

Recovery from the collateral for LB-related Minibonds

On 28 March 2011, the 16 Minibonds-distributing banks and the Receivers¹ of the collateral securing Minibonds Series 10 to 12, 15 to 23 and 25 to 36 (the relevant series) issued announcements concerning a Minibonds collateral recovery agreement. According to the Receivers' estimate, the note-holders would be able to recover from the collateral 70% to 93% of their original investment. The 16 Minibonds-distributing banks also announced that in addition to the amount to be recovered from the collateral, the distributing banks would offer ex gratia payments to the investors who were eligible for the Minibonds repurchase offers announced on 22 July 2009 or those who would have been eligible for such offers had they not previously reached a settlement with the distributing banks on a case-by-case basis. The ex gratia payment to which each eligible investor was entitled was equal to 50% of the shortfall between the amount to be recovered from the collateral and the amount of his or her original investment.

2. The collateral recovery agreement was subject to the following two conditions:

- (a) the US Bankruptcy Court confirming that the Derivatives Procedures Order made on 16 December 2008 would apply to the transactions underlying the relevant series; and
- (b) the approval by at least 75% of the note-holders for each and every relevant series who cast votes at the special note-holder meetings held on 18, 19 and 20 May 2011.

On 21 May 2011, the Receivers announced that the agreement became effective as the two conditions were met.²

¹ On 30 June 2009, HSBC Bank USA, National Association, the trustee for the outstanding LB-related Minibonds, appointed Messrs. Ted Osborn, Anthony Boswell and Jan Blaauw, partners of PricewaterhouseCoopers Hong Kong, as the Receivers.

² On 14 April 2011, the Receivers announced that the US Bankruptcy Court had confirmed that the Derivatives Procedures Order applied to the transactions underlying the relevant series of the Hong Kong Minibonds programme. On 21 May 2011, the Receivers announced that the note-holders had voted in favour of the collateral recovery agreement at meetings held on 18, 19 and 20 May 2011.

3. On 15 June 2011, the Receivers announced that the value recovered from the collateral of the relevant series was higher than the estimated level of recoveries announced on 28 March 2011. According to the information published by the 16 distributing banks on 15 June 2011, the level of recovery to eligible investors based on the higher level of collateral recovery, together with the ex gratia payments, was in the range of 85.715% to 97.55% of their original investment.