

The logo graphic for Nomura, featuring a large, stylized 'N' composed of several overlapping triangles in various shades of red and pink. The word 'NOMURA' is written in white, uppercase, sans-serif font to the right of the 'N' graphic.

**NOMURA**

# **NOMURA BANK INTERNATIONAL PLC**

**INTERIM REPORT**  
**30 September 2015**

**COMPANY REGISTRATION NUMBER 1981122**

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## NOMURA BANK INTERNATIONAL PLC

### PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

The Interim Report is comprised of a Management Report and the condensed consolidated financial statements of Nomura Bank International plc (the "Bank") for the period from 1 April 2015 to 30 September 2015. The Bank is incorporated in England and Wales and its registered office is 1 Angel Lane, London, EC4R 3AB.

### MANAGEMENT REPORT

#### PRINCIPAL ACTIVITIES

The Bank's primary role is to support the Global Wholesale Business, predominantly the Global Markets Division, of the Nomura Group (Nomura Holdings, Inc. ("NHI") and its consolidated subsidiaries). Its principal activities include:

- Issuance of guaranteed credit and equity-linked notes and certificates;
- Provision of sub-participations and structured loans (including bridge and warehouse financing);
- Purchase of structured credit assets and structured loans;
- Traditional banking products such as loans and credit facilities in major currencies, repurchase and reverse repurchase transactions, letters of credit and guarantees; and
- Taking deposits (including foreign exchange and other reference-linked deposits).

During the period the Bank continued its note issuance business. The Bank has a number of platforms for the issuance of debt which allows it to issue equity-linked notes and certificates and credit-linked notes and warrants to investors, which includes notes that are traded on exchanges. In addition to the above, the Bank continues to provide loan facilities to clients across a wide variety of industries, including power and gas, telecommunications and fast moving consumer goods.

The Bank has branches in Milan, Italy and Labuan, Malaysia, as well as representative offices in China and Turkey and a subsidiary in China.

#### EVENTS SINCE THE BALANCE SHEET DATE

On 12 Nov 2015 the Bank has entered into an agreement to dispose of its subsidiary. The transaction will not have a material impact on the Bank's financial statements.

#### DIRECTORS

The current Directors and those who served during the year are as shown below:

Paul Spanswick*	Director and Chief Executive Officer
Clare Jones	Director
Devesh Mehta	Director
John Baker	Director (appointed on 24 June 2015)
David Benson*	Non-Executive Director and Chairman (appointed on 28 August 2015)
John Tierney	Director (appointed on 16 October 2015)
Kieran Poynter*	Non-Executive Director (resigned on 12 June 2015)

\* Member of the Audit Committee of the Board

# NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

## MANAGEMENT REPORT (CONTINUED)

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Bank's key financial performance indicators during the period are as shown below:

	Period ended 30 Sep 2015 \$'000	Period ended 30 Sep 2014 \$'000
Operating income/(loss)	121,291	(26,086)
Profit/(loss) on ordinary activities before taxation	114,471	(65,913)
Profit/(loss) on ordinary activities after taxation	113,989	(66,606)
Total assets	10,479,248	11,591,320
Total liabilities	9,934,236	11,181,061
Shareholders' Funds	545,012	410,259

The Bank engages in a global note issuance business, which constitutes the majority of the Bank's liabilities. The Bank's other business is predominantly with affiliated companies in the United Kingdom.

The Bank reported a profit on ordinary activities before tax for the period ending 30 September 2015 of \$114,471,078 (period ending 30 September 2014: loss before tax of \$65,913,126). This is largely attributable to the widening of Nomura Group own credit spreads, which has favourably impacted the Bank's results during this period. The impact of own credit included within the profit on ordinary activities before tax was a gain of \$108,649,879 compared to the \$39,704,149 own credit loss recorded in the period ending 30 September 2014.

As part of Nomura Group's review of its legal entity strategy, on 12 Nov 2015 the Bank has entered into an agreement to dispose of its subsidiary. This transaction will not have a material impact on the Bank's financial statements. As part of this strategy the Bank has further decided during the period to close its Labuan, Malaysia branch. This will have no significant impact to Bank's operations, as no business activities were carried out by the branch.

