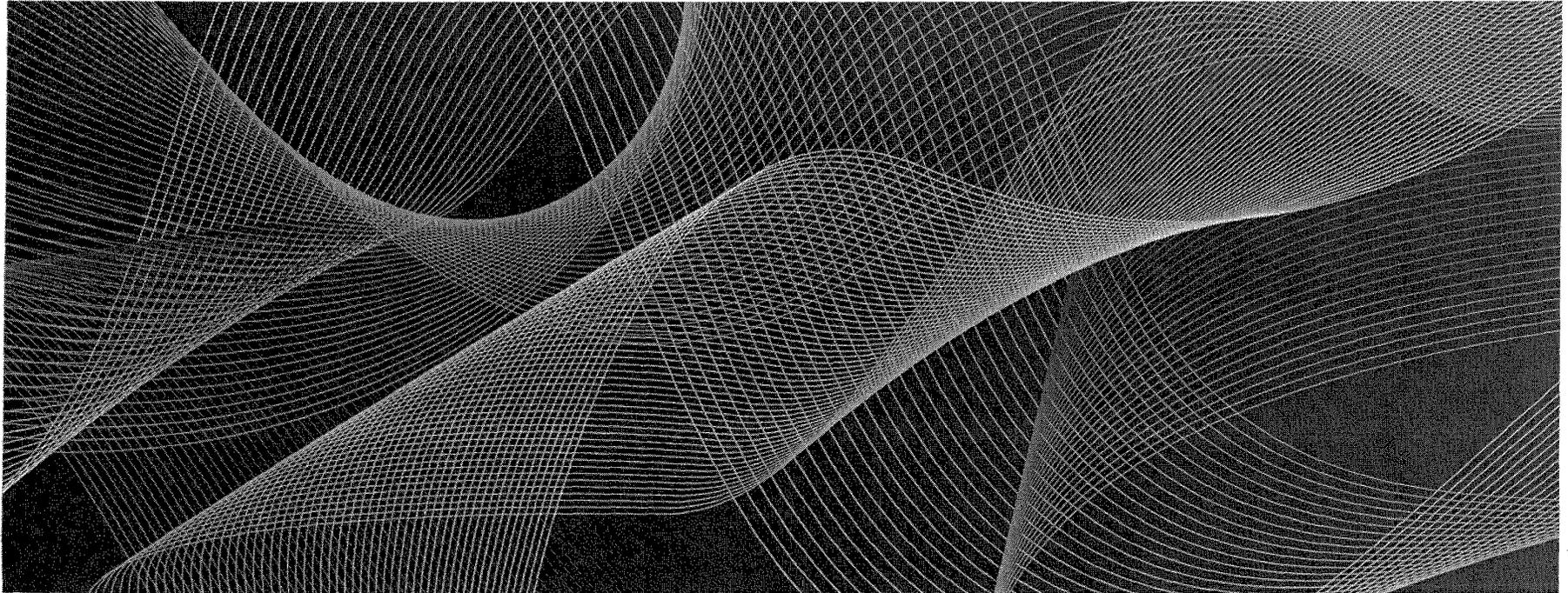


LEHMAN BROTHERS

Citibank Clearing and Intraday Credit



Confidential Presentation

Summary

Citibank is the Firm's primary cash clearer and a major provider of custody and clearing services in emerging market countries.

- ◆ Citibank provides intraday credit globally in its capacity as custody and clearing agent, the majority of which is allocated to cash clearing.
 - \$3bn for CLS and non CLS eligible currencies
 - \$3bn for US dollar clearing (down from \$4bn)
 - \$1.2bn for Asia currencies

- ◆ It is difficult to measure intraday credit usage but (Citibank has indicated a daily peak of \$3-5bn) we believe our peak usage is materially less than the combined total. Citibank is exposed to our CLS settlement activity given they are obligated to settle all of our currency payments to CLS bank.

- ◆ Lehman has ~487 bank accounts with Citibank in the US, Europe and Asia regions. On average we have residual overnight cash balances of long \$286mm and short \$141mm.

- ◆ Citibank ranked #1 in Asia, #2 in the US, and #3 in Europe in total operating fees paid by Lehman. Fees exceed \$30 mm p.a. Citibank has been #1 on the short list to be awarded new operating business due to the substantial credit support provided until its action of June 12. Most recently, Citibank was awarded our Brazilian outsourcing.

