

5 April 2013

Banksia Securities Limited (“BSL”) debenture holders on track to get stronger than forecast returns

Distribution guidance – BSL

The Receivers of Banksia Securities Limited (“BSL”) today announced that based on indicative bids received during the loan portfolio sale process and their increased knowledge of the loan book generally, overall returns to debenture holders are likely to exceed initial estimates.

In the Receivers’ circular of 7 February 2013, repayment guidance for BSL debenture holders was revised to the mid to high end of the Receivers’ original range, meaning the repayment estimate was close to 65 cents in the dollar.

“As a result of our current loan portfolio sale expectations, and our increasing knowledge of the remaining loan portfolio, we will shortly be in a position to provide updated repayment guidance to debenture holders”.

“The revision can be announced following the conclusion of the loan portfolio sale process, which we expect will occur during May 2013. However, for present purposes, we expect that the revision will result in improved total repayments of between 70 cents and 80 cents in the dollar for BSL debenture holders” Mr McGrath said.

Similarly to BSL, Mr McGrath advised that he expects Cherry Fund debenture holders would also be provided with updated (and improved) repayment guidance following conclusion of the loan portfolio sale process.

The Trust Company, as trustee welcomed the increased guidance.

David Grbin, Group Executive General Manager, Corporate Client Services said: “As trustee it is our role to approve asset sales and we are working closely with the Receivers to ensure the best outcome for debenture holders. We welcome this updated guidance and will continue to closely monitor the process.

“Our ongoing priority remains the best interests of debenture holders and ensure the level of engagement and communication continues.”

Loan sale

The Receivers are pleased with the progress of the sale of the performing loan portfolio. This portfolio has been publicly marketed since January 2013. Strong final bids from a number of significant financial institutions are expected to be received in early April 2013.

“The loan portfolio offered for sale represents approximately 50% of BSL’s loan book. Accordingly, the sale process will allow us to estimate future distributions with more certainty and in this regard, updated distribution guidance will be provided during May 2013” Mr McGrath said.

The Receivers stated that following receipt of final bids, they would undertake a careful analysis of the offers including against other options (e.g. a wind down) and provide The Trust Company, as Trustee with a recommendation for the Trustee’s final approval. The Receivers also advised they would consult with the debenture holder Committee and seek their views prior to finalising their decision on whether to proceed with a transaction.

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In the event that the loan sale is successfully concluded, the Receivers expect to pay a distribution from these proceeds in the order of 20 to 35 cents in the dollar prior to 30 June 2013.

Repayment from trading receipts

Mr McGrath advised that based on higher than expected interest receipts and loan repayments to date, a further repayment to BSL debenture holders at the rate of 10 cents in the dollar will be made during May 2013.

As indicated above, if a loan book sale is concluded within the timeframe anticipated, further distributions (in addition to the 10 cents in the dollar from trading receipts) of 20 to 35 cents in the dollar are expected by 30 June 2013.

These repayments are in addition to the 20 cent in the dollar distribution paid in December 2012.

Committee of debenture holders

The Receivers held the first debenture holder Committee meeting on 27 March 2013 attended by The Trust Company. Committee members were provided with a comprehensive update on the receivership including the progress of the loan book sale process.

“We are pleased with the outcome of the meeting which allowed us to consult with the Committee on a broad range of matters concerning the receivership” Mr McGrath said.

The next meeting of the Committee is expected to be held in 2 or 3 weeks, where the Receivers will present their analysis of final offers received for the loan book sale.

Investigations and public examinations

Mr McGrath confirmed the Receivers are progressing with their investigations into the failure of the company and noted that the Supreme Court of Victoria has set down 23 July 2013 as the commencement date for the public examination of certain key individuals.

An update on the receivership has today been posted to debenture holders. A copy of this update can be found on the McGrathNicol website www.mcgrathnicol.com

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