

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "Offering Circular"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that: (1) you are not in the United States, and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of such Offering Circular by electronic transmission. To the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S under the Securities Act ("Regulation S").

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to forward, deliver or otherwise provide access of this Offering Circular to any other person.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuers and the Guarantor (as defined herein) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Dah Sing Bank (the "Guarantor"), Limited, Dah Sing MTN Financing Limited, Dah Sing SAR Financing Limited (together with the Guarantor, the "Issuers", each an "Issuer"), any person who controls the Arranger or the Dealers, any director, officer, employee nor agent of the Issuers or the Guarantor or the Arranger or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arranger or the Dealers.

Restrictions: Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Issuers, the Guarantor, the Arranger or the Dealers to subscribe or purchase any of the securities described therein. Any securities to be issued will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration.

Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

If you receive the Offering Circular by e-mail, you should not reply by e-mail to the Offering Circular, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR



DAH SING MTN FINANCING LIMITED
(incorporated with limited liability in the British Virgin Islands)
(as an Issuer)

DAH SING SAR FINANCING LIMITED
(incorporated with limited liability in the British Virgin Islands)
(as an Issuer)

US\$2,000,000,000 EURO MEDIUM TERM NOTE PROGRAMME

On 14th June, 2002, Dah Sing Bank, Limited (“**DSB**” or the “**Bank**”), Dah Sing MTN Financing Limited (“**DSMFL**”) and Dah Sing SAR Financing Limited (“**DSSFL**”) (in such capacity, each an “**Issuer**” and, together with the New Issuers (as defined below), the “**Issuers**”) established a US\$1,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) and issued an offering circular on that date describing the Programme. On 19th December, 2006, the size of the Programme was increased from US\$1,000,000,000 to US\$2,000,000,000 in accordance with the terms of the Programme. This Offering Circular supersedes the previous offering circular and any supplement thereto. Any Notes issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions herein.

Under the Programme, the Issuers, subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the “**Notes**”). Notes may be issued on a senior basis, a dated subordinated basis or an undated subordinated basis by each Issuer (other than DSSFL which may only issue Notes on a dated subordinated basis or an undated subordinated basis), all as more particularly described herein. Notes issued by DSMFL and any New Issuer (together with DSMFL and DSSFL, the “**Guaranteed Issuers**”) will be guaranteed by DSB (in such capacity, the “**Guarantor**”) on a senior or subordinated basis and Notes to be issued by DSSFL will only be guaranteed by Guarantor on a subordinated basis. Notes issued by DSB will not be guaranteed. The aggregate nominal amount of Notes outstanding will not at any time exceed US\$2,000,000,000 (or the equivalent in other currencies).

DSB may, from time to time, nominate newly-incorporated wholly-owned Subsidiaries (as defined in the terms and conditions of the Notes) of DSB with no operating history as additional issuers to issue Notes pursuant to the Programme (each a “**New Issuer**”). It is intended that such a New Issuer shall accede to the terms of the Programme by executing a deed of adherence (a “**Deed of Adherence**”) and shall become and be treated as an “**Issuer**” and a “**Guaranteed Issuer**” for the purpose of the Programme.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue to be so listed on the SGX-ST. Unlisted series of Notes may also be issued pursuant to the Programme. The relevant Pricing Supplement (as defined below) in respect of any issue of Notes will specify whether or not such Notes will be listed on the SGX-ST or any other stock exchange. There is no guarantee that an application to the SGX-ST will be approved. Admission of any Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuers or the Guarantor or of the merits of the Notes. The SGX-ST takes no responsibility for the correctness of any statement made or opinions expressed herein.

Each Series (as defined below) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**temporary Global Note**”) or a permanent global note in bearer form (each a “**permanent Global Note**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Notes in registered form of one Series. Global Notes and Certificates may be deposited on the issue date with a common depository on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). Global Notes representing Notes in bearer form may be deposited with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the “**CMU Service**”). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “Summary of Provisions Relating to the Notes while in Global Form”.

Arranger

HSBC

Dealers

Barclays
Deutsche Bank
The Royal Bank of Scotland **BNP PARIBAS**
Standard Chartered Bank

Citigroup
Nomura
UBS

DSB (as to itself, each Guaranteed Issuer and the “Group” as defined below) and each Guaranteed Issuer (as to itself) having made all reasonable enquiries confirm that this document contains all information with respect to DSB, the Guaranteed Issuers and DSB and its Subsidiaries and affiliates taken as a whole (the “Group”) and the Notes that is material in the context of the issue and offering of the Notes, the statements contained in it relating to DSB, the Guaranteed Issuers and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to DSB, the Guaranteed Issuers and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to DSB, the Guaranteed Issuers, the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by DSB and the Guaranteed Issuers to ascertain such facts and to verify the accuracy of all such information and statements.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by DSB, the Guaranteed Issuers or any of the Dealers or the Arranger (as defined in “Summary of the Programme”). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of DSB, the Guaranteed Issuers or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of DSB or the Guaranteed Issuers since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by DSB, the Guaranteed Issuers, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes and the Guarantees (as defined below) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and may include Notes in bearer form that are subject to US tax law requirements. Subject to certain exceptions, Notes may not be offered or, sold or, in the case of Notes in bearer form, delivered within the United States or to or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act (“Regulation S”)) or, in the case of Notes in bearer form, the U.S. Internal Revenue Code of 1986, as amended. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see “Subscription and Sale”.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of DSB, the Guaranteed Issuers or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with DSB, the Guaranteed Issuers or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit, taxation or other evaluation and should not be considered as a recommendation by any of DSB, the Guaranteed Issuers, the Arranger or the Dealers that any recipient of this Offering Circular or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of DSB or the Guaranteed Issuers during the life of the

arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with any Tranche, one of the Dealers may act as a stabilising manager (the “Stabilising Manager”). The identity of the Stabilising Manager (if any) will be disclosed in the relevant Pricing Supplement. References in the next paragraph to “this issue” are to each Tranche in relation to which a Stabilisation Manager is appointed.

In connection with the issue of any Tranche of Notes, one of the Dealers named as Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in the applicable Pricing Supplement may, subject to applicable laws and regulations, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

From time to time, in the ordinary course of business, certain of the Dealers and their affiliates have provided advisory and investment banking services, and entered into other commercial transactions with DSB and its affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Dealers and their affiliates will continue to provide such services to, and enter into such transactions, with DSB and its affiliates in the future.

The Dealers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “US\$” and to “US dollars” are to United States dollars, references to “HK\$” and “HK dollars” are to Hong Kong dollars, references to “sterling” and “£” are to the currency of the United Kingdom, references to “euro” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time, and references to the “PRC” and “China” are to the People’s Republic of China and, for the purpose of this Offering Circular, except where the context requires, do not include Hong Kong Special Administrative Region of the PRC (“Hong Kong”), Macau Special Administrative Region of the PRC (“Macau”), or Taiwan.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual accounts, and any interim accounts (whether audited or unaudited) published subsequently to such annual accounts, of DSB and the Guaranteed Issuers from time to time (if any), and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified office of the Paying Agent for the time being in London. As at the date of this Offering Circular, the Guaranteed Issuers have not published and do not propose to publish any financial statements. See “General Information” for a description of the financial statements currently published by DSB.

SUPPLEMENTAL OFFERING CIRCULAR

DSB and each of the Guaranteed Issuers has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Offering Circular whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Offering Circular, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of DSB and the Guaranteed Issuers, and the rights attaching to the Notes, they shall prepare an amendment or supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request. A supplement to this Offering Circular will also be prepared and submitted to the SGX-ST each time a New Issuer accedes to the Programme. References to this “Offering Circular” shall be taken to mean this document and all the documents from time to time incorporated by reference herein and forming part hereof.

TABLE OF CONTENTS

	Page
SUMMARY OF THE PROGRAMME.	6
TERMS AND CONDITIONS OF THE NOTES	13
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM.	45
FORM OF PRICING SUPPLEMENT	50
USE OF PROCEEDS	59
RISK FACTORS.	60
DAH SING MTN FINANCING LIMITED	70
DAH SING SAR FINANCING LIMITED.	71
DAH SING BANK, LIMITED.	72
ASSET QUALITY, FUNDING AND RISK MANAGEMENT	82
MANAGEMENT AND EMPLOYEES	101
SUMMARY FINANCIAL INFORMATION	105
CAPITALISATION AND INDEBTEDNESS OF DAH SING BANK, LIMITED	107
TAXATION	108
CLEARANCE AND SETTLEMENT	112
SUBSCRIPTION AND SALE	114
GENERAL INFORMATION	120

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

Initial Issuers: Dah Sing Bank, Limited, Dah Sing MTN Financing Limited and Dah Sing SAR Financing Limited

Accession of

New Issuers: A newly incorporated wholly-owned Subsidiary of the Guarantor with no operating history nominated by the Guarantor may agree to be bound by all the terms of the Programme, and thereby become a New Issuer, by the execution of (i) a Deed of Adherence substantially in the form scheduled to the Agency Agreement and (ii) a new deed of covenant relating to direct enforcement rights for accountholders in clearing systems (“**New Deed of Covenant**”). It is intended that from and after the execution and delivery of such Deed of Adherence and New Deed of Covenant such New Issuer shall become and be treated as an “Issuer” and a “Guaranteed Issuer” for the purpose of the Programme.

Guarantor: Notes issued by Dah Sing MTN Financing Limited, Dah Sing SAR Financing Limited and each New Issuer will be guaranteed by Dah Sing Bank, Limited

Description: Euro Medium Term Note Programme

Size: Up to US\$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.

Arranger: The Hongkong and Shanghai Banking Corporation Limited

Dealers: Barclays Bank PLC
BNP Paribas
Citigroup Global Markets Limited
Deutsche Bank AG, Singapore Branch
The Hongkong and Shanghai Banking Corporation Limited
Nomura International plc
The Royal Bank of Scotland
Standard Chartered Bank
UBS AG, Hong Kong Branch

The Issuers and the Guarantor may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “**Permanent Dealers**” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “**Dealers**” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Fiscal Agent: Deutsche Bank AG, London Branch or, if so specified in the applicable Pricing Supplement, Deutsche Bank AG, Hong Kong Branch

Registrar:	Deutsche Bank AG, Hong Kong Branch Deutsche Bank Luxembourg S.A.
CMU Lodging Agent:	Deutsche Bank AG, Hong Kong Branch
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ Series ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “ Tranche ”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a “ Pricing Supplement ”).
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes:	The Notes may be issued in bearer form only (“ Bearer Notes ”), in registered form only (“ Registered Notes ”), or in bearer form exchangeable for Registered Notes (“ Exchangeable Bearer Notes ”). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Summary of the Programme — Selling Restrictions”), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “ Global Certificates ”.
Clearing Systems:	The CMU Service, Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Notes relating to Bearer Notes may also be deposited with a sub-custodian for the CMU Service or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer and the relevant Dealers.
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity, including for the avoidance of doubt, undated perpetual Notes with no fixed maturity. Under applicable laws and regulations at the date of this Offering Circular, Dated Subordinated Notes and Dated Subordinated Guaranteed Notes which are intended to constitute Category II Supplementary Capital of DSB must have a minimum maturity of more than five years.
Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Pricing Supplement.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or (ii) b y reference to LIBOR or EURIBOR or HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. <p>Interest periods will be specified in the relevant Pricing Supplement.</p>
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.

Interest Periods and

Interest Rates: The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Deferral of Interest: Payments of interest in relation to Undated Subordinated Notes or Undated Subordinated Guaranteed Notes may be deferred where during the 12 calendar months preceding a date on which interest is due to be paid on such Notes, no dividend has been declared or paid on any class of share capital of DSB, all as further described in Condition 3(g).

Redemption: The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Under applicable laws and regulations at the date of this Offering Circular, Dated Subordinated Notes and Dated Subordinated Guaranteed Notes which are intended to constitute Category II Supplementary Capital of DSB may not be redeemed within five years of the relevant Issue Date except for taxation reasons (provided that the consent of the Hong Kong Monetary Authority (“HKMA”) is obtained) or following an Enforcement Event.

Redemption by

Instalments: The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Other Notes: Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the relevant Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.

Optional Redemption: . . . The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption. Except following an Enforcement Event, Subordinated Notes may not be redeemed prior to their stated maturity date without the consent of the HKMA.

Status of Notes —

General: DSB may issue Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes. Senior Guaranteed Notes, Dated Subordinated Guaranteed Notes and Undated Subordinated Guaranteed Notes may be issued by each Guaranteed Issuer (other than DSSFL which may only issue Dated Subordinated Guaranteed Notes and Undated Subordinated Guaranteed Notes), which will in each case be guaranteed by DSB pursuant to the terms of the Senior Guarantee, the Dated Subordinated Guarantee and the Undated Subordinated Guarantee, respectively. The obligation of the Issuer or, as the case may be, the Guarantor to make any payment of principal and interest on the Subordinated Notes is conditional upon it remaining Solvent thereafter.

Status of the Senior

Notes: The Senior Notes issued by DSB will constitute direct unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of DSB and will rank *pari passu* without any preference among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of DSB other than any such obligations as are preferred by law, all as further described in Condition 3(a).

Status of the Dated

Subordinated Notes: . . . The Dated Subordinated Notes issued by DSB will constitute direct and unsecured obligations of DSB and will rank *pari passu* without any preference among themselves. The rights of the holders of the Dated Subordinated Notes will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of depositors and all other creditors of DSB other than claimants in respect of DSB Subordinated Indebtedness, all as further described in Condition 3(b).

Status of the Undated

Subordinated Notes: . . . The Undated Subordinated Notes issued by DSB will constitute direct and unsecured obligations of DSB and will rank *pari passu* without any preference among themselves. The rights of the holders of the Undated Subordinated Notes will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of DSB Prior Creditors, all as further described in Condition 3(c).

Status of the Senior

Guaranteed Notes: The Senior Guaranteed Notes issued by a Guaranteed Issuer (other than DSSFL) will constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of that Guaranteed Issuer and will rank *pari passu* without any preference among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of that Guaranteed Issuer other than any such obligations as are preferred by law, all as further described in Condition 3(d).

The Senior Guaranteed Notes are guaranteed as to payment of principal and interest by DSB upon the terms of the Senior Guarantee. Claims in respect of the Senior Guarantee will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of DSB other than any such obligations as are preferred by law, all as further described in Condition 3(d).

**Status of Dated
Subordinated**

Guaranteed Notes: The Dated Subordinated Guaranteed Notes issued by a Guaranteed Issuer will constitute direct and unsecured obligations of that Guaranteed Issuer and will rank *pari passu* without any preference among themselves. The rights of the holders of the Dated Subordinated Guaranteed Notes will, in the event of the winding-up of the relevant Guaranteed Issuer, be subordinated in right of payment to the claims of depositors and all other creditors of the relevant Guaranteed Issuer other than claimants in respect of the Subordinated Indebtedness of that Guaranteed Issuer, all as further described in Condition 3(e).

The Dated Subordinated Guaranteed Notes are guaranteed as to payment of principal and interest by DSB upon the terms of the Dated Subordinated Guarantee. Claims in respect of the Dated Subordinated Guarantee will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of depositors and all other creditors of DSB other than claimants in respect of DSB Subordinated Indebtedness, all as further described in Condition 3(e).

**Status of Undated
Subordinated**

Guaranteed Notes: The Undated Subordinated Guaranteed Notes issued by a Guaranteed Issuer will constitute direct and unsecured obligations of that Guaranteed Issuer and will rank *pari passu* without any preference among themselves. The rights of the holders of the Undated Subordinated Guaranteed Notes will, in the event of the winding-up of the relevant Guaranteed Issuer, be subordinated in right of payment to the claims of Prior Creditors of that Guaranteed Issuer, all as further described in Condition 3(f).

The Undated Subordinated Guaranteed Notes are guaranteed as to payment of principal and interest by DSB upon the terms of the Undated Subordinated Guarantee. Claims in respect of the Undated Subordinated Guarantee will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of DSB Prior Creditors, all as further described in Condition 3(f).

Negative Pledge: Applicable to Senior Notes and Senior Guaranteed Notes only. See “Terms and Conditions of the Notes — Negative Pledge”.

Cross Default: Applicable to Senior Notes and Senior Guaranteed Notes only. See “Terms and Conditions of the Notes — Events of Default”.

Early Redemption: Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes — Redemption, Purchase and Options”. Except following an Enforcement Event, Subordinated Notes may not be redeemed prior to their stated maturity date without the consent of the HKMA.

Withholding Tax: All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the British Virgin Islands or Hong Kong, as the case may be, subject to customary exceptions (including the ICMA Standard EU Exception), all as described in “Terms and Conditions of the Notes — Taxation”.

Governing Law: English law, except that the provisions of the Notes relating to subordination shall be governed by the laws of Hong Kong.

Listing: Application has been made to the SGX-ST for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue to be so listed on the SGX-ST. There is no guarantee that an application to the SGX-ST will be approved. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

Selling Restrictions: The United States, the Public Offer Selling Restriction under the Prospectus Directive, the United Kingdom, the Netherlands, the British Virgin Islands, Hong Kong, Japan and Singapore. See “Subscription and Sale”.

DSB, DSMFL and DSSFL are Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

The Notes will be issued in compliance with US Treas. Reg. §1.163-5(c)(2) (i)(D) (the “**D Rules**”) unless (i) the relevant Pricing Supplement states that Notes are issued in compliance with US Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Bearer Notes or on the Certificates relating to the Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

This Note is one of a Series (as defined below) of Notes issued by Dah Sing Bank Limited (“**DSB**”) or Dah Sing MTN Financing Limited (“**DSMFL**”), Dah Sing SAR Financing Limited (“**DSSFL**”) or any additional issuer which has acceded to the Programme by executing a deed of adherence (the “**Deed of Adherence**”) pursuant to the terms of the Agency Agreement referred to below (each a “**New Issuer**” and together with DSSFL and DSMFL, the “**Guaranteed Issuers**” and each a “**Guaranteed Issuer**”) (each, in relation to Notes issued by it, the “**Issuer**”) pursuant to the Agency Agreement (as defined below). Issues of Notes by the Guaranteed Issuers will be guaranteed by DSB (in such capacity, the “**Guarantor**”). References to the Guarantor shall only be relevant in the context of an issue of Notes by a Guaranteed Issuer.

The Notes are issued pursuant to an Agency Agreement dated 14th June, 2002 (as amended and restated on 20th June, 2012 and supplemented by a First Supplemental Agency Agreement dated 24 June 2013 and otherwise as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) between DSMFL, DSSFL, DSB, Deutsche Bank AG, London Branch (or, if so specified in the Pricing Supplement (as defined in the Agency Agreement), Deutsche Bank AG, Hong Kong Branch) as fiscal agent, Deutsche Bank AG, Hong Kong Branch as lodging agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the “**CMU Service**”), Deutsche Bank AG, Hong Kong Branch (or, if, so specified in the Pricing Supplement, Deutsche Bank Luxembourg S.A.) as registrar and the other agents named in it and with the benefit of a Deed of Covenant dated 14th June, 2002 (as amended and restated on 7th August, 2009 and otherwise as amended or supplemented as at the Issue Date, the “**Deed of Covenant**”) executed by DSMFL, DSSFL and DSB in relation to the Notes and the Deed of Guarantee (as defined below) dated 14th June, 2002 (as amended and restated on 7th August, 2009) executed by DSB in relation to the Notes. The fiscal agent, the CMU lodging agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Fiscal Agent**”, the “**CMU Lodging Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent and the CMU Lodging Agent), the “**Registrar**”, the “**Transfer Agents**” and the “**Calculation Agent(s)**”. For the purposes of these Conditions, all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU Service, be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly. The Noteholders (as defined below), the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them. As used in these Conditions, “**Tranche**” means Notes which are identical in all respects. Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form (“**Bearer Notes**”, which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form (“**Registered Notes**”) or in bearer form exchangeable for Registered Notes (“**Exchangeable Bearer Notes**”) in each case in the Specified Denomination(s) shown in the Pricing Supplement.

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/ Payment Basis shown in the Pricing Supplement.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in the Pricing Supplement, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. EXCHANGES OF EXCHANGEABLE BEARER NOTES AND TRANSFERS OF REGISTERED NOTES

- (a) **Exchange of Exchangeable Bearer Notes:** Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by

the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) **Exchange Free of Charge:** Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3. STATUS OF THE NOTES AND THE GUARANTEES

- (a) **Senior Notes**
 - (i) This Condition 3(a) is applicable to all Notes which are specified in the Pricing Supplement as being Senior Notes issued by DSB ("**Senior Notes**").
 - (ii) The Senior Notes of each Series constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of DSB, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all

other present and future unsecured and unsubordinated obligations of DSB other than any such obligations as are preferred by provisions of law that are both mandatory and of general application.

(b) Dated Subordinated Notes

- (i) This Condition 3(b) is applicable to all Notes which are specified in the Pricing Supplement as being Dated Subordinated Notes issued by DSB (“**Dated Subordinated Notes**”).
- (ii) The Dated Subordinated Notes of each Series constitute direct and unsecured obligations of DSB, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of holders of the Dated Subordinated Notes will, in the event of the winding up of DSB, be subordinated in right of payment to the claims of depositors and all other creditors of DSB (other than claimants in respect of DSB Subordinated Indebtedness (as defined below)) and, for the avoidance of doubt, will rank senior to all claims under the Undated Subordinated Notes and the Undated Subordinated Guarantee (each as defined below).

(c) Undated Subordinated Notes

- (i) This Condition 3(c) is applicable to all Notes which are specified in the Pricing Supplement as being Undated Subordinated Notes issued by DSB (“**Undated Subordinated Notes**”).
- (ii) The Undated Subordinated Notes of each Series constitute direct and unsecured obligations of DSB, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of the holders of Undated Subordinated Notes will, in the event of the winding up of DSB, be subordinated in right of payment to the claims of DSB Prior Creditors (as defined below). In the event of the winding up of DSB, there shall be payable by DSB in respect of each Undated Subordinated Note (in lieu of any other payment by DSB), but subject as provided in this Condition, such amount, if any, as would have been payable to the holder thereof if, at the close of business on the day prior to the commencement of the winding up of DSB and thereafter, such Noteholder were the holder of a fully-paid, validly issued preference share in the capital of DSB having a preferential right to a return of assets in the winding up over the holders of all issued shares (including for this purpose any preference shares issued) for the time being in DSB’s capital on the assumption that such preference share was entitled to receive on a return of assets in such winding up an amount (disregarding any tax credit which would have been given in relation to dividends payable on such preference share) equal to the Early Redemption Amount (as described in Condition 6(b)) payable in respect of such Undated Subordinated Note together with Arrears of Interest (as defined in Condition 3(g)(iii)), if any, and accrued interest as provided below.
- (iii) DSB’s obligation to make any payment of interest and, where applicable, any repayment of principal in respect of any Undated Subordinated Notes is conditional upon DSB being able to make such payment or repayment (as applicable) and remain Solvent immediately thereafter.

For the purposes of this Condition 3(c)(iii), “**Solvent**” means that DSB:

- (1) is able to pay its debts as they fall due; and
- (2) has Assets that exceed its Liabilities (other than its Liabilities to persons in respect of DSB Primary Capital Indebtedness (as defined below)).

(d) Senior Guaranteed Notes

- (i) This Condition 3(d) is applicable to all Notes which are specified in the Pricing Supplement as being Senior Guaranteed Notes issued by a Guaranteed Issuer (“**Senior Guaranteed Notes**”).
- (ii) The Senior Guaranteed Notes of each Series constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the relevant Guaranteed Issuer, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all other present and future unsecured and unsubordinated obligations of the relevant Guaranteed Issuer other than any such obligations as are preferred by provisions of law that are both mandatory and of general application.
- (iii) The Senior Guaranteed Notes of each Series are guaranteed as to payment of principal and interest by DSB upon the terms of the senior guarantee (the “**Senior Guarantee**”) contained in the Deed of Guarantee dated 14th June, 2002 (as amended and restated on 7th August, 2009) (the “**Deed of Guarantee**”).
- (iv) In relation to each Series of Senior Guaranteed Notes, claims in respect of the Senior Guarantee rank, at the date of issue of such Notes, *pari passu* with all other present and future unsecured and unsubordinated obligations of DSB other than any such obligations as are preferred by provisions of law that are both mandatory and of general application.

(e) Dated Subordinated Guaranteed Notes

- (i) This Condition 3(e) is applicable to all Notes which are specified in the Pricing Supplement as being Dated Subordinated Guaranteed Notes issued by a Guaranteed Issuer (“**Dated Subordinated Guaranteed Notes**”).
- (ii) The Dated Subordinated Guaranteed Notes of each Series constitute direct and unsecured obligations of the relevant Guaranteed Issuer, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of holders of the Dated Subordinated Guaranteed Notes will, in the event of the winding up of the relevant Guaranteed Issuer, be subordinated in right of payment to the claims of depositors and all other creditors of the relevant Guaranteed Issuer (other than claimants in respect of Subordinated Indebtedness (as defined below) of that Guaranteed Issuer) and, for the avoidance of doubt, will rank senior to all claims against the relevant Guaranteed Issuer under the Undated Subordinated Guaranteed Notes.
- (iii) The relevant Guaranteed Issuer’s obligation to make any payment of interest and any repayment of principal in respect of any Dated Subordinated Guaranteed Notes is conditional upon the relevant Guaranteed Issuer being able to make such payment or repayment (as applicable) and remain Solvent immediately thereafter.

