INVESTMENT RISKS

There are investment risks involved in buying our Notes. Before applying for any of our Notes, you should consider whether our Notes are suitable for you in light of your own financial circumstances and investment objectives. If you are in any doubt, get independent professional advice. In addition to the risks set out in the programme prospectus, you should consider the following additional risks.

Our Notes are not principal protected; you could lose part, and possibly all, of your investment

- If a credit event happens to any one of the reference entities on or before the maturity date, you will only receive back the credit event redemption amount, which will likely be less, and could be significantly less, than the principal amount you invested. If a credit event occurs on or shortly before the maturity date, the credit event redemption amount could be paid after the maturity date of our Notes.

- If we have to redeem our Notes early (other than us exercising our call option), we will have to cancel the swap arrangements and sell the collateral for our Notes in order to make the redemption. You will only get back, as the early redemption amount, your share of the proceeds of sale of the collateral, which may be worth less than its principal amount, less any amounts which we may owe to the swap counterparty because of the early termination of the swap arrangements. It is likely that your early redemption amount will be less and could be significantly less than the principal amount of your Notes.

- However, where there is an early redemption of the Notes, regardless of what the actual proceeds of sale of the collateral net of the early termination amount described above might be, the maximum amount at which the Notes may be redeemed will be the principal amount of the Notes. No interest will accrue from and including the interest payment date immediately preceding (or, if none, the issue date), up to and including, the date of redemption, when we have to redeem our Notes early (other than us exercising our call option).

- We will have to redeem our Notes early if:

  - there is a credit event as described above;

  - there is an event of default under our Notes;

  - the collateral is repaid early for any reason, for example because there is an event of default under the collateral or for tax reasons, or if the principal amount of the collateral is reduced in accordance with its terms;

  - the Cayman Islands imposes taxes on us or on payments under our Notes which we cannot avoid; or

  - the swap arrangements for our Notes are terminated for any reason.

- We will not pay any more interest on our Notes after a credit event or an early redemption of our Notes and we will not pay interest for any part of the quarterly interest period during which the credit event happens or the early redemption is made.

In all these cases, the amount we will be able to pay back on our Notes will likely be less, and could be significantly less, than the principal amount of our Notes. It is possible that you could lose all of your investment.

You are exposed to the credit risk of the reference entities; the reference entities could change in succession event

You will receive back less and probably significantly less than the principal amount you invested if a credit event occurs to any one of the reference entities.

- The creditworthiness of the reference entities could be affected by business, economic, political, financial, social, environmental and other events both locally and globally. Events of these types could affect one or more reference entities in the future and make it more likely that a credit event may happen.

- Our Notes are linked to the credit risk of the reference entities. This means that the first credit event (or, at our choice, any subsequent credit event) to occur to any one of the reference entities will lead to our Notes being redeemed at a credit event redemption amount calculated by reference to the price of the reference obligation of the reference entity which has suffered the credit event. Usually, the price of reference obligation will drop when the circumstances leading to a credit event become known and the value of our Notes and the credit event redemption amount would likely fall accordingly.

In addition, if a succession event (which has a detailed, technical definition contained in Appendix 2 of this issue prospectus) occurs with respect to any reference entity and the only successor is an existing reference entity, or if all successors are existing reference entities, then the calculation agent shall select a substitute reference entity which is in the same S&P, Moody's or Fitch industry group as the original reference entity and has a bid side credit spread not greater than the original reference entity (both criteria to be determined by the calculation agent in its sole and absolute discretion) (for details, see the definition of "Successor" in Appendix 2 of this issue prospectus). Such successor(s) could have a different, and worse credit rating than the original predecessor reference entity.

The collateral which backs our Notes will be selected according to specified criteria, including its credit rating; the collateral may consist of collateralised debt obligation securities

- We will not select the collateral until shortly before the issue date of our Notes; you will therefore have to rely on the criteria which the collateral must meet in reaching your decision on whether to buy our Notes: when you make your decision you will not know exactly what the collateral will be.

- The collateral may consist of collateralised debt obligations and/or asset-backed securities, which are typically issued by special purpose companies with a small capital base, established for the purpose of issuing one or more series of such securities. The only assets of an issuer of such debt securities are typically its issued share capital, transaction fees, if any, and any assets on which the relevant securities may be secured. Such debt securities are also usually limited recourse securities, and claims against the issuer of such debt securities in respect of such debt securities are limited to the net proceeds from the realisation of the underlying collateral in respect of the securities. You should be aware that collateralised debt obligations and/or asset-backed securities are subject to a high degree of complex risks and appreciate that you may bear the risk that such debt securities could lose all their value.

Payments of interest and principal on such debt securities may be subordinated to the payment of certain other amounts payable by the relevant issuer to other parties under the terms of such debt securities.

