

Important Facts



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

Currency Linked (Redemption upon Knock-Out)
Structured Investment Product (the "SIP")
Jun 2018

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

This product is NOT principal protected.

The contents of this statement have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution before investing in this product. **This statement is a part of the offering documents for this product. You should not invest in this product based on this 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 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概要的中文版本。

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 (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

Currency Linked (Redemption upon Knock-Out) Structured Investment Product is risk rated with Product Risk Level at P3 or P4 and is suitable for investors whose risk profile is C3 or above and C4 or above respectively. Please refer to the Financial Needs Analysis for description of your risk profile.

Quick facts

Bank:	DBS Bank (Hong Kong) Limited, including its successors and assigns.
Product type:	Currency-linked structured investment product
Minimum Principal Amount:	HKD 100,000 or equivalent
Tenor:	The tenor as stated in the SIP Order Form and SIP Confirmation. The actual tenor may be shortened if a Knock-Out Event occurs.
Investment Currency:	One of the following currencies: AUD, CAD, CHF, EUR, GBP, HKD, JPY, NZD, SGD or USD 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 in 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:	A per annum percentage rate as stated in the SIP Order Form and SIP Confirmation.

Interest Amount:	<p>An amount in respect of the Interest Period determined as follows:</p> $\text{Principal Amount} \times \text{Interest Rate} \times \text{Day Count Fraction}$ <p>In respect of each Currency Pair set out in the Term Sheet, the Interest Amount shall be payable in the following currencies:</p> <ul style="list-style-type: none"> (a) in the Investment Currency, if a Knock-Out Event has occurred; or (b) in the Investment Currency, if a Knock-Out Event has not occurred and a Conversion Event has not occurred; or (c) in the Linked Currency (being the amount calculated in accordance with the formula above converted into the Linked Currency at the Conversion Rate and rounded to the nearest Relevant Units (with 0.5 Relevant Units being rounded upwards)), if a Knock-Out Event has not occurred but a Conversion Event has occurred.
Redemption:	<p>The Final Redemption Amount will be paid on the Maturity Date, unless a Knock-Out Event occurs, in which case, 2 Business Days after the day on which a Knock-Out Event has occurred.</p>
Final Redemption Amount:	<p>In respect of each Currency Pair set out in the Term Sheet, the Final Redemption Amount shall be one of the following:</p> <ul style="list-style-type: none"> (a) 100% of the Principal Amount payable in the Investment Currency, if a Knock-Out Event has occurred; or (b) 100% of the Principal Amount payable in the Investment Currency, if a Knock-Out Event has not occurred and a Conversion Event has not occurred; or (c) an amount payable in the Linked Currency (being 100% of the Principal Amount converted from the Investment Currency to the Linked Currency at the Conversion Rate and rounded to the nearest Relevant Unit, as set out in the fifth column of Schedule 1 or Schedule 2 in the Term Sheet (with 0.5 Relevant Units being rounded upwards)), if a Knock-Out Event has not occurred but a Conversion Event has occurred.
Conversion Event:	<p>In respect of a Currency Pair set out in Schedule 1, a Conversion Event has occurred if the Final Rate of Exchange is less than the Conversion Rate at the Determination Time on the Determination Date.</p> <p>In respect of a Currency Pair set out in Schedule 2, a Conversion Event has occurred if the Final Rate of Exchange is greater than the Conversion Rate at the Determination Time on the Determination Date. For the avoidance of doubt, no Conversion Event shall occur if the Final Rate of Exchange is equal to the Conversion Rate at the Determination Time on the Determination Date.</p>
Knock-Out Event:	<p>In respect of a Currency Pair set out in Schedule 1 in the Term Sheet, a Knock-Out Event has occurred if the Spot Rate is, at any time during the Monitoring Period, equal to or greater than the Knock-Out Rate.</p> <p>In respect of a Currency Pair set out in Schedule 2 in the Term Sheet, a Knock-Out Event has occurred if the Spot Rate is, at any time during the Monitoring Period, equal to or less than the Knock-Out Rate.</p>
Final Rate of Exchange:	<p>The Spot Rate for the Currency Pair at the Determination Time on the Determination Date.</p>

