Derivatives & Structured Products offered by DBS Bank (Hong Kong) Limited, Private Banking & Treasures Private Client

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Health warning for structured products

A structured product involves derivatives. Do not invest in it unless you fully understand and are willing to assume the risks associated with it. If you are in doubt about the risks involved in the product, you may clarify with the intermediary or seek independent professional advice.

Products coverage

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Get to know Derivatives & Structured Products

Product Nature

Derivatives *(OTC Options, Currency Linked Investment "CLI")*

A derivative product is a contract binding a buyer and a seller. It is called derivative because the value fluctuates according to the characteristics of another asset called the underlying (e.g. equities, bonds, currencies, commodities, interest rates). The most commonly used derivatives products are futures, options and swaps. Usually when buying an option, the investor has the right but not the obligation to exercise the contract. In exchange for this right, the buyer pays a premium when the contract is initiated. Options are characterized by a certain number of features such as: type, direction, currency, tenor, underlying, notional amount, etc. and can be used for speculation or hedging purposes. Listed options with standardized features are available in different exchanges, whereas over-the-counter "OTC" Options offer a higher degree of flexibility to enable tailor made investment solutions. When combining two or more financial assets, such as a zero coupon bond and an option, or a combination of different options, this is called a structured product which is generally issued through a Note format that includes all the various components.

Structured Products (Euro Medium Term Note "EMTN")

Structured products are investment tools derived from several financial instruments. They allow the investor to access all asset classes (e.g. equities, bonds, currencies, commodities, interest rates) under various combinations. Used for their flexibility, structured products offer an interesting alternative to traditional financial investments and match different strategies and issues which traditional assets do not address. In particular, they are designed to optimize the risk/return ratio. The main advantage of structured products is the possibility to design tailor made and bespoke solutions according to different market scenarios. Structured products are usually issued as an EMTN which means "Euro Medium Term Notes": i.e. bonds issued by commercial companies (e.g. banks) to finance themselves on Euro and Asian markets. Structured products and bonds therefore have the same legal status. But unlike standard bonds, structured products allow combinations of different features which enable them to be adapted to any investment objective an investor may have.

Risks of investing in Derivatives (not exhaustive)

General

An investment in a derivative linked to any financial market (e.g. equities, bonds, currencies, commodities, interest rates) involves substantial risks including, but not limited to market risk, liquidity risk and credit risk relating to the counterparty. It is as likely that loss will be incurred rather than profit made. In certain circumstances a derivative may expire worthless. Derivatives may not be a suitable investment for all investors. Investors with any doubts should consult professional advisers.

Investor assessment

A prospective investor in any derivatives should be experienced with dealing in these types of products, be familiar with the terms used in the term-sheet, confirmation, the ISDA Master Agreement entered into between the investor and DBS Bank (Hong Kong) Limited as amended and supplemented from time to time (the "ISDA Master Agreement") and where no ISDA Master Agreement has been entered into, the DBS Private Bank ISDA Master Agreement comprising the 2002 Master Agreement, the Schedule to the 2002 ISDA Master Agreement and the Generic Risk Disclosure Statement (the "Incorporated ISDA Master Agreement") as if the investor had executed such Incorporated ISDA Master Agreement, and the applicable ISDA Definitions, and should understand the risks associated with dealing in such products.

A prospective investor should also reach an investment decision only after careful consideration, with the advisers (where appropriate), of the derivatives, the information regarding the derivatives, any related transaction costs, and the creditworthiness of the counterparty. A prospective investor should ensure that they have the ability to withstand any potential financial loss.

Market risk

- Investing in derivatives linked to any financial asset involves market risk. Changes in the price, level or value of the underlying asset can be unpredictable, sudden and large. Prior to the expiration date, the value of the derivative is influenced by various factors including, but not limited, to volatility, interest rates, dividends and time remaining to maturity. Such changes may result in the price or value of the derivative moving adversely to the interests of the investor and negatively impacting on the return of the derivative. In extreme circumstances, the investor may lose all, or a significant proportion of, the entire notional amount.
- A derivative is a principal-at-risk investment.
- The investor's attention is drawn to the following (which is not exhaustive):
  (a) The value of the derivative is subject to fluctuations in the price or value of the underlying asset throughout the tenor of the investment.
  (b) The investor must be prepared to receive the underlying asset to be delivered and to deliver in the settlement currency an amount based on the strike price and the number of derivatives on the settlement date if the option is exercised.

Credit risk

- This investment is not secured by any collateral.
- The investor is taking on the credit risk of the Bank and the underlying asset. The potential maximum loss will be the notional amount, and not just the amount the investor places with the Bank as initial margin.
- The investor should not solely rely on the long-term credit ratings of the Bank when evaluating its creditworthiness. There is no assurance that the Bank's long-term credit ratings as set out when entering in a derivative transaction will remain in effect for any given period of time or that such ratings will not be revised, suspended or withdrawn in the future if, in the relevant credit rating agency's judgment, the circumstances so warrant.
- Where the Bank defaults on its underlying delivery obligations under the derivative, the investor may not receive the underlying asset or monetary settlement.

Liquidity risk

- The secondary market for a derivative may be limited or non-existent. The Bank has no duty to and does not undertake to make a market in or otherwise provide secondary market liquidity in this investment. No early uplift, withdrawal, modification or termination is permitted except with the Bank's prior agreement or as otherwise provided under terms and conditions applicable to the derivative. Investors may not be able to early terminate the derivative or can only do so at unexpectedly high exit costs or losses. It may be difficult, or impossible, for the investor to buy, sell or dispose (where applicable) of the derivative prior to its expiration date.
- The investor should intend to maintain his interest in the derivative up to the expiration date. If the derivative is early terminated or modified, the investor may suffer losses and will have to pay the Bank for costs (if any) incurred by the Bank for such early termination or modification. Such losses and costs may be substantial.
- The derivative may not be listed or traded on any exchange or other regulated market.
- The derivative is an over-the-counter bilateral equity derivative transaction between the investor and the Bank and cannot be transferred to another party.

Mark-to-Market ("MTM") risk

- The investor bears the downside risk of the MTM value fluctuation of a derivative. The MTM value of a derivative is calculated by an option pricing model based on various factors including but not limited to current spot price, time-to-maturity, volatilities, strike price and risk-free interest rate etc. Hence, the MTM value may be significantly different from the intrinsic value calculated by simple arithmetical method by reference to the difference between the strike price and the spot price.

- The investor needs to be aware that the value of a derivative may deteriorate as a result of fluctuations in volatility. This could arise even if the price of the underlying asset remains unchanged or even appreciates. The Bank has the right to determine the daily MTM valuation at its sole discretion and the investor bears the risk of daily MTM fluctuation in valuation.
- The potential maximum loss will be the whole notional amount, not just the amount the investor places as the initial margin.

Interaction risk

Different types of risks may interact unpredictably, particularly in times of market stress.

Concentration risk

- The investor should be satisfied that he has the risk appetite for, and is not over exposed to, the relevant Underlying asset specified in the term sheet or any other derivative transactions of a similar nature.
- In considering his risk appetite, the investor should also take into account his total maximum exposure to the relevant underlying asset and all other derivative transactions of a similar nature (whether with the Bank or other counterparties) under adverse market conditions.

Delivery risk

Investor who transacts a derivative on margin will need to provide funding for the delivery of the underlying asset on the settlement date, up to the notional amount, which is substantially more than the amount placed as initial margin.

Leveraging risk

The degree of leverage can work for as well as against the investor. Due to the leverage, a small movement in the market can lead to a major gain but any losses will also be magnified sharply. Leveraging may be by way of a loan, trading on a margin, or embedded within an instrument. The Bank's terms relating to top-up and close-out will apply and the investor may be required at short notice to provide additional margin failing which outstanding transactions may be closed out at a significant loss.

Margin requirement risk

When the investor is required to place a margin with the Bank, the margin shall be determined by the Bank. The Bank reserves the right to review and revise the margin requirement from time to time during the tenor of the derivative, including demanding a 100% initial margin. Upon such review, the investor may be subjected to a significantly higher margin requirement than that required at the point of transacting.

Margin calls

- The investor who transacts a derivative on margin may be subjected to margin calls if the Bank deems that the collateral is insufficient to cover the total amount of the initial margin requirement and the MTM loss. This may arise as a result of various factors, including a deterioration of the market price of the derivative or the collateral, losses arising from closed out transactions, a higher initial margin, or a combination of them.
- The investor who plans to enter into a derivative on a margin basis or with the use of credit facility should be prepared to pay interest cost for the margin or credit facility and to meet margin calls which require the investor to make top-up payment to cover the full mark-to-market losses for the remaining period of the derivative. Such payment can be substantial in poor market conditions and/or when this investment has a long remaining period.
- If market conditions are poor, the investor may be required at short notice to provide additional margin notwithstanding that his ability to make top-up payments may have worsened due to the significant fall in market value of other financial assets. Where the terms of any margin or credit facility arrangements permit the level of margin or interest

to be raised at the discretion of the margin or credit facility provider, the investor may experience further liquidity pressure.

- Failure to meet any margin calls or interest payments may result in outstanding transactions being closed out without consent from the investor at significant losses and costs. The Bank may also realize such part or all of the collateral as the Bank deems necessary in accordance with the terms of the relevant security documents to satisfy the liabilities of the investor.
- The investor should note any margin or credit facility arrangements may be reduced or terminated in accordance with the terms of such arrangements.

Tenor

The investor should take note of the tenor of the option. The investor should further note that any option with a longer tenor will tend to be associated with higher risks and early termination, if permitted at the sole and absolute discretion of the Bank, will usually involves higher costs.

The Bank's Hedging activities may affect the Underlying asset price

The Bank and its affiliates may enter into hedging transactions in the market to enable the Bank to fulfill its obligations under the derivative. These transactions typically involve contracts for the purchase and/or sale of the underlying asset and the establishment of long and/or short positions in the underlying asset which may be constantly adjusted. The unwinding or adjustment of the positions in the underlying asset shortly before the expiration date or a knock-out event may affect the closing market price of the underlying asset recorded on such date, particularly if there is otherwise low trading volume in the underlying asset at that time. It is thus possible that this activity could affect the closing market price of the underlying asset, whether by pushing it down to a level below or up above the relevant stipulated benchmark (as the case may be) or otherwise, resulting in the delivery of the underlying asset with a value less than the strike price or a reduced return.

Potential conflicts of interest

The Bank and its affiliates may play a variety of roles in connection with the derivative, including acting as counterparty, calculation agent and the hedging party under the derivative. The Bank and its affiliates may also enter into, adjust and unwind transactions relating to the relevant currencies, whether for its or its affiliates' proprietary accounts or for accounts under management or to facilitate transactions on behalf of other counterparties or otherwise. In carrying out these roles, the Bank's economic interests and those of its affiliates may be potentially against the investor's interests as the counterparty in the derivative.

Corporate actions for equity-linked derivatives

Corporate actions in relation to the underlying share may occur which have a concentration or dilutive effect on the value of the underlying share. In certain circumstances, the Bank may have discretion as to the adjustments that it makes, if any, following corporation actions.

Dividends for equity-linked derivatives

The investor is not entitled to receive dividends from the underlying share(s) when investing through a derivative.

Past performance

Past performance of the underlying asset is not necessarily a guide to future performance.

Worst case scenario

The investor may lose all, or a significant proportion of the invested notional amount due to potential adverse factors such as but not limited to: change in the price of the underlying asset, change in the volatility of the underlying asset, change in the dividend yield of the underlying asset (for equity-linked derivatives), change in interest rates, default of the Issuer.

Risks of investing in Structured Products (not exhaustive)

General

An investment in a structured product linked to any financial market (e.g. equities, currencies, commodities) involves substantial risks including, but not limited to, market risk, liquidity risk and credit risk on the issuer. It is as likely that loss will be incurred rather than profit made. In certain circumstances the value of a structured product may fall to zero. Structured products may not be a suitable investment for all investors. Investors with any doubts should consult professional advisers.

