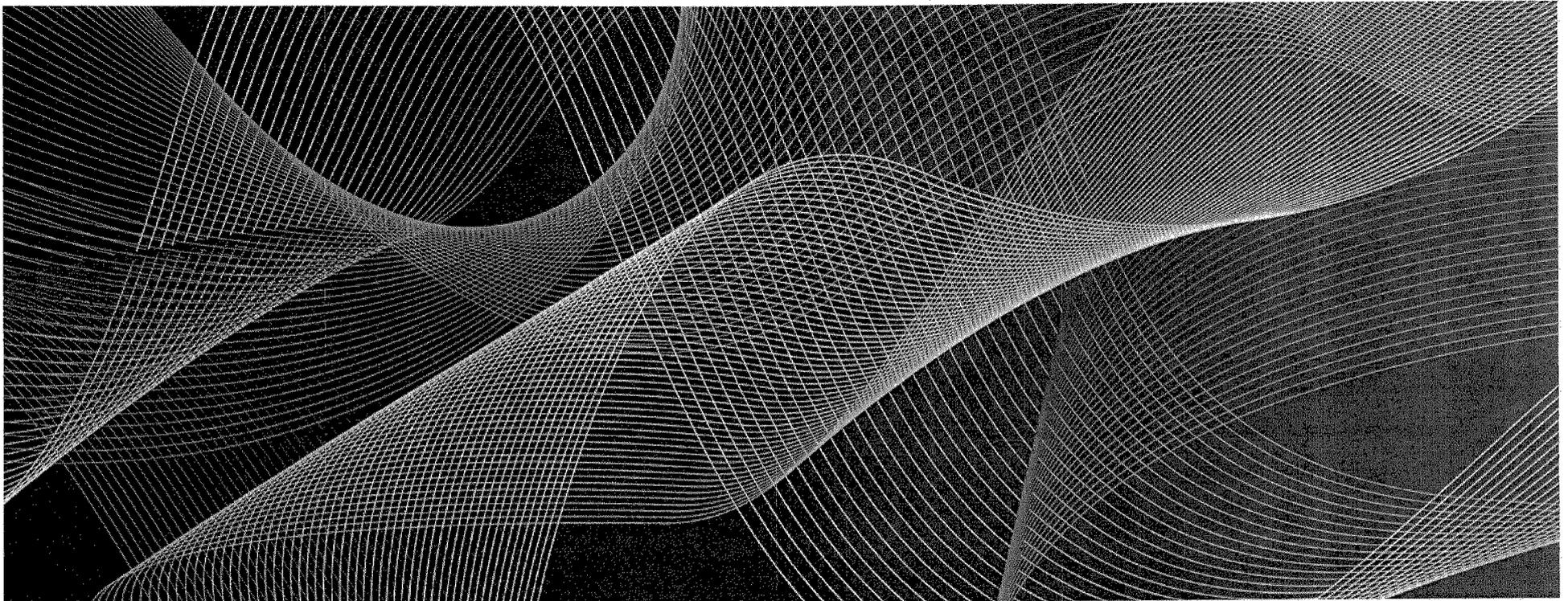
	Spread vs. 1-Month Libor			Ratings			
	8/31/08	5/31/08	8/31/07	S&P		Moody's	
LEH	400	313	140	LEH	A	A1	A2 P1
GS	260	178	110	GS	AA-	A1+	Aa3 P1
MS	350	233	110	MS	A+	A1	A1 P1
MER	400	288	110	MER	A	A1	A2 P1
CITI	265	200	60	CITI	AA-	A1+	Aa3 P1
BOA	265	158	60	BOA	AA	A1+	Aa2 P1
JPM	220	153	80	JPM	AA-	A1+	Aa2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

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2008 Q3 Liquidity Metrics

(Version 2 – Early Edition)



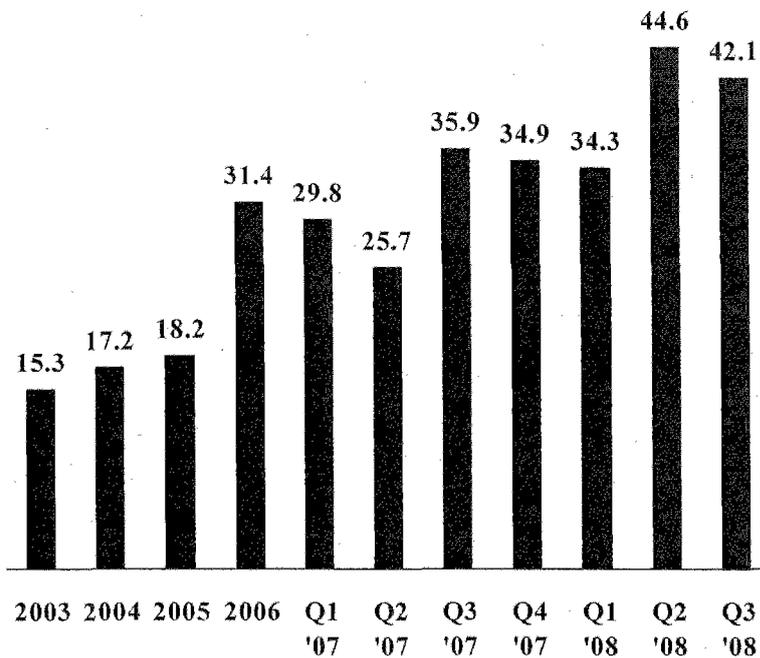
Confidential Presentation

Holdings Chain (Unsecured Funding)

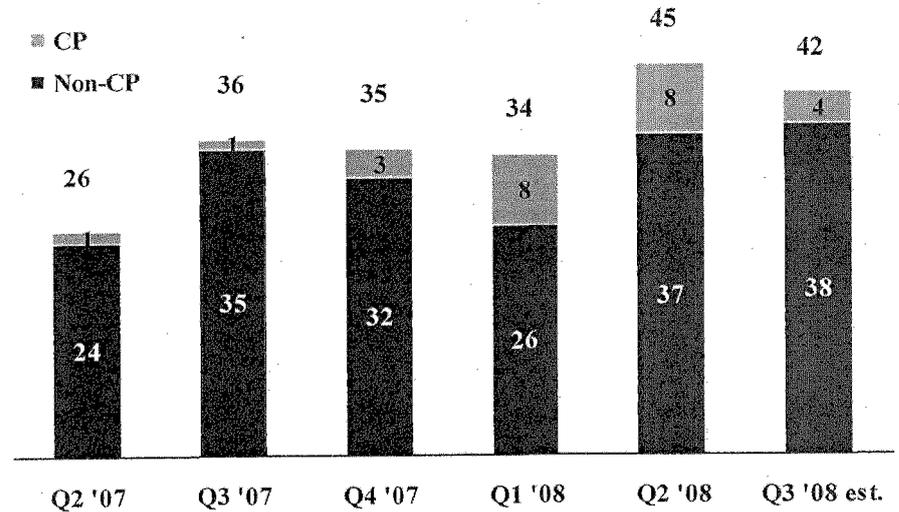
Liquidity Pool

- ◆ 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)

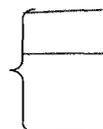


Composition Of Liquidity Pool As Of Q3 2008

Amounts in millions

Investment Type	Pledge Value*				
	LBHI	LBI	LBIE	Total	
	Pledge Value	Pledge Value	Pledge Value	Pledge Value	
	New York Inv	New York Inv	Europe Inv	Global Inv	
1. Cash					
Cash at Banks	3,378	-	-	3,378	
Other Cash Inv	553	-	-	553	
Money Funds	104	-	-	104	
Total Cash	A	4,035	-	4,035	
2. Boxed Inventory					
Private Label CMO's		454	-	10	464
Corporates		3,020	-	785	3,806
Governments / Treasuries		16,963	1,187	9,470	27,620
Asset Backed		674	-	88	762
Equities		8	-	1,557	1,565
Agencies		3,811	-	17	3,828
Canadian		-	-	15	15
Total Boxed Inventory	B	24,930	1,187	11,943	38,060
C&C Equivs Available to Holding Company (A+B)		28,965	1,187	11,943	42,095
Undrawn Committed Facilities					
Chase Facility					2,000
European Facility					2,500
C&C Equivs Available to Holding Company					46,595

Lehman CLOs:
\$4.1 bn



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

LEHMAN BROTHERS

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
U.S.												
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	-	-	-	-
	12.66	8.48	8.44	5.37	3.63	2.65	1.45	0.42	-	-	0.29	-
Europe												
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	-	-	-	-	-	-	-
	12.86	10.86	11.18	9.58	0.89	1.60	1.50	-	6.73	-	0.46	-
Asia												
KingFisher	1.31	0.80	1.57	0.96	0.96	0.61	-	-	-	-	-	-
All Regions	26.83	20.14	21.19	15.91	5.48	4.86	2.95	0.42	6.73	-	0.75	-

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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)

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PRELIMINARY DATA

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
Total	74	48	122

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

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

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)
Total	148.4	158.7	166.0	147.9	121.5	(26.4)	(26.9)
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
Liquidity pool / Short-term debt per 10-Q	136%	125%	99%	126%	138%	12%	2%
L. Pool + 70% of Unreg. Entities Unencumbered Collateral / STD (per 10-Q)	292%	282%	229%	247%	249%	2%	-43%
Liquidity pool / Short-term debt per MD&A	157%	148%	114%	138%	155%	18%	-1%
L. Pool + 70% of Unreg. Entities Unencumbered Collateral / STD (per MD&A)	335%	334%	262%	269%	280%	11%	-56%

LEHMAN BROTHERS

PRELIMINARY DATA

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 ⁽¹⁾	18.5	23.3	35.4	66.8
Total Short Term Debt	<u>18.1</u>	<u>34.5</u>	<u>72.8</u>	<u>61.3</u>	<u>85.1</u>
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 ⁽²⁾		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 ⁽³⁾	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

	LEH	GS	MS	MER
Short Term Borrowings	14.3	42.2	23.8	19.1
Current Portion of Long Term Debt	21.0	28.9	35.1	51.4
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 ⁽¹⁾		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 ⁽²⁾	52.0

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

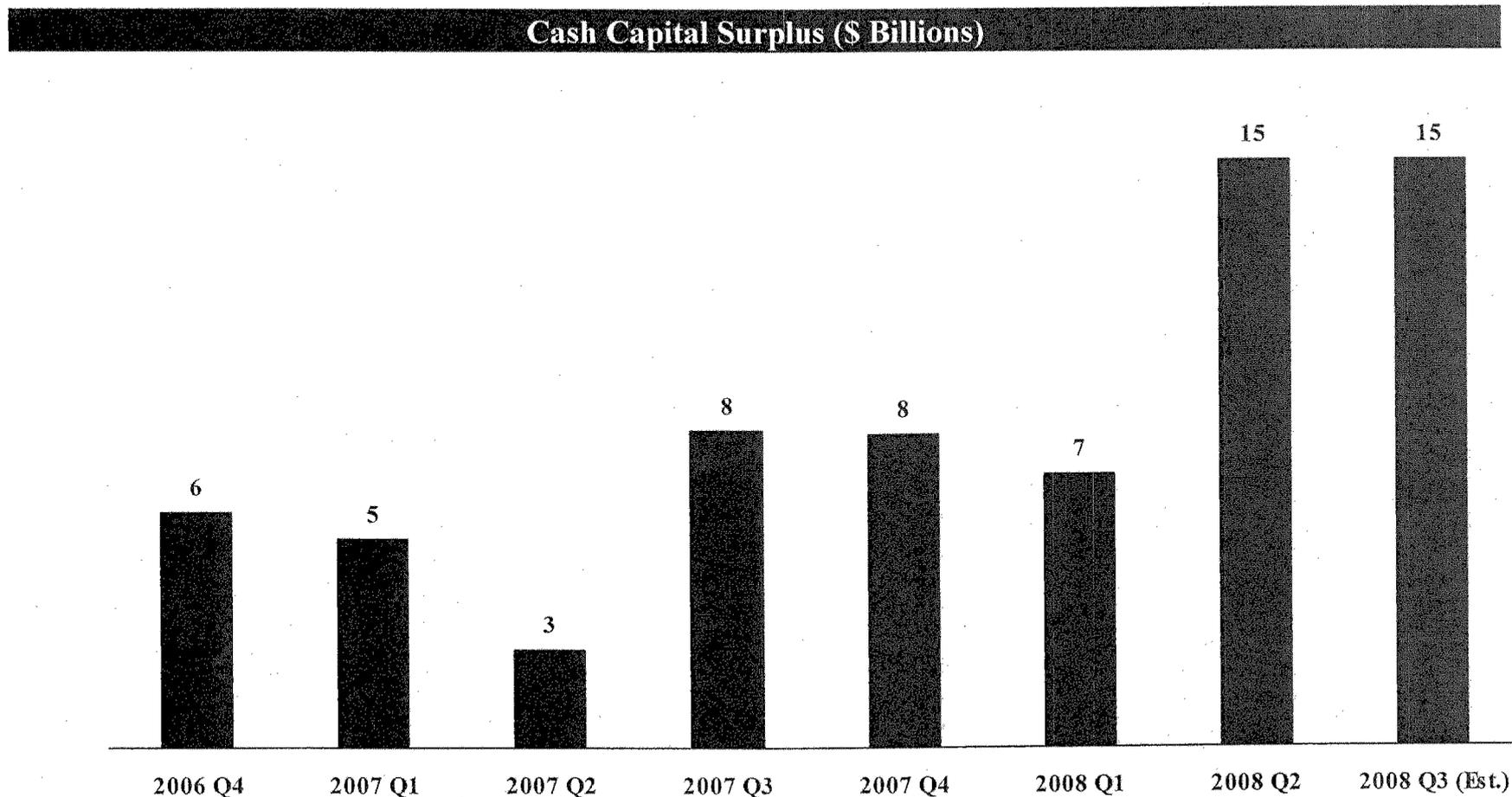
(2): Liquidity reserve at bank and non-bank subsidiaries

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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	Unreg		Reg		Q3 '08		
	Unsec	Sec	Unsec	Sec	Total	Unsec	Sec	Unsec	Sec	Total		
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	2,814	-	174	-	2,988	1,071	-	-	1,002	2,074	(914)	
Participation Gross-Up	-	451	-	209	660	-	469	-	191	660	0	
Overdrafts/Other e.g., Aegis	91	-	458	-	549	54	-	310	-	364	(185)	
Current Portion of LTD	20,634	-	357	-	20,991	19,887	350	338	500	21,075	84	
Total STD	33,640	451	1,002	209	35,302	27,154	819	788	1,693	30,455	(4,847)	
					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.

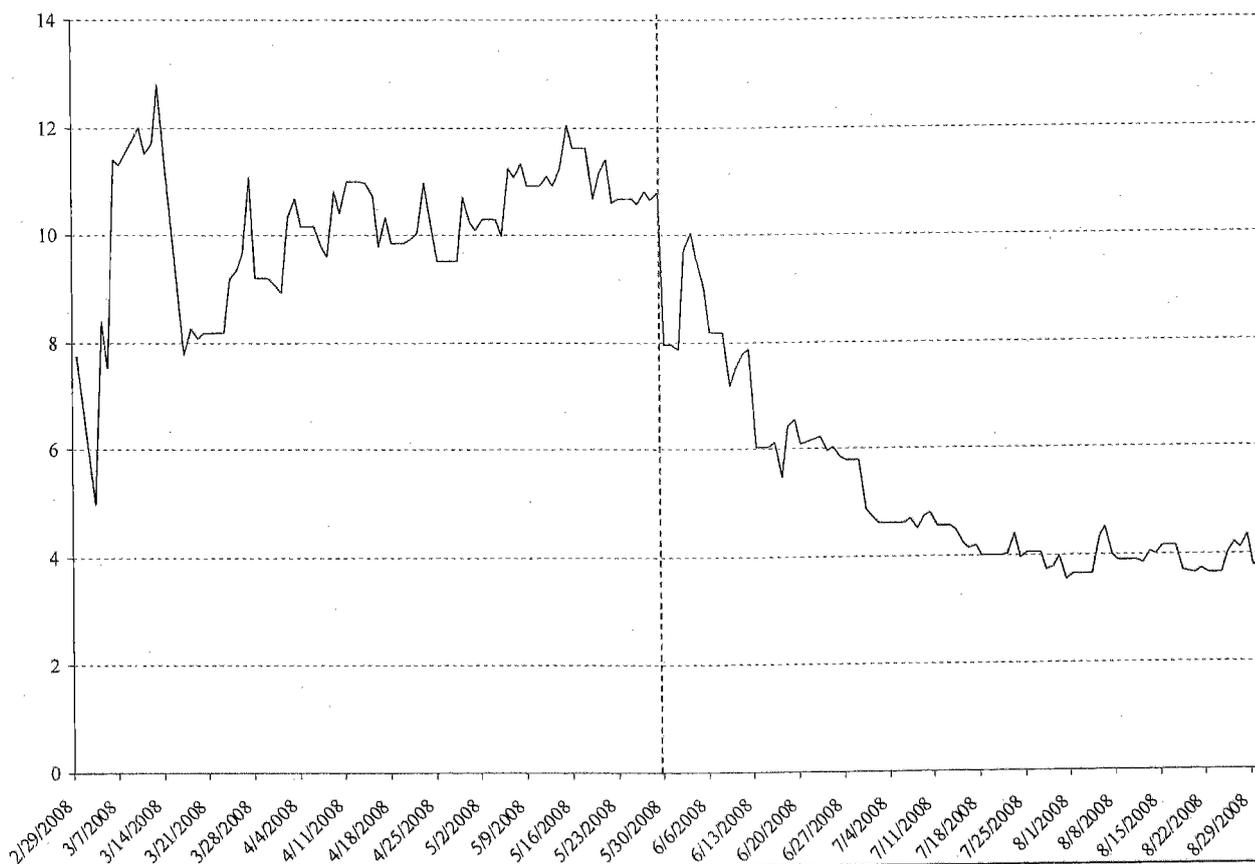
\$3.8 billion of commercial paper.

\$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)



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)
RIDGEWORTH 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	292	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	(6)
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
GRAND TOTAL	6,692	2,957	(3,734)

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	(1)
INVESCO	7	7	(0)
MORLEY FUND	97	182	85
KBC ASSET MANAGEMENT	0	87	87
ADIA	0	91	91
GRAND TOTAL	1,492	912	(580)

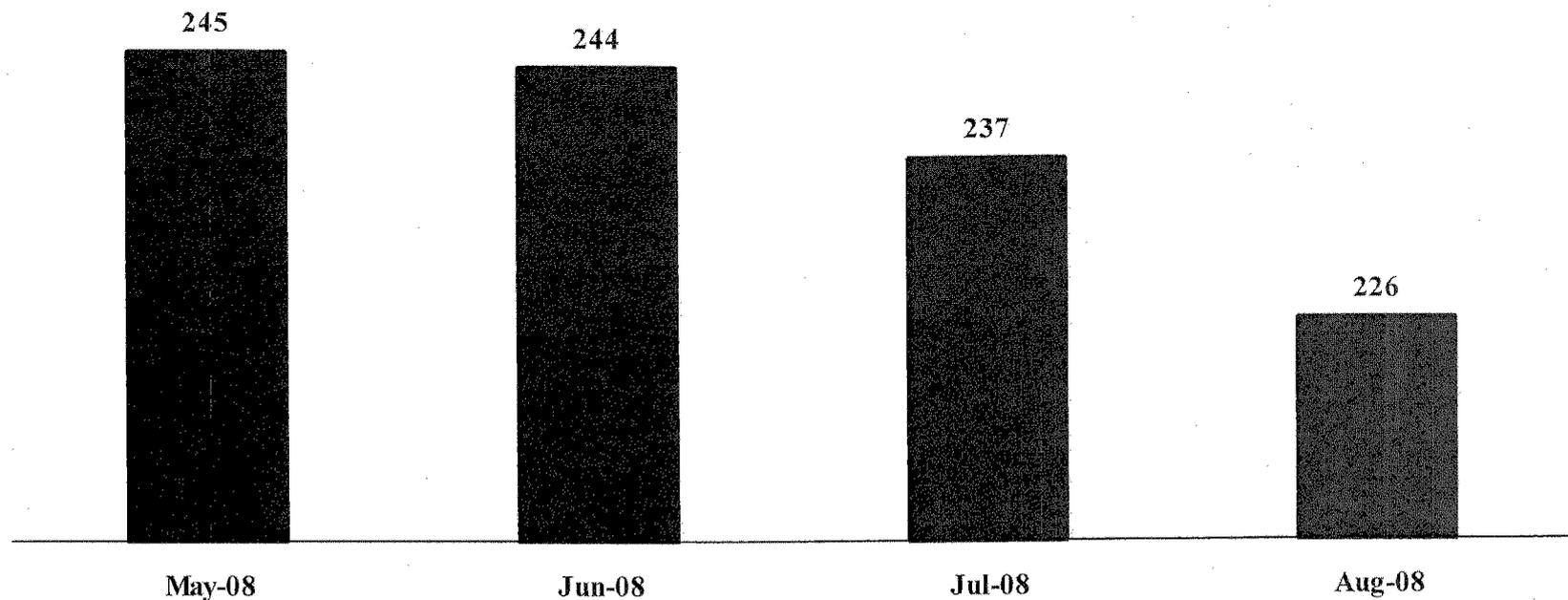
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Commercial Paper: An Industry View

- ◆ 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
Long-Term Debt Outstanding (Excludes Current Portion)						
Senior Notes						
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)
Ending Balance	108,914	112,128	110,553	96,559	92,240	92,240
Subordinated Notes						
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)
Ending Balance	9,258	11,181	12,625	12,089	12,089	11,832
Junior Subordinated Notes (1)						
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)
Ending Balance	4,978	4,976	5,004	4,924	4,924	4,924
LTD Outstanding	123,150	128,284	128,182	113,571	109,252	108,995
Total Long-Term Capital	145,653	153,114	154,458	142,049	138,408	138,151

◆ 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⁽¹⁾

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	1,984	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	385	196	222	121	77	457	1,437	693	44	38	40	71	1,008	1,008	1,058	240	260	181	148	579	2,445
Total	3,161	2,595	1,363	1,138	1,356	3,717	13,329	1,213	1,742	2,438	166	130	13,775	19,464	4,374	4,336	3,802	1,304	1,488	17,491	32,793
	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)	(81)	(145)	(437)	(1,098)	(290)	(300)	(1,337)	(65)	(6)	(165)	(2,163)	(416)	(474)	(1,493)	(128)	(151)	(602)	(3,262)
2008 Q2	(101)	(154)	(410)	(677)	(168)	(496)	(2,008)	(10)	-	(316)	(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)	(636)	(250)	(3,727)	(6,546)
Total	(392)	(1,348)	(985)	(1,001)	(514)	(1,349)	(5,589)	(310)	(323)	(1,947)	(490)	(56)	(4,270)	(7,397)	(702)	(1,671)	(2,933)	(1,491)	(570)	(5,619)	(12,986)
	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)	(336)	(345)	(561)	(226)	(412)	(595)	(2,495)
2008 Q2	(955)	(254)	(227)	(213)	(120)	(404)	(2,173)	(1)	(6)	-	-	-	(18)	(25)	(958)	(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)
Total	(1,497)	(646)	(426)	(451)	(523)	(1,038)	(4,581)	(5)	(18)	(425)	-	(11)	(32)	(492)	(1,501)	(664)	(851)	(451)	(524)	(1,070)	(5,073)

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
Total		67,530	2,324	69,854
Mature after 2014Q3		43,717	0	43,717
Grand Total -		111,247	2,324	113,571

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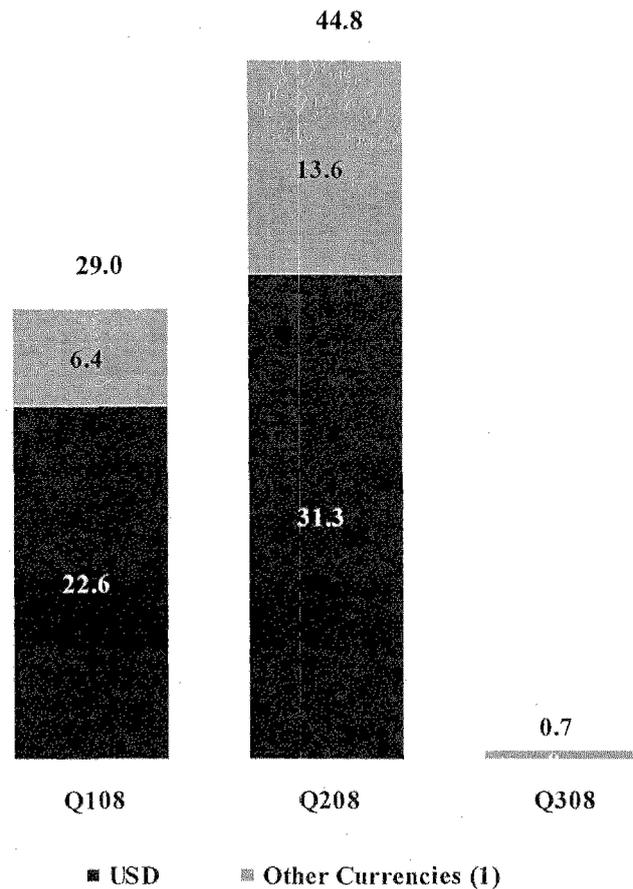
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PRELIMINARY DATA

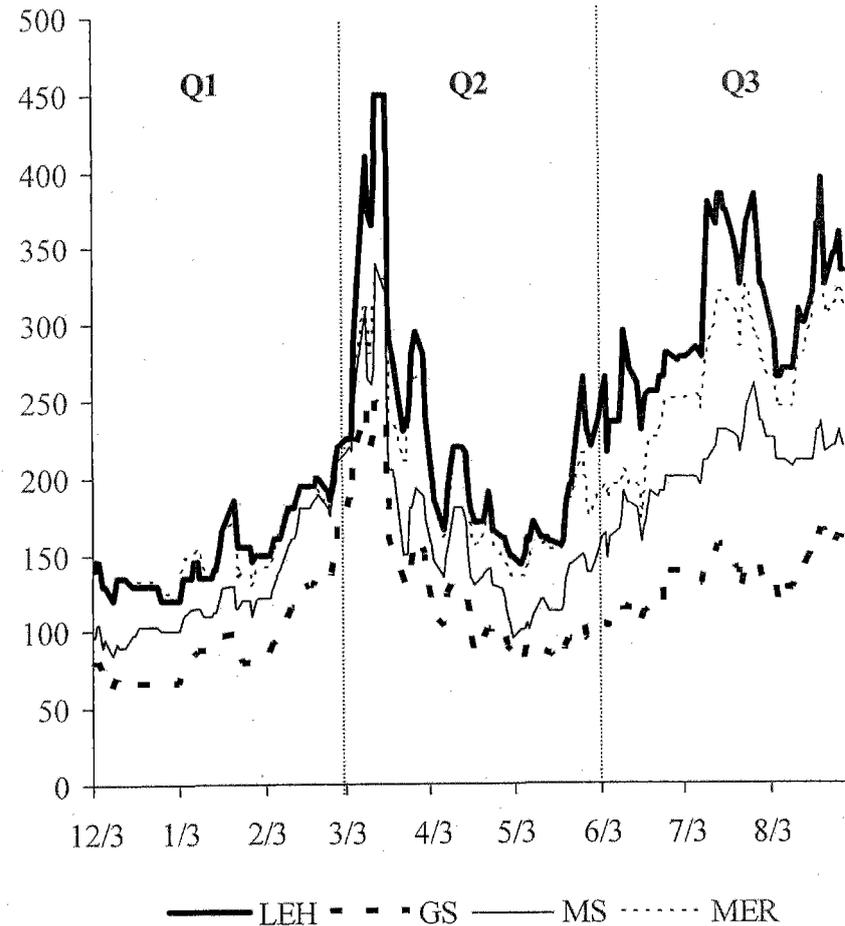
Long-Term Debt Issuances

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⁽¹⁾ 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

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

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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
Total Standard Trades	2,575	79	402	2,419	220	455	156	(140)	(53)
Non-Standard trades									
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)
Total Non-standard Trades	113	2,548	1,511	677	2,702	1,055	(563)	(154)	456
Total Collateral Requirement	2,688	2,627	1,913	3,095	2,921	1,510	(407)	(294)	403

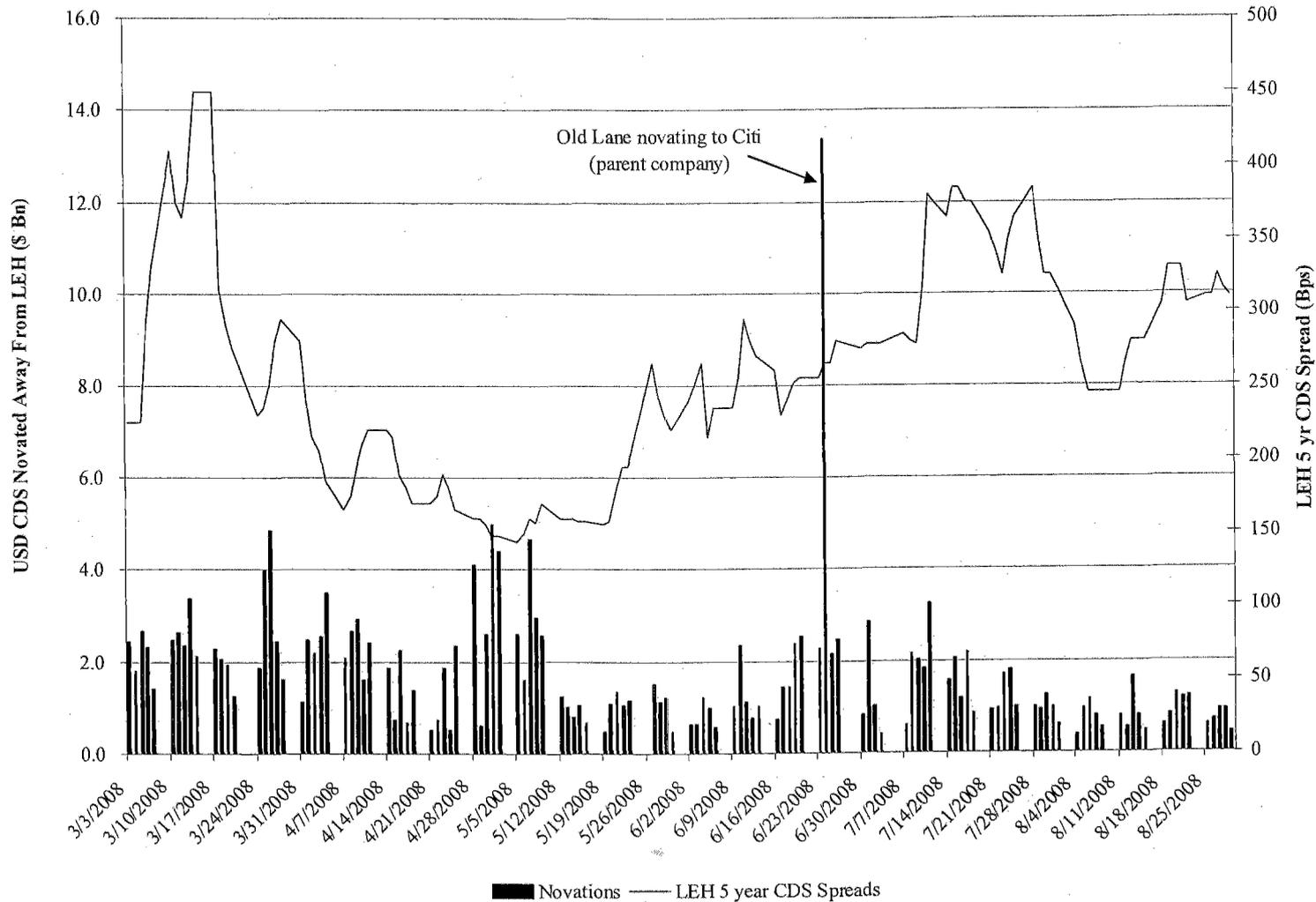
Increase of \$600m in our 2 notch number results from more conservative Moody's "2nd trigger" at Baa1 coming in
 Decrease of \$200m in 1 notch numbers for IRP Europe due to stronger dollar and lower Euro rates (we pay float mostly)
 Decrease of \$200m in overall CDO numbers resulting from more in depth 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

