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Balance Sheet and Cash Capital Update

March 27, 2008

LEHMAN BROTHERS

Firm Balance Sheet Details

CONSOLIDATED
USD millions

Global Rates
High Grade Credit
CDO
Securitized Products
Real Estate
High Yield
Municipals
Energy Trading
Foreign Exchange
FID Corporate
FID Corp Loans
IBD Loans
Total FID Core:
Total FID Prime Services:

Total FID (Consolidated)

Execution Services / Liquid Market
Convertible Products
Volatility
Equities Strategies
Firm Relationship Loans
Equity Corporate
Total Equities Core:
Total Equities Prime Services:

Total Equities (Consolidated)

Total Principal Investing
Total IMD
Total Non-Core

Total All Other (Consolidated)

Grand Totals Consolidated

Americas
Europe
Asia

Total FID Prime Services:
Total Equities Prime Services:

Total Prime Services

Stockholders Equity
Leverage Equity

Gross Leverage External (Total Assets / SE)
Net Leverage (Net Assets / Leverage Equity)

Net Balance Sheet Assets					
Net BS Q1'2008	Dead Balance Sheet			BS at Risk Long Inventory	Repo 105 / 108
	Gross Up	Deriv MTM	Fails / Other		
52,010	0	18,023	6,326	27,661	(39,055)
11,335	0	1,324	177	9,834	(785)
11,000	2,350	4,911	129	3,610	(780)
62,135	8,517	5,041	1,559	47,017	(454)
64,968	9,249	648	495	54,576	(364)
14,598	0	278	97	14,223	(500)
9,485	3,120	2,769	10	3,586	0
3,716	0	3,173	398	145	(1)
6,348	0	3,655	152	2,541	(101)
2,244	0	150	1,208	886	0
3,299	0	0	0	3,299	0
6,994	0	0	0	6,994	0
248,130	23,236	39,972	10,551	174,371	(42,040)
11,351	0	15	10,131	1,206	0
259,482	23,236	39,987	20,682	175,577	(42,040)
9,261	0	1,175	1,096	6,990	(65)
2,743	0	20	112	2,611	(259)
29,219	371	6,945	4,798	17,105	(615)
4,221	0	528	598	3,096	(148)
2,782	0	0	0	2,782	0
542	0	1	446	96	0
48,768	371	8,668	7,050	32,678	(1,087)
37,203	0	822	21,575	14,806	(5,960)
85,971	371	9,490	28,625	47,485	(7,047)
14,665	0	129	154	14,381	(16)
13,695	914	0	2,497	10,284	0
22,862	214	0	18,058	4,590	0
51,221	1,128	129	20,708	29,255	(16)
396,674	24,735	49,606	70,016	252,317	(49,102)
259,237	18,055	37,490	52,134	151,559	(17,084)
89,745	6,214	2,408	12,220	68,903	(27,334)
47,691	466	9,708	5,861	31,856	(4,684)
11,351	0	15	10,131	1,206	0
37,203	0	822	21,575	14,806	(5,960)
48,554	0	836	31,706	16,012	(5,960)

Financing Assets			
Reverse Repos	Borrows	FAS 140 / Seg Cash / Goodwill	Gross BS Q1'2008
100,452	1,534	0	153,996
2,110	1,176	0	14,620
152	23	0	11,175
2,571	16	352	65,073
712	0	0	65,680
576	1,031	0	16,205
584	162	0	10,231
1	0	285	4,002
2	1	0	6,351
2,444	0	4,433	9,121
0	40	0	3,339
0	0	9	7,003
109,604	3,982	5,079	366,796
61,475	54,029	5,289	132,145
171,080	58,011	10,368	498,941
55	3,449	2,115	14,881
0	593	0	3,337
255	3,685	0	33,159
0	1,130	0	5,351
0	0	0	2,782
253	0	52	847
563	8,858	2,167	60,356
1,382	51,553	38,257	128,395
1,945	60,411	40,424	188,751
1,331	739	0	16,734
83	1	3,211	16,989
35,727	3,776	2,256	64,620
37,141	4,515	5,467	98,344
210,166	122,937	56,259	786,035
136,193	97,517	33,341	526,289
66,000	18,787	18,190	192,722
7,973	6,633	4,728	67,025
61,475	54,029	5,289	132,145
1,382	51,553	38,257	128,395
62,857	105,582	43,546	260,540

FASB 140
Seg Cash Balance
Goodwill

35,578
16,568
4,112

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Strawman Targets

<i>\$ billions</i>	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) Calculations use Leverage Equity for Net Leverage Ratio and Reported Stock Holder's Equity for Gross Leverage Ratio

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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

- **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 \$7.5 billion, 80% of which is 3M tenor
- Increased funding efficiency of the box in London and US by approximately \$1 billion each
- Continue to issue structured notes ~\$300 million of cash capital created on a weekly basis

- **Pending Items**

- Securitization of \$5 billion of European mortgages into ECB-eligible securities
- In discussion with SMBC and Wells Fargo for new cash capital facilities (\$500 million, \$500-1,000 million respectively)

- These cash capital benefits will be used to offset the decreasing capacity to fund non-Fed eligible assets, as well as general haircut widening

Large Gross Balance Sheet Users

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Global Rates

Global Rates - Q108 vs 2007												
In mm's	Q108						FY 2007					
	Avg Daily	Q1'08	Avg Daily	Q1'08	Q1'08	Q1'08	Avg Daily	FY'07	FY'07	FY'07	FY'07	Q4'07
	Gross B/S	Revenues	ROA	Gross B/S	ROA	Net B/S	Gross B/S	Revenues	ROA	Avg Q/E BS	ROA	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

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Prime Services ⁽¹⁾

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%

(1) Only includes financing related businesses in prime services

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