



**NOMURA**

# Introduction to Structured Products

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## 1. Important Notice

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An illustration of the applicable risk rating of the product has been provided to guide the investor on the possible risk rating of the product. The following is a legend for the risk rating. Within each section, the possible ratings which the products may have are shaded in red.



Risk Level	Explanation
1	<ul style="list-style-type: none"> <li>■ Very low level of risk with potentially limited returns</li> </ul>
2	<ul style="list-style-type: none"> <li>■ Low to Medium level of risk with low volatility and expecting below average to average level of returns</li> </ul>
3	<ul style="list-style-type: none"> <li>■ Medium level of risks with medium level of volatility and expecting average expected returns</li> </ul>
4	<ul style="list-style-type: none"> <li>■ Medium to high level of risk and volatility and with high variance in the returns</li> </ul>
5	<ul style="list-style-type: none"> <li>■ High level of risk and volatility with a very high variance in returns</li> </ul>

## **2. Introduction to Structured Products**

### **2.1 Introduction to Structured Products**

The purpose of this introductory paper is to help you, the investor, understand more about structured products – their nature, the various types of common structured products available to the investor, benefits of trading structured products and the key risks involved.

Structured products are combinations of two or more financial instruments. At least one of them will typically be a derivative. Together, they form a new investment product. Structured products can be traded either on-exchange or over-the-counter.

Every structured product has its own risk profile since the risks of their individual components may be reduced, eliminated or increased. Hence it is particularly important that you are fully aware of the risks involved before acquiring any such product. Such information can be found in the relevant product literature or the contractual terms for the product. Options are the basic building blocks for structured products and are discussed in further detail in the next section.

### **2.2 Structured Products with Principal Returned at Maturity**

Structured products with Principal Returned at Maturity consist of two elements: a fixed-income investment (especially a bond or a money market investment) and an option. This combination enables the holder to participate in the price movements of one or more underlying assets (via the option or participation component) while at the same time limiting potential losses (via the bond or Principal Returned at Maturity component). The Principal Returned at Maturity component may only cover a portion of the capital invested and can be well under 100% of the capital invested, depending on the product. Principal Returned at Maturity therefore does not mean 100% repayment of the purchase price for all products. The option component usually comprises one option or a combination of options. The risks this component entails therefore correspond to those of the corresponding option or option combination. Depending on the market value of the underlying components, it can expire without value. The participation and protection elements can be separated, depending on the product in question. This allows you to retain or dispose of each individual component separately.

### **2.3 Structured Products without Principal Returned at Maturity**

The product herein is one where there is no Principal Returned at Maturity. Attention should be paid onto the section on “Unwind Amount”. As an investor of such product, you should be aware that the normal process of unwinding will include unwinding costs and expenses as determined by the Calculation Agent. The balance of proceeds from the sale, if any, of the underlying instrument, after deducting the fees and expenses incurred as required by the Calculation Agent, will be distributed back to you.

Calculation agent is the party who will determine the payoff at maturity and/or the unwinding price as required. It is typically the issuer of the structured product.

The Investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of such a product is only appropriate for the investor who can afford to risk the loss of all or part of their original investment.

## 2.4 Risks of Structured Products

Every structured product has its own risk profile resulting from the interaction of its component risks. There is an almost limitless potential to combine product elements. In this introduction, we provided some examples of popularly traded products. Before effecting any such transaction, be sure that you are fully aware of the risks involved. Such information can be found, for example, in the relevant product literature.

## 2.5 Generic Risk Disclosure for Structured Products

- The product will be exposed to the underlying asset risk (equity, commodity or foreign exchange) because the performance of the note / certificate / warrant (where applicable) will be contingent on the performance of the underlying asset.
- The product will be exposed to unanticipated changes in the operating environment such as legal matters including mergers, acquisitions, lawsuits and regulatory including manmade or natural disaster or incident. Such events may result in substantial costs or credit risk of the issuer.
- There are no liquid markets for the note / certificate / warrant (where applicable) and the investor may not be able to redeem the note / certificate / warrant (where applicable) early or may incur additional costs if the note / certificate / warrant (where applicable) are redeemed prior to expiration.
- The note / certificate / warrant (where applicable) may underperform the underlying asset if the underlying performance is better than anticipated, as the return on the note / certificate / warrant (where applicable) is capped.
- The investor will be exposed to the credit risk of the issuer. If the issuer undergoes an event of default, the investor will suffer losses to the investment.
- Investing in this structured note / certificate / warrant (where applicable) is not the same as investing in the underlying asset. The investor should be aware of the associated underlying risk.

### **3. Introduction to Derivatives**

#### **3.1 Introduction to Derivatives**

The purpose of this introductory paper is to help you, the investor, understand more about derivatives – their nature, the various types of common derivative products available to the investor, benefits of trading derivative products and the key risks involved.

Derivatives are financial contracts for which prices are derived from assets and instruments with underlying such as equities, bonds, currencies, precious metals, commodities, interest rates, credit, benchmarks including indices, non-traditional asset classes, spot, forward contracts, swaps, options or any combination of the foregoing.

Over-the-counter (OTC) trading is done directly between two counterparties, without any supervision of an exchange. It is contrasted with exchange trading, which occurs via exchanges. In OTC market, contracts are bilateral; each counterparty has credit risk concerns with respect to the other counterparties.

The value of the derivatives to the investor depends directly on the value of the underlying asset. Factors which may affect the value of a derivative product include market factors like changes in interest rates, economic environment or geo-political landscape etc.

Derivatives are flexible instruments and used for variety of reasons. They can be used by the investor in the same way and for the same reasons as the underlying assets; the investor holds a view that the prices of the underlying would move in a certain direction in a predefined period. An investor can then enter into a derivatives instrument to “lock” in a predetermined price at which he will trade in that product in a future date.

However, a point to note is that the risks of losses might be amplified when the investor trades in derivative products instead of buying or selling the underlying asset in the market at spot. If the underlying asset price was to move greatly against the investor’s favor, the investor might still be required to purchase (sell) the underlying asset at the pre-determined price, which is at a great premium (discount) to the prevailing market price. The investor would incur a substantial loss accordingly.

#### **3.2 Common Type of Derivatives**

There are several types of derivatives available in the market. At the broadest level, we can classify them into two broad categories, namely futures or forward contracts and options contracts.

##### **3.2.1 Futures or Forwards**

A futures or forwards contract gives the buyer or holder the obligation to either buy or sell the underlying asset at a predetermined future date and at a predetermined price. The future date on which the transaction is to be consummated is the contract’s maturity date.

The differences between a futures and a forward contract are as follows: (1) Futures contracts are standardized contracts, with standard terms and trade on exchanges while forwards are tailor-made to the investor’s preferences. (2) The investor will face counterparty risk of the issuer when entering forward contracts as opposed to futures where the exchange clearinghouse acts as the counterparty, reducing counterparty risk. Swaps are a series of forward contracts used to exchange specified quantities of assets or cash flows at specified times in the future. There is a risk that counterparty may default or not completely fulfil its obligations in addition to the general risk of settlement default.

One of the common uses for forward contracts is for the investor to hedge certain financial positions against market movements. For example, a Hong Kong based exporter can enter into a foreign exchange forward contract to hedge its future earnings from the European markets. It can

buy a 3 month currency forward contract to lock in his earnings in terms of Hong Kong dollars at a predetermined foreign exchange rate. Thus at the end of the contract, it will receive Hong Kong dollars in cash at the predetermined rate regardless of how the foreign exchange markets move. This reduces earnings fluctuations for the exporter.

### 3.2.2 Options

Options give its holder or buyer the right but not the obligation to conduct a transaction involving an underlying security at a predetermined future date at a predetermined price or strike price. The seller on the other hand, has the obligation to perform his side of the agreement if the buyer chooses to exercise the option.

Buyers would have to pay the sellers a premium in return for giving up the right to perform the specified act in the agreement. A seller bears the risk of losing money as he has an opposite view of the underlying from the option buyer and he feels that the premium received is sufficient to compensate him for taking on the risk.

A call option gives the owner the right, but not the obligation, to *buy* the underlying security at a specified price within a specified period of time.

A put option gives the owner the right, but not the obligation, to *sell* the underlying security at a specified price within a specified period of time.

Common terminology

- (i) ATM: At-the-money  
An option is at-the-money if the strike price is the same as the spot price of the underlying asset on which the option is written.
- (ii) ITM: In-the-money  
A call option is in-the-money when the strike price is below the spot price. A put option is in-the-money when the strike price is above the spot price.
- (iii) OTM: Out-of-the-money  
A call option is out-of-the-money when the strike price is above the spot price of the underlying asset. A put option is out-of-the-money when the strike price is below the spot price.  
  
A deep out of the money option is one where the strike price is far from the underlying spot price. For instance, the call strike is far above the underlying spot price or the put strike is far below the underlying spot price.

### 3.3 Use of Derivative Products

#### Speculation

The investor could enter into derivative positions for speculative reasons as they hold a view that markets and the price of the underlying security will move in his favor. As such, he is willing to take on a speculative bet so as to enhance his yield or participate in the performance of the underlying.

#### Access to Various Asset Classes or Markets

The investor would be able to gain access to certain asset classes or market they would not otherwise have access to. For example, the investor who has a view on the onshore China equity markets would be able to participate in the performance of the underlying market through a synthetic ETF. Synthetic ETFs attempt to track a certain index through the use of underlying derivatives like swaps and options instead of purchasing the underlying components of the index.

### **Leverage Effect**

Derivatives enable the investor to ride on the movement of the market prices of the underlying security without having to purchase the actual underlying security itself. The investor replicates the exposure to the underlying by using derivatives which only cost a fraction of the price of the underlying. This is commonly referred to as the “Leverage Effect”.

### **Hedging**

The Investor could use derivatives to hedge their positions on the underlying security to preserve the value of his position against adverse market movements.

## **3.4 Key Risks**

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of options (i.e., put or call) which they contemplate trading and the associated risks. The investor should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring (for call) or delivering (for put) the underlying asset. If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the options premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, the investor should be aware that the chance of such options becoming profitable is ordinarily remote.

Selling ('writing' or 'granting') options generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably against him. The seller will also be exposed to the risk of the purchaser exercising the options and the seller will be obligated to either settle the options in cash or to acquire or deliver the underlying asset.

### **Market Risk and Liquidity Risk**

Prices of derivatives are affected by the prices of the underlying securities. Hence, fluctuations in prices of these underlying assets will ultimately affect derivative product prices. In addition to that, the investor in derivatives may experience liquidity risk. Prior to expiry, the derivatives may be harder to be disposed of / unwound and the investor may have to wait until expiry before they can get their funds back.

### **Credit Risk**

Derivatives are usually issued by third party “issuers” which are usually listed companies or financial institutions. In the event of default of the issuer or counterparty due to solvency issues, prices of the derivative products may be affected. In the worst case scenario, the investor might even lose all their investment.

Default can generally be defined as:

- (1) Bankruptcy
- (2) Failure to pay
- (3) Debt Restructuring
- (4) Obligation default
- (5) Repudiation



### **Event Risk**

Event Risk occurs because of rare, discontinuous and very large, unanticipated changes in the market environment. It could potentially increase both market and credit risks which would affect prices of derivative products as highlighted above. In the worst case scenario, derivative products might even lose all their value.

Event risk can be generally defined as:

- (1) A natural or manmade incident
- (2) A takeover or corporate restructuring
- (3) Regulatory change

### **Leverage Risk**

As derivative products can be leveraged, a small movement in the prices of the underlying might cause a larger change in the price of the derivative product.

### **Use of Credit Facility and Margin Call Risk**

The Investor may utilize credit facilities of Nomura to enter into derivative transactions. The investor will need to put in collateral to meet the initial margin requirement. As the price of the underlying changes of market condition changes, additional collateral may be required. In such a situation, a margin call may be issued whereupon if the investor is not able to meet such additional margin requirements, the position in the derivative transaction may be unwound. Such risks are referred to as margin call risk. The investor may lose part or all of his capital or more. Such leveraged activities have specific risks as described in General Product Introductory Material- Section 11 "Introduction to Leveraged Portfolios". It is important for the investor to understand such risks before entering into leveraged transactions.

## 4. Options



An option is a financial derivative instrument that establishes a contract between two parties (option seller and option buyer). It offers the buyer the right, but not obligation, to buy (call) or sell (put) the underlying security.

A Call option gives the owner the right, but not the obligation, to buy the underlying security at a pre-determined price (“Strike Price”) at or within a specified period of time. The call option seller would in turn have the obligation to sell the underlying security at a specified price at or within a specified time.

A Put option gives the owner the right, but not the obligation, to sell the underlying security at a pre-determined price (“Strike Price”) at or within a specified period of time. The put option seller would in turn have the obligation to buy the underlying security at a specified price at or within a specified time.

The options may include a knock-in or a knock-out feature or both.

**Knock-In Option:** Option that is only in effect when a certain barrier or a pre-specified price level of the underlying security is reached

- On expiration date (European-style)
- Any time before expiration date (American-style)
- On a specified date during the tenor (Bermuda-style)

**Knock-Out Option:** Option that expires worthless when a certain barrier or a pre-specified price level of the underlying security is breached

- On expiration date (European-style)
- Any time before the expiration date (American-style)
- On a specified date during the tenor (Bermuda-style)

An option involving cash settlement is settled as cash amount equal to the difference between the strike price and the current market value of the underlying security, multiplied by the specified amount of underlying security stipulated for each option.

