Confidential Presentation: OTS

OTS Quarterly Review

First Quarter 2008

April 4th, 2008

LEHMAN BROTHERS

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Firm-wide Operating Results and Capital Highlights

Operating Results and Capital Highlights

(000's)

LBHI

	February '08	YTD '08	Avg Mo '08	Avg Mo '07
Net Revenues	$ 1,356	$ 3,507	$ 1,049	$ 1,528
Compensation & Benefits	781	1,841	517	753
Non-Personnel Expenses	338	1,003	324	298
Pre-tax	238	663	208	477
Taxes	51	174	60	144
Net Income	$ 187	$ 489	$ 147	$ 333
Preferred Dividends	12	24	5	5
Net Income to Common	$ 174	$ 465	$ 142	$ 327
Comp Ratio	57.6%	52.5%	49.3%	49.3%
Tax Rate	21.4%	26.3%	29.0%	30.3%
Pretax Margin	17.5%	18.9%	19.8%	31.2%
ROE	9.6%	8.6%	8.6%	20.8%
ROTE	11.8%	10.6%	10.6%	25.7%

Capital Overview:

	February '08	January '08	November '07
Total Long Term Capi	153,117	152,047	$ 145,640
Leverage Equity	25,696	23,485	23,103
Long Term Borrowing	128,285	129,214	123,245
Gross Assets	786,035	860,036	691,063
Net Assets	396,673	460,749	372,959
Net Leverage	15.4x	19.6x	16.1x
Cash Capital Excess	7,000	3,600	8,000
LBI Excess Capital	2,536	2,646	2,114

Revenue Detail

	February '08	YTD '08	Avg Mo '08	Avg Mo '07
Capital Markets:				
Fixed Income	(171)	262	211	474
Equities	863	1,410	267	498
Subtotal	$ 692	$ 1,672	$ 478	$ 973
Investment Banking	306	867	273	310
Investment Mgmt	357	$ 968	298	246
Total	$ 1,356	$ 3,507	$ 1,049	$ 1,528

LBI (Standalone)

	February '08	YTD '08	Avg Mo '08	Avg Mo '07
Net Revenues	$ (1,470)	$ (380)	$ 532	$ 160
Pre-tax	(1,210)	(874)	164	(14)
Taxes	(538)	(404)	66	(19)
Equity in Subs	751	946	95	138
Net Income	$ 79	$ 476	$ 194	$ 144

Operating Results Summary

- **Revenues of $ 3.5bn** (reflect a net mark to market adjustment of $1.8bn)
- **Net income of $489mm**
- **EPS of $0.81**
- **Pre-tax margin of 18.9% versus 28.0% in Q4 '07 and 33.7% in Q1 '07.**
- **ROE of 8.6% and versus 16.6% in Q4 '07 and 24.4% in Q1 '07.**
- **ROTE of 10.6% versus 20.6% in Q4 '07 and 29.9% in Q1 '07.**
- **NPE of $1,003mm increased 1% versus Q4 '07 and 17% versus Q1 '07. Excluding the mortgage platform related restructuring charges ($34mm in Q1 '08 and $18mm in Q4 '07) NPE was slightly down sequentially.**

Business Segment and Regional Highlights

- **Investment Banking** revenues of $867mm increased 4% and 2% versus Q4 '07 and Q1 '07, respectively. Advisory revenues of ($ 330 mm) decreased -15% versus record Q4 '07 but surpassed Q1 '07 by 34%. As of 2/29, Lehman was ranked #2 worldwide in announced M&A (#1 in U.S. and Asia). Debt Origination revenues of $322mm, increased 38% versus Q4 '07 and but decreased -25% versus Q1 '07 led by strong performance in High Grade activity partially offset by weak results in Leveraged Finance as markets continued to be challenging. Equity Origination revenues of $215mm increased 2% versus Q4 '07 and 22% versus Q1 '07, driven by strong results from follow-ons.
- **Capital Markets Revenues** of $1,672mm decreased versus Q4 '07 by -39% and Q1 '07 by -52% due to significant mark to market adjustments in Securitized Products, Real Estate, and Leveraged Loans, as well as losses in Principal Investing. Fixed Income revenues of $262mm. Excluding the MTM adjustments and principal losses, we saw very strong results in Liquid Markets and High Grade Credit (both records), amid record customer activity in the quarter. Equities revenues of $1,410mm decreased versus Q4 '07 by -29% but surpassed Q1 '07 by 6%. Q1'08 results were the third highest quarter ever for Equities, driven by strong customer flow, continued growth in prime brokerage and strong activity in Execution Services and Flow Volatility.
- **Record Investment Management** revenues of $968mm surpassed previous record Q4 '07 by 16% as well as Q1 '07 by 39%. Record Asset Management revenues driven by record revenues in both Traditional Asset Management and Alternative Asset Management, amid a significant gain in minority stakes investments. Assets Under Management (AUM) decreased to $277bn, down 2% from the previous record of $282bn set in Q4 '07, mainly due to market depreciation. Record Private Investment Management revenues as both Fixed Income and Equities set new records. Strong results in Global Rates and High Grade Products.
- **Non U.S. revenues** represented 62% of Q1 '08 total Firm revenues, versus 62% in Q4 '07 and 40% in Q1 '07. (Non-Americas revenues represented 60% of Q1 total Firm revenues).

Balance Sheet Summary

($Billions)

ACCOUNT DESCRIPTION	2/29/08	11/30/07	CURRENT INC/(DEC)
CASH & CASH EQUIVALENTS	7.6	7.3	0.3
CASH AND SECURITIES SEGREGATED AND ON DEPOSIT FOR REGULATORY AND OTHER PURPOSES	16.6	12.7	3.8
FINANCIAL INSTRUMENTS & OTHER INVENTORY POSITIONS OWNED	326.7	313.1	13.5
COLLATERALIZED LENDING AGREEMENTS:			
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	210.2	162.6	47.5
SECURITIES BORROWED	158.5	138.6	19.9
RECEIVABLES:			
BROKERS, DEALERS AND CLEARING ORGANIZATIONS	11.9	11.0	0.9
CUSTOMERS	37.3	29.6	7.7
OTHERS	3.2	2.6	0.5
PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS	4.2	3.9	0.3
OTHER ASSETS	5.9	5.4	0.5
IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL	4.1	4.1	(0.0)
TOTAL ASSETS	**786.0**	**691.1**	**95.0**
SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM BORROWINGS	34.5	28.1	6.5
FINANCIAL INSTRUMENTS AND OTHER INVENTORY POSITIONS SOLD BUT NOT YET PURCHASED	196.9	149.6	47.3
COLLATERALIZED FINANCING:			
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	197.1	181.7	15.4
SECURITIES LOANED	54.8	53.3	1.5
OTHER SECURED BORROWINGS	24.5	23.0	1.5
PAYABLES:			
BROKERS, DEALERS AND CLEARING ORGANIZATIONS	11.7	3.1	8.6
CUSTOMERS	72.8	61.2	11.6

