PUBLIC DISCLOSURE

August 14, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Lehman Brothers Bank, FSB
921 N Orange St
Wilmington, DE 19801
Docket #: 06069

Office of Thrift Supervision
Northeast Region
Harborside Financial Center Plaza Five, Suite 1600
Jersey City, New Jersey 07311

NOTE: **This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

Office of Thrift Supervision
Department of the Treasury *Northeast Region*

Harborside Financial Center Plaza Five • (201) 413-1000
Suite 1600
Jersey City, NJ 07302

January 23, 2007

Board of Directors
Lehman Brothers Bank, FSB
921 N Orange St
Wilmington, DE 19801

Members of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of August 14, 2006. Pursuant to the provisions of the CRA and OTS regulations (12 C.F.R. 563e), your institution must make this evaluation and your institution's CRA rating available to the public.

In accordance with 12 C.F.R. 563e, your institution must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to make this evaluation available to the public. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution. Please acknowledge receipt of this evaluation by signing the attached Board signature page and retaining a copy of the acknowledgment.

Sincerely,

Martin Lavelle
Assistant Director

Enclosure

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Lehman Brothers Bank, FSB. The Office of Thrift Supervision (OTS) prepared the evaluation as of August 14, 2006. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

Institution

Overall Rating

INSTITUTION'S CRA RATING: Outstanding

Lehman Brothers Bank's (Lehman, Lehman Bank, the bank, or the institution) overall record of serving the credit needs of its delineated assessment areas is outstanding.

As permitted by CRA regulations for large retail institutions, the institution can elect a weight percentage for each of the Performance Tests. Lehman bank has assigned the following weight percentages for evaluating its CRA performance:

- Lending Test 65 percent
- Investment Test 25 percent
- Service Test 10 percent

While Lehman is primarily a nation-wide residential lender, it has only two retail branch offices. The location of these offices constitute the basis for the bank's two delineated assessment areas. One branch office is located in Jersey City, NJ and directly serves the New York Metropolitan Statistical Area (MSA); and the other branch office is located in Wilmington, DE and directly serves the Wilmington, DE-MD-NJ Metropolitan Division (MD). During the review period, the New York MSA accounted for 2.5 percent of Lehman's lending activity while the Wilmington MD accounted for 0.1 percent. In assigning the overall rating, we gave the most weight to the NY MSA since there was more activity in this area.

In the New York MSA area, the distribution of residential mortgages in low-and moderate-income (LMI) geographies was excellent. The distribution to LMI borrowers was considered good. Based on 2005 aggregate data, Lehman sustained a substantial market share for these two distribution factors. Through Lehman bank and its operating mortgage subsidiaries, numerous innovative/flexible lending programs are available to borrowers at many different economic levels. While the institution does not participate in community development lending, it made a significant response to community needs through qualified investments and grants/contributions.

In the Wilmington, DE-MD-NJ MD area, Lehman displayed an excellent response to lending in LMI geographies. The institution also provided a good distribution of loans to borrowers at different income levels, particularly to LMI families. Through its contacts with Wilmington-based community organizations, Lehman was very proactive in purchasing qualified investments and making grants/contributions to community development organizations.

Comment [OTS1]: Summarize the major factor(s) supporting the institution's rating. When you have identified evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs, the conclusion must include a statement that the evidence influenced the rating. The summary should not mention any technical violations.

Institution (continued)

While Lehman does not rely heavily on retail business, it does conduct traditional banking services through its two-branch operation. In addition to these facilities, the bank also offers other avenues for customers to conduct banking business including the Internet and banking by mail.

As discussed in the Lending in the Combined Assessment Area section of this evaluation, the total lending within the two delineated assessment areas was only 2.6 percent based on the number of loans, and 3.9 percent based on dollar volume. As a result, we also provided additional analysis of the institution's lending for seven other MSAs and MDs where Lehman had originated or purchased a significant number of loans. Overall, the distribution of loans in LMI geographies and to LMI borrowers within the additional areas was considered excellent. This analysis can be found in the Supplemental Evaluation Areas section at the end of the evaluation.

Institution

Lending, Investment, Service Test Table

The following table indicates the performance level of Lehman Brothers Bank, FSB, with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Lehman Brothers Bank 8/14/2006 PERFORMANCE TESTS[1]		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory		X	
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			

* Notes: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Comment [OTS2]: [Indicate the performance level under each criteria by marking an "X" in the appropriate row.]

The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

[1] Weight selections used for the evaluation of the institution's CRA performance could result in unrated Performance Test factors.

Institution (continued)

Description of Institution

Lehman Brothers Bank, FSB, is a federally chartered stock institution headquartered in Wilmington, DE, with an executive office in New York City. The institution is a wholly owned subsidiary of Lehman Bancorp, Inc., which in turn is a subsidiary of Lehman Brothers Holdings Inc. ("LB Holdings"). LB Holdings is involved in global finance serving the financial needs of corporations, governments, municipalities, institutional clients, and high net-worth individuals worldwide. LB Holdings' activities include equity and fixed income sales, trading and research, investment banking, private investment management, asset management, and private client services. LB Holdings is headquartered in New York City, with regional headquarters in London and Tokyo. At June 30, 2006, Lehman Brothers Bank had total assets of $19.2 billion.

Lehman Brothers Bank offers a range of checking, savings, and certificate of deposit products. The institution has two retail offices, one located in Jersey City, NJ and the other in Wilmington, DE. The Jersey City office was established in January 2004, serving the New York area. Much of Lehman Brothers Bank's source of funds is raised through nationally directed programs such as institutional deposit programs, escrow deposits, retail-oriented brokered deposit programs, and Internet sales. Of the $16.4 billion in deposits, $13.5 billion (or 83 percent) are in broker-originated deposits.

Lehman Brothers Bank serves very specific functions within a family of affiliates that provide mortgage brokerage and correspondent mortgage relationship management services, lending, loan servicing, asset management, and trust services. The institution was established primarily as a mortgage loan conduit to affiliates for eventual securitization. The bank and affiliates have review procedures designed to identify predatory lending practices.

As of June 30, 2006, the total loan portfolio equaled $18 billion. Table 1 indicates the dollar amount, percentage to total loans, and percentage to total assets of each loan category.

***Table 1* - Lehman Brothers Bank's Investment in Loans**
(6/30/2006 Thrift Financial Report)

Loan Category	Amount ($000's)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	$14,861,273	82.3%	77.5%
Nonresidential Mortgage	1,868,907	10.4%	9.7%
Commercial Nonmortgage	437,847	2.4%	2.3%
Consumer	879,401	4.9%	4.6%
Total	$18,047,428	100.0%	94.1%

Institution (continued)

Lehman Brothers Bank subsidiaries, Aurora Loan Services, Inc. and BNC Mortgage, Inc, engage in mortgage banking on a national basis through loan purchase and correspondent/broker retail originations. Aurora Loan Services, located in Littleton, CO, primarily offers Alt-A loans. BNC Mortgage, located in Orange County, CA, specializes in sub-prime loans. In addition to residential mortgages, the institution lends to small businesses through its small business finance division, located in Lake Forest, CA. While Lehman Brothers Bank maintains two retail offices in Wilmington, DE and Jersey City, NJ, it provides lending opportunities nationwide.

Scope of Examination

The examination was conducted under the large retail bank performance standards to determine performance within the assessment areas. The review period included a 30-month period commencing January 1, 2004 and concluding June 30, 2006. Home Mortgage Disclosure Act (HMDA)-reportable residential mortgage loans were the primary product analyzed in this CRA evaluation. Additional supplemental areas where the bank originated/purchased material levels of loans were also analyzed.

Description of Combined Assessment Area

Lehman Brothers Bank's retail presence encompasses two broad areas: New York/Northern NJ and Wilmington, DE. The first assessment area includes two contiguous metropolitan divisions (MDs): Newark-Union, NJ-PA MD (#35084) and New York-Wayne-White Plains, NY-NJ MD (#35644). These MDs are part of the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA (#35620). The second assessment area includes the Wilmington, DE-MD-NJ MD (#48864).

In January 2004, the bank added the NY/Northern NJ assessment area to its delineated area as a result of establishing the retail office in Jersey City, NJ.

Table CA-1 illustrates various demographic data pertaining to the institution's total assessment area based on 2000 U.S. Census Data.

Table CA-1 **- Demographic Data**
Combined Assessment Area

Demographic Data	2000 Census
Population	14,045,721
Total Families	3,413,897
1-4 Family Units	3,007,637
Multi-family Units	2,487,925
% Owner-Occupied Units	41%
% Rental-Occupied Units	54%
% Vacant Housing Units	5%
Weighted Average Median Housing	$228,237

Institution (continued)

(Note: As appropriate, the 2000 U.S. Census Data throughout this report reflects adjustments made in 2004 by the Office of Management and Budget.)

Table CA-2 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table CA-2 **- Distribution of Geographies, Families and Housing Units In the Combined Assessment Area (Based on 2000 U.S. Census Data)**

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	**#**	**%**	**#**	**%**	**#**	**%**
Low	430	12.0%	380,160	11.1%	136,834	4.6%
Moderate	866	24.2%	831,091	24.3%	576,854	19.3%
Middle	1,064	29.7%	974,349	28.5%	992,474	33.3%
Upper	1,153	32.3%	1,228,297	36.1%	1,278,102	42.8%
Income NA	66	1.8%	0	0.0%	113	0.0%
Total	3,579	100.0%	3,413,897	100.0%	2,984,377	100.0%

According to 2000 U.S. Census Data, 40.7 percent of the families in the combined assessment area are classified low- to moderate-income, with 13.3 percent of the families reporting income below the poverty level. Table CA-3 shows the distribution of families in each income range of the assessment area.

Table CA-3 **- Distribution of Families Combined Assessment Area**

Family Income Category (As a % of MD/MSA Median)	2000 Census Data	
	Number	**Percent**
Low (< 50%)	848,922	24.9%
Moderate (50% - 79%)	538,474	15.8%
Middle (80% - 119%)	604,057	17.7%
Upper (>= 120%)	1,422,444	41.6%
Total	3,413,897	100.0%

A more detailed description of each assessment area is provided under each individual assessment area summary.

Institution (continued)

Conclusions With Respect To Performance Tests in Combined Assessment Area

As part of the CRA review, an analysis of the institution's performance under the lending test, investment test, and service test was conducted. In consideration of each test, various reviews were performed to assess the institution's level of performance.

Comment [OTS3]: Discuss the institution's overall CRA performance. The performance evaluation should reflect the facts, data, and analyses that you used to form a conclusion about the rating. The narrative should clearly demonstrate how the results of each of the performance test analyses and relevant information from the performance context factored into the overall institution rating. You may use the charts and tables whenever possible to summarize and effectively present the most critical or informative data used to analyze the institution's performance and reach conclusions.

Lending Test:

Under the lending test, the areas reviewed consisted of the institution's lending activity within its assessment area, the geographic distribution of loans, borrower profile, and evidence that loans were made to all income groups. Additional areas reviewed include the institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities, and the use of innovative and flexible loan products to serve the assessment area credit needs.

Lending in the Combined Assessment Area

During the 30-month review period covering January 1, 2004 through June 30, 2006, Lehman Brothers Bank originated and/or purchased 1,561,264 HMDA-reportable loans (home purchase, refinance, and home improvement loans) totaling $304 billion. When compared to the prior review period of 45 months, this represents a 198 percent increase based on the number of loans and a 286 percent increase based on dollar volume. This significant increase resulted from the inclusion of BNC Mortgage, Inc.'s loan production with Lehman Brothers Bank's originations (as approved by OTS) and the strong increase in lending activity by Aurora Loan Services, Inc.

