Confidential Presentation to:

Fitch Ratings

Q1 2008 Update

March 27, 2008

LEHMAN BROTHERS

Introduction

Areas of Concern

- Based on your press release last week and report yesterday, we understand your key concerns are the following:
  - **More challenging liquidity environment**, potentially impacting Lehman's credit worthiness
  - **Increased levels of less liquid assets** on our balance sheet and the heightened risk associated with these positions
  - **Earnings pressure going forward** due to higher volatility and increasing vulnerability to inventory marks or trading losses

Focus of Today's Presentation

We would like to address each of your concerns in turn to demonstrate how Lehman continues to operate at the level of a AA^- rated company

- **Best-in-class liquidity position**
- **Effective risk management of less liquid assets**
  - Residential Mortgages
  - Commercial Real Estate
  - Leveraged Loans
  - Monoline Exposure
- **Strong earnings performance and outlook**

Summary (1/2)

1. **Liquidity Position**
   - ◆ Stronger than ever due to our best-in-class Funding Framework, the benefits of recent Fed actions and our organizational ability in responding rapidly and proactively to rumors following the collapse of BSC
   - ◆ We have a sophisticated liquidity management approach that is significantly stronger than our peers
     - – We have no reliance on customer free credit balances, significant secured overfunding for harder-to-fund assets, proactive debt issuance in H2 2007 and early 2008, and access to ECB funding window through Bankhaus
     - – Rating agencies recognize the conservatism of our liquidity management. In 8/07, Fitch Ratings' liquidity analysis of U.S. securities firms showed Lehman's short-term liquidity position significantly stronger than MER, GS, MS and BSC

2. **Risk in Less Liquid Assets**
   - ◆ While traditional focus of credit risk concern has been on less liquid assets, the most significant writedowns in the current market dislocation have been, in fact, in liquid asset classes
     - – For example, \$7.8B MS U.S. subprime mortgage trading positions, \$14.3B Citi super senior ABS CDOs, \$24.5B MER writedown primarily in liquid asset classes such as senior U.S. ABS CDOs, Alt-A and ML Bank Treasury portfolio
   - ◆ LEH has adeptly managed risks over the course of the current market dislocation and therefore has one of the lowest writedowns levels on the Street, despite having a relatively less liquid balance sheet
   - ◆ To fully understand the risk management of our largest less liquid asset classes, it is critical to look deeper than B/S utilization at hedging effectiveness and asset distribution

   Residential Mortgages
   - ◆ We have effectively hedged ~60-90% of our gross writedowns
     - – Our portfolio continues to be broadly hedged against a wide range of HPA scenarios
     - – Our hedging success is in part driven by our expertise and experience in resi mortgages vs. more recent market entrants
   - ◆ Our forward-looking exposure to home price depreciation is limited
     - – Current marks already assume double digit p.a. decline in U.S. home prices from end-'07-'09 vs. market projections of ~ <8%
     - – Even 20% decline p.a. in U.S. home prices would lead to only ~\$470M in incremental marks on U.S. residential portfolio

Summary (2/2)

Commercial Real Estate

- Well-diversified portfolio by property, risk type and geography with ~95% of whole loans LTV less than 80%
- Sold down an additional $4.4B since Q4 2007, including $1.7B since Q1 2008
- Our positions are being managed down in an aggressive but measured way; they are funded with long-term sources which removes the need for further accelerating dispositions
  - We have a pipeline of $5.7B in incremental dispositions by May '08 and plans for significant further sales in H2 2008
- We are seeing pricing improve recently, with CMBS/CMBX spreads tightening by as much as 200 bps since YTD peak
- Analysts / rating agencies continue to believe asset class is oversold, with implied loss rates on CMBX ranging from 10-38% vs. historic worst-case of 8% (1986)

Leveraged Loans

- Overall HY acq facilities down from $55.2B as of Q2 2007 to $23.9B by Q4 2007 and $17.8B by Q1 2008
  - We are not in Clear Channel or Bell Canada
- Though we remain undersized in lev loans vs. peers, we have been more aggressive than peers in reducing our exposure
- Furthermore, with funded HY loans now marked at 81 cents to the dollar, which implies >20% probability of default and 70% recovery rate on 1st liens, we believe the portfolio does not represent material incremental risk

3. **Positive earnings outlook based on demonstrated strength of our client franchise and success of our diversified growth strategy**

- Consistent, best-in-class performance in terms of pre-tax volatility and long-term revenue and earnings growth
- Strongest performance after GS among leading U.S. broker-dealers over last 9 months, generating solid margins and ROE
  - While LB earnings are down, we continue to post positive earnings unlike MS and MER who have recorded losses
  - We continue to have an extremely conservative trading risk management framework, with empirical VaR significantly below historical simulation VaR, as well as fewer backtesting exception days and negative trading loss days than our global peers
  - In addition, assets on our balance sheet are fully revalued while liabilities are only partially revalued, leading to significant offsetting economics gains which will amortize into P&L over time
- Record 1Q08 performance across many businesses and regions, demonstrating continued strength of our underlying client franchise
  - Record quarter in IMD, FID client revs, FX, Credit Trading, Rates, FI Prime Svcs. and Asia. Top 3Q in IBD, Equities and Comm.
- Strong earnings generation potential across diverse set of businesses we have aggressively invested in (e.g., FX, Commodities, Asia)

Liquidity

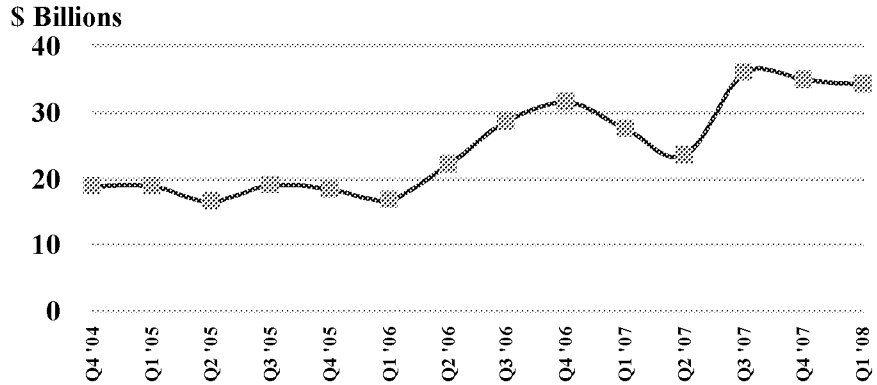
Liquidity Pool and Cash Capital Surplus

Our conservative Funding Framework has allowed us to maintain a strong liquidity and cash capital position despite market challenges

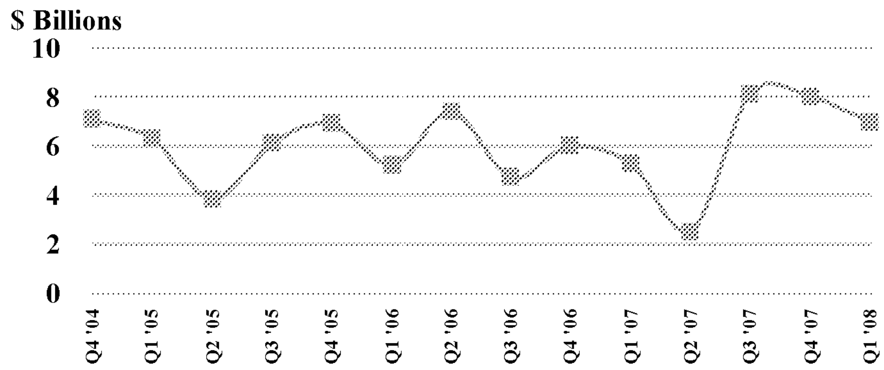
Best-in-Class Funding Framework

- Despite market conditions, have been able to operate close to record levels throughout the period:
  - Closed Q1 2008 with $34B of liquidity, representing a $7B excess over our cash capital requirements
  - Maintained strength over BSC collapse: $31B (3/14), $30B (3/17), $33B (3/20)
  - Therefore no need access to financing for over one year
- No reliance on customer free credit balances
- Generated over-funding in triparty repo market, e.g.,
  - ~$13B overfunding in lower quality collateral as of 3/18
- Minimal reliance on CP, ST unsecured or AB CP programs
- Maintain access through Bankhaus to ECB window
- Liquidity supported by proactive debt issuance since ‘07H2
  - Successfully closed new $2B 3-yr syndicated facility in 3/08
  - To date, executed ~ 2/3s of full year capital plan

Liquidity Pool



Cash Capital Surplus



Funding Framework – Managing Secured Liquidity Risk

Lehman manages its secured liquidity using a four-pronged risk mitigation strategy, which conservatively assumes no reliance on Holdings' liquidity and no reliance on customer collateral or free credits

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Secured Financing Risk Mitigation Strategy	
Overfunding Of Less Liquid Asset Classes	◆ Capital Markets Prime Services as a matter of policy funds more less liquid collateral than it needs, thereby creating a "cushion" in case counterparts stop funding Lehman Brothers or ask for higher quality collateral
Assess Reliability of Funding Counterparts	◆ Reliability of repo counterparties are being assessed continuously on an asset class-by-asset class basis. ◆ Funding is typically with counterparts, which have a long and deep funding/trading history with Lehman Brothers (e.g., clearing banks, large asset managers)
Use Lehman Brothers Bankhaus	◆ Contrary to Lehman Brothers Bank or Lehman Brothers Commercial Bank, Lehman Brothers Bankhaus is able to fund good quality collateral (~$3 billion) held by other Lehman entities, such as LBIE. ◆ This collateral can be funded either on an unsecured basis (Bankhaus operates in a deposit-protected environment) or can be repoed to the discount window of the ECB
"Transforming" Balance Sheet	◆ In a severe liquidity event, Lehman Brothers would reduce liquidity-consuming proprietary positions, such as the Matched Book ◆ Additionally, we would use our structuring capabilities to create liquid, investment grade securities our of a pool of less liquid collateral (e.g., through CLO or CDO)