Consolidated Financial Statements

Consolidating Balance Sheets – Quarter Ended February 29, 2008

Details of LBHI Consolidation

$ millions	LBI Consolidated	Neuberger Berman Inc Consolidated	Lehman Brothers Holdings PLC Consolidated	Lehman Brothers Holdings Inc.	LB Commercial Corporation	ALI Inc. Consolidated	Lehman Brothers Bank Consolidated	LB Commercial Bank	LB OTC Derivatives Inc.	Lehman Brothers Treasury Co. B.V.	Lehman Brothers (Luxembourg) SA	Lehman Brothers Bankhaus AG	LB Finance SA	Lehman Brothers Japan Inc. PCO	Other Subsidiaries	Eliminations	LBHI Consolidated
ASSETS:																	
CASH & CASH EQUIVALENTS	986	575	2,467	879	10	70	1,667	130	7	31	0	202	2	106	432	(0)	7,564
CASH & SECURITIES SEGR. AND ON DEPOSIT	9,145	92	6,568	0	0	0	4	0	0	0	0	74	0	331	355	0	16,569
FINANCIAL INSTR. & OTHER INVENTORY POSITIONS OWNED																	
GOVERNMENTS & AGENCIES	64,114	1	5,499	186	0	3	1,456	8	0	0	0	2	0	6,889	2,090	(35,676)	44,574
TOTAL COMM PAPER & OTHER MMKT INSTRUMENTS	3,493	267	131	770	0	0	0	0	0	0	0	1	159	13	52	(1,453)	3,433
MORTGAGES & ASSET-BACKED SEC	26,949	0	3,242	17,271	0	3,326	7,958	945	0	0	0	3,453	0	0	26,820	(5,355)	84,609
REAL ESTATE HELD FOR SALE	4,540	0	0	5,233	0	7,902	0	0	0	0	0	225	0	0	4,663	(0)	22,562
TOTAL CORPORATE DEBT & OTHER	33,588	0	3,968	1,005	229	747	477	3,744	958	0	0	5,777	2,845	1,417	8,405	(3,411)	59,749
TOTAL CORPORATE EQUITIES	27,291	206	9,820	558	0	2,524	0	1	705	0	0	0	15,066	8	7,855	(7,917)	56,119
DERIVATIVES AND OTHER CONTR. AGREEMENTS	39,015	0	17,617	6,923	1,862	136	256	217	542	0	0	202	8,648	424	112	(20,342)	55,612
TOTAL SECURITIES & OTHER FIN INSTR.OWNED	198,990	474	40,277	31,947	2,093	14,639	10,147	4,915	2,205	0	0	9,660	26,719	8,751	49,996	(74,154)	326,658
COLLATERALIZED SHORT-TERM AGREEMENTS	223,385	(0)	139,062	90	0	1	40	0	0	0	913	2,090	0	3,070	28	0	368,681
RECEIVABLES	22,566	108	27,049	717	16	107	737	9	1,081	35	4	6	0	589	1,839	(2,463)	52,399
OTHER ASSETS	1,981	2,886	1,613	6,130	0	141	445	7	0	0	0	0	1	469	1,394	(904)	14,164
INVESTMENT IN CONS. SUBS	262	0	0	25,381	0	0	0	0	0	0	0	0	0	(4)	42,588	(68,225)	0
DUE FROM SUBSIDIARIES	133,279	27	287,105	162,189	1,478	9,445	1,114	1,459	2,005	35,754	72,743	14,185	18,398	24,409	125,302	(888,890)	1
TOTAL ASSETS	590,593	4,161	504,140	227,333	3,597	24,403	14,154	6,520	5,297	35,820	73,660	26,218	45,121	37,721	221,934	(1,034,636)	786,035
LIABILITIES:																	
S.T. BORROWINGS & CURRENT PORTION OF L.T. BORROWINGS	968	1	703	23,236	0	0	286	1,516	1,227	4,669	0	243	7	0	3,134	(1,465)	34,524
FIN'L INSTR & OTHER INV POSNS SOLD BUT NOT PURCHASED																	
GOVERNMENTS & AGENCIES	85,181	0	52,878	0	0	0	0	0	0	0	0	0	31	6,042	303	(35,676)	108,759
TOTAL COMM PAPER & OTHER MMKT INSTRUMENTS	0	0	0	0	21	1	12	0	5	0	0	0	0	0	(27)	0	12
MORTGAGES & ASSET-BACKED SEC	134	0	671	0	1	0	41	0	0	0	0	0	0	0	(1)	(293)	552
TOTAL CORPORATE DEBT & OTHER	4,383	0	5,879	0	0	0	0	0	0	0	0	0	76	28	186	(1,813)	8,738
TOTAL CORPORATE EQUITIES	7,668	0	27,422	0	1	0	0	0	1,445	0	0	0	10,011	0	2,405	(7,917)	41,035
DERIV & OTHER CONTR AGREEMENTS	30,945	0	13,600	858	1,675	260	10	263	1,208	2,161	0	112	6,585	513	(691)	(19,692)	37,807
TOTAL SEC.& OTHER FIN.INSTR.SOLD NOT PURCH.	128,310	0	100,450	858	1,697	261	63	263	2,658	2,161	0	112	16,704	6,582	2,176	(65,391)	196,903
COLLATERLIZED SHORT-TERM FINANCING	138,962	(0)	116,666	7,674	0	4,057	35	0	0	0	73	267	0	4,427	9,387	(5,035)	276,514
PAYABLES	41,600	1,028	49,857	2,502	111	161	550	116	356	0	0	416	614	841	4,309	(6,314)	96,149
DEPOSITS AT BANKS	0	0	0	0	0	0	10,746	3,675	0	0	0	14,448	0	0	0	(39)	28,829
DUE TO SUBSIDIARIES	269,803	234	217,849	76,892	1,612	19,802	264	0	619	16	73,576	4,462	27,340	24,239	119,042	(835,750)	0
LONG-TERM DEBT:																	
SENIOR NOTES	261	(0)	816	77,173	0	0	36	0	0	27,385	0	4,046	0	0	6,859	(4,448)	112,128
SUBORDINATED NOTES	5,835	0	8,706	11,188	0	0	300	0	250	0	0	1,156	0	753	31,222	(48,215)	11,195
JUNIOR SUBORDINATED NOTES	0	0	1,982	2,980	0	0	0	0	0	0	0	0	0	0	0	0	4,962
TOTAL LONG-TERM DEBT:	6,096	(0)	11,504	91,341	0	0	336	0	250	27,385	0	5,201	0	753	38,081	(52,663)	128,285
TOTAL LIABILITIES	585,738	1,263	497,029	202,502	3,421	24,281	12,278	5,570	5,111	34,232	73,649	25,149	44,665	36,844	176,129	(966,656)	761,205
STOCKHOLDERS EQUITY																	
PREFERRED STOCK	0	0	3,003	2,993	0	0	0	0	0	0	0	0	0	0	2,664	(5,667)	2,993
COMMON STOCK	0	0	1,180	61	0	0	0	0	0	3	4	35	4	375	11,949	(13,550)	61
ADDITIONAL PAID IN CAPITAL	1,791	2,755	248	7,389	11	57	599	817	100	(0)	1	719	5	479	18,811	(26,394)	7,389
RETAINED EARNINGS	3,042	143	2,674	19,880	164	36	1,276	133	87	1,585	6	45	444	(62)	11,317	(20,891)	19,880
OTHER STOCKHOLDERS EQUITY, NET	22	0	6	(5,492)	(0)	28	0	0	0	(0)	0	269	2	86	1,064	(1,478)	(5,492)
TOTAL STOCKHOLDERS EQUITY	4,855	2,898	7,112	24,831	175	122	1,876	950	187	1,587	11	1,069	456	878	45,805	(67,980)	24,831
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	590,593	4,161	504,140	227,333	3,597	24,403	14,154	6,520	5,297	35,818	73,660	26,218	45,121	37,721	221,934	(1,034,636)	786,035

Note 1: *Refer next slides for details of LBI, Neuberger Berman , and LBHI PLC consolidation*

Details of LBI Consolidation

$ millions	Lehman Brothers Inc.	Lehman Commercial Paper Inc. Consolidated	LB Special Financing Inc. Consolidated	LB I Group Inc. Consolidated	Lehman Brothers Financial Products Inc.	Lehman Bros. Derivative Products Inc.	Others Subs of Lehman Brothers Inc.	Eliminations	LBI Consolidated
ASSETS:									
CASH & CASH EQUIVALENTS	613	74	40	72	3	49	135	0	986
CASH & SECURITIES SEGR. AND ON DEPOSIT	9,135	0	0	10	0	0	(0)	0	9,145
FINANCIAL INSTR. & OTHER INVENTORY POSITIONS OWNED									
GOVERNMENTS & AGENCIES	40,945	19	25,097	381	0	0	2,241	(4,568)	64,114
TOTAL COMM PAPER & OTHER MMKT INSTRUMENTS	3,014	0	92	31	307	58	0	0	3,493
MORTGAGES & ASSET-BACKED SEC	16,349	6,932	2,174	1,493	0	0	0	0	26,949
REAL ESTATE HELD FOR SALE	0	4,520	0	0	0	0	21	0	4,540
TOTAL CORPORATE DEBT & OTHER	9,352	18,433	4,196	1,621	0	0	0	(14)	33,588
TOTAL CORPORATE EQUITIES	15,218	1,413	7,301	5,696	0	0	1,386	(3,723)	27,291
DERIVATIVES AND OTHER CONTR. AGREEMENTS	5,015	166	34,029	62	272	466	15	(1,009)	39,015
TOTAL SECURITIES & OTHER FIN INSTR.OWNED	89,892	31,484	72,889	9,283	579	524	3,663	(9,314)	198,990
COLLATERLIZED SHORT-TERM AGREEMENTS	223,083	307	10	197	0	0	(0)	(211)	223,385
RECEIVABLES	23,043	43	2,973	573	0	1	(164)	(3,904)	22,566
OTHER ASSETS	340	121	479	861	6	1	180	(7)	1,981
INVESTMENT IN CONS. SUBS	1,785	225	0	20	0	0	745	(2,513)	262
DUE FROM SUBSIDIARIES	88,951	32,361	55,060	1,041	0	35	631	(44,801)	133,279
TOTAL ASSETS	436,841	64,615	131,452	12,056	588	610	5,191	(60,750)	590,593
LIABILITIES:									
S.T. BORROWINGS & CURRENT PORTION OF L.T. BORROWINGS	467	310	186	0	0	0	4	0	968
FIN'L INSTR & OTHER INV POSNS SOLD BUT NOT PURCHASED									
GOVERNMENTS & AGENCIES	45,496	0	44,254	0	0	0	(0)	(4,568)	85,181
TOTAL COMM PAPER & OTHER MMKT INSTRUMENTS	0	8	0	0	0	0	2	0	0
MORTGAGES & ASSET-BACKED SEC	134	(0)	0	0	0	0	0	0	134
TOTAL CORPORATE DEBT & OTHER	3,534	6	857	0	0	0	(0)	(14)	4,383
TOTAL CORPORATE EQUITIES	7,890	0	3,480	20	0	0	0	(3,723)	7,668
DERIV & OTHER CONTR AGREEMENTS	4,562	853	25,309	(1)	272	460	136	(646)	30,945
TOTAL SEC.& OTHER FIN.INSTR.SOLD NOT PURCH.	61,615	867	73,900	19	272	460	137	(8,950)	128,310
COLLATERLIZED SHORT-TERM FINANCING	118,014	16,094	2,580	3	0	0	2,270	0	138,962
PAYABLES	38,765	(613)	7,423	529	15	4	13	(4,535)	41,600
DEPOSITS AT BANKS	0	0	0	0	0	0	0	0	0
DUE TO SUBSIDIARIES	207,290	47,963	46,389	11,374	6	65	1,503	(44,788)	269,803
LONG-TERM DEBT:									
SENIOR NOTES	1	0	21	239	0	0	(0)	0	261
SUBORDINATED NOTES	5,835	0	0	0	0	10	(0)	(10)	5,835
JUNIOR SUBORDINATED NOTES	0	0	0	0	0	0	0	0	0
TOTAL LONG-TERM DEBT:	5,836	0	21	239	0	10	(0)	(10)	6,096
TOTAL LIABILITIES	431,986	64,622	130,499	12,164	292	539	3,928	(58,283)	585,738
STOCKHOLDERS EQUITY									
PREFERRED STOCK	0	0	0	0	0	0	0	(0)	0
COMMON STOCK	0	0	0	35	0	0	5	(39)	0
ADDITIONAL PAID IN CAPITAL	1,791	506	250	4	250	25	53	(1,088)	1,791
RETAINED EARNINGS	3,042	(539)	704	(149)	45	46	1,215	(1,322)	3,042
OTHER STOCKHOLDERS EQUITY, NET	22	26	(0)	2	0	0	(9)	(19)	22
TOTAL STOCKHOLDERS EQUITY	4,855	(7)	954	(108)	296	71	1,263	(2,468)	4,855
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	436,841	64,615	131,452	12,056	588	610	5,191	(60,750)	590,593

