

Restructuring Advisory

Lehman Brothers Holdings plc

(in Administration) (“LBH” or “the Company”)

Presentation to holders of Enhanced Capital Advantaged Preferred Securities (“ECAPS”)

18 March 2021

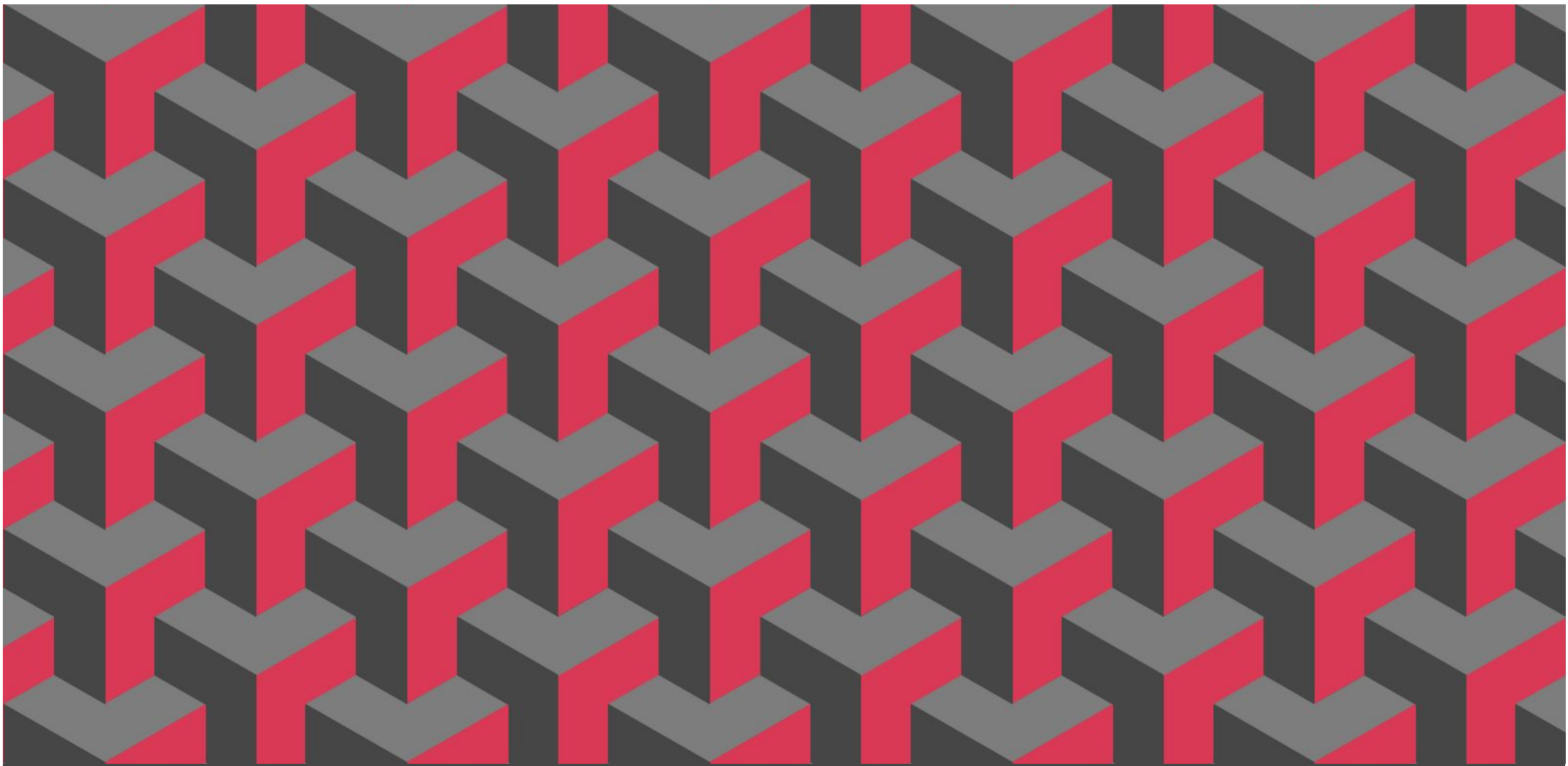


Agenda

1. Creditor Outcome Ranges and Cash Flows	PwC
2. Priority Applications	Hogan Lovells
3. Scope for Consensual ECAPS / LBHI Settlement	PwC
4. Questions/any other business	

