NOMURA

Nomura Credit Beta Index Family

Index summary disclosures

Global Markets
Index Structuring

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STRICTLY PRIVATE AND CONFIDENTIAL

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Executive Summary

The Nomura Credit Beta Indices

Overview

What are the Indices?

Each index in the Nomura Credit Beta Index Family set forth in the table below (each, an "**Index**" and, together, the "**Indices**") is a rules-based index created by Nomura International plc (the "**Index Sponsor**" and the "**Index Calculation Agent**"). Each Index is intended to measure the performance of a "beta" investment strategy in credit derivatives, which consists of holding a long-only position (i.e., selling protection) in the "on-the-run" (i.e., most recently created) series of a related benchmark Markit CDX or Markit iTraxx credit default swap index (each, an "**Underlying CDS Index**"). Each Underlying CDS Index reflects the performance of a basket of single-name credit default swaps on particular entities (each, a "**Reference Entity**") in particular segments and regions of the credit markets, as described below.

Each Index was created by the Index Sponsor in June 2015. The level of each Index is calculated in the applicable denomination using a base level of 100 as of the applicable index base date. The table below sets forth the name and Bloomberg ticker symbol for each Index as well as its corresponding Underlying CDS Index, Index Base Date and denomination.

Nomura Credit Beta Index	Bloomberg Ticker	Index Base Date	Denomination	Underlying CDS Index	Bloomberg Ticker of Underlying CDS Index
Nomura North America Investment Grade 5Y Unfunded Credit Index	NMCBUUIG	September 27, 2004	U.S Dollars	Markit CDX North America Investment Grade Index (the "**NA IG Index**")	CDX IG CDSI GEN 5Y Corp
Nomura North America High Yield 5Y Unfunded Credit Index	NMCBUUHY	November 29, 2004	U.S Dollars	Markit CDX North America High Yield Index (the "**NA HY Index**")	CDX HY CDSI GEN 5Y PRC Corp
Nomura Europe Main 5Y Unfunded Credit Index	NMCBUEMA	September 20, 2004	Euro	Markit iTraxx Europe Index (the "**EU IG Index**")	ITRX EUR CDSI GEN 5Y Corp
Nomura Europe Crossover 5Y Unfunded Credit Index	NMCBUEXO	September 20, 2004	Euro	Markit iTraxx Europe Crossover Index (the "**EU HY Index**")	ITRX XOVER CDSI GEN 5Y Corp

What is a Credit Default Swap?

A credit default swap ("**CDS**") is a contract between two parties pursuant to which one party acts as a seller of credit protection to the other party by agreeing to pay such other party, upon a specified credit event (as described below) in respect of a Reference Entity, an amount generally equal to the difference between par (100% of the defaulted obligation's notional amount) and the residual value of the cheapest-to-deliver deliverable obligation with respect to such Reference Entity following such credit event (expressed as a percentage of its notional amount), which is typically decided by auction. In consideration for bearing this risk of a credit event, the credit protection seller receives payments, often in the form of quarterly coupon payments at a per-annum rate, from the credit protection buyer. Therefore, the value of a CDS fluctuates based on the increasing or decreasing probability that a Reference Entity will experience a credit event. If the probability of a credit event for a Reference Entity increases (based on market expectations), the CDS will decline in value for the CDS seller, and if the probability of a credit event decreases (based on market expectations), the CDS will increase in value for the CDS seller.

Overview of the Indices and the Underlying CDS Indices

Each Underlying CDS Index reflects the performance of a basket of Reference Entities in particular segments and regions of the credit markets, as described below. A new series (i.e., a new index that includes a new group of Reference Entities) for each Underlying CDS Index is released on a semi-annual basis, and such series becomes the "on-the-run" series. Each Underlying CDS Index has a set of defined rules and criteria to determine the entities eligible for potential inclusion in each new series of such Underlying CDS Index. These rules take into account, among other things, credit ratings and minimum liquidity requirements. Once the entities eligible for potential inclusion in each new series of an Underlying CDS Index are determined based on such rules, the Reference Entities included in each new series are determined based on a dealer poll of investment banks in the market. In addition, a fixed coupon amount (i.e., the payment the protection seller will receive) for each new series of each Underlying CDS Index is determined by Markit based on industry rates, and this fixed coupon amount determined by Markit (as well as any upfront amount, as described below) will be reflected in determining the value of the relevant Index. For more information about each Underlying CDS Index, including the particular credit market(s) each Underlying CDS Index tracks, see "The Underlying CDS Indices" below.

Each Index reflects the total return of holding a long position in the "on-the-run" series of the respective Underlying CDS Index, which is the position taken by a seller of CDS protection on the most recent series of the relevant Underlying CDS Index, and then continuously "rolling" that position into the latest series of such Underlying CDS Index. Each Index notionally "sells protection" on the applicable current on-the-run Underlying CDS Index and thus notionally represents a long credit position in the then-current Reference Entities of each applicable series. By notionally representing the position of a credit default swap protection seller, the Indices are credited with quarterly interest payments (described below) and sustain losses due to notional payments required to be made to the buyer of credit protection with respect to any Reference Entity that experiences a credit event. A "credit event" with respect to each Reference Entity means one or more of the following (each as defined in accordance with standard ISDA terms): (i) Bankruptcy; (ii) Failure to Pay; (iii) Obligation Acceleration; (iv) Obligation Default; (v) Repudiation/Moratorium; (vi) Restructuring (including M(M)R Restructuring); and (vii) Governmental Intervention. The Indices also increase or decrease in value based on movements in the mark-to-market value of the applicable Underlying CDS Index, which reflects changes in the market's perception of a likelihood of a credit event with respect to the Reference Entities.

Each Index takes into account all of the components of the return of its notional long position, which, as more fully described below, include:

(i) any "upfront amount" paid or received by the protection seller. An upfront amount is either paid or received when a credit default swap is created in order to offset the difference between the fixed coupon and the market spread. For example, if the market spread of an Underlying CDS Index is tighter than the fixed coupon, the applicable Index (as a notional protection seller) will be required to pay an upfront amount, as it will be receiving a greater fixed spread than the market dictates it should be. On the other hand, if the spread of an Underlying CDS Index is wider than the fixed coupon, the applicable Index (as a notional protection seller) will receive an upfront amount from the protection buyer, as the protection buyer will be paying a fixed coupon that is lower than the spread determined by the market;

(ii) any funding cost paid or received in relation to the upfront amount;

(iii) the fixed rate coupon received by the protection seller (or any clawback amount rebated to the protection buyer in certain limited circumstances due to a credit event, as described below);

(iv) changes in the mark-to-market value of the position in the relevant Underlying CDS Index;

(v) any payment made by the protection seller following a credit event in respect of a Reference Entity included in the on-the-run series of the relevant Underlying CDS Index (i.e., any "auction settlement amounts," as defined under and determined in accordance with standard ISDA terms); and

(vi) the amount of any loss related to a credit event with respect to a Reference Entity where an auction is not held as well as any loss resulting from closing out a position in a Reference Entity affected by an M(M)R Restructuring Event, each as further described herein.

Each Index generates returns based on the fixed coupon payments it receives for notionally selling credit protection and will generally also increase in value if market expectations regarding the probability of a credit event of the applicable Reference Entities decrease. However, each Index will decrease in value if market expectations regarding the probability of a credit event of the applicable Reference Entities increase, and the relevant Index may suffer significant losses if a credit event occurs with respect to one or more of the applicable Reference Entities. The probability of a credit event, the recovery rate (i.e., the percentage of par value that would be paid with respect to the cheapest-to-deliver deliverable obligation for such Reference Entity following a credit event) and market expectations about those factors are therefore significant factors that will impact the value and market price of the Indices. As more fully described in the risk factors section, the market's perception of the credit quality of the applicable Reference Entities may be highly volatile and may change rapidly following the availability of new information, and therefore, the level of an Index may fluctuate significantly and may suffer large and sudden declines.