Consolidating Balance Sheets – Quarter Ended February 29, 2008

Details of Neuberger Berman and LBHI PLC Consolidation

$ millions	Neuberger Berman Inc.	Neuberger Berman LLC Consolidated	Other Subs of Neuberger Berman Inc.	Eliminations	Neuberger Berman Inc Consolidated	Lehman Brothers Holdings PLC	LB International (Europe) Consolidated	Lehman Brothers Europe Ltd.	Other Subs of Lehman Brothers Holdings PLC	Eliminations	Lehman Brothers Holdings PLC Consolidated
ASSETS:											
CASH & CASH EQUIVALENTS	0	575	0	0	**575**	0	2,320	75	72	0	**2,467**
CASH & SECURITIES SEGR. AND ON DEPOSIT	0	92	0	0	**92**	0	6,568	0	0	0	**6,568**
FINANCIAL INSTR. & OTHER INVENTORY POSITIONS OWNED											
GOVERNMENTS & AGENCIES	0	1	0	0	**1**	0	5,499	0	0	0	**5,499**
TOTAL COMM PAPER & OTHER MMKT INSTRUMENTS	0	20	247	0	**267**	0	131	0	0	0	**131**
MORTGAGES & ASSET-BACKED SEC	0	0	0	0	**0**	3	3,239	1	3,397	(3,398)	**3,242**
REAL ESTATE HELD FOR SALE	0	0	0	0	**0**	0	0	0	0	0	**0**
TOTAL CORPORATE DEBT & OTHER	0	0	0	0	**0**	0	3,967	0	1	0	**3,968**
TOTAL CORPORATE EQUITIES	6	92	107	0	**206**	14	9,805	0	0	0	**9,820**
DERIVATIVES AND OTHER CONTR. AGREEMENTS	0	0	0	0	**0**	74	17,541	2	0	0	**17,617**
TOTAL SECURITIES & OTHER FIN INSTR.OWNED	6	114	354	0	**474**	91	40,182	3	3,399	(3,398)	**40,277**
COLLATERLIZED SHORT-TERM AGREEMENTS	0	(0)	0	0	**(0)**	0	138,462	600	0	0	**139,062**
RECEIVABLES	0	74	33	0	**108**	(0)	26,913	87	53	(4)	**27,049**
OTHER ASSETS	2,630	206	49	0	**2,886**	25	66	14	1,508	0	**1,613**
INVESTMENT IN CONS. SUBS	661	0	9	(671)	**0**	7,607	0	0	14,841	(22,447)	**0**
DUE FROM SUBSIDIARIES	11	10	24	(19)	**27**	5,464	286,532	12	16,547	(21,450)	**287,105**
TOTAL ASSETS	3,309	1,073	469	(690)	**4,161**	13,186	501,042	792	36,421	(47,299)	**504,140**
LIABILITIES:											
S.T. BORROWINGS & CURRENT PORTION OF L.T. BORROWINGS	0	1	0	0	**1**	0	703	0	0	0	**703**
FIN'L INSTR & OTHER INV POSNS SOLD BUT NOT PURCHASED											
GOVERNMENTS & AGENCIES	0	0	0	0	**0**	0	52,878	0	0	0	**52,878**
TOTAL COMM PAPER & OTHER MMKT INSTRUMENTS	0	0	0	0	**0**	0	0	0	0	0	**0**
MORTGAGES & ASSET-BACKED SEC	0	0	0	0	**0**	0	671	0	0	0	**671**
TOTAL CORPORATE DEBT & OTHER	0	0	0	0	**0**	0	5,879	0	0	0	**5,879**
TOTAL CORPORATE EQUITIES	0	0	0	0	**0**	0	27,422	0	0	0	**27,422**
DERIV & OTHER CONTR AGREEMENTS	0	0	0	0	**0**	0	13,600	0	0	0	**13,600**
TOTAL SEC.& OTHER FIN.INSTR.SOLD NOT PURCH.	0	0	0	0	**0**	0	100,450	0	0	0	**100,450**
COLLATERLIZED SHORT-TERM FINANCING	0	(0)	0	0	**(0)**	0	116,666	0	3,398	(3,398)	**116,666**
PAYABLES	285	507	235	0	**1,028**	26	47,278	(10)	2,566	(4)	**49,857**
DEPOSITS AT BANKS	0	0	0	0	**0**	0	0	0	0	0	**0**
DUE TO SUBSIDIARIES	126	45	82	(19)	**234**	1,499	217,874	215	4,046	(5,785)	**217,849**
LONG-TERM DEBT:											
SENIOR NOTES	(0)	0	0	0	**(0)**	0	86	0	730	0	**816**
SUBORDINATED NOTES	0	0	0	0	**0**	2,567	10,875	50	10,881	(15,666)	**8,706**
JUNIOR SUBORDINATED NOTES	0	0	0	0	**0**	1,982	0	0	0	0	**1,982**
TOTAL LONG-TERM DEBT:	(0)	0	0	0	**(0)**	4,549	10,961	50	11,611	(15,666)	**11,504**
TOTAL LIABILITIES	411	553	318	(19)	**1,263**	6,074	493,931	256	21,620	(24,853)	**497,029**
STOCKHOLDERS EQUITY											
PREFERRED STOCK	0	0	0	0	**0**	3,003	0	0	192	(192)	**3,003**
COMMON STOCK	0	0	0	(0)	**0**	1,180	6,273	80	11,695	(18,048)	**1,180**
ADDITIONAL PAID IN CAPITAL	2,755	377	37	(415)	**2,755**	248	0	0	1,202	(1,202)	**248**
RETAINED EARNINGS	143	142	114	(256)	**143**	2,674	831	456	1,567	(2,854)	**2,674**
OTHER STOCKHOLDERS EQUITY, NET	0	0	0	0	**0**	6	7	0	144	(151)	**6**
TOTAL STOCKHOLDERS EQUITY	2,898	519	152	(671)	**2,898**	7,112	7,110	536	14,800	(22,447)	**7,112**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	3,309	1,073	469	(690)	**4,161**	13,186	501,042	792	36,421	(47,299)	**504,140**

Details of LBHI Consolidation

	LBI Consolidated	Neuberger Berman Inc Consolidated	Lehman Brothers Holdings PLC Consolidated	Lehman Brothers Holdings Inc. PCO	Lehman Brothers Comm. Corporate	Ali Inc Consol	Lehman Brothers Bank Consol	Lehman Brothers Comm. Bank	Lehman Brothers OTC Derivatives Inc	Lehman Brothers Treasury Co BV	Lehman Brothers Luxemburg SA	Lehman Brothers Bankhaus AG	Lehman Brothers Finance SA	Lehman Brothers Japan Inc/KK	Other subs of LBHI Cons.	LBHI Elim.	LBHI Consolidated
NET REVENUES	**2,317**	**274**	**987**	**(900)**	**152**	**(431)**	**174**	**42**	**23**	**544**	**3**	**(123)**	**(134)**	**225**	**395**	**(40)**	**3,507**
EXPENSES:																	
COMPENSATION & BENEFITS	1,217	116	591	(407)	(0)	(226)	95	1	12	0	0	17	2	125	294	7	1,841
BUSINESS DEVELOPMENT	34	2	30	5	0	0	2	0	0	0	0	0	(0)	4	12	0	89
TECHNOLOGY AND COMMUNICATIONS	83	6	58	97	0	0	15	0	0	0	0	0	0	15	28	(0)	302
PROFESSIONAL FEES	41	2	21	12	0	0	3	0	0	0	0	1	0	4	15	(0)	98
BROKERAGE AND CLEARANCE DISTRIBUTION FEES	150	28	51	0	4	(0)	0	0	0	(0)	0	0	13	9	11	(14)	253
OCCUPANCY	49	6	51	57	0	0	6	0	0	0	0	1	0	13	1	0	185
OTHER	6	9	(1)	4	0	0	40	2	0	0	0	0	0	4	13	(2)	76
MANAGEMENT FEES	33	8	2	(48)	0	3	10	(6)	(0)	0	0	6	0	3	(11)	0	(0)
TOTAL NPE	396	60	211	129	4	4	76	(3)	1	0	0	8	13	53	69	(16)	1,003
TOTAL EXPENSES	**1,613**	**176**	**802**	**(279)**	**4**	**(223)**	**171**	**(3)**	**13**	**0**	**0**	**25**	**15**	**178**	**362**	**(9)**	**2,844**
PRETAX INCOME	**704**	**98**	**185**	**(621)**	**148**	**(208)**	**4**	**44**	**10**	**544**	**3**	**(148)**	**(149)**	**48**	**32**	**(31)**	**663**
INCOME TAXES	218	39	15	(323)	63	(105)	2	18	4	7	0	1	(11)	46	201	0	174
NET INCOME	**486**	**58**	**170**	**(298)**	**85**	**(103)**	**2**	**27**	**6**	**537**	**3**	**(149)**	**(138)**	**2**	**(168)**	**(31)**	**489**

Consolidating Income Statements – Quarter Ended February 29, 2008

Details of LBI Consolidation

	Lehman Brothers Inc. PCO	Lehman Commercial Paper Inc Consol	LB Special Financing Inc Consol	LBI Group Consol	Lehman Brother Financial Products Inc	Lehman Brothers Derivative Products Inc	Other subs of LBI Consolidated	LBI Consolidated Eliminations	LBI Consolidated
NET REVENUES	**(385)**	**(1,146)**	**3,773**	**(376)**	**5**	**4**	**396**	**46**	**2,317**
EXPENSES:									
COMPENSATION & BENEFITS	196	(602)	1,805	(197)	0	0	15	0	1,217
BUSINESS DEVELOPMENT	32	0	1	0	0	0	0	0	34
TECHNOLOGY AND COMMUNICATIONS	72	2	4	3	0	0	4	(3)	83
PROFESSIONAL FEES	36	0	2	2	0	0	0	0	41
BROKERAGE AND CLEARANCE DISTRIBUTION FEES	91	1	58	(0)	0	(0)	1	(0)	150
OCCUPANCY	42	3	3	1	0	0	0	0	49
OTHER	(2)	6	0	0	0	1	1	0	6
MANAGEMENT FEES	23	8	7	0	0	0	(5)	0	33
TOTAL NPE	295	19	76	7	0	1	2	(4)	396
TOTAL EXPENSES	**490**	**(583)**	**1,880**	**(190)**	**0**	**1**	**18**	**(4)**	**1,613**
PRETAX INCOME	**(875)**	**(563)**	**1,893**	**(186)**	**5**	**3**	**378**	**49**	**704**
INCOME TAXES	(405)	(247)	799	(66)	2	1	133	0	218
NET INCOME	**(470)**	**(317)**	**1,093**	**(120)**	**3**	**2**	**245**	**49**	**486**

