

**FY 2007 Total Compensation Review - Global - Top 50**

By Descending 2007 Total Compensation

|    | Unit | Name                      | Hired  | Title | Region   | Group                          | TC 05        | TC 06         | Change | TC 07         | Change |
|----|------|---------------------------|--------|-------|----------|--------------------------------|--------------|---------------|--------|---------------|--------|
| 1  | PI   | Millard, Robert B.        | Jun-76 | MD    | Americas | Global Trading Strategies      | 3,760,000    | 44,531,949    | 1084%  | 51,347,377    | 15%    |
| 2  | IMD  | Schwartz, Marvin C        | Jan-61 | MD    | Americas | Asset Management               | 19,315,822   | 27,011,126    | 40%    | 31,141,837    | 15%    |
| 3  | FID  | Hoffman, Jonathan         | Aug-94 | MD    | Americas | Trading - Global Rates         | 14,750,400   | 19,851,059    | 35%    | 30,850,000    | 55%    |
| 4  | EQ   | Cassarini, John A.        | Feb-05 | SVP   | Americas | Trading - US Proprietary       | 639,361      | 3,493,000     | 446%   | 18,500,000    | 430%   |
| 5  | PI   | Klein, Henry              | Mar-03 | MD    | Americas | Global Trading Strategies      | 1,300,000    | 6,200,000     | 377%   | 18,200,000    | 194%   |
| 6  | EQ   | Penkett, Paul Alexis      | Jun-97 | SVP   | Asia     | Trading - Asia Proprietary     | 5,500,000 G+ | 10,000,000 G+ | 82%    | 18,000,000    | 80%    |
| 7  | CORP | Savoret, Benoit C.        | Jun-97 | MD    | Europe   | Executive Administration       | 8,000,000    | 12,000,000    | 50%    | 18,000,000    | 50%    |
| 8  | FID  | Walsh, Mark A.            | Aug-88 | MD    | Americas | FID Administration             | 25,000,000   | 27,500,000    | 10%    | 17,500,000    | -36%   |
| 9  | FID  | Kirk, Alex                | Dec-94 | MD    | Americas | FID Administration             | 18,000,000   | 21,000,000    | 17%    | 17,000,000    | -19%   |
| 10 | IMD  | Glasebrook II, Richard J. | Apr-03 | MD    | Americas | Asset Management               | 6,646,450    | 12,791,195    | 92%    | 16,757,246    | 31%    |
| 11 | IMD  | Shafiroff, Martin         | Aug-69 | MD    | Americas | Private Investment Management  | 10,123,001   | 14,621,311    | 44%    | 16,495,404    | 13%    |
| 12 | EQ   | Bouzouba, Rachid          | May-03 | MD    | Europe   | EQ Administration              | 5,000,000    | 9,000,000     | 80%    | 15,000,000    | 67%    |
| 13 | FID  | Felder, Eric J.           | Apr-94 | MD    | Americas | Trading - High Grade           | 7,000,000    | 15,000,000 G  | 114%   | 15,000,000    | Flat   |
| 14 | FID  | Lee, Hyung S.             | Nov-93 | MD    | Asia     | FID Administration             | 12,000,000   | 13,500,000    | 13%    | 15,000,000    | 11%    |
| 15 | IBD  | Taussig, Andrew R.        | Oct-05 | MD    | Americas | Retail/Transportation          | 13,000,000   | 14,000,000 G+ | 8%     | 14,085,000 G+ | 1%     |
| 16 | EQ   | Donini, Gerald A.         | Jun-98 | MD    | Americas | EQ Administration              | 9,000,000    | 11,000,000    | 22%    | 14,000,000    | 27%    |
| 17 | EQ   | Whalen, Patrick J.        | Sep-03 | MD    | Americas | EQ Administration              | 9,500,000    | 12,300,000    | 29%    | 13,005,000    | 6%     |
| 18 | IMD  | Kramer, Jeremy R          | Sep-98 | MD    | Americas | Asset Management               | 6,686,450    | 10,504,413    | 57%    | 12,875,403    | 23%    |
| 19 | FID  | Amin, Kaushik             | Jun-94 | MD    | Americas | FID Administration             | 10,000,000   | 11,500,000    | 15%    | 12,500,000    | 9%     |
| 20 | PI   | Fuchs, Benjamin A.        | Jan-96 | MD    | Asia     | Global Opportunities Group     | 20,000,000   | 16,000,000    | -20%   | 12,500,000    | -22%   |
| 21 | FID  | Morton, Andrew            | May-93 | MD    | Europe   | FID Administration             | 12,000,000   | 14,000,000    | 17%    | 12,500,000    | -11%   |
| 22 | FID  | Humphrey, Thomas P.       | Dec-86 | MD    | Americas | FID Administration             | 13,000,001   | 14,500,000    | 12%    | 12,250,000    | -16%   |
| 23 | CORP | Banchetti, Riccardo       | Aug-93 | MD    | Europe   | Executive Administration       | 10,000,000   | 11,000,000    | 10%    | 12,000,000    | 9%     |
| 24 | EQ   | Nagpal, Ajay              | Feb-01 | MD    | Americas | EQ Administration              | 7,500,000    | 10,400,000    | 39%    | 12,000,000    | 15%    |
| 25 | EQ   | Thorkelsson, Sigurbjorn   | Jun-98 | MD    | Asia     | EQ Administration              | 5,000,000    | 7,500,000     | 50%    | 12,000,000    | 60%    |
| 26 | IMD  | Weiner, David I           | Feb-94 | MD    | Americas | Asset Management               | 6,841,450    | 9,666,345     | 46%    | 11,921,906    | 23%    |
| 27 | EQ   | Durante, Olivier          | May-00 | SVP   | Americas | Quants - US Systematic Trading | 4,500,000    | 6,000,000     | 33%    | 11,700,000    | 95%    |
| 28 | EQ   | Schneider, Gregoire       | May-00 | SVP   | Americas | Quants - US Systematic Trading | 4,500,000    | 6,000,000     | 33%    | 11,700,000    | 95%    |
| 29 | IBD  | Shafir, Mark G.           | Mar-03 | MD    | Americas | Global M&A                     | 9,000,000    | 11,000,000    | 22%    | 11,600,000    | 5%     |
| 30 | IBD  | Weiss, Jeffrey L.         | Aug-83 | MD    | Americas | Financial Services             | 8,000,000    | 10,000,000    | 25%    | 11,600,000    | 15%    |
| 31 | CORP | Jotwani, Tarun            | Sep-95 | MD    | Asia     | Executive Administration       | 7,000,000    | 10,000,000    | 43%    | 11,250,000    | 13%    |

