NOMURA EUROPE HOLDINGS PLC

ANNUAL REPORT

31 March 2015

COMPANY REGISTERED NUMBER 3536674

NOMURA EUROPE HOLDINGS PLC

YEAR ENDED 31 MARCH 2015

STRATEGIC REPORT

The Directors of Nomura Europe Holdings plc (the "Company") present their Strategic Report, Directors' Report and the consolidated financial statements for the year ended 31 March 2015.

REVIEW OF THE GROUP'S BUSINESS AND DESCRIPTION OF PRINCIPAL RISKS

Review of the Business

The Company is the main London-based European holding company of the Nomura Group (Nomura Holdings, Inc. ("NHI") and its consolidated subsidiaries), the ultimate parent company being NHI.

The principal activities of the Company and its subsidiaries (the "Group") are broking and dealing in securities and derivatives and banking activities. These activities include:

- trading and sales in fixed income and equity products, including related derivatives and foreign exchange;
- investment banking services;
- asset and principal finance business;
- corporate finance and private equity;
- custody and investment management services;
- 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;
- provision of 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).

The Group remains a key member of the Nomura Group. In addition to European-based business activity, some Wholesale business lines across Asia and the Americas continue to leverage the Group's well-developed infrastructure and wide client reach.

The Group's key financial and other performance indicators during the year were as follows:

	Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
Trading profit	1,460,141	1,571,725
Loss on ordinary activities before taxation	(774,131)	(519,052)
Loss on ordinary activities after taxation	(798,134)	(547,154)
Shareholders' funds – Equity	2,975,352	3,621,344
Average number of employees	2,974	2,999

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NOMURA EUROPE HOLDINGS PLC

YEAR ENDED 31 MARCH 2015

STRATEGIC REPORT (CONTINUED)

The Group reported an increased loss on ordinary activities before tax and minority interests for the year of $774,131,000 (2014: loss of $519,052,000). On 23 September 2015, the Group's largest subsidiary, Nomura International plc ("NIP"), entered into a settlement agreement with Banca Monte dei Paschi di Siena SpA ("MPS") to terminate certain historic transactions. This adjusting post balance sheet event resulted in a one-off loss during the year to 31 March 2015 of $308,736,000. More detail with respect to this settlement is included in note 33.

The Group continues to be loss-making even when disregarding the one-off loss arising from the MPS settlement. These losses were driven by a tough and challenging market environment, impacting the Wholesale division. Economic growth in the Eurozone continued to remain weak, impacted by increasing uncertainty, coupled with geopolitical pressures on the economies in the region. As a result, markets, and in particular fixed income markets, delivered lower than expected returns. This has impacted the Group's results for the year.

Disregarding the one-off loss relating to MPS, the Group has seen a reduction in losses year-on-year. Whilst the Group has benefitted from the Nomura Group's legal entity strategy, which has seen market risk transferred to other Nomura Group companies and a corresponding reduction in revenue volatility, it has also benefitted from reduced own credit losses in relation to structured notes. These own credit losses relate to activity undertaken by the issuance business booked into the Group's UK banking entity, Nomura Bank International plc ("NBI"). Whilst the Nomura Group own credit spreads continued to tighten during the year, they tightened less significantly than during the previous financial year. The impact of own credit on notes included within the loss on ordinary activities before tax was a loss of $23,172,433 (2014: loss of $88,518,970).

The Group will continue to focus on delivering high value-added products and solutions to its clients for the year ending 31 March 2016 whilst closely monitoring risk.

Description of Principal Risks

The Group's activities involve the assumption and transfer of certain risks, including market risk, credit risk, operational risk, liquidity risk and funding, model risk and business risk. Further information on these risks and the Group's risk management objectives and policies are described in note 24 to the financial statements.

These risks are managed through committees and sub-committees of the NEHS Board of Directors (the "Board"). These include a Prudential Risk Committee ("PRC") and a Financial Conduct Committee ("FCC"), both having oversight of and providing advice to the Board on the Group's risk profile, risk appetite, tolerance, future risk strategy and maintenance of an appropriate risk control framework.