The Bank outsources a significant proportion of its support services under service level agreements to the related departments of Nomura International plc ("NIP"). The Treasury department continues to manage the liquidity of the Bank and provide asset and liability management for the balance sheet.

For the year ending 31 March 2016, the Bank will continue to focus on its activities to support the Global Wholesale Business, predominantly the Global Markets Division, of the Nomura Group.

### RISK MANAGEMENT

The Bank's market, credit, liquidity and operational risk are managed through its Executive Management and Risk Committee ("EMRC"), which is chaired by the Chief Operating Officer of the Bank. The EMRC members also include the Bank's Chief Legal Officer (also the Deputy Chairman of the EMRC), Chief Executive Officer, the Head of Credit Risk for the Europe, Middle East and Africa region ("EMEA"), the Head of Market Risk for EMEA, the Head of Operational Risk Management for EMEA, the EMEA Treasurer, and representatives from New Business, Finance Operations and Global Markets.

In addition, issues relating to conflicts as well as the Bank's legal risks, reputational risks and cross-border booking risks are delegated to, and managed by the appropriate committees of Nomura Europe Holdings plc ("NEHS"), the Bank's immediate parent. In particular, the NEHS Prudential Risk Committee is responsible for providing oversight of and guidance to the Directors on the risk profile, risk appetite, future risk strategy and maintenance of an appropriate risk control framework for the Bank, as well as the wider NEHS Group (being NEHS, its subsidiaries and European entities). The Bank's financial risk management objectives and policies are disclosed in note 17 of its statutory financial statements for the year to 31 March 2015. The Bank's principal risks and uncertainties have not changed in the period ending 30 September 2015.

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

MANAGEMENT REPORT (CONTINUED)

#### GOING CONCERN

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in this Report. In addition, notes 17 and 20 of the statutory financial statements for the year to 31 March 2015 describe the Bank's objectives, policies and processes for risk management and capital management, as well as its exposures to credit and liquidity risk.

The Directors consider the Bank's capital position to be strong, given that the Bank hedges its market risk. Whilst the Bank has significant exposure to Nomura Group companies, and in particular to NIP, this is minimised through significant collateralisation. The Bank's net exposures with NIP are also supported by a limited written guarantee from the Bank's ultimate parent, NHI. The maturity profile of the Bank's liabilities is typically much longer dated than that of its assets, minimising the risk of the Bank not being able to meet its obligations as they fall due.

The Directors are not aware of any material uncertainties related to events or conditions that cast doubt about the ability of the Bank to continue as a going concern. They have therefore prepared the financial statements on a going concern basis.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors confirm that, to the best of their knowledge, the condensed set of financial statements on pages 5 to 21 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ("FCA") and with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting as adopted by the European Union and that the interim management report on pages 1 to 3 includes a fair review of the information required by the Disclosure and Transparency Rules of the FCA.

By Order of the Board at a meeting held on 12 November 2015

Andrew Eames,  
Company Secretary

Company Registration Number: 1981122

## NOMURA BANK INTERNATIONAL PLC

### INDEPENDENT REPORT TO NOMURA BANK INTERNATIONAL PLC FOR THE PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

#### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the period ending 30 September 2015 which comprises a consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated cash flow statement and related notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

#### Directors' Responsibilities

The interim report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

#### Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

#### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the period ending 30 September 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP  
London, 12 November 2015

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDING  
30 SEPTEMBER 2015 (UNAUDITED)

	<u>Note</u>	<u>Group</u> <u>Period Ending 30</u> <u>September 2015</u> <b>\$'000</b>	<u>Group</u> <u>Period Ending 30</u> <u>September 2014</u> <b>\$'000</b>
INCOME			
Interest income and similar income		23,233	23,539
Interest expense and similar charges		(7,478)	(7,374)
NET INTEREST INCOME		15,755	16,165
Fee and commission income		43,788	62,216
Fee and commission expense		(5,000)	(2,444)
Dealing profit/(loss)		66,748	(102,023)
TOTAL OPERATING INCOME/(LOSS)		121,291	(26,086)
Administrative expenses		(6,820)	(6,751)
Impairment of intangible assets		-	(2,126)
Impairment of goodwill		-	(30,950)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		114,471	(65,913)
Tax charge on profit/(loss) on ordinary activities	2	(482)	(693)
PROFIT/(LOSS) FOR THE PERIOD		113,989	(66,606)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency gains/(loss)		69	(190)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		114,058	(66,796)

All gains and losses noted above are derived from continuing activities.