Important notice

- The figures in this presentation are indicative illustrations and considerable uncertainty remains as to LBIE's eventual outcome and the final outcome of the Priority Applications.
- No conclusion should be drawn or inferred from these illustrations, and no opinion is being provided as to the final outcome of the Priority Applications.
 - Specifically, no comments are being made in respect of the merits / likely outcome of the Priority Applications as the advice that we have received on that issue is privileged.
- We caution creditors and their representatives against using these figures as a basis for estimating the value of any eventual return to them or for any other reason.
- Lehman Brothers Holdings Plc, its administrators, their firm, its members, partners, staff and advisers accept no liability to any party for any reliance placed upon these figures or any observations made in any discussions about potential outcomes.



Creditor Outcome Ranges and Cash Flows

PwC

Creditor Outcome Ranges

Estimated funds available	Base £'m	High £'m		Estimated outcome for LBH subordinated creditors	Base £'m	High £'m
LBH (i)	144	144		Estimated funds available	753	973
LBL (ii)	117	117		Estimated deductions (vi)	(473)	(473)
LBHI2 (iii)	268	268		Recoveries for LBH subordinated creditors	280	500
Other UK group estates (iv)	17	17				
Est. current retained funds	545	545		Represented by:		
LBHI2 future recoveries (v)	208	428		LBHI subordinated claim (86.3%)	242	432
Est. funds available	753	973		LBH Sub-Notes claim (conduit for the ECAP holders) (13.7%)	38	68

- We draw your attention to (i) the Important Notice on slide 2 and (ii) the notes and assumptions on the following slide.
- The above figures (within “estimated deductions”) take into account the circularity of certain cash flows (ie inter-estate distributions or equity payments)

Creditor Outcome Ranges - Notes and Assumptions

Notes:

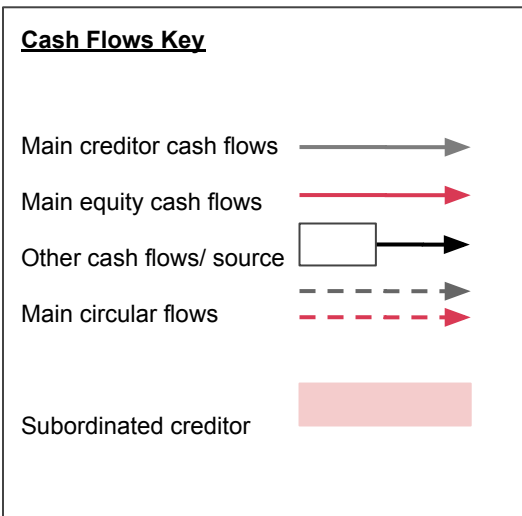
- (i) LBH cash balance is prior to distributions paid and received under the Third Inter-Affiliate settlement Deed dated 11 February 2021.
- (ii) LBL cash balance is prior to distributions paid and received under the Third Inter-Affiliate settlement Deed dated 11 February 2021 and after Clawback Settlement Agreement payments to LBHI totalling \$112m.
- (iii) LBHI2 cash balance is prior to distributions paid and received under the Third Inter-Affiliate settlement Deed dated 11 February 2021 and after Clawback Settlement Agreement payments to LBHI totalling \$90m.
- (iv) Includes balances at Eldon Street Holdings Limited and MBAM and is after Clawback Settlement Agreement payments to LBHI of \$8m and \$13m respectively.
- (v) Estimate of LBHI2's prospective continuing interest in LBIE.
- (vi) The estimated deductions include, amongst other items, payments by LBH, LBL, PTG and Thayer to LBHI totalling c.£241m in relation to their outstanding statutory interest and subordinated claims, as well as assumptions around future costs and expenses across the UK Lehman group (including tax expenses, and administration and legal costs).

Assumptions:

- The first instance judgments in the Priority Applications stand and are not overturned on any appeal; and
- LBIE makes further distributions of: £400m/£693m (base case/high case), of which we assume £208m/£428m (base case/high case) is retained by LBHI2 (refer to note (v) above) and is then assumed to flow through to LBH subordinated creditors.

