

**Q2 2008
GREENBOOK
FINAL VERSION
JUNE 12, 2008**

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Firm Overview - Quarter View

Second Quarter 2008

- Continued write-downs in our Securitized Products, Real Estate, and Leveraged Loan portfolio, coupled with weak hedging and prop & principal trading in the quarter lead the Firm to quarterly losses of revenues (\$ (668)mm), net income (\$ (2,774)mm) and EPS ((\$5.14)) versus Street expectations of (\$2,352 mm), (\$245 mm) and ((\$0.38)).
 - Versus Q1 '08 revenues of (\$ 3,507 mm), net income of (\$ 489 mm) and EPS of (\$0.81)

Investment Banking Revenues

- Revenues of (\$ 858 mm) decreased -1% and -25% versus Q1 '08 and Q2 '07 respectively.
- Advisory revenues of (\$ 240 mm) decreased -27% versus Q1 '08 and -13% versus Q2 '07 as the decrease in M&A announcements since August 2007 impacted deal completion activity.
 - Top Lehman transactions announced in the quarter (\$Deal size): Altria spin-off of Philip Morris \$11.3bn, Hewlett Packard (acq of EDS) \$13.1bn, and Liberty Mutual (Acq of Safeco) \$6bn.
- Debt Origination revenues of (\$ 288 mm), decreased -11% versus Q1 '08 and decreased -47% versus Q2 '07 as the number of Financial Sponsor related transactions, as well as corporate derivative transactions were minimal.
- Equity Origination revenues of (\$ 330 mm) increased 54% versus Q1 '08 but fell -1% versus Q2 '07, as Lehman volumes were particularly strong in secondary issuance and convertibles, bolstered by balance sheet repair transactions for financial institution clients.
 - Top Q2 '08 transactions: Washington Mutual PIPE \$72mm, Sovereign Bancorp follow-on \$41mm, FannieMae follow-on and Convertible Pfd \$41mm, and Carlsberg A/S rights offering \$14mm.

Capital Markets Revenues

- Revenue loss of (\$ (2,374)mm) decreased significantly versus Q1 '08 and Q2 '07 mainly due to continued writedowns in Securitized Products, Real Estate, and Leveraged Loans, as well as losses in Proprietary and Principal Investing. Weak hedging strategies in the quarter compared to significant hedging gains in Q1.
 - Lowest revenues since Lehman IPO.
 - Gross MTM adjustments of (\$4.0bn), and net adjustments of (\$3.7bn) including \$0.4bn of gains on structured note liabilities.
- Fixed Income loss of (\$ (2,975)mm), decreased versus Q1 '08 and Q2 '07. Lowest revenues on record.
 - Strong customer flow activity in the quarter (2nd highest ever).
- Equities revenues of (\$ 601 mm) decreased versus Q1 '08 and Q2 '07. Revenues were lower in the quarter mainly due to unprofitable trading strategies, proprietary and principal related investments amid the highly volatile equity markets this quarter. Weak results out of Volatility amid a decreased investor appetite for derivative instruments, especially Internationally.
 - Record Prime Services revenues in the quarter mainly due to the Structured Arbitrage Dividend season out of Europe.
 - Continued solid customer activity in the quarter across all regions
 - Please note Q1 '08 included a gain on KSK of \$550mm while Q2 '08 included a loss of -\$115mm.

Investment Management Revenues

- Revenues of (\$ 848 mm) declined versus previous record Q1 '08 by -12% but surpassed Q2 '07 by 10%.
- Asset Management revenues declined versus record revenues as both Traditional and Alternative Asset Management (mainly due to lower revenues on minority investments in hedge fund managers) declined this quarter.
- AUM of (\$277bn) increased \$0.4bn over the prior quarter, due to net outflows of \$8.9bn (mostly in liquidity products) offset by positive market performance of \$9.3bn.
- Record Private Investment Management revenues of \$352mm increased \$1mm versus Q1 '08, on record Fixed Income revenues and strong results within Equities.

Losses in the Regions amid writedowns and principal losses

- Non-US accounted for 57% of Q2 '08 total Firm losses, versus 62% of the revenues in Q1 '08.
- Europe & the Middle East loss of (\$ (499)mm) mainly due to losses in trading and principal investments, as well as asset writedowns and valuation adjustments.
 - Europe recorded a loss of approximately -\$150mm related to our investment in GLG, as the stock declined almost 40% in the quarter, amid the resignation of their top portfolio manager.
- Weak Asia-Pacific revenues of (\$ 57 mm) decreased versus both Q1 '08 and Q2 '07, mainly due to lower Capital Markets performance.
 - In the quarter Asia recorded a loss of -\$115mm related to the KSK position versus a gain of \$550mm in Q1.
 - Equities Volatility was weak in the quarter amid a decreased client demand for derivative products.

NPE of \$ 1,094 mm increased 9% versus Q1 '08 and 20% versus Q2 '07 (Results included approx. \$20mm of charges related to the mortgage platform restructuring and approx. \$80mm related to the depreciation of Real Estate positions).

The Firm's tax rate increased in Q2 '08 to 32.1% versus 26.3% in Q1 '08.

Quarterly Financial Review

GAAP Lines (\$ in millions)	Q2 2008 Trend				Quarter Trend				Δ %		Year to Date		Δ %
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 Versus Q1 '08 Q2 '07		6 Months Ended 2008 2007		YTD '08 vs. YTD '07
Revenues:													
Commissions	221	217	201	639	658	688	674	568	-3%	12%	1,297	1,109	17%
Principal Transactions	(999)	(1,943)	(499)	(3,442)	773	1,776	1,612	2,889	nm	nm	(2,670)	5,809	nm
Investment Banking	203	277	379	858	867	831	1,071	1,150	-1%	-25%	1,725	2,000	-14%
Gross Interest and Dividend Income	2,494	2,544	2,733	7,771	9,635	11,136	10,910	10,558	-19%	-26%	17,405	19,647	-11%
Asset Management / Other	136	141	136	414	438	459	472	413	-6%	0%	852	809	5%
Total Revenues	2,055	1,235	2,950	6,240	12,370	14,890	14,740	15,579	-50%	-60%	18,610	29,374	-37%
Interest Expense	(2,128)	(2,420)	(2,360)	(6,908)	(8,863)	(10,500)	(10,432)	(10,067)	-22%	-31%	(15,771)	(18,815)	-16%
Note: Net Interest and Dividends	365	124	373	863	771	637	478	492	12%	76%	1,634	832	96%
Net Revenues	(74)	(1,185)	591	(668)	3,507	4,390	4,308	5,512	nm	nm	2,839	10,559	-73%
Non-Interest Expenses:													
Compensation and Benefits	558	548	1,219	2,325	1,841	2,164	2,124	2,718	26%	-14%	4,166	5,206	-20%
Business Development	34	31	22	87	89	103	91	100	-2%	-13%	175	184	-5%
Technology and Communications	105	104	100	309	302	311	282	287	2%	8%	612	552	11%
Professional Fees	31	31	37	100	98	120	128	120	2%	-16%	198	218	-9%
Brokerage and Clearance	78	88	86	252	253	240	224	201	0%	25%	504	395	28%
Occupancy	63	61	64	188	185	173	170	152	1%	23%	373	298	25%
Other	22	20	117	159	75	51	84	55	111%	190%	235	127	84%
Total Non-Personnel Related Expenses	332	336	426	1,094	1,002	997	979	915	9%	20%	2,097	1,775	18%
Total Non-Interest Expenses	891	884	1,645	3,419	2,843	3,161	3,103	3,633	20%	-6%	6,262	6,981	-10%
Income before Taxes	(964)	(2,068)	(1,054)	(4,087)	663	1,229	1,205	1,879	nm	nm	(3,424)	3,578	nm
Taxes	(256)	(558)	(499)	(1,313)	174	343	319	606	nm	nm	(1,139)	1,159	nm
Net Income	(708)	(1,510)	(555)	(2,774)	489	886	887	1,273	nm	nm	(2,285)	2,419	nm
Preferred Dividends	18	39	42	99	24	17	17	17	nm	nm	123	34	266%
Net Income Applicable to Common Stock	(726)	(1,549)	(597)	(2,873)	465	870	870	1,256	nm	nm	(2,408)	2,386	nm
Earnings Per Common Share	(\$1.31)	(\$2.77)	(\$1.06)	(\$5.14)	\$0.81	\$1.54	\$1.54	\$2.21	nm	nm	(\$4.33)	\$4.17	nm
First Call Estimates				(\$0.38)	\$0.72	\$1.42	\$1.47	\$1.88	nm	nm	\$0.52	\$3.84	-86%
Common Shares Used for EPS Calc	555.5	559.5	562.8	559.3	572.8	563.7	565.8	568.1	-2%	-2%	555.5	571.5	-3%
Avg Common Equity (in Millions)	21,550	20,550	19,560	20,560	21,617	21,018	20,336	19,472	-5%	6%	20,839	19,036	9%
Return on Common Equity	-40.5%	-90.5%	-36.6%	-55.9%	8.6%	16.6%	17.1%	25.8%	-64%	-82%	-23.1%	25.1%	-48%
Avg Common Tangible Equity (in Millions)	17,442	16,449	15,458	16,454	17,497	16,901	16,456	15,880	-6%	4%	16,725	15,521	8%
Return on Tangible Equity	-50.0%	-113.0%	-46.4%	-69.8%	10.6%	20.6%	21.1%	31.6%	-80%	-101%	-28.8%	30.7%	-60%
Pretax Margin	nm	nm	nm	nm	18.9%	28.0%	28.0%	34.1%	nm	nm	-120.6%	33.9%	-154.5%
Tax Rate	26.5%	27.0%	47.3%	32.1%	26.3%	27.9%	26.4%	32.3%	6%	0%	33.3%	32.4%	0.9%
Headcount (period end)	26,831	26,899	26,189	26,189	28,088	28,556	28,783	28,323	-7%	-8%	26,189	28,323	-8%
Compensation & Benefits Ratio	nm	nm	nm	nm	52.5%	49.3%	49.3%	49.3%	nm	nm	146.7%	49.3%	97.4%
Non-Personnel Expense / Revenue	nm	nm	nm	nm	28.6%	22.7%	22.7%	16.6%	nm	nm	73.9%	16.8%	57.0%
Annualized NPE / Avg Head (\$Thousands)	148.6	149.8	195.3	167.1	142.8	139.6	136.0	129.3	17%	29%	160.1	125.4	28%
Stock Price	\$37.64	\$44.24	\$36.81	\$36.81	\$50.99	\$62.63	\$54.83	\$73.38	-28%	-50%	\$36.81	\$73.38	-50%
Price to Earnings	nm	nm	nm	nm	15.7x	10.1x	8.9x	8.3x	nm	nm	-4.2x	8.8x	-13.0x
Book Value / Share	\$37.51	\$35.37	\$34.21	\$34.21	\$39.45	\$39.44	\$38.29	\$37.15	-13%	-8%	\$34.21	\$37.15	-8%
Price to Book Value	1.0x	1.3x	1.1x	1.1x	1.3x	1.6x	1.4x	2.0x	-0.2x	-0.9x	1.1x	2.0x	-0.9x
Non-US / Total Revenue	15%	39%	16%	57%	62%	62%	53%	48%	-5%	9%	63%	44%	19%

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Segments

Segment Revenues (\$ in millions)	Q2 2008 Trend				Quarter Trend				Δ %		Year to Date		Δ %
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 Versus Q1 '08 Q2 '07		6 Months Ended 2008 2007		YTD '08 vs. YTD '07
Investment Banking:													
Debt	93	76	119	288	322	233	350	540	-11%	-47%	610	968	-37%
Equity	30	108	191	330	214	210	296	334	54%	-1%	545	509	7%
Advisory	79	92	68	240	330	388	425	277	-27%	-13%	570	524	9%
Investment Banking Revenues	203	277	379	858	867	831	1,071	1,150	-1%	-25%	1,725	2,000	-14%
Pre-Tax Operating Income				193	182	207	288	338	6%	-43%	374	527	-29%
Pre-Tax Operating Margin %				22.4%	21.0%	24.9%	26.9%	29.4%	7%	-24%	21.7%	26.4%	-18%
Capital Markets:													
Fixed Income	(696)	(1,848)	(431)	(2,975)	262	727	1,058	1,901	nm	nm	(2,714)	4,074	nm
Equities	146	116	339	601	1,410	2,000	1,377	1,692	-57%	-64%	2,011	3,022	-33%
Capital Markets Revenues	(551)	(1,732)	(91)	(2,374)	1,672	2,727	2,435	3,594	nm	nm	(703)	7,095	nm
Pre-Tax Operating Income				(4,509)	237	761	715	1,354	nm	nm	(4,272)	2,723	nm
Pre-Tax Operating Margin %				nm	14.2%	27.9%	29.4%	37.7%	nm	nm	nm	38.4%	nm
Investment Management:													
Asset Management	154	156	186	496	618	533	468	460	-20%	8%	1,114	876	27%
Private Investment Management	120	114	117	352	351	299	334	308	0%	14%	703	588	20%
Investment Management Revenues	274	271	303	848	968	832	802	768	-12%	10%	1,817	1,463	24%
Pre-Tax Operating Income				229	245	261	202	188	-6%	22%	474	328	44%
Pre-Tax Operating Margin %				27.1%	25.3%	31.4%	25.2%	24.4%	7%	11%	26.1%	22.4%	16%
Total Lehman Revenues	(74)	(1,185)	591	(668)	3,507	4,391	4,308	5,512	nm	nm	2,839	10,559	-73%
Pre-Tax Operating Income				(4,087)	663	1,229	1,205	1,879	nm	nm	(3,424)	3,578	nm
Pre-Tax Operating Margin %				nm	18.9%	28.0%	28.0%	34.1%	nm	nm	nm	33.9%	nm

Records

	Quarter		Year-to-Date	
Investment Banking:				
Debt	540	Q2 '07	968	Q2 '07
Equity	334	Q2 '07	545	Q2 '08
Advisory	425	Q3 '07	570	Q2 '08
Investment Banking Revenues	1,150	Q2 '07	2,000	Q2 '07
Pre-Tax Operating Income	338	Q2 '07	527	Q2 '07
Pre-Tax Operating Margin %	37.3%	Q3 '05		
Capital Markets:				
Fixed Income	2,200	Q2 '06	4,302	Q2 '06
Equities	2,000	Q4 '07	3,022	Q2 '07
Capital Markets Revenues	3,594	Q2 '07	7,095	Q2 '07
Pre-Tax Operating Income	1,369	Q1 '07	2,723	Q2 '07
Pre-Tax Operating Margin %	39.8%	Q4 '05		
Investment Management:				
Asset Management	618	Q1 '08	1,114	Q2 '08
Private Investment Management	352	Q2 '08	703	Q2 '08
Investment Management Revenues	968	Q1 '08	1,817	Q2 '08
Pre-Tax Operating Income	261	Q4 '07	474	Q2 '08
Pre-Tax Operating Margin %	31.4%	Q4 '07		
Total Lehman Revenues	5,512	Q2 '07	10,559	Q2 '07
Pre-Tax Operating Income	1,879	Q2 '07	3,578	Q2 '07
Pre-Tax Operating Margin %	34.8%	Q1 '06		

BPM Revenues

LEHMAN BROTHERS (POST-NBM)

FIXED INCOME	
Global Rates	
CDO	
HO Credit	
High Yield	
Total Credit Products	
Real Estate	
SP Trading	
SP Origination	
Securitized Products	
Municipals	
Commodities Trading	
Foreign Exchange	
FIO Prime Services	
FIO Corporate	
FIO Support	
TOTAL FIO	
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	
Convertible	
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 Principal	
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 Principals	
Asset Management Principal	
Minority Business 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						
Q1 '08	Q1 '08	% CHG	\$ DIFF	Q2 '07	% CHG	\$ DIFF
(448)	1,001	-115%	(1,447)	406	-134%	(657)
72	120	-39%	(47)	242	-70%	(170)
219	668	-67%	(447)	277	-4%	(8)
(40)	441	-111%	(490)	359	-112%	(447)
243	1,227	-80%	(984)	869	-72%	(626)
(1,484)	(1,228)	-19%	(257)	972	-54%	(2,075)
(1,472)	(260)	-80%	(1,212)	219	n/m	(1,625)
(1,47)	(50)	-146%	(1,427)	71	-306%	(2,118)
(1,558)	(240)	-346%	(1,318)	289	n/m	(1,847)
394	(204)	71%	600	84	n/m	327
184	52	193%	101	16	n/m	138
34	208	-84%	(174)	82	-69%	(40)
281	289	-24%	(8)	182	73%	116
(83)	(105)	21%	22	(24)	84%	192
(2)	0	n/m	(2)	(0)	n/m	(2)
(2,138)	980	-31%	(2,118)	2,207	-19%	(4,345)
558	561	0%	(3)	420	33%	139
179	177	1%	2	274	-35%	(95)
40	110	-57%	(69)	65	-24%	(10)
0	0	n/m	0	0	n/m	0
785	891	-4%	(106)	768	4%	28
(25)	95	-127%	(120)	85	-130%	(110)
(248)	158	-256%	(406)	325	-176%	(573)
87	101	-14%	(15)	176	-51%	(91)
(187)	352	-120%	(539)	388	-132%	(775)
87	23	276%	64	44	87%	43
83	14	276%	69	140	43%	(57)
405	287	41%	118	354	6%	21
1	(2)	139%	3	2	42%	(1)
(82)	(111)	44%	49	(178)	85%	75
1,083	1,414	-23%	(331)	1,778	-39%	(695)
235	340	-31%	(104)	284	-17%	(49)
685	257	83%	428	430	9%	29
90	79	14%	11	319	-72%	(229)
198	246	-19%	(48)	223	-11%	(25)
(370)	(189)	-50%	(182)	66	n/m	(438)
(820)	(613)	-34%	(206)	(8)	n/m	(811)
(92)	(477)	49%	(425)	600	-49%	(1,500)
(188)	919	-26%	(917)	1,314	-18%	(1,512)
332	346	-3%	(12)	314	6%	18
99	92	7%	7	83	19%	16
446	453	-2%	7	383	16%	57
(89)	(82)	-30%	(7)	(59)	-34%	(21)
(27)	(197)	71%	80	31	-181%	(57)
(201)	(374)	39%	173	0	n/m	(201)
(157)	(17)	n/m	(140)	(19)	n/m	(137)
326	307	6%	19	742	-64%	(416)
(207)	234	-162%	(441)	127	-263%	(334)
(158)	(160)	1%	2	111	-242%	(269)
17	(194)	109%	210	97	-63%	(80)
(137)	(50)	-251%	(88)	29	n/m	(166)
71	171	-58%	(101)	58	75%	14
(50)	(61)	18%	11	183	-431%	(233)
28	43	-60%	(17)	-	n/m	28
33	(5)	n/m	38	28	78%	7
(164)	160	-37%	(304)	446	-180%	(807)
802	821	-3%	(18)	(128)	n/m	821
(249)	(372)	3%	123	(524)	-11%	(25)
171	86	99%	85	(822)	133%	693
814	828	16%	14	(978)	183%	1,569
(888)	3,807	-119%	(4,174)	5,812	-112%	(6,760)

YEAR TO DATE					
MAY YTD 2008	\$ DIFF	% CHG	MAY YTD 2007	\$ DIFF	% CHG
864	(173)	28%	685	25%	770
192	(117)	37%	374	-49%	(182)
805	411	54%	543	63%	342
393	(148)	85%	850	-54%	(457)
1,470	68	1,768	1,768	-17%	(799)
(2,889)	(2,840)	1,078	1,078	-348%	(2,789)
(1,023)	(2,315)	430	-480%	(2,120)	
(207)	(415)	183	-209%	(296)	
(1,898)	(2,491)	627	-400%	(1,576)	
187	(10)	148	26%	29	
206	28	28	n/m	178	
241	(20)	173	30%	43	
650	238	336	94%	314	
(193)	307	(440)	89%	270	
(2)	(2)	(0)	-489%	(2)	
(1,159)	(2,752)	6,390	-12%	(5,349)	
1,119	280	771	45%	348	
356	(109)	476	-25%	(120)	
162	(47)	129	20%	32	
0	0	0	n/m	0	
1,837	130	1,376	19%	261	
70	(67)	52	33%	17	
(92)	(599)	(507)	84%	495	
188	(99)	1,442	-67%	(1,255)	
164	(789)	908	-82%	(742)	
111	(83)	145	-2%	(2)	
87	(77)	215	-49%	(151)	
692	19	828	10%	64	
(1)	(7)	2	-155%	(2)	
(177)	(42)	(169)	-1%	(2)	
2,499	(911)	3,076	-19%	(877)	
876	341	536	7%	39	
728	312	826	16%	100	
189	72	516	-47%	(318)	
444	327	381	13%	52	
(559)	(349)	173	-422%	(732)	
(1,433)	(2,275)	(80)	n/m	(1,368)	
(1,378)	(2,184)	1,614	-228%	(2,360)	
(78)	(2,202)	2,176	-104%	(2,255)	
69	-	-	-	-	
675	(14)	621	8%	64	
181	16	166	10%	28	
873	33	709	23%	185	
(142)	(54)	(101)	-41%	(47)	
(134)	(187)	83	-381%	(117)	
(877)	(177)	0	n/m	(877)	
(154)	(154)	(16)	n/m	(134)	
634	(1,088)	1,422	-66%	(718)	
127	(79)	330	-63%	(212)	
(310)	(615)	254	-212%	(602)	
(177)	(100)	190	-190%	(387)	
(178)	(209)	34	n/m	(210)	
242	129	78	211%	164	
(111)	(241)	201	-137%	(412)	
80	(8)	-	n/m	88	
29	3	34	-15%	(5)	
(208)	(1,778)	958	-121%	(1,182)	
1,623	1,595	(23)	n/m	1,466	
(731)	75	(808)	-20%	(132)	
257	399	(843)	131%	1,700	
1,140	2,479	(1,473)	170%	3,122	
1,859	(8,324)	10,558	-73%	(7,700)	

*Asset Management principal investments are shown gross of implied fees.

BPM to Segment Bridge

	Capital Markets			
	Fixed Income	Equities	Capital Markets	
BPM	(2,138)	1,083	(1,054)	
Underwriting Fees	(147)	(210)	(357)	Transfer FID & EQ's portion of origination fees to IBD Segment
Banking Principal Transactions	(536)	(24)	(660)	IBD's portion (net of banking offset) of the Lev Loans, FRLs etc losses
Banking Net Interest	5	2	6	
Other Banking	-	0	0	
Banking Adjustments	(778)	(232)	(1,010)	
Global Trading Strategies	(12)	(195)	(207)	KSK (-\$115) in EQ Segment
Global Principal Strategies	(160)	2	(158)	Losses in Credit Arb books
Direct Principal Investments	-	33	33	Investment in Sports Capital (+\$24)
Global Opportunities Group	-	26	26	Equities positions
Asset Management Principal	(312)	(151)	(463)	FID: ABS Enhanced Libor & Sigma; EQ: GLG (stock down 36%)
Private Equity Principal	(149)	29	(120)	FID: Archstone, Structured Credit positions
Principal Adjustments	(633)	(256)	(889)	
PIM	(183)	(166)	(349)	Moved to IMD Segment
Firm Relationship Loans	(47)	47	-	Transfer FRLs losses from EQ to FID (In segment, FID gets all FRLs P&L)
Credit Spread	332	111	442	75 / 25 Split
CDS Trade	(12)	-	(12)	
Credit Reserve	599	67	666	90 / 10 Split
Valuation	74	23	96	FID: Marubeni & ARS; EQ: Release EQ Vol reserves (EQ BPM taking the loss now)
Structured Trades	(3)	0	(3)	
Other	(186)	(75)	(261)	Other residual Treasury P&L
Non-Core Adjustments	803	124	928	
Segment	(2,975)	601	(2,374)	

Banking	
BPM	(198)
Banking Offset	171
Banking 50%	(26)
Underwriting Fees	357
Principal transactions to FID	636
Principal transactions to Equity	24
Subtotal Principal Transactions	660
Banking Net Interest	(6)
Other Banking	(0)
Non-Core	(126)
Segment	858

Investment Mgmt	
BPM *	(83)
PIM	349
AM Seed and Strategic	456
AM Performance Fees	-
AM Management Fees	6
Asset Management Principal	463
Private Equity Principal	120
IMD Principal Adjustments	583
Segment	848

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

Regional BPM to Segment Bridge

	Americas				
	Mar	Apr	May	Q2	FY
BPM	310	(829)	640	122	1,833
IBD Attributable	(5)	(4)	(23)	(32)	(75)
FID Attributable	(46)	(51)	(23)	(120)	(249)
Equities Attributable	(16)	(10)	(12)	(38)	(80)
Total Attributable	(67)	(64)	(57)	(189)	(403)
Credit Spread Adj	(230)	184	(60)	(106)	(254)
Valuation Adjustments	(53)	-	-	(53)	(3)
Non-Core Attributable	(283)	184	(60)	(159)	(257)
Americas Segment	(40)	(709)	522	(226)	1,172

	Europe				
	Mar	Apr	May	Q2	FY
BPM	(320)	(393)	(7)	(719)	(243)
IBD Attributable	5	3	18	27	68
FID Attributable	30	40	15	85	184
Equities Attributable	14	8	11	34	72
Total Attributable	49	52	44	145	324
Credit Spread Adj	163	(130)	43	75	180
Valuation Adjustments	-	-	-	-	-
Non-Core Attributable	163	(130)	43	75	180
Europe Segment	(108)	(471)	80	(499)	261

	Asia				
	Mar	Apr	May	Q2	FY
BPM	(64)	36	(42)	(70)	1,249
IBD Attributable	-	0	5	5	7
FID Attributable	17	11	7	35	65
Equities Attributable	1	1	1	4	8
Total Attributable	18	12	13	44	79
Credit Spread Adj	67	(54)	18	31	74
Valuation Adjustments	53	-	-	53	3
Non-Core Attributable	120	(54)	18	84	77
Asia Segment	74	(5)	(12)	57	1,405

Global BPM	(74)	(1,185)	591	(668)	2,839
Global Segment	(74)	(1,185)	591	(668)	2,839

Segments Traced by Region

GLOBAL										
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	FY '07	FY '06
Debt	93	76	119	288	322	233	350	540	1,551	1,424
Equity	30	108	191	330	214	210	296	334	1,015	815
Advisory	79	92	68	240	130	388	425	277	1,336	921
Attributable	-	0	0	0	(0)	(0)	(0)	(0)	-	0
Investment Banking Revenue	203	277	379	858	867	831	1,071	1,150	3,903	3,160
Fixed Income	(696)	(1,848)	(431)	(2,975)	262	727	1,058	1,901	5,859	8,447
Equity	146	116	339	601	1,410	2,000	1,377	1,692	6,398	3,559
Attributable	(0)	(0)	0	(0)	(0)	0	(0)	(0)	(0)	(0)
Capital Markets Revenue	(551)	(1,732)	(91)	(2,374)	1,672	2,727	2,435	3,594	12,257	12,007
Asset Management	154	156	186	496	618	533	468	460	1,877	1,432
Private Investment Management	120	114	117	352	351	299	334	308	1,220	985
Attributable	-	-	-	0	-	-	-	-	-	-
Investment Management Revenue	274	271	303	848	968	832	802	768	3,097	2,417
Total Lehman Revenue	(74)	(1,185)	-91	(668)	3,507	4,391	4,308	5,512	19,258	17,583
Expenses				3,419	2,843	3,161	3,103	3,633	13,245	11,678
Pre-Tax Operating Income				(4,087)	663	1,229	1,205	1,879	6,013	5,905
Pre-Tax Operating Margin %				rm	19%	28%	28%	34%	31%	34%

AMERICAS										
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	FY '07	FY '06
Debt	58	64	68	190	230	180	236	398	1,133	1,066
Equity	26	102	145	274	138	141	174	235	695	609
Advisory	39	57	48	144	217	270	336	167	897	684
Attributable	(5)	(4)	(23)	(32)	(43)	(19)	(35)	(31)	(129)	(109)
Investment Banking Revenue	118	219	239	576	341	532	711	769	2,596	2,251
Fixed Income	(477)	(1,263)	(311)	(2,051)	(107)	249	326	1,013	3,003	5,663
Equity	144	166	371	681	337	408	534	603	2,160	1,610
Attributable	(62)	(61)	(35)	(157)	(171)	(164)	(110)	(141)	(570)	(442)
Capital Markets Revenue	(394)	(1,157)	25	(1,527)	59	493	730	1,475	4,594	6,831
Asset Management	136	137	169	442	536	455	365	419	1,599	1,295
Private Investment Management	100	93	90	282	262	246	277	259	1,027	869
Attributable	-	-	-	0	-	-	-	-	-	(8)
Investment Management Revenue	236	230	259	724	798	701	643	678	2,626	2,156
Total Lehman Revenue	(40)	(709)	-522	(226)	1,399	1,726	2,084	2,922	9,816	11,238
Expenses				1,942	1,417	1,644	1,590	1,947	7,153	7,134
Pre-Tax Operating Income				(2,169)	(18)	83	494	975	2,664	4,104
Pre-Tax Operating Margin %				rm	-1%	5%	24%	33%	27%	36%

EUROPE & THE MIDDLE EAST										
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	FY '07	FY '06
Debt	14	6	37	57	73	35	96	114	330	309
Equity	4	6	42	51	58	51	99	66	245	181
Advisory	30	34	12	76	91	146	84	98	408	212
Attributable	5	3	18	27	42	14	32	30	117	97
Investment Banking Revenue	53	50	109	212	264	246	310	307	1,100	799
Fixed Income	(238)	(551)	(219)	(1,028)	(10)	104	381	545	1,497	1,805
Equity	19	(56)	122	86	211	998	552	782	2,807	1,317
Attributable	44	48	26	118	137	137	105	109	454	365
Capital Markets Revenue	(195)	(558)	(71)	(824)	338	1,239	1,038	1,436	4,758	3,487
Asset Management	15	16	15	45	74	70	94	38	256	131
Private Investment Management	19	21	27	68	84	48	54	48	182	111
Attributable	-	-	-	0	-	-	-	-	-	8
Investment Management Revenue	34	37	42	113	159	118	148	86	438	250
Total Lehman Revenue	(108)	(471)	-80	(499)	760	1,603	1,496	1,829	6,296	4,536
Expenses				987	793	992	1,087	1,194	4,221	3,303
Pre-Tax Operating Income				(1,486)	(33)	611	410	635	2,075	1,233
Pre-Tax Operating Margin %				rm	-4%	38%	27%	35%	33%	27%

ASIA-PACIFIC										
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	FY '07	FY '06
Debt	22	6	14	41	19	18	18	28	89	49
Equity	0	0	5	5	19	18	23	32	75	24
Advisory	10	2	8	19	22	11	4	12	31	25
Attributable	-	0	5	5	2	5	4	1	11	12
Investment Banking Revenue	31	8	31	70	62	53	50	74	206	110
Fixed Income	38	(34)	99	103	378	374	350	343	1,359	979
Equity	(18)	5	(153)	(166)	862	594	291	308	1,431	633
Attributable	18	12	9	39	34	27	25	32	115	77
Capital Markets Revenue	39	(17)	(46)	(24)	1,274	995	667	683	2,906	1,689
Asset Management	3	3	2	9	7	8	9	3	22	6
Private Investment Management	1	1	1	2	4	5	2	1	11	5
Attributable	-	-	-	0	-	-	-	-	-	-
Investment Management Revenue	4	4	3	11	12	13	12	5	33	11
Total Lehman Revenue	-74	(5)	(12)	-57	1,348	1,061	728	762	3,145	1,810
Expenses				489	634	526	426	492	1,860	1,241
Pre-Tax Operating Income				(432)	714	536	302	270	1,285	569
Pre-Tax Operating Margin %				rm	53%	50%	41%	35%	41%	31%

GAAP Segments by Product

	Q2 '08 Trend				Quarter Trend				Δ %		YTD		Δ %		Records		2 Year Trend	
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 versus	6 Months Ended	YTD '08 vs.	Quarter	YTD	Full Year	Full Year			
									Q1 '08	2008	YTD '07			2007	2006			
INVESTMENT BANKING																		
Equity Underwriting	30	108	191	330	214	210	296	334	54%	-1%	545	509	7%	Q2 '07	Q2 '08	1,015	815	
Leveraged Finance	24	5	13	41	76	32	101	274	-85%	-85%	117	443	-74%	Q2 '07	Q2 '07	576	519	
Debt Capital Markets	51	47	92	190	220	174	208	224	-14%	-13%	410	454	-10%	Q1 '06	Q2 '07	836	781	
Public Finance	18	24	14	57	26	27	41	42	115%	36%	83	71	16%	Q2 '06	Q2 '06	139	125	
Total Debt Underwriting	93	76	119	288	322	233	350	540	-11%	-47%	610	968	-37%	Q2 '07	Q2 '07	1,551	1,424	
Financial Advisory	79	92	68	240	330	388	425	277	-27%	-13%	570	524	9%	Q3 '07	Q2 '08	1,336	921	
Investment Banking Segment	203	277	379	858	867	831	1,071	1,150	-1%	-25%	1,725	2,000	-14%	Q2 '07	Q2 '07	3,903	3,160	
CAPITAL MARKETS:																		
EQUITIES																		
Total Execution Services	100	256	172	528	657	374	509	525	-20%	1%	1,185	986	20%	Q1 '08	Q2 '08	1,869	1,199	
Convertible	(29)	9	12	(7)	(4)	28	(33)	12	104%	n/a	(11)	60	n/a	Q4 '06	Q2 '06	56	153	
Volatility	(26)	(29)	(107)	(161)	207	385	455	435	n/a	n/a	105	705	-85%	Q3 '07	Q2 '07	1,545	739	
Equity Strategies	(3)	47	8	53	14	131	63	140	285%	-62%	67	219	-69%	Q1 '06	Q2 '07	413	225	
Equities Corporate	(19)	(13)	(23)	(76)	(145)	14	(31)	(22)	-47%	248%	(221)	(39)	467%	Q3 '06	Q2 '05	(56)	26	
Equity Division Subtotal	4	271	61	336	789	932	963	1,090	-57%	-69%	1,125	1,931	-42%	Q2 '07	Q2 '07	3,827	2,343	
Equity Prime Services	92	113	185	390	271	226	283	371	44%	5%	661	569	16%	Q2 '08	Q2 '08	1,078	760	
Equity Including Prime Services	96	385	246	726	1,060	1,158	1,246	1,461	-31%	-50%	1,786	2,500	-29%	Q2 '07	Q2 '07	4,905	3,102	
Global Principal Strategies - Equity	(2)	1	3	2	3	14	7	2	-41%	-25%	5	2	102%	Q4 '07	Q2 '08	23	-	
Global Trading Strategies - Equity	(87)	9	(118)	(195)	417	235	(116)	112	n/a	n/a	222	257	-14%	Q1 '08	Q2 '07	377	252	
Direct Principal Investments - Equity	(2)	19	17	33	(5)	19	(2)	23	n/a	48%	29	20	41%	Q1 '05	Q2 '05	37	-	
Global Opportunities Group - Equity	(8)	25	9	26	43	(10)	(11)	-	-40%	n/a	68	-	n/a	Q1 '08	Q2 '08	(21)	-	
Private Equity - EQ	(90)	52	67	29	(211)	25	70	76	n/a	-61%	(182)	154	n/a	Q1 '07	Q2 '07	249	194	
Asset Management Investments	(44)	(130)	23	(151)	(87)	522	(106)	49	73%	n/a	(238)	63	n/a	Q4 '07	Q2 '07	479	-	
Equities Other	284	(246)	92	130	190	37	289	(33)	-31%	n/a	320	24	n/a	Q3 '07	Q2 '08	350	11	
Total Equities Capital Markets	146	116	339	601	1,410	2,000	1,377	1,692	-57%	-64%	2,011	3,022	-33%	Q4 '07	Q2 '07	6,398	3,559	
FIXED INCOME																		
Interest Rate Products	(113)	(94)	(60)	(267)	962	303	624	364	n/a	n/a	695	595	17%	Q1 '08	Q2 '06	1,523	1,255	
Foreign Exchange	(16)	10	14	8	218	78	71	58	-96%	-86%	226	145	56%	Q1 '08	Q2 '08	294	217	
Liquid Markets	(129)	(84)	(45)	(259)	1,180	381	695	422	n/a	n/a	921	740	24%	Q1 '08	Q2 '06	1,816	1,472	
CDO	(158)	56	156	54	36	(33)	104	177	31%	-70%	89	276	-68%	Q2 '07	Q2 '07	348	261	
High Grade Credit	201	(141)	30	90	515	51	(87)	79	-83%	13%	605	268	125%	Q1 '08	Q2 '08	211	522	
High Yield	(150)	(256)	16	(390)	(140)	488	(630)	210	178%	n/a	(529)	552	n/a	Q4 '07	Q2 '07	409	668	
Credit Products	(107)	(340)	202	(246)	410	506	(613)	466	n/a	n/a	164	1,096	-85%	Q1 '07	Q2 '07	988	1,451	
Securitized Products	(564)	(194)	(855)	(1,612)	(307)	(767)	37	213	425%	n/a	(1,920)	506	n/a	Q1 '05	Q2 '05	(224)	2,326	
Real Estate	(326)	(174)	(935)	(1,435)	(1,027)	(173)	308	487	40%	n/a	(2,462)	897	n/a	Q3 '06	Q2 '07	1,033	1,723	
Municipal Bonds	101	150	67	318	(241)	57	(47)	8	n/a	n/a	78	63	23%	Q2 '08	Q2 '06	72	248	
Energy Trading	25	74	55	154	52	118	123	16	193%	n/a	206	28	n/a	Q2 '08	Q2 '08	270	28	
FID Corporate	(263)	(155)	(225)	(73)	(146)	18	(171)	(92)	-50%	-21%	(219)	(164)	33%	Q4 '06	Q2 '05	(317)	(56)	
Fixed Income Subtotal	(1,244)	(703)	(1,186)	(3,154)	(77)	139	332	1,519	n/a	n/a	(3,231)	3,167	n/a	Q2 '06	Q2 '06	3,638	7,192	
FID Prime Services	97	83	97	276	360	248	221	157	-23%	75%	636	324	96%	Q1 '08	Q2 '08	793	607	
FID Including Prime Services	(1,148)	(620)	(1,089)	(2,877)	283	387	554	1,677	n/a	n/a	(2,595)	3,491	n/a	Q2 '06	Q2 '06	4,432	7,799	
Global Principal Strategies	(43)	(92)	(25)	(160)	(163)	(3)	(98)	109	-2%	n/a	(323)	281	n/a	Q1 '07	Q2 '07	180	159	
Global Trading Strategies - Detrused	(60)	96	(48)	(12)	(82)	15	23	5	-86%	n/a	(94)	72	n/a	Q4 '04	Q2 '07	110	166	
Private Equity - FID	(106)	(14)	(30)	(149)	(3)	-	-	-	n/a	n/a	(158)	-	n/a	Q4 '07	-	-	-	
Asset Management Principal - FID	(297)	(35)	20	(312)	(440)	-	-	-	-29%	n/a	(752)	-	n/a	Q4 '07	-	-	-	
FID Other	978	(1,184)	741	535	674	329	580	112	-21%	379%	1,209	229	428%	Q1 '08	Q2 '08	1,137	324	
Total Fixed Income Capital Markets	(696)	(1,848)	(431)	(2,975)	262	727	1,658	1,901	n/a	n/a	(2,714)	4,074	n/a	Q2 '06	Q2 '06	5,859	8,417	
Total Capital Markets Segment	(551)	(1,732)	(91)	(2,374)	1,672	2,727	2,435	3,594	n/a	n/a	(703)	7,095	n/a	Q2 '07	Q2 '07	12,257	12,007	
INVESTMENT MANAGEMENT																		
Private Investment Management	120	114	117	352	351	299	334	308	0%	14%	703	588	20%	Q2 '08	Q2 '08	1,220	985	
Asset Management	124	125	148	398	525	443	370	396	-24%	0%	923	750	23%	Q1 '08	Q2 '08	1,564	1,216	
Private Equity	29	31	38	99	49	90	98	64	6%	53%	191	125	53%	Q2 '08	Q2 '08	313	215	
Total Asset Management	154	156	186	496	618	533	468	460	-20%	8%	1,114	876	27%	Q1 '08	Q2 '08	1,877	1,432	
Total IMD Segment	274	271	303	848	968	832	802	768	-12%	10%	1,817	1,463	24%	Q1 '08	Q2 '08	3,097	2,417	
TOTAL LEHMAN	(74)	(1,185)	591	(668)	3,507	4,390	4,308	5,512	n/a	n/a	2,839	10,559	-73%	Q2 '07	Q2 '07	19,257	17,583	

Segment Pre-Tax Calculation

	Investment Banking				Capital Markets				Investment Management						
	Q1 '08	Q1 '08	Δ vs Q4 '07	Q2 '07	Δ vs Q4 '06	Q1 '08	Q1 '08	Δ vs Q3 '07	Q2 '07	Δ vs Q4 '06	Q1 '08	Q1 '08	Δ vs Q3 '07	Q2 '07	Δ vs Q4 '06
Segment Revenues	858	866.7	-1.0%	1,150.1	-25.4%	(2,374.2)	1,671.6	-242.0%	3,593.5	-166.1%	848.2	968.3	-12.4%	768.3	10.4%
BPM Expenses															
Comp	352.4	216.6	62.7%	529.3	-33.4%	834.4	536.0	55.7%	1,129.3	-26.1%	338.7	306.9	10.4%	391.3	-13.9%
NPE	61.4	58.7	4.7%	58.5	5.0%	402.1	391.4	2.7%	341.2	17.8%	91.2	91.6	-0.3%	83.5	9.3%
Total Directs	413.8	275.2	50.3%	587.8	-29.6%	1,236.5	927.4	33.3%	1,470.5	-15.9%	429.9	398.5	7.9%	476.8	-9.8%
BPM Allocations															
Comp Alloc	83.3	96.7	-13.9%	105.3	-20.9%	593.7	630.1	-5.8%	847.9	-30.0%	(42.7)	26.1	-263.5%	(81.2)	-47.4%
NPE Alloc	65.0	72.7	-10.6%	61.6	5.4%	427.1	441.2	-3.2%	358.4	19.2%	42.5	(13.2)	-422.8%	68.5	-37.9%
Total Alloc	148.3	169.4	-12.5%	166.9	-11.2%	1,020.8	1,071.2	-4.7%	1,206.2	-15.4%	(0.2)	12.9	-101.3%	(12.7)	-98.6%
Segment Adjustments															
Comp Adj YTD Rev Wgt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banking	59.1	250.1	-76.4%	77.9	-24.2%	(59.1)	(250.1)	-76.4%	(77.9)	-24.2%	-	-	-	-	-
PIM	4.3	7.8	-	-	-	(203.0)	(182.6)	11.1%	(181.7)	11.7%	195.4	170.9	14.3%	191.6	2.0%
Private Equity	-	-	-	-	-	17.4	6.8	155.3%	55.8	-68.9%	(17.4)	(6.8)	155.3%	(55.8)	-68.9%
Corp	0.0	8.1	-99.8%	(14.9)	-100.1%	(0.0)	15.5	-100.2%	(46.5)	-99.9%	0.0	9.0	-99.9%	(9.9)	-100.1%
Research / Other	28.4	(25.5)	-211.2%	31.2	-9.0%	(0.1)	(153.9)	-100.0%	(72.5)	-99.9%	(0.7)	138.9	-100.5%	(8.8)	-92.4%
YTD BPM Allocation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
YTD Pre-Close Catch-up	0.7	-	-	(3.0)	-	(8.5)	-	0.0%	7.6	0.0%	7.8	-	-	(4.6)	-
Comp Adj YTD Rev Wgt	10.7	-	-	(34.0)	-	100.0	-	-	(121.0)	-	3.6	-	-	4.0	-
RSU Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Close Allocation Adj	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment Expense Adjustments	103.2	240.4	-57.0%	57.3	80.3%	(153.2)	(564.3)	-72.8%	(436.3)	-64.9%	188.7	312.0	-39.5%	116.5	61.9%
Pre-Tax	192.8	181.6	6.1%	338.1	-43.0%	(4,478.3)	237.3	-1986.9%	1,353.1	-431.0%	229.7	244.9	-6.2%	187.6	22.5%
Margin	22.5%	21.0%	1.5%	29.4%	-6.9%	188.6%	14.2%	174.4%	37.7%	151.0%	27.1%	25.3%	1.8%	24.4%	2.7%
Segment Revenues	858.1	866.7	-1.0%	1,150.1	-25.4%	(2,374.2)	1,671.6	-242.0%	3,593.5	-166.6%	848.2	968.3	-12.4%	768.3	10.4%
Comp	499.6	541.7	-7.8%	678.6	-26.4%	1,405.5	706.3	99%	1,637.6	-14%	395.3	592.9	-33.3%	401.9	-1.6%
NPE	166.1	143.3	15.9%	133.4	24.5%	704.4	728.5	-3%	602.8	17%	223.4	130.5	71.2%	178.8	24.9%
Total Expenses	665.6	685.0	-2.8%	812.0	-18.0%	2,109.9	1,434.8	47%	2,240.4	-6%	618.7	723.4	-14.5%	580.7	6.6%
Pre-Tax	192.5	181.6	6.0%	338.1	-43.1%	(4,484.1)	236.8	-1993%	1,353.1	-431%	229.5	244.9	-6.3%	187.6	22.3%

Analyst Estimates

	J. Mitchell Buckingham Research 6-Jun	M. Mayo Deutsche Bank 5-Jun	D. Sipkin Wachovia 4-Jun	J. Harle Sandier O'Neill 4-Jun	G. Moszkowski Merrill Lynch 4-Jun	M. Whitney Oppenheimer 2-Jun	K. Worthington JP Morgan 28-May	M. Hecht Bank of America 27-May	B. Flintz Bernstein Research 27-May	C. Schorr UBS 23-May	O. Trone Fox Prit Kelton 22-May	S. Katzke Credit Suisse 21-May	P. Bhaia Citigroup 19-May	W. Tanona Goldman Sachs 14-May	Analyst Average	1Q08 Actual	Average vs 4Q07	2Q07 Actual	Average vs 2Q07
REVENUES																			
Fixed Income	(501)		(1,759)	(300)				(800)	(760)		(340)			(743)	262	-364%	1,901	-139%	
Equities	1,051		1,300	987				1,050	1,500		1,037			1,154	1,410	-18%	1,692	-32%	
Capital Markets	550		(459)	687				250	740		697			411	1,672	-75%	3,594	-89%	
Debt U/W	325		230	274				258	260		290			273	323	-15%	540	-49%	
Equity U/W	300		257	237				350	310		237			282	215	31%	333	-15%	
Underwriting	625		467	511				608	570		527			554	538	3%	873	-36%	
Advisory	225		468	248				182	220		274			273	330	-17%	277	-2%	
Investment Banking	649		975	759				789	790		800			827	867	-5%	1,150	-28%	
Asset Management	590		468	503				584	618		581			557	618	-10%	460	21%	
Private Investment Management	351		339	361				339	354		361			351	350	0%	308	14%	
Investment Management	941		807	864				923	972		941			808	969	-6%	769	18%	
Net Revenues	2,340		1,324	2,308		-2,741	2,553	1,962	2,502	2,335	2,439	2,310	2,873	2,496	2,349	3,507	-33%	5,512	-57%
EXPENSES																			
Compensation & Benefits	1,800		1,400	1,385		2,193	1,394	1,177	1,313		1,600			1,629	1,041	-17%	2,716	-44%	
Technology/Communications	310			305			305	303	307		290	1,800		517	302	71%	287	80%	
Brokerage, Clearance & Distribution	250			248			217	256	250		245			244	253	-3%	201	22%	
Occupancy	177			183			185	186	190		176			183	185	-1%	152	20%	
Professional Services	110			99			105	124	108		93			107	88	8%	120	-11%	
Business Development	95			93			89	105	91		80			92	89	4%	100	-8%	
Other	55			53			58	64	78		72			63	76	-17%	55	15%	
Non-Compensation Expense	897		850	892		1,224	859	1,037	1,024		956	990		1,014	1,003	1%	815	11%	
Total Expenses	2,797		2,350	2,367		3,427	2,325	2,214	2,338	2,806	2,558	2,790		2,647	2,844	-9%	3,633	-29%	
Income (Loss) Before Taxes & Other	(457)		(1,026)	(58)		(685)	229	(253)	164	(471)	(118)	(480)		(315)	693	-148%	1,879	-117%	
Income Tax	(148)		(222)	(16)		(219)	62	(60)	52		(32)			(75)	174	-143%	606	-112%	
Net Income (Loss)	(311)		(804)	(42)		(486)	187	(173)	112		(86)			(200)	489	-141%	1,273	-116%	
Preferred Dividend	24			100			54	103	24		100			68	24	185%	17	297%	
Income for Common	(335)			(142)			113	(276)	88	(417)	(186)	(332)		(188)	455	-140%	1,256	-115%	
Diluted EPS (Average) ¹	(0.60)	(0.59)	(1.28)	(0.26)	(0.74)	(0.75)	0.18	(0.50)	0.15	(0.75)	(0.34)	(0.60)	0.05	(0.38)	0.61	-146%	2.21	-117%	
Diluted EPS (First Call) ²														0.22	0.81	-73%	2.21	-80%	
BVPS	38.31		38.60	40.94		37.96	40.67	38.82		38.68	42.52	38.67		39.48	39.45	0%	37.15	6%	
Return on Common Equity	-6.2%		n/m	-2.4%		-7.4%	1.8%	-5.1%	1.6%	-8.1%		-5.7%		-3.9%	8.6%	-12.53pp	25.6%	-29.73pp	
Pre-tax Margin	n/m		n/m	n/m		n/m	9.0%	n/m	8.6%	n/m	n/m	n/m		7.8%	18.9%	-11.13pp	34.1%	-26.33pp	
Compensation / Revenue	n/m		n/m	n/m		n/m	53.5%	n/m	52.5%		n/m	n/m		53.0%	52.5%	+0.49pp	49.3%	+3.66pp	
NPE / Revenue	n/m		n/m	n/m		n/m	37.8%	n/m	40.8%		n/m	n/m		39.2%	28.6%	+10.65pp	16.6%	+22.65pp	
Total Expenses / Revenue	n/m		n/m	n/m		n/m	91.1%	n/m	93.4%	n/m	n/m	n/m		92.3%	81.1%	+11.15pp	65.9%	+26.34pp	
Tax Rate	31.6%		21.6%	27.6%		32.0%	27.1%	31.6%	31.7%		27.1%			29.9%	26.3%	+3.60pp	32.3%	-2.35pp	

1 - Average of analysts listed above.
2 - First Call EPS estimate as of June 6, 2008

II. Liquidity, B/S & Cap.

Balance Sheet and Capital Trend

	Proforma*	2008		2007				2006			
	Q2 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06
ASSETS:											
Gross Assets	644,093	638,093	786,035	691,063	659,216	605,861	562,283	503,545	473,737	456,202	439,796
Less:											
Segregated Cash & Securities	13,031	13,031	16,569	12,743	10,579	7,154	6,293	6,091	5,736	6,810	5,569
Reverse Repos	169,684	169,684	210,166	162,635	144,774	130,953	131,896	117,490	116,427	100,901	110,005
Securities borrowed	124,842	124,842	158,515	138,599	142,653	126,435	119,766	107,666	108,786	104,475	93,892
Goodwill and other intangibles	4,101	4,101	4,112	4,127	4,108	3,652	3,531	3,362	3,364	3,297	3,282
Net Assets	332,435	326,435	396,673	372,959	357,102	337,667	300,797	268,936	239,424	240,719	227,048
LONG-TERM CAPITAL:											
Senior Notes	110,553	110,553	112,128	108,914	106,807	91,433	83,536	75,202	70,363	68,882	55,039
Subordinated Notes	12,625	12,625	11,181	9,259	8,610	4,864	4,226	3,238	979	921	1,070
Junior Subordinated Notes (Trust Preferreds, ECAPs etc)	5,004	5,004	4,976	4,977	4,914	4,522	3,013	2,738	2,692	2,717	2,623
Long-Term Debt (Excluding Current Portion)	128,182	128,182	128,285	123,150	120,331	100,819	90,775	81,178	74,034	72,520	58,731
Common Stockholders' Equity	23,283	19,283	21,839	21,395	20,638	20,034	18,910	18,096	17,301	16,887	16,398
Preferred Stock	8,993	6,993	2,993	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095
Total Stockholders' Equity	32,276	26,276	24,832	22,490	21,733	21,129	20,005	19,191	18,396	17,982	17,493
Total Long-Term Capital	160,458	154,458	153,116	145,640	142,064	121,948	110,780	100,369	92,430	90,502	76,224
Tangible Equity Capital:											
Total Stockholders' Equity	32,276	26,276	24,832	22,490	21,733	21,129	20,005	19,191	18,396	17,982	17,493
Junior Subordinated Notes	5,004	5,004	4,976	4,978	4,914	4,522	3,013	2,738	2,692	2,717	2,623
Less: Goodwill and other intangibles	(4,101)	(4,101)	(4,112)	(4,127)	(4,108)	(3,652)	(3,531)	(3,362)	(3,364)	(3,297)	(3,282)
Less: Hybrid Equity disqualified from leverage calculation	-	-	-	(238)	(375)	(117)	-	-	-	-	-
Tangible Equity Capital	33,179	27,179	25,696	23,103	22,164	21,881	19,488	18,567	17,724	17,402	16,834
Gross Leverage	20.0x	24.3x	31.7x	30.7x	30.3x	28.7x	28.1x	26.2x	25.8x	25.4x	25.1x
Net Leverage	10.0x	12.0x	15.4x	16.1x	16.1x	15.4x	15.4x	14.5x	13.5x	13.8x	13.5x
Common Equity	23,283	19,283	21,839	21,395	20,638	20,034	18,910	18,096	17,301	16,887	16,398
Book Value Shares Outstanding	706.6	563.7	553.6	542.5	539.0	539.3	538.0	534.2	537.9	543.3	546.4
Book Value per Share	\$32.95	\$34.21	\$39.45	\$39.44	\$38.29	\$37.15	\$35.15	\$33.87	\$32.16	\$31.08	\$30.01
Book Value per Share Qtr over Qtr % Δ	-16.5%	-13.3%	0.0%	3.0%	3.1%	5.7%	3.8%	5.3%	3.5%	3.6%	4.4%
Book Value per Share YTD % Δ	-16.4%	-13.3%	0.0%	16.4%	13.0%	9.7%	3.8%	17.8%	11.8%	8.1%	4.4%
Tangible Common Equity	19,182	15,182	17,727	17,268	16,530	16,381	15,379	14,734	13,937	13,590	13,116
Book Value Shares Outstanding	706.6	563.7	553.6	542.5	539.0	539.3	538.0	534.2	537.9	543.3	546.4
Tangible Book Value per Share	\$27.15	\$26.93	\$32.02	\$31.83	\$30.67	\$30.37	\$28.59	\$27.58	\$25.91	\$25.01	\$24.00

*Proforma for \$4bn Common Equity and \$2bn Mandatory Convertible Preferred.