This product is not capital protected. The investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

### 4.1 Introduction to Options

Summary of options features and characteristics

	Call	Put
Buy	<ul style="list-style-type: none"> <li>■ Call option buyer pays a premium in exchange for the right, and not the obligation, to buy the underlying security at the strike price at or within a specified period of time</li> <li>■ Call option buyer has a bullish view on underlying asset and expects that the price of the underlying asset will rise by the expiration of the option</li> </ul>	<ul style="list-style-type: none"> <li>■ Put option buyer pays a premium in exchange for the right and not the obligation to sell the underlying security at the strike price at or within a specified period of time</li> <li>■ Put option buyer has a bearish view on the underlying asset and expects that the price of the underlying asset will drop by the expiration of the option</li> </ul>

	Call	Put
<b>Sell</b>	<ul style="list-style-type: none"> <li>Call option seller receives a premium in exchange for the obligation to sell the underlying security at the pre-determined strike price at or within a specified time period</li> <li>Call option seller has a neutral to bearish view on underlying asset and expects its price will not stay above the strike price when the option expires</li> </ul>	<ul style="list-style-type: none"> <li>Put option seller receives a premium in exchange for the obligation to buy underlying security at the pre-determined strike price at or within a specific time period</li> <li>Put option seller has a neutral-to-bullish view on underlying asset and expects its price will stay above the strike price when the option expires</li> </ul>
	<b>Knock-In</b>	<b>Knock-Out</b>
<b>Buy</b>	<ul style="list-style-type: none"> <li>Option that is only in effect when a certain barrier or a pre-specified underlying price level is reached <ul style="list-style-type: none"> <li>On expiration date (European-style)</li> <li>Any time before expiration date (American-style)</li> <li>On a specified date during the tenor (Bermuda-style)</li> </ul> </li> <li>A down-and-in barrier is one where the option becomes effective when the spot price moves downwards</li> <li>A up-and-in barrier is one where the option becomes effective when the spot price moves upwards</li> </ul>	<ul style="list-style-type: none"> <li>Option that expires worthless if the underlying security breached the barrier or pre-specified underlying price level, <ul style="list-style-type: none"> <li>On expiration date (European-style)</li> <li>Any time before the expiration date (American-style)</li> <li>On a specified date during the tenor (Bermuda-style)</li> </ul> </li> <li>A down-and-out barrier is one where the option becomes worthless when the spot price moves downwards</li> <li>A up-and-out barrier is one where the option becomes worthless when the spot price moves upwards</li> </ul>

## 4.2 Key Risks

Summary of product related risks

	Call	Put
<b>Buy</b>	<ul style="list-style-type: none"> <li>Call option buyer could lose the entire premium paid if the prevailing spot price closes below the strike price when the option expires</li> </ul>	<ul style="list-style-type: none"> <li>Put option buyer could lose the entire premium paid if the prevailing spot price closes above the strike price when the option expires</li> </ul>
<b>Sell</b>	<ul style="list-style-type: none"> <li>Call option seller could face unlimited losses should the underlying security rise infinitely</li> </ul>	<ul style="list-style-type: none"> <li>Put option seller might lose the entire notional value of the option contract if underlying security fall to zero</li> </ul>

The investor will be exposed to the underlying security risk, and risk of adverse or unanticipated market, financial or political development risks which may negatively impact the underlying security.

The investor may not be able to terminate the contract prior to the expiration of the contract. There may be high early termination costs involved should the investor terminate prior to the expiration of the contract.

The investor is subject to corporate risks (e.g. market disruptions, mergers, tender offers, public offerings, delisting or any other appropriate actions) that may affect the security. This includes exposure to unanticipated changes in the operating environment such as legal matters, lawsuits, regulatory changes as well as man-made or natural disasters or incident. Such events may negatively impact the value of the product.

As the options are privately negotiated instruments with the counterparty, the investor will be exposed to risk due to default or potential default by the reference counterparty.

The investor may enter the transaction on a margin basis, or utilizing Nomura's credit facilities. As such, the investor would be bound by the terms of the credit facilities, including the requirements to make top up payments or meet margin calls which can be substantial in poor market conditions. Such leveraged activities have specific risks as described in General Product Introductory Material - Section 11 "Introduction to Leveraged Portfolios". It is important for the investor to understand such risks before entering into leveraged transactions.

#### **4.3 Worst-case Scenario**

For an option buyer, his maximum loss amount is limited to the premium paid to the option seller.

For an option seller, his maximum loss amount may exceed the premium received for selling the option contract to the option buyer.

For the seller of a call option contract, the seller's maximum loss is theoretically unlimited if the underlying security were to rise in value for an infinite amount.

For the seller of a put option contract, the seller's maximum loss is the notional value of the option contract if the underlying security was to reach 0.

#### **4.4 Various Types of Options**

Please see below for illustrations of the payoff of various option strategies. Please note that all figures shown are for illustration purpose only. For the diagrams below,

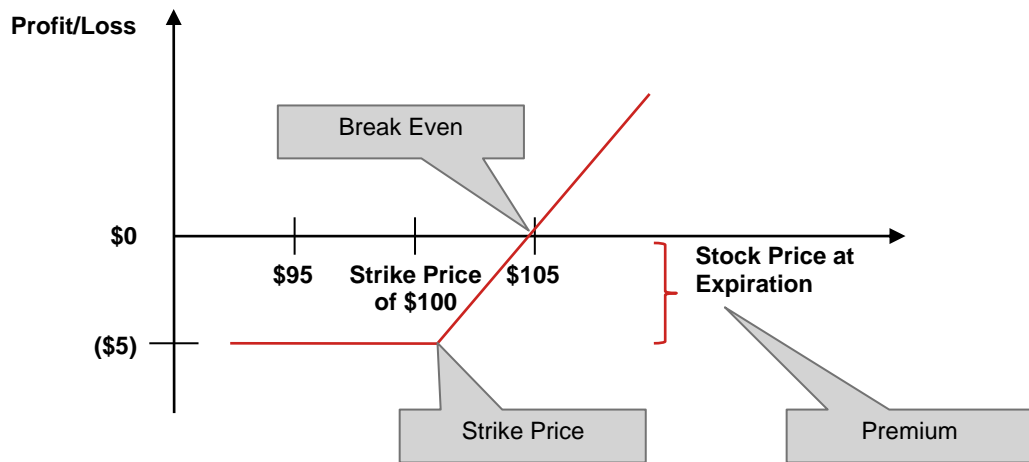
The x-axis represents the security price at expiration of the option.

The y-axis represents the profit and loss amount.

The strike price is indicated on the chart.

4.4.1 Call Options – with Bullish View

Payoff Diagram

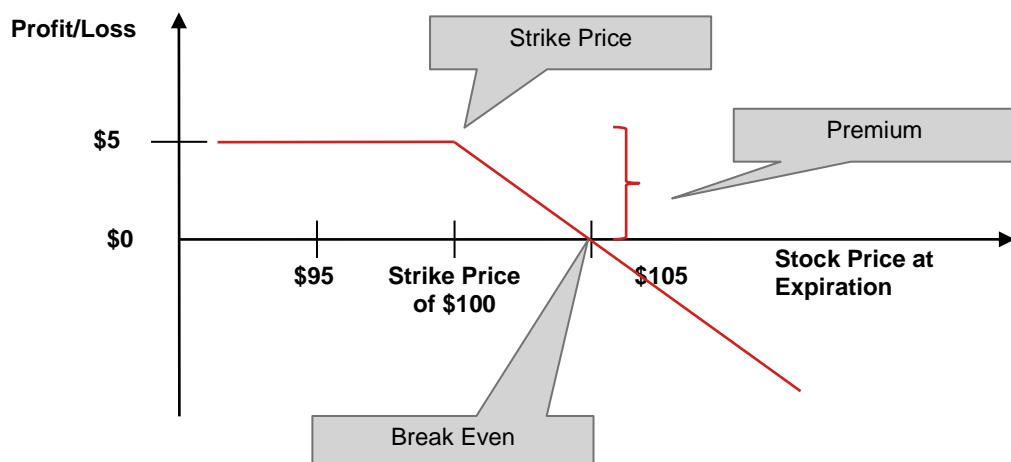


The investor is the buyer of the call option. The buyer of the call option has purchased the right to buy the underlying security with the view that the price of the underlying security will go up in the near term. The investor is expressing a bullish view. The above scenario shows the payoff at expiration for the investor. The investor pays a premium of \$5 for the right to buy a specified quantity of the security at the strike price of \$100. Where the underlying security price at expiration is above the strike price of \$100 and the buyer of the call option exercises the call option, the investor’s net profit at expiration would be the difference between the final share price at expiration and the strike price, after deducting the premium paid up front. The break-even price of \$105 is the share price at expiration where the investor would have no profit or loss.

Where the price at expiration is below the strike price and the call option is not exercised, the loss incurred would be the upfront premium of \$5.

4.4.2 Call Options – with Mildly Bearish View

Payoff Diagram



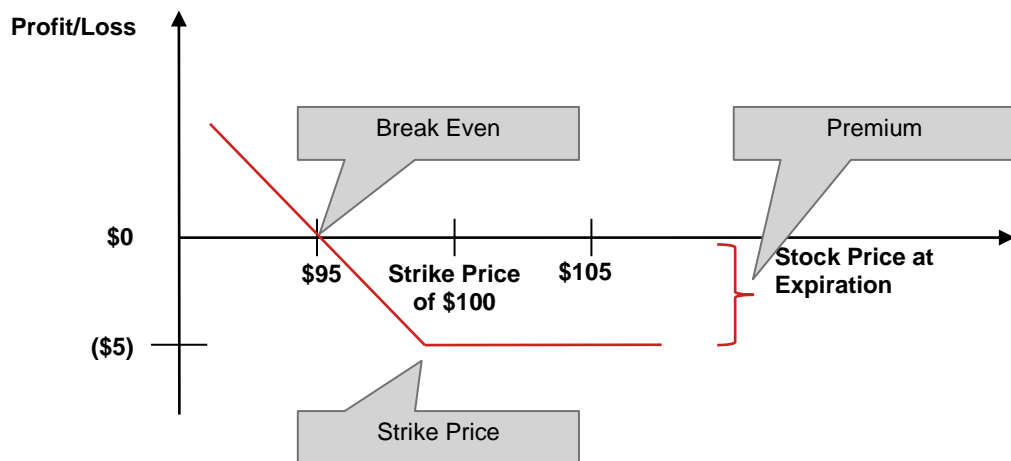
The investor is the seller of the call option. The seller of the call option has received an initial premium in exchange for having the obligation to sell the underlying security with the view that the underlying security will be range-bound in the near term. The investor is expressing a mildly bearish view. The above scenario shows the payoff at expiration for the investor. The investor receives a premium of \$5 for the obligation to sell a specified quantity of the underlying security at the strike price of \$100.

Where the underlying security price at expiration is above the strike price of \$100 and the call option is exercised, the investor's net loss at expiration would be the difference between the final share price at expiration and the strike price, after taking into account the premium received. The break-even price of \$105 is the share price at expiration where the investor would have no profit or loss.

Where the price at expiration is below the strike price and the call option is not exercised, the investor's net profit would be the upfront premium of \$5.

**4.4.3 Put Options – with Bearish View**

**Payoff Diagram**



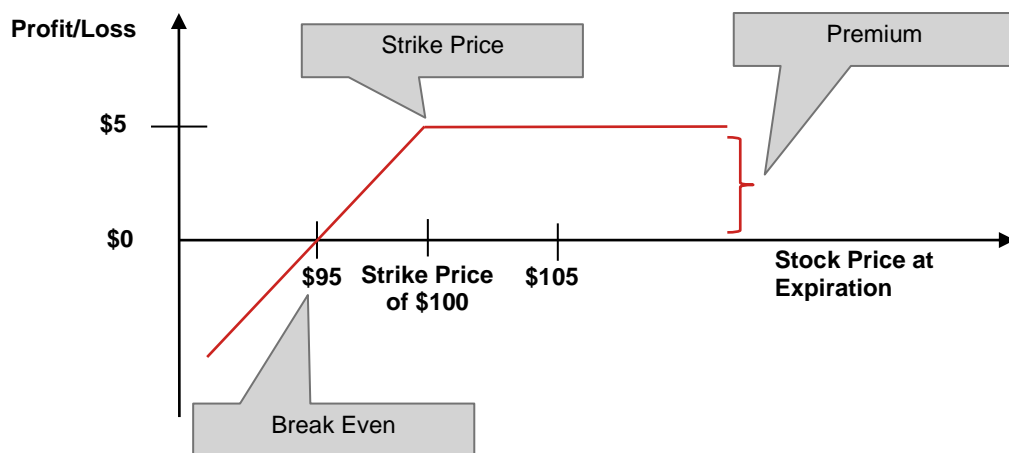
The investor is the buyer of the put option. The buyer of the put option has purchased the right to sell the underlying security with the view that the price of the underlying security will go down in the near term. The investor is expressing a bearish view. The above scenario shows the payoff at expiration for the investor. The investor pays a premium of \$5 for the right to sell a specified quantity of the security at the strike price of \$100.

Where the underlying security price at expiration is below the strike price of \$100 and the buyer of the put option exercises the put option, the investor's net profit at expiration would be the difference between the final share price at expiration and the strike price, after deducting the premium paid up front. The break-even price of \$95 is the share price at expiration where the investor would have no profit or loss.

Where the price at expiration is above the strike price and the put option is not exercised, the loss incurred would be the upfront premium of \$5.

4.4.4 Put Options – with Mildly Bullish View

Payoff Diagram



The investor is the seller of the put option. The seller of the put option has received an initial premium in exchange for having the obligation to buy the underlying security with the view that the underlying security will be range-bound in the near term. The investor is expressing a mildly bullish view. The above scenario shows the payoff at expiration for the investor. The investor receives a premium of \$5 for the obligation to buy a specified quantity of the underlying security at the strike price of \$100.

Where the underlying security price at expiration is below the strike price of \$100 and the put option is exercised, the investor's net loss at expiration would be the difference between the final share price at expiration and the strike price, after taking into account the premium received. The break-even price of \$95 is the share price at expiration where the investor would have no profit or loss.

Where the price at expiration is above the strike price and the put option is not exercised, the investor's net profit would be the upfront premium of \$5.

4.4.5 Covered Call

A sell call option is covered if the call option seller owns the obligated quantity of the underlying security as well.

4.4.6 Naked (Uncovered) Call

A naked or uncovered call option occurs when the option seller sells the option without owning the obligated quantity of the underlying security. Naked short selling of call options is a high risk option strategy as the underlying shares may, in theory, rise infinitely.

4.4.7 Covered Put

A sell put option is covered if the put option seller owns the necessary amount of cash to purchase the obligated quantity of the underlying security.

4.4.8 Naked (Uncovered) Put

A naked or uncovered put option occurs when the option seller does not have the necessary amount of cash to purchase the obligated quantity of the underlying security.

## 4.5 Other Features for Options

Unlike “plain vanilla” put and call options, exotic options are subject to additional conditions and agreements. Exotic options are non-standard options and may include a combination of options, compound options (or option on an option), or options involving several underlying(s). Given the special composition of exotic option, their price movements can vary markedly from those “plain vanilla” options.

### 4.5.1 Exotic Options - Barrier Options

Barrier options are options where the exercise rights for the option arise or expire if the underlying security reaches or breaches a fixed threshold (barrier) within a specified period. The style can be American, Bermudan or European.

- Any time before expiration date (American-style)
- On a specified date during the tenor (Bermuda-style)
- On expiration date (European-style)

A knock-in barrier option is an option that is only in effect when a certain barrier or a pre-specified underlying price level is reached.

A knock-out barrier option expires worthless if the underlying security exceeds the barrier or pre-specified underlying price level.