Table CA-4 illustrates the total number and dollar amount of HMDA-reportable loans originated and/or purchased (hereafter referred as "originated") in and outside the two assessment areas during the review period. For comparison purposes, the table reflects lending activity by each appropriate year during the review period.

Institution (continued)

Table CA-4 - Concentration of Mortgage Loans *
1/1/2004 – 6/30/2006
(Dollars in thousands)

Period By Yr.	NY MSA AA		Wilm MD AA		Combined AA		Outside AA		Total Loans
By Number:	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**#**
2004	12,935	2.4%	790	0.1%	13,725	2.5%	530,622	97.5%	544,347
2005	18,170	2.5%	944	0.1%	19,114	2.6%	714,879	97.4%	733,993
1&2 Qrts 2006	7,501	2.6%	540	0.2%	8,041	2.8%	274,883	97.2%	282,924
Total	38,606	2.5%	2,274	0.1%	40,880	2.6%	1,520,384	97.4%	1,561,264
By $ Amt.:	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**
2004	$3,619,725	3.5%	$106,629	0.1%	$3,726,354	3.6%	$99,395,234	96.4%	$103,121,588
2005	5,608,510	3.9%	145,897	0.1%	5,754,407	4.0%	139,742,581	96.0%	145,496,988
1&2 Qrts 2006	2,394,474	4.3%	86,598	0.2%	2,481,072	4.5%	52,744,209	95.5%	55,225,281
Total	$11,622,709	3.8%	$339,124	0.1%	$11,961,833	3.9%	$291,882,024	96.1%	$303,843,857

* Percents are based on total HMDA-reportable loans originated during applicable year.

As shown in the above chart, the bank originated 40,880 HMDA-reportable loans for an aggregate total of $12 billion within the two delineated assessment areas. As a percentage of total lending activity, 2.6 percent and 3.9 percent of the loans by number and dollar amount, respectively, were within the combined assessment area. The concentration of lending within the delineated assessment areas during the current review period is higher than the 0.2 percent reported at the prior examination. This favorable result is attributed to the inclusion of the NY-Northern NJ assessment area during this review period.

As previously discussed, Lehman Brothers Bank is a nationwide banking operation. Given the low percentage of total lending within the delineated assessment areas, an additional analysis was conducted of the institution's lending in those MD/MSAs where the bank originated or purchased a significant number of loans. This additional analysis appears in the Supplemental Evaluation Areas section at the end of the evaluation.

Based on the bank's operational structure, coupled with nationwide lending, it was concluded that the concentration of loans within the combined assessment area is good.

<u>Geographic Distribution of Loans</u>

Part of the lending test includes an analysis of Lehman Brothers Bank's lending activity with respect to the distribution of loans among geographic areas of different income levels within the assessment areas. This analysis is confined to HMDA-reportable loans originated by the bank.

Institution (continued)

During the review period, Lehman Brothers Bank originated 40,880 residential mortgage loans totaling $12 billion in the combined assessment area. Table CA-5 provides an analysis of Lehman's geographic distribution of residential mortgages for each year throughout the review period, and compares this activity to the 2005 aggregate.

Table CA-5* - Distribution of Residential Mortgage Loans By Geography Income Level in the Combined Assessment Area *(Dollars in thousands)

Geography Inc. Level	2004		2005		1/1/2006 – 6/30/2006		Review Period 1/1/2004 – 6/30/2006		Aggregate 2005
By Number	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**% by #**
Low	1,009	7.4%	1,680	8.8%	773	9.6%	3,462	8.5%	4.5%
Moderate	3,424	24.9%	5,018	26.3%	2,256	28.1%	10,698	26.2%	18.0%
Middle	4,922	35.9%	6,555	34.3%	2,811	35.0%	14,288	35.0%	34.1%
Upper	4,366	31.8%	5,856	30.6%	2,199	27.3%	12,421	30.3%	43.3%
Income NA	4	0.0%	5	0.0%	2	0.0%	11	0.0%	0.1%
Total	13,725	100.0%	19,114	100.0%	8,041	100.0%	40,880	100.0%	100.0%
By $ Amt	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**% by $**
Low	$242,341	6.5%	$432,073	7.5%	$219,572	8.8%	$893,986	7.5%	4.3%
Moderate	809,408	21.7%	1,317,525	22.9%	636,091	25.6%	2,763,024	23.1%	16.0%
Middle	1,181,038	31.7%	1,754,825	30.5%	783,499	31.6%	3,719,362	31.1%	27.8%
Upper	1,492,757	40.1%	2,248,059	39.1%	840,602	33.9%	4,581,418	38.3%	51.7%
Income NA	810	0.0%	1,925	0.0%	1,308	0.1%	4,043	0.0%	0.2%
Total	$3,726,354	100.0%	$5,754,407	100.0%	$2,481,072	100.0%	$11,961,833	100.0%	100.0%

Throughout the review period, the distribution as a percentage of total number of loans among low- and moderate-income (LMI) geographies increased. In comparison to the 2005 aggregate, the bank far exceeds the aggregate in loan distribution in both low- and moderate-income geographies. Based on these results, the geographic distribution of loans throughout the combined assessment area was excellent.

A more detailed study is provided within the analysis of each assessment area.

<u>Borrower Income Characteristics</u>

As a part of the lending test, an analysis of Lehman Brothers Bank's lending activity with respect to the distribution of loans among borrowers of different income levels within the assessment areas was conducted. As with the geographic distribution, this analysis is confined to HMDA-reportable loans originated by the bank.

Table CA-6 provides an analysis of the bank's HMDA-reportable lending activity for each year throughout the review period and compares this activity to the 2005 aggregate.

Institution (continued)

Table CA-6 - Distribution of Residential Mortgage Loans By Borrower Income Level in the Combined Assessment Area *(Dollars in thousands)*									
Borrower Inc. Level	**2004**		**2005**		**1/1/2006 – 6/30/2006**		**Review Period 1/1/2004 – 6/30/2006**		**Aggregate 2005**
By Number	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**% by #**
Low	349	2.5%	365	1.9%	148	1.8%	862	2.1%	2.2%
Moderate	1,302	9.5%	1,418	7.4%	642	8.0%	3,362	8.2%	8.8%
Middle	2,600	19.0%	3,383	17.7%	1,369	17.0%	7,352	18.0%	17.4%
Upper	6,400	46.6%	11,644	60.9%	5,295	65.9%	23,339	57.1%	53.3%
Income NA	3,074	22.4%	2,304	12.1%	587	7.3%	5,965	14.6%	18.3%
Total	13,725	100.0%	19,114	100.0%	8,041	100.0%	40,880	100.0%	100.0%
By $ Amt	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**% by $**
Low	$42,691	1.1%	$61,123	1.1%	$22,833	0.9%	$126,647	1.1%	0.8%
Moderate	204,969	5.5%	270,273	4.7%	119,868	4.8%	595,110	5.0%	4.5%
Middle	552,834	14.8%	770,347	13.4%	324,625	13.2%	1,647,806	13.8%	11.9%
Upper	2,074,444	55.8%	3,923,300	68.2%	1,816,798	73.2%	7,814,542	65.3%	60.2%
Income NA	851,416	22.8%	729,364	12.6%	196,948	7.9%	1,777,728	14.8%	22.6%
Total	$3,726,354	100.0%	$5,754,407	100.0%	$2,481,072	100.0%	$11,961,833	100.0%	100.0%

During the review period, the percentage of loans to LMI borrowers declined slightly but compares similarly to the 2005 aggregate. Based on these results, the borrower distribution of loans throughout the combined assessment area was satisfactory.

A more detailed analysis is provided within the analysis of each assessment area.

Community Development Lending

Lehman Brothers Bank's primary business focus is single-family lending. The bank does not originate or purchase multi-family loans or residential construction. In 2005, it began originating small commercial real estate loans. None of the small commercial real estate loans are in the assessment area. As a result, the bank has no qualified community development loans.

To address the need for community development, Lehman Brothers Bank has made strong commitments to organizations that provide community development within the assessment areas. These commitments are provided via qualified investments and donations. For a detailed description of these qualified investments, refer to the Investment Test under the respective, combined New York and Wilmington assessment areas.

Institution (continued)

Innovative and Flexible Lending Practices

Lehman Brothers Bank made extensive use of innovative and flexible lending practices in order to serve both assessment areas' credits needs, as well as nationwide. Through the delivery channels of the bank and its mortgage subsidiaries, numerous mortgage products are available to all types of borrowers including LMI. For example, these innovative products include: 40 and 50-year amortization periods (loans mature in 30 years); interest only loans; no or low-document loans; stated income loans; various hybrid fixed/adjustable rate loans; 100 percent loan-to-value loans; and balloon loans.

Through its subsidiary, BNC Mortgage, the bank is able to provide credit to borrowers who are economically disadvantaged. BNC Mortgage, a sub-prime lender, provides products that benefit borrowers who have low credit scores, unusual income and/or employment status, no down payment funds, or experienced bankruptcy.

Overall, Lehman Brothers Bank is very flexible with its lending programs in order to meet the needs of borrowers with varying financial profiles.

Investment Test:

Under the investment test, the areas reviewed consisted of the institution's investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

The institution responded effectively to community credit needs through its aggressive investment efforts in organizations that benefit the New York and Wilmington assessment areas independently, and to both areas as a whole. The bank's investments and donations help support housing and community development projects in economically disadvantage neighborhoods.

The investments are made directly by Lehman Brothers Bank, or through the bank's affiliates: LBF and LBP. The affiliate organizations provide support to innovative, not-for-profit organizations that work to advance quality services to LMI individuals. During the 30-month review period, Lehman provided $27.1 million in qualified investments and contributions.

Lehman Brothers Bank made several qualified investments that benefit a large geographical area encompassing both assessment areas. Table CA-7 illustrates these investments.

Institution (continued)

Table CA-7 - **Combined Assessment Area Community Development Investments**			
Entity Name	**Location**	**$(000)**	**Description**
CRA Fund of Small Business Investment Companies (SBIC)	Combined AA	$2,000	Funded $890 thousand in a diversified SBIC portfolio serving businesses in LMI geographies in the New York and Wilmington areas
Ironwood Equity Fund, LP (Ironwood Capital)	Combined AA	$1,000	Funded $380,458 in an SBIC serving businesses in LMI geographies in the New York and Wilmington areas
Alpine Equity Find, LP (Pinecreek Partners)	Combined AA	$1,000	Funded $83,542 in an SBIC that offers capital to businesses that provide financial services, educational products and services, and consumer products for the elderly
Total Community Development Investments serving the combined area		$4,000	

For detail on other community development investments and grants serving individual assessment areas, refer to the Investment Test under the applicable area.

Service Test:

Under the service test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Lehman Brothers Bank offers retail services via a two-branch network. One branch is located in a low-income geography in Wilmington, DE, and the other branch is located in an upper-income geography in Jersey City, NJ. The retail branch in Jersey City was opened for full service in January 2004.

Both branches are open for operation from 9:00 a.m. to 4:00 p.m. Monday through Friday. The Wilmington branch has a cash-dispensing automated teller machine (ATM). The Jersey City branch has a cash-dispensing ATM inside the lobby and a full service ATM on the outside.

Lehman also offers bank by mail and online banking. Internet Banking services are found at www.lehmanbrothersbank.com. These services include the following: transfer of funds between Lehman Brothers Bank accounts or between the bank and other financial institutions; access to account history; and online bill payment to any merchant, institution, or individual within the United States.

