

RISK DISCLOSURE STATEMENT FOR PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES
DBS BANK LTD., LONDON BRANCH

1. IMPORTANT INFORMATION

This Risk Disclosure Statement contains general information about the risks associated with investing and trading in financial instruments traded by DBS Bank Ltd, London Branch ("DBSL"). This Risk Disclosure Statement does not take into account your specific objectives, financial situation or needs and does not constitute, and should not be used as a substitute for, independent financial, tax, legal or regulatory advice. You should read this Risk Disclosure Statement carefully to assess whether you should enter into a transaction in respect of a financial instrument having regard to your objectives, financial situation and needs, and where necessary, speak to an independent financial advisor or other independent professional advisors before making an investment decision. You should have the relevant expertise, experience and knowledge to enable you to make your own investment decisions and to understand the nature and extent of the risks involved. You should be satisfied that the instrument is appropriate in the context of your financial circumstances and desired exposure to risk. This Risk Disclosure Statement may not disclose all of the risks and other significant aspects of the Investments in respect of which DBSL may give advice or of the Investments which may be the subject of dealings by DBSL with you or on your behalf. Neither does this Risk Disclosure Statement constitute a personal recommendation to you.

You are classified as either a professional client or eligible counterparty ("ECP"), each as defined in the FCA Handbook. The target market we have identified for the types of financial instruments contemplated herein includes all clients categorised as professional clients or ECPs, unless expressly stated to the contrary. For specific, bespoke or structured financial instruments we may identify the target market more precisely taking into account their specific terms. If so, the risks of those financial instrument will be set out with greater specificity in the relevant financial instrument's supporting terms and conditions, documentation, prospectus or other supporting material distributed to you in good time before you enter into the financial instrument.

2. GENERAL RISK WARNING

All investments and trading in financial instruments carry risk and different strategies may carry different levels of risk, depending on the assets that make up the strategy. Investing or trading in financial instruments may result in you losing your entire investment or incurring significant costs, including costs well in excess of your original investment. Before investing or trading, you should consider the level of risk involved with a particular investment and whether the potential returns justify those risks.

All financial instruments contain one or more of the below risks:

Market Risk: The exposure of the investment to movements in market factors, including, for example, interest rates, exchange rates, commodity prices and volatility. Organisations manage market risk by applying risk limits to traders' activities.

Counterparty Credit Risk: Is the risk that a counterparty to a financial transaction will fail to fulfil their obligations. Credit risk can comprise counterparty risk (risk associated with the counterparty's general financial viability in light of its business) and settlement risk (risk associated with the counterparty's ability to settle the transaction according to the terms of the contract). A variety of measures can be used to manage and mitigate credit risk including collateralisation, the application of credit risk limits and credit derivatives.

Country Risk: Is the risk that a country will default on its bonds or other financial commitments. Country risk also refers to the broader notion of the degree to which political and economic unrest affect the securities of issuers doing business in a particular country. Political risk (risk arising from decisions of governments) may be harder to evaluate than commercial risk.



Convertibility: The risk of loss arising from an inability to convert local currency into a fully convertible currency and or repatriate convertible currency back to a home country.

Liquidity Risk: Is financial risk arising due to uncertain liquidity i.e. how quickly an asset can be converted into cash. Different financial instruments will have different liquidity based on demand for those instruments or the nature of the markets they are normally traded on. Liquidity risk is often compounded or correlated to other risks.

Fixing Risk: Where the value of a financial instrument depends on a publicly available benchmark, there is a risk that such a benchmark is inaccurate or inadequate for its purposes. In addition, a benchmark may cease to be published either permanently or temporarily.

Delivery Risk: Where you have entered into a physically settled derivative you may be obliged to deliver, or take delivery of, the relevant asset. For physically settled commodities and natural resource derivatives this may require significant operational resources to achieve.

Currency risk: You accept and recognise that, if a liability in one currency is to be matched by an asset in a different currency, a movement in exchange rates may have an effect, favourable or unfavourable, on the gain or loss attributable to an investment, separate from and additional to a gain or loss in the currency in which the investment is denominated.