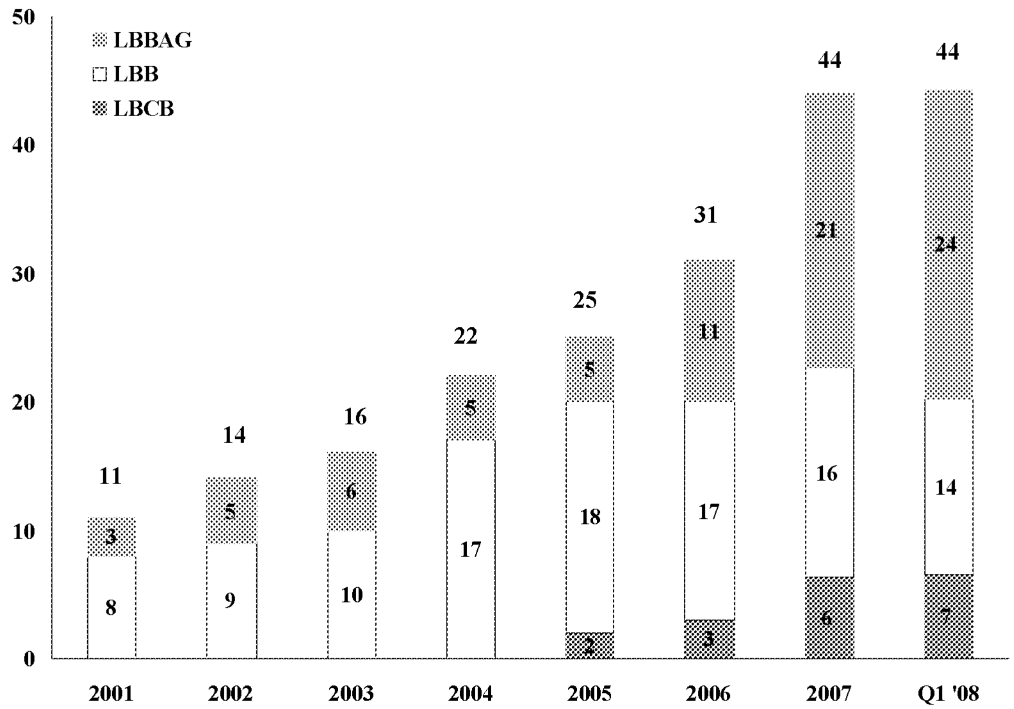
Funding Framework – Role Of Banking Entities

Lehman's 3 banking entities are all benefit to raise cost-effective financing in a depositor-protected environment (proved extremely reliable)

Lehman Banking Entities

- **LBB** : Funds all US residential mortgage origination. Additionally funds commercial mortgages and investment grade US loans. Can access the Fed discount window.
- **LBCB** : Funds commercial mortgages, derivative receivables and corporate & industrial loans. Can access the Fed discount window.
- **LBBAG**: Funds securities on repo and loans (commercial, residential and corporate). Can access the ECB discount window

Lehman Banking Entities – Total Assets ($B)



% of Firm's Net Assets

2001	2002	2003	2004	2005	2006	2007	Q1 '08
8%	10%	10%	12%	12%	12%	12%	11%

Update on Recent Events

Our response to 1998 dislocation has positioned us to weather extreme stress, as demonstrated over the last few weeks. Our Funding Framework is further buttressed by the recent Fed actions and our proven organizational ability to respond rapidly and successfully to market rumors

Recent Fed Actions

- $200B Term Securities lending facility introduced 3/11
- Clear signal through role in sale of BSC that Fed is unwilling to let any broker-dealer fail due to a liquidity crunch
- Access to Fed discount window will extend primary dealers credit collateralized by broad range of IG securities including corp. bonds, MBS and ABS
  - Tenor will be at least 6m and longer if conditions warrant
  - No stigma to borrow and usage actively encouraged by Fed
  - Fed in discussions with primary dealers on how to refine facility to maximize benefits

LB Response to Recent Market Environment

- Coordinated senior management response, drawing on leadership team's success in managing 1998 dislocation
- Proactive client calling plan implemented March 14 against our most important global clients / counterparties
- Internal memo provided March 17 to all senior managers with detailed factbase on our strong liquidity position
- Process to immediately escalate even isolated queries from traders to ensure immediate senior mgmt. action
- Close coordination with Fed to monitor situation and end market rumors quickly and decisively
- Global database in place monitoring all client situation to rapidly resolve any emerging cases

Lehman vs. Peers

Lehman has the strongest liquidity position of our broker-dealer peers

Liquidity Comparison – Lehman Brothers vs. Peers

Year end 2007
$ billions

	BSC	LEH	GS	MS	MER
Short Term Borrowings	24.0	11.3	48.9 (1)	34.5	24.9
Current Portion of Long Term Debt	9.6	16.8	22.7	30.8	65.0
Total Short Term Debt	33.6	28.1	71.6	65.3	89.9
Holding Company					
Liquidity Pool	17.4	34.9	60.6	62.0	79.0
Unencumbered Collateral	5.1	63.2		N/D	N/D
Cash Value of Unencumbered Collateral (at 30% haircut)	3.6	44.2	38.3 (2)		
Liquidity Pool / Short Term Debt	52%	124%	85%	95%	88%
Liquidity Pool + Cash value of unencumbered collateral / Short Term Debt	62%	282%	138% Est.		
Unencumbered Collateral outside Holding Chain (in Regulated Entities)	11.2	95.5	57.8	56.0 (3)	121.0

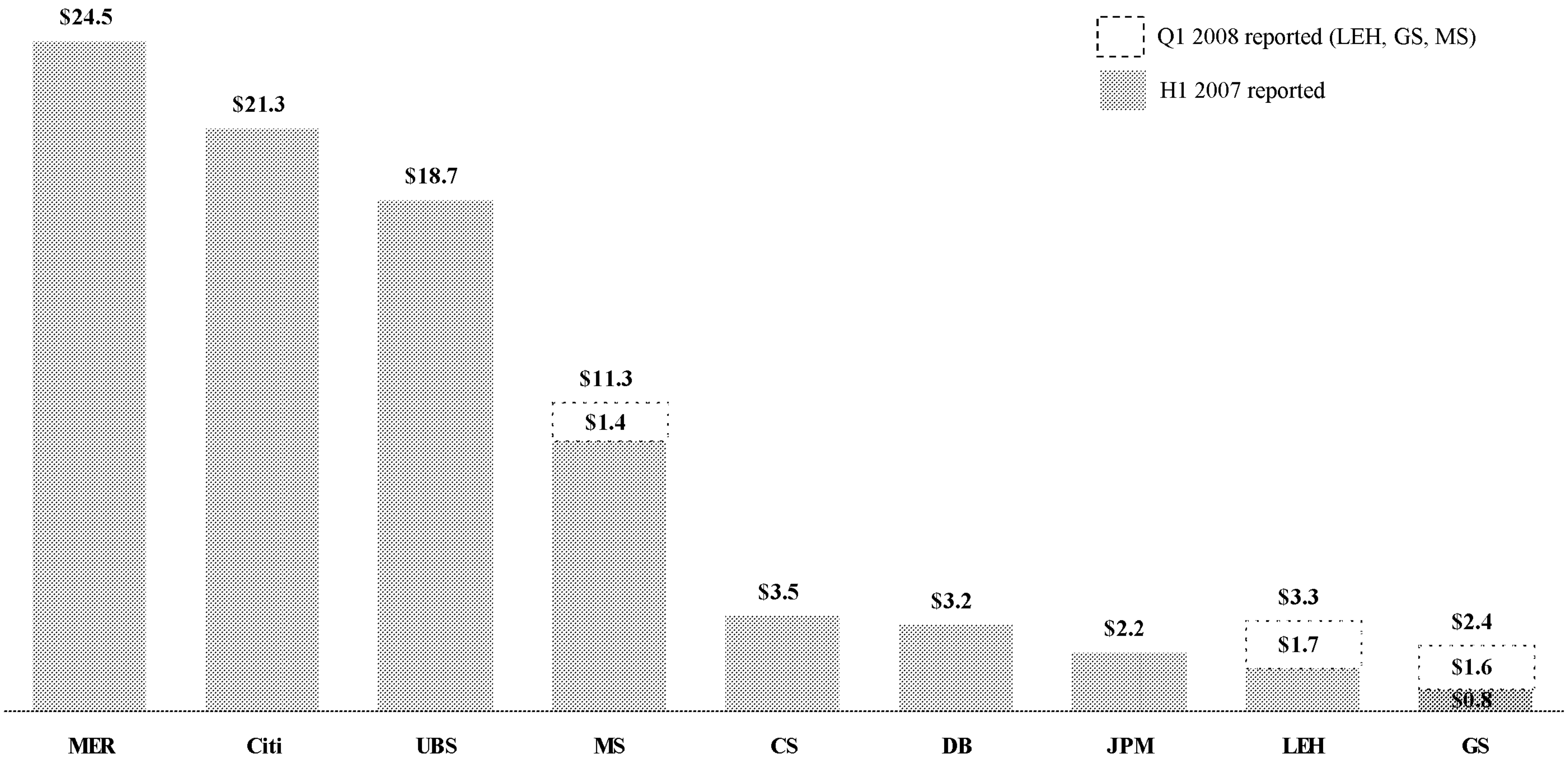
(1): Excludes $32.4 billion of secured short-term financing (primarily non recourse debt - e.g., William Street)
(2): Based on overall pledge value of Firm-wide collateral of $96.1 billion; assume same regulated/unregulated mix as LEH
(3): Liquidity reserve at bank and non-bank subsidiaries

Less Liquid Assets

Broker / Dealer MTM Writedowns

The most significant writedowns over the last 9 months are in what appeared to be more liquid asset classes or in off-balance sheet facilities. In contrast, all Lehman risk is on-balance sheet and we have proven ourselves adept at managing risk and transparent in quantifying risk

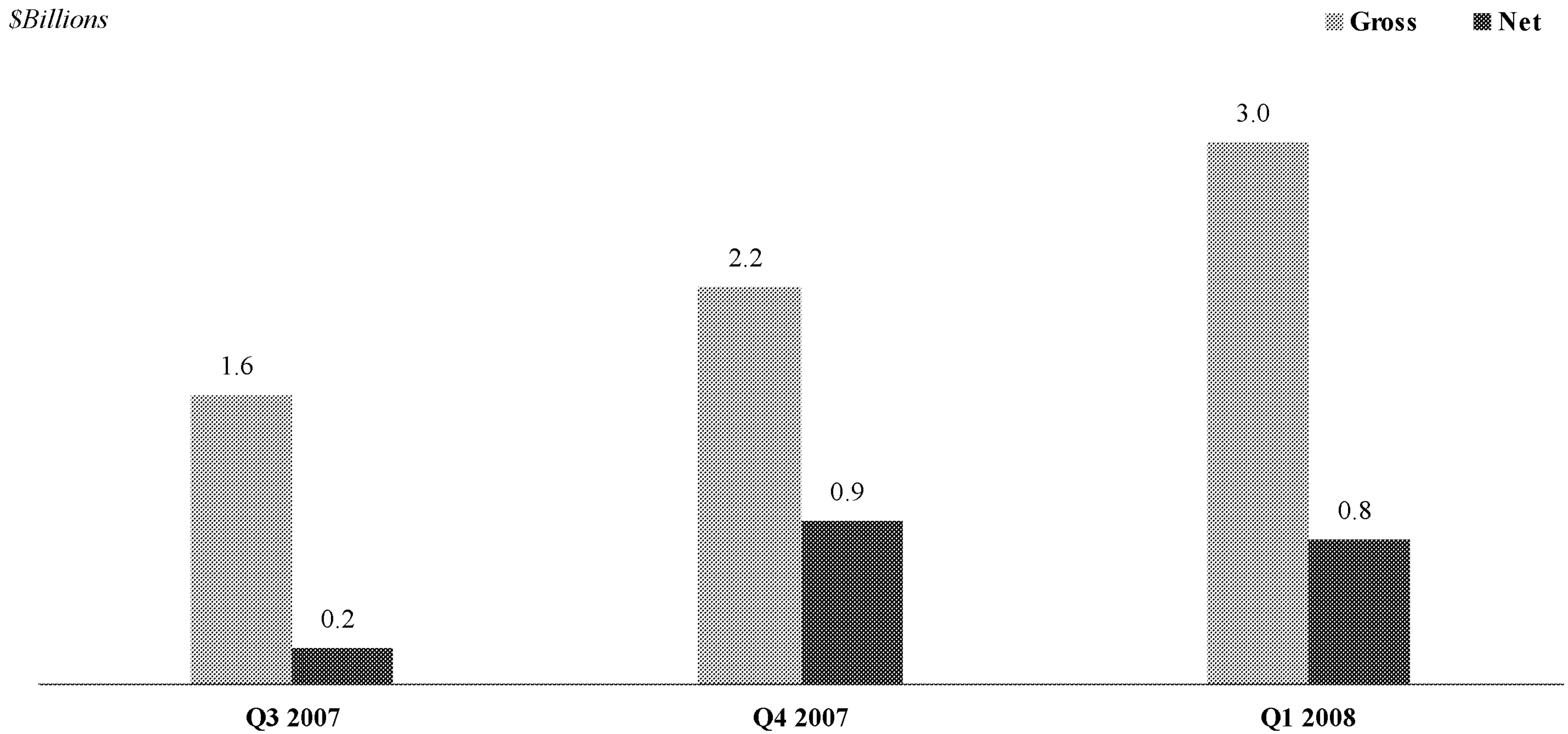
MTM Writedowns – H2 2007 and Q1 2008 ($B)