The Company's Audit Committee confirms that the Internal Audit function is, and will be, sufficiently resourced to assist the Board and Executive Management in protecting the assets, reputation and sustainability of the organisation.

NOMURA EUROPE HOLDINGS PLC

YEAR ENDED 31 MARCH 2015

STRATEGIC REPORT (CONTINUED)

Description of Principal Risks (continued)

The Directors have approved an enterprise risk management framework for NEHS, which describes the Group's approach to risk strategy, appetite, governance, reporting and controls to ensure that risks taken by the Group are appropriately measured, monitored, reported, controlled and limited to the confines of the Group's risk appetite, which defines the type and quantum of risk that the Group is willing to accept in pursuit of its business objectives.

FUTURE DEVELOPMENTS

Future of UK GAAP

The Financial Reporting Council ("FRC") has been working on a project entitled the Future of UK GAAP. As a result, a number of new Financial Reporting Standards ("FRS") were issued, including FRS 100 "Application of Financial Reporting Requirements", FRS 101 "Reduced Disclosure Framework" and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". These standards are effective for accounting periods beginning 1 April 2015. The Company is assessing the impact of these new standards.

The Directors are ultimately responsible for reviewing the adequacy of the NEHS enterprise risk management framework. The Directors consider that the framework in place is adequate with regard to the Group's profile and strategy.

Legal Entity Strategy

In line with the Nomura Group's legal entity strategy, the Group has transferred the market risk of a number of its trading portfolios to Nomura Financial Products & Services, Inc. ("NFPS"), domiciled in Japan. Furthermore, trading portfolios from cross border businesses have been, and wherever possible will continue to be, transferred to entities in their respective regions.

As part of the overall strategy of the Nomura Group, the Group is also seeking to reduce the size of its balance sheet. This strategic vision will be implemented through the novation of client-facing trades to other Nomura Group companies.

During the prior year the Group made the decision to dispose of one of its subsidiaries. Following this decision, the value of the business was reassessed and the investment in the subsidiary was reviewed for impairment with the result that the Group reported an exceptional loss of $27,056,000 (2014: $28,640,000). The decision was made as part of the Nomura Group's ongoing reviews of its legal entity strategy.

The Company considered the need to impair its investment in NIP and has recorded an impairment charge of $293,234,000 to reduce the carrying value of its investment to the level of NIP's closing net asset value as at 31 March 2015.

Further details about the Company's investments can be found in note 11 to the financial statements.

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YEAR ENDED 31 MARCH 2015

STRATEGIC REPORT (CONTINUED)

Capital Injections

In order to strengthen the Group's capital base, the Company issued $550,000,000 and $300,000,000 of ordinary shares to NHI on 8 May 2015 and 30 September 2015 respectively.

TRANSACTIONS AND BALANCES WITH THE GROUP'S RELATED PARTIES

As disclosed in note 32, the Group has taken advantage of the exemption in FRS 8 from disclosing related party transactions with affiliated companies included in the group financial statements.

EMPLOYEE MATTERS

The Group operates an equal opportunities policy. We have taken steps to ensure all employees are aware of their obligations in ensuring that the Nomura Group's environment retains an atmosphere which is conducive to good working and high performance.

Full internal communication and access to training and development opportunities support this philosophy.

The Group is committed to the principle of equal employment opportunity for all employees and to providing employees with a work environment free of discrimination and harassment regardless of age, disability, race, gender identify, religion or belief, marriage and civil partnership, pregnancy and maternity, sex and sexual orientation. Our recruitment, development and promotion procedures are based on the requirements of a particular position.

The Nomura Group has an established policy of communicating with all its employees regularly, including UK employees, in order to provide information relevant to them about their employment and Nomura. This includes regular Nomura news bulletins circulated to all UK employees as well as communication and updates on the employee training programmes that are available. All UK employees are encouraged to participate in the various employee committees and networks offered by the Nomura Group. The Nomura Group is not listed in the UK and therefore does not operate an employee share scheme. However employee involvement in the performance of the Nomura Group is encouraged, in a number of ways, including through the provision of a discretionary bonus scheme, which is based on the employee's individual performance as well as their division as a whole and the overall Company and Nomura Group performance. The Nomura Group's financial performance is regularly communicated to employees through quarterly town halls in which the Group's financial performance is discussed.

