LEHMAN BROTHERS

April 7, 2008

Liquidity Update

Confidential Presentation

Summary

- Lehman's liquidity position has remained relatively unchanged through March
  - Liquidity pool in the $30-34 billion
  - CP program in the $8-11 billion range
  - Secured funding capacity of about $125 billion with an overfunding cushion of about $15 billion
  - Boxes at the broker dealers of about $13 billion
- But this stability masks some significant outflows and inflows. Retaining overall capacity has been a significant accomplishment in the face of lender contraction. However, it is still difficult to generate financing, especially for European assets.
  - Liquidity outflows
    - CP counterparts: Gordian Knot, State Street in Europe, MetWest, non financial institutions
    - Repo counterparts – primarily European banks: Rabobank, UBS, Santander, DZ Bank, Sec. Lenders
    - Repo counterparts demanding higher quality assets: Dresdner, Fidelity
  - Liquidity inflows
    - CP counterparts – Blackrock, JPMorgan AM, Wells AM, New York State, Nationwide
    - Repo counterparts – Federal Reserve through its TSLF auction and credit facilities, RBC, Freddie Mac, BGI
    - Funding optimization: Freedom CLO, increased funding through Bankhaus and ECB window
    - $4 billion perpetual preferred
- We have a detailed funding action plan, which increases our liquidity pool and cash capital surplus
  - It is critical that Lehman mobilizes its energy to execute against this plan

Funding Lehman's Balance Sheet

2008 Q1 Assets *($ billions)*

Account Name	As of 2/29/08	Repo	Cash Capital	Banks	Treasury Investment	Other	Notes
Cash and Cash equivalents	7.6	-	6.4	-	1.2	-	
Cash and securities segregated	16.6	-	-	-	-	16.6	Client Cash
Government & Agencies	44.6	8.3	0.2	5.9	30.2	-	
Commercial Paper & Other Money Mkt Instruments	3.4	3.3	0.1	-	-	-	
Physical Commodities	0.2	-	0.2	-	-	-	
Mortgage and Asset-Backed Securities							
Commercial Mortgages							
Loans	23.9	-	14.8	9.1	-	-	
Securities	17.6	17.1	0.5	-	-	-	
Total Commercial Mortgages	41.5	17.1	15.3	9.1	-	-	
Residential Mortgages							
Loans	33.9	4.0	22.7	7.2	-	-	
Securities	2.7	1.4	0.0	-	1.3	-	
Total Residential Mortgages	36.6	5.4	22.7	7.2	1.3	-	
Other Asset Backed Securities	6.4	6.2	0.2	-	-	-	
Total Mortgage and Asset-Backed Securities	84.6	28.8	38.2	16.3	1.3	-	
Real Estate Held For Sale	22.6	-	22.6	-	-	-	
Corporate Debt and Other							
High Grade Loans	29.8	-	20.8	9.0	-	-	
High Yield Loans	13.4	-	13.4	-	-	-	
Bonds	16.3	15.6	0.5	-	0.3	-	
Total Corporate Debt and Other	59.6	15.6	34.7	9.0	0.3	-	
Corporate equities							
Listed	48.5	33.6	13.6	-	1.3	-	
Private Equtiy	7.6	-	7.6	-	-	-	
Total Corporate equities	56.1	33.6	21.2	-	1.3	-	
Derivatives and other contractual agreements	55.6	-	17.8	-	-	37.8	Derivative Payables
Inventory Sub-total	326.7	89.6	134.9	31.2	33.1	37.8	
Securities purchased under agreements to resell	210.2	209.2	1.0	-	-	-	Matched Book
Securities borrowed	158.5	-	3.2	-	-	155.3	Shorts Covering
Collateralized Lendings Sub-total	368.7	209.2	4.2	-	-	155.3	
Receivables	52.4	-	0.2	-	-	52.2	Funded with payables
Property, equipment and leasehold improvements	4.2	-	4.2	-	-	-	
Other assets	5.9	-	4.8	1.1	-	-	
Identified intangible assets and goodwill	4.1	-	4.1	-	-	-	
TOTAL ASSETS	786.0	298.8	158.7	32.3	34.3	261.9	

Liquidity Pool

LBHI liquidity pool has remained in the low $30 billion range throughout the period – the lowest reported liquidity pool post March 14 was $28.9 billion on March 18. The recent $4 billion issuance of convertible preferred, settling on April 4, will help strengthen LBHI liquidity position.

