Confidential: This information may not be distributed or disclosed to anyone either internally or externally.

Balance Sheet and Cash Capital

March 27, 2008

LEHMAN BROTHERS

Firm Balance Sheet Details

CONSOLIDATED USD millions	Net Balance Sheet Assets						Financing Assets			
	Net BS Q1'2008	Dead Balance Sheet: Gross Up	Dead Balance Sheet: Deriv MTM	Dead Balance Sheet: Fails / Other	BS at Risk: Long Inventory	Repo 105 / 108	Reverse Repos	Borrows	FAS 140 / Seg Cash / Goodwill	Gross BS Q1'2008
Global Rates	52,010	0	18,023	6,326	27,661	(39,055)	100,452	1,534	0	153,996
High Grade Credit	11,335	0	1,324	177	9,834	(785)	2,110	1,176	0	14,620
CDO	11,000	2,350	4,911	129	3,610	(780)	152	23	0	11,175
Securitized Products	62,135	8,517	5,041	1,559	47,017	(454)	2,571	16	352	65,073
Real Estate	64,968	9,249	648	495	54,576	(364)	712	0	0	65,680
High Yield	14,598	0	278	97	14,223	(500)	576	1,031	0	16,205
Municipals	9,485	3,120	2,769	10	9,485	0	584	162	0	10,231
Energy Trading	3,716	0	3,173	398	145	(1)	1	0	285	4,002
Foreign Exchange	6,348	0	3,655	152	2,541	(101)	2	1	0	6,351
FID Corporate	2,244	0	150	1,208	886	0	2,444	0	4,433	9,121
FID Corp Loans	3,299	0		0	3,299	0	0	40	0	3,339
IBD Loans	6,994	0		0	6,994	0	0	0	9	7,003
Total FID Core:	248,130	23,236	39,972	10,551	189,755	(42,040)	109,604	3,982	5,079	366,796
Total FID Prime Services:	11,351	0	15	10,131	1,206	0	61,475	54,029	5,289	132,145
Total FID (Consolidated)	**259,482**	**23,236**	**39,987**	**20,682**	**190,961**	**(42,040)**	**171,080**	**58,011**	**10,368**	**498,941**
Execution Services / Liquid Market	9,261	0	1,175	1,096	6,990	(65)	55	3,449	2,115	14,881
Convertible Products	2,743	0	20	112	2,611	(259)	0	593	0	3,337
Volatility	29,219	371	6,945	4,798	17,105	(615)	255	3,685	0	33,159
Equities Strategies	4,221	0	528	598	3,096	(148)	0	1,130	0	5,351
Firm Relationship Loans	2,782	0	0	0	2,782	0	0	0	0	2,782
Equity Corporate	542	0	1	446	96	0	253	0	52	847
Total Equities Core:	48,768	371	8,668	7,050	32,678	(1,087)	563	8,858	2,167	60,356
Total Equities Prime Services:	37,203	0	822	21,575	14,806	(5,960)	1,382	51,553	38,257	128,395
Total Equities (Consolidated)	**85,971**	**371**	**9,490**	**28,625**	**47,485**	**(7,047)**	**1,945**	**60,411**	**40,424**	**188,751**
Total Principal Investing	14,665	0	129	154	14,381	(16)	1,331	739	0	16,734
Total IMD	13,695	914	0	2,497	10,284	0	83	1	3,211	16,989
Total Non-Core	22,862	214	0	18,058	4,590	0	35,727	3,776	2,256	64,620
Total All Other (Consolidated)	**51,221**	**1,128**	**129**	**20,708**	**29,255**	**(16)**	**37,141**	**4,515**	**5,467**	**98,344**
Grand Totals Consolidated	**396,674**	**24,735**	**49,606**	**70,016**	**267,701**	**(49,102)**	**210,166**	**122,937**	**56,259**	**786,035**
Americas	259,237	18,055	37,490	52,134	151,559	(17,084)	136,193	97,517	33,341	526,289
Europe	89,745	6,214	2,408	12,220	68,903	(27,334)	66,000	18,787	18,190	192,722
Asia	47,691	466	9,708	5,661	31,856	(4,684)	7,973	6,633	4,728	67,025
Total FID Prime Services:	11,351	0	15	10,131	1,206	0	61,475	54,029	5,289	132,145
Total Equities Prime Services:	37,203	0	822	21,575	14,806	(5,960)	1,382	51,553	38,257	128,395
Total Prime Services	**48,554**	**0**	**836**	**31,706**	**16,012**	**(5,960)**	**62,857**	**105,582**	**43,546**	**260,540**

