

Questions and answers on the
Lehman related Constellation Notes Resolution Scheme offered
by DBS Bank (Hong Kong) Limited (“DBSHK”)
14 July 2010

1. What product does the Resolution Scheme apply to?

The Resolution Scheme applies to the 32 series of credit linked notes which were issued under the US\$5,000,000,000 Limited Recourse Secured Note Programme by Constellation Investment Ltd (“**Constellation Notes**”), and which had Lehman Brothers Holdings Inc as one of the credit reference entities (the “**Lehman related Constellation Notes**”).

The Lehman related Constellation Notes are series 34-37, 43-46, 55-58, 59-62, 63-66, 67-70, 71-74 and 78-81 of the Constellation Notes.

2. Who is covered by an offer under the Resolution Scheme from DBSHK?

All customers who acquired the Lehman related Constellation Notes from or through DBSHK are covered by the Resolution Scheme but not all customers will receive an offer of a return of their investment.

3. Who will receive an offer of a return of their investment in the Lehman related Constellation Notes from DBSHK?

Customers will receive a Resolution Offer (detailed in Question 4) under the Resolution Scheme if they:

- (a) were assessed by DBSHK by way of its investment profile questionnaires at the time they acquired the relevant series of the Lehman related Constellation Notes as either a level 1 (conservative), level 2 (moderate), or level 3 (balanced) investor (“**Low Risk Customer**”); and
- (b) remained a holder of the Lehman related Constellation Notes on 19 September 2008 (the date on which the Credit Event Notice was issued in respect of the Lehman related Constellation Notes); and
- (c) have not previously reached a settlement with DBSHK in relation to the Lehman related Constellation Notes.

4. What will a customer receive under the Resolution Offer?

Under the Resolution Offer, a customer will receive an offer of resolution payment (the “**Resolution Amount**”) from DBSHK equal to:-

- (a) the notional value of his/her investment in the Lehman related Constellation Notes;
- (b) plus an amount equal to the interest that would have been earned on the notional value of the investment if it had been placed with DBSHK on fixed term deposit (as detailed in Question 8); and
- (c) less the amount of coupon payments received by him/her in relation to his/her investment in the relevant series of Lehman related Constellation Notes.

5. What offer will Low Risk Customers receive from DBSHK if they have previously reached settlement with DBSHK?

Low Risk Customers who have previously reached a settlement with DBSHK regarding the Lehman related Constellation Notes will receive a Top Up Offer (as detailed in Question 6) if they remained a holder of the Lehman related Constellation Notes on 19 September 2008.

6. What will a customer receive under the Top Up Offer?

Under the Top Up Offer, a customer will receive an offer from DBSHK to pay him/her an amount (the “**Top Up Amount**”) basically equal to the difference between:-

- (a) the settlement payment received from DBSHK previously in relation to the Lehman related Constellation Notes; and
- (b) the amount he/she would have received under the Resolution Offer if he/she has not previously reached a settlement agreement with DBSHK in relation to the Lehman related Constellation Notes.

7. What will a customer get if he/she is not a Low Risk Customer under the Resolution Scheme?

Lehman related Constellation Note customers who, at the time they acquired the relevant series of the Lehman related Constellation Note, were assessed as a level 4 (growth) or level 5 (aggressive) investor (“**High Risk Customers**”) will not automatically receive a payment offer from DBSHK under the Resolution Scheme.

However, their complaints will be considered under the Enhanced Complaint Handling Procedures. This process was designed to ensure that an intensive review is conducted into the relevant transactions to ensure that complaints are resolved in a fair and reasonable manner.

8. How is the interest payment in the Resolution Amount calculated?

The interest payment is calculated using the 12 month fixed term deposit interest rates for deposits over HKD5 million or their equivalent in USD and the interest period will run from the date of issue of the relevant series of the Lehman related Constellation Notes up to 14 July 2010 (the date on which DBSHK reached agreement with the SFC and HKMA regarding the Resolution Scheme).

The 12 month fixed term deposit interest rates for HKD and USD applicable to each period and to each corresponding series of the Lehman related Constellation Notes for the calculation of the Interest Payment are set out in the table in the attached Schedule.