Market risk

- Investing in structured products linked to any financial asset involves market risk. Changes in the price, level or value of the underlying asset can be unpredictable, sudden and large. Prior to the maturity date, the value of the structured product is influenced by various factors including, but not limited, to volatility, interest rates, dividends and time remaining to maturity. Such changes may result in the price or value of the structured product moving adversely to the interests of the investor and negatively impacting on the return of the structured product. In extreme circumstances, the investor may lose all, or a significant proportion of, the entire nominal amount.
- A structured product is a principal-at-risk investment.
- The investor's attention is drawn to the following (which is not exhaustive):
  a) The value of the structured product is subject to fluctuations in the price or value of the underlying asset throughout the tenor of the investment.
  b) The investor must be prepared to receive the underlying asset to be delivered under certain circumstances.

Credit risk

The investor bears the credit risk of the issuer of the structured products. The potential maximum loss will be the full nominal amount in case of default of the issuer. The investor should not solely rely on the long-term credit ratings of the issuer when evaluating its creditworthiness. There is no assurance that the issuer long-term credit ratings as set out when investing in a structured product will remain in effect for any given period of time or that such ratings will not be revised, suspended or withdrawn in the future if, in the relevant credit rating agency's judgment, the circumstances so warrant.

Liquidity risk

Structured products are not a trading instrument. There will not be a liquid secondary market in the structured products. On request the issuer may but is not obliged to purchase the structured products from the holder at a price determined by the issuer by reference to current market conditions. Prior to maturity, the value of a structured product is influenced by various factors including, but not limited to, volatility, interest rates, dividends and time remaining to maturity.

Mark-to-Market ("MTM") risk

- The investor bears the downside risk of the MTM value fluctuation of a structured product. The MTM value of a structured product is calculated by an option pricing model based on various factors including but not limited to current spot price, time-to-maturity, volatilities, strike price and risk-free interest rate etc. Hence, the MTM value may be significantly different from the intrinsic value calculated by simple arithmetical method by reference to the difference between the strike price and the spot price.
- The investor needs to be aware that the value of a structured product may deteriorate as a result of fluctuations in volatility. This could arise even if the price of the underlying asset remains unchanged or even appreciates. The issuer has the right to determine the daily MTM valuation at its sole discretion and the investor bears the risk of daily MTM fluctuation in valuation.
- The potential maximum loss will be the whole nominal amount initially invested.

Interaction risk

Different types of risks may interact unpredictably, particularly in times of market stress.

Concentration risk

- The investor should be satisfied that he has the risk appetite for, and is not over exposed to, the relevant underlying asset specified in the term sheet or any other structure products of a similar nature.
- In considering his risk appetite, the investor should also take into account his total maximum exposure to the relevant underlying asset and all other structured products of a similar nature (even amongst different issuers) under adverse market conditions.

Corporate actions for equity-linked structured products

Corporate actions in relation to the underlying share may occur which have a concentration or dilutive effect on the value of the underlying share. In certain circumstances, the issuer may have discretion as to the adjustments that it makes, if any, following corporation actions.

Dividends for equity-linked structured products

The investor is not entitled to receive dividends from the underlying share(s) when investing through a structured product.

Past performance

Past performance of the underlying asset is not necessarily a guide to future performance.

Worst case scenario

The investor may lose all, or a significant proportion of the invested nominal amount due to potential adverse factors such as but not limited to: change in the price of the underlying asset, change in the volatility of the underlying asset, change in the dividend yield of the underlying asset (for equity-linked structured products), change in interest rates, default of the issuer.

Derivatives Library *(Options, CLI)*

Basics

Two types of options:

- Call option
- Put option

In finance, an option is a contract which gives the buyer (the owner) the right, but not the obligation, to buy or sell an underlying asset at a specified strike price on or before a specified date. The seller has the corresponding obligation to fulfill the transaction – that is to sell or buy – if the buyer (owner) "exercises" the option.

The buyer pays a premium to the seller for this right. An option which conveys to the owner the right to buy something at a specific price is referred to as a Call; an option which conveys the right of the owner to sell something at a specific price is referred to as a Put.

^ *Unless otherwise specified, automatic exercise shall be the exercise mode should an option is in-the-money.*

Each of these options is characterized by

- A direction: buy or sell.
- An underlying asset: e.g. a single stock, a single commodity, a currency pair, a basket of indices
- An expiry date: the predetermined date on which the option is determined to be exercised or lapsed and voided.
- A strike price: the predetermined price at which the buyer of the option has the right to buy or sell the underlying asset
- A type of exercise: i.e. when the buyer has the right to exercise the option

What parameters help determine the price of an option?

- The spot price: the price of the underlying asset when the option is initiated
- The strike price: the predetermined price at which the buyer of the option has the right to buy or sell the underlying asset
- The volatility of the underlying asset
- The tenor of the option
- The interest rates of the currency in which the option is denominated
- The dividend yield of the underlying asset (only applies for equities)

Vanilla Options

What is a Vanilla Option?

Also known as plain vanilla option, it is a standard Call or Put option in the most basic form.

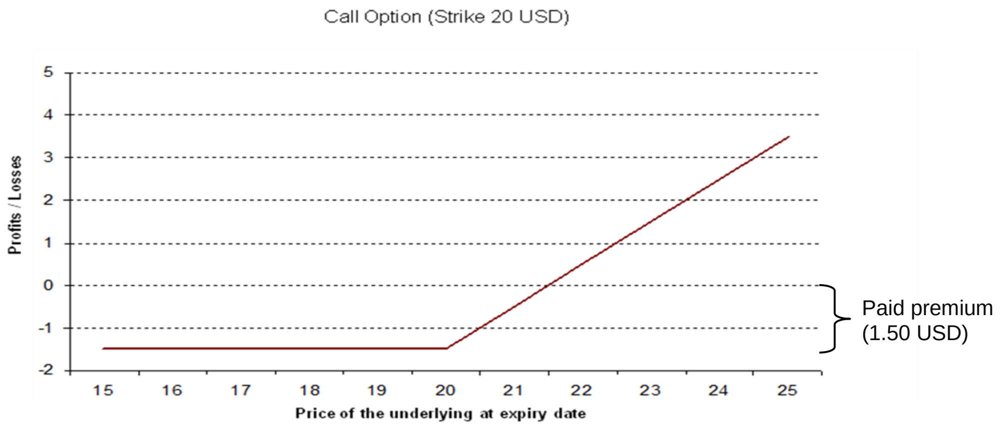
There are four basic strategies on vanilla options

- Buying a Call
- Selling a Call
- Buying a Put
- Selling a Put

Each of these 4 strategies allows the investor to play different market scenarios.

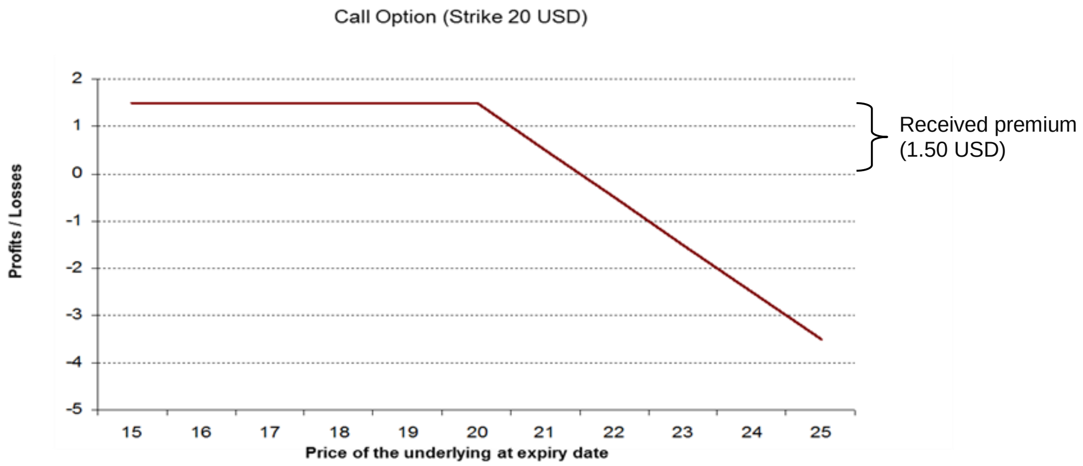
BUYING a Call

- Bullish view: The investor wants to participate in the increase of the underlying asset price during the tenor of the option
- Potential gain: Full upside
- Potential loss: Limited to the premium paid
- Payout illustration:



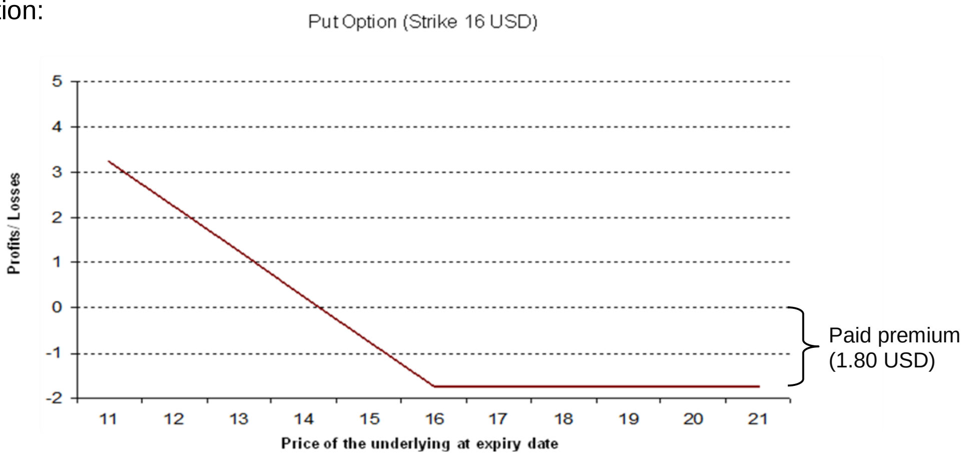
SELLING a Call

- Stable or slightly bearish view: The investor anticipates that the underlying asset price is going to remain stable or is going to decrease slightly throughout the tenor of the option
- Potential gain: Limited to the premium received
- Potential loss: Unlimited
- Payout illustration:



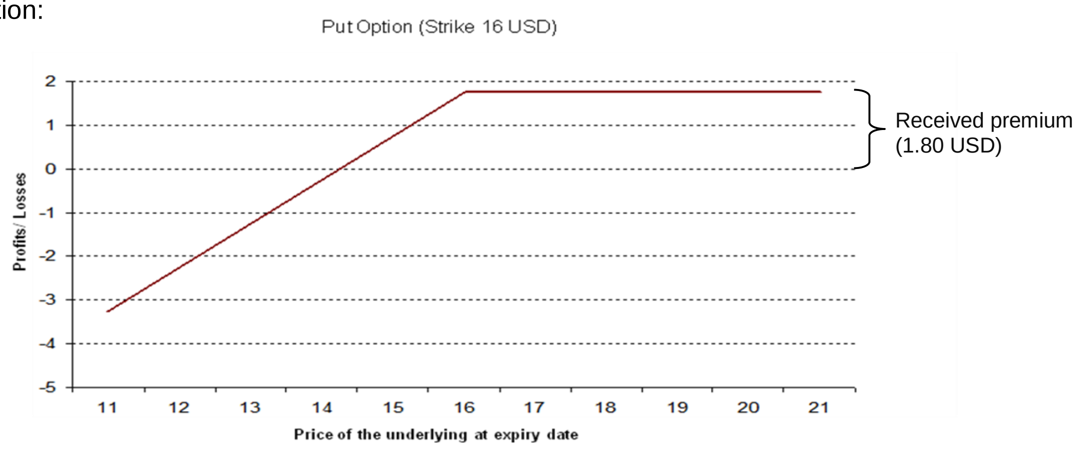
BUYING a Put

- Bearish view or hedging strategy: The investor wants to hedge a part of his portfolio, or to participate in the decrease of the underlying asset price
- Potential gain: Limited to the difference between the strike price and the underlying asset price at exercise of the option
- Potential loss: Limited to the premium paid
- Payout illustration:



SELLING a Put

- Stable or slightly bullish view: The investor anticipates that the underlying asset price is going to remain stable or is going to increase slowly throughout the tenor of the option
- Potential gain: Limited to the premium received
- Potential loss: Limited to the difference between the strike price and the underlying asset price at exercise of the option
- Payout illustration:



Barrier Options

What is a Barrier Option?