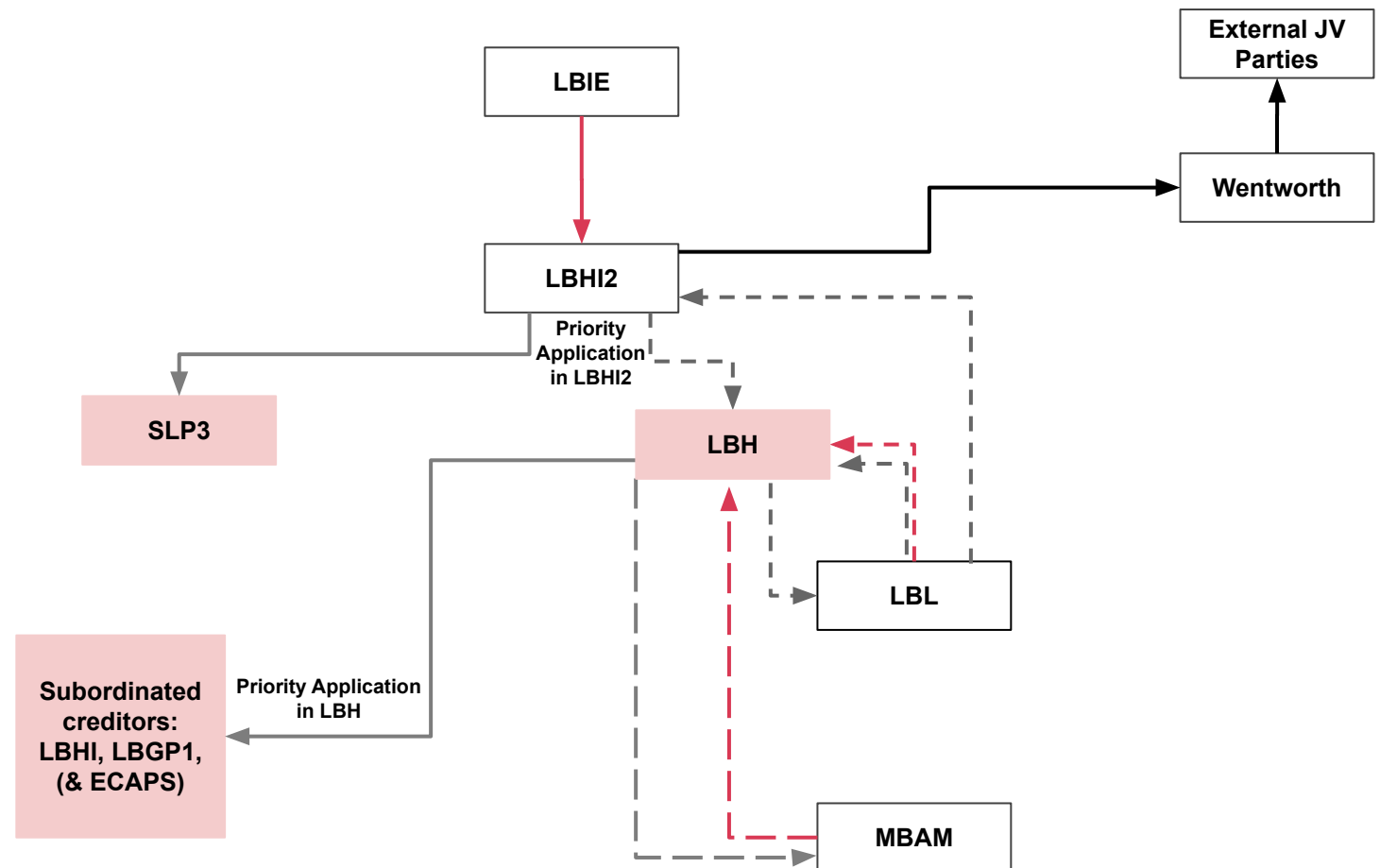
See the 'Lehman Brothers Holdings Plc Update - February 2021' update on the LBH website for further important notes and assumptions.