Conversion Rate:	A rate as stated in the SIP Order Form and the SIP Confirmation.
Knock-Out Rate:	A rate as stated in the SIP Order Form and the SIP Confirmation.
Determination Time:	11:00 a.m., Hong Kong time.
Determination Date:	The date as stated in the SIP Order Form and the SIP Confirmation.
Monitoring Period:	The period from (and including) the Execution Time to (and including) the Determination Time on the Determination Date.
Currency Pair:	One of the currency pairs as selected by the investor as set out in either Schedule 1 or Schedule 2 in the Term Sheet.
Spot Rate:	<p>In respect of any Currency Pair set out in Schedule 1 in the Term Sheet, the Spot Rate is a rate expressed as the amount of Investment Currency that can be purchased with one unit of Linked Currency that is based on the price for one or more actual foreign exchange transactions in the Spot Market involving such currency pair (or cross-rates constituting such currency pair, if applicable) for settlement in accordance with the convention for such currency pair, as determined at the relevant time on the relevant date in good faith and in a commercially reasonable manner by the Calculation Agent.</p> <p>In respect of any Currency Pair set out in Schedule 2 in the Term Sheet, the Spot Rate is a rate expressed as the amount of Linked Currency that can be purchased with one unit of Investment Currency that is based on the price for one or more actual foreign exchange transactions in the Spot Market involving such currency pair (or cross-rates constituting such currency pair, if applicable) for settlement in accordance with the convention for such currency pair, as determined at the relevant time on the relevant date in good faith and in a commercially reasonable manner by the Calculation Agent.</p>
Day Count Fraction:	<p>(a) Actual number of days in the relevant Interest Period divided by 365 if the Investment Currency is HKD, SGD or GBP; or</p> <p>(b) Actual number of days in the relevant Interest Period divided by 360 if the Investment Currency is USD, AUD, NZD, CAD, EUR, CHF or JPY.</p>
Interest Payment Date:	Maturity Date, unless a Knock-Out Event occurs, in which case, 2 Business Days after the day on which a Knock-Out Event has occurred.
100% Principal received at maturity:	No
Callable by the Bank:	No
Early termination right by the customer:	No
Embedded derivatives:	Yes, customer is selling a knock-out currency option over the underlying Currency Pair.
Maximum potential gain:	The Interest Amount.
Maximum potential loss:	100% of the Principal Amount.

What is the product and how does it work?

- Currency Linked (Redemption upon Knock-Out) SIP is a structured investment product involving knock-out currency option. By investing in this SIP, investors will receive an interest return or take delivery of the Linked Currency at the Conversion Rate. Part of or the entire yield received on the SIP represents the premium on the underlying currency option.
- In a SIP, the investor selects an Investment Currency and a Linked Currency and agrees with the Bank on a Knock-Out Rate, a Conversion Rate and a Tenor.
- The Final Redemption Amount and the Interest Amount may be payable in the Investment Currency or the Linked Currency, depending on performance of the underlying Currency Pair.
- If a Knock-Out Event has occurred (which reflects the Linked Currency has strengthened against the Investment Currency to a prescribed extent at any time during the Monitoring Period), the Customer will receive, on 2 Business Days after the day on which Knock-Out Event has occurred, the Final Redemption Amount and Interest Amount in the Investment Currency (see Scenario 1 for example).
- If a Knock-Out Event has never occurred, then the Final Redemption Amount may be payable in the Investment Currency or Linked Currency, depending on whether a Conversion Event has occurred.
- If a Conversion Event has not occurred (which reflects the Linked Currency has not weakened against the Investment Currency to a prescribed extent at the Determination Time on the Determination Date) the Customer will receive, on the Maturity Date, the Final Redemption Amount and Interest Amount in the Investment Currency (see Scenario 2 for example).
- However, if a Conversion Event has occurred (which reflects the Linked Currency has weakened to a prescribed extent), the Customer will receive, on the Maturity Date, the Final Redemption Amount and Interest Amount in the Linked Currency, converted at the Conversion Rate (see Scenario 3 for example). In this situation, the Conversion Rate, at that point in time, will be worse than the Spot Rate, and as a result, the Customer will incur an exchange loss in the SIP.

