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## **FUBON BANK (HONG KONG) LIMITED**

**富邦銀行（香港）有限公司**

*(incorporated in Hong Kong under the Companies Ordinance)*  
**(Stock Code: 636)**

### **A PROPOSAL RELATING TO CERTAIN SERIES OF LEHMAN BROTHERS MINIBONDS**

Fubon Bank (Hong Kong) Limited (the "Bank") announces that the Bank, together with 15 other distributing banks (together the "Distributing Banks") of Lehman Brothers Minibonds ("Minibonds") issued by Pacific International Finance Limited (the "Issuer"), has been working towards a satisfactory outcome for the recovery of the Minibond collateral and announces today a final resolution proposal for **Series 10 to 12, 15 to 23 and 25 to 36** of the Minibonds (the "Relevant Series" or the "Relevant Minibonds").

Following the offer of a repurchase scheme of Minibonds announced on 22 July 2009 ("Repurchase Scheme"), each of the Distributing Banks committed to assist in and to expedite the recovery of the collateral for, among other outstanding Minibonds, the Relevant Minibonds ("Collateral") by HSBC Bank USA, N.A., the trustee for the Minibonds (the "Trustee"). The Trustee had already appointed Messrs. Ted Osborn, Anthony Boswell and Jan Blaauw, partners of PricewaterhouseCoopers Hong Kong, as receivers (the "Receivers") for the Collateral.

#### **COLLATERAL RECOVERY**

The Receivers separately announced today that a conditional agreement among Lehman Brothers Special Financing Inc. ("Lehman Brothers"), the Receivers (as agents of the Issuer and without personal liability), the Trustee and others has been reached to settle opposing claims asserted by Lehman Brothers in respect of the Collateral. The Receivers advised that the agreement will, upon it becoming unconditional, enable investors of Relevant Minibonds to recover between **70% and 93%** of the amounts they invested. Investors should note that the level of recovery for each tranche of the Relevant Minibonds is different. The actual distribution to each investor (the "Recovery Payment") will depend on the specific circumstances of the investor. For further details, investors should refer to the Receivers' announcement which can be found on the Receivers' website: <http://www.pwchk.com/minibonds>.

The agreement is subject to two conditions.

Firstly, the agreement is conditional on the US Bankruptcy Court confirming that its previous orders which lay down procedures for Lehman Brothers to enter into settlements in respect of claims arising under certain

derivatives contracts apply to settlements relating to the Collateral. The Receivers have confirmed that an application will be made by Lehman Brothers to the US Bankruptcy Court on 29 March 2011 for this purpose.

Secondly, the agreement is conditional on the passing of extraordinary resolutions for each and every Relevant Series. The Issuer will convene a meeting for each Relevant Series which can only be attended by persons (“noteholders”) who hold a beneficial title in the Relevant Minibonds. If investors have transferred the beneficial title in their Minibonds to their bank pursuant to either the Repurchase Scheme or some other settlement with their bank, their bank will participate and vote in such noteholder meetings. Each Distributing Bank has, based on the information available to it today, individually decided to accept the Receivers' recommendation for the Relevant Minibonds owned by it and will vote in favour of the extraordinary resolutions at the noteholder meetings so that this matter can be resolved in a way which maximizes the benefits to investors within a reasonable timeframe.

### **Distributing Banks' Voluntary Initiative – the Ex Gratia Payment Scheme and Expenses Funding Agreement**

#### *Distributing Banks to make Ex Gratia Payment to Eligible Customers*

In addition to the Collateral recovery amount, as a goodwill gesture, the Distributing Banks have resolved to offer an ex gratia payment scheme to Eligible Customers of Relevant Minibonds. For the purpose of the ex gratia payment scheme, Eligible Customers are either those investors who were eligible to participate in the Repurchase Scheme or those who would have been eligible under the Repurchase Scheme 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 Customer will be notionally entitled is equal to 50% of any shortfall in the recovery of the amount invested (“Ex Gratia Payment”). The actual amount of the Ex Gratia Payment will depend on the Collateral recovery amount as well as the amount (if any) previously received from the investor's Bank as part of a settlement. Consequently, the amount of the Ex Gratia Payment is investor specific. For further details, please review in detail the notice that will be sent out by each Distributing Bank, on or about 28 March 2011, to its investors who currently hold, or previously held, Relevant Minibonds.

Based on the rates of recovery of between 70% and 93% as advised by the Receivers, the total level of recovery to Eligible Customers, after taking into account the offer of Ex Gratia Payments by the Distributing Banks, will be in the range of **85% to 96.5%** of the principal amount of their investment.

**The proposal to pay the Ex Gratia Payments to Eligible Customers is *not* part of the Repurchase Scheme, but is instead a goodwill gesture by the Distributing Banks under highly unusual and unprecedented circumstances. It should not be viewed as a precedent for other investors or investment products.**

**Payment of the Recovery Payment and the Ex Gratia Payment, as applicable, is subject to the Distributing Banks having received from or on behalf of the Issuer the recovery proceeds from the Collateral for each Relevant Series. The Issuer will not receive the recovery proceeds from the Collateral unless the two conditions in the agreement with Lehman Brothers mentioned above are satisfied.**

#### *Distributing Banks to provide further support to the Trustee*

The Distributing Banks have made available to the Trustee approximately HK\$291 million (equivalent to the amount of commission income they received as distributors of Minibonds) by way of an Expenses Funding Agreement dated 30 October 2009. As part of this final resolution proposal, the Distributing Banks will

increase the funding available to the Trustee to approximately HK\$662 million to pay for all fees, expenses and other amounts which may be incurred in connection with the recovery of the Collateral of the outstanding Minibonds and the Trustee's role in respect of the Minibonds. Without this funding, the Trustee would have been entitled to retain all or a part of the Collateral to indemnify it (and its agents) for liabilities and expenses arising from the settlement process. Such retention would reduce the amounts available to holders of the Relevant Series.

### **ESTIMATED FINANCIAL IMPACT IF PROPOSAL IS CONSUMMATED**

If this proposal is implemented as set out above, it is expected that there will be a net overall positive financial impact to the profit of the Bank due to an updated expected rate of recovery from the Collateral which is higher than that reflected in the accounts of the Bank. The effect of this positive financial impact will to some extent be reduced because of the drawdowns that may be made under the funding arrangements described above (see under heading "*Distributing Banks to provide further support to the Trustee*").

If the payment obligations under the funding arrangements described above are fully utilized in the next six years, it is estimated that there would be an overall positive financial impact to the profit of the Bank from the proposal of around HK\$4 million over the next six years. If, on the other hand, none of the contingent obligations under the funding arrangements described above is drawn down and utilized during the next six years, the overall positive financial impact to the profit over the next six years will increase to around HK\$30 million. The actual overall positive financial impact to the Bank is likely to be between these two amounts.

This announcement is made in accordance with the general disclosure obligation under Rule 13.09 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By order of the Board of  
**Fubon Bank (Hong Kong) Limited**  
**Pei-Hwa Thomas Liang**  
*Managing Director*

Hong Kong, 28 March 2011

*As at the date of this announcement, the Board of Directors of the Bank comprises Pei-Hwa Thomas Liang (Managing Director), James YIP, Dennis CHAN Wen Yueh as Executive Directors; Ming-Hsing (Richard) TSAI (Chairman), Ming-Chung (Daniel) TSAI (Vice Chairman), Victor KUNG, David CHANG Kuo-Chun, Michael CHANG Ming-Yuen, as Non-Executive Directors; and Robert James KENRICK, Moses TSANG, Hung SHIH as Independent Non-Executive Directors.*