

Important Facts



DBS Bank (Hong Kong) Limited
(星展銀行(香港)有限公司)

Interest Rate Linked Dual Currency
Structured Investment Product (the "SIP")

Sep 2015

This is a structured investment product which is NOT protected by the Deposit Protection Scheme in Hong Kong.

The contents of this Important Facts statement have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution before investing in this product. **This Important Facts statement is a part of the offering documents for this product. You should not invest in this product based on this Important Facts statement alone.** If you are in any doubt, you should obtain independent professional advice.

If English is not your preferred language, you may request for the Chinese version of this Important Facts statement from us. 倘若英文並非閣下屬意的語言，閣下可向本行索取本重要資料的中文版本。

This is a structured product involving derivatives. The investment decision is yours but you should not invest in the product unless DBS Bank (Hong Kong) Limited (星展銀行(香港)有限公司, the "Bank") has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives.

Product Risk Rating

- The SIP is risk rated with Product Risk Level at **P3 or P4**, depending on the tenor, and is suitable for investors with risk profile as shown in the below table. Please refer to the Financial Needs Analysis for description of your risk profile.

Product Risk Level	Tenor	Suitable for investors whose risk profile is
P3	Greater than 3 months but up to 6 months	C3 or above
P4	Greater than 6 months but up to 1 year	C4 or above

Quick facts

Bank:	DBS Bank (Hong Kong) Limited (星展銀行(香港)有限公司), including its successors and assigns.
Product type:	Interest rate-linked dual currency structured investment product
Minimum Principal Amount:	HKD100,000 (or its equivalent in the Investment Currency).
Tenor:	The tenor as stated in the SIP Order Form.
Available Investment Currency:	One of the following currencies: USD, HKD, AUD, NZD, CAD, EUR, GBP, CHF, JPY or SGD to be selected by the investor.
Linked Currency:	In respect of the selected Investment Currency, one of the currencies referred to as a Linked Currency in the Currency Pairs set out in Schedule 1 or Schedule 2 of the Term Sheet, as agreed in writing on the SIP Order Form and SIP Confirmation.
Settlement Currency:	The Investment Currency or the Linked Currency
Interest Rate:	In respect of each Interest Period, one of the following: <ul style="list-style-type: none">(a) If the Reference Rate is lower than the Minimum Interest Rate, the Interest Rate will be equal to the Minimum Interest Rate; or(b) If the Reference Rate is equal to or greater than the Minimum Interest Rate and lower than the Maximum Interest Rate, the Interest Rate will be equal to the Reference Rate; or(c) If the Reference Rate is equal to or greater than the Maximum Interest Rate, the Interest Rate will be equal to the Maximum

Interest Rate

Reference Rate:

The Investment Currency and the respective Reference Rate is shown as below:

Investment Currency	Reference Rate
USD	USD-LIBOR-BBA
HKD	HKD-HIBOR-HKAB
AUD	AUD-BBR-BBSW
NZD	NZD-BBR-BID
CAD	CAD-BA-CDOR
EUR	EUR-EURIBOR-Reuters
GBP	GBP-LIBOR-BBA
CHF	CHF-LIBOR-BBA
SGD	SGD-SOR-Reuters
JPY	JPY-LIBOR-BBA

in each case with the applicable Reset Dates as set out in the Term Sheet

Minimum Interest Rate and Maximum Interest Rate:

A per annum percentage rate, as stated in the SIP Order Form and the SIP Confirmation

Interest payment date:

The dates as stated in the SIP Order Form and the SIP Confirmation

100% Principal received at maturity:

No

Callable by the Bank:

No

Early termination right by the customer:

No

Embedded derivatives:

Customer buys one interest rate option, sells another interest rate option and sells one foreign exchange rate option

Maximum potential gain:

Interest accruing at the Maximum Interest Rate for every Interest Period during the tenor of the SIP

Maximum potential loss:

100% of Principal Amount minus the total interest received

What is the product and how does it work?

This is a structured investment product embedded with interest rate options and foreign exchange rate options. The Interest Rate for each Interest Period is equal to the applicable Reference Rate, but is floored at the Minimum Interest Rate and capped at the Maximum Interest Rate. The interest on the SIP is payable quarterly for each Interest Period.