Total Comp (TC) is measured as Paid TC, except in the year of hire where TC is calculated as Annual Base Salary + Paid Bonus + Paid Other Comp (eg Housing). All figures are FX neutralized.

**FY 2007 Total Compensation Review - Global - Top 50**

By Descending 2007 Total Compensation

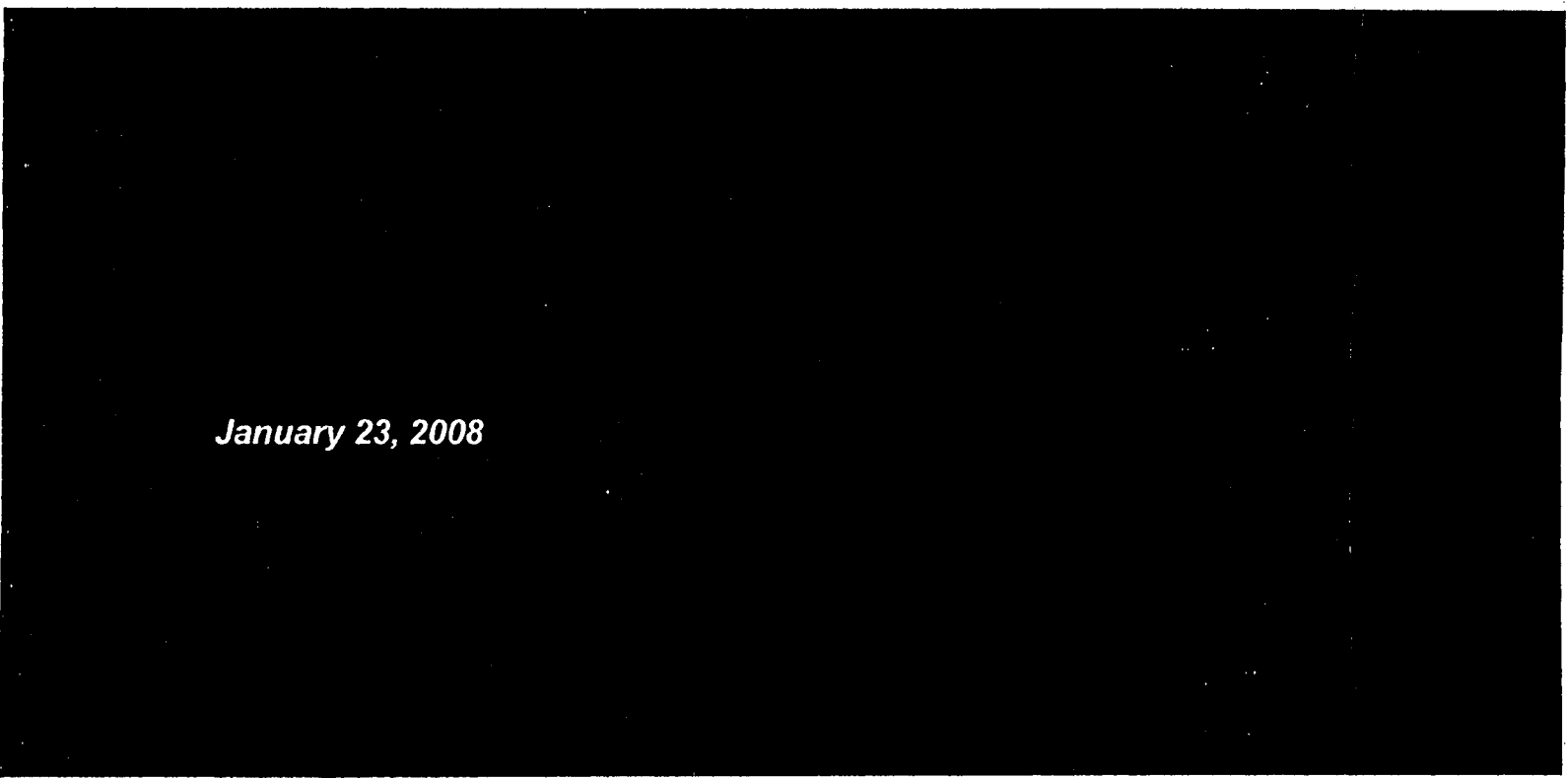
|    | <u>Unit</u> | <u>Name</u>                | <u>Hired</u> | <u>Title</u> | <u>Region</u> | <u>Group</u>                  | <u>TC 05</u> | <u>TC 06</u> | <u>Change</u> | <u>TC 07</u> | <u>Change</u> |
|----|-------------|----------------------------|--------------|--------------|---------------|-------------------------------|--------------|--------------|---------------|--------------|---------------|
| 32 | EQ          | Wickham, John R.           | Jul-92       | MD           | Americas      | EQ Administration             | 7,500,000    | 9,000,000    | 20%           | 11,250,000   | 25%           |
| 33 | IBD         | L'Esperance, Ros L         | Jun-87       | MD           | Americas      | Financial Sponsors            | 8,000,000    | 10,000,000   | 25%           | 11,000,000   | 10%           |
| 34 | IBD         | Parker, Paul G.            | Jul-95       | MD           | Americas      | Global M&A                    | 7,500,000    | 10,000,000   | 33%           | 11,000,000   | 10%           |
| 35 | PI          | Rieder, Rick M.            | Jul-87       | MD           | Americas      | Global Principal Strategies   | 14,000,000   | 16,500,000   | 18%           | 11,000,000   | -33%          |
| 36 | IBD         | Wieseneck, Larry S.        | Oct-87       | MD           | Americas      | Global Finance Admin          | 7,000,000    | 10,000,000   | 43%           | 11,000,000   | 10%           |
| 37 | EQ          | Dauhajre, Munir            | Aug-07       | MD           | Americas      | EQ Administration             | -            | -            | --            | 10,000,000   | G --          |
| 38 | IBD         | Gatto, Joseph D.           | Oct-05       | MD           | Americas      | Global M&A                    | 3,500,000    | 4,750,000    | G+ 36%        | 10,000,000   | 111%          |
| 39 | FID         | Higgins, Kieran Noel       | Sep-95       | MD           | Europe        | Trading - Global Rates        | 10,000,000   | 8,000,000    | -20%          | 10,000,000   | 25%           |