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Novations

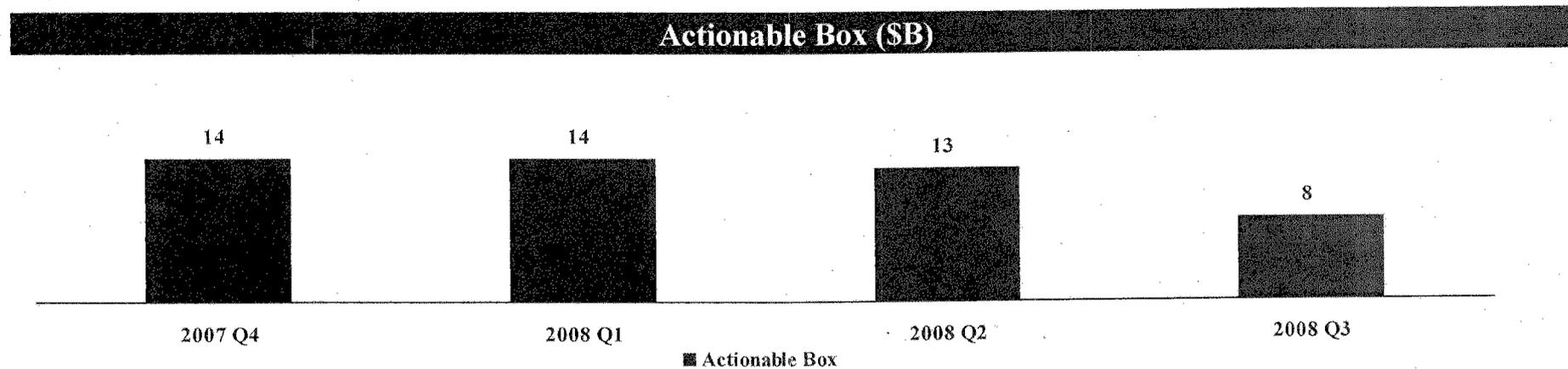
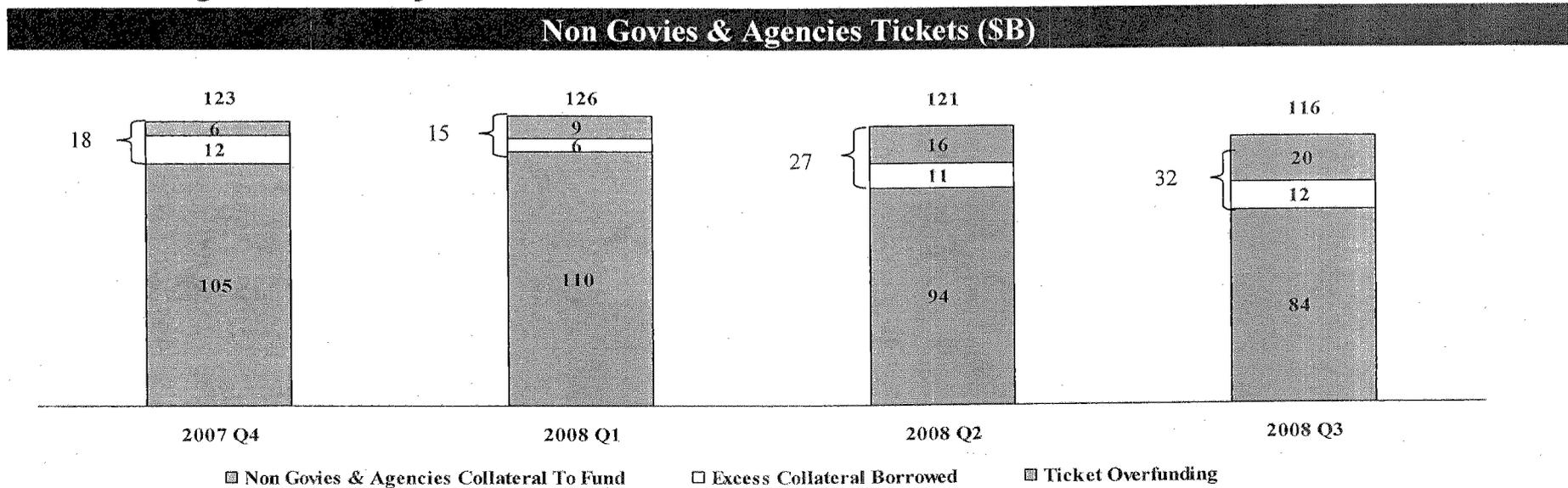
Novations continue to remain at subdued levels despite the widening of our credit spreads



Secured Funding & Prime Broker

Secured Funding

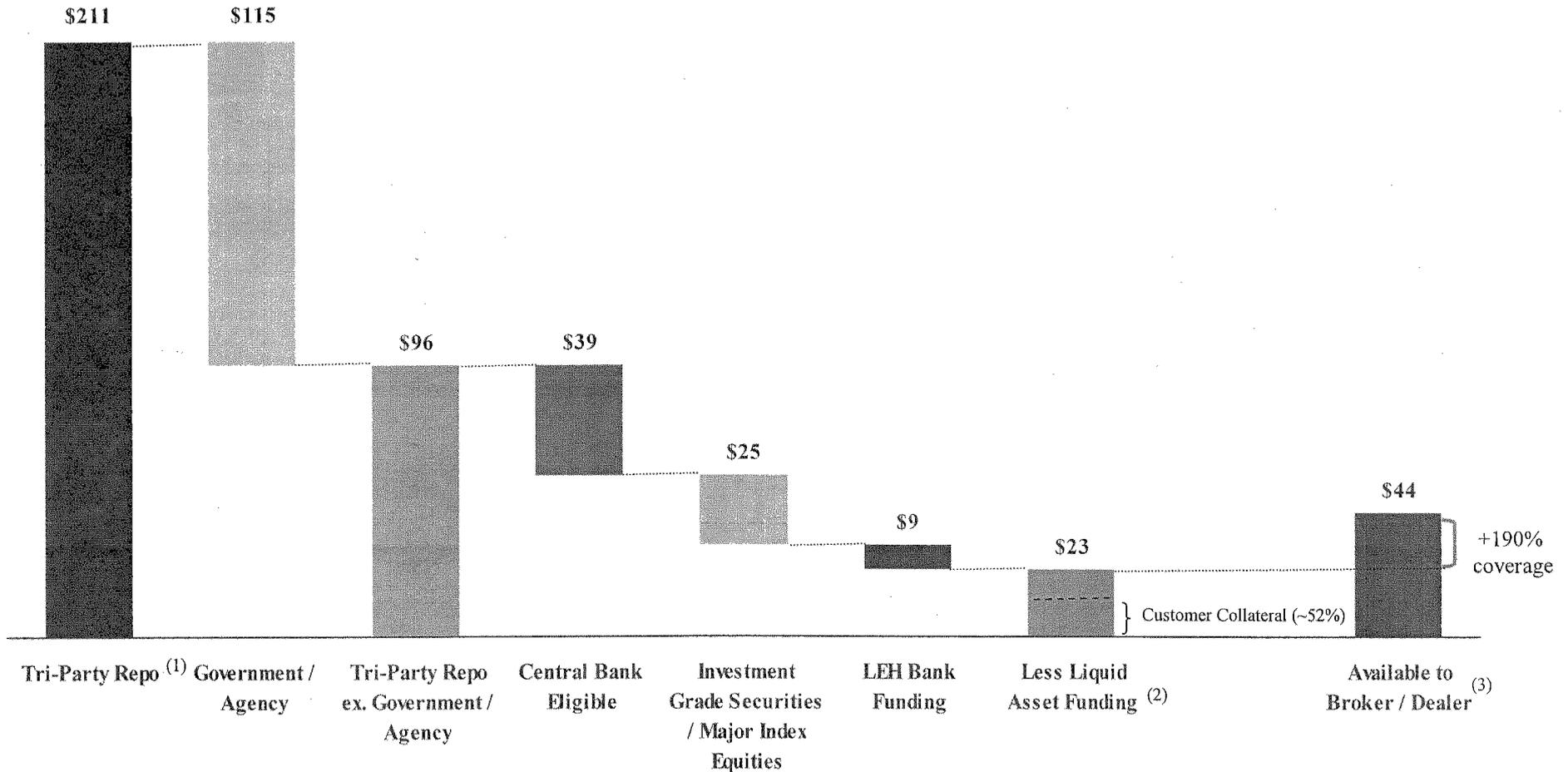
Deleveraging of balance sheet during Q3 drove reduction in secured funding requirements. Overfunding increased by \$5bn to \$32 billion.



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)
---------	--------	-------	--------	-------	-------	------	-------	------------------------

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 ¹ 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%
	100%	100%	100%	100%	
% > 1 month	24%	20%	29%	28%	-1%

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

Loss Of Repo Counterparties

Triparty Repo Book	<u>Q407</u>	<u>Q108</u>	<u>Q208</u>	<u>Q308</u>	<u>Q3 vs Q2 Change</u>
# 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	ABBAY 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 TANSHI 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

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July/August Lost Repo Capacity⁽¹⁾

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)		
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		
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		

1. Loss of repo capacity in June 2008 was negligible

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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

- ◆ 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

Confidential

Repo Book Details As of August 29, 2008

SECURED FUNDING	SECURED FUNDING				TOTAL
	O/N and Open	2 - 14 Days	> 14 Days	TOTAL	
LIQUID					
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	
SUBTOTAL LIQUID	98.2	2.2	14.3	114.7	
LESS LIQUID					
Asset Backed Securities					
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
Bank Loans					
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
CMO Private Label					
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
Commercial Paper					
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
Corporates					
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
Equity					
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
International					
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
Money Market					
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
Municipals					
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
Whole Loan					
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
Other					
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
SUBTOTAL LESS LIQUID	44.6	12.3	39.1	95.9	
SECURED FUNDING					
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	
TOTAL SECURED FUNDING	142.8	14.5	53.4	210.7	
UNSECURED FUNDING					
CP, Other STD and Current Portion of LTD	1.1	1.7	24.8	27.7	
MEMO: ISLE Eligible					
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

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
Beginning Cash Position ⁽¹⁾	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
Net Loss Secured Funding	(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)
Unsecured Funding													
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)
Total Net Loss Unsecured Funding	(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)
Ending Cash Position	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)

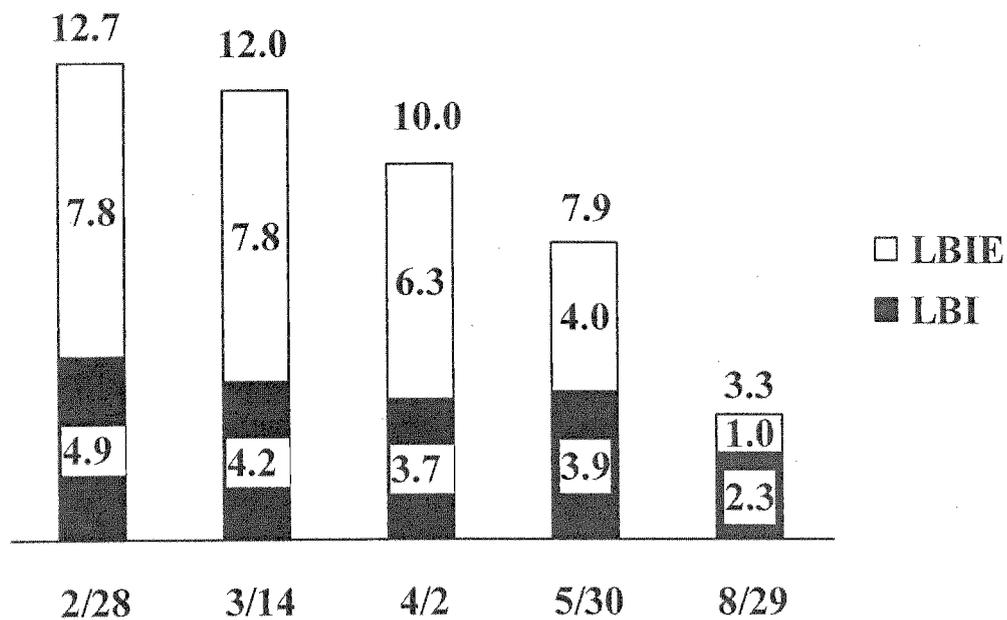
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Stress Scenario – Loss Of Secured Funding

Secured Funding	Total Repo 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
Lost Capacity															
LBJ															
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
EMG	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Total LBJ	1.6	1.0	0.2	-	-	-	-	-	-	-	-	-	-	0.7	0.9
LBIE															
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	0.2
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	0.0	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
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
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
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
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
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
EMG	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
Money Markets	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
LBI															
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
Asset Backs - Non-Investment Grade	1.6	1.4	0.5	-	-	-	-	-	0.6	-	0.2	0.1	-	-	1.4
C1 - Investment Grade Convertibles	0.4	0.4	0.4	-	-	-	-	-	-	-	-	-	-	-	0.4
C2 - Non-Investment Grade Convertibles	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
Corporates - Non-Investment Grade	3.8	3.5	3.3	-	-	-	0.0	-	0.2	-	-	0.0	-	-	3.5
E1 - Major Index Equities	5.0	3.1	0.9	-	-	-	-	-	-	-	-	-	-	-	0.9
E2 - Non-Major Index Equities	4.4	3.4	2.9	-	-	-	-	-	-	-	-	-	0.5	-	3.4
E3 - Non-Major Index Equities (<=\$5)	0.2	0.1	0.1	-	-	-	-	-	0.1	-	-	-	-	-	0.1
Money Markets	7.2	7.2	2.1	-	-	-	-	-	-	-	-	-	-	-	2.1
Muni	2.7	2.7	1.6	-	-	-	-	-	-	-	-	-	-	-	1.6
Private Labels - High Yield	1.7	1.7	0.3	-	-	-	-	-	0.2	-	-	0.1	1.0	0.0	1.7
Private Labels - Investment Grade	7.2	6.2	1.7	-	-	-	-	-	0.0	-	-	0.1	0.1	1.8	3.7
Total LBI	153.7	42.4	18.1	0.1	-	-	0.0	-	1.2	-	-	0.5	1.9	2.2	24.0
LBHI															
Wholeloan Residential	0.6	0.2	0.1	-	-	-	0.1	-	-	-	-	-	-	-	0.2
Total Lost Capacity	210.7	60.7	22.3	0.5	0.5	0.9	0.8	0.2	1.2	1.2	0.2	1.2	3.4	4.0	36.4
Mitigants and other stress elements															
LBIE															
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
ECB	-	-	0.9	0.2	0.3	-	0.1	-	-	0.1	-	0.1	0.2	0.4	2.2
Bankhaus Funding ECB Eligible	-	-	1.0	-	-	-	-	-	-	-	-	-	-	-	1.0
FYI: Additional repos with Bankhaus	-	-	-	-	-	-	-	0.1	-	0.8	0.2	0.1	-	-	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
LBI															
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
Excess Collateral Returned	-	-	4.9	-	-	-	-	-	-	-	-	-	-	-	4.9
Term Overfunding	-	-	9.3	(5.8)	-	-	-	-	-	-	-	(0.1)	(0.4)	(0.7)	2.3
Total LBI	-	-	12.0	(3.6)	1.0	-	-	(0.7)	-	-	-	(0.1)	0.3	(0.7)	8.2
Net Loss Secured Funding	(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)		

Prime Broker

Customer Free Credit Balances (\$ Billions)



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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

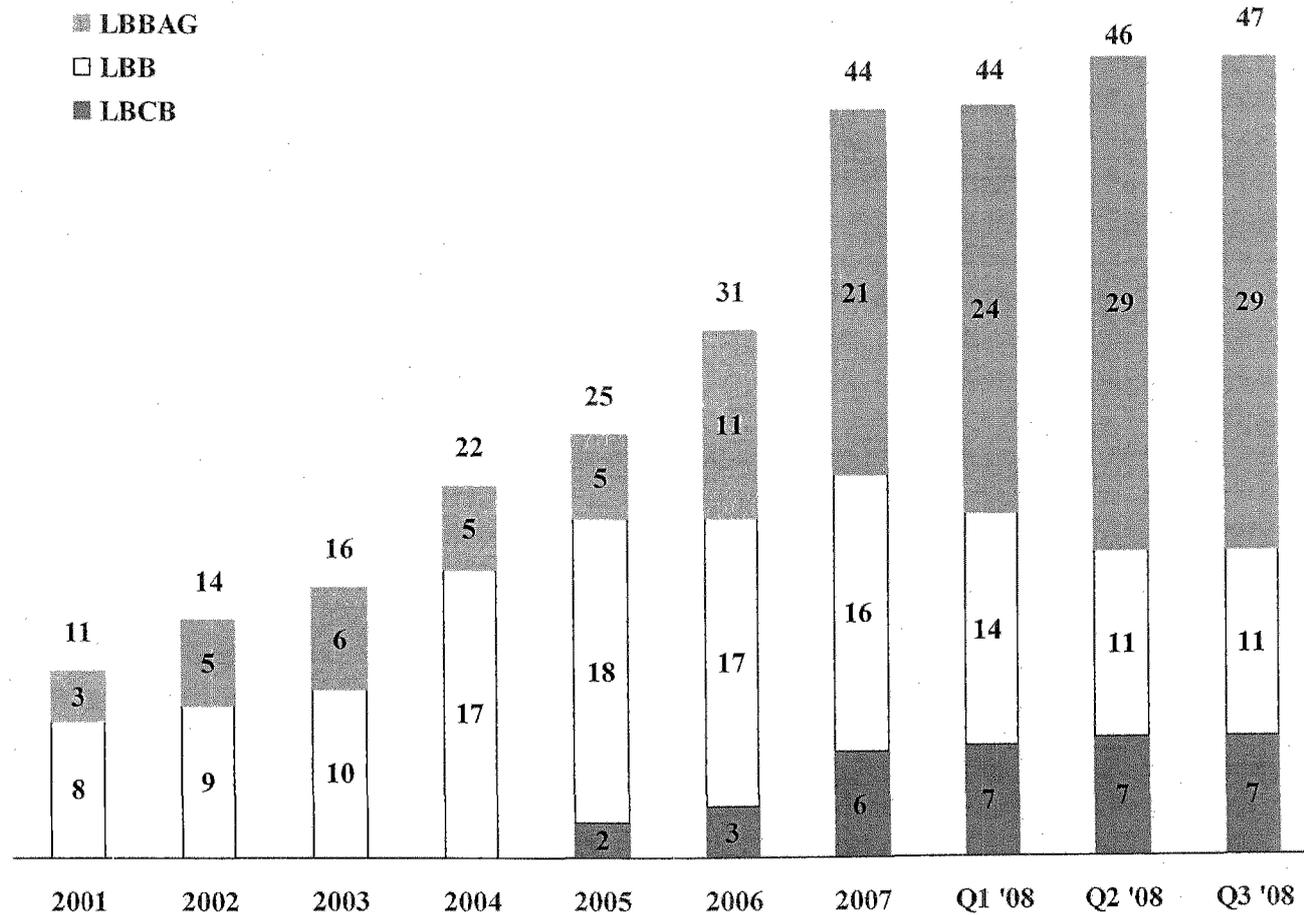
	Q2 '08	%	Q3 '08	%	Comments
Government Bonds and Agencies	69.4	33%	95.8	46%	Increased balance sheet in Liquid Markets
Investment Grade Bonds	13.5	6%	15.0	7%	Increased opportunities in Credit, growth in overall book
Index Equities	67.5	32%	46.7	22%	Decrease due to the reduction in Equity balances
Highly Liquid Assets	150.4	72%	157.4	75%	
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
Other Assets	19.1	9%	17.6	8%	
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
Other	39.6	19%	34.4	16%	
Gross Balance Sheet	209.1		209.4		

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

Bank Entities

Assets Funded In Bank Entities

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
total	1,110,188,000	95.11	18.31

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
total	2,158,707,000	91.58	27.69

bps months

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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

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III. Market Environment

Market Environment- Economic Indicators

Gross Domestic Product Growth ⁽¹⁾

	Lehman Forecast 2008 ⁽²⁾				
	Global ⁽³⁾	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 ⁽³⁾	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%

⁽¹⁾ Quarterly growth rates are annualized calendar year basis

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

⁽³⁾ 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
US									
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
Euro									
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)
UK									
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
Japan									
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
Investment Grade												
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	164	188	165	145	117	38	(6)	112
High Yield												
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	1361	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	1671	1515	1245	842	652	(287)	
CMBX 4 (2007) BBB-	2321	2249	1870	1613	1683	2049	1707	1455	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
Investment Grade												
Global	156	115	118	115	96	74	70	71	71	67	68	71
US	193	143	145	145	126	97	90	92	92	85	86	88
Europe	116	86	90	85	65	48	47	49	48	47	48	52
High Yield												
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*		
	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	12463
NASDAQ	2,661	2,859	2,702	2,596	2,546	2,603	2,605	2,525	2,422	2,416	2,464	2415
NYSE	9,857	10,312	10,039	9,597	9,555	9,873	9,979	9,628	9,262	9,125	9,255	9139
S&P	1,481	1,549	1,527	1,474	1,455	1,503	1,531	1,482	1,421	1,407	1,438	1418
FTSE 100	6,433	6,722	6,467	6,303	6,360	6,608	6,621	6,449	6,308	6,172	6,203	6221
DAX	7,871	8,019	7,862	7,638	7,584	8,007	7,883	7,409	6,917	6,715	6,789	6597
NIKKEI	15,681	16,738	16,786	16,569	17,249	18,138	17,876	17,400	17,288	17,604	17,383	17226
HANG SENG	28,644	31,353	27,142	23,984	23,185	21,773	20,634	20,319	19,801	19,652	20,106	19965
KOSPI	1,906	2,065	1,946	1,873	1,933	1,744	1,701	1,542	1,453	1,417	1,360	1434
TOPIX	1,532	1,620	1,617	1,608	1,706	1,775	1,756	1,701	1,714	1,753	1,722	1681
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	598	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.

*as of 9/5/08

LEHMAN BROTHERS

Market Environment

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Market Environment- Equity Traded Value

	FY 2008 (daily avg in \$mm)												FY'08	Q3'08 vs Q2'08	Q2'08 vs Q1'08	Q3'08 vs Q3'07	FY '08 vs FY '07	
	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	-5.0%	-18.7%	-31.6%	-19.1%	
NYSE	39,573	31,341	43,891	43,282	43,274	39,594	39,180	51,321	51,108	48,103	61,333	43,376	44,556	-8.6%	-15.3%	-35.4%	-19.0%	
US	65,154	52,374	71,516	71,268	70,208	65,667	64,519	80,719	84,234	79,514	101,604	70,715	73,038	-7.2%	-16.7%	-33.9%	-19.1%	
Toronto Stock Exchange	5,946	4,874	6,497	6,389	6,187	6,335	5,627	6,569	5,691	5,627	6,420	4,914	5,944	-3.9%	8.7%	5.8%	15.9%	
Bovespa (Brazil)	3,416	3,007	3,359	3,880	3,614	4,031	3,555	3,193	3,068	3,161	2,958	3,097	3,369	-5.5%	17.8%	34.7%	49.0%	
Mexico Stock Exchange	479	405	495	537	789	599	1,130	639	518	570	579	388	594	-39.2%	52.3%	-12.2%	15.6%	
Total Americas	74,995	60,660	81,867	82,074	80,798	76,632	74,830	91,120	93,510	88,873	111,561	79,113	82,945	-7.2%	-13.6%	-30.1%	-15.5%	
London Stock Exchange	18,238	13,039	17,648	17,742	17,305	16,087	15,900	20,238	18,944	18,313	22,180	15,894	17,483	-6.2%	-8.7%	-41.7%	-34.3%	
Xetra (Germany)	10,511	8,257	12,026	11,105	11,360	9,755	10,716	13,835	13,879	12,126	17,711	11,085	11,873	-7.5%	-18.1%	-21.6%	0.6%	
Euronext (France)	9,585	7,416	10,805	10,417	10,197	9,034	10,004	11,513	11,812	11,230	14,511	9,330	10,516	-6.0%	-13.7%	-15.4%	-0.3%	
Italy	5,277	3,978	5,331	6,393	7,986	9,844	7,415	6,493	7,231	6,565	8,020	7,021	6,791	-33.9%	10.4%	-38.2%	-18.9%	
SB Swiss	4,286	3,562	4,566	4,703	4,672	4,180	4,699	5,235	6,089	5,663	7,199	5,243	4,990	-8.3%	-23.3%	-41.7%	-24.0%	
Spain	4,280	3,122	5,149	4,377	4,812	4,463	4,937	4,995	5,535	4,872	6,548	5,044	4,867	-11.1%	-13.1%	-24.8%	-11.8%	
Total Europe	50,177	39,373	55,524	54,737	56,332	53,163	53,672	62,608	63,490	58,769	76,169	53,617	56,519	-10.9%	-11.3%	-32.4%	-18.6%	
Tokyo Stock Exchange	-	-	-	-	-	-	-	-	23,617	23,749	26,358	20,737	-	-	-	-100.0%	-100.0%	-100.0%
Hong Kong Stock Exchange	5,264	5,254	5,474	5,043	7,164	6,771	7,119	7,588	8,431	6,857	10,118	7,967	6,935	-26.5%	-15.0%	-36.5%	-9.8%	
Korea Stock Exchange	4,165	3,600	4,421	4,436	5,376	5,648	5,727	4,822	5,383	4,911	5,777	5,374	4,964	-22.5%	-0.1%	-44.4%	-12.0%	
Australia Stock Exchange	4,107	3,927	4,289	4,101	4,216	4,264	3,740	4,670	4,100	4,474	4,123	3,660	4,141	-2.6%	2.8%	-66.8%	-40.3%	
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	-38.1%	30.4%	-40.9%	-3.2%	
Total Asia	16,726	15,782	17,513	16,790	21,747	21,359	21,895	22,107	45,356	44,105	50,541	41,017	20,043	-23.1%	-52.1%	-71.2%	-58.3%	
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	-10.7%	-21.5%	-40.8%	-26.0%	

	FY 2007 (daily avg in \$mm)												FY'07				
	Q4'07	Nov	Oct	Sep	Q3'07	Aug	Jul	Jun	Q2'07	May	Apr	Mar		Q1'07	Feb	Jan	Dec
NASDAQ	42,236	38,465	45,472	42,486	37,375	34,519	42,842	35,035	32,729	30,714	30,204	37,040	28,084	29,302	26,977	28,033	35,226
NYSE	50,368	55,119	47,545	48,536	61,236	64,286	59,479	59,651	56,652	56,445	55,418	57,880	51,292	53,888	55,065	45,052	55,002
US	92,604	93,584	93,017	91,021	98,610	98,805	102,321	94,686	89,381	87,160	85,621	95,021	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	5,402	4,599	4,288	4,086	7,017	4,142	3,761	5,130
Bovespa (Brazil)	2,987	3,230	3,357	2,333	2,536	2,650	2,348	2,595	1,894	1,954	2,076	1,667	1,616	5,879	1,440	1,459	2,260
Mexico Stock Exchange	556	541	628	488	546	546	568	524	477	526	462	438	472	5,220	422	405	514
Total Americas	102,175	103,548	103,294	99,383	107,315	107,605	110,769	103,536	96,513	95,041	92,758	101,393	85,549	101,306	88,046	78,710	98,132
London Stock Exchange	25,381	22,933	26,838	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	8,881	9,520	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	7,346	7,183	7,133	7,731	6,891	7,031	7,374	6,335	5,437	8,251	5,642	5,007	6,562
Spain	5,547	6,304	5,838	4,359	5,691	4,813	5,688	6,704	5,612	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	74,179	73,588	70,639	78,506	73,214	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	21,946	24,469	26,685	23,018	23,493	24,191	23,492	22,332	26,660	22,426	27,103	22,054	18,532	23,615
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	7,688
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	3,868	12,388	4,308	28,067	4,028	3,787	4,410	3,578	3,306	7,290	16,798	2,677	2,382	6,930
Taiwan Stock Exchange	4,450	4,130	4,951	4,216	5,395	4,742	6,970	4,413	3,188	2,502	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	239,521	232,717	256,139	228,700	210,457	212,869	199,923	217,596	185,969	228,647	185,325	161,035	215,583

Source: Bloomberg

LEHMAN BROTHERS

Market Environment

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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	
Commodities															
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	93	
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	
Currencies															
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	
Volatility (period end)															
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
Commodities												
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
Currencies												
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
Volatility (period end)												
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	16.23
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

Market Environment

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LEHMAN BROTHERS
THIRD QUARTER 2008
BANKING ANALYSIS

Segment Revenues	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
(\$ in millions)													
Investment Banking:													
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%
Investment Banking Revenues	228	250	133	611	858	867	831	1,071	-29%	-43%	2,336	3,071	-24%

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
THIRD QUARTER 2008
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 Mutuel/Citibank, AIG Highstar/GMTR, 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 (XTO, Chesapeake and Petrohawk)

Investment Grade

- ◆ Issuance is driven primarily by M&A and Capex needs (Time Warner Cable, Staples, XTO, 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. Citi, 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 – Linn Energy & Chesapeake

Sponsors

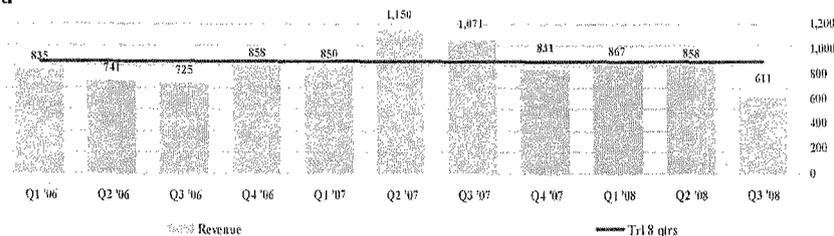
- ◆ LBOs have picked up - July marked the biggest month for buy-side activity for Sponsors this year
- ◆ Our deals include Converteam (LBO France), Unilever Detergent (Vestiar), Sunguard (Silverlake), Express Energy (Macquarie)
- ◆ Deals are more bite sized and expect to remain that way

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

Product

	Q3'08	Q2'08	Q3'07	---- % Chg ----	
				Q2'08	Q3'07
Advisory	231	240	425	-4%	-46%
Eq U/W	160	330	296	-51%	-46%
DCM	168	247	249	-32%	-33%
LF	52	41	101	27%	-49%
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
THIRD QUARTER 2008
SIGNIFICANT COMPLETED BANKING DEALS

Value (\$mil)	Deal	Industry	Region	Transaction Description	Revenue (\$mil)
M&A Completed					
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
Equity					
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
Fixed Income					
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

LEHMAN BROTHERS
THIRD QUARTER 2008
BANKING ANALYSIS

Debt Origination

Global Revenues (\$mm)

	Quarter Trend			Q3 '08		Q2 '08		Q1 '08		Q4 '07		Q3 '07		Q2 '08		Q3 '07		9 Months Ending May		Q2 '08		Q3 '07		YTD '08		YTD '07		YTD '08 vs		Records	
	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '08	Q3 '07	Q2 '08	Q3 '07	Q2 '08	Q3 '07	YTD '08	YTD '07	YTD '08	YTD '07	Qtr Record	Qtr	YTD Record	Year	Qtr Record	Qtr	YTD Record	Year	Qtr Record	Qtr	YTD Record	Year	
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										
Total Debt Origination	72	107	41	220	288	322	233	350	-24%	-37%				830	1,318	-37%		540	Q2 '07	1,318	YTD '07										