As a credit default swap index that notionally sells protection, each Index will tend to exhibit more positive performance during periods of bullish credit markets, which are typically periods characterized by no or very few credit events, downgrades and/or tightening in spreads in the particular segment or region. On the other hand, each Index will likely perform poorly during periods of bearish credit markets, which are typically periods characterized by many credit events, downgrades and/or widening in spreads in the particular segment or region. Each Underlying CDS Index is concentrated in a particular credit market, and thus any single negative economic, political or regulatory occurrence affecting such credit market may result in significant losses for such Underlying CDS Index and the related Index.

The Underlying CDS Indices

The Underlying CDS Indices currently include the NA IG Index, the NA HY Index, the EU IG Index and the EU HY Index, each with a maturity of five years, which are part of the family of credit indices owned, managed, compiled and published by Markit that track different segments of the debt markets across different regions, as follows:

- The NA IG Index is composed of 125 of the most liquid North American entities with investment grade credit ratings that trade in the CDS market.
- The NA HY Index is composed of 100 liquid North American entities with high yield credit ratings that trade in the CDS market.
- The EU IG Index is composed of 125 liquid European entities with investment grade credit ratings that trade in the CDS market.
- The EU HY Index is composed of up to 75 European entities that do not have investment grade credit ratings.

These Underlying CDS Indices are designed to allow market participants to take a view on the overall credit quality and direction of the particular group of Reference Entities by trading one instrument.

Each Reference Entity included in the Underlying CDS Indices is generally allocated an equal or approximately equal index weighting, with the weighting of each Reference Entity being equal to (i) one divided by (ii) the number of Reference Entities in such Underlying CDS Index, expressed as a percentage with three decimal places. The weighting of each Reference Entity included in an Underlying CDS Index is set forth in the applicable index annex for such Underlying CDS Index.

The Index Sponsor has derived the information about the Underlying CDS Indices and their sponsor from publicly available information, without independent verification. For more information regarding the respective Underlying CDS Index, see the respective index rulebook published by Markit, available at http://www.markit.com/Documentation/Product/CDX, in the cases of the NA IG Index and the NA HY Index, or http://www.markit.com/Documentation/Product/ITraxx, in the cases of the EU IG Index and the EU HY Index (or any successor website).

Rolling of the Underlying CDS Indices and the Indices

Each Index consists of a hypothetical market-standard CDS on the relevant Underlying CDS Index, which is "rolled" semi-annually into the latest series, on a specified index roll date. An Index is generally deemed to be invested, and calculated based on an investment, in the on-the-run series of the Underlying CDS Index that it tracks and, therefore, must be "rolled" into the new series when it becomes the on-the-run series. New series of an Underlying CDS Index are typically published by Markit semi-annually in March and September of each year and, as a result of such rolling, the new series becomes the "on-the-run" series of the Underlying CDS Index and the previous series are referred to as the "off-the-run" series of the Underlying CDS Index. As part of the rolling process, the composition of each new series is established based on the eligibility criteria for the relevant Underlying CDS Index, which may result in the exclusion of certain constituents of the previous series and/or the inclusion of new constituents. Each time a new series of an Underlying CDS Index is published, the CDS position represented by the corresponding Index is rolled into the new on-the-run series, with the return of such Index therefore reflecting the value of terminating the long position in the old off-the-run series and simultaneously establishing a position in the new on-the-run series (excluding any transaction costs in connection with such rolling); provided that, as discussed below, the Index Calculation Agent may delay the rolling if it determines in its reasonable discretion that the new on-the-run series would not be sufficiently liquid or sufficiently actively traded and/or publicly quoted on the scheduled roll date to permit such rolling on reasonable terms and within a reasonable period of time. In the event of a credit event by a Reference Entity, if the index roll date occurs before the date on which an auction with respect to swaps on such Reference Entity's credit takes place, the Index Calculation Agent will generally complete the roll prior to the auction, in order to maintain the hypothetical position in the on-the-run series of the Underlying CDS Index. In that case, as the roll occurs before the auction, the value of the Underlying CDS Index (and therefore the value or level of the relevant Index) as of the time of the roll is expected to reflect the fact that the auction is pending, rather than reflecting the price to be established in the auction.

Each Index, as noted, generally is calculated based on the current on-the-run series of the relevant Underlying CDS Index, in accordance with the specifications and methodology established by Markit with respect to the Underlying CDS Indices. However, the Index Calculation Agent has the authority to calculate an Index in a manner, or to take other actions, that differ from the Markit methodology, if, in the reasonable discretion of the Index Calculation Agent, such action is necessary or advisable to preserve the investability of the Index and to achieve the objectives of the applicable Index. For example, the Index Calculation Agent may delay the rolling of the hypothetical position in an Underlying CDS Index if it determines in its reasonable discretion that the new on-the-run series would not be sufficiently liquid or sufficiently actively traded and/or publicly quoted on the scheduled roll date to permit the hypothetical position to be rolled into the new on-the-run series on reasonable terms and within a reasonable period of time. The Index Calculation Agent may take similar actions in other circumstances that could adversely affect the investability of an Index. These actions could result in a reduction or elimination of the correlation between the value or level of an Index and the value or level of an Underlying CDS Index.

For more information regarding the rolling of an Index's hypothetical market-standard CDS on the relevant Underlying CDS Index, see the Index Description for the Nomura Credit Beta Indices.

Index Charges

Each Index is priced "at mid," based on the arithmetic average of the bid quote and the ask quote (which are, in turn, based on the arithmetic average of the last bid or ask levels on the relevant Underlying CDS Index published by Bloomberg before each of the specified quotation times on the given index business day). There is no charge deducted from the level of the Indices relating to transaction costs for maintaining the Indices (including costs for engaging in related hedging activities).

However, although no charge is deducted from the level of an Index itself relating to transaction costs for maintaining such Index (including costs for engaging in related hedging activities), such costs may be deducted pursuant to the terms of any swap or other transaction entered into based on any of the Indices.

Index Disruption Events, Adjustments and Cancellation

Index Disruption Events

Upon the occurrence of certain disruption events in the CDS markets affecting an Index (such as a lack of, or a material decline in, the liquidity in the market for trading in the Underlying CDS Index, the announcement by the sponsor of an Underlying CDS Index that it will no longer continue to publish or announce the Underlying CDS Index (with no replacement underlying index available), or a material change by the price source in the content, composition, quotation type, constitution of, or in the formula for or method of calculating any prices, levels, rates or other data in relation to an Underlying CDS Index), the Index Calculation Agent may take certain actions in its reasonable discretion with respect to an Index, depending on the circumstances. For example, following a market disruption event, the Index Calculation Agent will refrain from publishing a new level of the applicable Index and will calculate the level of such Index as of the first index business day on which there is no market disruption event and, with respect to the market disruption event relating to a material change by the price source, the Index Calculation Agent may make any amendments or modifications to the methodology of the Index as it deems necessary to address any such change to preserve the objective of the strategy of such Index.