Intraday Credit Requirements

Intraday credit is necessary to avoid gridlock and to facilitate timely and efficient settlements

- ◆ The \$3bn of intraday credit applied to US dollar clearing is actively managed and controlled by Treasury. Payments are held back until optimal times and then released to Citibank for settlement. This 'queuing' technique provides sufficient intraday credit cushion to facilitate a large number of time sensitive payments required at specific times of the day. The provision of intraday credit is essential to this process.
- ◆ Citibank is our CLS settlement agent. In this capacity, Citibank remits and receives our net CLS obligations based on the CLS pay-in schedule. The CLS pay-in schedule times precede the currency funding and payment cutoff times. Therefore, Citibank is routinely required to remit payments to CLS prior to the receipt of funds on the back of a non CLS settlement trades. Citibank is also exposed to Lehman intraday due to the time zones.
- ◆ Additional intraday credit is allocated to non LBI, non CLS currency settlements and is essential to an efficient settlement process. We do not actively manage or control this intraday credit position, rather it is Citibank that performs the function. The absence of real-time settlement information in many of these countries makes intraday credit paramount. A reduction will significantly increase the risk of settlement failure as witnessed with SAR when First Bank recently pulled our intraday line in its entirety.

Mitigation Strategies

We proactively manage our intraday exposures and utilize techniques to minimize shortfalls where possible.

- ◆ Aside from the queuing technique previously described, Treasury can place overnight fed funds deposits with brokers and banks subject to early repayment. In the current rate environment, this trade would cost 70bps versus alternative investments but this still represents a low-cost intraday credit solution, similar to that of a day loan from a bank. This can also be done in currency.
- ◆ Post Bear we were notified by Citibank that we routinely exceeded our CLS intraday credit line (believe Chris O'Meara spoke to Brian Leach about this). We quickly realized that this was caused by an imbalance between CLS and non CLS trades. We have since implemented a monitoring and control procedure to identify and correct for large imbalances by having the FX desk trade in or out of CLS vs. non CLS. Since implementing, we have worked with Citibank to avoid any issues.
- ◆ We should determine if we have any excess collateral sitting with Citibank that we can use to secure our intraday exposure or look to other negative exposures we may have with Citibank as an offset. We can also evaluate pledging existing unencumbered collateral that is not being used.

Appendices

Citibank Fee Analysis

Category	Subcategory	2006	2007	Q1 2008
Capital Markets Activity				
	ADR issuance fees	591,572	1,414,056	463,205
	Agent - distribution Fees for LEH Retail Notes	25,500	-	-
	LB Thrift CD program brokerage fees	5,875,568	2,303,135	-
	Syndicate Fees for LEH Debt Issuances	108,750	617,125	207,500
	Syndicate Fees for LEH Global Preferred Issuances	-	-	12,204,468
Capital Markets Activity Total		6,601,390	4,334,316	12,875,173
Financing Lines Spread				
	Cash Capital CCY Structures (Fees & Spread)	-	26,293	18,000
	Committed Redemption Facility - NB	22,396	17,743	4,375
	Dayloans	-	-	-
	LBBAG Revolver	72,082	288,652	70,000
	LBHI Revolver	130,339	152,227	17,613
	LBIE Revolver	-	-	-
	LC Utilization	349,061	13,000	1,632
	Performance Bond - Turkey	93,750	91,438	22,860
	RTGS	51,000	63,817	2,600
Financing Lines Spread Total		718,628	653,169	137,080
Liquidity Placed				
	Asia Time Deposits (Spread for O/N)	85,607	171,115	42,779
	LBHI / LBI Time Deposits (Spread for O/N)	1,461,242	4,556,582	1,024,876
	LBHI UK / LBIE Time Deposits (Spread for O/N)	224,748	400,161	100,000
	Money Funds Spread - Management Fees	149,408	972,378	17,613
Liquidity Placed Total		1,921,006	6,100,236	1,185,268
Operating Services				
	Foreign Exchange Settlement Fees	1,776,392	3,259,148	730,876
	International Securities Clearing / Custody Fees	641,167	1,309,936	300,446
	LBAH/LBIE Cash Clearing	356,179	689,440	87,750
	LBHIUK Cash Clearing	61,905	-	-
	LBIE Equities Clearing	5,285,571	5,503,340	831,596
	LBIE FID Clearing	1,017,622	521,096	200,872
	LBIE Securities Custody	3,031,857	4,682,952	1,732,310
	LBIE Stock Loan Clearing	238,385	34,544	11,814
	Operating Accounts - LBHI / LBI	1,845,369	1,621,206	413,641
	Payroll Expense	79,398	165,116	45,250
	Salary Transfer Program / FX protection	96,241	185,208	108,177
Operating Services Total		14,430,086	17,971,986	4,462,732
Trustee Services and Administration				
	HEL Real Estate ABS	504,015	10,000	2,500
	Structured Credit Trustee Services	-	26,500	6,325
	Trustee & Agency Fees	366,125	448,625	112,000
Trustee Services and Administration Total		870,140	485,125	120,825
Grand Total		24,541,250	29,544,832	18,781,078