For the purposes of this Condition 3(e)(iii), “**Solvent**” means that relevant Guaranteed Issuer:

- (1) is able to pay its debts as they fall due; and
 - (2) has Assets that exceed its Liabilities (other than its Liabilities to persons in respect of Subordinated Indebtedness of that Guaranteed Issuer).
- (iv) The Dated Subordinated Guaranteed Notes of each Series are guaranteed as to payment of principal and interest by DSB upon the terms of the dated subordinated guarantee (the “**Dated Subordinated Guarantee**”) contained in the Deed of Guarantee. Payments of principal and/or interest in respect of the Dated Subordinated Guaranteed Notes shall be deemed to be due and payable by the relevant Guaranteed Issuer for the

purposes of the Guarantor's obligations under the Dated Subordinated Guarantee notwithstanding that the condition set out in Condition 3(e)(iii) with respect to payments by the relevant Guaranteed Issuer is not satisfied.

- (v) Claims in respect of the Dated Subordinated Guarantee will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of depositors and all other creditors of DSB (other than claimants in respect of DSB Subordinated Indebtedness) and, for the avoidance of doubt, will rank senior to all claims under the Undated Subordinated Notes and any Undated Subordinated Guarantee.
- (vi) DSB's obligation to make any payment under the Dated Subordinated Guarantee is conditional upon DSB being able to make such payment and remain Solvent (as defined in Condition 3(b)(iii)) immediately thereafter.

(f) Undated Subordinated Guaranteed Notes

- (i) This Condition 3(f) is applicable to all Notes which are specified in the Pricing Supplement as being Undated Subordinated Guaranteed Notes issued by a Guaranteed Issuer ("**Undated Subordinated Guaranteed Notes**").
- (ii) The Undated Subordinated Guaranteed Notes of each Series constitute direct and unsecured obligations of the relevant Guaranteed Issuer, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of the holders of Undated Subordinated Guaranteed Notes will, in the event of the winding-up of the relevant Guaranteed Issuer, be subordinated in right of payment to the claims of the Prior Creditors of that Guaranteed Issuer (as defined below). In the event of the winding-up of the relevant Guaranteed Issuer, there shall be payable by the relevant Guaranteed Issuer in respect of each Undated Subordinated Guaranteed Note (in lieu of any other payment by the relevant Guaranteed Issuer), but subject as provided in this Condition, such amount, if any, as would have been payable to the holder thereof if, at the close of business on the day prior to the commencement of the winding-up of the relevant Guaranteed Issuer and thereafter, such Noteholder were the holder of a fully-paid, validly issued preference share in the capital of the relevant Guaranteed Issuer having a preferential right to a return of assets in the winding-up over the holders of all issued shares (including for this purpose other preference shares issued) for the time being in the relevant Guaranteed Issuer's capital on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount (disregarding any tax credit which would have been given in relation to dividends payable on such preference share) equal to the Early Redemption Amount (as described in Condition 6(b)) in respect of such Undated Subordinated Guaranteed Note together with Arrears of Interest, if any, and accrued interest as provided below.
- (iii) The relevant Guaranteed Issuer's obligation to make any payment and, where applicable, any repayment of principal in respect of any Undated Subordinated Guaranteed Notes is conditional upon the relevant Guaranteed Issuer being able to make such payment or repayment (as applicable) and remain Solvent immediately thereafter.

For the purposes of this Condition 3(f)(iii), "**Solvent**" means that the relevant Guaranteed Issuer:

- (1) is able to pay its debts as they fall due; and
- (2) has Assets that exceed its Liabilities (other than its Liabilities to persons in respect of Primary Capital Indebtedness (as defined below) of that Guaranteed Issuer).

- (iv) The Undated Subordinated Guaranteed Notes of each Series are guaranteed as to payment of principal and interest by DSB upon the terms of the undated subordinated guarantee (the “**Undated Subordinated Guarantee**” and, together with the Senior Guarantee and the Dated Subordinated Guarantee, the “**Guarantees**”) contained in the Deed of Guarantee.

Payments of principal and/or interest in respect of the Undated Subordinated Guaranteed Notes shall be deemed to be due and payable by the relevant Guaranteed Issuer for the purposes of the Guarantor’s obligations under the Undated Subordinated Guarantee notwithstanding that the condition set out in Condition 3(f)(iii) with respect to payments by the relevant Guaranteed Issuer is not satisfied and, if the relevant Guaranteed Issuer is being wound up, the amount payable under the Undated Subordinated Guarantee with respect to an Undated Subordinated Guaranteed Note shall be an amount equal to the Early Redemption Amount in respect of such Note together with Arrears of Interest, if any, and accrued interest as provided below less any amounts in respect thereof recovered by the relevant holder in the relevant Guaranteed Issuer’s winding-up.

- (v) Claims in respect of the Undated Subordinated Guarantee will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of DSB Prior Creditors. In the event of the winding-up of DSB, there shall be payable by DSB in respect of each Undated Subordinated Guaranteed Note (in lieu of any other payment by DSB), but subject as provided in this Condition, such amount, if any, as would have been payable to the holder thereof if, at the close of business on the day prior to the commencement of the winding-up of DSB and thereafter, such Noteholder were the holder of a fully-paid, validly issued preference share in the capital of DSB having a preferential right to a return of assets in the winding-up over the holders of all issued shares (including for this purpose other preference shares issued) for the time being in DSB’s capital on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount (disregarding any tax credit which would have been given in relation to dividends payable on such preference share) equal to the amount payable by DSB under the Undated Subordinated Guarantee.
- (vi) DSB’s obligation to make any payment under the Undated Subordinated Guarantee is conditional upon DSB being able to make such payment and remain Solvent (as defined in Condition 3(c)(iii)) immediately thereafter.

(g) Undated Subordinated Notes and Undated Subordinated Guaranteed Notes: Deferral of Interest

- (i) This Condition 3(g) shall apply to all Notes which are specified in the Pricing Supplement as being Undated Subordinated Notes or Undated Subordinated Guaranteed Notes.
- (ii) Where during the 12 calendar months preceding a date on which interest is due to be paid in respect of any Series of Undated Subordinated Notes or Undated Subordinated Guaranteed Notes no dividend has been declared or paid on any class of share capital of DSB, such due date shall be referred to as an “**Optional Interest Payment Date**”.
- (iii) DSB or, in the case of Undated Subordinated Guaranteed Notes, DSB or the relevant Guaranteed Issuer may, if it so elects, but shall not be obliged to, pay on any Optional Interest Payment Date the interest that is due to be paid on such date in respect of the relevant Notes and any failure to pay shall not constitute a default by DSB or, as the case may be, the relevant Guaranteed Issuer for any purpose. Any interest not paid on an Optional Interest Payment Date shall (except to the extent such interest shall subsequently have been paid) constitute “**Arrears of Interest**”.
- (iv) In relation to any Series of Undated Subordinated Notes or Undated Subordinated Guaranteed Notes, Arrears of Interest may, prior to the commencement of the winding-up of DSB, be paid in whole or in part upon the expiration of not less than seven days’ notice to such effect given to the holders of the Notes of such Series in

accordance with Condition 14, but payment in respect of interest periods during which Arrears of Interest have accrued shall be made taking the earliest interest period first. Arrears of Interest shall otherwise only become payable, subject to Condition 3(c)(iii) or, as the case may be, Conditions 3(f)(iii) or 3(f)(vi), on (i) the due date for repayment of the Notes to which such Arrears of Interest relate, (ii) the date on which any declaration or payment of any dividend on any class of share capital of DSB is made or (iii) the commencement of the winding-up of DSB (except for the purposes of a reconstruction, amalgamation or otherwise, the terms 19 of which have previously been approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders of the relevant Series). If notice is given by DSB or, as the case may be, the relevant Guaranteed Issuer of its intention to pay any Arrears of Interest, DSB or, as the case may be, the relevant Guaranteed Issuer shall be obliged, subject to Condition 3(c)(iii) or, as the case may be, Conditions 3(f)(iii) or 3(f)(vi), to do so upon the expiration of such notice.

- (v) Arrears of Interest shall not themselves bear interest.
- (vi) The relevant Guaranteed Issuer or, as the case may be, DSB shall give notice in accordance with Condition 14:
 - (1) not more than 30 days nor less than seven days prior to any Optional Interest Payment Date in respect of which it will elect not to make payment of interest in accordance with the above provisions, of such election; and
 - (2) of any date on which Arrears of Interest shall have become payable.

(h) Waiver of Set-off

- (i) This Condition 3(h) shall apply to all Notes other than Senior Notes and Senior Guaranteed Notes.
- (ii) Claims in respect of any Notes or Coupons may not be set-off, or be the subject of a counterclaim, by the holder against or in respect of any obligations of the holder to the Guaranteed Issuers, DSB or to any other persons and the holder of any Note or Coupon shall, by virtue of being the holder of any Note or Coupon, be deemed to have waived all such rights of set-off.

(i) Solvency and Definitions

- (i) A report of the Auditors (as defined below) or (if DSB or a Guaranteed Issuer is in winding-up) of the liquidator of DSB or a Guaranteed Issuer (as appropriate) as to whether or not DSB or the Guaranteed Issuer, on the basis of such information as DSB or the Guaranteed Issuer (as appropriate) may, at the request of the Auditors, make available to the Auditors or (if DSB or the Guaranteed Issuer is in winding-up) on the basis of the information available to the liquidator, is or would in any specified circumstances be Solvent shall in the absence of proven error be treated and accepted by DSB or, as the case may be, the Guaranteed Issuer, the Noteholders and the Couponholders as correct and sufficient evidence of such fact. In the absence of any such evidence to the contrary, it shall for these purposes be assumed (unless the contrary is proved) that DSB or, as the case may be, the Guaranteed Issuer is and will after any payment in respect of any Series of Subordinated Notes be Solvent. No Noteholder or Couponholder shall be entitled to proceed against the Auditors in connection with the exercise or non-exercise by them of their powers, duties and discretions under this Condition 3(i)(i).
- (ii) In these Conditions, the following expressions have the following meanings:

“**Assets**” means the unconsolidated gross assets (including contingencies) of DSB or, as the case may be, the Guaranteed Issuer and “**Liabilities**” means the unconsolidated gross liabilities (including contingencies) of DSB or, as the case may be, the Guaranteed Issuer, all as shown in the latest balance sheet having the benefit of an

unqualified Auditors' report, but with such adjustments as the Auditors or, if DSB or, as the case may be, the Guaranteed Issuer is in winding-up, the liquidator shall determine;

“**Auditors**” means the independent certified public accountants for the time being of DSB or, as the case may be, the Guaranteed Issuer;

“**DSB Primary Capital Indebtedness**” means (i) any principal and interest payable in respect of Undated Subordinated Notes and the Coupons appertaining thereto, (ii) any money payable under the Undated Subordinated Guarantee and (iii) DSB Subordinated Indebtedness the right to payment of which by DSB by the terms whereof is, or is expressed to be, subordinated in the event of a winding-up of DSB to the claims of all or any of the creditors of DSB, including all or any of the creditors in respect of DSB Subordinated Indebtedness, so that it ranks *pari passu* with, or junior to, claims against DSB in respect of (i) Undated Subordinated Notes and the Coupons appertaining thereto or (ii) the Undated Subordinated Guarantee or is required by the terms of any agreement herebefore or hereafter entered into by DSB to be so subordinated but is not so subordinated, provided that unless otherwise specified, claims against DSB in respect of Dated Subordinated Notes and the Dated Subordinated Guarantee are deemed to rank prior to claims against DSB in respect of Undated Subordinated Notes and the Undated Subordinated Guarantee;

“**DSB Prior Creditors**” means creditors of DSB (including creditors in respect of the principal and interest payable in respect of Notes issued or guaranteed by DSB which do not constitute DSB Primary Capital Indebtedness) except creditors in respect of DSB Primary Capital Indebtedness;

“**DSB Subordinated Indebtedness**” means any liability of DSB howsoever arising for the payment of money (including (i) the principal and interest payable in respect of Dated Subordinated Notes, (ii) the principal and interest payable in respect of Undated Subordinated Notes, (iii) any amounts payable by DSB under the Dated Subordinated Guarantee and (iv) any amounts payable by DSB under the Undated Subordinated Guarantee) the right to payment of which by DSB by the terms whereof is, or is expressed to be, subordinated in the event of a winding-up of DSB to the claims of all or any of the creditors of DSB;

“**Primary Capital Indebtedness**” of a Guaranteed Issuer means (i) any principal and interest payable in respect of Undated Subordinated Guaranteed Notes of that Guaranteed Issuer and the Coupons appertaining thereto and (ii) Subordinated Indebtedness of that Guaranteed Issuer the right to payment of which by that Guaranteed Issuer by the terms whereof is, or is expressed to be, subordinated in the event of a winding-up of that Guaranteed Issuer to the claims of all or any of the creditors of that Guaranteed Issuer, including all or any of the creditors in respect of Subordinated Indebtedness of that Guaranteed Issuer, so that it ranks *pari passu* with, or junior to, claims against that Guaranteed Issuer in respect of its Undated Subordinated Guaranteed Notes and the Coupons appertaining thereto or is required by the terms of any agreement herebefore or hereafter entered into by that Guaranteed Issuer to be so subordinated but is not so subordinated, provided that unless otherwise specified, claims against a Guaranteed Issuer in respect of Dated Subordinated Guaranteed Notes shall rank prior to claims against that Guaranteed Issuer in respect of its Undated Subordinated Guaranteed Notes;

“**Prior Creditors**” of a Guaranteed Issuer means creditors of that Guaranteed Issuer (including creditors in respect of the principal and interest payable in respect of Notes issued by that Guaranteed Issuer which do not constitute Primary Capital Indebtedness of that Guaranteed Issuer) except creditors in respect of Primary Capital Indebtedness of that Guaranteed Issuer;

“**Subordinated Indebtedness**” of a Guaranteed Issuer means any liability of that Guaranteed Issuer howsoever arising for the payment of money (including (i) the principal and interest payable in respect of its Dated Subordinated Guaranteed Notes

and (ii) the principal and interest payable in respect of its Undated Subordinated Guaranteed Notes) the right to payment of which by that Guaranteed Issuer by the terms whereof is, or is expressed to be, subordinated in the event of a winding-up of that Guaranteed Issuer to the claims of all or any of the creditors of that Guaranteed Issuer; and

“**Subordinated Notes**” means Dated Subordinated Notes, Undated Subordinated Notes, Dated Subordinated Guaranteed Notes and Undated Subordinated Guaranteed Notes.

(j) Supplementary Capital Issuer

Notwithstanding any other provision of these Conditions, each of DSSFL and any New Issuer which has elected to be bound by this Condition 3(j) in the Deed of Adherence (each a “**Supplementary Capital Issuer**”), for so long as any Notes issued by it remained outstanding, may not engage in any business or incur any other indebtedness for borrowed moneys other than the issue of Subordinated Notes pursuant to the Programme and the entering into of related agreements and transactions and performing any act incidental to or necessary in connection therewith, provided that, for the avoidance of doubt, nothing in this Condition 3(j) shall prevent any Supplementary Capital Issuer from issuing further Subordinated Notes pursuant to Condition 13.

In order for any Notes issued by the Supplementary Capital Issuer to qualify as Category II Supplementary Capital of DSB, the Supplementary Capital Issuer may only issue one single Series of Notes.

4. NEGATIVE PLEDGE

- (a) This Condition 4 is applicable to all Notes which are specified in the Pricing Supplement as being Senior Notes and Senior Guaranteed Notes.
- (b) So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement):
 - (i) the Issuer and the Guarantor will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“**Security**”) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt and
 - (ii) the Issuer and the Guarantor will procure that no other person creates or permits to subsist any Security upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure (x) any of the Issuer’s Relevant Debt or the Guarantor’s Relevant Debt, or any guarantee of or indemnity in respect of any of the Issuer’s Relevant Debt or the Guarantor’s Relevant Debt, or (y) where the person in question is a Subsidiary of the Issuer or of the Guarantor, any of the Relevant Debt of any person, or any guarantee of or indemnity in respect of any such Relevant Debt,

unless, at the same time or prior thereto, the Issuer’s obligations under the Notes and the Coupons or, as the case may be, the Guarantor’s obligations under the Guarantees (aa) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (bb) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders PROVIDED THAT (and for the avoidance of doubt) this Condition 4(b) will not be applicable to any Security created or permitted to subsist in connection with a Securitisation Transaction.

“**Relevant Debt**” means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market.

“**Securitisation Transaction**” means any securitisation transaction involving the transfer of any assets, revenues, undertakings or risks associated with any such assets, revenues, or undertakings to, and the issue of indebtedness by, a special purpose company (a “**Special Purpose Company**”) which is not a Subsidiary of any of DSB or the Guaranteed Issuers and provided that (i) none of the monetary obligations of the Special Purpose Company in respect of the transaction is subject to any recourse whatsoever in respect thereof to any of DSB, the Guaranteed Issuers or any of their respective Subsidiaries, (ii) recourse to the Special Purpose Company for amounts owing under the transaction is limited to the income or cashflow of the assets or collateral comprising the Security for such transaction, (iii) the assets held by and activities of the Special Purpose Company are restricted to those which are permitted for the purposes of the transaction, (iv) the parties to the transaction are not entitled, by virtue of any right or claim arising out or in connection with such indebtedness, to commence proceedings for the winding up or dissolution of the Special Purpose Company until at least one year and one day after the full repayment of such indebtedness, (v) the transaction is conducted on arms-length terms and (vi) the benefit of the transaction accrues, directly or indirectly, to any of DSB, the relevant Guaranteed Issuer or any of their respective Subsidiaries.

“**Subsidiary**” means a subsidiary as defined in section 2 of the Companies Ordinance (Cap.32) of Hong Kong.

5. INTEREST AND OTHER CALCULATIONS

Payments of interest in respect of Dated Subordinated Notes and Dated Subordinated Guaranteed Notes will be made subject to the provisions of Condition 3(b) and Condition 3(e), respectively. Payments of interest in respect of Undated Subordinated Notes will be made subject to the provisions of Conditions 3(c) and 3(g). Payments of interest in respect of Undated Subordinated Guaranteed Notes will be made subject to the provisions of Conditions 3(f) and 3(g).

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

If a Fixed Coupon Amount or a Broken Amount is specified in the Pricing Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the Pricing Supplement.

- (b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) **Interest Payment Dates:** Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown in the Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) **Business Day Convention:** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to

the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) ***Rate of Interest for Floating Rate Notes:*** The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Pricing Supplement.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the Pricing Supplement;
- (y) the Designated Maturity is a period specified in the Pricing Supplement; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Pricing Supplement.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR or Hong Kong time, in the case of HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement, as being other than LIBOR or EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

- (y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market as the case may be or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of

Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (iv) **Rate of Interest for Index Linked Interest Notes:** The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the Pricing Supplement.
- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Pricing Supplement.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the Pricing Supplement.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
- (i) If any Margin is specified in the Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the Pricing Supplement, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation

Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”) and/or
- (iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual — ISDA**” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if “**Actual/365 (Fixed)**” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365
- (iii) if “**Actual/360**” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 360
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30

- (vi) if “30E/360 (**ISDA**)” is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30

- (vii) if “**Actual/Actual-ICMA**” is specified in the Pricing Supplement,

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date and

“Determination Date” means the date specified as such in the Pricing Supplement or, if none is so specified, the Interest Payment Date

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period

“Interest Commencement Date” means the Issue Date or such other date as may be specified in the Pricing Supplement

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Hong Kong dollars nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the Pricing Supplement

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the Pricing Supplement

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the Pricing Supplement

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, and, in the case of a determination of HIBOR the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon

“**Reference Rate**” means the rate specified as such hereon

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon

“**Specified Currency**” means the currency specified as such in the Pricing Supplement or, if none is specified, the currency in which the Notes are denominated

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

- (k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the Pricing Supplement and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption by Instalments and Final Redemption:

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.
- (iii) Undated Subordinated Notes and Undated Subordinated Guaranteed Notes have no final maturity date and are only redeemable in accordance with the following provisions of this Condition 6 or Condition 10.

(b) Early Redemption:

- (i) *Zero Coupon Notes:*
- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming

due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the Pricing Supplement.

- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the Pricing Supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the Pricing Supplement.

- (ii) *Undated Subordinated Notes and Undated Subordinated Guaranteed Notes:* The Early Redemption Amount payable in respect of any Undated Subordinated Note or any Undated Subordinated Guaranteed Note, upon redemption of such Note in accordance with Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the principal amount of such Note unless otherwise specified in the Pricing Supplement.
 - (iii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) or (ii) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the Pricing Supplement.
- (c) **Redemption for Taxation Reasons:** Subject to Condition 6(i) in the case of Subordinated Notes, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or, at any time, (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if any of the Senior Guarantee (in the case of Senior Guaranteed Notes), the Dated Subordinated Guarantee (in the case of Dated Subordinated Guaranteed Notes) or the Undated Subordinated Guarantee (in the case of Undated Subordinated Guaranteed Notes) (as appropriate) were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the relevant Guaranteed Issuer's jurisdiction of incorporation (in the case of payments by a Guaranteed Issuer) or Hong Kong (in the case of payments by DSB) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90

days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or any of the Guarantees, as the case may be) then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

- (d) **Redemption at the Option of the Issuer:** If Call Option is specified in the Pricing Supplement, the Issuer may (subject to Condition 6(i) in the case of Subordinated Notes), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Pricing Supplement) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount specified in the Pricing Supplement and no greater than the Maximum Redemption Amount specified in the Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the serial numbers of the Bearer Notes, or in the case of the Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified in the Pricing Supplement, the Issuer shall (subject to Condition 6(i) in the case of Subordinated Notes), at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the Pricing Supplement.
- (g) **Purchases:** The Issuer, the Guarantor and any of their respective Subsidiaries may (subject to Condition 6(i) in the case of Subordinated Notes) at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may (in the case of Notes other than Subordinated Notes) or shall (in the case of Subordinated Notes) be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.
- (i) **Conditions of Redemption for Subordinated Notes:** Notwithstanding any other provisions in these Conditions, the Subordinated Notes (subject as provided below) may not be redeemed or purchased and cancelled (other than pursuant to Condition 6(a)) without the prior consent of the Hong Kong Monetary Authority (the “HKMA”) (or any successor thereto). Accordingly, the Issuer shall not redeem any of such Subordinated Notes other than pursuant to Condition 6(a) or purchase and cancel the Subordinated Notes unless the prior written consent of the HKMA thereto shall have been obtained provided, however, that if from time to time the consent of the HKMA is not a requirement for any such Subordinated Notes to constitute Category II Supplementary Capital (or equivalent) of DSB for the purposes of the Banking Ordinance (Cap. 155) of Hong Kong, or any successor legislation, then the condition to the redemption or purchase and cancellation of the relevant Subordinated Notes set out in this Condition 6(i) shall not apply for so long as such consent is not so required.
- (j) **Redemption for Dated Subordinated Notes upon occurrence of a Regulatory Redemption Event:** Subject to Condition 6(i), the Dated Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (together with interest accrued to the date fixed for redemption), following the occurrence of a Regulatory Redemption Event.

For the purposes of this Condition 6(j): a “Regulatory Redemption Event” occurs if the Dated Subordinated Notes in whole, and not in part, no longer qualify as term subordinated debt for inclusion in Category II — Supplementary Capital of the Issuer as a result of amendments to the relevant provisions of the Banking Ordinance, Banking (Capital) Rules, or the statutory guidelines issued by HKMA in relation thereto after the Issue Date (excluding for the avoidance of doubt, non-qualification solely by virtue of the Issuer already having on issue securities with an aggregate principal amount up to or in excess of the limit of Supplementary Capital permitted from time to time by the HKMA or solely as a result of any discounting requirements as to the eligibility of the Dated Subordinated Notes for such inclusion pursuant to the relevant legislation and statutory guidelines in force from time to time).

Prior to giving any notice of redemption pursuant to this Condition 6(j), the Issuer shall deliver to the Fiscal Agent (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that a Regulatory Redemption Event has occurred and (ii) a copy of the written consent of the HKMA; and the Fiscal Agent shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 6(j) will be redeemed at the Early Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant date fixed for redemption.

Holders of Subordinated Notes should note that it is intended that such Subordinated Notes should constitute Category II Supplementary Capital of DSB and accordingly, under statutory requirements prevailing at the date hereof relative to Category II Supplementary Capital, and by virtue of the above provisions, any redemption of such Subordinated Notes, other than at maturity, is subject to the prior consent of the Hong Kong Monetary Authority at the relevant time.

