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Dated 25 June 2010

**SUPPLEMENTARY WRITTEN STATEMENT OF
MR CHU REN-YEE, ALEXANDER, COUNTRY EXECUTIVE, HONG KONG,
THE ROYAL BANK OF SCOTLAND N.V.**

To the Subcommittee to Study Issues Arising from Lehman Brothers-related
Minibonds and Structured Financial Products of the Hong Kong Legislative Council

GENERAL REMARKS

I refer to the summons issued by the Subcommittee to me on 26 May 2010 under the Legislative Council (Powers and Privileges) Ordinance (Cap 382) (“**Summons**”) and to my written statement dated 17 June 2010 (“**Written Statement**”), given in response to the Summons. This statement supplements my Written Statement.

Unless otherwise defined, capitalised terms used in this supplementary statement have the meanings given to them in my Written Statement. The items annexed to this supplementary statement are to be taken as annexures to the Written Statement and set out in the order in which they are numbered.

RESPONSE TO REQUEST FOR ADDITIONAL INFORMATION

1 The Bank’s customers

1.1 **Item 37** provides statistical information regarding the age of customers who purchased Lehman Products that remained outstanding as at 15 September 2008. This item also contains information concerning the education of customers who purchased Lehman Products, which was compiled as part of previous reviews conducted by the Bank in 2009.

2 Investment products distributed by the Bank

2.1 **Item 38** provides information relating to investment products distributed by the Bank during the Relevant Period.

3 Clarification in relation to Lehman Products described in the Written Statement

3.1 Item 1 of the Written Statement includes a reference to an ELN issued by Allegro Investment Corporation S.A. (AIC 2Y USD 2-Tier S489 31JUL09) (“**AIC Note**”). The issue date of the AIC Note was 1 August 2007. Under the original terms and conditions of the AIC Note, the coupon payment and redemption amount at maturity were linked to the share price of an underlying basket comprising shares of Merrill Lynch, Lehman Brothers, Apple Inc and BHP Billiton. The AIC Note had a tenor of 2 years.

3.2 Relevant statistics concerning the AIC Note are included in the information provided in paragraphs 2.2, 2.8, 5.2 and 6.2 and in Item 35 of the Written Statement. That statistical information in relation to the AIC Note is included to ensure that the information in the Written Statement is consistent with previous statistics that have been provided by the Bank to the Subcommittee to Study Issues Arising from Lehman Brothers-related Minibonds and Structured Financial Products of the Hong Kong Legislative Council and to the Bank’s regulators.

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- 3.3 Except for the statistics contained or referred to in this supplementary statement, the Bank does not otherwise consider or treat the AIC Note as a Lehman Product for the purpose of the Written Statement. The reasons are as follows.
- 3.3.1 The AIC Note was not issued, arranged or guaranteed by a Lehman Brothers entity.
- 3.3.2 Whilst shares of Lehman Brothers initially comprised one of the four constituents of the underlying basket of the AIC Note, Lehman Brothers was substituted with another stock as a constituent of the underlying basket, following the insolvency of Lehman Brothers. Substitution was contemplated by the terms and conditions of the AIC Note.
- 3.4 Following the substitution of Lehman Brothers, the AIC Note matured at its fixed maturity date (31 July 2009) and was redeemed by the payment of the relevant final redemption amount.
- 3.5 I am willing to provide further information in respect of the AIC Note if required.