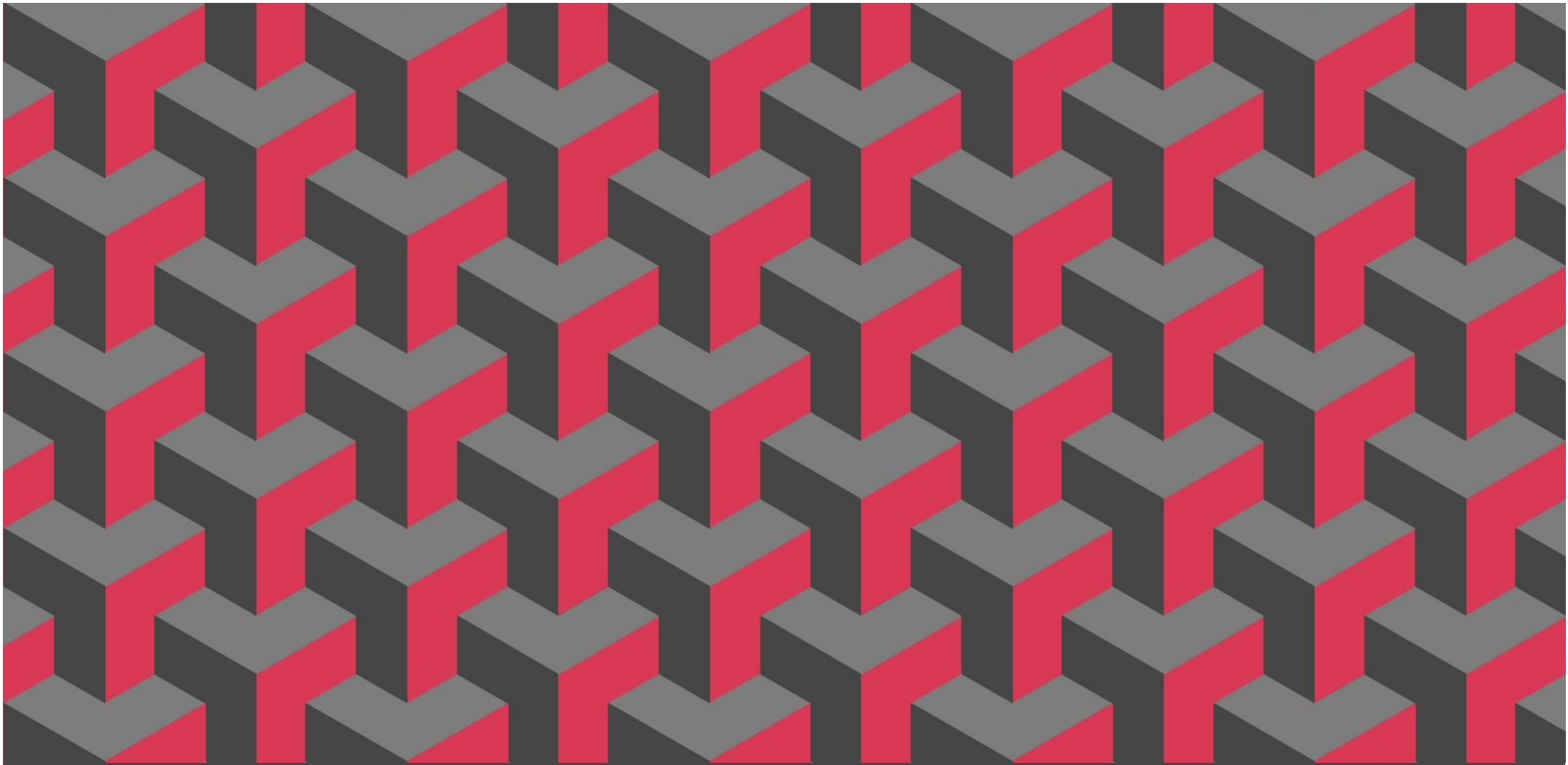
Key Lehman Cash Flows



Note:

SLP3 included as subordinated creditor of LBHI2 for completeness, however based on current judgment in Priority Application, no funds will flow to SLP3.