Institution (continued)

Community Development Services

Officers and employees of the institution serve as board members and committee chairs for various community development corporations and organizations. Many employees are also actively involved in various community activities and programs including financial education and homebuyer seminars, credit counseling, and social service programs.

In addition to the institution's employees, members of the Lehman Brothers Foundation (LBF) and Lehman Brothers Philanthropy (LBP) also provide community development services throughout the combined assessment area and beyond. The affiliate organizations provide support to innovative not-for-profit organizations that work to advance quality services to low- and moderate-income people.

For detail on other community development services within individual assessment areas, refer to the Service Test under the applicable area.

Fair Lending or Other Illegal Credit Practices Review

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified during the most recent examination. Should the next independent examination find violations of the substantive provisions of the antidiscrimination laws and regulations, OTS will conduct a new CRA Performance Evaluation taking into consideration the evidence of discriminatory or other illegal practices and assign a new rating accordingly.

Institution (continued)

MULTI-STATE MSA
Summary

CRA Rating for New York-Northern NJ-Long Island, NY-NJ-PA MSA

CRA RATING[2]:	**Outstanding**
The Lending Test is rated:	**Outstanding**
The Investment Test is rated:	**High Satisfactory**
The Service Test is rated:	**Low Satisfactory**

The overall outstanding rating within the New York MSA assessment area reflects Lehman's excellent record with respect to lending and qualified community development investments. The bank's retail and community development services are adequate.

While Lehman is a nationwide residential lender, its New York MSA assessment area accounted for 2.5 percent of the bank's lending activity. Within this area, the distribution of residential mortgages in LMI geographies was excellent. The distribution to LMI borrowers was good. Based on 2005 aggregate data, Lehman sustained a substantial market share for these two distribution factors. Through Lehman Brothers Bank and its operating mortgage subsidiaries, numerous innovative/flexible lending programs are available to borrowers at many different economic levels. While the institution does not participate in community development lending, it made a significant response to community needs through qualified investments and grants/contributions.

Description of Operations in New York-Northern New Jersey-Long Island, NY-NJ-PA MSA

Lehman Brothers Bank operates one retail office within this 17-county assessment area. This office, located in Jersey City, NJ, was established in January 2004. As such, this is the institution's first Performance Evaluation to include this assessment area. While the institution offers traditional services through this office, the mortgage loan activity is primarily generated by the Lehman subsidiaries on a nationwide basis. In addition to the HMDA-reportable loans, the institution was also successful in generating qualified community development investments, as well as participating in community development services.

[2] For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Institution (continued)

Description of New York-Northern NJ-Long Island, NY-NJ-PA MSA Assessment Area

This assessment area contains two metropolitan divisions (MDs): the Newark-Union, NJ-PA MD (#35084) and the New York-Wayne-White Plains, NY-NJ MD (#35644). Both of these MDs are contiguous and part of the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA ("New York MSA"). Table 1.1 lists the counties and number of geographies within each county of this assessment area.

Table 1.1 **- County Listing New York MSA Assessment Area**			
Newark-Union, NJ-PA MD (#35084)		**NY-Wayne-White Plains, NY-NJ MD (#35644)**	
County	**# of Geog.**	**County**	**# of Geog.**
Essex, NJ	212	Bergen, NJ	163
Hunterdon, NJ	26	Hudson, NJ	158
Morris, NJ	99	Passaic, NJ	85
Sussex, NJ	40	Bronx, NY	355
Union, NJ	106	Kings, NY	783
Pike, PA	8	New York, NY	296
Total:	491	Putnam, NY	19
		Queens, NY	673
		Richmond, NY	110
		Rockland, NY	58
		West Chester, NY	221
		Total:	2,921

Table 1.2 illustrates the assessment area's demographic data compiled by the U.S. Department of Commerce.

Table 1.2 **- Demographic Data New York MSA Assessment Area (Based on 2000 U.S. Census Data*)**	
Demographic Data	**2000 Census**
Population	13,395,220
Total Families	3,245,056
1-4 Family Units	2,789,535
Multi-family Units	2,445,887
% Owner-Occupied Units	39%
% Rental-Occupied Units	56%
%Vacant Housing Units	5%
Weighted Average Median Housing	$232,949

Institution (continued)

Table 1.3 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 1.3 - Distribution of Geographies, Families and Housing Units In the New York Assessment Area (Based on 2000 U.S. Census Data)						
Geog Inc Level	**Geographies**		**Total Area Families**		**1-4 Family Dwellings**	
2000 Census:	**#**	**%**	**#**	**%**	**#**	**%**
Low	418	12.3%	374,609	11.5%	129,186	4.7%
Moderate	836	24.5%	804,436	24.8%	541,018	19.5%
Middle	972	28.5%	875,940	27.0%	872,923	31.5%
Upper	1,121	32.9%	1,190,071	36.7%	1,232,226	44.3%
Income NA	65	1.8%	0	0.0%	113	0.0%
Total	3,412	100.0%	3,245,056	100.0%	2,775,466	100.0%

According to 2000 U.S. Census Data, 40.8 percent of the families in the New York assessment area are classified as low- to moderate-income, with 13.7 percent of the families reporting income below the poverty level. The Department of Housing and Urban Development (HUD) annually adjusts the 2000 census data to update the income levels. The adjusted figures are used in the Lending to Borrowers of Different Incomes section of this Performance Evaluation. Table 1.4(a) indicates the median family income ranges of each income category based on the 2006 HUD adjustment; table 1.4(b) reflects the updated HUD median family income for each year during the review period; and table 1.4(c) shows the distribution of families (based on 2000 census data) in each income range of the assessment area.

Table 1.4(a) - Median Family Income Ranges (*)				
Income Category (As % of Metropolitan Division Median)	**Newark-Union, NJ-PA MD (#35084)**		**NY-Wayne-White Plains, NY-NJ MD (#35644)**	
	From	**To**	**From**	**To**
Low (< 50%)	$1	$42,699	$1	$29,599
Moderate (50% - 79%)	$42,700	$68,319	$29,600	$47,359
Middle (80% - 119%)	$68,320	$102,479	$47,360	$71,039
Upper (>= 120%)	$102,480	+	$71,040	+

* Based on HUD 2006 Median Family Income of the Metropolitan Divisions

Table 1.4(b) - Annual HUD Median Family Income		
	Newark-Union MD	**NY-Wayne MD**
Year	**Amount**	**Amount**
2004	$81,000	$57,000
2005	$81,200	$57,650
2006	$85,400	$59,200

Institution (continued)

Table 1.4(c) - Distribution of Families New York MSA Assessment Area		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	816,731	25.2%
Moderate (50% - 79%)	507,698	15.6%
Middle (80% - 119%)	563,342	17.4%
Upper (>= 120%)	1,357,285	41.8%
Total	3,245,056	100.0%

The New York MSA is centrally located along the Northeast I-95 corridor, accessible to other major metropolitan areas including Boston, Philadelphia, and Washington DC. The area serves as a major transportation and shipping center with various international airports and seaports. The area contains a comprehensive rail transportation system, including freight and passenger systems serving metropolitan, regional, and national markets. The central location and access to transportation has made the area the most populous in the nation and a global center of business and finance.

During the late 1990's, the area's economy grew at a near-record pace, led by a surge on Wall Street, rapid growth in a variety of service industries, and a strong influx of immigrants. However, in 2001, New York's economy slipped into a recession. This downturn coincided with the 2001 terrorist attack and a sharp contraction in the financial sector. Since 2004 the economy has been recovering slowly but steadily. Similar to the area's economy, the job market also suffered a recession. In 2001, the area sustained a job loss of 7.2 percent, versus the 2.4 percent experienced nationally. During New York's recovery period, income growth has returned to favorable levels, though job growth has been sluggish. As of July 2006, while the national unemployment rate was 5.0 percent, the NYC vicinity reported a 6.0 percent unemployment rate.

The New York MSA has been noted for being the leading area for apparel and fashion, commerce and banking, foreign trade, publishing, manufacturing, and theatrical production in the United States. The nation's largest banks, securities and investment companies, insurance and financial firms are headquartered in this assessment area. The operations of many of these firms are spread throughout much of the MSA, particularly throughout northern New Jersey. A shift in location of these industries from New York City and Long Island to northern NJ has resulted from lower NJ state taxes, real estate prices, and labors rates.

The New York area is also a substantial center of government employment at federal, state, and municipal levels, and a significant retail outlet. Manufacturing, though still an important component of the local economy, is more limited as a result of the relatively high cost of land, labor, and taxes compared to other areas of the country. Area wage rates and cost of living are high compared to other MSAs in the greater northeast. Some of the largest employers in 2002, by number of

Institution (continued)

employees were: Lincoln Hospital; Columbia University; Merrill Lynch; Mount Sinai Medical Center; Beth Israel Medical Center; Morgan Stanley Children's Hospital; IBM; Columbia Presbyterian Medical Center; and American Express.

As part our CRA review in the New York MSA, a community source was reviewed to develop a better understanding of the housing needs within the community and how financial institutions are addressing those needs.

Conclusions With Respect To Performance Tests in NY-Northern NJ-Long Island MSA

As part of the CRA review, an analysis of the institution's performance under the lending test, investment test, and service test was conducted. In consideration of each test, various reviews were performed to assess the institution's level of performance.

Lending Test:

Under the lending test, the areas reviewed consisted of the institution's lending activity within its New York MSA assessment area, the geographic distribution of loans, borrower profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, and the use of innovative and flexible loan products to serve the assessment area credit needs.

Lending in the New York MSA Assessment Area

During the review period, Lehman Brothers Bank originated 38,606 HMDA-reportable loans within the assessment area, representing a 2.5 percent penetration of its total loans. In dollar volume the bank originated $11.6 billion in loans in the assessment area, representing a 3.8 percent penetration. Based on Lehman Brothers Bank's nationwide lending activity during the review period, the New York MSA is ranked eighth in number of loans Lehman originated in MSAs throughout the country. (Lending in other high-volume MSAs is discussed under the Supplemental Areas section of this performance evaluation.)

Based on the 2005 aggregate HMDA data, Lehman Brothers Bank (including affiliates) ranked 6th in overall market share at 2.8 percent. The top ranked lender, a national mortgage company, had a market share of 7.0 percent. The other top four lenders included three national banks and a mortgage corporation. During 2005, 920 HMDA-reportable lenders originated or purchased 528,246 loans totaling $159.4 billion in the assessment area. Based on the lending activity during the review period, the bank had an excellent response to assessment area credit needs.

Institution (continued)

Geographic Distribution of Loans

During the review period, Lehman Brothers Bank originated 38,606 residential mortgage loans totaling $11.6 billion in the New York MSA assessment area. Table 1.5 provides an analysis of Lehman's geographic distribution of residential mortgages for each year throughout the review period and compares this activity to the 2005 aggregate.