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Detailed Capital Trend

	Quarter Trend					YTD 2008
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	
Change in LT Debt (\$ billions)						
Beginning LT Debt (ex Current Portion)	128.3	123.2	120.3	100.8	90.8	251.4
New Issues (see page 12)	15.4	18.2	17.8	28.5	18.5	33.6
Maturities/Rolling Into Current Portion	(14.0)	(14.2)	(14.5)	(10.3)	(7.5)	(28.2)
FX adjustments	-	-	-	-	-	-
FAS / FX Adjustments	(1.5)	1.1	(0.5)	1.3	(0.9)	(0.4)
Net Change in Long Term Debt	(0.1)	5.1	2.8	19.5	10.0	5.0
Ending LT Debt (ex Current Portion)	128.2	128.3	123.2	120.3	100.8	128.2
Change in Stockholders' Equity (\$ millions)						
Beginning Common Stockholders' Equity	21,839	21,395	20,638	20,034	18,910	21,395
FAS 157/ FIN48 Adjustment to Opening Retained Earnings	-	(178)	-	-	-	21,218
Adjusted Beginning Common Stockholders' Equity	21,839	21,218	20,638	20,034	18,910	21,218
Common Dividends	(94)	(94)	(80)	(79)	(80)	(188)
Preferred Dividends	(99)	(24)	(17)	(17)	(17)	(123)
Treasury Stock Repurchases (see page 10)	(107)	(765)	(330)	(637)	(532)	(873)
Tax Credit related to RSU issuance and options	(9)	45	149	60	49	37
RSUs & Options Amortization	444	935	329	315	323	1,379
Proceeds from Options Exercised	99	106	91	84	50	205
Fx Translation Adjustment/Other	(16)	(70) (1)	(61) (2)	(8)	56 (3)	(86)
FAS 158 Adjustment	-	-	(210)	-	-	-
Net Income	(2,774)	489	886	887	1,273	(2,285)
Net Changes to Common Equity	(2,556)	622	758	604	1,124	(1,934)
Total Common Stockholders' Equity	19,283	21,839	21,395	20,638	20,034	19,283
Preferred Stock	6,993	2,993	1,095	1,095	1,095	6,993
Total Stockholders' Equity	26,276	24,832	22,490	21,733	21,129	26,276
Total Long-Term Capital	154,458	153,116	145,640	142,064	121,948	154,458

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

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

(3) Includes \$44mm for Carange A acquisition share issuance

Key Liquidity Metrics

<i>\$ billions, unless otherwise specified</i>	<u>2000</u>	<u>2002</u>	<u>2004</u>	<u>2006</u>	<u>2007</u>	<u>2008 Q1</u>	<u>Estimated 2008 Q2</u>	
LT Debt	28.3	30.7	49.4	81.2	123.2	128.3	129.4	
ST Debt (<1 year)	12.8	10.3	10	20.6	28.3	34.5	36.0	
CP Outstanding	3.6	1.6	1.7	1.7	3.1	7.8	7.9	
Current portion of LT	7	8	7.1	12.9	16.8	18.5	20.8	
Other ST	2.2	0.7	1.2	6.1	8.4	8.3	7.3	
Total debt	41	41	59.3	101.8	151.5	162.8	165.4	
Average life of CP (days)					51	52	41	
Average life of LTD (years)	3.8	4	5.2	6.3	7.1	7.1		
Holdings liquidity pool at pledge value	N/A	16.0	19.0	31.0	35.0	34.3	44.6	
Unencumbered collateral								
Unregulated entities	N/A	N/A	N/A	N/A	63	64	56	Q2 data still under investigation
Regulated entities	N/A	N/A	N/A	N/A	95	97	91	Q2 data still under investigation
Total					158	166	147	
Liquidity pool/ Short-term debt					124%	99%	124%	
L. Pool + 70% of Unreg. Entities Unencumbered Collateral					280%	229%	233%	
Cash capital surplus at Holdings	N/A	N/A	7.1	6.0	8.0	7.0	15.0	
Non traditional repo book (excl. Govts+Agencies)								
Shell view					122.9	125.6	121	
Collateral allocated view					111.3	116.4	105	
<i>Central Bank eligible</i>							40 ⁽¹⁾	
<i>Non Central Bank eligible</i>							65	
Overfunding					12	9	16	
Maturity profile of repo book								
% O/N					52%	56%	42%	
% <=1 wk					13%	18%	12%	
% > 1wk					35%	25%	46%	
Average tenor of repo book (days)					27	22	35	
Avg. tenor of repo book including cash capital facilities					46	42	50	

(1): 26 PDCF; 14 ECB and other CB

Q2 '08 Securitization Vehicles

\$ Millions

	Securitizations	Original size	Original investment grade portion	Current size	Current investment grade portion
U.S.	Freedom	2,825	2,260	1,926	1,541
	Spruce	1,874	1,462	1,874	1,462
	Pine	1,057	1,025	1,057	1,025
	RLT	1,664	332	765	133
	Sasco	3,435	2,050	3,435	2,050
		<u>10,855</u>	<u>7,129</u>	<u>9,057</u>	<u>6,211</u>
Europe	Excalibur	4,271	3,392	4,271	3,392
	Thalia	1,662	1,250	1,662	1,250
	Saphir	2,694	2,694	2,503	2,503
	ELQ1	412	323	412	323
	ELQ2	312	312	312	312
	EMF	668	585	668	585
	Mortgage Funding	2,020	1,727	2,020	1,727
		<u>12,039</u>	<u>10,283</u>	<u>11,848</u>	<u>10,092</u>
		<u>22,894</u>	<u>17,412</u>	<u>20,905</u>	<u>16,303</u>

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Common Stock Equivalents for EPS

Weighted Shares for EPS							
		2Q08	1Q08	Q407	YTD @ 2Q08	FY 07	FY 06
Common Stock Equivalents							
T/S Method-Options	(A)	12.4	18.4	19.8	15.4	23.6	29.1
T/S Method-RSUs	(B)	0.1	2.9	1.3	1.5	4.1	6.3
		12.5	21.3	21.1	16.9	27.7	35.4
Avg Qtrly Closing Stock Price		\$43.11	\$59.42	\$60.43	\$43.11	\$60.43	\$74.01
Options							
# of Options	(C)	59.7	63.3	65.6	59.7	65.6	81.4
# of Dilutive Options	(D)	51.2	55.5	59.0	51.2	59.0	80.6
Avg Proceeds Per Options Dilutive (incl. tax benefit)	(E)	\$32.65	\$39.68	40.14	\$32.65	\$40.14	\$48.05
In the Money Per Options Dilutive		\$10.46	\$19.74	\$20.29	\$10.46	\$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						22.7	27.7
CSE Impact Q4						19.8	28.3
CSE Impact YTD					15.4	23.6	29.1
RSUs							
# Unvested RSUs	(F)	55.7	66.0	35.1	55.7	35.1	35.2
# Unvested RSUs Dilutive	(G)	3.6	38.4	7.7	3.6	7.7	35.2
Avg Proceeds Per RSUs Dilutive (incl. tax benefit)	(H)	\$41.78	\$54.98	\$50.48	\$41.78	\$50.48	\$59.88
In the Money Per RSUs Dilutive		\$1.33	\$4.44	\$9.95	\$1.33	\$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						2.7	4.7
CSE Impact Q4						1.3	5.6
CSE Impact YTD					1.5	4.1	6.3

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

(B) Decrease due to amortization and lower stock price.

(C) Decrease due to exercises for the quarter.

(D) Exercises 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) Decrease primarily due to amortization in 2Q08.

(G) Decrease primarily due to lower stock price.

(H) Decrease primarily due to lower stock price.

Shares Outstanding & Weighted Avg. Shares for EPS

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

(E) RSU Trust balance @ 05/31/08.

(F) Large decrease in Q2 08 from Q1 08 due to approximately 11.3 mil shares being amortized in Dec 07 for Full Career employees booked in Q1 08 and no affect in 2Q08.

(G) Decrease on an unweighted basis in Q2 08 from Q1 08 is due to decrease in amount of buybacks in Q2 08.

(H) Increase in Q2 08 from Q1 08 on an unweighted basis is due to increase in option exercises in Q2 08.

Balance Sheet – Gross and Net Assets

CONSOLIDATED	Gross Balance Sheet Assets					Net Balance Sheet Assets				
	Today 30-May-08	Prior 29-May-08	Variance Incr/(Decr)	Gross Target	Over (Under)	Today 30-May-08	Prior 29-May-08	Variance Incr/(Decr)	Net Target	Over (Under)
Global Rates	89,709	87,297	2,412	105,400	(15,691)	39,462	38,876	586	41,000	(1,538)
High Grade Credit	10,532	11,151	(620)	16,000	(5,468)	8,247	8,813	(566)	11,900	(3,653)
CDO	6,433	6,672	(239)	10,400	(3,967)	6,266	6,495	(229)	8,000	(1,734)
Securitized Products	62,770	62,140	629	65,700	(2,930)	58,911	60,701	(1,791)	57,400	1,511
Real Estate	60,616	62,056	(1,439)	60,900	(284)	59,006	60,451	(1,444)	58,000	1,006
High Yield	16,302	15,401	901	15,800	502	15,130	14,246	884	13,700	1,430
Municipal Bonds	3,551	3,199	352	9,000	(2,353)	3,450	3,092	358	8,000	(1,765)
Derivatives - Munis	3,096	3,308	(212)			2,784	3,003	(219)		
Energy Trading	5,487	5,328	159	4,000	1,487	5,202	5,043	159	3,900	1,302
Foreign Exchange	4,459	4,611	(152)	6,800	(2,341)	4,143	4,428	(285)	6,200	(2,057)
FID Corporate	10,234	9,693	541	15,300	(5,066)	2,969	2,428	541	2,950	19
FID Corp Loans	3,771	5,064	(1,294)	5,100	(1,329)	3,732	5,026	(1,294)	3,100	632
IBD Loans	5,567	5,039	528	7,100	(1,533)	5,559	5,030	528	4,850	709
Total FID Core:	282,527	280,960	1,567	321,500	(38,973)	214,862	217,633	(2,771)	219,000	(4,138)
Total FID Prime Services:	89,803	215,997	(126,194)	110,000	(20,197)	3,301	6,707	(3,406)	5,500	(2,199)
Total FID (Consolidated)	372,330	496,957	(124,627)	431,500	(59,170)	218,163	224,340	(6,177)	224,500	(6,337)
Execution Services / Liquid Market	11,472	10,749	723	0	0	7,344	6,896	648	0	0
Convertible Products	2,818	2,716	102	0	0	2,154	2,317	(163)	0	0
Volatility	27,678	26,027	1,651	0	0	23,058	21,308	1,750	0	0
Equities Strategies	2,951	3,065	(114)	0	0	2,159	2,276	(117)	0	0
Firm Relationship Loans	3,586	2,604	982	0	0	3,586	2,604	982	0	0
Equity Corporate	1,362	743	619	0	0	431	502	(71)	0	0
Total Equities Core:	49,866	45,902	3,964	52,000	(2,134)	38,732	35,702	3,030	40,000	(1,268)
Total Equities Prime Services:	119,338	112,493	6,845	119,500	(162)	26,209	27,681	(1,472)	34,500	(8,291)
Total Equities (Consolidated)	169,204	158,395	10,809	171,500	(2,296)	64,941	63,383	1,557	74,500	(9,559)
Global Principal Strategies	6,041	5,456	586	6,000	41	1,833	1,759	75	4,600	(2,767)
Global Trading Strategies	4,959	5,081	(122)	4,300	659	4,640	4,758	(118)	3,800	840
Global Opportunities Group	1,136	1,135	1	800	336	988	988	1	700	288
Direct Principal Investments	2,332	2,300	31	900	1,432	2,332	2,300	31	900	1,432
Total Principal Investing	14,467	13,972	495	12,000	2,467	9,793	9,805	(12)	10,000	(207)
Asset Management	7,101	7,808	(707)	8,600	(1,499)	4,073	4,778	(705)	5,600	(1,527)
Private Equity	5,864	7,327	(1,463)	4,600	1,264	5,849	7,114	(1,465)	4,400	1,249
Total IMD	12,965	15,135	(2,170)	13,200	(235)	9,723	11,892	(2,169)	10,000	(277)
Investment Banking Division	580	1,434	(854)	600	(20)	580	1,434	(854)	600	(20)
Treasury	56,960	40,235	16,725	39,000	17,960	9,884	40,008	(30,125)	7,000	2,884
Corporate Other Assets / Investments	11,586	18,623	(7,037)	18,000	(6,414)	13,351	15,515	(2,164)	15,000	(1,649)
Total Non-Core	69,127	60,292	8,835	57,600	11,527	23,815	56,957	(33,143)	22,600	1,215
Total All Other (Consolidated)	96,559	89,399	7,160	82,800	13,759	43,330	78,654	(35,323)	42,600	730
Grand Totals Consolidated	638,093	744,751	(106,658)	686,800	(47,707)	326,435	366,377	(39,943)	341,600	(16,165)
Liquid Markets Financing	58,354	179,843	(121,489)	76,500	(18,146)	898	3,981	(3,083)	1,000	(102)
Credit Financing	25,738	29,398	(3,660)	25,500	238	929	1,014	(85)	1,500	(571)
Clearing and Execution	0	8	(8)	0	0	0	5	(5)	0	0
FID Structured Transactions	256	276	(21)	500	(244)	152	121	31	300	(148)
FID Futures	5,456	6,472	(1,016)	7,500	(2,044)	1,322	1,586	(264)	2,700	(1,378)
Total FID Prime Services:	89,803	215,997	(126,194)	110,000	(20,197)	3,301	6,707	(3,406)	5,500	(2,199)
Equity Financing	104,575	99,666	4,908	104,000	575	18,900	20,332	(1,432)	26,500	(7,600)
Equity Synthetic	13,560	12,406	1,155	15,000	(1,440)	6,861	6,932	(71)	7,800	(939)
Clearing and Execution	5	16	(11)	0	5	4	15	(12)	0	4
Structured Transactions	1,197	404	793	500	697	445	402	43	200	245
Equity Futures	0	0	0	0	0	0	0	0	0	0
Total Equities Prime Services:	119,338	112,493	6,845	119,500	(162)	26,209	27,681	(1,472)	34,500	(8,291)
Total Prime Services	209,141	328,490	(119,349)	229,500	(20,359)	29,510	34,389	(4,878)	40,000	(10,490)

Treasury Stock Buybacks

* During the first week of Q3 '08, we repurchased 1.3 million shares for a total cost of \$41 million.

2008

2008	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	
Q2 YTD	13,414,151	2,216,862	15,631,013	15,631,013		55.82		872,561,017

2007

2007	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

2006

2006	Open Market Purchases	Tenders for RSUs & Options	Qtrly Shares	Cumulative Shares	Avg Price	Cumulative Avg Price	Cost (\$)	Cumulative Cost (\$)
Q1	11,400,000	2,680,632	14,080,632		67.49		950,293,988	
Q2	11,200,000	1,983,517	13,183,517		72.22		952,055,657	
Q3	11,000,000	854,740	11,854,740		64.07		759,580,277	
Q4	5,329,100	8,432,770	13,761,870		74.06		1,019,223,328	
Q4 YTD	38,929,100	13,951,659		52,880,759		69.61		3,681,153,250

2005

2005	Open Market Purchases	Tenders for RSUs & Options	Qtrly Shares	Cumulative Shares	Avg Price	Cumulative Avg Price	Cost (\$)	Cumulative Cost (\$)
Q1	13,200,000	4,086,578	17,286,578		44.57		770,535,949	
Q2	14,700,000	1,825,974	16,525,974		46.12		762,148,000	
Q3	16,000,000	2,505,852	18,505,852		50.58		936,079,000	
Q4	16,000,000	12,268,926	28,268,926		59.72		1,688,263,016	
Q4 YTD	59,900,000	20,687,330		80,587,330		51.58		4,157,025,965

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Debt Ratings and Credit Spreads

Q2 2008 Issuance Activity

FIRM	TYPE	SUB TYPE	MATURITY (YRS)	DATE ISSUED	MATURITY DATE	CURR	AMOUNT	USD EQUIV.	1m LIBOR SPREAD	CDS	CONCESSION TO CDS	COMMENTS	NEW ISSUE / TAP	SENIOR / SUB
Goldman Sachs	Vanilla	Fixed	10	03/25/2008	04/01/2018	USD	2,500	2,500	207	125.0	82.0	T + 270bps	New Issue	Senior
Goldman Sachs	Vanilla	Fixed	20	04/02/2008	04/10/2028	GBP	500	994	224	135.0	89.0	FPR + 275	New Issue	Senior
Goldman Sachs	Vanilla	Fixed	10	04/22/2008	04/01/2018	USD	1,500	1,500	174	92.0	82.0	T + 237.5bps	Tap	Senior
Goldman Sachs	Vanilla	Fixed	10	04/28/2008	05/02/2018	EUR	1,250	1,958	182	95.0	87.0	mid swaps + 180	New Issue	Senior
Goldman Sachs	Vanilla	Fixed	5	05/15/2008	05/15/2013	JPY	26,200	254					New Issue	Senior
Lehman Bros.	Vanilla	Fixed	10	04/17/2008	05/02/2018	USD	2,500	2,500	250	185.0	65.0	T + 320bps	New Issue	Senior
Lehman Bros.	Vanilla	Fixed	10	04/30/2008	05/08/2018	GBP	500	990	271	160.0	111.0		New Issue	Senior
Lehman Bros.	Vanilla	Fixed	30	05/02/2008	05/11/2038	USD	2,000	2,000	273	144.8	128.2	T + 305	New Issue	Sub Debt
Lehman Bros.	Preferred	Perp NCS		04/01/2008		USD	4,000	4,000					New Issue	Senior
Merrill Lynch	Vanilla	Fixed	10	04/22/2008	04/25/2018	USD	5,500	5,500	257	156.0	101.0	T + 320bps	New Issue	Senior
Merrill Lynch	Vanilla	Fixed	5	04/22/2008	04/25/2013	USD	1,500	1,500	242	156.0	86.0	T + 325bps	New Issue	Senior
Merrill Lynch	Vanilla	Fixed	10	04/23/2008	04/30/2018	GBP	850	1,683	250	164.0	126.0		New Issue	Senior
Merrill Lynch	Vanilla	Fixed	3	05/01/2008	05/05/2011	CAD	300	284	265	139.0	126.0	+312 to GOC	New Issue	Senior
Merrill Lynch	Vanilla	Fixed	30	05/07/2008	05/14/2038	USD	1,750	1,750	282.5	137.8	144.7	T + 315	New Issue	Sub Debt
Merrill Lynch	Vanilla	Fixed	2	05/07/2008	05/07/2010	USD	1,200	1,200	250	137.8	112.2		New Issue	Senior
Merrill Lynch	Vanilla	Fixed	5	05/14/2008	05/14/2013	EUR	1,500	2,319	230	159	71.0	mid swaps + 245bps	New Issue	Senior
Merrill Lynch	Vanilla	Fixed	1	05/15/2008	05/20/2009	USD	1,000	1,000	205	152.5	52.5		New Issue	Senior
Merrill Lynch	Vanilla	Fixed	20	05/19/2008	05/19/2028	GBP	375	736	300	152	148.0	L + 300	New Issue	Sub Debt
Merrill Lynch	Preferred	Perp NCS		04/22/2008		USD	2,550	2,550					New Issue	Senior
Morgan Stanley	Vanilla	Fixed	10	03/27/2008	04/01/2018	USD	2,250	2,250	246.5	174.5	72.0	T + 312.5bps	New Issue	Senior
Morgan Stanley	Vanilla	Fixed	10	04/01/2008	04/01/2018	USD	250	250	238	164.0	72.0	T + 300bps	Tap	Senior
Morgan Stanley	Vanilla	Fixed	3	04/02/2008	04/11/2011	GBP	400	795	245	171.0	74.0	345 to UK Govt	New Issue	Senior
Morgan Stanley	Vanilla	Fixed	3	04/09/2008	04/15/2011	EUR	1,000	1,580	230	230.0		mid swaps + 230bps	New Issue	Senior
Morgan Stanley	Vanilla	Fixed	7	04/23/2008	04/29/2015	USD	1,500	1,500	193.3	141.0	52.3	T + 275bps	New Issue	Senior
Morgan Stanley	Vanilla	Fixed	10	05/02/2008	04/01/2018	USD	2,000	2,000	165	108.0	59.0	T + 240bps	Tap	Senior
Morgan Stanley	Fixed	Fixed	2	05/09/2008	05/09/2010	USD	2,000	2,000	220	103.5	116.5		New Issue	Senior
Morgan Stanley	Vanilla	Fixed	7	05/09/2008	05/09/2015	USD	2,000	2,000	220	103.5	116.5	T + 287.5, 12.5 wider T	Tap	Senior
Morgan Stanley	Vanilla	Fixed	11	05/20/2008	12/28/2018	EUR	750	1,178	200	113	87.0	MS + 200	New Issue	Senior
Morgan Stanley	Vanilla	Fixed	3	05/23/2008	05/29/2011	EUR	500	785	175	113	82.0	MS + 175	New Issue	Senior

Second Quarter 2008 (Quarterly)

Q2 was a bit of "a tale of two quarters". The first part was the weeks surrounding the collapse of BSC in March when issuance markets virtually came to a standstill as appetite to add risk was non-existent. The second part was the aftermath of the BSC situation when the Fed's backing of investment banks allowed markets to breathe easier which in turn created a type of buying frenzy from investors resulting in significant amounts of bond issuance in April and May.

In terms of high grade bonds issuance, February saw 56bil and March had 49bil. The change in April and May was dramatic as those months saw 92bil and 121bil respectively.

Not surprisingly, our peer group was very active in this time period, despite the fact the spreads remained at historically wide levels, albeit tighter than the wide we saw in mid-March.

With respect to volume, MER and MS were the most active in our sector as they issued appx. 16bil and 14.3bil respectively of senior and subordinated debt (GS issued 7.2bil and LEH issued 5.5bil). In addition, MER issued a Perp nc 5 DRD preferred for 2.55bil and LEH issued a Perp nc 5 convertible preferred for 4bil.

Highlight LEH deals of the quarter:

- o \$4bil Perp nc 5y convertible preferred, more than 3 times oversubscribed
- o \$2.5bil 10y fixed senior deal at 1ml + 250

Current Debt Ratings & Credit Spreads

LEH Fixed Rate Issuance Levels				Spread vs. 10 Year UST			
	5/31/08	2/29/08	5/31/07		5/31/08	2/29/08	5/31/07
2Y	6.51%	4.63%	5.12%	LEH	375	337	97
5Y	7.27%	5.99%	5.68%	GS	240	262	100
10Y	7.80%	6.89%	5.92%	MS	295	287	104
				BS	n/a	450	99
				MER	350	337	99
				CITI	262	250	87
				BOA	220	225	86
				JPM	215	225	89

Spread vs. 1-Month Libor				Ratings				
	5/31/08	2/29/08	5/31/07	S&P		Moody's		
LEH	313	269	39	LEH	A	A1	A1	P1
GS	178	194	42	GS	AA-	A1+	Aa3	P1
MS	233	219	46	MS	A+	A1	Aa3	P1
BS	n/a	382	41	BS	n/a	n/a	n/a	n/a
MER	288	269	41	MER	A	A1	A1	P1
CITI	200	182	29	CITI	AA-	A1+	Aa3	P1
BOA	158	157	28	BOA	AA	A1+	Aa2	P1
JPM	153	157	31	JPM	AA-	A1+	Aa2	P1

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%	3.2%	1.6%	3.3%
Q2 '08		1.0%	0.4%	0.9%	0.7%
Q3 '08		1.3%	1.0%	0.8%	1.6%
Q4 '08		-0.5%	1.1%	1.2%	1.2%
2008	2.5%	1.5%	1.7%	1.7%	1.7%
2009	2.0%	0.7%	1.1%	1.1%	1.5%

	Actual 2007				
	Global ⁽³⁾	US	Euro Area	UK	Japan
Q1 '07		0.6%	3.0%	2.8%	4.6%
Q2 '07		3.8%	1.3%	3.4%	-2.5%
Q3 '07		4.9%	2.7%	2.6%	1.1%
Q4 '07		0.6%	1.2%	2.5%	2.6%
2007	3.5%	2.2%	2.6%	3.0%	2.1%

⁽¹⁾ Quarterly growth rates are annualized calendar year basis

⁽²⁾ Source: Global Weekly Economic Indicator as of 6/6/08

⁽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%
Lehman Forecast 2008								
June	25-Jun	2.00%	5-Jun (actual)	4.00%	5-Jun (actual)	5.00%	13-Jun	0.50%
July	-	2.00%	3-Jul	↑ 4.25%	10-Jul	↓ 4.75%	15-Jul	0.50%
August	5-Aug	2.00%	7-Aug	4.25%	7-Aug	4.75%	19-Aug	0.50%
September	16-Sep	2.00%	4-Sep	4.25%	4-Sep	4.75%	17-Sep	0.50%
October	29-Oct	↓ 1.75%	2-Oct	4.25%	9-Oct	↓ 4.50%	7,31-Oct	0.50%
November	-	1.75%	6-Nov	4.25%	6-Nov	4.50%	21-Nov	0.50%
December '08	16-Dec	1.75%	4-Dec	↓ 4.00%	4-Dec	4.50%	19-Dec	0.50%
2009	↓ 1.25%		↓ 3.00%		↓ 4.00%		↑ 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

	Q2'08	Q1'08	Q4'07	Q3'07	Q2'07	Δbps		
						Q2'08 vs Q1'08	Q1'08 vs Q4'07	Q2'08 vs Q2'07
US								
2 year	2.65%	1.62%	3.00%	4.14%	4.91%	103	(138)	(227)
10 year	4.06%	3.51%	3.94%	4.53%	4.89%	55	(43)	(83)
2-10 year spread	142	189	94	40	(2)	(48)	95	144
Euro								
2 year	4.34%	3.16%	3.83%	4.01%	4.39%	118	(67)	(5)
10 year	4.43%	3.89%	4.13%	4.24%	4.42%	54	(24)	1
2-10 year spread	9	73	30	23	3	(64)	44	6
UK								
2 year	5.07%	4.07%	4.52%	5.36%	5.75%	101	(45)	(67)
10 year	4.99%	4.47%	4.64%	5.04%	5.26%	52	(17)	(27)
2-10 year spread	(9)	40	12	(33)	(49)	(49)	29	40
Japan								
2 year	0.92%	0.57%	0.77%	0.88%	0.98%	35	(21)	(7)
10 year	1.76%	1.37%	1.48%	1.61%	1.75%	39	(11)	1
2-10 year spread	84	80	71	73	77	4	9	7

*Note: Rates represent as of 5/30/08

Market Environment- Corporate Debt Spreads

	2008						Δ bps		
	May	Apr	Mar	Feb	Jan	Dec'07	Q2'08 vs Q1'08	Q1'07 vs Q4'07	Q2'08 vs Q2'07
Investment Grade									
Global	199	207	240	208	186	160	(9)	52	129
US	235	244	289	247	226	198	(12)	54	145
Europe	159	164	188	165	145	117	(6)	49	112
High Yield									
Global	577	587	689	655	588	502	(78)	158	351
US	622	653	781	745	668	569	(123)	188	384
Europe	584	621	706	587	620	466	(103)	219	397
US Fixed Rate Mortgage Backed Index									
US CMBS BBB index	108	109	128	121	91	87	(12)	33	54
	885	1042	1361	1112	807	598	(227)	542	718
ABX AAA.06-1	256	125	235	205	117	148	51	78	241
ABX.AAA.06-2	560	355	524	562	294	283	(2)	280	540
ABX.AAA.07-1	804	691	859	750	513	483	54	296	786
CMBX 4 (2007) AAA	106	104	150	212	133	65	(105)	135	
CMBX 4 (2007) BBB	1228	1234	1671	1515	1245	842	(287)	587	
CMBX 4 (2007) BBB-	1613	1683	2049	1707	1455	1052	(94)	595	
Global Emerging Markets	259	287	323	303	280	249	(44)	50	126

	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	146	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	268	275
Europe	468	356	347	382	324	210	187	210	223	222	211	232
US Fixed Rate Mortgage Backed Index												
US CMBS BBB index	88	79	81	88	78	65	55	52	49	51	47	37
	569	429	382	408	272	172	167	187	160	126	109	105
ABX AAA.06-1	127	80	58	70	65	16	15	18	20	22	11	12
ABX.AAA.06-2	282	222	93	125	123	21	20	17	21	24	10	9
ABX.AAA.07-1	454	345	108	127	151	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	188	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 5/3008

Market Environment- Equity Market Indices

	2008						%Δ			Lehman Forecast- end '08*		
	May	Apr	Mar	Feb	Jan	Dec'07	Q2'08 vs Q1'08	Q1'08 vs Q4'07	Q2'08 vs Q2'07	Forecast	%Δ vs. Q2'08	%Δ vs. Dec'07
	DJIA	12,638	12,820	12,263	12,266	12,650	13,265	3.0%	-8.3%	-7.3%		
NASDAQ	2,523	2,413	2,279	2,271	2,390	2,652	11.1%	-14.6%	-3.1%			
NYSE	9,401	9,300	8,797	8,962	9,126	9,740	4.9%	-9.1%	-5.8%			
S&P	1,400	1,386	1,323	1,331	1,379	1,468	5.2%	-10.2%	-8.5%	1,630	16.4%	11.0%
FTSE 100	6,054	6,087	5,702	5,884	5,880	6,457	2.9%	-8.5%	-8.6%	7,300	20.6%	13.1%
DAX	7,097	6,949	6,535	6,748	6,852	8,067	5.2%	-14.3%	-10.0%			
NIKKEI	14,339	13,850	12,526	13,603	13,592	15,308	5.4%	-13.2%	-19.8%			
HANG SENG	24,533	25,755	22,849	24,332	23,456	27,371	0.8%	-15.1%	18.9%			
KOSPI	1,852	1,825	1,704	1,712	1,625	1,897	8.2%	-10.2%	8.9%			
TOPIX	1,408	1,359	1,213	1,324	1,346	1,476	6.3%	-13.6%	-19.8%	1,713	21.6%	14.2%
FTSE WORLD	353	349	330	338	342	374	4.6%	-10.6%	-9.0%	424	20.0%	13.3%
FTSE US	585	577	551	555	575	612	5.4%	-10.0%	-7.9%			
FTSE EUROPE	196	195	185	190	191	216	2.9%	-12.3%	-13.1%			
FTSE EUROPE EX UK	388	388	369	380	382	438	2.2%	-14.1%	-16.8%	485	24.8%	16.2%
FTSE ASIA	259	257	235	251	250	281	3.3%	-12.2%	-6.5%			
FTSE ASIA EX JAPAN	394	396	372	381	375	426	3.3%	-11.5%	2.6%	536	36.1%	15.0%

	2007											
	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec'06
DJIA	13,372	13,930	13,896	13,358	13,212	13,409	13,628	13,063	12,354	12,269	12,622	12,463
NASDAQ	2,661	2,859	2,702	2,596	2,546	2,603	2,605	2,525	2,422	2,416	2,464	2,415
NYSE	9,857	10,312	10,039	9,597	9,555	9,873	9,979	9,628	9,262	9,125	9,255	9,139
S&P	1,481	1,549	1,527	1,474	1,455	1,503	1,531	1,482	1,421	1,407	1,438	1,418
FTSE 100	6,433	6,722	6,467	6,303	6,360	6,608	6,621	6,449	6,308	6,172	6,203	6,221
DAX	7,871	8,019	7,862	7,638	7,584	8,007	7,883	7,409	6,917	6,715	6,789	6,597
NIKKEI	15,681	16,738	16,786	16,569	17,249	18,138	17,876	17,400	17,288	17,604	17,383	17,226
HANG SENG	28,644	31,353	27,142	23,984	23,185	21,773	20,634	20,319	19,801	19,652	20,106	19,965
KOSPI	1,906	2,065	1,946	1,873	1,933	1,744	1,701	1,542	1,453	1,417	1,360	1,434
TOPIX	1,532	1,620	1,617	1,608	1,706	1,775	1,756	1,701	1,714	1,753	1,722	1,681
FTSE WORLD	378	395	385	374	375	385	388	376	364	359	364	358
FTSE US	617	645	634	613	604	624	635	615	591	585	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 6/6/08

Market Environment- Equity Traded Value

	FY 2008 (daily avg ln \$mm)									FY'08 vs			
	Q2'08	May	Apr	Mar	Q1'08	Feb	Jan	Dec	FY'08	Q2'08 vs Q1'08	Q1'08 vs Q4'07	Q2'08 vs Q2'07	FY '08 vs FY '07
NASDAQ	26,834	28,073	25,338	28,398	33,126	31,411	40,271	27,339	29,980	-18.7%	-21.6%	-17.7%	-14.0%
NYSE	43,274	39,594	39,180	51,321	51,108	48,103	61,333	43,376	47,128	-15.3%	1.5%	-23.6%	-14.3%
US	70,208	65,667	64,519	80,719	84,234	79,514	101,604	70,715	77,108	-16.7%	-9.0%	-21.5%	-14.5%
Toronto Stock Exchange	6,187	6,335	5,627	6,569	5,691	5,627	6,420	4,914	5,943	8.7%	-5.6%	29.9%	15.9%
Bovespa (Brazil)	3,614	4,031	3,555	3,193	3,068	3,161	2,958	3,097	3,344	17.8%	2.7%	90.9%	47.9%
Mexico Stock Exchange	789	599	1,130	639	518	570	579	388	655	52.3%	-8.9%	65.3%	27.5%
Total Americas	80,798	76,632	74,830	91,120	83,510	88,873	111,551	79,113	87,050	-13.6%	-8.5%	-16.3%	-11.3%
London Stock Exchange	17,305	16,087	15,900	20,238	18,944	18,313	22,180	15,894	18,131	-8.7%	-25.4%	-40.6%	-31.9%
Xetra (Germany)	11,360	9,755	10,716	13,635	13,879	12,126	17,711	11,085	12,599	-18.1%	11.2%	-3.7%	6.7%
Euronext (France)	10,197	9,034	10,004	11,813	11,812	11,230	14,511	9,330	11,004	-13.7%	3.3%	-1.5%	4.3%
Italy	7,988	9,644	7,415	6,493	7,231	6,565	8,020	7,021	7,605	10.4%	-18.6%	-15.3%	-9.2%
SB Swiss	4,672	4,180	4,699	5,235	6,089	5,683	7,199	5,243	5,374	-23.3%	-4.7%	-32.2%	-18.1%
Spain	4,812	4,463	4,937	4,995	5,535	4,872	6,548	5,044	5,177	-13.1%	-0.2%	-14.3%	-8.2%
Total Europe	66,332	63,163	63,672	62,608	63,690	58,769	76,169	53,617	59,891	-11.3%	-9.4%	-23.1%	-13.8%
Tokyo Stock Exchange	22,599	22,630	22,599	22,569	23,017	23,749	26,358	20,737	22,993	-4.3%	1.5%	-6.6%	-2.6%
Hong Kong Stock Exchange	7,164	6,771	7,119	7,588	8,431	8,857	10,118	7,967	7,792	-15.0%	-31.6%	35.9%	1.4%
Korea Stock Exchange	5,378	5,648	5,727	4,822	4,911	4,911	5,777	5,374	5,380	-0.1%	-28.5%	25.2%	-4.7%
Australia Stock Exchange	4,218	4,264	3,740	4,670	4,100	4,474	4,123	3,680	4,158	2.8%	-4.0%	11.3%	-40.0%
Taiwan Stock Exchange	4,991	4,676	5,309	5,027	3,828	4,114	4,165	3,279	4,438	30.4%	-14.0%	56.6%	7.3%
Total Asia	44,346	43,989	44,493	44,676	45,756	44,105	50,541	41,017	44,760	-2.2%	-12.5%	8.9%	-6.8%
Global	181,477	173,783	172,994	198,404	202,357	191,747	238,271	173,748	191,701	-10.3%	-3.7%	-13.8%	-11.1%

	FY 2007 (daily avg ln \$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	42,488	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	61,238	64,286	59,479	59,651	56,652	56,445	55,418	57,980	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	79,376	83,190	82,042	73,085	90,228
Toronto Stock Exchange	6,028	6,194	6,291	5,540	5,822	5,604	5,532	5,732	4,761	5,402	4,599	4,268	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	2,250
Mexico Stock Exchange	556	541	628	488	548	548	568	524	477	526	482	438	472	5,220	422	405	514
Total Americas	102,175	103,548	103,294	99,383	107,915	107,605	110,769	103,536	86,613	85,041	82,758	101,393	79,376	101,306	88,046	78,710	98,132
London Stock Exchange	25,381	22,933	26,838	26,398	27,874	26,048	26,988	28,043	29,132	30,522	25,494	30,847	24,053	27,282	24,560	20,068	28,620
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	9,488	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	10,809	8,984	8,639	9,198	8,048	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	5,296	5,681	5,889	5,216	7,867	5,419	4,783	5,520
Total Europe	70,114	71,976	70,461	67,646	74,779	73,588	70,639	78,506	73,214	75,651	68,555	74,895	66,666	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	6,869	5,869	7,489	6,588	6,298	7,584	4,293	5,264	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	29,067	4,028	3,787	4,410	3,578	3,306	7,280	16,798	2,877	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	2,902	3,221	3,434	3,397	2,800	3,698	3,422	4,134
Total Asia	51,858	52,954	55,782	45,954	66,027	51,524	74,730	46,659	40,730	42,176	38,810	41,308	38,810	54,835	38,256	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	217,595	185,968	228,647	185,325	161,035	215,583

Source: Bloomberg

Market Activity – Commodity/Currency/Volatility

Commodities	2008						%Δ			Lehman Forecast*	
	May	Apr	Mar	Feb	Jan	Dec'07	Q2'08 vs Q1'08	Q1'08 vs Q4'07	Q2'08 vs Q2'07	Q3'08	Q4'08
	Brent Crude Oil - Europe (spot price, US \$ per barrel)	127.08	113.14	100.22	100.15	92.56	93.89	27%	13%	86%	125
WTI Cushing Crude Oil - U.S. (spot price, US \$ per barrel)	127.35	115.63	101.58	101.84	91.75	96	25%	15%	99%		
Gold (spot price, US \$ per ounce)	886.5	870.5	916.88	974.17	925.99	833.92	-9%	24%	34%	950	1100
Currencies											
British Pound (in U.S. \$)	1.98	1.97	1.98	1.99	1.99	1.98	0%	-3%	0%	1.94	1.92
Euro (in U.S. \$)	1.56	1.56	1.58	1.52	1.49	1.46	2%	4%	16%	1.53	1.50
Japanese Yen (per U.S. \$)	105.51	104.01	99.69	103.74	106.45	111.71	2%	-7%	-13%	95	95
Volatility (period end)											
VIX (S&P 500 volatility)	17.83	20.24	25.61	26.54	26.20	22.50	-33%	16%	37%		
VXN (NASDAQ 100 volatility)	20.85	23.87	29.04	28.44	31.08	25.90	-26.7%	-0.7%	23.7%		
VDAX (DAX volatility)	18.16	18.86	23.74	26.65	26.35	16.36	-31.9%	51.9%	21.6%		
VSTOXX (Eurozone volatility)	19.68	21.52	27.31	28.69	30.05	18.06	-31.4%	40.4%	24.6%		

Commodities	2007											
	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec'06
	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
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 6/6/08

LEHMAN BROTHERS
SECOND QUARTER 2008
BANKING ANALYSIS

Segment Revenues <i>(\$ in millions)</i>	Q2 2008 Trend				Quarter Trend				Δ %		Year to Date		Δ %
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 Versus		6 Months Ended		YTD '08
									Q1 '08	Q2 '07	2008	2007	vs. YTD '07
Investment Banking:													
Debt	93	76	119	288	322	233	350	540	-11%	-47%	610	968	-37%
Equity	30	108	191	330	214	210	296	334	54%	-1%	545	509	7%
Advisory	79	92	68	240	330	388	425	277	-27%	-13%	570	524	9%
Investment Banking Revenues	203	277	379	858	867	831	1,071	1,150	-1%	-25%	1,725	2,000	-14%
Pre-Tax Operating Income				193	182	207	288	338	6%	-43%	374	527	-29%
Pre-Tax Operating Margin %				22.4%	21.0%	24.9%	26.9%	29.4%	7%	-24%	43.4%	51.6%	-16%

Q2'08 versus Q1'08 and Q2'07

- ❖ **Banking segment revenues of \$858mm for Q2'08 was \$9mm or 1% below revenue of \$867mm recorded in Q1'08, and \$292mm or 25% below record Q2'07. Despite very turbulent credit and equity markets, this was the fourth highest revenue quarter ever for Investment Banking due to strength in Equity Origination.**

 Global pipeline fees of \$536mm fell 28% vs. Q1'08 and 66% vs. Q2'07.
 Global pipeline value of \$282bn fell 16% vs. Q1'08 and 64% vs. Q2'07.
 All products are down vs. both periods with the exception of Equity, which is higher due to some large rights offerings mandated in Europe.
- ❖ **Debt Origination revenue of \$288mm fell 11% from Q1'08 and was down 47% versus Q2'07**
 Leveraged Finance continued to fall significantly versus record levels in the first half of 2007, as the number of Financial Sponsor related transactions were minimal. Stronger Investment grade issuance from a number of European clients as well as financial institutions helped offset minimal ABS issuance and slower client solutions revenue.
- ❖ **Equity Origination revenue of \$330mm nearly represented a record quarter, up 54% from Q1'08 and essentially flat to record Q2'07.**
 A number of very large fees earned on Financial Institutions balance sheet repair transactions resulted in most of the quarter's revenue, with private Placement activity also strong, offsetting very weak IPO and non-financial company secondary activity.
- ❖ **Advisory revenue of \$240mm decreased \$90mm or 27% vs. strong Q1'08 and fell 13% vs. Q2'07, as the decrease in M&A announcements since August 2007 impacted deal completion activity.**

 Lehman M&A announced transaction volume in Q2'08 of \$171bn rose 127% from the prior quarter but was 48% below robust Q2'07. However \$113bn or 66% of the quarter's volume was attributed to one transaction, the Altria spin-off of Philip Morris International. YTD rank did rise to #6 from #9 in CY 2007. Lehman completed volume rose 95% from Q1'08 and 1% from Q2'07, again though substantially impacted by the \$113bn Altria spin-off which was completed in the same quarter it was announced.

LEHMAN BROTHERS
SECOND QUARTER 2008
SIGNIFICANT COMPLETED BANKING DEALS

Value (\$mil)	Deal	Industry	Transaction Description	Revenue (\$mil)
M&A Completed				
n/a	Washington Mutual Inc.	FIG	Sale of 19.9% stake to TPG led investor group	23.8
5,507	Henkel KGAA	CR	Acq. of Adhesives/Electronic Materials businesses	17.9
n/a	Hagemeyer NV	Ind	Sale to Rexel	16.0
18,632	Carlsberg Breweries A/S	CR	Acquisition of Scottish & Newcastle PLC	15.7
n/a	American Stock Transfer & Trust Cmpy	Tech/FIG	Sale of a majority stake to Pacific Equity Partners	10.0
Equity				
4,000	Lehman Brothers Holdings	FIG/Oth	Cvt	*119.0
7,000	Washington Mutual (TPG)	FIG	PIPE	71.4
1,438	Sovereign Bancorp	FIG	Sec'd	41.1
4,843	Fannie Mae	FIG	Sec'd/Cvt	40.4
£3,200	Carlsberg A/S	CR	Rts	14.1
1,500	CIT Group	FIG	Sec'd/Cvt	12.8
758	Petrohawk Energy Corp	NR	Sec'd	11.9
£430	3I Group Plc	FIG	Cvt/Deriv	11.6
Fixed Income				
n/a	Pemira Advisers	NR	FX	14.5
n/a	Cordea Savills	RE	CMBS	13.1
2,250	Federal National Mortgage Association	FIG	PFD	12.5
n/a	Chesapeake Energy	NR	ET	12.5
n/a	Alliance & Leicester Plc	FIG	Deriv	11.5
8,000	GlaxoSmithKline	HC	IG	10.8

* Convertible offering did not contribute any revenue to the IBD segment. However, it is included in league tables.

LEHMAN BROTHERS
SECOND QUARTER 2008
BANKING ANALYSIS

Debt Origination

Global Revenues (\$mm)

				Quarter Trend					Δ %		6 Months Ending May		Δ %		Records			
	Mar	Apr	May	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year
									Q1 '08	Q2 '07			YTD '07	YTD '07				
Leveraged Finance	24	5	13	41	76	32	101	274	-45%	-85%	117	443	-74%	274	Q3 '04	443	YTD '07	
Debt Capital Markets	69	71	106	247	246	201	249	266	0%	-7%	493	525	-6%	283	Q3 '05	525	YTD '07	
Total Debt Origination	93	76	119	288	322	233	350	540	-11%	-47%	610	968	-37%	540	Q2 '07	968	YTD '07	

Debt Market Environment

	Mar	Apr	May	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year
									Q1 '08	Q2 '07			YTD '07	YTD '07				
Global Market Volume	341,591	569,524	501,611	1,412,726	1,147,955	1,325,174	1,694,360	2,178,698	23%	-35%	2,560,681	3,995,357	-36%	2,178,698	Q2 '07	3,995,357	YTD '07	
Lehman Market Volume	6,567	19,406	19,446	45,419	56,329	65,267	85,324	139,035	-19%	-67%	101,748	237,733	-57%	139,035	Q2 '07	237,733	YTD '07	
Lehman Market Share	1.9%	3.4%	3.9%	3.2%	4.9%	4.9%	5.0%	6.4%	-34%	-50%	4.0%	6.0%	-33%	7.5%	Q1 '04	n/a	n/a	
Fee share	4.2%	3.7%	4.3%	4.3%	4.7%	5.1%	4.6%	4.6%	9%	-7%	4.3%	4.6%	-7%	7.0%	Q2 '02	7.0%	YTD '02	
Pipeline Value (\$B)	43.1	40.3	34.1	34.1	39.4	59.7	178.5	167.1	-13%	-80%	34.1	167.1	-80%	211.8	Q2 '07	167.1	YTD '07	
Pipeline Fees	87.7	87.8	74.4	74.4	104.2	141.3	172.0	616.4	-29%	-88%	74.4	616.4	-88%	616.4	Q2 '07	616.4	YTD '07	

Q2'08 versus Q1'08 and Q2'07

Leveraged Finance:

- Leveraged Finance revenue of \$41mm in Q2'08 was 45% below Q1'08 and 85% lower than the record \$274mm recorded in Q2'07, 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 Q2'08 was just \$1.1bn out of \$20bn of total market issuance, resulting in a market share of 5.3% vs. 0% in the prior quarter and 6.3% in Q2'07 when there were much larger volumes.
- Lehman Leveraged Loans volumes also continued to fall in the quarter, with Lehman down 11% and 90% vs. Q1'08 and Q2'07 respectively, while the market fell 32% and 76% over the same periods.
- Notable transactions and fees included an FX hedge for Permira Advisors \$14mm, Chesapeake Energy Corp commodity flow trades \$12mm, and a DLF Assets loan \$9mm.

Debt Capital Markets (non-leveraged finance):

- Debt Capital Market (non-leverage finance) revenue of \$247mm for Q2'08 was flat to Q1'08 but 7% below Q2'07. Stronger Investment Grade, including a number of large transactions in Europe, offset continued weakness in ABS and lower client solutions revenue.
- Lehman's investment grade volume was flat to Q1'08 while overall market volume increased 64%. Lehman's market share of 3.6% is lower compared to the 5.9% for Q1'08. YTD Investment Grade rank is #10, the same as in CY 2007.
- Debt Capital Market (non-leverage finance) revenue for Q2'08 included: GlaxoSmithKline multi-tranche \$11mm, and Investment grade offerings of \$6bn for Philip Morris International \$7mm and \$8.5bn for GECC 6mm.

LEHMAN BROTHERS
SECOND QUARTER 2008
BANKING ANALYSIS

Equity Origination

Global Revenues (\$mm)

	Quarter Trend						Δ %		6 Months Ending May		Δ %		Records				
	Mar	Apr	May	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08		YTD '08 vs		Qtr Record	Qtr	YTD Record	Year	
								Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '07					
IPO	5	(0)	6	10	50	89	100	96	-70%	-89%	60	143	-58%				
Secondary	7	20	117	144	61	43	61	57	138%	152%	204	106	92%				
Blocks	1	-	9	10	1	16	6	27	1841%	-63%	11	39	-73%				
Convertibles	6	14	43	62	50	14	23	39	26%	61%	112	73	53%				
Derivatives	3	4	8	16	41	35	77	97	-62%	-84%	57	116	-51%				
Other	9	71	9	88	13	14	30	18	580%	403%	101	32	211%				
Global Finance Equities	30	108	191	330	214	210	296	334	54%	-1%	545	509	7%	334	Q3 '04	545	YTD '08

Equity Market Environment

	Mar	Apr	May	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	YTD Record	Year
								Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '07					
Global Market Volume	56,321	64,183	82,827	203,331	140,409	272,201	240,400	245,158	45%	-17%	343,740	442,232	-22%	272,201	Q4 '07	442,232	YTD '07
Lehman Market Volume	568	5,314	5,925	11,807	5,893	4,747	9,054	9,639	100%	22%	17,700	16,273	9%	11,807	Q2 '08	17,700	YTD '08
Lehman Market Share	1.0%	8.3%	7.2%	5.8%	4.2%	1.7%	3.8%	3.9%	38%	48%	5.1%	3.7%	40%	18.0%	Q3 '05	n/a	n/a
Fee share	2.9%	2.9%	4.8%	4.8%	4.1%	3.0%	3.4%	3.1%	17%	55%	4.8%	3.1%	55%	4.8%	Q1 '02	4.8%	YTD '08
Pipeline Valuc (\$B)	33.4	33.4	32.2	32.2	29.2	23.7	17.9	30.4	10%	6%	32.2	30	6%	33	Q2 '07	32	YTD '08
Pipeline Fees	369.4	322.6	212.1	212.1	301.7	315.6	317.4	422.2	-30%	-50%	212.1	422.2	-50%	422	Q2 '07	422	YTD '07

Q2'08 versus Q1'08 and Q2'07

Equity Origination:

- Equity revenue of \$330mm was a near record, up \$116mm or 54% vs. Q1'08 and down \$4mm from record Q2'07.
- Equity Origination Lehman volume in Q2'08 rose 100% vs. the prior quarter, while market volume rose just 45% over the same period. Lehman volumes were particularly strong in secondary issuance and convertibles, bolstered by balance sheet repair transactions for financial institution clients.
- Lehman Q2'08 market share of 5.8% rose from the 4.2% reported in Q1'08 and the 3.9% of Q2'07, with Worldwide Equity ranking rising to #6 from #9 in CY 2007.
- Top Q2'08 transactions: Washington Mutual PIPE \$71mm, Sovereign Bancorp follow-on \$41mm, FannieMae follow-on and Convertible Pfd \$40mm, and Carlsberg A/S rights offering \$14mm.

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LEHMAN BROTHERS
SECOND QUARTER 2008
BANKING ANALYSIS

Advisory

Global Revenues (\$mm)

	Quarter Trend								Δ %		6 Months Ending May			Records			
	Mar	Apr	May	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	YTD Record	Year
									Q1 '08	Q2 '07							
Americas	39	57	48	144	217	230	336	167	-33%	-14%	361	331	9%	336	Q3 '07	367	YTD '06
Europe	30	34	12	76	91	146	84	98	-17%	-22%	168	178	-6%	146	Q4 '07	178	YTD '07
Asia	10	2	8	19	22	11	4	12	-12%	61%	41	15	176%	42	Q1 '00	41	YTD '08
Global Advisory	79	92	68	240	330	388	425	277	-27%	-13%	570	524	9%	425	Q4 '04	570	YTD '08
Non-league table revenue				126	110	150	178	169	14%	-25%	236	300	-21%				
% of Total Advisory				53%	33%	39%	42%	61%			41%	57%					

Advisory Market Environment

	Quarter Trend								Q2 '08		6 Months Ending May			Records			
	Mar	Apr	May	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	YTD Record	Year
									Q1 '08	Q2 '07							
M&A Completed																	
Global Market Volume	293,908	194,927	108,276	597,111	701,153	1,137,140	988,576	967,181	-15%	-38%	1,298,264	1,922,112	-32%	1,137,140	Q4 '07	1,922,112	YTD '07
Lehman Market Volume	132,398	33,870	15,565	181,833	93,299	389,995	116,633	180,418	95%	1%	275,131	350,292	-21%	389,995	Q4 '07	350,292	YTD '07
Lehman Market Share	45.0%	17.4%	14.4%	30.5%	13.3%	34.3%	11.8%	18.7%	120%	63%	21.2%	18.2%	16%	n/a	n/a	n/a	n/a
M&A Announced																	
Global Market Volume	322,658	261,791	270,815	855,264	719,449	927,076	1,239,575	1,329,971	19%	-36%	1,574,713	2,310,482	-32%	1,329,971	Q2 '07	2,310,482	YTD '07
Lehman M&A Announced	119,304	14,038	37,172	170,513	75,056	78,890	158,908	325,505	127%	-48%	245,569	575,786	-57%	325,505	Q2 '07	575,786	YTD '07
Lehman Market Share	37.0%	5.4%	13.7%	19.9%	10.4%	8.5%	12.8%	24.5%	91%	-19%	15.6%	24.9%	-37%	n/a	n/a	n/a	n/a
M&A Completed Fee share	5.7%	5.3%	5.2%	5.2%	7.0%	4.9%	4.9%	4.7%	-26%	11%	5.2%	4.7%	11%	7.0%	Q1 '08	5.4%	YTD '06
Pipeline Value (\$B)	260	232	215	215	268	231	616	584	-20%	-63%	215	583.6	-63%	616.7	Q2 '07	583.6	YTD '07
Pipeline Fees	295	265	249	249	340	374	501	521	-27%	-52%	249	520.9	-52%	520.9	Q2 '07	520.9	YTD '07

Q2'08 vs. Q1'08 and Q2'07

Advisory:

- M&A revenue of \$240mm was down \$90mm or 27% vs. Q1'08 and \$37mm or 13% lower vs. Q2'07. Q2'08 was the lowest for advisory revenue since Q3'06.
- M&A Global Announced market volume of \$855bn in Q2'08 rose 19% vs. Q1'08 but was down 36% vs. strong Q2'07, as turbulence in the liquidity and LBO markets continued to impact merger activity.
- Lehman announced volume of \$171bn rose 127% vs. Q1'08 but fell 48% vs. Q2'07, with market share increasing to 19.9% vs. 10.4% in Q1'08. However \$113bn or 2/3 of Lehman's Q2'08 volume related to just one transaction, the Altria spin-off of Philip Morris International.
- Lehman's M&A Completed volume of \$182bn in Q2'08 was up 95% vs. Q1'08, and 1% vs. Q2'07, with market share rising to 30.5% in the quarter vs. 13.3% in Q1'08 and 18.7% in Q2'07. Again, \$113bn of this volume related to the Altria spin-off of Philip Morris transaction.
- Top Lehman transactions announced in the quarter (\$Deal size): Altria spin-off of Philip Morris \$113bn, Hewlett Packard (acq of EDS) \$13.bn, and Liberty Mutual (Acq of Safeco) \$6bn.
- Large fees in Q2'08 included Washington Mutual \$24mm (sale of a stake to TPG), Henkel KGAA \$18mm (Acq of adhesives business of ICI), Hagemeyer \$16mm (Sale to Rexel), and Carlsberg A/S \$16mm (Acq of Scottish & Newcastle).

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LEHMAN BROTHERS
SECOND QUARTER 2008
REGIONAL ANALYSIS

Europe Revenues (\$mm)	Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ²			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs Q1 '08	Q2 '08 vs Q2 '07	YTD '08	YTD '07	YTD '08 vs YTD '07	Qtr Record	Qtr	Yr Record	Yr	
	Equity Underwriting	51	58	51	99	66	-10%	-22%	109	95	14%	99	Q3 '07	254	FY '00
Leveraged Finance	5	19	5	35	63	-76%	-93%	24	112	-79%	63	Q2 '07	152	FY '07	
Debt Capital Markets	52	54	30	61	51	-3%	3%	107	87	23%	135	Q1 '06	243	FY '05	
Total Debt Underwriting	57	73	35	96	114	-22%	-50%	130	198	-34%	155	Q1 '06	337	FY '05	
Financial Advisory	76	91	146	84	98	-17%	-22%	168	178	-6%	146	Q4 '07	408	FY '07	
Attributable	27	42	14	32	30	-36%	-10%	68	72	-5%	42	Q1 '07	117	FY '07	
Total Banking	212	264	246	310	307	-20%	-31%	475	543	-13%	310	Q3 '07	1,100	FY '07	

Asia Revenues (\$mm)	Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ²			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs Q1 '08	Q2 '08 vs Q2 '07	YTD '08	YTD '07	YTD '08 vs YTD '07	Qtr Record	Qtr	Yr Record	Yr	
	Equity Underwriting	5	19	18	23	32	-74%	-85%	23	34	-31%	67	Q2 '05	111	FY '05
Leveraged Finance	18	3	0	7	6	569%	183%	21	18	n/a	18	Q2 '08	25	FY '07	
Debt Capital Markets	24	17	18	11	22	40%	8%	40	35	15%	26	Q4 '04	77	FY '05	
Total Debt Underwriting	41	19	18	18	28	113%	48%	61	52	16%	41	Q2 '08	89	FY '07	
Financial Advisory	19	22	11	4	12	-12%	61%	41	15	176%	42	Q1 '00	50	FY '00	
Attributable	5	2	5	4	1	192%	315%	7	2	172%	37	Q4 '04	49	FY '04	
Total Banking	70	62	53	50	74	14%	-4%	132	104	28%	99	Q2 '05	242	FY '05	

Q2'08 Europe revenue of \$212mm fell 20% vs. Q1'08 and 31% compared to Q2'07.

Equity Origination revenue of \$51mm was 10% below Q1'08 and 22% below Q2'07.

- Equity revenue for the quarter was based mostly on traditional issuances rather than Client Solutions transactions.
- Top Q2'08 transactions: rights-offerings for Carlsberg S/A and Groupe Eurotunnel, a convertible refinancing and call spread for 3i Group PLC, and a secondary offering for Dockwise B.V.

Debt Capital Markets revenue fell 3% versus Q1'08 but was up 3% versus Q2'07.

- Revenue was boosted by demand for capital raising and restructuring solutions.
- Top Q2'08 transactions include: investment grade offerings for GlaxoSmithKline, KBC Bank, and Telecom Italia SpA.

Leveraged Finance revenue was just \$5mm, down 76% vs. Q1'08 and 93% vs. Q2'07.

- Revenue was down substantially due to the lack of new financial sponsor deals or refinancings of existing loans.
- Q2'08 included an FX hedge for Permira Advisors and Borsodchem credit facility.

Advisory revenue of \$76mm in Q2'08 fell 17% vs. Q1'08 and 22% vs. Q2'07.