Overseas markets: Any overseas investment or investment with an overseas element can be subject to the risks of overseas markets which may involve different risks from those of the home market of the investor. In some cases the risks will be greater. The potential for profit or loss from transactions on foreign markets or in overseas denominated contracts will be affected by fluctuations in overseas exchange rates.

Emerging Markets: Price volatility in emerging markets, in particular, can be extreme. Price discrepancies, low trading volumes and wide pricing spreads can be common and unpredictable movements in the market not uncommon. Additionally, as news about a country becomes available, the financial markets may react with dramatic upswings and/or downswings in prices during a very short period of time. Emerging markets generally lack the level of transparency, liquidity, efficiency, market infrastructure, legal certainty and regulation found in more developed markets. For example, these markets might not have regulations governing market or price manipulation and insider trading or other provisions designed to "level the playing field" with respect to the availability of information and the use or misuse thereof in such markets. They may also be affected by sector, economic and political risk. It may be difficult to employ certain risk and legal uncertainty management practices for emerging markets investments, such as forward currency exchange contracts or derivatives. The impact of the imposition or removal of foreign exchange controls at any time should be considered, as well as potential difficulties in repatriation of assets. The risks associated with nationalisation or expropriation of assets, the imposition of confiscatory or punitive taxation, restrictions on investments by foreigners in an emerging market, sanctions, war and revolution should also be considered.

Interest Rate Risk: Interest rates can rise as well as fall. A risk with interest rates is that the relative value of a security, especially a bond, will worsen due to an interest rate increase. This could impact negatively on other products. There are additional interest rate related risks in relation to floating rate instruments and fixed rate instruments; interest income on floating rate instruments cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of floating rate instruments at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the relevant instruments provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

Changes in market interest rates have a substantially stronger impact on the prices of zero coupon bonds than on the prices of ordinary bonds because the discounted issue prices are substantially below par. If market interest rates increase, zero coupon bonds can suffer higher price losses than other bonds having the same maturity and credit rating.



Commodity Risk: The prices of commodities may be volatile, and, for example, may fluctuate substantially if natural disasters or catastrophes, such as hurricanes, fires or earthquakes, affect the supply or production of such commodities. The prices of commodities may also fluctuate substantially if conflict or war affects the supply or production of such commodities. If any interest and/or the redemption amount payable in respect of any product is linked to the price of a commodity, any change in the price of such commodity may result in the reduction of the amount of interest and/or the redemption amount payable. The reduction in the amount payable on the redemption of an investment may result, in some cases, in you receiving a smaller sum on redemption of a product than the amount originally invested in such product.

Regulatory and Legal Risk: All investments could be exposed to regulatory, legal or structural risk. Returns on all, and particularly new, investments are at risk from regulatory or legal actions and changes which can, amongst other issues, alter the profit potential of an investment. Legal changes could even have the effect that a previously acceptable investment becomes illegal. Changes to related issues such as tax may also occur and could have a large impact on profitability. Such risk is unpredictable and can depend on numerous political, economic and other factors. For this reason, this risk is greater in emerging markets but does apply everywhere. In emerging markets, there is generally less government supervision and regulation of business and industry practices, stock exchanges and over-the-counter markets.

The type of laws and regulations with which investors are familiar in the UK may not exist in some places, and where they do, may be subject to inconsistent or arbitrary application or interpretation and may be changed with retroactive effect. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Judges and courts in many countries are generally inexperienced in the areas of business and corporate law. Companies are exposed to the risk that legislatures will revise established law solely in response to economic or political pressure or popular discontent. There is no guarantee that an overseas investor would obtain a satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over ownership of assets. An investor may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in overseas courts.

In the case of many products, there will be no legal or beneficial interest in the obligations or securities of the underlying reference entity but rather an investor will have a contractual relationship with the counterparty only and its rights will therefore be limited to contractual remedies against the counterparty in accordance with the terms of the relevant product.