In respect of an Interest Period,

- if the Reference Rate is lower than the Minimum Interest Rate, then interest for such Interest Period will accrue at the Minimum Interest Rate (Refer to Scenario 1);
- if the Reference Rate is equal to or greater than the Minimum Interest Rate but is lower than the Maximum Interest Rate, then interest for such Interest Period will accrue at the Reference Rate (Refer to Scenario 2); and
- if the Reference Rate is equal to or greater than the Maximum Interest Rate, then interest for such Interest Period will accrue at the Maximum Interest Rate (Refer to Scenario 4).

The Bank will pay the Final Redemption Amount to the Customer on the Maturity Date provided that the SIP is maintained by the Customer with the Bank up to the Maturity Date.

The Final Redemption Amount is defined as one of the currencies as follows:

- in the Investment Currency, if a Conversion Event has not occurred (Refer to Scenario 4); or,
- in the Linked Currency, converted at the Conversion Rate and rounded to the nearest Relevant Unit (with 0.5 Relevant Unit being rounded upwards), if a Conversion Event has occurred (Refer to Scenario 3).

What are the key risks?

- Not a traditional deposit** – The SIP is a form of structured product that carries risks not normally associated with ordinary bank deposits. The SIP is NOT equivalent to a time deposit. The Customer should therefore not treat the SIP as a substitute for ordinary savings or time deposits. The SIP is NOT a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong.
- Derivatives risk** – The SIP is embedded with interest rate options and foreign exchange rate options. Option transactions involve risks especially when selling an option. Although the premium received from selling an option is fixed, the Customer may sustain a loss well in excess of such premium amount, and the Customer's loss could

be substantial. In respect of each Interest Period, the Interest Rate is subject to the Minimum Interest Rate and the Maximum Interest Rate. In respect of the redemption of the SIP, the Customer may receive the Principal Amount in the Investment Currency or the Linked Currency. The total payout the Customer receives for the tenor of the SIP may be less than the return or interest the Customer may otherwise have received from other investment.

• **Principal Amount received upon redemption –**

- The Customer takes the risk that he may not receive 100% of the Principal Amount at maturity.
- Depending on the performance of the underlying Currency Pair, the Customer must be prepared to receive the Final Redemption Amount in either the Investment Currency or the Linked Currency.
- In case of receiving the Linked Currency, the Customer must be prepared to take delivery of the Linked Currency at the Conversion Rate, which at that point in time, will be weaker than its fixing market price, and as a result, the Customer will incur an exchange loss in the SIP. The exchange loss the Customer incurs in the SIP may offset the interest earned on the SIP and in the worst case scenario, the exchange loss the Customer incurs in the SIP could be substantial and he may lose the original Principal Amount.

• **Return on the SIP / Limited potential gain –** The return of the SIP is capped at the Maximum Interest Rate payable in the Investment Currency. The maximum potential gain is the Interest Amount received in the Investment Currency.

• **Maximum potential loss -** SIP is not principal protected. Customer could lose the entire Principal Amount.

• **Not the same as buying the Linked Currency –** Investing in the SIP is not the same as buying the Linked Currency directly.

• **Market risk –** The return of the SIP is linked to the interest rate movements and movements in the exchange rates of the Investment Currency against the Linked Currency, which can be unexpected, sudden and drastic. Movements in interest rates and exchange rates can be affected by complex political and economic factors.

• **Currency risk –** Where the Customer has converted amounts from another currency (including your home currency) into the Investment Currency in order to make the investment in the SIP, the Customer should bear in mind the risk of exchange rate fluctuations that may cause a loss on conversion of the Investment Currency (if the Bank pays you the Investment Currency at maturity) or the Linked Currency (if the Bank pays you the Linked Currency at maturity) back into such other currency. You should note that such potential loss from the product could offset (or even exceed) the potential gain if the Investment Currency or the Linked Currency depreciates against the currency you converted from (including your home currency).

• **Liquidity risk –** The SIP is a commitment by the Customer for the tenor as stated under the caption “Tenor” in the SIP Order Form. No early uplift, early withdrawal or early termination by the Customer is permitted. The Customer has to maintain the SIP with the Bank up to the Maturity Date

• **Credit risk –** The Customer is taking on the credit risk of the Bank. The SIP is not secured by any collateral. In the worst case scenario, where DBS Bank (Hong Kong) Limited (星展銀行 (香港) 有限公司) defaults on its payment obligations under the SIP, the Customer will receive no interest payment and lose his original investment amount.