Consolidating Income Statements – Quarter Ended February 29, 2008

Details of Neuberger Berman and LBHI PLC Consolidation

	Neuberger Berman Inc	Neuberger Berman LLC Consol	Other subs of NB Consolidated	Neuberger Berman Inc Elimination	**Neuberger Berman Inc Consolidated**	Lehman Brothers Holdings PLC	LB International (Europe) Consolidated	Lehman Brothers Europe Ltd.	Other subs of LBH PLC Consolidated	Lehman Brothers Holdings PLC Eliminations	**Lehman Brothers Holdings PLC Consolidated**
NET REVENUES	**(3)**	**191**	**86**	**0**	**274**	**7**	**663**	**402**	**(85)**	**0**	**987**
EXPENSES:											
COMPENSATION & BENEFITS	(21)	115	23	0	116	0	220	157	213	0	591
BUSINESS DEVELOPMENT	0	1	1	0	2	0	12	9	8	0	30
TECHNOLOGY AND COMMUNICATIONS	0	5	1	0	6	0	18	6	33	0	58
PROFESSIONAL FEES	0	1	0	0	2	0	5	5	11	0	21
BROKERAGE AND CLEARANCE DISTRIBUTION FEES	0	14	13	0	28	0	49	1	0	0	51
OCCUPANCY	0	4	1	0	6	0	12	8	30	0	51
OTHER	7	2	0	0	9	0	2	1	(3)	0	(1)
MANAGEMENT FEES	0	4	3	0	8	(0)	175	130	(303)	0	2
TOTAL NPE	8	33	20	0	60	(0)	274	160	(223)	0	211
TOTAL EXPENSES	**(14)**	**147**	**42**	**0**	**176**	**0**	**494**	**318**	**(10)**	**0**	**802**
PRETAX INCOME	**10**	**44**	**44**	**0**	**98**	**7**	**170**	**84**	**(75)**	**0**	**185**
INCOME TAXES	2	19	18	0	39	0	15	0	0	0	15
NET INCOME	**8**	**25**	**25**	**0**	**58**	**7**	**154**	**84**	**(75)**	**0**	**170**

Mergers & Acquisitions

Acquisition / Significant Transactions

- **Q1 2008 – Closed Deals**

  - **Van der Moolen Specialist** – Lehman acquired a NYSE listed securities business with over 400 listings and is the 4th largest specialist firm in terms of share volume. Purchase price which consists of staff, technology and listed securities is $2 million. Acquiring entity is Lehman Brothers Inc. The deal closed in December 2007.

  - **Tradeweb** – Lehman acquired a 13% minority interest stake in Tradeweb's electronic trading platform as part of a consortium (9 dealers in total). Purchase price is approximately $37 million. Acquiring entity is LB1 Group. The deal closed in January 2008.

  - **Field Street Capital** – Lehman acquired a 20% interest in an asset manager for $0 in exchange for a $75 million seed investment as a limited partner in addition to providing a $1 million line of credit. The General Partner is a former Lehman employee. The deal closed in December 2008.

  - **Sale of Marble Bar** – Lehman sold its 19.99% minority interest in Marble Bar to EFG International. Total proceeds from the sale include an initial payment of $95 million plus contingent consideration of up to $57 million, resulting in a pre-tax gain of $7 million. The deal closed in January 2008.

Acquisition / Significant Transactions

- **Q4 2007 – Closed Deals**

  - **MNG Securities** – Lehman acquired a small broker dealer in located in Istanbul, Turkey. Purchase price is approximately $4 million. Acquiring entity is ALI Inc. The deal closed in October 2007.

  - **Dartmouth Capital** – Lehman acquired an investment advisory firm for 2 London based high net worth families with approximately $337 million in AUM. The Company is located in London. Payment terms include an upfront payment of $3 million with estimated earnout payments of $2.5 million. Acquiring entity is Lehman Brothers Holdings PLC. The deal closed in October 2007.

  - **GLG Partners –** Lehman exchanged its interest in GLG Partners for cash proceeds of $153 million and share proceeds of $461 million in shares of Freedom Acquisition Holdings, Inc. (renamed GLG Partners, Inc.). Total gain on the transaction was approximately $500 million. Transaction closed in November 2007.

  - **Sale of Dolphin Capital** – Lehman sold a leasing subsidiary, Dolphin Capital Corporation to LEAF Financial Corporation for approximately $169 million. The transaction was structured as an asset sale and all amounts were transferred at approximate book value. We acquired Dolphin Capital through our acquisition of Capital Crossing Bank in February 2007. Deal closed in November 2007.

Capital Markets Finance

Capital Markets Overview

Segments

Capital Markets Overview

	Q1'08	Q4'07	%Δ	Q1 '07	%Δ
Fixed Income	262	727	*–64%*	2,172	*–88%*
Equities	1,410	2,000	*–30%*	1,329	*6%*
Capital Markets	**1,672**	**2,727**	***–39%***	**3,501**	***–52%***

Highlights

- Capital Markets revenues are down from Q4'2007 and Q1'2007 levels

- FID Revenues of $262mm are down (64%) vs. Q4'2007 and down (88%) vs. Q1'2007
  - Asset write downs in Securitized Products and Real Estate
  - Strong performance in Rates, Prop, FX and Commodities
  - FID Prime Services revenues are up primarily due to an increase in Liquid Markets Financing

- Equities revenues of $1,410mm are down (30%) from Q4'2007 and up 6% vs. Q1'2007
  - Strong results despite uncertainty and volatility in the Global Equity Markets
  - Includes Record results in Flow Volatility Americas, offset by lower Prop Trading and Origination results
  - Equity Prime Services revenues are up on continued growth in Equity Financing revenues/balances despite difficult market conditions as well as increased Futures trading volumes

FID Review (w/ Detail)

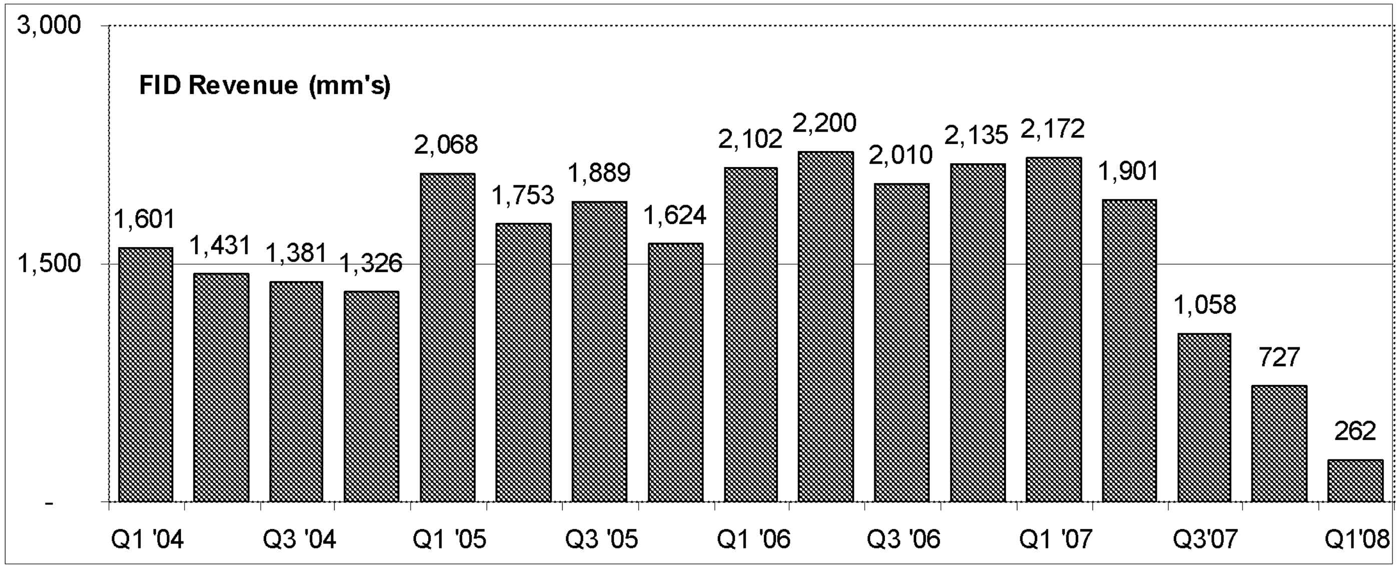
	2008	2007		% Change		Comments
	Q1 '08	Q4 '07	Q1 '07	Q / Q	Y / Y	
FIXED INCOME						
Interest Rate Products	978	299	227	227%	331%	• Gains due to record Q1 client revenue in the US and strong regional performance on the back of a flight to quality and volatility in derivatives.
Foreign Exchange	202	82	92	148%	121%	• Record Q1 for the FX business. High volatility in the credit markets and the increasing likelihood of a US recession caused Dollar to touch record lows against the GBP and EUR before rebounding in February.
Liquid Markets	*1,180*	*381*	*318*	*210%*	*271%*	
CDO	36	(33)	100	-209%	-64%	• Q1 gains primarily due to liquid products (tranches, options, & Indices), which performed well in volatile markets.
High Grade Credit	515	51	189	918%	172%	• In Q1'08, while flow trading benefitted from the widening in spreads by being short index and single name credits,Hybrid Capital experienced a difficult quarter primarily due to the deterioration in auction rates securities.
High Yield	(140)	488	342	-129%	-141%	• Q1'08 decrease driven primarily by declines in Contingent Acquisition Facility, partially offset by gains from overall spread widening
Credit Products	*410*	*506*	*631*	*-19%*	*-35%*	
Securitized Products	(307)	(767)	293	-60%	-205%	• Improved Q1 results in ABS Derivatives and non-prime sectors due to a reduction in cash CDOs and subprime, slightly offset by increasing losses in prime Alt A segment
Real Estate	(1,027)	(173)	410	494%	-350%	• Continued Q1'08 weakening in RE Capital Markets limited property sales and securitizations, which resulted in a reduction in revenues. Additionally, the weakening in RE Capital Markets resulted in significant losses due to MTM adjustments on various positions in Americas & Europe
Municipal Bonds	(241)	57	55	-525%	-537%	• Q1 decrease caused by basis losses, as Munis underperformed against Treasury futures and Swap hedges across the curve.
Energy Trading	52	118	13	-56%	316%	• Decrease vs. Q4 due to limited new client revenue during Q1'08, while increase vs Q1 due to the build out of natural gas trading platform
FID Corporate	(146)	18	(72)	-891%	102%	• Q1'08 decrease driven primarily by commodities GAAP adjustment ($60mm in Q1'08)
Fixed Income Subtotal	**(77)**	**139**	**1,647**	**-155%**	**-105%**	
FID Prime Services	360	248	167	45%	116%	
FID Including Prime Services	**283**	**387**	**1,815**	**-27%**	**-84%**	
Global Principal Strategies	(163)	(3)	173	4917%	-195%	
Global Trading Strategies - Distressed	(82)	15	68	-654%	-221%	
FID Other	225	329	117	-32%	91%	
FID Attributable	(0)	0	(0)	-600%	-17%	
Total Fixed Income Segment	**262**	**727**	**2,172**	**-64%**	**-88%**	