7. PAYMENTS AND TALONS

Payments of principal, premium (if any) and interest in respect of Dated Subordinated Notes and Dated Subordinated Guaranteed Notes will be made subject to the provisions of Condition 3(b) and Condition 3(e), respectively. Payments of principal, premium (if any) and interest in respect of Undated Subordinated Notes will be made subject to the provisions of Conditions 3(c) and 3(g). Payments of principal, premium (if any) and interest in respect of Undated Subordinated Guaranteed Notes will be made subject to the provisions of Conditions 3(f) and 3(g).

- (a) (i) **Bearer Notes not held in the CMU Service:** Payments of principal and interest in respect of Bearer Notes not held in the CMU Service shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (ii) **Bearer Notes held in the CMU Service:** Payments of principal and interest in respect of Bearer Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer or, as the case may be, the Guarantor in respect of that payment.
- (b) **Registered Notes:**
- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or 33 to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in US dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall

have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer or, where applicable, the Guarantor, any adverse tax consequence to it.

- (d) **Payments Subject to Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging Agent in relation to Notes accepted for clearance through the CMU Service, (v) one or more Calculation Agent(s) where the Conditions so require, (vi) a Paying Agent having specified offices in Singapore (for so long as the Notes are listed on the SGX-ST and the rules of that stock exchange so require), (vii) such other agents as may be required by any other stock exchange on which the Notes may be listed and (viii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27th November, 2000.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in US dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

- (i) Upon the due date for redemption of any Bearer Note which comprise Fixed Rate Note (other than Dual Currency Note or Index Linked Note), should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “Financial Centres” in the Pricing Supplement and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.
- (i) **Redenomination, Renominalisation and/or Consolidation:** Notes denominated in a currency that may be converted into euro may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro, as specified in the Pricing Supplement.

8. TAXATION

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantees shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the jurisdiction of its incorporation or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay

such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with, in the case of payments by a Guaranteed Issuer, the relevant Guaranteed Issuer's jurisdiction of incorporation or, in the case of payments by the Guarantor, Hong Kong other than the mere holding of the Note, Receipt or Coupon or
- (b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment or
- (c) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day or
- (d) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or
- (e) **Payment by another Paying Agent:** (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

9. PRESCRIPTION

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT AND ENFORCEMENT

(a) Senior Notes and Senior Guaranteed

- (i) This Condition 10(a) is applicable to all Notes which are specified in the Pricing Supplement as being Senior Notes or Senior Guaranteed Notes.
- (ii) If any of the following events (“Events of Default”) occurs, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:
 - (1) **Non-Payment:** If default is made in the payment of any principal, premium (if any) or interest due in respect of the Notes or any of them and the default continues for a period of five days (in the case of principal) or 10 days (in the case of premium or interest); or
 - (2) **Breach of Other Obligations:** If the Issuer or, as the case may be, the Guarantor fails to perform or observe any of its other obligations under these Conditions, the Notes, the Deed of Covenant or, as the case may be, the relevant Guarantee and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or
 - (3) **Cross-Default:** (x) The Issuer, the Guarantor or, as the case may be, any Subsidiary shall default in the payment of any principal of or interest on any Borrowed Money beyond any period of grace provided in respect thereof; or (y) the Issuer, the Guarantor or, as the case may be, any Subsidiary shall fail to honour when due and called upon any present or future guarantee for, or indemnity in respect of, any Borrowed Money; or (z) any Borrowed Money of the Issuer, the Guarantor or, as the case may be, any Subsidiary becomes (or becomes capable of being declared) due and payable prior to its specified maturity by reason of any actual or potential default or event of default or the like (howsoever described), in each case in an aggregate principal amount of at least US\$20,000,000 or the equivalent thereof in another currency or currencies (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any lending bank on the day on which this paragraph operates); or
 - (4) **Winding-up:** An order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or, as the case may be, the Guarantor or any of their respective Material Subsidiaries (except, (x) in the case of the Issuer or, as the case may be, the Guarantor, for the purposes of a reconstruction, amalgamation or otherwise the terms of which have previously been approved by an Extraordinary Resolution of Noteholders and (y) in the case of a Material Subsidiary, for the purposes of a reconstruction, amalgamation or otherwise whilst solvent); or
 - (5) **Insolvency; Enforcement Proceedings etc.:** If (a) the Issuer, the Guarantor or, as the case may be, any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or unable to pay its debts as they fall due or stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, (b) a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking or assets of the Issuer, the Guarantor or, as the case may be, any Material Subsidiary, (c) a distress or execution shall be enforced upon or against a substantial part of the assets, revenues or undertaking of the Issuer, the Guarantor or, as the case may be, any Material Subsidiary and shall not be stayed or discharged within 60 days of being enforced, (d) the Issuer, the Guarantor or, as the case may be, any Material Subsidiary proposes or makes

a general assignment or an arrangement or composition with or for the benefit of its creditors generally or (e) the Issuer, the Guarantor or, as the case may be, any Material Subsidiary ceases or threatens to cease to carry on all or any substantial part of its business (except, in the case of (e) only, (1) in the case of the Issuer or, as the case may be, the Guarantor, for the purposes of a reconstruction, amalgamation or otherwise the terms of which have previously been approved by an Extraordinary Resolution of Noteholder or (2) in the case of a Material Subsidiary for the purposes of a reconstruction, amalgamation or otherwise whilst solvent); or

- (6) **Analogous Events:** Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (4) or (5) above; or
- (7) **Ownership:** The Guaranteed Issuer which has issued the Notes (if applicable) ceases to be wholly-owned and controlled by DSB; or
- (8) **Illegality:** If it is or will become unlawful for the Issuer or, as the case may be, the Guarantor to perform or comply with any of its obligations under or in respect of these Conditions, the Notes, the Deed of Covenant or the relevant Guarantee and such illegality has a material adverse effect on the interests of the Noteholders; or
- (9) **Senior Guarantee:** In the case of Senior Guaranteed Notes, the Senior Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect.

“**Borrowed Money**” means indebtedness (present or future) for or in respect of monies borrowed, acceptances and the principal amount of any notes (including, for the avoidance of doubt, Notes of any other Series) debentures, bonds, bills of exchange, promissory notes or similar instruments drawn, made, accepted, issued, endorsed or guaranteed by the Issuer, the Guarantor or, as the case may be, any Subsidiary for the purpose of raising money but shall exclude bills of exchange drawn under or in respect of letters of credit or contracts for the provision of goods or services for the purposes of effecting payment and not in connection with the raising of money.

“**Material Subsidiary**” means at any time a Subsidiary or its Successor (as defined below) of DSB as to which one or more of the following conditions is satisfied:

- (a) its net profits or (in the case of a Subsidiary of DSB which has one or more Subsidiaries) consolidated net profits attributable to DSB (in each case before taxation and extraordinary items) are at least 5 per cent. of the consolidated net profits of DSB and its Subsidiaries (the “**Group**”) (in each case before taxation and extraordinary items); or
- (b) its total assets or (in the case of a Subsidiary of DSB which has one or more Subsidiaries) consolidated total assets attributable to DSB represent 5 per cent. or more of the consolidated total assets of the Group; all as calculated by reference to the then latest audited accounts (consolidated or, as the case may be unconsolidated) of such Subsidiary and the then latest consolidated audited accounts of the Group,

provided that: (i) in the case of a Subsidiary of DSB acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (ii) if, in the case of a Subsidiary of DSB which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated total assets and consolidated net profits shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose by its auditors; (iii) if the

accounts of any Subsidiary of DSB (not being a Subsidiary referred to in (i) above) are not consolidated with those of DSB then the determination of whether or not the Subsidiary of DSB is a Material Subsidiary shall, if DSB requires, be based on a pro forma consolidation of its accounts, (consolidated, if appropriate) with the consolidated accounts of DSB and its Subsidiaries.

“**Successor**” means any entity to which is transferred or which assumes the whole or substantially the whole of the assets and undertaking or all or substantially all of the obligations of an entity which immediately prior to the transfer or assumption was a Material Subsidiary, by way of merger, consolidation, amalgamation, demerger, transfer or otherwise, whether by operation of law or pursuant to any agreement; provided that the entity which previously held such assets and undertaking or obligations shall forthwith upon the transfer or assumption cease to be a Material Subsidiary (but without prejudice to the definition of Material Subsidiary above) and the entity which assumes or, as the case may be, to which the assets and undertaking or obligations are so transferred shall become a Material Subsidiary, and for this purpose, a certificate by the auditors of the Guarantor as to whether or not an entity is a Material Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

(b) Subordinated Notes

- (i) This Condition 10(b) is applicable to all Notes which are specified in the Pricing Supplement as being Dated Subordinated Notes, Undated Subordinated Notes, Dated Subordinated Guaranteed Notes or Undated Subordinated Guaranteed Notes.
- (ii) If default is made in the payment of any principal, premium (if any) or (subject to Condition 3(g)) interest due in respect of the Subordinated Notes or any of them and the default continues for a period of five days (in the case of principal) or 10 days (in the case of premium or interest) (each such event, an “**Enforcement Event**”), any holder of a Subordinated Note of the relevant Series may, in order to enforce payment, at its discretion and without further notice institute proceedings for the winding-up of either (x) the relevant Guaranteed Issuer in that Guaranteed Issuer’s jurisdiction of incorporation and/or DSB in Hong Kong (in the case of Subordinated Notes issued by a Guaranteed Issuer) or (y) DSB in Hong Kong (in the case of Subordinated Notes issued by DSB), but may take no further action in respect of such default.
- (iii) If an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of a Guaranteed Issuer of Subordinated Notes in that Guaranteed Issuer’s jurisdiction of incorporation and/or DSB in Hong Kong (whether or not an Enforcement Event has occurred and is continuing and except where such order or resolution is for the purposes of a reconstruction, amalgamation or otherwise the terms of which have previously been approved by an Extraordinary Resolution of Noteholders) (each such event, also an “**Enforcement Event**”) then any holder of a Subordinated Note may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare such Notes held by the holder to be forthwith due and payable (subject to the prior satisfaction of the appropriate condition as to solvency set out in Condition 3) whereupon the same shall become forthwith due and payable (subject as aforesaid) at the Early Redemption Amount (as described in Condition 6(b)), together with accrued interest (if any) to the date of repayment, without further action or formality of any kind.
- (iv) Any holder may without further notice institute such proceedings against a relevant Guaranteed Issuer and/or DSB (in the case of Subordinated Notes issued by a Guaranteed Issuer) or DSB (in the case of Subordinated Notes issued by DSB) as it may think fit and may, subject as hereinafter provided, institute proceedings for the winding-up of a Guaranteed Issuer in that Guaranteed Issuer’s jurisdiction of incorporation and/or DSB in Hong Kong (as appropriate) to enforce any obligation, condition or provision binding on that Guarantee Issuer and/or DSB (as appropriate) under the Subordinated Notes or the Coupons (other than any obligation for the payment of principal or interest in respect of such Notes or Coupons); provided that

neither the relevant Guaranteed Issuer nor DSB (as appropriate) shall by virtue of the institution of any such proceedings (other than proceedings for the winding-up of the relevant Guaranteed Issuer and/or DSB (as appropriate)) be obliged to pay any sum or sums (whether in respect of principal or interest or other sums in respect of the relevant Subordinated Notes or Coupons or by way of damages in respect of any breach of any such obligation, condition or provision or otherwise howsoever). A holder may only institute proceedings for the winding-up of a Guaranteed Issuer in that Guaranteed Issuer's jurisdiction of incorporation and/or DSB in Hong Kong (as appropriate) to enforce the obligations referred to in this Condition 10(b)(iv) if a default by that Guaranteed Issuer and/or DSB (as appropriate) thereunder (except in any case where such default is incapable of remedy where no such continuation or notice as is hereinafter mentioned will be required) is not remedied within 60 days (or such longer period as the holder may permit) after written notice of such default has been given to that Guaranteed Issuer and/or DSB (as appropriate), at the specified office of the Fiscal Agent, by the holder requiring such default to be remedied.

11. MEETING OF NOTEHOLDERS AND MODIFICATIONS

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown in the Pricing Supplement, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (ix) to modify or cancel any of the Guarantees, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification of Agency Agreement:** The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

12. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Paying Agent in London (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying

Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in the conditions of such notes to “Issue Date” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “Notes” shall be construed accordingly.

14. NOTICES

Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong (which is expected to be the South China Morning Post). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, in addition, for so long as any such Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange.

15. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or the Guarantor or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer, failing whom the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Notes, the Receipts, the Coupons, the Talons, the Agency Agreement, the Deed of Covenant, the Deed of Guarantee and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3 hereof shall be governed by, and construed in accordance with the laws of Hong Kong.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons, Talons, the Agency Agreement, the Deed of Covenant and the Deed of Guarantee (including any disputes relating to any non-contractual obligations arising out of or in connection with the Notes, Receipts, Coupons, Talons, the Agency Agreement, the Deed of Covenant and the Deed of Guarantee) and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons, Talons, the Agency Agreement, the Deed of Covenant and the Deed of Guarantee (“**Proceedings**”) may be brought in such courts. Each of the Guaranteed Issuers and the Guarantor irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** Each of the Guaranteed Issuers and the Guarantor irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX as their agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Guaranteed Issuers or the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, each of the Guaranteed Issuers and the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) or deposit of a Global Note with a sub-custodian for the CMU Service or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear and Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note is lodged with the CMU Service, the person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU Service in respect of each amount so paid.

Exchange

1. Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- 1.1. if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme — Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below; and
- 1.2. otherwise, in whole or in part upon certification as to non-US beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes, provided that the CMU Service may require that any such exchange for interests in a permanent Global Note is made in whole and not in part.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

2. *Permanent Global Notes*

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part for Definitive Notes or, in the case of 2.2 below, Registered Notes:

- 2.1. if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Fiscal Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; or
- 2.2. (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or the CMU Service or any other clearing system (an “**Alternative Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent (or, in the case of CMU Notes, the CMU Lodging Agent) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3. *Permanent Global Certificates*

If the Pricing Supplement states that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- 3.1. if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- 3.2. if principal in respect of any Notes is not paid when due; or
- 3.3. with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

4. *Partial Exchange of Permanent Global Notes*

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes (i)

if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

5. *Delivery of Notes*

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of CMU Notes, the CMU Lodging Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. In this Offering Circular, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

6. *Exchange Date*

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

In relation to any issue of Notes which are represented by a Temporary Global Note which is expressed to be exchangeable for Definitive Notes at the option of Noteholders, such Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and multiples thereof.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

1. *Payments*

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-US beneficial ownership in the form set out in the Agency Agreement. Save as set out in the following paragraph, all payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(e) will apply to the Definitive Notes only.

In respect of a Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

For the purpose of any payment made in respect of a Global Note (except with respect to Global Note held through the CMU Service), the relevant place of presentation shall be disregarded in the definition of “business day” set out in Condition 7(h) (Non-Business Days).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

2. Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

3. Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder’s holding, whether or not represented by a Global Certificate.)

4. Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

5. Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective Subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

6. Issuer’s Options

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, the CMU Service or any other clearing system (as the case may be).

7. *Noteholders' Options*

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent (or, in the case of CMU Notes, the CMU Lodging Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent (or, in the case of CMU Notes, the CMU Lodging Agent), for notation.

8. *Events of Default and Enforcement Events*

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due (in the case of Senior Notes) or (in the case of Subordinated Notes) following the occurrence of an Enforcement Event, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the relevant Issuer under the terms of a Deed of Covenant executed as a deed by DSB, DSMFL and DSSFL as Issuers on 14th June, 2002 (as amended and restated on 7th August, 2009) or subsequently by each New Issuer on its accession to the Programme to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be.

9. *Notices*

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [●]

**[DAH SING BANK, LIMITED/DAH SING MTN FINANCING LIMITED/
DAH SING SAR FINANCING LIMITED/[NEW ISSUER]**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by Dah Sing Bank, Limited]
under the US\$2,000,000,000 Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated 24th June, 2013. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1. [(i)] Issuer: [Dah Sing Bank, Limited/Dah Sing MTN Financing Limited/Dah Sing SAR Financing Limited/[NEW ISSUER]
[(ii)] Guarantor: Dah Sing Bank, Limited (*delete for direct issues by Dah Sing Bank, Limited*)
2. [(i)] Series Number: [●]
[(ii)] Tranche Number: [●]
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount:
(i) Series: [●]
[(ii)] Tranche: [●]
5. [(i)] Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
[(ii)] Net proceeds: [●] (*Required only for listed issues*)
6. (i) Specified Denominations: [●]⁽¹⁾
(ii) Calculation Amount⁴: [●]

7. (i) Issue Date: [●]
(ii) Interest Commencement Date: [*Specify/Issue date/Not Applicable*]
8. Maturity Date: [*specify date (for Fixed Rate Notes) or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]⁽²⁾
9. Interest Basis: [[●] per cent. Fixed Rate]
[*specify reference rate*] +/- [●] per cent.
Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Other (*specify*)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12. Put/Call Options: [Put]
[Call]
(*NB: HKMA approval will be required in the case of Subordinated Notes*)
[(further particulars specified below)]
13. [(i)] Status of the Notes: [Senior Notes/Dated Subordinated Notes/
Undated Subordinated Notes/Senior Guaranteed Notes/Dated Subordinated Guaranteed Notes/
Undated Subordinated Guaranteed Notes]
(*Notes issued by DSSFL will be issued on a subordinated basis only*)
- [(ii) Status of the Guarantee: [Senior/Dated Subordinated/Undated Subordinated] (*delete for direct issues by Dah Sing Bank, Limited; Notes issued by DSSFL will be guaranteed on a subordinated basis only*)]
14. Listing: [Singapore Exchange Securities Trading Limited (the “SGX-ST”)/Other (*specify*)/None]
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

Payments of interest in respect of Dated Subordinated Notes and Dated Subordinated Guaranteed Notes will be made subject to the provisions of Conditions 3(b) and Condition 3(e), respectively. Payments of interest in respect of Undated Subordinated Notes will be made subject to the provisions of Conditions 3(c) and 3(g). Payments of interest in respect of Undated Subordinated Guaranteed Notes will be made subject to the provisions of Conditions 3(f) and 3(g).

16. Fixed Rate Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate [(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
 - (ii) Interest Payment Date(s): [●] in each year⁽³⁾ [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”]/not adjusted]
 - (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount⁽⁴⁾
 - (iv) Broken Amount: [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate]*
 - (v) Day Count Fraction (Condition 5(j)): [30/360/Actual/Actual (ICMA/ISDA)/Other] *(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in US dollars or Hong Kong dollars, unless the client requests otherwise)*
 - (vi) Determination Date(s) (Condition 5(j)): [●] in each year. *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*⁽⁵⁾
 - (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
17. Floating Rate Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [●]
 - (ii) Specified Interest Payment Dates: [●]
 - (iii) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
 - (iv) Business Centre(s) (Condition 5(j)): [●]
 - (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
 - (vi) Interest Period Date(s): [Not Applicable/specify dates] *(Not applicable unless different from Interest Payment Date)*
 - (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]

- (viii) Screen Rate Determination (Condition 5(b)(iii)(B)):
- Reference Rate: [●]
 - Interest Determination Date: [●] *[TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]*
 - Relevant Screen Page: [●]
- (ix) ISDA Determination (Condition 5(b)(iii)(A)):
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - ISDA Definitions: (if different from those set out in the Conditions) [2000/2006]
- (x) Margin(s): [+/-] [●] per cent. per annum
- (xi) Minimum Rate of Interest: [●] per cent. per annum
- (xii) Maximum Rate of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction (Condition 5(j)): [●]
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]
18. Zero Coupon Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield (Condition 6(b)): [●] per cent. per annum
 - (ii) Day Count Fraction (Condition 5(j)): [●]
 - (iii) Any other formula/basis of determining amount payable: [●]
19. Index Linked Interest Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula: [Give or annex details]
 - (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [●]
 - (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●]
 - (iv) Interest Period(s): [●]
 - (v) Specified Interest Payment Dates: [●]
 - (vi) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
 - (vii) Business Centre(s) (Condition 5(j)): [●]
 - (viii) Minimum Rate of Interest: [●] per cent. per annum
 - (ix) Maximum Rate of Interest: [●] per cent. per annum
 - (x) Day Count Fraction (Condition 5(j)): [●]

20. Dual Currency Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
 [Give details]
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [●]
- (ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]
- (v) Day Count Fraction (Condition 5(j)): [●]

PROVISIONS RELATING TO REDEMPTION

[NB: Subject to the provisions of Condition 6(i), Call Options and Put Options for Subordinated Notes will not be permissible without the prior consent of the HKMA]

21. Call Option [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]
22. Put Option [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]
23. Final Redemption Amount of each Note [●] per Calculation Amount
24. Early Redemption Amount [●]
- (i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)) or Regulatory Redemption Event (Condition 6(j)) or Event of Default (Condition 10(a)) or an Enforcement Event (Condition 10(b)) and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Bearer Notes/Exchangeable Bearer Notes/Registered Notes]
[Delete as appropriate]
- (i) Temporary or permanent global Note/Certificate(6): [temporary Global Note/Certificate exchangeable for a permanent Global Note/Certificate which is exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
[temporary Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice]
[permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
- (ii) Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable]
26. Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates: [Not Applicable/Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iv) and 19(vii) relate]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
29. Details relating to Instalment Notes: [Not Applicable/give details]
- (i) Instalment Amount(s): [●]
- (ii) Instalment Date(s): [●]
- (iii) Minimum Instalment Amount: [●]
- (iv) Maximum Instalment Amount: [●]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
31. Consolidation provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
32. Other terms or special conditions: [Not Applicable/give details]⁽⁷⁾

DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable/give names]
(ii) Stabilising Manager (if any): [Not Applicable/give name]
34. If non-syndicated, name of Dealer: [Not Applicable/give name]
35. Additional selling restrictions: [Not Applicable/give details]

OPERATIONAL INFORMATION

36. ISIN Code: [●]
37. Common Code: [●]
38. CMU Instrument Number: [●]
39. Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU Service and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
40. Delivery: Delivery [against/free of] payment
41. The Agents appointed in respect of the Notes are: [●]

GENERAL

42. The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [●], producing a sum of (for Notes not denominated in US dollars): [Not Applicable/US\$[●]]
43. In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong: [Not Applicable/Luxembourg]
44. In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London: [Not Applicable/Hong Kong]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US\$2,000,000,000 Euro Medium Term Note Programme of Dah Sing Bank, Limited, Dah Sing MTN Financing Limited and Dah Sing SAR Financing Limited.]

[STABILISING

In connection with the issue of any Tranche of Notes, one of the Dealers named as Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in the applicable Pricing Supplement may, subject to applicable laws and regulations, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.]

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There]⁽⁸⁾ has been no significant change in the financial or trading position of the Issuer[, the Guarantor] or of the Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer[, the Guarantor] or of the Group since [*insert date of last published annual accounts*].]

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular [and the supplemental Offering Circular] referred to above, contains all information that is material in the context of the issue of the Notes.

[Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer [or the Guarantor] or of the merits of the Notes. The SGX-ST takes no responsibility for the correctness of any statement made or opinions expressed in this Pricing Supplement.]

Signed on behalf of the Issuer:

By: _____
Duly authorised

[Signed on behalf of the Guarantor:

By: _____
Duly authorised]

- (1) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

(N.B. For Bearer Notes with a Specified Denomination and higher integral multiples above the minimum denomination, consider including language substantially to the following effect (however, appropriate amendments should be made for different currencies):

"[€50,000]/[€100,000] and integral multiples of [€1,000] in excess thereof, up to and including [€99,000]/[€199,000] and, for so long as the Notes and represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradeable only in the minimum authorized denomination of [€50,000] and higher integral multiples of [€1,000], notwithstanding that no definitive notes will be issued with a denomination above [€99,000]/[€199,000]."

- (2) Note that for Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.
- (3) Note that for certain Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●]."
- (4) For Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Specified Denomination by the actual number of days in the Interest Accrual Period (as defined in Condition 5(j) divided by Day Count Fraction and rounding the resultant figure to the nearest HK\$0.01, HK\$0.005 being rounded upwards. For the purposes of this paragraph and the Day Count Fraction referred to herein, "Calculation Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date."
- (5) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.

- (6) The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes the formulation referred to in Note 1 above. Furthermore, the Specified Denomination formulation referred to in Note 1 above is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.
- (7) If full terms and conditions are to be used, please add the following here:
- “The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary.”
- The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.
- (8) If any change is disclosed in the Pricing Supplement, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

USE OF PROCEEDS

The net proceeds from each issue of Notes by DSMFL and DSSFL will be used by DSB and its Subsidiaries for general banking and other corporate purposes. The net proceeds from each issue of Notes by DSB will be used by the Group for its general banking and other corporate purposes.

RISK FACTORS

Risks Relating to the Business Operations of the Bank

An economic downturn in Hong Kong and any other major economies may materially and adversely affect the Bank's financial condition and results of operations.

The Bank conducts most of its operations and generates most of its revenues in Hong Kong, Macau and the PRC and therefore the financial condition and results of operations of the Bank will be closely affected by the economic development in Hong Kong, Macau and the PRC. With the increasing interaction between the PRC and Hong Kong economies, policies of the PRC are also expected to have varying degrees of impact on Hong Kong and Hong Kong companies conducting their businesses in the PRC. The Bank and its customers may be affected accordingly.