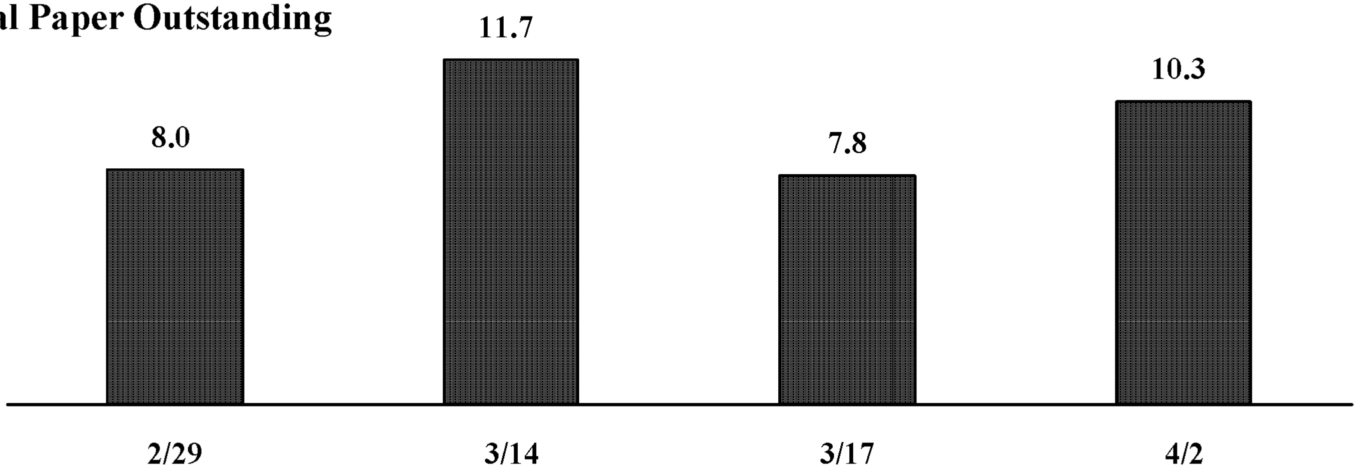
LBHI Liquidity Pool
($ Billions)

	29-Feb		14-Mar		2-Apr
LBHI Liquidity Pool	**34.3**		**31.1**		**30.8**
European committed facility				2.0	
Structured note issuance		1.3		0.3	
Debt maturities		(0.8)		(0.6)	
Debt buyback		(0.1)		(0.9)	
Net debt issuance		0.4		(1.2)	
CP issuance		3.7		(1.4)	
Increased funding in Bankhaus				0.8	
Converting unencumbered collateral into secured funding				1.5	
Additonal cash required in broker dealers		(4.7)		-	
Derivatives (primarily LBSF margin postings)		(1.4)		(0.8)	
Capital injection in LBI ($1.7 bn) and LBIE ($0.4 bn)		(0.9)		(1.2)	
Other		(0.3)		-	
Total		**(3.2)**		**(0.3)**	

Unsecured Funding

After dipping to $7.8 billion on March 17, CP program outstanding grew back to $10.3 billion on April 2. Term CP issuance continues to be challenged. 49% of CP outstanding on April 2 was overnight. Longer term issuance in public markets is largely unavailable. Structured debt issuance has slowed down, with a significant increase in buybacks.

