

# DBS HIGH NOTES 3 (HN3) FAQ

7 May 2009

## 1) What is HN3?

HN3 is a 3-year first-to-default structured note linked to a basket of credits. The credit basket consists of eleven international / regional banks and companies and one sovereign (Reference Entities), with credit ratings ranging from BBB- to AA- rated by Standard & Poor's at the point of sale of HN3 in August 2006.

## 2) Has HN3 been impacted by recent events in credit markets?

As at 7 May 2009, based on information available to the bank, no credit event has occurred to HN3.

## 3) What constitutes a Credit Event?

A Credit Event, as defined in HN3 Pricing Statement and DBS Base Prospectus, 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; or
- (iv) Repudiation/Moratorium

Please refer to page 16 of HN3 Pricing Statement and DBS Base Prospectus for full description.

## 4) I have been reading a lot about Chrysler. Can you tell me more?

Daimler Chrysler AG was one of the Reference Entities in HN3. Daimler Chrysler AG has in October 2007 been renamed as Daimler AG. Chrysler LLC is not a Reference Entity in HN3.

The renaming of Daimler Chrysler AG does not in itself constitute a credit event under HN3. The Reference Obligation of Daimler AG also remains unchanged.

## 5) Can you outline to me again the credit risks that I am taking for HN3?

As highlighted in the HN3 Pricing Statement and DBS Base Prospectus, investors are subjected to the following credit risks:

- i) The credit risk of the Issuer, DBS Bank Ltd (Moody's Aa1/S&P AA-/Fitch AA- as at 7 May 2009)
- ii) The credit risk of the twelve Reference Entities in the credit basket.

Please refer to the Scenario Analyses set out in the HN3 Pricing Statement. For your convenience, we reproduce Scenarios 1 and 3 here:

### SCENARIO ANALYSES

#### **Scenario 1: No credit event occurs in relation to any of the Reference Entities**

*If no credit event occurs in relation to any of the Reference Entities on or prior to the Scheduled Maturity Date of the Notes, the investor will receive 100% of the initial amount invested on the Final Maturity Date and coupons on the stated interest payment dates.*

**Scenario 3: Worst Case Scenario – A credit event occurs in relation to the Reference Entity**

*In the worst-case scenario, if a credit event occurs in relation to any of the Reference Entities, and there is zero recovery on the Reference Obligation, the Notes will terminate immediately and investor may lose his original investment amount.*

**6) Can you update me on the credit ratings of each of the Reference Entities?**

Please refer to the list in the Annex.

**7) Why has the value of HN3 fluctuated in recent weeks?**

The mark-to-market valuation of HN3 is dependent on a number of factors including, but not limited to, the prevailing interest rates, the prevailing foreign exchange rates, the prevailing credit spreads of the Reference Entities and the correlation between the Reference Entities. The global credit market has deteriorated substantially in recent months on the back of the financial meltdown triggered by several events including Lehman's bankruptcy. The global financial markets remain highly volatile, as investors worldwide continue to re-assess the risks they are willing to undertake. New and existing investments were directly or indirectly affected, to varying degrees. These events contributed to the fall in the mark-to-market valuation of HN3.

**8) So what should I do next?**

To help investors monitor their investments in HN3, quarterly statements are sent to investors in January, April, July and October of each year. Each statement will reflect the value of the investment and include information on the occurrence of any event which has or may have an adverse effect on the redemption amount or the outstanding principal amount in relation to HN3.

We have also started to publish the indicative redemption prices for HN3 on a daily basis. The daily indicative prices are available on the DBS website at Rates Online at [www.dbs.com](http://www.dbs.com). Redemptions are available for HN3 on a daily basis until further notice.

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](mailto:customerservice@dbs.com).

\* After selecting the language option, press \*0 and then 4 to speak with a customer service officer on investments.

\*\* Press 2 to speak with a Treasures customer service officer on investments.

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# DBS HIGH NOTES 3

## List of Reference Entities with Updated Credit Ratings

High Notes 3			
Reference Entity	S&P Issuer Rating (current) <sup>1</sup>	Moody's Issuer Rating (current) <sup>1</sup>	Fitch Issuer Rating (current) <sup>1</sup>
ABN Amro Bank NV	A+	Aa2	AA-
Bank of Tokyo-Mitsubishi UFJ Ltd	A+	Aa2	A+
Deutsche Bank AG	A+	Aa1	AA-
Korea Exchange Bank	BBB+	A2	A-
Standard Chartered Plc	A	A3	A+
United Overseas Bank Ltd	A+	Aa1	AA-
Daimler AG*	A-	A3	BBB+
Hyundai Motor Company	BBB-	Baa3	BB+
Kingdom of Thailand	BBB+	Baa1	BBB
LG Electronics Inc	BBB	Baa3	BBB
Royal KPN NV	BBB+	Baa2	BBB+
Altria Group Inc (formerly known as Philip Morris Companies Inc	BBB	Baa1	BBB+

\* Previously known as Daimler Chrysler AG

<sup>1</sup> Source: Standard and Poor's, Moody's and Fitch respectively, from their respective website, <http://www.standardpoors.com>, <http://www.moodys.com> and <http://www.fitchratings.com>, as at 6 May 2009. There is no assurance that the ratings will not change after this date. None of Standard & Poor's, Moody's and Fitch has consented to the inclusion of the above statements for the purposes of Section 249 of the SFA and they are therefore not liable for the above statements under Sections 253 and 254 of the SFA. The above statements are subject to any disclaimers of Standard & Poor's, Moody's and Fitch applicable from time to time as set out in their respective websites.

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