Debt Market Environment

	Quarter Trend			Q3 '08		Q2 '08		Q1 '08		Q4 '07		Q3 '07		Q2 '08		Q3 '07		9 Months Ending May		Q2 '08		Q3 '07		YTD '08		YTD '07		YTD '08 vs		Records	
	Jun	Jul	Aug	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '08	Q3 '07	Q2 '08	Q3 '07	Q2 '08	Q3 '07	YTD '08	YTD '07	YTD '08	YTD '07	Qtr Record	Qtr	YTD Record	Year	Qtr Record	Qtr	YTD Record	Year	Qtr Record	Qtr	YTD Record	Year	
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	65,267	96,683	-49%	-74%				130,872	334,441	-61%		139,061	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%	3.9%	0.0%	3.9%	4.3%	4.7%	5.1%	4.6%	-9%	-14%				3.9%	4.6%	-14%		7.0%	Q2 '02	6.9%	YTD '02										
Pipeline Value (\$B)	28.8	28.7	26.5	26.5	34.1	39.4	59.7	178.5	-22%	-85%				26.5	178.5	-85%		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
THIRD QUARTER 2008
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	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	292%	129%	4	5	-22%					
Total Leveraged Finance	12	38	1	52	41	76	32	101	25%	-49%	169	544	-69%	274	Q3 '04	544	YTD '07	

	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	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%	-99%	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	
Total Leveraged Finance	12	38	1	52	41	76	32	101	25%	-49%	169	544	-69%	274	Q3 '04	544	YTD '07	

Leveraged Finance Market Environment

				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	YTD '07				
Pipeline Value (\$B)	10.7	8.2	8.1	8.1	11.5	12.8	30.2	131.9	-30%	-94%	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	17%	-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	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%	-26%	130	120	8%					
Commercial Paper	2	2	2	6	7	7	8	6	-15%	-9%	19	19	3%					
Liab Mgmt, Agg & 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%	4%	206	204	1%					
Total Debt Capital Markets	60	69	40	168	247	246	201	249	-32%	-32%	661	774	-15%	283	Q3 '05	774	YTD '07	

	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	YTD '07				
Americas	35	51	32	119	171	176	154	177	-31%	-33%	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%	-33%	73	71	3%	26	Q4 '04	61	YTD '05	
Total Debt Capital Markets	60	69	40	168	247	246	201	249	-32%	-32%	661	774	-15%	283	Q3 '05	774	YTD '07	

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 vs		Qtr Record	Qtr	YTD Record	Year	
									Q2 '08	Q3 '07	YTD '08	YTD '07	YTD '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%	99%	326	168	95%				
Blocks	0	5	1	6	10	1	16	6	-37%	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%				
Global Finance Equities	77	59	23	160	330	214	210	296	-52%	-46%	705	805	-12%	334	Q2 '07	805	YTD '07

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	Q3 '07	YTD '08	YTD '07	YTD '07					
Global Market Volume	101,170	59,879	13,752	174,802	216,141	141,206	272,201	228,790	-19%	-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	9.8%	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%	4.1%	3.0%	3.4%	-6%	33%	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	+6%	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	Q2 '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		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							
Americas	41	57	60	158	144	217	230	336	10%	-53%	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 '08	54	YTD '08
Global Advisory	79	84	69	231	240	330	388	425	-3%	-46%	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	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							
M&A Completed																	
Global Market Volume	225,334	336,647	129,690	691,672	661,994	753,765	1,137,140	1,024,307	4%	-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%	14.5%	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																	
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 ²			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '08	Q3 '07	YTD '08	YTD '07	YTD '08 vs YTD '07	Qtr Record	Qtr	YTD Record	Year
						Q3 '08 vs Q2 '08	Q3 '08 vs Q3 '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	54	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 ²			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '08	Q3 '07	YTD '08	YTD '07	YTD '08 vs YTD '07	Qtr Record	Qtr	YTD Record	Year
						Q3 '08 vs Q2 '08	Q3 '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%	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	1	5	2	5	4	-82%	-76%	7	6	24%	37	Q4 '04	23	YTD '01
Total Banking	27	70	62	53	50	-61%	-15%	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 %
	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
Equity Underwriting	160	330	214	210	296	-52%	-46%	705	805	-12%
Leveraged Finance	52	41	76	32	101	25%	-49%	169	544	-69%
Debt Capital Markets	168	247	246	201	249	-32%	-32%	661	774	-15%
Total Debt Underwriting	220	288	322	235	350	-24%	-37%	830	1,518	-37%
Financial Advisory	231	240	330	388	425	-3%	-46%	801	948	-16%
Total Banking	611	858	867	831	1,071	-29%	-43%	2,336	3,071	-24%

Records ¹			
Qtr Record	Qtr	YTD Record	Year
334	Q3 '04	805	YTD '07
274	Q3 '04	544	YTD '07
283	Q3 '05	774	YTD '07
540	Q2 '07	1,318	YTD '07
425	Q4 '04	948	YTD '07
1,150	Q2 '07	3,071	YTD '07

Americas Revenues (\$mm)

	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
Equity Underwriting	81	274	138	141	174	-70%	-53%	494	554	-11%
Leveraged Finance	51	19	54	26	59	172%	-13%	124	372	-67%
Debt Capital Markets	119	171	176	154	177	-31%	-33%	465	580	-20%
Total Debt Underwriting	170	190	230	180	236	-11%	-28%	589	955	-38%
Financial Advisory	158	144	217	230	336	10%	-53%	519	667	-22%
Attributable	(14)	(32)	(43)	(19)	(35)	-54%	-59%	(89)	(110)	-18%
Total Banking	394	576	541	532	711	-32%	-45%	1,512	2,064	-27%

Records ²			
Qtr Record	Qtr	YTD Record	Year
285	Q3 '04	554	YTD '07
266	Q3 '04	431	YTD '04
211	Q1 '07	580	YTD '07
411	Q3 '04	953	YTD '07
336	Q3 '07	667	YTD '07
(2)	Q4 '00	-	-
927	Q3 '04	2,064	YTD '07

Europe Revenues (\$mm)

	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
Equity Underwriting	77	51	58	51	99	50%	-22%	186	194	-4%
Leveraged Finance	0	5	19	5	35	-92%	-99%	24	147	-84%
Debt Capital Markets	38	52	54	30	61	-28%	-38%	144	147	-2%
Total Debt Underwriting	38	57	73	35	96	-34%	-61%	168	294	-43%
Financial Advisory	60	76	91	146	84	-21%	-28%	228	262	-13%
Attributable	14	27	42	14	32	-48%	-56%	82	104	-20%
Total Banking	190	212	264	246	310	-10%	-39%	665	853	-22%

Records ²			
Qtr Record	Qtr	YTD Record	Year
99	Q3 '07	200	YTD '00
63	Q2 '07	147	YTD '07
135	Q1 '06	221	YTD '05
155	Q1 '06	294	YTD '07
146	Q4 '07	262	YTD '07
42	Q1 '07	104	YTD '07
310	Q3 '07	854	YTD '07

Asia Revenues (\$mm)

	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
Equity Underwriting	1	5	19	18	23	-77%	-95%	24	57	-57%
Leveraged Finance	0	18	3	0	7	-98%	-95%	21	25	n/a
Debt Capital Markets	12	24	17	18	11	-49%	5%	52	46	13%
Total Debt Underwriting	12	41	19	18	18	-70%	-33%	73	71	3%
Financial Advisory	13	19	22	11	4	-33%	192%	54	19	179%
Attributable	0	5	2	5	4	-91%	-88%	7	6	16%
Total Banking	27	70	62	53	50	-62%	-46%	159	153	4%

Records ²			
Qtr Record	Qtr	YTD Record	Year
67	Q2 '05	106	YTD '05
18	Q2 '08	25	YTD '07
26	Q4 '04	61	YTD '05
41	Q2 '08	73	YTD '08
42	Q1 '00	54	YTD '08
37	Q4 '04	23	YTD '01
99	Q2 '05	206	YTD '05

¹Records date back to Q1 '98

²Records date back to Q1 '00

LEHMAN BROTHERS
THIRD QUARTER 2008
GLOBAL BANKING VOLUME

Global Market Volume (\$mm):

	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	YTD '08
Total Equity (including rights)	174,802	216,141	141,206	272,201	228,790	-19%	-24%	532,149	661,000	-19%	
Common Stock	154,193	164,416	89,074	240,075	188,456	-6%	-18%	407,683	520,126	-22%	
IPOs	19,828	48,058	34,375	99,387	75,010	-59%	-74%	102,261	205,197	-50%	
Secondary	134,365	116,358	54,699	140,688	113,446	15%	18%	305,422	314,929	-3%	
Convertibles	20,608	51,725	52,132	32,125	40,334	-60%	-49%	124,466	140,874	-12%	
Total Debt	952,371	1,490,507	1,157,157	1,325,174	1,703,264	-36%	-44%	3,600,035	5,694,704	-37%	
Investment Grade	449,348	782,941	467,990	600,642	542,763	-43%	-17%	1,700,279	2,036,642	-17%	
Leveraged Loans	174,153	231,934	207,221	285,526	438,358	-25%	-60%	613,308	1,381,158	-56%	
High Yield	12,726	20,118	4,920	34,773	35,661	-37%	-64%	37,764	146,891	-74%	
ABS	66,732	101,584	73,192	164,836	344,625	-34%	-81%	241,308	1,157,497	-79%	
MBS	80,290	77,804	93,440	172,827	432,167	3%	-81%	251,534	1,236,193	-80%	
Agencies	260,655	353,661	369,012	250,152	237,043	-26%	10%	983,328	748,810	31%	
M&A Completed	691,672	661,994	753,765	1,137,140	1,024,307	4%	-32%	2,107,431	2,977,626	-29%	
M&A Announced	943,287	875,811	716,680	927,076	1,232,013	8%	-23%	2,535,779	3,558,684	-29%	

	Calendar Year				Δ %	
	ANN '08	CY '07	CY '06	CY '05	ANN '08 vs.	
					ANN '07	ANN '08
Total Equity (including rights)	684,907	893,257	765,890	661,000	-23%	
Common Stock	533,391	711,520	641,986	520,126	-25%	
IPOs	117,666	292,099	257,428	205,197	-60%	
Secondary	415,724	419,422	384,558	314,929	-1%	
Convertibles	151,516	181,737	123,904	140,874	-17%	
Total Debt	3,012,150	6,775,268	7,124,341	5,694,704	-26%	
Investment Grade	2,377,328	2,584,308	2,620,840	2,036,642	-8%	
Leveraged Loans	784,853	1,628,759	1,213,225	1,381,158	-52%	
High Yield	33,544	165,458	184,670	146,891	-68%	
ABS	327,683	1,187,837	1,547,532	1,157,497	-72%	
MBS	315,504	1,345,001	1,451,416	1,236,193	-77%	
Agencies	1,388,473	1,025,731	907,078	983,328	35%	
M&A Completed	2,758,942	3,997,533	3,062,827	2,977,626	-31%	
M&A Announced	3,258,558	4,444,252	3,599,259	3,558,684	-27%	

Records			
Qtr Record	Qtr	YTD Record	Year
272,201	Q4 '07	661,000	YTD '07
240,075	Q4 '07	520,126	YTD '07
99,528	Q4 '06	205,197	YTD '07
140,688	Q4 '07	314,929	YTD '07
63,107	Q2 '07	140,874	YTD '07
2,174,784	Q2 '07	5,694,707	YTD '07
813,050	Q4 '06	2,036,642	YTD '07
575,695	Q2 '07	1,381,158	YTD '07
65,285	Q2 '07	146,891	YTD '07
463,280	Q4 '06	1,157,497	YTD '07
466,448	Q2 '07	1,236,193	YTD '07
369,012	Q1 '08	983,328	YTD '08
1,137,140	Q4 '07	2,977,626	YTD '07
1,346,161	Q2 '07	3,558,684	YTD '07

Global Lehman Volume (\$mm):

	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	YTD '08
Total Equity (including rights)	11,343	12,343	5,869	4,747	8,825	8%	29%	29,555	25,098	18%	
Common Stock	8,943	5,792	2,709	4,116	6,260	54%	43%	17,443	16,755	4%	
IPOs	182	129	409	1,905	3,282	41%	94%	720	7,037	-90%	
Secondary	8,761	5,662	2,300	2,211	2,978	55%	194%	16,723	9,718	72%	
Convertibles	2,400	6,551	3,160	631	2,564	63%	-6%	12,111	8,343	45%	
Total Debt	25,076	49,489	56,308	65,267	96,683	-49%	-74%	130,872	334,441	-61%	
Investment Grade	6,025	28,718	27,609	12,656	18,738	-79%	-68%	62,352	95,299	-35%	
Leveraged Loans	1,797	3,145	2,747	17,316	11,959	-43%	-85%	7,689	49,799	-85%	
High Yield	520	1,069	(0)	2,960	1,977	-51%	-71%	1,589	9,565	-83%	
ABS	3,345	3,501	3,061	17,575	23,054	-4%	-85%	9,907	65,020	-85%	
MBS	5,331	6,627	5,091	15,043	42,151	-20%	-87%	17,049	110,734	-85%	
Agencies	6,080	4,401	14,786	11,693	7,079	38%	-44%	25,267	27,194	-7%	
M&A Completed	166,845	185,666	95,193	389,995	117,047	-10%	43%	447,704	469,791	-5%	
M&A Announced	152,958	176,108	71,771	78,890	161,837	-13%	-5%	400,837	737,623	-46%	

	Calendar Year				Δ %	
	ANN '08	CY '07	CY '06	CY '05	ANN '08 vs.	
					ANN '07	ANN '08
Total Equity (including rights)	38,716	30,064	27,500	29,555	29%	
Common Stock	25,289	19,075	19,924	16,755	33%	
IPOs	646	8,878	7,054	7,037	-93%	
Secondary	24,643	10,197	12,870	9,718	142%	
Convertibles	13,427	10,989	7,576	6,551	22%	
Total Debt	173,123	387,366	438,448	334,441	-55%	
Investment Grade	80,532	103,102	117,716	95,299	-22%	
Leveraged Loans	10,309	63,781	38,325	49,799	-84%	
High Yield	2,383	10,955	9,639	14,613	-78%	
ABS	14,750	76,978	96,032	65,020	-81%	
MBS	24,046	122,314	129,005	110,734	-80%	
Agencies	31,293	42,858	43,891	27,194	-27%	
M&A Completed	642,928	762,857	482,034	469,791	-16%	
M&A Announced	554,763	777,875	556,220	737,623	-29%	

Records			
Qtr Record	Qtr	YTD Record	Year
12,343	Q2 '08	29,555	YTD '08
8,943	Q3 '08	17,443	YTD '08
3,282	Q3 '07	7,037	YTD '07
8,761	Q3 '08	16,723	YTD '08
6,551	Q2 '08	12,111	YTD '08
139,061	Q2 '07	341,028	YTD '06
42,616	Q2 '06	95,299	YTD '07
25,693	Q2 '07	49,799	YTD '07
4,113	Q2 '07	9,565	YTD '07
31,875	Q3 '05	79,770	YTD '05
44,169	Q2 '07	110,734	YTD '07
15,993	Q4 '03	34,821	YTD '05
389,995	Q4 '07	469,791	YTD '07
325,505	Q2 '07	737,623	YTD '07

Lehman's Global 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	YTD '08
Total Equity (including rights)	6.5%	5.7%	4.2%	1.7%	3.9%	14%	68%	5.6%	3.8%	-46%	
Common Stock	5.8%	3.5%	3.0%	1.7%	3.3%	65%	75%	4.3%	3.2%	33%	
IPOs	0.9%	0.3%	1.2%	1.9%	4.4%	241%	79%	0.7%	3.4%	-79%	
Secondary	6.5%	4.9%	4.2%	1.6%	2.6%	34%	148%	5.5%	3.1%	77%	
Convertibles	11.6%	12.7%	6.1%	2.0%	6.4%	8%	83%	9.7%	5.9%	64%	
Total Debt	2.6%	3.3%	4.9%	4.9%	5.7%	-21%	-54%	3.6%	5.9%	-38%	
Investment Grade	1.3%	3.7%	5.9%	2.1%	3.5%	-63%	-61%	3.7%	4.7%	-22%	
Leveraged Loans	1.0%	1.4%	1.3%	6.1%	2.7%	-24%	-62%	1.3%	3.6%	-60%	
High Yield	4.1%	5.3%	0.0%	8.5%	5.5%	-23%	-26%	4.2%	6.5%	-35%	
ABS	5.0%	3.4%	4.2%	10.7%	6.7%	45%	45%	4.1%	5.6%	-27%	
MBS	6.6%	8.5%	5.4%	8.7%	9.8%	-22%	-32%	6.8%	9.0%	-24%	
Agencies	2.3%	1.2%	4.0%	4.7%	3.0%	87%	-22%	2.6%	3.6%	-29%	
M&A Completed	24.1%	28.0%	12.6%	34.3%	11.4%	-14%	111%	21.2%	15.8%	35%	
M&A Announced	16.2%	20.1%	10.0%	8.5%	13.1%	-19%	23%	15.8%	20.7%	-24%	

	Calendar Year				Δ %	
	ANN '08	CY '07	CY '06	CY '05	ANN '08 vs.	
					ANN '07	ANN '08
Total Equity (including rights)	5.7%	3.4%	3.6%	6.8%	65%	
Common Stock	4.7%	2.7%	3.1%	7.7%	77%	
IPOs	0.5%	0.0%	2.7%	8.2%	82%	
Secondary	5.9%	2.4%	3.3%	7.7%	144%	
Convertibles	8.9%	6.0%	6.1%	4.7%	18.0%	
Total Debt	3.5%	5.7%	6.2%	5.7%	-40%	
Investment Grade	3.4%	4.0%	4.5%	4.7%	-13%	
Leveraged Loans	1.3%	3.9%	3.2%	6.1%	-60%	
High Yield	4.5%	6.6%	5.2%	8.5%	-33%	
ABS	4.5%	6.5%	6.2%	11.6%	-31%	
MBS	7.6%	9.1%	8.9%	12.0%	-16%	
Agencies	2.3%	4.2%	4.8%	7.2%	-46%	
M&A Completed	23.3%	19.1%	15.7%	34.3%	22%	
M&A Announced	17.0%	17.5%	15.5%	25.5%	-3%	

Records	
Record	Period
6.5%	Q3 '08
6.6%	Q2 '03
12.4%	Q3 '02
7.7%	Q2 '03
18.0%	Q3 '05
7.5%	Q1 '04
6.8%	Q3 '02
6.1%	Q4 '07
10.1%	Q1 '02
11.6%	Q3 '03
12.0%	Q4 '05
7.2%	Q4 '03

LEHMAN BROTHERS
THIRD QUARTER 2008
AMERICAS BANKING VOLUME

Americas Market Volume (\$mm):

	Fiscal Quarter Trend					Δ %		9 Months Ending May		Δ %		Calendar Year				Records			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		ANN '08	CY '07	CY '06	ANN '08 vs.	Qtr Record	Qtr	YTD Record	Year
						Q2 '08	Q3 '07			YTD '08	YTD '07								
Total Equity (including rights)	67,495	111,080	59,879	66,651	76,033	-39%	-11%	238,454	237,651	0%	311,569	305,670	252,438	2%	111,080	Q2 '08	238,454	YTD '08	
Common Stock	54,198	78,560	26,891	54,713	56,986	-31%	-5%	159,649	154,158	4%	220,040	205,336	179,943	7%	78,560	Q2 '08	159,649	YTD '08	
IPOs	5,943	26,650	4,317	27,482	31,571	-78%	-81%	36,910	60,595	-39%	50,243	85,672	61,212	-11%	31,571	Q3 '07	60,595	YTD '07	
Secondary	48,255	51,910	22,574	27,232	25,416	-7%	90%	122,739	93,563	31%	169,797	119,664	118,731	-2%	51,910	Q2 '08	122,739	YTD '08	
Convertibles	13,297	32,520	32,987	11,938	19,047	-59%	-30%	78,804	83,493	-6%	91,530	100,334	72,495	-9%	40,823	Q2 '07	83,493	YTD '07	
Total Debt	441,495	766,150	630,427	715,476	920,616	-42%	-52%	1,838,072	2,976,495	-38%	2,538,861	3,660,046	3,800,050	-31%	1,165,139	Q2 '07	2,976,495	YTD '07	
Investment Grade	121,115	319,757	226,223	247,534	218,769	-62%	-43%	667,094	801,154	-17%	914,392	1,045,450	901,317	-13%	321,187	Q2 '07	801,154	YTD '07	
Leveraged Loans	111,467	133,003	116,543	234,592	308,290	-16%	-64%	361,013	910,219	60%	491,252	1,098,019	793,581	-53%	369,262	Q2 '07	910,219	YTD '07	
High Yield	10,753	19,618	4,761	34,188	21,266	-43%	-49%	35,132	112,503	-69%	49,833	133,638	137,206	-63%	54,271	Q2 '07	112,503	YTD '07	
M&A Completed	361,231	372,980	364,920	632,971	657,157	-3%	-45%	1,099,131	1,774,974	-38%	1,467,479	2,384,866	1,814,948	-38%	657,157	Q3 '07	1,774,974	YTD '07	
M&A Announced	542,991	546,869	345,525	326,756	741,827	-1%	-27%	1,435,384	2,121,538	-32%	1,878,899	2,353,441	2,035,814	-20%	745,574	Q2 '07	2,121,538	YTD '07	

Americas Lehman Volume (\$mm):

	Fiscal Quarter Trend					Δ %		9 Months Ending May		Δ %		Calendar Year				Records			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		ANN '08	CY '07	CY '06	ANN '08 vs.	Qtr Record	Qtr	YTD Record	Year
						Q2 '08	Q3 '07			YTD '08	YTD '07								
Total Equity (including rights)	7,926	10,298	5,548	2,635	6,441	-23%	23%	23,772	17,374	37%	30,524	21,042	19,313	45%	10,298	Q2 '08	23,772	YTD '08	
Common Stock	5,526	4,524	2,388	2,559	4,202	22%	32%	12,438	10,637	17%	18,263	11,982	13,769	52%	5,526	Q3 '08	12,438	YTD '08	
IPOs	-	129	266	1,378	2,682	-100%	-100%	395	4,225	-91%	373	5,512	4,433	-93%	2,682	Q3 '07	4,225	YTD '07	
Secondary	5,526	4,395	2,122	1,181	1,520	26%	264%	12,043	6,413	88%	17,890	6,470	9,336	177%	5,526	Q3 '08	12,043	YTD '08	
Convertibles	2,400	5,774	3,160	77	2,239	-58%	7%	11,334	6,736	68%	12,261	9,060	5,544	35%	5,774	Q2 '08	11,334	YTD '08	
Total Debt	16,985	33,729	44,837	53,922	64,508	-50%	-74%	95,552	231,569	-59%	124,631	295,038	340,027	-58%	100,192	Q2 '07	244,929	YTD '06	
Investment Grade	4,298	16,646	21,776	10,310	14,043	-74%	-69%	42,720	62,645	-32%	55,345	70,632	71,777	-22%	24,670	Q2 '07	62,645	YTD '07	
Leveraged Loans	1,512	2,449	2,217	16,571	10,382	-38%	-85%	6,177	37,041	-83%	8,241	51,133	24,734	-84%	16,571	Q4 '07	37,041	YTD '07	
High Yield	520	1,069	-	2,960	1,078	-51%	-52%	1,589	7,927	-80%	2,383	9,806	8,337	-76%	4,106	Q2 '07	7,927	YTD '07	
M&A Completed	78,231	130,951	44,011	206,961	104,150	-40%	-23%	253,193	402,740	-37%	367,260	515,671	387,595	-29%	206,961	Q4 '07	402,740	YTD '07	
M&A Announced	83,898	169,014	54,353	28,124	132,000	-50%	-36%	307,266	448,961	-32%	417,467	478,073	385,159	-13%	169,014	Q2 '08	448,961	YTD '07	

Lehman's Americas Market Share:

	Fiscal Quarter Trend					Δ %		9 Months Ending May		Δ %		Calendar Year				Records	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		ANN '08	CY '07	CY '06	ANN '08 vs.	Record	Period
						Q2 '08	Q3 '07			YTD '08	YTD '07						
Total Equity (including rights)	11.7%	9.3%	4.0%	4.0%	8.5%	27%	39%	10.0%	7.3%	36%	9.8%	6.9%	7.7%	42%	14.2%	Q3 '05	
Common Stock	10.2%	5.8%	8.9%	4.7%	7.4%	77%	38%	7.8%	6.9%	13%	8.3%	5.8%	7.7%	42%	17.0%	Q4 '06	
IPOs	0.0%	0.5%	6.2%	5.0%	8.5%	-100%	-100%	1.1%	7.0%	-85%	0.7%	6.4%	7.2%	-88%	11.8%	Q3 '06	
Secondary	11.5%	8.5%	9.4%	4.3%	6.0%	35%	91%	9.8%	6.9%	43%	10.5%	5.4%	7.9%	95%	14.8%	Q2 '03	
Convertibles	11.4%	7.5%	6.7%	138.8%	54.5%	51%	79%	14.4%	8.1%	78%	9.0%	51.0%	34.1%	-82%	138.8%	Q4 '07	
Total Debt	3.8%	4.4%	7.1%	7.5%	7.0%	-13%	-45%	5.2%	7.8%	-33%	4.9%	8.1%	8.9%	-39%	10.5%	Q2 '05	
Investment Grade	3.5%	5.2%	9.6%	4.2%	6.4%	-32%	-45%	6.4%	7.8%	-18%	6.1%	6.8%	8.0%	-10%	10.4%	Q2 '03	
Leveraged Loans	1.4%	1.8%	1.9%	7.1%	3.4%	-26%	-60%	1.7%	4.1%	-58%	1.7%	4.7%	3.1%	-64%	7.1%	Q4 '07	
High Yield	4.8%	5.4%	0.0%	8.7%	5.1%	-11%	-5%	4.5%	7.0%	-35%	4.8%	7.3%	6.1%	-35%	10.6%	Q2 '03	
M&A Completed	21.7%	35.1%	12.1%	32.7%	15.8%	-38%	37%	23.0%	22.7%	2%	25.0%	21.6%	21.4%	16%	38.1%	Q4 '04	
M&A Announced	15.5%	30.9%	15.7%	8.6%	17.8%	-50%	-13%	21.4%	21.2%	1%	22.2%	20.3%	18.9%	9%	30.9%	Q2 '08	

Lehman's Americas Ranking:

	Calendar Year					Calendar Year				Records	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	ANN '08	CY '07	CY '06	Record	Period	
Total Equity (excluding rights)	3	5	4	8	8	3	8	6	3	Q3 '08	
IPOs	11	11	2	7	6	11	1	5	2	Q1 '08	
Secondary	3	3	1	8	6	3	7	4	1	Q1 '08	
Convertibles	3	4	-	7	6	3	4	7	2	Q4 '05	
Total Debt	10	9	6	3	4	10	3	2	1	Q2 '05	
Investment Grade	7	7	4	7	7	7	7	6	1	Q3 '05	
Leveraged Loans	15	12	13	8	9	15	9	10	4	Q3 '05	
High Yield	9	8	-	6	6	9	7	7	4	Q1 '05	
M&A Completed	5	6	10	6	7	5	6	5	2	Q4 '04	
M&A Announced	5	5	1	5	5	5	5	6	1	Q1 '08	

Records date back to Q1 '03

LEHMAN BROTHERS
THIRD QUARTER 2008
EUROPE BANKING VOLUME

Europe Market Volume (\$mm):

	Fiscal Quarter Trend					Δ %		9 Months Ending May			Calendar Year		Δ %		Records				
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs	ANN '08	CY '07	CY '06	CY '07	ANN '08 vs	Qtr Record	Qtr	YTD Record	Year
						Q2 '08	Q3 '07												
Total Equity (including rights)	85,131	68,656	43,731	90,225	87,907	24%	-3%	197,518	246,017	-20%	250,935	345,320	284,304	-27%	90,225	Q4 '07	246,017	YTD '07	
Common Stock	82,633	56,670	37,824	79,087	76,709	46%	8%	177,128	220,489	-20%	225,188	305,507	263,092	-26%	82,633	Q3 '08	220,489	YTD '07	
IPOs	9,086	13,838	18,506	32,501	25,393	-34%	-64%	-4,430	87,762	-53%	40,401	126,922	107,353	-68%	42,207	Q2 '07	87,762	YTD '07	
Secondary	73,547	42,833	19,318	46,586	51,315	72%	43%	135,698	132,727	2%	185,147	178,585	155,739	4%	73,547	Q3 '08	135,698	YTD '08	
Convertibles	2,498	11,986	5,907	11,138	11,198	-78%	-78%	20,391	25,527	-20%	25,747	39,814	21,212	-35%	18,839	Q3 '03	30,675	YTD '03	
Total Debt	392,209	610,073	376,348	421,900	655,731	-36%	-40%	1,378,631	2,256,376	-39%	1,990,912	2,613,098	2,849,569	-24%	890,255	Q4 '06	2,256,376	YTD '07	
Investment Grade	250,988	379,146	170,293	256,795	266,079	-34%	-6%	800,428	1,034,007	-23%	1,156,563	1,258,961	1,460,221	-8%	446,335	Q4 '06	1,034,007	YTD '07	
Leveraged Loans	47,637	77,496	59,955	28,150	115,669	-39%	-59%	185,088	411,152	-55%	218,107	467,676	385,643	-53%	187,924	Q2 '07	411,152	YTD '07	
High Yield	1,973	-	59	-	11,814	n/a	-83%	2,032	28,602	-93%	2,960	26,494	39,663	-87%	12,332	Q4 '06	28,602	YTD '07	
M&A Completed	390,073	429,253	394,139	563,742	445,027	-9%	-12%	1,213,464	1,228,325	-1%	1,657,351	1,929,973	1,435,906	-14%	563,742	Q4 '07	1,228,325	YTD '07	
M&A Announced	508,053	469,980	361,336	601,887	614,300	8%	-17%	1,339,369	1,845,850	-27%	1,738,029	2,428,576	1,677,829	-28%	801,852	Q2 '07	1,845,850	YTD '07	

Europe Lehman Volume (\$mm):

	Fiscal Quarter Trend					Δ %		9 Months Ending May			Calendar Year		Δ %		Records				
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs	ANN '08	CY '07	CY '06	CY '07	ANN '08 vs	Qtr Record	Qtr	YTD Record	Year
						Q2 '08	Q3 '07												
Total Equity (including rights)	3,378	1,769	133	863	1,521	91%	122%	5,279	4,315	22%	7,720	4,610	7,167	67%	3,378	Q3 '08	5,279	YTD '08	
Common Stock	3,378	1,192	-	-	-	183%	n/a	4,570	1,218	275%	6,854	4,316	5,325	59%	3,378	Q3 '08	5,150	YTD '05	
IPOs	143	-	133	201	98	n/a	-45%	276	1,461	-81%	215	1,707	2,564	-87%	1,312	Q4 '05	1,668	YTD '06	
Secondary	3,235	1,192	-	518	1,423	171%	127%	4,427	2,704	64%	6,640	2,608	2,761	155%	3,235	Q3 '08	4,427	YTD '08	
Convertibles	-	577	-	144	-	-100%	n/a	577	150	285%	866	294	1,842	195%	1,095	Q1 '04	1,193	YTD '06	
Total Debt	7,147	14,629	9,823	6,917	20,312	-51%	-65%	31,599	79,884	-60%	44,235	88,611	97,156	-50%	34,311	Q2 '07	79,884	YTD '07	
Investment Grade	1,727	12,072	4,683	2,226	3,388	-86%	-49%	18,482	30,390	-39%	25,037	51,638	45,010	-21%	18,500	Q2 '06	33,686	YTD '06	
Leveraged Loans	285	338	-	-	2,036	-15%	-86%	623	11,974	-95%	934	11,248	12,558	-92%	8,777	Q2 '07	11,974	YTD '07	
High Yield	-	-	-	-	899	n/a	-100%	-	1,530	-100%	-	1,049	1,302	-100%	899	Q3 '07	1,530	YTD '07	
M&A Completed	98,034	173,845	47,699	211,871	40,866	-44%	140%	319,578	117,931	171%	473,356	333,182	137,484	42%	211,871	Q4 '07	319,578	YTD '08	
M&A Announced	86,106	124,004	30,790	47,788	51,278	-31%	68%	240,899	365,801	-34%	356,558	389,333	215,253	-8%	223,462	Q2 '07	365,801	YTD '07	

Lehman's Europe Market Share:

	Fiscal Quarter Trend					Δ %		9 Months Ending May			Calendar Year		Δ %		Records		
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs	ANN '08	CY '07	CY '06	CY '07	ANN '08 vs	Record	Period
						Q2 '08	Q3 '07										
Total Equity (including rights)	4.0%	2.6%	0.3%	1.0%	1.7%	54%	129%	2.7%	1.8%	52%	3.1%	1.3%	2.5%	130%	6.5%	Q2 '05	
Common Stock	4.1%	2.1%	0.0%	0.0%	0.0%	94%	n/a	2.6%	0.6%	367%	3.0%	1.4%	2.0%	113%	8.8%	Q3 '03	
IPOs	1.6%	0.0%	0.7%	0.6%	0.4%	n/a	307%	0.7%	1.7%	-60%	0.5%	1.3%	2.4%	-60%	7.6%	Q2 '04	
Secondary	4.4%	2.4%	0.0%	1.1%	2.8%	38%	59%	3.3%	2.0%	60%	3.6%	1.5%	1.8%	146%	12.8%	Q3 '03	
Convertibles	0.0%	4.8%	0.0%	1.3%	0.0%	-100%	n/a	2.8%	0.6%	382%	3.4%	0.7%	8.7%	355%	18.7%	Q4 '05	
Total Debt	1.8%	2.4%	2.6%	1.6%	3.1%	-24%	-41%	3.5%	3.4%	-34%	2.2%	3.4%	3.4%	-34%	6.0%	Q3 '04	
Investment Grade	0.7%	3.2%	2.7%	0.9%	1.3%	-78%	-46%	2.3%	2.9%	-21%	2.2%	2.5%	3.1%	-14%	5.4%	Q1 '04	
Leveraged Loans	0.6%	0.4%	0.0%	0.0%	1.8%	37%	-66%	0.3%	2.9%	-88%	0.4%	2.4%	3.3%	-82%	8.3%	Q4 '04	
High Yield	0.0%	0.0%	0.0%	0.0%	7.6%	n/a	-100%	0.0%	5.4%	-100%	0.0%	4.0%	3.3%	-100%	0.0%	-	
M&A Completed	25.1%	40.5%	12.1%	37.6%	9.2%	-38%	174%	26.3%	9.6%	174%	28.6%	17.3%	9.6%	63%	40.5%	Q2 '08	
M&A Announced	16.9%	26.4%	8.5%	7.9%	8.3%	-36%	103%	18.0%	19.8%	-9%	20.5%	16.0%	12.8%	28%	32.1%	Q1 '06	

Lehman's Europe Ranking:

	Calendar Year					Calendar Year				Records	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	ANN '08	CY '07	CY '06	Record	Period	
Total Equity (including rights)	9	13	-	12	14	9	14	13	5	Q1 '04	
Common Stock	-	-	-	-	-	-	-	-	-	-	
IPOs	23	-	-	15	13	23	16	11	-	-	
Secondary	-	13	-	14	15	-	-	-	5	Q1 '05	
Convertibles	8	8	-	19	19	8	20	5	-	-	
Total Debt	16	16	18	14	14	16	13	15	7	Q2 '04	
Investment Grade	16	14	16	16	16	16	16	12	7	Q1 '04	
Leveraged Loans	33	-	-	14	13	33	15	10	2	Q1 '05	
High Yield	-	-	-	9	9	-	9	9	-	-	
M&A Completed	4	4	7	7	10	4	8	12	3	Q1 '04	
M&A Announced	6	6	4	11	9	6	11	12	4	Q1 '06	

¹ Records date back to Q1 '03

LEHMAN BROTHERS
THIRD QUARTER 2008
ASIA BANKING VOLUME

Asia Market Volume (\$mm):

	Fiscal Quarter Trend					Δ %		9 Months Ending May			Δ %		Calendar Year			Records ¹			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs	ANN '08	CY '07	CY '06	ANN '08 vs	Qtr Record	Qtr	YTD Record	Year	
						Q2 '08	Q3 '07												Q2 '08
Total Equity (including rights)	22,176	36,405	41,903	104,336	76,459	-39%	-71%	100,484	203,197	-51%	122,402	242,267	229,148	-49%	104,336	Q4 '07	203,197	YTD '07	
Common Stock	17,363	29,185	29,500	95,400	66,811	-41%	-74%	76,048	172,286	-56%	88,164	200,678	198,951	-56%	95,400	Q4 '07	172,286	YTD '07	
IPOs	4,799	7,570	15,504	36,930	21,733	-37%	-78%	27,873	61,926	-55%	27,383	79,505	88,863	-66%	42,260	Q4 '06	61,926	YTD '07	
Secondary	12,564	21,615	13,996	58,469	45,077	-42%	-72%	48,174	110,360	-56%	60,781	121,173	110,088	-50%	58,469	Q4 '07	110,360	YTD '07	
Convertibles	4,813	7,220	12,403	8,936	9,649	-33%	-50%	24,436	30,911	-21%	34,239	41,589	30,197	-18%	13,946	Q2 '07	30,911	YTD '07	
Total Debt	118,668	114,284	107,052	132,060	118,013	-4%	1%	340,003	371,488	-8%	482,377	502,125	474,721	-4%	146,873	Q4 '06	371,488	YTD '07	
Investment Grade	77,245	84,038	51,179	76,802	59,287	-8%	30%	212,463	205,399	3%	306,372	279,897	259,302	9%	84,038	Q2 '08	212,463	YTD '08	
Leveraged Loans	13,050	21,434	17,310	15,982	14,618	-30%	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	2,588	-100%	-100%	500	6,185	-92%	750	5,306	7,800	-86%	2,766	Q3 '06	6,185	YTD '07	
M&A Completed	95,311	134,085	156,614	138,987	175,905	-29%	-46%	386,010	461,197	-16%	504,073	655,979	468,469	-23%	199,206	Q2 '07	461,197	YTD '07	
M&A Announced	176,406	194,294	202,339	375,225	205,956	-9%	-14%	573,039	595,093	-4%	722,694	966,909	616,654	-25%	375,225	Q4 '07	595,093	YTD '07	

Asia Lehman Volume (\$mm):

	Fiscal Quarter Trend					Δ %		9 Months Ending May			Δ %		Calendar Year			Records ¹			
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs	ANN '08	CY '07	CY '06	ANN '08 vs	Qtr Record	Qtr	YTD Record	Year	
						Q2 '08	Q3 '07												Q2 '08
Total Equity (including rights)	39	276	168	1,248	1,092	-86%	-96%	483	3,400	-86%	472	4,413	1,020	-89%	1,864	Q2 '07	3,400	YTD '07	
Common Stock	39	76	168	838	767	-49%	-95%	283	2,175	-87%	172	2,778	831	-94%	964	Q2 '07	2,175	YTD '07	
IPOs	39	-	-	326	491	n/a	-92%	39	1,334	-97%	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%	200	1,225	-84%	300	1,635	190	-82%	900	Q2 '07	1,225	YTD '07	
Total Debt	943	1,130	765	1,807	503	-17%	87%	2,838	1,180	141%	4,257	3,717	1,265	15%	1,807	Q4 '07	2,838	YTD '08	
Investment Grade	-	-	100	50	167	n/a	-100%	100	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	-5%	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	13,295	32,030	2,292	1,174	-87%	-99%	47,077	11,131	323%	65,362	18,303	7,065	257%	32,030	Q1 '08	47,077	YTD '08	
M&A Announced	11,688	7,540	29,094	7,393	4,096	55%	183%	48,323	9,816	392%	52,797	35,966	10,734	47%	29,094	Q1 '08	48,323	YTD '08	

Lehman's Asia Market Share:

	Fiscal Quarter Trend					Δ %		9 Months Ending May			Δ %		Calendar Year			Records ¹	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs	ANN '08	CY '07	CY '06	ANN '08 vs	Record	Period	
						Q2 '08	Q3 '07										Q2 '08
Total Equity (including rights)	0.2%	0.8%	0.4%	1.2%	1.4%	-77%	-88%	0.5%	1.7%	-71%	0.4%	1.8%	0.4%	-79%	2.9%	Q4 '03	
Common Stock	0.2%	0.3%	0.6%	0.5%	1.1%	-14%	-80%	0.4%	1.3%	-71%	0.2%	1.4%	0.4%	-86%	1.7%	Q2 '07	
IPOs	0.8%	0.0%	0.0%	0.9%	2.3%	n/a	-64%	0.1%	2.2%	-94%	0.2%	2.1%	0.1%	-90%	3.9%	Q2 '07	
Secondary	0.0%	0.4%	1.2%	0.5%	0.6%	-100%	-100%	0.5%	0.8%	-34%	0.2%	0.9%	0.7%	-80%	2.4%	Q3 '04	
Convertibles	0.0%	2.8%	0.0%	4.6%	3.4%	-100%	-100%	0.8%	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%	86%	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%	-87%	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%	9.4%	Q2 '06	
High Yield	0.0%	0.0%	0.0%	0.0%	0.0%	n/a	n/a	0.0%	1.6%	-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%	-81%	176%	12.2%	2.4%	405%	13.0%	2.8%	1.5%	365%	26.6%	Q3 '04	
M&A Announced	6.6%	3.9%	14.4%	2.0%	2.0%	71%	233%	8.4%	1.6%	411%	7.3%	3.7%	1.7%	96%	24.4%	Q1 '03	

Lehman's Asia Ranking:

	Calendar Year					Calendar Year			Records ¹	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	ANN '08	CY '07	CY '06	Record	Period
Total Equity (including rights)	28	27	-	16	17	28	12	21	10	Q2 '03
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	20	Q1 '03
Investment Grade	114	83	-	46	44	114	51	45	18	Q1 '04
Leveraged Loans	18	18	2	15	13	18	16	10	2	Q1 '08
High Yield	-	-	-	15	9	-	14	-	-	-
M&A Completed	2	1	1	20	18	2	20	29	1	Q2 '03
M&A Announced	10	6	1	19	21	10	17	28	1	Q2 '03

¹ 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			
	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 '07	YTD '07				
Fee Share - All Products	4.6%	4.8%	5.6%	4.4%	4.4%	-4%	5%	4.6%	4.4%	5%	4.4%	4.6%	5.9%	Q1 '02	
Equity	4.5%	4.8%	4.1%	3.0%	3.4%	-6%	33%	4.5%	3.4%	33%	3.2%	3.4%	4.8%	Q1 '02	
Debt	3.9%	4.3%	4.7%	5.1%	4.6%	-9%	-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%	5%	-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			
	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 '07	YTD '07				
Fee Share - All Products	6.0%	6.3%	8.8%	6.2%	6.1%	-5%	-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%	4.8%	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			
	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 '07	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%	42%	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			
	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 '07	YTD '07				
Fee Share - All Products	1.4%	1.6%	1.7%	1.4%	1.3%	-13%	7%	1.4%	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%	0.5%	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	

¹Records 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):¹

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records ²	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs	Fees	Period
						Q2 '08	Q3 '07			YTD '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):¹

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records ²	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs	Fees	Period
						Q2 '08	Q3 '07			YTD '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	215	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):¹

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records ²	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs	Fees	Period
						Q2 '08	Q3 '07			YTD '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	40%	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):¹

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records ²	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs	Fees	Period
						Q2 '08	Q3 '07			YTD '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%	145%	18	8	145%	20	Q1 '08
Total	35	17	32	27	28	109%	24%	35	28	24%	72	Q1 '00

¹ Fee information is for both lead and co-lead managed deals² Records date back to Q1 '00

LEHMAN BROTHERS
THIRD QUARTER 2008
INVESTMENT BANKING PIPELINE VALUES

Global Pipeline Value (\$bn):¹

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records ²	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Value	Period
						Q2 '08	Q3 '07					
Equity	10	32	29	24	18	-70%	-46%	10	18	-46%	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	39	60	179	-22%	-85%	27	179	-85%	179	Q3 '07
Advisory	180	215	268	231	616	-16%	-71%	180	616	-71%	616	Q3 '07
Total	217	282	337	315	813	-23%	-73%	217	813	-73%	813	Q3 '07

Americas Pipeline Value (\$bn):¹

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records ²	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Value	Period
						Q2 '08	Q3 '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
Total	107	113	141	124	451	-5%	-76%	107	451	-76%	451	Q3 '07

Europe Pipeline Value (\$bn):¹

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records ²	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Value	Period
						Q2 '08	Q3 '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
Total	102	165	187	183	358	-38%	-71%	102	358	-71%	358	Q3 '07

Asia Pipeline Value (\$bn):¹

	Quarter Trend					Δ %		9 Months Ending May		Δ %	Records ²	
	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q3 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Value	Period
						Q2 '08	Q3 '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
Total	8	3	8	8	4	121%	103%	8	4	103%	15	Q1 '05

¹ Value includes only lead managed deals

² Records date back to Q1 '00

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 Ptrns (\$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 (Vestar) (\$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%

Regions	Volume (\$bn)				
	Q3'08	Q2'08	Q3 '07	---- % Chg ----	
Americas	107	113	451	-5%	-76%
Europe	102	166	358	-39%	-72%
Asia	8	3	4	133%	75%
Total IBD (Lead)	216	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	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%

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%
GS Sachs	259.6	38%	243.3	37%	304.9	30%
Morgan Stanley	200.6	29%	103.9	16%	250.0	24%
Merrill Lynch	155.0	22.4%	82.1	12.4%	143.2	14%
Total Market	691.7		662.0	4%	1,024.3	

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)
- \$25.9bn Clear Channel Commun (GS/Laz)/ BT Triple Crown Co (MS/Citi/Credit Suisse/Deutsche/Wachovia)
- \$16bn Telmex-International Operation (Leh/GS)/ Shareholders (-)
- \$14.3bn Endesa Italia (Citi/UBS/Mediobanca/MS/GS)/ E.ON AG (Deutsche/HSBC)
- \$13bn Electronic Data Systems Corp (Citi/Evercore 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%
GS 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%
Total Market	12.7		20.1	-37%*	35.7	-64%

Significant Transactions - Q2 '08

- \$1.3bn Vedanta Resources PLC (JPM/MS/Barclays/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%
GS 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%
Total Market	943.3		875.8	8%	1,232.0	

Significant Transactions - Q2 '08

- \$59.6bn Anheuser-Busch Cos (GS/Citi/Mer/Moelis/UBS)/ InBev NV (Laz/JPM/Deutsche/BNP/Centerview)
- \$43.7bn 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 SDG SA (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%
GS 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%
Total Market	449.3		782.9	-43%*	542.8	-17%

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%
GS 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%
Total Market	174.8		216.1	-19%	228.8	-24%

Significant Transactions - Q2 '08

- \$24.4bn RBS (Mer/RBS/GS)
- \$15.4bn UBS AG (JPM/MS/UBS/BNP/GS)
- \$12.2bn Cia Vale do Rio Doce 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
M&A Announced						
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 Intergen 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
Equity						
2,200	Finmeccanica SPA	Ind	EU	Rts	11.8	Oct '08
750	McJunkin Red Man Corp (GSCP)	Ind	AM	IPO	9.9	Nov '08
Fixed Inxome						
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
Total Pipeline at 5/31/08		32,200	203.8	
<i>Significant Deals dropped off pipeline during Q3 2008:</i>				
Project Michelangelo PPD		-	37.5	
Radian Group Inc.		800	10.0	
FPL Group		800	6.0	
Endoceutics		-	4.8	
Ports America (AIG Highstar Capital)		-	4.5	
Solarwinds.Net		200	4.5	
<i>Under \$4mm</i>		<i>700</i>	<i>2.5</i>	
Sub-total Dropped		2,500	76.8	
<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		9,400	6.0	
Innovative Windpower		-	4.0	
<i>Under \$4mm</i>		<i>1,100</i>	<i>8.6</i>	
Sub-total Completed		25,500	62.9	
<i>Significant Deals added to pipeline in Q3 2008:</i>				
Finmeccanica SPA	Rts	2,200	11.8	Oct-08
Mjunker 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
<i>Under \$4mm</i>		<i>500</i>	<i>10.5</i>	
Sub-total Added		5,400	74.2	
<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	
Rhino Resource Partners		100	1.0	
Sub-total Added		100.0	5.3	
Total Pipeline at 8/31/08		9,700	143.6	

* Value and Fee includes only lead managed deals

LEHMAN BROTHERS
THIRD QUARTER 2008
BANKING PIPELINE CHANGES: LEVERAGED FINANCE

(in \$ millions)				
Client	Transaction	*Value	*Fees	<i>Expected Filing Date</i>
Total Pipeline at 8/31/08		11,500	27.6	
<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>		600	5.6	
<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	
Mjunkin Corp		1,000	-	
<i>Sub-total Completed</i>		3,900	9.2	
<i>Significant Deals added on pipeline during Q3 2008:</i>				
Huish Detergents (Vestar)	Sr. Note	600	4.7	<i>Sep-08</i>
Convertteam (LBO France)	Bank Loan	1,000	4.5	<i>Sep-08</i>
National Cinemedia	Bridge	-	3.8	<i>Nov-08</i>
Meg Energy	Sr Note	500	3.0	<i>Sep-08</i>
Waste Services	Bank Loan	300	2.8	<i>Sep-08</i>
Sungard Data Systems	Bank Loan/Bridge Loan	300	2.8	<i>Oct-08</i>
Bonten Media (Diamond Castle)	Bank Loan	100	1.9	<i>Sep-08</i>
Antero Resources	Bank Loan	200	0.7	<i>Oct-08</i>
<i>Sub-total Added</i>		3,000	24	
<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>		(1,900)	(3)	
Total Pipeline at 8/31/08		8,100	34.1	

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	FY Quarter	FY Amount	Year	
EQUITIES																		
Equity Division Subtotal	64	78	(43)	99	336	789	932	963	-70%	-90%	1,225	2,894	-58%	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	215%	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%	(270)	(43)	n/a	522	Q4 '07	479	2007	
Equities Other	6	241	191	438	130	190	37	289	236%	52%	758	313	142%	438	Q3 '08	758	2008	
Total Equities Segment	105	260	93	458	601	1,410	2,000	1,377	-24%	-67%	2,469	4,398	-44%	2,000	Q4 '07	6,398	2007	
FIXED INCOME																		
Fixed Income Divisional Subtotal	228	(2,182)	(3,734)	(5,687)	(3,154)	(77)	139	332	80%	n/a	(8,918)	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	65%	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)	(17)	(228)	(12)	(82)	15	23	n/a	n/a	(322)	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	493	1,231	535	674	329	580	130%	112%	2,440	809	202%	1,231	Q3 '08	2,440	2008	
Total Fixed Income Segment	133	(1,425)	(3,334)	(4,625)	(2,975)	262	727	1,058	n/a	n/a	(7,339)	5,132	n/a	2,200	Q2 '06	8,447	2006	
Total Capital Markets Segment	238	(1,165)	(3,241)	(4,168)	(2,374)	1,672	2,727	2,435	n/a	n/a	(4,870)	9,530	n/a	3,594	Q2 '07	12,257	2007	
<i>Total Prime Services</i>	<i>181</i>	<i>167</i>	<i>163</i>	<i>511</i>	<i>868</i>	<i>631</i>	<i>473</i>	<i>504</i>	<i>-23%</i>	<i>1%</i>	<i>1,808</i>	<i>1,398</i>	<i>29%</i>	<i>3,078</i>	<i>Q2 '06</i>	<i>12,007</i>	<i>2006</i>	

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

Capital Markets : (\$4,168)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 \$0.7bn for the quarter. Gains on Lehman structured notes valuation were \$1.4bn. Total Net write-down of \$(5.7)bn compared to \$(3.7)bn in Q2 '08.
- Fixed Income revenues of (\$4,625)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 \$458 mm were also down significantly versus the comparable periods.
 - Client revenues were down 22% vs. Q2'08 and down 29% 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).

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LEHMAN BROTHERS

Capital Markets Section -- Q3 2008

1

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	
EQUITIES REVENUES																		
Total Execution Services	76	121	118	316	528	657	374	509	-40%	-38%	1,501	1,495	0%	657	Q1 '08	1,869	2007	
Convertibles	(22)	(48)	(3)	(72)	(7)	(4)	28	(33)	n/a	121%	(83)	28	n/a	62	Q4 '06	153	2006	
Volatility	(62)	0	(155)	(216)	(161)	267	385	455	34%	n/a	(111)	1,160	n/a	455	Q3 '07	1,545	2007	
Event Driven	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a	15	Q4 '04	40	2004	
Equity Strategies	44	21	19	83	53	14	131	63	56%	32%	150	282	-47%	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	(43)	99	336	789	932	963	-70%	-90%	1,225	2,894	-58%	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)	(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	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	191	438	130	190	37	289	236%	52%	758	313	142%	438	Q3 '08	758	2008	
Total Equities Segment	105	260	93	458	601	1,410	2,000	1,377	-24%	-67%	2,469	4,398	-44%	2,000	Q4 '07	6,398	2007	
SALES CREDITS DATA																		
Execution Services - Americas	68	77	55	200	208	217	197	272	-4%	-27%	624	643	-3%	272	Q3 '07	840	2007	
Execution Services - Europe	34	38	24	97	114	140	191	170	-15%	-43%	350	451	-22%	191	Q4 '07	642	2007	
Execution Services - Asia	20	20	14	54	71	78	56	62	-24%	-13%	203	149	36%	78	Q1 '08	206	2007	
Total Execution Services	122	134	94	351	392	434	444	504	-11%	-30%	1,177	1,244	-5%	504	Q3 '07	1,687	2007	
Convertibles	8	8	5	21	29	28	20	20	-26%	6%	78	56	39%	29	Q2 '08	78	2008	
Volatility	67	61	46	174	187	307	356	293	-7%	-41%	668	750	-11%	356	Q4 '07	1,106	2007	
Equity Capital Markets Prime Services	98	68	52	218	360	250	207	276	-39%	-21%	828	731	13%	360	Q2 '08	938	2007	
Equities Corporate	(7)	(4)	(2)	(13)	(10)	(34)	(80)	(51)	39%	-74%	(57)	(50)	14%	-	-	-	-	
Total Equities Sales Credits	289	267	194	751	958	985	947	1,042	-22%	-28%	2,694	2,731	-1%	1,042	Q3 '07	3,678	2007	
Americas	122	120	87	330	389	391	353	405	-15%	-18%	1,110	1,065	4%	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	
Total Equities Sales Credits	289	267	194	751	958	985	947	1,042	-22%	-28%	2,694	2,731	-1%	1,042	Q3 '07	3,678	2007	

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Capital Markets Execution – Q3 2008

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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	Year	
FIXED INCOME REVENUES																		
Interest Rate Products	48	101	(252)	(103)	(267)	962	303	624	-61%	n/a	592	1,220	-51%	962	Q1 '08	1,523	2007	
Foreign Exchange	47	32	67	147	8	218	78	71	n/a	107%	373	216	73%	218	Q1 '08	373	2008	
Liquid Markets	95	133	(185)	43	(259)	1,180	381	695	n/a	-94%	965	1,436	-33%	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)	(95)	(390)	(140)	488	(630)	-76%	-85%	(624)	(79)	n/a	488	Q4 '07	668	2006	
Credit Products	333	3	(81)	256	(246)	410	506	(613)	n/a	n/a	420	483	-13%	631	Q1 '07	1,451	2006	
Securitized Products Trading	(141)	(1,655)	(2,040)	(3,836)	(1,466)	(247)	(707)	(10)	162%	n/a	(5,548)	366	n/a	646	Q2 '05	2,314	2005	
Securitized Products Origination	1	(259)	(392)	(650)	(147)	(60)	(61)	48	343%	n/a	(857)	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	(6,405)	544	n/a	779	Q1 '05	2,754	2005	
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	(92)	51	552	511	(73)	(146)	18	(171)	n/a	n/a	292	(336)	n/a	511	Q3 '08	292	2008	
Fixed Income Subtotal	228	(2,182)	(3,734)	(5,687)	(3,154)	(77)	139	332	80%	n/a	(8,918)	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	65%	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)	(17)	(228)	(12)	(82)	15	23	n/a	n/a	(322)	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)	(440)	-	-	-88%	n/a	(790)	-	n/a	-	-	-	-	
FID Other	(45)	783	493	1,231	535	674	329	580	130%	112%	2,440	809	202%	1,231	Q3 '08	2,440	2008	
Total Fixed Income Segment	133	(1,425)	(3,334)	(4,625)	(2,975)	262	727	1,058	55%	n/a	(7,339)	5,132	n/a	2,200	Q2 '06	8,447	2006	
SALES CREDITS DATA																		
Interest Rate Products	102	83	63	248	330	385	226	349	-25%	-29%	963	892	8%	385	Q1 '08	1,118	2007	
Foreign Exchange	102	83	63	248	330	385	138	141	-25%	77%	963	348	177%	385	Q1 '08	963	2008	
Total Liquid Markets	144	131	104	379	495	562	364	489	-23%	-22%	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	43	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	25%	39	Q1 '08	95	2007	
Municipals	6	8	6	19	31	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 Corp/Insurance Prod	(1)	(10)	0	(11)	(20)	(63)	(28)	(41)	-44%	-73%	(94)	(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	683	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	-34%	-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	

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Capital Markets Section – Q3 2008

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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 '08 versus Q3 '07	YTD 2008	YTD 2007	YTD '08 vs. YTD '07	Quarter Amount	Quarter	FY Amount	FY Year	
EQUITIES																		
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	
Total Execution Services	76	121	118	316	528	657	374	509	-40%	-38%	1,501	1,495	0%	657	Q1 '08	1,869	2007	
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)	(3)	(11)	(21)	(12)	7	(11)	-47%	1%	(45)	2	n/a	13	Q2 '07	9	2007	
Convertibles	(22)	(48)	(3)	(72)	(7)	(4)	28	(33)	n/a	121%	(83)	28	n/a	62	Q4 '06	153	2006	
Americas	18	33	8	59	67	12	23	18	-11%	233%	138	89	56%	81	Q2 '07	138	2008	
Europe	(58)	(17)	(154)	(229)	(135)	105	158	309	70%	n/a	(259)	699	n/a	309	Q3 '07	856	2007	
Asia	(22)	(16)	(9)	(47)	(93)	151	205	128	-50%	n/a	10	373	-97%	205	Q4 '07	577	2007	
Volatility	(62)	0	(155)	(216)	(161)	267	385	455	34%	n/a	(111)	1,160	n/a	455	Q3 '07	1,545	2007	
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)	(11)	(4)	23	(8)	76	69	n/a	n/a	11	128	-92%	83	Q1 '06	203	2007	
Equity Strategies	44	21	19	83	53	14	131	63	56%	32%	150	282	-47%	143	Q1 '06	413	2007	
Americas	4	(8)	(26)	(30)	(37)	(35)	11	(43)	-21%	-31%	(102)	(86)	18%	43	Q3 '06	16	2006	
Europe	0	(7)	2	(5)	(27)	(108)	2	13	-80%	n/a	(140)	21	n/a	23	Q3 '06	22	2007	
Asia	24	(1)	1	24	(12)	(2)	1	(1)	n/a	n/a	10	(5)	n/a	24	Q3 '08	10	2008	
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	(43)	99	336	789	932	963	-70%	-90%	1,225	3,459	-65%	1,654	Q2 '07	4,391	2007	

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Capital Markets Division – Q3 2008

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Equities Divisional Commentary

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 (8% 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 (\$216)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.

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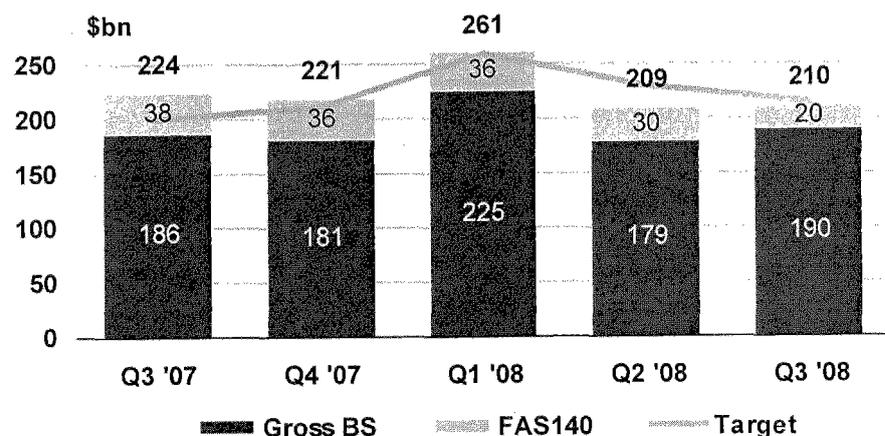
Capital Markets Section – Q3 2008

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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	226	283	-38%	-14%	905	852	6%	390	Q2 '08	1,078	2007	

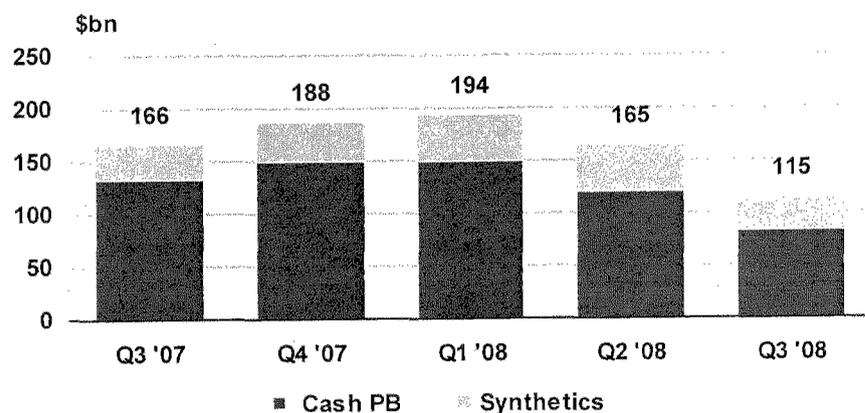
Gross Balance Sheet Trend



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%
TOTAL	209.8	214.0	-2%	209.1	0%

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 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

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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
Total Top 15 Decliners		25,054	56,696	(31,642)	
Other Decliners		62,055	85,761	(23,706)	
Total of All Decliners; Q308 vs Q208		87,109	142,457	(55,348)	
Total of all Clients: Q3 08 vs. Q2 08		114,882	164,769	(49,887)	

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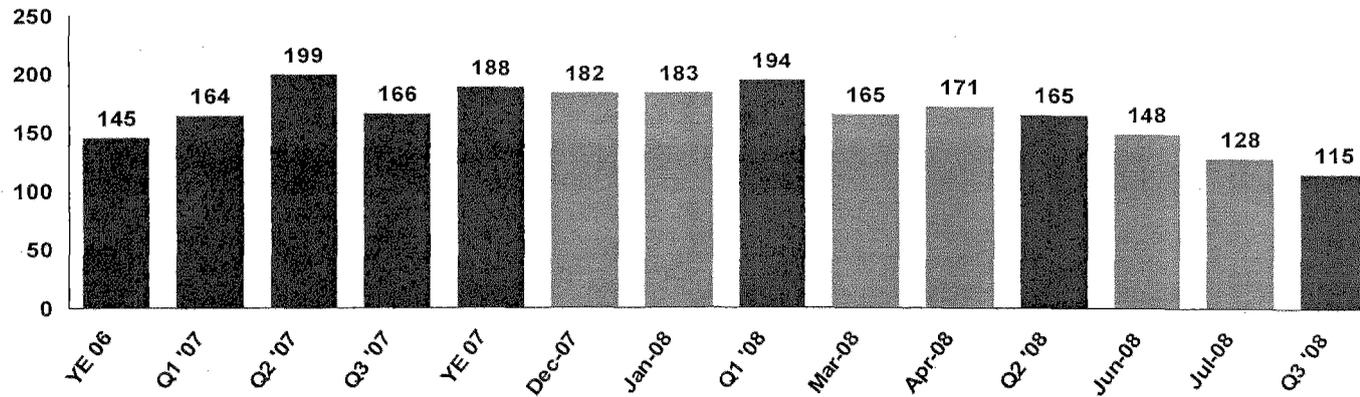
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Capital Markets Section – Q3 2008

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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%
Total HF	101,815	146,297	-30%	173,338	-41%	-40%
Total Non HF	13,067	18,471	-29%	20,717	-37%	-24%
Grand Total	114,882	164,768	-30%	194,054	-41%	-39%