In all cases the legal terms and conditions of a product may contain provisions which could operate against your interests. For example, they may permit early redemption or termination at a time which is unfavourable to you, or they may give wide discretion to the issuer of securities to revise the terms applicable to securities. In other cases there may be limits on the amounts in relation to which rights attaching to securities may be exercised and in the event that you hold too many (or too few) securities, your interests may be prejudiced and you should scrutinise these carefully. In some cases, the exercise of rights by others may impact on your investment. For example, a product such as a bond or note may contain provisions for calling meetings of holders of those bonds or notes to consider matters affecting their interests generally (including yours) and may permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Further, in some cases amendments may be made to the terms and conditions of bonds or notes without the consent of any of the holders in circumstances set out in general conditions attaching to such bonds or notes.

Operational Risk: Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can impact on all financial products. Business risk, especially the risk that the business is run incompetently or poorly, could also impact on shareholders of, or investors in, such a business. Personnel and organisational changes can severely affect such risks and, in general, operational risk may not be apparent from outside the organisation.

Stabilisation: Transactions may be carried out in securities where the price may have been influenced by measures taken to stabilise it.

Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other

securities relating to it. Regulations allow stabilisation in order to help counter the fact that, when a new issue comes on to the market for the first time, the price can sometimes drop for a time before buyers are found. Stabilisation is carried out by a 'stabilisation manager' (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.

The Stabilisation Rules:

- (a) Limit the period when a stabilising manager may stabilise a new issue;
- (b) Fix the price at which he may stabilise (in the case of shares and warrants but not bonds); and
- (c) Require him to disclose that he may be stabilising but not that he is actually doing so.

The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, nor of the price at which they are prepared to buy the securities.

3. FINANCIAL INSTRUMENT SPECIFIC RISKS

a. Bonds

Bonds are negotiable debt instruments issued in bearer or registered form by a company, a government body or other entity to creditors and whose par value at issuance represents a fraction of the total amount of the debt. The duration of the debt as well as the terms and conditions of repayment are determined in advance. Unless stipulated otherwise, the bond is repaid either at the maturity date, or by means of annual payments, or at different rates determined by drawing lots. The interest payments on bonds may be either (i) fixed for the entire duration or (ii) variable and often linked to reference rates. The purchaser of a bond (the creditor) has a claim against the issuer (the debtor).

Investments in bonds may involve risks including but not limited to the following:

- (i) **Issuer risk:** The value of the bond and the payment of any amounts are also on the creditworthiness of an issuer, which may vary over the term of the bond. Any ratings of the issuer reflect the independent opinion of the rating agencies as to the safety of payments of principal and coupon. These ratings are not a guarantee of credit quality. The ratings do not take into consideration any risk associated with fluctuations in the market value of the bonds, or where factors other than the issuer's credit quality determine the level of principal and coupon payments.
- (ii) **Tax:** An investment in bonds may give rise to tax consequences. Any tax liability is dependent on the taxpayer's personal circumstances. The basis and level of any taxes may change during the term of the bond.
- (iii) **Currency risk:** Investors whose base currency is not the settlement currency of the bonds should be aware of exchange-rate risk.
- (iv) **Secondary market risk:** Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid or sustainable. Therefore, investors may not be able to sell their bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed liquid secondary market. This is particularly the case for bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors or for notes the outstanding number of which is very low. These types of bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of bonds. Accordingly, the

bonds should not be viewed as trading instruments and investors should be prepared to hold the bonds to maturity.

b. Emissions Allowances

Companies are permitted to trade their emissions allowances within the EU's and UK Emissions Trading Scheme. The risks associated with trading in emissions allowances include that (a) the Emissions Trading Scheme only operates within the EEA and UK, (b) the cap is being reduced over time, which may reduce the available allowances and limit the opportunity to dispose of the allowances, and (c) the future existence, scope and conditions of the scheme depends on the decisions of the EU and UK institutions and Governments, which may be difficult to predict.