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Citibank Bank Accounts

CITIGROUP CASH AT BANKS ACCOUNTS ANALYSIS	
Credit Lines:	
USD	\$2b
FX	\$2b
CLS	\$3b
Average Daily Balances:	
Long:	\$176.4mm
Overdraft:	\$62.7mm
Americas USD Accounts	61
Americas FX Accounts	49
Total	110
Gross Daily Volume (USD Portion)	
GCCM:	\$1.73b
FPS:	\$3.99b
Average Daily Balances:	
Long:	\$108.8mm
Overdraft:	\$58.0mm
Europe USD Accounts	9
Europe FX Accounts	65
Total	74
Americas Accounts by Entity	
	Total
Lehman Brothers Inc.	34
Lehman Brothers International (Europe)	13
Lehman Brothers Commodity Services Inc	7
Lehman Brothers Special Financing Inc.	4
Eagle Energy Partners 1LP	3
Lehman Brothers Holdings Inc.	3
Eagle Energy Partners ULC	2
Lehman Brothers (Uruguay) Sociedad Anonim	2
Lehman Brothers Commercial Corporation	2
Lehman Brothers de Colombia SA	2
Neuberger Berman LLC	2
CES Aviation IX	1
CES Aviation LLC	1
CES Aviation V LLC	1
CES Aviation VIII LLC	1
DEISTASTE, S.A. DE C.V., SOFOM, E.N.R.	1
Equities Strategies Loan LLC	1
LABS	1
LB UK RE Holdings Limited	1
LB-NL Holdings (Cayman) Limited	1
LB-NL Holdings, L.P.	1
LB-NL U.S. Investor, Inc.	1
Lehman ALI Inc. GNMA	1
Lehman Brothers (Uruguay) Sociedad Anonim	1
Lehman Brothers Asset Management LLC	1
Lehman Brothers Derivative Products Inc.	1
Lehman Brothers Financial Products Inc.	1
Lehman Brothers Sudamerica SA	1
Lehman Brothers Sudameris	1
Lehman Commercial Paper Inc.	1
Lehman Loan Funding I LLC	1
Lehman Scottish Finance L.P.	1
Lehman/SDI, Inc.	1
Leveraged Loan Trading Holdings Inc.	1
Leveraged Loan Trading Holdings Partners	1
LPTI	1
Luxembourg Trading Finance S.a.r.l.	1
LW-LP Inc.	1
Marcy Limited	1
Marcy Ltd	1
NL Funding, L.P.	1
Napelo Mexico S DE RL DE CV	1
PAMI	1
SASCO	1
SASCO II	1
US Equities Trading Corp LLC	1
Vedere Nominees Pty Ltd	1
Americas Total	110
Europe Accounts by Entity	
	Total
Lehman Brothers International (Europe)	53
Lehman Brothers Inc.	10
Lehman Brothers Holdings Inc. (UK Branch)	5
Lehman Brothers Commodity Services Inc	2
Lehman Brothers GCS Financing Ltd	2
LBPB Nominees Ltd.	1
Lehman Brothers Finance S.A.	1
Total	74

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Projected CLS Figures

Projected CLS Figures				
Value Date	6/17/2008			
	Citibank CLS payin schedule	Intraday CLS line	Outside of CLS (assuming we fund nostro flat)	
Net of 4 CLS Entities	CCY	USD	vs. Usd\$3bn DOL	
AUD	(57,623,103)	(\$53,485,764)		
HKD	(138,756,747)	(\$17,844,118)		\$17,844,118
JPY	25,418,417,586	\$255,963,465		(\$255,963,465)
NZD	13,183,226	\$10,682,368		
SGD	1,369,942	\$991,701		(\$991,701)
			\$3,000,000,000	
CHF	900,942,443	\$902,924,517	(\$902,924,517)	(\$902,924,517)
DKK	380,307,893	\$79,978,750	(\$79,978,750)	
EUR	1,510,026,635	\$2,367,419,758	(\$2,367,419,758)	(\$2,367,419,758)
GBP	(39,260,270)	(\$77,515,477)	\$77,515,477	\$77,515,477
ILS	210,790,600	\$64,185,738	(\$64,185,738)	
NOK	185,002,796	\$36,020,044	(\$36,020,044)	
SEK	32,608,623	\$5,429,336	(\$5,429,336)	
ZAR	(2,007,920,392)	(\$250,789,257)	\$250,789,257	
			(\$127,653,409)	(\$3,431,939,846)
CAD	369,253,073	\$370,730,085		(\$370,730,085)
MEX	794,899,186	\$76,469,302		(\$76,469,302)
USD	(3,729,092,280)	(\$3,729,092,280)		\$3,729,092,280
Total Net	Citi Owes Leh	\$42,068,168		(\$150,046,953)
Amount Leh Must Pay in To Alleviate Funding Pressure			(\$127,653,409)	

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