The Bank's commercial banking business includes business related to customers in the trade, manufacturing and exports sectors in Hong Kong and the PRC. The quality of the Bank's assets and results of operations could be negatively affected if the exports of the PRC, particularly the exports of the Pearl River Delta Region, are significantly affected by an economic downturn. The credit quality of the Bank's mortgage loans could be affected by any decline in property values. Furthermore, the credit quality of the Bank's unsecured personal loans is sensitive to local economic conditions, particularly the unemployment rate and personal bankruptcy. The quality of the Bank's treasury and loan assets is also exposed to the performance of other major economies such as the United States and European countries.

In addition to its operation in Hong Kong, the Bank owns a 100 per cent. interest in Banco Comercial de Macau, S.A. ("BCM"), which is a licensed bank in Macau active in retail and commercial banking. BCM has benefitted from economic growth in Macau, but there can be no assurance that such growth will continue.

The Bank is expanding its business and operations in the PRC through its wholly-owned Subsidiary in China, Dah Sing Bank (China) Limited ("DSB China"), which commenced operations in August 2008. The Bank's performance and the quality and growth of its assets in the PRC are dependent on the overall economic, regulatory and political conditions of the country. The quality of the Bank's loans granted in the PRC, or to companies that have business interest in the PRC, may be affected by the general state of the economy, material regulatory changes and significant political, social or legal uncertainties or changes in the PRC (including changes in political leadership, the inflation rate, Renminbi interest rates, and Renminbi exchange rate). There can be no assurance that the economic and political environment in the PRC will remain favourable to the Bank's business in the PRC in future.

The Bank is facing significant competition, which may have an adverse effect on its financial condition and results of operations.

The Bank, including its Subsidiaries in Macau and the PRC, is subject to significant competition from other local and international banks operating in Hong Kong, Macau and the PRC, including competitors that may have greater financial and other resources.

The financial services sector in Hong Kong is a mature and open market. Many of the international and local banks operating in Hong Kong compete for substantially the same customers as the Bank. The high intensity of competition may cause an adverse impact on the pricing of certain bank products and thus have an adverse effect on the Bank's financial condition and results of operations.

Expansion of the Bank's operations through merger, acquisition and alliance may give rise to a risk if not managed effectively.

The Bank has a history of expanding its business in Hong Kong, Macau, and the PRC markets, through mergers, acquisitions and alliances, and the Bank may enter into similar transactions in future if suitable opportunities arise. Expansion of the Bank's business through merger and acquisition will expose the Bank to new risks and challenges as it may require significant operational, administrative and management resources. The success of any merger, acquisition or alliance will depend on the ability of the Bank's management to integrate the operations of newly-acquired businesses with its

existing operations and, where applicable, to integrate various departments, systems and processes. There is no assurance that acquired entities will achieve the level of performance that the Bank anticipates. It is also uncertain that the projected demand for and margins of the Bank's products and services will be realised. The failure to manage expansion effectively could have an adverse effect on the Bank's financial condition and results of operations.

The Bank may need additional capital in the future and there can be no assurance that the Bank will be able to obtain such capital on acceptable terms, or at all.

The Bank's financial condition, results of operations and capital position are affected by a range of factors such as economic conditions, interest rates, market and credit environments, asset quality, operating income and level of provisioning. A severe downturn in the economy may result in deterioration in the Bank's asset quality and, therefore, an increase in provisions for bad and doubtful debts or loan impairment losses, which may result in a deterioration of the Bank's capital adequacy position. In a very volatile market where the value of financial assets fluctuates widely, the unrealised negative mark-to-market adjustment to financial assets held by the Bank may materially or adversely affect the Bank's core capital and total capital. To ensure that it remains in compliance with applicable capital requirements under relevant law, rules and regulations (including guidelines issued by the Hong Kong Monetary Authority ("HKMA")), the Bank may from time to time raise additional capital through such means and in such manner as it may consider appropriate including, without limitation, the issue of further notes (whether on terms similar to the Notes issued under the Programme or otherwise) or other hybrid capital instruments, subject to any regulatory approval that may be required. There can be no assurance that the Bank will be able to obtain additional capital in a timely manner or on acceptable terms, or at all. Failure to raise necessary capital on a timely and acceptable basis may severely affect the short-term financial position and operations, and/or the medium-term development of the Bank.

The Bank's business is vulnerable to volatility in interest rates.

The Bank's net interest income is a significant factor in determining its overall financial performance. Changes in market interest rates affect the interest received on the Bank's interest-earning assets and the interest paid on the Bank's interest-bearing liabilities. These changes could result in an increase in the Bank's interest expenses relative to its interest income, which may lead to a reduction in its net interest income. Interest rates in Hong Kong are sensitive to factors over which the Bank has no control, including Prime Rate and HIBOR movements in Hong Kong, and domestic and international economic and political conditions having an impact on local and international interest rates. Any significant volatility and abrupt movements in interest rates could adversely affect the Bank's financial condition and results of operations.

In addition, the Bank is subject to interest rate risk as a result of mismatches in the pricing and duration of its assets and liabilities. A significant part of the Bank's funding requirements is met through short-term or floating rate funding sources, primarily in the form of deposits, including customer deposits, inter-bank deposits and certificates of deposit, which tend to be at floating rates and are regularly repriced. In contrast, some of the Bank's assets either receive a fixed rate of interest or if they receive a floating rate of interest, they may not be repriced as frequently as the Bank's deposits. In a volatile interest rate environment there can be no assurance that the Bank's net interest margin will not be impacted and the Bank's net interest income may reduce.

The Bank's personal banking portfolio carries a higher degree of credit risk than its other types of lending.

The Bank has developed its personal financial services business through key products such as credit cards and unsecured personal loans. The Bank recognises that there is higher degree of credit risk associated with these products as a result of the absence of collateral and their vulnerability to any economic downturn. If there is any substantial downturn in the economy, the credit quality and charge off rates of the Bank's unsecured consumer lending portfolio may deteriorate.

Material changes in, or breach of regulations that govern the Bank and its business activities may adversely affect its business and future financial performance.

Banks in Hong Kong, Macau and the PRC are subject to the supervision of the HKMA, Autoridade Monetária de Macau (“AMCM”) and the China Banking Regulatory Commission (“CBRC”) respectively. Potential investors should be aware that regulatory requirements in Hong Kong, Macau and the PRC may differ from those that prevail in other countries. The Bank’s business could be directly affected by any changes in regulatory policies and guidelines, including in the areas of specific lending activities, loan provisioning, capital adequacy, and liquidity requirements. In addition, any changes in regulatory or governmental policies, profits tax laws or rules and accounting principles, as well as international conventions and standards relating to commercial banking operations, including changes pursuant to the New Basel Capital Accord of the Bank for International Settlements (Basel III Accord), could affect the Bank’s operations and financial performance. There can be no assurance that any future changes in the regulatory environment for banks in Hong Kong, Macau and the PRC will not adversely affect the Bank’s business and future financial performance.

In December 2010 and January 2011, the Basel Committee on Banking Supervision (the “Basel Committee”) issued new capital requirements designed to raise the quality, consistency and transparency of banks’ capital base and new global liquidity standards. These requirements are collectively known as “Basel III” in general. The Basel Committee expects its member jurisdictions to begin the implementation of Basel III from 1 January 2013, with full implementation by 1 January 2019. It is the intention of Hong Kong Government to implement Basel III in accordance with the timetable of the Basel Committee and amendments to the Banking Ordinance, the Banking (Capital) Rules and the Banking (Disclosure) Rules to facilitate the implementation of Basel III in Hong Kong were proposed for legislative approval accordingly. *Inter alia*, the HKMA will be empowered to prescribe capital requirements for authorized institutions incorporated in Hong Kong and liquidity requirements for authorized institutions incorporated in Hong Kong or elsewhere; and issue and approve codes of practice for the purpose of providing guidance in respect of the requirements. The new regulatory framework may cause the Bank to incur substantial additional costs in monitoring and complying with the new requirements if any. There can be no assurance that breaches of legislation or regulations by the Bank will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred. Further, there is no certainty that the HKMA may implement Basel III in a manner that is the same as that which is currently envisaged, or may impose additional requirements. If such additional requirements will occur in future, any failure of the Bank to comply may result in administrative actions or sanctions, which may have an adverse effect on the Bank’s results of operation.

Apart from the above, certain products and services provided by the Bank are regulated by other regulators including the Security and Futures Commission (“SFC”) in Hong Kong. The Bank carefully manages legal and compliance risks, including in relation to the sale of financial products and compliance with anti-money laundering and anti-terrorist financing regulations. However, there can be no assurance that breaches of legislation or regulations by the Bank will not occur and, to the extent that such a breach does occur, that significant liabilities or penalties will not be incurred.

If the Bank is unable to control the level of impaired loans in its loan portfolio, its financial condition and results of operations will be materially and adversely affected.

The Bank’s results of operations may be negatively impacted by its impaired loans. Under the Hong Kong Financial Reporting Standards, the accounting principles that are applicable to the Bank, loans are impaired if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loans.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of businesses of the Bank and there can be no assurance that the Bank will be able to control effectively the level of impaired loans in its loan portfolio and the credit quality of its borrowers and counterparties. In particular, the amount of the Bank’s reported impaired loans, the ratio of its impaired loans to its loans and advances to customers may increase and the recoverability and value of the assets of the Bank may reduce in the future as a result of deterioration in the quality of its loan portfolio. Such deterioration may occur for a variety of reasons, including factors which are beyond the Bank’s control. Furthermore, a portion of the Bank’s allowances for impairment losses are estimated based on historical patterns of losses of its loan portfolio. As

historical patterns may differ from the Bank's future experience, its current allowances for impairment losses on loans and advances may not be adequate to cover any further increase in the amount of impaired loans or any future deterioration in the overall credit quality of the Bank's loan portfolio. As a result, the Bank may be required to increase its provision for impaired loans, which may in turn reduce its profit and adversely affect its financial condition and results of operations. Moreover, there is no precise method for predicting loan losses, and there can be no assurance that the Bank's allowance for impairment losses on loans and advances is or will be sufficient to cover actual losses. If the Bank is unable to manage the above risks and control the level of its impaired loans, its financial condition and results of operations will be materially and adversely affected.

The Bank's classification of loans and its policy in relation to the adequacy of allowance for loan losses may be different from the standards of other countries.

In accordance with guidelines set by the HKMA, the Bank classifies its problem loans into one of three categories corresponding to levels of risk: "sub-standard", "doubtful" and "loss". The classification of loans into one of these categories depends on various quantitative and qualitative factors, including the number of months payment in arrears, the type of loan, the tenor of the loan, the likelihood of collection, the type and amount of collateral, sufficiency of the net realisation value of the security to cover the amount of principal and accrued interest, the number of days the payment of principal or interest has fallen overdue, and the expectations for recovery or performance. The laws, regulations and guidelines governing banking in Hong Kong may differ from those applicable in certain other countries in certain respects and may result in particular loans being classified at a time or being classified in a category reflecting a degree of risk different from what would be required in certain other countries. In addition, the typical procedures for writing off loans in Hong Kong may result in loans being written off at a time different from what would be required in certain other countries. Banks in Hong Kong may have different sets of criteria for recognition of accrued interest on loans which may be treated differently in certain other countries. While the Bank believes that its loan policies are generally in line with those which are required under Hong Kong laws and regulations, the Bank is not required to maintain such policies at levels above those generally applicable to banks in Hong Kong.

Downgrades to the Bank's credit ratings or outlook could impair its access to funding and its competitive position.

The Bank's access to the capital and, to a lesser extent, the wholesale markets, and the cost of borrowing in these markets, is influenced by the credit ratings assigned to the Bank by the rating agencies. The Bank's earnings are partly affected by its ability to value financial instruments properly. Rating agencies, in determining the Bank's credit ratings, will take into consideration the Bank's success at managing its liquidity risk. However, in certain illiquid markets, determining the value at which such financial instruments can be realised is highly subjective and there is no assurance that the Bank will be able to maintain its credit ratings. Any changes in the credit ratings of the Bank could affect its ability to borrow from other financial institutions or to engage in funding transactions on favourable terms, or at all. Downgrade in the credit ratings of the Bank may also lead to deteriorating investor sentiment towards the Bank. All of these factors may reduce the Bank's earnings and its profit in any given period.

Operational risks are inherent in the Bank's business.

Operational risk refers to the risk resulting from inadequate or failed internal processes, people or systems, or threats from external events. Operational risks arise from the daily operation and fiduciary activities of the Bank. The Bank is also exposed to operational failings by third-party providers (including outsourcing), to natural disasters, political, security and social events and to failings in the financial services sector. While the Bank maintains an appropriate operational risk management framework, deficiencies in the internal processes and systems within the Bank could affect its ability to process, summarise and report financial and other data in a timely and accurate manner. These deficiencies could also increase the potential for financial reporting errors and non-compliance with regulations.

The Bank is subject to legal risks, which may have an adverse effect on the Bank.

Legal risks arise from a variety of sources with the potential to cause harm to the Bank and its ability to operate. These issues require the Bank to deal appropriately with potential conflicts of interest; legal and regulatory requirements; ethical issues; anti-money laundering and anti-terrorist financing laws or regulations; privacy laws; information security policies; sales and trading practices; and conduct by companies with which it is associated. Failure to address these issues appropriately may give rise to additional legal and compliance risk to the Bank, which may increase the number of litigation claims and the amount of damages asserted against the Bank, or subject the Bank to regulatory enforcement actions, fines, or penalties or reputational damage.

From time to time, the Bank may be subject to material litigation or governmental, legal or arbitration proceedings and other contingent liabilities which, if they are adversely determined or crystallise, may adversely affect the Bank's results.

Discontinuation of, or amendment to, the link of Hong Kong dollar to the US dollar or revaluation of the Hong Kong dollar may adversely affect the Bank's liquidity position as well as its financial conditions and results of operations.

Under the Linked Exchange Rate System established in 1983, HK dollar banknotes are fully backed by US dollars at a rate of HK\$7.80 to US\$1 under the operation of a currency board system (the Linked Exchange Rate). Depending on the flow of funds into and out of the HK dollar market, the HKMA also operates convertibility undertakings on both the strong side and weak side of the Linked Exchange Rate within the convertibility zone between HK\$7.75 and HK\$7.85 to US\$1. In the event of a change in existing policy or revaluation of the Hong Kong dollar, it may adversely affect the Hong Kong economy and, as a result, the Bank's businesses, financial conditions or results of operations. There can be no assurance that the Hong Kong dollar will continue to be linked to the US dollar, and that the Bank's performance and operations would not be adversely affected by such change.

The Bank is subject to risk of security breaches and eliminating security problems in association with its Internet and/or mobile banking services, which may have adverse effect on its operations and reputation.

To the extent that the Bank's Internet and/or mobile banking activities involve storage and transmission of confidential information, security breaches could expose the Bank to possible liability and damage its reputation. The Bank's network may be vulnerable to unauthorized access, computer viruses and other disruptive problems. Costs incurred in rectifying any of such disruptive problems may be high and may adversely affect the Bank's business, financial condition or results of operations. Concerns regarding security risks may deter the Bank's existing and potential customers from using its Internet and/or mobile banking products and services. Eliminating computer viruses and alleviating other security problems may result in interruptions, delays or termination of user access to the Bank's Internet and/or mobile banking services. Undetected defects in software products that the Bank uses in providing its Internet and/or mobile banking services, and the inability to sustain a high volume of traffic, may materially and adversely affect the Bank's Internet and/or mobile banking business.

Risks relating to the Notes Issued Under the Programme

Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference to this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Investors should note unanimity is not required to change the Conditions.

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests generally. These provisions permit defined majorities to bind all Noteholders and all Couponholders including Noteholders who do not attend and vote at the relevant meeting and Noteholders who vote in a manner contrary to the majority.

The Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series. Such amendments, modifications or variations may not be favourable to certain or all of the Noteholders.

Notes subject to optional redemption by the Issuer.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. It may therefore cause a negative financial impact on the Noteholders. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes.

The Issuer may issue Notes with principal or interest determined by reference to an index or formula. Potential investors should be aware that all the details shall be specified in the Pricing Supplement and interest will accrue by reference to the index or formula as specified in the Pricing Supplement.

In addition, the Issuer may issue Dual Currency Notes. If the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Pricing Supplement.

The result of the above adjustments to the interest rate or amount of interest payable may not be favourable to the Noteholders.

Partly-paid Notes.

The Issuer may issue Partly Paid Notes, other than Partly Paid Notes which are Zero Coupon Notes. Interest will accrue on the paid-up nominal amount of such Notes and otherwise as specified in the Pricing Supplement. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Note may be exchanged for an interest in a permanent Global Note or for Definitive Notes. If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them. The concerned Noteholder may therefore be subject to a negative financial impact, costs or losses.

Notes issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than the prices of conventional interest-bearing securities. Generally, the longer the remaining terms of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities. The change in market values of such securities may not be favourable to the Noteholders.

No limitation on issuing senior or pari passu securities in respect of Subordinated Notes.

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Subordinated Notes. The issue of any such securities may reduce the amount recoverable by holders of Subordinated Notes in case of a winding-up of the Issuer. The Subordinated Notes are subordinated obligations of the Issuer. Accordingly, in the winding-up of the Issuer, there may not be sufficient amount to satisfy the amounts owing to the holders of Subordinated Notes.

If the Issuer does not satisfy the Issuer's obligations under the Notes, Noteholders' remedies will be limited.

Payment of principal of the Senior Notes may be accelerated only on an event of default, involving non-payment, breach of Other Obligations, Cross-Default, Winding-up, Insolvency, or otherwise if certain conditions have been satisfied. In any other circumstances, the remedies of Noteholders may be limited.

The Issuer's obligations under Subordinated Notes are subordinated.

The payment obligations of the Issuer under Dated Subordinated Notes and Undated Subordinated Notes will rank behind Senior Notes. The payment obligations of the Guaranteed Issuer under Dated Subordinated Guaranteed Notes and Undated Subordinated Guaranteed Notes will rank behind Senior Guaranteed Notes.

Dated Subordinated Notes constitute direct and unsecured obligations of Issuer, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of holders of the Dated Subordinated Notes will, in the event of the winding up of the Issuer, be subordinated in right of payment to the claims of depositors and all other creditors of Issuer and will rank senior to all claims under the Undated Subordinated Notes and the Undated Subordinated Guaranteed Notes.

Dated Subordinated Guaranteed Notes constitute direct and unsecured obligations of the relevant Guaranteed Issuer, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of holders of the Dated Subordinated Guaranteed Notes will, in the event of the winding up of the relevant Guaranteed Issuer, be subordinated in right of payment to the claims of depositors and all other creditors of the relevant Guaranteed Issuer and will rank senior to all claims against the relevant Guaranteed Issuer under the Undated Subordinated Guaranteed Notes.

The Undated Subordinated Notes constitute direct and unsecured obligations of Issuer, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of the holders of Undated Subordinated Notes will, in the event of the winding up of Issuer, be subordinated in right of payment to the claims of the Issuer's Prior Creditors. The Issuer's obligation to

make any payment of interest and, where applicable, any repayment of principal in respect of any Undated Subordinated Notes is conditional upon the Issuer's being able to make such payment or repayment and remain Solvent immediately thereafter.

The Undated Subordinated Guaranteed Notes constitute direct and unsecured obligations of the relevant Guaranteed Issuer, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of the holders of Undated Subordinated Guaranteed Notes will, in the event of the winding up of the relevant Guaranteed Issuer, be subordinated in right of payment to the claims of the relevant Guaranteed Issuer's Prior Creditors. The relevant Guaranteed Issuer's obligation to make any payment of interest and, where applicable, any repayment of principal in respect of any Undated Subordinated Guaranteed Notes is conditional upon the Issuer's being able to make such payment or repayment and remain Solvent immediately thereafter.

The Dated Subordinated Notes are subject to redemption by the Issuer upon the occurrence of a Regulatory Redemption Event.

Subject to the prior consent of the HKMA, the Dated Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time following the occurrence of a Regulatory Redemption Event.

The HKMA from time to time may introduce measures or make proposals to strengthen capital and liquidity regulations with the goal of promoting a more resilient banking sector. It may lead to changes in the requirements for bank capital and certain term subordinated debt may not qualify as regulatory capital beyond a certain time frame. In particular, the HKMA may decide that the Dated Subordinated Notes do not qualify as term subordinated debt for inclusion in regulatory capital base of the Issuer. If the Notes do not qualify, this could lead to the Issuer redeeming the Dated Subordinated Notes (subject to the prior consent of the HKMA) prior to the Maturity Date pursuant to the Regulatory Redemption Event redemption right.

Considerations related to FATCA Tax Provisions.

Whilst the Notes are in global form and held within Euroclear or Clearstream, Luxembourg (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that the treatment of payments on debt securities resulting from sections 1471 to 1474 of the US Internal Revenue Code ("FATCA") will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the legal holder of the Notes which will be the relevant nominee of the common depository for the ICSDs (as holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

Risks Relating to the Market In General

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally.

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a

developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, and/or are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes 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 such Notes.

Exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Notes in a currency or currency unit specified in an issue (“the Specified Currency”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (“the Investor’s Currency”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency or the Specified Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency-equivalent yield on the Notes, (2) the Investor’s Currency equivalent value of the principal payable on the Notes and (3) the Investor’s Currency equivalent market value of the Notes.

Interest rate risks.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency from time to time.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks Relating to Hong Kong, China and Asia Pacific In General

Political and legal developments in Hong Kong and China could adversely affect the financial condition and the results of operations of the Bank.

The Bank has assets located in, and revenues substantially derived from, Hong Kong. Accordingly, the Bank’s financial condition, results of operations and prospects are subject to a significant degree to the political and legal developments in Hong Kong.

Hong Kong became a Special Administrative Region of China on 1 July 1997 (the “Handover”). Although Hong Kong has thus far enjoyed a high degree of legislative, judicial and economic autonomy since the Handover, there can be no assurance that there will not be a change in regulatory oversight as a consequence of the exercise of China sovereignty over Hong Kong. If any such change occurs, it could adversely affect the financial condition and the results of operations of the Bank. Future political or economic instability or a sustained slowdown in domestic economic activities, especially in relation to property, may adversely affect the financial condition and the results of operations of the Bank.

Any future outbreak of mass communicable diseases such as Severe Acute Respiratory Syndrome (“SARS”), avian or swine influenza or other new or contagious diseases could materially and adversely affect the financial condition and the results of operations of the Bank.

In 2003, there was an outbreak of SARS, a highly contagious and potentially deadly disease in Hong Kong, along with many other countries in Asia. The SARS outbreak had a significant adverse impact on the economies of the affected countries. Since the latter half of 2005, there have been media reports regarding the spread of the H5N1 virus or “Avian Influenza A” among birds and poultry and, in some isolated cases, transmission of Avian Influenza A virus from animals to human beings. Similarly, since early 2009, there have been media reports regarding the spread of the H1N1 virus or “Swine Influenza A” from animals to humans and of human-to-human transmission of Swine Influenza A. Although the Bank has a disaster recovery plan and a business continuity plan in place, any significant outbreak of a highly contagious disease may adversely affect the financial condition and the results of operations of the Bank.

DAH SING MTN FINANCING LIMITED

General

Dah Sing MTN Financing Limited, incorporated in the British Virgin Islands on 31st January, 2002, is a wholly-owned Subsidiary of DSB. As at the date of this Offering Circular, it has an authorised share capital of US\$50,000, divided into 50,000 ordinary shares of US\$1.00 par value each, of which one ordinary share has been issued. DSMFL was established to raise financing for DSB and its Subsidiaries. DSMFL has not engaged, since its incorporation, in any material activities other than those incidental to its registration, the establishment of the Programme and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party. As at the date hereof DSMFL has no Subsidiaries.

It is intended that DSMFL will be the primary issuer of Senior Notes under the Programme. DSMFL is not expected to incur any material indebtedness other than the issue of Senior Notes under the Programme.

The directors of DSMFL as at the date of this Offering Circular are:

David Shou-Yeh Wong
Hon-Hing Wong
Gary Pak-Ling Wang

The registered office of DSMFL is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of each of the directors of DSMFL for the purposes of his directorship in DSMFL is 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong.

DSMFL has no employees.

Capitalisation

The following table sets out the capitalisation of DSMFL on 31 December, 2012:

	<u>US\$</u>
Shareholder's Funds	
Share Capital (Authorised US\$50,000; issued 1 share of US\$1.00 each)	
Issued	<u>1</u>
Total Capitalisation	<u><u>1</u></u>

DSMFL has no outstanding borrowings as at the date of this Offering Circular.

Note:

(1) There has been no material change in the capitalisation of DSMFL since 31 December, 2012.