The interest payment for each series of Lehman related Constellation Notes is given by:

$$[P \times R_{(t)} + P \times R_{(t+1)} + P \times R_{(t+2)} + \dots + P \times R_{(\text{last period})} \times D \div \text{base year}]$$

Where:

P =	the notional value of the investment
$R_{(t)}$ =	DBSHK’s 12 month fixed term deposit interest rate on the date of issue of the relevant series of the Lehman related Constellation Notes
$R_{(t+n)}$ =	DBSHK’s 12 month fixed term deposit interest rate on each of the successive issue anniversary dates of the relevant series of the Lehman related Constellation Notes

R(last period)= DBSHK's 12 month fixed term deposit interest rate on the last issue anniversary date of the relevant series of the Lehman related Constellation Notes before 14 July 2010

D = the number of days counting from the day after the last issue anniversary date to 14 July 2010

To illustrate the calculation of the Interest Payment (for reference only):

Constellation Notes : Series 35
 Denomination : HKD
 Issue Date : 28 March 2006
 End Date : 14 July 2010
 Notional value (P) : \$1,000,000
 Fixed deposit rates : 3.6% on 28 March 2006
 : 3.0% on 28 March 2007
 : 1.3% on 28 March 2008
 : 0.85% on 27 March 2009
 : 0.2% on 26 March 2010
 No. of days remaining : 108 days

$$\begin{aligned}
 \therefore \text{Interest Payment} &= (P \times 3.6\%) + (P \times 3.0\%) + (P \times 1.3\%) + (P \times 0.85\%) + (P \times 0.2\% \times 108 \div 365) \\
 &= \$36,000 + \$30,000 + \$13,000 + \$8,500 + \$591.78 \\
 &= \$88,091.78
 \end{aligned}$$

Please note that Interest Payment will be rounded up to the nearest ten dollars.
 In the example above, the Interest Payment will therefore be \$88,100.00

9. In what currency will the Resolution Amount or the Top Up Amount be paid?

The Resolution Amount or the Top Up Amount (as the case may be) will be paid in Hong Kong Dollars for the Lehman related Constellation Notes denominated in Hong Kong Dollars and in US Dollars for the Lehman related Constellation Notes denominated in US Dollars.

10. Should a customer accept DBSHK's offer of the Resolution Amount or the Top Up Amount under the Resolution Scheme?

A Low Risk Customer receiving DSBHK's Resolution Offer or the Top Up Offer (together, the "Offer") may accept or reject the offer.

He/she should carefully consider the terms of the Offer, the conditions for acceptance, and more importantly, his/her personal circumstances before deciding whether to accept or reject the Offer. If necessary, he/she should consider seeking independent legal and financial advice.

11. What are the conditions for acceptance of DBSHK's resolution offer?

A Low Risk Customer who accepts DBSHK's Offer will have to:

- (a) release DBSHK, its group companies, and its present and former officers, directors and employees, from any and all civil claims arising from or in connection with the Lehman related Constellation Notes;
- (b) withdraw and permanently discontinue any legal proceedings, arbitration proceedings or mediation arising from or in connection with the Lehman related Constellation Notes;
- (c) withdraw all complaints made to DBSHK, the Securities and Futures Commission, the Hong Kong Monetary Authority and the Consumer Council from or in connection with the Lehman related Constellation Notes; and
- (d) execute such documentation as is necessary to give effect to the above.

12. What is the procedure for accepting the Offer?

DBSHK will issue the Offer Letters, in batches, by registered mail or courier by 18 August 2010 to the customers' last known addresses maintained with DBSHK.

If a customer decides to accept the Offer, the customer will have to sign and return the Acceptance Form attached to the Offer Letter.

13. What is the deadline for customers to accept the Offer?

The Acceptance Form must be signed and returned to DBSHK within 60 days from the date of the Offer Letter.

14. What happens if the Acceptance Form is not returned to DBSHK within the 60-day period?

If the Acceptance Form is not returned to DBSHK within 60 days from the date of the Offer Letter, the Offer will lapse automatically.

If the customer has a valid reason for not submitting the Acceptance Form within the original 60-day period, DBSHK will treat the Offer as open for acceptance for another 30 days. If the customer again fails to submit the Acceptance Form within the 30-day period, the Offer will lapse.

- 15. If the Lehman related Constellation Notes were acquired through a joint account at DBSHK, will the acceptance of all the joint account holders be necessary to constitute a valid acceptance?**

Yes, the Acceptance Form must contain all the signatures of the joint account holders to be treated as a valid acceptance. Partial acceptance by some but not all of the joint account holder will not be accepted as valid acceptance.

- 16. If the Lehman related Constellation Notes were acquired through a joint account at DBSHK, does the rejection of the Offer require the signatures of all the account holders?**

Yes, all the joint account holders are expected to sign the Rejection Form. On the other hand, if the Acceptance Form is not signed and returned within the permitted time, the Offer will lapse.

- 17. When can a customer expect to receive the Resolution Amount or Top Up Amount?**

DBSHK will make the Resolution Amount or the Top Up Amount within 30 days after it receives a valid Acceptance Form from the customer by either transferring the payment into the customer's bank account with DBSHK (in the case of persons who maintain an account with DBSHK) or by cheque (in the case of persons who do not maintain an account with DBSHK).

