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LEHMAN BROTHERS

September 10, 2008

Matched Book | Customer funding

- Mortgage / agency MB ~ 20%
  → none been taken
- Reduction in MB ~ $40 bn
- Treasuries – extended term ~ GSCC
  → customer funding comparable
- Corps funding | MB being reduced

Liquidity Update

Confidential Presentation

Executive Summary

- Estimated reportable liquidity of $37.6 billion - down $4.0 billion DOD
  - Details on next slide

- Significant secured funding loss in LBI (~$10 billion); limited funding loss in LBIE, which should be absorbed through the overfunding cushion
  - Liquidity in LBI down by $8 billion driven by
    - $5bn due to secured funding loss in Fixed Income book (net of overfunding absorbed)
    - $0.5bn due to secured funding loss in Equities book (Chase Master Note primarily)
    - $0.7bn less customer names borrowed vs. prior day (should reverse tomorrow)
    - $0.3bn decrease in customer cash

- Some operational friction in LBIE, which is still under investigation but is probably related to the unwinding of PB funding (UBS O'Connor's $5 billion positions in particular)
  - LBIE liquidity down by $2.5 billion; LBIE box expected to be flat to slightly down

Change in Holdings' Liquidity Pool

- Estimated reportable liquidity of $37.6 billion - down $4.0 billion DOD
  - Start of day liquidity pool 40.6
  - CP (1.7)
    - JPMorgan ECP: $385 mln
    - US CP: $1.1 bn (only $20 mln issued today)
  - LCPI (0.6)
    - Fenway trade with JPM terminated: $0.5 bn
  - LTD buyback & maturity (0.3) [further $400 mn to be completed]
  - Other (0.3)
    - Ebury Conduit termination: $325 mln
  - End of day liquidity Pool 37.6
  - Note that increases in the box in LBI and LBIE that are funded by Holdings are covered by good quality collateral and have therefore no impact on reportable liquidity

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Holdings' Liquidity Pool Composition

Ability to Monetize	Collateral Type	Pledge Value	Comment
High	UK EMF	791	ECB Eligible
	US Deposit	2,160	Citi, JPM (on top of prefunding)
	US Money Funds	5,070	
	Boxed assets	1,334	Boxed Inventory in LBIE
Total		**9,355**	
Mid	US CLO	734	Spruce - PDCF Eligible
	US Money Funds	200	LOTC upstreamable bal.
Total		**934**	
Low	US CLO	3,260	Sasco, Pine, Kingfisher, Verano
	UK Bond Funds	532	Pioneer
	US Deposit	4,972	Citi, BOA, JPM
	UK Deposit	966	HSBC, etc
	UK Money Funds	922	JPM
	US Money Funds	1,495	JPM, Dreyfus
	US Trust Investment	500	JPM
	Cash at Banks	360	various entities in Asia
	Boxed assets	5,558	LBI box lock up
	Boxed assets	8,706	LBIE box lock up
Total		**27,271**	
Total Liquidity Pool		**37,560**	

9/4/08 CP financing
Rolled : All but WFC
Pulled : Wells Fargo $1.7 bn → $1 bn RACERs
RACERs : $1 bn BONY
$2 bn Mellon
$1 bn STT
$1 bn Northern

Secured Funding

- LBI : Secured funding loss of about ($9.9) billion or 8% of total capacity. Losses were as follows (in $ billions):
  - Previously announced

Dwight AM	($1.0)	non investment grade ABS
Fidelity	($0.6)	inv grade private labels

  - Announced today

Fidelity	($3.4)	non investment grade corporates
BGI Sec Lend	($2.0)	inv grade corporates
JPM Sec Lending	($0.7)	less liquid equities
Key Bank	($0.6)	liquid equities
Mitsubishi Sec Lend	($0.4)	inv grade private labels/abs
Sumitomo Sec Lend	($0.4)	inv grade corporates

  - We would expect about 40% of the above losses to be covered by excess capacity with the remaining amount funded by Holdings' Liquidity Pool. As such, we no longer have excess capacity here in the U.S. for corporate bonds, private labels and ABS.