DAH SING SAR FINANCING LIMITED

General

Dah Sing SAR Financing Limited, incorporated in the British Virgin Islands on 19th February, 2002, is a wholly-owned Subsidiary of DSB. As at the date of this Offering Circular, it has an authorised share capital of US\$50,000, divided into 50,000 ordinary shares of US\$1.00 par value each, of which one ordinary share has been issued. DSSFL was established to raise financing for DSB and its Subsidiaries. DSSFL has not engaged, since its incorporation, in any material activities other than those incidental to its registration, the establishment of the Programme and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party. As at the date hereof DSSFL has no Subsidiaries. It is intended that DSSFL will not engage in any business or incur any indebtedness for borrowed monies other than the issue of Subordinated Guaranteed Notes that qualify as Category II Supplementary Capital of DSB.

The directors of DSSFL as at the date of this Offering Circular are:

David Shou-Yeh Wong
Hon-Hing Wong
Gary Pak-Ling Wang

The registered office of DSSFL is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of each of the directors of DSSFL for the purposes of his directorship in DSSFL is 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong.

DSSFL has no employees.

Capitalisation

The following table sets out the capitalisation of DSSFL on 31st December, 2012:

	<u>US\$</u>
Shareholder's Funds	
Share Capital (Authorised US\$50,000; issued 1 share of US\$1.00 each)	
Issued	<u>1</u>
Total Capitalisation	<u><u>1</u></u>

DSSFL has no outstanding borrowings as at the date of this Offering Circular.

Note:

- (1) There has been no material change in the capitalisation of DSSFL since 31st December, 2012.

DAH SING BANK, LIMITED

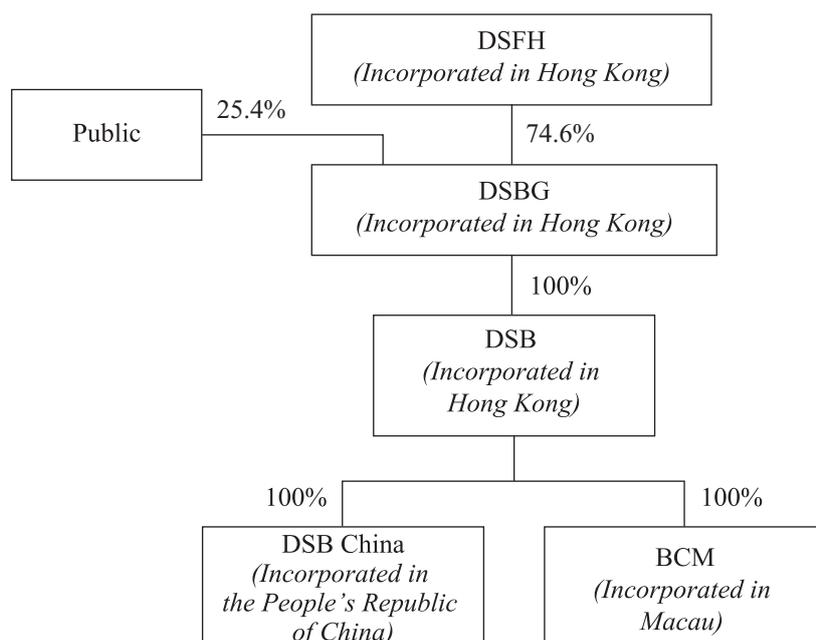
1. INTRODUCTION

Dah Sing Bank, Limited was incorporated as a licensed bank in Hong Kong in 1947. The business of DSB initially focused on trade finance, mortgage lending and deposit taking, and has since diversified to include commercial lending, hire purchase finance, consumer finance, private and priority banking services and treasury activities, primarily in Hong Kong. DSB is subject to the direct supervision of the HKMA.

DSB is a wholly owned Subsidiary of Dah Sing Banking Group Limited (“DSBG” and together with its Subsidiaries, the “DSBG Group”), which in turn is a non-wholly owned Subsidiary of Dah Sing Financial Holdings Limited (“DSFH” and together with its Subsidiaries, the “DSFH Group”). DSBG was incorporated in Hong Kong on 11th March, 2004, as the holding company for the DSFH Group’s banking Subsidiaries, including DSB and its Subsidiaries, BCM and DSB China. DSBG was listed on the Stock Exchange of Hong Kong (the “Hong Kong Stock Exchange”) on 30th June, 2004. The shares of DSFH have been listed on the Hong Kong Stock Exchange since 1987. The major and substantial shareholders of DSFH as at the latest practicable date, 19th June, 2013 were Mr. David S.Y. Wong and associates (holding an aggregate interest of 40.75%) and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (holding 15.18%).

DSB is the major operating Subsidiary of the DSBG Group in Hong Kong, BCM is the major operating Subsidiary in Macau and DSB China is the major operating Subsidiary in Mainland China. All of these Subsidiaries are wholly owned.

The following table sets out the simplified corporate structure of the DSFH Group as at 31st December, 2012:



The shareholding in BCM shown above is the effective interest. References herein to the “DSB Group” are to DSB and its Subsidiaries. References herein to any consolidated financial information are to the Bank’s consolidated financial information (unless otherwise specified) and not to the DSFH Group’s or the DSBG Group’s consolidated financial information.

2. HISTORY AND DEVELOPMENT

DSB was founded in 1947. DSB initially focused on trade finance, mortgage lending and deposit-taking, and has expanded the size and range of its businesses since the late 1980s as a result of both organic growth and acquisitions. DSB's commercial banking and hire purchase finance businesses grew significantly in the mid-1980s and the early 1990s, at which time DSB began to diversify into full service retail banking. Since the early 1990s, DSB has also pursued a "bancassurance" strategy, whereby life assurance products are distributed through its branch network. Since 2002, DSB has also developed its wealth management business.

DSB has expanded through acquisitions. In 1987, DSB acquired The Hongkong Industrial and Commercial Bank Limited (subsequently named Jian Sing Bank Limited ("JSB")). The consolidation of the operations of the two banks brought a significant increase in the total assets, customer base and branch network of DSB. In 1994, DSB entered into a joint venture agreement with The People's Construction Bank of China (now known as China Construction Bank ("CCB")), whereby it sold a 40% interest in JSB to CCB. CCB increased its shareholding in JSB to 70% in 1998. In February 2002, DSB disposed of its remaining 30% interest in JSB to CCB.

In 1993, DSFH acquired The Wing On Bank Limited ("WOB"). Pursuant to a subsequent business reorganisation, the majority of WOB's branches, assets and liabilities were transferred to DSB. Under a joint venture agreement between DSFH, Abbey National plc and Hambros Bank Limited, WOB was restructured as a joint-venture private bank based in Hong Kong and in August 1997, was renamed as D.A.H. Private Bank Limited ("DAHP"). In August 2000, DSFH agreed to acquire the interests of Abbey National plc and SG Hambros (formerly Hambros Bank Limited) in DAHP. The acquisition was completed in September 2000 with the transfer of DAHP's Hong Kong private banking business to DSB, together with nearly all of its loans and deposits. This acquisition contributed to the expansion of DSB's lines of business and its range of products. DAHP was subsequently renamed as MEVAS Bank Limited and operated as a full licensed bank in Hong Kong until November 2012 when it completed transfer of its assets and liabilities to DSB and its application for revocation of its banking license was approved by the HKMA.

In September 2005, DSB completed the acquisition of 100% of Pacific Finance (Hong Kong) Limited ("Pacific Finance"), a restricted license bank in Hong Kong, from Jardine, Matheson & Co. and J.P. Morgan International Finance Limited for a consideration of HK\$936 million. Pacific Finance was active in vehicle finance, equipment finance, mortgage lending and consumer lending. After the integration of Pacific Finance into DSB was completed in 2006, the authorisation of Pacific Finance by the HKMA as a restricted license bank was revoked on 31st October, 2006.

In December 2005, DSB completed the acquisition of 100% of BCM and 96% equity interests in BCM's general and life insurance subsidiaries from Banco Comercial Portugues for a total consideration of MOP1,719 million (approximately HK\$1,679 million). Established in 1974, BCM is a licensed bank in Macau active in retail and commercial banking. In May 2006, the Macau life and general insurance businesses previously held under BCM were transferred to DSFH.

In April 2007, DSB completed the acquisition of a 17% equity interest in the Bank of Chongqing ("BOCQ"), formerly known as Chongqing Commercial Bank, a licensed bank incorporated in the PRC and situated in the city of Chongqing, PRC. In October 2008, following the acquisition of an additional 3% equity interest, DSB's total interest in BOCQ increased to 20%. BOCQ was established in 1996 through a consolidation of a number of local credit unions in the city of Chongqing. It is the oldest city commercial bank in south-western China with a joint-stock structure and is the largest independent bank headquartered in the region.

In August 2008, after receiving all necessary regulatory approvals, the new wholly-owned Subsidiary of DSB, DSB China, which was incorporated in the PRC, commenced business. DSB China operates both commercial and retail banking businesses in the PRC with its headquarters and sub-branch in Shenzhen, and branches in Guangzhou (with its sub-branch in Foshan), Shanghai, Zhenjiang and Nanchang.

3. STRATEGY

The Bank's strategy is to expand its banking and financial services businesses and to deliver value to its shareholders and customers, whilst maintaining its prudent approach to financial discipline and risk.

The Bank intends to grow organically with a particular focus on:

- increasing its customer base;
- selling more products and services to its existing customers;
- identifying new business areas with attractive risk return characteristics;
- diversifying its business so as not to be overly dependent on any single business area; and
- expanding in Mainland China.

The Bank intends to seek opportunities to expand through:

- mergers and/or acquisitions in Hong Kong; and
- investments, joint ventures and/or alliances in Mainland China.

Selected Financial Information

The summary financial information set forth below has been extracted without material adjustment from the Bank's audited consolidated financial statements and/or unaudited supplementary financial and other information for the years ended 31st December, 2010, 2011 and 2012 and should be read in conjunction with the information included elsewhere in this Offering Circular. The financial information for the year ended 31st December, 2011 has been restated for the effects of the adoption by the Bank of the amendment to the Hong Kong Accounting Standard No. 12 "Income taxes" issued by the Hong Kong Institute of Certified Public Accountants, when the Bank prepared its consolidated financial statements for the year ended 31st December, 2012. No restatement has been made to the financial information for the year ended 31st December, 2010 because the effects of the adoption of the above mentioned accounting standard amendment are not material.

Summary income statement data and related ratios:

	For the year ended 31st December,		
	2010	2011	2012
	HK\$ millions, except percentages		
Operating profit before impairment losses	1,114	946	1,117
Profit on ordinary activities.....	960	821	1,041
Profit attributable to shareholders.....	1,040	1,062	1,394
Net interest margin	1.72%	1.42%	1.54%
Net interest income/operating income	80.8%	76.7%	74.5%
Cost to income ratio	53.7%	62.2%	62.2%
Return on average total assets	0.9%	0.8%	0.9%
Return on average shareholders' funds	9.5%	8.2%	9.0%

Summary balance sheet data and related ratios:

	As at 31st December,		
	2010	2011	2012
	HK\$ millions, except percentages		
Total assets.....	130,509	145,931	157,443
Total loans and advances to customers (excluding trade bills)	71,569	80,487	86,183
Total deposits (customers and certificates of deposits)	102,810	116,553	123,834
Loan capital (subordinated notes)	4,684	3,698	3,979
Shareholders' funds	11,735	14,107	17,031
Loan to deposit (including senior and subordinated notes) ratio	65.4%	65.5%	66.0%
Loan to deposit (excluding senior and subordinated notes) ratio	69.6%	69.1%	69.6%
Overdue and rescheduled loan ratio	0.57%	0.69%	0.52%
Liquidity ratio	45.7%	44.5%	50.1%
Capital adequacy ratio	15.9%	14.8%	14.9%

4. BUSINESS OVERVIEW

DSB's operations comprise three principal lines of business: personal banking, commercial banking and treasury.

The profit contribution from the respective business divisions of the Bank for the years ended 31st December, 2010, 2011 and 2012 was as follows:

Profit before tax

	For the year ended 31st December,					
	2010		2011		2012	
	HK\$ millions	%	HK\$ millions	%	HK\$ millions	%
Personal Banking.....	334	27.5%	216	18.2%	163	10.6%
Commercial Banking & Hire Purchase Finance	656	53.9%	527	44.4%	708	45.8%
Treasury and Corporate	(91)	(7.5%)	6	0.5%	98	6.3%
Overseas Banking	318	26.1%	438	36.9%	576	37.3%
Total	1,217	100.0%	1,187	100.0%	1,545	100.0%

4.1 Business Conditions, Results and Performance

In general, business conditions in 2012 were somewhat better than expected. Concerns over the Eurozone and a potential slowdown in Mainland China during the second quarter of 2012, eased in the second half of 2012.

The Bank's full year profit attributable to shareholders for the year ended 31st December, 2012 rose by 31.3% to HK\$1,394.2 million from HK\$1,061.8 million for the same period in 2011.

Profit before impairment losses for the year ended 31st December, 2012 increased by 18.0% to HK\$1,116.7 million compared to the year ended 31st December, 2011 mainly due to the improvement in net interest margin and higher fee income. Impairment losses and other credit provisions decreased by 20.7% to HK\$143.7 million for the year ended 31st December, 2012 from HK\$181.1 million for the same period in 2011, indicating the benign credit quality of the Bank's loan book and the generally robust financial positions of the Bank's customers during the year.

The Bank's core lending business has continued to grow considerably in 2012, with gross loans and advances increasing by approximately 7.1% from the previous year to HK\$86,182.9 million as at 31st December, 2012. Fee and commission income and other operating income for 2012 were all stronger, amounting to HK\$741.7 million and HK\$45.0 million respectively for the year ended 31st December, 2012, compared to HK\$632.0 million and HK\$35.0 million respectively for the year ended 31st December, 2011.

Net interest income increased to HK\$2,202.9 million for the year ended 31st December, 2012 from HK\$1,917.2 million for the year ended 31st December, 2011, mainly due to the increase in gross loans and advances and the improvement in net interest margin from 1.42% in 2011 to 1.54% in 2012. The higher net interest margin in 2012 than that in 2011 was driven largely by lower deposit costs, resulting from improved market liquidity and a sharp focus on deposit cost management by the Bank, and higher asset yields, including Treasury business investment yields, as well as upward repricing of the Bank's loan products in general.

Non-interest income rose by 29.3% to HK\$753.7 million for the year ended 31st December, 2012 from HK\$582.8 million for the year ended 31st December, 2011 due to an improved treasury performance with increased net trading income, and improved performance in fee and commission income, mainly driven by improvements in wealth management and bancassurance revenues, increases in sales of treasury products to customers, securities services and general banking related fees.

The increase in net interest income, combined with the improvement in trading income and the increase in net fee and commission income, brought to net increase in operating income by 18.3% to HK\$2,956.6 million for the year ended 31st December, 2012 from HK\$2,500.0 million for the year ended 31st December, 2011.

Operating expenses for the Bank's core business for 2012 increased considerably by 18.4% relative to 2011, to HK\$1,839.9 million. A major portion of the year on year increase relates to the effect of the write-back of certain provisions relating to settlement of Lehman Minibond cases in 2011, which were not repeated in 2012. Eliminating the impact of these operating expense provisions, normalised operating expenses grew by a high single digit percentage.

Composition of the Bank's loans and advances portfolio did not vary significantly during the 2012 financial year, and the proportion of loans for use outside Hong Kong which comprise predominantly of loans granted for the purposes of manufacturing, property development, and wholesale and retail trade, has remained at approximately 29.1% of the total loan portfolio as at 31st December, 2012 compared to approximately 27.8% as at 31st December, 2011.

In 2012, customers' deposits increased by approximately 4.1% from the previous year, to HK\$118,081.2 million as at 31st December, 2012. The balance of certificates of deposit issued increased by 81.8% to HK\$5,752.5 million as at 31st December, 2012 from HK\$3,164.1 million as at 31st December, 2011, reflecting a more receptive debt and money market for new issues in 2012.

4.2 Personal Banking

DSB's personal banking business comprises retail banking, VIP banking and private banking. The retail banking business accounts for the majority of the personal banking activities of the Bank and comprises retail residential mortgages, credit cards, personal loans and overdrafts, deposit-taking and wealth management and other services. The aggregate amount of residential mortgage loans, Government guaranteed mortgages, credit card receivables, personal loans and overdraft facilities represented approximately 31.2% of the total consolidated loan portfolio of the Bank as at 31st December, 2012.

4.2.1 Retail Banking

The principal retail banking business comprises retail residential mortgages, credit cards, personal loans and overdrafts, deposit-taking and wealth management.

Retail Residential Mortgages

The Bank has been a lender in the Hong Kong retail mortgage market for many years and provides a wide range of mortgages, almost all of which are priced on the basis of a floating rate of interest. The Bank's target market is primarily the lower- and middle-income market. 19.9% of the Bank's consolidated loan portfolio as at 31st December, 2012 consisted of retail residential and Government guaranteed mortgage loans.

When determining the suitability of a borrower for a mortgage, the Bank considers, inter alia, the borrower's ability to service the debt. The Bank's current practice (which is consistent with general market practice in Hong Kong) is to advance as a mortgage up to 70% of the lower of the appraised value of the property or the purchase price. Collateral is taken in the form of a first legal charge over the relevant property. Since the introduction of mortgage insurance offered by the Hong Kong Mortgage Corporation, a public sector entity, the Bank has also offered residential mortgage loans of up to 90% of the value of the property in cases where the mortgage insurance covers the loan amount in excess of 70% of the property value at origination.

Credit Cards

The Bank offers a comprehensive range of credit card products in Hong Kong with a total of around 66 co-brand, affinity or theme card programmes that cater to general as well as specialised markets. The Bank had approximately 675,058 credit cards in issue as at 31st December, 2012 and as at such date its total credit card receivables amounted to HK\$4,246 million. DSB offers Visa and MasterCard cards in Hong Kong. Since 2005, the Bank has also offered Renminbi credit cards.

The Bank employs a strategy of pricing its credit card products at the lower end of the market rates charged by its competitors in Hong Kong. The Bank's lower rates, combined with its wide product range and cash rebate programme, have contributed to the growth of its credit card business.

The Bank has consistently maintained a prudent credit policy and card application approval process. Through its credit scoring system and collection policy, the Bank has sought to manage actively the asset quality of its credit card portfolio. For the year ended 31st December, 2012, the Bank's credit card charge-off rate was 1.23%, compared to the annualised charge-off rate for surveyed institutions as disclosed by the HKMA of 1.7% for the same period.

Personal Loans

The Bank's retail banking division offers a wide range of unsecured personal loans including tax loans, special purpose loans and flexible and revolving instalment loans, which are targeted at a broad retail market and are priced at different interest rates based on product type and customer credit profiles.

Revolving personal overdraft facilities are available to individuals seeking standby credit facilities. The key credit criteria for approving such facilities are evidence of a stable source of income and an acceptable ability to service the debt.

Personal loans generally incorporate credit life insurance so that such unsecured lending is fully insured in the event of the death of the borrower.

Deposit-taking

Approximately 51.5% of the consolidated customer deposits of the Bank as at 31st December, 2012 were generated from its retail banking division. The Bank has a diversified deposit base which provides a stable source of funding and a broad platform across which it is able to cross-sell other products to create stronger, multi-product customer relationships. The Bank offers a range of certificate of deposit products, savings products and structured deposits and Renminbi deposits.

Wealth Management

DSB has actively promoted its wealth management products and services in order to offer a wide array of products and services to its existing client base and to new customers. The Bank distributes a wide range of wealth management products and has a dedicated investment advisory team to source and evaluate products and services from external suppliers as well as those developed internally.

The Bank distributes life assurance policies under a distribution agreement and an agency agreement with Dah Sing Insurance Services Limited (“DSIS”). These policies include whole life policies and term life policies, endowment plans, investment-linked policies, various illness and unemployment protection plans and disability protection policies. DSIS pays the Bank a commission for policies originated by the Bank’s sales staff as well as the Bank’s expenses in relation to the origination of such policies.

The Bank also provides Hong Kong share dealing services to its customers.

The Bank principally distributes its wealth management and bancassurance products and services through its branch network. The Bank receives fee income from the distribution of third party wealth management products and services and derives income from the sale of its own structured products.

4.2.2 VIP Banking

DSB offers a VIP banking service targeted at middle-income professionals and individuals. VIP banking offers DSB’s VIP banking customers all of the products available to retail banking customers, together with more personalised services, such as dedicated relationship managers, priority counter services in DSB’s branches and enhanced telephone banking services. VIP banking customers are required to have a minimum total relationship balance with DSB of HK\$500,000. As at 31st December, 2012, DSB had approximately 49,208 VIP banking customers.

4.2.3 Private Banking

DSB’s private banking business focuses on providing high net worth individuals with a full range of wealth management products and services. Its target customers comprise business proprietors, professionals and individual investors. As at 31st December, 2012, total lending to private banking customers accounted for approximately 2.4% of the Bank’s consolidated loan portfolio. The Bank’s private banking customers are served by a dedicated team of client relationship managers. The target account relationship balance for the Bank’s private banking customers is at least US\$500,000.

4.3 Commercial Banking

DSB’s commercial banking services include trade finance, overdraft facilities, commercial lending, syndicated loans, property development and investment lending, deposit-taking from corporates and institutions, mortgage lending, corporate credit cards, hire purchase and equipment leasing. As at 31st December, 2012, the commercial banking division accounted for approximately 56.3% of the Bank’s consolidated loan portfolio. The Bank’s customers are principally small and medium sized enterprises in industrial, manufacturing and trading businesses based in Hong Kong, many of which have manufacturing plants in the Pearl River Delta Region. Many of these customers have been banking with DSB for many years.

The commercial banking division is divided into three departments: marketing, risk management and trade services, each of which reports directly to the head of the division. The risk management department is further divided into credit approval, credit administration and special attention credits teams, and functionally reports to the Head of Group Risk.

Trade Finance, Overdraft Facilities, Commercial Lending, Corporate Credit Cards and Syndicated Loans

DSB provides trade finance services to its customers, with a principal focus on import and export financing. Services provided include the issuance of documentary credits, import loans, purchase of export bills, packing loans, issuance of shipping guarantees and financing of accounts receivable. Income received with respect to trade finance is a combination of commissions and interest income. As well as being affected by macro-economic factors in Hong Kong and Mainland China, the volume of the Bank’s trade finance business fluctuates based on seasonal factors. As a result, the majority of transactions tend to be effected in the second and third quarter of the year.

DSB also provides overdraft and term loan facilities to local companies for general working capital and other commercial purposes. The majority of these loans are supported in whole or in part by collateral such as property, although depending on the borrower's status, unsecured facilities may also be extended. Credit facilities are subject to review at least annually depending on credit performance.

The Bank also provides revolving loans and syndicated loan to larger corporate customers. The Bank's participation in syndicated loans is dependent on the creditworthiness of borrowers, pricing and the Bank's relationship with arrangers.

Property Development and Investment Lending

The Bank provides property lending facilities to corporate customers to facilitate the development or purchase of properties for commercial or investment purposes. As with residential loans, the Bank's normal practice in respect of commercial mortgage loans is to advance up to 70% of the lower of the appraised value of the relevant property or the purchase price. The loans are typically secured by a first legal charge over the property for which the mortgage is sought. In certain circumstances, the Bank will lend more than 70% of the value of a property, especially where properties are secured for trade-related facilities, term loans and overdraft facilities for customers with good credit standing.

Hire Purchase Finance

The Bank's hire purchase business comprises hire purchase finance and leasing, principally involving taxi, vehicle and equipment financing and leasing, all of which are generally required to be secured against the respective underlying assets. Vehicle financing for the purchase of taxis, public light buses, trucks, lorries and private cars has been an established core business of the Bank since the mid- 1980s.

The standard credit underwriting requirements of the hire purchase business include taking possession of registration and title documents of the relevant vehicle or equipment as security, assessment of the relevant business and, where appropriate, cash flow analysis.

Deposit-taking from Corporates and Institutions

Approximately 22.5% of the consolidated customer deposits of the Bank as at 31st December, 2012 was generated from its commercial banking division. The Bank's principal commercial depositors are corporates and their respective directors and staff, institutions and public sector entities. The majority of the Bank's core deposits come from its longer-term relationship customers. The types of deposit products offered include current, savings, call and time deposits and certificates of deposit in Hong Kong dollars and selected major foreign currencies.

General Insurance Distribution

The Bank distributes general insurance products under a distribution agreement and an agency agreement with Dah Sing Insurance Agency Limited ("DSIA"). DSIA pays a commission to the Bank in respect of any insurance business that it refers. Customers of the Bank who wish to purchase general insurance products are first referred to Dah Sing Insurance Company Limited ("DSIL") which has the right of first refusal to provide such products. If no suitable products are provided by DSIL, or if DSIL does not wish to underwrite the risk, the customers will then be referred to the Bank's insurance broking Subsidiary, which will then refer the customer to third party general insurance providers. DSIL provides a comprehensive range of general insurance products, including fire, household, motor and travel insurance.