- You should note that if the collateral consists of or includes collateralised debt obligations, its market value will, amongst other things, depend on the occurrence or non-occurrence of credit events or potential credit events in respect of the reference entities to which such securities are linked. The collateralised debt obligations comprising the collateral may be linked to the same reference entities or reference entities which are of the same industry or business type. If so, an occurrence of credit events or potential credit events in respect of such reference entities may have a greater impact on the market value of the collateral than it would have otherwise. Likewise, any of the reference entities listed on page 5 or their respective successors may be such reference entities to which such collateralised debt obligations are linked. An occurrence of a credit event would not only give rise to our right to give notice of the occurrence of a credit event, but could also adversely affect the market value of the collateral. There can be no assurance that the inclusion of collateralised debt obligations as collateral will not adversely affect the market value of the collateral and, in turn, the performance of the Notes.

- The collateral will be AAA-rated (and not subject to negative watch or review for possible downgrade) on the issue date of our Notes. The credit rating of the collateral could, however, change after the issue date if, in the opinion of the credit rating agency, the credit quality of the collateral declines.

- The value of the collateral, in the event that we have to deliver it to DBS Bank Ltd as swap counterparty following a credit event, could be less than its principal amount if the credit quality of the collateral has declined since the issue date of our Notes or if there is no liquid market in which to sell the collateral. A loss in value of the collateral in these circumstances would be borne by you.

Our Notes do not have a liquid trading market

If you try to sell your Notes before maturity you may receive an offer which is less than the amount you invested or you may not be able to sell your Notes at all.

The only assets which back our Notes are the collateral and the swap arrangements; the swap counterparty's claims against the collateral will be paid ahead of Noteholders' claims if we have to redeem our Notes early (other than us exercising our call option)

We have no significant assets other than the collateral and the swap arrangements which back each series of our Notes. The claims of Noteholders against us are limited in all circumstances to the value of the collateral and any amounts due to us under the swap arrangements.

Under the trust deed which constitutes our Notes, the claims of the trustee for its expenses, and of the swap counterparty for any amounts due to it under the swap arrangements, including any termination payment as compensation for early termination, will be paid first out of the proceeds of the collateral before the claims of Noteholders are met.

The assets which back each series of our Notes are kept strictly segregated and are available to meet only those claims as are specified in the supplemental trust deed which constitutes the series of Notes which they back.

You will have no further claim against us for any loss of your investment after we have paid out all the proceeds of the collateral and, if any, of termination of the swap arrangements for your Notes. You have no right to have us wound up or put into administration.

If there is a credit event or an early redemption (other than by us exercising our call option), the return on our HKD Notes could be affected by the prevailing USD/HKD exchange rate

If a credit event has occurred, the calculation agent determines the credit event redemption amount by reference to the loss suffered on the reference obligation and the amount of depreciation of the collateral (see the footnote on page 8 for the effect on the credit event redemption amount where the market value of the collateral appreciates). Each of these amounts are determined in USD, regardless of whether the Notes are USD Notes or HKD Notes. For HKD Notes, each of these amounts will be converted into HKD at the prevailing exchange rate when the calculation agent determines the credit event redemption amount. Therefore if HKD depreciates against the USD, these amounts will be magnified, and resulting in a greater loss for you in HKD terms. The swap arrangements also provide that any swap termination payment will be calculated and made in USD and the swap termination payment is to be deducted from the credit event redemption amount. To redeem our HKD Notes in these circumstances, we will convert the USD amount which we have calculated is due for payment into HKD so that redemption of our HKD Notes is made in HKD. The exchange rate we will use will be calculated as the rate of exchange of the number of HKD for which one USD can be exchanged on the valuation date, as the calculation agent shall determine in good faith and in a commercially reasonable manner.

If the reference obligation is a subordinated obligation, the credit event redemption amount is likely to be lower than what it would have been if the reference obligation is a senior and unsubordinated obligation

Upon a credit event, a reference entity's subordinated obligation is likely to have a value which is substantially less than its senior and unsubordinated obligations, and therefore any credit event redemption amount is likely to be less than what would have been if the reference obligation were a senior and unsubordinated obligation.

Limited independent information on Zurich Insurance Company

You should note that Zurich Insurance Company is not listed on any stock exchange and are not subject to the same on-going regulatory disclosure obligations as the other reference entities. Any regulatory filings made by this reference entity may not be publicly available on the website of any regulatory agency. Accordingly, you may find it difficult to obtain independent information about it by way of regulatory filings. However, the parent of Zurich Insurance Company, Zurich Financial Services AG, is listed on virt-x Exchange Limited, and such parent company would be required to provide certain public disclosure in respect of itself and Zurich Insurance Company.