What are the key risks?

- **Not a traditional deposit / time deposit** – The SIP is a form of structured product that carries risks not normally associated with ordinary bank deposits. This 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 currency options. Option transactions involve risks, especially when selling an option. Although the premium received from selling an option is fixed, you may sustain a loss well in excess of such premium amount, and your loss could be substantial.
- **Return is Capped / Limited potential gain** – The maximum potential gain is limited to the Interest Amount, calculated by reference to the Interest Rate as specified in writing on the SIP Order Form and the SIP Confirmation.
- **Maximum potential loss** – The SIP is not principal protected: The Customer could lose his 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.
- **Principal Amount received upon redemption**
 - Depending on performance of the underlying Currency Pair, the Customer will receive the Final Redemption Amount in either the Investment Currency or the Linked Currency on the Maturity Date; or if a Knock-Out Event occurs, Customer will receive the Final Redemption Amount in the Investment Currency on 2 Business Days after the day on which such Knock-Out Event has occurred.
 - The Customer must be prepared to receive the Final Redemption Amount and the Interest 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 worse than the Spot Rate, and in which case the Customer will incur an exchange loss in the SIP.
 - 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.
- **Market risk** – The return of the SIP is linked to the exchange rates of the Investment Currency against the Linked

Currency. Movements in exchange rates can be unpredictable, sudden and drastic, and 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 and the SIP Confirmation. 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 SIP is not secured by any collateral. The customer is taking on the credit risk of the Bank. In the worst case scenario, where DBS Bank (Hong Kong) Limited (星展銀行 (香港) 有限公司) is insolvent or defaults on its payment obligations under the SIP, the Customer will receive no interest payment and lose his original investment amount.
- **Determination of the Exchange Rate** - The exchange rate used in this transaction will be determined by the Calculation Agent. Customer must therefore be comfortable with the Bank’s role as the Calculation Agent in the determination of the exchange rates. All determinations made by the Calculation Agent in good faith shall be conclusive and binding on you.

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. Currency linked structured investment product

- The SIP is a currency linked structured investment product.

2. Tenor

- The tenor of the SIP is stated under the caption “Tenor” in the SIP Order Form and SIP Confirmation, and if a Knock-Out Event occurs, the actual Tenor may be shortened.

3. Return

- The Final Redemption Amount and the Interest Amount may be payable in the Investment Currency or the Linked Currency, depending on performance of the underlying Currency Pair.
- The Final Redemption Amount and the Interest Amount will be payable in the Investment Currency if (a) a Knock-out Event has occurred; or (b) a Knock-out Event has not occurred and a Conversion Event has not occurred.
- The Final Redemption Amount and the Interest Amount will be payable in the Linked Currency if a Knock-out Event has not occurred but a Conversion Event has occurred.

Scenario analysis

All figures below are hypothetical and are for illustration purposes only. The illustrative examples do not reflect a complete analysis of all possible potential return or loss scenarios. They are not indicative of the actual or future performance of any Linked currency. You should not rely on these illustrative examples when making an investment decision.

Assume that on a Trade Date, AUD/USD was trading at 0.7800 and that the following terms apply to the relevant SIP:

Trade Date:	14-Nov-20XX
Investment Value Date:	16-Nov-20XX
Investment Maturity Date:	17-Dec-20XX

Tenor:	31 calendar days (commencing from and including the Investment Value Date to but excluding the Scheduled Maturity Date).
Investment Currency:	USD
Linked Currency:	AUD
AUD/USD Spot Rate:	0.7800
AUD/USD Conversion Rate:	0.7750
AUD/USD Knock-Out Rate:	0.7900
Interest Rate:	4.00% p.a.
Principal Amount:	USD 1,000,000.00
Interest Amount (if applicable):	USD 3,444.44* *Calculation method of the Interest Rate: = Principal Amount x Interest Rate x Day Count Fraction = USD (1,000,000.00 x 4% x 31 / 360 days) = USD 3,444.44