Commercial Paper Outstanding ($ Billions)



- Decreases in funding since 3/14 ($ Millions)

Account Name	14-Mar	2-Apr	Change
Gordian Knot	503	-	(503)
State Street*	467	-	(467)
Ameriprise Financial	534	160	(374)
First Data	400	100	(300)
Metropolitan West	250	-	(250)

- Increases in funding since 3/14 ($ Millions)

Account Name	14-Mar	2-Apr	Change
Blackrock	28	714	686
New York State	-	500	500
San Diego County	-	310	310
JPMorgan AM	107	405	298
Wells Capital Management	32	285	252
Nationwide*	-	197	197

*: *Europe*

Secured Funding

We mitigate secured funding risk by overfunding or terming at-risk asset classes (HY corporates, asset backed) [1]. The overfunding "cushion" has remained relatively stable around $15 billion primarily due to the Fed's TSLF program. Apart from the Fed capacity, repo capacity has been compressed, and that has affected Asian and European financing.

$ billions	29-Feb	4-Mar	14-Mar	2-Apr
Repo Book - Shell	125.6	128.6	128.1	126.3
Overfunding	9.2	14.6	12.7	18.0
Repo Book - Collateral	116.4	114.0	115.3	108.3

Notable Increases in Secured Funding Capacity ($Billions)

	11-Mar	2-Apr	Change	Asset Class
Federal Reserve - TSLF Program	-	9.0	9.0	Private Label AAA, MBS Agency
Royal Bank of Canada	3.5	5.0	1.5	Equitis, Corporates
Freddie Mac	-	1.2	1.2	Commmercial Paper
Barclays Global Investors	1.5	2.2	0.7	HY Corporates
Dekabank	1.9	2.4	0.5	Equities
RZB	0.3	0.8	0.5	Equities, Corporates
HSBC	1.8	2.3	0.5	Equities

Notable Decreases in Secured Funding Capacity ($Billions)

	11-Mar	2-Apr	Change	Asset Class
SAFE	6.0	1.9	(4.1)	Private Label Mortgages - Fed Eligible
Dresdner Sec Lending	8.7	5.8	(2.9)	HY Corporates, Equities
UBS	2.0	-	(2.0)	HY EMG Bonds
Rabobank	3.3	1.7	(1.6)	Equities, Corporates
Insight	3.3	1.6	(1.7)	Equities
Banco Santander	0.5	-	(0.5)	Equities
DZ Bank	0.7	-	(0.7)	Equities

(1): See appendix for details

Secured Funding Terms

Daily refinancing risk is higher than we would want. Excluding Governments, MBS and Agency, 41% of the repo book is overnight and 52% matures within one week. European repo is the most challenging.

Secured Funding Tenor Profile (1)

Principal in $Bn's	ON/OPEN		<1 Week		1W - 1M		>1 Month		Total
Collateral Allocated Summary	**Principal**	**%age**	**Principal**	**%age**	**Principal**	**%age**	**Principal**	**%age**	**Principal**
Asset Backs - Investment Grade	5.3	30%	1.2	7%	4.2	24%	7.0	40%	**17.8**
Corporates - Investment Grade	9.7	56%	2.5	14%	2.4	14%	2.8	16%	**17.4**
Private Labels - Investment Grade	1.0	8%	2.2	18%	8.0	65%	1.0	8%	**12.2**
E2 - Non-Major Index Equities	3.5	34%	1.5	15%	2.4	24%	2.7	27%	**10.0**
EMG	2.4	30%	1.4	17%	1.5	18%	2.8	35%	**8.1**
E1 - Major Index Equities	2.3	30%	0.7	9%	2.7	35%	1.9	25%	**7.7**
Corporates - Non-Investment Grade	4.5	61%	0.2	2%	2.2	30%	0.5	7%	**7.5**
Money Markets (A1)	6.6	89%		0%	0.8	11%		0%	**7.4**
E3 - Non-Major Index Equities (<$5)	1.3	28%	1.6	35%	1.0	22%	0.7	15%	**4.6**
Muni	2.5	87%		0%	0.4	13%		0%	**2.9**
C2 - Non-Investment Grade Convertibles	0.9	32%	0.2	9%	1.0	36%	0.6	23%	**2.8**
Private Labels - High Yield	0.7	28%	0.1	5%	1.1	46%	0.5	20%	**2.4**
Asset Backs - Non-Investment Grade	0.6	25%	0.5	23%	0.5	23%	0.6	29%	**2.2**
C1 - Investment Grade Convertibles	1.2	56%	0.0	2%	0.2	10%	0.6	31%	**2.0**
Wholeloan Residential	0.5	35%		0%	0.3	23%	0.6	42%	**1.4**
Money Markets (A2, A3, Other)	0.7	75%		0%	0.2	25%		0%	**0.9**
Preferreds	0.0	5%		0%	0.0	4%	0.4	91%	**0.5**
Fund Units	0.1	56%	0.0	9%	0.0	15%	0.0	19%	**0.1**
Other	0.0	7%		0%	0.0	93%		0%	**0.0**
Grand Total	43.8	41%	12.1	11%	29.0	27%	23.0	21%	**108.0**

