

Lehman Brothers Holdings PLC Update - April 2022

The administrators of LBH would like to provide creditors with updated, illustrative financial outcomes for LBH. Please note the “Important notice” below as regards the various assumptions on which these estimates are based and the caution with which they should be approached by stakeholders.

Two illustrative outcomes have been prepared on an assumed base case and high case driven largely by additional recoveries at LBIE. Notably neither figure represents an extreme of outcome and the high recovery estimate is materially dependent upon significant recoveries derived from LBIE’s remaining litigation matters.

The following table has been prepared on an assumption that the Court of Appeal decision in the LBHI2 Priority Application is upheld and is based on previous announcements, updated as follows:

Base Case - Equivalent to the recovery for LBIE illustrated in the February 2021 announcement, updated for subsequent receipts from LBIE to the end of February 2022, latest cash positions, prevailing exchange rate, actual costs and other assumptions. Estimated current and future funds available to stakeholders total c.£609m (as set out in more detail below). Following deductions of £390m, the resultant recovery for LBH subordinated creditors is assumed to be c.£219m.

High Case - This is LBH’s view of a potential, improved outcome and is equivalent to the Base Case, adjusted for an illustrative additional net recovery at LBHI2 of £140m and different assumptions around future costs and expenses across the UK Lehman group. The resultant recovery for LBH subordinated creditors is calculated to be c.£403m.

| Estimated Outcome for LBH subordinated creditors | Base £m | High £m |
|---|----------------|----------------|
| Funds available (see below for breakdown) | 609 | 759 |
| Estimated deductions | (390) | (356) |
| Recoveries for LBH subordinated creditors | 219 | 403 |
| Represented by: | | |
| LBGP No 1 subordinated claim | | |
| - Principal (£168m discounted) | 168 | 168 |
| - Statutory interest (£229m, 17 years) (i) | 51 | 229 |
| LBHI subordinated claim | | |
| - Principal (£1,059m) | 0 | 6 |
| Total distributions to subordinated creditors | 219 | 403 |

(i) LBGP No 1 statutory interest is calculated on the discounted claim, is assumed to rank in priority ahead of LBHI's principal claim and, for the purpose of this illustration, is assumed to accrue for 17 years from the date LBH entered into administration.

Distributions to LBH's subordinated creditors relate to (i) LBGP No. 1's Sub-Notes claim (indirectly to the benefit of the ECAPS holders) of c.£631m which, in line with the first instance judgment in the Priority Applications, has been discounted to c.£168m, and (ii) LBHI's subordinated debt claim of c.£1,059m, subject to partial discharge following the Court of Appeal decision in the LBHI2 Priority Application. Distributions are shown as being paid first to LBGP No. 1, on the assumption that the existing judgments in the Priority Applications are not overturned.

In these circumstances no recoveries should be expected by stakeholders whose interests are junior to the claims of the LBH subordinated creditors referenced above.

The LBH administrators have used as a starting point the retained cash at bank balances as provided to LBH by the other estates.

| | Base £m | High £m |
|--|------------|------------|
| Retained cash at bank in LBH, LBHI2, LBL and other estates (excluding LBIE) (i) | 500 | |
| LBHI2 future recoveries (ii) | 109 | 259 |
| Estimated funds available | 609 | 759 |

(i) All cash balances are as at 28 February 2022. LBL's cash balance is adjusted for conversion of remaining USD balance. Other estates' balances include MBAM Investor Limited, Eldon Street Holdings Limited and Lehman Brothers (PTG) Limited (both in Administration) and Thayer Properties Limited (in Liquidation).

(ii) LBHI2's prospective estimated continuing interest in LBIE.

Important notice:

Recoveries are highly dependent on various factors

The estimated financial outcomes have been prepared on the basis of certain simplifying assumptions and have been presented in a summarised form.

Given that actual recoveries are dependent on the ultimate outcome of ongoing litigation and certain other contingencies (in relation to which assumptions have had to be made for the purposes of this exercise), the administrators of LBH caution creditors against relying on this announcement as a definitive indication of potential returns from LBH or any other Lehman affiliate, or as an indication of a minimum or maximum potential recovery. Indeed, as noted in previous announcements, there are various matters which will have a bearing on what will be the final outcomes for stakeholders of the UK Lehman group. These include:

- the quantum of further payments by LBIE;
- the quantum of expense liabilities in various UK Lehman estates;
- the final outcome of the Priority Applications; and
- the duration of the administrations.

In addition, the LBH administrators note that certain material matters may take a number of years to resolve which may adversely impact the quantum and timing of interim distributions

and no indication can be given, at this stage, of the timing of any further payments or distributions nor when the administration will be concluded.

Assumptions

These estimated outcomes have been prepared incorporating updated cash levels and assumptions. The Priority Applications assumptions are based on the Court of Appeal judgment handed down on 21 October 2021. As was the case with previous updates, for presentation purposes only various deductions are made reflecting administration priority payments and certain contingencies, the material direct and indirect interests of LBHI (other than its subordinated claim against LBH) and the claims of other senior creditors.

In these illustrative outcomes, the administrators of LBH, having already paid the principal claims of the ordinary, unsubordinated ranking creditors of LBH in full, and on the basis of the assumptions below, calculate that outstanding statutory interest would be paid in full, and that there would be a partial distribution to LBH's subordinated creditors. In the alternative, and applying an assumption that the current judgment in the Priority Applications as regards priority of subordinated claims in LBHI2 is overturned, we calculate that LBH would not be able to pay all of its unsecured, unsubordinated creditors' remaining statutory interest entitlements in full, and consequently that there would be no distributions to subordinated creditors.

The administrators of LBH believe that these illustrative outcomes are a fair representation, on the basis of certain assumptions and the information available to the administrators as at the date of this announcement, of the range of possible financial outcomes for LBH's stakeholders.

The assumptions supporting this analysis include (but are not limited to):

1. the Court of Appeal judgment in the Priority Applications stands and is not overturned on any Supreme Court appeal;
2. the current remaining distributions from LBIE in the Base Case are now anticipated to be £200m;

3. we assume in the Base Case that £91m is not available to LBHI2 and the remaining £109m flows through LBHI2 to LBH in light of the current judgment;
4. these illustrations exclude any recoveries from certain of LBIE's pending material litigation;
5. certain assumptions relating to expense liabilities across the UK Lehman group;
6. a recovery at the level indicated in the High Case is substantially predicated upon LBH's view of success in litigation that has a very wide range of potential outcomes: including the possibility of loss and additional payment to the litigating counterparty not included in the £200m Base Case; and
7. in order to achieve the High Case £403m outcome, there would need to be an additional £200m recovery at LBIE (post tax and reserves) in order to see an uplift in outcome by c.£184m for LBH subordinated creditors vs. Base Case.

The LBH administrators make no comment about the likelihood of achieving such a High Case result at LBIE. In order to assist end users, given there is insufficient information available to predict an ultimate outcome at LBIE, it is reasonable to assume that for every additional pound beyond the current prediction of future cash to be generated by LBIE (i.e. of £200m Base Case) c.75% will be available to LBHI2 and flow to the LBH subordinated creditors referenced above assuming all the above assumptions continue to apply.

The administrators of LBH have made their own assumptions based on the information available to them in that capacity.