A Barrier Option is an "exotic" option, as opposed to "vanilla" option, which incorporates a "barrier level" as an extra feature of the option. The barrier which is preset at inception at a certain level expressed in percentage of the initial level of the underlying asset price can have two very different purposes. Once the underlying asset price breaches the barrier level, it can either spring the option into existence (activating barrier that turns an option to be "in"), or it can extinguish an already existing option (deactivating barrier that turns an option to be "out"). A Barrier Option which becomes active is deemed to be "knocked-in", whereas a Barrier Option which becomes null and void is deemed to be "knocked-out".

<u>Therefore there are four main types of barrier</u>

- Up-and-out: underlying asset price starts below the barrier level and has to move up for the option to be become null and void
- Down-and-out: underlying asset price starts above the barrier level and has to move down for the option to become null and void
- Up-and-in: underlying asset price starts below the barrier level and has to move up for the option to become activated
- Down-and-in: underlying asset price starts above the barrier level and has to move down for the option to become activated

Apart from the level of the barrier, the frequency of observation is also another important parameter. The barrier event (knock-in "KI" or knock-out "KO") can be monitored throughout the lifetime of the Barrier Option at different paces:

- Every trading day on close or intraday (American barrier)
- At predefined scheduled trading dates (Bermudan barrier)
- Once only on a final observation date (European barrier)

Barrier Options allows the investor to play numerous and different market scenarios, we will illustrate hereafter two popular strategies which are usually favored to earn an option premium:

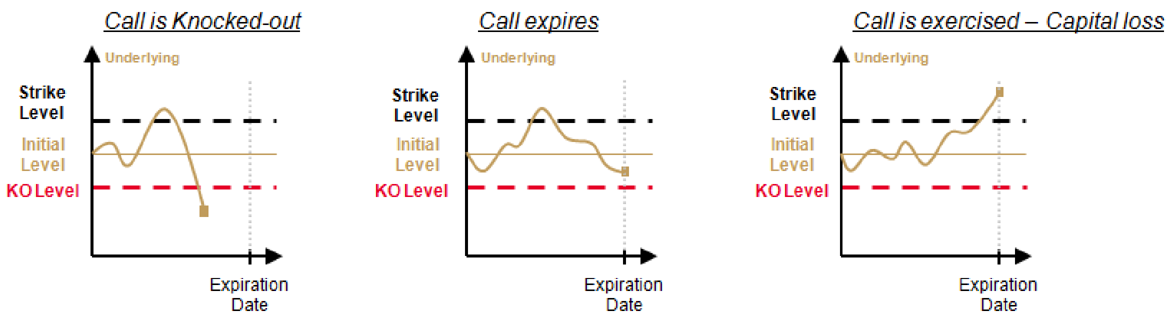
- SELLING a down-and-out Call
- SELLING an up-and-out Put

Barrier Options are always cheaper than a similar option without barrier.

SELLING a down-and-out Call

- Stable or slightly bearish view (with a sudden downward rally): The investor anticipates that the underlying asset price, apart from remaining stable or decreasing slightly, will undergo a sudden downward rally during the tenor of the option. The investor is willing to add a deactivating barrier (KO Level) to potentially shorten the life expectancy of the option.
- Potential gain: Limited to the premium received
- Potential loss: Unlimited

Payout illustrations



The investor is the option SELLER, thus he has received a premium at inception.

Call is Knocked-out

The KO Level is breached before the expiration date. The option which is then knocked-out becomes void and null. The investor who is the seller of the option has no obligation any longer.

Call expires

The KO Level was never breached and the option ran up to the expiration date. The option is not exercised by the buyer as the final price of the underlying asset is observed below the strike level. The option simply expires and the investor who is the seller of the option has no obligation upon expiration date.

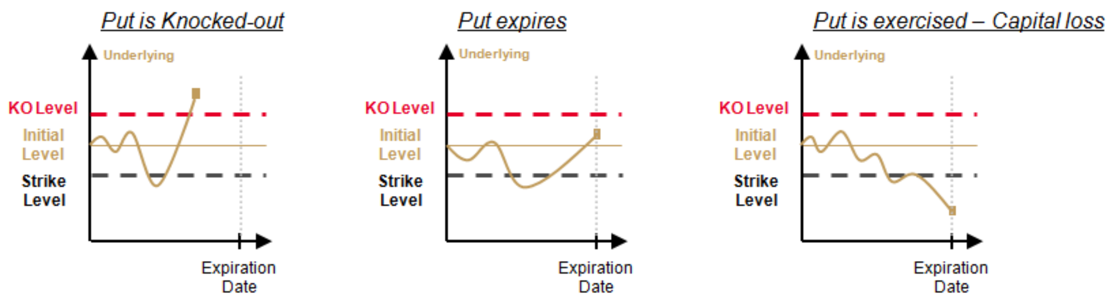
Call is exercised – Capital loss

The KO Level was never breached and the option ran up to the expiration date. The option is exercised by the buyer as the final price of the underlying asset is observed above the strike level. The investor who is the seller of the option has to deliver physically the underlying asset he holds, sold at the strike level.

SELLING an up-and-out Put

- Stable or slightly bullish view (with a sudden upward rally): The investor anticipates that the underlying asset price, apart from remaining stable or increasing slightly, will undergo a sudden upward rally during the tenor of the option. The investor is willing to add a deactivating barrier (KO Level) to potentially shorten the life expectancy of the option.
- Potential gain: Limited to the premium received
- Potential loss: Limited to the difference between the strike price and the underlying asset price at exercise of the option

Payout illustrations



The investor is the option SELLER, thus he has received a premium at inception.

Put is knocked-out

The KO Level is breached before the expiration date, the option which is then knocked-out becomes void and null. The investor who is the seller of the option has no obligation any longer.

Put expires

The KO Level was never breached and the option ran up to the expiration date. The option is not exercised by the buyer as the final price of the underlying asset is observed above the Strike Level. The option simply expires and the investor who is the seller of the option has no obligation upon expiration date.

Put is exercised – Capital loss

The KO Level was never breached and the option ran up to the expiration date. The option is exercised by the buyer as the final price of the underlying asset is observed below the strike level. The investor who is the seller of the option has to receive physical delivery of the underlying asset, paid at the strike level.

Currency Linked Investment (CLI)

What is a CLI?

A CLI is an investment product that involves derivative instruments (i.e. Options) linked to a currency pair as the underlying. This investment offers a return based on the exchange rate of a base currency against an alternate currency. Currency of the investment will be converted into the alternate currency upon maturity if the spot exchange rate of the base currency against the alternate currency is observed as appreciated above a predefined strike price on expiration date.

The investor may suffer a potential loss in the case of redemption in the alternative currency which converted back into the base currency at the prevailing spot exchange rate can lead to a substantially lower redemption amount, compared to the initial nominal amount.

Mechanism

Redemption at maturity

The spot exchange rate of the currency pair is compared to the strike price on the expiration date :

- Favorable situation: the spot exchange rate of the base currency vs. the alternate currency has NOT appreciated beyond the strike price, then the investor receives the full nominal amount plus interest all denominated in the base currency.
- Worst Situation: the spot exchange rate of the base currency vs. the alternate currency has appreciated beyond the strike price, then the investor receives the full nominal amount plus interest BUT all denominated in the alternate currency which has depreciated over the investment period (capital loss scenario).

Advantage

- The investor benefits from a potential higher yield of return compared to a traditional fixed deposit rate.

Drawbacks

- The principal is not guaranteed: the investment involves a foreign exchange risk and cannot, in any case, be considered as a capital guaranteed product. In the worst case scenario, the investor will experience a total loss of the capital initially invested.
- Deposit Protection Scheme (“DPS”): This investment is not a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong. This Investment is NOT equivalent to a time deposit nor should it be treated as a substitute for time deposit.
- The potential return of the investment is capped.
- The investor bears the counterparty’s depositary risk.

Associated risks for CLI other than general risk factors for Derivatives

Not a traditional deposit / Time deposit

CLI is NOT equivalent to a time deposit, nor should it be treated as a substitute for, time deposit. It is NOT a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong.

Derivatives risk

CLI is embedded with currency option(s). Option transactions involve risks, especially when selling an option. All or part of the interest received on the CLI represents the premium for the currency 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.

Determination of the exchange Rate

The exchange rate used in this transaction is by reference to a screen rate, and where such rate is not available, the exchange rate will be determined by the calculation agent. The investor 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 the investor.

Currency Risk

Where you have converted amounts from another currency into the deposit currency in order to make the investment in the CLI, you should bear in mind the risk of exchange rate fluctuations that may cause a loss on conversion of the base currency (if the Bank pays you the base currency at maturity) or the alternate currency (if the Bank pays you the alternate currency at maturity) back into such other currency.

By investing in a CLI, you are giving the Bank the right, but not the obligation, to repay you at a future date in alternate currency that is different from the currency in which your initial investment was made, regardless of whether you wish to be repaid in this currency at that time.

You must be prepared to receive the principal amount and the interest amount in either the base currency or the alternate currency.

Not the same as investing in the alternate currency

Investing in CLI is not the same as buying the alternate currency directly. You will have no rights in the alternate currency during the deposit tenor. A change in the exchange rate of the alternate currency during the deposit tenor may not necessarily lead to a corresponding change in your return on the CLI.

Early Termination Risk

The Bank may, in certain circumstances, amend, suspend or terminate the CLI. Such circumstances include, without limitation, the occurrence of force majeure events, illegality, the occurrence of an event of default committed by the investor, or upon any insolvency or bankruptcy proceedings being commenced against the investor.

RMB linked CLI

Please refer to RMB Products related risk disclosures at the end of this document.

Structured Products Library *(EMTN i.e. Note form)*

Basics

A structured product is not an asset class as such, unlike equities, bonds, commodities, etc. It is an investment vehicle which allows the optimization of the risk/return profile, using traditional asset classes. It is most of the time wrapped under EMTN format, therefore like a bond, there is issuer risk. This is the risk that the issuer of the structured product may default. This is comparable to the credit risk associated with investing in bonds. Please see below some of the usual terms, features and risk associated, which are commonly used for Structured Products.

Over The Counter (OTC)

Financial products that are not traded on formal exchanges are said to be traded over-the-counter with terms mutually agreed by two counterparties or more. Most of the structured products are traded over-the-counter.

EMTN

Means “Euro Medium Term Notes” is the format usually used by banks to issue structured products. Commercial companies such as banks usually issue their bonds under EMTN format to finance themselves on Euro and Asian markets. Structured products issued under EMTN format and bonds therefore have the same legal status.

Issuer / Issuer Risk

The Issuer is the bank who issues a structured product under EMTN format. The Issuer is responsible for delivering the payoff of the product at maturity. Bearing the Issuer’s risk means the risk that the issuer may default and that it might not (or if applicable, its Guarantor might not) be able to redeem the product (same credit risk involved for bonds). Worst case scenario, the investor may lose all, or a significant proportion of the invested nominal amount in case of default of the issuer.

Trade Date

The date on which a trade is conducted following instruction given by the investor. Market conditions on the trade date matter for structured products as they determine and lock the product features such as pricing, initial level of the underlying, strike level and/or barrier level of the embedded options, etc…

Settlement Date / Issue Date

The date on which a trade settles, i.e. the actual day on which exchange of cash against asset (e.g. EMTN) is completed. At inception of a structured product, one may refer to the issue date as the settlement date. The usual market practice is to set the settlement date / issue date at [trade date + 14 business days].

Early Redemption Date

The Date on which a trade is early redeemed, i.e. the actual day on which an early and final exchange of cash against asset (e.g. EMTN) is completed. A schedule of Early Redemption Dates is put in place for derivative instruments coming with a callability feature (e.g. Auto Call, Issuer’s Call).