## 4.6 Scenario Analysis

*To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the “Analysis”) is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration does not take into account transaction fees and dividend payments.*

### 4.6.1 Call Option

Below are sample terms for a call option with a one month tenor. The strike price for the option is \$27, which is moderately higher than the current price of \$25. The premium paid for the option is \$2.

#### Sample Terms

Option Type	Call option
Underlying	Company A
Currency	USD
Tenor	1 month
Strike Price	\$27
Reference Spot	\$25
Premium	\$2
Number of Options	100

If the investor is the buyer of the option, he will only exercise the option if the underlying at expiry is above 27. His losses are limited to the initial premium he has paid. If the underlying is above \$27, the profit would be (Final price – Strike Price) x Number of options.



Final Price	Strike Price	Profit/(Loss)	Calculation
20	27	(200)	2x100
25	27	(200)	2x100
30	27	100	(3x100)-2x100
35	27	600	(8x100)-(2x100)
40	27	1,100	(13x100)-(2x100)
45	27	1,600	(18x100)-(2x100)
50	27	2,100	(23x100)-(2x100)

If the investor is the seller of the option, the option will be exercised if the underlying at expiry is above \$27. His losses are potentially theoretically unlimited. If the underlying is above \$27, the loss would be (Final price – strike price) \* Number of options. His returns are limited to the premium received when he sells the option.

Final Price	Strike Price	Profit/(Loss)	Calculation
20	27	200	2x100
25	27	200	2x100
30	27	(100)	(-3x100)+(2x100)
35	27	(600)	(-8x100)+(2x100)
40	27	(1,100)	(-13x100)+(2x100)
45	27	(1,600)	(-18x100)+(2x100)
50	27	(2,100)	(-23x100)+(2x100)

#### 4.6.2 Put option

Below are sample terms for a put option with a one month tenor. The strike price for the option is \$23, which is moderately lower than the current price of \$25. The premium paid for the option is \$2.

##### Sample Terms

Option Type	Put option
Underlying	Company A
Currency	USD
Tenor	1 month
Strike Price	\$23
Reference Spot	\$25
Premium	\$2
Number of Options	100

If the investor is the buyer of the option, he will only exercise the option if the underlying at expiry is below the strike price of \$23. His losses are limited to the initial premium he has paid. If the

underlying is below the strike price of \$23, the profit would be (Strike Price – Final price) x Number of options.

Please see the table below for an illustration of his final profit and loss (P&L).

Final Price	Strike Price	Profit/(Loss)	Calculation
0	23	2,100	$(23 \times 100) - (2 \times 100)$
10	23	1,100	$(13 \times 100) - (2 \times 100)$
20	23	100	$(3 \times 100) - (2 \times 100)$
30	23	(200)	$(-2 \times 100)$
40	23	(200)	$(-2 \times 100)$
50	23	(200)	$(-2 \times 100)$

If the investor is the seller of the option, the option will be exercised if the underlying at expiry is below the strike price of \$23. The loss would be (Strike Price – Final Price) x Number of options. His losses are potentially the entire notional of the trade if the price of the underlying falls to zero. His returns are limited to the premium received when he sells the option.

Final Price	Strike Price	Profit/(Loss)	Calculation
0	23	(2,100)	$(-23 \times 100) + (2 \times 100)$
10	23	(1,100)	$(-13 \times 100) + (2 \times 100)$
20	23	(100)	$(-3 \times 100) + (2 \times 100)$
30	23	200	$2 \times 100$
40	23	200	$2 \times 100$
50	23	200	$2 \times 100$

## 5. Structured Notes / Certificates / Warrants (Security / Securities)



Product Risk Rating

### 5.1 Description

A Structured Note / Certificate / Warrant (where applicable) is linked to an Underlying, where the return is linked to the performance of such Underlying. It is structured as a synthetic funded security which provides investors with exposure to the Underlying. The format of these securities can also be in certificate and warrant format.

Structured Notes are funded forms of derivative structures and these securities contain a derivative component that may involve an option, a swap, a forward or a combination of any of them.

The security may be denominated in the same or a different currency from that of the Underlying; where the Underlying may be a single underlying or a basket of underlyings. The Underlying may be equities, interest rates, currency pairs, equity indices, proprietary indices or commodities.

This product is not capital protected. The investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

### 5.2 Investment Rationale

- The investor is looking for securitized or funded forms of investments.
- The investor has a view on an Underlying which is consistent with the underlying derivative component of the security.
- The investor is willing to take on the risk of the Issuer of the security.
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in these securities.

### 5.3 Key Benefits

- The security allows investors to participate in the asset classes which may not otherwise be accessible.
- They can be customized to cater to an investor's specific view and needs.

### 5.4 Key Risks

- Please refer to section 2.5. Generic Risk Disclosure for Structured Products.
- The security may underperform the underlying asset if the underlying asset's performance is better than anticipated and the security is Autocalled.
- **Not Capital Protected:** The maximum loss is the entire investment amount.
- **Market and Options Risk:** The return on the security is linked to the performance of the Underlying. Fluctuations in the market can be significant, and there is no guarantee that the Underlying will perform to yield positive returns on the security. Further, if the Underlying comprises a basket of stocks, price movements in such stocks may not correlate with each other, and a positive performance on one stock may not necessarily translate into positive return on the security.
- **Leverage / Margin:** Risks are increased significantly through leverage / margin. When investors enter into a transaction on a margin basis, they must provide Nomura margin cover by pledging, assigning or charging assets ("collateral") acceptable to us. The margin amount

required and the value of collateral is determined by Nomura and may be changed at any time at Nomura's absolute discretion. The high degree of leverage resulting from a relatively small margin requirement can work for or against the investor, and may result in losses. Such losses are related to market movements and may be greater in value than the investor's investments and collateral provided.

For securities where Underlying is a Proprietary Index (the "Index")

- A Proprietary Index is an index that has not been publicly launched in the market. It is developed to track the performance of an underlying asset class (equity, bond, commodities, etc.) and market (developed, emerging, etc.), and owned by a financial institution (Nomura or other third parties) or a data vendor called an index sponsor, who continues to own and manage the index on an on-going basis.
- The Proprietary Index comprises a notional position in relation to a basket of underlying assets which can be from the same or different asset classes. The Index is linked to the performances of these underlying assets selected by the investment manager of the portfolio (the "Investment Manager"). If the underlying assets do not appreciate in value, the Proprietary Index level may decrease significantly and this may have an adverse effect on the performance of the structured notes/certificates/warrants with such Proprietary Index as underlying.
- Conflict of interests - As the parties involved could be the same legal entity or different legal entities belonging to the same group, there may be an issue of conflict of interests.
- Transparency of underlying Proprietary Index - For structured notes/certificates/warrants which tracks the performances of a Proprietary Index, the information about the Proprietary Index, such as daily fixing and methodology of computation, may not be as readily available or as transparent as a third party index that has been publicly launched in the market.

## 5.5 Example of "Buy on Dip" Structured Note

### Indicative Terms and Conditions

<b>Issuer</b>	Bank XYZ (Credit rating: A-)
<b>Reference Underlying / Index</b>	S&P 500 Index
<b>Currency</b>	USD
<b>Nominal Amount</b>	US\$10,000,000
<b>Specified Denomination</b>	US\$500,000
<b>Tenor</b>	2 years
<b>Settlement</b>	Cash
<b>Interest Payment Rate (Cash Coupon)</b>	4% p.a. (Interest on Cash Allocation – the amount not invested in the Reference Underlying / Index), paid at redemption
<b>Initial Allocation</b>	a) 55% of Equity Component b) 45% of Cash Component

<b>Reallocation</b>	a) Gradual 15% reallocation of the Cash Component to the Equity b) Component in respect with the Trigger Barriers being hit
<b>Trigger Barrier</b>	a) 95% of initial level observed on a daily close b) 90% of initial level observed on a daily close c) 85% of initial level observed on daily close
<b>Participation</b>	100% in the weighted performance of the single underlying

## 5.6 Scenario Analysis

To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the "Analysis") is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration may not take into account transaction fees and interest or dividend payments.

### 5.6.1 Scenario (a): None of the Barrier has been Triggered Before or At Redemption

In this scenario, the investor receives the participation in the performance of the underlying plus Cash coupon for the tenor of the note.

Final price (as a % of Average Spot Price) (A)	Allocation to Equity Component (B)	Performance (A minus 100%) * B (C)	Cash Coupon (4% p.a. * tenor) (D)	Final Return C + D + 100%	Calculation
130.00%	55%	7.15%	8.00%	115.15%	Final Return x 10,000,000
120.00%	55%	6.60%	8.00%	114.60%	Final Return x 10,000,000
100.00%	55%	0.00%	8.00%	108.00%	Final Return x 10,000,000
97.00%	55%	-1.65%	8.00%	106.35%	Final Return x 10,000,000

Cash Coupon is assumed to be paid for the full tenor of the note.

**5.6.2 Scenario (b): All been Triggered Before at the end of 1 year.**

In this scenario, the investor receives the participation in the performance of the underlying plus Cash coupon for the first year of the note only.

Final price (as a % of Average Spot Price) A	Allocation to Equity Component B	Performance (A minus 100%) * B C	Cash Coupon (4% p.a. * 1 <sup>st</sup> year) D	Final Return C + D + 100%	Calculation
130.00%	100%	30%	4.00%	134.00%	Final Return x 10,000,000
120.00%	100%	20%	4.00%	124.00%	Final Return x 10,000,000
100.00%	100%	0%	4.00%	104.00%	Final Return x 10,000,000
90.00%	100%	-10%	4.00%	94.00%	Final Return x 10,000,000

*Cash Coupon is assumed to be paid for the first year of the note.*

**5.6.3 Scenario (c): All been Triggered on trade date itself. In this scenario, the investor receives the participation in the performance of the underlying plus no Cash Coupon.**

Final price (as a % of Average Spot Price) A	Allocation to Equity Component B	Performance (A minus 100%) * B C	Cash Coupon (4% p.a. * 1 <sup>st</sup> year) D	Final Return C + D + 100%	Calculation
130.00%	100%	30%	0.00%	130.00%	Final Return x 10,000,000
120.00%	100%	20%	0.00%	120.00%	Final Return x 10,000,000
100.00%	100%	0%	0.00%	100.00%	Final Return x 10,000,000
90.00%	100%	-10%	0.00%	90.00%	Final Return x 10,000,000
80.00%	100%	-20%	0.00%	80.00%	Final Return x 10,000,000
70.00%	100%	-30%	0.00%	70.00%	Final Return x 10,000,000
....	....	....	....	....	....
10.00%	100%	-90%	0.00%	10.00%	Final Return x 10,000,000
0.00%	100%	-100%	0.00%	0.00%	Final Return x 10,000,000

*Cash Coupon is not paid as all triggers are breached on trade date itself.*

## 6. Actively Managed Certificates (AMCs)



### 6.1 Description

An AMC is a structured product whose underlying asset is managed on a discretionary basis during the term of the product in accordance with a specific investment strategy. It offers the opportunity to participate in the performance of a strategy determined by the asset manager. This strategy is implemented by means of a discretionary, notional index that aims to reflect the performance of a real portfolio, as provided and adjusted by the asset manager to the AMC issuer, based on this strategy. The performance of the index and also the AMC reflects the performance that a real portfolio would have if it were managed on the basis of the strategy, charged with fees and costs.

### 6.2 Investment Rationale

- The investor is looking for securitized or funded forms of investments rather than having a direct discretionary management arrangement with the chosen asset manager.
- The investor is intended to invest in a particular strategy of a chosen asset manager.
- The investor is willing to take on the counterparty risk of the AMC issuer.
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in these securities.

### 6.3 Key Benefits

- AMCs give investors access to the expertise of the chosen investment manager and their strategy which may not otherwise be accessible.
- AMCs can be customized to cater to an investor's specific view and needs.

### 6.4 Key Risks

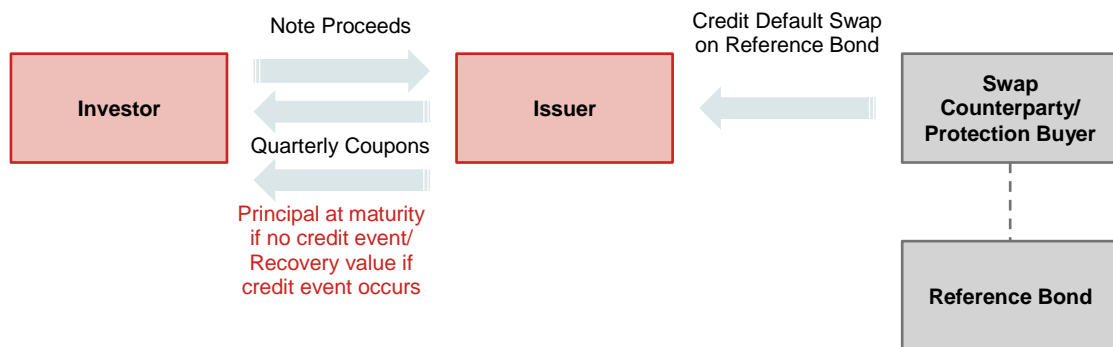
- Please refer to section 2.5. Generic Risk Disclosure for Structured Products and section 5.4 key risks of Structured Notes/Warrants/Certificates.
- The risks associated with an investment in an AMC are comparable to an investment in a real portfolio consisting of the respective components of the discretionary, notional index.
- The performance of the discretionary, notional index depends on, among other things, the asset manager's competence in selecting the index components and the timing of the rebalancings.
- The investor is exposed to the risk of default of the AMC issuer.
- There may not be secondary market available if the investors would like to sell the AMC.
- Conflict of interests - As the parties involved could be the same legal entity or different legal entities belonging to the same group, there may be an issue of conflict of interests.
- Investors should refer to offering document and/or term sheets to understand the features and risks of a particular AMC.

## 7. Credit Linked Notes



### 7.1 Description

A credit-linked note (“CLN”) is a structured note with an embedded credit-default swap that is usually issued by a special purpose company, trust, or bank. The principal repayment is linked not only to creditworthiness of the issuer but also a third party known as the reference entity. It pays an enhanced yield and in return, there is a risk of loss linked to the creditworthiness of the entities. The investor will suffer losses when the issuer is in default or credit events happened on the reference entity. If no default or credit event occurs during the life of the note, the note will mature at par. Investor will receive regular interest payments (coupon). However, if a default or credit event occurs during the life of the note, the note will be redeemed at the recovery value of the reference asset.



A credit event is an event affecting the credit-worthiness of the reference entity. This commonly includes bankruptcy, obligation acceleration, obligation default, failure to pay, repudiation/moratorium and restructuring. This refers to current and future liabilities and not only to a specific obligation.