Lehman's Residential Mortgage Writedowns

We have hedged ~60-90% of gross writedowns; our portfolio continues to be broadly hedged

Lehman Brothers' Gross and Net Residential Mortgage Writedowns



Net as % Gross	**12%**	**41%**	**27%**

Lehman U.S. Residential Mortgage Exposure

Our U.S. residential mortgage book has been significantly hedged

$ Billions

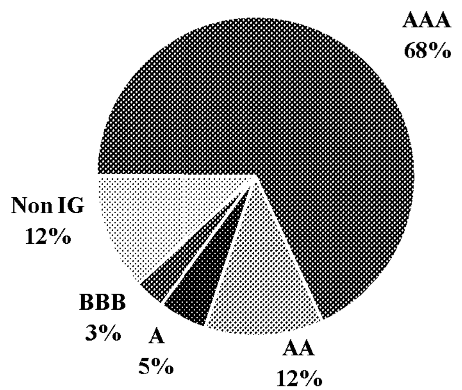
US Residential Mortgages

Assets		Market Value
Prime/Alt-A		**12.9**
Securities	9.2	
Whole Loans	3.7	
Sub Prime		**4.0**
Securities	2.7	
Whole Loans	1.3	
Servicing		**1.7**
Other		**3.1**
Total		**21.6**

Synthetic Hedges

Type	Notional
ABX/TRS	(4.6)
CDS	(9.4)
CMBX	(1.9)
CDX	(4.0)
ITRAXX	(1.2)
Corp CDS	(1.9)
Swap Spread	(2.6)
Total	**(25.6)**
Total in Market Value	**(15.2)**

Securities Composition



Key Takeaways

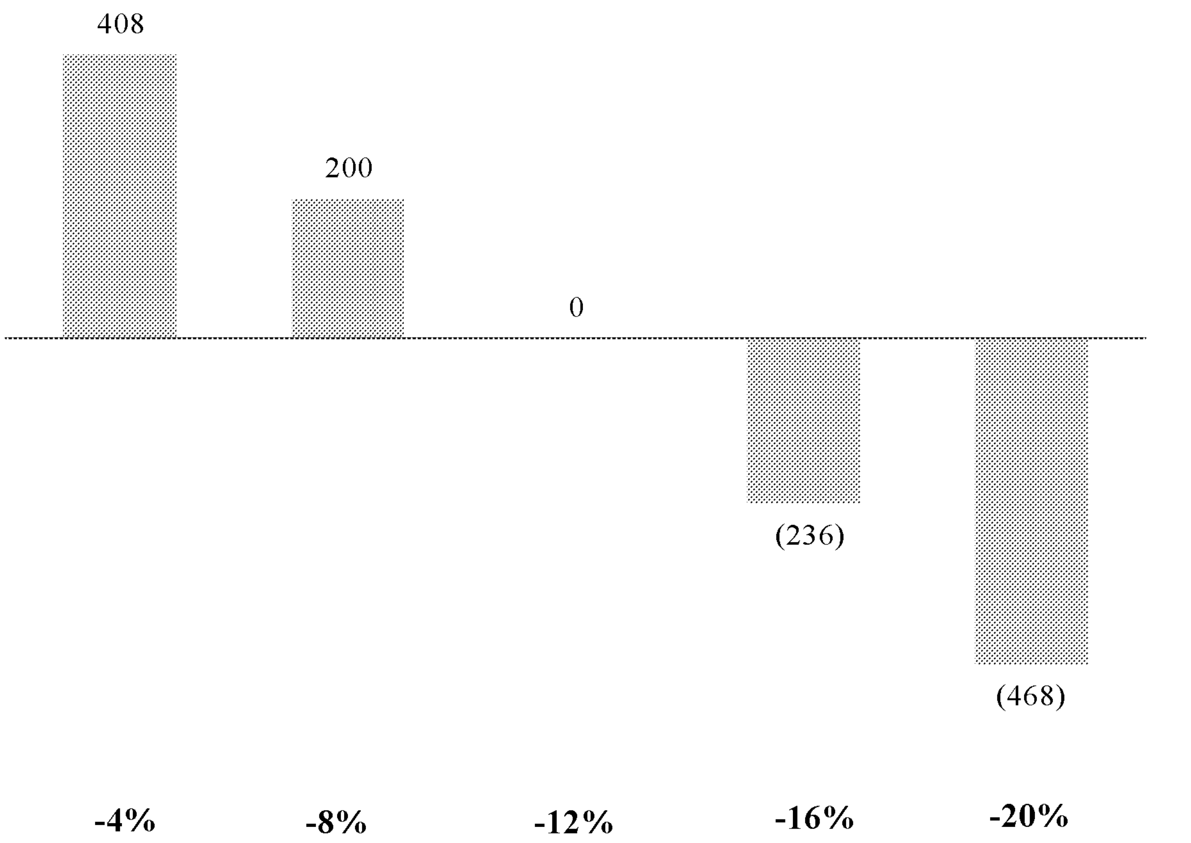
- **Substantial credit hedges against our mortgage portfolio**
  - **Our servicing asset also acts as additional hedge**
- **68% of our Non-Agency Bond portfolio is rated AAA**
- **Only 12% is Non Investment Grade**
- **Sub Prime/2nd Lien exposure down to $4B**

Impact of U.S. Home Price Depreciation on Residential Portfolio

Current marks already assume double-digit decline in both '08 and '09 housing prices relative to YE2007; even a 20% annualized house price decline would lead to ~$468M in additional LEH writedowns

Impact of U.S. Home Price Depreciation on Market Value of U.S. Residential Portfolio[1]

$Millions



End-2007 to End-2009 Annualized U.S. Home Prices Change Scenarios

- Current market valuations of LEH's portfolio assume conservative double-digit home price depreciation
- In comparison, market forecasts less bearish on '07-'09 annualized decline:
  - **Case-Shiller**: (8.6%)
  - **FNM**: (5.3%)
  - **OFHEO**[2]: (4.7%)
  - **MBA**[3]: (0.5%)
  - **Nat'l Assoc of Realtors**: (0.5%)
- Does not include benefit of slower pre-payment speed from servicing portfolio or tightening of asset spreads from historically wide current levels

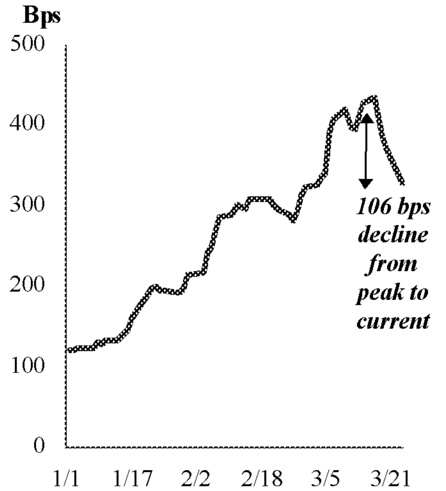
Note: Assumes home prices will revert to 4% p.a steady state growth only after 2011
1. *Based on U.S. Mortgage Desk View*
2. *OFHEO: Office of Federal Housing Enterprise Oversight*
3. *MBA: Mortgage Bankers Association*

Comm. Real Estate – Improving Market Conditions

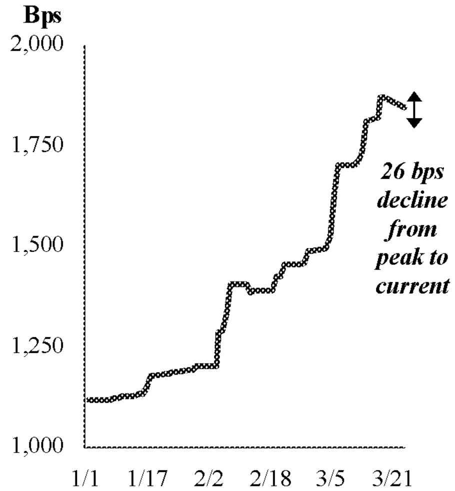
Analysts and rating agencies believe CMBS are oversold given securities are priced at levels that imply default rates over 80% of underlying loans vs. historical highs of ~30%

CMBS Spreads by Rating (1/1/08 – 3/24/08)[1]

Investment Grade

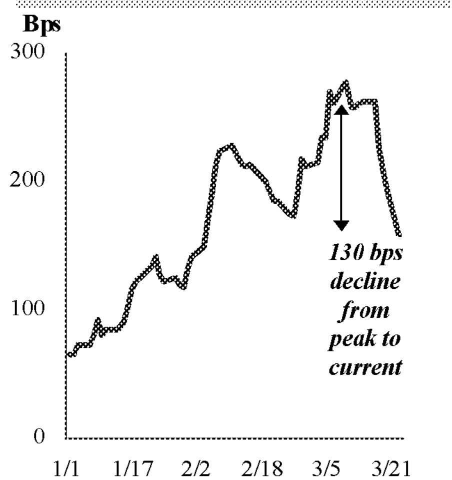


High Yield

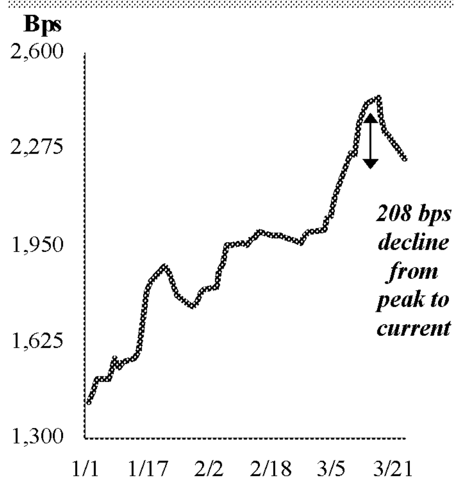


CMBX Spreads by Rating (1/1/08 – 3/24/08)