Final Observation Date / Valuation Date (for ELN)

The Date on which the final closing price of the underlying is observed. This final closing price is then used to compute the payout of the structured product.

Maturity Date

The date on which the final payment of a structured product is due for settlement, i.e. the actual day on which the final exchange of cash against asset (e.g. EMTN) is completed. The usual market practice is to set the maturity date at [final observation date + 7 business days].

Principal / Nominal Amount

The amount paid at inception by the buyer of a structured product issued under EMTN format. All payments according to the payout of the product are computed based on this principal / nominal amount (options which are unfunded instruments would rather refer to the nominal amount).

Payout / Payoff

A general term used to describe the return provided by derivatives instruments (e.g. options, structured products). Most of the time, the payout is directly linked to the performance of the underlying asset.

Underlying Asset

The financial instrument(s) that drives the potential return of a derivative instrument (e.g. options, structured products) according to a specific payout. Many asset classes can be used as underlying asset: equities, commodities, currencies, bonds, interest rates, hybrid (a mix of several asset classes). A unique instrument can be used (single underlying asset), or several weighted instruments at the same time (underlying basket assets).

Best Of / Worst Of

Terminology used for a derivative instrument (e.g. options, structured products) using the best or the worst performing asset amongst a predefined list of assets, as the ultimate underlying asset to compute the payout. The pricing of such derivative instrument will be then sensitive to the correlation level between the different underlying assets in the list, on top of the other usual pricing parameters.

Performance of the Underlying Asset

The performance of the underlying asset is monitored on a predefined period of observation and is calculated as follows: Performance = [(final level - initial level) / initial level].

Participation Rate

Many structured products incorporate a return at maturity that is calculated by multiplying the performance of the underlying asset by a fixed percentage. This percentage is called the participation rate and usually applies to the upside only (bull anticipation) or the downside only (bear anticipation).

Coupon

Intermediary or final payment expressed in percentage of the nominal amount and per annum. The value or the maximum value of the coupon is usually preset at inception.

Protection Level / Protection Barrier / Put Strike

Many structured products incorporate the sale of a Put option in order to receive the premium that can be either paid to the investor as a fixed coupon, or that can be used to finance the purchase of another option (to get exposure to the potential upside of the underlying for instance). Therefore the Put option that was sold at inception provides the investor with an exposure to the potential downside risk of the underlying asset, depending on the level of the strike of the Put. In case the strike of the Put was set below the initial level of the underlying asset, the investor is not exposed to the downside as long as the underlying asset price is not closing below the strike level on the expiry date. In that context, structured products may refer to the strike level of the sold Put as the “protection level” or “protection barrier” or “put strike”.

Knock-in (KI)

Refers to the barrier event of derivative instrument (e.g. options, structured products). A knock-in event is deemed to occur when the underlying asset price breaches the KI level. This usually triggers an additional feature of a structured product (at the advantage or at the disadvantage of the investor) through the activation of a new option (c.f. barrier options).

Knock-out (KO) / Auto Call

Refers to the barrier event of derivative instrument (e.g. options, structured products). A knock-out event is deemed to occur when the underlying asset price breaches the KO level. This usually triggers the early redemption of a structured product (commonly known as an auto call event) through the extinction of an existing option which becomes void and null (c.f. barrier options).

Step-up / Step-down

Refers to a specific feature of a derivative instrument (e.g. options, structured products) which initial level is increased (step-up) or decreased (step-down) according to a predefined schedule over the lifetime of the product. Various features can be step-up or step-down such as the coupon level or the auto call level.

Zero Coupon Bond

A debt instrument issued at below par value. The bond pays no coupon and instead is redeemed at face value at maturity date. This type of bond is usually used to design principal redemption structured products.

Volatility

A measure of the variability (but not the direction) of the underlying asset price. It is defined as the annualized standard deviation of the natural log of the ratio of two successive prices. Historical volatility is a measure of the standard deviation of the underlying asset price over a past period. Implied volatility is the volatility implied by the price of an option. All things being equal, higher volatility will lead to higher vanilla options prices. Investors usually perceive volatility as a measure of the risk of an asset price.

Mark-to Market

The value of a derivative instrument (e.g. options, structured products) under current market conditions. The mark-to-market changes in respond to the underlying asset price movement and other parameters such as, but not limited to, the volatility of the underlying asset price, the interest rates, the time decay…

Greeks

A general term used to describe the sensitivity of the price of a derivative instrument to different parameters. These sensitivities are denoted by Greek letters such as Delta (the sensitivity to changes in the underlying asset price), Vega (the sensitivity to changes in the underlying asset volatility), Theta (the sensitivity to time decay), and Rho (the sensitivity to changes in interest rates). Therefore, the mark-to market of a derivative instrument is, more or less, but directly impacted by all those sensitivities called Greeks.

Quanto

A general term used to describe a derivative instrument (e.g. options, structured products) which is denominated in one currency and linked to an underlying asset denominated in a different currency, without bearing any currency risk in computing the payout of the product. For instance, a quanto option denominated in USD can be used to get exposure to the performance of a Japanese stock without taking into consideration the USD/JPY variation over the period when computing the return to be delivered to the investor according to the payout.

Equity Linked Note (ELN)

Potential Return

Income at Maturity

Anticipation

Stability of the underlying asset price

Underlying asset

Equities, ETFs
(Single, Basket, Best Of, Worst Of)

Commercial Terms
Indicative and for illustration purpose only

Issuer	ABC Bank (A/A1)
Tenor	28 days
Currency	HKD
Settlement Date	Trade date + 2 days
Underlying	HSBC Holdings PLC (5 HK)
Discounted Price	99.10% of the nominal amount
Strike Level	95% of Initial Level observed at maturity
Implied Yield	11.30% p.a.
Principal Amount	Not guaranteed

What is an Equity Linked Note?

An Equity Linked Note is a structured product which allows the investor to benefit from a potential predefined investment Yield depending on the performance of the underlying over the investment period which is usually pretty short (e.g. 1 month, 3 months).

The investor buys the note at a discounted price (i.e. <100% of the nominal amount). A strike level (or Protection Level) is set below the initial level of the underlying to provide some buffer on the downside, thus if the underlying closes above the strike level on the valuation date the investor will receive back the full nominal amount (i.e. 100%).

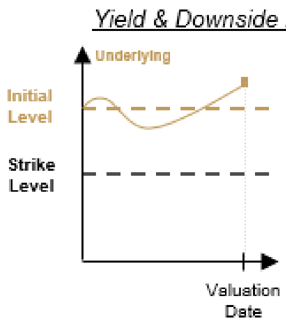
Mechanism

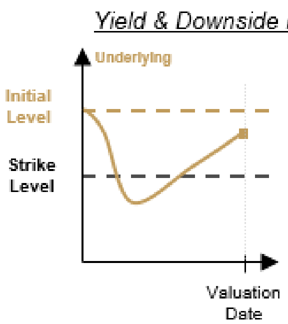
Redemption at maturity

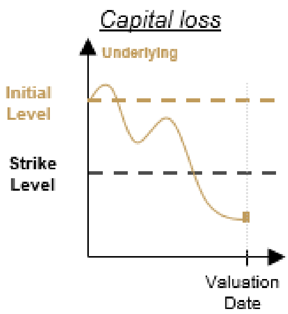
The Closing Price of the underlying on the valuation Date (the "Final Level") is compared to the strike Level:

- If the final level of the underlying is at or above the strike level of 95%, then the investor receives 100% of the nominal amount on the maturity date, which corresponds to the initial down payment (discounted price) plus the investment yield.
- If the final level of the underlying is below the strike level (e.g. 90% of the initial level), then the investor is physically delivered shares of the underlying paid at the strike level of 95% (capital loss scenario).

Redemption scenario illustrations







Yield & Downside buffer (1,2)

The underlying closes at or above the strike Level on the valuation date: the investor receives 100% of the nominal amount.

Capital loss

The underlying closes below the strike level on the valuation date: the investor receives shares of the underlying paid at the strike level.

Advantages

- The investor benefits from an investment yield in a rangy environment if the underlying does not close below the strike level on the valuation date.
- The investor benefits from some protection on the downside, as long as the underlying doesn't close below the strike level on the final observation date.

Drawbacks

- The principal is not guaranteed: the product involves an equity risk and cannot, in any case, be considered as a capital guaranteed product. In case of physical delivery, the investor may receive such number of shares of the underlying that represents a lower value compared to the nominal amount. In the worst case scenario, the value of such shares received by the investor will be zero.
- The potential return of the product is capped.
- No dividend will be paid during the life of the product.
- The investor bears the issuer/guarantor's credit risk.

Fixed Coupon Note

Potential Return

Regular income, Fixed coupon

Anticipation

Stability of the underlying

Underlying Asset

Equities, ETFs, Commodities, Currencies, Indices (Single, Basket, Best of, Worst of)

Commercial Terms

Indicative and for illustration purpose only

Issuer	ABC Bank (A/A1)
Tenor	3 months
Currency	HKD
Settlement Date	Trade date + 2 weeks
Underlying	CNOOC Ltd (883 HK)
Fixed Coupon	8% p.a. (i.e. 0.66% flat per month)
Auto Call Level	100% of Initial Level observed monthly
Protection Level	95% of Initial Level observed at maturity
Principal Amount	Not guaranteed

What is a Fixed Coupon Note?

A Fixed Coupon Note is a structured product which allows the investor to receive a predefined fixed coupon at each coupon payment date until an early redemption event occurs or until maturity.

The protection level (or strike level) is set below the initial level of the underlying to provide some buffer on the downside. Thus if the early redemption never occurs and if the underlying closes below the initial level but above the protection level on the final observation date, the investor will still receive the full nominal amount.

The product can be early redeemed if the underlying closes at or above the auto call level on any predefined observation date.

Mechanism

Coupon payment *(if the early redemption event has not occurred earlier)*

At each coupon payment date, the investor receives a fixed coupon of 0.66% flat, irrespective of the underlying performance.

Early redemption event *(observation on predefined observation dates)*

On each observation date, the closing price of the underlying is compared to the auto call level:

- If it is at or above the auto call level, the product is early redeemed and the investor receives 100% of the nominal amount plus a last fixed coupon on the corresponding early redemption date.
- Otherwise, the investor receives a fixed coupon and the product runs to the next observation date.

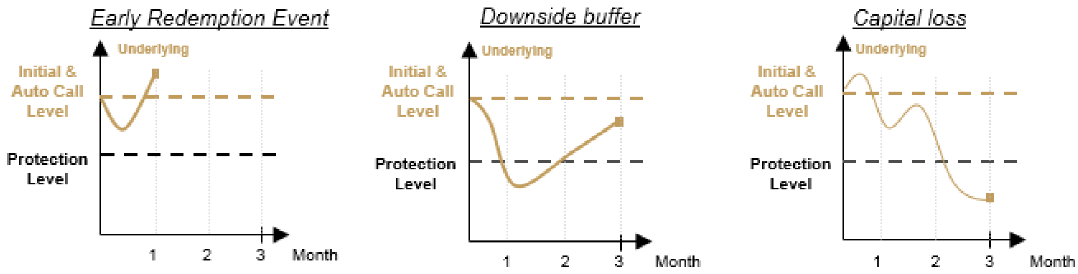
Redemption at maturity *(if the early redemption event never occurred)*

The closing price of the underlying on the final observation date (the “Final Level”) is compared to the Protection Level:

- If the Final Level of the underlying is at or above the protection level of 95%, then the investor receives 100% of the nominal amount plus the last fixed coupon (all in cash) on the maturity date.

- If the Final Level of the underlying is below the protection level (e.g. 90% of the initial level), then the investor receives the last fixed coupon (in cash) and physical delivery of the underlying paid at the protection level of 95% (capital loss scenario).

Redemption scenario illustrations



Early redemption event

On the first observation date, the underlying closes at or above the auto call level: the investor receives 100% of the nominal amount plus a first and last fixed coupon and the product is terminated.