Included within the dealing profit for the period is a profit of \$108,649,879 in relation to changes in own credit risk (2014: loss of \$39,704,149). These gains and losses arise on financial instruments designated at fair value through profit and loss.

No Company Statement of Comprehensive Income for the half years ended 30 September 2015 or 2014 has been prepared as there are no material differences to the above Consolidated Statements.

The notes on pages 12 to 21 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

	<u>Called-up share capital</u> \$'000	<u>Retained earnings</u> \$'000	<u>Other Reserve</u> \$'000	<u>Total shareholder's equity</u> \$'000
As at 1 April 2015	555,000	(123,809)	(237)	430,954
Profit/(Loss) for the period	-	113,989	-	113,989
Foreign currency Gains/(losses)	-	-	69	69
Total comprehensive income	-	113,989	69	114,058
As at 30 September 2015	555,000	(9,820)	(168)	545,012

	<u>Called-up share capital</u> \$'000	<u>Retained earnings</u> \$'000	<u>Other Reserve</u> \$'000	<u>Total shareholder's equity</u> \$'000
As at 1 April 2014	555,000	(78,048)	103	477,055
Profit/(Loss) for the period	-	(66,606)	-	(66,606)
Foreign currency Gains/(losses)	-	-	(190)	(190)
Total comprehensive income	-	(66,606)	(190)	(66,796)
As at 30 September 2014	555,000	(144,654)	(87)	410,259

Foreign exchange gains and losses resulting from retranslation will be recognised into the consolidated statement of comprehensive income on the disposal of the foreign entity.

Foreign currency translation gains/losses are due to the Bank's branch in Italy. These gains/losses may be reclassified to the income statement in subsequent periods.

The notes on pages 12 to 21 form part of these financial statements.

No Company Statement of Changes in Equity for the half years ended 30 September 2015 or 2014 has been prepared as there are no material differences to the above Consolidated Statements.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2015  
(UNAUDITED)

		<u>Group</u>		<u>Company</u>	
		<u>September</u> <u>2015</u>	<u>March 2015</u>	<u>September</u> <u>2015</u>	<u>March 2015</u>
	Note	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>					
Loans and advances to banks		14,539	21,913	14,539	21,913
Derivative financial instruments	3	545,514	712,027	545,514	712,027
Loans and advances to affiliates		358	30,348	358	30,348
Securities purchased under agreements to resell		9,024,180	8,065,508	9,024,180	8,065,508
Loans and advances to others		93,244	93,940	93,244	93,940
Prepayments and accrued income		2,433	2,045	2,433	2,045
Other assets		18,614	24,518	18,614	24,518
Financial assets designated at fair value through profit and loss	3				
- Secured lending		651,486	772,535	651,486	772,535
- Other financial instruments		108,189	109,972	108,189	109,972
Available-for-sale financial investments		11	11	11	11
Fixed assets		25	28	25	28
Investments in group undertakings		-	-	20,410	20,410
Assets classified as held for sale	7	20,655	19,975	-	-
<b>Total assets</b>		<b>10,479,248</b>	<b>9,852,820</b>	<b>10,479,003</b>	<b>9,853,255</b>
<b>Liabilities</b>					
Customer accounts		183	177	183	177
Derivative financial instruments	3	1,438,490	1,355,025	1,438,490	1,355,025
Accruals and deferred income		48,266	44,363	48,266	44,363
Borrowing from affiliates		496,610	667,446	496,610	667,446
Borrowing from others		186,125	179,019	186,125	179,019
Securities sold under agreements to repurchase		1,000,206	1,128,005	1,000,206	1,128,005
Financial liabilities designated at fair value through profit and loss	3				
- Bonds and medium-term notes		6,709,271	5,970,343	6,709,271	5,970,343
- Borrowings		50,276	49,947	50,276	49,947
- Other financial instruments		3,598	3,245	3,598	3,245
Other liabilities		1,005	24,071	1,035	24,110
Liabilities directly associated with assets classified as held for sale	7	206	225	-	-
<b>Total liabilities</b>		<b>9,934,236</b>	<b>9,421,866</b>	<b>9,934,060</b>	<b>9,421,680</b>
<b>Shareholders' funds</b>					
Called up share capital		555,000	555,000	555,000	555,000
Retained earnings		(9,820)	(123,809)	(9,889)	(123,188)
Other reserve		(168)	(237)	(168)	(237)
<b>Total equity</b>		<b>545,012</b>	<b>430,954</b>	<b>544,943</b>	<b>431,575</b>
<b>Total liabilities and equity</b>		<b>10,479,248</b>	<b>9,852,820</b>	<b>10,479,003</b>	<b>9,853,255</b>



NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2015  
(UNAUDITED)

Approved by the board of Directors on 12 Novemebr 2015 and signed on its behalf by:

Paul Spanswick, Director.

The notes on pages 12 to 21 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING  
30 SEPTEMBER 2015 (UNAUDITED)

	<u>Group</u> <u>Period Ending 30</u> <u>September 2015</u> \$'000	<u>Group</u> <u>Period Ending 30</u> <u>September 2014</u> \$'000
Operating activities		
Profit/(Loss)before tax	114,471	(65,913)
Non-cash adjustments to reconcile profit/(loss) for the period to net cash flows		
Impairment of goodwill and other intangibles	-	33,076
Amortisation of goodwill and other intangibles	-	39
Depreciation on fixed assets	3	3
Foreign exchange revaluation	69	(190)
Change in operating assets and liabilities		
Net change in loans and advances to affiliates	29,990	736
Net change in loans and advances to others	696	33,076
Net change in borrowing from banks and other customers	7,106	9,794
Net change in borrowings from affiliates	(170,836)	286,039
Net change in financial assets designated at fair value through profit and loss	122,832	(164,785)
Net change in Equity Securities	-	565
Net change in financial liabilities designated at fair value through profit and loss	(96,137)	(153,615)
Net change in available-for-sale assets	-	-
Net change in derivative assets	166,513	(142,916)
Net change in derivative liabilities	83,465	286,078
Net change in securities purchased under agreements to resell	(958,672)	(646,890)
Net change in securities sold under agreements to repurchase	(127,799)	(46,649)
Net change in other assets	5,905	27,870
Net change in other liabilities	(22,440)	24,133
Net change in assets classified as held for sale	(680)	(19,207)
Net change in liabilities directly associated with assets classified as held for sale	(19)	207
Net change in prepayments and accrued income	(389)	707
Net change in accruals and deferred income	3,903	8,273
Income tax paid	(420)	(955)
Net cash flow provided by operating activities	<u>(842,439)</u>	<u>(530,524)</u>

The notes on pages 12 to 21 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING  
30 SEPTEMBER 2015 (UNAUDITED)

	<u>Group</u> <u>Period Ending 30</u> <u>September 2015</u> <u>\$'000</u>	<u>Group</u> <u>Period Ending 30</u> <u>September 2014</u> <u>\$'000</u>
Financing activities		
Proceeds of borrowings and issuance of debt	1,607,230	1,105,807
Repayments of borrowings and redemption of debt	(772,165)	(587,382)
	<hr/>	<hr/>
Net cash flow in or (out) relating to financing activities	835,065	518,425
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(7,374)	(12,099)
Cash and cash equivalents at the beginning of the period	21,913	14,599
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>14,539</u>	<u>2,500</u>
Included within operational cash flows		
Interest paid	(8,438)	(2,381)
Interest received	23,400	22,990

The notes on pages 12 to 21 form part of these financial statements.

No Company Statements of Cash Flows for the half years ended 30 September 2015 or 2014 have been prepared as there are no material differences to the above Consolidated Statements.