- Completed M&A transactions included Henkel KGAA (Acq of adhesives business of ICI), Hagemeyer (Sale to Rexel), and Carlsberg A/S (Acq of Scottish & Newcastle).
- Key announced transactions for Q2'08 included our advising Altria on the spin-off of Philip Morris \$1.3bn, advising Finmeccanica SpA (Acq of DRS Technologies) \$6bn, and Speed SpA (Sale to Pirelli & Co.) \$1.3bn.

Q2'08 Asia revenue of \$70mm rose 14% vs. Q1'08 but fell 4% vs. Q2'07.

Equity Origination revenue of \$5mm fell 74% vs. Q1'08 and 85% vs. Q2'07.

- Asia equity market volume fell 19% in Q2'08 while Lehman volume rose 64%.
- Main Lehman deal in Q2'08 was related to JA Solar Holdings (China).

Debt Capital Markets revenue was \$24mm, up 40% vs. Q1'08 and 8% vs. Q2'07.

- Main revenue gains came from client solutions transactions for China Development Bank and Huaneng Power International (China) and a secured loan transaction for Taiwan High Speed Rail Corp.

Leveraged Finance revenue was \$18mm, up 569% vs. Q1'08 and 183% vs. Q2'07.

- Revenue was driven by financings for DLF Assets (India), Arysta Lifescience Corp (Japan), and SFCG Co. (Japan).

Advisory revenue was \$19mm in the quarter, down 12% Q1'08 but up 61% from Q2'07.

- Q2'08 included advisory fees earned from Arysta Lifescience Corp (Japan) and Huaneng Power International (Japan).

LEHMAN BROTHERS
SECOND QUARTER 2008
INVESTMENT BANKING REVENUE TREND

Global Revenues (\$mm)	Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ¹			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	Yr Record	Yr
						Q1 '08	Q2 '07			YTD '07					
Equity Underwriting	330	214	210	296	334	54%	-1%	545	509	7%	334	Q3 '04	1,015	FY '07	
Leveraged Finance	41	76	32	101	274	-45%	-85%	117	443	-74%	274	Q3 '04	576	FY '07	
Debt Capital Markets	247	246	201	249	266	0%	-7%	493	525	-6%	283	Q3 '05	975	FY '07	
Total Debt Underwriting	288	322	233	350	540	-11%	-47%	610	968	-37%	540	Q2 '07	1,551	FY '07	
Financial Advisory	240	330	388	425	277	-27%	-13%	570	524	9%	425	Q4 '04	1,336	FY '07	
Total Banking	858	867	831	1,071	1,150	-1%	-25%	1,725	2,000	-14%	1,150	Q2 '07	3,903	FY '07	
Pre-Tax Income	193	182	207	207	288	6%	-33%	1,725	2,000	-14%					
Pre-Tax Margin	22.4%	21.0%	24.9%	19.4%	25.0%			100%	100%						

Americas Revenues (\$mm)	Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ²			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	Yr Record	Yr
						Q1 '08	Q2 '07			YTD '07					
Equity Underwriting	274	138	141	174	235	98%	16%	412	380	9%	285	Q3 '04	695	FY '07	
Leveraged Finance	19	54	26	59	205	-65%	-91%	73	314	-77%	266	Q3 '04	440	FY '06	
Debt Capital Markets	171	176	154	177	193	-3%	-11%	346	403	-14%	211	Q1 '07	734	FY '07	
Total Debt Underwriting	190	230	180	236	398	-17%	-52%	419	717	-42%	411	Q3 '04	1,133	FY '07	
Financial Advisory	144	217	230	336	167	-33%	-14%	361	331	9%	336	Q3 '07	897	FY '07	
Attributable	(32)	(43)	(19)	(35)	(31)	-27%	2%	(75)	(74)	1%	(2)	Q4 '00	-	-	
Total Banking	576	541	532	711	769	6%	-25%	1,118	1,353	-17%	927	Q3 '04	2,596	FY '07	

Europe Revenues (\$mm)	Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ²			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	Yr Record	Yr
						Q1 '08	Q2 '07			YTD '07					
Equity Underwriting	51	58	51	99	66	-10%	-22%	109	95	14%	99	Q3 '07	254	FY '00	
Leveraged Finance	5	19	5	35	63	-76%	-93%	24	112	-79%	63	Q2 '07	152	FY '07	
Debt Capital Markets	52	54	30	61	51	-3%	3%	107	87	23%	135	Q1 '06	243	FY '05	
Total Debt Underwriting	57	73	35	96	114	-22%	-50%	130	198	-34%	155	Q1 '06	337	FY '05	
Financial Advisory	76	91	146	84	98	-17%	-22%	168	178	-6%	146	Q4 '07	408	FY '07	
Attributable	27	42	14	32	30	-36%	-10%	68	72	-5%	42	Q1 '07	117	FY '07	
Total Banking	212	264	246	310	307	-20%	-31%	475	543	-13%	310	Q3 '07	1,100	FY '07	

Asia Revenues (\$mm)	Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ²			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	Yr Record	Yr
						Q1 '08	Q2 '07			YTD '07					
Equity Underwriting	5	19	18	23	32	-74%	-85%	23	34	-31%	67	Q2 '05	111	FY '05	
Leveraged Finance	18	3	0	7	6	569%	183%	21	18	n/a	18	Q2 '08	25	FY '07	
Debt Capital Markets	24	17	18	11	22	-40%	8%	40	35	15%	26	Q4 '04	77	FY '05	
Total Debt Underwriting	41	19	18	18	28	113%	48%	61	52	16%	41	Q2 '08	89	FY '07	
Financial Advisory	19	22	11	4	12	-12%	61%	41	15	176%	42	Q1 '00	50	FY '00	
Attributable	5	2	5	4	1	192%	315%	7	2	172%	37	Q4 '04	49	FY '04	
Total Banking	70	62	53	50	74	14%	-4%	132	104	28%	99	Q2 '05	242	FY '05	

¹ Records date back to Q1 '98

² Records date back to Q1 '00

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**LEHMAN BROTHERS
SECOND QUARTER 2008
GLOBAL BANKING VOLUME**

Global Market Volume (\$mm):	Fiscal Quarter Trend					Δ %		6 Months Ending May			Calendar Year		Records					
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08	ANN '08	CY '07	CY '06	Qtr Record	Yr Record			
						Q2 '08 vs.		YTD '08 vs.			ANN '08 vs.		Qtr	Yr				
Total Equity (including rights)	203,331	140,409	272,201	240,400	245,158	45%	-17%	343,740	442,232	-22%	645,202	889,238	765,206	-27%	272,201	Q4 '07	954,833	FY '07
Common Stock	152,405	89,078	240,075	200,506	182,596	71%	-17%	241,483	342,238	-30%	454,610	708,978	641,720	-30%	240,075	Q4 '07	782,819	FY '07
IPOs	46,104	34,368	99,387	78,698	77,329	54%	-40%	80,472	131,430	-39%	136,011	290,291	257,957	-33%	99,387	Q4 '06	309,515	FY '07
Secondary	106,301	54,710	140,688	121,808	105,267	94%	1%	161,011	210,808	-24%	318,599	418,687	383,763	-24%	140,688	Q4 '07	473,304	FY '07
Convertibles	50,926	51,332	32,125	39,894	62,562	-1%	-19%	102,258	99,994	2%	190,593	180,260	123,486	6%	62,562	Q2 '07	172,014	FY '07
Total Debt	1,412,726	1,147,955	1,325,174	1,694,360	2,178,698	23%	-35%	2,560,681	3,995,357	-36%	5,526,513	6,772,402	7,122,554	-18%	2,178,698	Q2 '07	7,095,080	FY '06
Investment Grade	767,715	468,035	600,642	544,136	782,313	64%	-2%	1,235,750	1,498,367	-18%	2,686,008	2,590,516	2,617,260	4%	813,050	Q4 '06	2,643,145	FY '07
Leveraged Loans	159,031	203,361	285,526	438,576	578,939	-32%	-76%	342,392	946,043	-64%	605,821	1,631,583	1,212,322	-63%	578,939	Q2 '07	1,670,145	FY '07
High Yield	20,027	4,920	34,773	35,668	65,585	307%	-69%	24,947	111,530	-78%	54,908	165,554	184,566	-67%	65,585	Q2 '07	181,971	FY '07
ABS	92,845	71,523	164,836	338,353	442,027	30%	-79%	164,369	813,290	-80%	339,158	1,187,119	1,546,204	-71%	463,280	Q4 '06	1,540,339	FY '06
MBS	57,216	91,506	172,827	430,558	467,034	-37%	-22%	148,722	804,612	-82%	259,739	1,344,658	1,451,416	-81%	467,034	Q2 '07	1,459,324	FY '06
Agencies	339,590	364,663	250,152	232,913	267,943	-7%	27%	704,253	510,175	38%	1,554,468	1,019,499	910,502	52%	364,663	Q1 '08	993,239	FY '07
M&A Completed	597,111	701,153	1,137,140	988,576	967,181	-15%	-38%	1,298,264	1,922,112	-32%	2,529,447	3,901,627	3,061,699	33%	1,137,140	Q4 '07	4,047,828	FY '07
M&A Announced	855,264	719,449	927,076	1,239,575	1,329,971	19%	-36%	1,574,713	2,310,482	-32%	2,915,166	4,444,592	3,601,470	34%	1,329,971	Q2 '07	4,477,134	FY '07

Global Lehman Volume (\$mm):	Quarter Trend					Δ %		6 Months Ending May			Calendar Year		Records					
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08	ANN '08	CY '07	CY '06	Qtr Record	Yr Record			
						Q2 '08 vs.		YTD '08 vs.			ANN '08 vs.		Qtr	Yr				
Total Equity (including rights)	11,807	5,893	4,747	9,054	9,639	100%	22%	17,700	16,273	9%	33,495	30,064	27,500	11%	11,807	Q2 '08	30,074	FY '07
Common Stock	5,447	2,733	4,116	6,490	5,668	99%	-4%	8,180	10,494	-22%	18,230	19,075	19,924	-4%	6,872	Q3 '06	21,320	FY '06
IPOs	129	409	1,905	3,271	2,493	-64%	-95%	538	3,754	-87%	597	8,878	7,054	-93%	3,271	Q3 '07	8,929	FY '07
Secondary	5,317	2,324	2,211	3,219	3,175	127%	-6%	7,641	6,740	13%	17,633	10,197	12,870	73%	5,317	Q2 '08	13,815	FY '06
Convertibles	6,360	3,160	631	2,564	3,971	101%	60%	9,520	5,779	65%	15,265	10,989	7,576	39%	6,360	Q2 '08	9,520	FY '08
Total Debt	45,419	56,329	65,267	85,324	139,035	-19%	-67%	101,748	227,733	-57%	207,098	387,263	438,448	-47%	139,035	Q2 '07	438,026	FY '06
Investment Grade	27,896	27,806	12,656	17,598	40,344	0%	-31%	55,703	76,783	-27%	112,894	103,324	117,321	9%	42,616	Q2 '06	113,029	FY '06
Leveraged Loans	2,443	2,747	17,316	12,437	25,693	-11%	-90%	5,190	37,840	-86%	10,817	63,821	37,991	-83%	25,693	Q2 '07	67,594	FY '07
High Yield	1,069	0	2,960	1,977	4,113	n/a	-74%	1,069	7,588	-86%	2,565	10,955	9,639	-77%	4,113	Q2 '07	12,524	FY '07
ABS	3,258	3,061	17,575	18,151	25,044	0%	-87%	6,319	41,940	-85%	14,989	76,952	96,032	-81%	31,875	Q3 '05	103,876	FY '05
MBS	3,758	5,091	15,043	37,930	44,170	-26%	-91%	8,849	68,584	-87%	18,792	122,237	129,005	-89%	44,170	Q2 '07	131,736	FY '06
Agencies	4,583	14,786	11,693	5,984	8,993	-69%	-49%	19,369	20,115	-4%	35,913	42,858	44,286	-16%	15,993	Q4 '03	49,033	FY '03
M&A Completed	181,833	93,299	389,995	116,633	180,418	33%	1%	275,131	350,292	-21%	617,994	756,614	482,014	-18%	389,995	Q4 '07	856,920	FY '07
M&A Announced	170,513	75,056	78,890	158,908	325,505	127%	-87%	245,569	575,786	-57%	514,662	777,993	556,220	34%	325,505	Q2 '07	813,584	FY '07

Lehman's Global Market Share:	Fiscal Quarter Trend					Δ %		6 Months Ending May			Calendar Year		Records		
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08	ANN '08	CY '07	CY '06	Record	Period
						Q2 '08 vs.		YTD '08 vs.			ANN '08 vs.		Record	Period	
Total Equity (including rights)	5.8%	4.2%	1.7%	3.8%	3.9%	38%	48%	5.1%	3.7%	40%	5.2%	3.4%	3.6%	6.3%	Q3 '06
Common Stock	3.6%	3.1%	1.7%	3.2%	3.1%	16%	15%	3.4%	3.1%	10%	4.0%	2.7%	3.1%	6.6%	Q2 '03
IPOs	0.3%	1.2%	1.9%	4.2%	3.2%	-76%	-91%	0.7%	2.0%	-77%	0.4%	3.1%	2.7%	12.4%	Q3 '02
Secondary	5.0%	4.2%	1.6%	2.6%	3.0%	18%	66%	4.7%	3.2%	48%	5.5%	2.4%	3.4%	7.7%	Q2 '03
Convertibles	12.5%	6.2%	2.0%	6.4%	6.3%	103%	97%	9.3%	5.8%	61%	8.0%	6.1%	6.1%	18.0%	Q3 '05
Total Debt	3.2%	4.9%	4.9%	5.0%	6.4%	-34%	-50%	4.0%	6.0%	-33%	3.7%	5.7%	6.2%	7.5%	Q1 '04
Investment Grade	3.6%	5.9%	2.1%	3.2%	5.2%	-39%	-10%	4.5%	5.1%	-12%	4.2%	4.0%	4.5%	6.8%	Q3 '02
Leveraged Loans	1.8%	1.4%	6.1%	2.8%	4.4%	30%	-60%	1.5%	4.0%	-62%	1.8%	3.9%	3.1%	6.1%	Q4 '07
High Yield	5.3%	0.0%	8.5%	5.5%	6.3%	n/a	-15%	4.3%	6.8%	-37%	4.7%	6.6%	5.2%	10.1%	Q1 '02
ABS	3.5%	4.3%	10.7%	5.4%	5.7%	-18%	-38%	3.8%	5.2%	-25%	4.4%	6.5%	6.2%	11.6%	Q3 '03
MBS	6.6%	5.6%	8.7%	8.8%	9.5%	18%	-31%	5.9%	8.5%	-30%	7.2%	9.1%	8.9%	12.0%	Q4 '05
Agencies	1.3%	4.1%	4.7%	2.6%	3.4%	-67%	-60%	2.8%	3.9%	-30%	2.3%	4.2%	4.9%	7.2%	Q4 '03
M&A Completed	30.5%	13.3%	34.3%	11.8%	18.7%	123%	61%	21.2%	18.2%	16%	24.4%	19.4%	15.7%	34.3%	Q4 '07
M&A Announced	19.9%	10.4%	8.5%	12.8%	24.5%	91%	-19%	15.6%	24.9%	-37%	17.7%	17.5%	15.4%	25.5%	Q1 '07

Lehman's Global Ranking:	Calendar Year					Calendar Year		Records		
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	ANN '08	CY '07	CY '06	Record	Period
						ANN '08	CY '07	CY '06	Record	Period
Total Equity (including rights)	6	13	9	9	9	6	9	9	7	Q1 '04
IPOs	26	23	9	9	9	26	9	10	5	Q1 '02
Secondary	3	2	11	9	9	3	9	10	5	Q3 '03
Convertibles	6	-	9	7	9	6	7	8	1	Q1 '04
Total Debt	13	9	6	7	6	13	6	5	3	Q3 '05
Investment Grade	10	5	9	8	7	10	10	9	3	Q1 '02
Leveraged Loans	16	12	7	7	8	16	9	11	4	Q1 '05
High Yield	8	-	7	7	6	8	8	9	3	Q3 '02
ABS	8	5	7	8	9	8	6	6	2	Q3 '05
MBS	5	5	1	1	1	5	2	3	1	Q4 '05
Agencies	-	-	-	-	-	-	-	-	-	-
M&A Completed	5	8	6	8	8	5	7	7	5	Q1 '04
M&A Announced	6	2	9	7	6	6	9	8	3	Q1 '06

1 Records date back to Q1 '02

LEHMAN BROTHERS
SECOND QUARTER 2008
AMERICAS BANKING VOLUME

Americas Market Volume (\$mm):

	Fiscal Quarter Trend					Δ %		6 Months Ending May		Δ %		Calendar Year				Records			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs	ANN '08	CY '07	CY '06	ANN '08 vs	Qtr Record	Qtr	Yr Record	Yr	
						Q1 '08	Q2 '07												Q1 '08
Total Equity (including rights)	109,576	59,875	66,651	76,033	94,499	83%	16%	169,451	161,618	5%	332,905	308,615	251,433	8%	109,576	Q2 '08	304,302	FY '07	
Common Stock	78,063	26,888	54,713	56,986	53,676	190%	45%	104,950	97,172	8%	220,786	208,280	179,563	6%	78,063	Q2 '08	308,871	FY '07	
IPOs	26,482	4,317	27,482	31,571	16,562	513%	60%	30,799	29,024	6%	65,722	88,766	60,846	-26%	31,571	Q3 '07	88,077	FY '07	
Secondary	51,581	22,571	27,232	25,416	37,114	129%	39%	74,152	68,147	9%	155,064	119,514	118,717	30%	51,581	Q2 '08	120,795	FY '07	
Convertible	31,513	32,987	11,938	19,047	40,823	-4%	-23%	64,500	64,446	0%	112,119	100,334	71,870	12%	40,823	Q2 '07	95,431	FY '07	
Total Debt	718,940	626,979	715,476	928,616	1,165,139	15%	-38%	1,345,918	2,055,879	-35%	2,881,007	3,659,565	3,796,399	-21%	1,165,139	Q2 '07	3,691,970	FY '07	
Investment Grade	312,682	225,226	247,534	218,769	321,187	39%	-3%	537,909	582,385	-8%	1,152,082	1,044,276	893,222	10%	321,187	Q2 '07	1,048,687	FY '07	
Leveraged Loans	89,784	175,557	234,592	308,290	369,262	-22%	-76%	305,341	601,929	-66%	412,390	1,103,435	792,859	-63%	369,262	Q2 '07	1,144,811	FY '07	
High Yield	19,527	4,761	34,188	21,266	54,271	310%	-64%	24,288	91,237	-73%	53,708	133,754	134,868	-60%	54,271	Q2 '07	146,690	FY '07	
M&A Completed	351,862	353,825	632,971	657,157	545,777	-1%	-36%	705,687	1,117,818	-37%	1,403,702	2,350,691	1,814,606	-40%	657,157	Q3 '07	2,407,945	FY '07	
M&A Announced	545,049	349,395	326,756	741,827	745,574	56%	-27%	894,444	1,379,711	-35%	1,707,982	2,371,798	2,039,373	-28%	745,574	Q2 '07	2,448,294	FY '07	

Americas Lehman Volume (\$mm):

	Fiscal Quarter Trend					Δ %		6 Months Ending May		Δ %		Calendar Year				Records			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs	ANN '08	CY '07	CY '06	ANN '08 vs	Qtr Record	Qtr	Yr Record	Yr	
						Q1 '08	Q2 '07												Q1 '08
Total Equity (including rights)	9,915	5,572	2,635	6,441	5,975	78%	66%	15,487	10,932	+2%	28,953	21,042	19,313	38%	9,915	Q2 '08	20,009	FY '07	
Common Stock	4,331	2,412	2,559	4,202	3,278	80%	32%	6,743	6,436	5%	15,553	11,982	13,769	30%	5,440	Q1 '04	14,714	FY '06	
IPOs	129	266	1,378	2,682	742	-51%	-83%	395	1,543	-74%	597	5,512	4,433	-89%	2,682	Q3 '07	5,602	FY '07	
Secondary	4,202	2,146	1,181	1,520	2,536	96%	66%	6,348	4,893	30%	14,956	6,470	9,336	131%	4,202	Q2 '08	10,212	FY '07	
Convertible	5,583	3,160	77	2,239	2,697	77%	107%	8,743	4,497	94%	13,400	9,060	5,544	+8%	5,583	Q2 '08	21,885	FY '06	
Total Debt	30,359	44,858	53,922	64,508	100,192	-32%	-70%	75,217	167,061	-35%	150,606	294,935	340,027	-49%	100,192	Q2 '07	308,827	FY '06	
Investment Grade	16,147	21,973	10,310	14,043	24,670	-27%	-35%	38,120	48,602	-22%	77,513	70,859	71,383	9%	24,670	Q2 '07	72,955	FY '07	
Leveraged Loans	2,443	2,217	16,571	10,382	15,630	10%	-84%	4,660	26,659	-83%	9,544	51,174	24,487	-81%	16,571	Q4 '07	53,612	FY '07	
High Yield	1,069	-	2,960	1,078	4,106	n/a	-74%	1,069	6,849	-84%	2,565	9,806	8,337	-74%	4,106	Q2 '07	10,887	FY '07	
M&A Completed	132,059	44,011	206,961	104,150	150,842	200%	-12%	176,069	298,590	-41%	402,519	509,973	387,575	-21%	206,961	Q4 '07	609,701	FY '07	
M&A Announced	164,844	57,506	28,124	132,000	161,788	187%	2%	223,351	316,961	-30%	464,152	480,508	385,159	-3%	168,561	Q2 '06	477,085	FY '07	

Lehman's Americas Market Share:

	Fiscal Quarter Trend					Δ %		6 Months Ending May		Δ %		Calendar Year				Records	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs	ANN '08	CY '07	CY '06	ANN '08 vs	Record	Period	
						Q1 '08	Q2 '07										Q1 '08
Total Equity (including rights)	9.0%	9.3%	4.0%	8.5%	6.3%	3%	43%	9.1%	6.8%	35%	8.7%	6.8%	7.7%	28%	14.2%	Q3 '05	
Common Stock	5.5%	9.0%	4.7%	7.4%	6.1%	-38%	9%	6.4%	6.6%	-3%	7.0%	5.8%	7.7%	22%	17.0%	Q4 '06	
IPOs	0.5%	6.2%	5.0%	8.5%	4.5%	-92%	-89%	1.3%	5.3%	-76%	0.9%	6.2%	7.3%	-85%	11.8%	Q3 '06	
Secondary	8.1%	9.5%	4.3%	6.0%	6.8%	-14%	19%	8.6%	7.2%	19%	9.6%	5.4%	7.9%	78%	14.8%	Q2 '03	
Convertible	7.8%	6.7%	138.8%	54.5%	38.3%	15%	-80%	13.6%	7.0%	94%	8.5%	51.0%	34.1%	-83%	138.8%	Q4 '07	
Total Debt	4.2%	7.2%	7.5%	7.0%	8.6%	-11%	-51%	5.6%	8.1%	-31%	5.2%	8.1%	9.0%	-35%	10.5%	Q2 '05	
Investment Grade	5.2%	9.8%	4.2%	6.4%	7.7%	-47%	-33%	7.1%	8.3%	-15%	6.7%	6.8%	8.0%	-1%	10.4%	Q2 '03	
Leveraged Loans	2.7%	1.9%	7.1%	3.4%	4.2%	42%	-36%	2.3%	4.4%	-49%	2.3%	4.6%	3.1%	-30%	7.1%	Q4 '07	
High Yield	5.5%	0.0%	8.7%	5.1%	7.6%	n/a	-28%	4.4%	7.5%	-41%	4.8%	7.3%	6.2%	-35%	10.6%	Q2 '03	
M&A Completed	37.5%	12.4%	32.7%	15.8%	27.6%	202%	36%	25.0%	26.7%	-7%	28.7%	21.7%	21.4%	32%	38.1%	Q4 '04	
M&A Announced	30.2%	16.5%	8.6%	17.8%	21.7%	84%	39%	24.9%	23.0%	8%	27.2%	20.3%	18.9%	34%	30.7%	Q2 '06	

Lehman's Americas Ranking:

	Calendar Year					Calendar Year				Records	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	ANN '08	CY '07	CY '06	Record	Period	
Total Equity (excluding rights)	5	4	8	8	8	5	8	6	4	Q4 '05	
IPOs	11	2	1	2	6	11	1	5	-	-	
Secondary	3	1	5	5	5	3	7	4	1	Q1 '08	
Convertible	4	-	7	6	8	4	4	7	-	-	
Total Debt	9	6	3	4	4	9	3	2	1	Q2 '05	
Investment Grade	7	4	7	7	7	7	7	6	1	Q3 '03	
Leveraged Loans	12	13	8	9	8	12	9	10	4	Q3 '05	
High Yield	8	-	6	6	5	8	7	7	-	-	
M&A Completed	6	10	6	7	6	6	6	5	2	Q4 '04	
M&A Announced	5	1	5	5	5	5	5	6	1	Q1 '08	

Records date back to Q1 '03

CONFIDENTIAL TREATMENT REQUESTED BY LEHMAN BROTHERS HOLDINGS INC.

LBHL_SEC07940_042515

LEHMAN BROTHERS
SECOND QUARTER 2008
EUROPE BANKING VOLUME

Europe Market Volume (\$mm):

	Fiscal Quarter Trend					Δ %		6 Months Ending May			Calendar Year				Records			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.	ANN '08	CY '07	CY '06	CY '07	Qtr Record	Qtr	Yr Record	Yr
						Q1 '08	Q2 '07											
Total Equity (including rights)	59,879	43,757	90,225	87,907	89,419	37%	-3%	103,636	158,110	-34%	176,178	341,981	285,749	-48%	90,225	Q4 '07	336,241	FY '07
Common Stock	47,022	37,850	79,087	76,709	81,350	24%	-2%	84,872	143,781	-41%	138,887	302,208	263,812	-54%	81,350	Q2 '07	299,576	FY '07
IPOs	12,360	18,506	32,501	25,393	42,207	-33%	71%	30,866	62,369	-51%	38,712	123,979	108,343	-69%	42,207	Q2 '07	120,263	FY '07
Secondary	34,662	19,344	46,586	51,315	39,143	79%	-1%	54,006	81,412	-34%	100,175	178,229	155,469	-44%	52,903	Q2 '06	179,313	FY '07
Convertibles	12,857	5,907	11,138	11,198	8,069	118%	59%	18,764	14,329	31%	37,291	39,773	21,937	-6%	18,839	Q3 '03	39,971	FY '03
Total Debt	581,811	373,317	421,900	655,731	854,747	56%	-3%	955,127	1,600,645	-40%	2,169,051	2,612,924	2,850,031	-17%	890,255	Q4 '06	2,754,822	FY '06
Investment Grade	370,339	169,887	256,795	266,079	384,510	118%	-4%	540,226	767,928	-30%	1,226,017	1,265,816	1,462,136	-3%	446,335	Q4 '06	1,453,360	FY '06
Leveraged Loans	32,008	57,529	28,150	115,669	187,924	-44%	-8%	89,537	295,483	-70%	119,649	465,084	385,643	-74%	187,924	Q2 '07	439,301	FY '07
High Yield	-	59	-	11,814	9,235	-100%	-100%	59	16,788	-100%	-	26,494	41,897	-100%	12,332	Q4 '06	37,393	FY '06
M&A Completed	397,701	383,712	563,742	445,027	442,309	4%	-10%	781,413	783,299	0%	1,614,839	1,869,115	1,438,116	-14%	563,742	Q4 '07	1,792,067	FY '07
M&A Announced	459,885	363,029	601,887	614,300	801,852	27%	-3%	822,914	1,231,551	-33%	1,541,356	2,431,808	1,680,547	-37%	801,852	Q2 '07	2,447,737	FY '07

Europe Lehman Volume (\$mm):

	Fiscal Quarter Trend					Δ %		6 Months Ending May			Calendar Year				Records			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.	ANN '08	CY '07	CY '06	CY '07	Qtr Record	Qtr	Yr Record	Yr
						Q1 '08	Q2 '07											
Total Equity (including rights)	1,617	133	863	1,521	1,576	1110%	3%	1,750	2,794	-37%	3,880	4,610	7,167	-16%	2,839	Q4 '05	7,989	FY '05
Common Stock	1,040	-	-	-	-	n/a	n/a	1,040	1,218	-15%	2,495	4,316	5,325	-42%	2,585	Q1 '05	7,482	FY '05
IPOs	-	133	201	98	908	-100%	-90%	133	1,363	-90%	-	1,707	2,564	-100%	1,312	Q4 '05	2,747	FY '06
Secondary	1,040	-	518	1,423	518	n/a	101%	1,040	1,281	-19%	2,495	2,608	2,761	-4%	2,585	Q1 '05	5,263	FY '05
Convertibles	577	-	144	-	150	n/a	283%	577	150	283%	1,385	294	1,842	371%	1,095	Q1 '04	2,109	FY '06
Total Debt	14,307	9,823	6,917	20,312	34,311	46%	-58%	24,129	59,572	-59%	52,848	88,611	97,156	-40%	34,311	Q2 '07	94,144	FY '06
Investment Grade	11,750	4,683	2,226	3,388	14,393	151%	-8%	16,433	27,002	-39%	35,141	31,638	45,010	11%	18,500	Q2 '06	43,419	FY '06
Leveraged Loans	-	-	-	2,036	8,777	n/a	-100%	-	9,939	-100%	-	11,248	12,471	-100%	8,777	Q2 '07	11,974	FY '07
High Yield	-	-	-	899	-	n/a	n/a	-	632	-100%	-	1,049	1,302	-100%	899	Q3 '07	1,530	FY '07
M&A Completed	172,289	47,256	211,871	40,866	43,882	263%	293%	219,545	77,064	183%	517,291	326,939	137,484	58%	211,871	Q4 '07	329,801	FY '07
M&A Announced	124,631	30,441	47,788	51,278	223,462	309%	-4%	155,072	314,523	-51%	364,506	388,308	215,252	-6%	223,462	Q2 '07	413,589	FY '07

Lehman's Europe Market Share:

	Fiscal Quarter Trend					Δ %		6 Months Ending May			Calendar Year				Records	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.	ANN '08	CY '07	CY '06	CY '07	Record	Period
						Q1 '08	Q2 '07									
Total Equity (including rights)	2.7%	0.3%	1.0%	1.7%	1.8%	789%	53%	1.7%	1.8%	-4%	2.2%	1.3%	2.5%	63%	6.5%	Q2 '05
Common Stock	2.2%	0.0%	0.0%	0.0%	0.0%	n/a	n/a	1.2%	0.8%	43%	1.8%	1.4%	2.0%	26%	8.8%	Q3 '03
IPOs	0.0%	0.7%	0.6%	0.4%	2.2%	-100%	-100%	0.4%	2.2%	-80%	0.0%	1.4%	2.4%	-100%	7.6%	Q2 '04
Secondary	3.0%	0.0%	1.1%	2.8%	1.3%	n/a	127%	1.9%	1.6%	22%	2.5%	1.5%	1.8%	70%	12.8%	Q3 '03
Convertibles	4.5%	0.0%	1.3%	0.0%	1.9%	n/a	141%	3.1%	1.0%	194%	3.7%	0.7%	8.4%	403%	18.7%	Q4 '05
Total Debt	2.5%	2.6%	1.6%	3.1%	4.0%	-7%	-39%	2.5%	3.7%	-32%	2.4%	3.4%	3.4%	-28%	6.0%	Q3 '04
Investment Grade	3.2%	2.8%	0.9%	1.3%	3.7%	13%	-1%	3.0%	3.5%	-13%	2.9%	2.5%	3.1%	13%	5.4%	Q1 '04
Leveraged Loans	0.0%	0.0%	0.0%	1.8%	4.7%	n/a	-100%	0.0%	3.4%	-100%	0.0%	2.4%	3.2%	-100%	8.3%	Q1 '04
High Yield	0.0%	0.0%	0.0%	7.6%	0.0%	n/a	n/a	0.0%	3.8%	-100%	0.0%	4.0%	3.1%	-100%	0.0%	-
M&A Completed	43.3%	12.3%	37.6%	9.2%	9.9%	252%	337%	28.1%	9.8%	186%	32.0%	17.5%	9.6%	83%	37.6%	Q4 '07
M&A Announced	27.1%	8.4%	7.9%	8.3%	27.9%	223%	-3%	18.8%	25.5%	-26%	23.6%	16.0%	12.8%	48%	32.1%	Q1 '06

Lehman's Europe Ranking:

	Calendar Year					Calendar Year				Records	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	ANN '08	CY '07	CY '06	Record	Period	
Total Equity (including rights)	13	-	12	14	13	1300%	14	13	-	Q1 '08	
Common Stock	-	-	-	-	-	0%	-	-	-	-	
IPOs	-	-	15	13	12	0%	16	11	-	-	
Secondary	13	-	14	15	16	1300%	14	15	-	Q1 '08	
Convertibles	8	-	19	19	16	800%	20	6	-	-	
Total Debt	16	18	14	14	13	1600%	13	13	7	Q2 '04	
Investment Grade	14	16	16	16	12	1400%	17	12	7	Q1 '04	
Leveraged Loans	-	-	14	13	9	0%	15	10	-	-	
High Yield	-	-	9	9	16	0%	9	9	-	-	
M&A Completed	4	7	7	10	13	400%	8	12	3	Q1 '04	
M&A Announced	6	4	11	9	8	6	10	12	4	Q1 '06	

¹ Records date back to Q1 '03

LEHMAN BROTHERS
SECOND QUARTER 2008
ASIA BANKING VOLUME

Asia Market Volume (\$mm)	Fiscal Quarter Trend					Δ %		6 Months Ending May		Δ %		Calendar Year				Records			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.	ANN '08 vs.		Qtr Record	Qtr	Yr Record	Yr			
						Q1 '08	Q2 '07				ANN '08	CY '07							
Total Equity (including rights)	33,877	41,722	104,336	76,459	69,499	-19%	-31%	75,599	126,738	-40%	136,120	238,643	228,024	-43%	104,336	Q4 '07	307,533	FY '07	
Common Stock	27,321	29,508	95,400	66,811	55,553	-7%	-31%	56,829	105,476	-46%	94,937	198,490	198,346	-32%	95,400	Q4 '07	267,686	FY '07	
IPOs	7,262	15,513	36,930	21,733	21,540	-33%	-66%	22,775	40,192	-43%	31,577	77,546	88,768	-39%	42,260	Q4 '06	98,856	FY '07	
Secondary	20,058	13,996	58,469	45,077	34,013	43%	-41%	34,054	65,283	-48%	63,360	120,944	109,577	-48%	58,469	Q4 '07	168,830	FY '07	
Convertibles	6,556	12,214	8,936	9,649	13,946	-46%	-33%	18,770	21,262	-12%	41,183	40,152	29,679	3%	13,946	Q2 '07	39,847	FY '07	
Total Debt	111,975	104,966	132,060	118,013	143,665	7%	-22%	216,941	253,475	-14%	476,454	499,913	476,124	-5%	146,873	Q4 '06	503,547	FY '07	
Investment Grade	84,694	51,440	76,802	59,287	82,160	63%	3%	136,135	146,112	-7%	307,009	280,424	261,902	9%	84,694	Q2 '08	282,201	FY '07	
Leveraged Loans	17,238	16,968	15,982	14,618	21,875	2%	-21%	34,206	28,207	21%	73,781	63,064	33,820	17%	21,875	Q2 '07	58,807	FY '07	
High Yield	500	-	505	2,588	2,122	n/a	-76%	500	3,598	-86%	1,200	5,306	7,800	-77%	2,766	Q3 '06	7,104	FY '06	
M&A Completed	112,832	142,042	138,987	175,905	199,206	-21%	-43%	254,875	285,293	-11%	491,793	627,870	468,302	-22%	199,206	Q2 '07	600,184	FY '07	
M&A Announced	183,860	199,636	375,225	205,956	200,164	-8%	-8%	383,505	389,137	-1%	701,428	951,995	616,485	-26%	375,225	Q4 '07	970,318	FY '07	

Asia Lehman Volume (\$mm)	Fiscal Quarter Trend					Δ %		6 Months Ending May		Δ %		Calendar Year				Records			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.	ANN '08 vs.		Qtr Record	Qtr	Yr Record	Yr			
						Q1 '08	Q2 '07				ANN '08	CY '07							
Total Equity (including rights)	276	168	1,248	1,092	1,864	64%	-8%	444	2,308	-81%	662	4,413	1,020	-81%	1,864	Q2 '07	4,648	FY '07	
Common Stock	76	168	838	767	964	-53%	-92%	244	1,409	-83%	182	2,778	831	-31%	964	Q2 '07	3,013	FY '07	
IPOs	-	-	326	491	843	n/a	-100%	-	843	-100%	-	1,659	58	-100%	843	Q2 '07	1,659	FY '07	
Secondary	76	168	512	276	121	-53%	-38%	244	566	-57%	182	1,119	773	-84%	512	Q4 '07	1,354	FY '07	
Convertibles	200	-	411	325	900	n/a	-78%	200	900	-78%	480	1,635	190	-71%	900	Q2 '07	1,635	FY '07	
Total Debt	753	765	1,807	503	136	-2%	436%	1,518	677	124%	3,644	3,717	1,265	-2%	1,807	Q4 '07	2,987	FY '07	
Investment Grade	-	100	50	167	136	-100%	-100%	100	552	-82%	240	833	928	-71%	525	Q3 '04	1,110	FY '04	
Leveraged Loans	-	530	93	20	1,287	-100%	-100%	530	1,287	-59%	1,273	1,399	1,033	9%	1,287	Q2 '07	1,399	FY '07	
High Yield	-	-	-	-	-	n/a	n/a	-	100	-100%	-	100	-	-100%	333	Q4 '05	483	FY '05	
M&A Completed	11,095	32,030	2,292	1,174	9,245	-63%	20%	-3,125	9,957	333%	95,095	18,303	7,065	420%	32,030	Q1 '08	-3,125	FY '08	
M&A Announced	6,517	29,094	7,393	4,096	5,241	-78%	24%	35,611	5,720	523%	53,967	35,952	10,734	50%	29,094	Q1 '08	35,856	FY '04	

Lehman's Asia Market Share	Fiscal Quarter Trend					Δ %		6 Months Ending May		Δ %		Calendar Year				Records	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.	ANN '08 vs.		Record	Period			
						Q1 '08	Q2 '07				ANN '08	CY '07					
Total Equity (including rights)	0.8%	0.4%	1.2%	1.4%	2.7%	102%	-70%	0.6%	1.8%	-68%	0.5%	1.8%	0.4%	-74%	2.9%	Q4 '03	
Common Stock	0.3%	0.6%	0.9%	1.1%	1.7%	-51%	-84%	0.4%	1.3%	-68%	0.2%	1.4%	0.4%	-86%	1.7%	Q2 '07	
IPOs	0.0%	0.0%	0.9%	2.3%	3.9%	n/a	-100%	0.0%	2.1%	-100%	0.0%	2.1%	0.1%	-100%	3.9%	Q2 '07	
Secondary	0.4%	1.2%	0.9%	0.6%	0.4%	-68%	6%	0.7%	0.9%	-69%	0.3%	0.9%	0.7%	-69%	2.4%	Q3 '04	
Convertibles	3.1%	0.0%	4.6%	3.4%	6.5%	n/a	-33%	1.1%	4.2%	-75%	1.2%	4.1%	0.6%	-71%	9.9%	Q4 '05	
Total Debt	0.7%	0.7%	1.4%	0.4%	0.1%	-8%	613%	0.7%	0.3%	162%	0.8%	0.7%	0.3%	3%	1.4%	Q4 '07	
Investment Grade	0.0%	0.2%	0.1%	0.3%	0.2%	-100%	-100%	0.1%	0.4%	-81%	0.1%	0.3%	0.4%	-74%	1.1%	Q1 '04	
Leveraged Loans	0.0%	3.1%	0.6%	0.1%	5.9%	-100%	-100%	1.6%	4.6%	-66%	1.7%	2.2%	3.1%	-22%	9.4%	Q2 '06	
High Yield	0.0%	0.0%	0.0%	0.0%	0.0%	n/a	n/a	0.0%	2.8%	-100%	0.0%	1.9%	0.0%	-100%	22.6%	Q4 '05	
M&A Completed	9.8%	22.5%	1.6%	0.7%	4.6%	-56%	112%	16.9%	3.5%	385%	19.3%	2.9%	1.5%	563%	26.6%	Q3 '04	
M&A Announced	3.5%	14.6%	2.0%	2.0%	2.6%	-70%	35%	9.3%	1.5%	332%	7.7%	3.8%	1.7%	104%	24.4%	Q1 '03	

Lehman's Asia Rankings	Calendar Year					Calendar Year				Records	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	ANN '08	CY '07	CY '06	Record	Period	
Total Equity (including rights)	27	-	16	17	17	27	12	21	-	Q1 '08	
Common Stock	-	-	-	-	-	-	-	-	-	-	
IPOs	-	-	15	12	10	-	-	-	-	-	
Secondary	31	-	24	30	33	-	-	-	-	-	
Convertibles	14	-	8	8	7	-	-	-	-	-	
Total Debt	23	21	24	40	38	23	27	48	20	Q1 '03	
Investment Grade	83	-	46	44	37	83	51	46	-	Q1 '08	
Leveraged Loans	18	2	15	15	-	18	16	10	-	-	
High Yield	-	-	15	9	8	-	14	-	-	-	
M&A Completed	1	1	20	18	15	1	20	20	-	-	
M&A Announced	6	1	19	21	24	6	16	28	1	Q2 '03	

¹ Records date back to Q1 '03

LEHMAN BROTHERS
SECOND QUARTER 2008
INVESTMENT BANKING FEE SHARE*

Global Fee Share:

						Δ %		6 Months Ending May		Δ %		Calendar Year		Records ¹	
						Q2 '08 vs.				YTD '08 vs					
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08	YTD '07	CY '07	CY '06	Fee Share	Period
Fee Share - All Products	4.8%	5.6%	4.4%	4.4%	4.2%	-15%	14%	4.8%	4.2%	14%	4.4%	4.6%	5.9%	Q1 '02	
Equity	4.8%	4.1%	3.0%	3.4%	3.1%	17%	55%	4.8%	3.1%	55%	3.2%	3.4%	4.8%	Q1 '02	
Debt	4.3%	4.7%	5.1%	4.6%	4.6%	-9%	-7%	4.3%	4.6%	-7%	5.6%	7.4%	7.0%	Q2 '02	
High Yield	4.2%	0.0%	6.8%	6.0%	6.1%	n/a	-31%	4.2%	6.1%	-31%	6.6%	5.2%	8.2%	Q2 '02	
M&A Completed	5.2%	7.0%	4.9%	4.9%	4.7%	-26%	11%	5.2%	4.7%	11%	4.6%	4.5%	7.0%	Q1 '08	

Americas Fee Share:

						Δ %		6 Months Ending May		Δ %		Calendar Year		Records ¹	
						Q2 '08 vs.				YTD '08 vs					
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08	YTD '07	CY '07	CY '06	Fee Share	Period
Fee Share - All Products	6.3%	8.8%	6.2%	6.1%	5.7%	-29%	11%	6.3%	5.7%	11%	6.2%	6.9%	8.8%	Q1 '08	
Equity	6.9%	8.5%	4.9%	5.4%	4.6%	-19%	50%	6.9%	4.6%	50%	5.0%	5.9%	8.5%	Q1 '08	
Debt	4.8%	5.5%	6.3%	5.4%	5.6%	-13%	-14%	4.8%	5.6%	-14%	7.1%	11.3%	9.2%	Q2 '05	
High Yield	4.2%	0.0%	7.4%	6.6%	7.2%	n/a	-42%	4.2%	7.2%	-42%	7.2%	6.0%	9.2%	Q1 '05	
M&A Completed	7.3%	11.7%	6.7%	6.7%	6.2%	-37%	18%	7.3%	6.2%	18%	6.3%	6.2%	13.3%	Q1 '08	

Europe Fee Share:

						Δ %		6 Months Ending May		Δ %		Calendar Year		Records ¹	
						Q2 '08 vs.				YTD '08 vs					
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08	YTD '07	CY '07	CY '06	Fee Share	Period
Fee Share - All Products	3.5%	1.6%	2.6%	2.7%	2.7%	116%	30%	3.5%	2.7%	30%	2.5%	3.0%	4.8%	Q2 '04	
Equity	2.6%	0.0%	1.7%	2.0%	2.1%	n/a	24%	2.6%	2.1%	24%	1.6%	2.5%	7.1%	Q2 '04	
Debt	3.8%	2.3%	3.4%	3.8%	3.5%	64%	9%	3.8%	3.5%	9%	3.2%	3.4%	4.3%	Q2 '03	
High Yield	0.0%	0.0%	4.2%	3.9%	0.5%	n/a	-100%	0.0%	0.5%	-100%	4.2%	3.7%	16.6%	Q1 '03	
M&A Completed	3.7%	1.7%	3.0%	2.8%	2.9%	114%	28%	3.7%	2.9%	28%	2.8%	3.2%	7.2%	Q1 '04	

Asia Fee Share:

						Δ %		6 Months Ending May		Δ %		Calendar Year		Records ¹	
						Q2 '08 vs.				YTD '08 vs					
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08	YTD '07	CY '07	CY '06	Fee Share	Period
Fee Share - All Products	1.6%	1.7%	1.4%	1.3%	1.6%	-6%	0%	1.6%	1.6%	0%	1.5%	0.4%	2.4%	Q2 '03	
Equity	0.5%	0.0%	1.4%	1.3%	1.5%	n/a	-67%	0.5%	1.5%	-67%	1.6%	0.5%	1.5%	Q2 '07	
Debt	0.7%	4.6%	1.0%	0.1%	0.0%	-85%	n/a	0.7%	0.0%	n/a	3.2%	3.4%	8.0%	Q1 '08	
High Yield	0.0%	0.0%	2.3%	4.6%	6.6%	n/a	-100%	0.0%	6.6%	-100%	2.5%	0.0%	40.6%	Q1 '07	
M&A Completed	3.0%	3.7%	1.5%	1.7%	2.2%	-19%	36%	3.0%	2.2%	36%	1.6%	0.3%	5.7%	Q2 '03	

¹ Records date back to Q1 '02 (Global) and Q1 '03 (Regions)

LEHMAN BROTHERS
SECOND QUARTER 2008
INVESTMENT BANKING PIPELINE FEES

Global Pipeline Fees (\$mm): ¹	Quarter Trend					Δ %		6 Months Ending May		Δ %	Records ²	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Fees	Period
						Q1 '08	Q2 '07					
Equity	212	302	316	317	422	-30%	-50%	212	422	-50%	422	Q2 '07
Leveraged Finance	29	46	54	111	502	-37%	-94%	29	502	-94%	502	Q2 '07
Debt Capital Markets	45	58	87	61	115	-22%	-61%	45	115	-61%	123	Q3 '06
Subtotal Debt	74	104	141	172	616	-29%	-88%	74	616	-88%	616	Q2 '07
Advisory	249	340	374	501	521	-27%	-52%	249	521	-52%	521	Q2 '07
Total	536	746	831	990	1,560	-28%	-66%	536	1,560	-66%	1,560	Q2 '07

Americas Pipeline Fees (\$mm): ¹	Quarter Trend					Δ %		6 Months Ending May		Δ %	Records ²	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Fees	Period
						Q1 '08	Q2 '07					
Equity	151	214	285	286	377	-29%	-60%	151	377	-60%	377	Q2 '07
Leveraged Finance	27	39	38	109	440	-31%	-94%	27	440	-94%	440	Q2 '07
Debt Capital Markets	23	36	70	54	105	-38%	-79%	23	105	-79%	105	Q2 '07
Subtotal Debt	49	75	108	163	545	-34%	-91%	49	545	-91%	545	Q2 '07
Advisory	176	215	218	310	378	-18%	-54%	176	378	-54%	378	Q2 '07
Total	376	504	611	759	1,301	-25%	-71%	376	1,301	-71%	1,301	Q2 '07

Europe Pipeline Fees (\$mm): ¹	Quarter Trend					Δ %		6 Months Ending May		Δ %	Records ²	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Fees	Period
						Q1 '08	Q2 '07					
Equity	61	83	30	13	33	-27%	87%	61	33	87%	112	Q2 '00
Leveraged Finance	-	-	10	-	62	n/a	-100%	-	62	-100%	62	Q2 '07
Debt Capital Markets	23	22	17	7	8	3%	187%	23	8	187%	26	Q1 '07
Subtotal Debt	23	22	27	7	69	3%	-67%	23	69	-67%	76	Q3 '06
Advisory	59	105	136	184	141	-44%	-58%	59	141	-58%	184	Q3 '07
Total	142	210	193	203	243	-32%	-41%	142	243	-41%	243	Q2 '07

Asia Pipeline Fees (\$mm): ¹	Quarter Trend					Δ %		6 Months Ending May		Δ %	Records ²	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Fees	Period
						Q1 '08	Q2 '07					
Equity	-	5	-	19	12	-100%	-100%	-	12	-100%	48	Q1 '00
Leveraged Finance	2	7	6	2	-	-68%	n/a	2	-	n/a	7	Q1 '08
Debt Capital Markets	-	-	-	-	2	n/a	-100%	-	2	n/a	6	Q1 '00
Subtotal Debt	2	7	6	2	2	-68%	15%	2	2	n/a	11	Q1 '00
Advisory	15	20	20	8	1	-29%	1015%	15	1	1015%	33	Q4 '07
Total	17	32	27	28	16	-48%	8%	17	16	8%	72	Q1 '00

¹ Fee information is for both lead and co-lead managed deals

² Records date back to Q1 '00

LEHMAN BROTHERS
SECOND QUARTER 2008
INVESTMENT BANKING PIPELINE VALUES

Global Pipeline Value (\$bn):¹

	Quarter Trend					Δ %		6 Months Ending May		Δ %	Records ²	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Value	Period
						Q1 '08	Q2 '07					
Equity	32	29	24	18	30	10%	6%	32	30	6%	33	Q2 '07
Leveraged Finance	12	13	30	132	129	-10%	-91%	12	129	-91%	173	Q2 '07
Debt Capital Markets	23	27	30	47	38	-15%	-40%	23	38	-40%	173	Q2 '07
Subtotal Debt	34	39	60	179	167	-13%	-80%	34	167	-80%	212	Q2 '07
Advisory	215	268	231	616	584	-20%	-63%	215	584	-63%	617	Q2 '07
Total	282	337	315	813	781	-16%	-64%	282	781	-64%	813	Q3 '07

Americas Pipeline Value (\$bn):¹

	Quarter Trend					Δ %		6 Months Ending May		Δ %	Records ²	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Value	Period
						Q1 '08	Q2 '07					
Equity	7	12	18	16	25	-43%	-74%	7	25	-74%	25	Q2 '07
Leveraged Finance	11	11	27	126	113	1%	-90%	11	113	-90%	126	Q3 '07
Debt Capital Markets	10	14	23	35	23	-25%	-54%	10	23	-54%	35	Q3 '07
Subtotal Debt	22	25	50	161	135	-14%	-84%	22	135	-84%	161	Q3 '07
Advisory	84	105	56	274	266	-19%	-68%	84	266	-68%	274	Q3 '07
Total	113	141	124	451	426	-20%	-74%	113	426	-74%	451	Q3 '07

Europe Pipeline Value (\$bn):¹

	Quarter Trend					Δ %		6 Months Ending May		Δ %	Records ²	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Value	Period
						Q1 '08	Q2 '07					
Equity	26	17	6	1	3	51%	753%	26	3	753%	26	Q1 '08
Leveraged Finance	-	-	2	5	17	n/a	-100%	-	17	-100%	17	Q2 '07
Debt Capital Markets	12	13	7	12	15	-4%	-19%	12	15	-19%	18	Q3 '06
Subtotal Debt	12	13	9	17	32	-4%	-62%	12	32	-62%	32	Q2 '07
Advisory	128	158	168	340	318	-19%	-60%	128	318	-60%	340	Q3 '07
Total	165	187	183	358	352	-12%	-53%	165	352	-53%	358	Q3 '07

Asia Pipeline Value (\$bn):¹

	Quarter Trend					Δ %		6 Months Ending May		Δ %	Records ²	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07	Value	Period
						Q1 '08	Q2 '07					
Equity	-	1	-	1	2	-100%	-100%	-	2	-100%	5	Q1 '07
Leveraged Finance	0	2	0	0	-	-88%	n/a	0	-	n/a	2	Q1 '08
Debt Capital Markets	-	-	-	-	0	n/a	-100%	-	0	n/a	4	Q3 '02
Subtotal Debt	0	2	0	0	0	-88%	0%	0	0	n/a	4	Q3 '02
Advisory	3	6	7	2	0	-46%	3100%	3	0	3100%	14	Q1 '05
Total	3	8	8	4	3	-58%	31%	3	3	31%	15	Q1 '05

¹ Value includes only lead managed deals

² Records date back to Q1 '00

LEHMAN BROTHERS
SECOND QUARTER 2008
INVESTMENT BANKING INDUSTRY VIEW

Industry View (\$mm)	Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ¹			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year
						Q1 '08	Q2 '07			YTD '07	YTD '07				
Communications	29	21	37	17	28	37%	6%	51	91	-44%	81	Q1 '02	127	YTD '02	
% of Total	3%	2%	4%	2%	2%			3%	5%						
Consumer/Retail	66	70	82	101	176	-5%	-62%	136	294	-54%	176	Q2 '07	294	YTD '07	
% of Total	8%	8%	10%	9%	15%			8%	15%						
Financial Institutions	365	242	253	245	228	51%	60%	607	439	38%	257	Q2 '05	607	YTD '08	
% of Total	43%	28%	30%	23%	20%			35%	22%						
Healthcare	31	61	24	60	102	-49%	-70%	92	147	-38%	102	Q2 '07	147	YTD '07	
% of Total	4%	7%	3%	6%	9%			5%	7%						
Industrials	59	109	67	102	95	-45%	-37%	168	207	-19%	146	Q4 '06	207	YTD '07	
% of Total	7%	13%	8%	10%	8%			10%	10%						
Media	19	50	11	82	93	-63%	-80%	69	128	-46%	93	Q2 '07	128	YTD '07	
% of Total	2%	6%	1%	8%	8%			4%	6%						
Natural Resources	111	122	130	166	127	-9%	-12%	233	238	-2%	134	Q3 '06	238	YTD '07	
% of Total	13%	14%	16%	16%	11%			14%	12%						
Power	(3)	39	40	99	18	-106%	-114%	37	46	-21%	58	Q2 '04	114	YTD '04	
% of Total	0%	5%	5%	9%	2%			2%	2%						
Real Estate	36	29	96	74	74	25%	-52%	65	147	-56%	88	Q3 '05	147	YTD '07	
% of Total	4%	3%	12%	7%	6%			4%	7%						
Technology	12	33	33	90	143	-63%	-91%	46	185	-75%	143	Q2 '07	185	YTD '07	
% of Total	1%	4%	4%	8%	12%			3%	9%						
Other	132	89	57	34	68	47%	95%	221	77	187%	459	Q1 '02	465	YTD '02	
% of Total	15%	10%	7%	3%	6%			13%	4%						
Total Banking	858	867	831	1,071	1,150	-1%	-25%	1,725	2,000	-14%	1,736	Q2 '07	2,659	YTD '07	

¹Records date back to Q1 '02

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LEHMAN BROTHERS
SECOND QUARTER 2008
LEAGUE TABLE COMPETITOR ANALYSIS

(Fiscal Year)

M&A Completed

	Q2 '08		Q1 '08		Q2 '07	
	Volume	Share	Volume	Share	Volume	Share
Lehman Brothers	181.8	30%	93.3	13%	180.4	19%
GS Sachs	237.7	40%	134.1	19%	270.6	28%
Morgan Stanley	97.2	16%	164.6	23%	360.4	37%
Merrill Lynch	75.5	12.6%	192.5	27.5%	148.2	15%
Total Market	597.1		701.2	-15%	967.2	

Significant Transactions - Q2 '08

- \$113bn Philip Morris Int'l Inc (Leh/CVP/Citi/Deutsche/Credit Suisse/GS/JPM)/ Shareholders (-)
- \$18.6bn Scottish & Newcastle (UBS/Deutsche/Rothschild/FlH Partners/Access Partners)/ Sunrise Acq Ltd (Leh/CredSui)
- \$18.3bn Reuters Group PLC (UBS/Blackstone/MS/Citi/JPM)/ Thomson Corp (BSC/PWP/TD Securities/Bank of Montreal/RBC)
- \$13.2bn Banca Antonveneta SpA (Rothschild/UBS/MS)/ BMPS (Leh/Merrill/Media/JPM/Credit Suisse/Leonardo)
- \$9.8bn UBS AG (UBS)/ GIC (-)

High Yield Origination

	Q2 '08		Q1 '08		Q2 '07	
	Volume	Share	Volume	Share	Volume	Share
Lehman Brothers	1.1	2%	-	0%	4.1	6%
GS Sachs	1.4	2%	0.5	9%	4.7	7%
Morgan Stanley	0.9	1%	0.1	2%	2.4	4%
Merrill Lynch	1.2	2%	0.2	4%	5.6	9%
Total Market	20.0		4.9	307%	65.6	-69%

Significant Transactions - Q2 '08

- \$1.5bn Harnah's Operating Co Inc (Citi/Deutsche/Banc of America/Credit Suisse/JPM/Merrill Lynch)
- \$1.4bn DirectTV Holdings LLC (JPM/Banc of America/Credit Suisse)
- \$1.1bn Ford Motor Credit Co (JPM)
- \$0.8bn Chesapeake Energy Corp (Leh/Credit Suisse/Banc of America/Deutsche/Greenwich)
- \$0.8bn Echostar DBS Corp (Credit Suisse)

M&A Announced

	Q2 '08		Q1 '08		Q2 '07	
	Volume	Share	Volume	Share	Volume	Share
Lehman Brothers	170.5	20%	75.1	10%	325.5	24%
GS Sachs	377.2	44%	135.1	19%	453.2	34%
Morgan Stanley	179.2	21%	63.2	9%	489.5	37%
Merrill Lynch	78.5	9%	97.7	14%	390.7	29%
Total Market	855.3		719.4	19%	1,330.0	

Significant Transactions - Q2 '08

- \$113bn Philip Morris Int'l Inc (Lehman/CVP/Citi/Deutsche/Credit Suisse/GS/JPM)/ Shareholders (-)
- \$42.1bn Time Warner Cable Inc (Deutsche/Citi/GS/BNP/Wachovia/MS/Evercore/Banc of America)/ Shareholders (-)
- \$38.3bn Alcon Inc (Credit Suisse/Citi)/ Novartis AG (GS)
- \$23.2bn William Wrigley Jr Co (William Blair/ GS)/ Mars Inc (JPM)
- \$17.9bn St George Bank Ltd (UBS)/ Westpac Banking Corp (Calibur)

High Grade Origination

	Q2 '08		Q1 '08		Q2 '07	
	Volume	Share	Volume	Share	Volume	Share
Lehman Brothers	27.9	4%	27.8	6%	40.3	5%
GS Sachs	31.0	4%	33.1	7%	36.5	5%
Morgan Stanley	37.0	5%	19.3	4%	40.0	5%
Merrill Lynch	42.6	6%	14.6	3%	43.5	6%
Total Market	767.7		468.0	64%	782.3	-2%

Significant Transactions - Q2 '08

- \$9.0bn GlaxoSmithKline Capital Inc (Lehman/Citi/JPMorgan)
- \$8.5bn General Electric Capital Corp (Lehman/Banc of America/Goldman/Morgan Stanley)
- \$7bn Merrill Lynch & Co Inc (Merrill)
- \$6.2bn ING Bank NV (Deutsche/ING)
- \$6.0bn Philip Morris Int'l Inc (Lehman/Credit Suisse/Deutsche)

Equity Origination

	Q2 '08		Q1 '08		Q2 '07	
	Volume	Share	Volume	Share	Volume	Share
Lehman Brothers	11.8	6%	5.9	4%	9.6	4%
GS Sachs	19.1	9%	12.0	9%	21.4	9%
Morgan Stanley	18.1	9%	8.4	6%	21.0	9%
Merrill Lynch	10.4	5%	7.2	5%	16.5	7%
Total Market	203.3		140.4	45%	245.2	-17%

Significant Transactions - Q2 '08

- \$19.7bn Visa Inc (JPM/GS/UBS/BOFA/Wachovia/Citi/HSBC/Merrill)
- \$8.5bn Societe Generale SA (JPM/Morgan Stanley/Societe Generale)
- \$7.5bn AIG (Citi/JPM)
- \$6.4bn BMPS (Citi/GS/Merrill/Credit Suisse/Media)
- \$4bn Lehman Brothers Holdings Inc (Lehman)

Note: All volumes in \$ millions

LEHMAN BROTHERS
SECOND QUARTER 2008
CLIENT SOLUTION REVENUES

IBD – client solution revenues

(in millions)	Q2 08	Q1 08	Q2 07	Change vs Q1 08		Change vs Q2 07	
				\$	%	\$	%
Fixed Income-Related Revenue	75.8	89.1	80.8	(13.3)	-15%	8.3	10%
Equity-Related Revenue	17.0	41.0	97.0	(24.0)	-59%	(56.0)	-58%
Total	\$ 92.8	\$ 130.1	\$ 177.8	\$ (37.3)	-52%	\$ (47.7)	-27%

The above amounts represent non-traditional revenues earned from IBD clients and have been recorded in the Investment Banking line on the income statement.