Under certain circumstances involving a market disruption event affecting any Underlying CDS Index, the Index Calculation Agent may attempt to identify a replacement underlying index and, in that case, may also in its discretion make amendments or modifications to the methodology of the applicable Index that may be necessary to preserve the objective of the strategy of the applicable Index and the consistency of the calculation of the relevant Underlying

CDS Index. Furthermore, the Index Calculation Agent may make adjustments to an Index in order to correct an error in relation to the calculation or publication of the level of an Index or in the method for determining an Index.

If the Index Calculation Agent determines that, following a market disruption event, either (A) a replacement underlying index that is sought by the Index Calculation Agent remains unavailable after 60 consecutive index business days from the date the replacement underlying index was first sought or (B) notwithstanding that a replacement underlying index may have been adopted by the Index Calculation Agent, insufficient liquidity in such replacement underlying index persists for 60 consecutive index business days after such replacement, then a permanent index disruption event will be deemed to have occurred, in which case the applicable Index will be cancelled. An Index will also be cancelled (i) if circumstances arise whereby, in the reasonable judgment of the Index Calculation Agent, a person holding a position in an Index, or a component thereof or hedge therefor, would incur a materially increased amount of tax, duty, expense, cost, fee and any transaction costs to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any such position or (ii) in connection with certain changes in law that have resulted (or may result) in illegality, or would result in a materially increased cost, in implementing the applicable Index.

Adjustments

The Index Sponsor has the authority to amend the methodology of an Index and/or make such adjustments to an Index methodology as it considers appropriate, in each case in its sole discretion acting in good faith, in order to take into account events or changes in the relevant underlying markets or to preserve the investability and objective of the applicable Index.

No-Auction Disruption Event. If the Index Calculation Agent is not able to calculate the loss attributed to a credit event in respect of any Reference Entity included in the Underlying CDS Index because an auction is canceled or otherwise not held, the Index Calculation Agent will use commercially reasonable efforts to calculate the loss attributable to such credit event based on bid and offer quotation(s) obtained from dealers on one or more deliverable obligations of the Reference Entity in respect of a valuation date (within 90 days following the relevant Auction Cancellation Date or No Auction Announcement Date, as determined in accordance with standard ISDA terms), in each case selected by the Index Calculation Agent. If for any reason the Index Calculation Agent is unable to calculate the loss attributable to such credit event in respect of a valuation date in this manner, then the Index Calculation Agent will determine the loss attributable to such credit event in its sole discretion acting in good faith. Accordingly, the determination of the loss attributed to such credit event for purposes of the calculation of an Index may differ from determinations made by other market participants, calculation agents or index sponsors.

M(M)R Restructuring Event. If an M(M)R Restructuring Event occurs with respect to any Reference Entity, the Index Calculation Agent will determine the Close-Out Amount with respect to such Reference Entity by reference to bid and offer quotation(s) obtained from dealers selected by the Index Calculation Agent or, if no such quotation(s) are available, in its sole discretion acting in good faith, as described above under "Calculation of the Index Levels—

M(M)R Restructuring Event." Accordingly, the determination of the loss from closing out a position in a Reference Entity affected by an M(M)R Restructuring Event for purposes of the calculation of an Index may differ from determinations made by other market participants, calculation agents or index sponsors.

Furthermore, the Index rules are based on the current form of the ISDA Credit Derivative Definitions, related Documentation (as defined in the Index Description for the Nomura Credit Beta Indices) and the current market standard trading conventions. Any amendment or update of the ISDA Credit Derivative Definitions or Documentation as well as any other future market standard trading conventions may require amendments to the Index rules, in which case the Index Sponsor may update the Index methodology and make any other adjustments to the Index as it deems necessary in that respect. The Index Sponsor (or an affiliate of the Index Sponsor) will advise any counterparty of the Index Sponsor (or an affiliate of the Index Sponsor) to a swap or another transaction entered into based on an Index of any such changes that the Index Sponsor makes in those circumstances.

The Index Sponsor may further cancel an Index upon the occurrence of certain events, including changes in law, increased cost in implementing such Index or a termination of its license agreement with the sponsor of the related Underlying CDS Index. For further details, see the Index Rule Book, pages 11-14.

When exercising any discretion, the Index Sponsor will act in accordance with applicable law and regulation and with its internal policies and procedures.

For more information regarding potential disruption events and their consequences as well as potential adjustments, see the Index Description for the Nomura Credit Beta Indices.

License Agreements Between the Index Sponsor and Markit

Markit®, CDX® and iTraxx® are service marks of Markit Indices Limited or Markit North America, Inc., as the case may be (each, a "**Licensor**") and have been licensed for use by Nomura International plc and its affiliates.

The Markit CDX North America Investment Grade Index, the Markit CDX North America High Yield Index, the Markit iTraxx Europe Index and the Markit iTraxx Europe Crossover Index referenced herein are the property of the respective Licensor and have been licensed for use by Nomura International plc. Each of Nomura International plc and its affiliates, as well as each counterparty to a swap or another transaction entered into based on any Index or Non-Compounding Index, acknowledges and agrees that such Index or Non-Compounding Index is not sponsored, endorsed or promoted by the respective Licensor. The respective Licensor makes no representation whatsoever, whether express or implied, and hereby expressly disclaims all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to any Underlying CDS Index or any data included therein or relating thereto, and in particular disclaims any warranty either as to the quality, accuracy and/or completeness of any Underlying CDS Index or any data included therein, the results obtained from the use of any Underlying CDS Index and/or the composition of any Underlying CDS Index at any particular time on any particular date or otherwise and/or the creditworthiness of any entity, or the likelihood of the occurrence of a credit event or similar event (however defined) with respect to an obligation, in any Underlying CDS Index at any particular time on any particular date or otherwise. The respective Licensor shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in any Underlying CDS Index, and the respective Licensor is under no obligation to advise the parties or any person of any error therein.

The respective Licensor makes no representation whatsoever, whether express or implied, as to the advisability of entering into a swap or another transaction based on any Index or Non-Compounding Index, the ability of any Underlying CDS Index to track relevant markets' performances, or otherwise relating to any Underlying CDS Index or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The respective Licensor has no obligation to take the needs of any party into consideration in determining, composing or calculating any Underlying CDS Index. No party entering into a swap or another transaction based on any Index or Non-Compounding Index, nor the respective Licensor, shall have any liability to any party for any act or failure to act by the respective Licensor in connection with the determination, adjustment, calculation or maintenance of any Underlying CDS Index.

Nomura Non-Compounding Credit Beta Indices

In addition to the Indices, the Index Sponsor also maintains the Nomura Non-Compounding Credit Beta Indices (each, a "**Non-Compounding Index**" and, together, the "**Non-Compounding Indices**"), each of which is derived from its corresponding Index. The level of each Non-Compounding Index on any given index business day is equal to the level of the Non-Compounding Index on the most recent preceding index business day on which it was calculated, plus an amount equal to (i) the change in the level of the corresponding Index from such most recent preceding index business day to such given index business day, as a percentage of the level of the corresponding Index on the immediately preceding Index Rebalancing Date, multiplied by (ii) 100.

Each Non-Compounding Index is intended to measure the performance of holding a long-only position in the "on-the-run" series of the same Underlying CDS Index as the related Index. The summary provided above for the Indices and the accompanying rules are applicable to the Non-Compounding Indices. The only differences between the Non-Compounding Indices and their related Indices are that the Non-Compounding Indices maintain a constant amount of notional invested in the applicable Underlying CDS Index as of each rebalancing date, meaning that, on each rebalancing date, a set notional amount is invested into the related Underlying CDS Index. If, at the end of a roll period, the Non-Compounding Index increases in value, that increase is not reinvested into the next series of the Underlying CDS Index.