- 18. What should a customer do if he/she is eligible for the offer but does not want to accept the offer?**

If an eligible customer decides not to accept the Offer, he/she should complete and send the Rejection Form attached to the Offer Letter to DBSHK. Alternatively, the Offer will be deemed to have been rejected automatically if not accepted within the time limit.

19. Can the acceptance contain in the Acceptance Form be qualified?

Any qualifications made in relation to the Acceptance Form will be treated as a rejection of the Offer.

20. If the customer received DBSHK's Offer in relation to several series of the Lehman related Constellation Notes from DBSHK, can he/she accept an Offer under the Resolution Scheme for some but not all of the series?

No, the customer cannot accept an Offer under the Resolution Scheme for some but not all relevant series of Lehman related Constellation Notes. Any acceptance of an Offer under the Resolution Scheme for some but not all relevant series of Lehman related Constellation Notes will be treated as a rejection.

21. What other possible means can a customer pursue if he/she does not accept the Offer made under the Resolution Scheme?

Low Risk Customers not accepting the Offer or High Risk Customers not receiving an offer from DBSHK under the Resolution Scheme may consider resorting to the Enhanced Complaint Handling Procedures, which are designed to ensure that an intensive review is conducted into relevant transactions to ensure that complaints are resolved in a fair and reasonable manner.

22. What are the contact details of DBSHK for the Resolution Scheme?

If a customer who purchased Lehman related Constellation Notes from DBSHK has any queries about this Resolution Scheme or any complaint about the administration of the Resolution Scheme, he/she may contact DBSHK according to the contact details set out below:-

Hotline: 2290 8123

Fax: 2806 5308

Email: feedback.pqm.hk@dbs.com

Schedule : Fixed Term Deposit Interest Table

Constellation Notes	Issue Date	12-Month HKD TD	Date	12-Month HKD TD	Date	12-Month HKD TD	Date	12-Month HKD TD	Date	12-Month HKD TD
Series 34-37	28-Mar-06	3.60%	28-Mar-07	3.00%	28-Mar-08	1.30%	27-Mar-09	0.85%	26-Mar-10	0.20%
Series 43-46	28-Jul-06	3.60%	27-Jul-07	3.40%	28-Jul-08	2.40%	28-Jul-09	0.25%		
Series 55-58	22-Nov-06	3.15%	22-Nov-07	3.05%	21-Nov-08	1.55%	20-Nov-09	0.25%		
Series 59-62	10-Jan-07	3.00%	10-Jan-08	2.85%	09-Jan-09	1.00%	08-Jan-10	0.20%		
Series 63-66	08-Feb-07	3.00%	06-Feb-08	1.50%	06-Feb-09	1.00%	08-Feb-10	0.20%		
Series 67-70	22-Mar-07	3.00%	20-Mar-08	1.30%	20-Mar-09	0.85%	22-Mar-10	0.20%		
Series 71-74	23-May-07	3.00%	23-May-08	1.70%	22-May-09	0.45%	20-May-10	0.20%		
Series 78-81	23-Jul-07	3.40%	23-Jul-08	2.45%	23-Jul-09	0.25%				

Constellation Notes	Issue Date	12-Month USD TD	Date	12-Month USD TD	Date	12-Month USD TD	Date	12-Month USD TD	Date	12-Month USD TD
Series 34-37	28-Mar-06	3.70%	28-Mar-07	3.80%	28-Mar-08	1.15%	27-Mar-09	0.45%	26-Mar-10	0.20%
Series 43-46	28-Jul-06	4.00%	27-Jul-07	3.80%	28-Jul-08	1.95%	28-Jul-09	0.25%		
Series 55-58	22-Nov-06	4.10%	22-Nov-07	3.25%	21-Nov-08	0.50%	20-Nov-09	0.20%		
Series 59-62	10-Jan-07	3.95%	10-Jan-08	2.70%	09-Jan-09	0.55%	08-Jan-10	0.20%		
Series 63-66	08-Feb-07	3.95%	06-Feb-08	1.50%	06-Feb-09	0.50%	08-Feb-10	0.20%		
Series 67-70	22-Mar-07	3.80%	20-Mar-08	1.15%	20-Mar-09	0.45%	22-Mar-10	0.20%		
Series 71-74	23-May-07	3.80%	23-May-08	1.65%	22-May-09	0.25%	20-May-10	0.20%		
Series 78-81	23-Jul-07	3.80%	23-Jul-08	2.00%	23-Jul-09	0.25%				