Fixed Income Securities (“**BONDS**”)

Product Features

- A bond is a debt security where the issuer (the borrower) issues the bond for purchase by the bondholder (the lender). It is also known as a fixed income security as a bond usually gives the investor a regular or fixed return in the form of interest payments (sometimes called coupon payments).

- When you invest in a bond, you are essentially lending a sum of money to the issuer. In return, you are usually entitled to receive:
    - interest payments (coupon) at scheduled intervals; and
    - repayment of principal amount at an agreed date in the future, the maturity date.

- Any interest amounts, principal amounts or other amounts (if any) payable by an issuer or (where applicable) a guarantor are subject to the credit risk of the issuer and (where applicable) the guarantor and/or the occurrence of an early redemption or termination event (under the Product Documentation). References in this document to “issuer” shall be deemed to include (where applicable) guarantors.

- Examples of issuers and their funding needs:
    - Sovereign entities / Governments / Government agencies (including countries, states, cities, townships)
        - Cash for budgeted national expenditure and operating expenses and funds for repayment of national debt; and
    - Banks / Non-bank financial institutions / Corporations
        - Cash for operating expenses, capital for growth and expansion and funds for corporate acquisitions.

- Please see the “How does it work” section below for more information.

Types of Bonds

- There are many types of bonds, the following are some common categories of simple or vanilla bonds:
    - Fixed Rate Bonds
    - Floating Rate Bonds
    - Zero Coupon Bonds

    - **Fixed Rate Bonds** – Bonds that pay bondholders a preset fixed interest amount on periodic payment dates during the life of the bond up to the maturity date.

WARNING: The product described herein is not a deposit. 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 this product, you may clarify with the intermediary or seek independent professional advice. The investment decision is yours and you are advised to exercise caution in making any investment decision, including understanding the extent of your exposure to loss of your initial investment with regards to your financial situation, investment experience and investment objectives. This document contains a brief summary of some (and NOT ALL) of the product terms, features and risk disclosures and is not meant to be an exhaustive summary. You should refer to the relevant product documentation issued by the product issuer or manager (“Product Documentation”), as provided or otherwise made available by SCB, for complete details of the product including meanings of the capitalised terms not defined here. [The terms of any transaction will be set out in a post-confirmation notice that Standard Chartered Bank (operating through one of its branches or subsidiary entities) sends to you. The contents of this document have not been reviewed by any regulatory authority. If English is not your preferred language, please check with your Relationship Manager or your SCB branch representative if this document and other Product Documentation relating to this product is available in your preferred language. Some Product Documentation may only be available only in English. If this is the case and you do not understand the contents of either this document or other Product Documentation relating to this product, you should <u>not</u> invest in this product. Any translations of Product Documentation are provided to you for reference only, and where there is any inconsistency between a translation and the original English version, the original English version will prevail. Where your Relationship Manager or your SCB branch representative provides you with a copy of a translation of any Product Documentation, please ensure that you also receive a copy of the original English version.

- **Floating Rate Bonds** – Bonds that pay bondholders a floating or variable interest amount on periodic payment dates during the life of the bond up to the maturity date. The floating or variable interest rate will commonly be linked to government or internationally recognized inter-bank lending rates, such as LIBOR.

- **Zero Coupon Bonds** – Bonds that do not pay bondholders a regular interest amount during the life of the bonds. Rather they are sold at a discount and pay the bondholder the principal amount at maturity.

- Other Bonds – Other than the simple or vanilla categories of bonds mentioned above, there are also other bonds available in the market that are generally more complex and present higher risks to investors. Examples of these are perpetual bonds, convertible bonds and contingent convertible bonds. The features and risks of such bonds are not covered by this document. Investors interested in such bonds must consult with their Relationship Manager or SCB branch representative in order to receive and understand the relevant product and risk disclosure information on such bonds before making any decision to enter into any transactions involving such bonds.

Investor's profile

- Investors who wish to receive a stream of investment income in the form of interest payments and the right to receive payment of principal if held at maturity (subject to issuer credit risk and early termination events).

Investor's view

- Bonds MAY be a suitable investment for you if (subject to issuer credit risk and early termination events):
  - you want to invest in a product that will return the principal amount to you on a fixed maturity date;
  - you want to receive regular interest payments (for fixed and floating rate bonds) or buy at a discount to "face value" or principal amount of the bond (for zero coupon bonds);
  - you expect a guaranteed return; and
  - you are willing to accept the risk that the issuer may default and may not be able to pay interest amounts or the principal at maturity.

- Bonds may NOT be a suitable investment for you if:
  - you are not willing to accept the credit risk of the issuer or the risk of an early termination event occurring.

How does it work?

Purchase price

An investor may either buy a bond (i) directly from the issuer or (ii) from an existing investor on the secondary market.

In both (i) and (ii) above, the purchase price of the bond will be subject to market offer prices at the time of the transaction depending on several factors such as the credit rating of the issuer, credit spread of the issuer, market interest rates, the pricing offered by the issuer of the bond, tenor of the bond and the prices of other comparable securities in the market, amongst others.