Table 1.5 **- Distribution of Residential Mortgage Loans**
By Geography Income Level in the New York MSA Assessment Area
(Dollars in thousands)

Geography Inc. Level	2004		2005		1/1/2006 – 6/30/2006		Review Period 1/1/2004 – 6/30/2006		Aggregate 2005
By Number	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**% by #**
Low	981	7.6%	1,654	9.1%	755	10.1%	3,390	8.8%	4.8%
Moderate	3,263	25.2%	4,803	26.4%	2,142	28.6%	10,208	26.4%	18.3%
Middle	4,438	34.3%	6,003	33.0%	2,484	33.1%	12,925	33.5%	30.9%
Upper	4,249	32.9%	5,705	31.5%	2,118	28.2%	12,072	31.3%	45.9%
Income NA	4	0.0%	5	0.0%	2	0.0%	11	0.0%	0.1%
Total	12,935	100.0%	18,170	100.0%	7,501	100.0%	38,606	100.0%	100.0%
By $ Amt	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**% by $**
Low	$240,522	6.6%	$429,979	7.7%	$218,139	9.1%	$888,640	7.6%	4.5%
Moderate	794,304	21.9%	1,296,188	23.1%	623,757	26.0%	2,714,249	23.4%	16.3%
Middle	1,117,305	31.0%	1,671,984	29.8%	728,671	30.4%	3,517,960	30.3%	26.0%
Upper	1,466,784	40.5%	2,208,434	39.4%	822,599	34.4%	4,497,817	38.7%	53.1%
Income NA	810	0.0%	1,925	0.0%	1,308	0.1%	4,043	0.0%	0.1%
Total	$3,619,725	100.0%	$5,608,510	100.0%	$2,394,474	100.0%	$11,622,709	100.0%	100.0%

The chart shows that the 2005 distribution of loans among LMI geographies exceeded the aggregate for the same period. During each calendar period throughout the review period, the percentage of originations in LMI geographies increased. For the review period, the institution's 8.8 percent of lending in low-income geographies nearly doubled that of the 2005 aggregate's 4.8 percent; and within moderate-income geographies, the institution's 26.4 percent penetration far exceeded that of the aggregate's 18.3 percentage.

Based on 2005 aggregate HMDA data, Lehman Brothers Bank ranked 4th in overall market share in loan originations and purchases in LMI geographies with a 4.0 percent market share. The other three top lenders included two mortgage companies and a national lending institution. During 2005, 641 HMDA-reportable lenders originated or purchased 123,420 loans in LMI geographies totaling $33.4 billion in the assessment area.

Given the institution's positive results in comparison to the aggregate and its good market share position, Lehman Brothers Bank responded in an excellent manner to assessment area credit needs in low- and moderate-income geographies.

Institution (continued)

Borrower Characteristics

Part of the lending test includes an analysis of Lehman's lending activity with respect to the distribution of loans among borrowers of different income levels within the assessment area. Table 1.6 provides an analysis of Lehman's HMDA-reportable lending activity for each year throughout the review period and compares this activity to the 2005 aggregate.

Table 1.6 **- Distribution of Residential Mortgage Loans By Borrower Income Level in the New York Assessment Area** ***(Dollars in thousands)***

Borrower Inc. Level	2004		2005		1/1/2006 – 6/30/2006		Review Period 1/1/2004 – 6/30/2006		Aggregate 2005
By Number	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**% by #**
Low	256	2.0%	265	1.5%	97	1.3%	618	1.6%	1.4%
Moderate	1,101	8.5%	1,172	6.5%	519	6.9%	2,792	7.2%	7.2%
Middle	2,420	18.7%	3,129	17.2%	1,211	16.1%	6,760	17.5%	16.6%
Upper	6,241	48.2%	11,390	62.6%	5,120	68.3%	22,751	59.0%	56.2%
Income NA	2,917	22.6%	2,214	12.2%	554	7.4%	5,685	14.7%	18.6%
Total	12,935	100.0%	18,170	100.0%	7,501	100.0%	38,606	100.0%	100.0%
By $ Amt	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**% by $**
Low	$34,249	0.9%	$50,279	0.9%	$17,272	0.7%	$101,800	0.9%	0.5%
Moderate	182,708	5.0%	239,821	4.3%	102,866	4.3%	525,395	4.5%	3.6%
Middle	527,275	14.6%	734,406	13.1%	300,164	12.5%	1,561,845	13.4%	11.2%
Upper	2,044,627	56.5%	3,868,681	69.0%	1,782,227	74.5%	7,695,535	66.2%	61.8%
Income NA	830,866	23.0%	715,323	12.7%	191,945	8.0%	1,738,134	15.0%	22.9%
Total	$3,619,725	100.0%	$5,608,510	100.0%	$2,394,474	100.0%	$11,622,709	100.0%	100.0%

The above chart shows that the distribution, based on number and dollar amount of loans, to LMI borrowers for 2005 met or slightly exceeded the aggregate lenders' distribution for the same period. During each calendar period throughout the review period, the distribution of loans to LMI borrowers slightly declined. The LMI borrower distribution during the review period is consistent to that of the 2005 aggregate lenders.

Based on the 2005 aggregate HMDA data, Lehman Brothers Bank ranked 6th in overall market share based on loan originations and purchases to LMI borrowers with a 2.5 percent market penetration. The top ranked lender, a mortgage company, had a market share of 7.9 percent. The other four lenders included three national banks and a mortgage company. During 2005, 586 HMDA-reportable lenders originated or purchased 45,332 loans to LMI borrowers totaling $6.7 billion in the assessment area.

Given the institution's good penetration of loans to LMI borrowers as compared to the aggregate and its favorable market share position, the borrower distribution of loans within the assessment area is good.

Institution (continued)

Investment Test:

Under the investment test, the areas reviewed consisted of the institution's investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

The institution and its affiliates made a substantial commitment to assessment area community development needs through its community development investments and contributions. During the review period, Lehman Brothers Bank, directly or via its affiliates, provided qualified investments and grants totaling $16.5 million to organizations serving the NY MSA.

Table 1.7 reflects the investments made directly by Lehman Brothers Bank within the NY MSA assessment area.

***Table 1.7* - Lehman Brothers Bank Community Development Investments & Contributions**				
Entity Name	**Type**	**Location**	**$(000)**	**Description**
CRA Qualified Investment Fund	Investment	Hunterdon, Morris, Essex & Bergen Counties	$500	Purchase of NJ Housing & Mtg Finance Authority Multifamily Housing Revenue Bonds. Funds used to finance eight affordable multifamily properties
Common Ground Community	Investment	NYC	1,000	Comm. Development organization that provides supportive housing in NYC
NJ Community Development Corporation	Contribution	Paterson, NJ	50	Operates supportive housing for individuals with special needs including the disabled and mentally ill
Housing & Neighborhood Development Services, Inc (HANDS)	Contribution	Orange & East Orange, NJ	50	Focuses on revitalization of neighborhoods in Orange & E. Orange, NJ
Total Lehman Brothers Bank Investments and Contributions			**$1,600**	

The bank's affiliate was very active in providing contributions to organizations that serve LMI individuals or neighborhoods. During the review period, Philanthropy made qualifying contributions to 58 organizations totaling $2.9 million. Details of these investments are in Table 1.8.

Institution (continued)

Table 1.8 - Lehman Brothers Philanthropy Community Development Contributions			
Entity Name	**Location**	**$(000)**	**Description**
Robin Hood Foundation	NYC	$1,325	Provides children & youth programs in low-income neighborhoods
Harlem Children's Zone	Central Harlem, NY	257	Comprehensive project to provide educational opportunities for children and youth living in central Harlem
Henry Street Settlement	Manhattan Lower East Side	160	Delivers a wide range of social services and arts programming to LMI individuals
National Center on Addiction & Substance Abuse	NYC	155	Provides the professional disciplines needed to study & combat abuse of all substances
New Visions for Public Schools	NYC	150	Helps schools implement & support personalized, resource-rich and inquiry-based teaching practices
Women in Need	NYC	85	Serves women and children who are homeless and disadvantaged
Big Brothers & Big Sisters of NYC, Inc.	NYC	80	Provides adult mentors to children who need caring role models in their lives
Boys' Club of New York	NYC	78	Provides a learning environment while strengthening family and strong citizenship
Phoenix House Foundation	NYC	75	Offers drug and alcohol treatment services
NJ Community Development Corp.	Paterson, NJ	53	Operates supportive housing for individuals with special needs including the disabled and mentally ill
48 other organizations	NY MSA	518	Offering housing and/or social services to LMI individuals
Total Lehman Brothers Philanthropy Qualified Contributions		**$2,936**	

Lehman also requested consideration of tax credit investments made by the LBP. In 2006 LBP purchased $10 million in New Markets Tax Credits (NMTC). The NMTC program provides an allocation of tax credits to community development entities that enable them to attract investments from the private sector and reinvest these amounts in low-income communities. The $10 million in NMTC were allocated to the rehabilitation of Excellence Charter School of Bedford Stuyvesant, located in Brooklyn, NY. The school's mission is to prepare young students to enter, succeed in, and graduate from outstanding college preparatory high schools and colleges.

Lehman Brothers Bank provided qualified contributions to LBF. LBF is a subsidiary of Lehman Brothers Holdings Inc. During the review period, LBF made qualified contributions to 21 organizations totaling $1.98 million in the bank's New York MSA assessment area. These organizations support affordable housing development and rehabilitation programs; transitional housing and shelters; economic and business development efforts; community services in LMI neighborhoods; food and clothing assistance to populations in need; credit counseling and financial education; and job retention/creation programs.

Institution (continued)

In addition to the above investments and grants, Lehman provided funds for three other investments that encompass both assessment areas collectively. Refer to the Investment Test under the Combined Assessment Area section for details of these investments.

Service Test:

Under the service test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Lehman Brothers Bank offers retail services to its New York assessment area through one full service branch in Jersey City, NJ. This branch, located in upper-income geography, opened for business in January 2004. Branch lobby hours are from 9:00 a.m. to 4:00 p.m. Monday through Friday. The branch has a cash-dispensing ATM inside the lobby and a full service ATM on the outside.

Lehman also offers bank by mail and online banking. Internet banking services are found at www.lehmanbrothersbank.com. These services include the following: transfer of funds between Lehman Brothers Bank accounts or between the bank and other financial institutions; view of account history; and online bill payment to any merchant, institution, or individual within the United States.

Community Development Services

Officers and employees of the institution serve as board members and committee chairs for community development corporations and organizations serving the New York MSA. Representing the institution, various bank personnel participated in organizations that support affordable housing, community development, and the revitalization or stabilization of LMI areas.

During the review period, Lehman provided community development services to the following qualified organizations: Common Ground Community Lenders Committee; Robin Hood Foundation; Harlem Children’s Zone; March of Dimes; Ronald McDonald House of New York City; CancerCare; New York Legal Assistance Group; New York Downtown Hospital; Children’s Health Fund; Donorschoose; YWCA of New York City; Prep for Prep; and Cancer 101.

Lehman’s participation in Community Development services is adequate.

Institution (continued)

MULTI-STATE MD

Summary

CRA Rating for Wilmington, DE-MD-NJ Metropolitan Division

CRA RATING[3]:	**High Satisfactory**
The Lending Test is rated:	**High Satisfactory**
The Investment Test is rated:	**High Satisfactory**
The Service Test is rated:	**Low Satisfactory**

The overall high satisfactory rating within the Wilmington, DE-MD-NJ Metropolitan Division (MD) assessment area reflects Lehman's good record with respect to lending and qualified community development investments. The bank's retail and community development services are adequate.

While Lehman is a nationwide residential lender, its Wilmington assessment area accounted for 0.1 percent of the lending activity. In this assessment area, Lehman displayed an excellent response to lending in LMI geographies. The institution also provided a good distribution of loans to borrowers at different income levels, particularly to LMI families. Through Lehman Brothers Bank and its operating mortgage subsidiaries, numerous innovative/flexible lending programs are available to borrowers at many different economic levels. While the institution does not participate in community development lending, it was very proactive in purchasing qualified investments and making grants/contributions to community development organizations.

Description of Operations in Wilmington, DE-MD-NJ Metropolitan Division

Lehman Brothers Bank operates one retail office within this three-county assessment area. This office is located in an office building in Wilmington, Delaware with limited exposure. While the institution offers the traditional services through this office, the mortgage loan activity is primarily generated by the bank's subsidiaries. In addition to the HMDA-reportable loans, the institution was also successful in generating qualified community development investments as well as participating in community development services.