Below is the trend for the last eight quarters:

%

(in millions)	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07	Q4 06	Q3 06
Fixed Income-Related Revenue	75.8	89.1	54.6	109.0	80.8	68.3	41.8	34.6
Equity-Related Revenue	17.0	41.0	35.1	76.7	97.0	19.0	16.0	28.0
Total	\$ 92.8	\$ 130.1	\$ 89.7	\$ 185.7	\$ 177.8	\$ 87.3	\$ 57.8	\$ 62.6
% of Total IBD	11%	15%	11%	17%	15%	10%	7%	9%
FY %			14%				10%	

LEHMAN BROTHERS
SECOND QUARTER 2008
SIGNIFICANT BANKING DEALS IN PIPELINE

Value (\$mil)	Deal	Industry	Region	Transaction Description	Revenue (\$mil)	Est. Date of Completion
M&A Announced						
3,669	Tele Atlas N.V.	Tech	AM / EU	Sale to TomTom N.V.	21.0	Jun '08
5,547	Finmeccanica SPA	Ind	AM / EU	Acquisition of DRS Technologies	20.0	FY '08
11,072	CME Group Inc	FIG	AM	Acquisition of NYMEX Holdings	18.0	FY '08
4,367	Staples	Comm	AM	Offer to Acquire Corporate Express	18.0	FY '08
10,600	SprintNextel		AM	Merger of 4G Wimax assets with Clearwire	17.0	FY '08
4,380	Choicepoint	Tech	AM	Sale to Reed Elsevier	10.0	Jul '08
Equity						
n/a	Project Michelangelo	FIG	AM	Pri Placement	37.5	Jun '08
9,086	Credit Agricole SA	FIG	EU	Rts	23.4	Jun '08
6,000	Carlsberg A/S	CR	EU	Rts	20.9	Jun '08
750	Radian Group	FIG	AM	Sec'd/ FO	10.0	Jun '08
Fixed Income						
7,000	Las Vegas Sands	RE	AM	Bank loan	12.0	TBD

LEHMAN BROTHERS
SECOND QUARTER 2008
BANKING PIPELINE CHANGES: EQUITY MANDATES

(in \$ millions)				
Client	Transaction	*Value	*Fees	Expected Filing Date
Total Pipeline at 2/28/08/07		29,300	292.5	
<i>Significant Deals dropped off pipeline during Q2 2008:</i>				
Monroe Capital LLC		-	10.5	
Primetime Entertainment ipo		200	10.0	
Ashmore Energy Int'l (AEI)		500	7.0	
Value Creation		-	6.0	
Intesa Sanpaolo SPA		200	5.0	
Community Education Center		200	4.0	
Golden Telecom orig AVG ipo		300	4.0	
Navigator Gas		200	4.0	
<i>Under \$4mm</i>		<i>3,100</i>	<i>55.7</i>	
Sub-total Dropped		4,700	106.2	
<i>Significant Deals on pipeline completed in Q2 2008:</i>				
Washington Mutual		5,000	66.8	
Carlsberg A/S - partial PnL recorded		-	14.1	
MEG Energy		-	4.9	
<i>Under \$4mm</i>		<i>1,300</i>	<i>9.9</i>	
Sub-total Completed		6,300	95.7	
<i>Significant Deals added to pipeline in Q2 2008:</i>				
Credit Agricole SA	Rts	9,100	23.4	Jun-08
Radian Group Inc.	Sec'd/FO	700	10.0	Jun-08
FPL Group	Cvt	800	6.0	Jun-08
Digitalglobe	IPO	200	5.1	Jul-08
Endoceutics	Pri Place	-	4.8	Jun-08
Innovative Windpower p/p	Pri Place	-	4.0	Jun-08
Vought Aircraft Ind	IPO	300	4.0	Sep-08
<i>Under \$4mm</i>		<i>1,600</i>	<i>20.5</i>	
Sub-total Added		12,700	77.8	
<i>Economic changes on pipeline in Q2'08</i>				
Washington Mutual			60.5	
Carlsberg A/S			10.0	
Erickson Retirement Communities			(10.0)	
<i>Other Changes</i>		<i>1,200</i>	<i>(25)</i>	
Sub-total Added		1,200.0	35.4	
Total Pipeline at 5/31/08		32,200	203.8	

* Value and Fee includes only lead managed deals

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LEHMAN BROTHERS
SECOND QUARTER 2008
BANKING PIPELINE CHANGES: LEVERAGED FINANCE

(in \$ millions)

Client	Transaction	*Value	*Fees	Expected Filing Date
Total Pipeline at 2/28/08		12,800	46.1	
<i>Significant Deals dropped off pipeline during Q2 2008:</i>				
Dunkin Brands (Bain / Carlyle / TH Lee)		400	6.0	
Grand Circle Corp		300	2.0	
<i>Sub-total Dropped</i>		700	8.0	
<i>Significant Deals complete on pipeline during Q2 2008:</i>				
Press Ganey (Vestar Capital Ptrn)		300	2.0	
Arysta Lifesciences (Permira Advisers)		1,400	5.0	
<i>Sub-total Completed</i>		1,700	7.0	
<i>Significant Deals added on pipeline during Q2 2008:</i>				
Six Flags	Exch Offer	400	1.8	Jun-08
Six Gear Solution (Warburg Pincus)	Bank Loan	800	1.9	Jun-08
TRW Automotive Holdings (Blackstone)	Sr. Note	400	1.8	Jun-08
Wesco Aircraft Hardware	Bank Loan	100	1.4	Jun-08
Linn Energy, LLC	Sr Note	400	2.0	Jun-08
Key Energy	Sr Note	100	1.5	Jun-08
<i>Sub-total Added</i>		2,200	10.4	
<i>Economic changes on pipeline in Q1' 08</i>				
O Reilly Automotive		(2,000)	(15.9)	
Las Vegas Sands		1,000	2.0	
<i>Other Changes</i>		(100)		
<i>Sub-total Added</i>		(1,100)	(13.9)	
Total Pipeline at 5/31/08		11,500	27.6	

* Value and Fee includes only lead managed deals

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CAPITAL MARKETS REVENUES

Structure: Capital Markets

Capital Markets Revenues:

	Monthly Trend			Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ¹			
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	Yr Record	Year	
									Q2 '08 vs									
Equities Divisional	4	271	61	336	789	932	963	1,090	-57%	-69%	1,125	1,931	-42%	1,090	Q2 '07	3,827	FY '07	
Equities Capital Markets Prime Services	92	113	185	390	271	226	283	371	44%	5%	661	569	16%	390	Q2 '08	1,078	FY '07	
Private Equity	(90)	52	67	29	(211)	25	70	77	n/a	-62%	(182)	153	n/a	77	Q2 '07	248	FY '07	
Asset Mgmt Principal	(44)	(130)	23	(151)	(87)	522	(106)	49	73%	n/a	(238)	65	n/a	522	Q4 '07	481	n/a	
Direct Principal Investments	(2)	19	17	33	(5)	19	(2)	23	n/a	48%	29	20	41%	33	Q2 '08	37	FY '07	
Global Opportunities Group	(8)	25	9	26	43	(10)	(11)	-	-40%	n/a	68	-	n/a	43	Q1 '08	68	FY '08	
Global Trading Strategies	(87)	9	(118)	(195)	417	235	(116)	112	n/a	n/a	222	257	-14%	417	Q1 '08	376	FY '07	
Global Principal Strategies - Equity	(2)	1	3	2	3	14	7	2	-41%	-25%	5	2	102%	40	Q1 '05	69	FY '04	
Subtotal Equities	(138)	361	247	471	1,220	1,963	1,088	1,724	-61%	-73%	1,691	2,997	-44%	1,963	Q4 '07	6,049	FY '07	
Corporate Investments	-	-	-	-	-	-	(4)	23	n/a	-100%	-	23	-100%	40	Q1 '05	69	FY '04	
Equity Other Allocation *	284	(246)	92	130	190	37	292	(55)	-31%	n/a	320	1	n/a	-	-	-	-	
Total Equities	146	116	339	601	1,410	2,000	1,377	1,692	-57%	-64%	2,011	3,021	-33%	2,000	Q4 '07	6,398	FY '07	
Fixed Income Division Subtotal	(1,264)	(703)	(1,186)	(3,154)	(77)	139	332	1,519	n/a	n/a	(3,231)	3,167	n/a	2,039	Q2 '06	7,192	FY '06	
FID Capital Markets Prime Services	97	83	97	276	360	248	221	157	-23%	75%	636	324	96%	360	Q1 '08	793	FY '07	
Global Trading Strategies Distressed	(60)	96	(48)	(12)	(82)	15	23	5	-86%	n/a	(94)	72	n/a	315	Q2 '03	528	FY '06	
Global Principal Strategies	(43)	(92)	(25)	(160)	(163)	(3)	(98)	109	-2%	n/a	(323)	281	n/a	173	Q1 '07	180	FY '07	
Private Equity - FID	(106)	(14)	(30)	(149)	(9)	-	-	-	n/a	n/a	(158)	-	n/a	(9)	Q1 '08	-	FY '08	
Asset Management Principal - FID	(297)	(35)	20	(312)	(440)	-	-	-	-29%	n/a	(752)	-	n/a	(312)	Q2 '08	-	FY '08	
FID Other Allocation *	978	(1,184)	741	535	674	328	580	111	-21%	383%	1,309	228	-31%	-	-	-	-	
Total Fixed Income	(696)	(1,848)	(431)	(2,975)	262	727	1,058	1,901	n/a	n/a	(2,714)	4,073	n/a	2,200	Q2 '06	8,447	FY '06	
Total Capital Markets	(551)	(1,732)	(91)	(2,374)	1,672	2,728	2,435	3,593	n/a	n/a	(703)	7,094	n/a	3,570	Q2 '07	12,240	FY '07	
Total Capital Markets Prime Services	189	196	281	666	631	473	504	529	6%	26%	1,297	894	45%	666	Q2 '08	1,871	FY '07	

Q2 '08 vs. Q1 '08 and Q2 '07:

Capital Markets (-\$2,374mm vs. \$1,672mm and \$3,593mm):

- Capital Markets revenues declined versus both Q1 '08 and Q2 '07 due to continued challenging market conditions.
- Lower Fixed Income revenues due to significant write-downs in Securitized Products, Real Estate, and Leveraged Loans, as well as proprietary losses in Interest Rate Products and Credit Products, partially offset by record revenues in Municipals and Commodities Trading.
 - Despite poor results in hedging and Franchise trading, customer activity was at near record levels.
 - Asset Management Principal losses incurred from providing support to several funds.
 - Credit spreads tightened in the quarter, the Lehman Global HY index spread tightened 78bps & the Leh Global IG Grade spread tightened 9bps.
- Equities revenues slowed and were down significantly versus the comparable periods.
 - Execution Services and Prime Services were up in Q2 while Volatility and Convertibles were lower for the quarter.
 - The equity market environment was weak for a large part of the quarter, leading to unprofitable trading strategies throughout the majority of the segment, especially Internationally.
 - Significant Principal Investment losses were recognized in the quarter, including \$(150)mm on our GLG investment as the stock price declined 38% and \$(115)mm on the KSK (India Power Plant) position.
 - Record Prime Services revenues in the quarter as we are currently in the European dividend season (Structured Arb).
- Strong Total Capital Markets sales credits in the quarter, with great performance in Convertibles, Commodities, High Grade Credit and Municipals.

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EQUITY DIVISIONAL REVENUES

Structure: Capital Markets \ Equity Capital Markets

Equity Division Revenues:	Monthly Trend			Quarter Trend				Δ %		6 Months Ending May		Δ %		Records ¹			
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs. Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08 vs. YTD '07	Qtr Record	Qtr	Yr Record	Year
Total Execution Services	100	256	172	528	657	374	509	525	-20%	1%	1,185	986	20%	657	Q1 '08	1,869	FY '07
Convertibles	(29)	9	12	(7)	(4)	28	(33)	12	104%	n/a	(11)	60	n/a	62	Q4 '06	154	FY '03
Volatility	(26)	(29)	(107)	(161)	267	385	+55	435	n/a	n/a	105	705	-83%	455	Q3 '07	1,545	FY '07
Equity Strategies	(3)	47	8	53	14	131	63	140	283%	-62%	67	219	-69%	143	Q1 '06	413	FY '07
Equities Corporate	(38)	(13)	(25)	(76)	(145)	14	(31)	(22)	-17%	218%	(221)	(39)	467%	-	-	-	-
Equities Divisional Subtotal	4	271	61	336	789	932	963	1,090	-57%	-69%	1,125	1,931	-42%	1,090	Q2 '07	3,827	FY '07
Equities Capital Markets Prime Services	92	113	185	390	271	226	283	371	44%	5%	661	569	16%	390	Q2 '08	1,078	FY '07
Private Equity	(90)	52	67	29	(211)	25	70	77	n/a	-62%	(182)	153	n/a	77	Q2 '07	248	FY '07
Asset Management Principal	(44)	(130)	23	(151)	(87)	522	(106)	49	73%	n/a	(238)	65	n/a	522	Q4 '07	481	n/a
Direct Principal Investments	(2)	19	17	33	(5)	19	(2)	23	n/a	48%	29	20	41%	33	Q2 '08	37	FY '07
Global Opportunities Group	(8)	25	9	26	43	(10)	(11)	11	-10%	n/a	68	-	n/a	43	Q1 '08	68	FY '08
Global Trading Strategies	(87)	9	(118)	(195)	417	235	(116)	112	n/a	n/a	222	257	-14%	417	Q1 '08	376	FY '07
Global Principal Strategies - Equity	(2)	1	3	2	3	14	7	2	-1%	-23%	5	2	102%	14	Q4 '07	23	FY '07
Subtotal Equities	(127)	318	221	471	1,220	1,963	1,088	1,724	-61%	-73%	1,691	2,997	-44%	1,963	Q4 '07	6,049	FY '07
Corporate Investments	-	-	-	-	-	-	(4)	23	n/a	-100%	-	23	-100%	40	Q1 '05	69	FY '04
Equity Other Allocation	284	(246)	92	130	190	37	292	(55)	-31%	n/a	320	1	n/a	-	-	-	-
Total Equities	156	72	314	601	1,410	2,000	1,377	1,692	-57%	-64%	2,011	3,021	-33%	2,000	Q4 '07	6,398	FY '07
Equities % of Total Capital Markets	-28%	-1%	-343%	-25%	84%	73%	57%	47%			-286%	43%					

¹ Revenue reverts date back to Quarter 1 '04

² Includes Banking Offset of Corporate Derivatives.

Structure: Capital Markets \ Sales Credits

Equity Sales Credits	Monthly Trend			Quarter Trend				Δ %		6 Months Ending May		Δ %		Records ¹			
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs. Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08 vs. YTD '07	Qtr Record	Qtr	Yr Record	Year
Execution Services - Americas	73	71	65	209	217	197	278	195	-1%	7%	426	377	13%	278	Q3 '07	852	FY '07
Execution Services - Europe	35	43	35	113	141	150	154	144	-20%	-21%	254	260	-2%	154	Q3 '07	564	FY '07
Execution Services - Asia	18	21	21	61	60	56	54	46	1%	33%	120	80	51%	61	Q2 '08	190	FY '07
Total Execution Services	127	135	121	383	417	403	486	385	-8%	-1%	800	716	12%	486	Q3 '07	1,606	FY '07
Convertibles	9	15	9	34	28	20	20	17	19%	94%	62	30	107%	34	Q2 '08	81	FY '01
Volatility	62	63	59	184	326	393	324	338	-13%	-15%	510	559	-9%	393	Q4 '07	1,276	FY '07
Equity Capital Markets Prime Services Sales Credits	98	124	139	361	251	207	283	312	44%	16%	612	465	32%	361	Q2 '08	955	FY '07
Equities Corporate	(2)	(1)	(1)	(5)	(32)	(76)	(51)	(74)	-86%	-94%	(37)	(88)	-58%	-	-	-	-
Total Equities Sales Credits	295	335	327	957	989	947	1,062	977	-3%	-2%	1,946	1,681	16%	1,062	Q3 '07	3,691	FY '07
Americas	139	134	122	395	391	353	409	370	1%	7%	786	652	21%	409	Q3 '07	1,414	FY '07
Europe	109	133	155	417	439	413	487	466	-5%	-10%	856	787	9%	487	Q3 '07	1,687	FY '07
Asia	47	48	50	144	159	181	166	142	-9%	2%	304	242	25%	181	Q4 '07	589	FY '07
Total Equities Sales Credits	295	335	327	957	989	947	1,062	977	-3%	-2%	1,946	1,681	16%	1,062	Q3 '07	3,691	FY '07

¹ Revenue reverts date back to Q1 '01.

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FIXED INCOME DIVISIONAL REVENUES

Structure: Capital Markets \ FID Capital Markets

FID Capital Markets Revenues:	Monthly Trend				Quarter Trend				Δ %		6 Months Ending May		Δ %		Records ¹			
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Qtr Record	Qtr	Yr Record	Year
									Q1 '08	Q2 '07			YTD '08	YTD '07				
Liquid Markets	(129)	(84)	(45)	(259)	1,180	381	695	422	n/a	n/a	921	740	24%	1,180	Q1 '08	1,816	FY '07	
Credit Products	(107)	(340)	202	(246)	410	306	(613)	466	n/a	n/a	164	1,096	-85%	631	Q1 '07	1,451	FY '06	
Securitized Products	(564)	(194)	(855)	(1,612)	(307)	(767)	37	213	+25%	n/a	(1,920)	506	n/a	779	Q1 '05	2,754	FY '05	
Real Estate	(326)	(174)	(935)	(1,435)	(1,027)	(173)	308	487	40%	n/a	(2,462)	897	n/a	611	Q3 '06	1,723	FY '06	
Municipal Bonds	101	150	67	318	(241)	57	(47)	8	n/a	n/a	78	63	23%	318	Q2 '08	312	FY '03	
Energy Trading	25	74	55	154	52	118	123	16	193%	n/a	206	28	n/a	154	Q2 '08	270	FY '07	
FID Corporate	(263)	(135)	325	(73)	(146)	18	(171)	(92)	-50%	-21%	(219)	(164)	33%	-	-	-	-	
Fixed Income Division Subtotal	(1,264)	(703)	(1,186)	(3,154)	(77)	139	332	1,519	n/a	n/a	(3,231)	3,167	n/a	2,039	Q2 '06	7,192	FY '06	
FID Capital Markets Prime Services	97	83	97	276	360	248	221	157	-23%	73%	636	324	96%	360	Q1 '08	793	FY '07	
Global Trading Strategies Distressed	(60)	96	(48)	(12)	(82)	15	23	5	86%	n/a	(94)	72	n/a	315	Q2 '03	528	FY '03	
Global Principal Strategies	(43)	(92)	(25)	(160)	(163)	(3)	(98)	109	-2%	n/a	(323)	281	n/a	173	Q1 '07	180	FY '07	
Private Equity - FID	(106)	(14)	(30)	(149)	(9)	-	-	-	n/a	n/a	(158)	-	n/a	(9)	Q1 '08	-	FY '08	
Asset Management Principal - FID	(297)	(35)	20	(312)	(440)	-	-	-	-29%	n/a	(752)	-	n/a	(312)	Q2 '08	-	FY '08	
FID Other	978	(1,184)	741	535	674	328	580	111	-21%	383%	1,209	228	+31%	-	-	-	-	
Total Fixed Income	(293)	(1,799)	(421)	(2,975)	262	727	1,058	1,901	n/a	n/a	(2,714)	4,073	n/a	2,200	Q2 '06	8,447	FY '06	
Fixed Income % of Total Capital Markets	53%	104%	461%	125%	16%	27%	43%	53%			386%	57%						

¹ Revenue records date back to Q1 '04, sales credits date back to Q1 '01

¹ Revenue records date back to Quarter 1 '04

Structure: Capital Markets \ FID Capital Markets \ FID Sales Credits

FID Sales Credits	Monthly Trend				Quarter Trend				Δ %		6 Months Ending May		Δ %		Records ¹			
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Qtr Record	Qtr	Yr Record	Year
									Q1 '08	Q2 '07			YTD '08	YTD '07				
Interest Rate Products	114	116	100	330	385	226	349	292	-14%	13%	715	543	32%	385	Q1 '08	1,118	FY '07	
Foreign Exchange	74	57	40	172	179	138	141	106	-4%	62%	350	208	69%	179	Q1 '08	486	FY '07	
Total Liquid Markets	188	174	140	502	563	364	489	398	-11%	26%	1,065	751	42%	563	Q1 '08	1,604	FY '07	
CDO	25	53	41	120	270	134	144	161	-56%	-25%	390	290	35%	270	Q1 '08	368	FY '07	
High Grade	81	72	70	223	185	157	204	172	20%	29%	408	317	29%	223	Q2 '08	677	FY '07	
High Yield	36	69	35	140	123	122	170	146	14%	-4%	263	237	11%	170	Q3 '07	529	FY '07	
Total Credit Products	142	194	147	483	579	412	518	479	-17%	1%	1,062	844	26%	579	Q1 '08	1,773	FY '07	
Total Securitized Products	101	88	78	267	199	130	198	191	34%	40%	466	330	41%	267	Q2 '08	657	FY '07	
Real Estate	11	5	15	31	39	24	23	28	-22%	12%	70	57	24%	39	Q1 '08	103	FY '07	
Municipals	22	5	4	31	22	27	25	20	14%	56%	53	34	53%	31	Q2 '08	86	FY '07	
Energy Trading	31	48	31	110	58	50	66	22	89%	+100%	168	43	287%	110	Q2 '08	168	FY '08	
FID Capital Markets Prime Services	53	41	44	138	172	143	140	115	-20%	20%	310	228	36%	172	Q1 '08	511	FY '07	
FID Corp/Insurance Prod	(4)	1	(2)	(5)	(40)	(28)	(41)	(22)	-87%	-76%	(46)	(41)	10%	18	Q4 '05	66	FY '05	
Total Fixed Income Sales Credits	543	555	457	1,556	1,593	1,122	1,417	1,230	-2%	27%	3,149	2,245	40%	1,593	Q1 '08	4,784	FY '07	
Americas	373	385	300	1,058	960	761	975	810	10%	31%	2,018	1,490	35%	1,058	Q2 '08	3,225	FY '07	
Europe	112	134	116	362	418	263	331	283	-13%	28%	780	508	54%	418	Q1 '08	1,101	FY '07	
Asia	58	37	41	136	215	99	112	137	-37%	-1%	351	248	41%	215	Q1 '08	459	FY '07	
Total Fixed Income Sales Credits	543	555	457	1,556	1,593	1,122	1,417	1,230	-2%	27%	3,149	2,245	40%	1,593	Q1 '08	4,784	FY '07	

¹ Revenue records date back to Q1 '01.

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EQUITY DIVISIONAL REVENUES BY PRODUCT

Structure: Capital Markets \ Equity Capital Markets \ Equities Divisional \ By Product

	Monthly Trend			Quarter Trend				Δ %		6 Months Ending May		Δ %	Records ¹					
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	Yr Record	Year
									Q1 '08	Q2 '07			YTD '07	Qtr Record	Qtr	Yr Record	Year	
<i>Execution Services - Americas</i>	67	184	80	331	401	144	374	233	-17%	42%	733	454	62%	401	Q1 '08	971	FY '07	
<i>Execution Services - Europe</i>	46	51	53	150	151	152	88	239	-1%	-37%	301	417	-28%	239	Q2 '07	657	FY '07	
<i>Execution Services - Asia</i>	(13)	21	38	47	104	78	48	54	-53%	-13%	151	116	30%	104	Q1 '08	241	FY '07	
Total Execution Services	100	256	172	528	657	374	509	525	-20%	1%	1,185	986	20%	657	Q1 '08	1,869	FY '07	
<i>Americas</i>	(3)	6	17	19	15	23	(26)	(20)	24%	n/a	35	12	187%	34	Q4 '06	114	FY '06	
<i>Europe</i>	(10)	8	(4)	(5)	(7)	(2)	5	19	-19%	n/a	(12)	35	n/a	19	Q2 '07	39	FY '06	
<i>Asia</i>	(16)	(4)	(1)	(21)	(12)	7	(11)	13	71%	n/a	(33)	13	n/a	13	Q2 '07	9	FY '07	
Convertibles	(29)	9	12	(7)	(4)	28	(33)	12	104%	n/a	(11)	60	n/a	62	Q4 '06	154	FY '03	
¹ Revenue records date back to Quarter 1 '04																		
Volatility revenues:																		
<i>Americas</i>	21	17	29	67	12	23	18	81	478%	-17%	79	71	11%	81	Q1 '06	275	FY '05	
<i>Europe</i>	(61)	(1)	(73)	(135)	105	158	309	200	n/a	n/a	(30)	390	n/a	309	Q3 '07	856	FY '07	
<i>Asia</i>	14	(44)	(63)	(93)	151	205	128	154	n/a	n/a	57	245	-77%	205	Q4 '07	577	FY '07	
Volatility	(26)	(29)	(107)	(161)	267	385	455	435	n/a	n/a	105	705	-85%	455	Q3 '07	1,545	FY '07	
Equity Strategies revenues:																		
<i>Americas</i>	(28)	(0)	14	(14)	0	32	28	79	n/a	n/a	(14)	101	n/a	79	Q2 '07	161	FY '07	
<i>Europe</i>	3	31	10	44	22	24	(33)	42	100%	5%	66	59	12%	44	Q2 '08	66	FY '08	
<i>Asia</i>	23	16	(16)	23	(8)	76	69	19	n/a	21%	15	59	-75%	83	Q1 '06	203	FY '07	
Equity Strategies	(3)	47	8	53	14	131	63	140	285%	-62%	67	219	-69%	143	Q1 '06	413	FY '07	

¹ Revenue records date back to Quarter 1 '04

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EQUITY DIVISIONAL REVENUES BY PRODUCT

Q2 '08 vs. Q1 '08 and Q2 '07:**Equities Segment**

- Q2 '08 segment revenues of \$601mm are down significantly versus Q1 '08 (\$1,410mm) and Q2 '07 (\$1,692mm).
- Execution Services and Prime Services were strong in Q2 while Volatility and Convertibles were weak in the quarter, as well as prop and principal related items (GLG and KSK).
- The equity market environment was weak for a large part of the quarter, leading to unprofitable trading strategies throughout the majority of the segment.
- Stable customer flow in Q2 '08, down slightly versus Q1 '08 (-3%), with strong performance in Prime Services and Convertibles.
- Global equity markets were up slightly in the quarter. The DJIA was up 3%, the S&P 500 5%, the FTSE 100 3%, the DAX 5% and the Hang Seng was up 1% in the quarter.
- Global equity trading volumes in Q2 '08 are lower by 10% versus Q1 '08 and 14% versus Q2 '07.

Execution Services (includes Flow Volatility Americas): Second highest quarter

- Strong revenues in Europe and Americas.
- Positive results due to strong customer activity, strong commissions, and profitable trading strategies.
- Europe revenues were strong driven by the Cash and Portfolio business lines.
- In the Americas Execution Services business, Cash and Flow Volatility revenues were very strong this quarter.

Convertibles:

- Despite strong client activity, Q2 '08 revenues were weak due to unprofitable trading strategies in a difficult credit market.

Equity Derivatives (Volatility):

- Revenues were down versus the comparable quarters due in large part to losses out of Europe, and less significantly, out of Asia.
- Europe suffered significant losses due to losses in structured trading, valuation adjustments, and slower than expected corporate derivatives.
- In Asia, client appetite for structured products have declined in the quarter and key clients are limiting their business with Lehman, mainly due to our supposed "credit concerns".
- The VIX index (average) dropped to 20.80 versus a volatile Q1 '08 (24.33).

Equity Strategies:

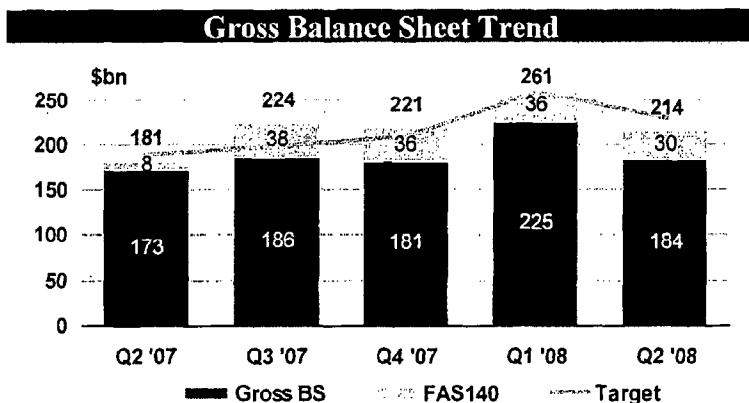
- Improved performance compared to Q1 '08 due mainly to trading strategies in Europe and Asia.

EQUITY CAPITAL MARKETS PRIME SERVICES REVENUES

Structure: Capital Markets \ Equity Capital Markets \ Equities Prime Services

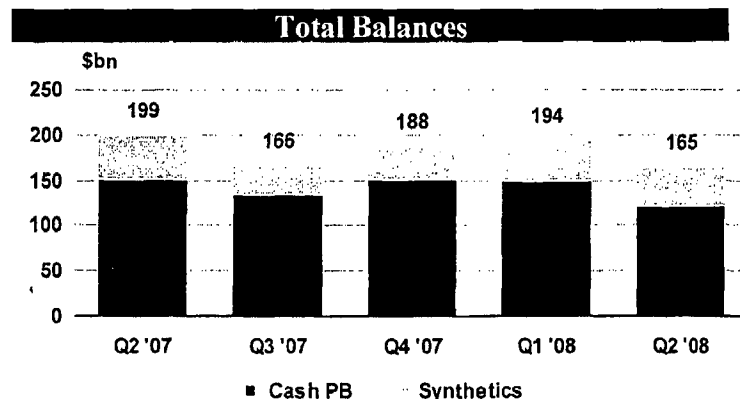
	Monthly Trend			Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ¹			
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08	YTD '07	Qtr Record	Qtr	Yr Record	Year
			Q2 '08 vs. Q1 '08															
Equities Capital Markets Prime Services revenues:																		
<i>America</i>	41	34	37	112	112	94	87	87	0%	29%	224	171	31%	112	Q1 '08	352	FY '07	
<i>Europe</i>	33	59	129	221	101	88	141	235	120%	-0%	322	309	4%	235	Q2 '07	538	FY '07	
<i>Asia</i>	18	20	19	57	58	44	55	49	-3%	13%	115	89	29%	58	Q1 '08	188	FY '07	
Equities Capital Markets Prime Services	92	113	185	390	271	226	283	371	44%	3%	661	569	16%	390	Q2 '08	1,078	FY '07	

¹ Revenues restate date back to Quarter 1 '04



Gross Balance Sheet

	Q2 '08 Actual	Q2 '08 Target	Δ vs. Target	Q1 '08 Actual	Δ vs. Q1 '08
Equity Financing	92	92	0%	109	-15%
Debt Financing	88	102	-14%	123	-29%
Synthetics	14	15	-7%	13	5%
Futures / STG	8	9	-7%	9	-7%
Structured Arbitrage	13	12	6%	7	84%
TOTAL	214	230	-7%	261	-18%



Note: Balances shown are month ending balances; Prior quarters' number of clients have been restated to consolidate affiliated clients.

Q2 '08 vs. Q1 '08 and Q2 '07:

Equity Capital Markets Prime Services:

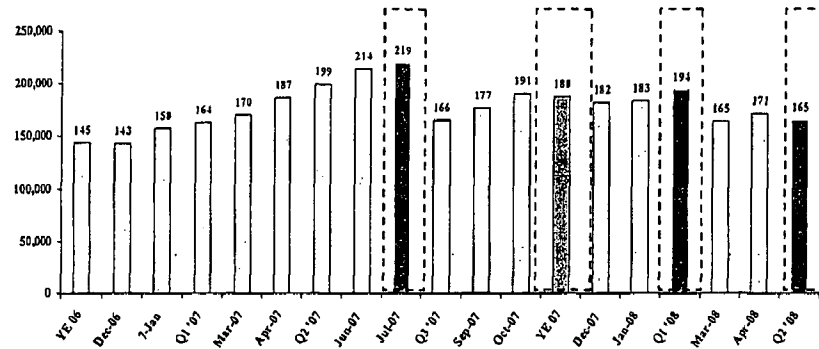
- Record Prime Services revenues in the quarter as we are currently in the Dividend season (Europe).
- Prime Broker balances of \$165bn were down approximately 15% versus Q1 '08 and Q2 '07.
- Although Prime Broker client balance is down quite a bit versus Q1 (\$194bn in Q1 and \$165bn in Q2), much of the decline was seen in the first few weeks of March as a result of the Bear Stearns collapse where clients were trying to either deleverage or diversify their exposure to U.S. Prime Broker.
 - In addition, due to our own effort on balance sheet deleveraging, we have reduced Prime Broker balance where we see inefficient use of balance sheet.

TOP HEDGE FUND CLIENT BALANCE CHANGES

Top Decliners					
Client	Strategy	Net Balance Q2 '08	Net Balance Q1 '08	Variance	Comments
GLG Partners	Multi-Strategy	10,978	18,561	(7,583)	Traded out of Repo positions
Harbert	Fixed Income	6,580	10,984	(4,404)	Raised margin; moved to GS
CFM	Equity Quant	2,807	5,684	(2,877)	Moved to MS
Liberty Harbor	Multi-Strategy	468	2,467	(1,999)	Balances moved based on collateral type
Frontpoint	Equity L/S	72	1,446	(1,374)	Balances moved based on collateral type/Balances moved to another PB
Suttonbrook	Multi-Strategy	0	1,353	(1,353)	Balances moved to another PB
Caxton	Multi-Strategy	688	1,681	(993)	Deleveraging/Redemption
CQS	Multi-Strategy	1,465	2,410	(945)	Balances moved to another PB
BNP Paribas	Banks	93	957	(863)	Synthetics balance
Diversified Credit	Money Manager	13	835	(822)	Balances moved based on collateral type
Bazzely	Multi-Strategy	748	1,519	(771)	Used cash on other a/c to pay down Margin Dr bal
Systeia	Multi-Strategy	1	751	(751)	Closed Strategies
Linden	Multi-Strategy	1	751	(750)	Balances moved based on collateral type
Tewksbury	Equity Quant	2,447	3,165	(718)	Balances moved to another PB
Marathon	Multi-Strategy	112	791	(679)	Balances moved to another PB
Total Top 15		26,473	53,355	(26,882)	
Other Decliners		69,489	91,493	(22,004)	
Total Decliners		95,962	144,848	(48,886)	
Total		164,769	194,055	(29,286)	

Q2 08 Equity Balances Performance

Monthly Trend (\$B)



Key New Client Wins / Go-Lives

- | US Domicile | International |
|-----------------------------|-------------------------------|
| - GS Inv. Partners (\$1.5B) | - Anima SGA (\$390m) |
| - R3 Capital (\$1.5B) | - SRM Global (\$315m) |
| - Telesis (\$260m) | - Senturion AM (\$74m) |
| - Accipiter (\$144m) | - MP Investment (\$36m) |
| - Copper River (\$113m) | - Chahine Specialized (\$32m) |
| - Stylos (\$81m) | - BRSG (\$30m) |
| - EJF (\$47m) | - Al Mal (\$24m) |
| | - Arrowgrass (\$22m) |

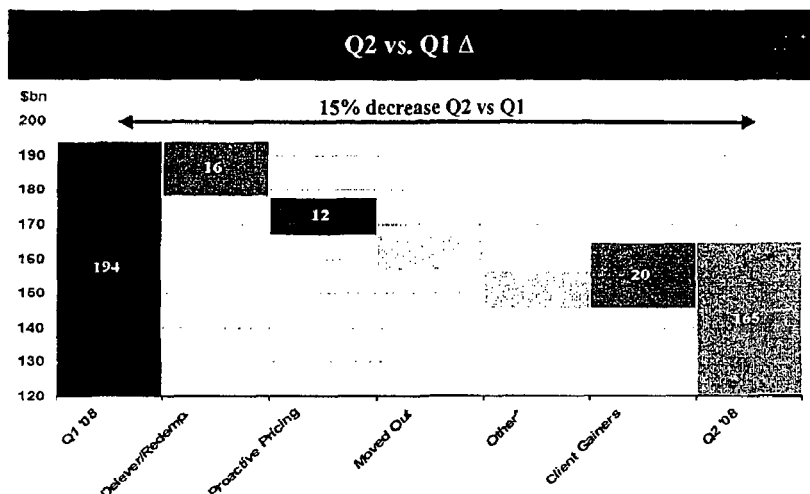
(\$ Total Balances Q2 '08)

Performance By Client Segment (\$mm)

Segment	Q2 08	Q1 08	Δ vs. Q1	
			08	Δ vs. YE 07
Equity L/S	34,069	36,692	(7%)	(7%)
Equity Quant	27,965	30,058	(7%)	(13%)
Fixed Income	11,117	14,971	(26%)	(13%)
Dynamic Ext	153	143	7%	(6%)
Multi-Strategy	77,048	96,083	(20%)	(16%)
Total HF	150,353	177,947	(16%)	(13%)
Total Non HF	14,416	16,108	(11%)	(2%)
Grand Total	164,768	194,055	(15%)	(12%)

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Q2 08 Equity Balances – Gainers/Decliners



Top 15 Gainers	
- R3 Capital (+\$1.5B)	- Centaurus (+\$0.6B)
- RBS (+\$1.5B)	- Blackrock (+\$0.4B)
- Tiger Asia (\$1.5B)	- Santa Fe (+\$0.4B)
- Claren Road (+\$1B)	- JP Morgan AM (+\$0.4B)
- Tudor (+\$0.9B)	- Maverick (+\$0.3B)
- JANA (+\$0.9B)	- Lighthouse (+\$0.3B)
- GSAM Quant (+\$0.8B)	- SRM Global (+\$0.3B)

(+Amt Increase Q on Q)

Significant Decliners Explained (Smm)

Deleveraging/Redemptions				Proactive Pricing/Collateral Types				Balances Moved to Other PB				
Client	Q2 '08	Q1 '08	Variance	Client	Q2 '08	Q1 '08	Variance	Client	Q2 '08	Q1 '08	Variance	
1	GLG Partners	10,978	18,561	(7,583)	Harbert	6,580	10,984	(4,404)	CFM	1,871	3,789	(1,918)
2	Caxon	688	1,681	(993)	Liberty Harbor	468	2,467	(1,999)	Suttonbrook	0	1,353	(1,353)
3	CFM	936	1,895	(959)	Frontpoint	72	1,446	(1,374)	Tewksbury	2,447	3,165	(718)
4	Tykhe	4,403	5,070	(666)	CQS	1,465	2,410	(945)	Marathon AM	112	791	(679)
5	Andor	58	707	(650)	Diversified Credit	13	835	(822)	Angelo Gordon	187	847	(660)
6	Polygon	675	1,240	(565)	Linden Adv	1	751	(750)	Symphony AM	202	850	(648)
7	Camden	1,303	1,697	(394)	Basso Capital	1	409	(408)	Perry Capital	429	902	(473)
8	Rydex	871	1,254	(382)	LEH Private Funds	181	482	(300)	DKR Capital	277	745	(468)
9	SSGA	655	1,036	(381)	Brigade	40	246	(206)	TT International	6	461	(454)
10	Stark	501	851	(350)	Silver Point	789	974	(185)	GSA Capital	4,129	4,564	(435)
Total Top 10		21,067	33,991	(12,924)	Total Top 10	9,610	21,004	(11,394)	Total Top 10	9,660	17,467	(7,807)

*Other consists of normal course of business, closed strategies/fund, reduction in cash balances, etc
 Note: \$2-3B expected to move out first week of June

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EQUITIES PRINCIPAL REVENUES

Structure: Capital Markets \ Equity Capital Markets \ PE & AM Principal \ Equities Global Trading Strategies

	Monthly Trend ⁽⁹⁾			Quarter Trend				Δ %		6 Months Ending May		Δ %		Records ⁽⁹⁾				
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08 vs	YTD '07 vs	Qtr Record	Qtr	Yr Record	Year
														Q2 '08 vs	Q2 '07			
Private Equity & Asset Mgmt Principal																		
Merchant Banking Fund	(2)	3	6	7	2	84	20	7	319%	3%	9	21	-59%		84	Q4 '07	125	FY '07
Venture Capital Fund	(7)	1	16	10	(64)	(2)	23	3	n/a	251%	(54)	28	n/a		25	Q1 '07	49	FY '07
Real Estate Fund	3	(8)	18	14	(10)	2	9	5	n/a	193%	4	8	-43%		47	Q4 '05	83	FY '05
Credit Related Funds	16	(12)	(12)	(7)	(7)	9	3	15	2%	n/a	(15)	26	n/a		20	Q4 '06	45	FY '06
Private Fund Investments Group	(0)	9	10	19	(40)	6	8	21	n/a	-10%	(22)	19	n/a		21	Q2 '07	33	FY '07
Infrastructure (incl. MLP)	(100)	70	33	2	(83)	(75)	0	39	n/a	-94%	(81)	71	n/a		39	Q2 '07		
Other (incl. PA, DPEF, Corporate)	(1)	(11)	(4)	(15)	(8)	1	7	(13)	92%	21%	(23)	(22)	8%		7	Q3 '07	11	FY '06
Subtotal Private Equity	(90)	52	67	29	(211)	26	70	76	n/a	-62%	(182)	152	n/a		76	Q2 '07	247	FY '07
Asset Management Principal	(44)	(130)	23	(151)	(87)	522	(106)	-9	73%	n/a	(238)	65	n/a		522	Q4 '07	481	FY '07
Total Private Equity & Asset Mgmt Principal	(134)	(77)	90	(121)	(298)	548	(36)	125	-59%	n/a	(419)	217	n/a		548	Q4 '07	728	FY '07

¹ Revenue records date back to Quarter 1 '04

² Monthly revenue numbers may have been adjusted due to releases throughout the quarter.

³ Asset Management Principal Investments detail is on the following page.

	Monthly Trend			Quarter Trend				Δ %		6 Months Ending May		Δ %		Records				
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08 vs	YTD '07 vs	Qtr Record	Qtr	Yr Record	Year
														Q2 '08 vs	Q2 '07			
Equity Global Trading Strategies revenues:																		
Global Trading Strategies																		
Affiliated Computer	-	-	-	-	15	(13)	(16)	(1)	-100%	-100%	15	(1)	-1307%					
Alltel	-	-	-	-	2	12	(1)	-	-100%	n/a	2	-	n/a					
Apco Argentina	17	(4)	3	16	-	-	(1)	(0)	n/a	-12133%	16	2	965%					
Banks vs. Treasuries	-	-	-	-	(28)	(27)	(4)	-	-100%	n/a	(28)	-	n/a					
Bakers Hughes Inc	-	-	-	-	-	-	(2)	15	n/a	-100%	-	16	-100%					
BHP Billiton Plc	-	-	-	-	-	13	11	-	n/a	n/a	-	-	n/a					
Boyd Gaming Corp	-	-	-	-	(12)	-	-	-	-100%	n/a	-	-	n/a					
CIT Group	(13)	(0)	(1)	(14)	-	-	-	1	n/a	-2807%	(14)	1	-1412%					
Dana Corp	-	-	-	-	(16)	-	-	-	-100%	n/a	-	-	n/a					
Finansbank AS	-	-	-	-	-	-	(11)	-	n/a	n/a	-	-	n/a					
Hedges	-	(18)	(10)	(28)	-	-	0	(1)	n/a	2656%	(28)	(0)	5922%					
Imperial Sugar	(1)	(10)	(4)	(15)	3	(20)	(6)	(1)	-370%	1062%	(12)	39	-130%					
Incyte	-	-	-	-	12	-	-	-	-100%	n/a	-	-	n/a					
India Strategies	0	(1)	(184)	(185)	554	233	3	24	-133%	-876%	369	24	1417%					
Navigator Gas (previously reported in Fixed Income)	-	-	-	-	(9)	17	-	16	-100%	-100%	(9)	16	-157%					
Navistar International Corp	3	3	4	9	-	-	(4)	7	n/a	24%	9	7	24%					
Pacific Shipping Trust	-	-	-	-	-	-	15	-	n/a	n/a	-	-	n/a					
Placer Siera Bancshares	-	-	-	-	-	-	(14)	-	n/a	n/a	-	-	n/a					
Sequenom Inc.	(5)	(2)	12	6	(8)	37	6	2	-174%	219%	(2)	(1)	56%					
SLM Corp	-	-	-	-	-	(8)	(10)	(1)	n/a	-100%	-	(1)	-100%					
Telus Corp	-	-	-	-	-	(6)	(8)	3	n/a	-100%	-	3	-100%					
Various positions under scope	-	-	-	-	-	-	(25)	(5)	n/a	-100%	-	(5)	-100%					
Visteon	-	-	-	-	(4)	(22)	(3)	0	-100%	-100%	(4)	2	-317%					
WCI Communities	-	-	-	-	-	-	(15)	(1)	n/a	-100%	-	(1)	-100%					
Yahoo! Inc.	4	(9)	(9)	(15)	-	-	-	-	n/a	n/a	(15)	0	-5453%					
All Other	(92)	51	71	31	(91)	19	(14)	34	-134%	-9%	(61)	55	-210%					
Total Global Trading Strategies	(87)	9	(118)	(195)	417	235	(116)	112	n/a	n/a	222	257	-14%		417	Q1 '08	376	FY '07

Insignificant P&L positions have been hidden

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EQUITIES PRINCIPAL REVENUES

Q2 '08 vs. Q1 '08 and Q2 '07:

▪ **Private Equity and Asset Management Principal Investments:**

- Private Equity revenues improved in Q2 versus a very weak Q1, as the Venture Capital Fund recovered in the quarter, as did the MLP Prop Fund mainly due to the stabilization of the ShoreTel position.

- Asset Management Investments losses were mostly recognized on our GLG investment, down almost \$(150)mm in Q2 '08 on a 38% decline in the stock price.

Global Trading Strategies (Equity): Revenues were significantly lower due to a valuation adjustment on KSK and principal trading losses.

Q2 '08 Significant MTM and trading losses on:

- KSK (India Power Plant) Valuation Adjustment - \$(115)mm
 - Approximately \$550mm of gains were recorded in Q1 '08 on the KSK position.
- India Portfolio (excluding KSK) - \$(70)mm (equity positions) vs. \$4mm in Q1 '08 and \$128mm in Q4 '07.
 - Strategy: current positions include long infrastructure, long outsourcing and long technology companies. The India Portfolio equates to approximately 5% of the overall GTS balance sheet.
- Hedging Strategies – Mark to market of approximately \$(28)mm.
- Imperial Sugar - \$(15)mm (equity position)
 - Strategy: Long Common Stock (stock down 24% in Q2 '08)
- Yahoo! Inc – \$(15)mm (equity position)

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PRINCIPAL INVESTMENTS REVENUES (SHADOW)

Days elapsed	QTR 2 '08	QTR 1 '08	QTR 2 '07		
	63/63	61/61	64/64		
HY / Distressed	22.2	(84.8)	126%	(8.9)	351%
M&A	16.2	28.8	-44%	36.0	-55%
Long/Short	(3.6)	32.4	-111%	40.9	-109%
Special Situations	(50.5)	(57.0)	11%	(7.0)	n/m
Pipes/Private	(9.1)	(44.9)	80%	28.8	-132%
India	(182.4)	520.8	-135%	24.0	n/m
Other	0.3	(61.5)	100%	13.1	-98%
Global Trading Strategies (FID and EQU Segment)	(207.0)	333.8	-162%	128.9	-263%
Aviation Finance	(4.8)	9.2	-152%	25.0	-119%
US Portfolio Investing	(72.8)	(130.6)	44%	44.2	-265%
Private Equity	2.4	3.0	-21%	1.8	32%
Structured Credit	19.7	(0.2)	n/m	5.6	255%
Principal Finance - Brownback	3.1	6.1	-50%	5.0	-39%
Principal Strategies	(12.4)	(11.4)	-9%	1.8	n/m
Emerging Markets	(3.2)	3.2	-200%	-	n/m
Insurance	2.1	0.2	n/m	-	n/m
Capital Arbitrage Europe	(2.9)	(9.9)	71%	5.0	-157%
Credit Arbitrage Europe	(53.5)	(15.9)	-236%	10.3	n/m
European Private Investing	0.2	0.3	-14%	-	n/m
Credit Arbitrage Asia	(6.7)	(2.9)	-136%	-	n/m
Correlation Asia	-	-	n/m	-	n/m
Convert Arb Asia	(29.1)	(11.6)	-151%	12.2	-339%
Global Principal Strategies (Primarily FID Segment)	(158.1)	(160.4)	7%	110.9	-242%
Global Opportunities Group (EQU Segment)	25.6	42.8	-40%	-	n/m
Gulfmark	34.0	11.2	205%	18.6	83%
Taj Capital Hedge Fund	(8.7)	(6.2)	-41%	3.9	-323%
Other	8.0	(9.5)	184%	3.3	140%
Direct Principal Investments (EQU Segment)	33.2	(4.6)	n/m	25.9	29%
Merchant Banking	7.5	1.7	343%	6.8	10%
Venture Capital	10.0	(64.4)	116%	2.9	245%
Real Estate	6.5	(0.9)	n/m	4.7	38%
Private Fund Investments Group	18.0	(38.8)	146%	20.8	-14%
MLP	1.1	(84.6)	101%	39.3	-97%
Credit Related	(12.6)	(4.4)	-188%	13.9	-191%
Private Funds Marketing	0.6	0.3	117%	-	n/m
IMD JV Macro Hedge	(13.8)	4.0	-446%	-	n/m
Partnership Account / DPEF / Other	(1.7)	(6.6)	74%	8.2	-121%
Private Equity LP Principal (FID and EQU Segment)	15.5	(193.6)	108%	96.6	-84%
Ospraie - fund investment	4.7	(1.9)	347%	2.2	114%
NYSE	(0.6)	(1.8)	69%	0.3	-293%
H2 Credit	(0.1)	(0.3)	45%	(0.1)	-43%
Skybridge	(0.4)	(0.3)	-38%	-	n/m
Blue Bay	2.3	(19.2)	112%	26.2	-91%
GLG	(148.0)	(30.7)	-382%	-	n/m
Integrated Asset Management	(1.6)	(2.1)	23%	-	n/m
CQS	10.0	18.1	-45%	0.6	n/m
RAB	(3.0)	(1.0)	-207%	-	n/m
Synergy	(0.0)	(0.0)	30%	-	n/m
Field Street	1.1	-	n/m	-	n/m
LTD and Other	(0.5)	0.2	-40%	-	n/m
Third Party Funds / Other (EQU Segment)	(136.1)	(39.0)	-249%	29.2	n/m
DE Shaw	61.8	110.8	-44%	39.2	58%
Ospraie	1.0	16.0	-94%	3.9	-76%
GLG	-	17.0	-100%	-	n/m
Marble Bar	0.6	10.1	-94%	3.3	-80%
Spinnaker	8.1	17.4	-53%	10.0	-19%
Minority Stakes in Hedge Funds (IMD Segment)	71.5	171.3	-58%	56.4	27%
Total Principal Investing	(355.3)	150.3	-336%	445.9	-180%

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EQUITIES CORPORATE REVENUES

Structure: Capital Markets \ Equity Capital
Markets \ Equities Corp.

