STRUCTURED PRODUCTS AND OTC DERIVATIVES

Capacity of CA Indosuez (Switzerland) SA

For Structured Products transactions booked in Switzerland, unless otherwise stated, CA Indosuez (Switzerland) SA acts as agent; For Structured Products transactions booked in Hong Kong or Singapore, unless otherwise stated, CA Indosuez (Switzerland) SA acts as principal.

For OTC Derivatives transactions, CA Indousez (Switzerland) SA acts as principal.

With reference to the content of CAIS Structured Products and OTC Derivatives ('Booklet'), please note that:

(a) the Booklet should be read with the Master Agreement for Trading Structured Products when investing in structured notes;

(b) the Booklet should be read with SG Branch Product Education and Risk Disclosure Accumulator /Decumulator, General Conditions for Accumulators and Decumulators, the relevant term sheet for trading Accumulator /Decumulator in Singapore; and

(c) the Booklet should be read with Accumulator /Decumulator Risk Disclosure Statement, General Conditions for Accumulators and Decumulators, the relevant term sheet for trading Accumulator /Decumulator in Hong Kong.

please note the following additional disclosure and warning statements in Hong Kong and Singapore.

I. General

All investments involve risk, particularly in terms of fluctuations in value and yield. If an investment is denominated in a currency other than your base currency, exchange rate fluctuations may have a negative impact on its value, price, or income. This Booklet may contain information about investments that involve specific risks.

You should read the offering Booklet of an investment for further details including the risk factors.

You should seek the advice of your usual adviser before taking investment decisions based on this Booklet or to obtain any necessary explanations of its contents.

You should not invest in the structured investment product based on the Booklet alone.

The Information in the Booklet may be subject to further revision without notice. Past financial market performance and scenarios are neither a guarantee nor an estimate of future performance. The price and value of the mentioned investments and any income generated by them could fall, rise, or fluctuate.

Any simulation contained in the Booklet is for illustration purpose only and the actual performance of the product may differ from the examples shown in the Booklet. Simulation in the Booklet may not necessarily include the worst case scenario of the respective structured investment products. Please refer to "Worst case scenario" section in this Booklet for the worst case scenario of a structured investment product.

II. Key risks for Structured Products and OTC Derivatives

(a) Market risk or underlying risk

Structured product's performance is derived from the underlying investment in shares or bonds or commodities or other investment vehicles. The major risk to a structured product is the fluctuations of the underlying investment vehicles. There is possibility that the underlying investment vehicles will decline or rally over short or even extended periods. The higher the market risk, the higher the possibility that structured products will fail to perform and the lower the redemption value of the structured product.

Investing in the structured investment products is not the same as investing in its reference assets. The final performance of the product depends on the underlying asset's performance and investors may receive the physical delivery of reference assets.

(b) Embedded derivatives risk

Investors who are interested in buying a structured product should perform their own analysis of the product and consult their usual advisers about the risks associated with such a purchase. Certain investments potentially mentioned in this Booklet, namely derivatives such as options, may present a high level of volatility. High-volatility investments may experience sudden, sharp drops in their value, causing losses when the investment is realized. These losses may reach or even exceed the level of the initial investment.

Derivatives are embedded in structured products. Investing in structured products may involve in buying/selling call/put options. Investors should be aware of the risks embedded in derivatives of the structured products.

Refer to the risks for derivatives embedded in the structured products which can be summarized as follows:

- *Selling of covered call options – Loss of profit opportunity*
  Certain options (the sale of a covered call), require that an investor decides in advance of a price at which they are willing to sell a specified investment. Should the price of such an investment be higher than the agreed upon price when the option is executed, the investor will not lose assets but the profit would be lower than otherwise possible if the investor would have sold the investment at the prevailing market price.
- *Selling of uncovered call options – Unlimited potential loss*
  When investors write calls without owning the obligated holding of the underlying security, he is shorting the calls naked. Sellers of naked call options are exposed to unlimited loss as theoretically there is no

limit to how high the underlying can increase in value. The resulting loss from naked call options sale can be unlimited.

- *Buying of options – Loss of investment capital*
  When buying an option or a warrant, it is the buyer of the derivative that decides whether or not to execute. Therefore, should prevailing market conditions not be in line with the buyer's expectations (out of the money), the buyer will simply let the option expire and their loss will be capped at the premium already paid.
- *Selling of put options – Substantial potential loss*
  When selling a put option, the counterparty decides whether to execute or not and in this case, the loss to the put option seller can be substantial and limited to the option notional.