4.4 Treasury

The principal activities of the treasury division comprise (i) managing the Bank's funding by centralising and re-deploying customer deposits, asset funding, interbank deposit-taking and placing, (ii) foreign exchange dealings with customers and the interbank market, (iii) long-term financing through certificates of deposit and debt issues and (iv) risk management transactions for hedging currency and interest rate risks.

The Bank has regularly raised term borrowing by issuing both wholesale and retail certificates of deposit to lengthen its funding maturity profile and to increase its deposit base. Two certificate of deposit programmes, one for HK\$10 billion and another for US\$1.5 billion, have been established. As at 31st December, 2012, the entire balance of certificates of deposit issued represented wholesale certificates of deposit.

On 8th February 2012, the Bank issued S\$225 million 10-year subordinated fixed rate notes qualifying as supplementary capital of the Bank for the purposes of capital adequacy calculations. The first call date of the notes fall on 9th February, 2017 and if the call option is not exercised by the Bank, the notes will mature on 9th February, 2022.

The Bank's derivative transactions are largely undertaken for hedging purposes. Trading in derivatives is not a key operation of the Bank and is restricted within defined limits set by the Bank's risk management policies. The Bank's treasury activities are closely monitored by the Bank's ALCO and the Treasury & Investment Risk Committee ("TIRC"). These committees comprise the Bank's chief executive, executive directors and senior treasury and finance executives.

The Bank's treasury division invests its surplus funds in debt securities in both local and overseas markets, with the intention of generating both interest accrual income and capital gains. As at 31st December, 2012, the Bank's consolidated available-for-sale securities and investments in securities included in the loans and receivables category amounted to HK\$25.1 billion, while its trading securities amounted to HK\$5.8 billion. The Bank principally invests in investment grade, liquid debt securities, including securities issued by sovereigns, corporates and financial institutions. The general framework for such investments is set out in the policies of the respective business units which are responsible for the overall management of the investments. The operations of these business units are overseen by the TIRC.

From mid-2004, DSB has maintained its bond portfolio at a relatively short duration, with an increasing proportion of such assets either in floating rate form or hedged to a floating rate basis.

4.5 Information Technology

The Bank's management believes that investing in information technology is important for the Bank to compete effectively. The Bank seeks to maintain an IT platform appropriate for its needs, including product and application software and e-banking capabilities. The Bank entered into an outsourcing agreement with Atos Information Technology HK Limited in March 2012 under which it outsourced the Bank's data centre operations in Hong Kong. As at 31st December, 2012, the Bank had 127 staff in its information technology division, the majority of whom were employed for system development and technical support purposes.

E-banking

The Bank operates an on-line banking platform: "www.dahsing.com". "www.dahsing.com" provides a comprehensive range of e-banking services.

5. COMPETITION

The Hong Kong banking market is very competitive. The market is dominated by a small number of large banking groups. There were a total of 22 locally incorporated licensed banks operating in Hong Kong as at 31st December, 2012. As Hong Kong is a global financial centre, a large number of international banks and financial institutions are also present. The Bank's main competitors are mid-sized, locally incorporated licensed banks. The local banking market is expected to continue to be highly competitive.

6. TRANSACTIONS WITH RELATED PARTIES

DSB accepts deposits from and makes limited advances to Subsidiaries of DSFH on a commercial basis.

The controlling shareholder of the DSFH, the ultimate parent company of the Bank, Mr. David S.Y. Wong and his family, do not have any credit facilities from the Bank (except for credit cards granted on normal terms) and do not have any secured or unsecured loans from the Bank. Strict exposure limits and controls are in place to govern any lending to related parties to ensure that such lending activities fully comply with the Hong Kong Monetary Authority's corporate governance and connected lending guidelines and provisions prescribed by the Banking Ordinance (Cap. 155 of Hong Kong).

7. PROPERTY INTERESTS

Most of the Bank's properties are used in the Bank's operations and those properties that are not used as bank premises are leased to third parties (including DSFH) to generate rental income or are vacant pending sale or lease. As at 31st December, 2012, the Bank had 45 branches in Hong Kong, 18 of which operated in premises owned by the Bank or companies within the DSFH Group or the DSBG Group and 27 of which were leased from third parties.

As at 31st December, 2012, the Bank owned a total of 28 properties, the aggregate value of which was HK\$2,611 million. The valuations of the owned properties were carried out by independent property valuers. As at 31st December, 2012, the carrying value of the Bank's owned properties used, in whole or in part, as the Bank's branches and offices of the Bank or companies within the DSFH Group or the DSBG Group amounted to HK\$2,238 million and the value of the Bank's investment properties leased to third parties or vacant amounted to HK\$373 million, based on an independent professional valuation conducted as at 31st December, 2012.

ASSET QUALITY, FUNDING AND RISK MANAGEMENT

DSB attaches a high priority to managing its credit risk and has in place a highly developed credit discipline and structure which are governed by the Bank's credit policies (see "Credit Policies and Approval Procedures" below).

The following is a summary of the problem loan ratios of the DSB Group and the averages of the Hong Kong local banks:

	As at 31st December,					
	2010		2011		2012	
	DSB Group	Retail & local banks	DSB Group	Retail & local banks	DSB Group	Retail & local banks
Overdue > 3 months	0.29%	0.44%	0.48%	0.37%	0.35%	0.27%
Rescheduled loans	0.28%	0.15%	0.21%	0.12%	0.17%	0.10%
Total	0.57%	0.59%	0.69%	0.49%	0.52%	0.37%
Impaired loans	<u>0.25%</u>		<u>0.48%</u>		<u>0.35%</u>	

Note: Impaired loans are those advances where full repayment of principal and/or interest is considered unlikely and are so classified as soon as such a situation becomes apparent.

Loan Portfolio

As at 31st December, 2012, the DSB Group's total outstanding loans were HK\$86 billion, which represented 54.7% of its total consolidated assets.

Loans to corporates and individuals based in Hong Kong represented 65.0% of the Bank's consolidated loans to customers as at 31st December, 2012, compared to 65.8% of the Bank's consolidated loans to customers as at 31st December, 2011.

The composition of the DSB Group's gross loans and advances to customers (exclusive of trade bills) as at 31st December, 2010, 2011 and 2012 were as follows:

	As at 31st December,					
	2010		2011		2012	
	HK\$ millions	%	HK\$ millions	%	HK\$ millions	%
Loans for use in Hong Kong						
Industrial, commercial and financial						
Property development	646	0.9%	902	1.1%	1,663	1.9%
Property investment	14,368	20.1%	14,808	18.4%	14,048	16.3%
Financial concerns.....	571	0.8%	866	1.1%	336	0.4%
Stockbrokers	72	0.1%	31	0.1%	100	0.1%
Wholesale and retail trade.....	1,026	1.4%	2,020	2.5%	3,219	3.8%
Manufacturing	725	1.0%	1,648	2.0%	1,997	2.3%
Transport and transport equipment ..	4,137	5.8%	4,165	5.2%	4,635	5.4%
Recreational activities	220	0.3%	265	0.3%	288	0.3%
Information technology	3	—	3	—	9	—
Others	2,592	3.6%	2,679	3.4%	2,894	3.4%
Trade finance	3,580	5.0%	5,092	6.3%	5,024	5.8%
Sub-total	27,940	39.0%	32,479	40.4%	34,213	39.7%
Individuals						
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme						
	1,264	1.8%	1,148	1.4%	1,123	1.3%
Loans for the purchase of other residential properties.....						
	15,372	21.5%	15,935	19.8%	16,027	18.6%
Credit card advances	3,655	5.1%	4,108	5.1%	4,240	4.9%
Others	3,991	5.6%	4,413	5.5%	5,466	6.4%
Sub-total	24,282	34.0%	25,604	31.8%	26,856	31.2%
Loans for use outside Hong Kong	19,347	27.0%	22,404	27.8%	25,114	29.1%
Gross advances.....	71,569	100.0%	80,487	100.0%	86,183	100.0%
Impairment allowances	(390)		(383)		(259)	
Net loan balance	71,179		80,104		85,924	

As at 31st December, 2012, the Bank's ten largest non-Government and non-bank borrowers amounted in aggregate to HK\$9,662 million, which represented 11.2% of the DSB Group's total loans outstanding. The largest exposure to a single borrower group was HK\$1,239 million.

As at 31st December, 2012, the Bank did not have any inter-group loans or loans to shareholders in aggregate that amounted to more than 1% of its total outstanding loan to customers.

With respect to the maturity profile of the DSB Group's portfolio of loans to customers as at 31st December, 2012, 37.0% (HK\$31,872 million) of the total loans had a remaining maturity of less than one year, 31.1% (HK\$26,857 million) had a remaining maturity of one year or more but less than five years, and 31.7% (HK\$27,316 million) had a remaining maturity of over five years, and 0.2% (HK\$138 million) was undated.

Loans to corporates and institutions were principally made at variable rates of interest based on the Bank's prime rate or interbank offered rates. Residential mortgage loans and overdraft facilities to individuals are nearly all based on the Bank's prime rate plus or minus a margin depending on the relevant credit circumstances of the borrower, whilst interest rates on personal loans offered by the Bank can be set at both fixed rate or floating rates depending on the type of product and repayment requirements.

Credit Policies and Approval Procedures

The DSB Group has a Group Credit Committee for approving major credit exposures. The Credit Management Committee and the TIRC are the committees responsible for credit policy formulation and portfolio monitoring of the loan and treasury business respectively. The DSB Group manages all types of credit risk on a prudent basis. Credits are extended within the parameters set out in the credit policies and are approved by different levels of management based upon established guidelines and delegated authorities. Credit exposures, limits and asset quality are regulatory monitored and controlled by management, credit committees and Group Risk Division. The DSB Group’s internal auditors also conduct regular reviews and audits to ensure compliance with credit policies and procedures, and regulatory guidelines.

Loan Classification

The Bank classifies its loans into the following categories for loan classification and bad and doubtful debt provisioning, according to perceived levels of risk and in order to maintain loss reserves which are in aggregate adequate to absorb probable losses arising from its loan portfolio:

<u>Grade</u>	<u>Loan</u>	<u>Description</u>
1-9	“Pass”	Repayment of principal and interest is current and not in doubt.
10	“Special mention”	Borrowers have experienced some difficulties, although loss is not expected at this stage. Normally reflected by persistent deterioration in financial status.
11	“Substandard”	Past due record over three months and principal plus interest of the loan is not fully secured by tangible collateral. Some unsecured consumer lending is classified as substandard well within three months past due. Rescheduled loans are typically classified as substandard.
12	“Doubtful”	Full recovery is doubtful, given the value of security available.
13	“Loss”	Considered non-collectible after realisation of security and exhausting all collection efforts.

Grade 1 to 9 loans are applicable only to commercial credits as retail and consumer credits have only one grade of performing loans. Grade 1 to 9 loans are considered to be performing loans, while grade 10 to 13 loans are criticized, including grade 11, 12 and 13 loans which are generally treated as non-performing. Interest normally ceases to accrue for grade 11, 12 and 13 loans. Impairment allowances are made on a loan when there is objective evidence of impairment as a result of the occurrence of certain loss events that will impact on the estimated future cash flows of the loan. Impairment provisions for loans assessed individually are measured as the difference between the carrying value and the present value of estimated future cash flows discounted at the original effective interest rate of the individual loan. Collective assessment of impairment for individually insignificant loans or loans where no impairment has been identified on an individual basis is made using formula-based approaches or statistical methods. Historical delinquency, loss and external market factors such as economic growth and unemployment rates, to the extent relevant, are considered.

The table below set out summaries of the Bank's consolidated impaired, overdue and rescheduled loans as of 31st December, 2010, 2011 and 2012:

(a) Impaired Loans

	As at 31st December,					
	2010		2011		2012	
	HK\$ million	% of total advances	HK\$ million	% of total advances	HK\$ million	% of total advances
Gross impaired loans	182	0.25%	386	0.48%	300	0.35%
Individually and collectively assessed impairment allowances	(104)		(203)		(106)	
Net impaired loans	78		183		194	
Fair value of collateral held	85		214		221	

Impaired loans comprise individually and collectively impaired loans. Individually impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated cash flows of the loans that can be reliably estimated. Collectively impaired loans refer to those unsecured loans and advances assessed for impairment on a collective basis and which have become overdue for more than 90 days as at the reporting date.

(b) Overdue Loans

	As at 31st December,					
	2010		2011		2012	
	HK\$ million	% of total advances	HK\$ million	% of total advances	HK\$ million	% of total advances
Gross advances overdue for						
Six months or less but over three months	70	0.10%	50	0.06%	71	0.08%
One year or less but over six months	23	0.03%	254	0.32%	34	0.04%
Over one year	116	0.16%	79	0.10%	195	0.23%
Total gross advances overdue	209	0.29%	383	0.48%	300	0.35%
Market value of security held against the secured advances	185		320		380	
Secured overdue advances	129		235		243	
Unsecured overdue advances	80		148		57	

(c) Rescheduled Loans (net of those which have been overdue for over three months and reported in item (b) above):

	As at 31st December,					
	2010		2011		2012	
	HK\$ million	% of total advances	HK\$ million	% of total advances	HK\$ million	% of total advances
Rescheduled loans	198	0.28%	170	0.21%	148	0.17%

The table below summarises the changes in DSB Group's loan impairment allowance (excluding impairment allowance for trade bills, bills receivable and letter of credits) for the years ended 31st December, 2010, 2011 and 2012.

	As at 31st December,					
	2010		2011		2012	
	HK\$ million	% of total advances	HK\$ million	% of total advances	HK\$ million	% of total advances
Loan impairment allowance						
Beginning balance	666	0.93%	390	0.48%	383	0.44%
Impairment losses	23	0.03%	85	0.11%	81	0.09%
Bad debt recoveries	67	0.09%	75	0.09%	55	0.06%
Loans written-off	(369)	(0.51%)	(167)	(0.20%)	(260)	(0.29%)
Acquisition of personal loans from a fellow subsidiary	3	—	—	—	—	—
Closing balance	390	0.54%	383	0.48%	259	0.30%
Total gross advances to customers at year end	71,569		80,487		86,183	
Total gross impaired loans at year end ..	182		386		300	

Investments in securities

The Bank's investments in securities includes listed and unlisted equity and debt securities. As of 31st December, 2012, the book value of those securities held by DSB Group was HK\$38,115 million, of which almost all were debt securities.

As at 31st December, 2012, 59.1% of DSB Group's aggregate investments in debt securities was invested in debt securities issued or guaranteed by central governments, central banks, public sector entities and banks.

The carrying values of the Bank's consolidated investment securities portfolio, as of the dates indicated, are as follows:

At 31st December, 2010					
	At fair value		At amortised cost or fair value under fair value hedge (for hedging interest rate risk)	At amortised cost	
	Trading securities and financial assets designated at fair value through profit or loss	Available-for-sale	Investments in securities included in loans and receivables category	Held-to-maturity	Total
Debt securities					
— Listed in Hong Kong	781	5,760	737	194	7,472
— Listed outside Hong Kong	1	5,273	6,444	6,644	18,362
— Unlisted	4,582	5,918	473	2,039	13,012
Equity securities:					
— Listed in Hong Kong	—	1	—	—	1
— Listed outside Hong Kong	—	80	—	—	80
— Unlisted: others	—	116	—	—	116
Total	5,364	17,148	7,654	8,877	39,043
Analysed by categories of issuers:					
Central government and central banks	5,354	9,480	—	1,495	16,329
Public sector entities	4	88	—	194	286
Banks and other financial institutions	5	3,206	4,128	4,912	12,251
Corporate entities	1	4,373	3,526	2,276	10,176
Others	—	1	—	—	1
Total	5,364	17,148	7,654	8,877	39,043

At 31st December, 2011

	At fair value		At amortised cost or fair value under fair value hedge (for hedging interest rate risk)	At amortised cost	
	Trading securities and financial assets designated at fair value through profit or loss	Available- for-sale	Investments in securities included in loans and receivables category	Held-to- maturity	Total
Debt securities					
— Listed in Hong Kong	533	7,587	862	241	9,223
— Listed outside Hong Kong	9	8,151	5,669	5,757	19,586
— Unlisted	4,872	1,152	364	2,174	8,562
Equity securities:					
— Listed in Hong Kong	—	111	—	—	111
— Listed outside Hong Kong	—	85	—	—	85
— Unlisted: others	—	138	—	—	138
Total	5,414	17,224	6,895	8,172	37,705
Analysed by categories of issuers:					
Central government and central banks ..	5,403	5,764	—	1,692	12,859
Public sector entities	1	199	—	194	394
Banks and other financial institutions ..	1	4,875	3,614	4,286	12,776
Corporate entities	9	6,384	3,281	2,000	11,674
Others	—	2	—	—	2
Total	5,414	17,224	6,895	8,172	37,705

At 31st December, 2012

	At fair value		At amortised cost or fair value under fair value hedge (for hedging interest rate risk)	At amortised cost	
	Trading securities and financial assets designated at fair value through profit or loss	Available-for-sale	Investments in securities included in loans and receivables category	Held-to-maturity	Total
Debt securities					
— Listed in Hong Kong	549	8,920	—	712	10,181
— Listed outside Hong Kong	23	11,599	3,045	4,798	19,465
— Unlisted	5,249	1,068	295	1,538	8,150
Equity securities:					
— Listed in Hong Kong	—	73	—	—	73
— Listed outside Hong Kong	—	73	—	—	73
— Unlisted: others	—	173	—	—	173
Total	5,821	21,906	3,340	7,048	38,115
Analysed by categories of issuers:					
Central government and central banks	5,796	2,867	—	910	9,573
Public sector entities	1	294	—	194	489
Banks and other financial institutions	1	6,060	2,282	3,915	12,258
Corporate entities	23	12,683	1,058	2,029	15,793
Others	—	2	—	—	2
Total	5,821	21,906	3,340	7,048	38,115

Investment in debt securities is a key activity of the Bank's treasury division. The principal investment objectives include: (1) maintaining an acceptable liquidity ratio throughout the year through the holding of a pool of investment grade and marketable debt securities; (2) generating a positive spread over the cost of funds within credit and interest rate risk tolerance limits; (3) diversifying risk exposures; and (4) supporting treasury trading operations especially in the local Exchange Fund debt market.

Funding

The Bank seeks to maintain stable and low-cost funding primarily from deposits sourced through its branch network. The Bank's sources of funding comprise deposits from customers, certificates of deposit issued, senior and subordinated bonds issued and shareholders' funds. Deposits include demand deposits and savings and time deposits, primarily in Hong Kong dollars, but also in other major currencies. The issuance of certificates of deposit helps lengthen funding maturities and reduces possible maturity mismatches. The subordinated debts issued help to broaden the Bank's funding base and extend liability maturity, in addition to improving the Bank's capital adequacy. Short-term interbank deposits are taken on a limited basis and the Bank is a net lender to the interbank market.

The table below sets forth a summary of the Bank's consolidated deposits and other borrowed funds by type as at the dates indicated:

	As at 31st December,					
	2010		2011		2012	
	HK\$ millions	%	HK\$ millions	%	HK\$ millions	%
Deposits:						
Deposits from customers	98,064	88.3%	113,389	90.4%	118,081	88.7%
Certificates of deposit issued	4,746	4.3%	3,164	2.6%	5,753	4.3%
Total deposits	102,810	92.6%	116,553	93.0%	123,834	93.0%
Borrowings:						
Deposits from banks	1,630	1.5%	2,407	1.9%	2,646	2.0%
Issued debt securities	1,943	1.7%	2,718	2.1%	2,713	2.0%
Loan capital (subordinated notes)	4,684	4.2%	3,698	3.0%	3,979	3.0%
Total borrowings	8,257	7.4%	8,823	7.0%	9,338	7.0%
Total deposits and borrowings	111,067	100.0%	125,376	100.0%	133,172	100.0%

Deposits

The Bank attracts deposits from corporates and individuals principally through its branch network. As at 31st December, 2012 the Bank had deposits, including certificates of deposit, of HK\$123,834 million, representing 93.0% of the Bank's consolidated funding.

The Bank determines the rate of the interest which it pays on HK\$ deposits and certificates of deposit according to prevailing market conditions. The Bank quotes savings deposit rates similar to those offered by the leading banks in Hong Kong. Changes in the savings rates usually follow changes in the US Federal Funds rate and the local discount rate of the HKMA. Foreign currency deposits are based principally on LIBOR or the applicable interbank interest rates of the relevant currency.

The Bank offers both wholesale and retail certificates of deposit, which are usually priced at a spread over short-term interbank offered rates. Certificates of deposit also provide the Bank with funds with a longer maturity profile than other customer deposits.

Borrowings

As at 31st December, 2012, DSB had three outstanding issues of subordinated notes: US\$225 million subordinated fixed rate term note due February 2020 listed on the SGX-ST, US\$200 million (or US\$55 million after considering the part repurchased by the Bank) perpetual subordinated fixed rate note with an optional redemption date in February 2017 listed on the SGX-ST and S\$225 million subordinated fixed rate term note due February 2022 listed on the SGX-ST with an optional redemption date in February 2017. The term notes qualify as lower supplementary capital and the perpetual note qualifies as upper supplementary capital of the Bank.

As at 31st December, 2012, approximately 60.2% of deposits and other borrowed funds of the DSB Group was denominated in HK dollars, with the remainder denominated principally in US dollars.

Maturity Profile of Assets and Liabilities

Set out below is the contractual maturity breakdowns of major assets and liabilities of the DSB Group as at 31st December, 2010, 2011 and 2012.

As at 31st December, 2010

	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
HK\$ millions							
Assets							
Placements with banks	—	529	2,720	—	—	—	3,249
Advances to customers (excluding trade bills)	6,074	9,380	7,672	23,157	25,100	186	71,569
Debt securities included in:							
— Financial assets designated at fair value through profit or loss	—	—	—	—	1	—	1
— Trading securities	—	2,260	2,544	559	—	—	5,363
— Loans and receivables	—	77	586	4,049	2,579	363	7,654
— Available-for-sale securities	—	4,194	1,345	8,575	2,833	4	16,951
— Held-to-maturity securities	—	762	2,015	4,426	1,674	—	8,877
	<u>6,074</u>	<u>17,202</u>	<u>16,882</u>	<u>40,766</u>	<u>32,187</u>	<u>553</u>	<u>113,664</u>
Liabilities							
Deposits from banks	55	759	583	233	—	—	1,630
Trading liabilities	—	3,004	1,543	154	—	—	4,701
Deposits from customers	29,433	54,234	12,912	1,485	—	—	98,064
Certificates of deposit issued	—	1,411	2,657	627	51	—	4,746
Issued debt securities	—	—	—	1,943	—	—	1,943
Subordinated notes	—	—	1,166	1,201	2,317	—	4,684
	<u>29,488</u>	<u>59,408</u>	<u>18,861</u>	<u>5,643</u>	<u>2,368</u>	<u>—</u>	<u>115,768</u>

As at 31st December, 2011

	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
HK\$ millions							
Assets							
Placements with banks	—	2,726	2,439	—	—	—	5,165
Advances to customers (excluding trade bills)	6,760	13,065	9,786	24,396	26,261	219	80,487
Debt securities included in:							
— Financial assets designated at fair value through profit or loss	—	—	—	—	8	—	8
— Trading securities	—	1,946	3,186	252	22	—	5,406
— Loans and receivables	—	52	873	3,866	2,026	78	6,895
— Available-for-sale securities	—	259	552	12,786	3,290	3	16,890
— Held-to-maturity securities	—	1,032	2,037	4,694	409	—	8,172
	<u>6,760</u>	<u>19,080</u>	<u>18,873</u>	<u>45,994</u>	<u>32,016</u>	<u>300</u>	<u>123,023</u>
Liabilities							
Deposits from banks	25	1,566	816	—	—	—	2,407
Trading liabilities	—	1,975	969	101	—	—	3,045
Deposits from customers	27,192	69,510	15,477	1,210	—	—	113,389
Certificates of deposit issued	—	1,027	1,112	971	54	—	3,164
Issued debt securities	—	—	—	2,718	—	—	2,718
Subordinated notes	—	—	1,171	—	2,527	—	3,698
	<u>27,217</u>	<u>74,078</u>	<u>19,545</u>	<u>5,000</u>	<u>2,581</u>	<u>—</u>	<u>128,421</u>

As at 31st December, 2012

	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
HK\$ millions							
Assets							
Placements with banks	—	3,424	567	—	—	—	3,991
Advances to customers (excluding trade bills)	6,887	13,032	11,953	26,857	27,316	138	86,183
Debt securities included in:							
— Financial assets designated at fair value through profit or loss	—	—	—	—	23	—	23
— Trading securities	—	690	4,694	394	20	—	5,798
— Loans and receivables	—	—	62	3,200	—	78	3,340
— Available-for-sale securities	—	138	1,423	16,016	4,007	3	21,587
— Held-to-maturity securities	—	363	2,365	4,320	—	—	7,048
	<u>6,887</u>	<u>17,647</u>	<u>21,064</u>	<u>50,787</u>	<u>31,366</u>	<u>219</u>	<u>127,970</u>
Liabilities							
Deposits from banks	147	1,685	—	814	—	—	2,646
Trading liabilities	—	1,437	646	195	—	—	2,278
Deposits from customers	35,047	67,399	14,908	727	—	—	118,081
Certificates of deposit issued	—	268	4,813	672	—	—	5,753
Issued debt securities	—	—	1,938	775	—	—	2,713
Subordinated notes	—	—	—	510	3,469	—	3,979
	<u>35,194</u>	<u>70,789</u>	<u>22,305</u>	<u>3,693</u>	<u>3,469</u>	<u>—</u>	<u>135,450</u>

Currency exposures are managed prudently, see “Risk Management” below.