The above are the key risk factors associated with the SIP but are not, and are not intended to be, a complete list of all risks and considerations relevant to the SIP or your decision to invest in the SIP. Prospective investors should also see the section headed “Risk Associated with the SIP” in the Term Sheet, together with all other information in the Offering Documents before making any investment decision.

What are the key features?

1. **Redemption on Maturity Date -** The Customer will receive Principal Amount on the Maturity Date in the Investment Currency or the Linked Currency as follows:
 - a. in the Investment Currency, if a Conversion Event has not occurred; or
 - b. in the Linked Currency, converted at the Conversion Rate and rounded to the nearest Relevant Unit (with 0.5 Relevant Unit being rounded upward), if a Conversion Event has occurred.
2. **Tenor -** The tenor of the SIP is stated under the caption “Tenor” in the SIP Order Form.
3. **Return -** The interest on the SIP is paid regularly for each Interest Period. The Interest Rate for each Interest Period is equal to the applicable Reference Rate, but is floored at the Minimum Interest Rate and capped at the Maximum Interest Rate.

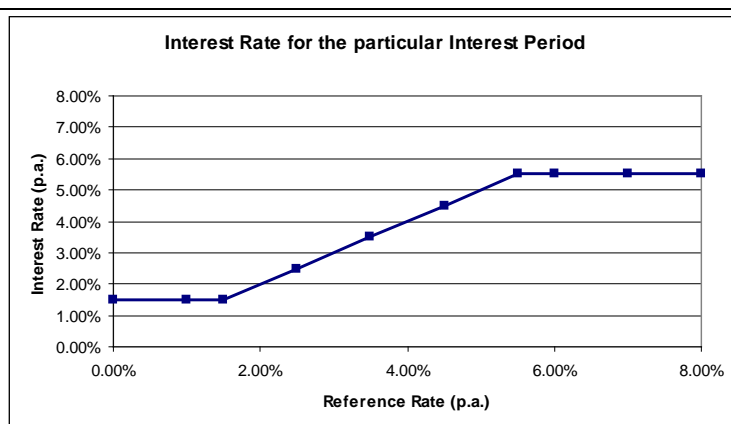
Scenario analysis

Sensitivity Analysis (Note: This analysis is merely an illustration for reference only and is not indicative of the future or likely performance of the Reference Rate and the SIP.)

Assumptions:	
• Maximum Interest Rate: 5.50% p.a.	• Minimum Interest Rate: 1.50% p.a.
• Reference Rate: HKD-HIBOR-HKAB (3-Month HIBOR) or USD-LIBOR-BBA (3-Month LIBOR)	

The following analysis illustrates the Interest Rate for the particular Interest Period and does not illustrate the impact of a Conversion Event.

Reference Rate (p.a.)	Interest Rate (p.a.)
0.000%	1.500%
1.000%	1.500%
1.500%	1.500%
2.500%	2.500%
3.500%	3.500%
4.500%	4.500%
5.500%	5.500%
6.000%	5.500%
7.000%	5.500%
8.000%	5.500%



- When the Reference Rate for all Interest Periods is at or above 5.50% p.a., the applicable Interest Rate for all Interest Periods will be 5.50% p.a.
- When the Reference Rate for all Interest Periods is at or above 1.50% p.a. and below 5.50% p.a., the applicable Interest Rate for all Interest Periods will be the relevant Reference Rate.
- When the Reference Rate for all Interest Periods is below 1.50% p.a., the applicable Interest Rate for all Interest Periods will be 1.50% p.a.