[3] For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Institution (continued)

Description of Wilmington, DE-MD-NJ Metropolitan Division

Lehman Brothers Bank has designated the Wilmington, DE-MD-NJ Metropolitan Division (MD) #48864 as an assessment area. The Wilmington, DE-MD-NJ MD ("Wilmington assessment area") comprises three counties: New Castle, DE; Cecil, MD; and Salem, NJ.

Table 2.1 illustrates various demographic data pertaining to the institution's total assessment area based on 2000 U.S. Census Data.

***Table 2.1* - Demographic Data Wilmington Assessment Area (Based on 2000 U.S. Census Data*)**	
Demographic Data	**2000 Census**
Population	650,501
Total Families	168,841
1-4 Family Units	218,102
Multi-family Units	42,038
% Owner-Occupied Units	67%
% Rental-Occupied Units	27%
%Vacant Housing Units	6%
Weighted Average Median Housing	$133,395

Table 2.2 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

***Table 2.2* - Distribution of Geographies, Families and Housing Units Wilmington Assessment Area (Based on 2000 U.S. Census Data)**						
Geog Inc Level	**Geographies**		**Total Area Families**		**1-4 Family Dwellings**	
2000 Census:	**#**	**%**	**#**	**%**	**#**	**%**
Low	12	7.2%	5,551	3.3%	7,648	3.7%
Moderate	30	18.0%	26,655	15.8%	35,836	17.2%
Middle	92	55.1%	98,409	58.3%	119,551	57.1%
Upper	32	19.2%	38,226	22.6%	45,876	22.0%
Income NA	1	0.5%	0	0.0%	0	0.0%
Total	167	100.0%	168,841	100.0%	208,911	100.0%

Institution (continued)

According to 2000 U.S. Census Data, 37.3 percent of the families in the assessment area are classified as low- to moderate-income, with 5.7 percent of the families reporting income below the poverty level. The Department of Housing and Urban Development (HUD) annually adjusts the 2000 census data to update the income levels. The adjusted figures are used in the Lending to Borrowers of Different Incomes section of this Performance Evaluation. Table 2.3(a) indicates the median family income ranges of each income category based on the 2006 HUD adjustment; table 2.3(b) reflects the updated HUD median family income for each year during the review period; and table 2.3(c) shows the distribution of families (based on 2000 census data) in each income range of the assessment area.

Table 2.3(a) - Median Family Income Ranges (*)

Income Category (As % of MD Median)	Income Ranges	
	From	To
Low (< 50%)	$1	$36,599
Moderate (50% - 79%)	$36,600	$58,559
Middle (80% - 119%)	$58,560	$87,839
Upper (>= 120%)	$87,840	+

* Based on HUD 2006 Median Family Income of the MD

Table 2.3(b) - Annual HUD Median Family Income

Year	Amount
2004	$69,700
2005	$73,800
2006	$73,200

Table 2.3(c) - Distribution of Families Wilmington Assessment Area

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	32,191	19.1%
Moderate (50% - 79%)	30,776	18.2%
Middle (80% - 119%)	40,715	24.1%
Upper (>= 120%)	65,159	38.6%
Total	168,841	100.0%

New Castle County, DE is the economic center of the 1,180 square mile assessment area. Although New Castle County makes up only 42 percent of the assessment area geographically, it contains 77 percent of the population. Salem County has the lowest population, including the lowest density per square mile, in NJ. Over half of Salem County's and Cecil County's land is actively farmed.

The largest employment sector in the Wilmington assessment area is financial services, followed by chemical and manufacturing. Some of the assessment area's largest employers include: AIG Marketing, Inc.; Agilent Technologies, Inc.; AstraZeneca; AstroPower; Avon Products, Inc.; Christiana Care Health System; First USA; Dupont; Wilmington Trust Company; W.L. Gore; Plasticoid Company; and Konica Manufacturing USA. Most of these employers are located in New Castle County. The unemployment rate for New Castle and Cecil Counties was 4.5 percent in December 2005, while Salem County was 4.8 percent.

Institution (continued)

As part of the CRA analysis in the Wilmington assessment area, a community source was reviewed to develop a better understanding of the housing needs within the community and how financial institutions are addressing those needs.

Conclusions With Respect To Performance Tests in Wilmington, DE-MD-NJ MD

As part of the CRA review, an analysis of the institution's performance under the lending test, investment test, and service test was conducted. In consideration of each test, various reviews were performed to assess the institution's level of performance.

Lending Test:

Under the lending test, the areas reviewed consisted of the institution's lending activity within its Wilmington, DE-MD-NJ MD assessment area, the geographic distribution of loans, borrower profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, and the use of innovative and flexible loan products to serve assessment area credit needs.

Lending in the Wilmington, DE-MD-NJ MD Assessment Area

During the review period, Lehman Brothers Bank originated 2,274 HMDA-reportable loans within the assessment area, representing a 0.1 percent penetration of its total loans. Based on dollar amount, the bank originated $339.1 million in loans in the assessment area, representing a 0.1 percent penetration. Based on Lehman Brothers Bank's nationwide lending activity during the review period, the Wilmington assessment area is ranked 110th based on number of loans the bank originated in MSAs/Non-MSAs throughout the country. (Lending in other high-volume MSAs is discussed under the Supplemental Areas section of this performance evaluation.)

Based on the 2005 aggregate HMDA data, Lehman Brothers Bank ranked 15th in overall market share based on loan originations and purchases with a 1.4 percent market share . The top ranked lender, a national mortgage company, had a market share of 7.9 percent. A majority of the other top lenders were national mortgage companies, national banks, and regional banks headquartered in Wilmington, DE. During 2005, 602 HMDA-reportable lenders originated or purchased 57,819 loans totaling $9.1 billion in the assessment area.

Based on the lending activity during the review period, the bank has been responsive to assessment area credit needs.

Institution (continued)

Geographic Distribution of Loans

During the review period, Lehman Brothers Bank originated 2,274 residential mortgage loans totaling $339.1 million in the Wilmington assessment area. Table 2.4 provides an analysis of Lehman's geographic distribution of residential mortgages for each year throughout the review period and compares this activity to the 2005 aggregate.

Table 2.4 **- Distribution of Residential Mortgage Loans By Geography Income Level in the Wilmington Assessment Area *(Dollars in thousands)***

Geography Inc. Level	2004		2005		1/1/2006 – 6/30/2006		Review Period 1/1/2004 – 6/30/2006		Aggregate 2005
By Number	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**% by #**
Low	28	3.5%	26	2.8%	18	3.3%	72	3.2%	2.0%
Moderate	161	20.4%	215	22.8%	114	21.1%	490	21.5%	15.9%
Middle	484	61.3%	552	58.4%	327	60.6%	1,363	60.0%	62.1%
Upper	117	14.8%	151	16.0%	81	15.0%	349	15.3%	20.0%
Total	790	100.0%	944	100.0%	540	100.0%	2,274	100.0%	100.0%
By $ Amt	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**% by $**
Low	$1,819	1.7%	$2,094	1.4%	$1,433	1.7%	$5,346	1.6%	1.2%
Moderate	15,104	14.2%	21,337	14.6%	12,334	14.2%	48,775	14.4%	12.2%
Middle	63,733	59.8%	82,841	56.8%	54,828	63.3%	201,402	59.3%	59.1%
Upper	25,973	24.3%	39,625	27.2%	18,003	20.8%	83,601	24.7%	27.5%
Total	$106,629	100.0%	$145,897	100.0%	$86,598	100.0%	$339,124	100.0%	100.0%

The chart shows that the 2005 distribution of loans among LMI geographies far exceeded the aggregate for the same period. During each calendar period, the percentage in number and dollar amount of originations in LMI geographies increased or stayed the same. For the review period, the institution's 3.2 percent share of lending in low-income geographies exceeded that of the 2005 aggregate's 2.0 percent; and within moderate-income geographies, the institution's 21.5 percent penetration far exceeded that of the aggregate's 15.9 percentage.

Based on 2005 aggregate HMDA data, Lehman Brothers Bank ranked 11th in overall market share based on loan originations and purchases in LMI geographies with a 1.9 percent market share. The top lender, a national mortgage company, reported a 9.3 percent market share. The other top lenders included mortgage companies, national banks, and regional banks headquartered in Wilmington, DE. During 2005, 367 HMDA-reportable lenders originated or purchased 10,403 loans in LMI geographies totaling $1.2 billion in the assessment area.

Given the institution's positive results in comparison to the aggregate and its good market share position, the bank has been very responsive to assessment area credit needs.

Institution (continued)

Borrower Characteristics

Part of the lending test includes an analysis of Lehman's lending activity with respect to the distribution of loans among borrowers of different income levels within the Wilmington assessment area. Table 2.5 provides an analysis of Lehman's HMDA-reportable lending activity for each year throughout the review period, and compares this activity to the 2005 aggregate.

Table 2.5 **- Distribution of Residential Mortgage Loans By Borrower Income Level in the Wilmington Assessment Area *(Dollars in thousands)***

Borrower Inc. Level	2004		2005		1/1/2006 – 6/30/2006		Review Period 1/1/2004 – 6/30/2006		Aggregate 2005
By Number	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**% by #**
Low	93	11.8%	100	10.6%	51	9.4%	244	10.7%	9.1%
Moderate	201	25.4%	246	26.1%	123	22.8%	570	25.1%	23.8%
Middle	180	22.8%	254	26.9%	158	29.3%	592	26.0%	25.0%
Upper	159	20.1%	254	26.9%	175	32.4%	588	25.9%	26.8%
Income NA	157	19.9%	90	9.5%	33	6.1%	280	12.3%	15.3%
Total	790	100.0%	944	100.0%	540	100.0%	2,274	100.0%	100.0%
By $ Amt	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**% by $**
Low	$8,442	7.9%	$10,844	7.4%	$5,561	6.4%	$24,847	7.3%	5.6%
Moderate	22,261	20.9%	30,452	20.9%	17,002	19.6%	69,715	20.6%	18.8%
Middle	25,559	24.0%	35,941	24.6%	24,461	28.2%	85,961	25.3%	24.4%
Upper	29,817	28.0%	54,619	37.5%	34,571	40.0%	119,007	35.1%	34.2%
Income NA	20,550	19.2%	14,041	9.6%	5,003	5.8%	39,594	11.7%	17.0%
Total	$106,629	100.0%	$145,897	100.0%	$86,598	100.0%	$339,124	100.0%	100.0%

The above chart shows that the distribution, based on number and dollar amount of loans provided to LMI borrowers for 2005, exceeded the aggregate lenders for the same period. During each calendar period, the distribution of loans to LMI borrowers slightly declined but remained above the aggregate. The LMI borrower distribution during the review period is favorable compared to that of the 2005 aggregate lenders.

Based on the 2005 aggregate HMDA data, Lehman Brothers Bank ranked 18th in overall market share based on loan originations/purchases to LMI borrowers with a 1.5 percent market penetration. The top ranked lender, a mortgage company, had a market share of 8.3 percent. The other top lenders included mortgage companies, national banks, and regional banks. During 2005 434 HMDA-reportable lenders originated or purchased 19,046 loans to LMI borrowers totaling $2.2 billion in the assessment area.

Given the institution's good penetration of loans to LMI borrowers as compared to the aggregate and its adequate market share position, borrower distribution of loans within the assessment area is good.