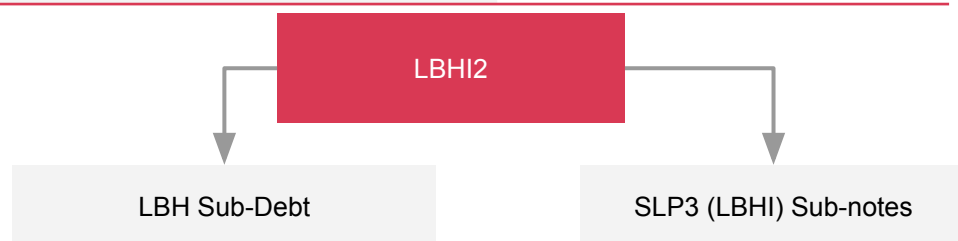
Priority Applications

Hogan Lovells

Summary of Claims and Key Issues in Question

LBHI2 subordinated claims

LBH	c.£2,167m
LB Holdings Scottish LP 3	c.£4,280m



Parties & Positions:

- LBH & Deutsche Bank ("DB") argue that the LBH Sub-Debt has priority over the SLP3 Sub-Notes
- SLP3 argues that those debts rank pari passu, either as a matter of construction or via rectification

- LBHI2 is neutral

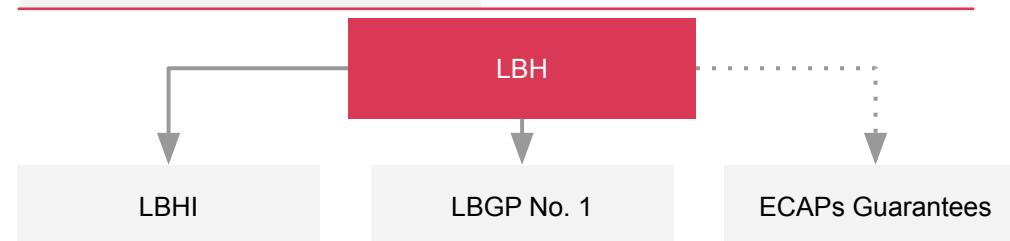
1st instance decision and appeals:

- LBH Sub-Debt has priority over SLP3 Sub-Notes
- SLP3 appealing on the determination of priority and on rectification

Additional \$961m subordinated debt claim by LBH

LBH subordinated claims

LBHI (admitted claim)	c.\$1,903m
LBGP No. 1	c.€797m undiscounted face value (discounted to c.27% of face value)
ECAPs Guarantees	Deeply subordinated