Capital Adequacy and Liquidity Ratios

The following table sets out a summary of the Bank’s consolidated capital adequacy and liquidity ratios as at 31st December, 2010, 2011 and 2012:

	As at 31st December,		
	2010	2011	2012
Capital adequacy ratio			
● Core capital	9.7%	10.0%	10.3%
● Total	15.9%	14.8%	14.9%
Liquidity ratio (average for the year)	45.7%	44.5%	50.1%

The capital adequacy ratios as at 31st December, 2010, 2011 and 2012 shown above are calculated in accordance with the Banking (Capital) Rules effective from 1st January, 2007 and takes into account market risk and operational risk.

The liquidity ratio is calculated as the simple average of each calendar month’s average liquidity ratio for the year for the Bank in accordance with the Fourth Schedule of the Banking Ordinance.

The capital base of the Bank after deductions used in the calculation of the above capital adequacy ratios as at 31st December, 2010, 2011 and 2012 and reported to the HKMA was as follows:

	As at 31st December,		
	2010	2011	2012
	HK\$ millions	HK\$ millions	HK\$ millions
Core capital			
Paid up ordinary share capital	3,600	4,600	5,000
Reserves.....	5,772	5,689	6,872
Less: goodwill	(812)	(812)	(812)
Less: other intangible assets and net deferred tax assets	(111)	(93)	(85)
Total core capital before deductions	8,449	9,384	10,975
Less: 50% of total amount of deductible items.....	(454)	(458)	(465)
Total core capital	7,995	8,926	10,510
Supplementary capital			
Reserve on revaluation of land and interests in land	238	238	238
Collective impairment allowances for impaired assets and regulatory reserve.....	842	1,124	1,294
Perpetual subordinated debts	428	428	426
Term subordinated debts	4,079	2,912	3,172
Total supplementary capital	5,587	4,702	5,130
Eligible amount of supplementary capital	5,587	4,702	5,130
Less: 50% of total amount of deductible items.....	(454)	(458)	(465)
Total eligible supplementary capital	5,133	4,244	4,665
Total capital base after deductions	13,128	13,170	15,175

Risk Management

The Bank recognises the changing nature of risk and manages it through a well-developed risk management structure. Risk management is focused on credit risk, market risk, interest rate risk, liquidity risk, operational risk, reputation risk and strategic risk:

- credit risk occurs mainly in the Bank's credit portfolios comprising commercial, wholesale and retail lending, equipment and hire purchase financing, and treasury and financial institutions wholesale lending;
- market risk arises mainly in Treasury and is associated principally with the Bank's on-balance sheet positions in the trading book, and off-balance sheet positions taken to hedge elements of the trading book;
- interest rate risk means the risk to the Bank's financial condition resulting from adverse movements in interest rates;
- liquidity risk arises across the Bank's balance sheet;
- operational risk is the risk of loss (direct or indirect) resulting from inadequate or failed internal processes, people and systems or from external events;
- reputation risk is the risk arising from the potential that negative publicity regarding the Bank's business practices, operational errors or operating performance, whether true or not, could cause customer concerns or negative view, decline in customer base or market share, or lead to costly litigation or revenue reductions; and
- strategic risk generally refers to the corporate risk that may bring significant immediate or future negative impact on the financial and market position of the Bank because of poor strategic decisions, unacceptable financial performance, inappropriate implementation of strategies and lack of effective response to the market changes.

Risk management is a critical part of the Bank's organisational structure. The risk management framework is approved by the Board of Directors. The Board approves the overall institutional tolerance for risk, including risk policies and the risk philosophy of the Bank. The Bank's risk management infrastructure, as approved by the Board, allows oversight by the Board of the major risk areas of credit risk, market and liquidity risk, and operational risk. An internal audit group is responsible for the ongoing monitoring of the Bank's internal management processes and for providing an independent assessment of the Bank's systems to ensure that integrity is maintained. The Bank's policy is to maintain what it considers is a conservative balance sheet and strong capital base.

The Bank's risk management practices and capabilities meet the requirements of Basel II.

The Risk Management Structure of the Bank

The Board of Directors has the broad overall responsibility for the management of all types of risk. The responsibilities of the Board in relation to risk control are:

- the approval of the overall strategy and policies to ensure that credit and other risks are properly managed at both the transaction and portfolio levels;
- the management of risk, both financial and non-financial, conducted through operational and administrative control systems including the operation of the Audit Committee, review of key results (against forecasts), operational statistics and policy compliance; and
- financial performance by analysis against approved budgets and analysis of variations in key non- financial measures.

The Executive Committee has been delegated the authority to oversee and guide the management of different risks which are more particularly managed and dealt with by Group Risk Division and different functional committees.

The Head of Group Risk reports to the Bank's Executive Committee and the Chief Executive, which have overall responsibility for the management of all types of risk. It also has a functional reporting line to the Board-level Risk Management and Compliance Committee. The Bank has established policies and procedures for the identification, measurement, monitoring and control of credit, liquidity, interest rate, foreign exchange and market risks. The policies and procedures are regularly reviewed and updated by senior management and the respective business credit committees.

Group Risk

The independent Group Risk function is responsible for ensuring that policies and mandates are established for the Bank as a whole. Group Risk Division monitors and reports the Group risk positions to the Board via the Risk Management and Compliance Committee and the Executive Committee, sets standards for the management of financial risks and data integrity and ensures that the financial risks are fully considered in the product planning and pricing process. Group Risk Division reviews and approves all credit and risk exposure policies for the Bank including the approval of exposures to new markets, economic sectors, organisations, credit products and financial instruments which expose the Bank to different types of risks. In determining risk policies, Group Risk Division takes into account the guidelines established by the HKMA, business direction, and risk adjusted performance of each business. Group Risk Division is also represented on the lending or risk committees of the Bank's operating divisions and businesses.

The Bank's risk management expertise continues to advance the overall quality of the Bank's lending portfolios, and enables the Bank to meet the changing regulatory requirements and enter into credit exposures with the confidence that it understands the associated risks and rewards.

The Bank uses a range of risk measurement and analytical tools in its management of the various risks which it faces in its day-to-day businesses and these are continually being enhanced and upgraded to reflect ever-changing business needs and the requirements of the regulators.

Credit Committees

The Credit Management Committee and TIRC are the committees responsible for approving and recommending policies, limits and mandates for risk control in the loan and treasury business areas respectively. The credit risk function, while set up to support the business areas, reports solely to the Group Risk Division.

Credit Risk Management

The Bank's main credit risk is that borrowers or counterparties may default on their payment obligations due to the Bank. These obligations arise from the Bank's lending and investment activities, and trading of financial instruments (including derivatives).

The Bank has a Group Credit Committee for approving major credit exposures. The Credit Management Committee and TIRC are the committees responsible for credit policy formulation and portfolio monitoring of the loan and treasury businesses respectively. These committees are all chaired by the Chief Executive with certain Executive Directors and senior business and credit officers as members. Credit risk measurement, underwriting, approval and monitoring requirements are detailed in credit policies.

The Bank manages all types of credit risk on a prudent basis. Credits are extended within the parameters set out in the credit policies and are approved by different levels of management based upon established guidelines and delegated authorities. Credit exposures, limits and asset quality are regularly monitored and controlled by management, credit committees and Group Risk Division. The Bank's internal auditors conduct regular reviews and audits to ensure compliance with credit policies and procedures and regulatory guidelines.

In order to mitigate credit risk and where appropriate, the Bank will obtain collateral to support the credit facility. The acceptable types of collateral and their characteristics are established within the credit policies, as are the respective margins of finance.

Irrespective of whether collateral is taken, all credit decisions are based upon the customer's or counterparty's credit profile, cashflow position and ability to repay.

Liquidity Risk Management

The Bank manages its liquidity on a prudent basis to ensure that a sufficiently high liquidity ratio relative to the statutory minimum is maintained throughout the year. The average liquidity ratio of the Bank for the years ended 31st December, 2010, 2011 and 2012 were well above the 25% minimum ratio set by the Banking Ordinance.

The Asset and Liability Management Committee ("ALCO") regularly reviews the Bank's current loan and deposit mix and changes, funding requirements and projections, and monitors the liquidity ratio and maturity mismatch on an ongoing basis. Appropriate limits on liquidity ratio and maturity mismatch are set and sufficient liquid assets are held to ensure that the Bank can meet all short-term funding requirements.

The Bank's funding comprises mainly deposits of customers, certificates of deposit and medium term notes issued. The issuance of certificates of deposit and medium term notes helps lengthen the funding maturity and reduce the maturity mismatch. Short-term interbank deposits are taken on a limited basis and the Bank is a net lender to the interbank market.

Liquidity risk is managed by the Bank's high proportion of liquid assets, including highly liquid marketable debt securities, interbank assets (which are diversified by type, maturity and source), money market assets and short-term customer loans. For longer-term assets, the Bank has significant sources of longer-term funds, including debt securities, certificates of deposit and notes, money market borrowings and longer-term customer deposits. The Bank conducts regular stress tests on its liquidity position.

Market Risk Management

Market risk is the risk of losses in assets, liabilities and off-balance sheet positions arising from movements in market rates and prices.

Market risk exposure for different types of transactions is managed within risk limits and guidelines approved by the Board, the Executive Committee (“EXCO”), ALCO and the TIRC under the authority delegated from the Board. Risk limits are set by products and by different risk types. The risk limits comprise a combination of notional, stop loss, sensitivity and value-at-risk controls. The Risk Management and Control Department (“RMCD”) within Group Risk Division, as an independent risk management and control unit, identifies, measures, monitors and controls the risk exposures against approved limits and initiates specific action to ensure the overall and the individual market risks are managed within an acceptable level. Any exceptions have to be reviewed and sanctioned by the appropriate level of management of TIRC or by the Board as stipulated in the relevant policies and procedures.

The Bank’s Internal Audit function performs regular independent review and testing to ensure compliance with the market risk policies and procedures by Treasury, RMCD and other relevant units.

The Bank applies a “value at risk” (“VaR”) methodology, which is a statistically based estimate, to measure the potential loss of its trading portfolio from adverse movements. It expresses as the maximum amount that the DSB Group might lose given a certain level of confidence, which for the DSB Group is 99% for a one day holding period. There is therefore a specified statistical probability that actual loss could be greater than the VaR estimate. Hence the use of VaR does not prevent losses outside the VaR limits in the event of extreme market movements.

The VaR model assumes a certain “holding period” (one day) until positions can be closed. It is calculated based on the current mark-to-market value of the positions, the historical correlation and volatilities of the market risk factors over an observation period of 250 days (or over one year) using a method known as parametric VaR methodology.

The VaR summary of the trading portfolio of the DSB Group is as follows:

DSB Group	12 months to 31st December, 2012		
	Average	High	Low
Foreign exchange risk	1,709	3,589	913
Interest rate risk	1,265	3,143	377
All risks	<u>2,140</u>	<u>4,692</u>	<u>1,092</u>

Interest Rate Risk Management

The Bank’s interest rate risk mainly arises from the funding of fixed-rate loans and investments in fixed income securities by floating-rate deposits. When interest rates rise or fall, the interest spread and net interest income will be affected as interest income generated by the existing fixed-rate loans and securities will not change. In addition to changes in earnings, the variations in market interest rates will also affect the economic values of the Bank’s assets, liabilities and off-balance sheet positions, which can, in turn affect the net worth of the Bank. The Bank’s interest rate risk is mitigated in part by the use of interest rate hedging instruments. Interest rate risk is managed and monitored using a combination of repricing gap and sensitivity limits by Group Risk on a regular basis.

Foreign Exchange Risk Management

The Bank has limited net foreign exchange exposures (except for United States dollar, Macau Pataca (“MOP”) and Renminbi (“RMB”)) as foreign exchange positions and foreign currency balances arising from customer transactions are normally matched against other customer transactions or transactions with the market. Foreign exchange exposure in respect of MOP and RMB arise mainly from the operation of overseas subsidiaries in Macau and Mainland China. The net exposure positions, both by individual currency and in aggregate, are managed by Treasury on a daily basis within established foreign exchange limits.

Long-term foreign currency funding, to the extent that this is used to fund Hong Kong dollar assets, is normally hedged using foreign exchange forward contracts to reduce the foreign exchange risk.

Risks Associated with Derivative Instruments

In the normal course of business, the Bank enters into a variety of derivative transactions including forwards, futures, swaps and options transactions in the interest rate, foreign exchange and equity markets. Derivative transactions are conducted for both trading and hedging purposes. The Bank’s objectives in using derivative instruments are to meet customer needs by acting as an intermediary, to manage the Bank’s exposure to risks and to generate revenues through trading activities within acceptable limits.

The credit risk arising from a derivative contract is calculated by taking the cost of replacing the contract, where its mark-to-market value is positive, together with an estimate for the potential future change in the value of the contract. The credit risk on contracts with a negative mark-to-market value is restricted to the potential future change in their market value.

Operational Risk Management

The Bank manages its operational risk through a management structure comprising members of senior management and operational risk officers from each business and support function, and operating through a set of operational risk policies, risk tool-kits, operational risk incident reporting and tracking system, and control self assessment and key risk indicator tools. Together with well established internal control systems, operational risk in most situations can be adequately identified, assessed, monitored and mitigated. To allow the operational risk framework to be clearly communicated to all levels within the Bank, awareness and training programs are conducted from time to time.

To minimise the impact on the Bank’s business in the event of system failure or disasters, back-up sites and operational recovery policies and plans have been established and tested for all critical business and operations functions.

Operational risk framework is also supported by periodic independent reviews of internal control systems by external and internal auditors. Reporting and assessment of the performance of operational risk management are monitored by Group Risk and reported to the Risk Management and Compliance Committee.

The Role of Internal Audit

The Bank’s Internal Audit Division is an independent, objective assurance and consulting unit which is designed to focus on enhancing and sustaining sound internal control in all business and operational units of the Bank. The Division reports functionally to the Audit Committee which is chaired by an independent non-executive Director. The Division conducts a wide variety of internal control activities such as compliance audits and operations and systems reviews to ensure the integrity, efficiency and effectiveness of the systems of control of the Bank.

Corporate Governance

Corporate governance is concerned with how companies are managed and controlled, and in particular the roles and operations of the board of directors in sustaining sound business integrity and practices, and effective accountability. DSB has fully complied with the requirements set out in the guideline entitled “Corporate Governance of Locally Incorporated Authorized Institutions” issued by the HKMA.

The Board of Directors

As at 31st December, 2012, the Board of Directors of DSB (the “Board”) comprised a Chairman, seven executive directors including the DSB Group Chief Executive, and five non-executive directors. The Board meets at least quarterly. Its principal roles include the formulation and approval of corporate and business strategies, review of operations and financial performance, approval of key policies and annual business plans, and ensuring the maintenance of sound risk management and regulatory compliance.

Executive directors are appointed to the Board based on their experience, specialist skills and knowledge of different businesses of the Bank. Non-executive directors bring to the Board their knowledge and experience of other markets and industries, guide executive management’s strategy development and policy implementation, and provide valuable external perspectives in the Board’s deliberations.

Audit Committee

The Audit Committee of DSBG, established by the Board of Directors of DSBG (the “Board of DSBG Group”), has the authority to review all matters related to financial statements and disclosures, audit work performed by internal and external auditors, internal control systems, risk management system and compliance for the DSBG Group including the Bank. The Committee reports to the Board of DSBG Group its observations and comments on any issue that needs to be brought to the attention of the Board of DSBG Group, and makes recommendations to the Board of DSBG Group regarding financial statements and results announcements.

Three independent non-executive directors of the DSBG Group comprise the DSBG Group’s Audit Committee, which meets at least three times a year with the DSBG Group’s and the Bank’s senior management, the head of Internal Audit and the external auditors. The Chairman of the Committee is an independent non-executive director with a high level of financial and audit experience.

The head of Internal Audit of the Bank reports functionally to the DSBG Group’s Audit Committee. External auditors have direct access to the Committee for expressing their views and comments on any matter or concern relating to the DSBG Group or the Bank.

Risk Management and Compliance Committee

The Risk Management and Compliance Committee of the Bank is a Board-level committee with the responsibility to provide guidance and oversight on the Bank’s risk management strategy and development, review risk management issues and the resolution thereof, and review risk management policies and major risk limits prior to the approval by the Board. It has the authority to conduct any enquiry and review on matters related to risk management and compliance with risk policy and regulatory requirements.

The Risk Management Committee comprises the Chief Executive, four executive directors and two independent non-executive directors of the Bank.

Executive Committee

The Bank's Executive Committee comprises the Chairman, Chief Executive and all executive directors of the Bank. It is responsible for developing and setting the strategy and objectives of the Bank. It provides direction and guidance to business divisions, reviews business performance, ensures effective internal control systems, allocates resources, prioritises business initiatives and investment, and is delegated with the authority of the Board of the Bank on matters relating to the normal course of business of the Bank.

The Executive Committee can call upon such members of senior management for advice or participation in its discussions as it deems appropriate.

Asset and Liability Management Committee

The DSBG's ALCO is accountable to the Executive Committee of the DSBG Group and of the Bank, and oversees the overall management of the balance sheet, liquidity, funding, interest rate risk and market risk of the DSBG Group and of the Bank. It is responsible for formulating business plans affecting lending business, loan mix, treasury investments, deposit taking and capital management. It also plays a key role in the overall risk governance and management of the DSBG Group and the Bank.

The DSBG Group's ALCO meets every week and its regular tasks include review of key business emphasis and development, loan and deposit changes, funding requirement, liquidity, surplus funds investments, capital market dealing, and review of market changes and competition. The DSBG Group's ALCO also conducts a regular monthly review of overall balance sheet and business performance, including trend analysis and actual positions against limits and targets.

The DSBG Group's ALCO is chaired by the Chief Executive of the DSBG Group, who is also the Chief Executive of the Bank. Members of the ALCO include executive directors of the Bank, heads of most business divisions, risk management and financial control.

Credit and Risk Management Committees

The Bank has a credit committee or risk management committee for each business division. Each is made up of relevant executive directors, senior business, credit and risk officers, and is chaired by the Chief Executive of the Bank. Each committee has the responsibility for formulating and revising credit and risk policies and procedures for that division, approving credits and risk exposures which exceed individual credit or risk officer's credit authority, and reviewing credit performance and loan provisioning. Credit policies and procedures define the credit extension criteria and guidelines, credit approval, review and monitoring process and the systems of loan classification and provisioning. For the Treasury Division, its risk management committee has additional responsibilities in reviewing and approving credit limits for financial institutions and wholesale credits, and treasury dealing limits and control.

The Bank's Group Credit Committee comprises the Chief Executive, executive directors and the senior credit officer.

The Head of Group Risk is a member of all credit and risk committees, and serves to coordinate the overall risk management process and governance, including the development and ongoing upgrade of credit policies and procedures, risk analyses, risk control and the monitoring of credit quality.

Management Committee

The Bank's Management Committee, chaired by the Chief Executive, meets on a monthly basis. Members of the Committee include all division heads and a number of senior executives. It operates to strengthen internal communications on corporate and business development, operational issues and control, IT development.

Compliance Committee

The Group Compliance Committee is responsible for overseeing and guiding the development, maintenance and enhancement of compliance system, policies and practices to ensure compliance with all statutory requirements and regulatory guidelines. The Committee serves to uphold a high level of awareness and accountability for compliance requirements. The Bank has adopted an ongoing compliance control and monitoring process within business and support functions to enhance compliance control.

Members of the Compliance Committee include the Chief Executive, the Head of Group Risk, the Head of Legal and Compliance, a number of executive directors and senior operation and risk control executives of the Bank. Minutes of the Committee meetings and regular reports are submitted to the Audit Committee.

IT Steering Committee

The Group IT Steering Committee is responsible for providing IT strategic direction, and ensuring sound and robust IT infrastructure and processes to support the Bank's businesses. It is also responsible for ensuring that IT risk control, information security and operations continuity are managed effectively, and for overseeing the Bank's IT resources allocation, project justification and prioritisation.

The Committee is chaired by the Chief Executive and includes most division heads as its members.

Human Resources Committee

The Group Human Resources Committee is responsible for setting the overall human resources direction of the Bank and guiding the development of people strategy, policy and practices. It is responsible for overseeing corporate culture development, planning and implementation, remuneration programs and changes, staff development plans, employee relations projects and human resources systems.

The Committee is chaired by the Chief Executive of the Group, who is also the Chief Executive of the Bank and comprises the Chairman of the Group and a number of division heads.

MANAGEMENT AND EMPLOYEES

As of the date of this Offering Circular, the senior management of DSB is made up of experienced and professional bankers. The profile of the Executive Directors and senior executives, and their respective responsibilities are as follows:

Executive Directors

- David Shou-Yeh Wong Aged 72. Chairman of the Bank since 1983. Also the Chairman of DSFH, DSBG, DSLA, New Asian Shipping Company Limited, Wing Tak Shipping Agency Limited and various other companies. Honorary President of Hong Kong Guangdong Chamber of Foreign Investors and of Guangdong Chamber of Foreign Investors. Member of the Hong Kong Association of Banks, the Chinese Banks Association Limited and the Hong Kong Shipowners Association. Vice President of The Hong Kong Institute of Bankers. General Committee Member of The Chamber of Hong Kong Listed Companies. Former Member of The Banking Advisory Committee, Hong Kong Trade Development Council, Advisory Committee of the Securities and Futures Commission, Hongkong/Japan Business Co-operation Committee, Governor 's Business Council, Economic Review Committee, Land and Building Advisory Committee, Land Development Corporation, Consultative Committee on the New Airport and Related Projects, General Committee of Federation of Hong Kong Industries, Hong Kong Port Development Council, Board of Review (Inland Revenue), The Court of the Hong Kong Polytechnic University and Former Director of the Community Chest of Hong Kong. Mr. Wong graduated from Massachusetts Institute of Technology with a Bachelor of Science degree in Electrical Engineering.
- Hon-Hing Wong (Derek Wong). Aged 60. Appointed as a Vice Chairman of the Bank in April 2011. Managing Director and Chief Executive of the Bank since January 2000 and until May 2011 when Mr. Wong vacated from the positions as the Managing Director of DSBG, and also from the position as the Managing Director and Chief Executive of the Bank in May 2011. Joined the Bank in 1977 and had served and managed various departments before appointed as an Executive Director of the Bank in 1989. Executive Director of DSFH since 1993. Appointed as the Group Managing Director of DSFH in 2002 and of DSBG in 2004. Chairman of the Board of Dah Sing Bank (China) Limited and a director of various major subsidiaries of DSFH. Non-executive Director of Great Wall Life Assurance Company Limited, and Non-executive Vice Chairman and Director of Bank of Chongqing, in which the Group has an 20% equity interest. Associate of The Institute of Bankers (U.K.), Founder Member of The Hong Kong Institute of Bankers and The International Retail Banking Council of the U.K. Over 30 years of experience in banking.

- Harold Tsu-Hing Wong Aged 43. Vice Chairman of the Bank and Chief Executive Officer of DSBG. Joined the Bank in 2000 and was previously responsible for the Group's corporate and business development. Graduated with a Bachelor of Laws (LLB Honours) degree from King's College, London, U.K. and a Master of Business Administration degree from Harvard University, U.S. Mr Wong is a qualified solicitor in England and Wales and Hong Kong.
- Gary Pak-Ling Wang Aged 52. Appointed as the Managing Director and Chief Executive of the Bank in May 2011. Previously Alternate Chief Executive of the Bank since January 2000. Executive Director of the Bank since 1997 and an Executive Director of DSFH and DSBG. Joined the Bank in 1995 as the Financial Controller and promoted as the Finance Director of the DSFH Group and of the Bank in 2002. Mr Wang graduated from the University of Hong Kong with a Bachelor of Social Sciences degree, and is a qualified accountant and member of the Association of Chartered Certified Accountants of the U.K. and Hong Kong Institute of Certified Public Accountants.
- Nicholas John Mayhew Aged 45. Joined DSFH in 1998 and is currently Deputy Chief Executive Officer of the Bank, and an Executive Director of the Bank, DSFH, Dah Sing Life Assurance Company Limited, Macau Insurance Company Limited, Macau Life Insurance Company Limited. Responsible for the Bank's treasury and corporate finance activities. Over 22 years of experience in financial services both in the U.K. and Hong Kong. Graduated with a Bachelor of Arts degree (Joint Honours) from the School of Oriental and African Studies, University of London.
- Po-Fung So (Francesca So) Aged 50. Joined the Bank in 1993. Appointed as an Executive Director of the Bank in October 2011. Currently Group Head of Operations, responsible for overseeing and supervising banking operations of the Group. Over 20 years of experience in banking and auditing. Ms So graduated from The Chinese University of Hong Kong with a Master degree in Business Administration, and is a qualified accountant and Fellow member of the Association of Chartered Certified Accountants of the U.K. and the Hong Kong Institute of Certified Public Accountants.
- Shing-Tat Lau (Eddie Lau) Aged 50. Appointed as an Executive Director of the Bank in May 2012. Joined the Bank in 1992 and has assumed various management positions in the commercial banking business before being promoted as a General Manager in 2008 and the Head of Commercial Banking Division in 2012, responsible for overseeing and supervising the commercial banking business. Over 24 years of experience in commercial banking. Mr Lau graduated from The University of Texas at Austin with a Bachelor degree in Business Administration.