# NOMURA BANK INTERNATIONAL PLC

## STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED) (CONTINUED)

ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET:

30 September 2015

	<u>30 September</u> <u>2015</u> \$'000	<u>Cash Flow</u> \$'000	<u>31 March</u> <u>2015</u> \$'000
Loans and advances to other banks repayable on demand	14,539	(7,374)	21,913
Net Cash and Cash Equivalents	14,539	(7,374)	21,913

31 March 2015

	<u>31 March</u> <u>2015</u> \$'000	<u>Cash Flow</u> \$'000	<u>31 March</u> <u>2014</u> \$'000
Loans and advances to other banks repayable on demand	21,913	7,314	14,599
Net Cash and Cash Equivalents	21,913	7,314	14,599

30 September 2014

	<u>30 September</u> <u>2014</u> \$'000	<u>Cash Flow</u> \$'000	<u>31 March</u> <u>2014</u> \$'000
Loans and advances to other banks repayable on demand	2,500	(12,099)	14,599
Net Cash and Cash Equivalents	2,500	(12,099)	14,599

## NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

## NOTES TO INTERIM REPORT

## 1. ACCOUNTING POLICIES

(a) Basis of Accounting

These condensed consolidated interim financial statements as at and for the half-year to 30 September 2015 of Nomura Bank International plc (the "Bank" or the "Company") and its subsidiary undertaking, collectively "the Group", have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ("FCA") and with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ending 31 March 2015 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments held at fair value through profit and loss, derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The condensed consolidated financial statements have been prepared on a going concern basis. The condensed consolidated financial statements are presented in United States dollar ("USD"), and all values are rounded to the nearest thousand USD except where otherwise stated. The information presented in this interim report does not constitute statutory accounts for the purposes of s435 of the Companies Act 2006. A copy of the statutory accounts for the year ending 31 March 2015 has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s495 of the Companies Act 2006. The audit report did not contain a statement under s498 of the Companies Act 2006, nor did it include references to any matters to which the auditor drew attention by way of emphasis.

Where appropriate, prior period figures for cash flow have been restated to conform with current period presentation.

(b) Fair Values

The Bank holds a significant portion of financial instruments at fair value, as described below. A description of the Bank's policies with regards to its application of fair value measurements to significant financial instruments is as follows:

(i) Valuation of fair value instruments

The fair value of financial instruments is the amount that would be exchanged in an orderly transaction between market participants.

The best evidence of fair value is quoted prices in an active market. Therefore, the fair value of financial instruments, including exchange-trading securities and derivatives is based on quoted market prices on exchanges or other broker/dealer quotations.

Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider contractual terms, position size, underlying asset prices, interest rates, dividend rates, time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics.

# NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

## NOTES TO INTERIM REPORT (CONTINUED)

### 1. ACCOUNTING POLICIES (CONTINUED)

#### (i) Valuation of fair value instruments (Continued)

These models also incorporate adjustments relating to counterparty and the Bank's own credit risk, the administrative costs of servicing future cash flow and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process. The valuation technique used maximises the use of market inputs and minimises the use of entity-specific inputs which are unobservable in the market.

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognised, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Any changes in the fixed income, equity, foreign exchange and commodity markets can impact the Bank's estimates of fair value in the future, potentially affecting trading and non-trading gains and losses. The Bank's estimates of fair value may involve greater subjectivity due to the lack of transparent market data available upon which to base assumptions underlying valuation pricing models.

Fair value is usually determined on an individual financial instrument basis consistent with the unit of account of the financial instrument. However, certain financial instruments managed on a portfolio basis are valued as a portfolio, namely based on the price that would be received to sell a net long position (i.e. a net financial asset) or transfer a net short position (i.e. a net financial liability) consistent with how market participants would price the net risk exposure at the measurement date.

#### (c) Significant accounting judgments, estimates and assumptions

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. For the period condensed consolidated financial statements, the accounting policies, significant accounting judgements, estimates and assumptions are consistent with those applied by the Group in its 2015 annual report and accounts except for the adoption of new standards and interpretations as at 1 April 2015 noted in note (f) below.

#### (d) Segment reporting

Substantially all of the Bank's gross assets, gross liabilities, net assets and profit before taxation arose from one business segment involving financing activities. The majority of the notes are issued to European institutions. Certain receivables and derivatives are transacted with the Nomura Group. Consequently, a significant portion of the revenues are derived from within the Nomura Group.