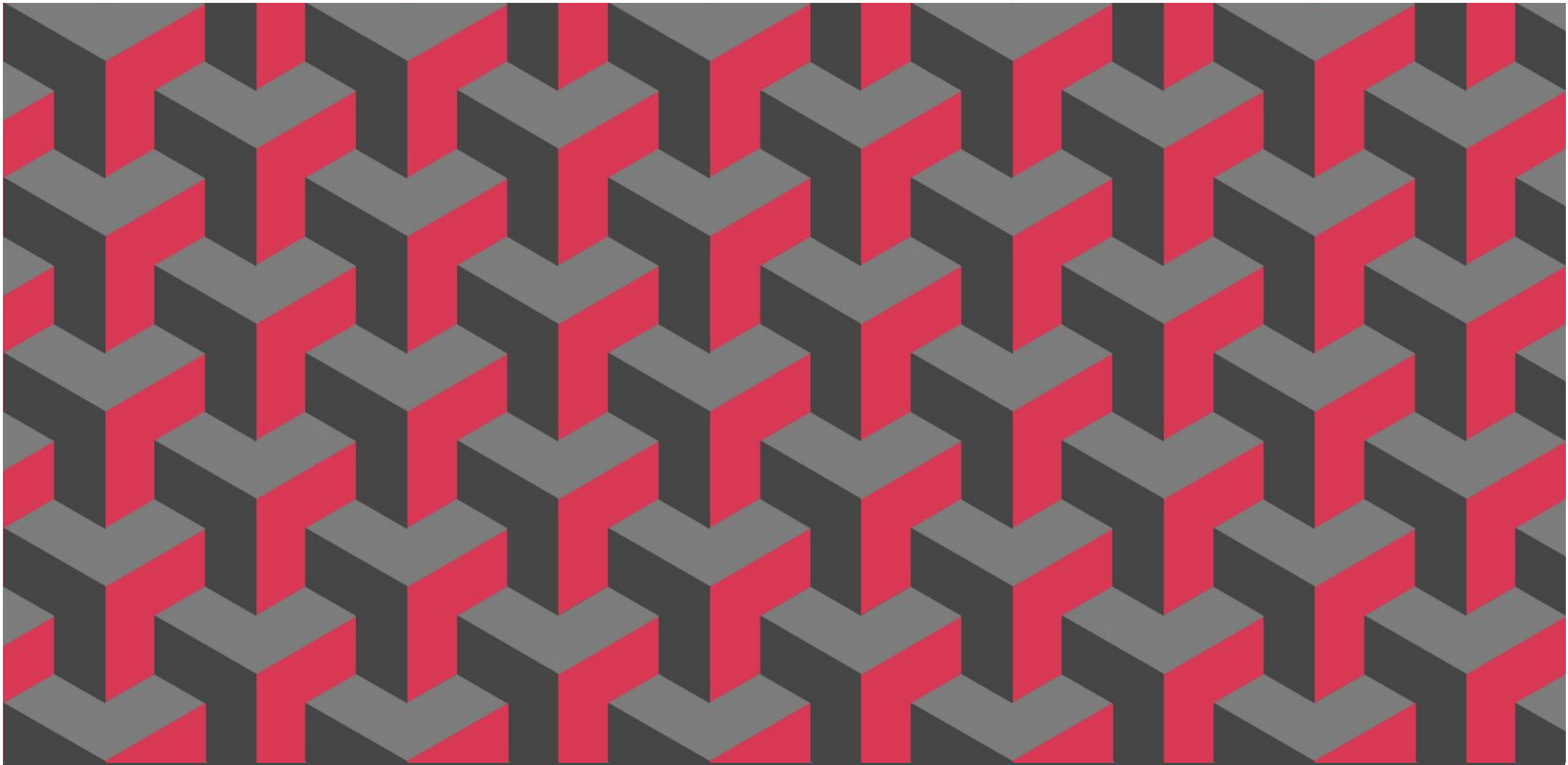
Parties & Positions:

- All parties agreed that any ECAPs Guarantee liability ranks behind other two claims
- LBHI argues that its sub-debt claim ranks pari passu with LBGP No. 1's claim
- DB and LBGP No1 argue that LBGP No. 1's claim has priority over LBHI's claim

1st instance decision and appeals:

- LBHI's claim and LBGP No 1's claim rank pari passu
- Any ECAPs Guarantee liability is subordinated to the other subordinated claims
- LBHI's claim not released by the 2011 settlement agreement, nor partially discharged by other payments
- LBGP No 1's claim is to be discounted as a future debt, to c.£168m
- DB and LBGP No. 1 appealing on the determination of priority
- DB appealing the decision that LBHI's claim was not reduced, discharged, or diminished by virtue of LBHI's claim interacting with other agreements
- DB refused permission to appeal on LBHI claim release and on discounting points