(c) Expiry considerations and early termination by issuers

Structured products have an expiry date after which the issue may become worthless and may be terminated early by issuers. Investors should be aware of the expiry time horizon and choose a product with an appropriate lifespan for their trading strategy.

(d) Gearing risk

Some structured products, such as derivative warrants and callable bull/bear contracts, are leveraged and their value could change rapidly according to the gearing ratio relative to the underlying assets.

Leveraging heightens the investment risk by magnifying prospective losses. Investors will be required to place additional margin deposits at short notice and that their collateral may be liquidated without their consent. In addition, the market conditions may make it impossible to execute contingent orders, such as "stop-loss" orders. In addition, investors are reminded of their exposure to interest rate risk, and in particular, their cost of borrowing may increase due to interest rate movements.

Investors should be aware that the value of structured products might fall to zero resulting in the total loss of their initial investment.

(e) Extraordinary price movements

Structured securities are complex instruments that generally involve a high level of risk and are intended exclusively for sophisticated investors who are able to understand and assume the risks involved.

The price and/or value of income from any security or financial instrument may be positively or negatively influenced by fluctuations in interest rates and spot and forward exchange rates, economic indicators, political factors, the remaining time to maturity, market conditions, volatility and the financial position of the issuer or the reference issuer, etc. Investors who are interested in buying a structured product should perform their own analysis of the product and consult their usual advisers about the risks associated with such a purchase.

By buying securities or financial instruments, you may incur a loss that may in some cases exceed the nominal value due to fluctuations in market prices, other financial indices, etc. In such circumstances, you may be required to make a margin call payment to cover potential losses.

(f) Issuer default risk

A structured product issuer could become insolvent and default on their listed securities and in that event investors will be considered as unsecured creditors and will have no preferential claims to any assets held by the issuer. Investors should therefore pay close attention to the financial strength and credit worthiness of structured product issuers.

Investors also bear the credit and insolvency risks of the guarantor and/or other identified counterparties of a structured product.

(g) Collateralized/ Uncollateralized product risk

Uncollateralized structured products are not asset backed. In the event of the bankruptcy of the issuer, investors could lose their entire investment.

A structured product issuer could become insolvent and default on its listed securities and in that event investors will be considered as unsecured creditors and will have no preferential claims to any assets held by the issuer. Investors should therefore pay close attention to the financial strength and credit worthiness of structured product issuers.

(h) Foreign exchange risk

Underlying assets of structured products could be denominated in a currency different from an investor's base currency. Hence, investors are exposed to exchange rate risk. Currency rate fluctuations can adversely affect the value of the underlying asset of a structured product, thereby affecting the price of the structured product.

In particular, for products denominated in Renminbi, Renminbi is not yet a freely convertible currency and that conversion of Renminbi through banks is subject to certain restrictions; and Renminbi Services may be subject to (i) multiple currency conversion costs involved in making investments and liquidating investments, as well as (ii) the Renminbi exchange rate fluctuations which may result in gains or losses and (iii) bid/offer spread when assets are sold to meet redemption requests and other capital requirements (for example, settling operating expenses).

(i) Liquidity risk

Liquidity providers assigned by structured product issuers provide two way quotes to facilitate trading of the products. If a liquidity provider defaults or ceases to fulfill its role, investors may not be able to trade the relevant product until a new liquidity provider has been assigned.

In case the investor requests early unwinding of a structured product, whether such request can be executed is subject to liquidity of the product (i.e. whether there is secondary market for the product or any issuer or market maker (if any) will offer any bid price for the product) and the investor bearing the unwinding costs, which may be high. If a complex structured product is involved, its liquidity is normally poor which results in high unwinding costs to the investor or its liquidity could even be unavailable.

Some investments may be difficult to sell or realize, and it may be difficult for you to obtain reliable information about the value or the risks to which such an investment is exposed.

In particular, for products denominated in Renminbi, it may be possible that such Renminbi products may suffer significant losses in liquidating the underlying investments, especially if such investments do not have an active secondary market and their prices have large bid/offer spreads.

(j) Worst case scenario

The worst case scenario to a structured product is that its redemption value drops to zero. The conditions for this to happen include but not limited to the default of the issuer or that the investment value of the underlying investment vehicles drops to zero.