Institution (continued)

Investment Test:

Under the investment test, the areas reviewed consisted of the institution's investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

The bank made a strong commitment to assessment area community development needs through its community development investments and contributions. During the review period, Lehman Brothers Bank directly provided qualified investments and grants totaling $6.5 million that benefit the Wilmington assessment area.

Since 2000 Lehman has made significant purchases of Delaware State Housing Authority Bonds. Funds derived from the issuance of the revenue bonds provide home ownership, affordable rental housing, and both housing and community rehabilitation assistance. These investments serve a broad statewide or regional area, including the Wilmington assessment area. Table 2.6 reflects the bond purchases made by Lehman.

Table 2.6 - Delaware State Housing Authority Bonds
(Dollars in thousands)

Investment	Closing Date	Original Amount	Outstanding Balance
DSHA A-2	10/1/2000	$1,000	$60
DSHA A-1	10/1/2000	2,000	665
DSHA A-3	1/14/2003	1,000	820
DSHA B-1	5/24/2006	4,885	4,885
Total Outstanding Balance			$6,430

The institution was also active in supporting assessment area community development activities through organization contributions totaling $119 thousand. These contributions include the following:

- $75 thousand to the West End Neighborhood House's Cornerstone West Program. This program revitalizes neighborhoods that have been in decline within the city of Wilmington by purchasing, rehabilitating, and reselling homes to qualified LMI families.
- $24 thousand to West End Neighborhood House's Security Deposit Loan Program. This program helps families statewide by providing the needed monies to relocate into safe, affordable housing.
- $20 thousand to the Wilmington Youth Rowing Association. This organization introduces the team sport of rowing to youth that come from LMI families. The organization waives the attendance fee of the summer camp program.

Institution (continued)

In addition to the above investments and grants, Lehman provided funds for three other investments that encompass both assessment areas collectively. Refer to the Investment Test under the Combined Assessment Area section for details of these investments.

Service Test:

Under the service test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Lehman Brothers Bank offers retail services to its Wilmington assessment area through one full service branch in an office building in downtown Wilmington, DE. This branch, which is located in a low-income geography, is in close proximity to many LMI neighborhoods. Branch lobby hours are from 9:00 a.m. to 4:00 p.m. Monday through Friday. The branch has a cash-dispensing ATM inside the office building that is available to customers when the building is open to the public.

Lehman also offers bank by mail and online banking. Internet banking services are found at www.lehmanbrothersbank.com. These services include the following: transfer of funds between Lehman Brothers Bank accounts or between the bank and other financial institutions; view of account history; and online bill payment to any merchant, institution, or individual within the United States.

Community Development Services

Representing the institution, various bank personnel participated in organizations that support affordable housing, community development, and the revitalization or stabilization of LMI areas. During the review period, an officer served on the West End Neighborhood House's Security Deposit Loan Program committee. This committee reviews applicants that request assistance to receive funds to relocate into safe and affordable housing. In addition, an employee provided financial education to a Pleasantville school in Delaware. The presentation was part of the National Teach Children to Save Day program.

Lehman's participation in Community Development services is adequate based on its single-branch presence in the Wilmington assessment area.

Institution (continued)

Supplemental Evaluation Areas

As part of the CRA review, a supplemental analysis of Lehman Brothers Bank's performance under the lending test was conducted. The seven supplemental areas selected include the MSAs (or MDs) that represented a significant portion of Lehman's nationwide lending during the review period. Lehman Brothers does not have a retail branch or deposit-taking ATM in any of the supplemental areas. Under the lending test, the concentration of the institution's lending activity within the supplemental evaluation areas, the geographic distribution of loans, and distribution of loans to all borrower income groups was reviewed.

The following chart illustrates the total number and dollar amount of HMDA-reportable loans originated and/or purchased in the supplemental areas during the 30-month review period ending June 30, 2006.

Concentration of HMDA-reportable Loans in Supplemental Areas
(Dollars in thousands)

Supplemental Area Name	MSA#	Count	$ Amount	% by #	% by $
Los Angeles-Long Beach, CA MD	31084	83,193	$25,644,269	5.5%	8.8%
Phoenix-Mesa-Scottsdale, AZ MSA	38060	78,828	12,831,425	5.2%	4.4%
Riverside-San Bernardino, CA MSA	40140	75,742	17,396,979	5.0%	6.0%
Chicago-Naperville-Joliet, IL MSA	16980	70,883	12,550,773	4.7%	4.3%
Miami-Ft. Lauderdale, FL MSA	33100	50,158	9,163,822	3.3%	3.1%
Wash.-Arlington, DC-VA-MD-WV MD	47894	48,660	12,030,954	3.2%	4.1%
San Francisco-Oakland, CA MSA	41860	40,767	15,704,377	2.7%	5.4%
All other areas	NA	1,113,033	198,521,258	70.4%	63.9%
Total HMDA Loans		1,561,264	$303,843,857	100.0%	100.0%

The following sections provide charts analyzing the institution's lending activity within each of the seven supplemental areas and compares it to the 2005 aggregate based on geographic distribution and borrower income levels.

Institution (continued)

Demographic and Lending Data for the Los Angeles-Long Beach-Glendale, CA MD #31084

Of the seven areas under review, the Los Angeles-Long Beach-Glendale, CA Metropolitan Division had the largest concentration of lending. During the review period, 83,193 HMDA-reportable loans (or 5.5 percent of total) totaling $25.6 billion were originated/purchased in this supplemental area.

Table SA-1.1 illustrates the number of geographies in each income level, the distribution of families living in those geographies, and the distribution of families based on family income level (as of 2004 OMB revision).

Table SA-1.1 **- Geography and Family Demographics Los Angeles-Long Beach, CA Supplemental Area**						
Income Level	**Geographies**		**Families by Geography**		**Families by Income**	
Category	**#**	**%**	**#**	**%**	**#**	**%**
Low	179	8.7%	152,357	7.1%	514,271	23.9%
Moderate	581	28.3%	591,619	27.5%	355,192	16.5%
Middle	575	28.0%	652,267	30.3%	374,934	17.4%
Upper	703	34.2%	758,068	35.1%	909,914	42.2%
Income NA	16	0.8%	0	0.0%	0	0.0%
Total	2,054	100.0%	2,154,311	100.0%	2,154,311	100.0%

Table SA-1.2 illustrates Lehman's distribution of HMDA-reportable loans during the review period by geography and borrower income levels, and compares this lending activity to the 2005 aggregate.

Table SA-1.2 **- Geography & Borrower Distribution of HMDA-reportable Loans Los Angeles-Long Beach, CA Supplemental Area *(Dollars in thousands)***						
Inc. Level	**Geography Distribution**			**Borrower Distribution**		
Category	**Lehman Brothers**		**Aggr. 2005**	**Lehman Brothers**		**Aggr. 2005**
By Number	**#**	**%**	**% by #**	**#**	**%**	**% by #**
Low	4,171	5.0%	3.5%	655	0.8%	0.8%
Moderate	20,847	25.1%	20.3%	3,586	4.3%	3.9%
Middle	30,045	36.1%	35.0%	12,552	15.1%	12.7%
Upper	28,054	33.7%	41.1%	57,740	69.4%	63.8%
Income NA	76	0.1%	0.1%	8,660	10.4%	18.8%
Total	83,193	100.0%	100.0%	83,193	100.0%	100.0%
By $ Amt	**$**	**%**	**% by $**	**$**	**%**	**% by $**
Low	$1,033,601	4.0%	3.1%	$111,786	0.4%	0.5%
Moderate	5,180,883	20.2%	16.3%	630,698	2.5%	3.5%
Middle	7,917,761	30.9%	28.9%	2,699,417	10.5%	14.8%
Upper	11,476,180	44.8%	51.5%	19,502,295	76.1%	43.4%
Income NA	35,844	0.1%	0.2%	2,700,073	10.5%	37.8%
Total	$25,644,269	100.0%	100.0%	$25,644,269	100.0%	100.0%

Institution (continued)

Based on the number of loans, the bank's penetration in both low- and moderate-income (LMI) geographies exceeded the 2005 aggregate's ratio. Based on borrower distribution, the bank equaled the aggregate's ratio to low-income borrowers but exceeded the ratio to moderate-income borrowers.

Table SA-1.3 reflects market share information based on 1-4 family residential loans that were originated/purchased by all HMDA reporters in 2005 within the supplemental area. The chart shows how Lehman ranked in total loans, loans in LMI geographies, and loans to LMI borrowers.

Table SA-1.3 **- 2005 Market Share**
1-4 Family Loans Originated/Purchased
In Los Angeles-Long Beach, CA Supplemental Area

	2005 Lehman Brothers Bank			2005 Aggregate	
HMDA-reportable Loan Distribution	**Rank**	**# of Loans**	**% of Mkt Share**	**Total Loans In Area**	**# of HMDA Reporters**
Total Loans in Area	3	29,372	4.2%	695,739	996
Loans in LMI Geographies	3	8,127	4.9%	164,641	688
Loans to LMI Borrowers	6	1,085	3.4%	32,175	545

When compared to aggregate data, the geographic distribution is excellent and the borrower distribution is good.

Institution (continued)

Demographic and Lending Data for the Phoenix-Mesa-Scottsdale, AZ MSA #38060

The Phoenix-Mesa-Scottsdale, AZ MSA had the second largest concentration of the bank's lending activity. During the review period, 78,828 HMDA-reportable loans (or 5.2 percent of total) totaling $12.8 billion were originated in this supplemental area.

Table SA-2.1 illustrates the number of geographies in each income level, the distribution of families living in those geographies, and the distribution of families based on family income level.

Table SA-2.1 **- Geography and Family Demographics**
Phoenix-Mesa-Scottsdale, AZ Supplemental Area

Income Level	Geographies		Families by Geography		Families by Income	
Category	#	%	#	%	#	%
Low	43	6.2%	28,907	3.6%	159,766	19.6%
Moderate	199	28.6%	227,365	27.9%	152,978	18.8%
Middle	238	34.2%	300,373	36.9%	177,620	21.8%
Upper	210	30.2%	257,619	31.6%	323,900	39.8%
Income NA	6	0.8%	0	0.0%	0	0.0%
Total	696	100.0%	814,264	100.0%	814,264	100.0%

Table SA-2.2 illustrates Lehman's distribution of HMDA-reportable loans during the review period by geography and borrower income levels, and compares this lending activity to the 2005 aggregate.

Table SA-2.2 **- Geography & Borrower Distribution of HMDA-reportable Loans**
Phoenix-Mesa-Scottsdale, AZ Supplemental Area
(Dollars in thousands)

Inc. Level	Geography Distribution			Borrower Distribution		
Category	Lehman Brothers		Aggr. 2005	Lehman Brothers		Aggr. 2005
By Number	#	%	% by #	#	%	% by #
Low	1,382	1.8%	1.1%	2,795	3.5%	2.9%
Moderate	18,248	23.1%	21.0%	11,661	14.8%	13.3%
Middle	33,852	43.0%	42.0%	17,976	22.8%	21.3%
Upper	25,325	32.1%	35.9%	38,346	48.7%	43.3%
Income NA	21	0.0%	0.0%	8,050	10.2%	19.2%
Total	78,828	100.0%	100.0%	78,828	100.0%	100.0%
By $ Amt	$	%	% by $	$	%	% by $
Low	$141,103	1.1%	0.8%	$269,092	2.1%	1.6%
Moderate	2,096,744	16.3%	14.7%	1,294,855	10.1%	8.8%
Middle	4,794,308	37.4%	35.7%	2,421,813	18.9%	17.0%
Upper	5,793,499	45.2%	48.8%	7,506,161	58.5%	52.5%
Income NA	5,771	0.0%	0.0%	1,339,504	10.4%	20.1%
Total	$12,831,425	100.0%	100.0%	$12,831,425	100.0%	100.0%

Institution (continued)

Based on the number and dollar amount of loans, the bank's penetration in LMI geographies and to LMI borrowers exceeded the 2005 aggregate ratios.