This product is not capital protected. The investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

### 7.2 Investor Profile

- The investor seeks an enhanced yield on his capital
- The investor holds a neutral-to-positive view on the reference entity and does not think that the debtor would have a credit event during the life of the note
- The investor holds the credit risk on the reference bond as well as the CLN issuer, and therefore obtains a higher return on the CLN than would have been achieved on a normal bond
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in structured product

### 7.3 Key risk

- Please refer to section 2.5. Generic Risk Disclosure for Structured Products.
- The product will be exposed to credit market risks and the specific credit risk of the reference entity. Changes in the credit-worthiness of the reference entity may have an impact to the valuation of the note



- Movements in interest rates may have an impact on the mark-to-market valuation of credit linked notes
- The investor will be exposed to the credit risk of the issuer. The specified denomination and interest are at risk if a credit event occurs with respect to the reference entity or its obligations. Following a credit event determination Date, the Notes will redeem early at a market value which will very likely be below the specified denomination of the Product
- **Worst-case scenario:** If the reference entity or the issuer defaults or enters into a “credit event” and the recovery value is zero, the investor would suffer losses equivalent to the initial investment amount

## 7.4 Example

### Indicative Terms and Conditions

<b>Issuer</b>	Bank XYZ (Credit rating: A-)
<b>Reference Entity</b>	Company A/Country A (credit ratings: BBB-)
<b>Currency</b>	USD
<b>Nominal Amount</b>	US\$10,000,000
<b>Specified Denomination</b>	US\$500,000
<b>Tenor</b>	5 years
<b>Scheduled Maturity Date</b>	May 10, 2021
<b>Interest Payment Rate (Coupon)</b>	5% p.a.
<b>Day Count Fraction</b>	Actual/360
<b>Interest Payment Frequency</b>	Annually
<b>Redemption</b>	100%
<b>Redemption at Maturity</b>	a) Redemption at par if no credit events occur b) Redemption at recovery value upon credit events

Interest Amount per Specified Denomination = Interest Payment rate x Specified Denomination x Day Count Fraction.

## 7.5 Scenario Analysis

*To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the “Analysis”) is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible*

outcomes. The illustration may not take into account transaction fees and interest or dividend payments.

### 7.5.1 Scenario (a): No Credit Events have Occurred Before or At Redemption

In this scenario, the investor receives the nominal Amount, plus Interest Amounts for the tenor of the note.

*Interest Amount = Interest Payment Rate x Nominal Amount x Day Count Fraction*

Description	Amount (US\$)
Year 1 interest	500,000
Year 2 interest	500,000
Year 3 interest	500,000
Year 4 interest	500,000
Year 5 interest	500,000
Redemption at maturity	10,000,000

### 7.5.2 Scenario (b): If a Credit Event Occurs with respect to the Reference Entity or its Obligations During the Tenor

In this scenario, the Notes will redeem early at a market value which will very likely to be below the Specified Denomination (loss of the entire Principal amount if the market value is zero). Besides the Interest Amount that has been received, the payoff will be equal to aggregate outstanding principal balance (excluding accrued but unpaid interest) minus loss (100% less the recovery value of the reference entity) amount, subject to a minimum of zero.

Assume that the recovery value of the reference entity is 40% and the credit event occurs right after the payment of the year 1 interest.

Description	Amount (US\$)	
Year 1 interest	500,000	
Redemption amount	4,000,000	Recovery value of the reference entity = 40% Loss = 100% - 40% = 60% Payoff = (100% - 60%) * 10,000,000

### 7.6 Credit-Linked Notes with Zero Recovery

The credit-linked note could include a variation where the recovery value of the reference entity is zero. In exchange, the investor would receive an enhanced yield.

The investor holds a neutral-to-positive view on the reference entity and is prepared to take the additional risk that the recovery value would be zero in the event of a credit event. In exchange, the investor would receive an enhanced yield.

Assume that the credit event occurs soon after the payment of year 1 interest.

Description	Amount (US\$)	
Year 1 interest	500,000	
Redemption amount	0	Recovery value of the reference entity = 0% Loss = 100% - 0% = 100% Payoff = (100% - 100%) * 10,000,000

## 7.7 Credit-Linked Notes Linked to a Basket of Securities

The credit-linked note could be linked to a basket of reference underlyings where the notional value of the note would be linked to the number of credit events that occur among the constituents. The investor holds a neutral-to-positive view on the underlying basket of reference underlyings and is prepared to take on the risks of the basket of reference underlyings. The performance could be linked to one of the following:

- i. A proportional basket where the reference underlyings within the basket are weighted on a pre-determined ratio. For instance, if the basket had 4 underlyings and are equally-weighted, and 1 of the 4 names enters into a credit event, the potential loss due to the credit event would be 25% of the total principal. The risk is diversified across the basket of securities and would be more diversified than a credit-linked note reference only one security.
- ii. A first-to-default, (or “n<sup>th</sup> to default”) basket where the credit event is triggered based on the order of default. For instance a 1<sup>st</sup>-to-default (“FTD”) basket indicates that the credit event is based on the first name within the basket to default. Thus, the risk will be increased compared to a single underlying CLN or a basket CLN. For instance, if the FTD basket had 4 underlyings and one of the underlyings enter into a credit event; the potential loss due to the credit event would be 100% of the total principal.

## 8. Equity Linked Notes



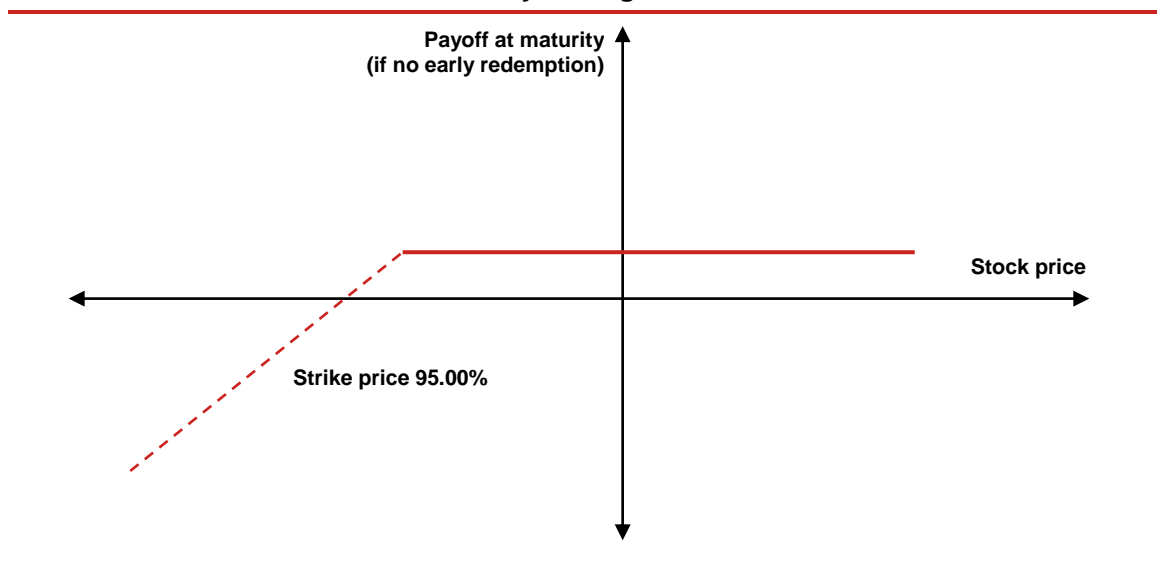
### 8.1 Description

Equity linked notes (“ELN”) are a type of structured product embedded with derivatives where the returns are linked to the performance of the reference share. The investor will earn an enhanced yield while retaining the obligation to purchase the underlying reference share at the pre-agreed strike price upon expiration. There is an embedded put option on the underlying reference share. The investor would be obliged to buy the underlying at the pre-agreed strike price should the final price close at or below the pre-agreed strike price. The strike price of the reference share is typically set at a discount to the prevailing market price at inception.

ELNs are issued at a discount to par. Since the strike price is often fixed below the spot (market) price of the underlying share, there is an opportunity to acquire the underlying share at a lower price if the embedded put option is exercised. The investor receives the full face value of the ELN on the fixing date if the underlying share price closes at or above the strike price. Conversely if the underlying share price closes below the strike price of the embedded option, the investor will be obliged to take delivery of the underlying share at the strike price.

This product is not capital protected. The investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

Payoff Diagram



### 8.2 Investor Profile

- The investor seeks an enhanced yield on his capital
- The investor holds a neutral-to-positive view on the underlying equity
- The investor is prepared to purchase the underlying reference share at the strike price upon expiration should the underlying reference share close below the strike price
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in structured product

### 8.3 Key Risks

- Please refer to section 2.5. Generic Risk Disclosure for Structured Products.
- The product will be exposed to equity market risk and specific equity risk. Changes in the value of the underlying reference asset will have an impact on the valuation of the note and the redemption value
- Where the underlying share has significant positive performance, the ELN's performance may underperform the performance of the underlying as the investment return is capped
- Leveraged risks (if applicable): As derivative products is a leveraged investment, a small movement in the prices of the underlying might cause a larger change in the price of the derivative product.
- For the case of American Knock In (if applicable), the Knock In triggers if the underlying asset has fallen below the Knock-In Level at any time during the tenor of the note.
- For the case of European Knock In (if applicable), the Knock In triggers if the underlying asset has fallen below the Knock-In Level on the observation date of the note.
- **Worst-case scenario:** If the underlying share falls significantly and down to zero, the investor would lose the entire initial investment amount

### 8.4 Example

#### Indicative Terms and Conditions

<b>Issuer</b>	Bank XYZ (Credit rating: A-)
<b>Underlying</b>	Company A
<b>Currency</b>	USD
<b>Tenor</b>	1 month
<b>Nominal Amount</b>	10,000,000
<b>Strike Price</b>	95.00%
<b>Initial Price</b>	99.00%

<b>Redemption at Maturity</b>	a) If the underlying security price is at or higher than strike price, redemption at maturity = 100%
	b) If the underlying security price is lower than the strike price, the investor receives shares at strike price

The above is an example of the typical terms for an equity linked note. The key terms are the underlying, the tenor and the strike price.

### 8.5 Scenario Analysis

*To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the "Analysis") is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration may not take into account transaction fees and interest or dividend payments.*

### Scenario (a): The Official Closing Price is at or Above the Strike Price

If the underlying security price at expiration date is at or above the strike price; the investor will receive the nominal amount in cash. The maximum potential gain is capped at the difference between the nominal amount and the initial price of the Equity Linked Note.

Final Price (as % Of Initial Spot Price)	Final Price (USD)	Number of shares Accumulated	Final Value at Expiration (A)	Initial Amount Paid (B)	Profit/ (Loss) (A- B)
100%	100	0	10,000,000	9,900,000	100,000

### Scenario (b): The official closing price is below the strike price

The investor will be obligated to receive shares at strike price. For illustration purpose, we assume initial spot price at US\$100, strike price = 95% of initial level and note issue price = 99%, with investment notional amount of US\$10,000,000.

Physical delivery of shares = US\$10,000,000 / 95 = 105,263 shares.

The profit or loss would be compared against the strike level.

Final Price (as % Of Initial Spot Price)	Final Price (USD)	Number of shares Accumulated	Final Value at Expiration (A)	Initial Amount Paid (B)	Profit/ (Loss) (A- B)
90%	90	105,263	9,473,670	9,900,000	(426,330)
80%	80	105,263	8,421,040	9,900,000	(1,478,960)
70%	70	105,263	7,368,410	9,900,000	(2,531,590)
60%	60	105,263	6,315,780	9,900,000	(3,584,220)
50%	50	105,263	5,263,150	9,900,000	(4,636,850)
0%	0	105,263	0	9,900,000	(9,900,000)

## 8.6 Equity Linked Notes with Knock-Out

Equity linked notes could include a “knock-out” feature which when triggered, the investor will no longer have the obligation to purchase the reference share upon expiration.

## 8.7 Equity Linked Notes with Knock-in

Equity linked notes could include a “knock-in” feature. The knock-in feature adds further protection as the obligation to purchase the reference share upon expiration will only be triggered if the “knock-in” feature is triggered.

## 8.8 Worst-of basket Equity Linked Notes

A variation of the equity linked note is one where the return is linked to a basket of securities instead of a single share. The performance would be based upon the worst-performing reference share in the basket of securities.

- At maturity, if the worst-of underlying is at or higher than its strike price, the note will be redeemed at 100%
- At maturity, if the worst-of underlying is lower than its strike price, the investor receives shares of the worst performer at the strike price

Relatively, the risk of a worst-of basket would be higher than that of a single underlying equity linked note.

## 9. Fund Linked Notes

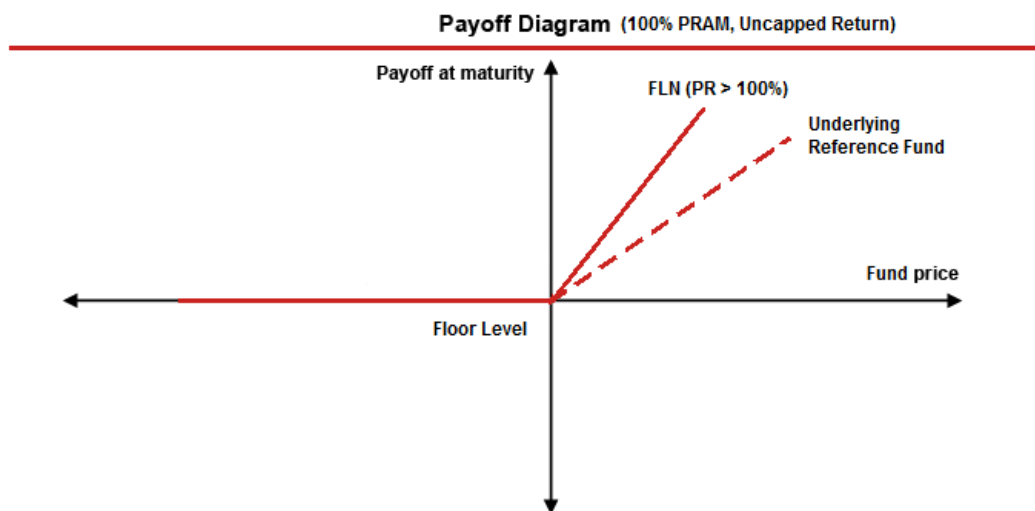


### 9.1 Description

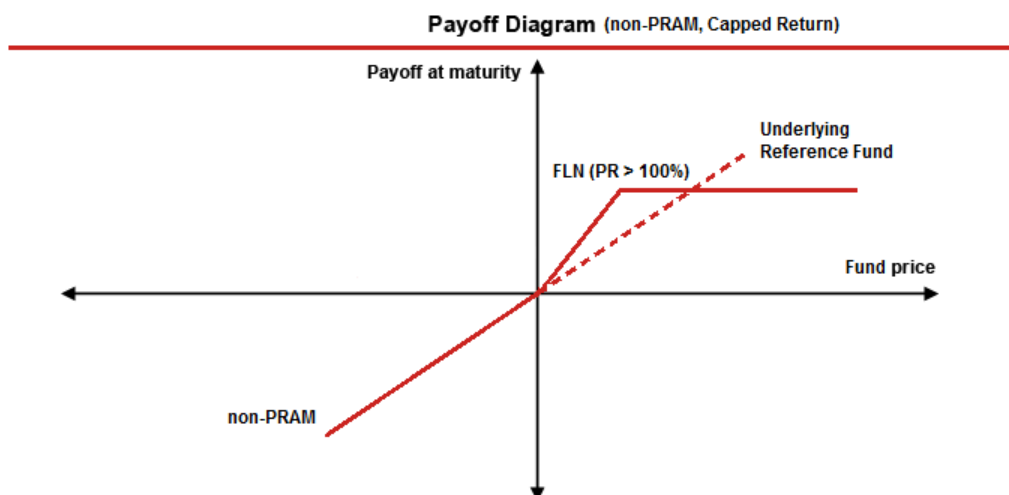
Fund linked notes (“FLN”) are a type of structured product embedded with derivatives where the returns are linked to the performance for the underlying reference fund(s) (“Fund(s)”). The investor participates in the upside performance of the Fund(s) at a Participation Rate.