| 40 | IBD         | Hoffmeister, Perry C.      | Aug-88       | MD           | Europe        | Administration                | 7,500,000    | 9,000,000    | 20%           | 10,000,000   | 11%           |
| 41 | IBD         | Meissner, Christian Andrea | Jan-04       | MD           | Europe        | Administration                | 4,500,000    | 8,000,000    | 78%           | 10,000,000   | 25%           |
| 42 | FID         | Psaki, Jeffrey             | Jul-00       | SVP          | Americas      | Trading - High Grade          | 4,250,000    | 4,000,000    | -6%           | 10,000,000   | 150%          |
| 43 | FID         | Pearson, Thomas M.         | Mar-01       | MD           | Asia          | Origination - Real Estate     | 5,000,000    | 9,000,000    | 80%           | 9,000,000    | Flat          |
| 44 | IMD         | Ramallo, Henry             | Dec-93       | MD           | Americas      | Asset Management              | 1,554,379    | 5,319,360    | 242%          | 8,579,023    | 61%           |
| 45 | FID         | Assi, Georges              | Jan-01       | MD           | Europe        | Trading - Collateralized Debt | 3,250,000    | 5,000,000    | G 54%         | 8,500,000    | 70%           |
| 46 | EQ          | Corcoran, Joseph J.        | Jul-90       | MD           | Americas      | EQ Administration             | 4,750,000    | 5,500,000    | 16%           | 8,500,000    | 55%           |
| 47 | IBD         | Jordan, Nicholas           | Apr-07       | MD           | Europe        | Russia                        | -            | -            | --            | 8,500,000    | G --          |
| 48 | EQ          | Bacha, Mohamed-Ali         | Jul-04       | SVP          | Europe        | Trading - Europe Volatility   | 1,099,409    | 4,000,000    | 264%          | 8,250,000    | 106%          |
| 49 | FID         | Mattu, Ravi K.             | Mar-91       | MD           | Americas      | FID Administration            | 7,000,000    | 8,250,000    | 18%           | 8,250,000    | Flat          |
| 50 | PI          | Brewer, Paul E.            | Mar-93       | MD           | Americas      | Global Trading Strategies     | 1,394,203    | 4,200,000    | 201%          | 8,200,000    | 95%           |
| 51 | PI          | Tarnow, Joshua R.          | Jan-92       | MD           | Americas      | Global Principal Strategies   | 3,800,000    | 5,200,000    | 37%           | 8,200,000    | 58%           |