	Quarter Trend					Δ %		6 Months Ending May		Δ %
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs
						Q1 '08	Q2 '07			YTD '07
Equities Other Allocation										
Valuation										
European Equity Valuation	-	-	-	(10)	-	n/a	n/a	-	(15)	-100%
Asia Valuation	-	-	(3)	-	-	n/a	n/a	-	-	n/a
Day 1 embedded Derivatives	1	-	-	-	(0)	n/a	n/a	1	6	n/a
Italian Tax Rec	-	-	4	38	-	n/a	n/a	-	-	n/a
Subtotal Valuation	1	-	1	28	(0)	n/a	n/a	1	(22)	n/a
Credit										
Credit Reserves	67	19	21	-	(2)	250%	-3882%	86	(2)	-4961%
Subtotal Credit	67	19	21	-	(2)	250%	-3882%	86	(2)	-4961%
Equities IMD Commissions	-	-	-	-	(17)	n/a	-100%	-	(17)	-100%
Europe Volatility	-	-	-	-	(14)	n/a	-100%	-	(14)	-100%
Equity Deferral	-	-	(60)	-	-	n/a	n/a	-	-	n/a
Private Equity/GP Carry	-	-	(0)	-2	(3)	n/a	-100%	-	(5)	-100%
GLG	-	-	(10)	-	-	n/a	n/a	-	-	n/a
Partnership Accounts	-	(7)	-	-	-	-100%	n/a	(7)	-	n/a
Structured Trades	-	2	4	4	3	-100%	-100%	2	9	-77%
Relationship Loans FRL	47	22	13	30	(1)	n/a	-3809%	69	8	724%
Treasury - (mostly FAS related)	111	154	142	226	(33)	-28%	-432%	265	(19)	-1463%
Other (primarily Net interest)	(95)	(0)	(74)	2	12	n/a	n/a	(95)	24	n/a
Total Equities Other	130	190	37	292	(55)	n/a	n/a	320	1	n/a

Q2 '08 vs. Q1 '08 and Q2 '07:

- Equities Other Allocation includes approximately +\$111mm (25%) allocation on debt valuations as Lehmans credit spread widened significantly in the quarter.
- Approximately \$70mm (10%) allocation of credit valuation adjustments in the quarter.
- +\$50mm loss on FRLs was transferred from the Equities to the Fixed Income segment

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FIXED INCOME DIVISIONAL REVENUES BY PRODUCT

Structure: Capital Markets \ FID Capital Markets \ FID Divisional \ By Product

	Monthly Trend			Quarter Trend				Δ %		6 Months Ending May		Δ %		Records ¹			
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs. Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08 vs. YTD '07	Qtr Record	Qtr	Yr Record	Year
FID Liquid Markets Revenues:																	
Interest Rate Products																	
<i>America</i>	(21)	108	(51)	37	602	177	178	164	-94%	-78%	639	347	84%	602	Q1 '08	771	FY '04
<i>Europe</i>	(102)	(209)	(31)	(342)	282	98	356	147	n/a	n/a	(60)	191	n/a	356	Q3 '07	645	FY '07
<i>Asia</i>	9	7	22	38	78	28	90	54	-51%	-29%	116	58	100%	90	Q3 '07	177	FY '07
Interest Rate Products	(113)	(94)	(60)	(267)	962	303	624	364	n/a	n/a	695	595	17%	962	Q1 '08	1,523	FY '07
Foreign Exchange																	
<i>America</i>	18	26	31	74	59	21	(5)	27	27%	173%	133	43	209%	74	Q2 '08	133	FY '08
<i>Europe</i>	(30)	(3)	(29)	(62)	60	47	57	8	n/a	n/a	(2)	36	n/a	60	Q1 '08	160	FY '07
<i>Asia</i>	(3)	(14)	13	(4)	99	10	20	23	n/a	n/a	95	46	108%	99	Q1 '08	95	FY '08
Foreign Exchange	(16)	10	14	8	218	78	71	58	-96%	-86%	226	145	56%	218	Q1 '08	294	FY '07
FID Credit Products Revenues:																	
Credit Products																	
<i>America</i>	(98)	28	70	(0)	(79)	(37)	50	64	-100%	n/a	(79)	62	n/a	64	Q2 '07	95	FY '06
<i>Europe</i>	(38)	30	60	52	30	9	2	70	71%	-26%	82	139	-11%	70	Q2 '07	149	FY '07
<i>Asia</i>	(23)	(1)	26	2	84	(4)	53	43	-27%	-95%	86	75	15%	84	Q1 '08	124	FY '07
CDO	(158)	56	156	54	36	(33)	104	177	51%	-70%	89	276	-68%	177	Q2 '07	348	FY '07
<i>America</i>	179	(127)	44	96	445	77	(75)	42	-78%	127%	541	201	169%	445	Q1 '08	541	FY '08
<i>Europe</i>	28	(1)	2	29	59	(18)	(20)	20	-30%	-8%	88	25	237%	59	Q1 '08	88	FY '08
<i>Asia</i>	(6)	(13)	(16)	(36)	11	(8)	7	17	n/a	n/a	(23)	(2)	n/a	32	Q1 '06	70	FY '06
High Grade Credit	201	(141)	30	90	515	51	(87)	79	-83%	13%	605	268	125%	515	Q1 '08	605	FY '08
<i>America</i>	(186)	(157)	35	(308)	(18)	487	(525)	155	n/a	n/a	(326)	402	n/a	487	Q4 '07	422	FY '06
<i>Europe</i>	(21)	(106)	(24)	(152)	(147)	(71)	(160)	(9)	3%	n/a	(299)	(1)	n/a	29	Q1 '05	65	FY '06
<i>Asia</i>	57	8	6	71	25	71	54	63	183%	11%	95	150	-37%	95	Q3 '05	276	FY '07
High Yield	(150)	(256)	16	(390)	(140)	488	(630)	210	178%	n/a	(529)	552	n/a	488	Q4 '07	668	FY '06
Credit Products Subtotal	(107)	(340)	202	(246)	410	506	(613)	466	n/a	n/a	164	1,096	-85%	631	Q1 '07	1,451	FY '06

¹ Revenue records date back to Quarter 1 '03

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FIXED INCOME DIVISIONAL REVENUES BY PRODUCT

Q2 '08 vs. Q1 '08 and Q2 '07:

Interest Rate Products:

- Very weak quarter for Global Rates products
- Europe incurred the majority of the losses due to the long exposures at the front end of GBP, EUR, and USD curves
- Solid results out of the Americas region on solid customer activity
- Another strong quarter for Sales Credits

Foreign Exchange:

- Lower results in FX trading
- Americas solid but weaker International performance
- Strong customer activity in the quarter

Credit Products:

- Weak credit products in the quarter
- Significant writedowns on Acquisition Facilities positions
- Aside from writedowns, weak Q2 follows a strong Q1 due to losses on short credit positions
- Strong sales credits in the quarter as High Grade credit posted a record
- High Grade revenues were solid on flow trading in the U.S., however, they trail Q1 '08 revenues significantly as that quarter produced extraordinary results.

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FIXED INCOME DIVISIONAL REVENUES BY PRODUCT

Structure: Capital Markets \ FID Capital
Markets \ FID Divisional \ By Product

	Monthly Trend			Quarter Trend					Δ %		6 Months Ending May		Δ %	Records ¹			
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs		YTD '08	YTD '07	YTD '08 vs	Qtr Record	Qtr	Yr Record	Year
									Q1 '08	Q2 '07							
FID Securitized Products revenues:																	
Securitized Products																	
Americas	(416)	(120)	(755)	(1,291)	(233)	(715)	72	90	n/a	n/a	(1,524)	292	-621%	652	Q2 '05	2,374	FY '05
Europe	(153)	(82)	(95)	(329)	(84)	(73)	(45)	97	n/a	n/a	(414)	175	-336%	158	Q2 '06	462	FY '06
Asia	5	8	(5)	8	10	21	11	26	-18%	-69%	18	38	-53%	30	Q4 '06	70	FY '07
Securitized Products Total	(564)	(194)	(855)	(1,612)	(307)	(767)	37	213	425%	n/a	(1,920)	506	n/a	779	Q1 '05	2,754	FY '05
FID Real Estate revenues:																	
Real Estate																	
Americas	(331)	(179)	(904)	(1,414)	(824)	(342)	170	250	72%	n/a	(2,238)	503	n/a	476	Q3 '05	1,223	FY '05
Europe	(8)	(17)	(58)	(83)	(252)	16	82	133	-67%	n/a	(335)	219	n/a	133	Q2 '07	316	FY '07
Asia	13	22	27	62	49	153	56	103	26%	-10%	110	176	-37%	178	Q3 '06	385	FY '07
Real Estate	(326)	(174)	(935)	(1,435)	(1,027)	(173)	308	487	40%	n/a	(2,462)	897	n/a	611	Q3 '06	1,723	FY '06
Municipal Bonds																	
Americas	101	150	67	318	(241)	57	(47)	8	n/a	n/a	78	63	23%	318	Q2 '08	271	FY '04
Europe	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a	-	-	-	-
Asia	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a	-	-	-	-
Municipal Bonds	101	150	67	318	(241)	57	(47)	8	n/a	n/a	78	63	23%	318	Q2 '08	312	FY '03
Energy Trading																	
Americas	52	61	60	172	51	85	107	15	239%	n/a	223	19	n/a	172	Q2 '08	223	FY '08
Europe	(20)	8	(13)	(24)	5	28	16	0	n/a	n/a	(19)	9	n/a	28	Q4 '07	53	FY '07
Asia	(7)	5	8	6	(3)	5	1	1	n/a	n/a	3	(0)	n/a	6	Q2 '08	6	FY '07
Energy Trading	25	74	55	154	52	118	123	16	193%	n/a	206	28	n/a	154	Q2 '08	270	FY '07

¹ Revenue records date back to Quarter 1 '04

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FIXED INCOME DIVISIONAL REVENUES BY PRODUCT

Q2 '08 vs. Q1 '08 and Q2 '07:

▪ **Securitized Products and Real Estate Overview:**

- Very weak quarter amid significant writedowns in the quarter
- SP: Net writedowns of almost -\$1.7bn in the quarter, versus -\$0.4bn in Q1
- SP: Hedging gains of only +\$0.4bn in the quarter, versus +\$2.2bn in Q1
- Very minimal securitization activity in the quarter.

- RE: Net writedowns of about -\$1.4bn in the quarter, versus -\$1.0bn in Q1
- RE: Hedging losses of about -\$0.5bn in the quarter, versus a gain of +\$0.4bn in Q1

More information on the following pages

▪ **Municipal Bonds:**

- Record quarter as Municipals significantly outperformed treasuries
- Customer activity was very strong
- The Muni Basis strategy gained about \$195mm in the quarter, as municipals outperformed treasury futures and swap hedges in the quarter, a complete turnaround from Q1.
- The Credit Basis strategy was flat in the quarter – much better than the -\$60mm loss in Q1.

▪ **Energy Trading:**

- Record quarter
- Record sales credits in the quarter
- Bullish power prices and wider spreads drove the gains
- Solid Eagle Energy performance in the quarter

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GLOBAL MORTGAGE ORIGINATIONS

	Preliminary Q2 '08	Q1 '08	Q2 '07
ORIGINATION VOLUME			
Americas Purchased Origination Volume (\$)	18	761	9,919
Americas MCD Origination Volume (\$)	280	1,667	15,279
Americas MCD Origination Volume (% share of total Americas)	94%	69%	61%
BY PLATFORM (\$mm)			
AUR	122	1,270	11,742
BNC	na	-	2,749
SBF ¹ (small balance commercial)	285	302	759
Corpus Door	32	95	30
Capital Crossing (commercial)	-	-	66
AMERICAS	439	1,667	15,345
UK	94	-	1,898
ELQ	171	240	191
EUROPE	265	240	2,089
Japan	66	156	89
Korea	na	-	22
ASIA	66	156	111
TOTAL	770	2,064	17,545
ASSET CLASS - Resi, Comm, Student (\$mm)			
Americas	122	1,270	14,491
Europe	265	453	2,089
Asia	66	156	111
Total Residential	453	1,880	16,691
Americas	285	302	824
Europe	-	-	-
Asia	-	-	-
Total Commercial	285	302	824
Total Student Loans	32	95	30
TOTAL - ASSET CLASS	770	2,277	17,545
ORIGINATION vs PURCHASE (\$mm)			
Americas	439	1,667	15,279
Europe	265	453	2,089
Asia	66	156	111
Total Origination	770	2,277	17,480
Americas	-	-	66
Europe	-	-	-
Asia	-	-	-
Total Purchase	-	-	66
TOTAL - ORIG vs PURCH	770	2,277	17,545
BY PRODUCT TYPE (\$mm)			
Alt A	161	662	12,220
Subprime	248	355	3,853
Conv/Govt/Other ²	118	974	807
Small Balance Commercial	211	191	635
Student Loans	32	95	30
TOTAL	770	2,277	17,545
BY CHANNEL (\$mm)			
Correspondent	114	680	10,159
Broker	247	1,107	6,929
Retail	376	395	428
Student Loans	32	95	30
TOTAL	770	2,277	17,545

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FIXED INCOME PRINCIPAL REVENUES

Structure: Capital Markets \ FID Capital Markets \ FID Global Trading Strategies

	Monthly Trend			Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ¹			
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Qtr Record	Qtr	Yr Record	Year
									Q1 '08	Q2 '07			YTD '07	YTD '07				
FID Global Trading Strategies revenues:																		
Global Trading Strategies¹																		
ABX Index	1	4	1	5	(21)	30	98	(7)	n/a	n/a	(16)	35	n/a					
CDXX07	(4)	(0)	(2)	(5)	12	(14)	44	(1)	n/a	376%	7	3	121%					
Delta Airlines	-	-	-	-	(3)	2	(3)	(7)	-100%	-100%	(3)	(0)	-68%					
Ford	-	-	-	-	-	(1)	(3)	0	n/a	-100%	-	3	-100%					
General Motors	(28)	35	7	15	(70)	(13)	(109)	9	n/a	69%	(55)	8	n/a					
Navigator Gas (currently reported in Equities)	-	-	-	-	-	-	-	-	n/a	n/a	-	17	-100%					
Newspaper CDS	-	-	-	-	13	-	-	-	-100%	n/a	13	-	n/a					
Team Loan Deal	1	46	(4)	43	(37)	(5)	(12)	-	n/a	n/a	5	-	n/a					
Univision Communications Inc	3	(6)	(4)	(7)	11	-	-	-	n/a	n/a	-	-	n/a					
All Other GTS Debt	(10)	(7)	10	(7)	5	15	9	1	n/a	n/a	(2)	2	n/a					
Total GTS Distressed	(60)	96	(48)	(12)	(82)	15	23	5	-86%	n/a	(94)	73	n/a					
														315	Q2 '03	528	FY '03	

Structure: Capital Markets \ FI & EQ Global Principal Strategies

	Monthly Trend			Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ¹			
	Mar-08	Apr-08	May-08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.		Qtr Record	Qtr	Yr Record	Year
									Q1 '08	Q2 '07			YTD '07	YTD '07				
Fixed Income & Equity Global Principal Strategies revenues:																		
Global Principal Strategies																		
Aviation Finance	(2)	(1)	(2)	(4)	9	6	52	25	n/a	n/a	5	39	-88%		52	Q3 '07	96	FY '07
US Portfolio Investing	(39)	(53)	4	(88)	(41)	(63)	(107)	44	114%	n/a	(129)	131	n/a		87	Q1 '07	68	FY '06
Private Equity	(2)	1	(2)	(2)	(0)	13	7	2	n/a	n/a	(3)	3	n/a		13	Q4 '07	23	FY '07
Structured Credit	1	12	7	21	(1)	11	(5)	6	n/a	271%	19	6	246%		21	Q2 '08	19	FY '08
Principal Finance - Brownback	0	(1)	2	2	6	(1)	1	5	-69%	-44%	8	11	-35%		6	Q1 '07	11	FY '07
Principal Strategies	1	(8)	(6)	(13)	(18)	21	3	2	-27%	n/a	(31)	8	n/a		21	Q4 '07	32	FY '07
Equity Long/Short	2	(4)	(1)	(3)	(0)	(5)	(1)	0	n/a	n/a	(3)	0	n/a		0	Q2 '07	-	FY '08
Total Americas	(38)	(54)	5	(87)	(115)	(38)	(50)	83	-24%	n/a	(202)	198	n/a		114	Q1 '07	115	FY '06
Capital Arbitrage	5	(6)	(2)	(2)	(13)	(3)	(16)	5	-84%	n/a	(14)	11	n/a		13	Q3 '06	18	FY '06
Credit Arbitrage	(0)	(17)	(18)	(37)	(37)	(6)	(37)	10	101%	n/a	(56)	60	n/a		50	Q1 '07	26	FY '06
Total Europe	5	(24)	(20)	(39)	(31)	(8)	(53)	15	29%	n/a	(70)	71	n/a		56	Q1 '07	44	FY '06
Convent Arb	(12)	(13)	(7)	(32)	(19)	58	12	12	124%	n/a	(46)	15	n/a		58	Q4 '07	84	FY '07
Total Asia	(12)	(13)	(7)	(32)	(14)	58	12	12	124%	n/a	(46)	15	n/a		58	Q4 '07	84	FY '07
Total Global Principal Strategies	(45)	(91)	(22)	(158)	(160)	11	(91)	111	-1%	n/a	(318)	284	n/a		173	Q1 '07	203	FY '07
Equities Global Principal Strategies																		
Equities Global Principal Strategies	(2)	1	3	2	3	14	7	2	-11%	-25%	5	2	102%		14	Q4 '07	23	FY '07
Fixed Income Global Principal Strategies	(43)	(92)	(25)	(160)	(163)	(3)	(98)	109	-2%	n/a	(323)	281	n/a		173	Q1 '07	180	FY '07
Total Global Principal Strategies	(45)	(90)	(22)	(158)	(160)	11	(91)	111	-1%	n/a	(318)	284	n/a		173	Q1 '07	203	FY '07

Note: Global Principal Strategies moved out of FID High Grade Credit in Q3 '06.
Note: Reporting for Equities Global Principal Strategies started in Q2 '07.

Fixed Income Other Principal revenues:

Private Equity - FID	(106)	(14)	(30)	(149)	(9)	-	-	-	n/a	n/a	(158)	-	n/a		(9)	Q1 '08	-	FY '08
Asset Management Principal - FID	(297)	(35)	20	(312)	(440)	-	-	-	-29%	n/a	(752)	-	n/a		(312)	Q2 '08	-	FY '08

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FIXED INCOME PRINCIPAL REVENUES

Q2 '08 vs. Q1 '08 and Q2 '07:

- **Global Trading Strategies (Distressed Debt):** Another down quarter for GTS Fixed Income

- **Q2 '08 Significant MTM and trading activity in the quarter:**

- **ABX Index (-\$17mm) (debt position)**

- Strategy: credit default swap indices linked to subprime RMBS securities – (long protection)

- **Term Loan Deals (+\$43mm) (debt position)**

- Strategy: High Yield debt trading

- Term Loan Deals returned significant gains in Q2 versus a very weak Q1 (losses of -\$37mm)

- **General Motors (+\$15mm) (debt position)**

- Strategy: Long GMAC debt position, short credit default swaps, treasuries

- GM Bonds recovered in Q2 after major losses incurred in Q1.

Global Principal Strategies (mainly FID):

- Very weak quarter for GPS

- Losses of approximately \$160mm in the quarter

- U.S. Portfolio investing lost \$41mm in the quarter mainly due to losses in the Loan Portfolio as well as Capital Structure Arb.

- Europe (Credit Arb) and Asia (Convertible Arb) also recorded losses in the quarter.

Asset Management Principal

- Significant losses from providing support to funds

- ABS Enhanced Libor Fund of -\$190mm

- Bond Inventory from liquidated funds of approximately -\$53mm

- Sigma Exchange -\$35mm

Private Equity (Fixed income items)

- Archstone -\$60mm

- Structured Credit -\$70mm

- Skypower -\$12mm

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ARCHSTONE AND SUNCAL UPDATE

Lehman Brothers Holdings Inc
Deal write-offs
May 31, 2008

<u>Amounts in millions</u>	<u>Archstone</u>	<u>SunCal</u>
Balance at November 30, 2007	5,879	446
Valuation adjustment ^(a)	250	166
Balance at February 29, 2008	5,629	280
Valuation adjustment ^(b)	350	178
Balance at May 31, 2008	5,279	102

^(a) Of the 250 million written off for the Archstone deal during the 1st quarter 200 million related to FID and 50 million related to IMD.

^(b) Of the 350 million written off for the Archstone deal during the 2nd quarter 289 million related to FID and 61 million related to IMD.

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FIXED INCOME CORPORATE REVENUES

Structure: Capital Markets \ FID Capital
Markets \ FID Corporate

	Quarter Trend					Δ %		6 Months Ending May		Δ %
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07
						Q1 '08	Q2 '07			
FID Other Allocation										
Valuation										
CDO	55	-	-	23	1	n/a	7202%	55	1	3683%
Day One Embedded Derivatives	2	-	3	3	(1)	n/a	-318%	2	10	-85%
Energy Trades FID	(3)	-	1	(24)	(13)	n/a	-77%	(3)	(20)	-85%
Asia Valuation	-	-	(7)	-	-	n/a	n/a	-	-	n/a
FID Valuation	3	30	(30)	-	-	-89%	n/a	33	-	n/a
Subtotal Valuation	57	30	(34)	1	(13)	n/a	-551%	87	(8)	n/a
Credit										
Credit Reserves	599	173	191	(2)	(16)	246%	-3882%	772	6	12433%
Subtotal Credit	599	173	191	(2)	(11)	246%	-5678%	772	11	6757%
CFU/Non CFU Coupon	-	-	4	2	(3)	n/a	-100%	-	(3)	-100%
DTE Option Reserve	-	-	-	-	1	n/a	-100%	-	1	-100%
Auction Rate Securities	(33)	(43)	(30)	-	-	-23%	n/a	(76)	-	n/a
Deferral Reserve	-	-	(31)	-	-	n/a	n/a	-	-	n/a
Peninsular Golf RE (FID Eur)	-	-	8	-	-	n/a	n/a	-	-	n/a
FX Hedge	(56)	(41)	(33)	(10)	(3)	36%	2126%	(97)	(6)	1471%
JGB Bond	-	-	-	(8)	(22)	n/a	-100%	-	(22)	-100%
Partnership Accounts	-	(7)	-	-	-	-100%	n/a	(7)	-	n/a
Banking Related MTM	(214)	(22)	(13)	(30)	1	877%	-16852%	(236)	(8)	2715%
Structured Trades	-	-	4	4	3	n/a	-100%	-	9	-100%
CDS Trade	-	84	(23)	88	(6)	-100%	-100%	84	4	2016%
Treasury - (mostly FAS related)	319	462	352	627	(78)	-31%	-511%	781	(46)	-1812%
Other (primarily Net interest)	(138)	38	(67)	(93)	239	-467%	-157%	(100)	286	-135%
Total Fixed Income Other	535	674	328	580	111	-21%	n/a	1,209	228	n/a
FID Corporate	(73)	(146)	18	(171)	(92)	-50%	-21%	(219)	(164)	33%

Q2 '08 vs. Q1 '08 and Q2 '07:

- FID Other revenues include gains of approximately +\$.3bn (75%) allocation on debt valuations as Lehman credit spreads significantly widened in the quarter.
- Credit Valuation adjustment of about +\$.6bn (90%) allocation in the quarter.
- Approximately -\$.2bn of Banking related Mark to Market adjustments recorded in the quarter (mostly in FRLs and Loan Holds)

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SALES CREDITS

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Equities Institutional Secondary Client Revenue - Q2 '08

(\$mm)

Global Institutional Secondary Client revenues of \$957mm are down 3% or \$33mm Q2 '08 compared to Q1 '08.

- > Americas up \$4mm or 1% overall versus Q1 '08 - Record Quarter in Convertibles
 - Americas Liquid Markets down 4% - Programs (down 15%) due to decrease in risk trading
 - Flow Volatility (down 4%) coming off record Q1 as client hedging activity via Flow OTC options declined
- > Europe down \$22mm or 5% overall versus Q1 '08
 - Execution Services down 20% as Flow Volatility comes off record Q1 & Programs quant funds trading less
 - Structured Volatility down 60% as deal market has dried up in Q2
- > Asia down \$15mm or 9%, overall versus Q1 '08 driven by decrease in Volatility (down 33%)
 - Execution Services up 1% driven by increased volumes; Programs down 6% as client risk appetite low
 - Structure Volatility suffer as accumulator structure market collapse; need time for new initiatives to mature
- > Prime Services Q2 '08 up \$111mm or 44% vs. Q1 '08 driven by seasonal Structured Arbitrage
 - Record Quarter: Equity Financing increased due to Structured Arbitrage \$128mm Q2
 - Record Quarter: Americas & Asia Futures driven by clients taking price discovery bets on Future Options
- > The top three client segments in Q2'08 are Hedge Funds (48%), Money Managers (20%) and Banks (15%)
 - Hedge Funds had a very strong quarter as other segments were less active vs. Q1 '08

Product:	Net Client Revenue				
	Q2 '08	Q1 '08	Q2 '07	Vs. Q1 '08	Vs. Q2 '07
Americas Cash	107.0	109.0	100.0	-2%	7%
Portfolio	41.0	48.3	42.7	-15%	-4%
Event Driven	6.6	3.3	10.1	100%	-35%
Flow Volatility	54.1	56.2	42.1	-4%	29%
Liquid Markets Am	208.7	216.8	194.9	-4%	7%
Europe Cash	70.2	78.5	78.5	-11%	-11%
Portfolio	40.9	56.5	54.4	-28%	-25%
Event Driven	2.1	5.8	11.1	-64%	-81%
Execution Services Eu	113.2	140.8	144.0	-20%	-21%
Asia Cash	46.8	45.1	34.5	4%	36%
Portfolio	13.9	14.7	11.2	-6%	24%
Event Driven	-	-	-	-	-
Execution Services As	60.6	59.8	45.7	1%	33%
Convertibles	33.5	28.1	17.3	19%	94%
Volatility *	184.3	325.6	337.5	-43%	-45%
Prime Services	361.0	250.5	312.0	44%	16%
Equities Corporate	(4.6)	(32.3)	(74.1)	-86%	-94%
Total Equities Secondary	956.6	989.3	977.3	-3%	-2%
Region:					
Americas	395.3	391.1	370.0	1%	7%
Europe	417.0	439.0	465.8	-5%	-10%
Asia	144.3	159.3	141.5	-9%	2%
Total Equities Secondary	956.7	989.3	977.3	-3%	-2%

* Excludes Flow Volatility Americas

Note: Net Client Revenue represents Gross Client Revenue adjusted for Soft Dollar and Expected Loss/Gain.

Rank	Client	Segment	Net Client Revenue				
			Q2 '08	Q1 '08	Q2 '07	Vs. Q1 '08	Vs. Q2 '07
1	GLG PARTNERS	Hedge Fund	30.0	34.0	26.0	-12%	15%
2	GCNF	Hedge Fund	17.1	10.2	0.1	68%	nm
3	FIDELITY	Bank	15.5	17.2	17.2	-10%	-10%
4	DZ BANK	Hedge Fund	15.0	3.3	35.1	355%	-57%
5	HARBERT MANAGEMENT	Money Manager	14.5	8.0	0.2	81%	7150%
6	LANDESBANK	Bank	13.9	3.3	0.8	321%	nm
7	BARCLAYS GLOBAL	Hedge Fund	12.5	10.8	13.7	16%	-9%
8	MOORE CAPITAL	Hedge Fund	11.7	9.5	8.3	23%	41%
9	TIGER ASIA MGMT	Hedge Fund	10.8	11.7	5.1	-8%	112%
10	SAC CAPITAL	Hedge Fund	9.5	7.7	7.3	23%	30%

Rank	Client	Segment	Net Client Revenue				
			Q2 '08	Q1 '08	Q2 '07	Vs. Q1 '08	Vs. Q2 '07
1	DZ BANK	Bank	15.0	3.3	35.1	355%	-57%
2	LANDESBANK	Bank	13.9	3.3	0.8	321%	nm
3	GCNF	Hedge Fund	17.1	10.2	0.1	68%	nm
4	HARBERT MANAGEMENT	Hedge Fund	14.5	8.0	0.2	81%	nm
5	DEUTSCHE ASSET MANAGEMENT	Money Manager	7.8	3.0	6.8	160%	15%

Rank	Account	Client Type	Net Client Revenue				
			Q2 '08	Q1 '08	Q2 '07	Vs. Q1 '08	Vs. Q2 '07
1	BANCA IMI	Banks	(0.6)	6.3	0.0	-110%	nm
2	SWISS RE	Insurance	2.5	9.3	0.3	-73%	733%
3	BANKINTER SPAIN	Banks	0.4	5.5	2.1	-93%	-81%
4	ETHIAS ASSURANCES	Insurance	0.6	5.4	-	-89%	nm
5	FATAI INVESTMENT	Corp/Pension	5.6	10.2	0.3	-45%	nm

% of Total	Client	Net Client Revenue				
		Q2 '08	Q1 '08	Q2 '07	Vs. Q1 '08	Vs. Q2 '07
48%	HEDGE FUNDS	463.6	455.8	405.1	2%	14%
20%	MONEY MANAGER	192.2	182.6	184.2	5%	4%
15%	BANKS	140.2	150.2	198.9	-7%	-30%
8%	CORP/PENSION	72.8	66.5	84.6	9%	-14%
4%	BROKER/DEALER	40.8	35.3	23.0	16%	77%
2%	INSURANCE COMPANY	20.7	45.9	25.6	-55%	-19%
1%	GOVERNMENTS	5.0	20.5	7.3	-75%	-31%
2%	OTHER	21.4	32.5	48.5	-34%	-56%
100%	Total	956.7	989.3	977.3	-3%	-2%

** Rankings do not include Corporate Executive Deals

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FID Institutional Secondary Client Revenue – Q2 '08

(\$ in mm)

FID institutional secondary client revenue for Q2 '08 is \$1,556mm, down \$37mm or 2% vs. Q1 '08 & up \$326mm or 26% vs. Q2 '07.

Q2 '08 vs. Q1 '08:

- Quarterly performance driven by focus on balance sheet reductions along with continued volatile market conditions
- Record quarter in following products: Securitized Products, High Grade, Commodities & Munis; Record qtr for US prod region
- Securitized products up \$67mm or 34%, driven by prime & non-prime activity; several large one-time transactions including liquidation of hedge fund clients' holdings
- Commodities up \$52mm or 89%, driven by \$18mm Nat Gas structured transaction & continued growth of the business
- Credit is down \$96mm or 17%, slowdown in CDO activity offset by strong performance in High Grade and High Yield
 - CDOs down \$151mm or 36%, activity returning to normal volume levels after strong Q1 '08 performance that was driven
 - by one-off restructuring deals aimed at recouping losses for clients
 - High Grade up \$37mm or 20%, continued volatility cause by the widening of the spreads
 - High Yield up \$17mm or 14%, CDX index repackaged, increasing volumes
- Rates down \$55mm or 14%, primarily driven by derivative performance. Q1 '08 included several restructuring transactions significant in size; window for restructuring has closed along with changes in investor's risk appetite for aggressive hedges; in addition dislocation in option market at the beginning of the year increased volumes
- Financing down \$36mm or 32%, balance sheet reductions causing volume of activity to decline from Q1 '08 record levels

Q2 '08 vs. Q2 '07:

- Commodities up \$88mm or 396%, due to growth of the business including several large structured deals
- Securitized products up \$76mm or 40%, driven by significant increase in ABS deriv & index volumes; prime activity up \$37mm or 72%, driven by several large one-time transactions
- FX up \$65mm or 62% driven by large one-time transactions, market volatility, continued build out of client base & new products

FID Inst'l Secondary Client Revenue by Product					
Product:	TOTAL SALES (Q over Q)			Variance %	
	Q2 '08	Q1 '08	Q2 '07	vs. Q1 '08	vs. Q2 '07
Global Rates	330.0	384.6	292.2	-14%	13%
FX	171.6	178.7	106.2	-4%	62%
Liquid Mkts :	501.6	563.4	398.3	-11%	26%
High Grade	222.9	185.5	171.0	20%	30%
High Yield	140.1	123.1	146.4	14%	-4%
CDO	119.8	270.4	160.8	-56%	-25%
Credit Products :	482.8	578.9	478.1	-17%	1%
Securitized Products	266.6	199.2	190.7	34%	40%
Prime Services	137.9	172.3	115.1	-20%	20%
Municipals	31.2	21.7	19.9	44%	57%
Real Estate	30.8	39.5	27.5	-22%	12%
Commodities	110.0	58.2	22.2	89%	396%
FID Corp / Other	(19.9)	(63.4)	(38.0)	-69%	-48%
Total FID :	1,541.1	1,569.8	1,213.8	-2%	27%
Firm Capital	14.6	23.0	16.2	-37%	-10%
Total	1,555.7	1,592.8	1,230.0	-2%	26%
Region:					
Americas	1,057.7	960.1	809.8	10%	31%
Europe	362.0	417.7	283.3	-13%	28%
Asia	136.0	215.1	136.9	-37%	-1%
Total	1,555.7	1,592.8	1,230.0	-2%	26%

Record Quarter

Top Clients (Institutional Secondary Production)

Top 10 Global Accounts (Based on Q2 '08 Rankings)						
Rank	Account	TOTAL SALES			VARIANCE	
		Q2 '08	Q1 '08	Q2 '07	vs. Q1 '08	vs. Q2 '07
1	Moore Capital Management Usa	29.1	19.4	16.9	9.7	12.2
2	Harbert Fund Advisors, Inc.	26.9	20.5	1.1	6.4	25.8
3	Assured Guaranty Corp.	24.2	-	1.3	24.2	22.9
4	Baupost Group Llc	23.3	3.2	0.1	20.1	23.2
5	Putnam Investment Management Llc	22.3	14.7	14.9	7.6	7.4
6	Main Street Natural Gas	20.7	-	-	20.7	20.7
7	Mizuho Corporate Bank Uk	20.2	8.7	17.2	11.6	3.1
8	Citadel Investment Management Lp	18.0	13.5	11.4	4.6	6.7
9	Pimco- Pacific Invstmnt Mgmt California	17.8	22.3	16.3	(4.5)	1.5
10	Fortress Investment Group New York	17.3	7.3	5.4	10.1	11.9

Top 5 Gainers (Based on \$ Revenue Growth - Q2 '08 vs Q1 '08) *						
Rank	Account	TOTAL SALES			VARIANCE	
		Q2 '08	Q1 '08	Q2 '07	vs. Q1 '08	vs. Q2 '07
1	Baupost Group Llc	23.3	3.2	0.1	20.1	23.2
2	Berkshire Hathaway Nebraska	15.2	0.8	0.0	14.3	15.1
3	Mizuho Corporate Bank Uk	20.2	8.7	17.2	11.6	3.1
4	Fortress Investment Group New York	17.3	7.3	5.4	10.1	11.9
5	Moore Capital Management Usa	29.1	19.4	16.9	9.7	12.2

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

Top 5 Decliners (Based on \$ Revenue Decline - Q2 '08 vs Q1 '08) *						
Rank	Account	TOTAL SALES			VARIANCE	
		Q2 '08	Q1 '08	Q2 '07	vs. Q1 '08	vs. Q2 '07
1	Bear Stearns Securities Ny	6.9	25.6	11.3	(18.7)	(4.4)
2	Hsh Nordbank Germany	1.2	17.6	0.1	(16.4)	1.1
3	Abn Amro Bank Nv	0.6	13.0	0.2	(12.4)	0.4
4	Bank Of China (Hong Kong) Ltd	0.8	13.0	0.9	(12.2)	(0.1)
5	Bank Of America North Carolina	4.0	16.0	2.5	(12.1)	1.4

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

Inst'l Secondary Client Revenue by Client Segment						
% of Q2 '08	Industry	TOTAL SALES			VARIANCE	
		Q2 '08	Q1 '08	Q2 '07	vs. Q1 '08	vs. Q2 '07
28%	Hedge Fund	429.0	407.5	347.3	21.5	81.7
21%	Money Manager	329.9	292.0	257.4	37.9	72.5
21%	Bank	330.4	467.5	326.3	(137.2)	4.1
11%	Corp/Pension	171.0	131.0	86.5	40.0	84.4
8%	Insurance	123.2	119.5	74.2	3.7	49.1
5%	Broker/Dealer	79.1	80.3	54.8	(1.3)	24.3
4%	Government	69.2	83.0	74.8	(13.7)	(5.6)
2%	Other	23.9	12.0	8.7	11.9	15.2

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OTHER

Mark to Market Adjustments by Asset Class

Draft

\$ billions	Q2 '08			Q1 '08		
	<u>Gross</u>	<u>Hedges</u>	<u>Net</u>	<u>Gross</u>	<u>Hedges</u>	<u>Net</u>
Residential Mortgages	(2.4)	0.4	(2.0)	(3.0)	2.2	(0.8)
Other ABS	(0.3)	(0.0)	(0.4)	(0.2)	0.1	(0.1)
Real Estate	(1.0)	(0.5)	(1.3)	(1.4)	0.4	(1.0)
Acquisition Finance	(0.3)	(0.1)	(0.4)	(0.7)	0.2	(0.5)
Mark to Market Adjustmetns	(4.0)	(0.1)	(4.1)	(5.3)	2.8	(2.4)
Debt Valuation	<u>0.4</u>	<u>-</u>	<u>0.4</u>	<u>0.6</u>	<u>-</u>	<u>0.6</u>
Net MTMA	(3.6)	(0.1)	(3.7)	(4.7)	2.8	(1.8)

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Q2'08 Write Downs

FIRM WRITEDOWN SUMMARY as of May 30, 2008

	Q1 2008		March		April		May		Q2 2008		FY 2008		FY 2007	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Residential Mortgages	(2,623)	(443)	(864)	(712)	(128)	(270)	(1,066)	(685)	(2,058)	(1,667)	(4,681)	(2,110)	(5,330)	(1,490)
US Prime / Non Prime	(2,135)	(482)	(661)	(606)	(81)	(264)	(903)	(600)	(1,646)	(1,471)	(3,781)	(1,953)	(3,894)	(2,065)
US Derivatives	(40)	347	6	76	0	79	0	91	6	246	(34)	593	(598)	941
ABS CDO	(240)	(100)	(55)	(10)	(41)	(10)	(72)	(77)	(168)	(97)	(408)	(197)	(647)	(158)
Europe	(208)	(208)	(154)	(172)	(6)	(74)	(90)	(99)	(250)	(344)	(458)	(552)	(191)	(208)
OTHER ABS	(161)	(89)	(45)	(68)	(20)	(48)	(296)	(266)	(361)	(382)	(522)	(471)	0	0
Real Estate	(1,385)	(1,005)	(264)	(348)	10	(171)	(635)	(824)	(889)	(1,343)	(2,274)	(2,348)	(1,207)	(907)
US CMBS	(836)	(456)	(213)	(297)	29	(151)	(323)	(512)	(507)	(960)	(1,343)	(1,416)	(1,060)	(759)
US CMBS Held for Sale	(282)	(282)	(16)	(16)	(11)	(11)	(252)	(252)	(279)	(279)	(561)	(561)	(20)	(20)
EU CMBS	(267)	(267)	(29)	(29)	(18)	(18)	(55)	(55)	(102)	(102)	(369)	(369)	(127)	(127)
Asia CMBS	0	0	(6)	(6)	10	10	(5)	(5)	(2)	(2)	(2)	(2)	0	0
CAF Portfolio 100% view	(726)	(532)	(173)	(175)	(65)	(124)	(72)	(73)	(311)	(372)	(1,037)	(904)	(966)	(441)
CAF US	(593)	(419)	(157)	(158)	(2)	(42)	(43)	(47)	(202)	(247)	(795)	(666)	(934)	(409)
CAF Europe	(133)	(113)	(17)	(17)	(63)	(82)	(29)	(26)	(109)	(125)	(242)	(238)	(32)	(32)
Corporate¹	0	0	0	(23)	0	(45)	0	(34)	0	(102)	0	(102)	0	0
Corporate US	0	0	0	(32)	0	(39)	0	(0)	0	(71)	0	(71)	0	0
Corporate Europe	0	0	0	8	0	(6)	0	(34)	0	(32)	0	(32)	0	0
Investment Management (IMD)	(411)	(411)	(308)	(308)	(35)	(35)	32	32	(311)	(311)	(722)	(722)	(647)	(158)
Residential	(411)	(411)	(308)	(308)	(35)	(35)	32	32	(311)	(311)	(722)	(722)	(647)	(158)
Commercial	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	958	958	(767)	(767)	251	251	442	442	1,059	1,059	917	917
FIRM Disclosure	(4,689)	(1,863)	(696)	(677)	(1,006)	(1,459)	(1,785)	(1,599)	(3,488)	(3,735)	(8,177)	(5,598)	(7,233)	(2,079)
Other	(547)	(185)	(177)	(180)	129	(63)	(128)	(139)	(176)	(381)	(723)	(566)	0	0
FRL ²	(366)	(60)	(96)	(107)	153	(36)	1	(7)	59	(151)	(308)	(211)	0	0
Loan Holds	(180)	(125)	(32)	(22)	(24)	(27)	(18)	(20)	(74)	(69)	(255)	(194)	0	0
IMD Private Equity	0	0	(50)	(50)	0	0	(11)	(11)	(61)	(61)	(61)	(61)	0	0
Asia Reserve	0	0	0	0	0	0	(100)	(100)	(100)	(100)	(100)	(100)	0	0

¹ Corporate includes: FID CDX IG9 Americas and Mgmt Prop Europe² FRL excludes Initial MTM

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Summary Disclosures

Key Exposure Summary

	Balances as of		
	30-May-08	Q1'2008	Variance
Residential mortgages:			
Securities	\$16.9	\$18.2	(\$1.3)
Whole loans	\$6.4	\$11.9	(\$5.5)
Servicing and other	\$1.7	\$1.7	(\$0.0)
	\$25.0	\$31.8	(\$6.8)
Other ABS (non-residential)	\$6.5	\$6.5	(\$0.0)
Commercial mortgages:			
Whole loans	\$20.6	\$24.9	(\$4.3)
Securities and other	\$9.3	\$11.2	(\$1.9)
	\$30.0	\$36.1	(\$6.1)
Real estate investments ¹	\$10.4	\$12.9	(\$2.5)
Acquisition Finance Facilities:			
High Grade			
Contingent Commitments	\$1.7	\$7.2	(\$5.5)
Unfunded Commitments	\$1.1	\$0.8	\$0.3
Funded Loans	\$3.7	\$2.9	\$0.8
	\$6.4	\$10.9	(\$4.5)
High Yield			
Contingent Commitments	\$0.4	\$3.7	(\$3.3)
Unfunded Commitments	\$2.1	\$2.2	(\$0.1)
Funded Loans	\$9.0	\$11.9	(\$2.9)
	\$11.6	\$17.8	(\$6.2)
	\$18.0	\$28.7	(\$10.7)
Debt liabilities measured at FV	\$36.0	\$37.2	(\$1.2)

1) REHS includes IMD

Aggregate residential mortgage inventory

In billions	30-May-08	Q1'2008	Variance
Prime and Alt-A	\$8.3	\$12.9	(4.6)
Europe	9.3	9.5	(0.2)
Subprime/Second Lien	2.7	4.0	(1.3)
ABS-CDO	0.6	0.9	(0.3)
Asia-Pacific	0.7	0.7	(0.0)
Other U.S.	1.7	2.1	(0.4)
Servicing	1.7	1.7	(0.0)
	\$25.0	\$31.8	(\$6.8)

Commercial mortgage inventory

In billions	30-May-08	Q1'2008	Variance
America	\$15.1	\$17.4	(2.3)
Europe	\$10.4	10.0	0.4
Asia-Pacific	\$4.4	8.7	(4.3)
	\$30.0	\$36.1	(\$6.1)

Subprime mortgage inventory

In billions	30-May-08	Q1'2008	Variance
Whole Loans	\$1.0	\$1.3	(0.2)
Securities	1.7	2.7	(1.0)
Servicing & Other	0.0	0.0	(0.0)
	\$2.7	\$4.0	(\$1.3)

Note 4 Fair Value of Financial Instruments - Level 3 Assets

In millions	30-May-08	Q1'2008	Variance
Mortgage and ABS securities	\$24.0	\$23.8	\$0.1
Corporate debt and other	5.5	4.3	1.2
Corporate equities	10.4	9.4	1.0
Derivative assets	4.3	5.2	(0.9)
Derivative liabilities	(2.4)	(2.4)	0.0
	\$41.7	\$40.2	\$1.5

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Mortgage Disclosure Detail by BPM - (as of 5/30/08)

Securitized Products Business - Balance Sheet Detail, May 30, 2008

Residential	US Prime	US Sub-Prime	US S&D RM / HELOC	US SP CDO	Total US SP Resi	Sub-Total SP EUR	Sub-Total SP ASIA	Total SP Resi	Total SP NonResi	IMD Prime	IMD Sub-Prime	Total Real Estate	Total CDO	Total Munis	Total Rates	GTS Prime	Total
Whole loans	2,055	1,048	1,004		4,107	1,748	487	6,342	79					5			6,426
Securities	6,231	1,611	303	622	8,766	7,594	178	16,538		123	60			8	86	66	16,882
Servicing Rights	1,638	21	7		1,666			1,666									1,666
Other																	
Resi Sub-Total	9,924	2,680	1,313	622	14,539	9,342	665	24,546	79	123	60	-	-	12	86	66	24,974
Commercial																	
Whole loans							69	69	581	561		19,431		7			20,628
Securities										5		9,326					9,330
Servicing Rights																	
Other																	
Commercial Sub-Total							69	69	581	566	-	28,756	-	7	-	-	29,958
Other Asset Backed																	
	Other US SP ABS	Non Resi Mortg.											CDO				Total Other ABS
Whole loans	0	1,364						1,364									1,364
Securities	3,587	567						4,154	40			1,033			14	163	5,404
Servicing Rights	-	31						31									31
Other	-											(270)					(270)
Other ABS Sub-Total	3,587	1,962						5,549	40			763	-	-	14	163	6,529

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Securitized Product Balance Sheet - (as of 5/30/08)

Securitized Products Business - Balance Sheet Detail , May 30, 2008

(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	2,066	886	163	1,048	1,004	0	4,107		4,107	1,938	6,045	1,748	666	8,348
Origination WL Inventory	-	-	-	-	-	-	-		-	67	67	-	-	67
Securities	6,316	6	609	616	239	5,280	11,460		11,460	631	11,981	6,972	178	19,131
IG Retained Interests	3,188	1	559	560	81	1,664	5,494		5,494	449	5,943	645	-	6,588
FAS140 IG	(493)	-	(577)	(577)	-	(23)	(1,094)		(1,094)	(397)	(1,491)	-	-	(1,491)
Agented	(192)	-	(6)	(6)	-	(1,372)	(1,570)		(1,570)	-	(1,570)	-	-	(1,570)
Net IG Retained Interest	2,503	1	(25)	(24)	81	269	2,829		2,829	52	2,881	645	-	3,526
NIG Retained Interests	272	3	25	28	8	956	1,265		1,265	80	1,345	184	-	1,529
FAS140 NIG	(77)	-	(5)	(5)	(6)	0	(88)		(88)	(7)	(95)	-	-	(95)
Agented	(8)	(1)	(0)	(1)	-	(362)	(371)		(371)	(0)	(371)	-	-	(371)
Net NIG Retained Interest	187	3	20	22	2	594	805		805	73	879	184	-	1,062
Other Traded Securities	1,856	1	25	27	150	2,660	4,692		4,692	1	4,693	6,143	178	11,015
IG	1,621	1	18	19	150	2,263	4,052		4,052	(0)	4,052	6,257	-	10,309
NIG	235	1	7	8	0	547	790		790	1	791	(114)	178	856
Residuals	678	0	26	27	40	-	745		745	36	781	622	-	1,403
FAS140 Resid	(78)	(0)	(26)	(26)	(6)	-	(110)		(110)	(0)	(110)	-	-	(110)
Agented	(19)	-	(0)	(0)	-	-	(19)		(19)	(0)	(20)	-	-	(20)
Net Retained Interest	581	0	0	0	34	-	615		615	36	651	622	-	651
Traded Residuals (Agented)	163	-	6	6	0	-	169		169	0	169	-	-	169
Gross-Up	6,620	-	1,406	1,406	642	-	8,468		8,468	488	8,956	1,262	-	10,218
FAS140 Derivatives	6,488	-	1,168	1,168	542	-	8,198		8,198	488	8,686	1,025	-	9,710
FAS140 Repurchase Option	-	-	238	238	-	-	238		238	-	238	-	-	238
Non Performing Loans	32	-	-	-	-	-	32		32	-	32	-	-	32
FIN 46 Gross-Up	-	-	-	-	-	-	-		-	-	-	237	-	237
Servicing Rights	1,638	2	19	21	7	-	1,666		1,666	31	1,697	-	-	1,697
Other	-	-	-	-	-	-	-		-	-	-	-	-	-
Total Mortgage Inventory (GAAP)	16,361	893	2,228	3,121	1,832	6,281	26,696		26,696	3,090	29,686	10,604	734	41,023
Real Estate Owned	60	0	38	38	100	-	198		198	-	198	-	-	198
Total Real Estate Owned (REO)	60	0	38	38	100	-	198		198	-	198	-	-	198
Total Govt & Agencies Inventory (GAAP)	1,281	-	-	-	266	112	1,648	6,227	7,874	-	7,874	-	-	7,874
Total Corporate Debt and Other (GAAP)	-	-	-	-	-	490	490		490	-	490	404	1,041	1,936
Total Corporate Equities (GAAP)	-	-	0	0	-	13	13		13	-	13	64	-	78
Other GAAP Line Items	813	-	37	37	-	6,376	7,324	(16)	7,308	119	7,427	168	60	7,646
Total Securitized Products	18,614	893	2,302	3,196	2,187	12,271	36,268	6,211	42,478	3,209	46,687	11,231	1,836	68,763

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Securitized Products Resi Exposure by Asset Class - (as of 5/30/08)

Non Agency Residential Exposure by Asset Class

(In millions)	US Prime	US Sub-Prime	US 2nd Lien	US S&D	US RM	US Heloc	US CDO	Total US Residential	Sub-Total SP EUR	Sub-Total SP ASIA	Total Residential	US Non-Resi SBF	US Non-Resi Cap Crossing	US Non-Resi Campus Deer	US Non-Resi Other ABS	Total Non-Resi	Total Resi and Non Resi	
ASSETS																		
Whole loans	2,055	183	888	386	618	-	-	4,107	1,748	556	5,411	862	640	402	-	2,004	8,415	
Securitized	5,409	1,674	6	192	71	-	622	7,853	6,972	178	15,013	631	-	-	3,667	4,118	19,131	
AAA	3,675	880	0	173	#	-	10	4,746	4,463	-	9,209	363	-	-	965	1,228	10,437	
AA	588	329	0	0	0	45	14	976	1,955	-	2,931	8	-	-	860	869	3,799	
A	293	157	0	3	0	26	12	491	206	-	697	27	-	-	181	206	905	
BBB	334	89	1	7	1	-	5	436	278	103	817	51	-	-	840	892	1,708	
BB	177	51	2	7	0	-	-	233	64	-	297	46	-	-	128	174	471	
B	73	14	0	1	0	-	-	107	6	-	114	32	-	-	125	157	271	
CCC & Below	50	37	1	0	0	-	-	167	-	-	157	2	-	-	349	351	508	
NR	202	10	-	-	-	-	16	228	0	75	303	1	-	-	237	239	542	
Residuals	531	32	0	6	35	-	-	604	622	-	1,626	36	-	-	-	36	1,661	
Servicing Rights	1,638	19	2	7	-	-	-	1,666	-	-	1,666	31	-	-	-	31	1,697	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Cash Positions	9,924	1,787	893	690	724	-	622	16,640	9,341	734	24,616	1,660	640	402	3,667	6,189	30,804	
HEDGES																		
ABX	221	476	-	-	-	-	-	698	-	-	698	(44)	-	-	-	(44)	644	
AAA	229	50	-	-	-	-	-	279	-	-	279	(23)	-	-	-	(23)	256	
AA	19	321	-	-	-	-	-	340	-	-	340	(15)	-	-	-	(15)	326	
A	(0)	(13)	-	-	-	-	-	(13)	-	-	(13)	(3)	-	-	-	(3)	(16)	
BBB	(29)	117	-	-	-	-	-	92	-	-	92	(3)	-	-	-	(3)	89	
CMBX	(64)	(365)	-	-	-	-	-	(449)	-	-	(449)	(177)	-	-	-	(177)	(626)	
AAA	0	(117)	-	-	-	-	-	(117)	-	-	(117)	(5)	-	-	-	(5)	(122)	
AA	-	-	-	-	-	-	-	0	-	-	0	(23)	-	-	-	(23)	(23)	
A	9	(142)	-	-	-	-	-	(133)	-	-	(133)	(71)	-	-	-	(71)	(204)	
BBB	(94)	(105)	-	-	-	-	-	(199)	-	-	(199)	(79)	-	-	-	(79)	(277)	
CDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Single Name	837	(1,484)	-	-	-	-	-	(648)	(311)	-	(959)	(7)	-	-	-	(7)	(966)	
AAA	896	(204)	-	-	-	-	-	692	(441)	-	251	-	-	-	-	-	251	
AA	-	(31)	-	-	-	-	-	(31)	-	-	(31)	-	-	-	-	-	(31)	
A	(11)	(214)	-	-	-	-	-	(225)	-	-	(225)	(7)	-	-	-	(7)	(231)	
BBB	(32)	(588)	-	-	-	-	-	(620)	130	-	(490)	-	-	-	-	-	(490)	
BB & Below	(16)	(447)	-	-	-	-	-	(463)	-	-	(463)	-	-	-	-	-	(463)	
Corp	(248)	(1,491)	-	-	-	-	-	(1,739)	-	-	(1,739)	(122)	-	-	-	(122)	(1,861)	
AAA	-	(176)	-	-	-	-	-	(176)	-	-	(176)	-	-	-	-	-	(176)	
AA	-	(699)	-	-	-	-	-	(699)	-	-	(699)	(35)	-	-	-	(35)	(734)	
A	(4)	(555)	-	-	-	-	-	(559)	-	-	(559)	(66)	-	-	-	(66)	(646)	
BBB	(244)	(64)	-	-	-	-	-	(308)	-	-	(308)	-	-	-	-	-	(308)	
BB & Below	-	3	-	-	-	-	-	3	-	-	3	-	-	-	-	-	3	
CDM/tras	(4,876)	(2,723)	-	-	-	-	-	(7,599)	(2,624)	-	(10,223)	(161)	-	-	-	(161)	(10,384)	
AAA	-	-	-	-	-	-	-	0	(2,524)	-	(2,524)	-	-	-	-	-	(2,524)	
AA	(346)	(683)	-	-	-	-	-	(1,029)	-	-	(1,029)	-	-	-	-	-	(1,029)	
A	-	-	-	-	-	-	-	0	-	-	0	-	-	-	-	-	0	
BBB	(4,529)	(2,040)	-	-	-	-	-	(6,569)	-	-	(6,569)	(161)	-	-	-	(161)	(6,730)	
Bond Index TRS (AAA)	(601)	141	-	-	-	-	-	(460)	-	-	(460)	(63)	-	-	-	(63)	(523)	
Bond Index TRS/CMS (AAA)	-	(206)	-	-	-	-	-	(206)	-	-	(206)	-	-	-	-	0	(206)	
Single Name TRF	-	726	-	-	-	-	-	726	-	-	726	-	-	-	-	-	726	
AAA	-	214	-	-	-	-	-	214	-	-	214	-	-	-	-	-	214	
AA	-	-	-	-	-	-	-	0	-	-	0	-	-	-	-	-	0	
A	-	-	-	-	-	-	-	0	-	-	0	-	-	-	-	-	0	
BBB	-	-	-	-	-	-	-	0	-	-	0	-	-	-	-	-	0	
BB & Below	-	511	-	-	-	-	-	511	-	-	511	-	-	-	-	-	511	
RFX (NR)	-	-	-	-	-	-	-	0	-	-	0	-	-	-	-	-	0	
Total Hedges	(4,662)	(4,926)	-	-	-	-	-	(9,578)	(2,838)	-	(12,413)	(1,072)	-	-	-	(1,072)	(13,486)	
NET EXPOSURE	6,272	(3,139)	893	690	724	-	622	4,862	6,508	734	12,202	487	640	402	3,667	6,118	17,318	

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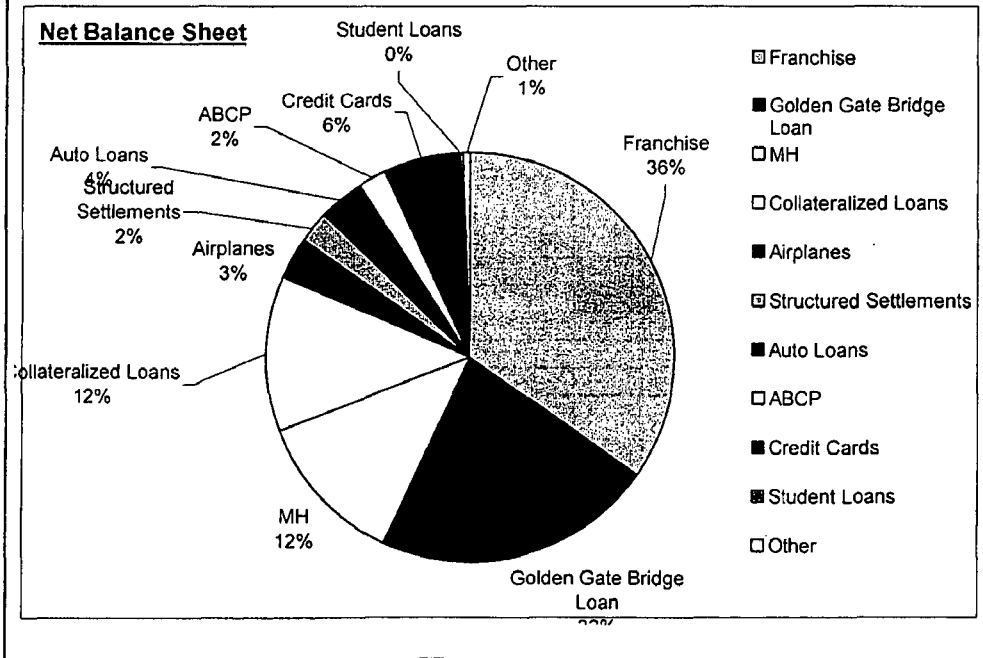
Other ABS Exposure - (as of 5/30/08)