This product may or may not be capital protected. If there is no capital protection, the investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

#### Fund-Linked Note with 100% Principal Return at Maturity (PRAM) and uncapped return



#### Fund-Linked Note with non-PRAM and capped return





## 9.2 Investor Profile

- The investor seeks upside participation on the underlying fund(s)
- The investor holds a positive view on the underlying fund(s)
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in structured product

## 9.3 Key Risks

- **The Note:**
  - Market Risk: The product is exposed to market risk of the underlying fund's asset class.
  - Liquidity Risk and Early Termination Cost: There are no liquid markets for the structured note and the investor may not be able to redeem the notes early or may incur additional costs if the notes are redeemed prior to expiration.
  - Issuer Risk: As the structured note is an (over the counter) OTC privately negotiated instrument with the counterparty, investors will be exposed to risk due to default or potential default by the reference counterparty.
  - Notes with capped returns (if applicable): The investor may underperform the underlying if the underlying asset's performance is better than anticipated and the investment return is capped.
  - **Worst-case scenario:** If the issuer defaults, the investor **may lose the entire initial investment amount**. If the underlying fund's value falls significantly and down to zero, the investor would **lose the entire initial investment amount if there is no capital protection**
- **The Underlying Fund(s):**
  - Managed Funds are funds (portfolio of securities that may consist of bonds, equities, mixed assets or commodities managed by external managers)
  - The fund may underperform to benchmark
  - Currency risks: If the reference currency is different from the investment currency
  - Derivatives risk: The fund may invest in options, long/short securities, interest rate swap, FX or illiquid investment (if applicable)
  - **Worst case scenario: Entire investment amount in the fund can be at risk of loss**
- **The Underlying Asset Class of the Fund(s):**
  - Market risk: market volatility will affect the underlying investment that may cause a decline in NAV (net asset value) / price
  - Liquidity risk: potential redemption delay / halt during adverse market at manager's discretion. Liquidity risk exists when particular investments are difficult to purchase or sell. Also, illiquid securities may become harder to value especially in changing markets.
  - Counterparty risk: Investors may be exposed to risk due to a default or potential default by the reference counterparty in an unforeseeable market movements and time.
  - Dividend distribution: the investment manager may have discretion on whether or not to make any distribution out of income and/or capital of the fund. A high distribution yield does not imply a positive or high return on the total investments.
- **Fund Linked Note (Bond Fund)**
  - Credit risk: potential default of the issuers, the fund may suffer losses if the issuer or a fixed income security in which it invests is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations
  - Interest Rate risk: potentially incur losses when Interest rates are very low or negative

**General risk and features for High Yield Bond Funds or Funds with significant allocation to High Yield Bonds .**

- High Yield Bond Funds will subject to **greater credit risk**. It will also be subject to risks associated with investments in high yield bond (i.e. below investment grade with **higher risk of default and lower recovery value**. More vulnerable to economic downturn, and may **fall more in value than investment grade bonds**

**Special risk and features (applicable if fund contains high yield bonds):**

- **Capital Growth Risk** (if applicable): some HY bond funds may have fees and/or **dividends paid out of capital**. As a result, the capital that the fund has available for invest in the future and capital growth, may be reduced.
- **Dividend distribution** (if applicable): Some HY bond funds may not distribute dividends, but instead re-invest the dividends into the fund or alternatively, **the investment manager may have discretion on whether or not make any distribution out of income and/or capital of the fund. A high distribution yield does not imply a positive or high return on the total investments**
- Other key risks that may relate to the relevant fund including concentration of investments in particular types of specialized debt or a specific geographical region or sovereign securities.

**Fund Linked Note (Equity Fund)**

- Global country risk where applicable. The global exposure of the Portfolio imposes risks different from, or greater than, risks of investing in developed countries due to, among other factors, greater price volatility, market, credit, legal, liquidity, currency, political, economic and regulatory risks.

**Fund Linked Note (Multi Asset Fund)**

- Refer to Risks for Funds Linked Note (Bond Fund)
- Global country risk where applicable. The global exposure of the Portfolio imposes risks different from, or greater than, risks of investing in developed countries due to, among other factors, greater price volatility, market, credit, legal, liquidity, currency, political, economic and regulatory risks.

## 9.4 Example

### Indicative Terms and Conditions 1

Issuer	Bank XYZ (Credit rating: A-)
Currency	USD
Issue Price	100
Tenor	36 months
Underlying Asset	Fund A
Initial underlying price	100
Participation Rate (PR)	150%
Principal Return at Maturity (PRAM)	100%
Redemption at Maturity	Redemption cash settlement amount equal to= PRAM + PR * Max[0, Final underlying price/Initial underlying price – 1]

## Indicative Terms and Conditions 2

Issuer	Bank XYZ (Credit rating: A-)
Currency	USD
Issue Price	100
Tenor	36 months
Underlying Asset	Fund B
Initial underlying price	100
Participation Rate (PR)	180%
Return Cap (RC)	150%
Principal Return at Maturity (PRAM)	90%
Redemption at Maturity	If Underlying is: <ul style="list-style-type: none"> <li>Above 100%, <math>\min[\text{RC}, 100\% + \text{PR} \times (\text{Final Underlying Price}/\text{Initial Underlying Price} - 1)]</math></li> <li>Otherwise, <math>\max(\text{PRAM}, \text{Final Underlying Price})</math></li> </ul>

The above are examples of the typical terms for a Fund-Linked Note. The key terms are the Underlying Asset, the Tenor, the Issue Price, the Participation Rate, Return Cap (if any), and the Principal Returned at Maturity level.

### 9.5 Scenario Analysis

*To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the "Analysis") is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration may not take into account transaction fees and interest or dividend payments*

#### Scenario (based on Indicative Terms and Conditions 1):

*Initial Underlying Price = 100*

Assuming an initial investment notional of US\$10,000,000, the investor returns would be as follows:

Final underlying price (USD)	Redemption at Maturity (USD)	Profit/(Loss) (USD)
130.00	$[100\% + 150\% \times (130/100 - 1)] \times 10,000,000$	4,500,000
120.00	$[100\% + 150\% \times (120/100 - 1)] \times 10,000,000$	3,000,000
110.00	$[100\% + 150\% \times (110/100 - 1)] \times 10,000,000$	1,500,000
100.00	100% x 10,000,000 (PRAM)	0
90.00	100% x 10,000,000 (PRAM)	0
80.00	100% x 10,000,000 (PRAM)	0

....	...	....
10.00	100% x 10,000,000 (PRAM)	0
0.00	100% x 10,000,000 (PRAM)	0

### Scenario (based on Indicative Terms and Conditions 2):

*Initial Underlying Price = 100*

Assuming an initial investment notional of US\$10,000,000, the investor returns would be as follows:

Final underlying price (USD)	Redemption at Maturity (USD)	Profit/(Loss) (USD)
140.00	150% x 10,000,000 (capped)	5,000,000
130.00	150% x 10,000,000 (capped)	5,000,000
120.00	$[100\% + 180\% \times (120/100 - 1)] \times 10,000,000$	3,600,000
110.00	$[100\% + 180\% \times (110/100 - 1)] \times 10,000,000$	1,800,000
100.00	$[100\% + 180\% \times (100/100 - 1)] \times 10,000,000$	0
95.00	95% x 10,000,000	-500,000
90.00	90% x 10,000,000 (PRAM)	-1,000,000
80.00	90% x 10,000,000 (PRAM)	-1,000,000
....	...	....
10.00	90% x 10,000,000 (PRAM)	-1,000,000
0.00	90% x 10,000,000 (PRAM)	-1,000,000

## 9.6 Worst-of basket Fund Linked Notes

A variation of the fund linked note is one where the return is linked to a basket of funds instead of a single fund. The performance would be based upon the worst-performing reference fund in the basket of funds.

Relatively, the risk of a worst-of basket would be higher than that of a single underlying fund linked note.

## 10. Fixed Coupon Notes

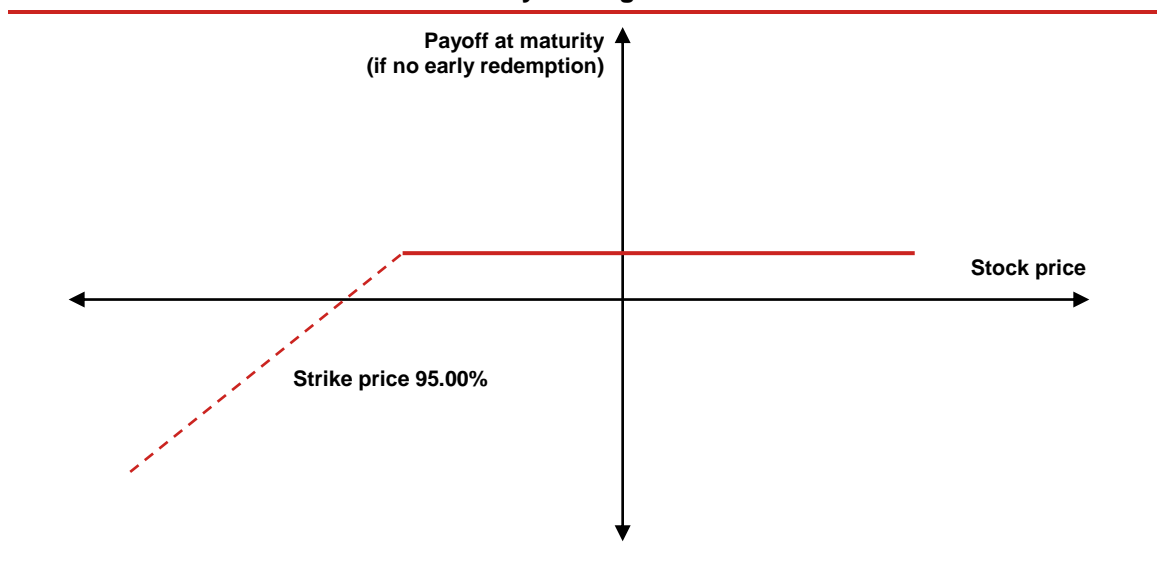


### 10.1 Description

The objective of a fixed coupon note is to provide fixed coupon payments for the investor seeking steady income. The investor will earn an enhanced yield while retaining the obligation to purchase the underlying reference share at the pre-agreed strike price upon expiration. There is an embedded put option on the underlying reference share. The investor would be obliged to buy the underlying at the pre-agreed strike price should the final price close at or below the pre-agreed strike price. The strike price of the reference asset is typically set at a discount to the prevailing market price at inception. Terms typically range from three months to five years.

This product is not capital protected. The investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

#### Payoff Diagram



### 10.2 Investor Profile

- The investor seeks an enhanced yield on his capital
- The investor holds a neutral-to-positive view on the underlying asset
- The investor is prepared to purchase the underlying reference share at the strike price upon expiration should the underlying reference share close below the strike price
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in structured product

### 10.3 Key Risks

- Please refer to section 2.5. Generic Risk Disclosure for Structured Products.
- The product will be exposed to equity market risk and specific equity risk
- The investment may underperform the underlying if the underlying asset's performance is better than anticipated as the return is capped

- Leveraged risks: As derivative products is a type of leveraged investment, a small movement in the prices of the underlying might cause a larger change in the price of the derivative product
- The notes may be callable at pre-determined intervals prior to maturity, known as early redemption. The amount paid to the investor in the occurrence of early redemption may be less than the amount that would be received if the note was held until maturity
- **Worst-case scenario:** If the underlying reference share falls significantly and down to zero, the investor would suffer losses equivalent to the initial investment amount

## 10.4 Example

### Indicative Terms and Conditions

<b>Issuer</b>	Bank XYZ (Credit rating: A-)
<b>Underlying</b>	Company A
<b>Currency</b>	USD
<b>Tenor</b>	3 months
<b>Strike Price</b>	95.00%
<b>Initial Price</b>	100.00%
<b>Coupon Interest Rate</b>	12.00% p.a.
<b>Interest payable</b>	Coupon will be payable on each monthly Interest Payment Date regardless of the performance of the Shares
<b>Redemption at Maturity</b>	a) If the underlying share price is at or higher than strike price, redemption at maturity = 100% b) If the underlying share price is lower than the strike price, the investor receives shares at strike price
<b>Day Count</b>	30/360

The above is an example of the typical terms for a fixed coupon note. The key terms are the underlying, the tenor and the initial strike price.

## 10.5 Scenario Analysis

*To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the "Analysis") is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration may not take into account transaction fees and interest or dividend payments.*

### Periodic Coupons

Assume that each period consists of 30 days and the investment notional is US\$10,000,000. The periodic coupon paid will be as follows:

Period	Coupon	Calculation
Month 1	100,000	10,000,000 x 12% x 30/360

Month 2	100,000	$10,000,000 \times 12\% \times 30/360$
Month 3	100,000	$10,000,000 \times 12\% \times 30/360$

#### Scenario (a): The Underlying Share Price is at or Higher Than the Strike Price on Valuation Dates

If the underlying share price is at or higher than the strike price on valuation date, the investor will receive the nominal amount in cash. The maximum potential gain is capped at the fixed coupon amount received on monthly basis.