Total Comp (TC) is measured as Paid TC, except in the year of hire where TC is calculated as Annual Base Salary + Paid Bonus + Paid Other Comp (eg Housing). All figures are FX neutralized.

CONFIDENTIAL  
FOIA CONFIDENTIAL TREATMENT REQUESTED  
BY LEHMAN BROTHERS HOLDINGS INC.

*Confidential Presentation to:*

# Compensation Committee of the Board of Directors



*January 23, 2008*

## LEHMAN BROTHERS

LBHI\_SEC07940\_027204  
LB 010294

# The Firm faces a difficult decision regarding investments in growing the franchise in face of revenue uncertainty.

- ◆ The original bottom up budget, developed in October, had revenue of \$23 billion (up 19%), which at 49.3% comp ratio supported \$300 million investment program (down from \$736 million in 2006) and paid employees up an average 5% (vs. down 1% in 2007).
- ◆ With current market conditions, which have worsened since October, we have revised our revenue expectation down to \$21 billion, which is likely to be back loaded.
- ◆ At this revenue level we cannot support an investment program and would struggle to pay people competitively.
  - In 2007 we maintained discipline and kept comp ratio flat; Morgan Stanley took their ratio up to over 59%, and were able to match Goldman's per person comp increase of 6%.

The Firm's decision in 2002 to not shrink with the industry but stay the course proved the right one as we gained share, strengthened and expanded our franchise and significantly outperformed in the period 2002 – 2005 with revenue and market cap growth far outstripping our competitors.