c. Repo

A repo refers to a sale and repurchase transaction in securities, normally fixed income securities such as bonds. In a repo, one party (the seller) transfers title in the securities to another (the purchaser) for cash payment. At the end of the transaction the purchaser transfers title to equivalent securities (of the same issuer and type) to the seller. The difference between the price paid by the buyer at the start of a repo and the price received at the end is the return on the cash that the buyer is effectively lending to the seller. The parties' obligations to transfer equivalent securities or cash under a repo are covered by collateral (typically either cash or securities) given by the purchaser on a title transfer basis. As a result of selling securities or providing securities as collateral under a repo the respective parties will cease to be the owner of them. The parties' right to the repurchase of securities or the redelivery of collateral is subject to the risk of insolvency or other non-performance by the other party. Collateralisation does not change the probability of default of a counterparty but reduces the exposure. Since the parties are not the owners of any securities sold or transferred as collateral during the period of the repo, they will not have voting rights nor will they directly receive dividends or other corporate actions although they will normally be entitled to a payment from the other party equivalent to the dividend they would otherwise have received and the other party will be required to account for them for the benefit of corporate actions.

d. Derivatives Generally

- (a) These risk warnings cannot disclose all the risks and other significant aspects of warrants and/or derivative products such as futures, options, and contracts for differences. You should not deal in these products unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position. Certain strategies, such as a 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position.
- (b) Although warrants and/or derivative instruments can be utilised for the management of investment risk, some of these products are unsuitable for certain investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should be aware of the following points.

e. Off-exchange transactions in derivatives

- (a) It may not always be apparent whether or not a particular derivative is arranged on exchange or in an off-exchange derivative transaction.
- (c) While some off-exchange markets are highly liquid, transactions in off-exchange or 'nontransferable' derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position.
- (d) It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even

where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

f. Options

An option is a contract whereby one party has the right, but not the obligation, to complete a transaction in the future at a previously agreed price. In return for this flexibility, the buyer must pay a premium to compensate the seller for the optionality. The risks of selling an option are greater than buying one as the seller accepts a legal obligation to purchase or sell the underlying asset if the option is exercised however far the market price has moved away from the exercise price. The downside of buying an option is the gain is limited to the premium paid.

Caps and floors are commonly employed with respect to interest rate options. A cap can be used to protect the cost of a floating-rate investment, whereas a floor can be used to protect the income on a floating-rate investment. Whenever the rollover rate is lower than the floor strike rate, the buyer receives the difference. Whenever the rollover rate is higher than the floor strike rate, nothing is paid or received. The opposite applies for a cap.

A binary option is a financial option in which the payoff is discrete rather than continuous; that is the pay-out is a fixed amount of compensation or nothing at all depending on the market price of the underlying asset. Binary pay-outs are often embedded in non-binary options via barriers. These barriers may be able to be triggered before expiry meaning the pay-out is path dependent; that means dependent on market prices before as well as at expiry.

g. Forwards and Futures

A forward contract is a contract in which delivery of the underlying commodity/asset is deferred until a date in the future that is specified in the contract. Futures are similar to forwards, with the primary difference being that futures are traded on regulated markets and as such have standardised terms. Forwards can be traded on different types of venues or bilaterally off venue, and the contracts are bespoke in nature. Forwards and futures can lead to losses or gains depending on movement in the market as prevailing market conditions at expiry may be better or worse than at entry into the transaction. Forwards and futures can be cash or physically settled. Where physically settled, there is a risk of non-delivery of the underlying.

h. Swaps

A swap agreement is a derivative where two counterparties exchange one stream of cash flows against another stream, calculated by reference to an "underlying" (such as securities' indices, bonds currencies, interest rates or commodities, or more intangible items).

A swap agreement may also be combined with an option. Such an option may be structured in two different ways. On the one hand, "swaptions" are transactions that give the purchaser of the swaption the right, against payment of a premium, to exercise or not to exercise, until the agreed maturity date, its right to enter into a pre-agreed swap agreement. On the other hand, "caps", "floors" and "collars" enable a party, against payment or receipt of a premium, to protect itself against, or to take an exposure on, the variation on the value or level of an underlying.

A major risk of off-exchange derivatives, (including swaps) is known as counterparty risk, whereby a party is exposed to the inability of its counterparty to perform its obligations under the relevant Financial Instrument. For example if a party, A, wants a fixed interest rate loan and so swaps a variable rate loan with another party, B, thereby swapping payments, this will synthetically create a fixed rate for A. However, if B goes insolvent, A will lose its fixed rate and will be paying a variable rate again. If interest rates have gone up a lot, it is possible that A will struggle to repay.