Final Price (as % of Initial Spot Price)	Final Price (USD)	Number of shares Accumulated	Final Value at Expiration (A)	Initial Amount Paid (B)	Profit/ (Loss) (A- B)
100%	100	0	10,000,000	10,000,000	0

#### Scenario (b): The Underlying Share Price is Below the Strike Price on Valuation Date

The investor will be obligated to receive shares at strike price. For illustration purpose, we assume that the strike price = 95% of initial level and note issue price = 100%, with investment notional amount of US\$10,000,000.

Physical delivery of shares =  $US\$10,000,000 / 95 = 105,263$  shares.

Final Price (as % of Initial Spot Price)	Final Price (USD)	Number of shares Accumulated	Final Value at Expiration (A)	Initial Amount Paid (B)	Profit/ (Loss) (A- B)
90%	90	105,263	9,473,670	10,000,000	(526,330)
80%	80	105,263	8,421,040	10,000,000	(1,578,960)
70%	70	105,263	7,368,410	10,000,000	(2,631,590)
60%	60	105,263	6,315,780	10,000,000	(3,684,220)
0%	0	105,263	0	10,000,000	(10,000,000)

#### 10.6 Fixed Coupon Notes with Knock-Out

Fixed coupon notes could include a “knock-out” feature which when triggered; the investor will no longer have the obligation to purchase the reference share upon expiration.

#### 10.7 Fixed Coupon Notes with Knock-in

Fixed coupon notes could include a “knock-in” feature. The knock-in feature adds further protection as the obligation to purchase the reference share upon expiration will only be triggered if the “knock-in” feature is triggered.

### **10.8 Worst-of basket Fixed Coupon Notes**

A variation of the fixed coupon note is one where the return is linked to a basket of securities instead of a single share. The performance would be based upon the worst-performing reference share in the basket of securities.

- At maturity, if the worst-of underlying is at or higher than its strike price, the note will be redeemed at 100%
- At maturity, if the worst-of underlying is lower than its strike price, the investor receives shares of the worst performer at the strike price

Relatively, the risk of a worst-of basket would be higher than that of a single underlying fixed coupon note.

### **10.9 Quanto Fixed Coupon Notes**

Underlying of the fixed coupon note is denominated in one currency, but the note itself is settled in another currency. This feature may be attractive for the investor who wishes to have exposure to the foreign shares, but without the corresponding exchange rate risk.



## 11. Range Accrual Note



### 11.1 Description

Range Accrual notes are structured notes where the coupon is linked to the performance of an underlying asset. A coupon is accrued for each day that the underlying asset trades within a pre-defined range and no coupon is accrued on each day that the underlying asset trades outside the range. The coupon formula is typically based on the ratio of days in which the underlying asset trades within the range against the total number of days in the period. The notes typically have call features where the issuer can call the note back at par value plus accrued coupons on predefined call dates.

Examples of underlying assets include LIBOR, constant maturity swap rates, equity indices or foreign exchange rates. The notes may also be referred to as “corridor range accrual notes”.

Most Range Accrual notes will have the entire invested principal returned at maturity as long as the note issuer has not defaulted.

For variations that are not capital protected, the investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

### 11.2 Investor Profile

- The investor seeks an enhanced yield on his capital
- The investor holds a range-bound view on the underlying asset and has the view that the underlying asset will trade within the range specified
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in structured product

### 11.3 Key Risks

- Please refer to section 2.5. Generic Risk Disclosure for Structured Products.
- Should the underlying asset trade outside the range, the investor may be stuck with an investment that pays little or no coupon
- For longer-dated notes, movements in interest rates may have an impact on the mark-to-market valuation
- **Worst-case scenario:** The underlying asset may trade outside the range specified throughout the tenor of the note and the investor will receive no coupon, incurring opportunity cost. If the issuer defaults or enters into a “credit event” and the recovery value is zero, the investor would suffer losses equivalent to the initial investment amount

### 11.4 Example

#### Indicative Terms and Conditions

Issuer	Bank XYZ (Credit rating: A-)
Underlying Index	3m USD LIBOR
Range	0.00% – 2.00%
Tenor	1 year

Coupon	5% p.a. * (A / B) A: number of days where reference index trades within the range B: total number of days in the period
Redemption at Maturity	100% plus any accrued Coupon
First Call Date and Call Option	3 months from issue date and callable every 3 months thereafter by issuer

- The investor receives the coupon for the number of days in which the reference index trades within the range specified
- The issuer can call back the note every 3 months from the date of issuance
- At redemption, the note will be redeemed at 100% if there is no issuer credit event

## 11.5 Scenario Analysis

*To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the “Analysis”) is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration may not take into account transaction fees and interest or dividend payments.*

### Scenario (a):

For illustration purpose, we assume the 3 month USD LIBOR as the underlying index, a predefined range of 0.00%–2.00%, a coupon of 5% p.a., a total number of days in the period of 250, and an investment notional amount of US\$10,000,000.

Number of days underlying asset trades within range	Profit/(Loss) (USD)	Calculation
250	500,000	$(250/250) \times 5\% \times 10,000,000$
200	400,000	$(200/250) \times 5\% \times 10,000,000$
150	300,000	$(150/250) \times 5\% \times 10,000,000$
100	200,000	$(100/250) \times 5\% \times 10,000,000$
50	100,000	$(50/250) \times 5\% \times 10,000,000$
0	0	$(0/250) \times 5\% \times 10,000,000$

## 12. Delta One Certificate



### 12.1 Description

Delta One certificates track the performance of a basket of underlying assets. The investor will forego the interest and dividend payments of the basket components which are discounted upfront in the certificates' issue price. Principal is fully exposed 1:1 to the underlying assets' performance.

This product is not capital protected. The investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

### 12.2 Investor Profile

- The investor seeks market/sector/thematic exposure through a diversified basket of underlying assets
- The investor holds a positive view on the underlying assets
- The investor is prepared to accept losses to his principal, should the value of the underlying assets fall below the initial level
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in structured product

### 12.3 Key Risks

- Please refer to section 2.5. Generic Risk Disclosure for Structured Products.
- **Worst-case scenario:** If the underlying assets' prices fall significantly or to zero, the investor would lose some or all of their principal invested in the note

### 12.4 Example

#### Indicative Terms and Conditions

Issuer	Bank XYZ (Credit rating: A-)
Currency	USD
Issue Price	100
Tenor	12 months
Underlying Asset	Company A
Initial underlying price	100
Redemption at Maturity	Redemption cash settlement amount equal to= 100% + (Final underlying price/Initial underlying price – 1)

The above is an example of the typical terms for a Delta One Certificate. The key terms are the Underlying Asset, the Tenor, and the Issue Price.

## 12.5 Scenario Analysis

To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the "Analysis") is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration may not take into account transaction fees and interest or dividend payments

### Scenario (a):

Assuming an initial investment notional of US\$10,000,000, the investor returns would be as follows:

Final price (as a % of Initial Spot Price)	Final Price (USD)	Profit/(Loss) (USD)	Calculation
130.00%	130	3,000,000	$(130\% - 100\%) \times 10,000,000$
120.00%	120	2,000,000	$(120\% - 100\%) \times 10,000,000$
110.00%	110	1,000,000	$(110\% - 100\%) \times 10,000,000$
100.00%	100	0	$(100\% - 100\%) \times 10,000,000$
90.00%	90	(1,000,000)	$(90\% - 100\%) \times 10,000,000$
80.00%	80	(2,000,000)	$(80\% - 100\%) \times 10,000,000$
....	....	....	...
10.00%	10	(9,000,000)	$(10\% - 100\%) \times 10,000,000$
0.00%	0	(10,000,000)	$(0\% - 100\%) \times 10,000,000$

## 13. Bonus Enhanced Note



### 13.1 Description

Bonus Enhanced Notes offer investors full upside participation or an enhanced “bonus coupon” as long as the underlying asset price does not fall below a predefined threshold, the “strike price”. If the underlying asset price at expiration date closes above the strike price, the investor will receive a “bonus coupon”. However, if the underlying asset performs better than the bonus coupon in percentage terms, the investor will receive the full upside participation instead.

If the underlying asset price closes below the strike price, the investor will suffer losses to his principal or receive the underlying asset at the strike price.

This product is not capital protected. Investors should be aware that in certain circumstances, the redemption amount (if any) payable to the investors at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for investors who can afford to risk the loss of all or part of his original investment.

### 13.2 Investor Profile

- The investor seeks yield enhancement on his capital but still wishes to participate in the upside of the underlying asset
- The investor holds a positive view and does not expect the underlying asset price to trade below the strike price
- The investor is prepared to accept losses to his principal, should the underlying asset price fall below the strike price
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in structured product

### 13.3 Key Risks

- Please refer to section 2.5. Generic Risk Disclosure for Structured Products.
- **Worst-case scenario:** If the underlying asset price falls significantly or to zero, the investor would lose some or all of their principal invested in the note

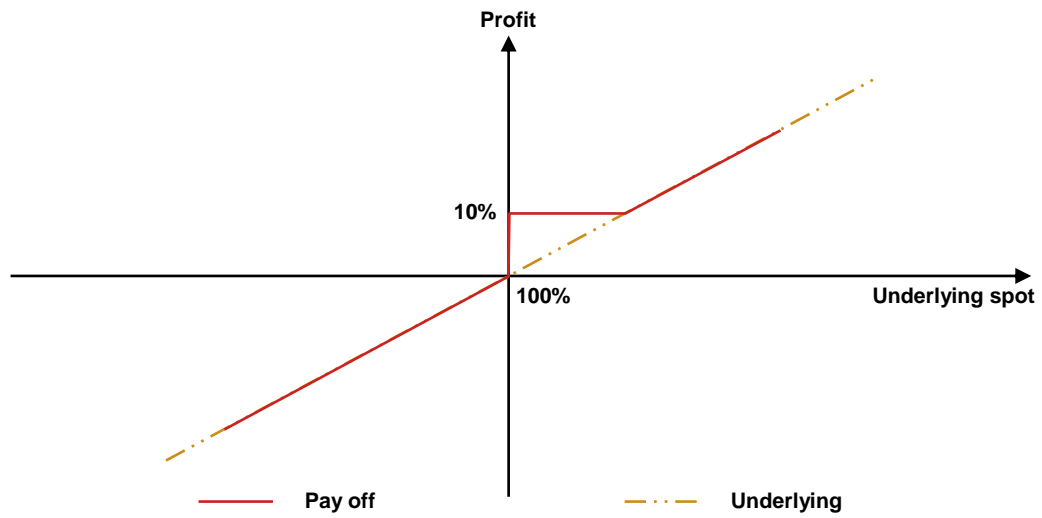
### 13.4 Example

#### Indicative Terms and Conditions

<b>Issuer</b>	Bank XYZ (Credit rating: A-)
<b>Underlying</b>	Reference Asset A
<b>Currency</b>	USD
<b>Tenor</b>	3 months
<b>Initial Spot Price</b>	100
<b>Bonus Coupon</b>	10% p.a.
<b>Strike</b>	100% of Initial Spot
<b>Redemption at Maturity</b>	a) If Final Underlying Price $\geq$ Strike, Redemption = 100% + MAX (Bonus Coupon, Final Underlying Price/ Initial Spot Price - 1)

- b) If Final Underlying Price < Strike,  
Redemption = Final Underlying Price/ Initial Spot Price or  
Physical Delivery of Underlying at Strike

### Payoff Diagram



Strike = 100%

Bonus Coupon = 10%

The above is an example of the typical terms for a Bonus Enhanced Note. The key terms are the Underlying, the Tenor, the Bonus Coupon, and the Strike.

### 13.5 Scenario Analysis

To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the "Analysis") is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration may not take into account transaction fees and interest or dividend payments.

#### Scenario (a):

For illustration purpose, we assume a strike of 100% of Initial Spot, a Bonus Coupon of 10% p.a., and an investment notional amount of US\$10,000,000.

Final Price (as a % of Initial Spot Price)	Final Price (USD)	Profit/(Loss) (USD)	Calculation
120.00%	120	2,000,000	$(120/100-1) \times 10,000,000$
110.00%	110	1,000,000	$(110/100-1) \times 10,000,000$
105.00%	105	1,000,000	$10\% \times 10,000,000$
100.00%	100	1,000,000	$10\% \times 10,000,000$
99.00%	99	(100,000)	$(99/100-1) \times 10,000,000$

<b>Final Price (as a % of Initial Spot Price)</b>	<b>Final Price (USD)</b>	<b>Profit/(Loss) (USD)</b>	<b>Calculation</b>
95.00%	95	(500,000)	$(95/100-1) \times 10,000,000$
90.00%	90	(1,000,000)	$(90/100-1) \times 10,000,000$
5%	5	(9,500,000)	$(5/100-1) \times 10,000,000$
0.00%	0	(10,000,000)	$(0/100-1) \times 10,000,000$

## 14. Bonus BIPS



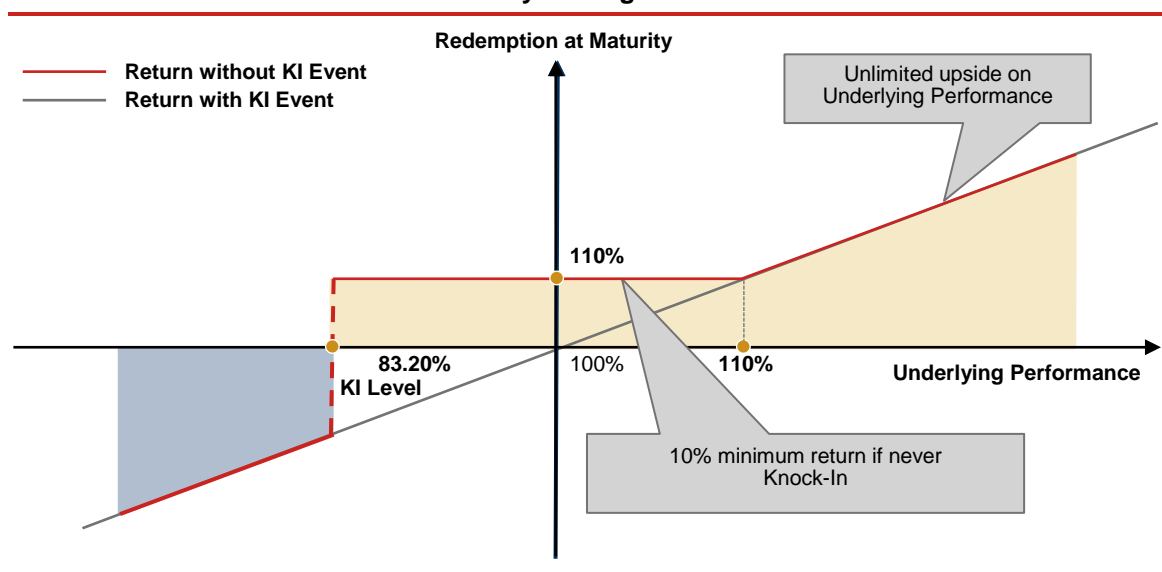
### 14.1 Description

Bonus BIPS (“BIPS”) are participation products that feature full upside participation with principal returned at maturity as long as the underlying asset does not cross a predefined barrier, called the “Knock-In” Level. As long as a Knock-In Event has not occurred, the investor will enjoy at least a minimum return due to the minimum redemption at maturity. If a Knock-In Event has occurred during the tenor of the note, the investor will receive the absolute performance of the underlying asset at maturity and be exposed to the same potential loss/gain as a direct investment in the underlying asset.