## Financial Performance

|                 | Headcount           |        |      | Revenue (\$'s in billions) |         |      | Market Cap (\$'s in billions) |         |      |
|-----------------|---------------------|--------|------|----------------------------|---------|------|-------------------------------|---------|------|
|                 | 2002 <sup>(1)</sup> | 2005   | % Δ  | 2002                       | 2005    | % Δ  | 2002                          | 2005    | % Δ  |
| Lehman Brothers | 13,090              | 22,919 | 75%  | \$ 6.2                     | \$ 14.6 | 138% | \$ 14.6                       | \$ 33.8 | 132% |
| Goldman Sachs   | 22,677              | 22,425 | -1%  | 14.0                       | 25.2    | 80%  | 38.8                          | 59.8    | 54%  |
| Bear Stearns    | 10,452              | 11,843 | 13%  | 5.1                        | 7.4     | 45%  | 9.3                           | 16.3    | 75%  |
| Morgan Stanley  | 61,319              | 53,218 | -13% | 19.1                       | 26.8    | 40%  | 49.1                          | 60.4    | 23%  |
| Merrill Lynch   | 57,100              | 54,600 | -4%  | 18.4                       | 26.0    | 42%  | 37.8                          | 61.0    | 62%  |

<sup>(1)</sup> Headcount as of beginning of 2002

LEHMAN BROTHERS

# Recommendation

---

Management's recommendation, given the substantial opportunities identified to grow the franchise, is to invest \$300 million (out of \$900 million of requests), which likely to include some amount for repricing key talent to retain at Lehman if bid away.

- ◆ Believe Firm's competitors (with exception of Goldman Sachs and JP Morgan) have sustained large losses, weakening their competitive position.
  - Despite recent capital raising efforts, most competitors are still capital-constrained; more likely to retrench to the core of their franchises than to invest in growth.
  - Senior management changes (e.g., BofA, Bear Sterns, Citigroup, Merrill Lynch, Morgan Stanley and UBS), causing organizational turmoil.
  - Significant pool of talent will become available, as many of our competitors' top performers become disillusioned with their firms' strategies and risk management.
  
- ◆ This presents an opportunity for the Firm to pursue a counter-cyclical growth strategy, similar to that pursued during the 2001-2002 downturn, to improve our competitive position and, over time, generate superior returns for our shareholders.
  
- ◆ But it will require a one-time raising of the comp ratio to an estimated 52.8%.
  
- ◆ We are also examining whether to recommend changes to our equity award plan which would lower its long term cost, but might involve one-time transition costs.

---

## Appendix

CONFIDENTIAL

LB 010297

FOIA CONFIDENTIAL TREATMENT REQUESTED  
BY LEHMAN BROTHERS HOLDINGS INC.

LBHL\_SEC07940\_027207

# Year on Year Comparison

Lehman outperformed Morgan Stanley, but Morgan increased its comp ratio so as to be able to pay their people up 6% (vs. down 1% for Lehman).

## 2006-2007 % Change

|                           | Goldman Sachs | Lehman Brothers | Morgan Stanley | Bear Stearns | Merrill Lynch |
|---------------------------|---------------|-----------------|----------------|--------------|---------------|
| Revenues                  | 22%           | 10%             | -6%            | -36%         | -67%          |
| EPS                       | 26%           | 7%              | -60%           | -89%         | -250%         |
| Compensation / Head       | 6%            | -1%             | 6%             | -24%         | -17%          |
| • 2007 Comp. / Head (\$K) | 661           | 332             | 343            | 242          | 248           |
| • 2006 Comp. / Head (\$K) | 622           | 334             | 324            | 320          | 300           |
| Compensation / Revenues   | +0.2pp        | +0.0pp          | +12.2pp        | +10.5pp      | +91.4pp       |
| • 2007 Comp. / Rev.       | 43.9%         | 49.3%           | 59.1%          | 57.6%        | 141.4%        |
| • 2006 Comp. / Rev.       | 43.7%         | 49.3%           | 46.9%          | 47.1%        | 49.9%         |

LEHMAN BROTHERS

3

# Growth Opportunities By Business

Budget

## Fixed Income

- ◆ Focus on Commodities and Fx and expansion into newer product areas (e.g., Infrastructure, Insurance)
- ◆ Continued geographical expansion into China, India, Singapore, Australia, Eastern Europe, Scandinavia, Spain, Middle East and Latin America
- ◆ Development of eCommerce platform (e.g., FXLive)