Stockholders Equity	24,832
Leverage Equity	25,696
Gross Leverage External (Total Assets / SE	31.7
Net Leverage (Net Assets / Leverage Equity	15.4

FASB 140	35,578
Seg Cash Balance	16,838
Goodwill	4,112

Strawman Targets

$ 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) Gross Leverage is the total assets dividided by reported stock holder's equity, while Net Leverage is the net assets divided by the leverage equity

High Yield Positions

Funded

Division	Type	Americas	Asia	Europe	Total
Fixed Income	Bonds	2,613	2,245	326	5,184
	Loans	12,993	2,273	3,726	18,992
Fixed Income		**15,606**	**4,518**	**4,052**	**24,176**
Principal Investing	Bonds	1,297	1,212	520	3,028
	Loans	2,143	0	164	2,306
Principal Investing		**3,439**	**1,212**	**683**	**5,334**
Equities	Bonds	919	334	293	1,546
	Loans	45	0	0	45
Equities		**964**	**334**	**293**	**1,591**
Prime Services	Bonds	22	9	91	122
Prime Services		**22**	**9**	**91**	**122**
IMD	Bonds	224	0	0	224
IMD		**224**	**0**	**0**	**224**
TOTAL FUNDED		**20,256**	**6,072**	**5,119**	**31,447**

Unfunded

FRLs & Loan Holds	**10,174**
Acquisition Finance Facilities	**5,857**
Contingent Commitments	*3,645*
Unfunded Commitments	*2,212*
Total Unfunded	**16,031**
Total HY Exposure	**47,478**

Cash Capital Highlights – Q2

- Increase in cash capital sources at Holdings in Q2, net $4.2 bn (to $146.90 bn from $142.7 bn)

Q2 – Completed

– Created Freedom CLO for >$3 billion of US corporate loans (80% Fed eligible security)
– Converted $3 billion of European commercial and residential loans into ECB pledgeable assets
– Increased repo to ECB to $6 billion, 80% of which is in 3M tenders
– Increased funding efficiency of the box in London and US by approximately $1 bn each
– Continue to issue structured notes ~$300 million of cash capital created on a weekly basis

Q2 – Pending Items

– Securitization of $5 billion of UK residential mortgages into ECB-eligible securities
– In discussion with SMBC and Wells Fargo for new cash capital facilities ($500 million for the former, $500-1,000 million for the latter)

Large Gross Balance Sheet Users

LEHMAN BROTHERS

Global Rates

Global Rates - Q108 vs 2007

	Q108						FY 2007					
In mm's	Avg Daily Gross B/S	Q1'08 Revenues	Avg Daily ROA	Q1'08 Gross B/S	Q1'08 ROA	Q1'08 Net B/S	Avg Daily Gross B/S	FY'07 Revenues	FY'07 ROA	FY'07 Avg Q/E BS	FY'07 ROA	Q4'07 Net BS
Derivative Americas	11,912	201	6.74%	11,911	6.75%	10,110	5,885	290	4.93%	6,478	17.92%	4,583
Governments Americas	37,938	98	1.04%	34,285	1.15%	11,796	24,588	90	0.37%	24,146	1.50%	13,752
Pass thus	40,919	54	0.53%	7,045	3.06%	7,026	13,280	27	0.20%	5,015	2.16%	6,131
Short Term Rates	5,473	30	2.20%	2,088	5.76%	252	6,620	36	0.54%	4,399	3.25%	124
Global Rates Americas	**96,242**	**383**	**1.59%**	**55,329**	**2.77%**	**29,184**	**50,374**	**443**	**0.88%**	**40,038**	**4.43%**	**24,590**
Liquid Markets Prop Americas	32,187	248	3.08%	30,081	3.30%	1,016	17,706	250	1.41%	19,293	5.17%	2,896
Total Rates Americas	**128,429**	**631**	**1.97%**	**85,410**	**2.96%**	**30,200**	**68,080**	**693**	**1.02%**	**59,331**	**4.67%**	**27,486**
Capital Markets Funds JV	2,334	48	8.18%	2,262	8.44%	2,176	1,963	52	2.65%	2,170	9.59%	1,983
Derivatives Europe	28,235	128	1.82%	41,299	1.24%	9,565	13,789	681	4.94%	14,036	19.42%	7,371
Governments Europe	16,520	55	1.32%	9,899	2.20%	2,024	12,019	15	0.12%	9,232	0.63%	3,499
Global Rates Europe	**47,089**	**231**	1.96%	**53,459**	1.72%	**13,765**	**27,771**	**748**	2.69%	**25,439**	11.76%	**12,853**
Liquid Markets Prop Europe	1,734	37	8.47%	602	24.41%	408	732	88	11.99%	727	48.28%	171
Total Rates Europe	**48,822**	**267**	**2.19%**	**54,061**	**1.98%**	**14,173**	**28,503**	**836**	**2.93%**	**26,166**	**12.78%**	**13,024**
Derivatives Asia	2,345	80	13.72%	1,636	19.66%	1,497	2,363	129		1,393	36.91%	724
Governments Asia	18,733	18	0.38%	12,889	0.55%	6,140	17,321	52	0.30%	15,714	1.31%	5,899
Total Rates Asia	**21,077**	**98**	**1.86%**	**14,525**	**2.71%**	**7,637**	**19,685**	**180**	**0.92%**	**17,107**	**4.21%**	**6,623**
Total Global Rates	**198,329**	**997**	**2.01%**	**153,995**	**2.59%**	**52,010**	**116,267**	**1,709**	**1.47%**	**102,604**	**6.66%**	**47,133**