In a bullish market, BIPS offers unlimited potential upside, backed by its 1:1 upside participation on the underlying performance. In a sideways market, BIPS provides a minimum return as long as a Knock-In Event does not occur. In a market correction, BIPS offers partial downside protection by providing a minimum return as long as a Knock-In Event does not occur. Principal is at risk only if a Knock-in Event has occurred and the underlying is below the initial level at maturity.

This product is not capital protected. The investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

### Payoff Diagram



### 14.2 Investor Profile

- The investor seeks an enhanced yield on his capital, while retaining potential for unlimited upside participation
- The investor holds a neutral-to-positive view on the underlying asset
- The investor is prepared to accept losses to his principal, should a Knock-In Event have occurred and the underlying asset is below the initial spot price at maturity
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in structured product



### 14.3 Key Risks

- Please refer to section 2.5. Generic Risk Disclosure for Structured Products.
- **Worst-case scenario:** If the underlying asset has fallen below the Knock-In Level at any time during the tenor of the note, and, if at maturity, the underlying asset price fall significantly or to zero, the investor would lose some or all of their principal invested in the note

### 14.4 Example

#### Indicative Terms and Conditions

<b>Issuer</b>	Bank XYZ (Credit rating: A-)
<b>Underlying</b>	NKY <Index>
<b>Currency</b>	USD
<b>Tenor</b>	1 Year
<b>Knock-In Level</b>	83.20%
<b>Knock-In Event</b>	Daily close observation Underlying Price $\leq$ Knock-In Level
<b>No Knock-In Minimum Redemption</b>	110%
<b>Redemption at Maturity</b>	(a) If a Knock-In Event has never occurred, Redemption = Max {Final underlying price/ Initial spot price, No Knock-In Minimum Redemption} (b) If a Knock-In Event has occurred, Redemption = Final underlying price/ Initial spot price

The above is an example of the typical terms for a Bonus BIPS. The key terms are the Underlying, the Tenor, the Knock-In Level, and the No Knock-In Minimum Redemption.

## 14.5 Scenario Analysis

To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the “Analysis”) is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration may not take into account transaction fees and interest or dividend payments.

### Scenario (a): Knock-In Event has Never Occurred

In this scenario, a Knock-In Event has never occurred. For illustration purpose, we assume an initial spot price of US\$100, a Knock-In Level at 83.20% of the initial spot, a No Knock-In Minimum Redemption of 110%, and an investment notional amount of US\$10,000,000. Assume that the knock-in level of 83.20% of initial spot is never triggered during the life of the note. The illustration assumes the notes are held until the end of the note tenor.

Final Price (as a % of Initial Spot Price)	Final Price (USD)	Profit/(Loss) (USD)	Calculation
120.00%	120	2,000,000	$(120/100-1) \times 10,000,000$
115.00%	115	1,500,000	$(115/100-1) \times 10,000,000$
110.00%	110	1,000,000	$(110/100-1) \times 10,000,000$
105.00%	105	1,000,000	10% $\times$ 10,000,000
100.00%	100	1,000,000	10% $\times$ 10,000,000
95.00%	95	1,000,000	10% $\times$ 10,000,000
90.00%	90	1,000,000	10% $\times$ 10,000,000
83.30%	83.3	1,000,000	10% $\times$ 10,000,000

### Scenario (b): Knock-In Event has Occurred

In this scenario, a Knock-In Event has occurred during the tenor of the note. For illustration purpose, we assume an initial spot price of US\$100, a Knock-In Level at 83.20% of the initial spot, a No Knock-In Minimum Redemption of 110%, and an investment notional amount of US\$10,000,000. The illustration assumes the notes are held until the end of the note tenor.

Final price (as a % of Initial Spot Price)	Final Price (USD)	Profit/(Loss) (USD)	Calculation
120.00%	120	2,000,000	$(120\%-100\%) \times 10,000,000$
110.00%	110	1,000,000	$(110\%-100\%) \times 10,000,000$
100.00%	100	0	$(100\%-100\%) \times 10,000,000$
90.00%	90	(1,000,000)	$(90\%-100\%) \times 10,000,000$
80.00%	80	(2,000,000)	$(80\%-100\%) \times 10,000,000$
...	...	...	
5.00%	5	(9,500,000)	$(5\%-100\%) \times 10,000,000$
0.00%	0	(10,000,000)	$(0\%-100\%) \times 10,000,000$

#### 14.6 Worst-of Basket Bonus BIPS

A variation of the Bonus BIPS is one where the return is linked to a basket of securities instead of a single security. The performance would be based upon the worst-performing reference asset in the basket of securities.

- If the worst-of underlying falls below the Knock-In Level, instead of a minimum redemption, the investor receives 1:1 performance (or delivery of underlying security) of the worst performer at the initial spot price.
- If the worst-of underlying does not fall below the Knock-In Level, the note's performance will be the **higher** of 1) the No Knock-In Minimum Redemption or 2) the performance of the worst performing underlying security.

The risk of a worst-of basket Bonus BIPS is higher than that of a single underlying Bonus BIPS.

#### 14.7 Quanto Bonus BIPS

Underlying of the Quanto Bonus BIPS is denominated in one currency, but the Quanto Bonus BIPS is settled in another currency. This feature may be attractive for the investor who wishes to have exposure to the foreign shares, but without the corresponding exchange rate risk.

## 15. Twin-Win Autocallable Note



### 15.1 Description

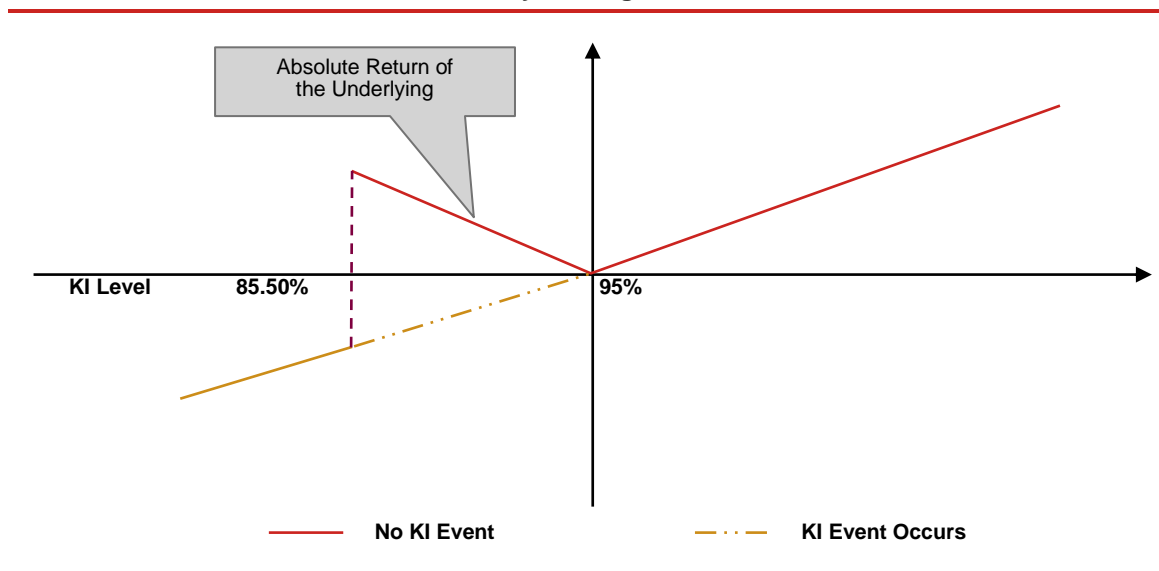
Twin-Win Autocallable Notes offer the investor participation in rising markets as well as falling markets. Falling underlying asset price converts into profit as long as the underlying asset price does not cross a predefined barrier, called the “Knock-In” level. If a Knock-In Event has occurred during the tenor of the note, the note’s performance will be the same as the underlying asset at maturity and be exposed to the same percentage loss/gain as a direct investment in the underlying asset.

The note may be early redeemed before maturity where the investor will receive back his principal and a Coupon if the underlying asset price is at or above the Autocall Level on an Observation Date.

There are embedded put and call options on the underlying asset. The Knock-In Level is typically set below the prevailing market price at inception. The Autocall Level could be set at or slightly below the prevailing market price at inception. The Autocall Level will not be set at or below the Knock-In Level. The underlying asset could be an index, exchange-traded fund, share or other asset.

This product is not capital protected. The investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

**Payoff Diagram**



The red line indicated above illustrates the payoff at maturity of the product assuming no Knock-In event occurred during the life of the product.

The orange line indicated above illustrates the payoff at maturity of the product assuming a Knock-in event has occurred during the life of the product.

### 15.2 Investor Profile

- The investor seeks upside participation and some downside participation on the underlying asset

- The investor holds a neutral-to-positive view and does not expect the underlying asset to trade below the Knock-In Level during tenor of the note
- The investor is prepared to accept losses to his principal, should a Knock-In Event have occurred and the underlying asset is below the initial spot price at maturity
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in structured product

### 15.3 Key Risks

- Please refer to section 2.5. Generic Risk Disclosure for Structured Products.
- 
- The note may underperform the underlying asset if the underlying asset's performance is better than anticipated and the note is Autocalled
- **Worst-case scenario:** If the underlying asset has fallen below the Knock-In Level at any time during the tenor of the note, and, if at maturity, the underlying asset price fall significantly or to zero, the investor would lose some or all of their principal invested in the note

### 15.4 Example

#### Indicative Terms and Conditions

<b>Issuer</b>	Bank XYZ (Credit rating: A-)
<b>Underlying</b>	Reference Asset A
<b>Currency</b>	USD
<b>Tenor</b>	12 months
<b>Initial Spot</b>	100
<b>Coupon Per Note (Paid on Early Redemption Event)</b>	6.00% p.a.
<b>Autocall Level (Early Redemption Event)</b>	95% of Initial Spot
<b>Early Redemption Event</b>	An Early Redemption Event is deemed to have occurred if underlying asset price is greater than or equal to the Autocall Level on monthly observation date Upon the occurrence of an Early Redemption Event, the investor will receive the Coupon and the Notes will be early redeemed at 100% of the principal amount
<b>Knock-In Level</b>	85.5% of Initial Spot
<b>Knock-In Event</b>	A Knock-In event occurs if the underlying asset price is below the Knock-In level on any business day during the tenor of the note

### Indicative Terms and Conditions

<b>Redemption at Maturity</b>	If an Early Redemption Event has not occurred,
	a) If a Knock-In Event has <b>never</b> occurred, Redemption = 100% + MAX (Final underlying price/ Initial spot price – 1, 1 – Final underlying price/ Initial spot price) b) If a Knock-in event has occurred, Redemption = Final underlying price/ Initial spot price

The above is an example of the typical terms for a Twin-Win Autocallable Note. The key terms are the Underlying, the Tenor, the Coupon, the Autocall Level, and the Knock-In Level.

## 15.5 Scenario Analysis

*To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the “Analysis”) is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration may not take into account transaction fees and interest or dividend payments.*

### 15.5.1 Scenario (a): Early redemption occur

If the note is early redeemed because the underlying price is greater than or equal to **the Autocall Level on monthly observation date**, the investor will receive the Coupon and the Notes will be early redeemed at 100% of the principal amount.

### 15.5.2 Scenario (b): Knock-In Event has Never Occurred

In this scenario, a Knock-In Event has never occurred. For illustration purpose, we assume an initial spot price of US\$100, a Knock-In Level at 85.5% of the initial spot, and an investment notional amount of US\$10,000,000. Assume that Knock-in level of 85.5% has never been triggered. The illustration assumes the notes are held until the end of the note tenor.

Final price (as a % of Initial Spot Price)	Final Price (USD)	Profit/(Loss) (USD)	Calculation
130.00%	130	3,000,000	(130%-100%) x 10,000,000
120.00%	120	2,000,000	(120%-100%) x 10,000,000
110.00%	110	1,000,000	(110%-100%) x 10,000,000
100.00%	100	0	(100%-100%) x 10,000,000
90.00%	90	1,000,000	(100%- 90%) x 10,000,000
85.60%	85.6	1,440,000	(100%- 85.6%) x 10,000,000

### 15.5.3 Scenario (c): Knock-In Event has Occurred

In this scenario, a Knock-In Event has occurred during the tenor of the note. For illustration purpose, we assume an initial spot price of US\$100, a Knock-In Level at 85.50% of the initial spot, and an investment notional amount of US\$10,000,000. The illustration assumes the notes are held until the end of the note tenor.

<b>Final price (as a % of Initial Spot Price)</b>	<b>Final Price (USD)</b>	<b>Profit/Loss (USD)</b>	<b>Calculation</b>
130.00%	130	3,000,000	$(130\% - 100\%) \times 10,000,000$
120.00%	120	2,000,000	$(120\% - 100\%) \times 10,000,000$
110.00%	110	1,000,000	$(110\% - 100\%) \times 10,000,000$
100.00%	100	0	$(100\% - 100\%) \times 10,000,000$
90.00%	90	(1,000,000)	$(90\% - 100\%) \times 10,000,000$
80.00%	80	(2,000,000)	$(80\% - 100\%) \times 10,000,000$
70.00%	70	(3,000,000)	$(70\% - 100\%) \times 10,000,000$
....	....	....	...
10.00%	10	(9,000,000)	$(10\% - 100\%) \times 10,000,000$
0.00%	0	(10,000,000)	$(0\% - 100\%) \times 10,000,000$

## 16. Dual Currency Investment (DCI) or Dual Currency Note (DCN)



Dual Currency Investments (DCI) is a type of structured product embedded with foreign exchange derivatives. The investment offers an enhanced yield in exchange for the investor taking on the foreign exchange risk of the alternative currency. The tenor of such product is usually ranging from one week to twelve months. A variation of the DCI is a Dual Currency Note (DCN) which is issued by a third party issuer.