Each Non-Compounding Index was created by Nomura International plc, the index sponsor and index calculation agent, in June 2015. The table below sets forth the name and Bloomberg ticker symbol for each Non-Compounding Index as well as its corresponding Underlying CDS Index and denomination.

Nomura Credit Beta Index	Bloomberg Ticker	Denomination	Underlying CDS Index	Bloomberg Ticker of Underlying CDS Index
Nomura North America Investment Grade 5Y Unfunded Non-Compounding Credit Index	NMCB1UIG	U.S Dollars	Markit CDX North America Investment Grade Index (the "**NA IG Index**")	CDX IG CDSI GEN 5Y Corp
Nomura North America High Yield 5Y Unfunded Non-Compounding Credit Index	NMCB1UHY	U.S Dollars	Markit CDX North America High Yield Index (the "**NA HY Index**")	CDX HY CDSI GEN 5Y PRC Corp
Nomura Europe Main 5Y Unfunded Non-Compounding Credit Index	NMCB1EMA	Euro	Markit iTraxx Europe Index (the "**EU IG Index**")	ITRX EUR CDSI GEN 5Y Corp
Nomura Europe Crossover 5Y Unfunded Non-Compounding Credit Index	NMCB1EXO	Euro	Markit iTraxx Europe Crossover Index (the "**EU HY Index**")	ITRX XOVER CDSI GEN 5Y Corp

Important risks and disclosures in relation to the Indices

Suitability

Entering an investment product linked to an Index (a swap transaction, security or otherwise) is suitable only for counterparties who, or who are advised by investment advisers that:

(a) are, or are advised by investment advisers that are, qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act of 1933, as amended;

(b) are within the definition of an "eligible contract participant" under the U.S. Commodity Exchange Act, as amended;

(c) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment product linked to such Index;

(d) have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their financial situation and the impact that an investment in such product linked to the Index could have on their overall investment portfolio;

(e) understand thoroughly the terms and conditions of the relevant investment product linked to such Index and are familiar with the relevant underlying securities and markets and how the performance thereof may affect the payments and value of such investment product;

(f) have sufficient financial resources and liquidity to bear all of the risks of an investment in a product linked to the Index; and

(g) have reviewed thoroughly all of the materials provided with respect to such investment product linked to the Index, including the Index summary, the Index rulebook, the risk factors set forth below, as well as information relating to the relevant Underlying CDS Index set forth in any documentation that is published by the sponsor of the relevant Underlying CDS Index or that is otherwise publicly available.

Investments Based On Credit Default Swaps Are Not Suitable For All Investors

Each Index provides notional exposure to the relevant Underlying CDS Index, which reflects the performance of a long-position on a basket of single-name credit default swaps on particular entities in particular segments and regions of the credit markets. The values of credit default swaps can be volatile and move dramatically over short periods of time. Because of the potential for large and sudden value movements associated with credit default swaps, a counterparty that is evaluating whether or not to enter into a swap or other transaction based on the relevant Index with Nomura International plc should be a sophisticated investor that understands the risks associated with investments linked to long positions in credit default swaps.

Risk Factors Relating to the Nomura Credit Beta Indices

Complexity of the Indices

Each Index is complex and takes multiple notional positions in credit default swaps. Credit default swaps constitute risky investments, the value of which can change dramatically over short periods of time, depending upon various factors. Thus, a counterparty that is evaluating whether or not to enter into a swap or other transaction based on the relevant Index with Nomura International plc must have the requisite skill and experience in trading credit default swaps so as to be able to assess the significant risks associated with an Index and a swap transaction linked to an Index.

Performance Risk

Each Index is intended to measure the performance of a “beta” investment strategy in credit derivatives, which consists of holding a long-only position (i.e., selling protection) in the “on-the-run” (i.e., most recently created) series of a related Underlying CDS Index. Each Underlying CDS Index reflects the performance of a basket of Reference Entities in particular segments and regions of the credit markets. This synthetically replicates the position taken by a seller of CDS protection on the most recent series of the relevant Underlying CDS Index and then continuously “rolling” that position into the latest series of such Underlying CDS Index.

By notionally replicating the position of a credit default swap protection seller, each Index generates returns based on the fixed coupon payments and any upfront payment it receives for notionally selling credit protection and will generally also increase in value if market expectations regarding the probability of a credit event of the applicable Reference Entities decrease. However, each Index will decrease in value if market expectations regarding the probability of a credit event of the applicable Reference Entities increase, and the relevant Index may suffer significant losses if a credit event occurs with respect to one or more of the applicable Reference Entities. The probability of a credit event, the recovery rate following a credit event and market expectations about those factors are therefore significant factors that will impact the value and market price of the Indices.

As a credit default swap index that notionally sells protection, each Index will tend to exhibit more positive performance during periods of bullish credit markets, which are typically periods characterized by no or very few credit events, downgrades and/or tightening in spreads in the particular segment or region. On the other hand, each Index will likely perform poorly during periods of bearish credit markets, which are typically periods characterized by many credit events, downgrades and/or widening in spreads in the particular segment or region. An Index may incur significant losses. Losses may result from changes in the market’s perception of the credit quality of the underlying Reference Entities, or from payments that the applicable Index (as a notional seller of credit default swaps) is required to make in the event of a credit event. The market’s perception of the credit quality of the applicable Reference Entities may be highly volatile and may change rapidly following the availability of new information, and therefore, the level of an Index may fluctuate significantly and may suffer large and sudden declines.

Strategy Risk

Each Index seeks to provide exposure to the relevant Underlying CDS Index and each Underlying CDS Index provides exposure to the credit of the portfolio of Reference Entities that constitute the relevant on-the-run series of such Underlying CDS Index. Because each Index is designed to offer a credit "beta" investment strategy, it seeks to capture the credit risk relating to these Reference Entities. However, due to, among other considerations, potential limitations in an Index or the relevant Underlying CDS Index to reflect accurately the performance of the relevant market or instruments, market disruptions or unanticipated circumstances, there can be no assurance that this strategy will be effective, and an Index or the relevant Underlying CDS Index may not achieve its stated objective.

An active market may not exist for any of the credit default swaps in which the Underlying CDS Indices invest or in the Reference Entities subject to the credit default swap. As a result, an Index's ability to maximize returns or minimize losses on such credit default swaps may be impaired. Other risks of credit default swaps include difficulty in valuation due to the lack of pricing transparency and the risk that changes in the value of the credit default swap do not fully reflect changes in the credit quality of the underlying Reference Entities or may otherwise perform differently than expected under given market conditions.

For example, the Indices have been constructed in part based on back-tested data and historically observed market conditions and market standards of CDS trading. There can be no assurance that those conditions and standards will recur currently or in the future or that the Indices will perform similarly under other conditions. In addition, the retroactive application of a back-tested model was itself designed with the benefit of hindsight and knowledge of factors that could have affected its performance and the model used to simulate hypothetical returns is based on certain data, assumptions and estimates. Due to inherent limitations in these data, assumptions and estimates, there may frequently be significant differences between hypothetical performance results and the actual results subsequently achieved. Furthermore, the methodology of an Index and that of the relevant Underlying CDS Index generally will not change in response to market conditions (although changes to the methodology of an Index may be made from time to time, as discussed below). Therefore, despite the profit and loss scenarios that can generally be expected to occur, as described above, there is no assurance that the Indices or the relevant Underlying CDS Indices will perform in this intended manner or that losses will not be incurred by the holders of either long or short positions in various market scenarios.