Interest Payments

For fixed and floating rate bonds, investors will be paid interest or coupon amounts periodically (usually quarterly or semi-annually) as stated in the issuer's terms (under the Product Documentation) and until the earlier of (i) the date of maturity; or (ii) if applicable, the date on which an early termination event occurs (under the Product Documentation).

For zero coupon bonds, the issuer will not pay interest or coupon amounts periodically. However, these bonds are sold at a discount to the face value (or principal amount of the bond) and the issuer will pay the principal amount on the earlier of (i) the date of maturity; or (ii) if applicable, the date on which an early termination event occurs (under the Product Documentation).

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Monetising Bonds

Investors will only be able to monetise fixed/ floating rate or zero coupon bonds (i) by way of a sale on the secondary market, (ii) if the bond is early redeemed (under the Product Documentation) or (iii) if an early termination event occurs (under the Product Documentation), in which case the investor may receive only a fraction of his initial investment amount. Otherwise, investors will have to hold the bond to maturity. At maturity, a bond will generally be redeemed at its par value (i.e. the value of the principal amount of the bond).

Factors affecting the prices of bonds in the secondary market

- *Credit quality of Issuer*
    - If the credit quality of an issuer worsens materially, the prices of its bonds would likely deteriorate.
    - If the credit quality of the issuer improves materially, prices are likely to appreciate.
- *Interest rates*
    - Prices of fixed rate bonds will generally fall if market interest rates rise.
    - Prices are likely to rise if market interest rates fall.
- *Liquidity conditions*
    - When liquidity conditions worsen materially, prices of bonds are likely to fall and investors may not be able to sell the bonds at the expected price.
- *Currency of bonds*
    - If the bond is in a foreign currency and that currency depreciates relative to investors' base currency, then the value of the bond (in base currency terms) would fall.
    - The opposite is likely to happen if the currency of denomination appreciates.

Worst case scenario

Because a bond is **NOT A DEPOSIT** and is not protected under any government or private protection or compensation scheme, you may not receive expected interest or coupon payments (if any) and you may lose some or all of your initial investment amount if the issuer defaults on the bond or becomes insolvent.

Fees and Charges

SCB will make trading revenue from transactions in bonds.

Key Risks

The risk profile of any product you invest in may change over its tenor. The risks listed below are representative of the key risks, although you should note that this document and the Product Documentation cannot disclose all possible risks relating to any such product.

Market Risk	The value of a bond is based on various market factors such as the level of interest rates, price of the issuer's underlying shares, the issuer's credit quality, foreign exchange rates, and liquidity. Bonds can be volatile instruments and may be subject to considerable fluctuations in value and other inherent risks associated with financial markets relevant to the issuer. The value of a bond may fall as rapidly as it may rise. Past performance is not a reliable indicator of future performance.
Investment Risk / Default Risk	Bonds are normally structured to return the principal amount to bondholders at maturity. However, all interest amounts, principal amounts or any other amounts payable by an issuer are subject to the credit risk of the issuer and/or the occurrence of an early redemption or termination event (under the Product Documentation). In such cases, you may lose some or all of your initial investment amount. Please bear in mind that past historical performance is not an indication of future performance. The price or value of any bond is not guaranteed and will fluctuate over time and will depend on the prevailing credit quality of the issuer and the guarantor (where applicable), together with other factors, at any point in time.
Credit Risk	You assume the full credit risk of the issuer and the guarantor (where applicable). Bonds constitute unsecured obligations of the issuer and (where applicable) are unconditionally and irrevocably by the guarantor. This means that you are relying on the issuer and the guarantor (where applicable) to meet its/their payment obligations under bonds. Should the issuer and/or the guarantor (where applicable) become insolvent or default on its/their obligations (including payment obligations) or fail in any other way, you may not receive any payments due to you under the terms of a bond, including your initial investment amount. A credit rating is not necessarily an indication of liquidity or volatility and is not a recommendation or assurance as to the issuer's and/or the guarantor's (where applicable) creditworthiness or the risks, returns or suitability of bonds. The credit rating may be downgraded if the credit quality of the relevant entity or asset or obligation declines. In addition, you should be aware that the credit rating of the issuer could differ significantly from the credit rating of the guarantor and the two credit ratings should not be confused.
Subordination Risk	Holders of subordinated bonds will bear higher risks than holders of senior bonds or other senior fixed income securities of the issuer due to the fact that they will have a lower priority of claim in the event of the issuer's liquidation or bankruptcy. This means that holders of subordinated bonds will not receive any repayment of principal or other amounts due to them until all higher-ranking creditors are repaid in full.
Liquidity Risk	Bonds are both listed and unlisted. Bonds may be illiquid and may not be designed to be short-term trading instruments. For bonds which are unlisted and/or where there is no active or liquid secondary trading market, you must be prepared to hold these bonds until (i) the issuer chooses to early redeem them or an early termination event occurs or (ii) they are redeemed at maturity. This means that you may not be able to sell the bonds at any expected time or price.
Inflation Risk	The return on bond investments will lose purchasing power if commodity prices go up. Inflation is therefore a serious concern for those who need to rely on the regular income from bonds.
Volatility Risk	Unrated or non investment grade securities may have greater price volatility than investment grade debt securities because the market value of these securities tend to be more illiquid and sensitive to the developments involving the issuer and to the changes in the economic conditions. During periods of economic downturn, such securities typically fall by more in value than investment grade securities as investors become more risk averse and the risk of issuer default generally increases.
Higher Credit Risk	High yield bonds are often rated below investment grade or unrated. While ratings from the credit rating agencies do not guarantee the creditworthiness of the issuers, investing in non-investment grade or unrated bonds may incur higher risk of default by the issuers.
Vulnerability to Economic Cycles	High yield bonds are more vulnerable to economic changes. During economic downturns, the value of these bonds typically fall more than that of investment-graded bonds because investors become more risk averse and default risk rises.
Emerging Market Risk	Where the issuers of bonds are based in developing or emerging markets, investment in a bond may involve certain special risks, including risks associated with political and economic uncertainty, adverse governmental policies, restrictions on foreign investment and currency convertibility, currency exchange rate fluctuations, possible lower levels of disclosure and regulation, and uncertainties as to