III. Additional risks for Accumulator and Decumulator

(a) Knock-out risk disclosure

- For those Accumulator contracts that have a knock-out clause, when the market price of the underlying asset is at or above the knock-out price, the Accumulator contract will terminate (i.e. the investor will cease to accumulate any further underlying asset from the knock-out date). The investor's potential profit therefore is capped by the knock-out feature.
- For those Decumulator contracts that have a knock-out clause, when the market price of the underlying asset is at or below the knock-out price, the Decumulator contract will terminate (i.e. the investor will cease to decumulate any further underlying asset from the knock-out date). The investor's potential profit therefore is capped by the knock-out feature.

(b) Potential losses are magnified and can be very substantial

- Investors may suffer substantial loss as they are bound by the Accumulator contract to take up periodically (e.g. daily) the agreed amount of the underlying asset (at the Strike Level) when the market price falls below the Strike Level.
- Investors should carefully consider "multiplier" condition in the Accumulator/Decumulator contract (i.e. the investors are required to take up twice or multiple times of the agreed amount of the underlying asset when the market turns against them) and the investor's maximum exposure after fully taking into account the "multiplier" condition.
- In order to assist investors to make an informed decision, investors should be aware of the total maximum exposure arising from the proposed contract together with all other outstanding Accumulator contracts of the same underlying asset type which in aggregate could result in substantial loss in the overall portfolio.
- Investors should be aware that the Accumulator/Decumulator contracts are of low liquidity and therefore it may not be possible to early terminate the Accumulator contracts. Even if they can be terminated early, unexpectedly high exit costs and losses may result.
- In case of stock Accumulators, the share price of a company could move substantially in particular on corporate specific news/developments and this could pose significant risk to the investors.

(c) Contract tenor

- Investors should be aware of the contract tenor and the implications of a long contract period. Accumulator/Decumulator contracts with a longer tenor will be associated with higher risks and usually higher costs of early termination detailed in (b).

(d) Additional risks associated with margin trading or use of credit facility

- For investors who plan to enter into Accumulator contracts transactions on a margin basis or with the use of credit facility, investors need to be prepared for paying interest cost for the margin/credit facility and meeting margin calls which require the investors to make top-up payment to cover the full marked-to-market losses for the remaining period of the contract. Such payment can be substantial in poor market conditions and/ or when the contract has a long remaining period.
- In addition, the investors should also be aware that they may have to meet margin calls at short notice while their ability to make top-up payments may be much worse than during normal times, due to the significant fall in market value of other financial assets. It is possible that the margin level may be raised by sole discretion of the credit facility provider and therefore this can add further liquidity pressure on the investors.
- Investors should also be aware that in the case of failure to meet margin calls, the contracts may be closed out without investors' prior consent and the investors will have to bear the consequential losses and costs which could be very substantial.

(e) Investors with hedging needs

- For investors who intend to enter into Accumulator contracts for hedging purpose, the investors should consider whether the Accumulator is indeed a suitable instrument to serve this purpose and even if so, whether the maximum exposure of the investors is appropriate for such purpose. For example, if the proposed maximum exposure associated with Accumulator contracts (or the resulting total maximum exposure after taking into account other outstanding Accumulator contracts as well) for an investor is materially higher than his/her positions or anticipated cash outflows in the relevant transaction, the investor will be over exposed and could result in material loss for the over-exposure and deviate from the hedging intent.
- Investors should understand that Accumulators cannot be a hedging tool for Decumulator contracts and vice versa.

(f) Additional risks associated with leveraged trading

- Leveraging heightens the investment risk by magnifying prospective losses. Investors will be required to place additional margin deposits at short notice and that their collateral may be liquidated without their consent. In addition, the market conditions may make it impossible to execute contingent orders, such as "stop-loss" orders. In addition, Investors are reminded of their exposure to interest rate risk, and in particular, their cost of borrowing may increase due to interest rate movements.

(g) **Worst Case Scenario**

- For accumulator, the worst case is when the underlying asset price falls to zero throughout the entire life of tenor. In this case, investor purchases the maximum number of underlying asset until the end of accumulator tenor. If the investor realizes his profit / loss by selling the number of underlying asset in the market where the underlying asset price falls to zero, the maximum loss = (strike price – 0) x maximum number of underlying asset per day x number of days.

- For decumulator, the worst case is when the underlying asset rises above the strike price throughout the entire life of tenor. The downside risk is theoretically unlimited.