Scenario 1 - Knock-Out Event has not occurred, AND Conversion Event has not occurred

Assumptions:

Final Rate of Exchange in respect of the Currency Pair (AUD and USD): **0.7850**

Assuming the AUD/USD Spot Rate has never traded at or above the Knock-Out Rate of 0.7900 at any time during the Monitoring Period and therefore a Knock-Out Event has not occurred, and the Final Rate of Exchange is at or above the Conversion Rate and therefore a Conversion Event has not occurred, then:

Customer receives 100% Principal Amount and Interest Amount of 4.00% p.a. in USD on the Maturity Date.

= USD 1,000,000 + (USD 1,000,000 x 4.00% x 31 / 360)

= USD 1,003,444.44

Scenario 2 - Knock-Out Event has occurred

Assumptions:

If on the 10th day after the Trade Date, the AUD/USD Spot Rate has traded at or above the Knock-Out Rate of 0.7900, hence a Knock-Out Event has occurred and the tenor is shortened to 8 days:

Customer receives 100% Principal Amount and Interest Amount in USD 2 Business Days after the day on which a Knock-Out Event has occurred:

= USD 1,000,000 + (USD 1,000,000 x 4.00% x 31 / 360)

= USD 1,003,444.44

Scenario 3 - Knock-Out Event has not occurred, AND Conversion Event has occurred

Assumptions:

Final Rate of Exchange in respect of the Currency Pair (AUD and USD): **0.7700**

Assuming the AUD/USD Spot Rate has never traded at or above the Knock-Out Rate of 1.0500 at any time during the

Monitoring Period and therefore a Knock-Out Event has not occurred, but a Conversion Event has occurred because the Final Rate of Exchange is below the Conversion Rate, then:

Customer receives 100% Principal Amount and Interest Amount of 4.00% p.a. in Linked Currency converted at the Conversion Rate (being the Principal Amount and Interest Amount in USD converted into AUD at the Conversion Rate)
= AUD [(USD 1,000,000 + (USD 1,000,000 x 4.00% x 31 / 360)) / 0.7750]
= AUD [USD 1,003,444.44 / 0.7750]
= AUD 1,294,767.02 (which is equivalent to USD 996,970.61 if converted into USD using Final Rate of Exchange)

Customer will suffer an unrealized loss of USD 3,029.39.

Scenario 4 - Knock-Out Event has not occurred, AND Conversion Event has occurred

Assumptions: Final Rate of Exchange in respect of the Currency Pair (AUD and USD): 0.0001

Assuming the AUD/USD Spot Rate has never traded at or above the Knock-Out Rate of 0.7900 at any time during the Monitoring Period and therefore a Knock-Out Event has not occurred, but a Conversion Event has occurred because the Final Rate of Exchange is below the Conversion Rate, then:

Customer receives 100% Principal Amount and Interest Amount of 4.00% p.a. in Linked Currency converted at the Conversion Rate (being the Principal Amount and Interest Amount in USD converted into AUD at the Conversion Rate)
= AUD [(USD 1,000,000 + (USD 1,000,000 x 4.00% x 31 / 360)) / 10.7750]
= AUD [USD 1,003,444.44 / 0.7750]
= AUD 1,294,767.02 (which is equivalent to USD 129.48 if converted into USD using Final Rate of Exchange)

Customer will suffer an unrealized loss of USD 999,870.52.

Scenario 5 - The Bank becomes insolvent or defaults on its obligations

Assuming that the Bank becomes insolvent during the Tenor of the SIP or defaults on its obligations under the SIP, the Customer can only claim as its unsecured creditor. The Customer may get nothing back and suffer a total loss of his Principal Amount.

How can you buy this product?

- Please contact the Bank 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:

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

concentration is 20% or above.

For the purpose of determining whether PICOP is applicable, asset concentration refers to the percentage of total net worth (excluding real estate properties) to be invested in this product.

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 the 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.