## Investment Banking

- ◆ Global expansion with particular focus on Australia, Brazil, Canada, India, Middle East and Russia
- ◆ Focus on Financial Institutions, Natural Resources and Industrials
- ◆ Global fee share expected to increase to 4.8% from 4.4% at the end of 2007

## Principal Investing

- ◆ Build out of a scalable origination and investing platform – particularly in Europe and Asia
- ◆ Asset class expansion (e.g., Insurance, Emerging Markets)

## Equities

- ◆ Expansion into Asia, Emerging Markets (Brazil, Mexico, Russia, Turkey and South Africa)
- ◆ Further diversification of the business franchise by growing Prime Services
- ◆ Investment in technology to create a market leading trading platform providing additional capacity and speed to the Firm's clients

## Investment Management

- ◆ 27% growth of Assets Under Management to \$358 billion by the end of 2008
- ◆ 45% increase in Asset Management net flows to \$45bn in 2008
- ◆ Rolling out of new Private Equity funds
- ◆ Build out of the European asset management platform

## Infrastructure & Technology

- ◆ Reengineer front-to-back trade processing for Equity Derivatives and Fixed Income growth
- ◆ Continue to migrate functionality to modularized components to reduce reliance on mainframe processes
- ◆ Improve scalability and control of middle office processes