Downside buffer

The early redemption event never occurs, and on the final observation date the underlying closes at or above the protection level: the investor has received the fixed coupon on the first and second coupon payment date, and the investor receives 100% of the nominal amount plus the last fixed coupon on the maturity date.

Capital loss

The early redemption event never occurs, and on the final observation date the underlying closes below the protection level: the investor has received the fixed coupon on the first and second coupon payment dates, and the investor receives on the maturity date:

- The last fixed coupon (in cash)
- Physical delivery of the underlying paid at the protection level.

Advantages

- The investor benefits from a fixed coupon paid on each coupon payment date until an early redemption event occurs or until maturity date if the early redemption event never occurs.
- An early redemption is possible if the underlying closes at or above the auto call level on any predefined observation date.
- The investor benefits from some protection on the downside, as long as the underlying doesn't close below the protection level on the final observation date.

Drawbacks

- The principal is not guaranteed: the product involves a market risk and cannot, in any case, be considered as a capital guaranteed product. In the worst case scenario, investors will experience a total loss of capital investment. In case of physical delivery, the investor may receive such number of shares of the underlying that represents a lower value compared to the nominal amount. In the worst case scenario, the value of such shares received by the investor will be zero.

- The return of the product is capped.
- No dividend will be paid during the life of the product (only applies for equity underlying)
- The investor bears the issuer/guarantor's credit risk.

Daily Range Accrual Note

Potential Return

Regular Income, Accrued Coupon

Anticipation

Stability of the underlying

Underlying Asset

Equities, ETFs, Commodities, Currencies, Indices (Single, Basket, Best Of, Worst Of)

Commercial Terms

Indicative and for illustration purpose only

Issuer	ABC Bank (A/A1)
Tenor	18 months
Currency	USD
Settlement Date	Trade date + 2 weeks
Underlying	Worst performing stock "WO" amongst: - Apple Inc (AAPL UQ) - Google Inc (GOOGL UQ)
Accrued Coupon	12% p.a. (i.e. 1% flat per month)
Coupon Barrier	80% of initial level observed daily
Auto Call Level	100% of initial level observed monthly
Protection Barrier	80% of initial level observed at maturity
Principal Amount	Not guaranteed

What is a Daily Range Accrual Note?

A Daily Range Accrual Note is a structured product which allows the investor to receive a coupon which is accrued each day when the closing level of the underlying is at or above the coupon barrier. The coupon for the first period is usually guaranteed. The product also allows the investor to benefit from a conditional principal redemption if the closing level of the underlying is at or above the protection barrier on the final observation date.

The product can also be early redeemed if the closing level of the underlying is at or above the auto call level on any relevant observation date.

Mechanism

Coupon payment *(if the early redemption event has not occurred earlier)*

On the first coupon payment date the investor receives a guaranteed coupon of 1.00% flat, irrespective of the underlying performance. Thereafter at the end of each coupon period, the investor receives an accrued coupon weighted in function of the number of trading days during the relevant coupon period where the underlying has closed at or above the coupon barrier (i.e. 80% of initial level).

- Guaranteed Coupon for Month 1: 12.00% p.a. *(i.e. 1.00% flat)*
- Accrued Coupon from Month 2 to Month 18: 12.00% p.a. * n/N

With « n », the number of trading days where the underlying closes at or above the coupon barrier during the coupon period, and, « N » the total number of trading days in the coupon period.

Early redemption event *(observation on predefined observation dates)*

On each observation date, the closing price of the underlying is compared to the auto call level:

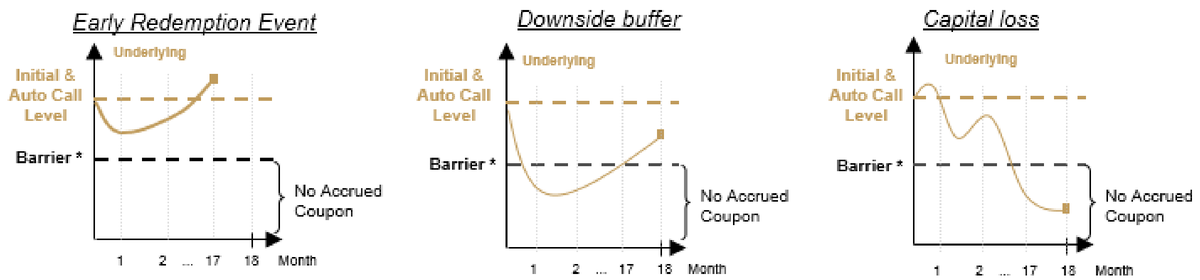
- If it is at or above the auto call level, the product is early redeemed and the investor receives 100% of the nominal amount plus a last accrued coupon if any (or the guaranteed coupon if early redemption occurs at the end of the 1st Month)
- Otherwise, the investor receives an accrued coupon if any (or the 1st guaranteed coupon) and the product runs to the next observation date.

Redemption at maturity date *(if the early redemption event never occurs)*

The closing price of the underlying on the final observation date (the "final level") is compared to the protection barrier:

- If the final level of the underlying is at or above the protection barrier of 80%, then the investor receives 100% of the nominal amount plus the accrued coupon for the last coupon period if any, on the maturity date.
- If the final level of the underlying is below the protection barrier (e.g. 70% of initial level), then the investor receives the accrued coupon for the last coupon period if any (in cash) and physical delivery of the underlying paid at the protection barrier of 80% (capital loss scenario).

Redemption scenario illustrations



* *Barrier level is the same for both* **Coupon Barrier** *and* **Protection Barrier** *in this example.*

Early Redemption Event

On the 17th observation date, the underlying closes above the auto call level:

The investor has received the guaranteed coupon on the 1st coupon payment date and the fully accrued coupon at the end of each month from the 2nd to the 16th coupon payment date. At the end of the 17th coupon period, the investor receives 100% of the nominal amount plus a last fully accrued coupon.

Downside buffer

The early redemption event never occurs and, on the final observation date, the underlying closes above the protection barrier: the investor has received the 1st guaranteed coupon and the relevant accrued coupon (if any) at the end of each coupon period, and receives 100% of the nominal amount plus the fully accrued coupon for the last period, on the maturity date.

Capital loss

The early redemption event never occurs, and on the final observation date the underlying closes below the protection barrier: the investor has received the 1st guaranteed coupon and the relevant accrued coupon (if any) at the end of each coupon period and receives, on the maturity date:

- No accrued coupon for the last coupon period (Underlying closes below the coupon barrier at any time)
- Physical delivery of the underlying paid at the protection barrier.

Advantages

- The first coupon is guaranteed. Thereafter, the accrued coupon is weighted by the number of trading days in the relevant coupon period where the closing level of the underlying is at or above the coupon barrier.
- An early redemption is possible, from the end of the 1st month included, if the closing level of the underlying is at or above the auto call level on any relevant observation date.
- The investor benefits from some protection on the downside, as long as the underlying doesn't close below the protection barrier on the final observation date.

Drawbacks

- The principal is not guaranteed: the product involves a market risk and cannot, in any case, be considered as a capital guaranteed product. In the worst case scenario, investors will experience a total loss of capital investment. In case of physical delivery, the investor may receive such number of shares of the underlying that represents a lower value compared to the nominal amount. In the worst case scenario, the value of such shares received by the investor will be zero.
- The potential return of the product is capped.
- The potential return of the product is linked to the worst Performing underlying.
- No dividend will be paid during the life of the product (only applies for equity underlying).
- The investor bears the issuer/guarantor's credit risk.

Recovery Coupon Note

Potential Return

Income at Maturity, Digital coupon

Anticipation

Stability or moderate increase of the underlying

Underlying Asset

Equities, ETFs, Commodities, Currencies, Indices (Single, Basket, Best Of, Worst Of)

Commercial Terms

Indicative and for illustration purpose only

Issuer	ABC Bank (A/A1)
Tenor	6 months
Currency	HKD
Settlement Date	Trade date + 2 weeks
Underlying	CNOOC Ltd (883 HK)
Recovery Coupon	21% flat (i.e. 42% p.a.)
Principal Amount	Not guaranteed

What is a Recovery Coupon Note?

A Recovery Coupon Note is a structured product which allows the investor to benefit from a high recovery coupon if the underlying closes, on the final observation date, at or above the initial level.

If the underlying closes, on final observation date, below the initial level then the investor is physically delivered in shares of the underlying paid at the initial level.

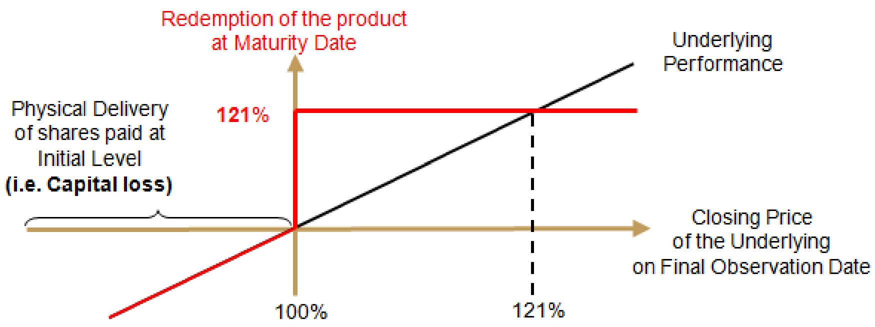
Mechanism

<u>Redemption on the Maturity Date:</u>

The closing price of the underlying on the final observation date (the "Final Level") is compared to the initial level:

- If the Final Level is at or above the initial level, then the investor receives 100% of the nominal amount plus a flat recovery coupon of 21.00%, on the maturity date.
- If the Final Level is below the initial level (e.g. 95% of the initial level), then the investor receives physical delivery of the underlying paid at the initial level (capital loss scenario).

Payout illustration



Advantage

- The investor benefits from a high recovery coupon if the underlying increases slightly, or even stays at the initial level, on the final observation date.

Drawbacks

- The principal is not guaranteed: the product involves a market risk and cannot, in any case, be considered as a capital guaranteed product. In the worst case scenario, investors will experience a total loss of capital investment. In case of physical delivery, the investor may receive such number of shares of the underlying that represents a lower value compared to the nominal amount. In the worst case scenario, the value of such shares received by the investor will be zero.
- The potential return of the product is capped.
- No dividend will be paid during the life of the product (only applies for equity underlying).
- The investor bears the issuer/guarantor’s credit risk.

Recovery Coupon Performance Note

Potential Return

Income or Growth at maturity,
Best of digital coupon or performance

Anticipation

Stability or increase of the underlying

Underlying Asset

Equities, ETFs, Commodities, Currencies, Indices (Single, Basket, Best Of, Worst Of)

Commercial Terms
Indicative and for illustration purpose only

Issuer	ABC Bank (A/A1)
Tenor	6 months
Currency	HKD
Settlement Date	Trade date + 2 weeks
Underlying	CNOOC Ltd (883 HK)
Recovery Coupon	14% flat (i.e. 28% p.a.)
Principal Amount	Not guaranteed

What is a Recovery Coupon Performance Note?

A Recovery Coupon Performance Note is a structured product which allows the investor to benefit from the maximum between a recovery coupon and the underlying performance if the underlying closes, on the final observation date, at or above the initial level.

If the underlying closes, on final observation date, below the initial level then the investor is physically delivered in shares of the underlying paid at the initial level.

Mechanism

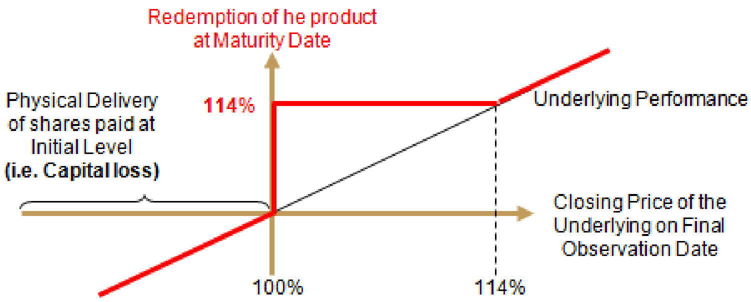
Redemption on the maturity date:

The closing price of the underlying on the final observation date (the "Final Level") is compared to the initial level:

- If the Final Level is at or above the initial level, then the investor receives on the maturity date 100% of the nominal amount plus the maximum between:
  - ✓ A flat recovery coupon of 14.00%

    OR
  - ✓ The underlying performance from initial level
- If the Final Level is below the initial level (e.g. 95% of the initial level), then the investor receives physical delivery of the underlying paid at the initial level (capital loss scenario).