Correlation Risks of the Underlying CDS Indices

Although an Underlying CDS Index is typically structured to be contractually similar to entering into separate credit default swaps with respect to each underlying Reference Entity, an Underlying CDS Index may have different economics than separate credit default swaps with respect to each underlying Reference Entity. Therefore, the market price of an Underlying CDS Index, and the performance of such Underlying CDS Index, may differ from what would be expected based on the market prices of CDSs on each of the underlying Reference Entities (not all of which may be available at any given time).

In addition, the market for the Underlying CDS Indices has been subject to significant distortions from time to time in the past as a result of the actions of one or a small number of market participants that may take large positions in a given Underlying CDS Index (or CDSs on one or more of the underlying Reference Entities). These distortions have in the past led, and may in the future lead, to a high degree of volatility, as well as a wide and potentially unsustainable divergence between the market price of the Underlying CDS Indices and the price that would be expected based on the market price of CDSs on the underlying Reference Entities. Nomura International plc's trading activities (or the trading activities of any of its affiliates) may represent a significant portion of the market for a particular Underlying CDS Index and, accordingly, may be a contributor to such volatility and distortions.

Correlation Risks of the Indices

Each Index is based on an Underlying CDS Index and therefore presents all of the risks related to such Underlying CDS Index. However, each Index also has its own calculation methodology, which may differ from the methodologies of the relevant Underlying CDS Index in certain material respects. In particular, the timing and manner of the rolling of hypothetical positions in the relevant Underlying CDS Index and the actions taken by the relevant Underlying CDS Index in the event of a credit event by a Reference Entity differ in certain respects from the corresponding features of the corresponding Index. These differences could adversely affect the correlation between the performance of the Indices and the performance of the relevant Underlying CDS Indices. In addition, the Index Calculation Agent has the authority to take certain actions with respect to the Indices at its discretion, as discussed below, which could further adversely affect the correlation between the Indices and the relevant Underlying CDS Indices.

Risks Relating to the Reference Entities

You will have exposure to the credit of the Reference Entities included in the applicable Underlying CDS Index. In addition, because each Index continuously rolls its position into the latest on-the-run series of the applicable Underlying CDS Index, the Reference Entities will change over time. You should carefully review the rules and criteria that the applicable Underlying CDS Index utilizes to determine the Reference Entities eligible for inclusion in each new series of such Underlying CDS Index as well as the segments and regions that such Underlying CDS Index represents and evaluate for yourself whether you wish to gain exposure to the credit of Reference Entities in such regions with such characteristics. The risks of an Index will vary depending on the characteristics of the underlying Reference Entities.

Actions taken by the Reference Entities (for example, merger or demerger or the repayment or transfer of indebtedness) may adversely affect the value of an Index. No Reference Entity will have any obligation to consider your interest (as a party to a swap based on an Index) as to any corporate actions that might affect the value of an Index.

None of the disclosures provided with respect to a swap based on an Index is intended to provide information with respect to any Reference Entity, or any financial or other risks relating to the business or operations of any Reference Entity in general, or to the obligations of any Reference Entity in particular. You should make your own investigation into the Reference Entities. Neither Nomura International plc nor any of its affiliates makes any endorsement, representation or warranty regarding the accuracy or completeness of the information publicly disclosed by a Reference Entity, whether contained in filings with the applicable securities regulator(s) or otherwise. Furthermore, neither Nomura International plc nor any of its affiliates gives any assurance that all events occurring prior to the trade date of a swap, including events that would affect the accuracy or completeness of the public filings of the Reference Entities will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning an issuer could adversely affect the value of an Index. You should undertake an independent investigation of each Reference Entity as in your and your advisors' judgment is appropriate to make an informed decision with respect to entering into a swap based on an Index.

Concentration Risk

Each Index is intended to measure the performance of holding a long-only position in the "on-the-run" series of a related Underlying CDS Index. Each Underlying CDS Index reflects the performance of a basket of Reference Entities in particular segments and regions of the credit markets, as follows: (i) the NA IG Index is composed of 125 of the most liquid North American entities with investment grade credit ratings that trade in the CDS market; (ii) the NA HY Index is composed of 100 liquid North American entities with high yield credit ratings that trade in the CDS market; (iii) the EU IG Index is composed of 125 liquid European entities with investment grade credit ratings that trade in the CDS market; and (iv) the EU HY Index is composed of up to 75 European entities that do not have investment grade credit ratings.

Because each Underlying CDS Index invests in credit default swaps on entities in particular credit markets, each Underlying CDS Index and each Index is subject to concentration risk. The value of each Index may be subject to greater volatility and be more adversely affected by a single positive or negative economic, political or regulatory occurrence affecting the relevant segment or region than a more diversified index that invests in entities across different segments or regions. Factors affecting credit markets as described under "Risks Relating to Credit" below could cause a downturn in the relevant credit market generally and could cause the value of the credit default swaps included in the relevant Underlying CDS Index and thus the value of the relevant Index to decline. Because a major factor in the value of each Index is the market's perception about the credit quality of the applicable Reference Entities, if the market's perception about a particular segment or region is negative, the applicable Index may suffer significant losses.

In addition, as a result of certain credit events, the affected Reference Entities may be removed from the Underlying CDS Index for the remaining period of time for which such Underlying CDS Index is the "on-the-run series," which would result in the Underlying CDS Index and the related Index having greater concentration in the remaining Reference Entities.

Risks Relating to Rolling of Underlying CDS Indices

Each Index seeks to reflect the performance of a long position in the most recent series of the relevant Underlying CDS Index. The synthetic investment in the Underlying CDS Index represented by the applicable Index is therefore continuously "rolled" into the latest series of the relevant Underlying CDS Index. A new series is typically published by the sponsor of the relevant Underlying CDS Index semi-annually, and the new series becomes the "on-the-run" series upon its publication. The performance of an Index therefore reflects the value of terminating the long position in the off-the-run series and simultaneously establishing a position in the on-the-run series. The rolling of an Underlying CDS Index may be delayed if the Index Calculation Agent determines in its reasonable discretion that the new on-the-run series would not be sufficiently liquid, or sufficiently actively traded and/or publicly quoted on the scheduled roll date to permit the hypothetical position to be rolled into the new on-the-run series on reasonable terms and within a reasonable period of time. If the rolling of an Underlying CDS Index is delayed, possibly for an extended period of time, the relevant Index will continue to be based on, and reflect, the "old" off-the-run series of the Underlying CDS Index and the value of the relevant Index during such period of delay may deviate from the value that would otherwise result if calculated based on the "new" on-the-run series of the Underlying CDS Index.

Risks Relating to Credit Events in the Underlying CDS Indices

The level of an Index may be affected by one or more credit events in respect of any of the Reference Entities (or their relevant obligations) included in the relevant Underlying CDS Index from time to time. The occurrence of any such credit event, which will adversely impact the return on the long position in the relevant Underlying CDS Index, will have a negative impact on the performance of an Index.

There can be no assurance as to whether or how many credit events will occur during the term of a swap based on an Index and what the recovery rate in respect of each such credit event will be. Consequently, the level of an Index, as well as the value of a swap based on an Index, is unpredictable. Certain economic, financial, political, regulatory or judicial events and/or the financial condition of the Reference Entities included in the relevant Underlying CDS Index across diverse industry categories or in a single industry could simultaneously affect the number of credit events that occur with respect to such Reference Entities and/or the relative value of their obligations based on which the relevant recovery rate will be determined. For example, stressful economic conditions could lead to a credit event with respect to more than one Reference Entity, which will have an adverse effect on the level of the relevant Index and, in turn, the value of a swap based on such Index. It is important to understand that, in addition to actual credit events, the market's perception of the credit quality of the applicable Reference Entities will also affect the level of the applicable Index, as discussed herein.

