

DBS HIGH NOTES 2 FAQ

3 October 2008

1) What has happened to DBS High Notes 2 (HN2)?

HN2 is a 5-year structured "first-to-default" credit-linked note designed for investors seeking enhanced yield by providing exposure to a basket of highly-rated entities, each with a minimum credit rating of A- by Standard and Poor's (S&P). The proceeds of HN2 were used to purchase a note, referred to in the Pricing Statement as "Reference Notes", issued by Constellation Investment Ltd.

As explained in the HN2 Pricing Statement, investors are subject to the following credit risks:

- a) The credit risk of the Issuer;
- b) The credit risk of Constellation and the collateral purchased by Constellation ('collateral') to secure its obligations under the Reference Notes; and
- c) The credit risk of the 8 Reference Entities in the first-to-default basket (FTD basket).

With reference to (b), investors were informed that Constellation would be using the funds raised in issuing the Reference Notes to invest in high quality bonds or structured securities rated at least AA by S&P, AA by Fitch or Aa by Moody's (at time of the issue of HN2) to secure its obligations under the Reference Notes (collateral). Investors were also informed that the specific composition of the collateral was yet to be determined at the time of the Pricing Statement. The collateral, which comprises of 100 names from 17 industries and 14 countries, was rated AA by S&P at the time HN2 was issued.

Lehman Brothers Holdings Inc., Federal Home Loan Mortgage Corporation (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), are not Reference Entities in the FTD basket but are all entities linked to the collateral. As a result of recent events surrounding these 3 entities, S&P has on 23 September 2008 downgraded the collateral from AA to BBB+. The downgrading will not result in an early redemption of the Reference Notes and the current valuation of HN2 has already taken into account the events surrounding these entities.

If HN2 is held to maturity, and there is no credit event in the FTD basket and the Reference Notes are not redeemed early, investors will receive at maturity, the principal that they invested.

As the amount of principal and/or interest payable to investors in HN2 is dependent on payments received from Constellation, if the collateral becomes insufficient to secure the obligations of Constellation under the Reference Notes, the Reference Notes may be redeemed early. If this happens, HN2 would be redeemed early as well and investors may get significantly lower than their investment.

2) What constitutes a Credit Event?

A Credit Event, under the Reference Notes, means any one or more of the following events or conditions with respect to any Reference Entity: (i) Bankruptcy; (ii) Failure to pay; or (iii) Restructuring. Please refer to page 55 through 58 of HN2 Pricing Statement for full description.

3) So what next?

To help investors monitor their investments in HN2, half-yearly statements are sent to reflect the value of the investment (including the effect of any deterioration in the credit quality of the collateral). We also inform our customers of the occurrence of any event which has or may have an adverse effect on the redemption amount.

A number of customers have asked us for the indicative value for HN2 on a daily basis. We are pleased to inform that we are providing indicative values and redemptions on a daily basis until further notice. The daily indicative values are available on the DBS website at www.dbs.com.

Should you have any enquiries, please contact our Customer Services Hotline at 1800-111-1111*. For DBS Treasures customers, please contact the Treasures Hotline at 1800-221-1111**. Alternatively, please email us at customerservice@dbs.com.

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