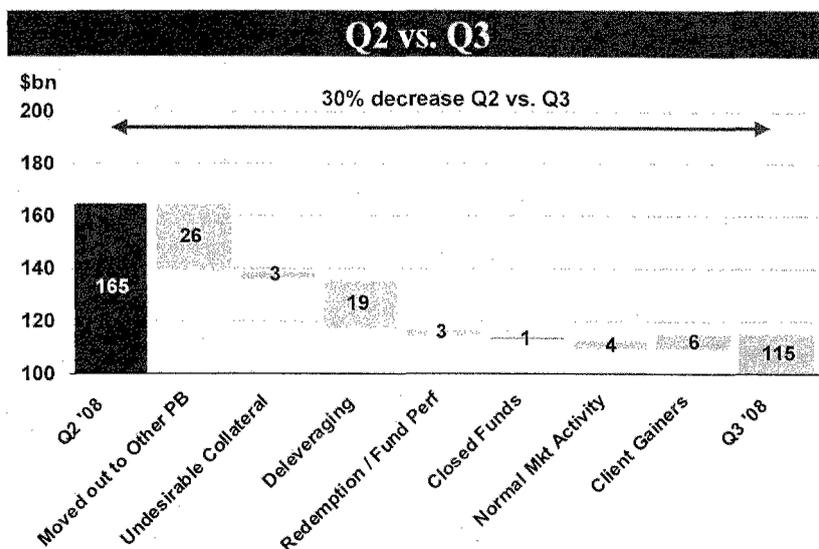
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Capital Markets Division – Q3 2008

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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 GI 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)
Ridgefield	180	392	(212)	Liberty Harbor	202	468	(266)	Tewksbury	794	2,447	(1,653)
Top 5 Redemp	3,704	6,891	(3,187)	Top Un. Coll	5,396	8,099	(2,703)	Camden	188	1,303	(1,115)
GLG	1,965	5,489	(3,524)	Sailfish	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	(1,246)		-	-	-	GSA	3,410	4,129	(719)
Tudor	1,790	2,742	(952)		-	-	-	Total Top 10	17,038	37,571	(20,533)
Top 5 Delever	7,701	16,609	(8,909)	Top Closed	14	769	(756)				

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

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Capital Markets Section – Q3 2008

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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	YTD	YTD	YTD '08 vs.	Quarter	FY				
									Q2 '08	2008	2007	YTD '07	Amount	Quarter	Amount	Year		
Aligned Computer	-	-	-	-	-	15	(13)	(16)	n/a	n/a	15	(18)	n/a	15	Q1 '08	15	2008	79
Alltel	-	-	-	-	-	2	12	(1)	n/a	n/a	2	(1)	n/a	12	Q4 '07	10	2007	78
Apco Argentina	9	-	-	9	16	-	-	(1)	-11%	n/a	26	1	n/a	25	Q1 '06	26	2006	75
Banks vs. Treasuries	-	-	-	-	-	(28)	(27)	(4)	n/a	n/a	(28)	(4)	n/a	-	-	-	-	74
Bakers Hughes Inc	-	-	-	-	-	-	-	(2)	n/a	n/a	-	14	n/a	15	Q2 '07	14	2007	73
BHP Billiton Plc	-	-	-	-	-	-	13	11	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
Caremark / CVS	-	-	-	-	-	-	-	-	n/a	n/a	-	34	n/a	32	Q1 '07	34	2007	70
CIT Group	-	-	-	-	(14)	-	-	-	n/a	n/a	(14)	1	n/a	1	Q1 '07	1	2007	69
Dana Corp	(15)	-	-	(15)	-	(16)	-	-	n/a	n/a	(30)	-	n/a	-	-	-	-	68
Fiatsbank AS	-	-	-	-	-	-	-	(11)	n/a	n/a	-	(11)	n/a	-	-	-	-	67
GSO	-	-	(22)	(22)	-	-	-	-	n/a	n/a	(22)	-	n/a	-	-	-	-	66
Hedges	40	-	(15)	26	(28)	-	-	0	n/a	n/a	(2)	(0)	444%	26	Q3 '08	4.00	2006	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 Strategies	(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)	(118)	548	105	-	71%	n/a	229	-	n/a	548	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
Navistar International Corp	-	-	-	-	9	-	-	(4)	n/a	n/a	9	3	170%	9	Q2 '08	9	2008	58
Pacific Shipping Trust	-	-	-	-	-	-	-	15	n/a	n/a	-	15	n/a	15	Q3 '07	15	2007	57
Placer Sierra Bancshares	-	-	-	-	-	-	-	(14)	n/a	n/a	-	(14)	n/a	-	-	-	-	56
Puget Energy	(11)	10	-	(1)	-	-	-	-	n/a	n/a	(1)	-	n/a	-	-	-	-	55
Sequon 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)	-	n/a	n/a	-	(11)	n/a	-	-	-	-	53
Texas Corp	-	-	-	-	-	(6)	(8)	-	n/a	n/a	-	(5)	n/a	3	Q2 '07	-	-	52
Various positions under scope	-	-	-	-	-	-	(25)	-	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 Communities	-	-	-	-	-	-	(15)	-	n/a	n/a	-	(16)	n/a	-	-	-	-	49
Yahoo! Inc.	-	-	-	-	(15)	-	-	-	n/a	n/a	(15)	0	n/a	4	Q1 '06	3	2006	48
All Other GTS Equities	(42)	(36)	3	(75)	(25)	(91)	19	(31)	197%	141%	(191)	90	n/a	70	Q1 '07	109	2007	24
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)	19	(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	(11)	n/a	43	Q1 '08	71	2008	19
Merchant Banking Fund	(11)	1	10	(1)	7	2	84	20	n/a	n/a	8	41	-80%	84	Q4 '07	125	2007	17
Venture Capital Fund	(9)	4	(10)	(14)	10	(64)	(2)	23	n/a	n/a	(68)	50	n/a	25	Q1 '07	49	2007	16
Real Estate Fund	(11)	(2)	(61)	(74)	14	(10)	2	9	n/a	n/a	(69)	17	n/a	47	Q4 '05	19	2007	15
Credit Related Funds	24	(10)	(42)	(27)	(7)	(7)	9	3	269%	n/a	(42)	29	n/a	20	Q4 '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)	(52)	(11)	(68)	2	(83)	(75)	0	n/a	n/a	(149)	72	n/a	39	Q2 '07	(3)	2007	12
Other (incl. PA, DPEF, Corporate)	(7)	13	99	105	(15)	(8)	0	7	n/a	n/a	82	(12)	n/a	105	Q3 '08	82	2008	6
Private Equity - EQ	(35)	(51)	(36)	(122)	29	(211)	25	70	n/a	n/a	(304)	224	n/a	78	Q1 '07	249	2007	5
Asset Management Investments	(29)	40	(44)	(32)	(151)	(87)	522	(106)	-79%	-70%	(270)	(43)	n/a	522	Q4 '07	479	2007	4

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Equities Principal Investments Commentary

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; losses on BlueBay were \$(19)mm in Q3 '08.

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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	YTD	YTD '08 vs.
									Q2 '08	Q3 '07	2008	2007	YTD '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	33	28	(133)	(34)	(53)	(185)	n/a	n/a	(66)	(152)	-56%
Equities Other	6	241	191	438	130	190	37	289	236%	52%	758	313	142%

Q3 '08vs. 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.

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Capital Markets Division – Q3 2008

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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	
FIXED INCOME REVENUES																		
Americas	134	(9)	(206)	(80)	37	602	177	178	n/a	n/a	559	525	7%	602	Q1 '08	725	2006	
Europe	(124)	89	(40)	(74)	(342)	282	98	356	-78%	n/a	(134)	547	n/a	356	Q3 '07	645	2007	
Asia	38	21	(7)	51	38	78	28	90	33%	-43%	167	148	13%	90	Q3 '07	177	2007	
Interest Rate Products	48	101	(252)	(103)	(267)	962	303	624	-61%	n/a	592	1,220	-51%	962	Q1 '08	1,523	2007	
Americas	30	29	42	101	74	59	21	(5)	35%	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	(1)	(9)	5	(4)	99	10	20	n/a	-74%	100	65	53%	99	Q1 '08	100	2008	
Foreign Exchange	47	32	67	147	8	218	78	71	n/a	107%	373	216	73%	218	Q1 '08	373	2008	
Liquid Markets Total	95	133	(185)	43	(259)	1,180	381	695	n/a	-94%	965	1,436	-33%	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	140	-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)	(20)	-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)	(48)	17	(308)	(18)	487	(525)	n/a	n/a	(309)	(122)	152%	487	Q4 '07	422	2006	
Europe	(24)	(28)	(57)	(109)	(152)	(147)	(71)	(160)	-28%	-32%	(408)	(161)	154%	26	Q4 '06	65	2006	
Asia	13	(18)	2	(3)	71	25	71	54	n/a	n/a	92	205	-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%	631	Q1 '07	1,451	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)	(12)	(21)	(35)	8	10	21	11	n/a	n/a	(17)	49	n/a	30	Q4 '06	70	2007	
Securitized Products	(139)	(1,914)	(2,433)	(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 '06	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%	-20%	305	152	101%	154	Q2 '08	305	2008	
Americas	(71)	(12)	547	464	91	(83)	49	(155)	412%	n/a	472	(302)	n/a	464	Q3 '08	472	2008	
Europe	(16)	38	(2)	21	(121)	(53)	(23)	15	n/a	40%	(152)	(2)	n/a	23	Q3 '06	-	-	
Asia	(5)	24	7	26	(43)	(10)	(7)	(32)	n/a	n/a	(27)	(31)	-13%	26	Q3 '08	24	2006	
FID Corporate	(92)	51	552	511	(73)	(146)	18	(171)	n/a	n/a	292	(336)	n/a	511	Q3 '08	292	2008	
Fixed Income Subtotal	228	(2,182)	(3,734)	(5,687)	(3,154)	(77)	139	332	80%	n/a	(8,918)	3,499	n/a	2,039	Q2 '06	7,192	2006	

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Capital Markets Division - Q3 2008

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Fixed Income Divisional Commentary

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

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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 '08 versus 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	-	-	-	-	
CDXX07	-	(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 Airlines	-	-	-	-	-	(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 Eq)	-	-	-	-	-	-	-	-	n/a	n/a	-	17	n/a	18	Q3 '06	29	2006	
Newspaper CDS	-	-	-	-	-	15	-	-	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	-	-	(5)	(5)	-	-	-	-	n/a	n/a	(5)	-	n/a	-	-	-	-	
All Other GTS FID	9	2	(3)	8	(41)	13	16	10	n/a	-23%	(20)	25	n/a	90	Q4 '04	111	2004	
Global Trading Strategies - FID	(152)	(59)	(17)	(228)	(12)	(82)	15	23	n/a	n/a	(322)	95	n/a	90	Q4 '04	166	2006	
Global Principal Strategies	(2)	(43)	(31)	(75)	(160)	(163)	(9)	(98)	-53%	-24%	(398)	183	n/a	173	Q1 '07	180	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	(790)	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: SunCal, 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

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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		YTD	YTD	YTD '08 vs.
									Q2 '08	Q3 '07	2008	2007	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
Deferral 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	33	146	(173)	134	(75)	(61)	n/a	n/a	46	204	-77%
FID Other	(45)	783	493	1,231	535	674	329	580	130%	112%	2,440	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

Product:	Net Client Revenue				
	Q3 '08	Q2 '08	Q3 '07	Vs. Q2 '08	Vs. Q3 '07
Americas Cash	103.7	105.7	113.9	-2%	-9%
Portfolio	40.8	41.6	97.8	-2%	-58%
Event Driven	48.1	53.7	54.1	-10%	-11%
Flow Volatility	7.2	6.6	12.4	9%	-42%
Liquid Markets Am	199.9	207.6	278.2	-4%	-28%
Europe Cash	57.1	69.6	82.8	-18%	-31%
Portfolio	38.8	41.9	61.4	-7%	-37%
Event Driven	32.7	47.9	46.3	-32%	-29%
Execution Services Eu	128.6	159.4	190.4	-19%	-32%
Asia Cash	37.9	46.8	41.7	-19%	-9%
Portfolio	10.9	13.8	12.4	-21%	-13%
Event Driven	-	-	-	-	-
Execution Services As	48.8	60.6	54.1	-19%	-10%
Convertibles	21.2	28.9	19.7	-26%	8%
Volatility *	147.5	151.5	287.5	-3%	-49%
Prime Services	218.1	359.9	283.2	-39%	-23%
Equities Corporate	(13.5)	(9.7)	(50.7)	39%	-73%
Total Equities Secondary	750.6	958.2	1,062.5	-22%	-29%
Region:					
Americas	329.7	389.5	433.4	-15%	-24%
Europe	301.9	424.4	470.7	-29%	-36%
Asia	118.9	144.3	158.5	-18%	-25%
Total Equities Secondary	750.6	958.2	1,062.5	-22%	-29%

Rank	Client	Segment	Net Client Revenue				
			Q3 '08	Q2 '08	Q3 '07	Vs. Q2 '08	Vs. Q3 '07
1	GLG PARTNERS	Hedge Fund	26.0	36.9	31.7	-30%	-18%
2	HENDERSON LAND DEVELOPMENT	Corp/Pension	15.0	6.9	5.3	116%	180%
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%	-14%
9	MOORE CAPITAL	Hedge Fund	9.0	12.2	10.0	-27%	-11%
10	QUANTLAB CAPITAL	Hedge Fund	8.0	6.1	5.8	31%	38%

Rank	Client	Segment	Net Client Revenue				
			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%	180%
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%	240%

Rank	GAccount	Client Type	Net Client Revenue				
			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	Net Client Revenue				
		Q3 '08	Q2 '08	Q3 '07	Vs. Q2 '08	Vs. Q3 '07
43%	HEDGE FUNDS	329.1	372.7	445.7	-12%	-26%
26%	MONEY MANAGER	191.5	242.3	249.7	-21%	-23%
11%	BANKS	78.6	160.0	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	750.6	958.2	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 25%, 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

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	Harbert 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	Pimco- Pacific Invstnt 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	(3.3)	(3.5)
9	Blackrock Financial Management	13.5	17.0	17.7	(3.5)	(4.3)
10	Abn Anro 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 Anro 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	Berkshire Hathaway Nebraska	1.6	15.2	7.6	(13.5)	(6.0)
4	Bank Of Tokyo-Mitsubishi Ufj	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	275.5	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

\$ billions	<u>Q3 '08</u>		<u>Q2 '08</u>		<u>Q1 '08</u>		<u>YTD '08</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Residential Mortgage-Related Positions	(\$5.3)	(\$5.0)	(\$2.4)	(\$2.0)	(\$3.0)	(\$0.8)	(\$10.7)	(\$7.8)
Other Asset-Backed (Non Resi) Related Positions	(0.6)	(0.4)	(0.4)	(0.4)	(0.2)	(0.1)	(1.2)	(0.9)
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)	(0.1)	(0.3)	(0.4)	(0.7)	(0.5)	(1.2)	(1.0)
Subtotal	(7.8)	(7.1)	(4.0)	(4.1)	(5.3)	(2.4)	(17.1)	(13.6)
Valuation of Debt Liabilities	1.4	1.4	0.4	0.4	0.6	0.6	2.4	2.4
Total	(\$6.3)	(\$5.7)	(\$3.6)	(\$3.7)	(\$4.7)	(\$1.8)	(\$14.6)	(\$11.2)

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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
Residential Mortgages	(2,623)	(443)	(2,058)	(1,667)	(714)	(373)	(1,972)	(1,978)	(2,207)	(2,187)	(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	(89)	(34)	503
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)
OTHER ABS	(161)	(89)	(361)	(382)	(103)	(7)	(74)	(51)	(373)	(352)	(550)	(410)	(1,072)	(881)
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)
Government/Agencies	0	0	0	0	0	0	(104)	(104)	(112)	(112)	(216)	(216)	(216)	(216)
Rates Americas	0	0	0	0	0	0	(104)	(104)	(101)	(101)	(205)	(205)	(205)	(205)
Equities	0	0	0	0	0	0	0	0	(11)	(11)	(11)	(11)	(11)	(11)
Real Estate	(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)	(30)	(30)	(111)	(111)
Corporate Equity	0	0	(289)	(289)	0	0	0	0	(100)	(100)	(100)	(100)	(389)	(389)
CAF Portfolio 100% view	(726)	(532)	(311)	(372)	(73)	4	(47)	(17)	(40)	(28)	(160)	(41)	(1,196)	(945)
CAF US	(593)	(419)	(202)	(247)	(33)	24	(28)	(6)	(10)	(5)	(71)	14	(866)	(652)
CAF Europe	(133)	(113)	(109)	(125)	(40)	(20)	(19)	(12)	(30)	(23)	(88)	(54)	(330)	(293)
Corporate¹	0	0	0	0	0	(102)	0	42	(43)	(43)	(43)	(103)	(43)	(103)
Corporate US	0	0	0	0	0	(71)	0	0	0	0	0	(71)	0	(71)
Corporate Europe	0	0	0	0	0	(32)	0	42	0	0	0	11	0	11
VFN	0	0	0	0	0	0	0	0	(43)	(43)	(43)	(43)	(43)	(43)
Investment Management (IMD)	(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)
Principal Investing (PI)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Spread P&L on LEH debt	617	617	442	442	172	172	827	827	429	429	1,428	1,428	2,487	2,487
FIRM Disclosure	(4,689)	(1,863)	(3,492)	(3,638)	(809)	(328)	(1,812)	(1,709)	(3,701)	(3,628)	(6,321)	(5,665)	(14,503)	(11,165)

¹ CAF Portfolio excludes Applebee's, LIM and Hilton

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Summary Disclosures

Key Exposure Summary

	29-Aug-08	Balances as of Q2'2008	Q1'2008	July - May Variance
Residential mortgages:				
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)
Other ABS (non-residential)	\$4.8	\$6.5	\$6.5	(\$1.7)
Commercial mortgages:				
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)
Real estate investments ¹	\$8.7	\$10.4	\$12.9	(\$1.7)
Acquisition Finance Facilities:				
High Grade				
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)
High Yield				
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	(\$4.5)
	\$10.4	\$18.0	\$28.7	(\$7.6)

1) REHS includes IMD

Aggregate residential mortgage inventory

In billions	29-Aug-08	Balances as of Q2'2008	Q1'2008	July - May Variance
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 Resi	Sub-Total SP EUR	Sub-Total SP ASIA	Total SP Resi	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															
Resi Sub-Total	5,716	1,551	1,160	490	8,916	7,666	483	17,055	54	-	15	15	85	64	17,289

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									-
Commercial Sub-Total	1		42	43	83	23,855	-	7	23,987

Other Asset Backed	Other US SP ABS	Non Resi 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	2,991
Servicing Rights		29	29			29						29
Other									(62)			(62)
Other ABS Sub-Total	1,186	2,096	3,282	208		3,490	228	193	760	-	14	4,822

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Securitized Products Balance Sheet

(in millions)	US Prime	US 2nd Lien	US Sub-Prime	US Non-Prime	US S&D / RM	Other US ABS	Total US Resi Non Agency	US Agency Residential	Total US Residential	Non Resi 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
Securities	2,616	4	207	211	202	2,458	5,487		5,487	184	5,671	4,527	0	10,199
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)		(441)	(82)	(523)	-	-	(523)
Agented	(123)	-	(2)	(2)	-	(302)	(427)		(427)	-	(427)	-	-	(427)
Net IG Retained Interest	1,232	0	(30)	(30)	70	125	1,396		1,396	33	1,430	289	0	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)		(24)	(4)	(28)	-	-	(28)
Agented	(10)	(0)	(1)	(2)	(0)	(719)	(731)		(731)	(0)	(731)	-	-	(731)
Net NIG Retained Interest	106	3	13	16	2	61	184		184	63	247	30	0	277
Other Traded Securities	910	0	21	21	124	1,229	2,284		2,284	1	2,285	4,208	0	6,494
IG	680	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	220	0	203
Traded Residuals (Agented)	16	-	4	4	0	-	20		20	0	20	-	-	20
Gross-Up	6,202	-	1,223	1,223	490	-	7,914		7,914	696	8,610	1,478	-	10,088
FAS140 Derivatives	6,177	-	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	-	-	-	-	-	-	-		-	-	-	-	-	-
Total Mortgage Inventory (GAAP)	11,842	503	1,572	2,076	1,633	2,458	18,008		18,008	2,800	20,809	9,341	525	30,676
Total Real Estate Owned (REO)	36	-	27	27	81	-	145		145	-	145	-	-	145
Pass Thru's	-	-	-	-	-	-	-		-	-	-	-	-	-
MBS Pools	261	-	-	-	237	-	498	4,834	5,332	-	5,332	-	-	5,332
Agency CMO	129	-	-	-	-	32	160	4,393	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
Total Govt & Agencies Inventory (GAAI)	416	-	-	-	237	78	731	9,437	10,167	-	10,167	-	-	10,167
Total Corporate Debt and Other (GAAP)	-	-	-	-	-	1,389	1,389		1,389	-	1,389	203	876	2,467
Total Corporate Equities (GAAP)	-	-	0	0	-	10	10		10	-	10	116	5	130
Other GAAP Line Items	1,282	-	37	37	-	5,503	6,823	13	6,836	87	6,922	535	15	7,473
Total Securitized Products	13,576	503	1,637	2,140	1,951	9,438	27,105	9,450	36,555	2,887	39,442	10,195	1,421	51,058

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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	SBF	US Non-Resi CC	CD	Other ABS	EUR Non-Resi	Total CMBS	Total Non-Resi	Total Resi & Non-Resi	
ASSETS																			
Whole loans	1,207	120	497	255	639		2,719	3,116	483	6,318	705	610	549			42	1,907	8,225	
Securities	2,692	904	4	154	65	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	-	-	360	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																			
Total Cash Positions	5,716	1,047	503	421	739	490	8,916	7,556	483	17,055	936	610	549	1,186	208	43	3,533	20,588	
HEDGES*																			
ABX Total	(59)	345	-	-	-	(36)	250	-	-	250	(38)	-	-	-	-	-	(38)	212	
ABCDS Total	(59)	(1,162)	-	-	-	(219)	(1,441)	-	-	(1,441)	(7)	-	-	-	-	-	(7)	(1,447)	
Single Name TRS Total	-	346	-	-	-	169	515	-	-	515	-	-	-	-	-	-	-	515	
Bond Index TRS Total	(357)	0	-	-	-	-	(357)	(311)	-	(668)	-	-	-	-	-	-	-	(668)	
CDS on CDO Total	-	(193)	-	-	-	1	(192)	-	-	(192)	-	-	-	-	-	-	-	(192)	
ABX - CDS on CDO	-	(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/CMBS Total	-	-	-	-	-	-	-	-	-	-	(389)	-	-	-	-	-	(389)	(389)	
Corp CDS - Single Name Total	(161)	(1,300)	-	-	-	(130)	(1,591)	-	-	(1,591)	(108)	-	-	-	-	-	(108)	(1,699)	
Corp CDS - CDX//AAA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
AA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
A	(806)	(749)	-	-	-	-	(1,555)	-	-	(1,555)	(106)	-	-	-	-	-	(106)	(1,661)	
BBB	(504)	(161)	-	-	-	-	(665)	-	-	(665)	(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	1,557	-	-	-	-	2,234	-	-	2,234	-	-	-	-	-	-	-	2,234	
Total Hedges	(1,268)	(2,288)	-	-	-	(215)	(3,771)	(2,835)	-	(6,606)	(817)	-	-	-	-	-	(817)	(7,423)	
NET EXPOSURE	4,448	(1,240)	503	421	739	274	5,146	4,821	483	10,450	119	610	549	1,186	208	43	2,715	13,165	

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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			
LIM + Dominos	77	221	(144)					A	173	5.9%
Applebees	237	1,020	(782)	GOG	10	6	4	A-	46	1.6%
Franchise	314	1,241	(927)	GPS	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	(2,012)	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%
Other ABS	1,186	2,691	(1,505)	<i>GAAP adjustment</i>	(62)	(62)	0	BB	364	12.3%
Student Loans	0	0	0	<i>Europe</i>	208	0	208	BB-	50	1.7%
Student Loans	549	402	147	Total ABS Other	4,821	6,483	(1,662)	BB+	112	3.8%
Small Business Financing	936	1,561	(625)	Q3 ABS Other Target	4,000		(821)	C	10	0.3%
Capital Crossing	610	640	(30)					C-	3	0.1%
Non-Resi	2,096	2,603	(508)					C+	22	0.7%
<i>Securitized Products</i>	3,281	5,294	(2,012)					CC	31	1.0%
High Yield	193	0	193					CC-	7	0.2%
CDO's - CLO/CBO	834	1,034	(200)					CC+	36	1.2%
Global Rates -CLO	0	14	(14)					CCC	47	1.6%
GTS - CLO	138	163	(25)					CCC-	32	1.1%
IMD - CLO	0	5	(5)	Collateral Type	Balance Sheet	Q2'2008	Variance	CCC+	115	3.9%
PE - CLO	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%
GAAP Adjustment	(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%
July ABS Other	4,821	6,483	(1,662)	NIM	0	7	(7)	NR	290	9.8%
				Other	27	521	(495)	Total Securities	2,962	
				Aircraft	110	117	(7)	Servicing Rights	29	
				Insurance	87	0	87	Residual	27	
				SBA Nim	82	57	25	WL	1,865	
				SBA Residual	24	31	(7)	<i>Whole Loan & Other</i>	1,921	
				SBA Security	94	428	(333)	Sub Total	4,883	
				Servicing Rights	29	31	(3)		0	
				Structured Settlements	0	87	(87)	<i>GAAP Adjustment</i>	(62)	
				Consumer Loans	177	0	177	Total ABS Other	4,821	
				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			
				Total ABS Other	4,821	6,483	(1,662)			

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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	-
Total	41,302	23,973	8,674	1,814	6,532	309

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 ⁽¹⁾	7,651	6,124	780	74	363	309
Total	41,302	23,973	8,674	1,814	6,532	309

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

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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
ASSETS											
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				-
Total Fixed Rate Whole Loans	1,277			1,277			0				1,277
Floating Rate Whole Loans											
Floating Rate Sr, Mezz & B-Notes	5,797		3,994	9,791	4,775		4,775	3,126		3,126	17,693
PTG Debt		6,117		6,117		499	499		1,699	1,699	8,316
Total Floating Rate Whole Loans	5,797	6,117	3,994	15,908	4,775	499	5,275	3,126	1,699	4,826	26,008
PTG and Equity/Bridge Equity/Asia NPL		5,722		5,722		1,313	1,313		2,660	2,660	9,694
Securities											
Fixed Rate IG	438			438							438
Floating Rate IG	224			224	3,065		3,065	445		445	3,734
NIG	28			28	200		200	63		63	291
Total Securities	690			690	3,265	0	3,265	508		508	4,463
Financing Trade	711			711	882		882				1,593
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
HEDGES (Notional)											
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.9											
CDS											
TRSDNS	(776)			(776)							(776)
Total Hedges	(1,852)	-	-	(1,852)	0	0	0	-	-	-	(1,852)
NET EXPOSURE	6,623	11,839	3,994	22,456	8,923	1,812	10,735	3,634	4,359	7,993	41,183
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
Total Balance Sheet	12,979	13,863	3,994	30,836	13,128	1,812	14,940	4,087	4,359	8,446	54,221

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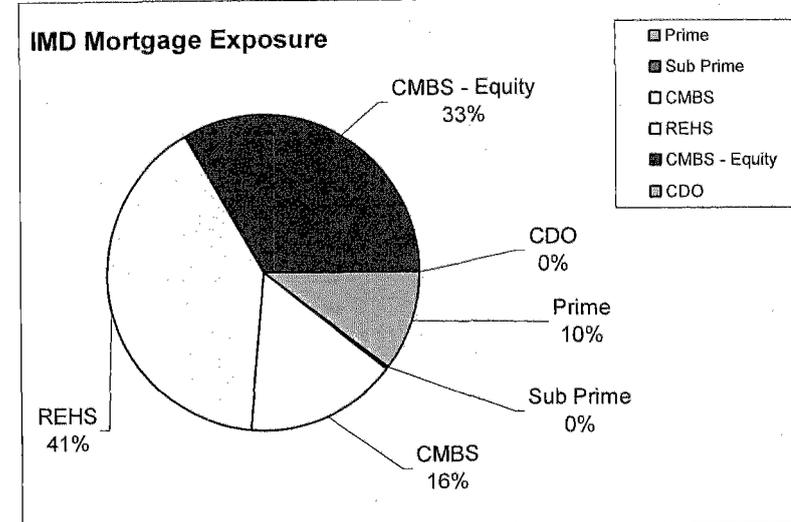
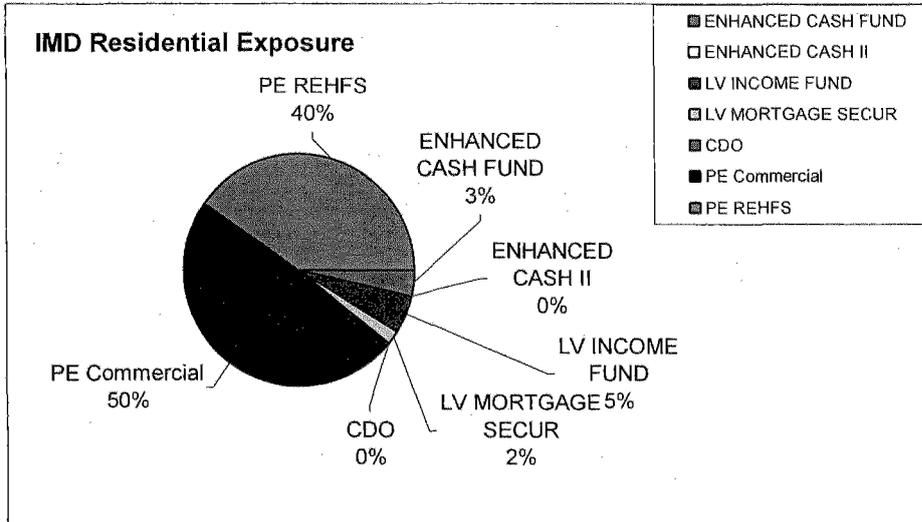
IMD Mortgage Exposure

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
Grand Total	51.9	1.9	80.6	205.9	169.9	0.1	510.2

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)
1,070.2	(560.0)

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
Grand Total	51.9	1.9	80.6	205.9	169.9	0.1	510.2

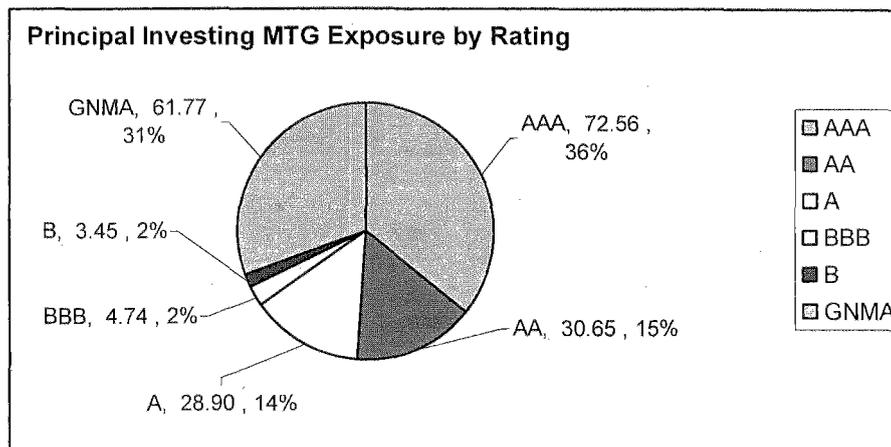
Q2'2008	Variance
-	0.2
16.3	(13.2)
85.4	(59.5)
1.7	2.6
3.4	(3.4)
10.6	(10.6)
24.2	(22.1)
38.6	(20.8)
-	1.9
890.0	(435.2)
1,070.2	(560.0)



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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
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%
Total Positions by Rating	951	405	42.56%	758	85	11.17%	1,709	489	28.64%
Hedge Positions									
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	-	-		-	-		-	-	
Total Hedges	(486)	(178)		(2,591)	(408)		(3,077)	(587)	
Total Net Exposure	465	227		(1,833)	(324)		(1,368)	(97)	

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LEHMAN BROTHERS

Capital Markets Section – Q3 2008

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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%
Total Commitments	7,610	1,834	376	9,820	8,448	86.027	11,752	2,126	425	14,302	12,579	87.948	-31%	-33%
% 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%
High Yield Disclosure	4,924	1,834	376	7,134	6,432	90.158	9,003	2,126	425	11,554	10,369	89.743	-38%	-38%
High Grade Disclosure	707	1,868	674	3,249	3,195	98.313	3,653	1,116	1,672	6,441	6,381	99.057	-50%	-50%

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
Total Hedges	100	4	Total Hedges	(525)	(139)

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
Permanent Equity	184
Hilton	427
Fusion CLO	399
TXU	297
Houghton Mifflin	292
Debitel	291
Converteam	266
First Data	228
HD Supply	226

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Level 3 Assets by Product

	May 2008			Projected movements - August 2008		
	Closing	Closing	Closing	Purch/Sales	Closing	Comments
Mrtg and Mrtg Backed						
Securitized products						
Subprime						
Whole loans - subprime	188					
Whole loans - Seccd 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	908					
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 ¹⁵			3,155		3,155	
Securitized products - Tokyo			1,256		1,119	
Total securitized products			9,874		8,687	
Real Estate						
Asia Non performing loan portfolios		1,978 ²⁸			1,978	
Real estate PTG US ¹⁶		5,418 ²⁹		(200)	5,197	
Real estate PTG Europe		444 ³⁰		1,000	1,444	Expected incr due to lack of observability in continued sales.
Real estate PTG Asia		3,025 ³¹		(152)	2,842	RE Tky1
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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Capital Markets Section – Q3 2008

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Level 3 Assets by Product (cont'd)

	May 2008		Projected movements - August 2008			
	Closing	Closing	Closing	Purch/Sales	Closing	Comments
Corp Debt and Other						
Non performing loans		1,129	32		1,129	
Real estate Tokyo loans		263	33		263	
High-yield loans - other than Credit Tokyo	17	696	34		696	
Convertible various desks		321	35		321	
Credit Tokyo loans		930	36		904	
Cash CDO Equity tranche	18	284	37		284	
Securitized products - Asia		519	38		519	
Trade Claims		76	39		76	
Loans London	19	603	40		216	
Auction Rate Securities Credit		842	41		842	
Others		(73)			(73)	
Corp Debt and Other total			5,590		5,177	
Corp Equities						
Real Estate - Archstone		1,610	42		1,597	
Private Equities (IBD/PE)	20	4,144	43		4,144	
GTS Asia - KSK/India power plants		551	44		-	
GTS/GPS - Private Equities		901	45		901	
DPI - Private Equities	21	971	46		971	
Credit group PE		1,253	47		1,253	
Private Equities (non PE/Credit group)		385	48		145	
Others		342			342	
Corp Equities total			10,157		9,353	
Derivatives						
Munis (Alt tax deals)		453			453	
Credit derivatives (CDO/CDO*2)		381			381	
Inflation swaps with Republic of Italy		671			671	
IRP London other trades	22	(332)			(332)	
Commodities		132			180	
Equities	23	574			670	
Securitized Products - XL Hedge	24	172			172	
Others		(485)		(100)	(564)	IRP Tky1
Derivatives total			1,566	(100)	1,631	
Level 3 - Total Forecast			37,911	548	36,169	

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LEHMAN BROTHERS

Capital Markets Division - Q3 2008

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VI. Investment Mgt.