- LBIE and LBJ: Because there are few same day trades in these entities, Europe and Asia did not see any material losses for settlement today, but will see more pressure tomorrow and Friday as a result of maturing trades that were not rolled (or partially closed out) (in $ billions)

RZB	($0.9)	less liquid equities
Rabobank	($0.8)	E2/C1
Dresdner	($0.3)	inv grade corporates
KAS	($0.4)	E1/E2
LCH	($0.1)	matched book

  - We expect the bulk of these funding losses to be filled with excess capacity for now which would include incremental liquidity of $0.9 billion today from Dekabank.

Unsecured Funding Projections

- Liquidity pool expected to decrease by $3.0 billion on Thursday and $0.6 billion on Friday.
- Next week, we have three significant cash outflows, totaling $2.2 billion
  - Freddie Mac loan repaid on 9/15 - $1.2 bln
  - Term CP maturing on 9/15: $0.6 billion
  - Reduction in Swedbank facility on 9/19: $0.4 billion
  - LTD Buybacks on 9/15: $0.1 billion

$ Billions

	11-Sep		12-Sep
Liquidity Pool SOD	**37.6**		**34.6**
CP			
US	0.3	$285 mln overnight trade with ADIA starting tomorrow	(0.3)
Europe	(0.1)	Term CP with Morley	-
LTD Buybacks	(0.0)		(0.3)
Unsecured funding			
Ebury Conduit	(0.3)	$650 mln unwinding on 9/10 and 9/11	
Stony Point	(1.6)	Program with Liberty Hampshire is unwound	
RACERS	(1.0)	Repo with Dresdner maturing tomorrow	
LBSF	(0.2)		
Liquidity Pool EOD	**34.6**		**34.0**

Secured Funding Projections (Repos At Risk)

- Open trades
  - Northern Trust – we increased haircuts by 10% today
    - $2 billion funding non investment grade corporates
    - $1 billion funding CP (including RACERS)
  - Dresdner – counterparty has been making some noise about upgrading trade to only AAA-rated munis for a few weeks
    - $500 million funding munis which are not AAA-rated ($1.1 billion overall trade)

- Term trades maturing next week that will not roll (amounts in $ billions)

– Soc Gen (15-Sep)	(0.2)	HK Stocks
– Fidelity (15-Sep)	(1.0)	Non IG PL/ABS
– Fidelity (17-Sep)	(0.5)	Non-IG PL/ABS – rolling into Corporates/Equities
– MUFJ (18-Sep)	(0.3)	E2 (Asia)

- Term trades that may not roll

– RBC (15-Sep)	(0.4)	IG Corporates (Europe)
– RZB (15-Sep)	(0.2)	Less liquid equities (Europe)

Global Secured Funding Trades At Risk (9/10 Proforma)