Payout illustration



Advantages

- The investor benefits from a high recovery coupon if the underlying level increases slightly or even stays at the initial level, on the final observation date.
- The investor benefits from the full increase of the underlying over the investment period, if this performance is greater than the recovery coupon.

Drawbacks

- The principal is not guaranteed: the product involves a market risk and cannot, in any case, be considered as a capital guaranteed product. In the worst case scenario, investors will experience a total loss of capital investment. In case of physical delivery, the investor may receive such number of shares of the underlying that represents a lower value compared to the nominal amount. In the worst case scenario, the value of such shares received by the investor will be zero.
- No dividend will be paid during the life of the product (only applies for equity underlying).
- The investor bears the issuer/guarantor’s credit risk.

Outperformer Note

Potential Return Growth at maturity, Leveraged participation to the positive performance	**Commercial Terms** *Indicative and for illustration purpose only*
Anticipation Strong Increase of the underlying	
Underlying Asset Equities, ETFs, Commodities, Currencies, Indices (Single, Basket, Best Of, Worst Of)	

Issuer	ABC Bank (A/A1)
Tenor	12 months
Currency	USD
Settlement Date	Trade date + 2 weeks
Underlying	HSBC Holdings PLC (5 HK)
Participation Rate	150% to the positive performance
Principal Amount	Not guaranteed

What is an Outperformer Note?

An Outperformer Note is a structured product which allows the investor to benefit from a leveraged participation to the performance of the underlying if the underlying closes, on the final observation date, above the initial level.

If the underlying closes, on final observation date, below the initial level then the investor is physically delivered in shares of the underlying paid at the initial level.

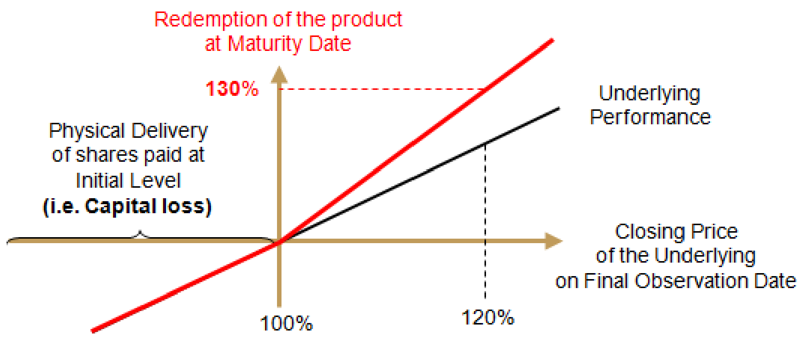
Mechanism

Redemption on the Maturity Date:

The closing price of the underlying on the final observation date (the “Final Level”) is compared to the initial level:

- If the Final Level is above the initial level leading to a positive performance over the investment period, then the investor will benefit from a participation rate of 150% to such positive performance. For instance, If the Final Level of the underlying is 20% above the initial level, then the investor receives:
  - ✓ 100% + (150% x 20%) = 130% of the nominal amount.
- If the Final Level is below the initial level (e.g. 95% of the initial level), then the investor receives physical delivery of the underlying paid at the initial level (capital loss scenario).

Payout illustration



Advantages

- The investor benefits from a leveraged participation to the potential positive performance of the underlying on the final observation date.
- The investor benefits from an unlimited potential upside with no cap on the return.

Drawbacks

- The principal is not guaranteed: the product involves a market risk and cannot, in any case, be considered as a capital guaranteed product. In the worst case scenario, investors will experience a total loss of capital investment. In case of physical delivery, the investor may receive such number of shares of the underlying that represents a lower value compared to the nominal amount. In the worst case scenario, the value of such shares received by the investor will be zero.
- No dividend will be paid during the life of the product (only applies for equity underlying).
- The investor bears the issuer/guarantor’s credit risk.

Airbag Outperformer Note

Potential Return

Growth at maturity, Leveraged participation to the positive performance

Anticipation

Strong Increase or moderate decrease of the underlying

Underlying Asset

Equities, ETFs, Commodities, Currencies, Indices (Single, Basket, Best Of, Worst Of)

Commercial Terms

Indicative and for illustration purpose only

Issuer	ABC Bank (A/A1)
Tenor	12 months
Currency	USD
Settlement Date	Trade date + 2 weeks
Underlying	Worst performing stock "WO" amongst: - CSOP FTSE China A50 ETF (2822 HK) - Nikkei 225 ETF (1321 JT)
Participation Rate	200% to the positive performance
Protection Level	90% of Initial Level observed at maturity
Principal Amount	Not guaranteed

What is an Airbag Outperformer Note?

An Airbag Outperformer Note is a structured product which allows the investor to benefit from a leveraged participation to the performance of the underlying if the underlying closes, on the final observation date, above the initial level.

The product also offers some protection on the downside, in case the underlying closes on final observation date below the initial level but at or above the protection level.

However, If the underlying closes on final observation date below the protection level, then the investor is physically delivered in shares of the underlying paid at the protection level.

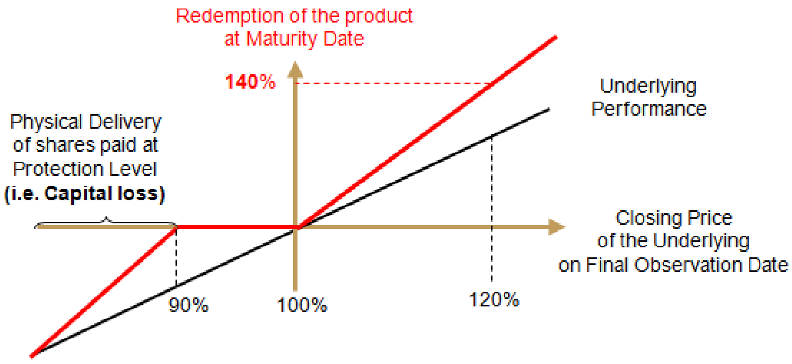
Mechanism

Redemption on the maturity date:

The closing price of the underlying on the final observation date (the "Final Level") is compared to the initial level:

- If the Final Level is above the initial level leading to a positive performance over the investment period, then the investor will benefit from a participation rate of 200% to such positive performance. For instance, If the Final Level of the underlying is 20% above the initial level, then the investor receives:
  - ✓ 100% + (200% x 20%) = 140% of the nominal amount.
- If the Final Level is below the initial level but at or above the protection level of 90% leading to a negative performance of maximum -10% over the investment period, then the investor still receives 100% of the nominal amount.
- If the Final Level is below the protection level (e.g. 85% of the initial level), then the investor receives physical delivery of the underlying paid at the protection level of 90% (capital loss scenario).

Payout illustration



Advantages

- The investor benefits from a leveraged participation to the potential positive performance of the underlying on the final observation date.
- The investor benefits from an unlimited potential upside with no cap on the return.
- The investor benefits from some protection on the downside, as long as the underlying doesn't close below the protection level on the final observation date.

Drawbacks

- The principal is not guaranteed: the product involves a market risk and cannot, in any case, be considered as a capital guaranteed product. In the worst case scenario, investors will experience a total loss of capital investment. In case of physical delivery, the investor may receive such number of shares of the underlying that represents a lower value compared to the nominal amount. In the worst case scenario, the value of such shares received by the investor will be zero.
- The potential return of the product is linked to the worst performing underlying.
- No dividend will be paid during the life of the product (only applies for equity underlying).
- The investor bears the issuer/guarantor's credit risk.

Principal Redemption Note

Potential Return

Growth at maturity, Participation to the positive performance

Anticipation

Increase of the underlying but potential downside risk

Underlying Asset

Equities, ETFs, Commodities, Currencies, Indices (Single, Basket, Best Of, Worst Of)

Commercial Terms

Indicative and for illustration purpose only

Issuer	ABC Bank (A/A1)
Tenor	6 months
Currency	HKD
Settlement Date	Trade date + 2 weeks
Underlying	Worst performing stock "WO" amongst: - China Mobile Ltd (941 HK) - HSBC Holdings Plc (5 HK)
Participation Rate	150% to the positive performance
Principal Redemption	90% Minimum Redemption at Maturity Date

What is a Principal Redemption Note?

A Principal Redemption Note is a structured product which allows the investor to benefit from a full or leveraged participation to the positive performance of the underlying, and at the same time, a full or partial protection of the nominal amount by the issuer. If we assume 150% participation rate and 90% minimum principal redemption at maturity: the performance of the product is unlimited on the upside, whereas on the downside, the potential loss for the investor cannot exceed 10% of the nominal amount.

Mechanism

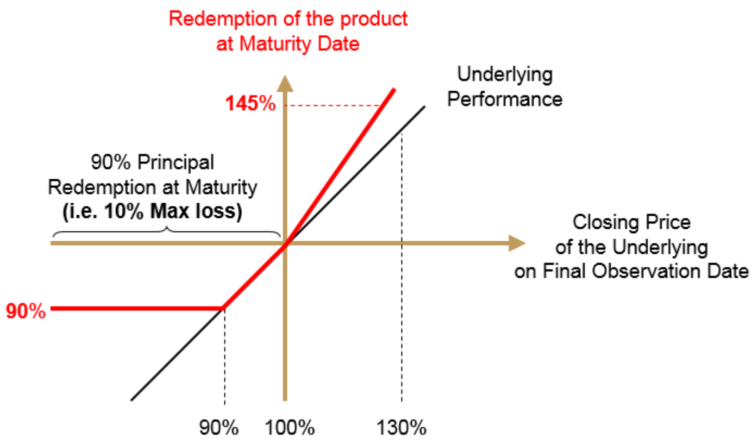
Redemption on the maturity date

On the final observation date, the performance of the underlying is recorded as:

Performance = [(final level - initial level) / initial level].

- If the performance of the underlying is positive (30% for instance) then the investor receives:
  - ✓ 100% + (150% x 30%) = 145% of the nominal amount.
- If the performance of the underlying is negative without exceeding -10% (-5% for instance) then the investor suffers a loss up to 10% of nominal amount, the investor receives:
  - ✓ 100% - 5% = 95% of the nominal amount.
- If the Performance of the underlying is negative and exceeding -10% (-20% for instance) then the investor suffers a loss with a floor at 90% of the nominal amount, the investor receives:
  - ✓ Max [90%; (100% - 20%)] = 90% of the nominal amount (maximum 10% capital loss).

Payout illustration



Advantages

- The investor benefits from a leveraged participation to the potential positive performance of the underlying on the final observation date.
- The investor benefits from an unlimited potential upside with no cap on the return.
- The minimum principal redemption is 90% at maturity date.

Drawbacks

- The capital is not 100% protected: on the final observation date, if the performance of the LPI is negative, the investor will endure a capital loss of up to 10% of the invested nominal amount.
- The potential return of the product is linked to the worst performing underlying.
- No dividend will be paid during the life of the product (only applies for equity underlying).
- The investor bears the issuer/guarantor's credit risk.

Twin Win Note / Bull Bear Note

Potential Return

Early income or Absolute performance at maturity

Anticipation

Strong Increase or moderate decrease of the underlying

Underlying Asset

Equities, ETFs, Commodities, Currencies, Indices (Single, Basket, Best Of, Worst Of)

Commercial Terms

Indicative and for illustration purpose only

Issuer	ABC Bank (A/A1)
Tenor	12 months
Currency	USD
Settlement Date	Trade date + 2 weeks
Underlying	WTI Crude Oil (CL1)
Auto Call Level	100% of Initial Level observed monthly
Coupon	10% p.a. in case of early redemption only
Participation Rate	100% to the absolute performance if no KI
Knock-in Level (KI)	80% of initial level observed daily on close
Principal Amount	Not guaranteed

What is a Twin Win Note / Bull Bear Note?