Prime Services

Financing Businesses - Q108 vs 2007

Balance Sheet in bn's	**Q108**							**FY 2007**					
	Avg Daily Gross B/S	Q1'08 Gross B/S	Q1'08 Net B/S	Revenues (mm)	2008 Forecast (mm)	Gross ROA (Avg Daily)	Gross ROA (Q/E)	Avg Daily Gross B/S	Avg Gross Q/E B/S	Q4'07 Net B/S	Revenues (mm)	Gross ROA (Avg Daily)	Gross ROA (Avg Q/E)
Liquid Markets Financing													
M/B Specials	148	41	0.3	133	290	0.20%	0.70%	125	30	0.4	197	0.16%	0.66%
M/B Mortgages	51	10	-	67	130	0.26%	1.26%	49	12	-	84	0.17%	0.70%
LM Europe	42	26	0.6	19	80	0.19%	0.30%	17	11	0.9	33	0.20%	0.31%
LM Asia	19	1	-	4	15	0.08%	1.25%	15	2	0.1	13	0.09%	0.57%
Other (Fails, Arb)	10	14	6.6	7	10	0.10%	0.07%	6	3	1.3	10	0.15%	0.32%
Total	269	94	7.5	230	525	0.19%	0.56%	212	58	2.7	337	0.16%	0.58%
Credit Financing													
Americas	16	14	1.0	38	155	0.96%	1.13%	15	12	1.1	118	0.78%	1.01%
Europe	10	6	-	5	20	0.19%	0.31%	6	4	-	20	0.33%	0.48%
Total	27	20	1.0	43	175	0.66%	0.87%	21	16	1.1	138	0.65%	0.87%
EMG Financing													
Americas	6	6	0.1	9	33	0.52%	0.54%	6	5	0.1	25	0.43%	0.56%
Europe	6	6	0.1	9	33	0.52%	0.54%	6	5	0.1	24	0.41%	0.53%
Total	13	12	0.2	17	65	0.52%	0.54%	12	9	0.3	49	0.42%	0.54%
Total Debt Financing	**309**	**126**	**8.7**	**290**	**765**	**0.25%**	**0.61%**	**245**	**83**	**4.1**	**525**	**0.21%**	**0.63%**
Equity Financing													
Americas	69	71	18.6	80	310	0.45%	0.44%	56	58	19.8	281	0.50%	0.49%
Europe	29	24	6.4	37	160	0.56%	0.68%	25	18	6.7	145	0.59%	0.79%
Asia	12	12	2.6	18	70	0.60%	0.59%	9	10	2.8	58	0.63%	0.60%
Total	109	106	27.6	135	540	0.49%	0.51%	89	86	29.3	484	0.54%	0.57%
Equity Synthetics													
Americas	9	7	2.8	21	100	1.17%	1.41%	11	9	2.6	47	0.44%	0.53%
Europe	3	3	2.3	6	20	0.70%	0.69%	3	2	2.4	25	0.95%	1.09%
Asia	3	3	2.6	16	50	1.54%	1.47%	4	4	2.7	55	1.43%	1.52%
Total	15	13	7.7	43	170	1.16%	1.27%	17	15	7.7	127	0.74%	0.86%
Total Equity Financing	**124**	**120**	**35.3**	**178**	**710**	**0.57%**	**0.59%**	**106**	**100**	**37.0**	**611**	**0.57%**	**0.61%**