#### (e) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

The Group does not have any operations classified as discontinued operations as at 30 September 2015.

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ending 31 March 2015, except for the adoption of new standards and interpretations as of 1 April 2015, noted below:

IFRS 8 Operating Segments

The Annual improvements 2010-2012 Cycle clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendments are applied retrospectively. These amendments are effective from 1 April 2015. The amendments did not have an impact on the Group.

IFRS 13 Fair Value Measurement

The Annual improvements 2011-2013 Cycle clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The amendment is applied prospectively. This amendment is effective from 1 April 2015. The amendments did not have an impact on the Group.

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

2. TAXATION ON ORDINARY ACTIVITIES

(a) TAX CHARGE

	<u>Period ending</u> <u>30 September 2015</u>	<u>Period ending</u> <u>30 September 2014</u>
	Group	Group
	\$'000	\$'000
Current tax:		
UK Corporation tax at 20% (2014: 21%)	-	-
Adjustment in respect of previous periods	21	-
Foreign tax suffered	(503)	(693)
	(482)	(693)
Deferred taxation:		
Current year temporary differences	-	-
Tax charge on profit/(loss) on ordinary activities	(482)	(693)

(b) RECONCILIATION OF CORPORATION TAX CREDIT/(CHARGE)

	<u>Period ending</u> <u>30 September 2015</u>	<u>Period ending</u> <u>30 September 2014</u>
	Group	Group
	\$'000	\$'000
Net profit/(loss) before tax	114,471	(65,913)
UK Corporation tax (charge)/credit at 20% (2014: 21%)	(22,894)	13,842
Expenses not deductible for tax purposes	186	151
Group relief for nil payment	22,737	-
Impairment of goodwill	-	(6,946)
Unutilized tax losses	-	(6,960)
Non-recognition of current year short-term temporary differences	(68)	(173)
Foreign tax relief	39	71
Effect of change in tax rates	-	15
Foreign tax suffered	(503)	(693)
Adjustments in respect of previous years	21	-
Income tax expense reported in the consolidated statement of comprehensive income	(482)	(693)

The recent UK Summer Budget introduced an 8% supplementary tax surcharge on bank profits, which will apply from 1 January 2016. The Bank has not calculated the impact of the surcharge given the complexities associated of estimating taxable profits in the period from 1 January 2016 to 31 March 2016. As of the balance sheet date the legislation introducing the supplementary tax surcharge has not been substantively enacted.



# NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

## NOTES TO INTERIM REPORT (CONTINUED)

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities accessible by the Bank at the measurement date.
- Level 2 Quoted prices in inactive markets or prices containing other inputs which are observable, either directly or indirectly. Valuation techniques using observable inputs reflect assumptions used by market participants in pricing financial instruments and are based on data obtained from independent market sources at the measurement date.
- Level 3 Unobservable inputs that are significant to the fair value measurement of the financial instrument. Valuation techniques using unobservable inputs reflect management's assumptions about the estimates used by other market participants in valuing similar financial instruments. These valuation techniques are developed based on the best available information at the measurement date.

The following tables presents information about the Bank's financial assets and financial liabilities measured at fair value within the fair value hierarchy, based on the transparency of inputs into the valuation techniques used by the Bank to determine such fair values.

There are no financial instruments whose carrying amounts differ materially to their fair values.

#### Fair value hierarchy

<u>30 September 2015:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Group</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial assets				
Financial assets held for trading:				
- Derivatives	-	363,582	181,932	545,514
Financial assets designated at fair value through profit and loss:				
- Secured lending	-	651,486	-	651,486
- Other financial instruments	-	7,335	100,853	108,188
	-	1,022,403	282,785	1,305,188
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	1,003,693	434,797	1,438,490
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	6,709,271	-	6,709,271
- Borrowings	-	50,276	-	50,276
- Other financial instruments	-	3,598	-	3,598
	-	7,766,838	434,797	8,201,635