AAA Rated



BB Rated



Commentary

"We're seeing no significant changes in vacancy rates or rent growth, so the ***fundamentals in commercial real estate still seem to be respectable. Under normal circumstances, near-full occupancy coupled with positive rent growth would be of strong interest to investors****, but we're not seeing that. The credit crunch has filtered into the commercial real estate market"* – National Association of Realtors, March 12, 2008

"CMBS spreads are now pricing in significant weakness in real estate fundamentals bordering on a record-setting collapse. We disagree with this outlook…. ***we think that the CMBS market is oversold, especially at the top of the capital structure….based on historical loss severities, virtually every loan in AAA super senior CMBS would have to default for the securities to default. That seems highly unlikely****."* – Morgan Stanley, Feb 19, 2008

*"****Commercial real estate fundamentals generally remain strong*** *and while Fitch expects loan defaults to increase in 2008, the agency does not anticipate sizeable increases in downgrades"* – Fitch Ratings, Jan 15, 2008

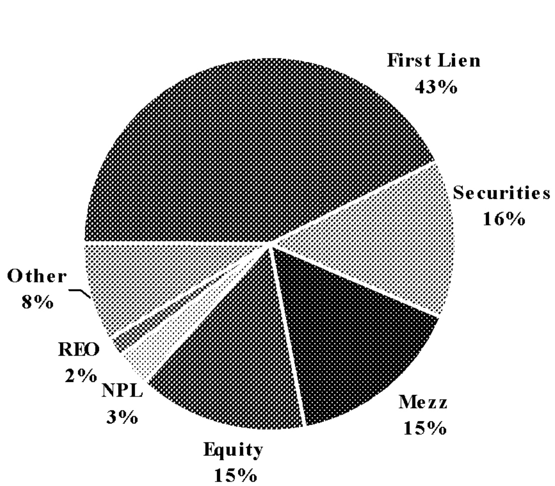
"Prices of ***top-quality commercial-real-estate debt are still at levels that are wildly out of line. Securities are priced at levels that imply default rates could reach 80%, or even 100%, of their underlying loans****. Historically, though, the worst period in the commercial-real-estate debt market saw defaults on those bonds reach roughly 31%"* – WSJ, March 22, 2008

1. Market weighted investment grade and non investment grade CMBS.

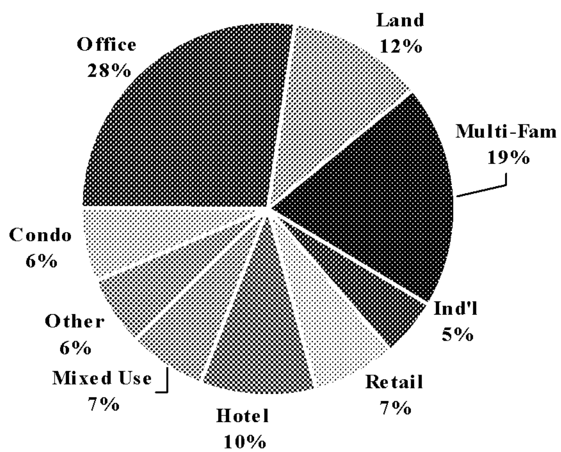
Comm. Real Estate – High Quality Portfolio

We are well-diversified in terms of region, property and risk type, with 95% of whole loans having LTV <80%

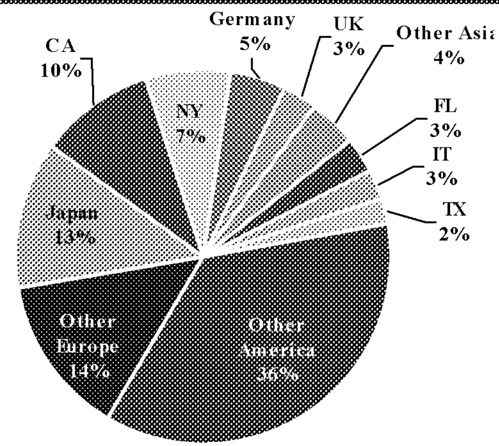
Global by Lien Type (Feb '08)



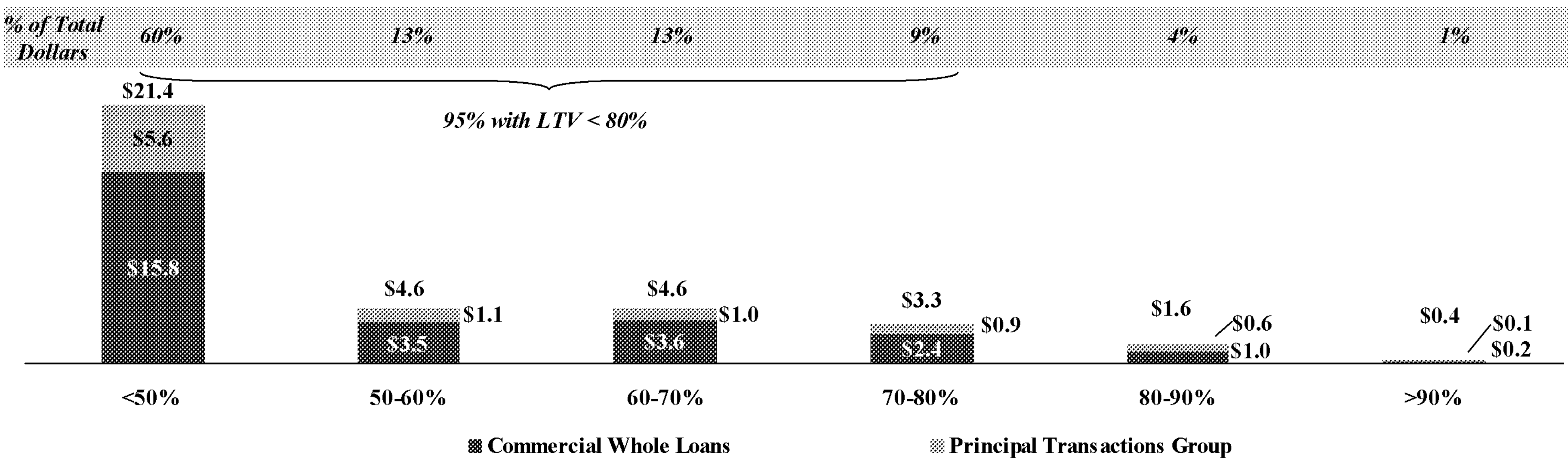
Global by Property Type (Feb '08)



Global by State / Country (Feb '08)



Dollars at Risk by LTV Bucket (SB, Nov '07)

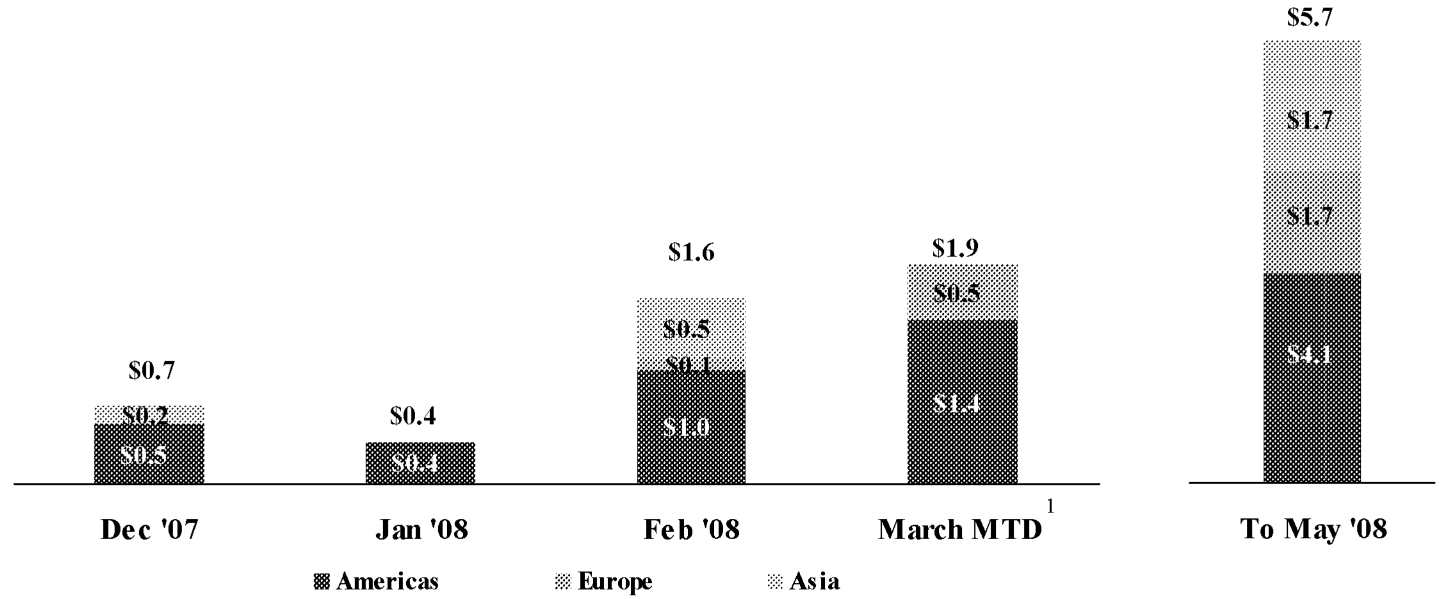


Comm. Real Estate – Balance Sheet Reductions

Commercial RE positions are being managed down in a measured way without fire sales. Positions are funded with long-term sources which removes the need for accelerating dispositions

Real Estate Sales Since Q4 2007 and H1 2008 Pipeline ($B)

Total: $0.7 $1.1 $2.7 $4.6 $10.3



- Forward pipeline projects $10.3B in commercial RE sales by end of 1H'08
- Plans for significant further sales in 2H'08

Select transactions

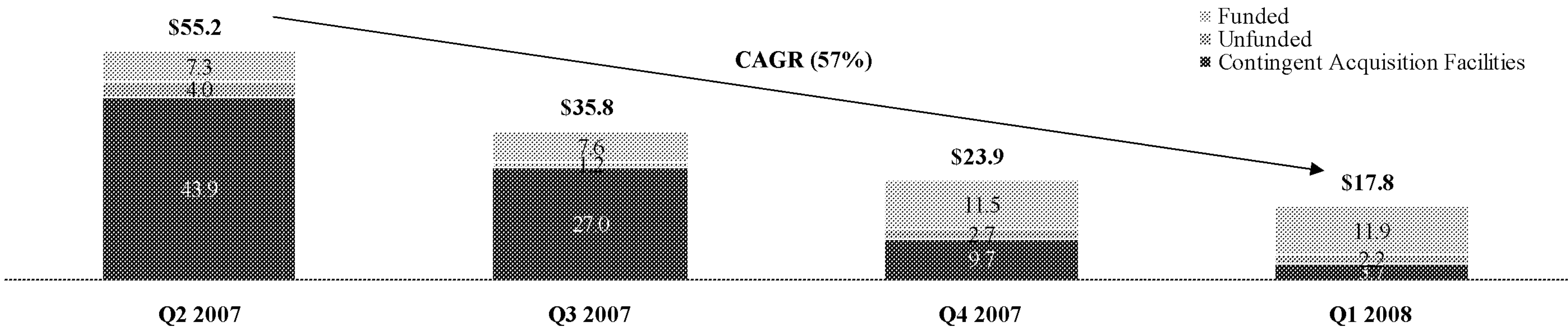
- Archstone (U.S.)
  - Term A, $67M (Mar)
  - Term loan, $45M (Feb)
  - Mezz and term loan, $37M (Jan)
  - Term and devel loan, $125M (Dec)
- Pro Logis (U.S.)
  - $80M (Mar)
  - $218M (Mar)
- LBFRC Securities (U.S.)
  - $305M (Mar)
- Beta (Europe)
  - $305M (Mar)
- Teodora (Europe)
  - $153M (Mar)
- Clearth Asset Refinance (Asia)
  - $460M (Feb)
- Calvino, $244M (Europe)
- LJAC-7 Securitization, $285B (Asia)
- Daikoku, $170M (Asia)
- Pro Logis, $700M (U.S.)
- Gencom, $143M (U.S.)
- Archstone, $300M (U.S.)