Equities Review (w/ Detail)

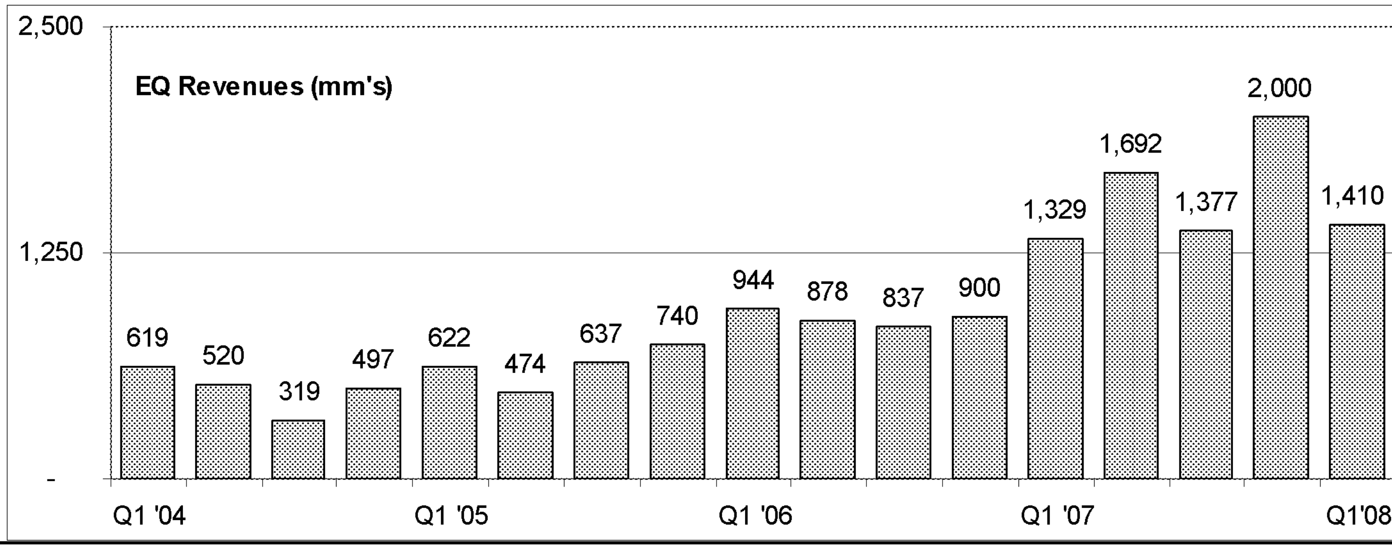
	2008	2007		% Change		Comments
	Q1 '08	Q4 '07	Q1 '07	Q / Q	Y / Y	
EQUITIES						
Execution Services						
Execution Services - Americas	403	141	198	186%	103%	• Record client revenues and strong trading in Flow Volatility.
Execution Services - Europe	143	139	154	3%	-7%	• Weaker trading results in Portfolio and Quant Trading led to the decline versus Q1
Execution Services - Asia	104	78	62	34%	67%	• Strong commissions, record client revenues, and principal trading activity
Total Execution Services	*650*	*358*	*414*	*82%*	*57%*	
Convertibles	(4)	28	49	-113%	-107%	• Losses due primarily to Non-Japan Asia positions
Volatility	267	385	270	-31%	-1%	• Lower results due to weaker client demand for structured product and losses in single stock exotics in Americas
Event Driven	7	16	47	-56%	-85%	• Weaker client flows and slower principal revenue drove down Q1'08 results
Equity Strategies	14	131	79	-89%	-83%	• Difficult market conditions led to lower revenues in Proprietary trading businesses globally
Equities Corporate	(145)	14	(17)	-1111%	747%	• Decline was driven by increased MTM losses on HY& HG Firm Relationship Loans
Equity Division Subtotal	**789**	**932**	**842**	**-15%**	**-6%**	
Equity Prime Services	271	226	198	20%	37%	
Equity Including Prime Services	**1,060**	**1,158**	**1,039**	**-8%**	**2%**	
Global Principal Strategies - Equity	3	14	-	-78%	NA	
Global Trading Strategies - Equity	417	235	144	77%	189%	
Corporate Investments	-	-	0	NA	-100%	
Private Equity (MB)	(211)	25	78	-930%	-370%	
Asset Management Investments	(87)	522	14	-117%	-735%	
Equities Other	228	46	53	399%	328%	
Equities Attributable	(0)	(0)	0	700%	-122%	
Total Equities Segment	**1,410**	**2,000**	**1,329**	**-29%**	**6%**	

Capital Markets Graphical Trends

Fixed Income (FID) Quarterly Segment Revenue Trend (2004 FY – 2008 FY)



Equities (EQ) Quarterly Segment Revenue Trend (2004 FY – 2008 FY)



Significant Events

Q1'2008 quarterly topics

Fixed Income

- Securitized Business

- Credit

Equities

- Europe Volatility

- Risk Taking

Appendices

Q1'2008 Market Themes

Fixed Income

- **Federal Reserve Bank:** Fed Funds rate was lowered to 3.00%, a (150) bps reduction in Q1, while the ECB and BOJ held their rates steady at 4.00% and 0.50%. Meanwhile, Prime declined to 6% and 1 Month Libor decreased to 3.16% (155bps) over the quarter.
  - Treasury Spread between 2s and 10s widened to 189bps over the quarter. The 2 year note decreased (138) bps while the 10 year note decreased (43) bps during this period.
- **Commodity Prices:**
  - Oil prices increased 15% to $101.84 per barrel on supply concerns and the US economy entering into recession.
  - Gold prices rose 24% over the quarter to close at $974.17 per ounce as investors concerned over further declines in the US dollar defensively moved into precious metals and commodities.
- **Dollar:** The dollar weakened by (4%) versus the Euro and (7%) against the Yen. However the USD gained 3% vs the Pound to finish the quarter below the 2 to 1 threshold.
- **Credit spreads:** Continued deceleration of investor confidence during the quarter impacted credit market and caused spreads to widen. High Yield spreads widened by 248bps, Investment grade spreads widened by 89bps, and Emerging Markets spreads widened by 68bps.

Equities

- Global Equity markets ended the quarter lower as high volatility and uncertainty regarding credit markets pushed indices lower and the deterioration in Financial stocks caused increased uncertainty to the timing of credit market recovery.
- Major U.S. equity indices ended lower from year end, with the S&P 500 down (10%), the Dow Jones Industrial Average down (8%) and the NASDAQ down almost (15%). The VIX index increased 16% during the quarter. In Europe the VXN volatility index declined almost (1%) over the quarter.
- Market sell offs occurred across continents as Europe and Asian markets ended lower as well. The FTSE closing down (9%) to 5,884 and the German DAX closing down (14%) at 6,748. Asian markets closed lower, with the Nikkei closing down (13%) to 13,603 and the Hang Seng declining (15%) to 24,332.

Market Data

Equities and Related Capital Markets

Indices	*2/29/2008*	*Q/Q % Δ*		*Y/Y % Δ*		*11/30/2007*	*Q/Q % Δ*		*8/31/2007*	*Q3 % Δ*		*5/31/2007*	*Q2 % Δ*		*2/28/2007*	*Q1 % Δ*	
DJIA	12,266	-8.3%	↓	0.0%	↓	13,372	0.1%	↑	13,358	-2.0%	↓	13,628	11.1%	↑	12,269	0.4%	↑
S&P 500	1,331	-10.2%	↓	-5.4%	↓	1,481	0.5%	↑	1,474	-3.7%	↓	1,531	8.8%	↑	1,407	0.4%	↑
NASDAQ	2,271	-14.6%	↓	-6.0%	↓	2,661	2.5%	↑	2,596	-0.3%	↓	2,605	7.8%	↑	2,416	-0.6%	↓
FTSE	5,884	-8.5%	↓	-4.7%	↓	6,433	2.0%	↑	6,303	-4.8%	↓	6,621	7.3%	↑	6,172	2.0%	↑
DAX	6,748	-14.3%	↓	0.5%	↑	7,871	3.0%	↑	7,638	-3.1%	↓	7,883	17.4%	↑	6,715	6.4%	↑
Nikkei	13,603	-13.2%	↓	-22.7%	↓	15,681	-5.4%	↓	16,569	-7.3%	↓	17,876	1.5%	↑	17,604	8.2%	↑
Hang Seng	24,332	-15.1%	↓	**23.8%**	↑	28,644	19.4%	↑	23,984	16.2%	↑	20,634	5.0%	↑	19,652	3.6%	↑
EuroTop 100	2,757	-14.1%	↓	-10.3%	↓	3,209	0.6%	↑	3,191	-4.0%	↓	3,323	8.1%	↑	3,074	2.2%	↑
MSCI World	1,456	-9.6%	↓	-2.3%	↓	1,611	3.2%	↑	1,562	-3.4%	↓	1,617	8.5%	↑	1,490	2.4%	↑
Volatility	*2/29/2008*	*Q/Q % Δ*		*Y/Y % Δ*		*11/30/2007*	*Q/Q % Δ*		*8/31/2007*	*Q3 % Δ*		*5/31/2007*	*Q2 % Δ*		*2/28/2007*	*Q1 % Δ*	
VIX	26.54	16.0%	↑	**72.1%**	↑	22.87	-2.2%	↓	23.38	**79.2%**	↑	13.05	-15.4%	↓	15.42	**41.3%**	↑
VXN	28.44	-0.7%	↓	**38.5%**	↑	28.65	16.8%	↑	24.53	**45.5%**	↑	16.86	-17.9%	↓	20.53	**24.2%**	↑
Peer Stock Prices	*2/29/2008*	*Q/Q % Δ*		*Y/Y % Δ*		*11/30/2007*	*Q/Q % Δ*		*8/31/2007*	*Q3 % Δ*		*5/31/2007*	*Q2 % Δ*		*2/28/2007*	*Q1 % Δ*	
LEH	50.99	-18.6%	↓	-30.4%	↓	62.63	14.2%	↑	54.83	-25.3%	↓	73.38	0.1%	↑	73.31	-0.5%	↓
GS	169.63	-25.2%	↓	-15.9%	↓	226.64	**28.8%**	↑	176.01	-23.7%	↓	230.82	14.4%	↑	201.75	3.6%	↑
BSC	79.86	-19.9%	↓	-47.5%	↓	99.70	-8.2%	↓	108.66	-27.5%	↓	149.96	-1.5%	↓	152.24	-0.2%	↓
MS	42.12	-20.1%	↓	-32.3%	↓	52.72	-15.5%	↓	62.37	-11.6%	↓	70.59	13.5%	↑	62.19	-1.6%	↓
MER	49.56	-17.3%	↓	-40.8%	↓	59.94	-18.7%	↓	73.70	-20.5%	↓	92.73	10.8%	↑	83.68	-4.3%	↓