IV. Important Note

(a) Complex Products for Hong Kong

For all structured products which are classified as a complex product by reference to the related regulatory guidelines (each the "Relevant Product"): -

- Investors should exercise caution in relation to the Relevant Product.
- Investors may lose more than the invested amount in the Relevant Product (please refer to the product offering documentation for details including the product features and associated risks).
- If the Relevant Product which offering documentation or information provided by the issuer have not been reviewed by the Securities and Futures Commission ("SFC"), investors should exercise caution in relation to its offer.
- For a Relevant Product which is described as having been authorized by the SFC, that authorization does not imply official recommendation and is not a recommendation or endorsement of the Relevant Product nor does it guarantee their commercial merits or performance.
- Where past performance information of a Relevant Product is provided to any investor, they are not indicative of future performance.
- All Relevant Products are only available to professional investors (as defined in the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong).

(b) Underlying with Loss Absorption features for Hong Kong

This product has underlying(s) which bear(s) loss absorption features and investor in this product should note that: -

- This product is subject to the risk of being written down or converted to ordinary shares (as the case may be).
- This contingent write-down or conversion may happen in the circumstances that based on mechanical rule or at the discretion of the regulators. For mechanical trigger, the loss absorption mechanism can be activated when the capital of the issuer falls below a pre- specified ratio of its risk-weighted assets. With respect to discretionary triggers, or the point of non-viability triggers, they are based on regulator's judgment on the issuers' solvency prospects.
- This product is a high risk product.
- This product is a complex product, as the circumstances in which the product may be required to bear loss are difficult to predict and ex ante assessments of the quantum of loss will also be highly uncertain.

- This product is for Professional Investors (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) only and generally not suitable to retail investors.
- The priority of claim of the product investor will be subject to those who have more senior ranking of claim against the product issuer. If the product issuer defaults payment and the product issuer is insolvent and/or liquidated, the product investor's claim under this product will be subject to those with claims against the product issuer with higher priority (e.g. secured creditors of the product issuer) and if the product issuer's assets are insufficient to settle all such claims, the product investors will suffer loss (possibly total loss in the investment amount).

(c) Reminder on minimum redemption of 100% principal at maturity (if applicable)

Some structured products may claim to be have minimum redemption of 100% principal at maturity. However, when the issuer becomes insolvent and default, the minimum redemption of 100% principal at maturity feature will be at risk and the redemption value of the structured product may suffer a significant loss or even drop to zero as the embedded fixed income instrument becomes worthless. Investors should therefore pay close attention to the financial strength and credit worthiness of structured product issuers.

(d) Health warning for Hong Kong

This is a structured product which involves derivatives. Do not invest in it unless you fully understand and are willing to assume the risks associated with it. If you are in any doubt about the risks involved in the product, you may clarify with the intermediary or seek independent professional advice.

The structured product is not covered by the Investor Compensation Fund in Hong Kong.

In Hong Kong, this Booklet is intended only for professional investors as defined by Securities and Futures (Professional Investor) Rules Cap.571D. This Booklet has not been reviewed by the SFC.

(e) Selling Restrictions in Hong Kong

The contents of this Booklet have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution in relation to any offer. Independent professional advice should be obtained in case of any doubt about any of the contents of this Booklet.

This Booklet may not be distributed in Hong Kong except in circumstances which do not constitute an offer to the public for the purposes of the Hong Kong Companies Ordinance or the Securities and Futures Ordinance. This Booklet and its contents are confidential and should not be distributed, published, passed on, reproduced or disclosed (in whole or in part) by recipients to any other person, except with the prior consent of the Bank. Applications from any person other than the person to whom it is addressed will not be accepted.

(f) Health warning for Singapore:

This Booklet is provided for information purposes only. It does not in any way constitute an offer or an invitation of any kind whatsoever with a view to a transaction or mandate. Similarly, it does not in any way constitute a strategy, investment or divestment advice, legal or tax advice, audit advice, or any other professional advice. This advertisement has not been reviewed by the Monetary Authority of Singapore.

In Singapore, this Booklet is intended only for accredited investors, institutional investors or expert investors as defined by the Securities and Futures Act 2001 of Singapore.

(g) Selling Restrictions in Singapore

This Booklet has not been and shall not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Booklet and any other Booklet or material in connection with the offer or sale, or invitation for subscription or purchase, of the product may not be circulated or distributed, nor may the product be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, 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 the product is acquired under Section 275 of the SFA by (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 or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the product pursuant to an offer made under Section 275 of the SFA except (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA, (2) where no consideration is or will be given for the transfer, (3) where the transfer is by operation of law, or(4) as specified in Section 276(7) of the SFA