The key difference between Dual Currency Investment and Dual Currency Note is the counterparty risk that the investor will be taking. For a DCI, the investor will be taking the counterparty risk of Nomura while in a Dual Currency Note, the investor will be taking the counterparty risk of the issuer of the note.

This product is not capital protected. The investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

### 16.1 Investor Profile

- The investor seeks an enhanced yield on his capital
- The investor is willing to take foreign exchange risk in exchange for the potential to earn an enhanced yield
- The investor holds a neutral view on the base currency against the alternative currency, or the investor is comfortable with holding either the base or the alternative currency specified in the product and is indifferent to receiving the principal amount in the base currency or its equivalent value in the alternative currency
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in structured product

### 16.2 Key Risks

- Please refer to section 2.5. Generic Risk Disclosure for Structured Products.
- DCI and DCNs are structured products which involve derivatives and are not deposits and not protected under any government or private protection or compensation scheme
- The products are exposed to foreign exchange risk. They are principal-at-risk investments where the payoff is linked to the performance of the exchange rate of a pair of currencies. When the alternative currency depreciates against the base currency, the investor may face risk to the principal amount
- There are no liquid markets for the products and the investor may not be able to redeem the products early or may incur additional costs if the products are redeemed prior to expiration. If the investor redeems the products earlier, it may result in a lower rate of return for the investor or a loss of the initial base principal amount invested. Nomura may, in its sole discretion, charge, expenses in relation to early withdrawal or early termination (including without limitation, any break cost, administrative cost, cost of unwinding any hedge being put in place, cost of funding or loss of bargain)
- For any DCI and DCN which involves the Chinese Renminbi (currently a restricted currency), due to exchange controls and/or restrictions imposed on the convertibility or utilization of the currency which in turn is affected by, amongst other things, the PRC government's control, there could be disruption in the transferability, convertibility or liquidity of the currency. As such, there is a possibility that the investor may not be able to convert the Chinese Renminbi received into other freely convertible currencies. The investor should understand that the



product will be settled in CNY deliverable in Hong Kong, which is different from that of CNY deliverable in Mainland China. As both markets operate independently where the flow between them is highly restricted, both are currently traded at different exchange rates and their movements may not be in the same direction or scale. The investor must therefore be comfortable with the Calculation Agent's good faith in determination of the Fixing Rate.

- **Worst-case scenario:** If the underlying alternative currency falls significantly and becomes worthless, the investor would suffer losses equivalent to the initial investment amount. If the issuer or counterparty defaults, the investor could lose a substantial amount, or all of the initial investment amount

### 16.3 DCI or DCN- Example

#### Indicative Terms and Conditions

Base Currency	USD
Alternative Currency	SGD
Principal Amount	US\$200,000
Strike Rate	1.36
Initial Spot Rate	1.3425
Interest Rate	6.00% p.a.
Investment Period	31 days
Redemption at Maturity	<p>On the Fixing Date at the Fixing Time:</p> <p>(1) If the Fixing Spot Rate of [USD/SGD] is greater than or equal to the [Strike Rate 1.36], meaning SGD depreciates against USD, the principal and interest will be repaid in SGD calculated at the Strike Rate</p> <p>(2) If the Fixing Spot Rate is less than the [Strike Rate 1.36], , the principal and interest will be repaid in USD</p> <p>(3) If the Fixing Spot Rate is equal to the [Strike rate 1.36] as determined by the Calculation Agent,</p> <p>(i) Nomura has the right, but not the obligation, to exercise the option to pay the investor on the Maturity Date, the principal and interest in SGD calculated at the Strike Rate, or</p> <p>(ii) If Nomura does not exercise the option, it will pay the investor on the Maturity Date, the principal and interest in USD</p>
Day Count	ACT/365

The investor may customize the terms of the DCI or DCN. The key terms are the alternative currency, the strike rate and investment tenor.

Strike rate represents the stated foreign exchange rate for which the underlying amount may be bought or sold by the option holder upon exercise of the option contract. Currency pairs are generally quoted according to widely used market convention spot exchange rates, the triggers (whether to determine if the base or alternate currency should be repaid at maturity) are all measured on a relative basis as to whether the spot exchange rate has weakened or strengthened against the relevant levels.

## 16.4 Scenario Analysis

To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the “Analysis”) is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration may not take into account transaction fees and interest or dividend payments.

	Amount	Workings
Principal Amount (USD)	200,000	
Interest Amount (USD)	1,019	200,000 x 6% x 31/365
Principal + Interest (in base currency)	201,019	200,000 + 1,019
If converted, principal + interest (in alternative currency)	SGD 273,386	201,019 x 1.36

	Principal + Interest repayable at Maturity Date	Fixing Spot Rate	Return and Risk Analysis	
			If converted to base currency at fixing rate	Net Return
<b>Scenario (a): Positive Scenario</b> SGD Appreciates Against the USD. Receive in USD.	US\$201,019	1.2083	N/A	Gain US\$1,019
<b>Scenario (b): Neutral Scenario</b> SGD Neither Appreciates Nor Depreciates Against the USD. Receive in USD	US\$201,019	1.3425	N/A	Gain USD1,019
<b>Scenario (c): Downside Scenario</b> SGD Depreciates Against the USD. Receive in Alternative Currency SGD	SGD 273,386	1.4768	SGD 273,386 Convert to USD at Fixing Spot Rate = USD\$185,121 (SGD 273,386 converted at 1.4768)	Loss USD14,879  (200,000–185,121)
<b>Scenario (d): Receive in Alternative Currency SGD. Worst Case</b> SGD Becomes Valueless	SGD 273,386	0	SGD 273,386 Convert to USD at Fixing Spot Rate = USD\$0 (SGD 273,386 converted at 0)	Loss USD200,000

In both the positive scenario and the middle of the road scenario where the principal amount is not converted to the alternative currency, the investor's upside will be the gain of the interest amount of US\$1,019.18

In the downside case scenario, your Redemption Amount (i.e., Principal Amount and Interest) will be paid in the alternative currency at the Strike Rate given it depreciates against the base currency. This means the investor will suffer a loss if he converts the Redemption Amount into the Base Currency using the Fixing Spot Rate.

In the worst case scenario, should the alternative currency become valueless, it would mean that the entire principal amount is lost as the alternative currency will not be worth anything.

**Scenario (e): The Issuer or Counterparty Becomes Insolvent or Defaults on its Obligations**

Assuming that the Issuer becomes insolvent during the tenor of this product or defaults on its obligations under this product, you can only claim as its unsecured creditor. You may get nothing back and suffer a total loss of your investment amount.

**16.5 Cancellation of Investment**

In the event the investor requests to cancel the Dual Currency Investment before the investment amount has been debited from the investor's account or fails or neglects to place the investment amount on trade date, Nomura shall have the right to cancel the Dual Currency Investment and charge all costs and expenses incurred arising from the aforementioned failure or neglect (the "Cancellation Cost"). The Cancellation Cost will be debited from the investor's account and the calculation by Nomura shall be conclusive and binding on the investor save for manifest error.

## 17. Triple Currency Note (TCN)



Triple Currency Note (TCN) is a variation of the Dual Currency Investment (DCI) or Dual Currency Note (DCN). Like a DCI or DCN, it provides holder with an enhanced yield in exchange for taking the foreign exchange risk of two alternative currencies. The tenor of such product is usually ranging from one week to twelve months. Unlike the DCI or DCN, the principal amount can be returned in one of two alternative currencies. As compared to a DCI or DCN, the TCN would offer a higher yield, all else equal.

This product is not capital protected. The investor should be aware that in certain circumstances, the redemption amount (if any) payable to the investor at maturity may be less than the principal sum invested in the product. Accordingly, a purchase of this product is only appropriate for the investor who can afford to risk the loss of all or part of his original investment.

### 17.1 Investor Profile

- The investor seeks an enhanced yield on his capital
- The investor is willing to take foreign exchange risk in exchange for the potential to earn an enhanced yield
- The investor holds a neutral view on the base currency against the two alternative currencies, or the investor is comfortable with holding either the base or either of the alternative currencies specified in the product and is indifferent to receiving the principal amount in the base currency or its equivalent value in either of the two alternative currencies
- Professional investor as defined under the Securities and Futures Ordinance of Hong Kong or Accredited investor as defined under the Securities and Futures Act of Singapore is eligible and should possess prior experience in investing in structured product

### 17.2 Key Risks

- Please refer to section 2.5. Generic Risk Disclosure for Structured Products.
- This is a structured product which involves derivatives and is not a deposit and not protected under any government or private protection or compensation scheme
- The product is exposed to foreign exchange risk. It is a principal-at-risk investment where the payoff is linked to the performance of the exchange rate of a pair of currencies. When either or both of the two alternative currencies depreciate against the base currency, the investor may face risk to the principal amount. Nomura may, in its sole discretion, charge, expenses in relation to early withdrawal or early termination (including without limitation, any break cost, administrative cost, cost of unwinding any hedge being put in place, cost of funding or loss of bargain)
- There are no liquid markets for the notes and the investor may not be able to redeem the notes early or may incur additional costs if the notes are redeemed prior to expiration. If the investor redeems the product earlier, it may result in a lower rate of return for the investor or a loss of the initial base principal amount invested
- **Worst-case scenario:** If the worst-performing alternative currency falls significantly and becomes worthless, the investor would suffer losses equivalent to the initial investment amount. If the issuer defaults, the investor would lose a substantial amount of the initial investment amount

### 17.3 TCN – How Does It Work?

An investor is looking to invest USD for three months and is comfortable in receiving either AUD or NZD at the pre-determined exchange rates. The investor enters the TCN structure. The distance of the strike rates to the current market rates will impact the yield which the investor will

receive. The nearer the strike rates are to the initial spot rate, the higher the risk of conversion and thus, the higher the yield.

Assuming the terms of the trade as below:

<b>Terms</b>	
Base principal amount	US\$500,000
AUD conversion rate	0.68
NZD conversion rate	0.65
Interest Rate	4%
Investment Tenor (days)	60
Day Count	360
Principal Maturity Amount	US\$503,333.33

For the following example assume:

AUD/USD exchange rate at time of booking is AUD1 = \$0.7250

**A 'conversion rate' for the deposit is set at AUD1 = \$0.6800**

NZD/USD exchange rate at time of booking is NZD 1 = \$0.6750

**A 'conversion rate' for the deposit is set at NZD 1 = \$0.6500**

An annualized yield is determined for the USD denominated note (4.0% in the example).

If at maturity the exchange rate is higher than the conversion rates, the client receives principal and 4.0% annualized interest in USD.

If at maturity the exchange rate is less than the conversion rates, the client receives principal and 4.0% annualized interest in USD paid in either AUD or NZD (in the example, USD is converted to AUD at the pre-agreed conversion rate of AU\$1 = 0.6800 and to NZD at the pre-agreed conversion rate of NZ\$1 = 0.6500).

Principal maturity amount = Principal Amount x (1+interest rate x investment tenor (days)/day count).

## 17.4 Scenario Analysis

*To illustrate the features of the product, please refer to the analysis below. The analysis presented below (the "Analysis") is provided for illustrative purposes only. The Analysis does not purport to show all possible scenarios or outcomes. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes. The illustration may not take into account transaction fees and interest or dividend payments.*

### 17.4.1 Scenario (a): Trade Was Expired at Expiry, Both Alternate Currencies Appreciate Against the Base Currency

If both AUD and NZD rise against USD then the client will receive the base currency maturity amount in USD which will be equal to the USD principal amount plus the interest amount earned over the period.

**17.4.2 Scenario (b): Trade Was Exercised at Expiry as Both Alternate Currencies Traded at their Conversion Levels Against the Base Currency**

If both AUD and NZD trade at their conversion levels against USD then the client is likely to get back USD principal plus interest (additional interest received over and above interest rate on a normal USD deposit of the same maturity) or converted into either AUD or NZD at the discretion of the issuer.

**17.4.3 Scenario (c): Trade Was Exercised at Expiry, AUD Depreciates Below Its Conversion Level but NZD Still Stays Above the Conversion Rate**

If NZD rises against the USD and AUD trades at or below its conversion rate, then the client is likely to get back USD principal plus interest (additional interest received over and above interest rate on a normal USD deposit of the same maturity) converted into AUD at the conversion level.

**17.4.4 Scenario (d): Trade Was Exercised at Expiry, NZD Depreciates Below Its Conversion Level but AUD Stays Above the Conversion Rate**

If AUD rises against the USD and NZD trades at or below its conversion level, then the client is likely to get back USD principal plus interest (additional interest received over and above interest rate on a normal USD deposit of the same maturity) converted into NZD at the conversion level.

**17.4.5 Scenario (e): Trade Was Exercised at Expiry, Both Alternate Currencies Depreciates Below their Conversion Levels**

If both AUD and NZD fall against the USD then the client is likely to get back USD principal plus interest converted into either AUD or NZD. The investor will receive the worse-performing currency, i.e., the currency which fell more on a percentage basis.

The table below summarizes the various scenarios and net return.

	Amount	Workings
Principal Amount (USD)	500,000	
Interest Amount (USD)	3,333	500,000 x 4% x 60/360
Principal Maturity Amount	503,333	500,000 + 3,333
If converted, principal maturity amount (in alternative currency - AUD)	AU\$740,196	503,333/0.68
If converted, principal maturity amount (in alternative currency- NZD)	NZD774,359	503,333/0.65

	Return and Risk Analysis				
	Principal + Interest	Fixing Rate (AUD/USD)	Fixing Rate (NZD/USD)	If converted to base currency at fixing rate	Net Return
<b>Scenario (a): Best Case Scenario Both AUD and NZD Appreciate Against USD</b>	US\$503,333	0.7	0.67	503,333.33	Gain USD3,333.33

<b>Scenario (b): Neutral Scenario Both AUD and NZD Trade at their Respective Strike Rates.</b>	Either AU\$740,196.08 or NZ\$774,358.97	0.68	0.65	503,333.33	Gain USD3,333.33
<b>Scenario (c): AUD Depreciates Below the Conversion Rate but NZD Stays Above the Conversion Rate</b>	AU\$740,196	0.66	0.67	488,529.41 (740,196x0.66)	Loss US\$11,471
<b>Scenario (d): NZD Depreciates Below the Conversion Rate but AUD Stays Above the Conversion Rate</b>	NZ\$774,359	0.7	0.63	487,846.15 (774,359x0.63)	Loss US\$12,154
<b>Scenario (e): Both AUD and NZD Depreciates Below the Conversion Rate with AUD Falling by a Greater %</b>	AU\$740,196	0.6	0.64	444,117.65 (740,196x0.60)	Loss US\$55,882

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