Fixed Income, Currencies and Commodities

Money Rates	*2/29/2008*	*Q/Q bps Δ*		*Y/Y bps Δ*		*11/30/2007*	*Q/Q bps Δ*		*8/31/2007*	*Q3 bps Δ*		*5/31/2007*	*Q2 bps Δ*		*2/28/2007*	*Q1 bps Δ*	
Federal Funds - Target	3.00	(150)	↓	(225)	↓	4.50	(75)	↓	5.25	0	↓	5.25	0	↓	5.25	0	↓
Libor Overnight	3.16	(155)	↓	(217)	↓	4.72	(87)	↓	5.59	**22**	↑	5.36	2	↑	5.35	1	↑
2-year Treasury Note	1.62	(138)	↓	(299)	↓	3.00	(114)	↓	4.14	(78)	↓	4.91	**27**	↑	4.65	3	↑
10-year Treasury Bond	3.51	(43)	↓	(95)	↓	3.94	(59)	↓	4.53	(36)	↓	4.89	**32**	↑	4.57	11	↑
30-year Treasury Bond	4.40	2	↑	(16)	↓	4.38	(44)	↓	4.82	(19)	↓	5.01	**33**	↑	4.68	12	↑
Euro 10-year Benchmark	3.89	(24)	↓	20	↑	4.13	(12)	↓	4.24	(18)	↓	4.42	**47**	↑	3.96	**26**	↑
UK 10-year Gilt	4.47	(17)	↓	(4)	↓	4.64	(40)	↓	5.04	(22)	↓	5.26	**46**	↑	4.80	**28**	↑
Japan 10-year JGB#182	1.37	(11)	↓	(29)	↓	1.48	(14)	↓	1.61	(14)	↓	1.75	12	↑	1.64	(2)	↓
IG on the run (Markit)	165.50	**89**	↑	**132**	↑	76.42	9	↑	66.99	**33**	↑	34.12	1	↑	33.21	(1)	↓
EM on the run (Markit)	250.76	**68**	↑	**127**	↑	182.74	10	↑	172.89	**74**	↑	99.38	(15)	↓	114.57	(9)	↓
HY on the run (Markit)	740.46	**248**	↑	**465**	↑	492.96	**83**	↑	410.00	**149**	↑	261.00	**24**	↑	237.50	(38)	↓
Currencies (vs USD)	*2/29/2008*	*Q/Q % Δ*		*Y/Y % Δ*		*11/30/2007*	*Q/Q % Δ*		*8/31/2007*	*Q3 % Δ*		*5/31/2007*	*Q2 % Δ*		*2/28/2007*	*Q1 % Δ*	
Pound £	1.9891	-3.3%	↓	1.3%	↑	2.0564	1.9%	↑	2.0171	1.9%	↑	1.9798	0.8%	↑	1.9640	-0.1%	↓
Euro €	1.5180	3.7%	↑	14.7%	↑	1.4633	7.4%	↑	1.3630	1.3%	↑	1.3453	1.7%	↑	1.3229	-0.1%	↓
Yen ¥	103.74	-6.7%	↓	-12.5%	↓	111.23	-3.9%	↓	115.78	-4.9%	↓	121.73	2.7%	↑	118.56	2.4%	↑
Commodities	*2/29/2008*	*Q/Q % Δ*		*Y/Y % Δ*		*11/30/2007*	*Q/Q % Δ*		*8/31/2007*	*Q3 % Δ*		*5/31/2007*	*Q2 % Δ*		*2/28/2007*	*Q1 % Δ*	
Gold	974.17	**24.3%**	↑	**45.5%**	↑	783.75	16.4%	↑	673.40	2.0%	↑	660.50	-1.3%	↓	669.35	3.3%	↑
Oil	101.84	14.8%	↑	**64.8%**	↑	88.71	19.8%	↑	74.04	15.7%	↑	64.01	3.6%	↑	61.79	-2.1%	↓

Prime Brokerage Related

DJ Hedge Fund Indices	*2/29/2008*	*Q/Q % Δ*		*Y/Y % Δ*		*11/30/2007*	*Q/Q % Δ*		*8/31/2007*	*Q3 % Δ*		*5/31/2007*	*Q2 % Δ*		*2/28/2007*	*Q1 % Δ*	
Convertible Arb	134.59	-0.6%	↓	0.9%	↑	135.36	1.5%	↑	133.41	-0.2%	↓	133.68	0.2%	↑	133.36	2.3%	↑
Merger Arb	144.74	0.1%	↑	9.8%	↑	144.63	1.7%	↑	142.21	4.6%	↑	135.93	3.1%	↑	131.85	7.2%	↑
Event Driven	147.80	-1.5%	↓	1.9%	↑	150.07	0.4%	↑	149.46	-2.0%	↓	152.57	5.2%	↑	145.02	3.5%	↑
Distressed Sec's	169.33	-4.8%	↓	-6.5%	↓	177.80	-2.0%	↓	181.40	-3.4%	↓	187.71	3.7%	↑	181.07	5.1%	↑
Equity Market Neutral	110.00	0.5%	↑	0.6%	↑	109.49	0.1%	↑	109.36	-1.2%	↓	110.68	1.2%	↑	109.36	1.7%	↑
Equity Long/Short	130.73	-3.3%	↓	11.6%	↑	135.14	6.6%	↑	126.78	-0.1%	↓	126.89	8.3%	↑	117.17	2.9%	↑

Investment Management Division

Investment Management Division Overview

- Record quarterly revenues of $968mm
  - Highest Asset Management revenues, $618mm, increased 16% from $533mm in Q4'07 primarily due to increases in minority stake revenue
  - Private Investment Management (PIM) revenues, $351mm, increased 17% from $299mm in Q4'07 as Fixed Income had a record-setting quarter
- Assets Under Management of $277bn decreased (2%) from prior quarter
  - Quarter to date AUM decreased ($5bn) due to market depreciation
  - Year-over-year AUM increased $41bn with over 80% or $33bn coming from net flows and the remaining $8bn was market appreciation
- Transactions
  - LBREP III initial fund closing for total fund size of $1.5bn
  - Secondary Opportunities II had its first closing for a total fund size of $1bn

Investment Banking Division

Q1 2008 Market Environment and Trends

M&A

- Q1'08 market announced M&A volume fell 19% versus already depressed Q4'07 and 24% versus Q1'07, due to the absence of Financial Sponsors, the credit crunch, and increased volatility in the markets.
- Financial Sponsor activity has continued to slow greatly from earlier 2007 levels, as sponsors focus more on completing already announced transactions rather than on putting together new deals. Sponsors are however sitting with substantial under-deployed capital from funds raised earlier in 2007, and have been getting new deals done at the $1bn-$2bn level.
- Other trends include more strategic M&A activity (not impacted as much by tight liquidity markets), continued activity from sovereign wealth funds, and increased cross-border transactions. Higher deal premiums are being offered, resulting from a rise in unsolicited offers as well as multi-year low equity values. Macro issues relating to a U.S. recession and a global slowdown are continued risks to the M&A market environment.

Equity Origination

- Market volume for the quarter was weak, and decreased 44% from Q4'07 and 22% vs. Q1'07.
- The number of pulled IPO's reached record levels in the quarter, and secondary issuers were loath to issue new shares at depressed multi year stock price lows. Convertibles activity did spike, driven by several mega Financial Services issuances.
- Other trends include an increase in equity and equity linked issuances to shore up weakened balance sheets, heightened activity in the Natural Resources space, and a continuation of risk transfer through hedging and monetizations.