Other ABS by Category	Net BS (MM)	% Allocation	Notes
Franchise	1,240.8	34.6%	Franchise - All related to
Golden Gate Bridge Loan	800.7	22.3%	IHOP / Applebees Deal
MH	439.7	12.3%	
Collateralized Loans	442.7	12.3%	
Airplanes	116.7	3.3%	
Structured Settlements	86.7	2.4%	
Auto Loans	130.2	3.6%	
ABCP	75.8	2.1%	
Credit Cards	226.5	6.3%	
Student Loans	7.2	0.2%	
Other	19.9	0.6%	
Total	3,587.0	100.0%	

Rating Scale	Net BS (MM)	% Allocation
AAA	865.4	24.1%
AA	811.6	22.6%
A	155.1	4.3%
BBB	840.3	23.4%
BB & Below	914.6	25.5%
	3,587.0	100.0%

Complete Detail to Rating Scale

AAA	865.4	24.1%
AA+	0.6	0.0%
AA	811.1	22.6%
AA-	-	0.0%
A+	25.4	0.7%
A	114.6	3.2%
A-	15.1	0.4%
BBB+	12.4	0.3%
BBB	23.7	0.7%
BBB-	804.2	22.4%
BB+	91.5	2.6%
BB	31.2	0.9%
BB-	5.3	0.1%
B+	3.0	0.1%
B	59.6	1.7%
B-	62.1	1.7%
CCC+	111.5	3.1%
CCC	46.8	1.3%
CCC-	52.9	1.5%
CC+	35.9	1.0%
CC	9.0	0.3%
CC-	7.1	0.2%
C+	7.3	0.2%
C	35.2	1.0%
C-	2.2	0.1%
DDD+	9.8	0.3%
DDD	16.0	0.4%
DD+	7.4	0.2%
D	8.0	0.2%
NR	312.8	8.7%
Total	3,587.0	100.0%



Real Estate Balance Sheet - (as of 5/30/08)

GAAP CLASS	BS at Risk	Americas Gross Up	Gross BS
Corporate Debt	4,508	-	4,508
Corporate Equity	1,659	-	1,659
Held for Sale	6,935	6,049	12,984
Mortgage Inventory	13,464	221	13,685
Other Assets	928	-	928
Grand Total	27,495	6,270	33,765

GAAP CLASS	BS at Risk	Europe Gross Up	Gross BS
Corporate Debt	1,747	-	1,747
Corporate Equity	59	-	59
Held for Sale	2,610	4,200	6,810
Mortgage Inventory	8,111	-	8,111
Other Assets	-	-	-
Grand Total	12,527	4,200	16,727

GAAP CLASS	BS at Risk	Asia Gross Up	Gross BS
Corporate Debt	669	-	669
Corporate Equity	-	-	-
Held for Sale	393	40	434
Mortgage Inventory	7,740	100	7,840
Other Assets	-	273	273
Grand Total	8,803	413	9,216

GAAP CLASS	BS at Risk	Global Gross Up	Gross BS
Corporate Debt	6,924	-	6,924
Corporate Equity	1,718	-	1,718
Held for Sale	9,938	10,290	20,228
Mortgage Inventory	29,316	321	29,637
Other Assets	928	273	1,201
Grand Total	48,825	10,883	59,708

Real Estate Exposure by Asset Class - (as of 5/30/08)

Commercial Exposure by Asset Class 05-30-08

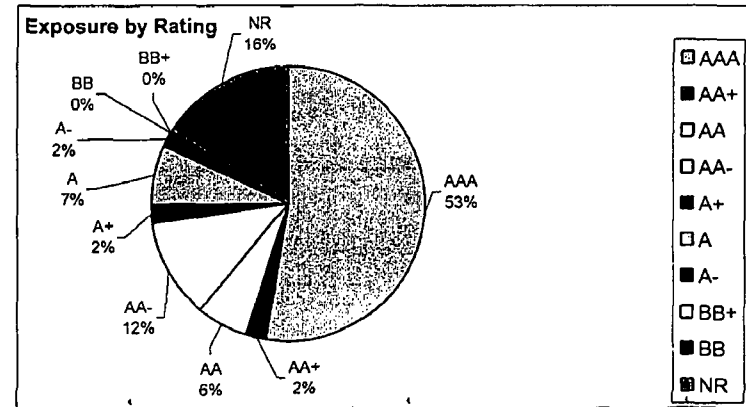
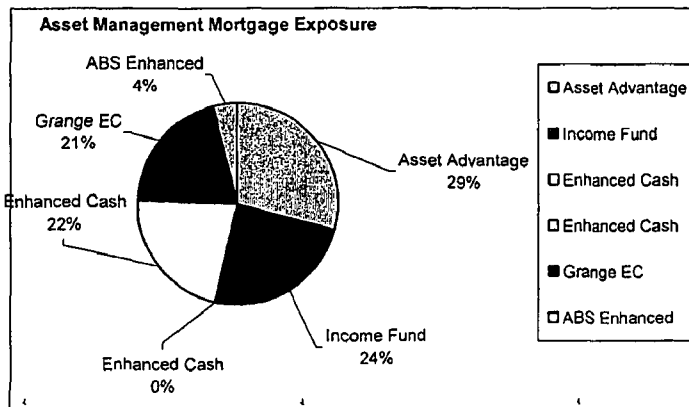
(in millions)	US Commercial	US PTG	US REITS	Total US	Europe Commercial	Europe PTG	Total Europe	Asia Commercial	Asia PTG	Total Asia	Total
ASSETS											
Fixed Rate Whole Loans											
Fixed Rate Large Loans and Conduit	376			376			0				376
B-Notes and Mezz Fixed Rate Loans	990			990			0				990
Fixed Rate Loan Commitments	-			-			0				-
Total Fixed Rate Whole Loans	1,366			1,366							1,366
Floating Rate Whole Loans											
Floating Rate Sr, Mezz & B-Notes	7,625		4,280	11,905	6,475	576	6,475	3,760		3,760	22,130
PTG Debt		6,100		6,100		576	676		1,960	1,960	8,626
Total Floating Rate Whole Loans	7,625	6,100	4,280	18,005	6,475	576	7,060	3,760	1,960	5,700	30,755
PTG and Equity/Bridge Equity/Asia NPL		5,950		5,950		1,550	1,550		2,630	2,630	10,030
Derivative MTM	878			878			0				878
Securities											
Fixed Rate IG	648			648							648
Floating Rate IG	230			230	3,660		3,660	519		519	4,309
NIG	30			30	211		211	75		75	316
Total Securities	908			908	3,771	0	3,771	594		594	5,273
Total Cash Positions	10,776	12,060	4,280	27,106	10,246	2,125	12,371	4,344	4,480	8,824	48,301
HEDGES (Notional)											
CMBX	(416)	-	-	(416)	0	0	0	-	-	-	(416)
AAA	-	-	-	-			0				-
AA	-	-	-	-			0				-
A	(105)	-	-	(105)			0				(105)
BBB	(165)	-	-	(165)			0				(165)
BBB-	(165)	-	-	(165)							(165)
HVOL	(200)			(200)							(200)
iTraxx	(1,403)			(1,403)							(1,403)
CDX											
IG.9	(300)			(300)							(300)
CDS							0				-
TRS/DNS	(1,262)			(1,262)	0	0	0				(1,262)
Total Hedges	(3,570)	-	-	(3,570)	0	0	0	-	-	-	(3,570)
NET EXPOSURE	7,206	12,060	4,280	23,536	10,246	2,125	12,371	4,344	4,480	8,824	44,731
Total Cash Positions	10,776	12,050	4,280	27,106	10,246	2,125	12,371	4,344	4,480	8,824	48,301
Plus: Gross-ups	3,921	2,348		6,269	4,200		4,200	391		391	10,860
Total Balance Sheet	14,697	14,398	4,280	33,376	14,446	2,125	16,671	4,735	4,480	9,215	59,161

IMD Mortgage Exposure - (as of 5/30/08)

Asset Management
30-May-08
 All amounts in \$MM's

Market Value by Collateral Type	Prime	Sub Prime	CMBS	ABS	N/A	Total
Asset Advantage	43,506	13,108	-	-	-	56,614
Income Fund	47,216	-	-	-	-	47,216
Enhanced Cash	-	-	-	-	-	-
Enhanced Cash	-	42,693	-	-	-	42,693
Grange EC	23,334	-	4,831	3,761	8,224	40,149
ABS Enhanced	2,625	4,725	-	-	-	7,350
Total	116,680	60,526	4,831	3,761	8,224	194,022

Market Value by Asset Class	AAA	AA+	AA	AA-	A+	A	A-	BB+	BB	NR	Total
Asset Advantage - RMBS	21,720	-	-	-	-	-	3,053	175	553	31,113	56,614
Income Fund - RMBS	41,461	4,140	1,615	-	-	-	-	-	-	-	47,216
Enhanced Cash - SIVS	-	-	-	-	-	-	-	-	-	-	-
Enhanced Cash - RMBS	21,080	-	-	21,613	-	-	-	-	-	-	42,693
Grange Enhanced Cash	14,810	695	5,437	1,384	4,319	13,504	-	-	-	-	40,149
ABS Enhanced Labor	2,625	-	4,725	-	-	-	-	-	-	-	7,350
Total	101,696	4,835	11,777	22,997	4,319	13,504	3,053	175	553	31,113	194,022



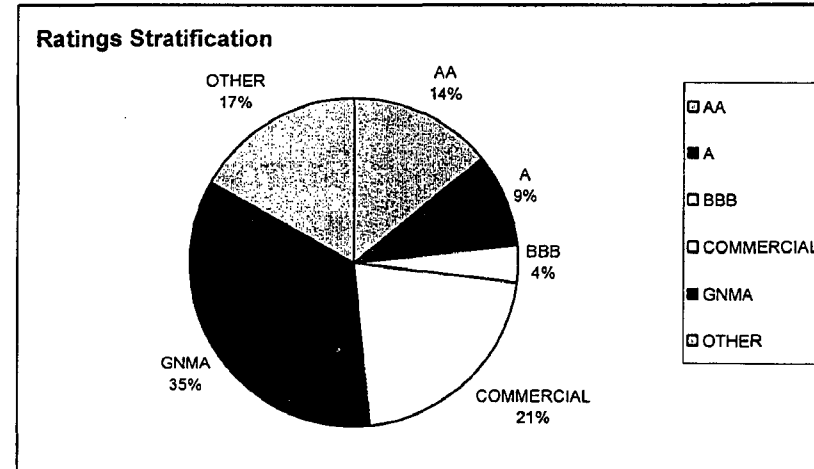
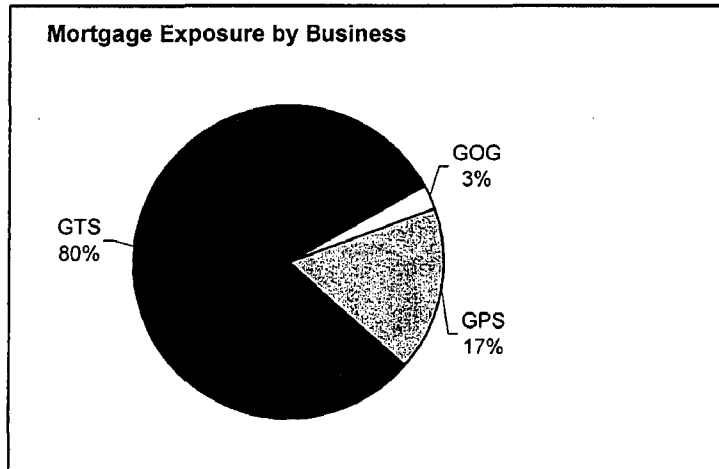
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Principal Investing Mortgage Exposure - (as of 5/30/08)

Principal Investing Mortgage Exposure

Assets by BPM 2	GPS	GTS	GOG	Total
CAPITAL STRUCTURE ARBITRAGE	-	-	-	-
GLB TRAD STR AM-TRANS PRI	-	111.2	-	111.2
GLB TRAD STR EUR-TRAN PRIC	-	27.2	-	27.2
GLOBAL SPECIAL OPPTS	-	50.0	-	50.0
GOG CREDIT TRADING	-	-	6.2	6.2
STRUCTURED CREDIT	40.0	-	-	40.0
Grand Total	40.0	188.4	6.2	234.6

Rating Stratification	GPS	GTS	GOG	Total
AA	-	33.3	-	33.3
A	-	21.2	-	21.2
BBB	-	8.8	-	8.8
COMMERCIAL	-	50.0	-	50.0
GNMA	-	75.2	6.2	81.3
OTHER	40.0	-	-	40.0
Grand Total	40.0	188.4	6.2	234.6



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CDO Exposure - (As of 5/30/08)

Assets	Business	Note	Long Positions			Hedges			Net exposure	
			Notional	Exposure	Av price	Notional	VOD 0	Av price	Notional	VOD 0
Super senior - High Grade Ceago (AAA)	CDO US		837	480	57.3%	(837)	(480)	57.4%	0	(0)
Unfunded CDO (SS - Mezz) - Corona (AAA)	CDO US		-	-					-	-
Other retained - High Grade	CDO US		117	41	35.1%	(31)	(5)	15.5%	86	36
Other retained - Mezz	CDO US		109	16	14.7%	(436)	(38)	8.6%	(327)	(22)
Warehouse - CDOs	CDO US		36	22	63.4%	-	-		36	22
High grade ABS CDOs	Securitized Products		30	2	6.2%	-	-		30	2
Mezz ABS CDOs	Securitized Products		198	44	22.0%	(864)	(218)	25.2%	(666)	(174)
ABS CDO square transactions	Securitized Products		307	24	7.8%	-	-		307	24
Mezz ABS CDOs	CDO London (Synthetic)					(390)	40	-10.2%	(390)	40
ABS CDO square transactions	CDO London					-	-		-	-
Sub total			1,633	629	38.5%	(2,558)	(701)	27.4%	(925)	(72)
ABS single names in warehouse	CDO US		186	49	26.36%				186	49
ABX CDS Positions	CDO US		(185)	(194)	104.97%				(185)	(194)
Single name CDS macro hedges	CDO US		65	(62)	-96.0%	(1,035)	(222)	21.41%	(990)	(237)
Single name CDS macro hedges	Securitized Products					(1,166)	(127)	10.93%	(1,166)	(127)
Other long ABS risk in the CDO book	CDO London (Synthetic)		405	(94)	-23.21%				405	(94)
			2,104	328	15.6%	(4,760)	(1,050)	22.1%	(2,676)	(675)

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CAF Exposure - (as of 5/30/08)

	May 31, 2008						February 29, 2008						% Change	
	Funded	Unfunded	Contingent	Notional	MV	Avg \$	Funded	Unfunded	Contingent	Notional	MV	Avg \$	Notional	MV
High Yield	9,003	2,126	425	11,554	10,389	89.915	12,022	2,212	3,654	17,887	16,461	92.024	-35%	-37%
Real Estate	527	-	-	527	521	98.861	529	-	-	529	524	99.000	0%	-1%
Bridge Equity	2,221	-	-	2,221	1,689	76.022	2,221	-	-	2,221	1,998	89.959	0%	-15%
Total Commitments	11,752	2,126	425	14,302	12,598	88.087	14,772	2,212	3,654	20,637	18,982	91.981	-31%	-34%
% change from prior period	-20%	-4%	-88%	-31%	-34%									
HY CAF Hedges				(525)	(139)					(1,407)	(135)		-63%	2%
High Grade Commitments	3,653	1,116	1,672	6,441	6,381	99.057	2,945	798	7,221	10,964	10,939	99.774	-41%	-42%
High Yield Disclosure	9,003	2,126	425	11,554	10,389	89.915	11,897	2,212	3,654	17,763	16,344	92.011	-35%	-36%
High Grade Disclosure	3,653	1,116	1,672	6,441	6,381	99.057	2,945	798	7,221	10,964	10,939	99.774	-41%	-42%

LEHMAN BROTHERS HOLDINGS INC.					
Hedges (\$mm)					
Deal Name	May 31, 2008		February 29, 2008		
	Notional	MV	Deal Name	Notional	MV
CDX HY	(75)	1.7	CDX HY	(350)	38.5
LCDX S8	-	-	LCDX S8	(200)	18.2
LCDX S9	-	-	LCDX S9	(250)	19.8
CDS - FDC	(155)	(67.8)	CDS - FDC	(155)	(59.5)
CDS - BSC	-	-	CDS - BSC	(33)	4.2
CDS - GS	(40)	(1.4)	CDS - GS	(30)	2.9
CDS - MER	(20)	2.1	CDS - MER	(18)	2.8
CDS - MS	(10)	1.5	CDS - MS	(15)	2.3
SPDRS	-	-	SPDRS	(1)	(90.3)
Russel Index	-	-	Russel Index	(1)	(46.8)
Bond Index ICAP2/HIYLD	(450)	(8.7)	Bond Index ICAP2	(250)	9.0
ADS - Equity	-	-	ADS - Equity	1	25.3
FDC - Bond	(75)	(67.5)	FDC - Bond	(75)	(63.8)
LIBOR Swap	300	1.6	CDX ITRX	(30)	2.2
Total Hedges	(525)	(139)	Total Hedges	(1,407)	(135)

Largest Exposures (\$mm)

High Grade:	
Imperial Tobacco	2,180
Carlsberg	1,965
Staples	764
Time Warner Cable	600
Philip Morris	564
High Yield:	
Archstone	4,908
Term Revolver	2,484
Bridge Eq.	1,706
Mezz Debt	522
Permanent Equity	196
Hilton	1,112
First Data	724
TXU	540
Endemol	467
Houghton Mifflin	451
HD Supply	447

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Level 3 Assets by Products - (as of 5/30/08)

Product	February 2008		Movements			May 2008		
	\$mm	\$mm	\$mm	\$mm	\$mm	\$mm	\$mm	\$mm
			Writedown	Purchases	Transfers	Closing	Closing	Closing
Mrtg and Mrtg Backed								
<u>Securitized products</u>								
Subprime								
Whole loans - subprime	270		(45)	(162)	125	188		
Whole loans - Second liens	1,025		(139)		(18)	868		
Bonds IG (AA & below)	388		(248)	25	6	171		
Bonds NIG (below BBB)	66		(37)	2	(3)	28		
ABS Subprime IG	354		(74)	72	52	404		
ABS Subprime NIG	72		(20)	23	19	94		
		2,175						1,753
Scratch & Dent								
Whole loans	787		(160)	(6)	(241)			380
Prime								
Non Investment grade (below BBB)	310		(39)	20	53	344		
Prime NPL	946		(210)	(750)	62	48		
Investment Grade (BBB rated)	180		(56)	25	146	295		
ABS Prime Bonds other	17		(7)		7	17		
		1,453						704
Other								
Residuals	1,127		(128)	(72)	2	929		
NIG (other than Residential)	1,208		(70)	160	15	1,313		
IG (other than Residential)	8			24	58	90		
CDO								
Student loan	410		(45)	3	26	394		
Non performing deal				360		360		
Other	373		(19)	(292)	58	120		
Capital Crossing Whole loans			(105)		675	570		
CDO	749		(200)	12	60	621		
NPL Portfolio								
Total securitized products - US		3,875						4,397
		8,290						7,234
Italian residential mortgages		1,112	(8)	(999)				105
Securitized products - London		476	(292)		3,884			4,058
Securitized products - Tokyo		1,287	(24)	(76)	67			1,254
Total securitized products		11,165	(1,926)	(1,631)	5,053			12,661
<u>Real Estate</u>								
Asia Non performing loan portfolios	2,072		15	(320)	(95)		1,672	
Real estate PTG US -	7,420		(141)	(1,457)	59		5,881	
Real estate PTG Europe	631		(33)	24	(178)		444	
Real estate PTG Asia	2,532		(2)	576	225		3,331	
Total Real Estate		12,655						11,328
IMD		94	(27)					67
Others		(102)						(102)
Mrtg and Mrtg Backed total		23,812	(2,114)	(2,808)	5,064			23,954

Level 3 Assets by Products – cont'd – (As of 5/30/08)

Product	February 2008			Movements			May 2008		
	\$mm	\$mm	\$mm	\$mm Writedown	\$mm Purchases	\$mm Transfers	\$mm Closing	\$mm Closing	\$mm Closing
Corp Debt and Other									
Securitized products - US - Non residential									
Non performing loans		1,022		16	120			1,158	
Real estate Tokyo loans		263		(1)				262	
High-yield loans		535		9	(80)	600 ¹⁷		1,054	
Convertibles various desks		797		(65)	(267) ¹¹	(5)		460	
Credit Tokyo loans		391		(16)	(6)	(3)		366	
Cash CDO Equity tranche		134		(21)				113	
Securitized products - Asia		330		9	183 ¹²			522	
Trade Claims				(5)	17	22		34	
Loans				14		652 ¹⁸		666	
Auction Rate Securities Credit		743		(5)	1	125 ¹⁹		864	
Others		35		(47)	(26)	25		(13)	
Corp Debt and Other total		4,260		(112)	(58)	1,416		5,496	
Corp Equities									
Real Estate - Archstone		1,920		(308) ²	(2)			1,610	
Private Equities (IBD/PE)		3,857		(13)	115 ¹³	473 ²⁰		4,433	
GTS Asia - KSK/India power plants		714						714	
GTS/GPS - Private Equities		879						879	
DPI - Private Equities		521		24	170 ¹⁴	254 ²¹		970	
Common/Preferred - Credit Tokyo		475		(36)		(7)		432	
Credit Private Equities		911		50	12	235 ²²		1,218	
Others		99		24	(6)			117	
Corp Equities total		9,376		(248)	291	955		10,373	
Derivatives									
Munis (Alt tax deals)		560		(97)	13	(45)		431	
Credit derivatives (CDO/CDO*2)		642		(257) ³	1	(24)		363	
Inflation swaps with Republic of Italy		476		225 ⁴	(30)			671	
IRP London other trades incl. Inflation		145		(115) ⁵	(40)	(300) ²³		(310)	
Equities		929		(118) ⁶	(14)	(175) ²⁴		621	
Credit NY - XL Hedge		303						303	
Others		(287)		180	(18)	(180)		(305)	
Derivatives total		2,768		(182)	(88)	(724)		1,774	
To be analyzed				8	53	13		73	
Level 3 as per 10Q		40,206		(2,648)	(2,610)	6,724		41,670	

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Key Exposures Summary (as of 3/30/08)

	Residential						Commercial				CDO's	Loans
	Prime	SubPrime & 2nd Lien	S&D, RM & HE	Total US Residential	Resi CDO & LibertyView ^{2,3}	Residential International	CMBS	PTG	Other Non Resi SP	Total Commercial	CDO's ²	Leverage Loans ¹
Assets												
Whole Loans	2,055	1,048	1,004	4,107		2,304	23,495	8,625	2,004	34,124		11,752
Equity	-	-	-	-			-	10,030	-	10,030		
Securities	5,400	1,579	262	7,241	816	7,150	5,273	-	4,118	9,391	572	-
IG	4,889	1,464	255	6,607	174	7,005	4,957	-	3,197	8,154	505	
NIG	511	115	8	634	642	145	316	-	921	1,237	68	
Residuals	831	32	40	904		622			36	36	57	
Servicing	1,638	21	7	1,666		-			31	31		
Other						-	878		-	878	(239)	
BS at Risk Assets subtotal	9,924	2,680	1,313	13,918	816	10,075	29,646	18,655	6,189	54,490	390	11,752
Off-BS Exposure (Synthetic)				-			-			-	-	2,551
Gross Exposures	9,924	2,680	1,313	13,918	816	10,075	29,646	18,655	6,189	54,490	390	14,303
Hedges												
ABX	222	475		698					(44)	(44)		
CMBX	(84)	(365)		(449)			(415)		(177)	(592)		
ABS CDS	837	(1,484)		(648)		(311)			(7)	(7)	(349)	(159)
ABS CDS CDO				-						-	(701)	
Corp CDS / CDX / LCDX	(5,123)	(4,214)		(9,337)		(2,524)	(1,903)		(282)	(2,185)		(227)
TRS	(503)	662		159			(1,252)		(563)	(1,815)		
Total Hedges	(4,652)	(4,926)	-	(9,578)		(2,835)	(3,570)	-	(1,073)	(4,643)	(1,050)	(387)
Net Exposures	5,272	(2,246)	1,313	4,340	816	7,240	26,076	18,655	5,116	49,847	(660)	13,917
Gross Exposure 2.29.08	13,557	3,985	2,009	19,552	1,217	10,157	34,046	20,389	2,468	56,903	1,240	20,638
Net Exposure 2.29.08	10,302	(740)	2,009	11,572	1,217	10,179	28,491	20,389	1,378	50,258	(363)	19,366

Notes:

- 1) Total Commitments as of 3/30/08; Leverage Loans listed at Market value and Hedges listed at VOD Zero (Notional - MV);
- 2) CDO related exposure from Residential ABS positions include \$88mm
- 3) IMD's LibertyView and Other Mortgage related exposure includes \$80.5mm in SubPrime and \$133.5mm in Prime positions added to Residential Securities
- 4) Archstone is reflected in the Commercial and Leveraged Loan exposures

Key Exposures Summary - (as of 2/29/08)

Assets	Residential						Commercial				CDO's	Loans
	Prime	SubPrime & 2nd Lien	S&D + RM	Total US Residential	Resi CDO & LibertyView ^{2,3}	Residential International	CMBS	PTG	SBF / CC	Total Commercial	CDO's ²	Leverage Loans ¹
Whole Loans	3,696	1,295	1,636	6,627		5,522	26,392	10,050	1,653	38,096		14,772
Equity	-	-	-	-			-	10,338	-	10,338		
Securities	5,587	2,599	325	8,510	1,217	4,604	7,584	-	743	8,327	751	-
IG	5,304	2,445	318	8,067	1,207	4,429	7,327	-	649	7,976	581	
NIG	282	154	7	443	10	174	257	-	94	351	170	
Residuals	978	61	41	1,080		267			37	37	86	
Servicing	1,623	30	7	1,660		-			34	34		
BS at Risk Assets subtotal	11,883	3,985	2,009	17,877	1,217	10,393	33,976	20,389	2,468	56,833	837	14,772
Off-BS Exposure (Synthetic)				-			70			70	402	5,866
Gross Exposures	11,883	3,985	2,009	17,877	1,217	10,393	34,046	20,389	2,468	56,903	1,240	20,638
Hedges												
ABX	(51)	(799)		(850)					(111)	(111)		
CMBX	(585)	(437)		(1,022)			(454)		(182)	(636)		
ABS CDS	1,029	(1,821)		(792)		22			-	-	(490)	(203)
ABS CDS CDO				-						-	(1,112)	
Corp CDS / CDX / LCDX	(544)	(1,959)		(2,504)			(1,052)		(87)	(1,139)		(1,068)
TRS	(3,104)	291		(2,812)			(4,050)		(708)	(4,758)		
Total Hedges	(3,255)	(4,725)	-	(7,980)		22	(5,556)	-	(1,089)	(6,645)	(1,602)	(1,271)
Net Exposures	8,628	(740)	2,009	9,897	1,217	10,414	28,491	20,389	1,378	50,258	(363)	19,366
Gross Exposure 11.30.07	12,769	5,327	2,377	20,473	11,642	11,642	38,110	18,400	2,425	58,935	1,542	26,999
Net Exposure 11.30.07	7,698	3,507	2,377	13,582	11,661	11,661	32,835	18,400	2,425	53,660	(169)	26,056

Notes:

- 1) Total Commitments as of 2.29.08; Leverage Loans listed at Market value and Hedges listed at VDD Zero (Notional - MV);
- 2) CDO related exposure from Residential ABS positions include \$221mm
- 3) IMD's LibertyView related exposure include \$16mm in SubPrime and \$978mm in Prime positions added to Residential Securities
- 4) Archstone is reflected in the Commercial and Leveraged Loan exposures

INVESTMENT MANAGEMENT DIVISION

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(\$ in millions)	Month Trend			Quarter Trend					Δ %		6 Months Ending May		Δ %		Records			
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year
									Q1 '08	Q2 '07			YTD '07					
High Net Worth (PAM)	59	51	53	163	173	162	162	153	-6%	7%	335	294	14%	173	Q1 '08	335	YTD '08	
Equity	29	31	32	93	94	90	98	97	-2%	-4%	187	192	-2%	98	Q3 '07	192	YTD '07	
Fixed Income	13	14	13	41	37	39	31	28	10%	47%	78	53	48%	41	Q2 '08	78	YTD '08	
Other Asset Management	6	5	3	14	22	21	(1)	14	-38%	2%	36	27	37%	22	Q1 '08	36	YTD '08	
Traditional Asset Management	108	102	101	310	326	312	290	291	-5%	7%	637	565	13%	326	Q1 '08	637	YTD '08	
AM Alternatives	17	23	47	87	199	103	54	75	-56%	16%	286	123	133%	199	Q1 '08	286	YTD '08	
Private Equity	29	31	38	29	93	118	125	94	6%	5%	191	188	2%	125	Q3 '07	191	YTD '08	
Alternative Investments	46	54	85	186	291	221	179	169	-36%	10%	477	310	54%	291	Q1 '08	477	YTD '08	
Total Asset Management	154	156	186	496	618	533	468	460	-20%	8%	1,114	875	27%	618	Q1 '08	1,114	YTD '08	
FID	68	60	55	183	167	115	151	142	10%	29%	349	271	29%	183	Q2 '08	349	YTD '08	
EQUITY	52	54	63	169	184	184	183	167	-8%	1%	353	317	11%	184	Q1 '08	353	YTD '08	
Total PIM	120	114	117	352	351	299	334	308	0%	14%	702	588	19%	352	Q2 '08	702	YTD '08	
Total Investment Management	274	270	303	848	968	832	802	768	-12%	10%	1,816	1,463	24%	968	Q1 '08	1,816	YTD '08	
Total Lehman AUM	265,232	264,548	277,179	277,179	276,751	282,127	274,858	262,968	0%	5%	277,179	262,968	5%	282,127	Q4 '07	277,179	YTD '08	

Q2 '08 vs. Q1 '08

❖ Investment Management Division revenues of \$848mm fell below record Q1 '08 by 12%, as record revenues in Private Investment Management were more than offset by a decline in Asset Management.

❖ Asset Management revenues of \$496mm declined 20%, or \$122mm, versus Q1 '08, largely due to lower revenues from third party hedge fund investments, namely DE Shaw.

❖ Record Private Investment Management revenues of \$352mm increased \$1mm versus Q1 '08, on record Fixed Income revenues and strong results within Equities.

❖ AUM of \$277bn increased \$.4bn over the prior quarter, due to net outflows of \$8.9bn (mostly in liquidity products) offset by positive market performance of \$9.3bn.

Q2 '08 vs. Q2 '07

❖ Investment Management revenues of \$848mm increased 10%, or \$80mm, versus Q2 '07.

❖ Asset Management revenues of \$496mm rose 8%, or \$36mm, versus Q2 '07, as both traditional and non-traditional asset management increased versus the same quarter last year.

❖ Record Private Investment Management revenues of \$352mm increased by \$44mm, or 14%, versus Q2 '07, as Fixed Income achieved a record quarter.

❖ AUM of \$277bn increased \$14bn, or 5%, versus the same time last year, as most all businesses and asset classes experienced an increase in AUM. Net flows contributed \$8bn and market performance increased \$6bn.

ASSET MANAGEMENT REVENUES

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(\$ in millions)	Month Trend			Quarter Trend					Δ %		6 Months Ending May		Δ %		Records			
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs. Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08 vs. YTD '07	Qtr Record	Qtr	YTD Record	Year	
High Net Worth (PAM)	59	51	53	163	173	162	162	153	-6%	7%	335	294	14%	173	Q1 '08	335	YTD '08	
Equity	29	31	32	93	94	90	98	97	-2%	-4%	187	192	-2%	98	Q3 '07	192	YTD '07	
Fixed Income	13	14	13	41	37	39	31	28	10%	47%	78	53	48%	41	Q2 '08	78	YTD '08	
Other Asset Management	6	5	3	14	22	21	(1)	14	-38%	2%	36	27	37%	22	Q1 '08	36	YTD '08	
Traditional Asset Management	108	102	101	310	326	312	290	291	-5%	7%	637	565	13%	326	Q1 '08	637	YTD '08	
AM Alternatives	17	23	47	87	199	103	54	75	-56%	16%	286	123	133%	199	Q1 '08	286	YTD '08	
Private Equity	29	31	38	99	93	118	125	94	6%	3%	191	188	2%	125	Q3 '07	191	YTD '08	
Alternative Investments	46	54	85	186	291	221	179	169	-36%	10%	477	310	54%	291	Q1 '08	477	YTD '08	
Total Asset Management	154	156	186	496	618	533	468	460	-20%	8%	1,114	875	27%	618	Q1 '08	1,114	YTD '08	
Revenue By Region																		
Americas	136	137	169	442	536	455	365	419	-17%	6%	978	778	26%	536	Q1 '08	978	YTD '08	
Europe	15	16	15	45	74	70	94	38	-39%	20%	120	92	30%	94	Q3 '07	120	YTD '08	
Asia Pacific	3	3	2	9	7	8	9	3	15%	178%	16	6	188%	9	Q3 '07	16	YTD '08	
Total Asset Management	154	156	186	496	618	533	468	460	-20%	8%	1,114	875	27%	618	Q1 '08	1,114	YTD '08	

Q2 '08 vs. Q1 '08

❖ Asset Management revenues of \$496mm fell below Q1 '08 by 20%, or \$122mm, as both Traditional and Alternative Asset Management declined this quarter.

▪ Traditional Asset Management revenues of \$310mm were down \$16mm from Q1 '08, driven by declines in High Net Worth and Other products.

• High Net Worth revenues of \$163mm fell \$10mm, or 6%, from the record set in Q1 '08, due to decline in billable AUM of 2% combined with a slight shift of asset mix towards fixed income.

• Equity revenues of \$93mm were virtually flat to Q1 '08 as out flows in equities were offset by increased market values.

• Record Fixed Income revenues of \$41mm were up \$4mm, or 10%, from the prior quarter, driven by incentive fee true-up on Index products of \$3.5mm and Loan Opportunity revenue of \$2mm.

▪ Alternatives Investments revenues of \$186mm decreased by \$105mm, or 36%, from Q1 '08 due to a significant decrease in AM Alternatives.

• AM Alternatives revenues of \$87mm decreased 56% this quarter, due to decreases in incentive fees and minority stakes.

• Private Equity revenues increased \$6mm, or 6%, versus last quarter. The \$12mm increase in management and other fees was largely due to fees earned on closing of Real Estate Equity Fund III and Secondary Opportunity Fund II, partially offset by \$6mm decrease in GP Carry.

Q2 '08 vs. Q2 '07

❖ Asset Management revenues of \$496mm increased 8%, or \$36mm, versus Q2 '07.

• Traditional Asset Management revenues of \$310mm surpassed the same quarter last year by 7%, or \$19mm.

• High Net Worth revenues of \$163mm surpassed Q2 '07 by 7%, due to revenues associated with higher AUM.

• Equity revenues of \$93mm declined slightly versus Q2 '07.

• Record Fixed Income revenues of \$41mm increased 47%, or \$13mm, versus Q2 '07.

• Alternative Investments revenues of \$186mm surpassed Q2 '07 by \$17mm, or 10%, led by increases in both AM Alternatives and Private Equity.

• AM Alternatives revenues of \$87mm increased \$12mm versus Q2 '07, primarily due to gains in Minority Stakes, most specifically DE Shaw.

• Private Equity revenues of \$99mm increased versus Q2 '07 by 5%, as an decline in GP Carry was more than offset by an increase in management fees.

ASSET MANAGEMENT REVENUE BY TYPE

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(\$ in millions)	Month Trend			Quarter Trend					Fiscal Year		Fiscal Year		Δ %		Δ %	
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	YTD '08	YTD '07	Q2 '08 vs.		YTD '08 vs.			
												Q1 '08	Q2 '07	YTD '07	YTD '07	
Recap by Revenue Type																
Traditional Asset Management	103	102	99	304	319	304	299	283	623	553	-5%	7%	13%			
AM Alternatives	5	5	6	17	16	16	12	10	32	17	6%	69%	93%			
Private Equity	25	27	33	85	71	63	69	49	156	89	20%	76%	75%			
Management Fees	134	134	138	406	406	382	381	341	812	660	0%	19%	23%			
AM Alternatives	-	-	-	-	12	2	2	9	12	27	-100%	-100%	-56%			
Private Equity	(0)	(1)	1	(1)	5	36	33	27	5	51	-113%	-103%	-91%			
Incentive Fees / GP Carry	(0)	(1)	1	(1)	17	38	36	36	16	77	-104%	-102%	-79%			
Minority Stakes	12	18	41	71	171	86	40	56	242	79	-59%	25%	206%			
Implied Fees	3	3	1	6	6	5	(8)	10	13	21	-2%	-37%	-40%			
PE Marketing Fees	0	0	0	0	0	4	7	0	-	17	n/a	-100%	-100%			
Other	7	2	5	14	17	19	14	16	31	21	-17%	-13%	48%			
Principal Gains and Other	21	22	48	91	195	113	52	83	286	138	-53%	10%	107%			
Total Asset Management	154	156	186	496	618	533	468	460	1,114	875	-20%	8%	27%			

Q2 '08 vs. Q1 '08

Management Fees

- ❖ Traditional Asset Management Fees of \$304mm are down 5% from the prior quarter, due to a decline in billable market values as March market values declined from December, combined with a shift in asset mix towards fixed income, which bills at lower fee rates.
- ❖ AM Alternatives Management Fees were \$17mm for the quarter versus \$16mm in the prior quarter, essentially flat.
- ❖ Private Equity Management fees increased 20% this quarter, led by an increase in Real Estate.

Incentive Fees/GP Carry

- ❖ Incentive fees for 2007 performance were recorded in Q1 '08 for both Satori and Global Macro. There were no incentive fees for Q2 '08.

Principal Gains and Other

- ❖ Principal Gains and Other revenues of \$91mm fell 53% from the prior quarter, led by a decline in Minority Stakes: DE Shaw (-\$49mm), Ospraie (-\$15mm), Spinnaker (-\$10mm), and Marble Bar (-\$9mm).

Q2 '08 vs. Q2 '07

Management Fees

- ❖ Traditional Asset Management fees increased 7%, or \$21mm, versus Q2 '07, driven by an increase in HNW billable AUM.
- ❖ AM Alternatives management fees increased \$7mm, or 69%, versus the same quarter last year, led by an increase in Single Manager Funds fees (Liberty View up 35% and Commodities up 80%).
- ❖ Private Equity management fees increased \$36mm this quarter, due to increases in Real Estate (+\$23mm), Private Funds Investment Group (+\$11mm), and Merchant Banking (+\$11mm).

Incentive Fees/GP Carry

- ❖ Incentive Fees / GP Carry declined \$37mm versus the same quarter last year. Due to a decreased performance in 2008, there are no incentive fees for LibertyView.

Principal Gains and Other

- ❖ Revenues increased \$8mm versus Q2 '07, due to an increase in Minority Stakes, most specifically DE Shaw (+\$22mm).

AM ALTERNATIVE INVESTMENTS

(\$ in millions)	Month Trend			Quarter Trend					Δ %		6 Months Ending May		Δ %		Records			
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08 vs YTD '07	Qtr Record	Qtr	YTD Record	Year	
AM Alternatives																		
Management Fees:																		
Quant Funds	1	1	1	3	2	1	2	1	62%	113%	5	2	141%	3	Q2 '08	5	YTD '08	
Global Macro	0	0	1	1	1	0	0	0	132%	n/a	2	0	n/a	1	Q2 '08	2	YTD '08	
Antibenchmark Funds	1	1	1	2	1	1	2	1	34%	34%	3	2	68%	2	Q3 '07	3	YTD '08	
Single Manager Funds	4	4	4	12	12	11	10	8	3%	47%	24	15	60%	12	Q2 '08	24	YTD '08	
Liberty View	2	3	2	7	8	7	7	5	-9%	35%	15	10	50%	8	Q1 '08	15	YTD '08	
Commodities	1	1	2	4	4	3	2	2	23%	80%	8	4	97%	4	Q2 '08	8	YTD '08	
Saron Tech	0	0	0	0	0	0	0	0	73%	15%	1	1	-9%	0	Q2 '08	1	YTD '07	
Structured Asset Management	0	(0)	1	1	1	(1)	(0)	(0)	77%	n/a	2	0	n/a	1	Q2 '08	2	YTD '08	
Other Management Fees	0	0	0	0	1	5	(0)	0	-92%	-9%	1	(1)	289%	5	Q4 '07	1	YTD '08	
Total Management Fees	5	5	6	17	16	16	12	10	6%	69%	32	17	93%	17	Q2 '08	32	YTD '08	
Incentive Fees:																		
Quant Funds	0	0	0	0	8	0	0	0	-100%	n/a	8	-	n/a	8	Q1 '08	8	YTD '08	
Global Macro	0	0	0	0	8	0	0	0	-100%	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	4	3	1	9	-100%	-100%	4	24	-84%	16	Q1 '07	24	YTD '07	
Liberty View	0	0	0	0	0	2	3	9	-100%	-100%	0	23	-99%	14	Q1 '07	23	YTD '07	
Commodities	0	0	0	0	0	0	0	0	n/a	n/a	-	-	n/a	-	Q1 '06	-	YTD '04	
Saron Tech	0	0	0	0	4	1	(1)	0	-100%	n/a	4	1	223%	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	(1)	1	(0)	-100%	100%	0	3	-98%	3	Q1 '07	3	YTD '07	
Total Incentive Fees	0	0	0	0	12	2	2	9	-100%	-100%	12	27	-56%	18	Q1 '07	27	YTD '07	
Minority Stakes:																		
DE Shaw	10	11	40	61	110	58	(14)	39	-43%	56%	172	39	337%	110	Q1 '08	172	YTD '08	
Ospraie	0	0	0	1	16	4	0	4	-94%	-77%	17	6	201%	16	Q1 '08	17	YTD '08	
GLG	0	0	0	0	17	13	28	0	-100%	n/a	17	15	10%	28	Q3 '07	17	YTD '08	
Marble Bar	1	0	0	1	10	4	5	3	-94%	-83%	11	10	13%	21	Q4 '06	11	YTD '08	
Spinnaker	1	6	1	8	18	7	20	10	-53%	-21%	26	9	177%	-	-	-	-	
Total Minority Stakes	12	18	41	71	171	86	40	56	-59%	25%	242	79	206%	171	Q1 '08	242	YTD '08	
Total AM Alternatives	17	23	47	87	199	103	54	75	-56%	16%	286	123	133%	199	Q1 '08	286	YTD '08	

Q2 '08 vs. Q1 '08

❖ AM Alternatives revenues of \$87mm fell below Q1 '08 by \$112mm, due to declines in Minority Stakes and Incentive Fees.

• Management Fees remained relatively flat to the prior quarter, as a slight increase in Quant Funds was offset by a slight decline in Other Management Fees.

• Incentive Fees had \$0 revenues this quarter. Incentive fees in Q1 '08 were related to 2007 performance (paid in January). Q2 '08 had no performance fees.

• Minority Stakes were down \$100mm, or 59%, from the prior quarter. The \$27mm gain from the sale of Marble Bar & GLG in Q1 '08, combined with lower fees on Ospraie (-\$15mm) and DE Shaw (-\$49mm) in Q2 '08, led the quarter over quarter decrease.

Q2 '08 vs. Q2 '07

❖ AM Alternative Investments revenues of \$87mm are up \$12mm versus Q2 '07.

• Management Fees of \$17mm increased \$7mm this quarter, led by an increase in Single Manager Funds (+\$4mm).

• Incentive Fees declined 100% versus the same quarter last year, as there were no performance fees paid in Q2 '08.

• Minority Stakes revenues of \$71mm increased \$15mm versus Q2 '07, led by an increase in DE Shaw (+\$22mm).

PRIVATE EQUITY

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	Month Trend			Quarter Trend					Δ %		6 Months Ending May		Δ %		Records				
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs	YTD '07	Qtr Record	Qtr	YTD Record	Year	
									Q1 '08	Q2 '07									
Private Equity - Management Fees																			
Merchant Banking	5	5	5	15	16	10	19	4	-8%	239%	32	9	257%	19	Q3 '07	32	YTD '08		
Venture Capital	1	1	1	3	3	1	1	1	-12%	92%	6	2	131%	3	Q1 '08	6	YTD '08		
Real Estate	4	7	11	23	9	0	0	0	141%	n/a	32	-	n/a	23	Q2 '08	32	YTD '08		
Private Funds Investment Group	6	6	7	20	18	9	11	9	11%	131%	38	16	138%	20	Q2 '08	38	YTD '08		
Credit Related	3	2	1	7	7	18	15	16	-1%	-59%	14	29	-54%	18	Q4 '07	29	YTD '07		
Infrastructure	1	1	1	3	5	5	7	6	-36%	-42%	8	10	-17%	7	Q3 '07	10	YTD '07		
Partnership Account	0	0	0	0	(0)	7	6	2	200%	-98%	-	3	-100%	7	Q4 '07	3	YTD '07		
Sales and Marketing	1	0	0	1	0	0	0	0	n/a	n/a	1	-	n/a	1	Q2 '08	1	YTD '08		
LBAIM	4	4	6	14	12	12	11	10	14%	37%	26	19	33%	14	Q2 '08	26	YTD '08		
Total PE Management Fees	25	27	33	85	71	63	69	49	20%	76%	156	89	75%	85	Q2 '08	156	YTD '08		
Private Equity - GP Carry																			
Merchant Banking	0	0	0	0	(0)	7	3	0	268%	101%	0	1	-87%	7	Q4 '07	1	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	(0)	(0)	3	10	20	0	-111%	n/a	3	2	17%	36	Q1 '06	36	YTD '06		
Private Funds Investment Group	(0)	(0)	(0)	(0)	0	16	2	0	-195%	n/a	0	-	n/a	16	Q4 '07	0	YTD '08		
Credit Related	0	0	0	0	0	3	6	0	n/a	n/a	-	-	n/a	6	Q3 '07	-	YTD '04		
Infrastructure	0	0	0	0	(3)	(7)	0	7	100%	-100%	(3)	13	-121%	7	Q2 '07	13	YTD '07		
Partnership Account	(1)	(1)	1	(1)	(3)	5	2	0	77%	n/a	(3)	-	n/a	5	Q4 '07	-	YTD '04		
LBAIM	0	0	0	0	7	2	0	2	-99%	-95%	8	13	-41%	11	Q1 '07	13	YTD '07		
Other allocations (GP Carry)	0	0	0	0	0	0	0	18	n/a	-100%	-	21	-100%	18	Q2 '07	21	YTD '07		
Total Private Equity GP Carry	(0)	(1)	1	(1)	5	36	33	27	-113%	-103%	5	51	-91%	38	Q1 '06	51	YTD '07		
Other PE (inc. third party marketing / MAP)	5	5	4	14	16	19	23	18	-14%	-24%	30	48	-37%	29	Q1 '07	48	YTD '07		
Total Private Equity	29	31	38	99	93	118	125	94	6%	5%	191	188	2%	125	Q3 '07	191	YTD '08		

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

Q2 '08 vs. Q1 '08

❖ Private Equity revenues increased from \$93mm in Q1 '08 to \$99mm in Q2 '08, up 6%.

❖ Management and Other Fees increased by \$12mm primarily due to increase in revenues associated with Real Estate III and Secondary Opportunities II. Real Estate management fees increased by 141%, from \$9mm in Q1 '08 to \$23mm in Q2 '08.

❖ GP carry decreased by \$6mm primarily resulting from a lack of incentive fees on LBAIM, which had negligible realizations in Q2 '08.

Q2 '08 vs. Q2 '07

❖ Private Equity revenues of \$99mm increase \$5mm, or 5%, versus Q2 '07.

❖ Management Fees increased 76%, or \$36mm, versus the same quarter last year, primarily due to Real Estate (+\$23mm), Private Funds Investment Group (+\$11mm), and Merchant Banking (+\$11mm).

❖ GP Carry declined by \$28mm versus Q2 '07. The GP carry gains in Q2 '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 %		6 Months Ending May		Δ %		Records				
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year	
									Q1 '08	Q2 '07			YTD '08	YTD '07					
AUM by Asset Class:																			
Fixed Income	76,121	75,183	75,290	75,290	76,356	75,393	71,719	64,220	-1%	17%	75,290	64,220	17%	76,356	Q1 '08	75,290	YTD '08		
Equities	99,956	104,598	109,426	109,426	101,404	107,078	104,215	107,784	8%	2%	109,426	107,784	2%	109,426	Q2 '08	109,426	YTD '08		
Alternative Investments	34,521	35,431	38,614	38,614	33,964	33,480	30,407	27,011	14%	43%	38,614	27,011	43%	38,614	Q2 '08	38,614	YTD '08		
Money Markets	54,632	49,336	53,848	53,848	65,027	66,177	68,517	63,953	-17%	-16%	53,848	63,953	-16%	68,517	Q3 '07	63,953	YTD '07		
Total Lehman AUM	265,232	264,548	277,179	277,179	276,751	282,127	274,858	262,968	0%	5%	277,179	262,968	5%	282,127	Q4 '07	277,179	YTD '08		
AUM by Business:																			
High Net Worth (PAM)*	58,348	60,321	62,714	62,714	58,447	60,192	57,677	58,242	7%	8%	62,714	58,242	8%	62,714	Q2 '08	62,714	YTD '08		
AM Equities	52,073	54,959	57,471	57,471	53,783	57,115	55,269	57,951	7%	-1%	57,471	57,951	-1%	57,951	Q2 '07	57,951	YTD '07		
AM Fixed Income	111,349	106,299	111,828	111,828	122,211	117,458	113,116	99,514	-8%	12%	111,828	99,514	12%	122,211	Q1 '08	111,828	YTD '08		
Private Investment Management*	7,476	6,911	5,860	5,860	7,902	13,661	18,279	20,745	-26%	-72%	5,860	20,745	-72%	20,745	Q2 '07	20,745	YTD '07		
Traditional Asset Management	230,146	228,490	237,873	237,873	242,343	248,426	244,342	236,452	-2%	1%	237,873	236,452	1%	263,621	Q4 '07	253,239	YTD '08		
Alternatives	9,021	8,948	9,047	9,047	8,621	8,277	6,984	5,742	5%	58%	9,047	5,742	58%	9,047	Q2 '08	9,047	YTD '08		
Private Equity	26,065	27,110	30,259	30,259	25,787	25,424	23,533	20,774	17%	46%	30,259	20,774	46%	30,259	Q2 '08	30,259	YTD '08		
Alternative Asset Management	35,086	36,059	39,306	39,306	34,408	33,701	30,517	26,516	14%	48%	39,306	26,516	48%	39,306	Q2 '08	39,306	YTD '08		
Total Lehman AUM	265,232	264,548	277,179	277,179	276,751	282,127	274,858	262,968	0%	5%	277,179	262,968	5%	282,127	Q4 '07	277,179	YTD '08		

*Includes alternative assets

Assets Under Management of \$277bn increased \$0.4bn versus Q1 '08 and \$14.2bn versus Q2 '07.

ASSETS UNDER MANAGEMENT

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AUM BY ASSET CLASS

- **Fixed Income** is down \$1bn versus Q1 '08, but has grown 17% over the past year, led by the Light Point CLO acquisition and deal of \$3.7bn and the Ceago & Wicker Park CDO Securitization for \$2bn.
- **Equities** increased 8% versus Q1 '08 due to positive market performance seen during the quarter.
- **Alternative Investments** assets increased 14% versus Q1 '08 and 43% over the past year, as products such as Strategic Commodity Fund and Quant funds continue to gain assets. Private Equity has also launched new funds in the last year, such as the Co-Investment Fund, CDO Opportunities and Crossroads XVIII, Merchant Banking IV, IPO, Real Estate III and Loan Opportunity Fund.
- **Money market** assets have decreased by 17% since Q1 '08 and 16% since prior year due to cash needs resulting from difficult markets.