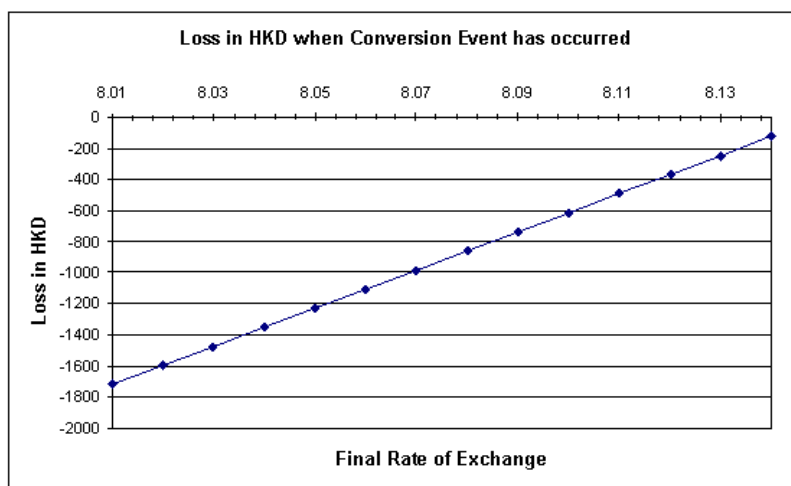
Loss Analysis (Note: This analysis is merely an illustration for reference only and is not indicative of the future or likely performance of the exchange rate for the Currency Pair (assuming HKD and AUD) and the SIP.)

Assumptions:

- Principal Amount: HKD 100,000
- Conversion Rate: 8.1500
- Conversion Event has occurred

The following analysis illustrates the loss in HKD assuming a Conversion Event has occurred and the Customer sells back AUD at the Final Rate of Exchange on the Maturity Date.

Final Rate of Exchange	Loss in HKD
8.01	-1717.79
8.02	-1595.09
8.03	-1472.39
8.04	-1349.69
8.05	-1226.99
8.06	-1104.29
8.07	-981.60
8.08	-858.90
8.09	-736.20
8.10	-613.50
8.11	-490.80
8.12	-368.10
8.13	-245.40
8.14	-122.70

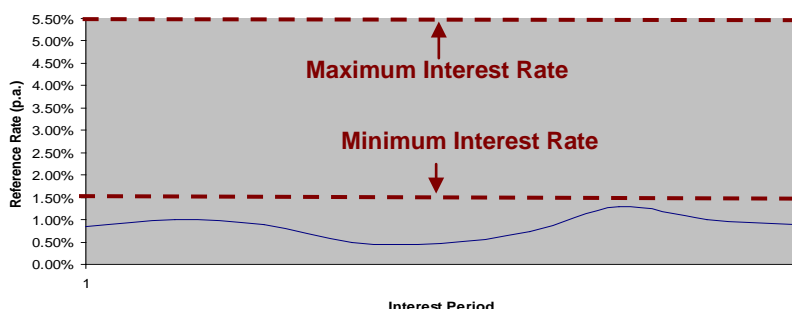


Scenario Illustrations (Note: All figures below are hypothetical and merely serve as illustrations for reference only. They are not indicative of the future or likely performance of the Reference Rate and the SIP.)

Assumptions:

- | | |
|--------------------------|---|
| • Reference Rate: | HKD-HIBOR-HKAB (3-Month HIBOR) on first day of the relevant Interest Period |
| • Tenor: | 6 Months |
| • Maximum Interest Rate: | 5.50% p.a. |
| • Interest Payment Date: | Quarterly |
| • Currency Pair: | HKD/AUD |
| • Principal Amount: | HKD 100,000 |
| • Minimum Interest Rate: | 1.50% p.a. |
| • Interest Amount: | Principal Amount x Interest Rate x Day Count Fraction |
| • Conversion Rate: | 8.1500 |

Scenario 1: For all Interest Periods, Reference Rate < Minimum Interest Rate; on the Determination Date at the Determination Time, the Final Rate of Exchange > Conversion Rate



For all Interest Periods, Interest Rate = Minimum Interest Rate (i.e. 1.50% p.a.)

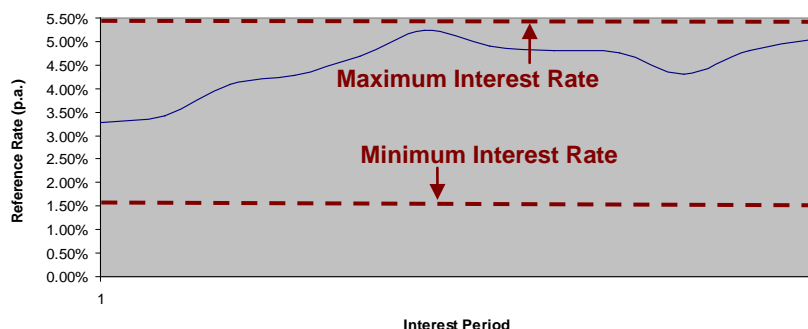
Interest Period	Reference Rate (p.a.)	Interest Rate (p.a.)	Interest Amount Payable Quarterly (HKD)
1 st	0.82%	1.50%	$100,000 \times 1.50\% \times 91/365 = 373.97$
2 nd	0.75%	1.50%	$100,000 \times 1.50\% \times 90/365 = 369.86$

On each Interest Payment Date, the Customer receives the respective Interest Amount.