1. Till 3/24/08

Leveraged Loan Exposure

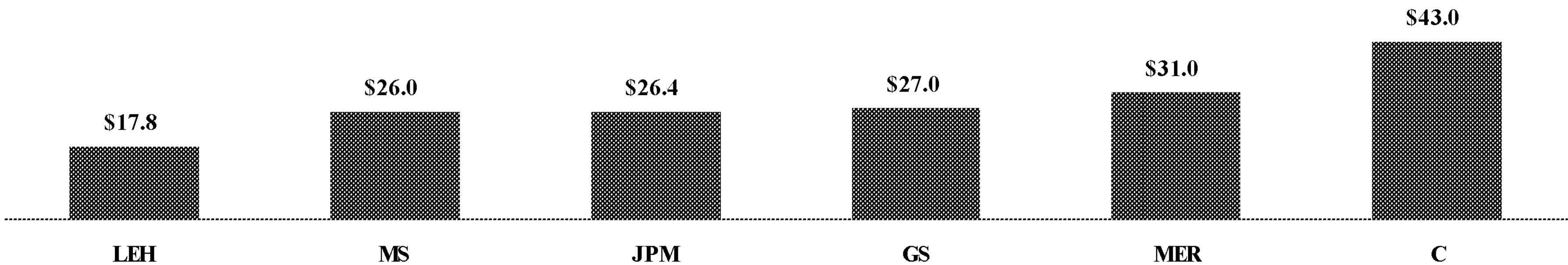
Overall HY acquisition facilities are down from $55.2B as of 2Q07 to $17.8B as of 1Q08; though we are undersized in lev loans vs. peers we have been more aggressive than peers in reducing exposures

Lehman Brothers High Yield Loan Exposure ($B)



	Q2 2007	Q3 2007	Q4 2007	Q1 2008
% of Leverage Equity	251%	159%	102%	69%

Competitor Comparison – High Yield Loan Exposure ($B) (1)



	LEH	MS	JPM	GS	MER	C
% of Leverage Equity (2)	69%	81%	34%	63%	97%	59%
Chg. vs. Q2 2007	(57%)	(24%)	n.a.	(38%)	(24%)	(21%)

(1) HY Loan Exposure defined as the sum of contingent, funded and unfuunded positions. Exposure as of Q1 2008 for LEH, GS and MS. MER, JPM and C as of Q4 2007.
(2) Leverage Equity as of Q1 2008 for LEH, Q4 2007 for all others.

Monolines

Our net exposure to monolines ranges from as high as ~$760m of potential loss to as low as ~$300m, which is dependent upon on the recovery assumptions applied

Net Exposure, Measured as Potential Loss given Recovery Assumptions ($ millions)[1]

	Recovery Assumptions				
	High Recovery	**Medium Recovery**	**Low Recovery**	**Zero Recovery**	**Rating**
MBIA	(178)	(213)	(230)	(307)	AAA (CWN)
FGIC	(29)	(43)	(49)	(53)	AA (CWN)
ASSURED	(27)	(109)	(158)	(255)	AAA (S)
XLCA/FA	(21)	(2)	(21)	(40)	A (CWN)
AMBAC[2, 3]	(17)	91	137	(64)	AA (CWN)
FSA	(14)	2	10	29	AAA (S)
ACA[4]	(12)	(12)	(12)	(12)	NR
Bluepoint	(8)	(19)	(24)	(28)	NR
CIFG	(3)	(14)	(20)	(28)	AAA (CWN)
TOTAL	**(309)**	**(319)**	**(366)**	**(759)**	

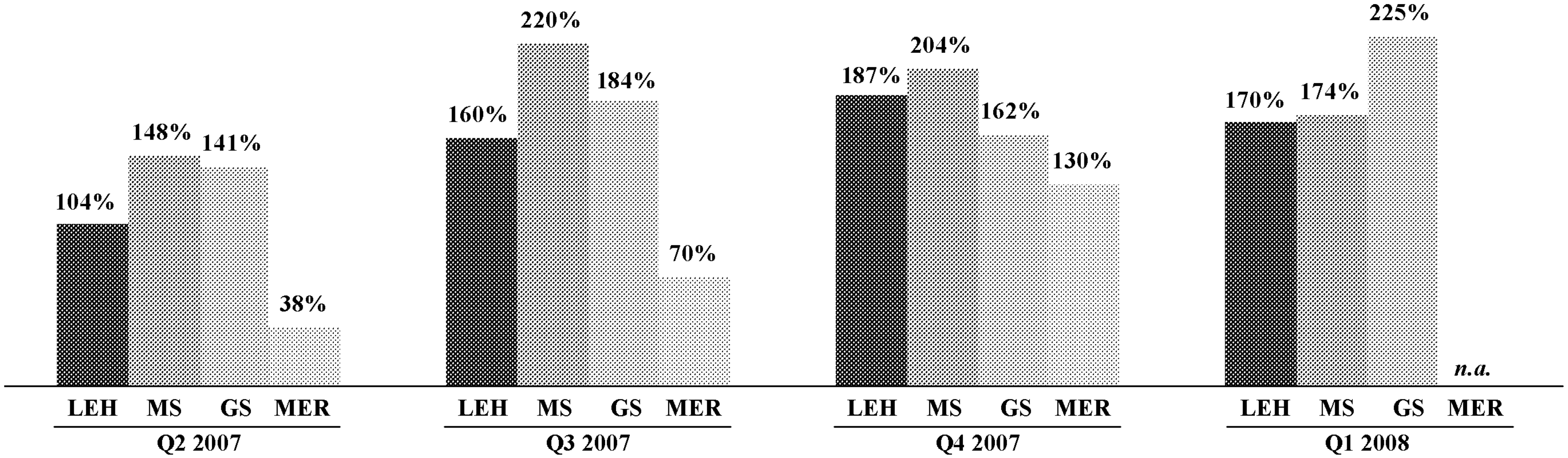
Rating Legend: (S) Stable Outlook, (N) Negative Outlook, (CWN) Credit Watch Neg

1. *Financial data and ratings as of Feb 29, '08; Exposures are direct market risk, counterparty risk, and credit enhancements (i.e. wrapping)*
2. *Excludes $250M Ambac surplus note backing LBDP (off-balance sheet); Fitch affirmed LBDP's AAA rating in late-January; LBDP is currently evaluating capital raising alternatives (including possibly LEH Treasury infusion)*
3. *Ambac composition is split at $204m of short market risk while long $269m of counterparty risk; higher recoveries will continue to erode the benefit of being net short market risk, while recoveries on certain portions of the long counterparty risk remain unchanged in the non-zero recovery scenarios*
4. *ACA counterparties (including LEH) have executed a forbearance agreement; minimal recovery, if any, is expected; exposure is substantially and continually reserved*

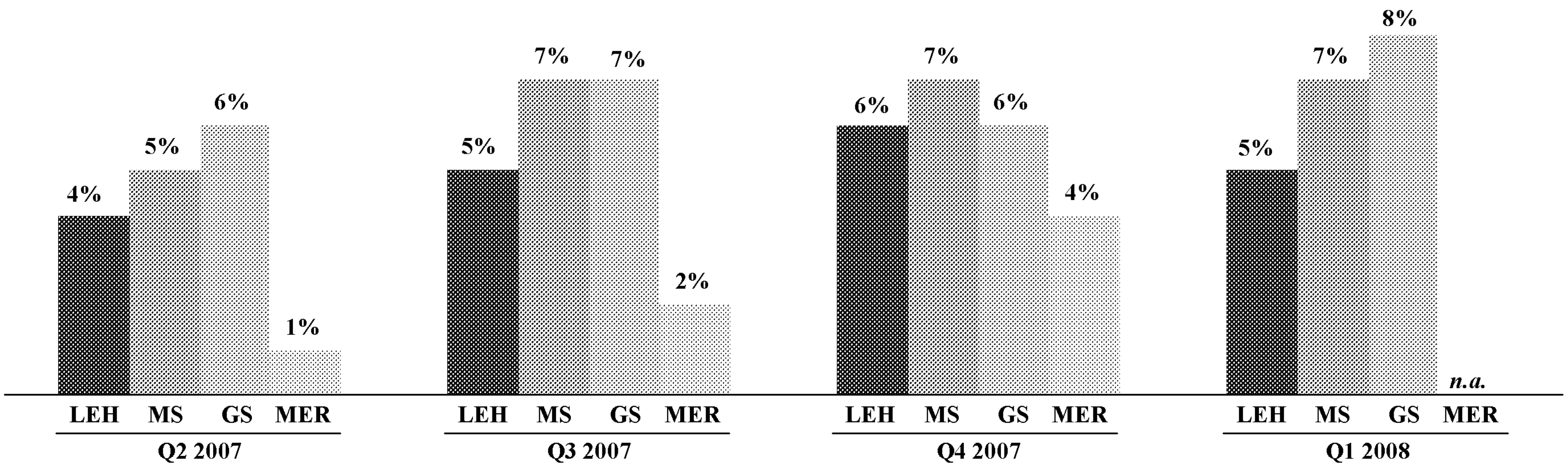
Level 3 Assets

Our Level 3 assets are lower than most broker-dealers as a share of total equity as well as total assets

Level 3 Assets as % of Shareholder's Equity (Q2 2007 – Q1 2008)



Level 3 Assets as % of Total Assets (Q2 2007 – Q1 2008)



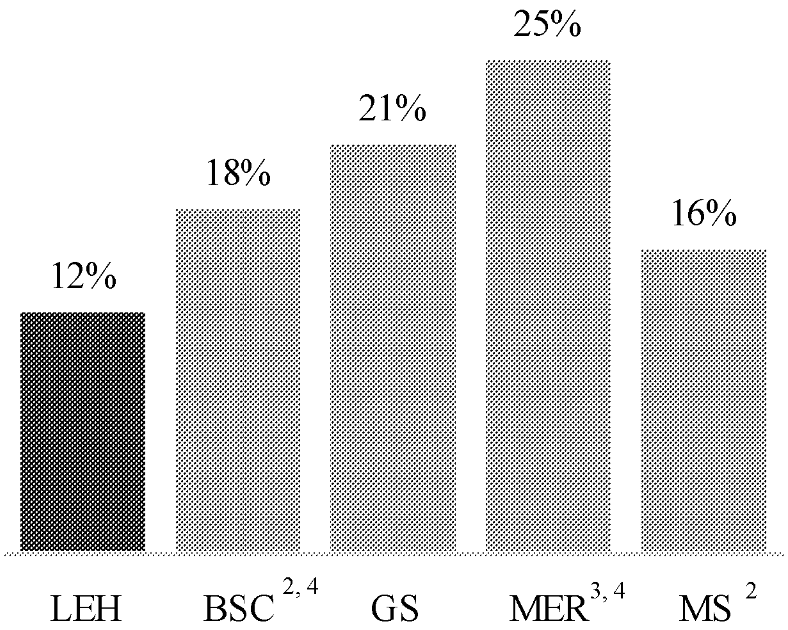
Source: Company filings, 10Qs and earnings announcements.
1. Based on GS Q1 2008 approximate total assets of $1.2 trillion taken from earnings call transcript.