AUM BY BUSINESS

- **HNW (PAM)** AUM of \$63bn increased \$4.2bn versus the prior quarter, due to \$0.8bn of net flows and \$3.4bn of market appreciation. PAM AUM increased 8% over the past year, due to market performance of over 1.7%, while S&P total for twelve months ended was -6.7%. PAM net flows were \$4.6bn for the year. As of 05/31/08, in the aggregate, the equity weighting of HNW portfolios decreased from the prior year of 83% to 79%.
- **Equities** AUM of \$57bn reflects a 7% increase from last quarter, as \$1bn of net out flows was offset by market appreciation of \$4.7bn. Net out flows include lost account Met Investor Series Real Estate for \$1.2bn. Equity AUM decreased 1% over the past year.
- **Fixed Income** AUM decreased 8%, or \$10bn, versus the prior quarter. The decrease is primarily due to significant outflows in all liquidity products driven by negative press around potential issues at the firm. These outflows occurred early in the quarter, but May saw a recapture of these outflows.
- **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 associated with liquidity needs. 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.
- **AM Alternatives** surpassed Q1 '08 by 5% and Q2 '07 by 58% due to increases in SCF, Quant, and Commodity Fund, among other products.
- **Private Equity** AUM increased \$4.5bn or 17% versus Q1 '08. AUM increased \$9.5bn, or 46%, versus Q2 '07, primarily resulting from new Fund closings. Real Estate Opportunity Fund III completed several closings for \$3.2bn. Real Estate Mezzanine Fund II closed \$0.6bn. Secondary Opportunity Fund II closed \$1.7bn. Loan Opportunity Fund closed \$0.7bn. MLP Opportunity Fund I closed in June 2007 for \$0.7bn. FRR separate account (French Gov't mandate) closed in July 2007 for \$0.7bn. Venture Capital Fund V closed at a total of \$0.4bn. The inflows were partially offset by distributions.
- **As of April 2008, over 81% 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						Q2 '08	% Δ
	Q1 '08	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation		
Lehman Brothers								
High Net Worth (PAM)*	58,447	1,482	(836)	140	786	3,481	62,714	7%
AM Equities	53,783	1,417	(2,435)	77	(941)	4,629	57,471	7%
AM Fixed Income	122,211	1,432	(2,074)	(10,512)	(11,154)	771	111,828	-8%
Private Investment Management *	7,902	160	(2,421)	83	(2,177)	135	5,860	-26%
Traditional Asset Management	242,343	4,492	(7,767)	(10,212)	(13,486)	9,016	237,873	-2%
Alternatives	8,621	494	(514)	142	122	304	9,047	5%
Private Equity	25,787	4,776	(340)	20	4,456	16	30,259	17%
Alternative Asset Management	34,408	5,270	(854)	162	4,578	320	39,306	14%
Total	276,751	9,763	(8,621)	(10,050)	(8,908)	9,336	277,179	0%

CURRENT QUARTER ROLLFORWARD BY ASSET CLASS

\$ Millions	CURRENT QUARTER ROLLFORWARD BY ASSET CLASS						Q2 '08	Per Disclosure	PAM Rebalance	% Δ
	Q1 '08	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation				
Lehman Brothers										
Fixed Income	76,356	1,308	(1,927)	(809)	(1,429)	181	75,108	75,290	182	-1%
Equities	101,404	1,680	(2,590)	(119)	(1,030)	4,775	105,149	109,426	4,277	8%
Alternatives	33,064	5,031	(865)	183	4,348	297	38,609	38,614	5	14%
Money Markets	65,027	261	(2,402)	(9,445)	(11,585)	603	54,045	53,848	(197)	-17%
High Net Worth (PAM)		1,482	(836)	140	786	3,481	4,267		(4,267)	
Total	276,751	9,763	(8,621)	(10,050)	(8,908)	9,336	277,179	277,179	0	0%

*Includes alternative assets

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

YTD AUM ROLLFORWARD

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YEAR TO DATE ROLLFORWARD BY BUSINESS

\$ Millions							Q2 '08	% Δ
	Q4 '07	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation		
Lehman Brothers								
High Net Worth (PAM)*	60,192	3,915	(1,447)	(1,089)	1,380	1,141	62,714	4%
AM Equities	57,115	2,973	(3,348)	(461)	(830)	1,192	57,471	1%
AM Fixed Income	117,458	4,410	(2,944)	(8,401)	(6,935)	1,304	111,828	-5%
Private Investment Management *	13,661	421	(6,565)	(2,041)	(8,185)	384	5,860	-57%
Traditional Asset Management	248,426	11,719	(14,303)	(11,992)	(14,576)	4,022	237,872	-4%
Alternatives	8,277	1,146	(804)	207	550	221	9,047	9%
Private Equity	25,424	5,563	(405)	12	5,170	(335)	30,259	19%
Alternative Asset Management	33,701	6,709	(1,209)	219	5,720	(114)	39,307	17%
Total	282,127	18,429	(15,512)	(11,773)	(8,856)	3,908	277,179	-2%

YEAR TO DATE ROLLFORWARD BY ASSET CLASS

\$ Millions							Q2 '08	Per Disclosure	PAM Rebalance	% D
	Q4 '07	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation				
Lehman Brothers										
Fixed Income	75,393	4,287	(2,799)	(2,398)	(911)	467	74,949	75,290	342	0%
Equities	107,078	3,329	(3,567)	(622)	(861)	1,263	107,480	109,426	1,947	2%
Alternatives	33,480	6,381	(1,202)	27	5,206	(79)	38,607	38,614	7	15%
Money Markets	66,177	518	(6,497)	(7,691)	(13,670)	1,115	53,622	53,848	226	-19%
High Net Worth (PAM)		3,915	(1,447)	(1,089)	1,380	1,141	2,521		(2,521)	
Total	282,127	18,429	(15,512)	(11,773)	(8,856)	3,908	277,178	277,179	0	-2%

*Includes alternative assets

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

FULL YEAR AUM ROLLFORWARD

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FULL YEAR ROLLFORWARD BY BUSINESS

\$ Millions	FULL YEAR ROLLFORWARD BY BUSINESS						Q2 '08	% Δ
	Q2 '07	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation		
Lehman Brothers								
High Net Worth (PAM)*	58,242	8,169	(2,320)	(1,265)	4,584	(112)	62,714	8%
AM Equities	57,951	5,461	(4,961)	(1,488)	(988)	508	57,471	-1%
AM Fixed Income	99,514	13,394	(6,831)	1,758	8,321	3,993	111,828	12%
Private Investment Management *	20,745	2,388	(7,236)	(10,987)	(15,834)	949	5,860	-72%
Traditional Asset Management	236,452	29,413	(21,348)	(11,982)	(3,917)	5,338	237,873	1%
Alternatives	5,742	2,366	(1,310)	1,591	2,646	659	9,047	58%
Private Equity	20,774	9,739	(1,275)	900	9,364	121	30,259	46%
Alternative Asset Management	26,516	12,105	(2,585)	2,490	12,010	780	39,306	48%
Total	262,968	41,518	(23,933)	(9,492)	8,093	6,119	277,179	5%

FULL YEAR ROLLFORWARD BY ASSET CLASS

\$ Millions	FULL YEAR ROLLFORWARD BY ASSET CLASS						Q2 '08	Per Disclosure	PAM Rebalance	% Δ
	Q2 '07	New Accounts	Lost Accounts	Net Contribution	Net Flows	Market Appreciation				
Lehman Brothers										
Fixed Income	64,220	13,265	(3,564)	(2,457)	7,244	2,061	73,525	75,290	1,766	17%
Equities	107,784	5,869	(5,185)	(646)	38	566	108,388	109,426	1,038	2%
Alternatives	27,011	11,723	(2,574)	1,603	10,753	828	38,592	38,614	22	43%
Money Markets	63,953	2,491	(10,290)	(6,727)	(14,526)	2,775	52,202	53,848	1,646	-16%
High Net Worth (PAM)		8,169	(2,319)	(1,265)	4,585	(112)	4,472		(4,472)	
Total	262,968	41,518	(23,933)	(9,492)	8,093	6,119	277,180	277,179	(1)	5%

*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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PRIVATE EQUITY FUND DISCLOSURE

AUM2Q08		AUM1Q08	
Merchant Banking			
Cap III - non dedicated, Other	10K	4	4
Merchant Banking II	10K	119	111
Merchant Banking III	10K	934	865
Merchant Banking IV - Global	10K	2,450	2,450
Merchant Banking IV - Europe	10K	1,010	987
Total Merchant Banking	4,617	4,416	
Venture Capital			
Venture Capital: Fund of Funds	10K	6	9
Venture Capital II	10K	28	42
Venture Capital III	10K	72	82
Venture Capital IV	10K	254	243
Venture Capital V	10K	385	365
European VC	10K	1	1
Healthcare	10K	38	41
Total Venture Capital	766	783	
Real Estate			
Real Estate Opportunity Fund I	10K	597	684
Real Estate Opportunity Fund II	10K	2,067	2,112
Real Estate Mezzanine Fund I	10K	1,065	1,085
Real Estate Opportunity Fund III	10K	3,225	1,506
Real Estate Mezzanine Fund II	10K	565	
Total Real Estate	7,619	8,387	
Private Fund Investments			
LBO Funds	10K	80	97
Secondary Opportunities Fund I	10K	492	800
Co-Investment Fund I	10K	1,636	1,636
Crossroads Fund of Funds 17	10K	644	644
Crossroads Fund of Funds 18	10K	1,513	1,513
Crossroads (Legacy)	10K	160	152
Emerging Managers	10K	130	130
Real Assets Fund	10K	73	73
FRR	10K	680	680
NJ Fund of Funds - Dallas	10K	105	105
Project Copa	10K	571	563
CIC	10K	8	8
LB Distressed Opportunities Fund	10K	265	
Secondary Opportunities Fund I I	10K	1,588	
LB Indiana PERF	10K	41	
Total PFIG	7,999	8,412	
Credit Related			
European Mezzanine Fund I	10K	1,165	1,138
CDO Opportunity Fund I	10K	447	509
CDO Opportunity Fund II	10K	470	470
CDO Mezzanine Fund I	10K	123	149
Loan Opportunity Fund	10K	671	671
Distressed Structured Credit	10K	8	
European Mezzanine Fund II	10K	186	
Total Credit Related	3,066	2,938	
Infrastructure			
MLP Opportunity Fund I	10K	607	607
Total Infrastructure	607	607	
LBAIM			
LBAIM	10K	4,699	4,506
Total LBAIM	4,699	4,506	
MAP			
Artisan	10K	456	479
Baillie Gifford	10K	334	236
Julius Baer	10K	173	
Burgundy	10K	21	
Total MAP	984	717	
Total AUM - PE Business	30,269	28,746	

ASSETS UNDER MANAGEMENT QUARTERLY TREND

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Assets Under Management by Business
(\$ in millions)

	Quarter Trend										Δ %			
	Q2 '08	% of Total	Q1 '08	% of Total	Q4 '07	% of Total	Q3 '07	% of Total	Q2 '07	% of Total	Q1 '07	% of Total	Q2 '08 vs.	
													Q1 '08	Q2 '07
High Net Worth (PAM)	62,714	23%	58,447	21%	60,192	21%	57,677	21%	58,242	22%	52,071	22%	7%	8%
AM Equities	57,471	21%	53,783	19%	57,115	20%	55,269	20%	57,951	22%	52,866	22%	7%	-1%
AM Fixed Income	111,828	40%	122,211	44%	117,458	42%	113,116	41%	99,514	38%	93,256	39%	-8%	12%
Private Investment Management	5,860	2%	7,902	3%	13,661	5%	18,279	7%	20,745	8%	16,738	7%	-26%	-72%
Traditional Asset Management	237,873	86%	242,343	88%	248,426	88%	244,342	89%	236,452	90%	214,932	91%	-2%	1%
Alternatives	9,047	3%	8,621	3%	8,277	3%	6,984	3%	5,742	2%	4,563	2%	5%	58%
Private Equity	30,259	11%	25,787	9%	25,424	9%	23,553	9%	20,774	8%	16,904	7%	17%	46%
Alternative Asset Management	39,306	14%	34,408	12%	33,701	12%	30,517	11%	26,516	10%	21,467	9%	14%	48%
Total Lehman	277,179		276,751		282,127		274,858		262,968		236,399		0%	5%
TOTAL % CHANGE:	0%		-2%		3%		5%		11%					

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

	Quarter Trend										Δ %			
	Q2 '08	% of Total	Q1 '08	% of Total	Q4 '07	% of Total	Q3 '07	% of Total	Q2 '07	% of Total	Q1 '07	% of Total	Q2 '08 vs.	
													Q1 '08	Q2 '07
Fixed Income	75,290	27%	76,356	28%	75,393	27%	71,719	26%	64,220	24%	61,991	26%	-1%	17%
Equities	109,426	39%	101,404	37%	107,078	38%	104,215	38%	107,784	41%	96,493	41%	8%	2%
Alternative	38,614	14%	33,964	12%	33,480	12%	30,407	11%	27,011	10%	21,978	9%	14%	43%
Money Market/Cash	53,848	19%	65,027	23%	66,177	23%	68,517	25%	63,953	24%	55,938	24%	-17%	-16%
Total Lehman	277,179		276,751		282,127		274,858		262,968		236,399		0%	5%
TOTAL % CHANGE:	0%		-2%		3%		5%		11%					

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	HOUCHEM INVESTMENTS INC.	(504)	0.12%
Withdrawal	Institutional Asset Management - Americas	Fixed Income	SEI INSTITUTIONAL TAX FREE	(323)	0.45%
Withdrawal	Institutional Asset Management - Americas	Enhanced Index	CASEY FAMILY PROGRAM'S PORTFOLIO	(163)	0.14%
Withdrawal	Institutional Asset Management - Americas	Enhanced Index	INDIANA PERF	(650)	0.05%
Withdrawal	Institutional Asset Management - Americas	Enhanced Index	KENTUCKY RETIREMENT SYSTEM	(375)	0.02%
Withdrawal	Institutional Asset Management - Europe	LB USD Liquidity Fund	BLUECREST CAPITAL MANAGEMENT	(958)	0.06%
Withdrawal	Institutional Asset Management - Europe	Offshore USD Liquidity	BLUETREND MASTER FUND LTD	(780)	0.06%
Withdrawal	Institutional Asset Management - Europe	Offshore Liquidity	CACEIS/TOPAZE UK REAL ESTATE FUND	(129)	0.00%
Withdrawal	Institutional Asset Management - Europe	Offshore Liquidity	LA SALLE BANK NA. AS CUSTODIAN FOR	(744)	0.16%
Withdrawal	Institutional Asset Management - Europe	Offshore USD Liquidity	LEHMAN BROTHERS - ADP CLIENT 12 OMNIBUS SWEEP	(104)	0.16%
Withdrawal	Institutional Asset Management - Europe	LB EUR Liquidity Fund	LEHMAN BROTHERS HOLDINGS INC UK BRANCH	(419)	0.04%
Withdrawal	Institutional Asset Management - Europe	Offshore Liquidity	LEHMAN BROTHERS HOLDINGS PLC	(385)	0.00%
Withdrawal	Institutional Asset Management - Europe	LB EUR Liquidity Fund	STATE STREET BANK GMBH ON BEHALF OF EADS	(437)	0.08%
Withdrawal	Institutional Asset Management - Europe	Offshore USD Liquidity	STICHTING PENSIOENFONDS VOOR DE GEZONDHEID	(801)	0.04%
Withdrawal	Institutional Asset Management - Asia	Offshore Liquidity	CATHAY LIFE INSURANCE CO. LTD	(276)	0.06%
Withdrawal	Institutional Asset Management - Asia	Offshore Liquidity	GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTI	(441)	0.06%
Withdrawal	Funds & Related	Mid-to Large Cap Value	MET SERIES NB PARTNERS #FN86	(470)	N/A

CLIENT ASSETS

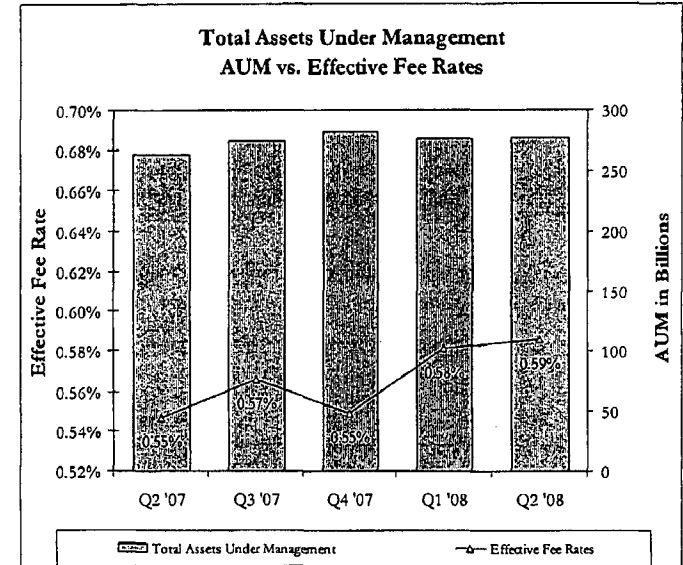
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<i>(\$ in millions)</i>	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008	May 2008
Assets Under Supervision							
PIM HNW	60,106	55,309	62,420	52,210	45,535	45,243	43,973
External Mutual Funds	5,476	5,723	6,645	7,758	7,028	6,809	7,029
Fed Sweep	3,006	3,027	3,680	4,430	4,435	3,847	3,942
LB Bank Sweep	1,099	1,204	1,295	1,342	942	953	1,002
Investment Mgmt/EMM	886	889	889	889	812	812	960
MAP External	7,504	7,442	6,906	6,848	6,362	6,676	6,745
Hedge Advisor	606	590	571	559	555	523	553
Fee Based Trading	90	90	90	90	90	90	90
Eaton Vance Exchange Funds	45	45	45	45	45	45	45
PIM Grange	378	364	343	354	337	343	0
Dartmouth	170	164	121	133	133	115	103
Total AUS	79,366	74,848	83,006	74,658	66,272	65,456	64,442
SMA AUA	3,654				4,166	3,983	3,983

EFFECTIVE FEE RATES

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(\$ in billions)	Quarter Trend					Δ %		Fiscal Year		Δ %	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.	
						Q1 '08	Q2 '07			YTD '05	YTD '06
Management Fees											
High Net Worth (PAM)	163	173	162	162	153	-6%	7%	335	294	14%	
Equity	93	94	90	98	97	-2%	4%	187	192	-2%	
Fixed Income	41	37	39	31	28	10%	47%	78	53	48%	
Other Asset Management	8	15	12	9	6	-51%	27%	23	15	51%	
Traditional Asset Management	304	319	304	299	283	-5%	7%	623	553	13%	
AM Alternatives	17	16	16	12	10	6%	69%	32	17	93%	
Private Equity	85	71	63	69	49	20%	76%	156	89	75%	
Alternative Asset Management	102	87	79	81	58	18%	75%	189	106	78%	
Total Management Fees	406	406	382	381	341	0%	19%	812	660	23%	
Assets Under Management											
High Net Worth (PAM)	62,714	58,447	60,192	57,677	58,242	7%	8%	62,714	58,242	8%	
AM Equities	57,471	53,783	57,115	55,269	57,951	7%	-1%	57,471	57,951	-1%	
AM Fixed Income	111,828	122,211	117,458	113,116	99,514	-8%	12%	111,828	99,514	12%	
Other	5,860	7,902	13,661	18,279	20,745	-26%	-72%	5,860	20,745	-72%	
Traditional Asset Management	237,873	242,343	248,426	244,342	236,452	-2%	1%	237,873	236,452	1%	
Alternatives	9,047	8,621	8,277	6,984	5,742	5%	58%	9,047	5,742	58%	
Private Equity	30,259	25,787	25,424	23,533	20,774	17%	46%	30,259	20,774	46%	
Alternative Asset Management	39,306	34,408	33,701	30,517	26,516	14%	48%	39,306	26,516	48%	
Total Asset Management	277,179	276,751	282,127	274,858	262,968	0%	5%	277,179	262,968	5%	
Effective Fee Rates						Δ in basis points				Δ in basis points	
High Net Worth (PAM)	1.08%	1.16%	1.10%	1.12%	1.11%	-9 bp's	-3 bp's	1.09%	1.09%	1 bp's	
AM Equities	0.67%	0.68%	0.64%	0.69%	0.70%	-1 bp's	-3 bp's	0.65%	0.69%	-4 bp's	
AM Fixed Income	0.14%	0.12%	0.14%	0.12%	0.11%	2 bp's	2 bp's	0.14%	0.11%	2 bp's	
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0 bp's	0 bp's	0.00%	0.00%	0 bp's	
Traditional Asset Management	0.51%	0.52%	0.49%	0.50%	0.50%	-1 bp's	1 bp's	0.51%	0.50%	1 bp's	
Alternatives	0.75%	0.74%	0.83%	0.74%	0.76%	1 bp's	-1 bp's	0.74%	0.71%	3 bp's	
Private Equity	1.22%	1.11%	1.03%	1.25%	1.03%	11 bp's	19 bp's	1.12%	0.96%	16 bp's	
Alternative Asset Management	1.11%	1.02%	0.98%	1.14%	0.97%	9 bp's	13 bp's	1.03%	0.91%	12 bp's	
Total Effective Fee Rates	0.59%	0.58%	0.55%	0.57%	0.55%	0 bp's	4 bp's	0.58%	0.54%	4 bp's	



Comments:

Lehman's Q2 '08 effective fee rate of 0.59% increased versus Q1 '08, due to an increase in Alternative Asset Management, led by Private Equity.

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 %		6 Months Ending May		Δ %		Records			
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year
									Q1 '08	Q2 '07			YTD '07	YTD '07				
FID	68	60	55	183	167	115	151	142	10%	29%	349	271	29%	183	Q2 '08	349	YTD '08	
Equity	52	54	63	169	184	184	183	167	-8%	1%	353	317	11%	184	Q1 '08	353	YTD '08	
Total PIM	120	114	117	352	351	299	334	308	0%	14%	702	588	19%	352	Q2 '08	702	YTD '08	
Regional Revenue																		
Americas	100	93	90	283	262	246	277	259	8%	9%	545	488	12%	283	Q2 '08	545	YTD '08	
Europe	19	21	27	67	84	48	54	48	-21%	39%	152	80	89%	84	Q1 '08	152	YTD '08	
Asia Pacific	1	1	1	2	4	5	2	1	-60%	15%	6	19	-69%	23	Q3 '06	20	YTD '06	
Total PIM	120	114	117	352	351	299	334	308	0%	14%	702	588	19%	352	Q2 '08	702	YTD '08	

Investment Rep Headcount (avg)	550	554	555	553	547	538	534	528	553	528
Investment Rep Headcount (period end)	558	572	563	563	549	549	549	544	563	544
Annualized Avg. IR Production	2.6	2.4	2.6	2.5	2.7	2.2	2.5	2.3	2.5	2.3

Q2 '08 vs. Q1 '08

❖ Record Private Investment Management revenues of \$352mm increased \$1mm versus Q1 '08 on a record setting quarter in Fixed Income and continued strong performance in Equities, despite market conditions.

❖ Record Fixed Income PIM revenues of \$183mm increased \$16mm or 10% from the prior quarter primarily driven by increased activity in Securitized Products and Municipals, up \$22mm and \$8mm, respectively, in the second quarter. Offsetting the increase was a decrease in Global rates of \$19mm primarily driven by the Constant Proportion Portfolio Insurance (CPPI) Note trade (Capital Markets JV) which contributed \$17mm to PIM Fixed Income revenue in the first quarter.

❖ Equities PIM revenues of \$169mm decreased \$15mm, or 8%, versus Q1 '08, primarily driven by a decrease in volatility of \$18mm due to the Constant Proportion Portfolio Insurance (CPPI) Note trade (Capital Markets JV) which contributed \$17mm to PIM Equities revenue in the first quarter.

❖ PIM's Capital Markets annualized productivity decreased to \$2.5mm from the Q1 '08 level of \$2.7mm, driven by an increased investment representative headcount.

Q2 '08 vs. Q2 '07

❖ Record Private Investment Management revenues of \$352mm increased by 14%, or \$44mm, versus Q2 '07.

❖ Record Fixed Income PIM revenues of \$183mm increased \$41mm or 29%, versus Q2 '07, led by increases in Securitized Products (+\$29mm) and Municipals (+\$12mm). Partially offsetting the increase was a decline in CDO (-\$11mm).

❖ Equities PIM revenues of \$169mm increased \$2mm versus Q2 '07. An increase of \$7mm in Volatility was partially offset by a \$5mm decline in Execution Services. Equities revenues have declined as a percentage of total PIM versus Q2 '07, 54% to 48%.

❖ PIM's annualized capital markets productivity has increased to \$2.5mm from the Q2 '07 level of \$2.3mm.

PRIVATE INVESTMENT MANAGEMENT REVENUE TREND

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(\$ in millions)	Month Trend			Quarter Trend					Δ %		6 Months Ending May		Δ %		Records				
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	YTD Record	Year	
									Q1 '08	Q2 '07			YTD '07	YTD '07					
Fixed Income PIM																			
Global Rates	11	12	11	34	53	23	27	31	-36%	11%	88	53	64%	53	Q1 '08	88	YTD '08		
High Grade	15	14	17	47	44	27	39	46	6%	1%	91	79	14%	47	Q2 '08	91	YTD '08		
CDO	(1)	0	5	4	15	7	21	15	-75%	-75%	19	43	-56%	28	Q1 '07	43	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	2	1	1	4	2	3	4	2	73%	100%	6	3	95%	4	Q2 '08	6	YTD '08		
Securitized Products	22	19	11	52	30	26	28	23	72%	124%	83	41	101%	52	Q2 '08	83	YTD '08		
Firm Financing	2	1	2	5	6	4	4	4	-21%	24%	10	8	25%	6	Q3 '06	10	YTD '08		
High Yield	2	3	2	8	5	6	8	7	52%	8%	12	13	-2%	8	Q3 '07	13	YTD '07		
Municipals	10	5	4	19	8	6	8	7	130%	185%	27	14	87%	19	Q2 '08	27	YTD '08		
Futures	0	0	1	2	1	2	2	1	29%	40%	3	3	34%	2	Q2 '08	3	YTD '08		
Foreign Exchange	2	2	1	5	6	5	7	4	-18%	12%	10	9	14%	7	Q3 '06	10	YTD '08		
Liquid Markets Proprietary	0	0	0	0	0	0	0	0	n/a	n/a	-	-	n/a	0	Q2 '06	-	YTD '04		
FID Corp	3	2	0	5	(4)	6	3	2	219%	192%	1	4	-81%	6	Q4 '07	4	YTD '07		
Total FID	68	60	55	183	167	115	151	142	10%	29%	349	271	29%	183	Q2 '08	349	YTD '08		
% FID	57%	53%	46%	52%	48%	39%	45%	46%			50%	46%							
Equity PIM																			
Execution Services - Americas	23	28	33	84	85	91	94	88	-1%	-4%	169	168	0%	94	Q3 '07	169	YTD '08		
Execution Services - Europe	3	6	6	16	14	23	21	18	12%	-11%	30	33	-11%	23	Q4 '07	33	YTD '07		
Execution Services - Asia	1	1	1	2	4	5	2	1	-45%	54%	6	3	124%	5	Q4 '07	6	YTD '08		
Convertibles	1	2	3	6	3	0	3	3	91%	84%	10	6	67%	6	Q2 '08	10	YTD '08		
Volatility	18	13	13	45	63	47	41	38	-29%	17%	108	73	48%	63	Q1 '08	108	YTD '08		
CM Futures	0	0	0	0	0	0	0	0	-8%	53%	1	0	66%	0	Q4 '06	1	YTD '08		
Relative Value	1	1	1	4	4	4	6	6	-7%	-39%	8	11	-32%	6	Q3 '07	11	YTD '07		
Equity Finance	5	4	4	13	17	15	16	12	-27%	2%	30	23	28%	17	Q1 '08	30	YTD '08		
Equity Corporate	(1)	(1)	1	(1)	(7)	(3)	(2)	(1)	85%	-64%	(8)	(1)	-446%	(0)	Q4 '06	-	YTD '04		
Total Equity	52	54	63	169	184	184	183	167	-8%	1%	353	317	11%	184	Q1 '08	353	YTD '08		
% EQ	43%	47%	54%	48%	52%	61%	55%	54%			50%	54%							
Regional View																			
Americas	100	93	90	283	262	246	277	259	8%	9%	545	488	12%	283	Q2 '08	545	YTD '08		
Europe	19	21	27	67	84	48	54	48	-21%	39%	152	80	89%	84	Q1 '08	152	YTD '08		
Asia (and other)	1	1	1	2	4	5	2	1	-60%	15%	6	19	-69%	23	Q3 '06	20	YTD '06		
Private Investment Management	120	114	117	352	351	299	334	308	0%	14%	702	588	19%	352	Q2 '08	702	YTD '08		
% Europe	16%	18%	23%	19%	24%	16%	16%	16%			22%	14%							

PRIVATE INVESTMENT MANAGEMENT SALES FORCE VIEW

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(\$ in millions)	Quarter Trend					Δ %	
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs. Q1 '08	Q2 '08 vs. Q2 '07
High Net Worth							
Equities	61	67	79	69	71	-9%	-14%
Fixed Income	48	41	34	46	47	18%	3%
Total High Net Worth	109	108	113	115	118	1%	-7%
FID ICG							
Equities	1	19	3	7	3	-93%	-55%
Fixed Income	135	125	80	103	89	8%	52%
Total FID ICG	136	145	83	110	92	-6%	48%
Equities ICG							
Equities	106	98	101	108	93	9%	14%
Fixed Income	1	1	1	1	6	10%	-86%
Total Equities ICG	107	99	103	109	99	9%	8%
Total All	352	351	299	334	308	0%	14%
Asset Management/Other	81	76	88	69	67	7%	20%
Add Back Equity Syndicate Haircut	6	5	9	8	7	28%	-11%
Total PIM	440	432	396	411	383	2%	15%
Annualized Avg. IR Production	2.5	2.7	2.2	2.5	2.3		

COMPETITOR PRODUCTIVITY ANALYSIS

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Competitor Productivity Analysis

	2007 YE Revenue (\$MM)	2007 Avg Headcount	2007 Avg Productivity (\$MM)	Source
JPMorgan PB	\$2,605	373	\$6.98	Company filings; Barron's
Citigroup PB	2,457	570	4.31	Company filings; LEH Strategy estimates
Goldman	1,330	400	3.33	Barron's; LEH strategy estimates
LEH PIM HNW & ICG	1,518	537	2.83	PIM Finance
LEH PIM HNW Only	727	367	1.98	PIM Finance
DB Alex Brown	400	250	1.60	Barron's; LEH strategy estimates
CSFB PB Americas	400	288	1.37	Company investor presentation; LEH strategy estimates
JPMorgan PCS	1,097	879	1.25	Company filings; Barron's
Bear Stearns	602	500	1.20	Company filings
Morgan Stanley	6,625	8,187	0.81	Company filings
Merrill Lynch	12,899	16,310	0.79	Company filings
Citigroup Smith Barney	10,529	14,000	0.75	Company filings; LEH Strategy estimates
UBS WM USA	5,461	7,982	0.68	Company filings; Barron's

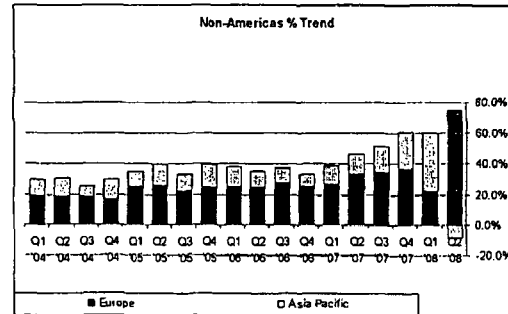
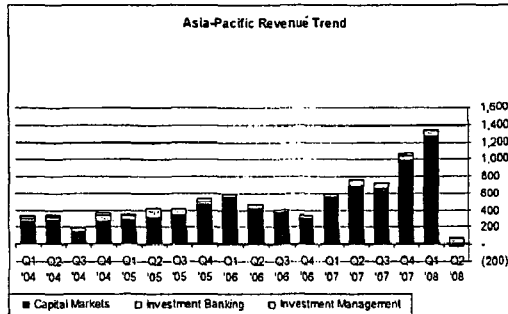
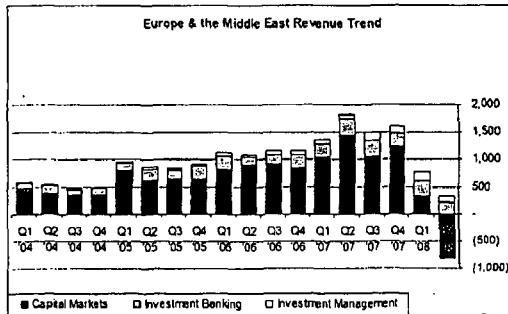
LEH number is for HNW only. Externally, LEH does not distinguish between HNW and ICG IR's. Analyst's expectations are most likely in the \$3mm range for overall PIM IR productivity.

VII. Regional Overview

Regional Revenue Summary

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	Q2 '08 Trend				Quarter Trend				Δ %		YTD		Δ %	Records	
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 versus Q1 '08	Q2 '07	6 Months Ended		YTD 2008 vs. YTD 2007	Quarter	YTD
											2008	2007			
Investment Banking	102	216	220	539	511	521	694	755	5%	-29%	1,049	1,308	-20%	Q2 '07	FY 2007
Capital Markets	(393)	(1,159)	25	(1,527)	58	481	726	1,472	n/a	n/a	(1,469)	3,365	n/a	Q1 '07	FY 2006
Investment Management	228	221	249	698	774	678	618	661	-10%	6%	1,472	1,243	18%	Q1 '08	FY 2008
US	(63)	(721)	494	(290)	1,342	1,680	2,038	2,889	n/a	n/a	1,052	5,916	-82%	Q1 '07	FY 2007
Investment Banking	53	50	109	212	264	246	310	307	-20%	-31%	475	544	-13%	Q3 '07	FY 2007
Capital Markets	(195)	(558)	(71)	(824)	338	1,239	1,038	1,436	n/a	n/a	(486)	2,481	n/a	Q2 '07	FY 2007
Investment Management	34	37	42	113	159	118	148	86	-29%	32%	272	172	58%	Q1 '08	FY 2008
Europe & the Middle East	(108)	(471)	80	(499)	760	1,603	1,496	1,829	n/a	n/a	261	3,197	-92%	Q2 '07	FY 2007
Investment Banking	31	8	31	70	62	53	50	74	14%	-4%	132	104	28%	Q2 '05	FY 2005
Capital Markets	39	(17)	(46)	(24)	1,274	995	667	683	n/a	n/a	1,250	1,244	1%	Q1 '08	FY 2008
Investment Management	4	4	3	11	12	13	12	5	-7%	126%	22	8	175%	Q1 '04	FY 2004
Asia-Pacific	74	(5)	(12)	57	1,348	1,061	728	762	-96%	-92%	1,405	1,355	4%	Q1 '08	FY 2008
Investment Banking	16	3	19	38	31	11	17	14	23%	167%	68	45	51%	Q2 '07	FY 2007
Capital Markets	(1)	1	0	0	1	13	4	3	-77%	-80%	2	6	-73%	Q4 '07	FY 2007
Investment Management	8	8	9	26	24	23	25	16	5%	60%	50	39	28%	Q1 '08	FY 2008
Other Americas	23	13	28	64	56	46	46	33	13%	93%	120	90	33%	Q4 '07	FY 2007
Investment Banking	203	277	379	858	867	831	1,071	1,150	-1%	-25%	1,725	2,000	-14%	Q2 '07	FY 2007
Capital Markets	(551)	(1,732)	(91)	(2,374)	1,672	2,727	2,435	3,594	n/a	n/a	(703)	7,095	n/a	Q2 '07	FY 2007
Investment Management	274	271	303	848	968	832	802	768	-12%	10%	1,817	1,463	24%	Q1 '08	FY 2008
Total Lehman	(74)	(1,185)	591	(668)	3,507	4,390	4,308	5,512	n/a	n/a	2,839	10,559	-73%	Q2 '07	FY 2007
Investment Banking	84	58	140	282	325	299	360	381	-13%	-26%	607	647	-6%	Q2 '07	FY 2007
Capital Markets	(158)	(575)	(116)	(847)	1,612	2,234	1,705	2,119	n/a	n/a	765	3,725	-79%	Q4 '07	FY 2007
Investment Management	38	41	45	124	170	131	160	91	-27%	37%	294	180	63%	Q1 '08	FY 2008
Non-Americas	(34)	(478)	68	(441)	2,108	2,664	2,225	2,590	n/a	n/a	1,666	4,552	-63%	Q4 '07	FY 2007
% of Firm Revenues	45.8%	40.2%	11.6%	66.1%	60.1%	60.7%	51.6%	47.0%	6.0%	19.1%	58.7%	43.1%	15.8%		
Investment Banking	101	60	159	319	356	310	377	395	-10%	-19%	675	692	-2%		
Capital Markets	(157)	(574)	(116)	(847)	1,614	2,246	1,708	2,122	n/a	n/a	766	3,731	-79%		
Investment Management	46	50	54	150	185	154	185	107	-23%	40%	344	220	57%		
Non-US	(11)	(463)	96	(378)	2,184	2,710	2,270	2,623	n/a	n/a	1,786	4,643	-62%		
% of Firm Revenues	14.7%	39.1%	16.3%	56.6%	61.7%	61.7%	52.7%	47.6%	-5.1%	9.0%	62.9%	44.0%	19.0%		



Americas* Segments – Quarterly Review

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	Q2 '08 Trend				Quarter Trend				Δ %		YTD		Δ %
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 versus Q1 '08	Q2 '07	6 Months Ended 2008	2007	YTD '08 vs. YTD '07
INVESTMENT BANKING:													
Equity Underwriting	26	102	145	274	138	141	174	235	98%	10%	412	380	9%
Leveraged Finance	3	4	12	19	54	26	59	205	-65%	-91%	73	314	-77%
Debt Capital Markets	17	35	42	114	149	126	136	151	-23%	-24%	263	332	-21%
Public Finance	18	24	14	57	26	27	41	42	115%	36%	83	71	16%
Total Debt Underwriting	58	64	68	190	230	180	236	308	-17%	-52%	419	717	-12%
Financial Advisory	39	57	48	144	217	230	336	167	-33%	-14%	361	331	9%
IBD Attributable	(5)	(4)	(23)	(32)	(43)	(19)	(35)	(31)	-27%	7%	(73)	(74)	1%
Investment Banking Segment	118	219	239	576	541	532	711	769	6%	-25%	1,118	1,353	-17%
CAPITAL MARKETS:													
EQUITIES													
Execution Services													
Execution Services - Americas	67	184	80	331	401	144	374	233	-17%	42%	731	453	62%
Convertibles	(3)	6	17	19	15	23	(26)	(20)	24%	n/a	33	12	187%
Volatility	21	17	29	67	12	23	18	81	-478%	-17%	79	71	11%
Equity Structuring	(28)	(0)	14	(14)	0	32	28	79	n/a	n/a	(14)	101	n/a
Equities Corporate	(31)	(3)	(3)	(27)	(35)	11	(43)	(29)	8%	31%	(72)	(43)	67%
Equity Division Subtotal	25	203	138	366	394	233	351	345	-7%	6%	760	594	28%
Equity Prime Services	41	34	37	112	112	94	87	87	0%	20%	224	(71)	313%
Equity Including Prime Services	66	237	175	478	506	327	438	432	-6%	13%	985	765	29%
Global Principal Strategies - Equity	(2)	1	3	2	3	14	7	2	-41%	-25%	5	2	102%
Global Trading Strategies - Equity	(53)	22	20	(10)	(121)	7	(105)	84	-91%	n/a	(131)	211	n/a
Direct Principal Investments - Equity	6	27	15	48	4	8	(11)	19	n/a	160%	52	16	219%
Global Opportunities Group - Equity	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Private Equity - EQ	(91)	51	63	23	(211)	(103)	43	54	n/a	-58%	(188)	(25)	n/a
Asset Management Investments	(9)	6	22	20	(22)	(6)	(56)	13	n/a	51%	(3)	21	n/a
Equities Other	228	(180)	73	121	178	161	218	(1)	-32%	n/a	299	78	280%
Equities Attributable	(16)	(10)	(12)	(38)	(42)	(65)	(40)	(39)	-10%	-2%	(80)	(82)	-10%
Total Equities Capital Markets	129	157	359	644	295	343	494	564	118%	14%	939	1,130	-17%
FIXED INCOME													
Interest Rate Products	(21)	108	(51)	37	602	177	178	164	-94%	-78%	639	347	84%
Foreign Exchange	18	26	31	74	39	21	(5)	27	27%	173%	153	(3)	209%
Liquid Markets	(3)	134	(20)	111	661	198	172	191	-83%	-4%	772	390	98%
CDO	(98)	28	70	(0)	(79)	(37)	50	64	n/a	n/a	(79)	62	n/a
High Grade Credit	179	(127)	44	96	445	77	(73)	42	-78%	127%	541	201	169%
High Yield	(186)	(157)	35	(308)	(18)	487	(525)	155	n/a	n/a	(326)	402	n/a
Credit Products	(105)	(257)	149	(213)	349	526	(549)	261	n/a	n/a	136	666	-80%
Securitized Products	(416)	(120)	(735)	(1,291)	(233)	(715)	72	90	455%	n/a	(1,524)	292	n/a
Real Estate	(331)	(179)	(304)	(1,414)	(824)	(342)	170	250	72%	n/a	(2,238)	503	n/a
Municipal Bonds	101	150	67	318	(241)	57	(47)	8	n/a	n/a	78	63	23%
Energy Trading	52	61	60	172	51	85	107	15	239%	n/a	223	19	n/a
FID Corporate	(172)	(108)	371	91	(83)	49	(155)	(65)	n/a	n/a	8	(148)	n/a
Fixed Income Subtotal	(974)	(520)	(1,033)	(2,226)	(319)	(143)	(230)	751	n/a	n/a	(2,545)	1,784	n/a
Fixed Income Prime Services	68	61	74	203	298	184	185	122	-32%	66%	501	250	101%
Fixed Income Including Prime Services	(906)	(259)	(959)	(2,023)	(21)	41	(46)	873	n/a	n/a	(2,044)	2,035	n/a
Global Principal Strategies	(17)	(53)	3	(67)	(123)	(32)	(57)	81	-46%	n/a	(190)	195	n/a
Global Trading Strategies - Distressed	(62)	96	(47)	(13)	(74)	17	20	2	-82%	n/a	(87)	65	n/a
Private Equity - FID	(106)	(14)	(30)	(149)	(9)	-	-	-	n/a	n/a	(158)	-	n/a
Asset Management Principal - FID	(297)	(35)	20	(312)	(400)	-	-	-	-22%	n/a	(712)	-	n/a
FID Other	811	(999)	701	513	520	243	409	57	-2%	n/a	1,033	132	n/a
FID Attributable	(46)	(51)	(23)	(120)	(129)	(99)	(90)	(103)	-8%	16%	(249)	(187)	33%
Total Fixed Income Capital Markets	(523)	(1,314)	(334)	(2,171)	(234)	159	236	910	n/a	n/a	(2,497)	2,249	n/a
Total Capital Markets Segment	(394)	(1,157)	25	(1,527)	59	493	730	1,475	n/a	n/a	(1,467)	3,371	n/a
INVESTMENT MANAGEMENT													
Private Investment Management	100	93	90	282	262	246	277	259	8%	9%	544	504	8%
Asset Management	114	114	140	369	463	401	304	366	-20%	1%	832	681	22%
Private Equity	22	23	29	74	73	55	61	53	1%	40%	146	97	50%
Total Asset Management	136	137	169	442	536	456	365	419	-17%	6%	978	778	26%
PIM Attributable	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Total IMD Segment	236	230	259	724	798	701	643	678	-9%	7%	1,522	1,283	19%
TOTAL LEHMAN	(49)	(709)	522	(226)	1,399	1,726	2,084	2,922	n/a	n/a	1,172	6,006	-80%

* Includes US and Other Americas

Americas BPM Segment Rec

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	Capital Markets		Capital Markets
	Fixed Income	Equities	
BPM	(1,326)	803	(522)
Underwriting Fees	(146)	(193)	(339)
Banking Principal Transactions	(512)	(18)	(529)
Banking Net Interest	(4)	(1)	(5)
Other Banking	-	0	0
Banking Adjustments	(662)	(212)	(873)
Global Trading Strategies	(13)	(10)	(23)
Global Principal Strategies	(67)	2	(65)
Direct Principal Investments	-	48	48
Global Opportunities Group	-	-	-
Asset Management Principal	(312)	20	(292)
Private Equity Principal	(149)	23	(126)
Principal Adjustments	(541)	82	(459)
PIM	(148)	(131)	(279)
Firm Relationship Loans	(43)	43	-
Credit Spread	252	84	336
CDS Trade	(12)	-	(12)
Credit Reserve	599	67	666
Valuation	25	-	25
Structured Trades	(3)	0	(3)
Formula 1	-	-	-
Dynoil	-	-	-
BATS	-	0	0
Other	(193)	(55)	(248)
Non-Core Adjustments	668	95	764
Segment	(2,171)	644	(1,527)

Banking		Investment Mgmt	
BPM	(354)	BPM *	26
Banking Offset	214	PIM	279
Banking 50%	(171)	AM Seed and Strategic	288
Underwriting Fees	339	AM Performance Fees	-
Principal transactions to FID	512	AM Management Fees	4
Principal transactions to Equity	18	Asset Management Principal	292
Subtotal Principal Transactions	529	Private Equity Principal	126
Banking Net Interest	5	IMD Principal Adjustments	419
Other Banking	(0)	Dynoil	-
Non-Core	(126)	Segment	724
Segment	576		

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

Americas Summary

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	Q2 '08 Trend				Quarter Trend				Δ %		YTD		Δ %
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 versus Q1 '08	Q2 '07	6 Months Ended 2008	2007	YTD 2008 vs. YTD 2007
Investment Banking	118	219	239	576	541	532	711	769	6%	-25%	1118	1353	-17%
Equities Capital Markets	129	157	359	644	295	343	494	564	118%	14%	939	1139	-18%
Fixed Income Capital Markets	(523)	(1,314)	(334)	(2,171)	(236)	150	236	910	-819%	n/a	-2407	2232	n/a
IMD	236	230	259	724	798	701	643	678	-9%	7%	1522	1283	19%
Total Americas	(40)	(709)	522	(226)	1,399	1,726	2,084	2,922	n/a	n/a	1,172	6,006	-80%
<i>% of Firm Revenues</i>	54.2%	59.8%	88.4%	33.9%	39.9%	39.3%	48.4%	53.0%	-6.0%	-19.1%	41.3%	56.9%	-15.6%

Lehman's Americas Market Share:

	Fiscal Quarter Trend					Δ %		6 Months Ending May		Δ %
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs. Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08 vs. YTD '07
Total Equity (including rights)	9.0%	9.3%	4.0%	8.5%	6.3%	-3%	43%	9.1%	6.8%	35%
Common Stock	5.5%	9.0%	4.7%	7.4%	6.1%	-38%	-9%	6.4%	6.6%	-3%
IPOs	0.5%	6.2%	5.0%	8.5%	4.5%	-92%	-89%	1.3%	5.3%	-76%
Secondary	8.1%	9.5%	4.3%	6.0%	6.8%	-14%	19%	8.6%	7.2%	19%
Convertibles	7.8%	6.7%	138.8%	54.5%	38.3%	15%	-80%	13.6%	7.0%	94%
Total Debt	4.2%	7.2%	7.5%	7.0%	8.6%	-41%	-51%	5.6%	8.1%	-31%
Investment Grade	5.2%	9.8%	4.2%	6.4%	7.7%	-47%	-33%	7.1%	8.3%	-15%
Leveraged Loans	2.7%	1.9%	7.1%	3.4%	4.2%	42%	-36%	2.3%	4.4%	-49%
High Yield	5.5%	0.0%	8.7%	5.1%	7.6%	n/a	-28%	4.4%	7.5%	-41%
M&A Completed	37.5%	12.4%	32.7%	15.8%	27.6%	202%	36%	25.0%	26.7%	-7%
M&A Announced	30.2%	16.5%	8.6%	17.8%	21.7%	84%	39%	24.9%	23.0%	8%

Americas Headcount QTD

	2/29/2008	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	1,941	56	(229)	(38)	1,730	(211)	-11%
Equities	1,252	26	(167)	(3)	1,108	(144)	-12%
Prime Services	365	8	(25)	(7)	341	(24)	-7%
Investment Banking	1,340	10	(167)	(1)	1,182	(158)	-12%
Investment Management							
Private Investment Management	1,123	23	(80)	4	1,070	(53)	-5%
Asset Management	1,201	20	(133)	(41)	1,047	(154)	-13%
Private Equity	341	18	(24)	28	363	22	6%
Total IMD	2,665	61	(237)	(9)	2,480	(185)	-7%
Principal Investing	94	2	(60)	23	59	(35)	-37%
Mortgage Capital	2,565	198	(795)	(2)	1,966	(599)	-23%
Total Corporate Divisions	6,176	228	(726)	18	5,696	(480)	-8%
Total	16,398	589	(2,406)	(19)	14,562	(1,836)	-11%

The outlook at a glance

	3Q07	4Q07	1Q08	2Q08 E	3Q08 E	4Q08 E	1Q09 E	2Q09 E	2007	2008 E	2009 E
Real GDP	4.6	0.8	0.9	1.0	1.3	-0.5	0.0	1.2	2.2	1.5	0.7
Private consumption	2.8	2.3	1.9	2.3	3.0	-1.0	-1.0	3.5	2.9	1.9	0.5
Government expenditure	3.8	1.9	2.0	1.9	1.8	1.5	1.0	1.0	2.0	2.3	1.2
Non-res fixed invest	9.4	6.0	-0.3	1.4	-2.6	-3.3	-4.0	-2.0	4.7	2.6	-2.2
Residential fixed invest	-20.5	-25.2	-25.5	-25.0	-20.0	-7.0	-3.3	2.0	-17.0	-22.2	-5.2
Exports	19.1	8.8	2.9	6.5	8.5	8.5	8.5	8.5	6.1	6.8	6.2
Imports	4.2	-1.4	-2.8	2.5	3.5	2.0	2.0	2.0	1.6	0.8	2.2
Contributions to GDP:											
Domestic final sales	2.6	1.3	-0.1	1.0	1.4	-1.0	-0.8	0.4	1.9	1.0	0.1
Inventories	0.8	-1.9	0.2	-0.3	-0.4	0.0	0.4	0.3	-0.3	-0.3	0.1
Net trade	1.4	1.0	0.8	0.3	0.2	0.5	3.6	0.4	0.6	0.3	0.4
Unemployment rate	4.7	4.8	4.9	6.3	6.5	6.6	6.6	6.1	4.6	6.4	6.2
Non-farm payrolls, 000	71	80	-52	-64	-100	-90	-60	-20	91	-79	-3
Consumer prices	2.4	4.0	4.2	4.0	4.6	3.3	2.3	1.8	2.8	4.8	1.9
Core CPI	2.1	2.3	2.4	3.3	2.2	2.1	1.9	2.0	2.3	2.2	2.0
Core PCE deflator	1.9	2.1	2.0	2.2	2.1	1.9	1.8	1.7	2.1	2.1	1.7
Federal deficit (fiscal yr. \$bn)									-163	-350	-375
Current account deficit (% GDP)									-5.4	-5.0	-4.3
Fed funds	4.75	4.25	2.25	2.00	2.00	1.75	1.25	1.25	4.25	1.75	1.25
3-month USD LIBOR	5.25	4.75	2.50	2.75	2.50	2.16	1.80	1.60	4.70	2.10	1.60
TBY 2-year note	3.68	3.65	1.55	2.50	2.40	1.90	1.70	1.70	3.65	1.85	1.60
TBY 5-year note	4.24	3.64	2.44	3.10	3.10	3.20	3.20	3.20	3.44	3.20	2.40
TBY 10-year note	4.59	4.02	3.41	4.10	4.00	4.00	4.00	4.10	4.02	4.00	4.20

Europe & the Middle East & Asia-Pacific

Europe & the Middle East Segments – Quarterly Review

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	Q2 '08 Trend				Quarter Trend				Δ %		YTD		Δ %
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 versus Q1 '08	Q2 '07	6 Months Ended 2008	2007	YTD '08 vs. YTD '07
INVESTMENT BANKING													
Equity Underwriting	4	6	42	51	58	51	99	66	-10%	-22%	109	95	14%
Leveraged Finance	3	1	1	5	19	5	35	63	-76%	-93%	24	112	-79%
Debt Capital Markets	11	5	26	52	54	30	61	51	-3%	3%	107	87	23%
Public Finance	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Total Debt Underwriting	14	6	27	57	73	35	96	114	-22%	-50%	130	196	-34%
Financial Advisory	30	34	12	76	91	146	84	98	-17%	-22%	168	178	-6%
IBD Attributable	5	3	18	27	42	14	32	30	-36%	-10%	68	72	-5%
Investment Banking Segment	53	50	109	212	264	246	310	307	-20%	-31%	475	544	-13%
CAPITAL MARKETS:													
EQUITIES													
Execution Services													
Execution Services - Europe	46	51	53	150	151	152	88	239	-1%	-37%	301	417	-28%
Convertibles	(10)	8	(4)	(5)	(7)	(2)	5	19	-19%	n/a	(12)	35	n/a
Volatility	(61)	(1)	(73)	(135)	105	158	309	200	n/a	n/a	(30)	390	n/a
Equity Strategies	3	31	10	44	22	24	(33)	42	100%	5%	66	59	12%
Equities Corporate	(7)	(10)	(10)	(27)	(108)	2	13	10	-75%	n/a	(135)	8	n/a
Equity Division Subtotal	(29)	79	(23)	27	163	333	380	508	-84%	-95%	189	908	-79%
Equity Prime Services	33	59	120	221	101	88	141	235	120%	-6%	322	309	4%
Equity Including Prime Services	5	138	105	248	263	421	522	744	-6%	-67%	511	1,217	-58%
Global Principal Strategies - Equity	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Global Trading Strategies - Equity	4	(2)	4	6	8	2	(4)	1	-27%	337%	14	21	-32%
Direct Principal Investments - Equity	-	-	0	0	(8)	11	9	4	n/a	-98%	(8)	4	n/a
Global Opportunities Group - Equity	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Private Equity - EQ	1	(3)	(1)	(2)	2	130	24	20	n/a	n/a	(0)	26	n/a
Asset Management Investments	(30)	(137)	0	(167)	(64)	500	(50)	36	162%	n/a	(231)	42	n/a
Equities Other	38	(51)	14	1	9	(67)	52	(23)	-85%	n/a	10	(53)	n/a
Equities Attributable	14	8	11	34	38	55	35	33	-32%	3%	72	76	-6%
Total Equities Capital Markets	33	(47)	133	119	249	1,053	587	814	-51%	-85%	368	1,333	-72%
FIXED INCOME													
Interest Rate Products	(102)	(209)	(31)	(342)	282	98	356	147	n/a	n/a	(60)	191	n/a
Foreign Exchange	(30)	(3)	(29)	(62)	60	47	57	8	n/a	n/a	(2)	56	n/a
Liquid Markets	(132)	(212)	(60)	(403)	342	144	413	154	n/a	n/a	(62)	247	n/a
CDO	(38)	30	60	52	30	9	2	70	71%	-26%	82	139	-41%
High Grade Credit	28	(1)	2	29	59	(18)	(20)	20	-50%	-48%	88	25	237%
High Yield	(21)	(106)	(24)	(152)	(147)	(71)	(160)	(9)	3%	n/a	(299)	(1)	n/a
Credit Products	(30)	(77)	37	(71)	(58)	(80)	(178)	81	21%	n/a	(129)	163	n/a
Securitized Products	(153)	(82)	(95)	(329)	(84)	(73)	(43)	97	201%	n/a	(414)	175	n/a
Real Estate	(8)	(17)	(56)	(83)	(252)	16	82	133	-67%	n/a	(335)	219	n/a
Municipal Bonds	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Energy Trading	(20)	8	(13)	(24)	5	28	16	0	n/a	n/a	(19)	9	n/a
FID Corporate	(37)	(22)	(62)	(121)	(53)	(23)	15	(14)	130%	n/a	(174)	(17)	n/a
Fixed Income Subtotal	(381)	(462)	(259)	(1,032)	(100)	12	303	451	n/a	n/a	(1,132)	796	n/a
FID Prime Services	26	20	20	65	55	58	31	30	19%	117%	120	64	88%
FID Including Prime Services	(354)	(382)	(239)	(967)	(45)	69	333	481	n/a	n/a	(1,012)	860	n/a
Global Principal Strategies	(10)	(26)	(21)	(57)	(26)	(9)	(53)	15	122%	n/a	(82)	71	n/a
Global Trading Strategies - Distressed	(1)	0	0	(1)	(9)	2	(2)	1	-93%	n/a	(10)	1	n/a
Private Equity - FID	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Asset Management Principal - FID	-	-	-	-	(35)	-	-	-	n/a	n/a	(35)	-	n/a
FID Other	108	(143)	32	(4)	105	40	103	47	n/a	n/a	102	80	27%
FID Attributable	30	40	15	85	99	82	70	77	-14%	11%	184	136	35%
Total Fixed Income Capital Markets	(728)	(511)	(204)	(943)	89	186	451	622	n/a	n/a	(854)	1,148	n/a
Total Capital Markets Segment	(195)	(558)	(71)	(824)	338	1,239	1,038	1,436	n/a	n/a	(486)	2,481	n/a
INVESTMENT MANAGEMENT													
Private Investment Management	19	21	27	68	84	48	54	48	-19%	-11%	152	80	89%
Asset Management	9	9	8	27	58	41	64	28	-53%	-4%	85	67	26%
Private Equity	6	6	6	18	17	29	30	10	11%	88%	35	25	41%
Total Asset Management	15	16	15	45	74	70	94	38	-39%	20%	120	92	30%
IMI Attributable	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Total IMI Segment	34	37	42	113	159	118	148	86	-29%	32%	272	172	58%
TOTAL LEHMAN	(108)	(471)	80	(499)	760	1,603	1,496	1,829	n/a	n/a	261	3,197	-92%

CONFIDENTIAL TREATMENT REQUESTED BY LEHMAN BROTHERS HOLDINGS INC.

LBH_SEC07940_042597

Europe & the Middle East BPM to Segment Rec

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	Capital Markets		
	Fixed Income	Equities	Capital Markets
BPM	(851)	277	(574)
Underwriting Fees	(19)	(18)	(38)
Banking Principal Transactions	(105)	2	(103)
Banking Net Interest	9	3	12
Other Banking	-	0	0
Banking Adjustments	(116)	(13)	(129)
Global Trading Strategies	(1)	6	5
Global Principal Strategies	(57)	-	(57)
Direct Principal Investments	-	0	0
Global Opportunities Group	-	-	-
Asset Management Principal	-	(167)	(167)
Private Equity Principal	-	(2)	(2)
Principal Adjustments	(57)	(163)	(221)
PIM	(34)	(33)	(68)
Firm Relationship Loans	(5)	5	-
Credit Spread	56	19	75
CDS Trade	-	-	-
Credit Reserve	-	-	-
Valuation	(5)	23	18
Structured Trades	-	-	-
Formula 1	-	-	-
Dynoil	-	-	-
BATS	-	-	-
Other	(16)	(28)	(43)
Non-Core Adjustments	36	14	50
Segment	(943)	119	(824)

Banking		Investment Mgmt	
BPM	48	BPM *	(124)
Banking Offset	8	PIM	68
Banking 50%	82	AM Seed and Strategic	165
Underwriting Fees	38	AM Performance Fees	-
Principal transactions to FID	105	AM Management Fees	2
Principal transactions to Equity	(2)	Asset Management Principal	167
Subtotal Principal Transactions	103	Private Equity Principal	2
Banking Net Interest	(12)	IMD Principal Adjustments	169
Other Banking	(0)	Dynoil	-
Non-Core	(0)	Segment	113
Segment	211		

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

Regional Sales Credits – Europe & the Middle East

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Europe Capital Markets Sales Credits	Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ¹			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs		Qtr Record	Qtr	Yr Record	Year
						Q1 '08	Q2 '07			YTD '07	YTD '07				
Equity Sales Credits															
Execution Services - Europe	113	141	150	154	144	-20%	-21%	254	260	-2%	154	Q3 '07	563	FY '07	
Convertibles	3	4	6	4	5	-29%	-31%	8	8	-9%	6	Q4 '07	19	FY '07	
Volatility	109	239	255	212	143	-54%	-24%	348	298	17%	255	Q4 '07	765	FY '07	
Equity Capital Markets Prime Services	193	82	65	132	182	134%	6%	275	235	17%	193	Q2 '08	432	FY '07	
Equities Corporate	(1)	(28)	(59)	(47)	(8)	-95%	-83%	(29)	(14)	106%	-	-	-	-	
Total Europe Equities Sales Credits	417	439	410	471	466	-5%	-10%	856	787	9%	471	Q3 '07	1,668	FY '07	
FID Sales Credits															
Interest Rate Products	117	118	70	172	105	-1%	12%	235	197	19%	172	Q3 '07	438	FY '07	
Foreign Exchange	90	85	85	87	57	6%	59%	176	113	56%	90	Q2 '08	284	FY '07	
Total Liquid Markets	502	563	364	489	398	-11%	26%	1,065	751	42%	563	Q1 '08	1,604	FY '07	
CDO	30	109	51	48	81	-72%	-63%	139	134	4%	109	Q1 '08	233	FY '07	
High Grade	27	27	29	30	17	1%	64%	54	39	39%	30	Q3 '07	98	FY '07	
High Yield	12	11	21	45	26	11%	-52%	24	45	-17%	45	Q3 '07	110	FY '07	
Total Credit Products	70	147	101	122	124	-53%	-44%	217	218	0%	147	Q1 '08	441	FY '07	
Securitized Products	27	26	16	32	10	3%	165%	54	24	127%	32	Q3 '07	71	FY '07	
Real Estate	4	9	14	1	0	-52%	3329%	14	1	1853%	14	Q4 '07	16	FY '07	
Energy Trading	31	29	19	11	5	6%	466%	60	9	581%	31	Q2 '08	60	FY '08	
FID Capital Markets Prime Services	35	38	40	21	17	-8%	106%	74	31	138%	40	Q4 '07	92	FY '07	
FID Corp/Insurance Prod	(13)	(36)	(29)	(43)	(36)	-63%	-63%	(49)	(54)	-9%	(2)	Q3 '06	-	FY '08	
Total Europe Fixed Income Sales Credits	362	418	316	403	283	-13%	28%	780	537	45%	418	Q1 '08	1,256	FY '07	
Total Europe Capital Markets Sales Credits	779	857	726	874	749	-9%	4%	1,636	1,325	23%	874	Q3 '07	2,925	FY '07	

¹ Revenue records date back to Q1 '06.