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

<u>31 March 2015:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Group</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial assets				
Financial assets held for trading:				
- Equities	-	-	-	-
- Derivatives	-	548,524	163,503	712,027
Financial assets designated at fair value through profit and loss:				
- Secured lending	-	772,535	-	772,535
- Other financial instruments	-	7,209	102,763	109,972
	-	1,328,268	266,266	1,594,534
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	984,520	370,505	1,355,025
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	5,970,343	-	5,970,343
- Borrowings	-	49,947	-	49,947
- Other financial instruments	-	3,245	-	3,245
	-	7,008,055	370,505	7,378,560

The Bank assumes that all transfers of financial instruments from one level to another level within the fair value hierarchy occur at the beginning of the relevant quarter in which the transfer takes place. Amounts reported below therefore represent the fair value of the financial instruments at the beginning of the relevant quarter when the transfer was made.

# NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

## NOTES TO INTERIM REPORT (CONTINUED)

### 4. VALUATION PROCESSES

In order to ensure the appropriateness of any fair value measurement of a financial instrument used within these consolidated financial statements including those classified as Level 3 within the fair value hierarchy, the Bank operates a governance framework which mandates determination or validation of a fair value measurement by control and support functions independent of the businesses assuming the risk of the financial instrument. Such functions within Nomura Group with direct responsibility for either defining, implementing or maintaining valuation policies and procedures are as follows:

- The Product Control Valuations Group ("PCVG") within Nomura's Finance Department has primary responsibility for determining and implementing valuation policies and procedures in connection with determination of fair value measurements. In particular, this group will ensure that valuation policies are documented for each type of financial instrument. While it is the responsibility of our businesses to price our financial instruments, the PCVG are responsible for independently verifying or validating these prices. In the event of a difference in opinion or where the estimate of fair value requires judgment, the valuation used within these consolidated financial statements is made by senior managers independent of the businesses. This group reports to the Global Head of Product Control and ultimately to the Chief Financial Officer ("CFO") of Nomura Group;
- The Accounting Policy Group ("APG") within Nomura's Finance Department defines the Group's accounting policies and procedures, including those associated with determination of fair value. This group reports to the Global Head of Accounting Policy and ultimately to the CFO of Nomura Group; and
- The Global Model Validation Group ("MVG") within Nomura's Risk Management Department validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models. The group reports to the Global Head of Market and Quantitative Risk of Nomura Group.

#### *Sensitivity of fair value to changes in unobservable inputs*

Level 3 financial instruments are often hedged with instruments within level 1 or level 2 of the fair value hierarchy and the gains or losses below do not reflect the offsetting gains or losses for these hedging instruments. Additionally, due to these hedging arrangements no effect of reasonably possible alternative assumptions has been disclosed as a change in any assumption would cause a similar offsetting effect to the hedging instruments' fair value. Level 3 instruments are also measured using both observable and unobservable inputs. Fair value changes presented below, therefore, reflect realised and unrealised gains and losses resulting from movements in both observable and unobservable parameters.

#### *Movements in Level 3 financial instruments*

<u>Period ending</u> <u>30 September 2015</u> <u>Group</u>	At 1 April 2015	Total gains (losses) in P&L	Net cash (in)/out	Settle- ments	Net transfers in/(out) of level 3	At 30 September 2015	Unrealised Total gains (losses) in P&L
<b>\$'000s</b>							
Financial assets							
Financial assets held for trading:							
- Derivatives	163,503	4,607	-	10,933	2,889	181,932	(7,807)
Financial assets designated at fair value through profit and loss:							
- Loans and receivable	102,763	(1,909)	-	-	-	100,854	(1,909)
	266,266	2,698	-	10,933	2,889	282,786	(9,716)

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

4. VALUATION PROCESSES (CONTINUED)

<u>Half year ended</u> <u>30 September 2015</u> <u>Group</u>	At 1 April 2015	Total gains (losses) in P&L	Net cash (in)/out	Settle- ments	Net transfers in/(out) of level 3	At 30 September 2015	Unrealised Total gains (losses) in P&L
<b>\$'000s</b>							
Financial liabilities							
Financial liabilities held for trading:							
- Derivatives	370,505	45,937	-	19,665	(1,310)	434,797	59,107
	370,505	45,937	-	19,665	(1,310)	434,797	59,107

Total gains and losses on financial liabilities included in the above tables are included in 'Dealing losses' in the profit and loss account.