Table SA-2.3 reflects market share information based on 1-4 family residential loans that were originated/purchased by all HMDA reporters in 2005 within the supplemental area. The chart shows how Lehman ranked in total loans, loans in LMI geographies, and loans to LMI borrowers.

Table SA-2.3 - 2005 Market Share
1-4 Family Loans Originated/Purchased
In Phoenix-Mesa-Scottsdale, AZ Supplemental Area

	2005 Lehman Brothers Bank			2005 Aggregate	
HMDA-reportable Loan Distribution	Rank	# of Loans	% of Mkt Share	Total Loans In Area	# of HMDA Reporters
Total Loans in Area	2	32,909	5.2%	636,159	1,036
Loans in LMI Geographies	2	7,643	5.5%	139,369	637
Loans to LMI Borrowers	3	4,376	4.3%	101,245	566

When compared to aggregate data, Lehman's geographic and borrower distributions are very favorable.

Institution (continued)

Demographic and Lending Data for the Riverside-San Bernardino-Ontario, CA MSA #40140

The Riverside-San Bernardino-Ontario, CA MSA had the third largest concentration of the bank's lending activity. During the review period, 75,742 HMDA-reportable loans (or 5.0 percent of total) totaling $17.4 billion were originated in this supplemental area.

Table SA-3.1 illustrates the number of geographies in each income level, the distribution of families living in those geographies, and the distribution of families based on family income level.

Table SA-3.1 **- Geography and Family Demographics Riverside-San Bernardino-Ontario, CA Supplemental Area**						
Income Level	**Geographies**		**Families by Geography**		**Families by Income**	
Category	**#**	**%**	**#**	**%**	**#**	**%**
Low	27	4.6%	23,743	3.0%	170,035	21.7%
Moderate	169	28.8%	206,370	26.4%	136,757	17.5%
Middle	241	41.1%	325,941	41.7%	158,290	20.2%
Upper	146	24.9%	226,358	28.9%	317,330	40.6%
Income NA	4	0.6%	0	0.0%	0	0.0%
Total	587	100.0%	782,412	100.0%	782,412	100.0%

Table SA-3.2 illustrates Lehman's distribution of HMDA-reportable loans during the review period by geography and borrower income levels, and compares this lending activity to the 2005 aggregate.

Table SA-3.2 **- Geography & Borrower Distribution of HMDA-reportable Loans Riverside-San Bernardino-Ontario, CA Supplemental Area *(Dollars in thousands)***						
Inc. Level	**Geography Distribution**			**Borrower Distribution**		
Category	**Lehman Brothers**		**Aggr. 2005**	**Lehman Brothers**		**Aggr. 2005**
By Number	**#**	**%**	**% by #**	**#**	**%**	**% by #**
Low	1,969	2.6%	1.7%	1,214	1.6%	1.2%
Moderate	18,508	24.4%	20.9%	6,467	8.5%	6.5%
Middle	35,250	46.5%	45.9%	16,592	21.9%	17.8%
Upper	20,011	26.5%	31.5%	46,131	61.0%	58.1%
Income NA	4	0.0%	0.0%	5,338	7.0%	16.4%
Total	75,742	100.0%	100.0%	75,742	100.0%	100.0%
By $ Amt	**$**	**%**	**% by $**	**$**	**%**	**% by $**
Low	$328,216	1.9%	1.2%	$144,172	0.8%	0.5%
Moderate	3,371,623	19.4%	16.7%	994,202	5.7%	4.0%
Middle	7,673,194	44.1%	42.7%	3,118,346	17.9%	14.0%
Upper	6,023,126	34.6%	39.4%	12,006,262	69.1%	64.7%
Income NA	820	0.0%	0.0%	1,133,997	6.5%	16.8%
Total	$17,396,979	100.0%	100.0%	$17,396,979	100.0%	100.0%

Institution (continued)

Based on the number and dollar amount of loans, the bank's penetration in LMI geographies and to LMI borrowers far exceeded the 2005 aggregate ratios.

Table SA-3.3 reflects market share information based on 1-4 family residential loans that were originated/purchased by all HMDA reporters in 2005 within the supplemental area. The chart shows how Lehman ranked in total loans, loans in LMI geographies, and loans to LMI borrowers.

Table SA-3.3 - 2005 Market Share
1-4 Family Loans Originated/Purchased
In Riverside-San Bernardino-Ontario, CA Supplemental Area

HMDA-reportable Loan Distribution	2005 Lehman Brothers Bank Rank	# of Loans	% of Mkt Share	2005 Aggregate Total Loans In Area	# of HMDA Reporters
Total Loans in Area	3	25,638	4.7%	546,289	995
Loans in LMI Geographies	3	6,682	5.4%	123,317	710
Loans to LMI Borrowers	2	1,886	4.6%	40,965	575

When compared to aggregate data, Lehman's geographic and borrower distributions are excellent.

Institution (continued)

Demographic and Lending Data for the Chicago-Naperville-Joliet, IL MSA #16980

The Chicago-Naperville-Joliet, IL MSA had the fourth largest concentration of the bank's lending activity. During the review period, 70,883 HMDA-reportable loans (or 4.7 percent of total) totaling $12.6 billion were originated in this supplemental area.

Table SA-4.1 illustrates the number of geographies in each income level, the distribution of families living in those geographies, and the distribution of families based on family income level.

Table SA-4.1 **- Geography and Family Demographics**
Chicago-Naperville-Joliet, IL Supplemental Area

Income Level Category	Geographies #	Geographies %	Families by Geography #	Families by Geography %	Families by Income #	Families by Income %
Low	257	12.5%	142,906	6.4%	463,467	20.6%
Moderate	514	25.0%	482,758	21.5%	397,937	17.7%
Middle	742	36.3%	926,119	41.1%	500,130	22.3%
Upper	522	25.4%	695,857	31.0%	886,106	39.4%
Income NA	17	0.8%	0	0.0%	0	0.0%
Total	2,052	100.0%	2,247,640	100.0%	2,247,640	100.0%

Table SA-4.2 illustrates Lehman's distribution of HMDA-reportable loans during the review period by geography and borrower income levels, and compares this lending activity to the 2005 aggregate.

Table SA-4.2 **- Geography & Borrower Distribution of HMDA-reportable Loans**
Chicago-Naperville-Joliet, IL Supplemental Area
(Dollars in thousands)

Inc. Level	Geography Distribution			Borrower Distribution		
Category	Lehman Brothers		Aggr. 2005	Lehman Brothers		Aggr. 2005
By Number	**#**	**%**	**% by #**	**#**	**%**	**% by #**
Low	5,348	7.5%	4.4%	4,444	6.3%	4.7%
Moderate	18,318	25.9%	17.9%	15,877	22.4%	20.0%
Middle	30,014	42.4%	42.4%	21,885	30.9%	24.6%
Upper	17,182	24.2%	34.3%	22,954	32.4%	32.1%
Income NA	21	0.0%	1.0%	5,723	8.0%	18.6%
Total	70,883	100.0%	100.0%	70,883	100.0%	100.0%
By $ Amt	**$**	**%**	**% by $**	**$**	**%**	**% by $**
Low	$846,460	6.7%	3.6%	$455,593	3.6%	2.4%
Moderate	2,744,657	21.9%	14.5%	1,984,434	15.8%	13.2%
Middle	4,725,659	37.7%	36.5%	3,427,462	27.3%	20.8%
Upper	4,228,593	33.7%	44.8%	5,616,589	44.8%	42.6%
Income NA	5,404	0.0%	0.6%	1,066,695	8.5%	21.0%
Total	$12,550,773	100.0%	100.0%	$12,550,773	100.0%	100.0%

Institution (continued)

Based on the number and dollar amount of loans, the bank's penetration in LMI geographies and to LMI borrowers far exceeded the 2005 aggregate ratios.

Table SA-4.3 reflects market share information based on 1-4 family residential loans that were originated/purchased by all HMDA reporters in 2005 within the supplemental area. The chart shows how Lehman ranked in total loans, loans in LMI geographies, and loans to LMI borrowers.

***Table SA-4.3* - 2005 Market Share**
1-4 Family Loans Originated/Purchased
In Chicago-Naperville-Joliet, IL Supplemental Area

	2005 Lehman Brothers Bank			2005 Aggregate	
HMDA-reportable Loan Distribution	Rank	# of Loans	% of Mkt Share	Total Loans In Area	# of HMDA Reporters
Total Loans in Area	4	24,854	3.2%	778,131	1,097
Loans in LMI Geographies	3	8,069	4.8%	169,705	755
Loans to LMI Borrowers	2	6,810	3.9%	174,264	781

When compared to aggregate data, Lehman's geographic and borrower distributions are excellent.

Institution (continued)

Demographic and Lending Data for the Miami-Ft. Lauderdale-Miami Beach, FL MSA #33100

The Miami-Ft. Lauderdale-Miami Beach, FL MSA had the fifth largest concentration of the bank's lending activity. During the review period, 50,158 HMDA-reportable loans (or 3.3 percent of total) totaling $9.2 billion were originated in this supplemental area.

Table SA-5.1 illustrates the number of geographies in each income level, the distribution of families living in those geographies, and the distribution of families based on family income level.

Table SA-5.1 **- Geography and Family Demographics Miami-Ft. Lauderdale-Miami Beach, FL Supplemental Area**						
Income Level	**Geographies**		**Families by Geography**		**Families by Income**	
Category	**#**	**%**	**#**	**%**	**#**	**%**
Low	55	6.2%	47,036	3.7%	274,144	21.5%
Moderate	240	26.9%	335,161	26.3%	225,798	17.7%
Middle	320	35.9%	483,877	38.0%	250,158	19.7%
Upper	271	30.4%	406,370	32.0%	522,344	41.1%
Income NA	5	0.6%	0	0.0%	0	0.0%
Total	891	100.0%	1,272,444	100.0%	1,272,444	100.0%

Table SA-5.2 illustrates Lehman's distribution of HMDA-reportable loans during the review period by geography and borrower income levels, and compares this lending activity to the 2005 aggregate.

Table SA-5.2 **- Geography & Borrower Distribution of HMDA-reportable Loans Miami-Ft. Lauderdale-Miami Beach, FL Supplemental Area *(Dollars in thousands)***						
Inc. Level	**Geography Distribution**			**Borrower Distribution**		
Category	**Lehman Brothers**		**Aggr. 2005**	**Lehman Brothers**		**Aggr. 2005**
By Number	**#**	**%**	**% by #**	**#**	**%**	**% by #**
Low	1,563	3.1%	2.4%	1,069	2.1%	1.9%
Moderate	12,487	24.9%	21.7%	5,014	10.0%	8.9%
Middle	21,204	42.3%	40.9%	10,889	21.7%	18.5%
Upper	14,830	29.6%	34.8%	27,866	55.6%	52.5%
Income NA	74	0.1%	0.2%	5,320	10.6%	18.2%
Total	50,158	100.0%	100.0%	50,158	100.0%	100.0%
By $ Amt	**$**	**%**	**% by $**	**$**	**%**	**% by $**
Low	$209,886	2.3%	1.9%	$100,067	1.1%	0.8%
Moderate	1,694,347	18.5%	16.0%	550,317	6.0%	5.0%
Middle	3,474,430	37.9%	35.7%	1,454,941	15.9%	12.8%
Upper	3,767,955	41.1%	46.3%	6,014,664	65.6%	61.4%
Income NA	17,204	0.2%	0.1%	1,043,833	11.4%	20.0%
Total	$9,163,822	100.0%	100.0%	$9,163,822	100.0%	100.0%

Institution (continued)

Based on the number and dollar amount of loans, the bank's penetration in LMI geographies and to LMI borrowers exceeded the 2005 aggregate ratios.