Global Secured Funding Trades At Risk
Pro Forma as of September 10th, 2008

Principal in $Bn's

Region	Collateral Allocated	Total Repo	Bankhaus	ECB	Fed - TSLF	Term >1M	Repo At Risk	High Risk	Med Risk	High & Med Total	Overfunding	Net at Risk
Asia	E1 - Major Index Equities	0.1	-	-	-	-	0.1	-	0.1	0.1	(0.1)	-
	E2 & E3 - Non-Major Index Equities	1.5	-	-	-	0.6	0.8	0.2	0.5	0.7	0.1	-
	EMG	0.0	-	-	-	-	0.0	-	0.0	0.0	(0.0)	0.0
Asia Total		1.6	-	-	-	0.6	1.0	0.2	0.6	0.8	(0.0)	0.0
Europe	Asset Backs - Investment Grade	14.5	3.2	10.9	-	0.1	0.2	0.0	0.2	0.2	1.2	-
	Asset Backs - Non-Investment Grade	0.0	0.0	-	-	0.0	0.0	-	0.0	0.0	(0.0)	-
	C1 - Investment Grade Convertibles	0.3	0.0	-	-	0.1	0.1	-	0.0	0.0	(0.0)	-
	C2 - Non-Investment Grade Convertibles	0.8	0.0	-	-	0.2	0.5	0.2	0.1	0.2	0.2	-
	Corporates - Investment Grade	7.4	0.3	-	-	1.8	5.3	1.3	2.7	4.0	(0.7)	-
	Corporates - Non-Investment Grade	2.1	0.7	-	-	0.6	0.9	0.0	0.5	0.5	7.2	-
	E1 - Major Index Equities	4.7	-	-	-	2.5	2.1	-	-	-	(1.9)	-
	E2 & E3 - Non-Major Index Equities	8.0	1.7	-	-	2.4	4.0	0.5	-	0.5	0.6	-
	EMG	8.0	3.1	-	-	1.5	3.4	0.2	1.7	1.9	(2.9)	-
	Money Markets	0.2	0.0	-	-	-	0.2	-	0.0	0.0	(0.2)	0.0
	Private Labels - High Yield	-	-	-	-	-	-	-	-	-	-	-
	Private Labels - Investment Grade	0.0	0.0	-	-	-	0.0	-	0.0	0.0	(0.0)	-
Europe Total		46.1	9.0	10.9	-	9.3	16.8	2.2	5.3	7.4	3.4	0.0
U.S.	Asset Backs - Investment Grade	2.7	-	-	0.6	0.4	1.7	0.9	0.8	1.7	4.1	-
	Asset Backs - Non-Investment Grade	1.0	0.2	-	-	0.1	0.7	0.7	0.0	0.7	0.8	-
	C1 - Investment Grade Convertibles	0.4	-	-	-	0.0	0.4	-	0.1	0.1	(0.4)	-
	C2 - Non-Investment Grade Convertibles	0.3	-	-	-	-	0.3	-	0.2	0.2	(0.3)	-
	Corporates - Investment Grade	3.4	-	-	-	0.9	2.5	0.3	1.9	2.2	(1.1)	2.2
	Corporates - Non-Investment Grade	2.5	0.1	-	-	0.0	2.4	0.1	2.1	2.2	0.8	2.2
	E1 - Major Index Equities	2.8	-	-	-	0.6	2.3	-	1.8	1.8	(0.1)	-
	E2 & E3 - Non-Major Index Equities	5.5	-	-	-	2.2	3.3	0.7	1.2	1.9	7.3	-
	Money Markets	6.5	-	-	-	-	6.5	0.1	6.4	6.5	0.4	6.1
	Muni	2.9	-	-	-	-	2.9	-	2.9	2.9	0.5	2.5
	Private Labels - High Yield	1.6	-	-	0.0	-	1.6	0.4	1.3	1.6	(1.0)	1.6
	Private Labels - Investment Grade	6.1	1.0	-	2.9	-	2.2	0.2	2.0	2.2	11.4	-
	Wholeloan Residential	0.5	-	-	-	0.5	0.1	-	-	-	(0.2)	-
U.S. Total		36.2	1.4	-	3.5	4.6	26.7	3.3	20.6	23.9	22.2	14.5
Grand Total		83.8	10.4	10.9	3.5	14.5	44.5	5.7	26.4	32.1	25.7	14.6

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Central Bank Eligible – As of 9/10 Pro Forma

INSTITUTION: Lehman Brothers Projected for: 9/10/08				($ in billions)	
[illegible]	O/N and Open	[illegible] Days	[illegible] Days	[illegible]	
Treasuries	36.6	1.0	0.0	37.6	
G10 Governments	7.1	1.4	1.0	9.4	
Agencies	21.9	1.6	0.8	24.3	
Agency MBS	40.8	3.6	6.6	50.9	
Agency CMOs	4.2	0.1	6.6	10.9	
[illegible]	110.5	[illegible]	[illegible]	[illegible]	
Asset Backed Securities					
PDCF Eligible	0.4	0.2	0.6	1.2	
ECB or Other CB Eligible	0.1	0.0	12.5	12.7	
Non-Eligible	1.9	1.6	0.8	4.3	18.2
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	0.8	0.7	2.9	4.4	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	2.4	0.9	0.0	3.3	7.7
Commercial Paper					
PDCF Eligible	5.9	0.0	0.5	6.5	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.0	0.1	0.0	0.2	6.6
Corporates					
PDCF Eligible	1.9	0.0	0.8	2.7	
ECB or Other CB Eligible	0.9	1.3	2.4	4.6	
Non-Eligible	3.8	1.8	2.5	8.1	15.4
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	6.3	4.8	13.2	24.3	24.3
International					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.7	0.1	0.2	1.0	
Non-Eligible	2.5	1.9	2.5	7.0	8.0
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	1.0	0.0	0.2	1.2	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	1.5	0.0	0.3	1.7	2.9
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	0.0	0.0	0.5	0.5	0.5
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
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Liquid Collateral	110.5	7.7	14.9	133.2	
PDCF Eligible	10.1	0.9	5.1	16.0	
ECB or Other CB Eligible	1.7	1.5	15.2	18.3	
Non-Eligible	18.5	11.1	19.9	49.5	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	O/N and Open	[illegible] Days	[illegible] Days	[illegible]	
CP, Other STD and Current Portion of LTD	2.0	2.7	23.4	28.2	
[illegible]	O/N and Open	[illegible] Days	[illegible]	[illegible]	
Agency CMOs	4.2	0.1	6.6	10.9	
AAA Asset Backed	0.0	0.0	0.6	0.6	
AAA Private Labels	0.5	0.5	2.9	3.8	15.4