Monthly Averages

Feb	50.7	46%	14.4	14%	22.3	21%	24.7	22%	**112.1**
Jan	56.0	48%	15.6	14%	23.0	20%	22.1	19%	**116.7**
Dec	49.4	42%	13.9	12%	22.8	20%	31.2	27%	**117.3**
Nov	51.4	44%	14.4	13%	22.0	19%	28.3	25%	**116.1**
Oct	49.4	45%	17.6	17%	24.3	22%	19.3	18%	**110.6**
Sep	48.0	46%	15.4	15%	21.9	21%	20.4	19%	**105.7**

1. *The above is based on global cash repo trades and Government Upgrade Collateral Swaps (CPT Trades) as of April 2nd, 2008, excluding products traded special, Governments, Treasuries, Government/MBS Agencies, Sovereigns, and Commercial Wholeloans.*

Collateral Upgrade Trades

We also lost capacity in collateral upgrade trades, where we swap low quality collateral (mostly equities) for high quality collateral. This has affected our financing in Europe and Asia, with Bankhaus being grown to absorb the lost repo capacity.

Main Decreases in Collateral Upgrade Trades in LBIE ($ Billions)

Decreases

	29-Feb	2-Apr	Change
Dresdner	3.4	1.2	(2.2)
Insight	3.3	1.6	(1.7)
BANCA DEL GOTTARDO	0.4	-	(0.4)
Old Mutual	2.4	2.0	(0.4)
Mizhuo	0.3	-	(0.3)
			(4.9)

Main Increases in Collateral Upgrade Trades in LBIE ($ Billions)

Increases

	29-Feb	2-Apr	Change
UBS	0.7	1.7	1.0
Morley	1.8	2.7	0.8
KAS	4.0	4.3	0.3
F & C	0.5	0.7	0.1
Generali	-	0.1	0.1
			2.3

Fed's PDCF / TSLF Utilization

We have used the Fed's PDCF facility sparingly: we did a few test trades across a wide range of collateral when it was first established but we have not used the facility since March 26. Overall, industry-wide PDCF usage averages $35 billion, $25 billion of which being funded by Bear Stearns.

We have swapped $9 billion of AAA-rated private label securities against Treasuries for one month through the Fed's TSLF term facility – accounting for 12% of the program.

PDCF / TSLF Utilization										
Amounts in $ bn		PDCF Facility		TSLF Facility*		Ticketed Asset Class				
Date	Term Date	$ Amount	Outstanding	$ Amount	Outstanding	CP	Corp	Muni	Pvt LBL	ABS
18-Mar	19-Mar	1.61	1.61			1.00	0.50	0.11		
19-Mar	20-Mar	2.30	2.30			0.75		1.30	0.25	
20-Mar	21-Mar	2.30	2.30			1.70	0.35			0.25
24-Mar	25-Mar	2.73	2.73			0.60				2.13
25-Mar	26-Mar	2.13	2.13							2.13
26-Mar	27-Mar	2.13	2.13							2.13
27-Mar		-	-							
28-Mar	25-Apr	-	-	9.03	9.03				9.03	
31-Mar		-	-		9.04				9.04	
1-Apr		-	-		9.06				9.06	
2-Apr		-	-		9.01				9.01	
3-Apr		-	-		9.00				9.00	
4-Apr		-	-		8.99				8.99	

* TSLF trade is repriced daily based on the market value of the underlying collateral

Box Analysis

Boxes at the broker dealers have remained relatively flat since March 14. On an absolute level however, they remain high – particularly in Equities. We are actively looking for additional funding capacity in that asset class, which is not ECB- or Fed-eligible. The best funding alternative is to increase repo capacity in Bankhaus, which means growing its deposit base.