A Twin Win Note or Bull Bear Note is a structured product which allows the investor to benefit from a full participation to the absolute performance of the underlying on final observation date, if the underlying has never closed below the knock-in level on any day over the investment period. In case the knock-in level was ever reached, the investor is still entitled to benefit from any positive performance of the underlying on final observation date, but he is also fully exposed to any negative performance over the investment period.

The product can be early redeemed if the closing price of the underlying is at or above the auto call level on any relevant observation date. The investor is entitled to receive a coupon in case of such early redemption.

Mechanism

<u>Early redemption event</u> *(observation on predefined observation dates)*

On each observation date, the closing price of the underlying is compared to the auto call level:

- If it is at or above the auto call level, the product is early redeemed and the investor receives 100% of the nominal amount plus a coupon of 10% p.a. on the corresponding early redemption date.
- Otherwise, the investor receives no coupon and the product runs to the next observation date.

<u>Knock-in event "KI"</u> *(observation daily on close)*

The closing price of the underlying is observed every day over the investment period, from the trade date (excluded) to the final observation date (included)If it was ever observed below the knock-in level of 80%, a knock-in event (KI) is deemed to have occurred.

<u>Redemption at Maturity</u> *(if the early redemption event never occurred)*

On the final observation date, the performance of the underlying is recorded as:

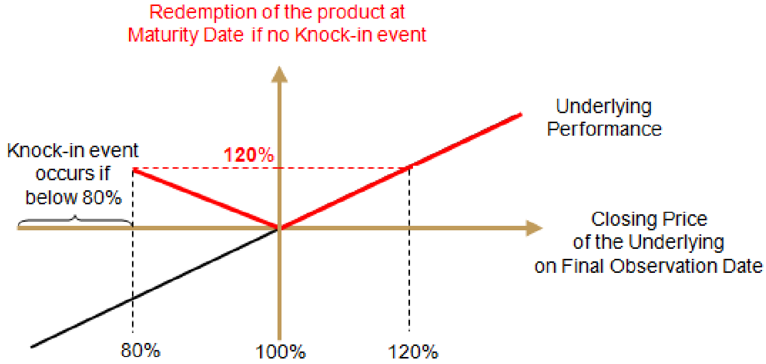
Performance = [(final level - initial level) / initial level].

- If the performance of the underlying is positive (20% for instance) then the investor receives:
  - ✓ 100% + (100% x 20%) = 120% of the nominal amount.
- If the performance of the underlying is negative (-15% for instance), then the redemption amount is subject to the occurrence or not of a knock-in event:
  - ✓ If knock-in event NEVER occurred, then the investor benefits from the negative performance of the underlying in absolute value, the investor receives:

    100% + (100% x Abs [-15%]) = 115% of the nominal amount.
  - ✓ If knock-in event EVER occurred, then the investor suffers from the negative performance of the underlying, the investor receives:

    100% + [100% x (-15%)] = 85% of the nominal amount (capital loss scenario).

Payout illustration



Advantages

- The investor benefits from a full participation to the potential positive performance of the underlying on the final observation date.
- The investor benefits from a full participation to the potential negative performance of the underlying in absolute value, observed on the final observation date, as long as the knock-in event has never occurred over the investment period.
- The investor benefits from a 10% p.a. coupon in case of early redemption.

Drawbacks

- The capital is not guaranteed: the product involves a market risk and cannot, in any case, be considered as a capital guaranteed product. In the worst case scenario, the investor will experience a total loss of the capital initially invested.
- The investor will suffer a loss from the negative performance of the underlying on the final observation date, in case a knock-in event has ever occurred over the investment period.
- No dividend will be paid during the life of the product (only applies for equity underlying).
- The investor bears the issuer/guarantor's credit risk.

Exchange-Traded Fund (ETF) Products related risk disclosures

Physical ETF

Market Risk

- An ETF is exposed to the political, economic, currency, legal and other risks of a specific sector or market related to the index and the market that it is tracking.
- ETF managers may use different strategies to perform the tracking but in general they do not have the discretion to take defensive positions in declining markets. Investors must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

Credit & Counterparty Risks

An ETF using a full replication strategy generally aims to invest in all constituent stocks/assets in the same weightings as its benchmark. ETFs adopting a representative sampling strategy will invest in some, but not all of the relevant constituent stocks/assets. For ETFs that invest directly in the underlying assets rather than through synthetic instruments issued by third parties, counterparty risk tends to be less of concern.

Liquidity Risk

Listing or trading on an exchange does not in and of itself, guarantee that a liquid market exists for an ETF.

Tracking Error

Tracking error may arise due to various factors, for instance, failure of the ETF's tracking strategy especially where an ETF does not necessarily invest/hold all or some of the constituent securities of an underlying index, the impact of fees and expenses, foreign exchange differences between the base currency or trading currency of an ETF and the currencies of the underlying investments, or corporate actions such as rights and bonus issues by the issuers of the ETF's underlying securities.

Trading at a Discount or Premium

• Where the index/market that the ETF tracks is subject to restricted access, the efficiency in unit creation or redemption to keep the price of the ETF in line with its net asset value (NAV) may be disrupted, causing the ETF to trade at a higher premium or discount to its NAV.

• Investors who buy an ETF at a premium may not be able to recover the premium in the event of termination.

Tax and other risks

Like all investments, an ETF may be subject to tax imposed by the local authorities in the market related to the index that it tracks, emerging market risks and risks in relation to the change of policy of the reference market.

Synthetic ETF

Derivative Instrument

Synthetic ETFs typically do not invest directly in the underlying assets of the respective benchmark. Instead, they invest in financial derivative instruments to replicate the performance of the benchmark. Investors should read the ETF prospectus carefully to ensure they understand how the fund operates.

Market Risk

• An ETF is exposed to the political, economic, currency, legal and other risks of a specific sector or market related to the index and the market that it is tracking.

• ETF Managers may use different strategies to perform the tracking but in general they do not have the discretion to take defensive positions in declining markets. Investors must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

Credit & Counterparty Risk

• Where a Synthetic ETF invests in derivatives to replicate the index performance, investors are exposed to the credit risk of the counterparties who issued the derivatives, in addition to the risks relating to the index.

• Potential contagion and concentration risks of the derivative issuers should be taken into account (e.g. since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty of a Synthetic ETF may have a "knock-on" effect on other derivative counterparties of the Synthetic ETF).

• Some Synthetic ETFs have collateral to reduce the counterparty risk, but there may be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral.

Liquidity Risk

A higher liquidity risk is involved if a Synthetic ETF involves derivatives which do not have an active secondary market. Wider bid-offer spreads in the price of the derivatives may result in losses.

Tracking Error

• Tracking error may arise due to various factors, for instance, failure of the ETF's tracking strategy, the impact of fees and expenses, foreign exchange differences between the base currency or trading currency of an ETF and the currencies of the underlying investments, or corporate actions such as rights and bonus issues by the issuers of the ETF's underlying securities.

• Since a Synthetic ETF does not necessarily invest/hold all or some of the constituent securities of an underlying index but instead uses financial derivative instruments in its tracking strategy, tracking error may be magnified rendering a possible adverse effect to the performance of the ETF.

Trading at a Discount or Premium

• Where the index/market that the Synthetic ETF tracks is subject to restricted access, the efficiency in unit creation or redemption to keep the price of the Synthetic ETF in line with its net asset value (NAV) may be disrupted, causing the Synthetic ETF to trade at a higher premium or discount to its NAV.

• Investors who buy a Synthetic ETF at a premium may not be able to recover the premium in the event of termination.

Tax and other risks

Like all investments, a Synthetic ETF may be subject to tax imposed by the local authorities in the market related to the index that it tracks, emerging market risks and risks in relation to the change of policy of the reference market.

RMB Products related risk disclosures (not exhaustive)

Definition of renminbi "RMB"

The renminbi is the official currency of the People's Republic of China. The literally means "people's currency". The currency code for renminbi which may also be used for the yuan is CNY (an abbreviation for "Chinese yuan") when traded onshore in Mainland China, or also CNH when traded in offshore markets such as Hong Kong, Singapore, London, New York.

RMB Currency risk

• Fluctuations in the exchange rate may adversely affect the investment return when the investors convert the proceeds to the original currency.

• RMB may not be freely convertible and is subject to Mainland China's exchange controls and restrictions.

• Products will be subject to multiple currency conversion costs involved in making investments and liquidating investments or meeting other settling or operating expenses if the products are not denominated, or if the underlying investments are not denominated, in RMB.

• When calculating the payoff/ value of the RMB products, the offshore RMB (the "CNH") will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB (the "CNY") and there may be significant bid and offer spreads. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

For RMB products that have long product tenors (if applicable)

Significant losses of principal may incur if investors redeem their investments before the maturity date or during the lock-up period (where applicable).

For RMB products that do not have access to invest directly in Mainland China

The return and performance of this product may be adversely affected due to the limited choice of available underlying investments denominated in RMB outside Mainland China.

For RMB products with a significant portion of non-RMB denominated underlying investments

There is a possibility of not receiving the full amount in RMB upon redemption if the issuer is not able to obtain sufficient amount of RMB in a timely manner due to the exchange controls and restrictions applicable to the currency.

For RMB linked Currency Linked Investments (CLI)

Alternate Currency Event Designation by the Bank

If you choose RMB as a CLI, then you should also note that upon Alternate Currency Event Designation by the Bank, the Bank will pay the Mandatory Redemption Amount in RMB or an alternate currency selected by the Bank in its sole discretion to the investor on the Mandatory Redemption Date. The Mandatory Redemption Amount is likely to be substantially less than the Principal Amount and in the worst case scenario; the Mandatory Redemption Amount is zero. Upon designation of an Alternate Currency Event by the Bank on or prior to the Maturity Date, no interest amount shall be payable to the investor.

Definitions used in relation to CLI with a Base Currency or an Alternate Currency in offshore deliverable Chinese Renminbi

• **Alternate Currency Event**: One of the following:

(a) Banking Event;

(b) Currency Event;

(c) Currency Hedging Disruption Event; and

(d) Governmental Event.

• **Banking Event**: A declaration of a banking moratorium or any suspension, waiver, deferral or repudiation of payments by banks with respect to indebtedness or deposits in the Relevant Jurisdiction; the imposition by any Governmental Authority of any moratorium on or any suspension, waiver, deferral, repudiation or required rescheduling of, or the required approval of, the payment of any amount of principal, interest or other amount of indebtedness of banks, or restriction on withdrawal of any deposited funds from banks, in the Relevant Jurisdiction; any general disruption in the bank payments system in the Relevant Jurisdiction which prevents banks from receiving or paying in any currency payable under the CLI; or any condition created by or resulting from any action or failure to act by a Governmental Authority which, in the opinion of the Bank, has an analogous effect.

• **Currency Event**: The occurrence of any event or existence of any condition (including without limitation, any such event or condition that occurs as a result of the enactment, promulgation, execution, ratification, interpretation or application of, or any change in or amendment to, any law, rule or regulation by any Governmental Authority) that generally makes it impossible, illegal or impracticable, or materially hinders the ability of any person, (a) to convert RMB into USD and/or HKD or, in each case, vice versa through customary legal channels; or (b) to effect currency transactions on terms as favorable as those available to residents of the Relevant Jurisdiction; or (c) to transfer any funds (i) from accounts inside the Relevant Jurisdiction to accounts outside the Relevant Jurisdiction; or (ii) between accounts inside the Relevant Jurisdiction, except to the extent of any such restrictions or conditions already in force and applicable to any person of the Relevant Jurisdiction as of the Deposit Value Date.

• **Currency Hedging Disruption Event**: The Bank is either (a) unable, after using commercially reasonable efforts, or (b) would incur a materially increased (as compared with circumstances existing on the Deposit Value Date) amount of tax, duty, expense or fee to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the currency risk (or any other relevant risk including, but not limited to, interest rate risk) of entering into and performing its obligations with respect to the CLI, or (ii) freely realize, recover, receive, repatriate, remit or transfer the proceeds of such transaction(s) or asset(s).