The swap market has grown substantially in recent years, with a large number of banks and investment banking firms acting both as principals and as agents utilising standardised swap documentation to cover swaps trading over a broad range of underlying assets. As a result, the swap market for certain underlying assets has become

more liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap.

i. **Commodity derivatives**

In addition to the risks outlined for general derivatives, commodity derivatives may be subject to position limits. The FCA is required to impose position limits on the size of net positions persons can hold in commodity derivatives traded on UK trading venues and economically equivalent OTC contracts. The limits will apply on the basis of all positions held by a person and those held on its behalf at an aggregate group level, including by its parent undertaking. There is a risk that it may be necessary for DBSL, in certain circumstances, to unwind positions in commodity derivatives to avoid a breach of a position limit.

j. **Money Market Investments**

A money-market instrument is a borrowing of cash for a period, generally no longer than six months, but occasionally up to one year, in which the lender takes a deposit from the money markets in order to lend (or advance) it to the borrower. Unlike in an overdraft, the borrower must specify the exact amount and the period for which he wishes to borrow. Like other debt instruments (see 'Bonds' above), money-market instruments may be exposed to the major risk types in Section 2 above, in particular counterparty credit and interest rate risk.

k. **Warrants**

(a) A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile.

(b) It is essential for anyone who is considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined timescale then the instrument becomes worthless.

(c) You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges. Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a covered warrant).

(d) Transactions in off-exchange warrants may involve greater risk than dealing in exchange traded warrants because there is no exchange market through which to liquidate your position, or to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is. DBSL must, in the circumstances set out in its Execution Policy, obtain your consent before executing an off-exchange Transaction with or for you and DBSL shall be under no obligation to execute any such order in the absence of any such requested consent.

l. **Structured Deposits**

A structured deposit is a deposit which is fully repayable at maturity on terms under which interest or a premium will be paid or is at risk, according to a formula involving factors such as an index or combination of indices (excluding variable rate deposits whose return is directly linked to an interest rate index such as Euribor or Libor), a financial instrument or combination of financial instruments, a commodity or combination of commodities or other physical or non-physical non-fungible assets or a foreign exchange rate or combination of foreign exchange rates.

Structured deposits can be complex and non-standardised and the exact nature of their risk will be subject to the particular terms of the structured deposit contract.

A structured deposit is subject to the counterparty risk of the institution holding the deposit.

Depending on the structure and how the interest or premium is calculated, the interest or premium may be at risk. The risk will depend on the factors used in the specific structured deposit to calculate the interest or premium. For example, where the interest or premium is calculated based on foreign exchange rates, it will be subject to the risk of fluctuations in those foreign exchange rates.

4. COLLATERAL

Where transactions require a transfer or the depositing of collateral as security, such collateral may be treated differently according to the type of security taken. Certain financial instruments will require parties which are exposed to additional potential liabilities based on movements in the price of underlying assets to provide additional collateral. This is generally referred to as providing “margin”. The additional margin may be required at short notice and the position may be closed if the margin is not provided. The total margin requirements may exceed the obligations under the financial instrument.

Certain collateral arrangements are “title transfer collateral arrangements” where a client transfers full ownership of assets to a firm. If you provide collateral to us under a title transfer collateral arrangement:

- You will not have a proprietary claim over it (even where we otherwise act as your agent);
- You will have an unsecured contractual claim against us for repayment of an equivalent amount subject to the terms of any relevant agreement;
- Such collateral will not be held by us in accordance with the FCA Client Asset Rules (and, among other things, will not be segregated from our assets or held subject to a trust);
- In the event of our insolvency, you will have an unsecured claim against us in respect of such collateral and you may not recover the full value thereof; and
- You will not be entitled to receive any interest or distributions that may have otherwise been payable in respect of such collateral (subject to any contractual rights that you may have otherwise agreed with us to the contrary).

5. BREAK COSTS

If you enter into a financial instrument and decide to close out the transaction before its scheduled termination date, you may have to pay break costs. These will be calculated by reference to prevailing market conditions on the basis of current market levels and market expectations of future performance and future obligations under the transaction and may include associated costs, such as credit charges, cost of funding, and any costs incurred in terminating any related financial instrument or trading position. Please note that such break costs may be substantial.