Risks Relating to Credit

The performance of an Index will depend on, among other things, the spread or price of the relevant Underlying CDS Index. The spread or price of the relevant Underlying CDS Index may be subject to volatility due to a variety of factors, including:

- the actual or perceived creditworthiness and credit ratings of each Reference Entity and any guarantors or other supporters of its relevant obligations;
- the market's perception of the credit quality of the underlying Reference Entities;
- sentiment regarding underlying strength in the revenues of the underlying Reference Entities, their respective industries and/or the economies of the relevant countries;
- expectations regarding the number of credit downgrades and defaults;
- expected rates of recovery on obligations of the Reference Entities;
- actions of a Reference Entity and its principal creditors;

- the nature of each Reference Entity's outstanding indebtedness, including its maturity and subordination structure and any guarantees or other support that the Reference Entity has provided to other entities;
- correlation among the credit spreads and/or default probabilities of the Reference Entities;
- economic, financial, political and regulatory or judicial events or conditions that affect any Reference Entity or its outstanding obligations, including credit spreads in the market, market liquidity of credit default swaps relative to the liquidity of related cash instruments or related credit derivatives, and liquidity for secondary assignments of credit derivatives generally.
- sentiment regarding global credit markets generally;
- the policies of central banks regarding interest rates; and
- the performance of capital markets.

Fluctuations in the spread or price the relevant Underlying CDS Index will affect the level of the corresponding Index.

Risks Relating to Auction Settlement

If a credit event (other than an M(M)R Restructuring Event) occurs with respect to any Reference Entity, the level of the applicable Index will be deducted by an amount reflecting the loss attributable to such credit event as determined by reference to the auction settlement amount as defined under and determined in accordance with standard ISDA terms. Nomura International plc (or any of its affiliates) may act as a participating bidder in any such auction and, in such capacity, may take certain actions which may influence the auction price including (without limitation) submitting bids, offers and physical settlement requests with respect to the obligations of the Reference Entity.

If Nomura International plc (or any of its affiliates) participates in an auction, they will do so without regard to your interests, and such participation may have a material adverse effect on the outcome of the relevant auction and/or on the applicable Index. As counterparty to a swap or other transaction on an Index, you will have no right to submit bids and/or offers in an auction. The default amount determined pursuant to an auction may be less than the market value that would otherwise have been determined in respect of the specified Reference Entity or its obligations. In particular, the auction process may be affected by technical factors or operational errors which would not otherwise apply or may be the subject of actual or attempted manipulation. Auctions may be conducted by ISDA or by a relevant third party. Neither Nomura International plc nor any of its affiliates has any responsibility for verifying that any auction price is reflective of current market values, for establishing any auction methodology or for verifying that any auction has been conducted in accordance with its rules. Nomura International plc will have no responsibility to dispute any determination of an auction price or to verify that any auction has been conducted in accordance with applicable rules.

In addition, in the event an auction is not held, the Index Calculation Agent will determine the default amount by reference to quotations sought from third-party dealers that it selects at its discretion or, if no such quotation(s) are available, in its sole discretion acting in good faith. In addition, if an M(M)R Restructuring Event occurs with respect to any Reference Entity, the Index Calculation Agent will determine the Close-Out Amount with respect to such Reference Entity by reference to bid and offer quotation(s) obtained from dealers selected by the Index Calculation Agent or, if no such quotation(s) are available, in its sole discretion acting in good faith. Therefore, the determination of the default amount and/or the loss resulting from closing out a position in a Reference Entity affected by an M(M)R Restructuring Event, each of which will be deducted from the level of the applicable Index, may differ from determinations made by other market participants, and may negatively affect the value of the applicable Index.

Risks Relating to Indices That Provide Exposure to High-Yield Credit

Some of the Indices and the Underlying CDS Indices provide exposure to high-yield (or "junk") credit, which may involve greater levels of credit, liquidity and valuation risk than higher rated instruments. High-yield credit may be more sensitive to economic changes, political changes or adverse developments specific to a company than other types of credit. High-yield credit is also subject to greater risk of loss, greater sensitivity to economic changes, valuation difficulties and a potential lack of a secondary or public market. High-yield credit is considered predominantly speculative with respect to the relevant issuer's continuing ability to make principal and interest payments and, therefore, such instruments generally involve greater risk of default or price changes than other types of credit. An economic downturn or a period of rising yields could adversely affect the market for high-yield credit and reduce market liquidity. These and other developments may from time to time adversely affect the credit of high-yield issuers included in the Underlying CDS Indices providing exposure to high-yield credit.

Non-U.S. Credit Markets Risk

The Nomura Europe Main 5Y Unfunded Credit Index and the Nomura Europe Crossover 5Y Unfunded Credit Index each provide exposure to credit risk of non-U.S. Reference Entities. An investment in these Indices therefore involves risks associated with the markets in those countries where the relevant non-U.S. Reference Entities are traded, including risks of volatility in those markets, governmental intervention in those markets and cross-shareholdings in companies in certain countries, and risks associated with loans originated in those countries. Also, there is generally less publicly available information about companies in some of these jurisdictions than about U.S. companies that are subject to the reporting requirements of the U.S. Securities and Exchange Commission, and generally non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements and securities trading rules different from those applicable to U.S. reporting companies.

Index Sponsor / Index Calculation Agent Discretion

Each Index was developed and is calculated and published by Nomura International plc, as the Index Sponsor and the Index Calculation Agent. As the Index Sponsor and the Index Calculation Agent, Nomura International plc is responsible for and has determinative influence over each Index's composition, calculation and maintenance. The potentially subjective judgments that Nomura International plc, as the Index Sponsor and the Index Calculation Agent, makes in connection with the composition, calculation, adjustment and maintenance of an Index could have an adverse effect on the level of such Index or on the correlation of such Index to the relevant Underlying CDS Index.

Nomura International plc maintains certain discretion (i) to determine whether certain types of disruption events have occurred, (ii) to determine any resulting adjustments and calculations and (iii) to make such other determinations or adjustments necessary to calculate the level of an Index. In such circumstances, Nomura International plc may estimate any values otherwise not available that are necessary to determine the level of an Index, or may make such further adjustments to an Index as it deems necessary. The exercise by Nomura International plc of such discretion will have a direct impact on the level of an Index. Any such actions by Nomura International plc may also have an adverse effect on the availability, liquidity or volatility of an Index.

Potential Adjustments to the Indices

The Index Sponsor has the authority to amend the methodology of an Index and/or make such adjustments to an Index methodology as it considers appropriate, in each case in its sole discretion acting in good faith, in order to take into account events or changes in the relevant underlying markets or to preserve the investability and objective of an Index (including canceling an Index in certain circumstances). Such action taken, or discretion exercised, by the Index Sponsor may adversely affect the interests of a counterparty and could result in benefits to Nomura International plc or any of its affiliates. When exercising any discretion, the Index Sponsor will act in accordance with applicable law and regulation and with its internal policies and procedures.

Potential Termination of the Indices

Nomura International plc may decide to permanently cancel and discontinue calculating and publishing any Index at any time. There is no guarantee that an Index will continue to be calculated for the full duration of any swap or other instrument based on an Index.

If an Index is terminated, any swap based on an Index may be terminated early and the termination value in that case may be considerably less than the value calculated based on the last published level of such Index.