NOMURA EUROPE HOLDINGS PLC

YEAR ENDED 31 MARCH 2015

STRATEGIC REPORT (CONTINUED)

ENVIRONMENT

The Nomura Group is committed to acting in an environmentally responsible manner.

The Nomura Group:

- encourages investment and constructive engagement in environmentally friendly goods and services;
- assesses environmental risks and continually strives to minimise pollution and improve the environment;
- complies with relevant environmental laws and regulations and engages with external stakeholders on environmental issues;
- is committed to reducing waste and conserving energy and natural resources to minimise the impact of our footprint on the environment; and
- communicates this policy to all its employees to raise awareness of environmental issues and encourages environmentally friendly initiatives.

The Nomura Group makes this policy available for public viewing at:

http://www.nomuraholdings.com/csr/citizenship/environment/management

BY ORDER AND ON BEHALF OF THE BOARD AT A MEETING HELD ON 20 OCTOBER 2015

Andrew Eames
Company Secretary

Company Registered Number: 3536674

NOMURA EUROPE HOLDINGS PLC

YEAR ENDED 31 MARCH 2015

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results for the year are set out on page 12. The loss for the year before tax and minority interests amounted to $774,131,000 (2014: loss of $519,052,000).

No interim dividends were paid (2014: $nil) and the Directors do not recommend the payment of a final dividend (2014: $nil).

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets are shown in note 10 to the financial statements.

EVENTS SINCE THE BALANCE SHEET DATE

NEHS issued $550,000,000 of ordinary shares to NHI on 8 May 2015. A further $300,000,000 of ordinary shares were issued on 30 September 2015.

On 7 August 2015 NEHS repaid $700,000,000 subordinated debt to Nomura Europe Finance N.V. ("NEF").

On 23 September 2015, NIP entered into a settlement agreement with MPS to terminate certain historic transactions. This adjusting post balance sheet event resulted in a one-off loss during the year to 31 March 2015 of $308,736,000. More detail with respect to this settlement is included in note 33.

DONATIONS

No political donations were made during the year (2014: $nil).

FINANCIAL INSTRUMENTS

The Group's risk management objectives and policies are described in note 24 on page 69 to the financial statements. Further analysis on financial instruments is disclosed in note 12 and 25 on page 51 and 92 respectively. The accounting policies with respect to fair value of financial instruments are described within note 1 on page 18.

MATTERS DEALT WITHIN THE STRATEGIC REPORT

An indication of the likely future developments and employee matters of the Group has been discussed in the Group Strategic Report.

NOMURA EUROPE HOLDINGS PLC

YEAR ENDED 31 MARCH 2015

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The current Directors and those serving during all or part of the year were:

David Benson	Executive Director (resigned 31 December 2014) Non-Executive Director (appointed 1 January 2015) Acting Chairman (appointed 13 June 2015)
Jonathan Lewis	Chief Executive Officer (appointed 13 April 2015) Executive Director (appointed 13 April 2015)
Lewis O'Donald	Executive Director
Paul Spanswick	Executive Director
David Findlay	Executive Director
Devesh Mehta	Executive Director
Minoru Shinohara	Executive Director (appointed 30 July 2015)
Sir Andrew Cahn	Non-Executive Director
Hiroyuki Suzuki	Non-Executive Director
Jonathan Britton	Non-Executive Director (appointed 1 April 2015)
Kieran Poynter	Chairman (resigned 12 June 2015) Non-Executive Director (resigned 12 June 2015)
Jeremy Bennett	Chief Executive Officer (resigned 19 November 2014) Executive Director (resigned 19 November 2014)
Yasuo Kashiwagi	Executive Director (resigned 31 May 2015) Co-Chief Executive Officer (resigned 19 November 2014) Acting Chief Executive Officer (appointed 19 November 2014) Acting Chief Executive Officer (resigned 13 April 2015)
Patrik Edsparr	Non-Executive Director (appointed 22 January 2014) Non-Executive Director (resigned 20 May 2014)

BOARD RECRUITMENT POLICY

The NEHS Nominations Committee is responsible for having regard to a broad set of technical capabilities and competencies when recruiting members of the Board of NIP and NEHS. The Nominations Committee is also responsible for putting in place a policy promoting diversity on the Board.