• **Governmental Authority**: Means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the Relevant Jurisdiction.

• **Governmental Event**: Expropriation, confiscation, freezing, requisition, nationalization or other action by any Governmental Authority, which directly or indirectly deprives any person or entity of any of its assets (including rights to receive payments) in the Relevant Jurisdiction.

• **Hedging Costs**: The losses, expenses and costs (if any) incurred by the Bank of unwinding, terminating, liquidating, adjusting, obtaining, replacing or re-establishing any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realizing any instruments of any type whatsoever which the Bank may hold as part of such hedging arrangements), all as calculated by the Bank acting in good faith and in a commercially reasonable manner.

• **Mandatory Redemption Amount**: An amount in RMB or an alternate currency to be determined by the Bank acting in good faith and in a commercially reasonable manner, adjusted downward to account fully for all Hedging Costs. The Mandatory Redemption Amount is likely to be substantially less than the Principal Amount and in the worst case scenario, the Mandatory Redemption Amount is zero.

• **Mandatory Redemption Date**: The date designated as such in the Mandatory Redemption Notice, which shall be a date falling not less than 2 Business Days after the date of the Mandatory Redemption Notice.

• **Relevant Jurisdiction**: The People's Republic of China (for the purpose of the CLI Documents, including Hong Kong Special Administrative Region and/or Macao Special Administrative Region but excluding the Republic of China (Taiwan)).

Investment alternatives that you may consider

CLI

	(Investment Alternative 1)	(Investment Alternative 2)
Product Name	Vanilla Option (BUY)	FX forward contract
Product Descriptions	Pay premium to hold exercise right at pre-determined strike rate on pre-determined expiry.	An agreement to trade the underlying currency pair at a future date with the exchange rate fixed on the trade day.
Payoff	Option holder may make a gain if underlying currency pair drives at correct direction at expiry.	Clear cut profit and loss at expiry
Product Liquidity	Easy to unwind on daily FX market	Easy to unwind on daily FX market
Worst Case Scenario	Premium payable will be forfeited if option does not perform	Bearing FX exchange rate change, and substantial loss on exchange back to investment currency.

Derivatives

		Investment Alternative(s)	
	Buying a Put Option	Sell the Underlying Asset Outright	Selling a Call Option
Product Descriptions	An investor buys from the counterparty the right to sell the underlying asset at the strike price when exercised, otherwise, the Put Option shall lapse.	Sell the underlying asset outright. For certain underlying assets where naked short selling is prohibited, the investor will need to have the holdings before he/she can transact the above.	An investor sells to the counterparty the right to buy the underlying asset at the strike price when exercised, otherwise, the Call Option shall lapse.
Payoff	If the price of the underlying asset on expiration date is at or below the strike price, the option will be exercised, otherwise, the option shall lapse. The potential gain is limited to the difference between the strike price and the price of the underlying asset on expiration date.	Direct participation to the depreciation and appreciation of the underlying asset.	If the price of the underlying asset on expiration date is at or above the strike price, the option will be exercised, otherwise, the option shall lapse. The potential gain is limited to the premiums received.

Product Liquidity	Limited or no liquidity as it is an over-the-counter trade.	The underlying asset may be sold in the market subject to sufficient liquidity.	Limited or no liquidity as it is an over-the-counter trade.
Worst Case Scenario	When the option is not exercised, an investor loses the premiums paid.	If the price of the underlying asset continues to rise after the investor has sold the underlying asset, the investor forgoes the opportunity cost of selling the underlying asset at a higher price. For naked short selling transactions, the potential loss is unlimited since the investor does not hold the underlying asset and such asset price may continue to rise. When the investor needs to square off the position, he/she may need to buy such underlying asset at a higher price than the price at which he/she originally sold.	When the option is exercised, the investor will have to deliver the underlying asset to the counterparty at the strike price which is a price lower than the prevailing market price.

		Investment Alternative(s)	
	Selling a Put Option	Buy the Underlying Asset Outright	Buying a Call Option
Product Descriptions	An investor sells to the counterparty the right to sell the underlying asset at the strike price when exercised, otherwise, the Put Option shall lapse.	Buy the underlying asset outright.	An investor buys from the counterparty the right to buy the underlying asset at the strike price when exercised, otherwise, the Call Option shall lapse.
Payoff	If the price of the underlying asset on expiration date is at or below the strike price, the option will be exercised, otherwise, the option shall lapse. The potential gain is limited to the premiums received.	Direct participation to the depreciation and appreciation of the underlying asset.	If the price of the underlying asset on expiration date is at or above the strike price, the option will be exercised, otherwise, the option shall lapse. The potential gain is unlimited with full participation to the upside performance of the underlying asset on expiration date.

Product Liquidity	Limited or no liquidity as it is an over-the-counter trade.	The underlying asset may be bought in the market subject to sufficient liquidity.	Limited or no liquidity as it is an over-the-counter trade.
Worst Case Scenario	When the option is exercised, the investor will need to take delivery of the underlying asset from the counterparty at the strike price which is a price higher than the prevailing market price.	The investor may suffer a potential loss if the underlying asset price falls after the investor's purchase.	When the option is not exercised, an investor loses the premiums paid.

		Investment Alternative(s)	
	Buying a Call Option	Buy the Underlying Asset Outright	Selling a Put Option
Product Descriptions	An investor buys from the counterparty the right to buy the underlying asset at the strike price when exercised, otherwise, the Call Option shall lapse.	Buy the underlying asset outright.	An investor sells to the counterparty the right to sell the underlying asset at the strike price when exercised, otherwise, the Put Option shall lapse.
Payoff	If the price of the underlying asset on expiration date is at or above the strike price, the option will be exercised, otherwise, the option shall lapse. The potential gain is unlimited with full participation to the upside performance of the underlying asset on expiration date.	Direct participation to the depreciation and appreciation of the underlying asset.	If the price of the underlying asset on expiration date is at or below the strike price, the option will be exercised, otherwise, the option shall lapse. The potential gain is limited to the premiums received.
Product Liquidity	Limited or no liquidity as it is an over-the-counter trade.	The underlying asset may be bought in the market subject to sufficient liquidity.	Limited or no liquidity as it is an over-the-counter trade.
Worst Case Scenario	When the option is not exercised, an investor loses the premiums paid.	The investor may suffer a potential loss if the underlying asset price falls after the investor's purchase.	When the option is exercised, the investor will need to take delivery of the underlying asset from the counterparty at the strike price which is a price higher than the prevailing market price.

		Investment Alternative(s)	
	Selling a Call Option	Sell the Underlying Asset Outright	Buying a Put Option
Product Descriptions	An investor sells to the counterparty the right to buy the underlying asset at the strike price when exercised, otherwise, the Call Option shall lapse.	Sell the underlying asset outright.	An investor buys from the counterparty the right to sell the underlying asset at the strike price when exercised, otherwise, the Put Option shall lapse.
Payoff	If the price of the underlying asset on expiration date is at or above the strike price, the option will be exercised, otherwise, the option shall lapse. The potential gain is limited to the premiums received.	Direct participation to the depreciation and appreciation of the underlying asset.	If the price of the underlying asset on expiration date is at or below the strike price, the option will be exercised, otherwise, the option shall lapse. The potential gain is limited to the difference between the strike price and the price of the underlying asset on expiration date.
Product Liquidity	Limited or no liquidity as it is an over-the-counter trade.	The underlying asset may be sold in the market subject to sufficient liquidity.	Limited or no liquidity as it is an over-the-counter trade.
Worst Case Scenario	When the option is exercised, the investor will have to deliver the underlying asset to the counterparty at the strike price which is a price lower than the prevailing market price.	If the price of the underlying asset continues to rise after the investor has sold the underlying asset, the investor forgoes the opportunity cost of selling the underlying asset at a higher price. For naked short selling transactions, the potential loss is unlimited since the investor does not hold the underlying asset and such asset price may continue to rise. When the investor needs to square off the position, he/she may need to buy such underlying asset at a higher price than the price at which he/she originally sold.	When the option is not exercised, an investor loses the premiums paid.

Structured Notes

	Yield Enhancement Notes	Alternative Products	
		Selling a Put Option	Buy a Cash Bond
Product Descriptions	An investor buys a Note from an issuer which enable him to receive regular or potential income while preserving the nominal amount initially invested as long as the underlying asset is observed at or above the strike price on the final observation date. E.g. Equity Linked Note, Fixed Coupon Note, Daily Range Accrual Note, Recovery Coupon Note.	An investor sells to the counterparty the right to sell the underlying asset at the strike price when exercised, otherwise, the Put Option shall lapse.	An investor buys a debt instrument generally issued by governments, supranationals, financial institutions or corporations. This includes Treasury Bills, Certificates of Deposits and Commercial Papers.
Payoff	If the price of the underlying asset on the final observation date is below the strike price, the investor receives physical delivery of the underlying asset paid at the strike level. The potential gain is limited to the coupon(s) received which can be of different nature: fixed, accrual, digital. There is usually an autocall feature. Common variations involve Worst-Of underlying, American Knock-In feature (AKI).	If the price of the underlying asset on expiration date is at or below the strike price, the option will be exercised, otherwise, the option shall lapse. The potential gain is limited to the premiums received.	The investor receives regular coupons while the principal amount of the Bond is to be repaid by the issuer upon maturity.
Product Liquidity	Limited or no liquidity as it is an over-the-counter trade.	Limited or no liquidity as it is an over-the-counter trade.	Depending on market availability.
Worst Case Scenario	The investor will need to take delivery of the underlying asset paid at the strike price which is a price higher than the prevailing market price. The investor bears the credit risk of the issuer of the Note and may lose the entire nominal amount initially invested in case of default of the issuer.	When the option is exercised, the investor will need to take delivery of the underlying asset from the counterparty at the strike price which is a price higher than the prevailing market price.	The investor bears the credit risk of the issuer of the Bond and may lose the entire principal amount initially invested in case of default of the issuer.

	Participation Notes	Alternative Products	
		Buying a Call Option	Buy the Underlying Asset Outright
Product Descriptions	An investor buys a Note from an issuer which enable him to participate to the potential upside performance of the underlying asset observed on the final observation date. The nominal amount initially invested is preserved as long as the underlying asset is observed at or above the strike price on the final observation date. E.g. Outperformer Note, Airbag Outperformer Note, Principal Redemption Note.	An investor buys from the counterparty the right to buy the underlying asset at the strike price when exercised, otherwise, the Call Option shall lapse.	An investor buys the underlying asset outright.
Payoff	If the price of the underlying asset on the observation date is below the strike price, the investor receives physical delivery of the underlying asset paid at the strike level. The potential gain is unlimited with full or leveraged participation to the upside performance of the underlying asset. There is usually no autocall feature. Common variations involve Worst-Of underlying, American Knock-In feature (AKI), partial downside protection (put spread).	If the price of the underlying asset on expiration date is at or above the strike price, the option will be exercised, otherwise, the option shall lapse. The potential gain is unlimited with full participation to the upside performance of the underlying asset on expiration date.	Direct participation to the depreciation and appreciation of the underlying asset.
Product Liquidity	Limited or no liquidity as it is an over-the-counter trade.	Limited or no liquidity as it is an over-the-counter trade.	The underlying asset may be bought in the market subject to sufficient liquidity.
Worst Case Scenario	The investor will need to take delivery of the underlying asset paid at the strike price which is a price higher than the prevailing market price. The investor bears the credit risk of the issuer of the Note and may lose the entire nominal amount initially invested in case of default of the issuer.	When the option is not exercised, the investor loses the premiums paid.	The investor suffers from the negative performance of the underlying asset over the investment period.

The content of this Product Booklet (including the product nature, description and risks) may not be applicable to all or any of the investment alternatives herein. So please obtain the Product Booklet(s) for the investment alternative(s) that you are interested in from your Relationship Manager and transact over that/those investment alternative(s) ***only after*** you have carefully read and fully understood the Product Booklet(s) for that/those investment alternative(s).