Court of Appeal hearing listed for week commencing 4 October 2021



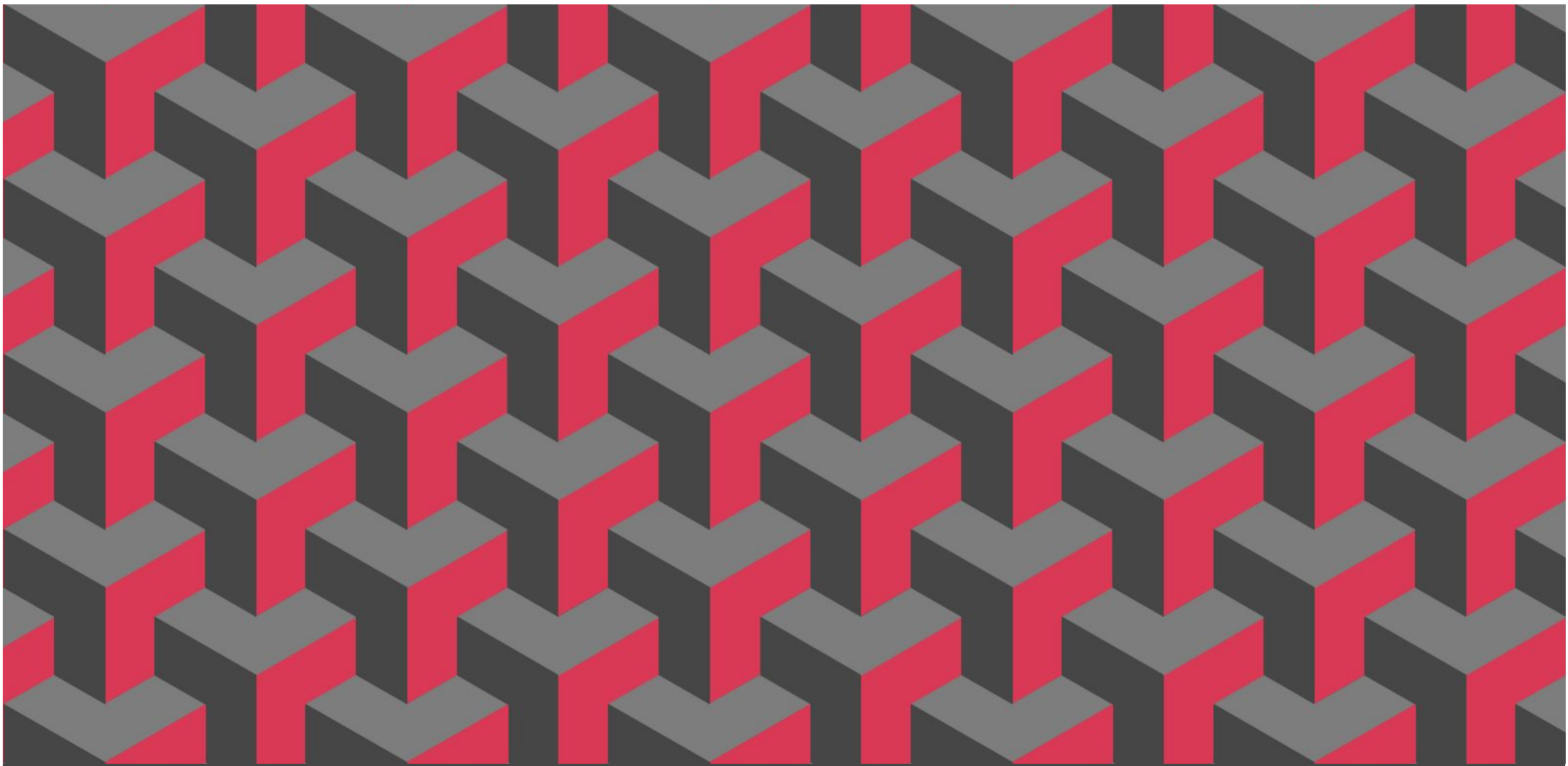
Scope for Consensual ECAPS / LBHI Settlement