Assuming on the Determination Date at the Determination Time the Final Rate of Exchange is 8.2600, then on Maturity Date, the Customer will receive

- 100% of the Principal Amount in the Investment Currency since no Conversion Event has occurred; and
- the Interest Amount for the 2nd Interest Period (i.e. HKD 369.86).

Scenario 2: For all Interest Periods, Minimum Interest Rate ≤ Reference Rate < Maximum Interest Rate; on the Determination Date at the Determination Time, the Final Rate of Exchange = Conversion Rate



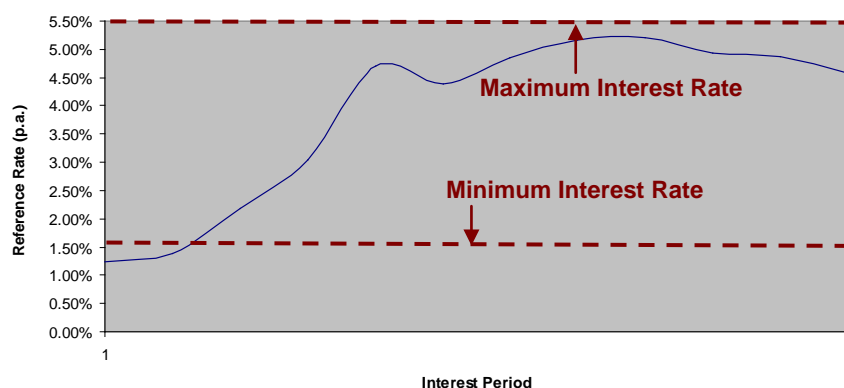
For all Interest Periods, Interest Rate = Reference Rate

Interest Period	Reference Rate (p.a.)	Interest Rate (p.a.)	Interest Amount Payable Quarterly (HKD)
1 st	3.28%	3.28%	$100,000 \times 3.28\% \times 91/365 = 817.75$
2 nd	5.05%	5.05%	$100,000 \times 5.05\% \times 90/365 = 1,245.21$

On each Interest Payment Date, the Customer receives the respective Interest Amount.

Assuming on the Determination Date at the Determination Time the Final Rate of Exchange is 8.1500, then on Maturity Date, the Customer will receive

- 100% of the Principal Amount in the Investment Currency since no Conversion Event has occurred; and
- the Interest Amount for the 2nd Interest Period (i.e. HKD 1,245.21).

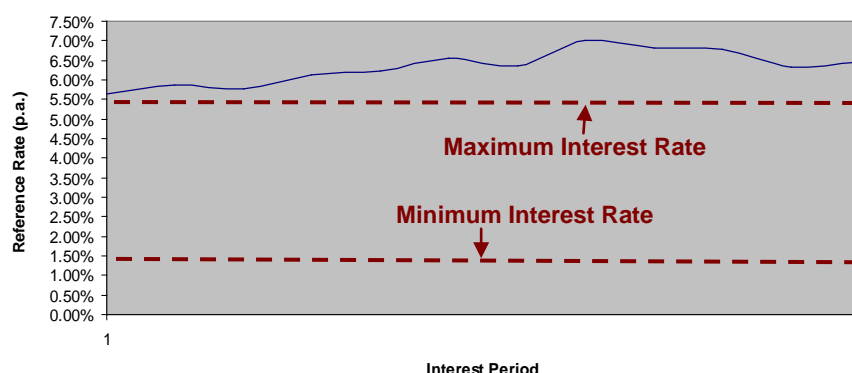
Scenario 3:**For the 1st Interest Period: Reference Rate < Minimum Interest Rate;****for the 2nd Interest Period: Minimum Interest Rate ≤ Reference Rate < Maximum Interest Rate;
on the Determination Date at the Determination Time, the Final Rate of Exchange < Conversion Rate**For the 1st Interest Period, Interest Rate = Minimum Interest Rate (i.e. 1.50% p.a.)For the 2nd Interest Period, Interest Rate = Reference Rate