Earnings Outlook

Earnings Outlook – Long Term Performance

Consistent leadership in terms of pre-tax volatility as well as long-term revenue and earnings growth

Pre Tax Margin Volatility[1], Q1 2003-Q1 2008



	LEH	BSC	GS	MER	MS
Average Pre Tax Margin	31%	30%	34%	28%[2]	29%

Consistent Performance Leadership (2002-2007)

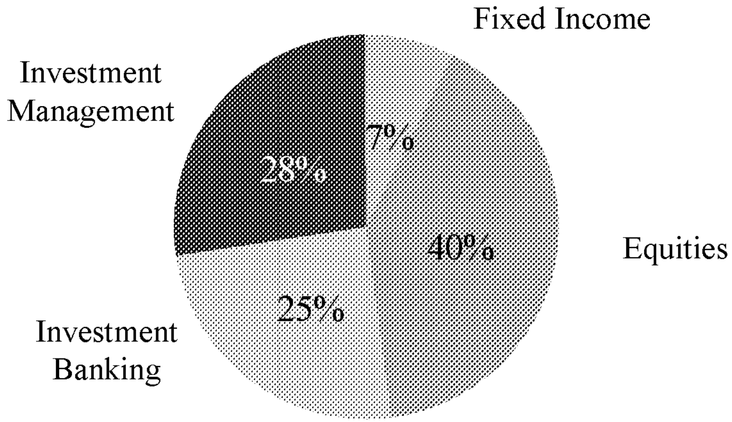
- 26% Revenue CAGR
  - 2nd fastest growth across major U.S. peers[1]
- 34% Pretax income CAGR
  - 2nd fastest across peer group[1]
- PT margin expansion from 23% to 31%
  - 2nd highest '07 margin and 2nd fastest increase
- 33% EPS CAGR of
  - 2nd fastest growth across peer group[1]
- Revenue ROA up from 4% in '02 to 6% in '07
  - Fastest increase among peer group[1]
- ROE up from 11% in '02 to 21% in '07
  - 2nd highest '07 ROE and 2nd fastest increase

1. *Standard deviation of qtrly pre-tax margin divided by avg qtrly PT margin*
2. *Excludes Q4 2007 figures due to reported quarterly loss*
3. *Excludes Q3 2007 and Q4 2007 figures due to reported quarterly losses*
4. *Excludes Q1 2008, as Q1 2008 figures have not yet been reported*
5. *Peer group: MS, MER, GS and BSC*

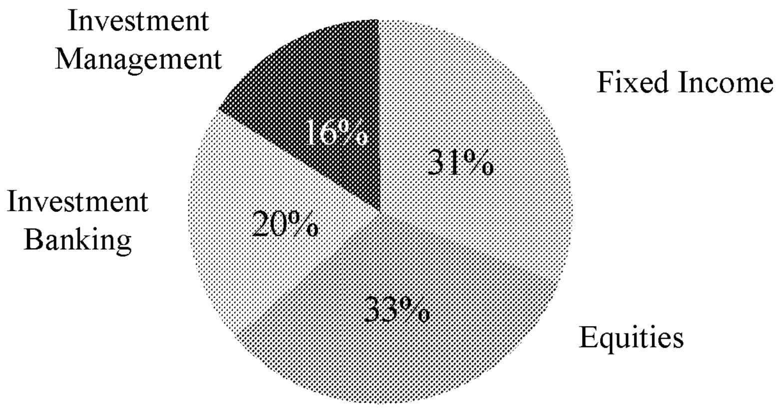
Earnings Outlook – Business & Geographic Mix

Results in Q1 2008 demonstrate the benefits of our business and geographic diversification efforts

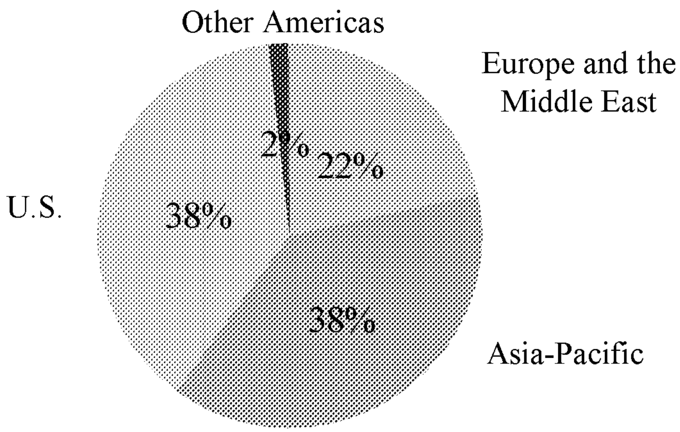
Q1 2008 Revenues by Business



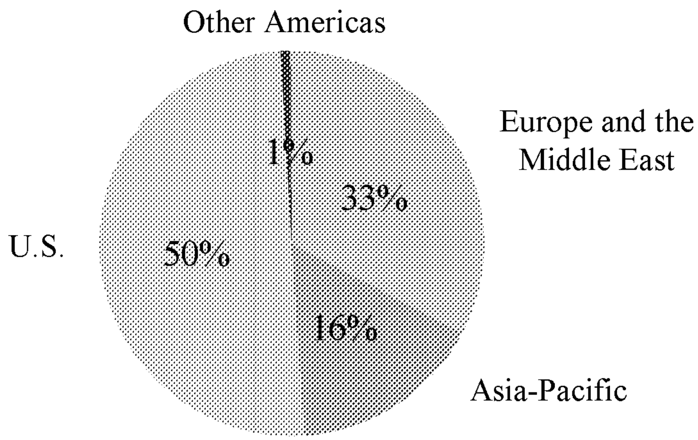
2007 Revenues by Business



Q1 2008 Revenues by Region

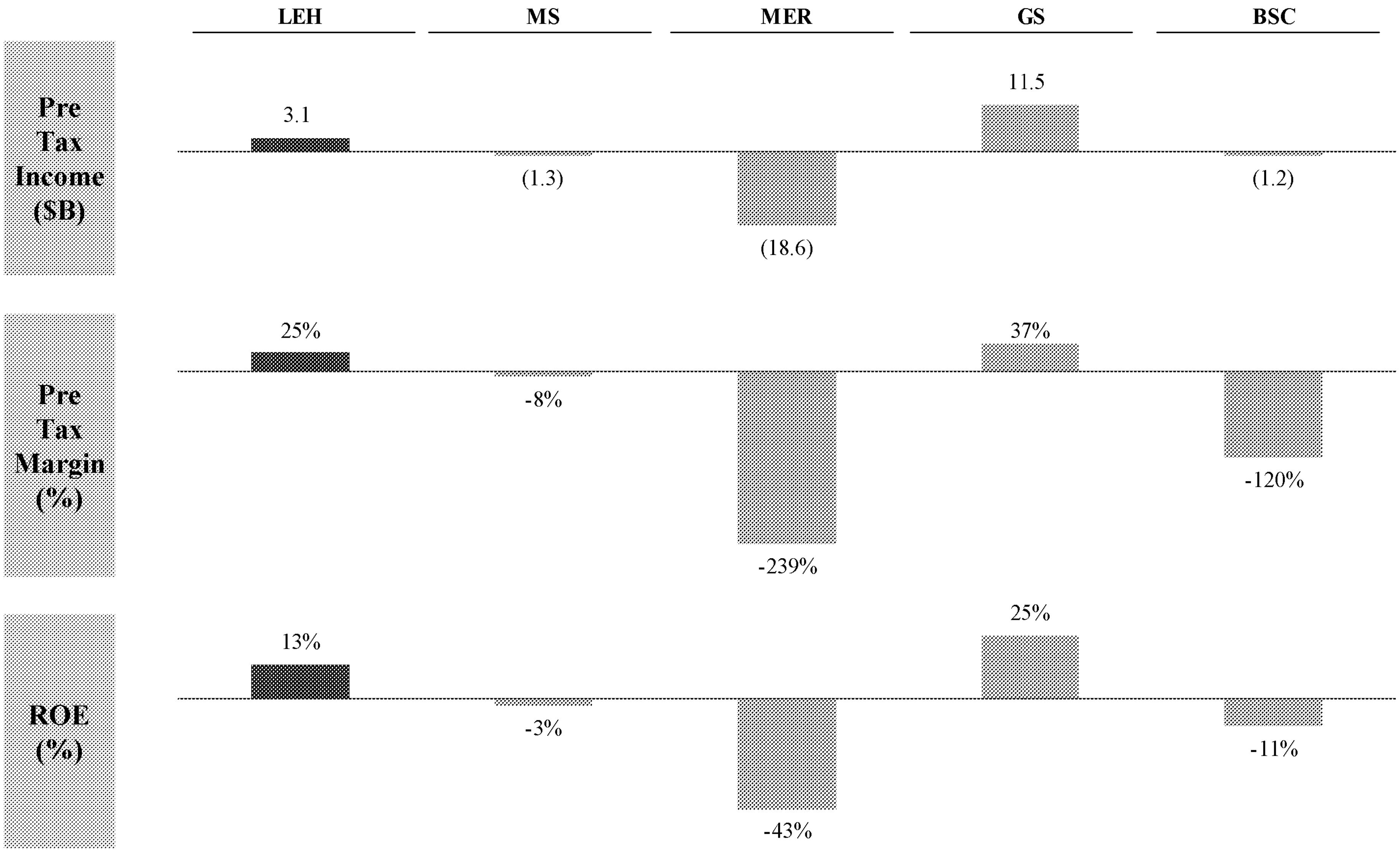


2007 Revenues by Region



Earning Outlook – Performance Over Last 3 Quarters

Strongest performance after GS among leading US broker-dealers over the last 9 months (3Q07-1Q08). While LB earnings are down, we continue to post positive earnings unlike MS and MER who have recorded losses