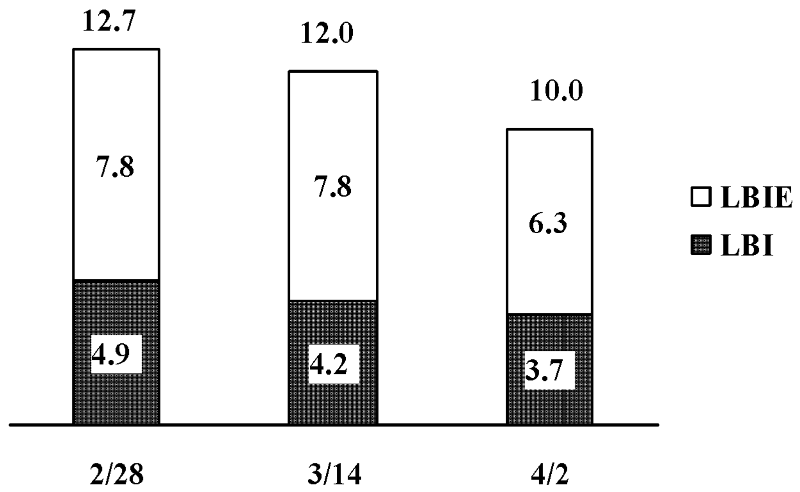
LBI Box Analysis ($ Millions)	29-Feb	Change	14-Mar	Change	2-Apr
Equity & Preferred	2,264	766	3,030	(305)	2,725
Convertibles	108	374	483	(264)	219
Corporates	601	(178)	423	352	776
Munis	142	(69)	73	208	281
Other	235	31	266	216	483
Sub Total	**3,351**	**924**	**4,275**	**208**	**4,483**
Treasuries (~ Cash)	1,108	(630)	478	101	578
Total	**4,459**	**294**	**4,752**	**309**	**5,061**

LBIE & LBJ Box Analysis ($ Millions)	29-Feb	Change	14-Mar	Change	2-Apr
Equity & Preferred	3,809	392	4,202	281	4,483
Convertibles	294	11	304	7	311
Corporates	695	37	732	66	798
Govies (G2)	1,217	(492)	725	(219)	506
Other	2,163	(74)	2,089	(366)	1,723
Sub Total	**9,684**	**(126)**	**9,244**	**(231)**	**8,375**
Govies (G1) (~Cash)	1,506	(314)	1,192	(638)	555
Total	**4,459**	**(440)**	**4,752**	**(869)**	**5,061**