Mei-Chun Wong (Phoebe Wong). . . Aged 46. Appointed as an Executive Director of the Bank in May 2012. Joined the Bank as the Head of Retail Banking business in February 2012, responsible for the development and management of overall retail banking, bancassurance, retail brokerage, wealth management and vehicle financing. Over 24 years of experience in retail and personal banking business with other banks operating in Hong Kong, including Standard Chartered Bank and Citic Bank International.

The business address of each of the Executive Directors is 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong.

Senior Management

Yuk-Tak Chan (Raymond Chan), aged 58, has been the General Manager and Treasurer of Dah Sing Bank since 2009. He joined DSB in 1975 and has over 35 years of experience in treasury business. Mr Chan is responsible for direct overall performance, control and management of all liquidity funding and trading risk for the Bank. In addition, Mr Chan is also responsible for achieving the yearly treasury budget. Mr Chan is a member of Treasury Markets Association.

Wai-Kin Chan (Cliff Chan), aged 41, has been a General Manager and Head of Wealth Management of DSB since 2009. His responsibilities are to manage and grow the retail wealth management and private banking business. Mr. Chan has experience in investment management, corporate finance and manufacturing. Mr Chan holds a Bachelor of Arts degree from the University of Cambridge and a Master's degree in Business Administration from the Harvard Business School, and is a Chartered Financial Analyst.

Yat-Kung Tam (Elton Tam), aged 51, has been a General Manager and Group Financial Controller of DSB since 2006 and is responsible for financial control. He has over 25 years of experience in accounting and financial management. Mr Tam graduated from the University of Hong Kong with a Bachelor of Social Science degree, the Chinese University of Hong Kong with a Master of Science degree in Finance and City University of Hong Kong with a Doctor of Business Administration degree. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the U.K., and also qualified member of the Institute of Chartered Accountants of England and Wales, the American Institute of Certified Public Accountants of the U.S.A., the Chinese Institute of Certified Public Accountants of China and the Certified General Accountants Association of Canada.

Kenneth Leung-Kui Yuen, aged 54, has been the Head of Internal Audit of DSB since joining in 2001, and a General Manager since 2004, and is responsible for the internal audit activities of the Bank and the DSFH Group. Mr Yuen has over 20 years of experience in auditing and systems development, working for an audit firm and banks in Canada and Hong Kong prior to joining DSB. Mr Yuen is a Certified Information Systems Auditor of the Information Systems Audit and Control Association. Mr Yuen graduated from The University of Liverpool, U.K. with a Bachelor of Arts degree in Computational and Statistical Science.

Hau-Tak Li (Gary Li), aged 52, has been the Chief Credit Officer of DSB since September 2009 and also assumed the role of Head of Group Risk Division since February 2013. He first joined the Bank in 2005 and has over 20 years of experience in banking. Mr. Li graduated from the University of Hong Kong with a Bachelor of Science degree and the Chinese University of Hong Kong with a Master of Business Administration degree. He is a member of the Canadian Institute of Chartered Accountants, the Society of Management Accountants of Canada, and the Certified General Accountants Association of Canada.

Florence Siu-Wai Lee, aged 48, has been a General Manager & Group Head of Human Resources of DSB since 2005. Ms Lee is responsible for human resources management of the Bank. She joined the Bank in 2000 and has over 25 years of experience in human resources. Ms Lee graduated from the Chinese University of Hong Kong with a Bachelor of Arts degree and obtained from The University of Hull, U.K., a Master degree in Business Administration.

Christopher Hing-Keung Tsang, aged 46, has been a General Manager and Group Head of Legal and Compliance of DSB since joining the Bank in 2010 and is responsible for management of legal and compliance issues of the Bank. Mr Tsang holds a Bachelor of Arts degree from the University of Hong Kong, a Master degree in Business Administration from the University of Toronto and a Master degree in Banking from the City University of Hong Kong.

Yvonne Siu-Li Che, aged 49, has been a General Manager and Head of IT of DSB since joining in 2011 and is responsible for DSB's Information Technology Division. Ms Che held various IT positions in banking institutes prior to joining DSB. Ms Che holds a Master degree in Business Administration from Heriot Watt University and Bachelor degree in Computer Studies from City University of Hong Kong.

The business address for each member of senior management is 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong.

Human Resources

As at 31st December, 2012, DSB had a total staff of 1,736 (31st December, 2011: 1,770) employees.

SUMMARY FINANCIAL INFORMATION

The summary financial information set forth below has been extracted from the Bank's audited consolidated financial statements for the years ended 31st December, 2010, 2011 and 2012 except for amounts shown in US Dollars, which are added for reference purposes and should be read in conjunction with the information contained elsewhere in this Offering Circular. The financial information for the year ended 31st December, 2011 has been restated for the effects of the adoption by the Bank of the amendment to the Hong Kong Accounting Standard No. 12 "Income taxes" issued by the Hong Kong Institute of Certified Public Accountants, when the Bank prepared its consolidated financial statements for the year ended 31st December, 2012. No restatement has been made to the financial information for the year ended 31st December, 2010 because the effects of the adoption of the above mentioned accounting standard amendment are not material.

Consolidated Income Statements:

	For the year ended 31st December,			
	2010	2011	2012	2012*
	HK\$ millions	HK\$ millions	HK\$ millions	US\$ millions (unaudited)
Interest income	2,724	3,307	3,867	499
Interest expense	(780)	(1,390)	(1,664)	(215)
Net interest income	1,944	1,917	2,203	284
Fee and commission income	550	632	742	95
Fee and commission expense	(168)	(217)	(211)	(27)
Net fee and commission income	382	415	531	68
Net trading income	49	133	178	23
Other operating income	31	35	45	6
Operating income	2,406	2,500	2,957	381
Operating expenses	(1,292)	(1,554)	(1,840)	(237)
Operating profit before impairment losses	1,114	946	1,117	144
Loan impairment losses and other credit provisions	(101)	(181)	(144)	(19)
Operating profit after impairment loss	1,013	765	973	125
Net (loss)/gain on disposal and revaluation of premises and other fixed assets	—	(1)	1	—
Net gain on disposal of and fair value adjustment on investment properties	63	85	131	17
Net loss on disposal and repurchase of financial instruments	(116)	(28)	(64)	(8)
Share of results of an associate	249	353	491	63
Share of results of jointly controlled entities	8	13	13	2
Profit before income tax	1,217	1,187	1,545	199
Income tax expense	(177)	(125)	(151)	(19)
Profit for the year attributable to shareholders of the Bank	<u>1,040</u>	<u>1,062</u>	<u>1,394</u>	<u>180</u>
Dividends	<u>281</u>	<u>207</u>	<u>337</u>	<u>43</u>

* Amounts in Hong Kong dollars have been translated into US dollars at the average exchange rate for the year ended 31st December, 2012 of HK\$7.7559 = US\$1.

Consolidated Statements of Financial Position:

	As at 31st December,			
	2010	2011	2012	2012*
	HK\$ millions	HK\$ millions	HK\$ millions	US\$ millions (unaudited)
Assets				
Cash and balances with banks.....	8,623	11,902	13,472	1,738
Placements with banks.....	3,249	5,165	3,991	515
Trading securities.....	5,363	5,406	5,798	748
Financial assets designated at fair value through profit or loss.....	1	8	23	3
Derivative financial instruments.....	624	639	643	83
Advances and other accounts.....	81,700	91,369	97,308	12,554
Available-for-sale securities.....	17,148	17,224	21,906	2,826
Held-to-maturity securities.....	8,877	8,172	7,048	909
Investment in an associate.....	1,559	1,961	2,437	314
Investments in jointly controlled entities.....	60	69	54	7
Goodwill.....	812	812	812	105
Intangible assets.....	107	84	73	9
Premises and other fixed assets.....	1,716	2,385	3,130	404
Investment properties.....	657	679	736	95
Current income tax assets.....	—	4	—	—
Deferred income tax assets.....	13	52	12	2
Total assets.....	<u>130,509</u>	<u>145,931</u>	<u>157,443</u>	<u>20,312</u>
Liabilities				
Deposits from banks.....	1,630	2,407	2,646	341
Derivative financial instruments.....	1,285	1,542	1,499	193
Trading liabilities.....	4,701	3,045	2,278	294
Deposits from customers.....	98,064	113,389	118,081	15,234
Certificates of deposit issued.....	4,746	3,164	5,752	742
Issued debt securities.....	1,943	2,718	2,713	350
Subordinated notes.....	4,684	3,698	3,979	514
Other accounts and accruals.....	1,633	1,842	3,171	409
Current income tax liabilities.....	87	17	103	13
Deferred income tax liabilities.....	1	2	190	25
Total liabilities.....	<u>118,774</u>	<u>131,824</u>	<u>140,412</u>	<u>18,115</u>
Equity				
Share capital.....	3,600	4,600	5,000	645
Retained earnings.....	7,450	8,267	9,519	1,228
Other reserves.....	685	1,240	2,512	324
Total equity.....	<u>11,735</u>	<u>14,107</u>	<u>17,031</u>	<u>2,197</u>
Total equity and liabilities.....	<u>130,509</u>	<u>145,931</u>	<u>157,443</u>	<u>20,312</u>

* Amounts in Hong Kong dollars have been translated into US dollars at the year-end exchange rate as at 31st December, 2012 of HK\$7.7512 = US\$1.

CAPITALISATION AND INDEBTEDNESS OF DAH SING BANK, LIMITED

The consolidated capitalisation and indebtedness of the Bank as at 31st December, 2012 based on the financial information extracted from the Bank's audited financial statements for the year ended 31st December, 2012 was as follows:

	As at 31st December, 2012	
	HK\$ millions	US\$ millions ⁽¹⁾ (unaudited)
Short-term liabilities:		
Deposits from banks	2,646	342
Derivative financial instruments	1,499	193
Trading liabilities	2,278	294
Deposits from customers ⁽²⁾	118,081	15,234
Certificates of deposit issued, short-term portion	5,080	656
Issued debt securities	1,938	250
Current income tax liabilities	103	13
Other accounts and provisions	3,145	406
Total short-term liabilities	134,770	17,388
Long-term liabilities:		
Certificates of deposit issued, long-term portion	672	87
Issued debt securities	775	100
Subordinated notes, long-term portion	3,979	513
Deferred income tax liabilities	190	24
Other accounts and provisions	26	3
Total long-term liabilities	5,642	727
Shareholders' funds:		
Share capital ⁽³⁾	5,000	645
Reserves	12,031	1,552
Total shareholders' funds	17,031	2,197
Total capitalisation and indebtedness	157,443	20,312

Notes:

- (1) Translated into US dollars at HK\$7.7512 = US\$1, being the rate of exchange of US dollars into Hong Kong dollars as at 31st December, 2012 as used by the Bank for its year-end translation.
- (2) Since 31st December, 2012, there has been an increase in deposits from customers, primarily due to general economic conditions.
- (3) As at 31st December, 2012, the Bank had an authorised share capital of HK\$5,000 million (approximately US\$645 million), and issued and fully paid share capital of HK\$5,000 million (approximately US\$645 million), consisting of 50,000,000 ordinary shares of HK\$100 each.
- (4) There has been no adverse change in the consolidated capitalisation and indebtedness of the Bank since 31st December, 2012.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing on or after 22nd June, 1998, to a person other than a financial institution, on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, inter alia, an authorized institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) are exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of the Notes is registered under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), the issue of the Notes by DSB is expected to constitute a deposit to which the above exemption from payment will apply. However, the exemption will not apply to Notes issued by the Guaranteed Issuers, assuming that the Guaranteed Issuers are not authorized institutions in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes (apart from where the Notes represent capital assets of the Noteholders) will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

- (i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes provided that either:

- (i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 commenced operation on 11th February, 2006. Estates of persons who pass away on or after the commencement date of that ordinance are not subject to Hong Kong estate duty.

British Virgin Islands

The following is a general description of certain British Virgin Islands tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the British Virgin Islands of acquiring, holding and disposing of Notes and receiving payments of interests, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

As DSMFL and DSSFL are registered under the BVI Business Companies Act, 2004 of the British Virgin Islands, payment of principal and interest in respect of the Notes issued by them will not be subject to taxation in the British Virgin Islands and no withholding tax will be required to be deducted by DSMFL or DSSFL on such payments to any Noteholder. Pursuant to the requirements of the Savings Directive, as detailed below, in the event that DSMFL or DSSFL makes interest payments to EU individuals who are the ultimate beneficial owners of the Notes, DSMFL and DSSFL will be required to report certain information to British Virgin Islands Inland Revenue on an annual basis who would then report this information onwards to the relevant tax authorities in the EU.

Under the current British Virgin Islands taxation regime, there is no income tax, corporate or personal, in the British Virgin Islands. In addition, there is no withholding tax, capital gains tax, capital transfer tax, estate duty, inheritance tax or succession tax in the British Virgin Islands. Gains derived from the sale or exchange of the Notes will therefore not be subject to British Virgin Islands tax. The Notes further are not liable to any stamp duty in the British Virgin Islands.

EU Directive on the taxation of savings income

EC Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”) requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

A number of third countries and territories have adopted similar measures to the Savings Directive.

If a payment to an individual were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the relevant Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The relevant Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

The British Virgin Islands is not a member of the European Union and is not within the European Union fiscal territory. The Savings Directive has however been implemented into British Virgin Islands law under the Mutual Legal Assistance (Tax Matters) (Amendment) Act 2005, as Part II to the original 2003 Act (the “MLAT”).

Pursuant to the requirements of the Savings Directive and the MLAT, in the event that the relevant Issuer, or any other British Virgin Islands company, makes interest payments to the ultimate beneficial owners of the Notes, who are individual residents in the European Union, the relevant Issuer or such other British Virgin Islands company, as the case may be, will meet the definition of a “paying agent” as defined in Article 4 of the Savings Directive and will therefore be obligated to report detailed information regarding the identity of the beneficial owner and the amount(s) received to British Virgin Islands Inland Revenue, regardless of whether the beneficial owner has consented thereto or not. Such reporting will be performed on an annual basis and the information reported to British Virgin Islands Inland Revenue would be subject to the automatic exchange of information mechanism as contemplated in terms of the Savings Directive.

The proposed financial transactions tax (“FTT”)

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating

Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

United States FATCA Tax Provisions

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary, given that each of the entities in the payment chain beginning with the Issuer and ending with the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or the CMU Service (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that DSB and the Guaranteed Issuers believe to be reliable, but neither DSB, the Guaranteed Issuers nor any Dealer or the Arranger takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither DSB, the Guaranteed Issuers nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

CMU

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the “HKMA”) for the safe custody and electronic trading between the members of this service (“CMU Members”) of capital markets instruments (“CMU Instruments”) which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and “authorized institutions” under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Service Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-US beneficial ownership from CMU Members or provide any such certificates on

behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The relevant Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depository for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU Service. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU Service, Euroclear and Clearstream, Luxembourg.

Registered Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. Each Global Certificate will have an International Securities Identification Number (“**ISIN**”) and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate only through Euroclear or Clearstream, Luxembourg.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a Dealer Agreement dated 14th June, 2002 as amended and restated by an Amended and Restated Dealer Agreement dated 20th June, 2012 and supplemented by a First Supplemental Dealer Agreement date 24 June 2013 (the “Dealer Agreement”) between DSB, DSMFL, DSSFL, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the relevant Issuer to the Permanent Dealers. However, each of DSB and the Guaranteed Issuers has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of the relevant Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. Each of DSB and the Guaranteed Issuers has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement.

Each of DSB and the Guaranteed Issuers has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

Other Relationships

The Dealers and their affiliates may, from time to time, engage in transactions with and perform services for the Issuers, their subsidiaries and affiliates in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. It is expected that the Dealers and their respective affiliates will continue to provide such services to, and enter into such transactions with, the Issuers and their subsidiaries and affiliates in the future.

In connection with the offering of any Notes, each Dealer and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuers or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to Notes being offered should be read as including any offering of Notes to the Dealers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Selling Restrictions

United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer or sell or, in the case of Notes in bearer form, deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the relevant Issuer and the Fiscal Agent by the relevant Dealer, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

The Notes are being offered and sold outside the United States to non-US persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act.

The Notes to be issued qualify under Category 2 for the purposes of Regulation S. The Notes will be issued in compliance with US Treas. Reg. §1.163- 5(c)(2)(i)(D) (the “D Rules”) unless (i) the relevant Pricing Supplement states that the Notes are issued in compliance with US Treas. Reg. §1.163- 5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”). Such circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each Dealer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Notes which are subject to the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a Non-Exempt Offer), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospective Directive; or

- (c) at any time to fewer than 100, or, if the Relevant Member States has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospective Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of the Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented by the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2011/73/EU.

United Kingdom

Each Dealer has further represented, warranted and agreed that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither this Offering Circular nor any other document in relation to any offering of the Notes (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in the Prospectus Directive (as defined under “Public Offer Selling Restriction Under the Prospectus Directive” above), provided that these parties acquire the Notes for their own account or that of another qualified investor.

Hong Kong

In relation to each Tranche of Notes, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (i) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes (except for Notes which are “structured products” as defined in the Securities and Futures Ordinance (cap. 571) of Hong Kong (the “SFO”)) other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

British Virgin Islands

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that, with respect to offers and sales of any Notes, it has not and will not offer or sell any Notes to persons resident in the British Virgin Islands.

For Residents of the British Virgin Islands Only

This Offering Circular is not an offer to the public in the British Virgin Islands. No action has been taken to permit an offer of the Notes in the British Virgin Islands and this Offering Circular is not a registered prospectus within the meaning of section 25 of the Securities and Investment Business Act, 2010 (“SIBA”).

Subscriptions for the securities contained in this Offering Circular will not be accepted from any person in the British Virgin Islands and no Notes will be issued to any person in the British Virgin Islands unless: (a) that person is a Qualified Investor as defined in Schedule 4 of SIBA and, to the extent that person is a professional investor for the purposes of Schedule 4 of SIBA, it declares that (i) its ordinary business involves, whether for its own account or the account of others, the acquisition or disposal of property of the same kind as the property constituting the Notes, or a substantial part of the property; or (ii) it has net worth in excess of US\$1,000,000 or its equivalent in any other currency and that it consents to being treated as a professional investor within the meaning of section 40 of SIBA; or (b) that person is a BVI business company and neither this Offering Circular nor any other document relating to this offer has been received by that person at an address in the British Virgin Islands other than its registered office in the British Virgin Islands; or (c) that person has a close connection (within the meaning of section 2(3) of SIBA) with the Issuer; or (d) that person is the Government of the British Virgin Islands.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “Financial Instruments and Exchange Act”). Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

This Offering Circular has not been registered as a prospectus with the MAS. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

These selling restrictions may be modified by the agreement of the relevant Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement and none of DSB, the Guaranteed Issuers nor any other Dealer shall have responsibility therefor.

GENERAL INFORMATION

- (1) The establishment of the Programme, the issue of Notes thereunder and, in the case of DSB, the giving of the Guarantees, have been duly authorised by resolutions of the respective Boards of Directors of DSB, DSSFL and DSMFL, dated (in the case of DSB) 29th April, 2002 and 13th June, 2002 and (in the case of DSSFL and DSMFL) 13th June, 2002. DSB, DSMFL and DSSFL have obtained and have agreed to obtain from time to time all necessary internal consents, approvals and authorisations for the issue of Notes under the Programme. The issue of this Offering Circular has been duly authorised by resolutions of the respective Boards of Directors of DSB, DSMFL and DSSFL dated 24 June 2013.
- (2) DSB and each of the Guaranteed Issuers has obtained all necessary consents, approvals and authorisations in Hong Kong and the British Virgin Islands, respectively, in connection with the establishment of the Programme and the Guarantees relating to the Programme.
- (3) Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of DSB or of the Group since 31st December, 2012 and no material adverse change in the financial position or prospects of DSB or of the Group since 31st December, 2012.
- (4) Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position or prospects of DSMFL or DSSFL since their respective dates of incorporation.
- (5) None of DSB or the Guaranteed Issuers nor any of DSB's Subsidiaries is or has been involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Notes nor so far as DSB or the Guaranteed Issuers are aware is any such litigation or arbitration pending or threatened.
- (6) Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
- (7) Application has been made to the SGX-ST for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue to be so listed on the SGX-ST. There can be no assurance that an application to the SGX-ST will be approved. So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, if any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.
- (8) For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of DSB and from the specified office of the Paying Agent for the time being in London:
 - (i) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);
 - (ii) the Dealer Agreement;
 - (iii) the Deed of Covenant;
 - (iv) the Deed of Guarantee;
 - (v) the Memorandum and Articles of Association of DSB, DSMFL and DSSFL;

- (vi) the audited consolidated financial statements of DSB in respect of the financial years ended 31st December, 2010, 2011 and 2012 and the audited non-consolidated audited balance sheet of DSB as at the respective dates (DSB currently prepares audited accounts on an annual basis and does not prepare annual non-consolidated financial statements other than the balance sheet);
- (vii) the most recently published audited annual financial statements of DSB and the most recently published unaudited interim financial statements of DSB from time to time (at the date of this Offering Circular, DSMFL and DSSFL are not required under British Virgin Islands law to publish, and have not published, any audited or unaudited financial statements and do not propose to publish any financial statements. DSB currently prepares unaudited consolidated interim accounts on a half-yearly basis);
- (viii) a copy of this Offering Circular;
- (ix) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to DSB or the relevant Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference;
- (x) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on any stock exchange; and
- (xi) a copy of each Deed of Adherence and each New Deed of Covenant executed by each New Issuer.

Copies of the documents referred to in sub-paragraphs (v) to (ix) above will also be available free of charge during the hours referred to above from the specified office of the Paying Agent for the time being in London.

- (9) The appropriate Common Code and ISIN for each Tranche of Notes and Notes to be listed on the SGX-ST allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. The relevant Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.
- (10) PricewaterhouseCoopers has audited the consolidated financial statements of DSB for each of the years ended 31st December, 2010, 2011 and 2012, without qualification, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Each of DSSFL and DSMFL does not and has no current intention to, publish any audited or unaudited financial statements.

Registered Office of Dah Sing Bank, Limited

36th Floor, Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

**Registered Office of Dah Sing
MTN Financing Limited**

P.O. Box 957
Offshore Incorporations Centre
Road Town
Tortola
British Virgin Islands

**Registered Office of Dah Sing SAR
Financing Limited**

P.O. Box 957
Offshore Incorporations Centre
Road Town
Tortola
British Virgin Islands

Dealers

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP Paribas

10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited

Citigroup Centre
Canary Wharf
Canada Square
London E14 5LB
United Kingdom

Deutsche Bank AG, Singapore Branch

One Raffles Quay
#17-00 South Tower
Singapore 048583

**The Hongkong and Shanghai Banking
Corporation Limited**

Level 17
HSBC Main Building
1 Queen's Road Central
Hong Kong

Nomura International plc

1 Angel Lane
London EC4R 3AB
United Kingdom

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
United Kingdom

Standard Chartered Bank

Marina Bay Financial Centre, Tower 1
8 Marina Boulevard, Level 20
Singapore 018981

UBS AG, Hong Kong Branch

52/F
2 International Finance Centre
8 Finance Street
Central
Hong Kong

Fiscal Agent and Paying Agent*

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
England

Deutsche Bank AG, Hong Kong Branch

Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

* Unless otherwise specified in the applicable Pricing Supplement, Deutsche Bank AG, London Branch will act as Fiscal Agent.

Registrar and Transfer Agent

Deutsche Bank AG, Hong Kong Branch

Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Deutsche Bank Luxembourg S.A.

2, Boulevard Konrad Adenauer
L-1115, Luxembourg

CMU Lodging Agent

Deutsche Bank AG, Hong Kong Branch

Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Arranger

The Hongkong and Shanghai Banking Corporation Limited

L17, HSBC Main Building
1 Queen's Road Central
Hong Kong

Auditor

To the Guarantor

PricewaterhouseCoopers

22nd Floor, Prince's Building
Central
Hong Kong

Legal Advisers

To the Dealers

as to English and Hong Kong law

Linklaters

10th Floor, Alexandra House
Chater Road
Central
Hong Kong

To the Guaranteed Issuers

as to British Virgin Islands law

Harney Westwood & Riegels LLP

Ground Floor, 5 New Street Square
London EC4A 3BF
United Kingdom