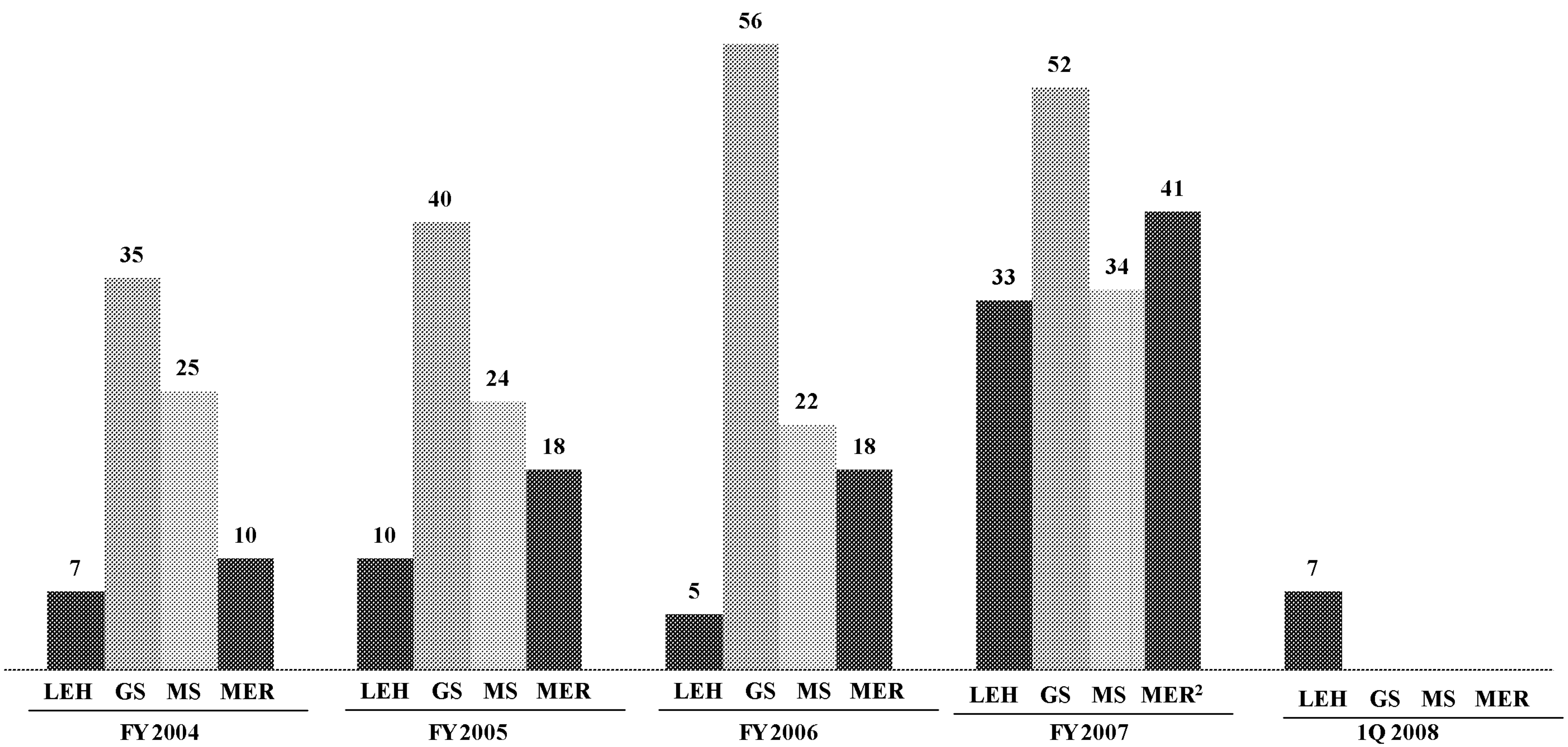


BSC and MER show '07H2 only as Q1 2008 earnings not yet released

Peer Comparison – Trading Loss Days

Lehman has lowest number of negative trading days compared to major U.S. peers for every year from '04 to '07

Trading Loss Days[1]



1. *Competitor data is approximated from histograms in the annual reports.*
2. *Merrill Lynch 2007 information excludes US sub-prime ABS CDO and residual securities.*

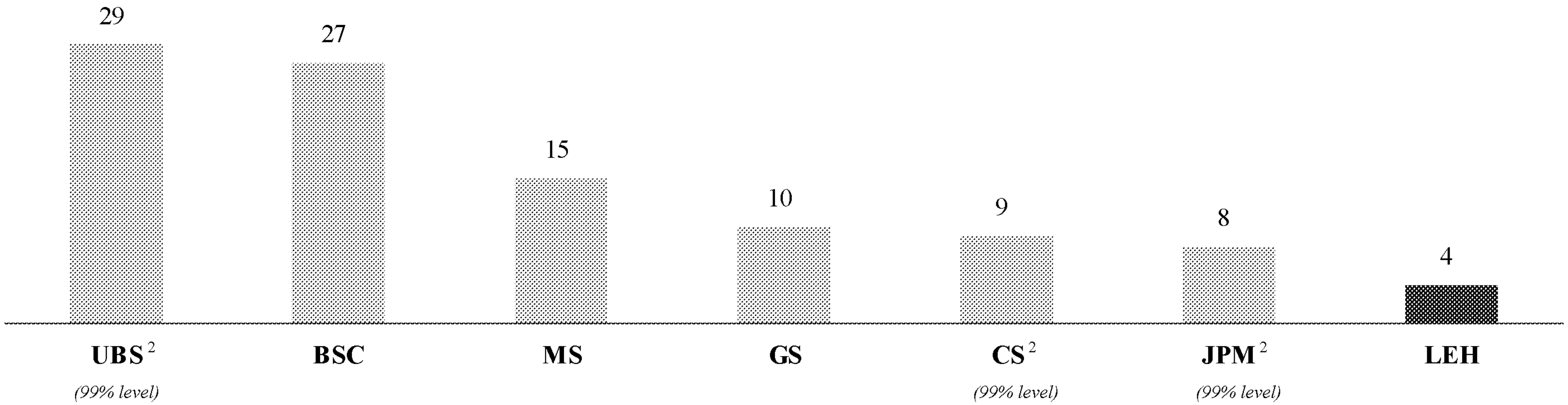
Value at Risk

Our conservative VaR methodology is demonstrated by both our lower empirical VaR compared to historical simulation VaR and our significantly lower backtesting exception days vs. major global peers

Lehman Brothers VaR (average of period)

$Millions	Q1'07		Q2'07		Q3'07		Q4'07		Q1'08	
	Historical Simulation	Revenue Volatility	Historical Simulation	Revenue Volatility	Historical Simulation	Revenue Volatility	Historical Simulation	Revenue Volatility	Historical Simulation	Revenue Volatility
Interest Rates	41.2	28.3	53.6	30.6	68.4	34.8	89.3	58.2	102.4	76.4
Equity	33.6	23.9	43.0	24.8	44.7	28.2	50.5	40.9	49.1	46.7
Foreign exchange	10.5	4.8	7.3	5.1	8.4	5.0	10.0	6.3	13.2	6.4
Commodities	5.2	2.1	5.7	2.9	7.6	3.6	10.5	4.0	12.8	4.8
Diversification	(27.7)	(24.0)	(31.3)	(26.5)	(33.1)	(27.3)	(36.4)	(34.8)	(47.8)	(31.8)
Total	**62.8**	**35.1**	**78.3**	**36.9**	**96.0**	**44.3**	**123.9**	**74.6**	**129.7**	**102.5**

95% 1-Day Backtesting Exceptions – No. of Trading Days in 2007[1]



1. *Merrill Lynch and Citigroup do not disclose this information*
2. *UBS, CS and JPM disclose VaR at 99% level*

Q1 2008 Performance – Records Across All Our Businesses

Record results across many businesses in Q1 2008, demonstrate the continuing strength of our underlying client franchise and the benefits of our diversified growth strategy. Net of MTM, our businesses generated $5.3B in gross revenues globally – above Q1 2007 and 2nd best quarter ever

Capital Markets

- Record FID sales credits – up 40% and 55% vs. sequential and prior year periods
- Record results globally in FX, Credit Trading, Fixed Income Prime Services and Rates
- Equities: Net revenues of $1.4B – third highest quarter ever

Investment Banking

- Net revenues of $0.9B – third highest quarter ever
- #1 in U.S. Equity follow-on issuance
  - Bookrunner on 6 of top 10 U.S. follow-ons
- #1 in non-Japan Asia completed M&A
- #2 in announced global M&A with 21% market share this calendar year – demonstrating strong pipeline

Investment Management

- Record revenues of $968M – up 39% from Q1 2007
- Record revenue in Private Client business for both fixed income and equities

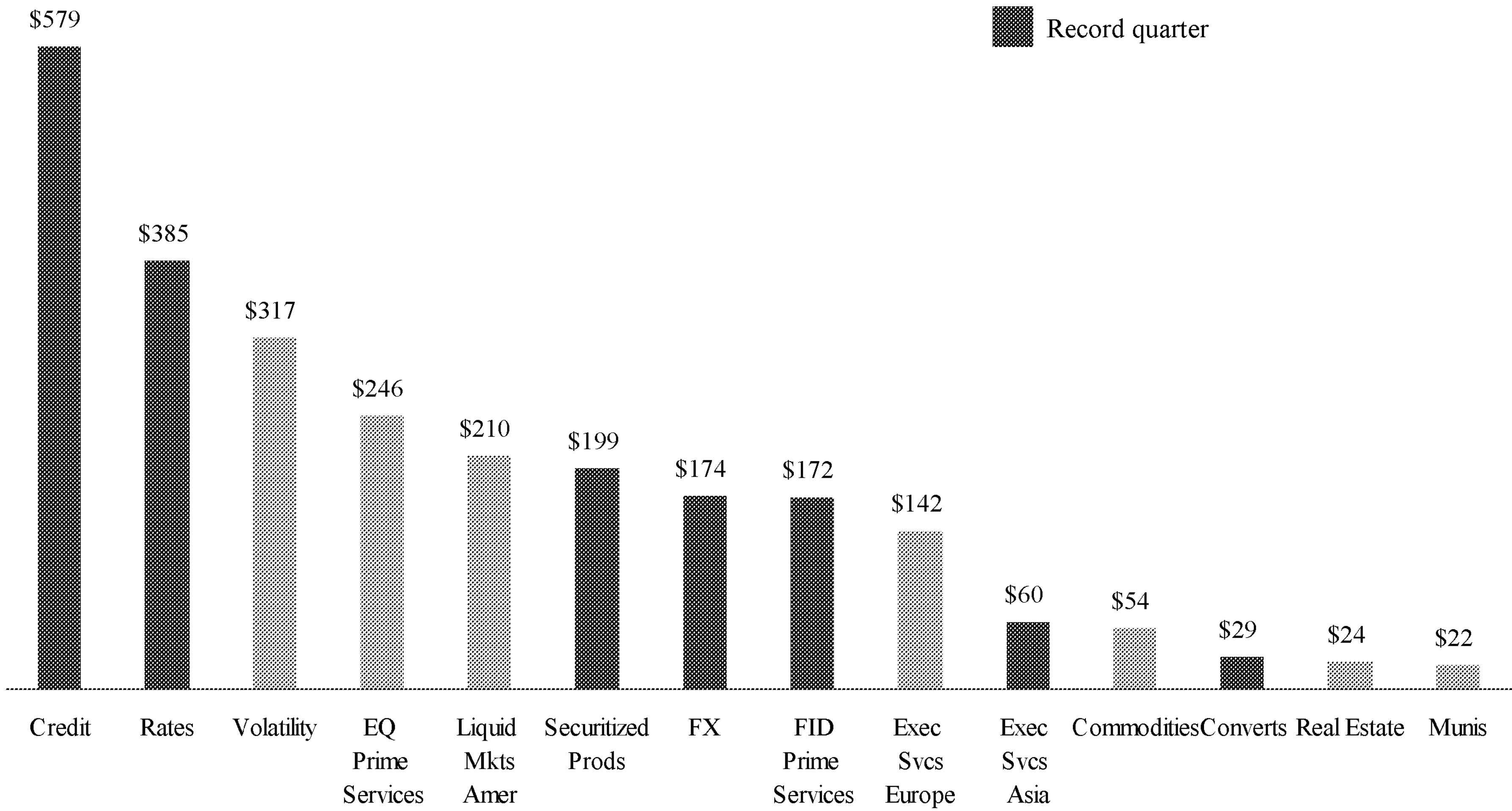
Non-U.S.