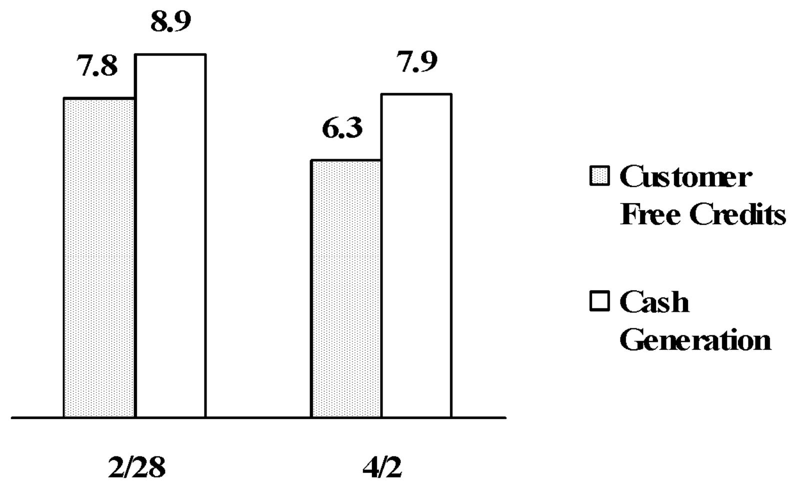
Prime Broker

Since the beginning of the quarter, we have lost close to $3 billion in customer free credits – $2.0 billion of which since March 14. While these withdrawals impact the value of our Prime Services franchise, their liquidity impact is nil, because, at quarter end and currently, we do not rely on customer free credits to fund the Firm – contrary to Bear Stearns.

Customer Free Credits
($ Billions)



LBIE Prime Broker Liquidity Usage
($ Billions)



LBI Outflow ($Billions)

	29-Feb	2-Apr	Change
Drake	0.8	0.0	(0.8)
Vega Asset Mgmt	0.2	0.0	(0.2)
Stichting Pensioenfonds	0.2	0.0	(0.2)
SAC	0.2	0.0	(0.2)

LBIE Outflow ($Billions)

	29-Feb	2-Apr	Change
Andor	0.6	0.0	(0.6)
Marble Bar	1.7	1.2	(0.5)
Och Ziff	0.5	0.1	(0.4)
One East	0.4	0.0	(0.4)

Summary Funding Action Plan

- Increase term deposit base of Bankhaus by $5 billion by targeting U.S. clients and increasing broker fees in Europe

- Increase term repo funding capacity for hard to fund assets in LBIE (high yield, EMG, E2+E3 equities) by $5 billion
  - Willing to pay L+40-75 bps for 3-6 months, respectively – more than what we currently pay for secured funding
  - Also interested in collateral swap

- Increase term repo funding capacity for hard to fund assets in LBI (high yield, E2+E3 equities) by $5 billion
  - Willing to pay L+40-75 bps for 3-6 months, respectively – more than what we currently pay for secured funding
  - Also interested in collateral swap

- Create 12-15 month extendible cash capital structures with banks – either unsecured or secured with corporate loans or whole loans (in progress with MetLife, AIG, SMBC and Wells Fargo)
  - Willing to pay L+200-300 bps

- Increase Holdings liquidity by $7-15 billion by securitizing assets through securitizations and CDO/CLO creations and repo the securities to the Federal Reserve or ECB

- Reduce balance sheet and cash capital usage
  - $50 billion of net balance sheet reduction and $16 billion of cash capital usage reduction targeted for Q2

Asset Securitization

Asset securitization is expected to generate an additional $7-15 billion of liquidity in Holdings this quarter. This will offset the impact of long-term debt rolling into current portion of ~$5 billion as well mitigate other market pressures on Lehman liquidity.

Asset Securitization "Hit List"
($ Billions)

		Low Range	High Range
Done			
	ELQ residential whole loan repack	2.3	2.3
	Freedom CLO	2.2	2.2
	Gospel and commercial whole loan repack	2.0	2.0
	Total	6.5	6.5
In the pipeline			
	Jumbo European commercial whole loans	1.5	3.0
	Swap receivables	-	2.5
	Freedom 2 CLO	1.0	2.0
	US commercial CDO	2.0	2.5
	Citi secured lending facility	0.5	1.0
	NPL securitization	0.5	1.0
	US commercial whole loan securitization	0.5	1.0
	Golden Gate / Asset backed	0.4	0.8
	Freedom CLO (residual)	-	0.5
	CDC / TXU	0.5	0.5
	Japanese Commercial Whole Loans	0.4	0.4
	Total	7.3	15.2
	Grand Total	**13.8**	**21.7**

Strawman Targets

An important element of the Funding Action Plan is the balance sheet reduction. Deleveraging the Firm will not only decrease the riskiness of the Firm but will also help improve its liquidity position by increasing its cash capital surplus and liquidity pool.