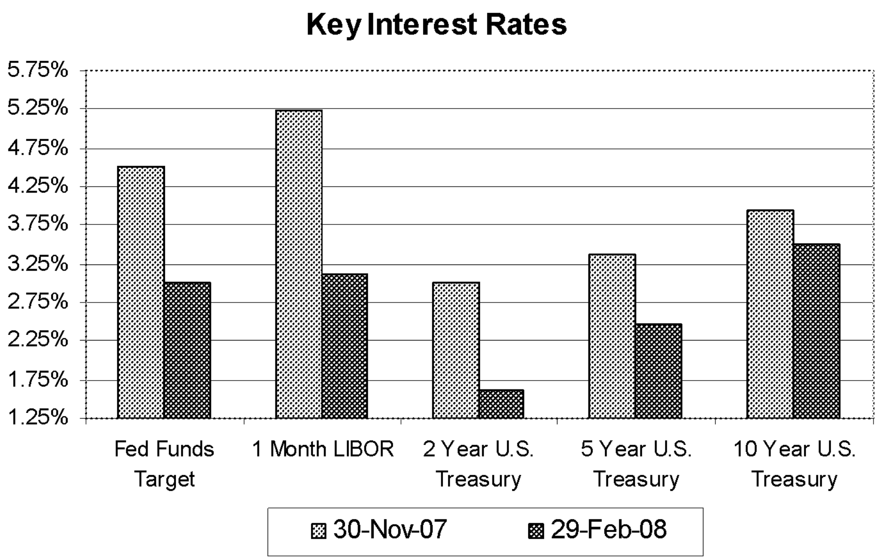
FID Origination

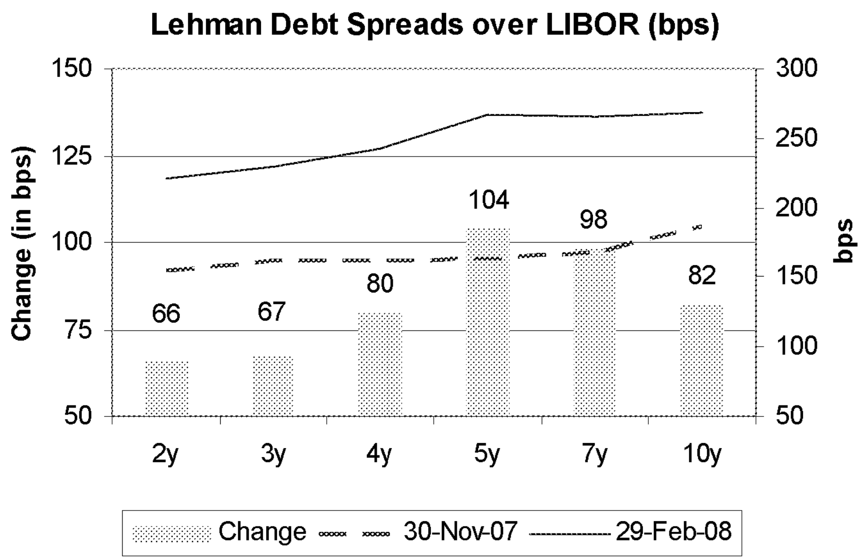
- The Credit Markets continued to be very challenging in Q1'08, as negative events in the subprime market spread to other debt products. Overall Debt volume was down 19% from Q4'07 and 41% from Q1'07. All debt products other than Agencies were significantly below Q4'07 and Q1'08. Lack of liquidity and deleveraging in the market is resulting in asset prices falling further.
- The Investment Grade market continues to experience increased volatility. Risks to credit and volatile intraday activity remain as the market is continuously gauging risk factors such as housing impacts, rising default rates, heightened inflation, weak earnings, further write down risks, high levels of maturities, liquidity and financial supply. We expect an ongoing trend where companies will shift some of their borrowings from the choppy short-term markets to longer-term corporate bonds to lock in still low rates.
- High Yield and Leveraged Loan market sentiment continued to deteriorate in Q1'08 due to a pipeline overhang (Leveraged Loans of $131bn and HY of $67bn), negative sentiment, falling LIBOR, and lack of life in the CLO market have have combined to drive investors away for the foreseeable future.

Liquidity & Funding

Financial Market Overview

- During FY 2008 Q1, the credit markets stayed extremely volatile as the fall out from the sub-prime turmoil continued to play out and the overall economic outlook for 2008 worsened.
  - Short-term rates fell in Q1 as the Federal Reserve continued to ease monetary policy in response to the deteriorating economic conditions in the overall economy. The Federal Funds Rate was cut on three different occasions including an intermeeting cut on January 22nd . Overall, the Fed Funds Rate was lowered a total of 150bps during the quarter (from 4.50% to 3.00%)
  - Long-term rates fell in Q1 with the Ten Year Treasury trading in a 75 bps range ending the period 34bps lower than the beginning of the period. The Five Year Treasury also fell in Q1, trading in a 122 bps range and ended the quarter 96 bps lower than the beginning of the quarter. Equity markets ended the quarter lower by 1,100 points, with the intra quarter range remaining extremely volatile. The Dow traded in a 1,600 point range, closing on February 29th at 12,266.
  - Lehman debt spreads continued to widen out in Q1(as did practically all credit spreads), after widening out dramatically in the second half of 2007. Debt issuance markets continued to feel the effects of the credit crisis and sub-prime fallout as many issuers chose to stay on the sidelines. Lehman was in the market twice in Q1 issuing a total of $5.5bn ($1.5bn 10yr Fixed / $4.0bn 5yr Fixed) of benchmark transactions





Funding Overview

- In Q1 2008, we issued $12.6bn of unsecured long-term debt.
- Growth in long-term debt has matched growth in balance sheet and equity.

Long-Term Debt Issuance [1]
$ Billions

	2005	2006	2007	2008 Q1
Beginning Long-Term Debt	48.4	51.9	78.4	118.2
Issuance	22.6	39.3	63.4	14.3
Committed Facility Drawdown		-	-	-
Maturity / Other	(19.1)	(12.8)	(23.7)	(9.0)
Ending Long-Term Debt	**51.9**	**78.4**	**118.2**	**123.4**
Change in Long-Term Debt	3.5	26.6	39.7	5.3
Net Balance Sheet	211.4	268.9	373.0	395.3 [2]
Long-Term Debt Ratio	25%	29%	32%	31%

[1] Excludes current portion of long term debt and hybrid equity issuances
[2] Net balance sheet figure for February 2008 is preliminary

Debt Issuance in 2008 Q1*

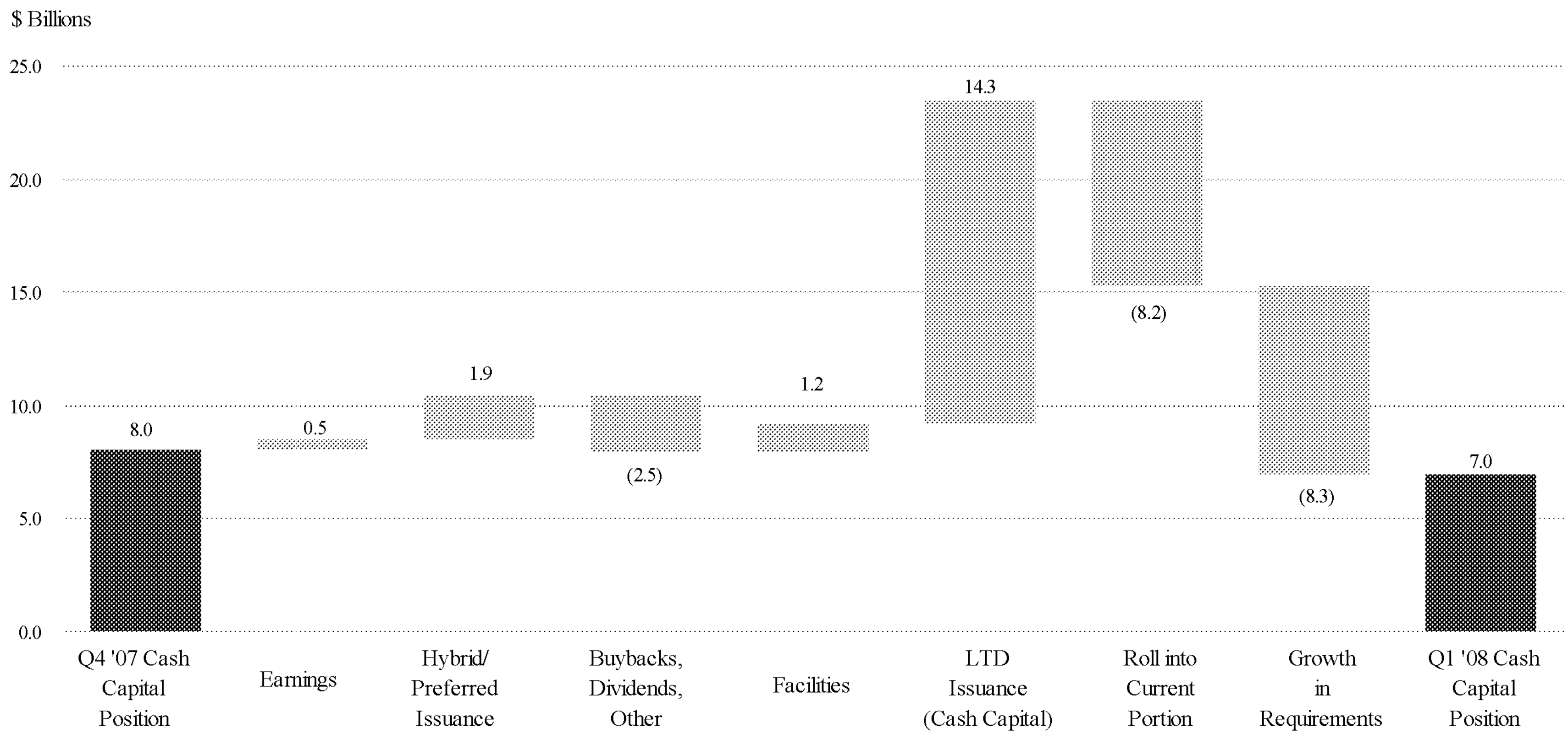
- In Q1, Lehman executed two notable benchmark issuances:
  - On December 17th Lehman raised:
    - $1.5bn in a 10y Fixed rate note @ 1ML+194
  - On January 14th Lehman raised:
    - $4.0bn in a 5y Fixed rate note @ 1ML+214

** Issuances greater than $1.0 bn*

2008 Issuance Update

- In 2008 Cash capital requirements have grown faster than the original budget. In Q1, we have issued approximately $14.3bn of cash capital and added $1.2bn of facilities.

Roll Forward of Cash Capital Position (Q4 2007 to Q1 2008)



Note: Issuance based on trade date.

Liquidity Pool Management

- We continue to manage our liquidity pool prudently.
  - Per our investment framework, we invest the liquidity pool available to the Holding Company in liquid, investment grade instruments – primarily cash and cash equivalents and unencumbered, liquid, investment grade collateral.
    - By moving the liquidity pool in and out of investments, we constantly monitor our ability to monetize our investments at short notice.
    - We also constantly assess the size of our liquidity pool relative to the amount of liquidity outflows in a liquidity event. We do not target a minimum size for our liquidity pool. Instead, we want to have a liquidity surplus a year forward in a scenario where we cannot issue unsecured debt for one year and have to repay all unsecured debt and meet the liquidity outflows created by a one notch downgrade, draws on our contingent commitments and a $0.5bn debt and equity buyback program.
    - We calculate the liquidity pool on a daily basis and reassess the minimum size that the liquidity pool must have on a weekly basis.
    - As of 2008 Q1, our liquidity position one year forward position was at $3.4bn.
  - Additionally, the management of our liquidity pool does not exist in a vacuum but within the context of our comprehensive Funding Framework, which aims to mitigate the liquidity risk faced by the Firm as much as possible (e.g., by carefully selecting secured funding counterparties and by funding illiquid and boxed assets with cash capital). This reduces the liquidity outflows that the liquidity pool must cover.
  - Finally, we also maintain large liquidity pools at our broker dealers and bank institutions, which are managed along the same conservative lines as the liquidity pool available to the Holding Company.
- At the end of 2005 Q4, we decided to remove the undrawn portion of the LBHI Committed Credit Facility from the definition of the liquidity pool, thereby aligning our internal definition of the liquidity pool with that of the SEC.