# Historical Compensation to Revenue Trend

|   | 2007   | 2006   | 2005   | 2004   | 2003   | 2002   | 2001   | 2000   | 1999   | 1998   | 1997   | 1996   | 1995   | 1994   | 1993  |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| <b>Lehman Brothers <sup>(1)</sup></b>   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| Revenue (\$M)                           | 19,257 | 17,583 | 14,630 | 11,576 | 8,647  | 6,155  | 6,736  | 7,707  | 5,340  | 4,113  | 3,873  | 3,444  | 3,071  | 2,738  |       |
| Compensation (\$M)                      | 9,494  | 8,669  | 7,213  | 5,730  | 4,318  | 3,139  | 3,437  | 3,931  | 2,707  | 2,086  | 1,964  | 1,747  | 1,544  | 1,413  |       |
| Headcount                               | 28,556 | 25,936 | 22,919 | 19,579 | 16,188 | 12,343 | 13,090 | 11,326 | 8,893  | 8,873  | 8,340  | 7,556  | 7,771  | 8,512  |       |
| Comp&Benefit Ratio                      | 49.3%  | 49.3%  | 49.3%  | 49.5%  | 49.9%  | 51.0%  | 51.0%  | 51.0%  | 50.7%  | 50.7%  | 50.7%  | 50.7%  | 50.3%  | 51.6%  |       |
| Comp per Head (\$K)                     | 332    | 334    | 315    | 293    | 267    | 254    | 263    | 347    | 304    | 235    | 235    | 231    | 199    | 166    |       |
| YoY Δ in Comp/Head                      | -1%    | 6%     | 8%     | 10%    | 5%     | -3%    | -24%   | 14%    | 29%    | 0%     | 2%     | 16%    | 20%    |        |       |
| <b>Goldman Sachs <sup>(1,2,3)</sup></b> |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| Revenue (\$M)                           | 45,987 | 37,665 | 25,238 | 20,951 | 16,023 | 13,986 | 15,811 | 16,590 | 13,345 |        |        |        |        |        |       |
| Compensation (\$M)                      | 20,190 | 16,457 | 11,758 | 9,620  | 7,393  | 6,744  | 7,700  | 7,773  | 6,459  |        |        |        |        |        |       |
| Headcount                               | 30,892 | 26,467 | 23,623 | 21,736 | 20,359 | 20,633 | 22,677 | 22,627 | 15,361 |        |        |        |        |        |       |
| Comp&Benefit Ratio                      | 43.9%  | 43.7%  | 46.6%  | 45.9%  | 46.1%  | 48.2%  | 48.7%  | 46.9%  | 48.4%  |        |        |        |        |        |       |
| Comp per Head (\$K)                     | 661    | 622    | 498    | 443    | 363    | 327    | 340    | 344    | 420    |        |        |        |        |        |       |
| YoY Δ in Comp/Head                      | 6%     | 25%    | 12%    | 22%    | 11%    | -4%    | -1%    | -18%   |        |        |        |        |        |        |       |
| <b>Bear Stearns <sup>(4)</sup></b>      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| Revenue (\$M)                           | 5,945  | 9,227  | 7,411  | 6,813  | 5,994  | 5,128  | 4,907  | 5,476  | 4,502  | 4,341  | 3,526  | 2,983  | 2,075  | 2,417  | 2,143 |
| Compensation (\$M)                      | 3,425  | 4,343  | 3,553  | 3,254  | 2,881  | 2,508  | 2,529  | 2,789  | 2,266  | 2,095  | 1,717  | 1,469  | 1,080  | 1,227  | 1,037 |
| Headcount                               | 14,153 | 13,566 | 11,843 | 10,961 | 10,532 | 10,574 | 10,452 | 11,201 | 9,808  | 9,180  | 8,309  | 7,749  | 7,481  | 7,321  | 6,306 |
| Comp&Benefit Ratio                      | 57.6%  | 47.1%  | 47.9%  | 47.8%  | 48.1%  | 48.9%  | 51.5%  | 50.9%  | 50.3%  | 48.2%  | 48.7%  | 49.3%  | 52.1%  | 50.8%  | 48.4% |
| Comp per Head (\$K)                     | 242    | 320    | 300    | 297    | 274    | 237    | 242    | 249    | 231    | 228    | 207    | 190    | 144    | 168    | 164   |
| YoY Δ in Comp/Head                      | -24%   | 7%     | 1%     | 9%     | 15%    | -2%    | -3%    | 8%     | 1%     | 10%    | 9%     | 31%    | -14%   | 2%     |       |
| <b>Morgan Stanley <sup>(5)</sup></b>    |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| Revenue (\$M)                           | 28,026 | 29,839 | 26,778 | 23,708 | 20,817 | 19,074 | 22,008 | 26,163 | 21,681 | 16,122 | 14,509 | 12,023 | 9,820  | 8,630  | 8,599 |
| Compensation (\$M)                      | 16,552 | 13,986 | 11,313 | 9,853  | 8,522  | 7,910  | 9,352  | 10,899 | 8,365  | 6,609  | 6,019  | 5,071  | 4,005  | 3,535  | 3,687 |
| Headcount                               | 48,256 | 43,124 | 53,218 | 53,284 | 51,196 | 55,726 | 61,319 | 62,679 | 55,288 | 45,712 | 47,277 | 33,084 | N/A    | N/A    | N/A   |
| Comp&Benefit Ratio                      | 59.1%  | 46.9%  | 42.2%  | 41.6%  | 40.9%  | 41.5%  | 42.5%  | 41.7%  | 38.6%  | 41.0%  | 41.5%  | 42.2%  | 40.8%  | 41.0%  | 42.9% |
| Comp per Head (\$K)                     | 343    | 324    | 213    | 185    | 166    | 142    | 153    | 174    | 151    | 145    | 127    | 153    | N/A    | N/A    | N/A   |
| YoY Δ in Comp/Head                      | 6%     | 53%    | 15%    | 11%    | 17%    | -7%    | -12%   | 15%    | 5%     | 14%    | -17%   |        |        |        |       |
| <b>Merrill Lynch <sup>(7)</sup></b>     |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| Revenue (\$M)                           | 11,250 | 33,781 | 26,022 | 22,059 | 19,900 | 18,371 | 21,548 | 26,379 | 22,313 | 17,790 | 16,503 | 13,913 | 10,615 | 9,959  |       |
| Compensation (\$M)                      | 15,903 | 16,867 | 12,441 | 10,663 | 9,886  | 10,802 | 12,818 | 14,259 | 11,337 | 9,308  | 8,333  | 7,012  | 5,270  | 4,952  |       |
| Headcount                               | 64,200 | 56,200 | 54,600 | 50,600 | 48,100 | 50,900 | 57,100 | 71,600 | 67,900 | 65,200 | 60,500 | 53,200 | 48,500 | 46,300 |       |
| Comp&Benefit Ratio                      | 141.4% | 49.9%  | 47.8%  | 48.3%  | 49.7%  | 58.8%  | 59.5%  | 54.1%  | 50.8%  | 52.3%  | 50.5%  | 50.4%  | 49.6%  | 49.7%  |       |
| Comp per Head (\$K)                     | 248    | 300    | 228    | 211    | 206    | 212    | 224    | 199    | 167    | 143    | 138    | 132    | 109    | 107    |       |
| YoY Δ in Comp/Head                      | -17%   | 32%    | 8%     | 3%     | -3%    | -5%    | 13%    | 19%    | 17%    | 4%     | 4%     | 21%    | 2%     |        |       |
| <b>JP Morgan <sup>(8,9)</sup></b>       |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| Revenue (\$M)                           | 26,805 | 25,620 | 20,277 | 16,812 | 15,654 | 13,614 |        |        |        |        |        |        |        |        |       |
| Compensation (\$M)                      | 11,486 | 10,967 | 7,971  | 6,475  | 5,675  | 5,439  |        |        |        |        |        |        |        |        |       |
| Headcount                               | 40,342 | 37,027 | 31,929 | 29,788 | 23,211 | 23,558 |        |        |        |        |        |        |        |        |       |
| Comp&Benefit Ratio                      | 42.9%  | 42.8%  | 39.3%  | 38.5%  | 36.3%  | 40.0%  |        |        |        |        |        |        |        |        |       |
| Comp per Head (\$K)                     | 285    | 296    | 250    | 217    | 244    | 231    |        |        |        |        |        |        |        |        |       |
| YoY Δ in Comp/Head                      | -4%    | 19%    | 15%    | -11%   | 6%     |        |        |        |        |        |        |        |        |        |       |