Past Performance is No Guide to Future Performance

The historical levels of an Index and the relevant Underlying CDS Index should not be viewed as an indication of future performance. The actual performance of an Index and the relevant Underlying CDS Index during any future period may bear little or no relation to the historical performance of such Index or such relevant Underlying CDS Index. No one can predict with any degree of certainty the future performance of an Index or the relevant Underlying CDS Index. This will be particularly the case in periods of greater market stress.

Lack of Operating History; Back-Tested Performance

Each Index was established in June 2015 and, therefore, does not have sufficient data upon which to evaluate long-term performance over various economic cycles. Any performance information for periods prior to the inception of an Index represents simulated returns based on back-tested data intended to illustrate how an Index may have performed had it been created in the past, but those simulations are subject to many limitations. Unlike actual historical performance, such simulations do not reflect actual trading, liquidity constraints and other factors that may affect the performance of an Index. The results obtained from such back-tested data should not be considered indicative of the actual results that might be obtained from an investment in the respective Index, and the actual performance of the respective Index may vary significantly from the results obtained from back-testing. Unlike an actual performance record, simulated results are achieved by means of the retroactive application of a back-tested model, which was itself designed with the benefit of hindsight and knowledge of factors that could have affected its performance. In addition, the model used to simulate these hypothetical returns is based on certain data, assumptions and estimates. Different models or models using different data, assumptions and estimates might result in materially different hypothetical performance. Due to inherent limitations in hypothetical performance results, there may frequently be significant differences between hypothetical performance results and the actual results subsequently achieved.

No Ownership Rights in the Underlying CDS Index

For calculation purposes, each Index uses a notional position in the relevant Underlying CDS Index, but does not offer any ownership interest or rights in the relevant Underlying CDS Index or any of the Reference Entities (or their obligations) included in the relevant Underlying CDS Index. Entering into a swap based on an Index is not equivalent to taking a position in the relevant Underlying CDS Index or any of the Reference Entities (or their obligations) included in the relevant Underlying CDS Index. As a counterparty to such a swap, you will not have any ownership interest or rights in the relevant Underlying CDS Index or any of the Reference Entities (or their obligations) included in the relevant Underlying CDS Index.

The Credit Default Swaps Are Traded Over-the-Counter

The value of an Underlying CDS Index is based on over-the-counter contracts traded directly between parties on a bilateral basis or on trading facilities and, in either event, they may be subject to lesser degrees of regulation than securities or futures contracts traded on regulated securities or futures exchanges or, in some cases, no substantive regulation. As a result, trading in such contracts, and the manner in which prices and volumes are reported by the relevant trading facilities, may not be subject to the same provisions of, and the protections afforded by, the securities law or the U.S. Commodity Exchange Act, as amended, or other applicable statutes and related regulations that govern trading in securities or on regulated futures exchanges. In addition, many electronic trading facilities have only recently initiated trading and do not have significant trading histories. As a result, the trading of contracts on such facilities may give rise to exposure to certain risks not presented by most exchange-traded futures contracts, including risks related to the liquidity and price histories of the relevant contracts, which could adversely affect the value of an Underlying CDS Index.

Furthermore, as the regulatory regime relating to the over-the-counter derivatives markets, such as the CDS market, is relatively new and evolving, it is inherently difficult to predict how any regulatory changes may impact the CDS market. Regulatory developments with respect to these markets in the relevant jurisdictions in the future could adversely affect the availability, liquidity, volatility and level of an Index or the relevant Underlying CDS Index, as well as the manner in which the trading activities of a counterparty to any swap based on an Index, the relevant Underlying CDS Index or any of the relevant Reference Entities may be conducted and/or the costs of, or requirements for, engaging in such trading activities. Any such regulatory developments may negatively impact the ability of an Index or the relevant Underlying CDS Index to achieve its objective.

Market Disruptions May Impact Performance

Credit markets may be subject to distortions or experience disruptions from time to time due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. Any such occurrences could adversely affect the level of an Index.

Conflicts of Interest

Nomura International plc is the Index Sponsor and the Index Calculation Agent of each Index and is therefore responsible for maintaining each Index, as well as calculating and publishing the level of each Index, based on a proprietary model and relying on market information. In addition, Nomura International plc (or one of its affiliates) will be the Nomura counterparty to any swap entered into based on an Index. This gives rise to potential conflicts of interest.

Nomura International plc and its affiliates, in the normal course of business, may trade in any of the Indices, the Underlying CDS Indices or obligations of the Reference Entities included in the relevant Underlying CDS Index, or in financial instruments that may be linked to any of the foregoing, and such trading activity may affect the level of any Index. These trading activities may present a conflict between the interests of a counterparty that is evaluating whether or not to enter into a swap based on the relevant Index with Nomura International plc or any of its affiliates and the interests that Nomura International plc and its affiliates will have in their proprietary accounts, in facilitating transactions, including block trades, for their customers and in accounts under their management. In particular, these trading activities, if they influence the credit risk of, or the recovery rate for a credit event in respect of, any of the Reference Entities (or their obligations) included in the relevant Underlying CDS Index, could be adverse to the interests of a counterparty that is evaluating whether or not to enter into a swap based on the relevant Index.

In the ordinary course of business, Nomura International plc or any of its affiliates may have expressed views on expected movements in any of the Indices, the Underlying CDS Indices or the Reference Entities (or their obligations) included in the relevant Underlying CDS Index, and may do so in the future. These views or reports may be communicated to the clients of Nomura International plc or any of its affiliates. However, any such views are and will be subject to change from time to time. Moreover, other professionals who deal in markets relating to any of the Indices, the Underlying CDS Indices or the Reference Entities (or their obligations) included in the relevant Underlying CDS Index may at any time have significantly different views from those of Nomura International plc or its affiliates.

Nomura International plc and its affiliates may, at present or in the future, engage in business with any of the Reference Entities, including making loans to (and exercising creditors' remedies with respect to such loans), making debt or equity investments in or providing investment banking, asset management or other advisory services to, any of the Reference Entities. These activities may present a conflict between the interests of a counterparty that is evaluating whether or not to enter into a swap based on the relevant Index with Nomura International plc or any of its affiliates and the interests of Nomura International plc and its affiliates. In the course of that business, Nomura International plc or any of its affiliates may acquire non-public information about any of the Reference Entities (or their obligations) included in the relevant Underlying CDS Index. If Nomura International plc or any of its affiliates do acquire such non-public information, none of them is obligated to disclose such non-public information to a counterparty that is evaluating whether or not to enter into a swap based on the relevant Index. For these reasons, a counterparty that is evaluating whether or not to enter into a swap based on an Index is encouraged to obtain information concerning the Index, the Underlying CDS Index and the Reference Entities (or their obligations) included in the relevant Underlying CDS Index from multiple sources and should not rely on any of the views that may have been expressed or that may be expressed in the future by Nomura International plc or any of its affiliates.

In addition, Nomura International plc or any of its affiliates may, from time to time, publish research with respect to some or all of the Reference Entities or other research that may influence the level of an Index, or may express opinions or provide recommendations that are inconsistent with the investment views inherent in an Index. Nomura International plc or any of its affiliates may also, from time to time, serve as a voting dealer on one or more of the ISDA Credit Derivatives Determinations Committees for Americas, Asia except Japan, Australia/New Zealand, Europe/Middle East/Africa, and Japan, which are responsible for making certain determinations regarding key provisions of CDS contracts (such as those relating to credit events, auctions and succession events), or serve in similar capacity. Any of these activities by Nomura International plc or any of its affiliates may affect the credit risk of, or the recovery rate for a credit event in respect of, any of the Reference Entities (or their obligations) included in the relevant Underlying CDS Index, and, therefore, could be adverse to the interests of a counterparty that is evaluating whether or not to enter into a swap based on the relevant Index with Nomura International plc or any of its affiliates.