Liquidity Pool In 2008 Q1

- Lehman Brothers reported a $34.3bn liquidity pool as of February 29, 2008 – versus $34.9bn as of November 30, 2007.
- At the end of Q4 2007, we decided to remove AEGIS Investments from the definition of the liquidity pool.

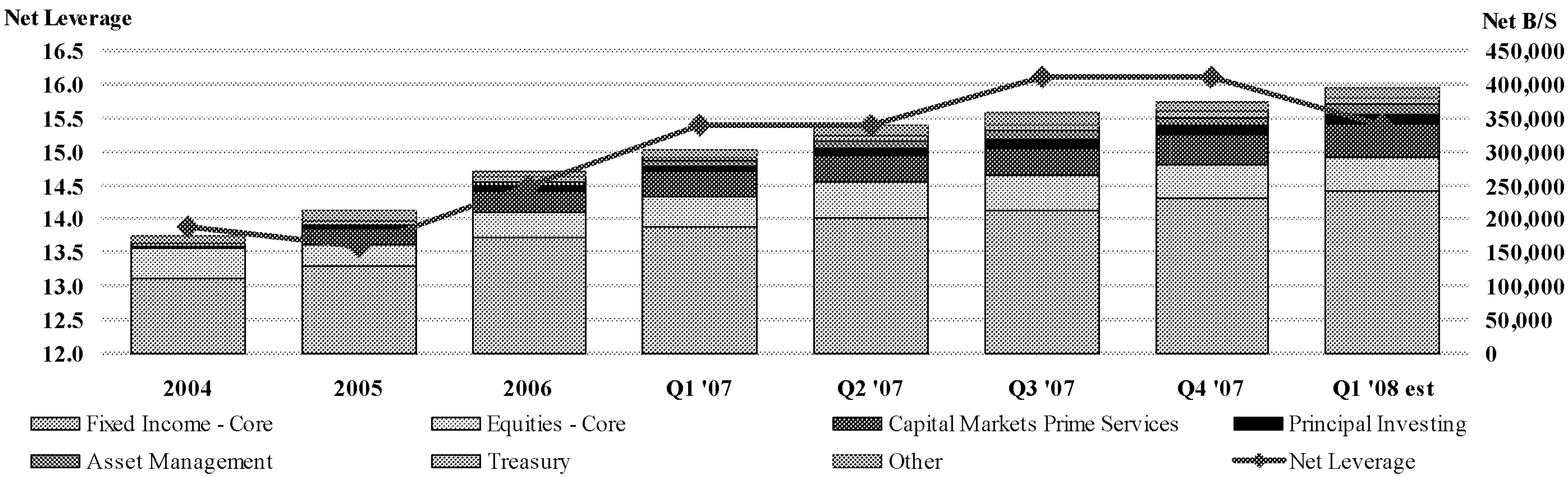
Liquidity Pool

$ millions	2007 Q4	2008 Q1	Difference	3/13/2008
Cash				
Bank Deposits	2,592	1,054	(1,538)	1,832
Other Cash / External Investments	751	724	(27)	1,978
Money Funds	238	123	(115)	19,142
Total Cash	3,581	1,902	(1,679)	22,952
Boxed Inventory				
CMO's	355	1,282	927	2,358
Corporates	-	275	275	160
Goverments / Treasuries	1,622	15,448	13,825	2,909
Equities	1,741	1,267	(474)	739
Agency MBS	27,636	3,334	(24,302)	-
Agencies	1	10,764	10,763	493
MMP	-	-	-	615
Total Boxed Inventory	31,354	32,369	1,014	7,274
Liquidity Pool Available to Holdings	34,935	34,270	(665)	30,226

Net Balance Sheet Target

- For 2008, we expect the Firm's Balance Sheet to grow by 16% with 80% of the growth coming from Principal Investing
- Net Balance Sheet is expected to account for most of that growth, with it representing 55% of overall Balance Sheet growth
- Headline performance statistics for the quarter are as follows:
  - Net Leverage decreased to 15.4x for Q1 '08
  - Gross Balance Sheet grew by 13% - growth was split across divisions
  - Net Balance Sheet grew by 6% - growth was split across divisions

Net Leverage Trend [1]

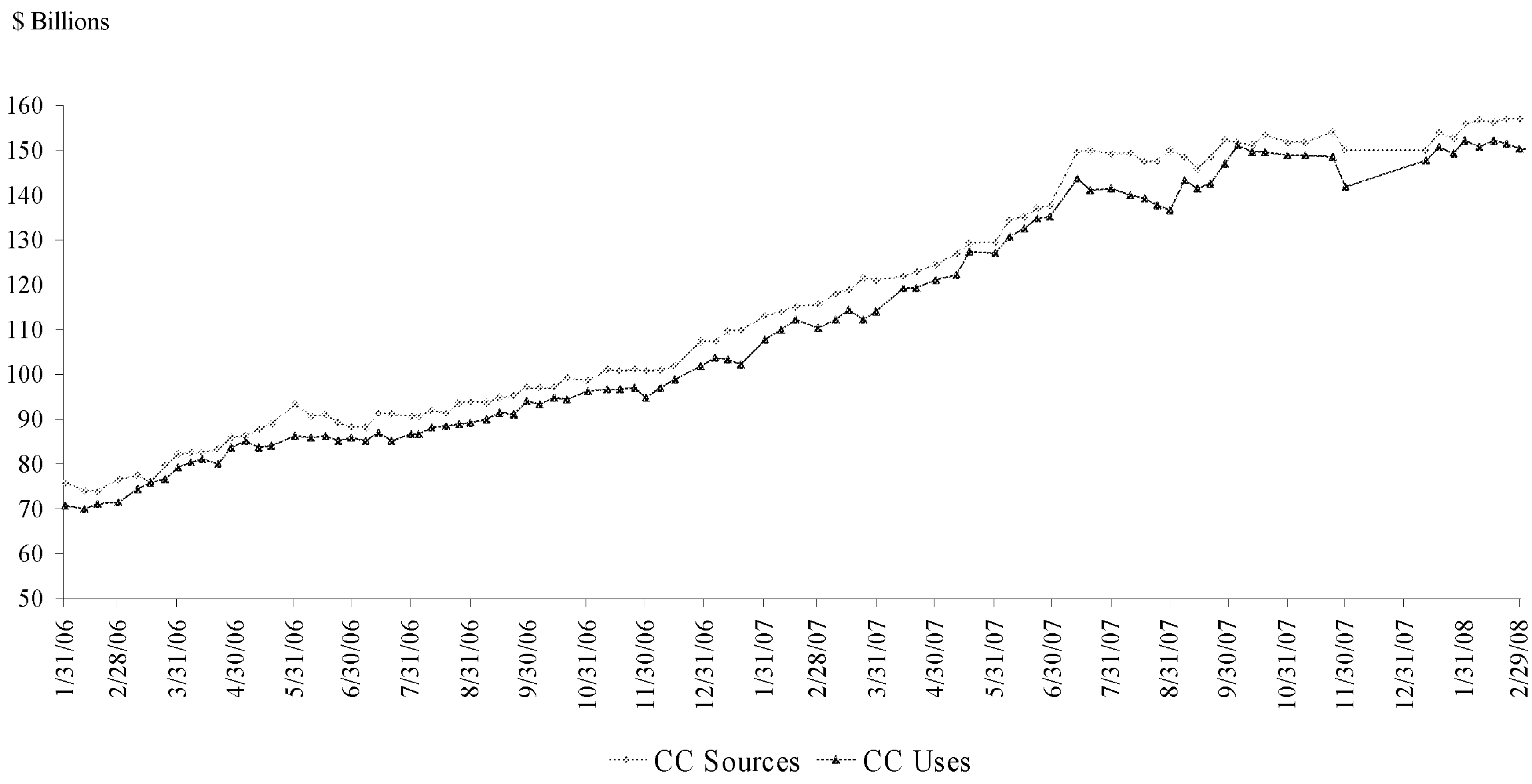


1. *For 2004, CMPS was incorporated into the numbers for FID and EQ Core*

Cash Capital in 2008 Q1

- As of the end of February 2008, our cash capital surplus was at $7.0bn, well above our targeted surplus of $2.0bn.

Cash Capital Sources and Uses



Regulatory Review

Lehman Brothers Holdings Inc

(in millions)	Estimates as of Apr 3, 2008 02/29/08	11/30/07	Variance
Lehman Brothers Holdings Inc. (LBHI)			
Total Allowable Capital	**35,139**	**32,117**	**3,022**
Total Market Risk Allowance	**8,295**	**9,229**	**(934)**
Total Operational Risk Allowance	**2,574**	**2,189**	**385**
Total Credit Risk Allowance	**11,711**	**11,145**	**612**
Total Other Assets Risk Allowance	**1,710**	**1,643**	**67**
Total Risk Allowance	**24,290**	**24,206**	**130**
Total Risk Weighted Assets	**303,625**	**302,575**	**1,050**
Total Risk Based Capital Ratio	**11.6%**	**10.6%**	**1.0%**
CSE Capital Ratio	**144.7%**	**132.7%**	**12.0%**

The increase in Allowable Capital is primarily due to firm profitability and the issuance of additional non-cumulative preferred stock in the period. This was partially offset by higher DTA deductions due to the implementation of FIN 48 during the quarter, which grossed up certain balance sheet assets. The overall increase in Tier 1 capital allowed for increased recognition of long term debt in Tier 2 capital. Also, subordinated debt was issued during the quarter, continuing to replace LTD.

Operational Risk allowance increased during the period due to the replacement of 2004 net revenues with higher 2007 net revenues in the calculation.

Market Risk allowance decreased, primarily due to reduced VaR and Reg Y charges. During the quarter, VaR decreased in FID (commodities and CDO businesses) and Equities (Vol Flow), and increased diversification benefits were recognized. The decrease in VaR was partially offset by an increase in the scenario stress add-on as a result of increased notional concentration in certain deals. Reg Y decreased primarily due to decreases in inventory as well as a reduction in pipeline deals and commitments.

Credit Risk allowance increased primarily due to increased Counterparty credit risk exposures (i.e. increased counterparty exposure to Hedge funds and Energy counterparties), and increased charges for downgraded or non-rated derivative/securities financing counterparties. Also, there were increased Private Equity exposures (e.g. Risk Arb) and Real estate PTG positions.

Other Assets charge increased primarily due to increases in other receivables and fixed assets.