PwC

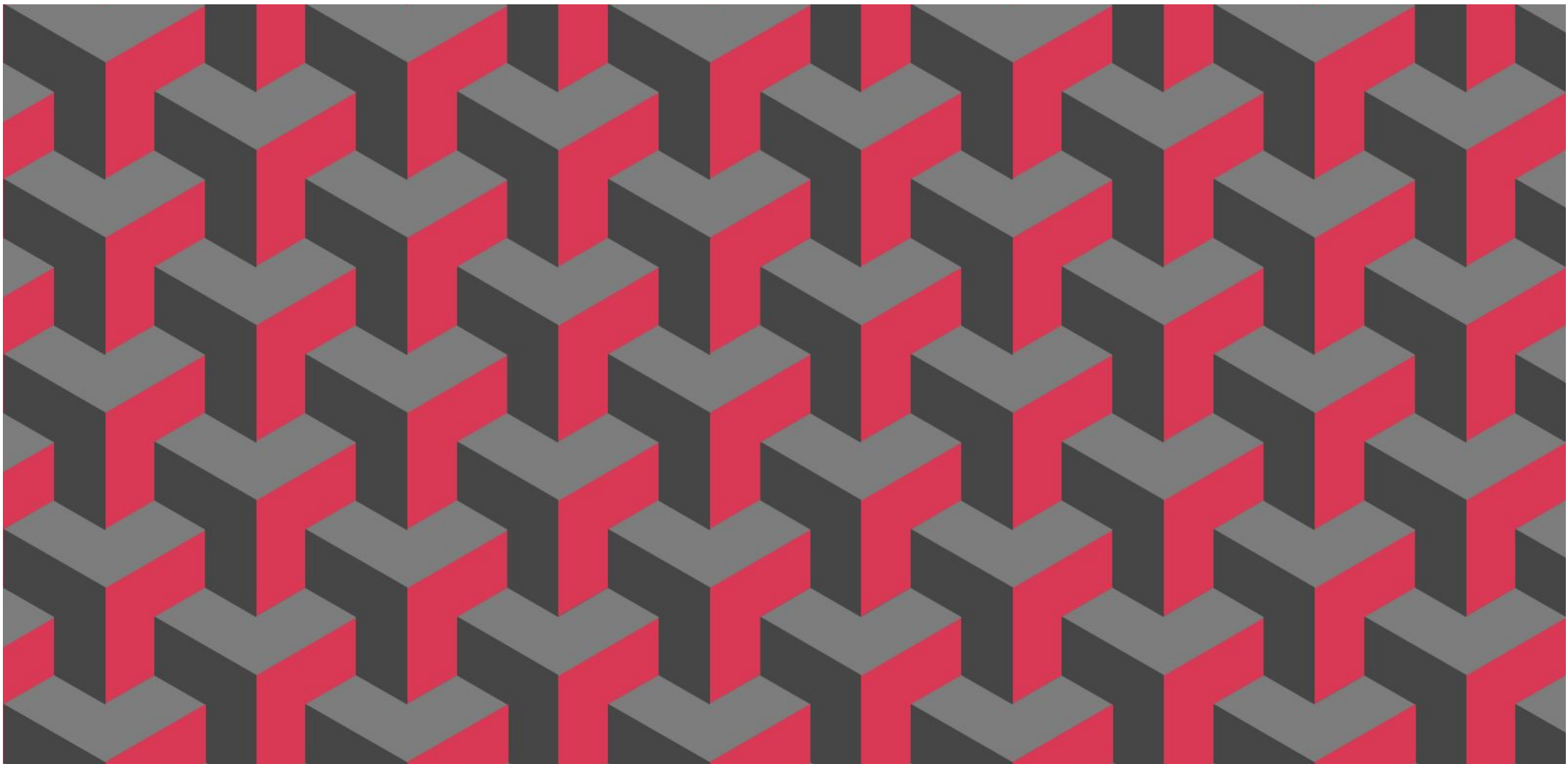
Scope for Consensual ECAPS/LBHI Settlement

- There are merits in considering a consensual settlement:
 - Provides certainty and eliminates risks of appeals
 - Could accelerate cash flows and payments to subordinated creditors
 - Litigation may result in significant delay
 - Costs
 - Avoids the risks of a zero recovery for the ECAPS holders and the loss of the benefits of the first instance decision
- The current judgment (which is subject to appeal) provides the ECAPS with a **13.7% share** of the funds available to LBH's subordinated creditors.
- Following discussions with the administrators, LBHI wishes to put forward an offer to the ECAPS (subject to contract) whereby it would agree to the ECAPS receiving a **16% share** of the funds available to LBH's subordinated creditors.
- In summary:
 - LBHI is offering to settle with each series of ECAPS (ie LP, LP II and LP III) such that one or more LPs could accept the offer; and
 - LBHI would agree to the dismissal of the appeals in the Priority Applications
- If the offer receives a positive response from the ECAPS holders, it will be submitted formally through the clearing systems, where it will be capable of acceptance by either 50% of the ECAPS at each LP or the majority at a meeting of each LP

Illustrative	Base £'m	High £'m
Recoveries for LBH subordinated creditors	280	500
ECAP holders share: 13.7% (current judgment, subject to appeal)	38	68
ECAP holders share: 16.0% (LBHI offer)	45	80



Questions / Any other business



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