LEHMAN BROTHERS

Central Bank Eligible – As of 9/9 Actual

INSTITUTION: Lehman Brothers AS OF: 9/09/08				($ in billions)	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Treasuries	36.6	1.0	0.0	37.6	
G10 Governments	7.1	1.4	1.0	9.4	
Agencies	22.0	1.6	0.8	24.4	
Agency MBS	42.6	3.6	6.6	52.8	
Agency CMOs	4.2	0.1	6.6	10.9	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Asset Backed Securities					
PDCF Eligible	0.6	0.2	0.6	1.3	
ECB or Other CB Eligible	0.1	0.0	12.5	12.7	
Non-Eligible	2.7	1.6	0.8	5.1	19.1
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	1.2	0.7	2.9	4.8	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	3.2	0.9	0.0	4.1	8.9
Commercial Paper					
PDCF Eligible	7.4	0.0	0.5	7.9	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	0.2	0.1	0.0	0.3	8.2
Corporates					
PDCF Eligible	6.5	0.0	0.8	7.4	
ECB or Other CB Eligible	0.9	1.3	2.4	4.6	
Non-Eligible	5.7	1.8	2.5	10.1	22.0
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	7.5	4.8	13.2	25.5	25.5
International					
PDCF Eligible	0.0	0.0	0.0	0.0	
ECB or Other CB Eligible	0.7	0.1	0.2	1.0	
Non-Eligible	2.5	1.9	2.5	7.0	8.0
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	1.0	0.0	0.2	1.2	
ECB or Other CB Eligible	0.0	0.0	0.0	0.0	
Non-Eligible	1.5	0.0	0.3	1.8	3.0
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	0.0	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
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Liquid Collateral	112.6	7.7	14.9	135.2	
PDCF Eligible	16.6	0.9	5.1	22.6	
ECB or Other CB Eligible	1.7	1.5	15.2	18.3	
Non-Eligible	23.5	11.1	19.9	54.5	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
CP, Other STD and Current Portion of LTD	2.0	2.7	23.4	28.2	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Agency CMOs	4.2	0.1	6.6	10.9	
AAA Asset Backed	0.0	0.0	0.6	0.6	
AAA Private Labels	0.5	0.5	2.9	3.8	15.4

Appendices

September MTD Lost Repo Capacity

Shell Booked Variance - PF September 10th vs. August 29th
Excludes Bankhaus, ECB & Fed
Includes Non-Traditional Repo Book Only