$ billions	Net Balance Sheet				Gross Balance Sheet				Cash Capital			
	Q2 2007	**Q1 2008**	**3/25/2008**	**Target Q2 2008**	**Q2 2007**	**Q1 2008**	**3/25/2008**	**Target Q2 2008**	**Q2 2007**	**Q1 2008**	**3/21/2008**	**Target Q2 2008**
FID (+IBD)	202	248	361	219	261	368	477	299	79	101	108	96
Equities	51	49	44	40	62	60	57	52	14	13	12	11
CMPS	42	49	56	40	181	261	428	230	7	5	5	4
IMD	11	14	14	10	14	17	17	13	7	8	10	6
Principal	10	15	15	10	12	17	17	12	4	7	6	5
Non Trading Assets	15	13	37	16	32	45	37	48	13	11	11	10
Other	6	9	16	7	23	19	19	9	4	3	2	2
Total Assets	**337**	**397**	**542**	**342**	**586**	**786**	**1,052**	**664**	**127**	**150**	**153**	**134**
Equity [1]	21.9	25.7		25.7	21.1	24.8		24.8				
Leverage Ratio	15.4	15.4		13.3	27.7	31.7		26.7				

(1) Calcalations use Leverage Equity for Net Leverage Ratio and Reported Stock Holder's Equity for Gross Leverage Ratio

Appendices

Repo Book Overfunding

On April 2, the overfunding of the repo book amounted to $18 billion. It was primarily driven by U.S. investment grade asset backed, Europe investment grade corporates, U.S. high yield corporates and U.S. E2 equities.

April 2, 2008 Repo Book
($ Billions)

		Repo Capacity			Over / (Under) Funding		
Asset class		**High quality**	**Low quality**	**Total**	**High quality**	**Low quality**	**Total**
Asset-backed	*Europe*	*11.0*	*0.1*	*11.1*	*(0.1)*	*(0.0)*	*(0.1)*
	U.S.	*31.6*	*3.5*	*35.2*	*12.8*	*(1.0)*	*11.8*
	Total	42.7	3.6	46.2	12.7	(1.0)	11.7
Convertibles	*Europe*	*2.3*	*1.7*	*4.0*	*0.9*	*(0.2)*	*0.6*
	U.S.	*0.7*	*0.7*	*1.4*	*0.0*	*(0.2)*	*(0.2)*
	Total	2.9	2.4	5.3	0.9	(0.4)	0.5
Corporates	*Europe*	*13.0*	*2.7*	*15.7*	*4.7*	*0.4*	*5.1*
	U.S.	*4.9*	*13.3*	*18.1*	*(4.2)*	*7.7*	*3.5*
	Total	17.8	16.0	33.8	0.5	8.1	8.6
Equities	*Asia*	*0.1*	*1.2*	*1.3*	-	-	-
	Europe	*3.9*	*7.4*	*11.3*	*0.3*	*(0.6)*	*(0.3)*
	U.S.	*2.4*	*7.7*	*10.1*	*(1.6)*	*1.7*	*0.1*
	Total	6.4	16.3	22.7	(1.3)	1.1	(0.1)
EMG	*Asia*		*0.1*	*0.1*		-	-
	Europe		*6.0*	*6.0*		*(2.1)*	*(2.1)*
	Total		6.1	6.1		(2.1)	(2.1)
Money Markets	Total	7.0	1.5	8.5	(0.4)	0.7	0.3
Muni	Total	2.2		2.2	(0.7)		(0.7)
Other	Total		1.4	1.4		(0.2)	(0.2)
Subtotal		**79.0**	**47.3**	**126.3**	**11.7**	**6.3**	**18.0**
Govies	Total	48.5	4.5	53.0	(11.2)	(0.4)	(11.6)
MBS	Total	89.2		89.2	(12.5)		(12.5)
Agency	Total	39.4		39.4	6.0		6.0
Subtotal		**177.1**	**4.5**	**181.6**	**(17.7)**	**(0.4)**	**(18.1)**
Total		**256.1**	**51.7**	**307.9**	**(6.0)**	**5.9**	**(0.1)**