INVESTMENT MANAGEMENT DIVISION

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(S 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				
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 '06	
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	
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	
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	5%	-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 (Spinnaker & DE Shaw).
- ❖ 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. Q3 '07		YTD '08	YTD '07	YTD '08 vs. YTD '07		Qtr Record	Qtr	YTD Record	Year
									Q2 '08	Q3 '07			YTD '08	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%	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%	-185%	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%	-55%	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 2%, 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 7%, 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.

❖ Alternatives 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 ↓ (\$63mm) and Spinnaker ↓ (\$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), Ospraie impairment \$65mm. Combined with lower revenues for Spinnaker of \$12mm.

❖ Private Equity revenues of \$100mm decreased \$25mm versus Q3 '07 due to decrease in carry ↓ \$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	
Recap by Revenue Type														
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%	-105%	-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%	
Total Asset Management	147	145	68	360	496	618	533	468	1,474	1,344	-27%	-23%	10%	

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 18%.
- ❖ Private Equity Management fees were down 7% this quarter as 2Q 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 138% 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 17%, 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 \$20m

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 '07						
AM Alternatives																			
Management Fees:																			
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)	414%	5	Q4 '07	3	YTD '08		
Total Management Fees	5	6	4	14	17	16	16	12	-13%	23%	47	28	64%	17	Q2 '08	47	YTD '08		
Incentive Fees:																			
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	-85%	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		
Total Incentive Fees	0	0	0	0	0	12	2	2	n/a	-100%	12	29	-60%	18	Q1 '07	29	YTD '07		
Minority Stakes:																			
DE Shaw	9	1	(12)	(2)	61	110	58	(14)	-103%	85%	170	26	n/a	110	Q1 '08	170	YTD '08		
Ospriac	(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	-88%	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%						
Total Minority Stakes	10	3	(72)	(60)	71	171	86	40	-185%	-252%	182	119	53%	171	Q1 '08	182	YTD '08		
Total AM Alternatives	15	8	(68)	(46)	87	199	103	54	-152%	-185%	240	176	36%	199	Q1 '08	240	YTD '08		

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 18% 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
 ❖ Ospriac impairment charge resulting from a decision to close flagship fund (\$65mm); DE Shaw decrease in quarterly revenues of (\$63mm) due to the main fund down X% vs Q2 '08; Spinnaker (\$5mm)
 ❖ Oculus was 2.3% versus up 9.3% in Q2; Composite was up 0.7% versus up 3.5% in Q2

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 Ospriac (-\$64mm), 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. Q2 '08	Q3 '08 vs. Q3 '07	YTD '08	YTD '07	YTD '08 vs. YTD '07	Qtr Record	Qtr	YTD Record	Year	
Private Equity - Management Fees																		
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%	103%	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	
Total PE Management Fees	28	25	26	79	85	71	63	69	-6%	14%	235	159	48%	85	Q2 '08	235	YTD '08	
Private Equity - GP Carry																		
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	
Total Private Equity GP Carry	(1)	0	(1)	(2)	(1)	5	36	33	-160%	-105%	3	84	-97%	38	Q1 '06	84	YTD '07	
Other PE (inc. third party marketing / MAP)	5	6	12	22	15	16	19	23	52%	-1%	53	70	-24%	29	Q1 '07	70	YTD '07	
Total Private Equity	31	32	37	100	99	93	118	125	1%	-20%	291	313	-7%	125	Q3 '07	313	YTD '07	

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 \$100mm in Q2 '08 to \$101mm 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 15%, or \$12mm, 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 Q2 '08	Q3 '08 vs Q3 '07	YTD '08	YTD '07	YTD '08 vs YTD '07	Qtr Record	Qtr	YTD Record	Year	
AUM by Asset Class:																		
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	
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	
AUM by Business:																		
High Net Worth (PAM)*	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	
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	

- ❖ 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)

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 \$53bn represent an (8.0%) decrease from prior quarter. The decrease of \$4.4bn includes net inflows of \$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 \$20.0bn. 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 was lower by \$.6bn due to flows around corporate cash.
- **Alternative Investments** AUM were flat to prior quarter at \$39.3bn.

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 \$53.0bn, 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 \$20.0bn. For the LTM, the outflows of \$15.0bn are mainly in all Liquidity products.
- **PIM** decreased \$2bn over the last quarter due to decreases in cash management associated with liquidity needs, as well as cyclical customer needs associated with tax payments and stock buy-backs. PIM decreased \$14.9bn over the last year due to decreases in cash management. In addition, \$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 stays flat at \$30.0bn versus 2Q08. AUM increased \$11.3bn or 61% 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		
Lehman Brothers								
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%
Total	277,179	26,983	(4,353)	(11,946)	10,683	(14,637)	273,225	-1%

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				
Lehman Brothers										
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	
Total	277,179	26,983	(4,353)	(11,946)	10,683	(14,637)	273,225	273,225	(0)	-1%

*Includes alternative assets

High Net Worth rebalance occurs because the HNWX 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							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	(2,546)	(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)	2,664	(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%
Total	282,127	45,412	(19,865)	(23,719)	1,828	(10,730)	273,225	-3%

YEAR TO DATE ROLLFORWARD BY ASSET CLASS

\$ Millions							Q3 '08	Per Disclosure	PAM Rebalance	% D
	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	
Total	282,127	45,412	(19,865)	(23,719)	1,828	(10,730)	273,225	273,225	(1)	-3%

*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							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%
Total	274,858	55,661	(25,325)	(26,764)	3,571	(5,205)	273,225	-1%

FULL YEAR ROLLFORWARD BY ASSET CLASS

\$ Millions							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	(10,330)	(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	
Total	274,858	55,661	(25,325)	(26,764)	3,571	(5,204)	273,225	273,225	(1)	-1%

*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.

PRIVATE EQUITY FUND DISCLOSURE

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AUM3Q08		AUM2Q08	
Merchant Banking		Merchant Banking	
Cap III - non dedicated, Other	6	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
Total Merchant Banking	4,580	Total Merchant Banking	4,517
Venture Capital		Venture Capital	
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
Total Venture Capital	751	Total Venture Capital	766
Real Estate		Real Estate	
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
Total Real Estate	7,710	Total Real Estate	7,619
Private Fund Investments		Private Fund Investments	
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)	160
Emerging Managers	155	Emerging Managers	130
Real Assets Fund	92	Real Assets Fund	73
FRR	680	FRR	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 II	1,776	Secondary Opportunities Fund II	1,588
LB Indiana PERF	41	LB Indiana PERF	41
Ford Fund	175		
Total PFIG	8,400	Total PFIG	7,999
Credit Related		Credit Related	
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
Total Credit Related	2,036	Total Credit Related	3,068
Infrastructure		Infrastructure	
MLP Opportunity Fund I	528	MLP Opportunity Fund I	607
Total Infrastructure	528	Total Infrastructure	607
LBAIM		LBAIM	
LBAIM	4,912	LBAIM	4,699
Total LBAIM	4,912	Total LBAIM	4,699
MAP		MAP	
Artisan	378	Artisan	456
Baillie Gifford	310	Baillie Gifford	334
Julius Baer	183	Julius Baer	173
Burgundy	35	Burgundy	21
Global Equity	9		
Total MAP	913	Total MAP	984
Total AUM - PE Business	29,830	Total AUM - PE Business	30,259

❖ 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	% of Total	Q2 '08	% of Total	Q1 '08	% of Total	Q4 '07	% of Total	Q3 '07	% of Total	Q4 '06	% of Total	Q3 '08 vs.	
													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%
Total Lehman	273,225		277,179		276,751		282,127		274,858		224,894		-1%	-1%
TOTAL % CHANGE:		-1%		0%		-2%		3%		22%				

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

	Quarter Trend										Δ %			
	Q3 '08	% of Total	Q2 '08	% of Total	Q1 '08	% of Total	Q4 '07	% of Total	Q3 '07	% of Total	Q4 '06	% of Total	Q3 '08 vs.	
													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%
Total Lehman	273,225		277,179		276,751		282,127		274,858		224,894		-1%	-1%
TOTAL % CHANGE:		-1%		0%		-2%		3%		22%				

LARGE FLOWS FOR Q3 2008 (ASSET VALUES)

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Flow Type	Manager Group	Product	Client	Flows In/(Out) (in millions)	BPS
Contributions					
	AM Fixed Income	Structured Products	SeaLink Funding	22,000	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
Withdrawals					
	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	Short Term	Ford Motor Compnay	(266)	14
	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 Q2 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

LARGE FLOWS FOR Q1 2008

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Flow Type	Product Class	Product	Client	Flows In/(Out) (in millions)	BPS
New Accounts					
	ARS	Hedge Funds	Houchens Investments Inc.	66	90
	IAM	Fixed Income - Chicago	Pan European CLO 2007-1 P.L.C.	501	50
	IAM	Fixed Income - Chicago	Houchens Investments Inc.	379	22
	IAM	Equities	Houchens Investments Inc.	174	81
	IAM	Fixed Income - Chicago	Houchens Investments Inc.	125	16
	IAM	Equities	Houchens Investments Inc.	15	22
Contributions					
	Funds & Related	Institutional Europe	Bluecrest	956	6
	Funds & Related	Institutional Europe	Kia	500	12
	Funds & Related	Institutional Europe	Central Bank of Trinidad & Tobago	500	15
	IAM	Fixed Income - New York	SEI Institutional Tax Free	539	45
Withdrawals					
	IAM - Asia	Offshore Liquidity Funds	Government of Singapore Investment Corporation	(674)	6
	IAM - Europe	Fixed Income Management	BlueCrest	(884)	6
	PAM	PAM MM	Union Bancaire Privee	(755)	60
	IAM - Europe	Offshore Liquidity Funds	La Salle Bank	(753)	1

Large Mandates Won for 1Q/2Q

- 1) Qualcomm-Full Market High Yield Fixed Income- \$275 million-funded in sequence from 1/29/08 to 3/9/08;
- 2) General Motors-Enhanced Index Fixed Income-\$500 million-funded on 1/8/08 and 2/1/08;
- 3) General Motors- Leveraged Loans-\$200 million-1/2/08;
- 4) Illinois State Teachers Retirement System-Strategic Commodity Fund- \$200 million-3/6/08.
- 5) Ford \$3bn announced in March

CLIENT ASSETS

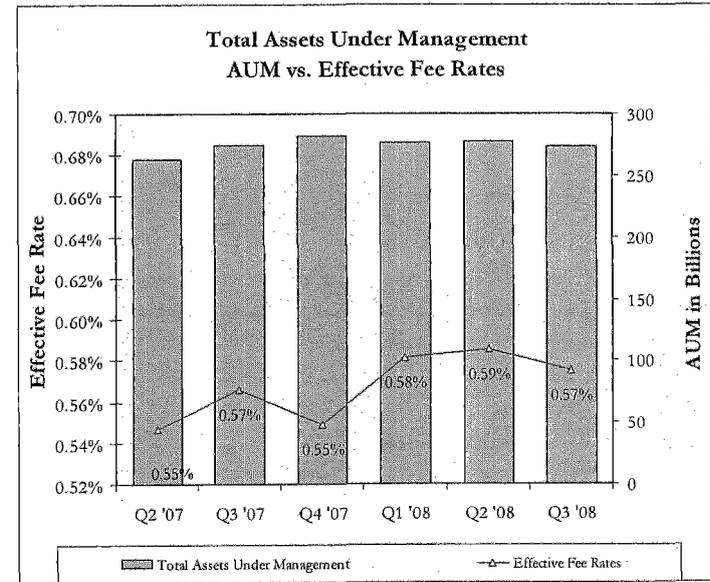
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<i>(\$ in millions)</i>	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008	July 2008	August 2008
Assets Under Supervision										
PIM HNW	60,106	55,309	62,420	52,210	45,535	45,243	43,973	39,360	37,623	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
Total AUS	79,366	74,848	83,006	74,658	66,272	65,456	64,442	58,042	54,733	54,819
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	YTD '08 vs	
						Q2 '08	Q3 '07			YTD '07	
Management Fees											
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%	39%	121	84	44%	
Other Asset Management	8	8	15	12	9	8%	-5%	31	24	31%	
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%	
Total Management Fees	396	405	406	382	381	-2%	4%	1,207	1,040	16%	
Assets Under Management											
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	5,860	7,902	13,661	18,279	-10%	-71%	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%	35%	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%	
Total Asset Management	273,225	277,179	276,751	282,127	274,858	-1%	-1%	273,225	274,858	-1%	
Effective Fee Rates						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%	0.69%	-1 bp's	3 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	
Total Effective Fee Rates	0.57%	0.59%	0.58%	0.55%	0.57%	-1 bp's	1 bp's	0.58%	0.50%	8 bp's	



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	Q3 '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	
Total PIM	107	100	67	274	352	351	299	334	-22%	-18%	976	921	6%	352	Q2 '08	976	YTD '08	
Regional Revenue																		
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	
Total PIM	107	100	67	274	352	351	299	334	-22%	-18%	976	921	6%	352	Q2 '08	976	YTD '08	

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				
Fixed Income PIM																		
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	
Firm 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%	35%	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	
Total FID	59	40	30	129	183	167	115	151	-29%	-14%	479	421	14%	183	Q2 '08	479	YTD '08	
% FID	55%	40%	45%	47%	52%	48%	39%	45%			49%	46%						
Equity PIM																		
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	
Total Equity	48	60	37	145	169	184	184	183	-14%	-21%	498	500	-1%	184	Q1 '08	500	YTD '08	
% EQ	45%	60%	55%	53%	48%	52%	61%	55%			51%	54%						
Regional View:																		
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%	-4%	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	
Private Investment Management	107	100	67	274	352	351	299	334	-22%	-18%	976	921	6%	352	Q2 '08	976	YTD '08	
% Europe	30%	26%	31%	29%	19%	24%	16%	16%			24%	15%						

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

Money Managers

	Fund Performance			Benchmark Performance			Verse Benchmark		
	July	3 Month	July YTD	July	3 Month	July YTD	July	3 Month	July YTD
Straus/Schwartz	(8.1)	(9.2)	(11.0)	(0.8)	(8.0)	(12.7)	4.6	3.4	1.6
Kaminsky	(2.7)	(4.1)	(5.3)	(0.8)	(8.0)	(12.7)	10.0	8.6	7.4
Bolton	(1.6)	(6.4)	(9.6)	(0.8)	(8.0)	(12.7)	11.0	6.3	3.0
MLG	(3.4)	(0.5)	1.5	(0.8)	(8.0)	(12.7)	9.3	12.1	14.2
Appel - Large Cap	(1.7)	(4.8)	(10.0)	(0.8)	(8.0)	(12.7)	10.9	7.9	2.6

Mutual Funds

	Fund Performance			Benchmark Performance			Verse Benchmark		
	July	3 Month	July YTD	July	3 Month	July YTD	July	3 Month	July YTD
Genesis	(4.2)	(2.3)	(0.4)	3.7	0.1	(6.0)	(7.9)	(2.5)	5.6
Partners	(8.1)	(9.7)	(12.1)	(0.4)	(10.0)	(13.9)	(7.7)	0.4	1.8
Socially Resp	(0.5)	(5.8)	(9.6)	(0.8)	(8.0)	(12.7)	0.4	2.2	3.1
Guardian	(0.1)	(4.8)	(9.3)	(0.8)	(8.0)	(12.7)	0.7	3.3	3.4
Int Investor	(5.6)	(10.7)	(13.7)	(3.2)	(10.1)	(13.4)	(2.4)	(0.7)	(0.2)

Alternative Products

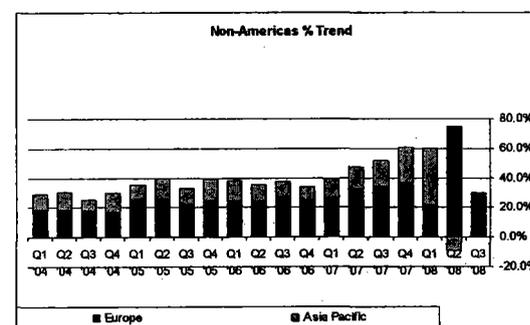
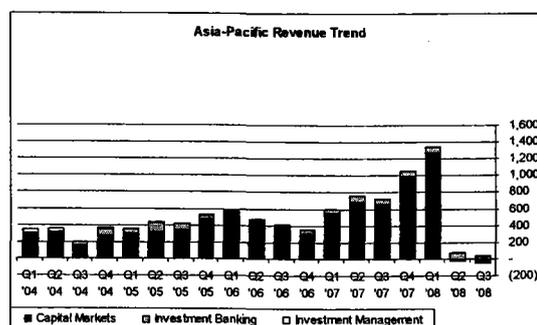
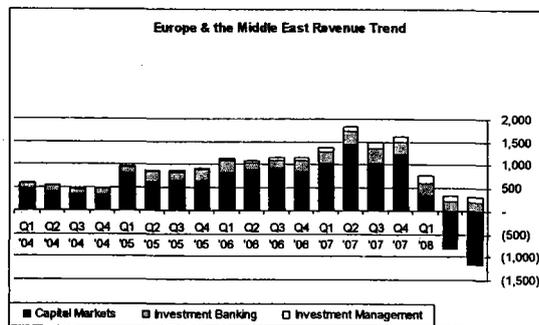
	Fund Performance		Benchmark Performance		Verse Benchmark	
	July	July YTD	July	July YTD	July	July YTD
Proprietary Multi-Manager Funds - LBAIM						
Diversified Arbitrage Onshore (Class A)	-1.0%	-2.3%	-2.6%	-2.1%	1.6%	-0.2%
Lehman Brothers Diversified Arbitrage Fund II	-1.0%	-2.3%	-2.6%	-2.1%	1.6%	-0.2%
Lehman Brothers Alpha Transport Fund, SPC Offshore	-1.5%	-3.7%	-2.6%	-2.1%	1.1%	-1.6%
Long/Short Fund, L.P.	-2.6%	-8.9%	-3.4%	-3.9%	0.8%	-5.0%
Europe Long/Short Element Fund, LP	-3.6%	-12.7%	-3.4%	-3.9%	-0.2%	-8.8%
Asia Long/Short Element Fund, LP	-3.3%	-20.1%	-3.4%	-3.9%	0.2%	-16.2%
Balanced Fund, L.P.	-2.9%	-3.8%	-0.1%	-3.7%	-2.8%	-0.1%

VII. Regional Overview

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		YTD 2007 vs. YTD 2007		Quarter	YTD
US																
Investment Banking	103	170	103	377	539	511	521	694	-30%	-46%	1,426	2,002	-29%	Q2 '07	FY 2007	
Capital Markets	179	(956)	(2,171)	(2,948)	(1,527)	58	481	726	93%	n/a	(4,417)	4,091	n/a	Q1 '07	FY 2006	
Investment Management	206	197	96	489	698	774	678	618	-30%	-21%	1,961	1,861	5%	Q1 '08	FY 2008	
Total US	488	(589)	(1,982)	(2,083)	(290)	1,342	1,680	2,038	618%	n/a	(1,030)	7,954	n/a	Q1 '07	FY 2006	
Europe & the Middle East																
Investment Banking	106	60	24	190	212	264	246	310	-10%	-39%	665	854	-22%	Q3 '07	FY 2007	
Capital Markets	(92)	(81)	(997)	(1,170)	(824)	338	1,239	1,038	42%	n/a	(1,656)	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	
Total Europe & the Middle East	58	16	(935)	(860)	(499)	760	1,603	1,496	72%	n/a	(599)	4,693	n/a	Q2 '07	FY 2007	
Asia-Pacific																
Investment Banking	15	9	3	27	70	62	53	50	-61%	-45%	159	153	4%	Q2 '05	FY 2005	
Capital Markets	150	(130)	(73)	(53)	(24)	1,274	995	667	121%	n/a	1,198	1,911	-37%	Q1 '08	FY 2007	
Investment Management	4	1	6	11	11	12	13	12	2%	-4%	34	20	70%	Q1 '04	FY 2004	
Total Asia-Pacific	168	(119)	(64)	(14)	57	1,348	1,061	728	n/a	n/a	1,391	2,084	-33%	Q1 '08	FY 2007	
Other Americas																
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%			
Total Other Americas	7	21	7	35	64	56	46	46	-45%	-23%	155	136	14%			
Total Lehman	721	(670)	(2,973)	(2,922)	(668)	3,507	4,390	4,308	338%	n/a	(84)	14,867	n/a	Q2 '07	FY 2007	
Non-Americas																
Investment Banking	120	69	27	217	282	325	299	360	-23%	-40%	825	1,007	-18%	Q2 '07	FY 2007	
Capital Markets	58	(211)	(1,070)	(1,223)	(847)	1,612	2,234	1,705	44%	n/a	(458)	5,430	n/a	Q4 '07	FY 2007	
Investment Management	48	39	44	131	124	170	131	160	6%	-18%	425	340	25%	Q1 '08	FY 2008	
Total Non-Americas	226	(103)	(998)	(875)	(441)	2,108	2,664	2,225	98%	n/a	791	6,777	-88%	Q4 '07	FY 2007	
% of Firm Revenues	31.4%	15.3%	33.6%	29.9%	66.1%	60.1%	60.7%	51.6%	-36.2%	-21.7%	-947.2%	45.6%	-992.8%			
Non-US																
Investment Banking	125	80	30	234	319	356	310	377	-27%	-38%	910	1,069	-15%			
Capital Markets	59	(209)	(1,070)	(1,220)	(847)	1,614	2,246	1,708	44%	n/a	(453)	5,439	n/a			
Investment Management	49	48	49	145	150	195	154	185	-3%	-21%	490	404	21%			
Total Non-US	233	(82)	(991)	(840)	(378)	2,164	2,710	2,270	122%	n/a	947	6,913	-86%			
% of Firm Revenues	32.3%	12.2%	33.3%	28.7%	56.6%	61.7%	61.7%	52.7%	-27.9%	-24.0%	-1132.8%	46.5%	-1179.3%			



Americas* Segments – Quarterly Review

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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 '08 versus Q3 '07	9 Months Ended 2008	9 Months Ended 2007	YTD '08 vs. YTD '07
INVESTMENT BANKING													
Equity Underwriting	22	38	22	81	274	138	141	174	-70%	-53%	494	554	-11%
Leveraged Finance	12	38	1	51	19	54	26	59	172%	-13%	124	372	-67%
Debt Capital Markets	22	22	21	66	114	149	126	136	-42%	-52%	329	468	-30%
Public Finance	13	29	11	53	57	26	27	41	-7%	29%	136	112	21%
Total Debt Underwriting	48	89	33	170	190	230	180	236	-11%	-28%	589	953	-38%
Financial Advisory	41	57	60	158	144	217	230	336	10%	-53%	519	667	-22%
IBD Attributable	(2)	(4)	(9)	(15)	(32)	(43)	(19)	(35)	-53%	-58%	(90)	(110)	-18%
Investment Banking Segment	108	181	105	394	576	541	532	711	-32%	-45%	1,511	2,064	-27%
CAPITAL MARKETS:													
EQUITIES													
Execution Services													
Execution Services - Americas	9	86	112	206	273	325	144	374	-25%	-45%	805	827	-3%
Convertibles	2	(18)	0	(16)	19	15	23	(26)	n/a	-39%	19	(14)	n/a
Volatility	18	33	8	59	67	12	23	18	-11%	233%	138	89	56%
Equity Strategies	27	41	22	91	48	80	32	28	88%	224%	219	129	70%
Equities Corporate	4	(8)	(26)	(30)	(41)	(39)	11	(43)	-28%	-31%	(110)	(86)	27%
Equity Division Subtotal	60	134	117	311	366	394	233	351	-15%	-11%	1,071	945	13%
Equity Prime Services	33	32	33	97	112	112	94	87	-13%	12%	322	258	24%
Equity Including Prime Services	92	166	149	408	478	506	327	438	-15%	-7%	1,393	1,203	16%
Global Principal Strategies - Equity	(1)	(0)	-	(1)	2	3	14	7	n/a	n/a	4	9	-56%
Global Trading Strategies - Equity	36	(4)	3	35	(10)	(12)	7	(105)	n/a	n/a	(96)	106	n/a
Direct Principal Investments - Equity	(15)	53	(6)	31	48	4	8	(11)	-35%	n/a	84	5	n/a
Global Opportunities Group - Equity	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Private Equity - EQ	(23)	(35)	4	(54)	23	(21)	(103)	43	n/a	n/a	(242)	168	n/a
Asset Management Investments	6	(9)	(7)	(10)	20	(22)	(6)	(36)	n/a	-83%	(12)	(35)	-65%
Equities Other	(3)	195	145	336	121	178	161	218	178%	54%	635	296	115%
Equities Attributable	(17)	(10)	(9)	(37)	(38)	(42)	(65)	(40)	-2%	-8%	(117)	(128)	-9%
Total Equities Capital Markets	75	355	279	709	644	295	343	494	10%	44%	1,648	1,624	1%
FIXED INCOME													
Interest Rate Products													
Interest Rate Products	134	(9)	(206)	(80)	37	602	177	178	n/a	n/a	559	525	7%
Foreign Exchange	30	29	42	101	74	59	21	(5)	35%	n/a	234	38	n/a
Liquid Markets	164	20	(164)	20	111	661	198	172	-82%	-88%	792	562	41%
CDO	45	(3)	(16)	26	(0)	(79)	(37)	50	n/a	-48%	(53)	112	n/a
High Grade Credit	217	75	51	343	96	445	77	(75)	257%	n/a	884	126	n/a
High Yield	67	(2)	(48)	17	(308)	(18)	487	(525)	n/a	n/a	(309)	(122)	152%
Credit Products	329	69	(13)	386	(213)	349	526	(549)	n/a	n/a	522	116	349%
Securitized Products	(143)	(1,581)	(1,702)	(3,426)	(1,291)	(233)	(715)	72	n/a	n/a	(4,949)	364	n/a
Real Estate	(37)	(369)	(1,371)	(1,777)	(1,414)	(824)	(342)	170	n/a	n/a	(4,015)	673	n/a
Municipal Bonds	(42)	(8)	(31)	(81)	318	(241)	57	(47)	n/a	72%	(4)	16	n/a
Energy Trading	86	(0)	(11)	75	172	51	85	107	-56%	-29%	298	126	136%
FID Corporate	(71)	(12)	547	464	91	(83)	49	(155)	412%	n/a	472	(302)	n/a
Fixed Income Subtotal	285	(1,881)	(2,743)	(4,339)	(2,226)	(319)	(143)	(230)	n/a	n/a	(6,884)	1,555	n/a
FID Prime Services	63	72	75	209	203	298	184	185	3%	13%	711	434	64%
FID Including Prime Services	348	(1,809)	(2,668)	(4,129)	(2,023)	(21)	41	(46)	n/a	n/a	(6,173)	1,990	n/a
Global Principal Strategies	(1)	(42)	(31)	(73)	(67)	(123)	(52)	(57)	10%	29%	(263)	139	n/a
Global Trading Strategies - Distressed	(148)	(55)	(9)	(212)	(13)	(74)	17	20	n/a	n/a	(299)	85	n/a
Private Equity - FID	18	(7)	(106)	-	(149)	(9)	-	-	n/a	n/a	(158)	-	n/a
Asset Management Principal - FID	3	(8)	(33)	-	(312)	(400)	-	-	n/a	n/a	(712)	-	n/a
FID Other	(80)	641	417	978	513	520	243	409	91%	139%	2,011	541	272%
FID Attributable	(34)	(30)	(20)	(84)	(120)	(129)	(99)	(90)	-30%	-7%	(333)	(277)	20%
Total Fixed Income Capital Markets	105	(1,309)	(2,450)	(3,654)	(2,171)	(236)	150	236	n/a	n/a	(6,061)	2,477	n/a
Total Capital Markets Segment	180	(954)	(2,171)	(2,945)	(1,527)	59	493	730	n/a	n/a	(4,412)	4,101	n/a
INVESTMENT MANAGEMENT													
Private Investment Management													
Private Investment Management	74	76	47	197	282	262	246	277	-30%	-29%	741	782	-5%
Asset Management	109	106	20	235	369	463	401	304	-36%	-23%	1,067	985	8%
Private Equity	23	23	25	71	74	73	55	61	-3%	17%	218	158	37%
Total Asset Management	132	129	45	306	442	536	455	365	-31%	-16%	1,284	1,144	12%
PII Attributable	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Total IIM Segment	207	205	91	503	724	798	701	643	-31%	-22%	2,026	1,925	5%
TOTAL LEHMAN	495	(568)	(1,975)	(2,047)	(226)	1,399	1,726	2,084	n/a	n/a	(875)	8,090	n/a

* Includes US and Other Americas

LEHMAN BROTHERS

Regional Overview – Q3 2008

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Americas BPM Segment Rec

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	Capital Markets		
	Fixed Income	Equities	
BPM	(3,694)	660	(3,034)
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
Banking Adjustments	(401)	(130)	(531)
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)
Principal Adjustments	(418)	2	(416)
PIM	(74)	(120)	(194)
Firm Relationship Loans	(6)	6	-
Credit Spread	813	271	1,084
CDS Trade	42	-	42
Credit Reserve	85	9	95
Valuation	(5)	-	(5)
Structured Trades	12	1	12
Banking Trades	-	-	-
Asia EQ Fx	-	-	-
Other	84	38	122
Non-Core Adjustments	1,031	321	1,352
Segment	(3,647)	702	(2,945)

Banking	
BPM	(6)
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	(181)
Segment	394

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
Segment	503

* 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	105	394	576	541	532	711	-32%	-45%	1511	2064	-27%
Equities Capital Markets	75	355	279	709	644	295	343	494	10%	44%	1648	1633	1%
Fixed Income Capital Markets	105	(1,309)	(2,450)	(3,654)	(2,171)	(236)	150	236	-68%	n/a	-6061	2468	n/a
IMD	207	205	91	503	724	798	701	643	-31%	-22%	2026	1925	5%
Total Americas	495	(568)	(1,975)	(2,047)	(226)	1,399	1,726	2,084	-805%	n/a	(875)	8,090	n/a
<i>% of Firm Revenues</i>	68.6%	84.7%	66.4%	70.1%	33.9%	39.9%	39.3%	48.4%	36.2%	21.7%	1047.2%	54.4%	992.8%

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%
Total	14,562	958	(1,064)	(23)	14,433	(129)	-1%

The outlook at a glance

%	3Q07	4Q07	1Q08	2Q08	3Q08 E	4Q08 E	1Q09 E	2Q09 E	2007	2008 E	2009 E
Real GDP	4.8	-0.2	0.9	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	-20.6	-27.0	-25.0	-15.8	-14.2	-15.0	-8.0	0.0	-17.9	-20.5	-6.9
Exports	23.0	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	0.1
Contributions to GDP:											
Domestic final sales	1.9	-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	0.6
Unemployment rate	4.7	4.8	4.9	5.3	5.8	6.0	6.2	6.3	4.5	5.5	6.3
Non-farm payrolls, 000	71	80	-82	-55	-74	-80	-80	-20	91	-73	-3
Consumer prices	2.4	4.0	4.2	4.3	5.4	4.5	3.3	2.3	2.9	4.6	1.8
Core CPI	2.1	2.3	2.4	2.3	2.6	2.6	2.5	2.5	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	2.3	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	3.98	3.05	1.58	2.62	2.40	2.50	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 contributions are seasonally adjusted annualized rates. Unemp. rate is a quarterly average as a percentage of the labor force. Inflation measures and CY GDP are y-o-y percent changes. Interest rate forecasts are end of period. Payrolls are monthly average changes. Table last revised 29 Aug. All forecasts are modal forecasts (i.e., the single most likely outcome). Source: BLS, Commerce & Census Departments, and Lehman Brothers.