There are no financial instruments whose carrying amounts differ materially to their fair values.

During the period, financial assets and liabilities were transferred into Level 3 as certain parameters became unobservable and transferred out from Level 3 as certain market parameters became observable.

5. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

Financial guarantee contracts

The Bank provides certain financial guarantees to third parties over their exposure to Nomura group companies. At 30 September 2015 the maximum exposure on these financial guarantee contracts amounted to \$219,601,096 (31 March 2015: \$271,101,423)

Commitments

The Bank had commitments as at 30 September 2015 amounting to \$1,353,216,488 (31 March 2015: \$1,090,475,841) in respect of undrawn note issuance facilities and loan commitments. The loan commitments are sub-participated to NIP on commitment date.

## NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

### NOTES TO INTERIM REPORT (CONTINUED)

#### 6. RELATED PARTY TRANSACTIONS

The Bank enters into various transactions with other companies under common control within the Nomura Group which are at an arm's length basis.

##### **a.** Transactions with NIP

- i. The Bank has secured financing and collateralised lending receivables owing from NIP in the amount of \$9,678,461,444 as at 30 September 2015 (31 March 2015: \$8,710,037,451). Prepayments including interest receivables owing from NIP amounted to \$1,177,875 as at 30 September 2015 (31 March 2015: \$nil).
- ii. The Bank enters into derivative agreements with NIP to hedge the market risk on medium term notes issued. The fair value of the derivatives assets with NIP is \$545,514,014 as at 30 September 2015 (31 March 2015: \$712,026,741) and the fair value of derivative liabilities with NIP is \$1,052,955,099 (31 March 2015: \$995,435,541). The bank received cash collateral of \$388,928,574 as at 30 September 2015 from NIP to cover derivative exposure and combination of cash and fair value of securities received (31 March 2015: \$477,825,988).
- iii. The Bank has other receivables due from NIP of \$19,104,103 (31 March 2015: \$24,932,934) and other payables due to NIP of \$98,865,156 (31 March 2015: \$120,468,028).
- iv. The Bank advanced a loan to NIP to the amount of \$358,175 (31 March 2015: \$347,695).
- v. The Bank has secured financing payables owing to NIP of \$Nil (31 March 2015: \$128,005,358).
- vi. The Bank benefits from a written guarantee from its ultimate parent, NHI, over its exposure to NIP.
- vii. The Bank's obligation to pay the UK Bank Levy in both the current year and prior year has been settled by NIP, who is responsible for reporting and paying the bank levy on behalf of the Nomura UK tax group.

##### **b.** Transactions with other Nomura group companies

- i. The Bank has an investment of \$nil in vanilla floating rate notes issued by a related party (31 March 2015: \$300,000,000).
- ii. The Bank has overdrafts and borrowings due to other Nomura group companies of \$17,634,255 as at 30 September 2015 (31 March 2015: \$79,634,279) and loans and advances due from other Nomura group companies of \$Nil as at 30 September 2015 (31 March 2015: \$30,000,000).

There were no impairment losses on any of the above disclosed related party receivables in the periods ending 30 September 2015 and 2014.

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2015 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

7. **DISPOSAL OF THE BANK'S SUBSIDIARY**

As part of the Nomura Group's review of its legal entity strategy, the Bank has classified its investment in this subsidiary as held for sale; hence it is measured at the lower of its carrying amount or fair value less costs to sell.

The carrying amounts of the major classes of assets and liabilities of the subsidiary as at 30 September 2015 are as follows:

	Carrying amount
	\$'000
Assets	
Loans and advances to banks	19,936
Intangible assets	357
Other Asset	363
Total assets	<u>20,655</u>
Liabilities	
Other liabilities	(206)
Total liabilities	<u>(206)</u>
Net Assets of disposal entity	<u>20,449</u>

On 12 Nov 2015 the Bank has entered into an agreement to dispose of its subsidiary. The transaction will not have a material impact on the Bank's financial statements.