Principal in $Bn'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 9/10 (PF)	Cumulative Change Thru 9/08	D-o-D Variance
Asia	Other (5 Counterparties)		(0.0)												(0.0)	0.0	(0.1)
Asia Total			(0.0)												(0.0)	0.0	(0.1)
	CALYON	(0.0)	0.0		(0.0)	(0.0)		(0.0)		0.0					(0.1)	(0.0)	(0.0)
	CITIBANK	0.0		(0.0)		(0.0)		0.1							0.1	0.1	(0.0)
	DANSKE BANK									(0.5)					(0.5)	(0.5)	0.0
	DEKABANK	0.0	0.9			(0.0)				(0.0)					0.9	0.9	(0.0)
	DRESDNER	0.0	(0.0)		(0.1)	0.0			(0.0)	(0.3)					(0.4)	(0.4)	(0.0)
	FORTIS	(0.2)	0.5		0.0	0.0		0.0		0.1	0.0	0.0			0.4	0.3	0.1
	HSBC		(0.1)												(0.1)	(0.1)	(0.0)
	NATIXIS	(0.1)	(0.2)		(0.1)	(0.0)		(0.0)	0.0						(0.4)	(0.4)	0.0
	RABOBANK INTERNATIONAL LONDON	0.0	0.1		0.0				0.0	0.1					0.2	0.2	(0.0)
	RBC	(0.0)	(0.2)		0.0	0.0			(0.1)	(0.1)					(0.4)	(0.3)	(0.0)
	RZB	(0.0)	0.0		0.0	(0.2)		(0.0)	(0.0)	(0.0)					(0.2)	(0.2)	(0.0)
	STATE STREET	0.2			0.0	(0.0)		(0.0)	0.0	(0.2)		0.0			(0.1)	0.1	(0.2)
	ZURCHER KANTONALBANK	(0.0)	(0.3)							(0.1)					(0.4)	(0.2)	(0.1)
	Other (13 Counterparties)	(0.4)	(0.1)	0.0	0.0	0.1		(0.0)	(0.0)	0.3	0.0	(0.0)			(0.1)	(0.1)	0.0
Europe Total		(0.7)	0.7	(0.0)	(0.1)	(0.1)		0.0	(0.1)	(0.8)	0.0	(0.0)			(1.1)	(0.8)	(0.3)
	BGI		0.0			0.0				(2.0)					(2.0)	(0.1)	(1.8)
	DRESDNER		0.0									(0.2)	(0.0)		(0.2)	(0.0)	(0.2)
	DWIGHT A.M.			(0.7)		0.0	(0.3)								(1.0)	0.0	(1.0)
	FEDERATED			(0.1)			(0.0)								(0.1)	(0.1)	0.0
	FIDELITY		(0.0)	0.0		(3.4)	(0.0)			(0.4)	(0.8)				(4.5)	(0.5)	(4.0)
	FIELD STREET MASTER FUND, LTD.						(0.0)								(0.0)	0.0	(0.0)
	FORTIS									(0.3)		(1.0)	(0.2)		(1.6)	(0.9)	(0.7)
	GOLDMAN SACHS & CO					(0.2)									(0.2)	0.0	(0.2)
	JP MORGAN CHASE		(0.2)		(0.5)	(0.0)		(0.0)							(0.7)	0.0	(0.7)
	KEYBANK		(0.5)					(0.0)		(0.6)					(1.1)	(0.6)	(0.5)
	MET WEST									(0.5)					(0.5)	(0.0)	(0.5)
	MITSUBISHI										(0.4)				(0.4)	(0.0)	(0.3)
	NORTHERN		0.0			(2.0)				(0.0)		(1.0)			(3.0)	(0.0)	(3.0)
	NORWEST											0.5			0.5	0.2	0.3
	STATE STREET		(0.5)			(0.0)		0.0		(0.0)	(0.2)	0.0	0.5		(0.2)	(0.2)	0.0
	SUMITOMO									(0.4)					(0.4)	0.0	(0.4)
	UBOC									(0.2)					(0.2)	(0.2)	0.0
	US BANK & TRUST					(0.1)									(0.1)	0.0	(0.2)
	Other (19 Counterparties)		(0.0)	0.0	0.0	(0.0)	0.0	(0.0)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
U.S. Total			(1.2)	(0.7)	(0.5)	(5.8)	(0.4)	(0.0)		(4.3)	(1.3)	(1.8)	0.3	0.0	(15.6)	(2.4)	(13.2)
Cumulative Change Thru 9/10 PF		(0.7)	(0.5)	(0.7)	(0.6)	(5.9)	(0.4)	0.0	(0.1)	(5.1)	(1.3)	(1.8)	0.3	0.0	(16.7)	(3.2)	(13.5)

Cumulative Change Thru 9/08	(0.5)	0.0	(0.1)	(0.2)	(0.1)	(0.0)	0.0	(0.1)	(2.0)	(0.4)	(0.2)	0.3	(0.0)	(3.2)
D-o-D Variance	(0.1)	(0.6)	(0.7)	(0.4)	(5.7)	(0.3)	(0.0)	(0.0)	(3.1)	(0.9)	(1.6)	(0.0)	0.0	(13.5)
BANKHAUS	0.4	0.1	(0.0)	(0.0)	0.4		0.1	(0.0)	(0.1)	(0.0)				0.8
ECB							(0.0)							(0.0)
FEDERAL RESERVE							0.0			0.0				0.0
Total D-o-D Variance	0.2	(0.5)	(0.7)	(0.5)	(5.3)	(0.3)	0.1	(0.1)	(3.3)	(0.9)	(1.6)	(0.0)	0.0	(12.8)