Interest Period	Reference Rate (p.a.)	Interest Rate (p.a.)	Interest Amount Payable Quarterly (HKD)
1 st	1.24%	1.50%	$100,000 \times 1.50\% \times 91/365 = 373.97$
2 nd	4.57%	4.57%	$100,000 \times 4.57\% \times 90/365 = 1,126.85$

On each Interest Payment Date, the Customer receives the respective Interest Amount.

Assuming on the Determination Date at the Determination Time the Final Rate of Exchange is 8.0500, then on Maturity Date, the Customer will receive

- 100% of the Principal Amount converted into the Linked Currency converted at the Conversion Rate since a Conversion Event has occurred:
 $\text{HKD } 100,000 / 8.1500 = \text{AUD } 12,269.94$ (which, if converted back into HKD at the Final Rate of Exchange, will be HKD 98,773.01, Customer will suffer an unrealized loss of HKD 1,226.99 (HKD100,000 – HKD98,773.01) in the Principal Amount.); and
- the Interest Amount for the 2nd Interest Period (i.e. HKD 1,126.85).

Scenario 4: For all Interest Periods, Reference Rate ≥ Maximum Interest Rate**(Even if Reference Rate is greater than 5.50%p.a., Interest Rate will be capped at 5.50% p.a.); on the Determination Date at the Determination Time, the Final Rate of Exchange > Conversion Rate**

For all Interest Periods, Interest Rate = Maximum Interest Rate (i.e. 5.50% p.a.)

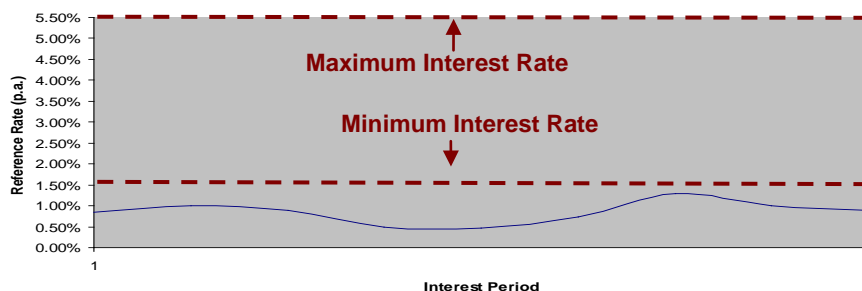
Interest Period	Reference Rate (p.a.)	Interest Rate (p.a.)	Interest Amount Payable Quarterly (HKD)
1 st	5.63%	5.50%	$100,000 \times 5.50\% \times 91/365 = 1,371.23$
2 nd	6.46%	5.50%	$100,000 \times 5.50\% \times 90/365 = 1,356.16$

On each Interest Payment Date, the Customer receives the respective Interest Amount.

Assuming on the Determination Date at the Determination Time the Final Rate of Exchange is 8.3600, then on Maturity Date, the Customer will receive

- 100% of the Principal Amount in the Investment Currency since no Conversion Event has occurred; and
- the Interest Amount for the 2nd Interest Period (i.e. HKD 1,356.16).

**Scenario 5: For all Interest Periods, Reference Rate < Minimum Interest Rate;
on the Determination Date at the Determination Time, the Final Rate of Exchange < Conversion Rate**



For all Interest Periods, Interest Rate = Minimum Interest Rate (i.e. 1.50% p.a.)

Interest Period	Reference Rate (p.a.)	Interest Rate (p.a.)	Interest Amount Payable Quarterly (HKD)
1 st	0.82%	1.50%	$100,000 \times 1.50\% \times 91/365 = 373.97$
2 nd	0.75%	1.50%	$100,000 \times 1.50\% \times 90/365 = 369.86$

On each Interest Payment Date, the Customer receives the respective Interest Amount.