Table SA-5.3 reflects market share information based on 1-4 family residential loans that were originated/purchased by all HMDA reporters in 2005 within the supplemental area. The chart shows how Lehman ranked in total loans, loans in LMI geographies, and loans to LMI borrowers.

Table SA-5.3 - 2005 Market Share
1-4 Family Loans Originated/Purchased
In Miami-Ft. Lauderdale-Miami Beach, FL Supplemental Area

HMDA-reportable Loan Distribution	2005 Lehman Brothers Bank			2005 Aggregate	
	Rank	# of Loans	% of Mkt Share	Total Loans In Area	# of HMDA Reporters
Total Loans in Area	5	18,716	3.5%	537,554	1,243
Loans in LMI Geographies	5	4,967	3.8%	129,464	793
Loans to LMI Borrowers	6	1,879	3.3%	57,848	656

When compared to aggregate data, Lehman's geographic and borrower distributions are very favorable.

Institution (continued)

Demographic and Lending Data for the Washington-Arlington-Alexandria, DC-VA-MD-WV MD #47894

The Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division had the sixth largest concentration of the bank's lending activity. During the review period, 48,660 HMDA-reportable loans (or 3.2 percent of total) totaling $12.0 billion were originated in this supplemental area.

Table SA-6.1 illustrates the number of geographies in each income level, the distribution of families living in those geographies, and the distribution of families based on family income level.

Table SA-6.1 - Geography and Family Demographics
Washington-Arlington-Alexandria, DC-VA-MD-WV Supplemental Area

Income Level	Geographies		Families by Geography		Families by Income	
Category	#	%	#	%	#	%
Low	76	7.5%	50,872	4.2%	237,010	19.8%
Moderate	252	24.8%	266,008	22.2%	216,891	18.1%
Middle	389	38.3%	506,276	42.4%	269,556	22.5%
Upper	291	28.6%	373,897	31.2%	473,596	39.6%
Income NA	8	0.8%	0	0.0%	0	0.0%
Total	1,016	100.0%	1,197,053	100.0%	1,197,053	100.0%

Table SA-6.2 illustrates Lehman's distribution of HMDA-reportable loans during the review period by geography and borrower income levels, and compares this lending activity to the 2005 aggregate.

Table SA-6.2 - Geography & Borrower Distribution of HMDA-reportable Loans
Washington-Arlington-Alexandria, DC-VA-MD-WV Supplemental Area
(Dollars in thousands)

Inc. Level	Geography Distribution			Borrower Distribution		
Category	Lehman Brothers		Aggr. 2005	Lehman Brothers		Aggr. 2005
By Number	#	%	% by #	#	%	% by #
Low	1,827	3.8%	2.1%	3,335	6.9%	5.6%
Moderate	11,096	22.8%	18.8%	10,075	20.7%	17.8%
Middle	23,600	48.5%	49.6%	13,007	26.7%	25.9%
Upper	12,137	24.9%	29.5%	15,028	30.9%	30.6%
Income NA	0	0.0%	0.0%	7,215	14.8%	20.1%
Total	48,660	100.0%	100.0%	48,660	100.0%	100.0%
By $ Amt	$	%	% by $	$	%	% by $
Low	$336,810	2.8%	1.7%	$488,903	4.1%	3.0%
Moderate	2,055,024	17.1%	14.4%	1,814,481	15.1%	12.6%
Middle	5,368,679	44.6%	44.6%	2,925,927	24.3%	22.9%
Upper	4,270,441	35.5%	39.3%	5,056,034	42.0%	39.9%
Income NA	0	0.0%	0.0%	1,745,609	14.5%	21.6%
Total	$12,030,954	100.0%	100.0%	$12,030,954	100.0%	100.0%

Institution (continued)

Based on the number and dollar amount of loans, the bank's penetration in LMI geographies and to LMI borrowers exceeded the 2005 aggregate ratios.

Table SA-6.3 reflects market share information based on 1-4 family residential loans that were originated/purchased by all HMDA reporters in 2005 within the supplemental area. The chart shows how Lehman ranked in total loans, loans in LMI geographies, and loans to LMI borrowers.

Table SA-6.3 **- 2005 Market Share 1-4 Family Loans Originated/Purchased In Washington-Arlington-Alexandria, DC-VA-MD-WV Supplemental Area**					
	2005 Lehman Brothers Bank			**2005 Aggregate**	
HMDA-reportable Loan Distribution	**Rank**	**# of Loans**	**% of Mkt Share**	**Total Loans In Area**	**# of HMDA Reporters**
Total Loans in Area	5	20,657	3.1%	669,198	1,091
Loans in LMI Geographies	3	5,013	3.6%	140,157	757
Loans to LMI Borrowers	4	4,987	3.2%	156,422	770

When compared to aggregate data, Lehman's geographic and borrower distributions are very favorable.

Institution (continued)

Demographic and Lending Data for the San Francisco-Oakland-Fremont, CA MSA #41860

The San Francisco-Oakland-Fremont, CA MSA had the seventh largest concentration of the bank's lending activity. During the review period, 40,767 HMDA-reportable loans (or 2.7 percent of total) totaling $16.7 billion were originated in this supplemental area.

Table SA-7.1 illustrates the number of geographies in each income level, the distribution of families living in those geographies, and the distribution of families based on family income level.

Table SA-7.1 **- Geography and Family Demographics** **San Francisco-Oakland-Fremont, CA Supplemental Area**						
Income Level	**Geographies**		**Families by Geography**		**Families by Income**	
Category	**#**	**%**	**#**	**%**	**#**	**%**
Low	80	9.2%	63,544	6.6%	204,161	21.1%
Moderate	185	21.2%	176,820	18.3%	169,388	17.5%
Middle	340	39.0%	407,099	42.1%	200,242	20.7%
Upper	263	30.3%	319,628	33.0%	393,300	40.7%
Income NA	3	0.3%	0	0.0%	0	0.0%
Total	871	100.0%	967,091	100.0%	967,091	100.0%

Table SA-7.2 illustrates Lehman's distribution of HMDA-reportable loans during the review period by geography and borrower income levels, and compares this lending activity to the 2005 aggregate.

Table SA-7.2 **- Geography & Borrower Distribution of HMDA-reportable Loans** **San Francisco-Oakland-Fremont, CA Supplemental Area** ***(Dollars in thousands)***						
Inc. Level	**Geography Distribution**			**Borrower Distribution**		
Category	**Lehman Brothers**		**Aggr. 2005**	**Lehman Brothers**		**Aggr. 2005**
By Number	**#**	**%**	**% by #**	**#**	**%**	**% by #**
Low	2,659	6.5%	5.3%	459	1.1%	1.6%
Moderate	7,989	19.6%	17.0%	2,335	5.7%	6.8%
Middle	18,911	46.4%	45.0%	8,369	20.5%	19.4%
Upper	11,208	27.5%	32.7%	22,684	55.7%	54.2%
Income NA	0	0.0%	0.0%	6,920	17.0%	18.0%
Total	40,767	100.0%	100.0%	40,767	100.0%	100.0%
By $ Amt	**$**	**%**	**% by $**	**$**	**%**	**% by $**
Low	$739,641	4.7%	3.9%	$110,789	0.7%	0.6%
Moderate	2,582,791	16.4%	13.8%	578,402	3.7%	3.8%
Middle	6,819,056	43.5%	40.7%	2,535,525	16.1%	14.1%
Upper	5,562,889	35.4%	41.6%	9,832,159	62.6%	62.2%
Income NA	0	0.0%	0.0%	2,647,502	16.9%	19.3%
Total	$15,704,377	100.0%	100.0%	$15,704,377	100.0%	100.0%

Institution (continued)

Based on the number and dollar amount of loans, the bank's penetration in both low- and moderate-income (LMI) geographies exceeded the 2005 aggregate's ratio. Based on borrower distribution, the bank's penetration (by number) was below the aggregate's LMI ratios, but was comparable to the aggregate based on dollar amount.

Table SA-7.3 reflects market share information based on 1-4 family residential loans that were originated/purchased by all HMDA reporters in 2005 within the supplemental area. The chart shows how Lehman ranked in total loans, loans in LMI geographies, and loans to LMI borrowers.

***Table SA-7.3* - 2005 Market Share**
1-4 Family Loans Originated/Purchased
In San Francisco-Oakland-Fremont, CA Supplemental Area

	2005 Lehman Brothers Bank			2005 Aggregate	
HMDA-reportable Loan Distribution	Rank	# of Loans	% of Mkt Share	Total Loans In Area	# of HMDA Reporters
Total Loans in Area	6	14,531	4.1%	352,955	808
Loans in LMI Geographies	5	3,542	4.5%	78,315	581
Loans to LMI Borrowers	8	796	2.7%	29,384	476

When compared to aggregate data, the geographic distribution is good and the borrower distribution is satisfactory.

Conclusion With Respect to Supplemental Area lending:

The overall distribution based on geography and borrower income characteristics in the seven supplemental areas is excellent.

Appendix A

Scope of Examination

SCOPE OF EXAMINATION		
Full Scope		
TIME PERIOD REVIEWED:	January 1, 2004 – June 30, 2006	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Lehman Brothers Bank		Home Mortgage Loans & Qualified Investments
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Aurora Loan Services, Inc.	Operating Sub - Lending	Home Mortgage Loans
BNC Mortgage, Inc.	Operating Sub – Lending	Home Mortgage Loans

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED[i]	OTHER INFORMATION
New York MSA	Full Scope	None	N/A
Wilmington, DE-MD-NJ MD	Full Scope	None	N/A

[i] There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

Comment [OTS4]: Large institutions with multiple assessment areas or affiliates subject to examination may warrant the use of charts that convey information regarding the scope of the examination. You may use the charts as a supplement to the discussion of the scope or in lieu thereof.

Comment [OTS5]: Enter period reviewed. For example: 01/01/2003 to 06/30/2004

Comment [OTS6]: Enter: Institution Name, City, State

Comment [OTS7]: For example: Small Business; Small Farm; Consumer; Unsecured

Comment [OTS8]: For example: XYZ Mortgage Company

Comment [OTS10]: For example: Mortgage loans; Investments; Credit cards

Comment [OTS9]: For example: Bank subsidiary; Holding company subsidiary

Comment [OTS11]: For example: ILLINOIS:
Metropolitan Area 0008
Decatur
Adams County
Nonmetropolitan Area
rural Illinois

Comment [OTS13]: For example: Mortgage loans not offered in Nonmetropolitan Area rural areas.
The scope of examination for Nonmetropolitan Area rural Michigan branches, encompasses
activities for the past six months, coinciding with their acquisition date.

Comment [OTS12]: For example: On-site; Off-site

Appendix B

Summary of State and Multistate Metropolitan Area Ratings[4]

State or Multistate Metropolitan Area Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall Multistate Rating
New York Multistate MSA	Outstanding	High Satisfactory	Low Satisfactory	Outstanding
Wilmington, DE-MD-NJ MD	High Satisfactory	High Satisfactory	Low Satisfactory	High Satisfactory

[4] Weight selections used for the evaluation of the institution's CRA performance could result in unrated Performance Test factors.

CRA Rating Definitions

There are four separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, and service opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.