LEHMAN BROTHERS

Regional Overview – Q3 2008

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Europe & the Middle East & Asia-Pacific

Europe & the Middle East Segments – Quarterly Review

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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 '08 vs. YTD '07
INVESTMENT BANKING													
Equity Underwriting	56	20	2	77	51	58	51	99	50%	-22%	186	194	-4%
Leveraged Finance	0	0	(0)	0	5	19	5	35	-92%	-99%	24	147	-84%
Debt Capital Markets	21	11	5	38	52	54	30	61	-28%	-38%	144	147	-2%
Public Finance	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Total Debt Underwriting	21	12	5	38	57	73	35	96	-34%	-61%	168	294	-43%
Financial Advisory	27	25	8	60	76	91	146	84	-21%	-28%	228	262	-13%
IBD Attributable	2	3	9	14	27	42	14	32	-88%	-56%	82	104	-20%
Investment Banking Segment	106	60	24	190	212	264	246	310	-10%	-39%	665	854	-22%
CAPITAL MARKETS:													
EQUITIES													
Execution Services													
Execution Services - Europe	51	12	9	71	150	151	152	88	-52%	-19%	373	505	-26%
Convertible	(21)	(24)	(0)	(45)	(5)	(7)	(2)	5	n/a	n/a	(57)	40	n/a
Volatility	(58)	(17)	(154)	(229)	(135)	105	158	309	70%	n/a	(259)	699	n/a
Equity Strategies	(5)	(6)	7	(4)	44	22	24	(33)	n/a	-89%	62	25	147%
Equities Corporate	0	(7)	2	(5)	(27)	(108)	2	13	-80%	n/a	(140)	21	n/a
Equity Division Subtotal	(34)	(42)	(136)	(212)	27	163	333	380	n/a	n/a	(22)	1,289	n/a
Equity Prime Services	46	32	26	104	221	101	88	141	-53%	-26%	426	450	-5%
Equity Including Prime Services	12	(10)	(110)	(108)	248	263	421	522	n/a	n/a	404	1,739	-77%
Global Principal Strategies - Equity	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Global Trading Strategies - Equity	(7)	4	(2)	(6)	6	8	2	(4)	n/a	45%	8	16	-51%
Direct Principal Investments - Equity	0	0	0	0	0	(8)	11	9	287%	-96%	(8)	12	n/a
Global Opportunities Group - Equity	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Private Equity - EQ	(6)	(17)	(49)	(72)	(2)	2	130	24	n/a	n/a	(72)	50	n/a
Asset Management Investments	(33)	50	(36)	(19)	(167)	(64)	500	(50)	-89%	-62%	(250)	(7)	n/a
Equities Other	3	29	58	90	1	9	(67)	52	n/a	74%	100	(1)	n/a
Equities Attributable	13	8	10	31	34	38	55	35	-7%	-18%	193	111	-7%
Total Equities Capital Markets	(18)	64	(130)	(83)	119	249	1,053	587	n/a	n/a	285	1,920	-85%
FIXED INCOME													
Interest Rate Products	(124)	89	(40)	(74)	(342)	282	98	356	n/a	n/a	(134)	547	n/a
Foreign Exchange	2	4	35	41	(62)	60	47	57	n/a	-27%	39	113	-65%
Liquid Markets	(122)	94	(5)	(33)	(403)	342	144	413	n/a	n/a	(95)	660	n/a
CDO	(3)	6	(9)	(6)	52	30	9	2	n/a	n/a	76	140	-46%
High Grade Credit	21	(2)	9	28	29	59	(18)	(20)	-7%	n/a	116	5	n/a
High Yield	(24)	(28)	(57)	(109)	(152)	(147)	(71)	(160)	-28%	-32%	(408)	(161)	154%
Credit Products	(7)	(24)	(57)	(88)	(71)	(58)	(80)	(178)	n/a	-51%	(217)	(16)	n/a
Securitized Products	5	(321)	(710)	(1,025)	(329)	(84)	(73)	(45)	211%	n/a	(1,439)	130	n/a
Real Estate	(5)	(79)	(161)	(245)	(83)	(252)	16	82	n/a	n/a	(579)	301	n/a
Municipal Bonds	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Energy Trading	9	13	(7)	16	(24)	5	28	16	n/a	-1%	(3)	25	n/a
FID Corporate	(16)	38	(2)	21	(121)	(53)	(23)	15	n/a	40%	(152)	(2)	n/a
Fixed Income Subtotal	(134)	(279)	(940)	(1,354)	(1,032)	(100)	12	303	n/a	n/a	(2,486)	1,098	n/a
FID Prime Services	17	16	17	51	65	55	58	31	-22%	67%	171	95	81%
FID Including Prime Services	(117)	(263)	(923)	(1,303)	(966)	(46)	69	333	n/a	n/a	(2,314)	1,193	n/a
Global Principal Strategies	(0)	(0)	(0)	(0)	(57)	(26)	(9)	(53)	n/a	n/a	(83)	18	n/a
Global Trading Strategies - Distressed	0	(1)	(7)	(9)	(1)	(9)	2	(2)	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	46	155	(4)	105	40	103	n/a	51%	257	183	40%
FID Attributable	28	24	17	69	85	99	82	70	-19%	-2%	253	206	23%
Total Fixed Income Capital Markets	(74)	(146)	(869)	(1,087)	(943)	89	186	451	n/a	n/a	(1,941)	1,599	n/a
Total Capital Markets Segment	(92)	(81)	(997)	(1,170)	(824)	338	1,239	1,038	n/a	n/a	(1,656)	3,519	n/a
INVESTMENT MANAGEMENT													
Private Investment Management	32	26	21	78	68	84	48	54	16%	44%	230	135	71%
Asset Management	5	6	10	22	27	58	41	64	-19%	-66%	106	131	-19%
Private Equity	6	6	8	20	18	17	29	30	7%	-34%	55	55	0%
Total Asset Management	12	12	18	42	45	74	70	94	-9%	-56%	161	186	-13%
PIM Attributable	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Total IMD Segment	44	38	38	120	113	159	118	148	6%	-19%	391	320	22%
TOTAL LEHMAN	58	16	(935)	(860)	(499)	760	1,603	1,496	n/a	n/a	(599)	4,693	n/a

LEHMAN BROTHERS

Regional Overview – Q3 2008

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Europe & the Middle East BPM to Segment Rec

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	Capital Markets		
	Fixed Income	Equities	
BPM	(1,234)	(33)	(1,267)
Underwriting Fees	14	(39)	(25)
Munis	-	-	-
Banking Principal Transactions	(57)	(2)	(59)
Banking Net Interest	4	1	5
Am/Other Banking	-	0	0
Banking Adjustments	(39)	(40)	(79)
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)
Principal Adjustments	(9)	(97)	(106)
PIM	(55)	(23)	(78)
Firm Relationship Loans	0	(0)	-
Credit Spread	182	61	242
CDS Trade	-	-	-
Credit Reserve	-	-	-
Valuation	-	35	35
Structured Trades	-	-	-
Banking Trades	(18)	-	(18)
Asia EQ Fx	-	-	-
Other	16	(17)	(1)
Non-Core Adjustments	180	79	259
Segment	(1,087)	(83)	(1,170)

Banking	
BPM	141
Banking Offset	(45)
Banking 50%	110
Underwriting Fees	25
Munis	-
Other Banking	-
Capital Markets Banking	25
Principal transactions to FID	57
Principal transactions to Equity	2
Subtotal Principal Transactions	59
Banking Net Interest	(5)
AM/Other Banking	(0)
Non-Core	1
Segment	190

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
Segment	120

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

Regional Sales Credits – Europe & 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					
SALES CREDITS DATA															
Total Execution Services	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%	6	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)	(6)	(29)	(59)	(47)	-40%	-92%	(39)	(61)	-36%		
Total Equities Sales Credits	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
Total Liquid Markets	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	-55%	45	Q3 '07
Total Credit Products	24	45	23	92	70	146	101	122	32%	-24%	308	340	-9%	146	Q1 '08
Total Securitized Products	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%		
Total Fixed Income Sales Credits	126	106	96	328	360	418	316	403	-9%	-19%	1,105	940	18%	418	Q1 '08
Total Europe & Middle East Sales Cred	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 Q3 '07		9 Months Ended 2008 2007		YTD 2008 vs. YTD 2007
									Q2 '08	Q3 '07	2008	2007	
Investment Banking	106	60	24	190	212	264	246	310	-10%	-39%	665	854	-22%
Equities Capital Markets	(18)	64	(130)	(83)	119	249	1,053	587	n/a	n/a	285	1920	-85%
Fixed Income Capital Markets	(74)	(146)	(868)	(1,087)	(943)	89	186	451	-15%	n/a	-1941	1599	n/a
IMD	44	38	38	120	113	159	118	148	6%	-19%	391	320	22%
Total Europe & the Middle East	58	16	(935)	(860)	(499)	760	1,603	1,496	-72%	n/a	(599)	4,693	n/a

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
						Q2 '08	Q3 '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	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%
Total	5,986	377	(793)	(7)	5,563	(423)	-7%

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	-0.6	0.5	0.4	0.5	0.8	1.6	0.4	0.6
Fixed investment	3.6	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	2.8	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	-1.5	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	1.8	1.7	1.8	1.9	1.8	1.8
ECB main refi. 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 bund yields	4.32	4.32	3.90	4.60	4.00	3.95	3.80	3.75	4.32	3.95	3.75
€euro	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 annualised rate. Annual figures are % y-o-y changes. Unemployment is % of labour force. Inflation, wages, productivity and unit labour costs are % y-o-y. Interest rates 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 %
	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
INVESTMENT BANKING													
Equity Underwriting	0	1	(0)	1	5	19	18	23	-77%	-95%	24	57	-57%
Leveraged Finance	0	(0)	0	0	18	3	0	7	-98%	-95%	21	25	-14%
Debt Capital Markets	3	7	3	12	24	17	18	11	-49%	5%	52	46	13%
Public Finance	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Total Debt Underwriting	3	6	3	12	41	19	18	18	-70%	-33%	73	71	3%
Financial Advisory	11	1	0	13	19	22	11	4	-33%	192%	54	19	179%
IBD Attributable	0	0	0	1	5	2	5	4	-82%	-76%	7	6	24%
Investment Banking Segment	15	9	3	27	70	62	53	50	-61%	-45%	159	153	4%
CAPITAL MARKETS:													
EQUITIES													
Execution Services													
Execution Services - Asia	17	23	(2)	38	47	104	78	48	-19%	-20%	190	164	16%
Convertibles	(3)	(6)	(3)	(11)	(21)	(12)	7	(11)	-47%	1%	(45)	2	n/a
Volatility	(22)	(16)	(9)	(47)	(93)	151	205	128	-50%	n/a	10	373	-97%
Equity Strategies	22	(15)	(11)	(4)	23	(8)	76	69	n/a	n/a	11	128	-92%
Equities Corporate	24	(1)	1	24	(12)	(2)	1	(1)	n/a	n/a	10	(5)	n/a
Equity Division Subtotal	38	(14)	(24)	0	(56)	232	366	232	n/a	n/a	176	661	-73%
Equity Prime Services	18	14	10	42	57	58	44	55	-25%	-23%	157	144	9%
Equity Including Prime Services	57	(1)	(13)	43	0	290	410	287	n/a	-85%	333	805	-59%
Global Principal Strategies - Equity	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Global Trading Strategies - Equity	(8)	(184)	(35)	(227)	(191)	530	227	(7)	n/a	n/a	112	19	491%
Direct Principal Investments - Equity	(4)	(3)	3	(4)	(15)	-	-	-	-71%	n/a	(20)	-	n/a
Global Opportunities Group - Equity	(0)	9	(7)	-	26	43	(10)	(11)	n/a	n/a	68	(11)	n/a
Private Equity - EQ	(6)	1	9	4	9	(3)	(2)	3	-54%	20%	10	6	68%
Asset Management Investments	(1)	(1)	(1)	(3)	(3)	(1)	-	-	7%	n/a	(7)	-	n/a
Equities Other	7	17	(12)	12	8	2	(30)	19	37%	-38%	22	18	22%
Equities Attributable	4	2	(1)	6	4	4	9	5	43%	7%	14	18	-23%
Total Equities Capital Markets	48	(168)	(57)	(168)	(162)	866	604	296	4%	n/a	535	855	-37%
FIXED INCOME													
Interest Rate Products	38	21	(7)	51	38	78	28	90	33%	-43%	167	148	13%
Foreign Exchange	16	(1)	(9)	5	(4)	99	10	20	n/a	-74%	100	65	53%
Liquid Markets	53	19	(16)	56	34	177	38	110	66%	-49%	267	214	25%
CDO	(9)	4	(9)	(13)	2	84	(4)	53	n/a	n/a	73	128	-43%
High Grade Credit	6	(28)	(5)	(26)	(36)	11	(8)	7	-26%	n/a	(51)	50	n/a
High Yield	13	(18)	2	(3)	71	25	71	54	n/a	n/a	92	205	-55%
Credit Products	10	(42)	(12)	(43)	37	120	59	114	n/a	n/a	114	382	-70%
Securitized Products	(1)	(12)	(21)	(35)	8	10	21	11	n/a	n/a	(17)	49	n/a
Real Estate	17	(16)	(7)	(7)	62	49	153	56	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	19%	n/a	10	0	n/a
FID Corporate	(5)	24	7	26	(43)	(10)	(7)	(32)	n/a	n/a	(27)	(31)	-13%
Fixed Income Subtotal	76	(22)	(50)	5	104	342	270	260	-95%	-98%	451	846	-47%
FID Prime Services	3	1	2	6	8	7	6	6	-14%	8%	21	17	26%
FID Including Prime Services	80	(20)	(48)	11	111	349	277	266	-90%	-96%	472	863	-45%
Global Principal Strategies	(1)	(1)	0	(1)	(36)	(14)	57	12	-96%	n/a	(52)	27	n/a
Global Trading Strategies - Distressed	(4)	(2)	(1)	(7)	2	1	(5)	5	n/a	n/a	(5)	11	n/a
Private Equity - FID	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Asset Management Principal - FID	-	-	-	-	-	(5)	-	-	n/a	n/a	(5)	-	n/a
FID Other	21	47	30	98	27	48	45	68	271%	45%	173	85	103%
FID Attributable	7	6	3	15	35	30	17	20	-57%	-26%	80	71	12%
Total Fixed Income Capital Markets	102	30	(16)	116	138	409	391	370	-16%	-69%	662	1,056	-37%
Total Capital Markets Segment	150	(138)	(73)	(53)	(24)	1,274	995	667	n/a	n/a	1,198	1,911	-37%
INVESTMENT MANAGEMENT													
Private Investment Management	1	(2)	0	(1)	2	4	5	2	n/a	n/a	5	5	2%
Asset Management	1	1	1	3	2	4	2	2	62%	66%	10	4	118%
Private Equity	2	2	4	9	6	3	6	7	33%	22%	18	10	85%
Total Asset Management	3	3	6	12	9	7	8	9	40%	32%	28	14	95%
PIM Attributable	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Total IMD Segment	4	1	6	11	11	12	13	12	2%	-4%	34	20	70%
TOTAL LEHMAN	168	(119)	(64)	(14)	57	1,348	1,061	728	n/a	n/a	1,391	2,084	-33%

Asia-Pacific BPM Segment Rec

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	Capital Markets		
	Fixed Income	Equities	Capital Markets
BPM	5	42	47
Underwriting Fees	6	(1)	5
Munis	-	-	-
Banking Principal Transactions	(6)	(0)	(6)
Banking Net Interest	(0)	(0)	(1)
Am/Other Banking	-	0	0
Banking Adjustments	0	(1)	(1)
Global Trading Strategies	(7)	(227)	(235)
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
Principal Adjustments	(9)	(229)	(237)
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	30	10	39
Non-Core Adjustments	104	13	117
Segment	116	(168)	(53)

	Banking
BPM	47
Banking Offset	(21)
Banking 50%	27
Underwriting Fees	(5)
Munis	-
Other Banking	-
Capital Markets Banking	(5)
Principal transactions to FID	6
Principal transactions to Equity	0
Subtotal Principal Transactions	6
Banking Net Interest	1
AM/Other Banking	(0)
Non-Core	-
Segment	28

	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)
IMD Principal Adjustments	(1)
Segment	11

* Includes all IMD / PI 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	YTD '07		
SALES CREDITS DATA																
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		-	-
Total Equities Sales Credits	46	43	30	119	144	159	184	166	-18%	-29%	423	408	4%		184	Q4 '07
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
Total Liquid Markets	20	13	16	49	96	114	61	80	-49%	-39%	259	243	7%		114	Q1 '08
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
Total Credit Products	3	16	11	31	30	90	24	25	4%	23%	152	86	76%		90	Q1 '08
Total Securitized Products	0	0	0	0	0	0	23	1	-82%	-99%	0	6	-98%		23	Q4 '07
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%		-	-
Total Fixed Income Sales Credits	29	32	30	92	140	215	123	114	-34%	-19%	447	365	22%		215	Q1 '08
Total Asia Pacific Sales Credits	75	76	61	211	284	374	307	280	-26%	-25%	869	773	12%		374	Q1 '08

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		9 Months Ended		YTD 2008 vs.
									Q2 '08	Q3 '07	2008	2007	YTD 2007
Investment Banking	15	9	3	27	70	62	53	50	-61%	-45%	159	153	4%
Equities Capital Markets	48	(160)	(57)	(168)	(162)	866	604	296	-4%	n/a	535	855	-37%
Fixed Income Capital Markets	102	30	(16)	116	138	409	391	370	-16%	-69%	662	1056	-37%
IMD	4	1	6	11	11	12	13	12	2%	-4%	34	20	70%
Total Asia-Pacific	168	(119)	(64)	(14)	57	1,348	1,061	728	n/a	n/a	1,391	2,084	-33%

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.		YTD '08	YTD '07	YTD '08 vs
						Q2 '08	Q3 '07			YTD '07
Total Equity (including rights)	0.2%	0.8%	0.4%	1.2%	1.4%	-77%	-88%	0.5%	1.7%	-71%
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%
Total Debt	0.8%	1.0%	0.7%	1.4%	0.4%	-20%	86%	0.8%	0.3%	163%
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%
Total	3,047	212	(250)	30	3,039	(8)	0%

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	373	(125)	69	2,415	317	15%
Total	2,594	468	(162)	-	2,900	306	12%

Regional BPM to Segment Revenue Bridge

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Americas					
	Jun	Jul	Aug	Q3	FY
BPM	590	(326)	(1,786)	(1,522)	311
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)

Americas Segment	495	(568)	(1,974)	(2,047)	(875)
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Europe					
	Jun	Jul	Aug	Q3	FY
BPM	(14)	(159)	(1,091)	(1,264)	(1,507)
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

Europe Segment	58	16	(934)	(860)	(599)
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Asia					
	Jun	Jul	Aug	Q3	FY
BPM	145	(185)	(96)	(136)	1,113
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

Asia Segment	168	(119)	(64)	(14)	1,391
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Global BPM	721	(670)	(2,972)	(2,922)	(83)
Global Segment	721	(670)	(2,972)	(2,922)	(83)

VIII. Comp/Headcount

Personnel Expenses

In Millions	Quarter					August YTD		
	Q3 '08	Q3 '07	% Δ	Q2 '08	% Δ	2008	2007	% Δ
Production Compensation	98.7	133.6	-26%	114.8	-14%	336.1	402.0	-16%
Software Cap	-15.1	-29.7	-49%	-8.6	75%	-41.5	-77.1	-66%
Salaries	634.9	662.9	-4%	667.2	-5%	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	-15%
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	-25%	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

<ul style="list-style-type: none"> • Production Compensation • Salaries • Cars & Non-Expat Housing • Expatriate • Other Compensation • Benefits • Payroll Taxes • Severance • PY Equity Award Amortization 	<p>Decrease of \$35mm reflects a decrease in MCD (\$20mm) and IMD (\$15mm)</p> <p>Decrease of \$28mm due to headcount reductions, offset by annual salary increases across all divisions and FX impacts</p> <p>Increase primarily due to Asia growth</p> <p>Increase primarily due to tax equalization in Asia</p> <p>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),</p> <p>Decrease of \$17mm mainly due to decrease in Pension costs (\$11mm), Other Benefit costs(\$5mm) and TDSP costs (\$1mm)</p> <p>Decrease of \$23mm due to reduced National Insurance tax accrual (\$32mm) offset by an increase in the FICA Medicare tax accrual (\$9mm)</p> <p>Decrease primarily due to severance charges in Q3 2007 relating to MCD reductions</p> <p>Increase of \$126mm primarily due to the roll-on of the 2007 & 2008 awards offset by the roll-off of the 2002 awards.</p>	<p>Decrease of \$16mm reflects a decrease in IMD (\$15mm) and MCD (\$1mm)</p> <p>Decrease of \$32mm due to headcount reductions across all divisions</p> <p>Increase primarily due to tax equalization in Asia</p> <p>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)</p> <p>Decrease of \$5mm mainly due to true up in US DB Pension in Q2(\$10mm) offset by increases in Other Benefits Costs(\$5mm)</p> <p>Increase of \$3mm due to increased National Insurance tax accrual (\$5mm) offset by a decrease in the FICA Medicare tax accrual (\$2mm)</p> <p>Decrease primarily due to severance related to the March & May exercises in Q2 2008.</p> <p>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</p>	<p>Decrease of \$66mm reflects a decrease in MCD (\$69mm), offset by an increase in IMD (\$3mm)</p> <p>Increase of \$105mm due to additional hirings, annual salary increases across all divisions and FX impacts</p> <p>Increase primarily due to Asia growth</p> <p>Increase primarily due to tax equalization in Asia</p> <p>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)</p> <p>Decrease of \$24mm mainly due to decreases in Pension costs(\$12mm), Other Benefit costs (\$9mm), and TDSP costs(\$3mm)</p> <p>Decrease of \$96mm due to reduced National Insurance accrual (\$89mm) on bonus and lower payroll taxes on vesting of CSA's</p> <p>Increase primarily due to severance related to the March & May exercises in Q2 2008</p> <p>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</p>
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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 LB
 - 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 (
 - 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%
Total	26,189	2,015	(2,269)	-	25,935	(254)	-1%

Regions							
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%
	26,189	2,015	(2,269)	-	25,935	(254)	-1%

QTD 2008 Headcount Analysis

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%
Total	14,562	958	(1,064)	(23)	14,433	(129)	-1%

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							
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%
Total	3,047	212	(250)	30	3,039	(8)	0%

Europe Headcount 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%
Total	5,986	377	(793)	(7)	5,563	(423)	-7%

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							
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%
Total	2,594	468	(162)	-	2,900	306	12%

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 Li
 - 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%
Total	28,556	4,730	(7,351)	-	25,935	(2,621)	-9%

Regions							
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%
Total	28,556	4,730	(7,351)	-	25,935	(2,621)	-9%

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%
Total	17,015	2,097	(4,626)	(53)	14,433	(2,582)	-15%

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%
Total	2,843	688	(578)	86	3,039	196	7%

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	2,525	255	(545)	56	2,291	(234)	-9%
Total	6,437	898	(1,767)	(5)	5,563	(874)	-14%

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%
Total	2,261	1,047	(380)	(28)	2,900	639	28%

Fixed vs. Variable Expenses

Fixed vs Variable Expenses											
(in Millions)	Quarter							YTD			
	Q3 '08	Q3 '07	\$ Δ	% Δ	Q2 '08	\$ Δ	% Δ	2008	2007	\$ Δ	% Δ
	Variable:										
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%
Total Variable Expenses	710.8	952.7	-241.9	-25%	1,038.3	-327.4	-32%	2,243.2	3,827.4	-1,584.2	-41%
<i>% of total</i>	36%	45%			45%			37%	52%		
Fixed:											
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%
Total Fixed Expenses	1,239.6	1,171.3	68.2	6%	1,286.4	-46.8	-4%	3,872.8	3,502.2	370.6	11%
<i>% of total</i>	64%	55%			55%			63%	48%		
Total Expenses	1,950.4	2,124.0	-173.6	-8%	2,324.6	-374.2	-16%	6,116.0	7,329.6	-1,213.6	-17%

Headcount by Country

	31-Aug-08											Monthly Variance B/(W)	1-Dec-07	% of Total			
	FID	EQ	PS	PI	IBD	IMD	MCD	IT	OPS	CORP	GRAND TOTAL		GRAND TOTAL	YTD Variance B/(W)	Current Headcount % of Region	Current Headcount % of Global	
Americas																	
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	1,091	2,345	14,305	(163)	16,904	(2,599)	99%	55%	-15%
Total Americas	1,529	1,156	362	56	1,258	2,488	1,639	2,494	1,102	2,349	14,433	(161)	17,015	(2,582)	100%	56%	-15%
Europe																	
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	23	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	-	-	-	-	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%
Total Europe	921	644	182	18	748	321	438	691	463	1,137	5,563	(78)	6,437	(874)	100%	21%	-14%
Asia																	
Australia	35	5	1	-	16	4	-	6	11	31	109	(1)	133	(24)	4%	0%	-18%
China	130	171	32	15	200	52	-	98	62	205	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	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%	65%
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%
Total Asia	593	471	73	52	352	87	54	396	324	637	3,039	(18)	2,843	196	100%	12%	7%
India																	
India	77	149	66	-	53	-	140	1,262	433	720	2,900	20	2,261	639	100%	11%	28%
Total India	77	149	66	-	53	-	140	1,262	433	720	2,900	20	2,261	639	100%	11%	28%
TOTAL	3,120	2,420	683	126	2,411	2,896	2,271	4,843	2,322	4,843	25,935	(237)	28,556	(2,621)	100%	100%	-9%

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	159.1	85.2	(103.5)	-65.0%	(29.5)	-34.7%
Total Fixed	\$ 738.9	\$ 842.6	\$ 754.7	\$ (103.7)	-12.3%	\$ (15.8)	-2.1%
Brokerage & Clearance	\$ 231.8	\$ 251.6	\$ 224.2	\$ (19.7)	-7.8%	\$ 7.6	3.4%
Total Non Personnel Expenses	\$ 970.7	\$ 1,094.2	\$ 978.9	\$ (123.5)	-11.3%	\$ (8.2)	-0.8%

NPE Financial Review

Non-Personnel Expenses decreased \$123.5 million or 11.3% in 3Q'08 vs. 2Q'08

Key summary components of the decrease are as follows:

(\$18 m)	Business Development - Decrease primarily due to:
\$2 m	Marketing Advertising increase - MCD's Campus Door ramp up in spend due to summer season campaign
(\$4 m)	Corporate Events decrease - cost-cutting measures, delays and cancellation of events/conferences related to present economic conditions and (\$7.2m) of 2Q events: (\$2.1m) IBD's Black Diamond Summit and CEO Conference in Rome, (\$1.5m) EQ Wireless Conference and FID's SCSC Convention, (\$1.4m) Worldwide Wireless and Healthcare conferences, (\$1.2m) HY Bond and (\$1.0m) CMPS Capital Solutions conference, partly offset by \$6.7m of 3Q events: \$2.6m Beijing Olympics, \$2.3m US Open Tennis, and \$1.8m Euro 2008 Football and Wimbledon Tennis Championships
(\$16 m)	T&E decrease - effect of workforce reduction, seasonal decrease in travel related to summer months and policy change implementation in 2Q'08
(\$0 m)	Technology & Communications - Virtually flat primarily due to:
\$5 m	Communications increase - \$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 of 2Q'08 charges (credit received from ICE Futures and accrual releases for LSS [Loan Servicing System] and network communications), \$0.7m increase in depreciation associated with new purchases for Asia (GPT and ODC build-out), and \$0.4m MCD Lake Forest retirement of assets
\$3 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 (Traiana, Exegy, Quotevision, Evare, AG, Gotham Technology, Information Builders, Smartstream Tech, Sungard), partially offset by (\$2.0m) release of Microsoft over accrued costs and roll off of prior year's amortization of EA (Enterprise Agreement) 6.0 license
\$1 m	NRTD increase - new subscriptions and publications required to obtain more financial data to mitigate risk and improve strategic investment decisions
(\$1 m)	System Consultants decrease - front office project delays and fewer inhouse and outsource consultants hires as a result of current economics, partly offset by new build out charges in 3Q for Shenzhen global support center
(\$2 m)	Market Data decrease - lower Bloomberg and Reuters product costs as a result of headcount reductions
(\$5 m)	Mail/Print decrease - (\$3.0m) release of accruals for unused/over accrued vendor expenses in 3Q for GBC, GRD, ADP, UNIMAC, Williams Lea, Pitney Bowes, and DG3, (\$0.8m) of 2Q expenses for 1099 statements, (\$0.7m) less MCD ALS and SBF spend due to business restructuring, (\$0.1m) colored printing policy change in July (need SVP approval), and (\$0.1m) savings from double-sided default printer settings
(\$1 m)	Other
\$14 m	Occupancy - Increase primarily due to:
\$6 m	MCD charges: \$2.7m Lake Forest exit and accelerated depreciation, \$2.0m Japan accelerated depreciation, \$1.1m SBF (Small Business Finance) exit of HQ locations (Regus Executive Suites) and Australia Square relocation asset write-off
\$3 m	Canary Wharf - \$4.2m of accrual releases in 2Q (prior year service charges and rates), and \$0.6m capital finance lease correction in 3Q, partially offset by (\$1.4m) 16th floor dilapidation accrual release (funds received from subtenant to restore facility to its original condition)
\$3 m	Broadgate 6 building - \$1.9m FA write-offs, \$1.7m rent penalty charges for exit, partially offset by (\$0.3m) service charge accrual release (no longer needed due to exit of space)
\$3 m	Piscataway data center go-live - \$2.3m depreciation and \$0.8m utilities
\$2 m	Expansion costs for GSS2, IFC2 2nd phase, Ceejay House, GPT, and R6 28th floor
\$1 m	Hudson Yards study accrual release in 2Q
(\$1 m)	745 7th Ave real estate taxes in 2Q
(\$1 m)	Relocation expense reduction for various buildings in Asia and R6 sublet income
(\$2 m)	Broadgate buildings 1 and 2 - (\$1.1m) accrual releases for insurance, gas and service charge and (\$1.0m) rates refund received
\$4 m	Professional Fees - Increase primarily due to:
\$7 m	Consulting Services increase - \$4.5m lower in 2Q due to release of aged accruals, overstated project costs, and IMD recoveries, \$1.9m one time reclassification of EQ Italian Advisory fees from Brokerage and Execution, and \$0.8m special payment for Senior Advisor
\$5 m	Legal increase - \$1.7m MCD business restructuring expenses, \$1.6m Marubeni litigation fees, \$1.5m R3 hedge fund spin-off advisory fees, \$0.4m Bankhaus legal entity expansion costs, and \$0.4m Russia setup expenses
\$2 m	Accounting Audit increase - \$1.0m E&Y product audits to correspond with E&Y's June fiscal year end and \$0.6m Korea Tax audit
(\$2 m)	Temps decrease - NPE to PE reclassification of expenses for employees at Lehman over 6 months and decreased usage of Temps
(\$1 m)	Busted Deals in 2Q - (\$0.8m) Project Garda & Foe within FID & IBD and CMPS Equity Linked Note, (\$0.6m) Yokohama Bank, (\$0.5m) SMBC Trigger 7, (\$0.3m) Eagle, (\$0.1m) GFR Japan, and (\$0.1m) Iwasaki Hotels, partly offset by 3Q's \$0.8 Project Florian and \$0.3m HVB Doorstep
(\$7 m)	Recruiting decrease - reduction in costs across all Regions due to headcount reset/current market condition
(\$103 m)	Other - Decrease primarily due to:
\$13 m	Maier auction rates case penalty settlement paid to NY State Attorney General's office
\$1 m	MCD increase in net mortgage origination and processing fees related to bad loans
(\$1 m)	MCD UK platforms (SPML, PML and LMC) Goodwill amortization costs
(\$1 m)	2Q Intangible write down for Australia's PIM business within IMD
(\$1 m)	2Q final payments - Japanese Property and Consumption taxes for 2007
(\$1 m)	French VAT Rebate in 2Q'08
(\$2 m)	Minority interest expense for LBSF, Libro Holding 1, LB Latin America Ltd and De Shaw third party vendor
(\$3 m)	Release of aged accruals
(\$3 m)	\$3.8m of 2Q Charitable Contributions (\$1.3m Employee Giving Campaign, \$0.5m Acumen, \$0.5m Sponsorship for Educational Opportunity (SEO), \$0.5m American School in London, \$0.5m Harlem Children's Zone, and \$0.3m NY Police department), partially offset by \$0.9m China relief efforts in 3Q
(\$11 m)	Release of Legal Settlement reserve for Maier auction rates matter
(\$15 m)	MCD impairments (\$21m 2Q'08 vs. \$5.5m 3Q'08)
(\$82 m)	FID Accumulated depreciation for Global commercial real estate aged over 1 year: (\$79.0m) expenses in 2Q, (\$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
\$3 m	Other
(\$20 m)	Brokerage & Clearance - Decrease primarily due to:
\$15 m	OCC/NSCC/DTC/MBSCC Annual Rebate received in 2Q'08
\$3 m	Increased PAM 3rd party execution activity
\$2 m	NASD TAF Fees True-up in 3Q'08
(\$1 m)	Reclassification to Contra Revenue: (\$0.8m) OTC ECN agency reimbursable activity, (\$0.8m) Fox River inverted shift in liquidity, and (\$0.7m) GTS Tax Expense in 3Q'08, partially offset by \$1.2m of ADR Conversion fee in 2Q'08
(\$1 m)	YTD correction of flat & cap brokers posting from MTS
(\$1 m)	YTD (Dec-Mar) PIM Elimination Double Booking correction in 2Q'08 (\$0.8m) & Distribution Fees accrual takedowns in 3Q'08 (\$0.4m)
(\$2 m)	OTC Nasdaq Shift in Liquidity Ratio
(\$3 m)	Decreased expenses of (\$2.7m) in Cash Equity exchange fees (ASE, Deutsche Borse, & Weiner Borse, TSS, NYSE, LSE) and (\$0.6m) Cash Agent Clearance Fees
(\$4 m)	Italian Advisory Fees reclassification to Consulting Services
(\$4 m)	YTD NYSE Regulatory Fees true-up in 2Q'08
(\$5 m)	Futures Allocation adjustments in 2Q'08
(\$9 m)	Release of aged accruals
(\$10 m)	Volume decreases: (\$5.3m) Options, (\$3.0m) Derivatives and (\$1.2m) FX
\$2 m	Other

NPE Financial Review

Non-Personnel Expenses decreased \$8.2 million or 0.8% in 3Q'08 vs. 3Q'07

Key summary components of the decrease are as follows:

(\$21 m)	Business Development - Decrease primarily due to:
\$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
(\$16 m)	T&E decrease - MCD restructuring, reduction in workforce and effect of 2Q'08 policy change implementation
\$28 m	Technology & Communications - Increase primarily due to:
\$12 m	Communications increase - \$6.4m of depreciation, network circuit installations (Verizon, Sawis, Global Crossing, Radianz) and build out costs associated with expansion of current facilities and new space (Piscataway data center, Governor Phillip Tower, IFC2, Man Yee, GS2, Frankfurt, Stockholm and Geneva), \$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 Eurex 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 (Traiana, Exegy, Quotevision, Evare, 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 AIGT mainframe contract transition to IBM and (\$2.0m) release of Microsoft over accrued costs and roll off of prior year's amortization of EA (Enterprise Agreement) 6.0 license
\$6 m	System Consultants increase - \$5.2m less software capitalization due to front office project delays and fewer in-house and outsource consultant hires as a result of present economics, \$3.3m increase in vendor services (Joint Tech and Trium) associated with new build out of Shenzhen global support center in 2008, \$2.3m costs for IMD's Wealth Management Alternative Investment and Performance Management Reporting, and FID Commodities Derivative project, partially offset by (\$2.0m) decrease related to MCD 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 - \$3.2m increase in Bloomberg terminal counts in all regions, usage up by \$1.0m, and \$0.6m 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 DG3, and (\$0.2m) July'08 implementation of colored printing policy change (need SVP approval) and savings from double-sided default printer settings
\$32 m	Occupancy - Increase primarily due to:
\$28 m	Space expansion - \$6.3m 1271 8th Ave, \$5.3m Piscataway data center, \$5.2m Asia facilities (IFC2, Man Yee, Ceejay House and Mita), \$2.7m 399 Park, \$1.8m Europe & Middle East facilities (Paris, Frankfurt, Stockholm, Geneva, Milan, Dubai), \$1.7m GS2, \$1.7m Kensington, \$1.2m Australia's Governor Phillip Tower, \$1.0m Cranford data center and \$0.6m 101 Hudson
\$4 m	Broadgate 6 building - \$1.9m FA write-offs and \$1.7m rent penalty (early exit charges/breach of contract)
\$3 m	Lake Forest write-off
\$2 m	Famborough rent (new BCP - Business Continuity Planning building)
(\$1 m)	745 7th Ave real estate taxes
(\$3 m)	Net impact of continuing MCD office closures
(\$24 m)	Professional Fees - Decrease primarily due to:
\$9 m	Legal increase - \$2.3m NYAG Mortgage Back Securities, \$2.2m Marubeni litigation costs, \$1.5m R3 Capital (Project School), \$1.0m of MCD business restructuring expenses, \$0.7m Regulatory Master Action rate accrual increase, \$0.7m new invoices 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 - \$1.4m release of Siren trades contingency in 3Q'07, \$1.0m product audits in 3Q'08 and \$0.4m additional Firm Audit fees recorded in 3Q'08 for 2007
\$3 m	Busted Deals - \$1.5m Project Helios, East and PKO BP, \$0.8m Project Florian and \$0.3m HVB Doorstep
\$2 m	Temps increase - 3Q'07 YTD reclassification to PE for employees at Lehman over 6 months
(\$2 m)	Consulting Services decrease - 3Q'07 initial Finance accrual costs of (\$3.0m) for Equity Vol Remediation and (\$0.5m) for Project Swiss and (\$0.5m) payment to Jeb Bush, partially offset by 3Q'08 \$1.8m one time reclassification of EQ Italian Advisory fees from Brokerage and Execution
(\$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)	Other - Decrease primarily due to:
\$13 m	Maier auction rates case penalty settlement paid to NY State Attorney General's office
\$3 m	Increase in FA Interest due to Piscataway go-live in May 2008
\$3 m	MCD increase in net mortgage origination and processing fees related to bad loans
\$3 m	June 2007 reclassification of Asia's Withholding tax to Income Tax
\$2 m	Renewal of insurance premiums for Americas and Europe & Middle East regions
\$1 m	Increase in Asia's 2008 taxes
(\$1 m)	MCD UK platforms (SPML, PML and LMC) Goodwill amortization costs
(\$2 m)	Minority interest expense for LBSF, Libro Holding 1, LB Latin America Ltd and De Shaw third party vendor
(\$3 m)	FID Accumulated depreciation for Global commercial real estate aged 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 Maier auction rates matter
(\$38 m)	MCD impairments (\$44m 3Q'07 vs. \$5.6m 3Q'08)
\$8 m	Brokerage & Clearance - Increase primarily due to:
\$10 m	Increased Futures allocation & exchange fees
\$6 m	Volume increases: \$4.0m Commodities and Derivatives, \$1.7m FX, \$0.7m Bonds/Notes
\$4 m	IMD PAM Equity execution via external vendors in 3Q'08
\$3 m	FX Hedge impact
\$2 m	Increased OTC ECN activity
\$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
(\$8 m)	COPA expense in 3Q'07
(\$9 m)	Release of aged accruals
\$2 m	Other

Tax Analysis – Financial Review

	<u>2008</u>		<u>2008</u>		<u>2008</u>		<u>2008</u>	
	<u>1ST QUARTER</u>		<u>2ND QUARTER</u>		<u>3RD QUARTER</u>		<u>AUGUST YTD</u>	
	<i>663,149</i>		<i>(4,086,676)</i>		<i>(5,843,458)</i>		<i>(9,266,985)</i>	
PRETAX INCOME								
TAX AT MARGINAL RATE	280,830	42.35%	(1,479,064)	36.19%	(2,045,211)	35.00%	(3,243,445)	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%	(2,045,211)	35.00%	(3,243,445)	35.00%
I. TAX DEDUCTIBILITY FROM STRUCTURAL ELEMENTS								
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	-2.99%	400,000	-4.32%
OTHER	(253)	-0.04%	78	0.00%	103	0.00%	(72)	0.00%
	1,503	0.23%	225,789	-5.53%	176,528	-3.02%	403,820	-4.36%
II. TAX ADVANTAGED ASSETS								
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)	0.48%	(63,465)	0.68%
	(24,075)	-3.63%	(24,140)	0.59%	(30,027)	0.51%	(78,242)	0.84%
III. TAX STRATEGIES								
STRUCTURED TRANSACTIONS	(2,688)	-0.41%	(20,033)	0.49%	19,655	-0.34%	(3,066)	0.03%
GOODWILL AMORTIZATION - SPINAKEE	-	0.00%	(268)	0.01%	(468)	0.01%	(736)	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%	18,148	-0.31%	(9,493)	0.10%
IV. TAX DEPARTMENT INITIATIVES								
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%	(19,957)	0.34%	(105,009)	1.13%
DELAWARE & JERSEY BANK SAVINGS	7	0.00%	(7)	0.00%	-	0.00%	-	0.00%
	(78,168)	-11.79%	(22,606)	0.55%	(23,157)	0.40%	(123,931)	1.34%
V. FULL YEAR GAAP ANNUALIZATION ADJUSTMENT	85,787	12.94%	(85,787)	2.10%	-	0.00%	-	0.00%
VI. ADD STATE PROVISION (NET OF FEDERAL BENEFIT)								
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%	3,801	-0.07%	8,273	-0.09%
	-	0.00%	9,347	-0.23%	6,239	-0.11%	15,586	-0.17%
EFFECTIVE TAX RATE BEFORE ONE TIME ITEMS	179,348	27.04%	(1,317,573)	32.24%	(1,897,480)	32.47%	(3,035,705)	32.76%
ONE-TIME ITEMS								
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%	(7,292)	0.12%	(7,292)	0.08%
EFFECTIVE TAX RATE	174,442	26.31%	(1,313,060)	32.13%	(1,904,218)	32.59%	(3,042,836)	32.84%

Q3 '08 vs Q2 '08

	3RD QUARTER 2008		2ND QUARTER 2008		VARIANCE	
PRETAX INCOME	(5,843,458)		(4,086,676)		(1,756,782)	
TAX AT MARGINAL RATE	(2,045,211)	35.00%	(1,479,064)	36.19%	(566,147)	-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	(2,045,211)	35.00%	(1,397,237)	34.19%	(647,974)	0.81%
TAX DEDUCTIBILITY FROM STRUCTURAL ELEMENTS						
NON-DEDUCTIBLE MEALS AND ENTERTAINMENT	1,425	-0.02%	711	-0.02%	714	-0.01%
NON-DEDUCTIBLE FOREIGN LOSSES	175,000	-2.99%	225,000	-5.51%	(50,000)	2.51%
OTHER	103	0.00%	78	0.00%	25	0.00%
	176,528	-3.02%	225,789	-5.53%	(49,261)	2.50%
TAX ADVANTAGED ASSETS						
DIVIDEND RECEIVED DEDUCTION	(1,759)	0.03%	(2,932)	0.07%	1,173	-0.04%
MUNI INCOME	(28,268)	0.48%	(21,208)	0.52%	(7,060)	-0.04%
	(30,027)	0.51%	(24,140)	0.59%	(5,887)	-0.08%
TAX STRATEGIES						
STRUCTURED TRANSACTIONS	19,655	-0.34%	(20,033)	0.49%	39,688	-0.83%
GOODWILL AMORTIZATION - SPINAKER	(468)	0.01%	(268)	0.01%	(200)	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%
	18,148	-0.31%	(22,939)	0.56%	41,087	-0.87%
TAX DEPARTMENT INITIATIVES:						
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	(19,957)	0.34%	(10,484)	0.26%	(9,473)	0.08%
DELAWARE & JERSEY BANK SAVINGS	-	0.00%	(7)	0.00%	7	0.00%
	(23,157)	0.40%	(22,606)	0.55%	(551)	-0.16%
FULL YEAR GAAP ANNUALIZATION ADJUSTMENT						
	-	0.00%	(85,787)	2.10%	85,787	-2.10%
ADD STATE PROVISION (NET OF FEDERAL BENEFIT)						
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%)	3,801	-0.07%	4,472	-0.11%	(671)	0.04%
	6,239	-0.11%	9,347	-0.23%	(3,108)	0.12%
EFFECTIVE TAX RATE BEFORE ONE TIME ITEMS	(1,897,480)	32.47%	(1,317,573)	32.24%	(579,907)	0.23%
ONE-TIME ITEMS						
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	(7,292)	0.12%	-	0.00%	(7,292)	0.12%
EFFECTIVE TAX RATE	(1,904,218)	32.59%	(1,313,060)	32.13%	(591,158)	0.46%

Q3 '08 vs Q3 '07

	3RD QUARTER 2008		3RD QUARTER 2007		VARIANCE	
PRETAX INCOME	(5,843,458)		1,205,178		(7,048,636)	
TAX AT MARGINAL RATE	(2,045,211)	35.00%	510,354	-42.35%	(2,555,565)	-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	(2,045,211)	35.00%	401,004	33.27%	(2,446,214)	1.73%
TAX DEDUCTIBILITY FROM STRUCTURAL ELEMENTS						
ESEP/COLI	-	0.00%	38,526	3.20%	(38,526)	-3.20%
NON-DEDUCTIBLE MEALS AND ENTERTAINMENT	1,425	-0.02%	2,084	0.17%	(659)	-0.20%
NON-DEDUCTIBLE FOREIGN LOSSES	175,000	-2.99%	-	0.00%	175,000	-2.99%
OTHER	103	0.00%	1,310	0.11%	(1,207)	-0.11%
	176,528	-3.02%	41,921	3.48%	134,607	-6.50%
TAX ADVANTAGED ASSETS						
DIVIDEND RECEIVED DEDUCTION	(1,759)	0.03%	(10,788)	-0.90%	9,029	0.93%
MUNI INCOME	(28,268)	0.48%	(13,095)	-1.09%	(15,173)	1.57%
	(30,027)	0.51%	(23,883)	-1.40%	(6,144)	2.50%
TAX STRATEGIES						
STRUCTURED TRANSACTIONS	19,655	-0.34%	(5,788)	-0.48%	25,443	0.14%
GOODWILL AMORTIZATION - SPINA KER	(468)	0.01%	161	0.01%	(629)	-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%
	18,148	-0.31%	(9,827)	-0.82%	27,975	0.50%
TAX DEPARTMENT INITIATIVES:						
INVESTMENT INCOME	-	0.00%	(982)	-0.08%	982	0.08%
STATE TAX SAVINGS NON-NY INCOME (REIT)	-	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	(19,957)	0.34%	(90,109)	-7.48%	70,152	7.82%
DELAWARE & JERSEY BANK SAVINGS	-	0.00%	1,745	0.14%	(1,745)	-0.14%
TAX RATE AFTER TAX DEPARTMENT STRATEGIES	(23,157)	0.40%	(117,006)	-9.71%	93,849	10.10%
PROVISIONS FOR TAX EXPOSURES	-	0.00%	3,889	0.32%	(3,889)	-0.32%
FULL YEAR GAAP ANNUALIZATION ADJUSTMENT	-	0.00%	46,307	3.84%	(46,307)	-3.84%
ADD STATE PROVISION (NET OF FEDERAL BENEFIT)						
NYS CAPITAL TAX (10M)	1,625	-0.03%	-	0.00%	1,625	-0.03%
OTHER STATES (5M)	813	-0.01%	-	0.00%	813	-0.01%
LB BANK AND SUBS (@ 4%)	3,801	-0.07%	-	0.00%	3,801	-0.07%
	6,239	-0.11%	-	0.00%	6,239	-0.11%
EFFECTIVE TAX RATE BEFORE ONE TIME ITEMS	(1,897,480)	32.47%	(342,104)	28.41%	(2,239,884)	4.06%
ONE TIME ITEMS						
NB - SALE OF CLEARING SERVICES (w/o GOODWILL)	-	0.00%	10,530	0.87%	(10,530)	-0.87%
LBB NJ AUDIT SETTLEMENT	-	0.00%	(1,473)	-0.12%	1,473	0.12%
LBL HISTORIC 956	-	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%	-	0.00%
NON CREDITABLE ASIA FIN 48 LIABILITIES	1,202	-0.02%	-	0.00%	1,202	-0.02%
STATE AUDIT SETTLEMENTS	(7,292)	0.12%	-	0.00%	(7,292)	0.12%
EFFECTIVE TAX RATE	(1,904,218)	32.59%	(318,561)	26.43%	(2,222,131)	6.15%

GAAP Income Statement

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
									Q2 '08	Q3 '07	2008	2007	vs. YTD '07
Revenues:													
Commissions	195	209	165	569	639	658	688	674	-11%	-16%	1,867	1,783	5%
Principal Transactions	(126)	(1,484)	(3,673)	(5,284)	(3,442)	773	1,776	1,612	54%	nm	(7,953)	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	1,699	5,982	7,771	9,635	11,136	10,910	-23%	-45%	23,387	30,557	-23%
Asset Management / Other	138	145	150	432	414	438	459	472	4%	-8%	1,284	1,281	0%
Total Revenues	2,811	1,025	(1,525)	2,311	6,240	12,370	14,890	14,740	-63%	-84%	20,921	44,114	-53%
Interest Expense	(2,090)	(1,695)	(1,447)	(5,233)	(6,908)	(8,863)	(10,500)	(10,432)	-24%	-50%	(21,004)	(29,247)	-28%
Note: Net Interest and Dividends	286	210	252	749	863	771	637	478	-13%	56%	2,383	1,310	82%
Net Revenues	721	(670)	(2,973)	(2,922)	(668)	3,507	4,390	4,308	nm	nm	(84)	14,867	nm
Non-Interest Expenses:													
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%
Total Non-Interest Expenses	1,061	880	981	2,921	3,419	2,843	3,161	3,103	-15%	-6%	9,183	10,084	-9%
Income before Taxes	(340)	(1,550)	(3,954)	(5,843)	(4,087)	663	1,229	1,205	43%	nm	(9,267)	4,783	nm
Taxes	(102)	(465)	(1,337)	(1,904)	(1,313)	174	343	319	45%	nm	(3,043)	1,478	nm
Net Income	(238)	(1,085)	(2,616)	(3,939)	(2,774)	489	886	887	42%	nm	(6,224)	3,306	nm

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GAAP Section – Q3 2008

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GAAP - Commissions

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
									Q2 '08	Q3 '07	2008	2007	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%
Total Commissions	195	209	165	569	639	658	688	674	-11%	-16%	1,867	1,783	5%

By Segment Product

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%
Total Execution Services	112	117	89	317	359	386	401	392	-12%	-19%	1,061	1,055	1%
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%
Equity Including Prime Services	134	136	116	386	413	438	452	442	-6%	-13%	1,237	1,176	5%
Equities Other	(0)	0	(0)	(0)	1	(8)	3	(7)	nm	-93%	(7)	(26)	-72%
Total Equities	134	136	116	386	414	430	455	435	-7%	-11%	1,230	1,150	7%
Total Fixed Income	10	8	11	30	40	32	40	47	-24%	-36%	101	107	-6%
Total IMD	51	65	38	154	185	196	193	192	-17%	-20%	535	526	2%
Total Commissions	195	209	165	569	639	658	688	674	-11%	-16%	1,867	1,783	5%

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LEHMAN BROTHERS

GAAP Section - Q3 2008

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GAAP – Principal Transactions

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
Arbitrage	(844)	(467)	(249)	(1,560)	(365)	(1,240)	797	(3,051)	nm	-96%	(3,166)	296	nm
Bank Loans / Fees	46	53	27	126	75	84	109	55	69%	130%	285	163	73%
Block Trading	(21)	(7)	2	(25)	(14)	(35)	(18)	(77)	75%	-67%	(74)	(136)	-45%
Commodities Trading	835	431	(377)	889	(1,660)	4,087	550	1,777	nm	-30%	3,316	673	nm
Convertible Options	1,688	(179)	613	2,122	510	(2,382)	24	99	nm	nm	250	967	-74%
Corporate Bonds	2,920	(4,785)	1,209	(656)	(402)	(3,479)	(4,513)	40,542	63%	nm	(4,537)	20,257	nm
Government & Agency Bonds	188	(312)	(1,014)	(1,137)	27	(960)	(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	(924)	(2,002)	(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)	30	(64)	nm	15%	(113)	(146)	-22%
Swaps & Derivatives	1,290	1,367	(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	105	142	(52)	(204)	39	100	nm	42%	(114)	(2,820)	-96%
Yield Enhancement	(150)	(12)	49	(114)	(840)	(215)	(146)	(206)	-86%	-45%	(1,168)	901	nm
Trading Other	(206)	700	161	655	389	(399)	60	808	68%	-19%	645	807	-20%
Net Trading	(126)	(1,485)	(3,681)	(5,293)	(3,576)	706	1,758	1,657	48%	nm	(8,162)	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
Total Principal Transactions	(126)	(1,484)	(3,673)	(5,284)	(3,442)	773	1,776	1,612	54%	nm	(7,953)	7,421	nm

By Segment Product													
Total Execution Services	(24)	3	30	9	191	293	(10)	156	-95%	-94%	493	443	11%
Convertibles	(27)	(53)	9	(71)	(22)	7	30	(28)	223%	152%	(85)	44	nm
Volatility	(65)	49	(141)	(157)	(58)	347	363	466	169%	nm	132	1,210	-89%
Event Driven	-	-	-	-	-	(2)	1	(21)	nm	-100%	(2)	32	nm
Equity Strategies	45	20	17	82	44	28	150	59	86%	39%	154	300	-49%
Equities Corporate	23	(10)	(29)	(16)	(90)	(149)	5	(26)	-82%	-38%	(253)	(62)	nm
Equity BPM Division Subtotal	(49)	10	(114)	(153)	66	524	540	606	nm	nm	437	1,967	-78%
Equity Prime Services	(14)	(6)	(16)	(36)	30	99	(94)	8	nm	nm	94	135	-30%
Equity Including Prime Services	(63)	4	(130)	(188)	96	623	446	615	nm	nm	531	2,102	-75%
Global Principal Strategies - Equity	(1)	(0)	-	(1)	2	3	14	7	nm	nm	4	9	-56%
Global Trading Strategies - Equity	21	(185)	(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	198	482	201	248	100	269	139%	79%	930	277	236%
Equities Attributable	-	-	-	-	-	-	-	-	nm	nm	-	-	nm
Total Equities	(68)	137	(53)	17	86	1,050	1,256	763	-81%	-98%	1,153	2,808	-59%
Liquid Markets	80	156	(132)	104	(175)	1,242	423	742	nm	-86%	1,171	1,705	-31%
Credit Products	270	(0)	(112)	158	(348)	245	389	(661)	nm	nm	55	375	-85%
Securitized Products	(310)	(2,017)	(2,582)	(4,908)	(2,043)	(636)	(963)	(111)	140%	nm	(7,587)	119	nm
Real Estate	(25)	(423)	(1,579)	(2,027)	(1,519)	(1,100)	(184)	219	33%	nm	(4,646)	956	nm
Municipal Bonds	(55)	(18)	(34)	(107)	270	(253)	55	(40)	nm	165%	(90)	39	nm
Energy Trading	101	25	(11)	115	165	58	123	124	-31%	-7%	338	151	123%
FID Corporate	(51)	(67)	533	416	(116)	(142)	32	(174)	nm	nm	158	(291)	nm
Fixed Income BPM Subtotal	12	(2,345)	(3,917)	(6,250)	(3,766)	(585)	(126)	99	66%	nm	(10,601)	3,056	nm
FID Prime Services	(39)	18	13	(8)	(54)	73	156	115	-84%	nm	10	197	-95%
FID Including Prime Services	(28)	(2,326)	(3,904)	(6,258)	(3,820)	(512)	31	213	64%	nm	(10,590)	3,253	nm
Global Principal Strategies	4	(36)	(28)	(59)	(175)	(193)	(17)	(127)	-66%	-53%	(427)	135	nm
Global Trading Strategies - Distressed	(151)	(58)	(1)	(210)	(7)	(82)	174	70	nm	nm	(299)	166	nm
Private Equity - FID	18	(7)	(103)	(92)	(137)	-	-	-	-33%	nm	(229)	-	nm
Asset Management Principal - FID	3	(8)	(33)	(38)	(312)	-	-	-	-88%	nm	(350)	-	nm
FID Other	20	766	487	1,273	662	157	118	472	92%	169%	2,092	432	nm
Total Fixed Income	(133)	(1,669)	(3,583)	(5,385)	(3,788)	(631)	305	629	42%	nm	(9,804)	3,985	nm
Total IMD	75	47	(38)	85	260	353	215	221	-67%	-62%	698	627	11%
Total Principal Transactions	(126)	(1,484)	(3,673)	(5,284)	(3,442)	773	1,776	1,612	54%	nm	(7,953)	7,421	nm

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GAAP Section – O3 2008

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GAAP – Investment Banking

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	
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%	
Total Investment Banking	228	250	133	611	858	867	831	1,071	-29%	-43%	2,336	3,071	-24%	
By Segment Product														
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%	
Investment Banking Segment	228	250	133	611	858	867	831	1,071	-29%	-43%	2,336	3,071	-24%	

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GAAP Section – Q3 2008

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GAAP – Interest & 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
									Q2 '08	Q3 '07	2008	2007	vs. YTD '07
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	815	2,663	3,854	4,985	6,911	7,089	-31%	-62%	11,502	20,343	-43%
Customer Interest	61	66	60	188	195	311	348	316	-4%	-41%	694	753	-8%
Dividend Income	35	10	(19)	26	126	147	144	245	-79%	-89%	299	629	-52%
Other Income	252	148	156	556	377	702	481	621	47%	-10%	1,635	1,795	-9%
Total Interest & Dividends	2,377	1,905	1,699	5,982	7,771	9,635	11,136	10,910	-23%	-45%	23,387	30,557	-23%
Short-term Debt Expense	(79)	(53)	(57)	(189)	(324)	(384)	(391)	(379)	-42%	-50%	(897)	(1,127)	-20%
Repo Expense	(1,028)	(869)	(730)	(2,627)	(3,467)	(5,286)	(5,865)	(6,307)	-24%	-58%	(11,380)	(18,051)	-37%
Customer Expense	(207)	(193)	807	407	(678)	(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)	(985)	(1,316)	(685)	(719)	(1,206)	(1,086)	92%	21%	(2,719)	(3,248)	-16%
Total Interest Expense	(2,090)	(1,695)	(1,447)	(5,233)	(6,908)	(8,863)	(10,500)	(10,432)	-24%	-50%	(21,004)	(29,247)	-28%
Net Interest & Dividends	286	210	252	749	863	771	637	478	-13%	57%	2,383	1,310	82%

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%
Global	35	10	(19)	26	126	147	144	245	-79%	-89%	299	629	-52%

By Segment Product

Equities	387	241	187	816	1,420	957	1,996	1,850	-43%	-56%	3,192	4,906	-35%
Fixed Income	1,980	1,662	1,509	5,151	6,349	8,665	9,123	9,048	-19%	-43%	20,165	25,615	-21%
Capital Markets Segment	2,367	1,903	1,697	5,967	7,769	9,621	11,120	10,897	-23%	-45%	23,357	30,522	-23%
Investment Management	10	3	2	15	2	13	17	13	nm	18%	30	35	-16%
Interest Income	2,377	1,905	1,699	5,982	7,771	9,635	11,136	10,910	-23%	-45%	23,387	30,557	-23%
Equities	(350)	(261)	(162)	(772)	(1,341)	(1,033)	(1,820)	(1,688)	-42%	-54%	(3,146)	(4,485)	-30%
Fixed Income	(1,727)	(1,428)	(1,280)	(4,435)	(5,555)	(7,807)	(8,623)	(8,689)	-20%	-49%	(17,797)	(24,634)	-28%
Capital Markets Segment	(2,077)	(1,689)	(1,441)	(5,207)	(6,896)	(8,840)	(10,443)	(10,377)	-24%	-50%	(20,943)	(29,119)	-28%
Investment Management	(13)	(6)	(6)	(26)	(12)	(24)	(56)	(55)	108%	-53%	(61)	(128)	-52%
Interest Expense	(2,090)	(1,695)	(1,447)	(5,233)	(6,908)	(8,863)	(10,500)	(10,432)	-24%	-50%	(21,004)	(29,247)	-28%
Net Interest & Dividends	286	210	252	749	863	771	637	478	-13%	57%	2,383	1,310	82%

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GAAP Section – Q3 2008

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GAAP – Asset Management/Other

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
									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%
PE 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%
Total Asset Management Fees	130	139	129	398	422	419	429	430	-6%	-8%	1,240	1,186	4%
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%
Total Other Revenue	7	6	21	34	(9)	19	30	42	nm	-18%	44	95	-53%
Total Asset management / Other	138	145	150	432	414	438	459	472	4%	-8%	1,284	1,281	0%
By Segment Product													
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%
Total Asset Management / Other	138	145	150	432	414	438	459	472	4%	-8%	1,284	1,281	0%

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GAAP Section – Q3 2008

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XII. Risk

XIII. Other
