

Notes:

1. RBS is a registered institution under the SFO to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. RBS acquired ABN Amro's retail and commercial banking business in October 2007 during the period in which the SFC's concerns arose. However, the resolution agreement is with RBS and RBS is responsible for implementing and performing the repurchase agreement.
2. Between July 2007 and May 2008, the bank sold to its customers equity-linked notes issued by Lehman Brothers Treasury Co. B.V. and equity-linked notes issued by Allegro Investment Corporation of which Lehman Brothers Holdings Inc. was one of the referenced entities. The LB-ELNs were sold by RBS on a private placement basis.
3. Among the LB-ELNs sold by the bank to its customers, 44 series were outstanding at the time Lehman Brothers Holdings Inc. filed for bankruptcy on 15 September 2008. The total principal value of the outstanding LB-ELNs is approximately \$784 million.
4. Professional investors are those customers who: (a) fall under paragraphs (a) to (i) of the definition of "professional investors" in Part 1 of Schedule 1 of the SFO; or (b) fall under section 3 of the Securities and Futures (Professional Investor) Rules (Cap. 571D) and classified by the bank and agreed by the customers to be treated as such in accordance with paragraphs 15.3 and 15.4 of the Code of Conduct at the time they purchased the relevant LB-ELNs. Based on evidence gathered to date, there are about 10 professional investors who purchased LB-ELNs from the bank that remain outstanding.

5. The calculation of the interest is based on the full nominal value of the eligible customer's total investment in outstanding LB-ELNs using the bank's savings deposit rates for the period from the issue date of the relevant LB-ELNs up to today's date.
6. Under ABN Amro's scoring system, a lower score indicated a higher tolerance of risk. Two questions were scored incorrectly with one question giving customers with less investment experience a lower rather than a higher score and another question giving a lower rather than higher score to customers who wished to invest lower proportion of assets in other than risk free deposits. About 80 out of 1,115 transactions were affected by this issue. The scoring errors were rectified by the bank in June 2008. In determining whether the client is eligible for a repurchase offer, the client's risk tolerance level will be computed based on the rectified scores.
7. Among the 44 outstanding series of the LB-ELNs, two series were principal-protected, i.e. the issuer will pay back 100% of the principal amount to the investor at the maturity date. The bank had rated these principal-protected LB-ELNs as "Balanced" product. The rest of the outstanding series were not principal-protected and the bank had rated these non-principal protected LB-ELNs as "Growth" product.
8. In the unlikely event that it is determined at a later date that a customer accepting a repurchase offer would have received a greater amount as an unsecured creditor in the Lehman Brothers bankruptcy proceedings, RBS has agreed to pay the difference to that customer, such that no customer shall be disadvantaged by participating in the repurchase scheme.

9. Please refer to another annex for a set of questions and answers about the Repurchase Scheme.

10. For enquiries, please contact:

Securities and Futures Commission

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