Neither the creation, calculation or maintenance of any Index nor any view which Nomura International plc or any of its affiliates may from time to time express constitutes a recommendation as to the merits of a swap based on any of the Indices.

In addition, although no charge is deducted from the level of an Index itself relating to transaction costs for maintaining the Index (including costs for engaging in related hedging activities), such costs may be reflected in the terms or pricing of any CDS or other transactions entered into by a counterparty based on any of the Indices with Nomura International plc or any of its affiliates. Furthermore, the Index Sponsor may amend the methodology of an Index and/or make such adjustments to an Index as it considers appropriate, in each case in its sole discretion acting in good faith, in order to account for certain events or preserve the objective of the Index strategy (including canceling an Index in certain circumstances). Such action taken, or discretion exercised, by the Index Sponsor may result in benefits to Nomura International plc or any of its affiliates and/or losses to a counterparty. When exercising any discretion, the Index Sponsor will act in accordance with applicable law and regulation and with its internal policies and procedures.

Impact of Index Hedging

Each Index was designed by Nomura International plc with the intention of earning a profit through entering into transactions linked to the Index, including pre-hedging and hedging transactions. Nomura International plc's (or any of its affiliates') pre-hedging and hedging activities relating to an Index involve trading in components related to the Index (e.g., buying or selling CDS protection on the most recent series of the relevant Underling CDS Index or components thereof), which in some cases may be of low liquidity. It is possible that Nomura International plc's (or any of its affiliates') pre-hedging and hedging activities in relation to an Index will lead to movements in the underlying CDS markets that could adversely affect the performance of an Index or the relevant Underlying CDS Index. Additionally, in the course of its trading activities, Nomura International plc (or any of its affiliates) may take long or short positions in the Reference Entities related instruments that may affect the values of the Underlying CDS Indices.

Nomura International plc (or any of its affiliates) may realize a profit in connection with its pre-hedging and hedging activities regardless of whether the level of an Index or the relevant Underlying CDS Index increases or declines.

No Affiliation Between the Index Sponsor / Index Calculation Agent and any of the Reference Entities or the Sponsor of the Underlying CDS Indices

Nomura International plc, the Index Sponsor and the Index Calculation Agent, is not currently affiliated with any of the Reference Entities or Markit, the sponsor of the Underlying CDS Indices.

None of the Reference Entities or Markit is involved in the creation, calculation or maintenance of any Index in any way and none of them has any obligation of any sort with respect to a swap based on any Index. None of the Indices is sponsored, endorsed or promoted by any of the Reference Entities or Markit. None of the Reference Entities or Markit makes any representation or warranty, express or implied, to anyone regarding the advisability of entering into a swap based on any Index or any Underlying CDS Index. The only relationship of Markit to Nomura International plc and its affiliates is the licensing of certain trademarks, trade names and service marks and of the Underlying CDS Indices, which are determined, composed and calculated by Markit without regard to Nomura International plc and its affiliates or the Indices. None of the Reference Entities or Markit has any obligation to take the interests of any person into consideration for any reason, including when any of the Reference Entities takes any corporate action that might affect the relevant Underlying CDS Index or when Markit determines, calculates or maintains the relevant Underlying CDS Index.

Information provided herein about the Underlying CDS Indices and Markit is derived from publicly available sources without independent verification. Neither Nomura International plc nor any of its affiliates assumes any responsibility for the accuracy or the completeness of any such information. Neither Nomura International plc nor any of its affiliates participated in the preparation of any such publicly available document or made any "due diligence" investigation or any inquiry of any of the Reference Entities (or their obligations) included in the relevant Underlying CDS Index or of Markit. A counterparty that is evaluating whether or not to enter into a swap based on an Index should make its own investigation into the Reference Entities (or their obligations) included in the relevant Underlying CDS Index and Markit.

Index Charges

Each Index is priced "at mid," based on the arithmetic average of the bid quote and the ask quote (which are, in turn, based on the arithmetic average of the last bid or ask levels on the relevant Underlying CDS Index published by Bloomberg before each of the specified quotation times on the given index business day). There is no charge deducted from the level of the Index relating to transaction costs for maintaining the Index (including costs for engaging in related hedging activities).

However, although no charge is deducted from the level of an Index itself relating to transaction costs for maintaining the Index (including costs for engaging in related hedging activities), such costs may be deducted pursuant to the terms of any swap entered into based on any of the Indices.

Hypothetical Back-Tested and Historical Index Performance Information

This section contains hypothetical back-tested performance information for the Index. All Index performance information prior to June 2015 is hypothetical and back-tested, as the Index did not exist prior to that date. Hypothetical back-tested Index performance information is subject to significant limitations. The Index Sponsor developed the Index rules with the benefit of hindsight—that is, with the benefit of being able to evaluate how the Index rules would have caused the Index to perform had it existed during the hypothetical back-tested period. The fact that the Index generally appreciated over the hypothetical back-tested period may not therefore be an accurate or reliable indication of any fundamental aspect of the Index methodology. Furthermore, the hypothetical back-tested performance of the Index might look different if it covered a different historical period. The market conditions that existed during the hypothetical back-tested period may not be representative of market conditions that will exist in the future.

It is impossible to predict whether the Index will rise or fall. By providing the hypothetical back-tested and historical Index performance information above, we are not representing that the Index is likely to achieve gains similar to those shown and the Index may in future exhibit a higher loss than its historical worst performance. There are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved. One of the limitations of hypothetical performance information is that it did not involve financial risk and cannot account for all factors that would affect actual performance. The actual future performance of the Index may bear no relation to the hypothetical back-tested or historical performance of the Index.

The table below shows, in respect of the back-tested and live index performance since the back-test inception date, for the specified time periods (a) the average return observed (b) the maximum loss incurred by the index (c) the maximum gains made by the index. The table also shows the maximum cumulative historical drawdown observed historically.

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Table 1: Historical average, worst and best performance (2004-2016)

Periodicity->	1m	3m	6m	12m	Maximum Drawdown
Average Performance	0.1%	0.2%	0.5%	0.9%	
Worst Performance	-3.8%	-5.4%	-6.9%	-7.8%	-9.5%
Best Performance	3.5%	4.4%	6.0%	7.9%	

NMCBUUHY:

Table 2: Historical average, worst and best performance (2004-2016)

Periodicity->	1m	3m	6m	12m	Maximum Drawdown
Average Performance	0.5%	1.5%	2.9%	5.8%	
Worst Performance	-10.2%	-16.7%	-21.3%	-20.3%	-27.4%
Best Performance	9.3%	17.0%	23.9%	36.6%	

NMCBUEMA

Table 3: Historical average, worst and best performance (2004-2016)

Periodicity->	1m	3m	6m	12m	Maximum Drawdown
Average Performance	0.1%	0.3%	0.5%	1.0%	
Worst Performance	-3.5%	-4.4%	-4.9%	-5.3%	-6.7%
Best Performance	3.4%	4.2%	5.4%	6.8%	

NMCBUEXO

Table 4: Historical average, worst and best performance (2004-2016)

Periodicity->	1m	3m	6m	12m	Maximum Drawdown
Average Performance	0.6%	1.8%	3.6%	7.2%	
Worst Performance	-11.1%	-16.2%	-16.9%	-17.8%	-20.4%
Best Performance	8.2%	13.5%	22.1%	36.1%	

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