- $2.2B of revenues – up 7% over prior year
- Asia: Record revenues of $1.3B – up vs. both benchmark periods
- Record Europe CM sales credits – up 26% and 56% from sequential and year-ago

Q1 2008 Performance – Records Client Revenues

Record results across multiple businesses demonstrate the continuing strength of our client franchise

Lehman Brothers' Client Revenues for Q1 2008 ($M)

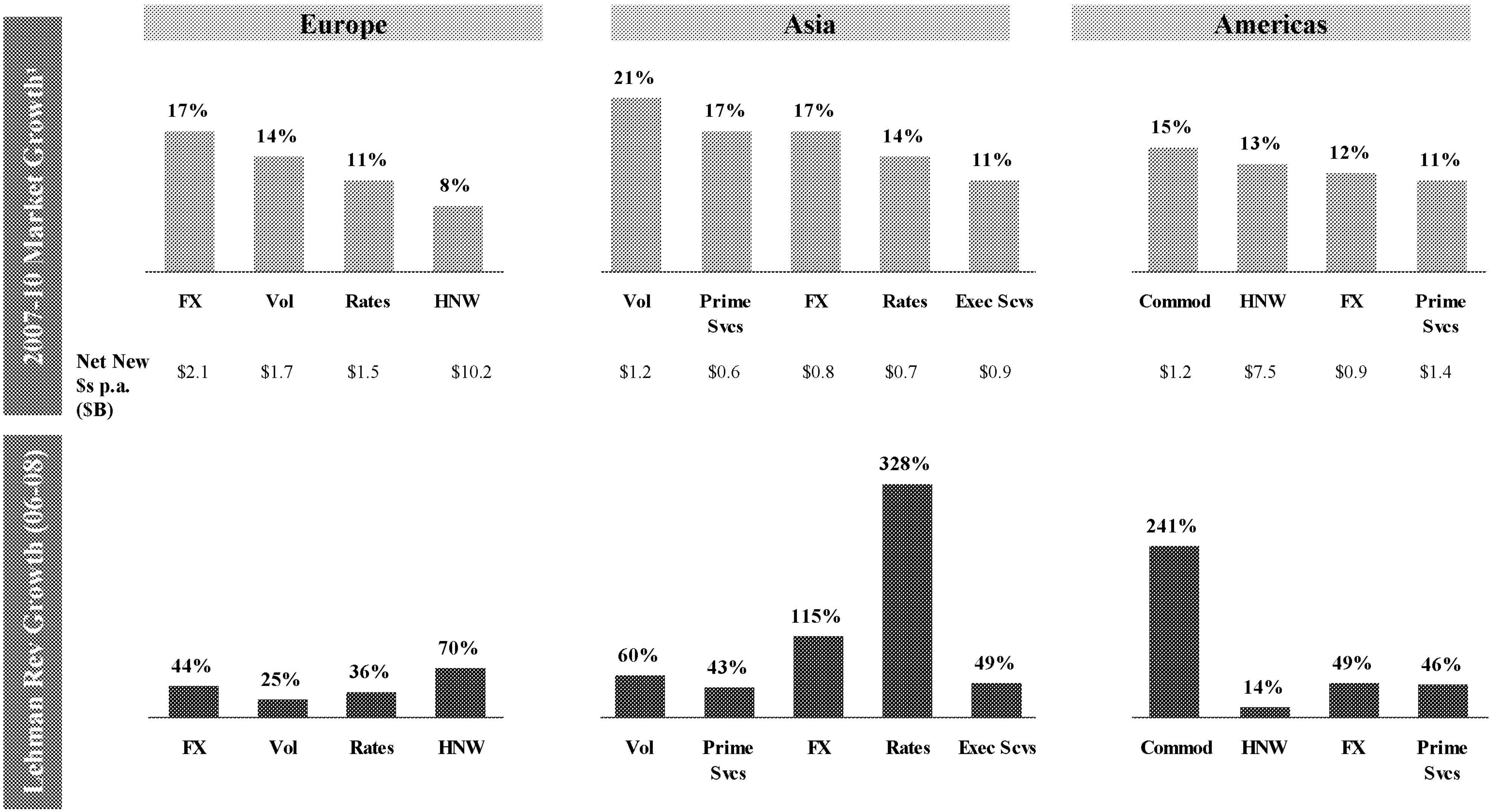


	Credit	Rates	Volatility	EQ Prime Services	Liquid Mkts Amer	Securitized Prods	FX	FID Prime Services	Exec Svcs Europe	Exec Svcs Asia	Commodities	Converts	Real Estate	Munis
Chg. vs. Q1 2007	59%	53%	43%	61%	16%	43%	70%	52%	23%	76%	152%	134%	-17%	53%

Future Earnings Outlook – New Growth Engines

We have demonstrated strong growth in a diversified set of high-growth global businesses that will continue to drive strong earning growth across the cycle

High Growth Businesses – Market Outlook and Lehman Performance



1) FID market growth data based on 2006-2010; all other products 2007-2010

Conclusion

In summary, we believe that despite the higher proportion of less liquid assets on our balance sheet our credit remains extremely strong. We have proved ourselves adept at managing both liquidity and market risk in this challenging market environment and have produced consistently solid earnings

- Our liquidity management remains best-in-class, and is further buttressed by the recent Fed actions
- In resi mortgages we have not only broadly hedged our exposure but have adapted rapidly to new market conditions
  - Expect to generate strong revenues off our trading platform
  - Are able to leverage our exception skill-set and experience in this asset class
- We know commercial mortgages are an asset class where we have most exposure and where rating agencies need to be most attentive
  - However, it is an asset class where we have a significant comparative advantage in skill and expertise over our peers
  - LTV protection is significant with 95% of portfolio having LTV < 80%
- Our concentration in Level 3 assets as well as our writedowns are at the lower end of our peer group
- Long term performance has shown lowest volatility of peer group with among the highest revenue and earnings growth
- Pretax margins of 19% or higher over last three quarters
- Our first quarter results demonstrate the continued strength and growth potential of our global franchise
  - We had achieved record client revenues across multiple divisions, regions and businesses
  - We have made significant investment in and demonstrated strong growth in a diversified set of global businesses that will continue to drive strong earning growth across the cycle

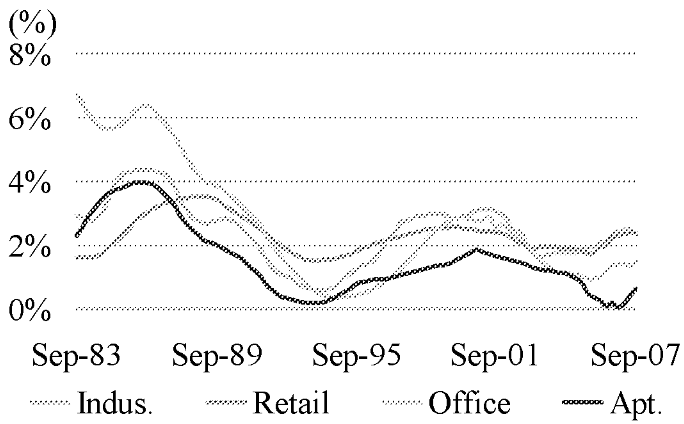
Appendix

Commercial RE – Property Fundamentals

Supply Remains Relatively in Check

- Major property types do not show significant signs of overbuilding at a national level
- Rising construction costs limit supply
  - Buying is often more economical than building due to higher "replacement" costs
- Position of relatively low vacancy and strong recent period rental growth
  - Led by key supply constrained office markets such as New York City
- NCF generated by properties should trend upward absent severe recession …
  - … due to staggered nature of lease terms across most property
- Demand and valuation fundamentals are expected to soften.

TTM Net Completions as % of Stock



Vacancy and Rent Growth Trends

National Averages	Warehouse	Retail	Office	Apartment
4Q07 Vacancy Rate	8.90%	13.30%	15.00%	5.90%
Average Vacancy Rate (1990–2007)	8.92%	13.78%	15.00%	6.25%
TTM Rent Growth	2.92%	0.56%	8.05%	5.28%
Avg Rent Growth (1991–2007)	1.21%	0.65%	1.65%	2.41%

Source: PPR, Lehman Brothers.

Commercial RE – What's Priced into Spreads?

CMBX.4, as of March 24, 2008

	AAA	AJ	AA	A	BBB	BBB-
Current Spread (bp)	147	390	588	830	1652	2019
Implied Price (100-Upfront)	91.7	80.0	73.4	72.1	50.5	42.1
Market Implied Averages[1]						
Bond Loss (%)	15	39	51	62	86	90
Loss Timing (Years)	9.1	8.4	7.2	5.7	4.4	3.9
Deal Loss (%)	38.5	15.2	12.0	10.5	10.0	9.8
Average Deal Loss: Historical Context						
1995–1999 CMBS Vintage Avg. %)				2.2		
1986 Vintage (Est. Worst Pre-CMBS Cohort) (%)				8.1		

Source: Lehman Brothers.

1. *Based on our loss dispersion approach; target L-flat yield for market-implied loss calculations*
2. *"Commercial Mortgage Defaults" 30 Years of History" – by Esaki and Goldman in the Winter 2005 edition of CMBS World.*