Assuming on the Determination Date at the Determination Time the Final Rate of Exchange is 0.0010, then on Maturity Date, the Customer will receive

- 100% of the Principal Amount in the Linked Currency converted at the Conversion Rate since a Conversion Event has occurred:
 $\text{HKD } 100,000 / 8.1500 = \text{AUD } 12,269.94$ (which, if converted back into HKD at the Final Rate of Exchange, will be HKD 12.27. Customer will suffer an unrealized loss of HKD 99,987.73 (HKD100,000 – HKD12.27) in the Principal Amount.) ;and
- The Interest Amount for the 2nd Interest Period (i.e. HKD 369.86).

Scenario 6 – The Bank becomes insolvent or defaults on its obligations

Assuming that the Bank becomes insolvent during the tenor of this product or defaults on its obligations under this product, you can only claim as its unsecured creditor. You may get nothing back and suffer a total loss of your investment amount.

How can you buy this product?

- Please contact the Bank (as the intermediary) to enquire about the SIP. You can visit any of our branches or call our Customer Service Hotline on 2290 8888 (press 3 after language selection) to inquire about the SIP.
- To place an order for the SIP, you must complete the SIP Order Form for the Bank (by submitting a completed SIP Order Form to the Bank or completing the SIP Order Form over the phone with the Bank). The amount you wish to place in the SIP must be deposited with the Bank on or before the submission of the SIP Order Form.

Fees and charges

- No subscription fees or other upfront charges** - The Bank's fees are shown on the Bank Charges Schedule available at branches of the Bank. Although there are no explicit charges, any fees and charges incurred by the Bank, whether to enter into underlying investments or hedging arrangements or for operational or administrative purposes and profit margins, if any, are already inherently contained in and subsumed into the calculation of the interest rate and other variables under the SIP.

Pre-Investment Cooling-off Period for retail customers

Pre-Investment Cooling-off Period (PICOP) is applicable to each particular dealing of this product if you are one of the following retail customer types:

- An elderly customer aged 65 or above unless you are not a first-time buyer of hybrid (currency-linked and interest rate-linked) structured investment products AND your asset concentration is below 20% AND you opt out from the PICOP arrangement; or
- A non-elderly customer who is a first time buyer of hybrid (currency-linked and interest rate-linked) structured investment products AND your asset concentration is 20% or above.

Can the Bank adjust the terms or early terminate this product?

Under the Applicable Account Terms and Conditions (as defined below), the Bank may, in certain circumstances, amend, suspend or terminate the SIP. Such circumstances include, without limitation, the occurrence of force majeure events, illegality, the occurrence of an event of default committed by the Customer, or upon any insolvency or bankruptcy proceedings being commenced against the Customer. For details, please refer to the Applicable Account Terms and Conditions.

Offering documents for this product

The following documents for the SIP ("**Offering Documents**") contain detailed information about the terms of the SIP. You should read and understand all of the Offering Documents before deciding whether to invest in the SIP.

This **Important Facts Statement** which highlights the key features and key risks of the SIP.

The "**Term Sheet**" means this term sheet of the SIP setting out the principal terms and conditions of the SIP.

The "**Applicable Account Terms and Conditions**" means the Investment Products Consolidated Terms and Conditions or Terms and Conditions for Accounts under Wealth Management Investment Portfolio (Wealth Management Accounts) (as appropriate, depending on through which account the Customer trades the SIP), a copy of which has been provided to the Customer before or when the Customer opened the SIP account with the Bank.

You should note that the SIP will be governed by the **SIP Documents**. In the event of any inconsistency, the inconsistency will be resolved in favour of the document ranking higher in the following order of priority: (a) the SIP Confirmation, (b) the SIP Order Form, (c) the Term Sheet, (d) the Applicable Account Terms and Conditions and (e) this Important Facts Statement.

Terms used in this Important Facts Statement but not otherwise defined herein shall have the meaning provided to it in the other Offering Documents.

IMPORTANT LEGAL INFORMATION:

The information provided in this Important Facts statement does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person. The Bank is acting on a principal-to-principal basis and not acting as your advisor or agent or in any fiduciary capacity to you. This Important Facts statement does not purport to identify all the risks (direct or indirect) or other material considerations which may be associated with entering into the transaction by a specific person. Prior to entering into the transaction, you should have determined (after consultation with your own advisors if you deem fit), without reliance upon the Bank or its affiliates, the economic risks and merits, as well as the legal, tax, accounting or other material characterisations and consequences of the transaction and that you are able to assume these risks.