<sup>(1)</sup> 1994 represents 11 months of data (ending on Nov 30th)

<sup>(2)</sup> From 1999 to 2004, compensation expense excludes IPO awards amortization

<sup>(3)</sup> Beginning in the fourth quarter of 2006, "Cost of power generation" in the consolidated statement of earnings was reclassified to operating expenses. "Cost of power generation" was previously reported as a reduction to revenues. Prior periods have been reclassified as well.

<sup>(4)</sup> 1999 results are on a pro-forma basis

<sup>(5)</sup> On 1/18/00, the BoD elected to change FY from June 30 to Nov 30, effective FY beg Dec 1, 1999. 1999 results reflect a June 1999 FY end while 2000 results run from Dec 1, 1999 thru Nov 30, 2000

<sup>(6)</sup> 2006 and 2007 have been restated to exclude Discover

<sup>(7)</sup> 2006 includes the impact of the BlackRock merger and the impact of one-time compensation expenses related to FAS 123R

<sup>(8)</sup> Consists of Investment Banking plus Investment Management & Private Banking through 2003; Asset & Wealth Management through 2005; Asset Management thereafter

<sup>(9)</sup> Prior to 2002, JPMorgan Chase results do not include compensation or headcount by segment. Revenues are reported on an operating basis.

## COMPENSATION FOR HIGH NEW WORTH PORTFOLIO MANAGERS

- High Net Worth Portfolio Managers (“HNW PMs”) in Asset Management are compensated on a formula basis (in a fashion similar to High New Worth Investment Representatives).
- Production payout is tied to a percentage of revenues (which varies according asset source) and paid monthly. Revenues are derived from investment advisory fees charged to clients.
- The following payout structure applies generally to HNW PMs:

| <u>Asset Source</u>       | <u>Payout as % of Revenues<sup>1</sup></u> | <u>Approx. % of Assets</u> |
|---------------------------|--|----------------------------|
| Direct                    | 40%  | 55%                        |
| HNW Sales Force           | 25%  | 25%                        |
| Institutional Sales Force | 20%  | 20%                        |

- Assets not directly sourced by the HNW PM teams are paid at a lower rate since the source (HNW or institutional) is also paid on the revenues generated by the same assets:
  - HNW sales force receives a first-year payout of 30% of revenues, with an annual “trailer” of 10% (or up to 20% if certain sales goals have been met).
  - Institutional sales force receives a first-year payout of 25%, with declines to 10% in year 2 and 5% in subsequent years.

---

<sup>1</sup> HNW PMs who are former Neuberger Berman Founders receive a 22% payout on revenues from directly sourced assets up to a high-water mark established at the Neuberger Berman IPO—and which increases by 4% per year. Assets above the high-water mark are eligible for the regular (i.e., 40%) payout. The two-tier payout structure is due to the purchase of the Founder’s book of business at the time of the IPO in exchange for shares in the new public company (“Founders Shares”). This same group of HNW PMs may also receive a 22% payout on revenues sourced through the High Net Worth sales force up to a high-water mark and regular payout of 25% of revenues in excess of the high-water mark.