CONFIDENTIAL TREATMENT REQUESTED BY LEHMAN BROTHERS HOLDINGS INC.

LBHI_SEC07940_042599

Europe & the Middle East Summary

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	Q2 '08 Trend				Quarter Trend				Δ %		YTD		Δ %
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 versus		6 Months Ended		YTD 2008 vs.
									Q1 '08	Q2 '07	2008	2007	YTD 2007
Investment Banking	53	50	109	212	264	246	310	307	-20%	-31%	475	544	-13%
Equities Capital Markets	33	(47)	133	119	249	1,053	587	814	-52%	-85%	368	1333	-72%
Fixed Income Capital Markets	(228)	(511)	(204)	(943)	89	186	451	622	n/a	n/a	-854	1148	n/a
IMD	34	37	42	113	159	118	148	86	-29%	32%	272	172	58%
Total Europe & the Middle East	(108)	(471)	80	(499)	760	1,603	1,496	1,829	n/a	n/a	261	3,197	-92%

Lehman's Europe Market Share:

	Fiscal Quarter Trend					Δ %		6 Months Ending May		Δ %
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs.
						Q1 '08	Q2 '07			YTD '07
Total Equity (including rights)	2.7%	0.3%	1.0%	1.7%	1.8%	789%	53%	1.7%	1.8%	4%
Common Stock	2.2%	0.0%	0.0%	0.0%	0.0%	n/a	n/a	1.2%	0.8%	45%
IPOs	0.0%	0.7%	0.6%	0.4%	2.2%	-100%	-100%	0.4%	2.2%	-80%
Secondary	3.0%	0.0%	1.1%	2.8%	1.3%	n/a	127%	1.9%	1.6%	22%
Convertibles	4.5%	0.0%	1.3%	0.0%	1.9%	n/a	141%	3.1%	1.0%	194%
Total Debt	2.5%	2.6%	1.6%	3.1%	4.0%	-7%	-39%	2.5%	3.7%	-32%
Investment Grade	3.2%	2.8%	0.9%	1.3%	3.7%	15%	-15%	3.0%	3.5%	-13%
Leveraged Loans	0.0%	0.0%	0.0%	1.8%	4.7%	n/a	-100%	0.0%	3.4%	-100%
High Yield	0.0%	0.0%	0.0%	7.6%	0.0%	n/a	n/a	0.0%	3.8%	-100%
M&A Completed	43.3%	12.3%	37.6%	9.2%	9.9%	252%	337%	28.1%	9.8%	186%
M&A Announced	27.1%	8.4%	7.9%	8.3%	27.9%	223%	-3%	18.8%	25.5%	-26%

Europe Headcount QTD

	2/29/2008	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	1,052	22	(97)	(13)	964	(88)	-8%
Equities	655	23	(62)	7	623	(32)	-5%
Prime Services	194	4	(17)	1	182	(12)	-6%
Investment Banking	815	30	(82)	(13)	750	(65)	-8%
Investment Management							
Private Investment Management	110	3	(4)	5	114	4	4%
Asset Management	120	7	(10)	(2)	115	(5)	-4%
Private Equity	89	6	(2)	5	98	9	10%
Total IMD	319	16	(16)	8	327	8	3%
Principal Investing	16	-	(10)	14	20	4	25%
Mortgage Capital	755	59	(92)	(1)	721	(34)	-5%
Total Corporate Divisions	2,551	92	(246)	2	2,399	(152)	-6%
Total	6,357	246	(622)	5	5,986	(371)	-6%

The outlook at a glance

%	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	2007	2008	2009
Real GDP	2.7	1.2	3.2	0.4	1.0	1.1	1.1	0.9	2.6	1.7	1.1
Household consumption	1.8	-0.2	0.6	0.8	0.7	0.7	0.5	0.8	1.6	0.8	0.8
Fixed investment	3.8	4.1	6.6	-1.4	-1.7	-1.4	-1.5	-1.3	4.4	2.3	-1.3
Government consumption	3.2	-0.1	1.5	2.0	1.6	1.6	1.6	1.6	2.3	1.5	1.7
Exports of goods and services	9.2	1.2	7.6	4.6	4.0	3.9	3.8	2.8	6.0	5.1	3.7
Imports of goods and services	9.9	-1.1	7.6	5.8	2.5	2.4	2.0	1.6	5.3	4.5	2.5
Contributions to GDP:											
Domestic final sales	2.5	0.7	2.1	0.5	0.3	0.4	0.3	0.4	2.3	1.3	0.5
Inventories	0.3	-0.5	0.9	0.3	0.0	-0.1	-0.1	-0.1	0.6	0.1	-0.1
Net trade	-0.2	1.0	0.2	-0.4	0.7	0.6	0.9	0.6	0.4	0.4	0.5
Unemployment rate	7.4	7.2	7.1	7.1	7.2	7.2	7.2	7.2	7.4	7.2	7.2
Compensation per employee	2.2	2.5	2.0	2.4	3.2	3.3	3.2	2.5	2.3	2.7	2.3
Labour productivity	0.6	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	1.6	1.7	2.7	2.9	2.8	2.2	1.5	2.3	2.0
Consumer prices	1.9	2.9	3.4	3.5	3.6	3.1	2.4	1.9	2.1	3.5	1.9
Core consumer prices	1.9	1.9	1.6	1.7	1.7	1.7	1.7	1.8	1.9	1.7	1.7
ECB main ref. rate	4.00	4.00	4.00	4.00	4.25	4.00	3.50	3.25	4.00	4.00	3.00
3-month rates	4.75	4.89	4.73	5.09	5.00	4.65	4.00	3.65	4.69	4.65	3.40
10-yr bond yields	4.32	4.32	3.90	4.40	4.25	3.95	3.80	3.75	4.33	3.95	3.75
Steuero	1.39	1.46	1.35	1.55	1.53	1.50	1.43	1.45	1.46	1.50	1.40

Asia-Pacific Segments – Quarterly Review

	Q2 '08 Trend				Quarter Trend				Δ %		YTD		Δ %
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 versus Q1 '08	Q2 '07	6 Months Ended 2008	2007	YTD '08 vs. YTD '07
	INVESTMENT BANKING												
Equity Underwriting	0	0	5	5	19	18	23	32	-74%	-85%	23	34	-31%
Leveraged Finance	18	(0)	0	18	3	0	7	6	n/a	183%	21	18	18%
Debt Capital Markets	4	6	13	24	17	18	11	22	40%	8%	40	35	15%
Public Finance	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Total Debt Underwriting	22	6	14	41	19	18	18	28	113%	-48%	64	52	16%
Financial Advisory	10	2	8	19	22	11	4	12	-12%	61%	41	15	176%
IMD Attributable	-	0	5	5	2	5	4	1	192%	315%	7	2	122%
Investment Banking Segment	31	8	31	70	62	53	50	74	14%	-4%	132	104	28%
CAPITAL MARKETS:													
EQUITIES													
Execution Services													
Execution Services - Asia	(13)	21	38	47	104	78	48	54	-55%	-13%	151	116	30%
Convertibles	(16)	(4)	(1)	(21)	(12)	7	(11)	13	71%	n/a	(33)	13	n/a
Volatility	14	(44)	(63)	(93)	151	205	128	154	n/a	n/a	57	245	-77%
Equity Strategies	23	16	(16)	23	(8)	76	69	19	n/a	21%	15	59	-75%
Equities Corporate	(0)	(0)	(12)	(12)	(2)	1	(1)	(2)	409%	285%	(14)	(4)	249%
Equity Division Subtotal	8	(11)	(54)	(56)	232	366	232	237	n/a	n/a	176	429	-59%
Equity Prime Services	18	20	19	57	58	44	55	49	-3%	15%	115	89	29%
Equity Including Prime Services	26	9	(25)	0	290	410	287	286	n/a	n/a	290	518	-44%
Global Principal Strategies - Equity	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Global Trading Strategies - Equity	(39)	(11)	(141)	(191)	530	227	(7)	27	n/a	n/a	339	26	n/a
Direct Principal Investments - Equity	(8)	(9)	1	(15)	-	-	-	-	n/a	n/a	(15)	-	n/a
Global Opportunities Group - Equity	(8)	25	9	26	43	(10)	(11)	1	-10%	n/a	68	-	n/a
Private Equity - EQ	(1)	4	6	9	(3)	(2)	3	1	n/a	n/a	6	3	127%
Asset Management Investments	(5)	1	1	(3)	(1)	-	-	-	220%	n/a	(4)	-	n/a
Equities Other	17	(15)	6	8	2	(30)	19	(7)	238%	n/a	11	(0)	n/a
Equities Attributable	1	1	1	4	4	9	5	6	7%	-33%	8	12	-36%
Total Equities Capital Markets	(16)	7	(82)	(162)	866	604	296	314	n/a	n/a	704	558	26%
FIXED INCOME													
Interest Rate Products	9	7	22	38	78	28	90	54	-51%	-29%	116	59	100%
Foreign Exchange	(3)	(14)	13	(4)	99	10	20	23	n/a	n/a	95	46	108%
Liquid Markets	6	(6)	34	34	177	38	110	77	-81%	-56%	211	104	104%
CDO	(23)	(1)	26	2	84	(4)	53	43	-97%	-95%	86	75	15%
High Grade Credit	(6)	(13)	(16)	(36)	11	(8)	7	17	n/a	n/a	(25)	42	n/a
High Yield	57	8	6	71	25	71	54	63	183%	11%	95	150	-37%
Credit Products	28	(6)	16	37	120	59	114	123	-69%	-70%	157	268	-41%
Securitized Products	5	8	(5)	8	10	21	11	26	-18%	-69%	18	38	-53%
Real Estate	13	22	27	62	49	153	56	103	26%	-40%	110	176	-37%
Municipal Bonds	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Energy Trading	(7)	5	8	6	(3)	5	1	1	n/a	n/a	3	(0)	n/a
FID Corporate	(55)	(5)	17	(43)	(10)	(7)	(32)	(13)	319%	221%	(53)	0	n/a
Fixed Income Subtotal	(11)	18	97	184	342	270	260	317	-70%	-67%	446	585	-24%
Fixed Income Prime Services	3	2	3	8	7	6	6	5	5%	-9%	15	11	36%
Fixed Income Including Prime Services	(7)	20	100	192	349	277	266	322	-68%	-65%	461	596	-23%
Global Principal Strategies - Fixed	(16)	(33)	(8)	(56)	(14)	57	12	12	152%	n/a	(51)	15	n/a
Global Trading Strategies - Diversified	3	(1)	(1)	(2)	1	(5)	5	2	235%	9%	2	6	-62%
Private Equity - FID	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Asset Management Principal - FID	-	-	-	-	(5)	-	-	-	n/a	n/a	(5)	-	n/a
FID Other	59	(41)	8	27	48	45	68	8	-42%	240%	74	17	333%
FID Attributable	17	11	7	35	30	17	20	26	15%	34%	65	51	27%
Total Fixed Income Capital Markets	55	(23)	107	138	409	391	370	269	-66%	-63%	617	686	-20%
Total Capital Markets Segment	39	(17)	(46)	(24)	1,274	995	667	683	n/a	n/a	1,250	1,244	1%
INVESTMENT MANAGEMENT													
Private Investment Management	1	1	1	2	4	5	2	1	-45%	54%	6	3	124%
Asset Management	1	1	0	2	4	2	2	2	-48%	30%	6	2	164%
Private Equity	2	2	2	6	3	6	7	2	89%	283%	10	3	234%
Total Asset Management	3	3	2	9	7	8	9	3	14%	158%	16	5	203%
IMI Attributable	-	-	-	-	-	-	-	-	n/a	n/a	-	-	n/a
Total IMD Segment	4	4	3	11	12	13	12	5	-7%	124%	22	8	175%
TOTAL LEHMAN	74	(5)	(12)	57	1,348	1,061	728	762	-96%	-92%	1,485	1,355	-4%

Asia-Pacific BPM to Segment Rec

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	Capital Markets		Capital Markets
	Fixed Income	Equities	
BPM	39	3	42
Underwriting Fees	19	1	20
Banking Principal Transactions	(19)	(8)	(27)
Banking Net Interest	(0)	(0)	(0)
Other Banking	-	0	0
Banking Adjustments	(0)	(7)	(8)
Global Trading Strategies	2	(191)	(189)
Global Principal Strategies	(36)	-	(36)
Direct Principal Investments	-	(15)	(15)
Global Opportunities Group	-	26	26
Asset Management Principal	-	(3)	(3)
Private Equity Principal	-	9	9
Principal Adjustments	(35)	(175)	(209)
PIM	-	(2)	(2)
Firm Relationship Loans	-	-	-
Credit Spread	23	8	31
CDS Trade	-	-	-
Credit Reserve	-	-	-
Valuation	53	-	53
Structured Trades	-	-	-
Formula 1	-	-	-
Dynoil	-	-	-
BATS	-	-	-
Other	23	8	30
Non-Core Adjustments	99	15	114
Segment	138	(162)	(24)

	Banking
BPM	109
Banking Offset	(51)
Banking 50%	63
Underwriting Fees	(20)
Principal transactions to FID	19
Principal transactions to Equity	8
Subtotal Principal Transactions	27
Banking Net Interest	0
Other Banking	(0)
Non-Core	-
Segment	70

	Investment Mgmt
BPM *	14
PIM	2
AM Seed and Strategic	3
AM Performance Fees	-
AM Management Fees	0
Asset Management Principal	3
Private Equity Principal	(9)
IMD Principal Adjustments	(6)
Dynoil	-
Segment	11

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

Regional Sales Credits – Asia-Pacific

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Asia Capital Markets Sales Credits	Quarter Trend					Δ %		6 Months Ending May		Δ %		Records ¹			
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs. Q1 '08	Q2 '07	YTD '08	YTD '07	YTD '08 vs. YTD '07	Qtr Record	Qtr	Yr Record	Year	
Equity Sales Credits															
Execution Services - Asia	61	60	56	54	46	1%	33%	120	80	51%	61	Q2 '08	190	FY '07	
Convertibles Equity	2	1	2	3	1	28%	44%	3	3	20%	3	Q3 '07	7	FY '07	
Volatility Equity	32	49	79	44	49	-34%	-35%	81	80	1%	79	Q4 '07	203	FY '07	
Equity Capital Markets Prime Services	50	49	44	57	45	1%	10%	99	79	26%	57	Q3 '07	180	FY '07	
Equities Corporate	-	-	-	-	-	n/a	n/a	-	-	n/a	-	-	-	-	
Total Asia Equities Sales Credits	144	159	181	158	142	-9%	2%	304	242	26%	181	Q4 '07	581	FY '07	
FID Sales Credits															
Interest Rate Products	58	75	40	52	76	-24%	-24%	133	131	2%	76	Q2 '07	223	FY '07	
Foreign Exchange	39	39	20	28	19	1%	112%	78	32	141%	39	Q2 '08	81	FY '07	
Total Liquid Markets	502	563	364	489	398	-11%	26%	1,065	751	42%	563	Q1 '08	1,604	FY '07	
CDO	8	81	15	15	31	-90%	-72%	90	46	94%	81	Q1 '08	90	FY '08	
High Grade	9	7	5	5	4	38%	157%	16	9	81%	9	Q2 '08	20	FY '06	
High Yield	10	3	4	5	3	307%	295%	13	6	130%	10	Q2 '08	14	FY '07	
Total Credit Products	28	90	24	25	37	-69%	-24%	119	61	95%	90	Q1 '08	119	FY '08	
Securitized Products	1	1	23	1	3	-1%	-77%	1	5	-77%	23	Q4 '07	30	FY '07	
Real Estate	12	17	9	7	14	-27%	n/a	29	36	-19%	22	Q1 '07	52	FY '07	
Energy Trading	4	2	2	1	0	153%	810%	5	1	756%	4	Q2 '08	5	FY '08	
FID Capital Markets Prime Services	5	5	4	5	4	-5%	3%	9	8	12%	5	Q3 '07	17	FY '07	
FID Corp/Insurance Prod	(11)	(13)	-	(6)	(15)	-19%	-28%	(24)	(22)	8%	-	Q4 '07	-	FY '08	
Total Asia Fixed Income Sales Credits	136	215	123	114	137	-37%	-1%	351	252	40%	215	Q1 '08	488	FY '07	
Total Asia Capital Markets Sales Credits	280	375	304	272	279	-25%	0%	655	493	33%	375	Q1 '08	1,069	FY '07	

¹ Revenue records date back to Q1 '06.

Asia-Pacific Summary

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	Q2 '08 Trend				Quarter Trend				Δ %		YTD		Δ %
	Mar '08	Apr '08	May '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 versus Q1 '08	Q2 '07	6 Months Ended 2008	2007	YTD 2008 vs. YTD 2007
	Investment Banking	31	8	31	70	62	53	50	74	14%	-4%	132	104
Equities Capital Markets	(16)	7	(152)	(162)	866	604	296	314	n/a	n/a	704	558	26%
Fixed Income Capital Markets	55	(23)	107	138	409	391	370	369	-66%	-63%	547	686	-20%
IMD	4	4	3	11	12	13	12	5	-7%	126%	22	8	175%
Total Asia-Pacific	74	(5)	(12)	57	1,348	1,061	728	762	-96%	-92%	1,405	1,355	4%

Lehman's Asia Market Share:

	Fiscal Quarter Trend					Δ %		6 Months Ending May		Δ %
	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q2 '08 vs.		YTD '08	YTD '07	YTD '08 vs YTD '07
						Q1 '08	Q2 '07			
Total Equity (including rights)	0.8%	0.4%	1.2%	1.4%	2.7%	102%	-70%	0.6%	1.8%	-68%
Common Stock	0.3%	0.6%	0.9%	1.1%	1.7%	-51%	-84%	0.4%	1.3%	-68%
IPOs	0.0%	0.0%	0.9%	2.3%	3.9%	n/a	-100%	0.0%	2.1%	-100%
Secondary	0.4%	1.2%	0.9%	0.6%	0.4%	-68%	6%	0.7%	0.9%	-17%
Convertibles	3.1%	0.0%	4.6%	3.4%	6.5%	n/a	-53%	1.1%	4.2%	-75%
Total Debt	0.7%	0.7%	1.4%	0.4%	0.1%	-8%	613%	0.7%	0.3%	162%
Investment Grade	0.0%	0.2%	0.1%	0.3%	0.2%	-100%	-100%	0.1%	0.4%	-81%
Leveraged Loans	0.0%	3.1%	0.6%	0.1%	5.9%	-100%	-100%	1.6%	4.6%	-66%
High Yield	0.0%	0.0%	0.0%	0.0%	0.0%	n/a	n/a	0.0%	2.8%	-100%
M&A Completed	9.8%	22.5%	1.6%	0.7%	4.6%	-56%	112%	16.9%	3.5%	385%
M&A Announced	3.5%	14.6%	2.0%	2.0%	2.6%	-76%	35%	9.3%	1.5%	532%

Asia Headcount QTD

	2/29/2008	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	615	49	(54)	9	619	4	1%
Equities	465	39	(33)	8	479	14	3%
Prime Services	64	6	(7)	2	65	1	2%
Investment Banking	340	28	(38)	(4)	326	(14)	-4%
Investment Management							
Private Investment Management	17	-	(17)	-	-	(17)	-100%
Asset Management	48	2	(3)	(3)	44	(4)	-8%
Private Equity	46	-	(1)	(2)	43	(3)	-7%
Total IMD	111	2	(21)	(5)	87	(24)	-22%
Principal Investing	43	4	(9)	18	56	13	30%
Mortgage Capital	73	1	(4)	(1)	69	(4)	-5%
Total Corporate Divisions	1,288	137	(81)	2	1,346	58	5%
Total	2,999	266	(247)	29	3,047	48	2%

India QTD

	2/29/2008	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	92	9	(4)	1	98	6	7%
Equities	115	5	(8)	(4)	108	(7)	-6%
Prime Services	80	13	(4)	-	89	9	11%
Investment Banking	51	-	(3)	(1)	47	(4)	-8%
Investment Management							
Private Investment Management	-	-	-	-	-	-	0%
Asset Management	0	-	-	-	-	-	0%
Private Equity	0	-	-	-	-	-	0%
Total IMD	0	-	-	-	-	-	0%
Principal Investing	0	-	-	-	-	-	0%
Mortgage Capital	184	2	(6)	(26)	154	(30)	-16%
Total Corporate Divisions	1,812	386	(115)	15	2,098	286	16%
Total	2,334	415	(140)	(15)	2,594	260	11%

Regional BPM to Segment Revenue Bridge

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Americas					
	Mar	Apr	May	Q2	FY
BPM	310	(829)	640	122	1,833
IBD Attributable	(5)	(4)	(23)	(32)	(75)
FID Attributable	(46)	(51)	(23)	(120)	(249)
Equities Attributable	(16)	(10)	(12)	(38)	(80)
Total Attributable	(67)	(64)	(57)	(189)	(403)
Credit Spread Adj	(230)	184	(60)	(106)	(254)
Valuation Adjustments	(53)	-	-	(53)	(3)
Non-Core Attributable	(283)	184	(60)	(159)	(257)
Americas Segment	(40)	(709)	522	(226)	1,172

Europe					
	Mar	Apr	May	Q2	FY
BPM	(320)	(393)	(7)	(719)	(243)
IBD Attributable	5	3	18	27	68
FID Attributable	30	40	15	85	184
Equities Attributable	14	8	11	34	72
Total Attributable	49	52	44	145	324
Credit Spread Adj	163	(130)	43	75	180
Valuation Adjustments	-	-	-	-	-
Non-Core Attributable	163	(130)	43	75	180
Europe Segment	(108)	(471)	80	(499)	261

Asia					
	Mar	Apr	May	Q2	FY
BPM	(64)	36	(42)	(70)	1,249
IBD Attributable	-	0	5	5	7
FID Attributable	17	11	7	35	65
Equities Attributable	1	1	1	4	8
Total Attributable	18	12	13	44	79
Credit Spread Adj	67	(54)	18	31	74
Valuation Adjustments	53	-	-	53	3
Non-Core Attributable	120	(54)	18	84	77
Asia Segment	74	(5)	(12)	57	1,405

Global BPM	(74)	(1,185)	591	(668)	2,839
Global Segment	(74)	(1,185)	591	(668)	2,839

CONFIDENTIAL TREATMENT REQUESTED BY LEHMAN BROTHERS HOLDINGS INC.

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VIII. Comp/Headcount

Personnel Expenses

In Millions	Quarter			May YTD				
	Q2 '08	Q2 '07	% d	Q1 '08	% d	2008	2007	% d
Production Compensation	114.8	139.0	-17%	122.6	-6%	237.4	268.4	-12%
Software Cap	-8.6	-31.4	-73%	-17.8	-52%	-26.4	-47.4	-44%
Salaries	667.2	625.1	7%	697.3	-4%	1,364.5	1,231.4	11%
Other Compensation & Benefits:								
Cars & Non-Expat Housing	8.3	6.8	22%	8.6	-4%	16.9	13.0	25%
Expatriate	17.7	14.7	20%	16.8	5%	34.6	27.7	25%
Other Compensation	15.8	47.3	-67%	74.4	-79%	90.1	79.2	14%
Benefits	88.0	86.4	2%	70.7	24%	158.8	164.7	-4%
Payroll Taxes	79.0	90.8	-13%	156.9	-50%	235.9	309.3	-24%
Recruiting Incentives	74.0	59.3	25%	122.7	-40%	196.7	151.2	30%
Recoveries	-	-	-	-	-	-	-	-
Severance	139.9	4.5	2987%	32.2	335%	172.1	18.1	850%
Total Other Compensation & Benefits	422.6	309.8	36%	482.4	-12%	905.0	763.7	19%
PY Equity Award Amortization	413.9	319.5	30%	374.2	11%	788.1	575.2	37%
Bonus	714.8	1,355.5	-47%	182.3	292%	897.1	2,414.3	-63%
Total Compensation & Benefits	2,324.6	2,717.5	-14%	1,840.9	26%	4,165.6	5,205.5	-20%
Fixed Expenses	1,286.4	1,135.7	13%	1,346.8	-4%	2,633.2	2,330.9	13%
Variable Expenses	1,038.3	1,581.8	-34%	494.1	110%	1,532.4	2,874.6	-47%

	Q2 '08 vs. Q2 '07	Q2 '08 vs. Q1 '08	YTD '08 vs. YTD '07
• Production Compensation	Decrease of \$24mm reflects an increase in IMD (\$5mm), offset by a decrease in MCD (\$29mm)	Decrease of \$8mm reflects an increase in IMD (\$4mm) and a decrease in MCD (\$4mm)	Decrease of \$31mm reflects an increase in IMD (\$17mm), offset by a decrease in MCD (\$48mm)
• Salaries	Increase of \$42mm due to additional hirings, annual salary increases across all divisions and FX impacts	Decrease of \$30mm due to headcount reductions across all divisions	Increase of \$133mm due to additional hirings, annual salary increases across all divisions and FX impacts
• Cars & Non-Expat Housing	Increase primarily due to Asia growth		Increase primarily due to Asia growth
• Expatriate	Increase primarily due to tax equalization in Asia	Increase primarily due to tax equalization in Asia	Increase primarily due to tax equalization in Asia
• Other Compensation	Decrease of \$32mm due to decreased BOD/Other Comp costs (\$21mm), Temp Costs-Mortgages (\$7mm), Relo/Non-Expat Expenses (\$4mm), Deal Related Fees (\$2mm) and Overtime charges (\$2mm), partially offset by increased Non Project Temps (\$3mm)	Decrease of \$59mm due to decreased BOD/Other Comp costs (\$55mm), Relo/Non Expat Expenses (\$3mm) and Deal Related Fees (\$3mm), partially offset by increased Non Project Temps (\$1mm) and Part-Time/Interns (\$1mm)	Increase of \$11mm due to increased BOD/Other Comp costs (\$14mm), Non Project Temps (\$6mm), Part-Time Interns (\$2mm) and Deal Related Fees (\$1mm), partially offset by decreased Temp Costs-Mortgages (\$10mm) and Overtime charges (\$2mm)
• Benefits	Increase of \$2mm mainly due to increases in Pension costs (\$6mm) and Medical charges (\$3mm), partially offset by decreases in Other Benefit costs (\$7mm) and TDSP costs (\$1mm)	Increase of \$17mm mainly due to increases in US DB Pension (\$10mm) and Other Benefit costs (\$2mm), as well as a Q1 '08 Medical release (\$10mm), partially offset by a decrease in Europe Pension (\$6mm)	Decrease of \$6mm mainly due to decreases in Other Benefit costs (\$10mm), TDSP costs (\$2mm) and Pension costs (\$1mm), as well as a Q1 '08 Medical release (\$10mm), offset by a Q1 '07 FAS 106,112 release (\$17mm)
• Payroll Taxes	Decrease of \$12mm due to reduced National Insurance tax accrual (\$24mm) offset by an increase in the FICA Medicare tax accrual (\$12mm)	Decrease of \$78mm mainly due to tax charges in Q1 in the Americas for 2007 Cash Bonus payments and National Insurance charges in Europe for the issuance of CSA's	Decrease of \$73mm due to reduced National Insurance charges on bonus and lower payroll taxes on vesting of CSA's
• Severance	Increase primarily due to severance payments in conjunction with firm reductions	Increase primarily due to severance payments in conjunction with firm reductions	Increase primarily due to severance payments in conjunction with firm reductions
• PY Equity Award Amortization	Increase of \$94mm primarily due to the roll-on of the 2007 award offset by the roll-off of the 2002 award, as well as the acceleration of awards for GPS spinoff and firm reductions (\$55mm)	Increase of \$40mm primarily due to the net impact of the acceleration of awards (\$55mm) and a Q1 true-up (\$14mm)	Increase of \$213mm primarily due to the roll-on of the 2007 award offset by the roll-off of the 2002 award, as well as the net impact of the acceleration of awards (\$55mm) and a Q1 true-up (\$14mm)

QTD 2008 Headcount Analysis

QTD Headcount Analysis

- ❖ Headcount decreased 7% (1,899 heads) since the beginning of the quarter
- ❖ Headcount growth was comprised of:
 - a decrease of 288 heads in the Corporate divisions, mainly due to an increase in CMT (82), partially offset by decreases in ITD (115), Operations (74), Corporate Services (50) and Finance (40)
 - a decrease of 944 heads in the front offices, mainly due to decreases in FID (289), IBD (241), IMD (201) and Equities (169)
 - a decrease of 667 heads in the Mortgage Subsidiaries mainly due to decreases in Aurora (433), SBF (127) and LBB (67)
- ❖ From a regional perspective, % changes are: Americas -11%, Europe -6%, Asia 2%, and India 11%

<u>Global</u>	HC @ 02/29/08	Adds	Terms	Transfers	YTD 05/31/08	Net Change Vs. Beginning of Quarter 2/29/2008	
						Change	%
Fixed Income	3,700	136	(384)	(41)	3,411	(289)	-8%
Equities	2,487	93	(270)	8	2,318	(169)	-7%
Prime Services	703	31	(53)	(4)	677	(26)	-4%
Investment Banking	2,546	68	(290)	(19)	2,305	(241)	-9%
Investment Management:							
Private Investment Management	1,250	26	(101)	9	1,184	(66)	-5%
Asset Management	1,369	29	(146)	(46)	1,206	(163)	-12%
Private Equity	476	24	(27)	31	504	28	6%
Total IMD	3,095	79	(274)	(6)	2,894	(201)	-6%
Principal Investing	153	6	(79)	55	135	(18)	-12%
Mortgage Capital	3,577	260	(897)	(30)	2,910	(667)	-19%
Total Corporate	11,827	843	(1,168)	37	11,539	(288)	-2%
Total	28,088	1,516	(3,415)	-	26,189	(1,899)	-7%

<u>Regions</u>							
Americas	16,398	589	(2,406)	(19)	14,562	(1,836)	-11%
Europe	6,357	246	(622)	5	5,986	(371)	-6%
Asia	2,999	266	(247)	29	3,047	48	2%
India	2,334	415	(140)	(15)	2,594	260	11%
	28,088	1,516	(3,415)	-	26,189	(1,899)	-7%

QTD 2008 Headcount Analysis

Americas QTD

	2/29/2008	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	1,941	56	(229)	(38)	1,730	(211)	-11%
Equities	1,252	26	(167)	(3)	1,108	(144)	-12%
Prime Services	365	8	(25)	(7)	341	(24)	-7%
Investment Banking	1,340	10	(167)	(4)	1,182	(158)	-12%
Investment Management							
Private Investment Management	1,123	23	(80)	4	1,070	(53)	-5%
Asset Management	1,201	20	(133)	(41)	1,047	(154)	-13%
Private Equity	341	18	(24)	28	363	22	6%
Total IMD	2,665	61	(237)	(9)	2,480	(185)	-7%
Principal Investing	94	2	(60)	23	59	(35)	-37%
Mortgage Capital	2,565	198	(795)	(2)	1,966	(599)	-23%
Total Corporate Divisions	6,176	228	(726)	18	5,696	(480)	-8%
Total	16,398	589	(2,406)	(19)	14,562	(1,836)	-11%

Asia QTD

	2/29/2008	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	615	49	(54)	9	619	4	1%
Equities	465	39	(33)	8	479	14	3%
Prime Services	64	6	(7)	2	65	1	2%
Investment Banking	340	28	(38)	(4)	326	(14)	-4%
Investment Management							
Private Investment Management	17	-	(17)	-	-	(17)	-100%
Asset Management	48	2	(3)	(3)	44	(4)	-8%
Private Equity	46	-	(1)	(2)	43	(3)	-7%
Total IMD	111	2	(21)	(5)	87	(24)	-22%
Principal Investing	43	4	(9)	18	56	13	30%
Mortgage Capital	73	1	(4)	(1)	69	(4)	-5%
Total Corporate Divisions	1,288	137	(81)	2	1,346	58	5%
Total	2,999	266	(247)	29	3,047	48	2%

Europe QTD

	2/29/2008	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	1,052	22	(97)	(13)	964	(88)	-8%
Equities	655	23	(62)	7	623	(32)	-5%
Prime Services	194	4	(17)	1	182	(12)	-6%
Investment Banking	815	30	(82)	(13)	750	(65)	-8%
Investment Management							
Private Investment Management	110	3	(4)	5	114	4	4%
Asset Management	120	7	(10)	(2)	115	(5)	-4%
Private Equity	89	6	(2)	5	98	9	10%
Total IMD	319	16	(16)	8	327	8	3%
Principal Investing	16	-	(10)	14	20	4	25%
Mortgage Capital	755	59	(92)	(1)	721	(34)	-5%
Total Corporate Divisions	2,551	92	(246)	2	2,399	(152)	-6%
Total	6,357	246	(622)	5	5,986	(371)	-6%

India QTD

	2/29/2008	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	92	9	(4)	1	98	6	7%
Equities	115	5	(8)	(4)	108	(7)	-6%
Prime Services	80	13	(4)	-	89	9	11%
Investment Banking	51	-	(3)	(1)	47	(4)	-8%
Investment Management							
Private Investment Management	-	-	-	-	-	-	0%
Asset Management	0	-	-	-	-	-	0%
Private Equity	0	-	-	-	-	-	0%
Total IMD	0	-	-	-	-	-	0%
Principal Investing	0	-	-	-	-	-	0%
Mortgage Capital	184	2	(6)	(26)	154	(30)	-16%
Total Corporate Divisions	1,812	386	(115)	15	2,098	286	16%
Total	2,334	415	(140)	(15)	2,594	260	11%

YTD 2008 Headcount Analysis

YTD Headcount Analysis

- ❖ Headcount decreased 8% (2,367 heads) since the beginning of the year
- ❖ Headcount growth was comprised of:
 - an increase of 12 heads in the Corporate divisions, mainly due to increases in CMT (99) and Ops (48), partially offset by decreases in ITD (63), Corporate Services (38) and ESS (27)
 - a decrease of 871 heads in the front offices, mainly due to decreases in FID (374), IBD (237), IMD (147) and Equities (110)
 - a decrease of 1,508 heads in the Mortgage Subsidiaries mainly due to decreases in Aurora (913), LBB (212) and Capstone (179)
- ❖ From a regional perspective, % changes are: Americas -14%, Europe -7%, Asia 7%, and India 15%

<u>Global</u>	HC @ 12/01/07	Adds	Terms	Transfers	YTD 05/31/08	Net Change Vs. Beginning of Year 12/1/2007	
						Change	%
Fixed Income	3,785	250	(540)	(84)	3,411	(374)	-10%
Equities	2,428	219	(334)	5	2,318	(110)	-5%
Prime Services	699	52	(67)	(7)	677	(22)	-3%
Investment Banking	2,542	132	(349)	(20)	2,305	(237)	-9%
Investment Management:							
Private Investment Management	1,256	46	(131)	13	1,184	(72)	-6%
Asset Management	1,347	70	(179)	(32)	1,206	(141)	-10%
Private Equity	438	58	(41)	49	504	66	15%
Total IMD	3,041	174	(351)	30	2,894	(147)	-5%
Principal Investing	116	23	(80)	76	135	19	16%
Mortgage Capital	4,418	481	(1,902)	(87)	2,910	(1,508)	-34%
Total Corporate	11,527	1,384	(1,459)	87	11,539	12	0%
Total	28,556	2,715	(5,082)	-	26,189	(2,367)	-8%

<u>Regions</u>							
Americas	17,015	1,139	(3,562)	(30)	14,562	(2,453)	-14%
Europe	6,437	521	(974)	2	5,986	(451)	-7%
Asia	2,843	476	(328)	56	3,047	204	7%
India	2,261	579	(218)	(28)	2,594	333	15%
Total	28,556	2,715	(5,082)	-	26,189	(2,367)	-8%

YTD 2008 Headcount Analysis

Americas YTD

	12/1/2007	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	2,067	92	(346)	(83)	1,730	(337)	-16%
Equities	1,222	100	(209)	(5)	1,108	(114)	-9%
Prime Services	368	14	(35)	(6)	341	(27)	-7%
Investment Banking	1,351	33	(197)	(5)	1,182	(169)	-13%
Investment Management							
Private Investment Management	1,132	39	(109)	8	1,070	(62)	-5%
Asset Management	1,193	43	(158)	(31)	1,047	(146)	-12%
Private Equity	316	41	(37)	43	363	47	15%
Total IMD	2,641	123	(304)	20	2,480	(161)	-6%
Principal Investing	78	6	(60)	35	59	(19)	-24%
Mortgage Capital	3,194	340	(1,566)	(2)	1,966	(1,228)	-38%
Total Corporate Divisions	6,094	431	(845)	16	5,696	(398)	-7%
Total	17,015	1,139	(3,562)	(30)	14,562	(2,453)	-14%

Asia YTD

	12/1/2007	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	590	86	(68)	11	619	29	5%
Equities	440	66	(42)	15	479	39	9%
Prime Services	62	8	(7)	2	65	3	5%
Investment Banking	325	41	(46)	6	326	1	0%
Investment Management							
Private Investment Management	19	-	(18)	(1)	-	(19)	-100%
Asset Management	32	16	(4)	-	44	12	38%
Private Equity	40	4	(2)	1	43	3	8%
Total IMD	91	20	(24)	-	87	(4)	-4%
Principal Investing	26	16	(9)	23	56	30	115%
Mortgage Capital	70	9	(8)	(2)	69	(1)	-1%
Total Corporate Divisions	1,239	230	(124)	1	1,346	107	9%
Total	2,843	476	(328)	56	3,047	204	7%

Europe YTD

	12/1/2007	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	1,037	60	(122)	(11)	964	(73)	-7%
Equities	645	47	(70)	1	623	(22)	-3%
Prime Services	191	7	(20)	4	182	(9)	-5%
Investment Banking	810	57	(99)	(18)	750	(60)	-7%
Investment Management							
Private Investment Management	105	7	(4)	6	114	9	9%
Asset Management	122	11	(17)	(1)	115	(7)	-6%
Private Equity	82	13	(2)	5	98	16	20%
Total IMD	309	31	(23)	10	327	18	6%
Principal Investing	12	1	(11)	18	20	8	67%
Mortgage Capital	908	127	(309)	(5)	721	(187)	-21%
Total Corporate Divisions	2,525	191	(320)	3	2,399	(126)	-5%
Total	6,437	521	(974)	2	5,986	(451)	-7%

India YTD

	12/1/2007	Adds	Terms	Transfers	5/31/2008	Change	
						#	%
Fixed Income	91	12	(4)	(1)	98	7	8%
Equities	121	6	(13)	(6)	108	(13)	-11%
Prime Services	78	23	(5)	(7)	89	11	14%
Investment Banking	56	1	(7)	(3)	47	(9)	-16%
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	5	(19)	(78)	154	(92)	-37%
Total Corporate Divisions	1,669	532	(170)	67	2,098	429	26%
Total	2,261	579	(218)	(28)	2,594	333	15%

Fixed vs. Variable Expenses

Fixed vs Variable Expenses											
(in Millions)	Quarter							YTD			
	Q2 '08	Q2 '07	\$ Δ	% Δ	Q1 '08	\$ Δ	% Δ	2008	2007	\$ Δ	% Δ
	Variable:										
Production Comp	114.8	139.0	-24.1	-17%	122.6	-7.7	-6%	237.4	268.4	-31.0	-12%
Cars	1.4	1.7	-0.3	-17%	1.8	-0.4	-21%	3.2	3.2	0.0	0%
Expat	17.7	14.7	3.0	20%	16.8	0.9	5%	34.6	27.7	6.8	25%
Other Compensation	15.8	47.3	-31.5	-67%	74.4	-58.6	-79%	90.1	79.2	11.0	14%
Recruiting Incentives - variable	33.8	19.1	14.7	77%	64.1	-30.2	-47%	97.9	63.7	34.1	54%
Severance	139.9	4.5	135.4	2987%	32.2	107.7	335%	172.1	18.1	154.0	850%
Bonus	714.8	1,355.5	-640.7	-47%	182.3	532.5	292%	897.1	2,414.3	-1,517.2	-63%
Total Variable Expenses	1,038.3	1,581.8	-543.6	-34%	494.1	544.2	110%	1,532.4	2,874.6	-1,342.3	-47%
<i>% of total</i>	45%	58%			27%			37%	55%		
Fixed:											
Salaries	667.2	625.1	42.0	7%	697.3	-30.1	-4%	1,364.5	1,231.4	133.1	11%
Software Cap	-8.6	-31.4	22.8	-73%	-17.8	9.2	-52%	-26.4	-47.4	21.0	-44%
Non Expat Housing	6.9	5.1	1.8	35%	6.8	0.1	1%	13.6	10.3	3.3	32%
Benefits	88.0	86.4	1.6	2%	70.7	17.3	24%	158.8	164.7	-6.0	-4%
Payroll Taxes	79.0	90.8	-11.8	-13%	156.9	-78.0	-50%	235.9	309.3	-73.4	-24%
Recruiting Incentives - fixed	40.1	40.2	-0.0	0%	58.7	-18.5	-32%	98.8	87.4	11.4	13%
Recoveries	-	-	-	-	-	-	-	-	-	-	-
PY Equity Award Amortization	413.9	319.5	94.4	30%	374.2	39.7	11%	788.1	575.2	212.9	37%
Total Fixed Expenses	1,286.4	1,135.7	150.7	13%	1,346.8	-60.5	-4%	2,633.2	2,330.9	302.4	13%
<i>% of total</i>	55%	42%			73%			63%	45%		
Total Expenses	2,324.6	2,717.5	-392.9	-14%	1,840.9	483.7	26%	4,165.6	5,205.5	-1,039.9	-20%

Headcount by Country

	31-May-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	-	-	-	-	-	62	-	-	6	-	68	-	69	(1)	0%	0%
Brazil	9	1	-	-	7	-	-	-	-	2	19	-	14	5	0%	0%
Canada	9	1	-	-	14	-	-	-	-	-	24	(2)	21	3	0%	0%
Mexico	-	-	-	-	4	-	-	-	-	-	4	-	5	(1)	0%	0%
Uruguay	-	-	-	-	-	2	-	-	-	-	2	-	2	-	0%	0%
USA	1,712	1,106	341	59	1,157	2,416	1,966	2,273	1,082	2,333	14,445	(516)	16,904	(2,459)	99%	55%
Total Americas	1,730	1,108	341	59	1,182	2,480	1,966	2,273	1,088	2,335	14,562	(518)	17,015	(2,453)	100%	56%
Europe																
France	19	23	1	-	32	19	-	5	9	21	129	2	116	13	2%	0%
Germany	13	22	-	-	48	7	-	3	7	35	135	(1)	134	1	2%	1%
Israel	4	3	-	-	11	-	-	-	-	3	21	-	20	1	0%	0%
Italy	24	16	-	-	40	13	-	5	6	32	136	(6)	137	(1)	2%	1%
Luxembourg	1	-	2	-	-	-	-	-	1	-	4	-	5	(1)	0%	0%
Netherlands	-	2	-	-	17	4	101	-	-	3	127	(5)	125	2	2%	0%
Netherlands - Antilles	-	-	-	-	-	-	-	-	-	1	1	-	1	-	0%	0%
Portugal	57	-	-	-	-	-	-	-	-	-	57	(2)	48	9	1%	0%
Qatar	-	-	-	-	-	2	-	-	-	-	2	-	2	-	0%	0%
Russia	2	3	-	-	5	-	-	1	1	6	18	1	11	7	0%	0%
Spain	-	2	-	-	17	7	-	1	1	7	35	-	35	-	1%	0%
Sweden	-	-	-	-	1	-	-	35	-	-	36	(1)	37	(1)	1%	0%
Switzerland	7	14	-	-	3	19	-	2	2	14	61	(2)	60	1	1%	0%
Turkey	-	5	-	-	2	-	-	-	1	1	9	2	7	2	0%	0%
United Arab Emirates	3	-	-	-	9	3	-	1	-	5	21	(1)	19	2	0%	0%
United Kingdom	834	533	179	20	565	233	620	655	477	1,058	5,194	(253)	5,685	(491)	87%	20%
Total Europe	964	623	182	20	750	327	721	708	505	1,186	5,986	(266)	6,437	(451)	100%	23%
Asia																
Australia	39	13	-	-	12	11	-	5	6	27	113	(12)	133	(20)	4%	0%
China	146	172	32	17	182	51	-	84	60	171	915	(2)	789	126	30%	3%
-Hong Kong	140	170	32	16	167	45	-	79	60	167	876	5	759	117	29%	3%
-Beijing	-	-	-	1	15	-	-	-	-	2	18	(4)	15	3	1%	0%
-Shanghai	6	2	-	-	-	6	-	5	-	2	21	(3)	15	6	1%	0%
India	31	45	7	9	28	8	-	7	12	33	180	2	152	28	6%	1%
Japan	295	186	22	23	74	14	69	225	193	337	1,438	(32)	1,444	(6)	47%	5%
Korea	23	35	-	6	11	-	-	8	12	27	122	1	112	10	4%	0%
Singapore	75	10	4	1	12	3	-	45	37	37	224	4	155	69	7%	1%
Taiwan, Province of China	-	18	-	-	7	-	-	1	4	7	37	(1)	40	(3)	1%	0%
Thailand	10	-	-	-	-	-	-	1	-	7	18	-	18	-	1%	0%
Total Asia	619	479	65	56	326	87	69	376	324	646	3,047	(40)	2,843	204	100%	12%
India																
India	98	108	89	-	47	-	154	1,113	413	572	2,594	114	2,261	333	100%	10%
Total India	98	108	89	-	47	-	154	1,113	413	572	2,594	114	2,261	333	100%	10%
TOTAL	3,411	2,318	677	135	2,305	2,894	2,910	4,470	2,330	4,739	26,189	(710)	28,556	(2,367)	100%	100%

Headcount Reduction

(In Millions)	Mortgage Resizing/Closer/Suspension						Global	Total
	BNC	KCM	Aurora	UK	PIM	MCD	Headcount Reduction	
3rd quarter 2007								
Personnel Expense	11.2	-	-	-	-	-	9.5	11.2
Non-Personnel Expense	39.1	5.1	-	-	-	-	-	44.2
Total Gross Impact	50.3	5.1	-	-	-	-	9.5	55.4
Tax Amount	9.3	1.8	-	-	-	-	-	11.1
Total Impact Net of Tax	41.0	3.3	-	-	-	-	9.5	44.3
4th quarter 2007								
Personnel Expense	2.2	6.0	7.3	3.2	-	-	-	18.7
Non-Personnel Expense	11.6	2.3	4.4	-	-	-	-	18.3
Total Gross Impact	13.8	8.3	11.7	3.2	-	-	-	37.0
Tax Amount	5.5	2.9	4.7	0.3	-	-	-	13.4
Total Impact Net of Tax	8.3	5.4	7.0	2.9	-	-	-	23.6
1st quarter 2008								
Personnel Expense	-	-	16.9	0.5	-	-	9.5	26.9
Non-Personnel Expense	-	-	42.4	-	-	-	-	42.4
Total Gross Impact	-	-	59.3	0.5	-	-	9.5	69.3
Tax Amount	-	-	24.9	0.2	-	-	3.8	28.8
Total Impact Net of Tax	-	-	34.4	0.4	-	-	5.7	40.4
2nd quarter 2008								
Personnel Expense	-	-	-	-	-	-	183.3	183.3
Non-Personnel Expense	-	-	-	-	1.1	17.4	-	18.4
Total Gross Impact	-	-	-	-	1.1	17.4	183.3	201.7
Tax Amount	-	-	-	-	0.4	-	73.3	73.7
Total Impact Net of Tax	-	-	-	-	0.7	17.4	110.0	128.0

NPE Financial Review

	Q2'08	Q1'08	Q2'07	Q2'08 vs Q1'08		Q2'08 vs Q2'07	
				Inc / (Dec)	%	Inc / (Dec)	%
Business Development	\$ 86.5	\$ 88.6	\$ 98.3	\$ (2.1)	-2.3%	\$ (11.8)	-11.9%
Technology & Communications	309.4	302.3	287.0	7.1	2.3%	22.4	7.8%
Occupancy	187.6	184.9	152.4	2.7	1.4%	35.2	23.1%
Professional Fees	100.0	98.4	119.7	1.6	1.6%	(19.7)	-16.5%
Other	159.1	75.6	56.8	83.5	110.6%	102.3	180.3%
Total Fixed	\$ 842.6	\$ 749.8	\$ 714.2	\$ 92.8	12.4%	\$ 128.5	18.0%
Brokerage & Clearance	\$ 251.6	\$ 252.7	\$ 201.2	\$ (1.1)	-0.5%	\$ 50.3	25.0%
Total Non Personnel Expenses	\$ 1,094.2	\$ 1,002.5	\$ 915.4	\$ 91.7	9.1%	\$ 178.8	19.5%

NPE Financial Review

Non-Personnel Expenses increased \$92 million or 9% in Q2'08 vs. Q1'08

Key summary components of the increase are as follows:

(\$2 m)	<u>Business Development - Decrease primarily due to:</u>
	(\$2 m) T&E decrease - effect of workforce reduction and T&E policy change in Q2'08
\$7 m	<u>Technology & Communications - Increase primarily due to:</u>
	\$4 m Depreciation increase - Piscataway data center go-live and Asia office expansion, plus other new FA purchases
	\$3 m Non Real Time Data - contractual rate increases on existing contracts and new subscriptions required to obtain more financial data to mitigate risk
	\$2 m Software and Hardware increase - expansion in Asia and Europe & Middle East (IFC2, London HQ, Moscow, Istanbul, Qatar, Frankfurt, Rome, Geneva, Milan)
	\$2 m Communications increase (Employees cell phone, blackberry usage, voice charges, video conferencing)
	\$1 m Market Data - Exchange vendor costs in Europe and increase in usage, partially offset by elimination of 45 Bloomberg terminals as a result of headcount reductions
	\$1 m Increase in Sungard usage (trading platform)
	\$1 m Catch-up of invoices in Q2 for Q1 expenses (Checkfree, Northrop Grunman)
	(\$2 m) Release of accruals for unused/over accrued expenses - Software Technology (Software AG, EMC, Software Spectrum and Triana) and M&M Technologies (a Communications solutions company)
	(\$5 m) TAL Europe's (\$2.8m) re-class to Contra Revenue in Q2'08 for catch-up of 2007 invoices recorded in Q1'08
\$3 m	<u>Occupancy - Increase primarily due to:</u>
	\$5 m Occupation of new space increase - Winchester, Piscataway data center go-live, 1271 6th Ave, IFC2
	(\$2 m) Eagle Energy and 220 E 42nd St write-offs in Q1'08
\$2 m	<u>Professional Fees - Increase primarily due to:</u>
	\$5 m Legal Fees increase - CMPS Loan Financing expenses, invoices for NYSE and Clifford Chance, Marubeni litigation, MCD's Litigation for Bad Loans related to BNC & Capital Crossing
	\$4 m Higher Busted Deals - \$1.0m CMPS Equity Linked Note, \$0.8m Garda & Foe, \$0.5m SMBC Trigger 7, \$0.2m Symetra IPO and \$1.0m adjustment to correct FID Asia Busted Deals
	(\$1 m) Temps decrease - effect of workforce reduction
	(\$8 m) Lower Consulting Services - (\$7m) accrual release (overstated project costs) and (\$1m) increased recoverable expenses
	\$2 m Other
\$84 m	<u>Other - Increase primarily due to:</u>
	\$79 m Depreciation charge on real estate inventory positions (FID) held for more than 12 months
	\$22 m Legal Settlements increase - Q1'08 IPO allocation case reserve decreased from \$75m to \$25m, partially offset by (\$28m) reserve for new Auction rates case (Maher case)
	\$4 m VAT Rebate (\$5m Frankfurt in Q1'08, \$1.4m French in Q2'08)
	\$3 m MCD 3rd party bad loans
	(\$3 m) (\$4.6m) Q1'08 Firm match for the Lehman Brothers Foundation Employee Giving Campaign, partially offset by \$1.3m of the same in Q2'08
	(\$4 m) Accrual adjustments
	(\$6 m) AIGT Settlement charge increased in Q1'08 to switch vendor to IBM (server)
	(\$13 m) MCD impairments lower by (\$34m Q1'08 vs. \$21m Q2'08)
	\$2 m Other
(\$1 m)	<u>Brokerage & Clearance - Decrease primarily due to:</u>
	\$6 m Higher Volumes (\$3m Derivatives, \$2m Futures, \$1m Repo)
	\$5 m Re-classes (\$5m OTC ECN Agency to Contra Revenue in Q1' 08)
	\$4 m Additional NYSE Regulatory fees - methodology change (true up of Focus Revenue Base, on which Regulatory fees are calculated)
	\$2 m Higher Cash Equity exchange fees (Weiner Borse, ASX, Deutsch)
	\$2 m Italian Advisory Consulting expenses in Q2' 08
	(\$6 m) Lower Clearance Agent Bank Fees
	(\$15 m) Annual NSCC, DTC, & OCC Annual Rebates received in Q2' 08
	\$1 m Other

NPE Financial Review

Non-Personnel Expenses increased \$179 million or 20% In Q2'08 vs. Q2'07

Key summary components of the increase are as follows:

(\$12 m) Business Development - Decrease primarily due to:

- (\$7 m) T&E decrease - MCD restructuring, reduction in workforce and T&E policy change
- (\$3 m) Decrease in Marketing/Advertising - MCD restructuring
- (\$2 m) Corporate Events lower - MCD restructuring

\$22 m Technology & Communications - Increase primarily due to:

- \$9 m Communication expenses (Wireless usage, depreciation, new equipment purchases, maintenance, AV equipment, LBLF accrual release in Q2'07)
- \$7 m Market Data - increase in Bloomberg terminal counts, Reuters platforms and usage
- \$7 m System Consulting spend increase - IMD Wealth Management Reporting initiatives and decrease in Software Capitalization for Capstone (MCD restructuring)
- \$4 m Non Real Time Data - increase in contractual & pre-existing services primarily with Dealogic, 1010 Data, Barra & Thomson, and new subscriptions required to obtain more financial data to mitigate risk
- (\$1 m) Decrease in Mail/Print related to MCD restructuring
- (\$3 m) TAL Europe re-class to Contra Revenue in Q2'08
- (\$1 m) Other

\$35 m Occupancy - Increase primarily due to:

- \$35 m Global expansion across all regions related to new and current space (1271 6th Ave, Paris d'Iena, Winchester House, Farnborough, London HQ building, Piscataway, 399 Park, Australia, Ceejay House, Mita, IFC2, Man Yee, R6, Korea, Singapore, Middle East, Frankfurt, Rome, Geneva and Milan), partially offset by MCD's business closure (BNC, Haywards Heath) in Q3'07

(\$20 m) Professional Fees - Decrease primarily due to:

- \$3 m Higher Busted Deals - Project East, Project Rock, Garda & Foe, CMPS Equity Linked Note, SMBC Trigger 7 and Symetra IPO
- (\$2 m) Training decrease - MCD restructuring, cancellations of courses offered specifically in Leadership related to reduction of workforce, lower rates as a result of newly implemented vendor policies (contract renegotiation cost savings), and elimination of high cost vendors
- (\$4 m) Consulting Services decrease - accrual release (overstated project costs)
- (\$17 m) Recruiting spend significantly lower across all Regions in 2008 due to headcount reset/current market condition
- \$1 m Other

\$102 m Other - Increase primarily due to:

- \$79 m Depreciation charge on real estate inventory positions (FID) held for more than 12 months
- \$21 m MCD impairments
- \$3 m MCD 3rd party bad loans
- (\$1 m) Europe French VAT credits Q2'08

\$50 m Brokerage & Clearance - Increase primarily due to:

- \$29 m Volume increase (\$13m Derivatives/Commodities, \$9m Options, \$4m FX, \$3m Repo)
- \$23 m 3rd Party Futures increase
- \$6 m Re-class to Contra Revenue in Q2' 07 (Direct Market Access)
- \$4 m Additional NYSE Regulatory fees - methodology change (true up of Focus Revenue Base, on which Regulatory fees are calculated)
- (\$9 m) Annual NSCC/DTC rebates received in Q2' 08 (\$15m) vs. Q2'07 rebate of (\$6m)
- (\$3 m) Other

X. Income Taxes