	the status, interpretation and application of laws, including those relating to private ownership of assets, expropriation, nationalisation and confiscation.
Foreign Exchange Risk	You should be aware that bonds can be negatively affected by foreign exchange risk if you hold bonds denominated in foreign currencies.
Event Risk	A corporate event such as a merger or takeover may lower the credit rating of the bond issuer. In case the corporate restructurings are financed by the issuance of a large amount of new debt-burden, the company's ability to pay off existing bonds will be weakened.
Issuer Early Termination/ Redemption/ Call Risk	Where the terms under the Product Documentation of the particular bond contain a callable feature, the issuer **may** give notice to redeem a bond but the issuer is under no obligation to do so. Redemption is at the sole and absolute discretion of the issuer. If a callable feature is structured into the bond, the Product Documentation will state a call price payable in such an event. Those call proceeds may be substantially below the amount of your initial investment amount.
Reinvestment Risk	Where the bond is terminated for whatever reason, including being called and redeemed at the option of the issuer, you may not be able to reinvest the amounts received at the same rate or for the same return at that point in time.
Tax Risk	You may be subject to taxation according to the laws and regulations applicable to you or the bond issuer and you shall remain responsible for any such taxation. SCB recommends that you take independent tax advice before committing to purchase any bond. SCB does not provide tax advice and therefore you have full responsibility for any tax implication of investing in any product. Any tax treatment depends on your individual circumstances and may be subject to change in the future.
Legal / Regulatory Risk	There is no assurance that any future change in the laws or regulations governing bonds will not affect the value, the level of yield or return and other commercial considerations relating to a bond.
Potential risk of Complex Bonds	Bonds such as perpetual bonds, convertible bonds or contingent convertible bonds, differ from simple or vanilla bonds in that they are generally more complex and present higher risks to investors. The features and risks of such bonds are not covered by this document. Investors interested in such bonds must consult with their Relationship Manager or SCB branch representative in order to receive and understand the relevant product and risk disclosure information on such bonds before making any decision to enter into any transactions involving such bonds.
Conflicts of interest	You should understand and accept the identities of the parties and the roles they play in relation to the bonds as disclosed in the Product Documentation. For example, the issuer and its affiliates may play a variety of roles including acting as Calculation Agent. These parties have various discretionary powers (for example, the power to terminate or adjust terms of the bond in certain circumstances) which may have a material impact on the value and performance of the bonds. In performing these duties, the economic interests of the issuer and its affiliates are potentially adverse to your interests as an investor in the bonds. SCB may have banking or other commercial relationships with the issuer or other parties involved in the issue of the bonds and may from time to time engage in transactions involving the bonds or related securities (or derivatives or other products linked to the bonds or related securities) for their proprietary and other accounts. Such trading may influence the value of bonds or related securities and therefore the value of the bonds in a manner that is potentially adverse to your interests as an investor in the bonds.
Interest Rate Risk	The market value of bonds is subject to the movement of interest rates during the tenor of the bonds and whenever it is terminated or sold prior to maturity. As interest rates move upwards, the value of outstanding bonds will generally fall. Moreover, the longer the tenor of a bond, the more sensitive it will be to interest rate changes.
Settlement Risk	Cash settlement amounts will only be passed on to you after SCB has received cleared funds from the issuer or market counterparty. This may result in payment or delivery to you only after the stated payment date(s) and in the event that the issuer or market counterparty fails to make such payments to SCB, you risk losing all or part of your initial investment amount. Due to the fact that payments of cash settlement amounts may be processed by clearing system(s), custodians and other third parties across different time zones, any payment may not be immediately available on the relevant dates during local business hours.
Leverage Risk	If you have used leverage in the purchase of a bond or if there is leverage embedded in the terms and conditions of the bond, your risk increases significantly. A relatively small market movement will have a significantly larger impact on your initial leveraged investment amount. This may work for you as well as against you.

Disclaimers

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