Nomura is an equal opportunities company committed to providing equal opportunities throughout its board appointments including in the recruitment, training and development of board members. The objective is to attract the best possible candidates and to retain the best people.

BOARD DIVERSITY POLICY

In accordance with the requirements of the Fourth Capital Requirement Directive ("CRD IV"), on 19 May 2015, the NEHS Board of Directors adopted the following Board Diversity Policy:

Nomura is committed to fostering our corporate culture which respects our people's values regardless of their background, such as gender, nationality, ethnic origin, age, sexual orientation or gender identity. Today, Nomura's workforce includes employees of more than 70 different nationalities. This diverse group of personnel is our most important asset, and, as such, we strive to offer equal opportunities to all personnel to enable each and every one of them to develop their capabilities and strengths as individuals to the fullest and perform as Nomura professionals.

NOMURA EUROPE HOLDINGS PLC

YEAR ENDED 31 MARCH 2015

DIRECTORS' REPORT (CONTINUED)

BOARD DIVERSITY POLICY (CONTINUED)

The Nominations Committee has responsibility for leading the process for Board appointments and for identifying and nominating candidates for appointment to the Board. Board appointments will be based on merit and candidates will be considered against objective criteria. We strive to maintain a Board in which a diverse range of skills, knowledge and experiences are combined in an environment which values the input of every director. Within that framework we aspire to reach 25% female representation on the Board. The Nominations Committee will ensure appropriate actions are taken and monitor progress towards achieving our objective.

DIRECTORS' INDEMNITIES

As at the date of this report and during the relevant financial year, indemnities are and were in force under which the Company has agreed to indemnify certain Directors of the Company, Directors of certain associated Companies to the extent permitted by law and in accordance with the Company's articles of association, in respect of certain losses and liabilities arising out of, in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company. In addition, NHI has effected a global Directors and Officers liability insurance programme for the benefit of the Group.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this Report. Its objectives, policies and processes for risk management, and its exposures to credit and liquidity risk, are described in note 24 to the financial statements. Its capital management procedures and available capital resources are described in note 26.

The Company received injections of ordinary share capital in May and September 2015 to support its capital position. While market and regulatory pressures remain challenging, the improved capital base will allow continued focus on client flow business and supplying liquidity to the market, whilst closely monitoring risk.

The Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 7. Having made enquiries of fellow Directors and of the Group's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their Report of which the Group's auditors are unaware; and

- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

NOMURA EUROPE HOLDINGS PLC

YEAR ENDED 31 MARCH 2015

DIRECTORS' REPORT (CONTINUED)

AUDITORS

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office and a resolution re-appointing them as Auditors and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing the Directors' Report and Strategic Report in accordance with the Companies Act 2006 and applicable regulations.

BY ORDER AND ON BEHALF OF THE BOARD AT A MEETING HELD ON 20 OCTOBER 2015

Andrew Eames
Company Secretary

Company Registered Number: 3536674

NOMURA EUROPE HOLDINGS PLC

YEAR ENDED 31 MARCH 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA EUROPE HOLDINGS PLC

We have audited the financial statements of Nomura Europe Holdings plc for the year ended 31 March 2015 which comprise the Group Profit and Loss Account, the Group and Parent Company Statement of Total Recognised Gains and Losses, the Group and Parent Company Reconciliation of Movement in Shareholders' Funds the Group and Parent Company Balance Sheets and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2015 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

NOMURA EUROPE HOLDINGS PLC

YEAR ENDED 31 MARCH 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA EUROPE HOLDINGS PLC (CONTINUED)

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Canning-Jones (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
October 2015

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NOMURA EUROPE HOLDINGS PLC

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

Notes			Year ended 31 March 2015		Year ended 31 March 2014
		$'000	$'000	$'000	$'000
1(h),3	**TRADING PROFIT**		1,460,141		1,571,725
4	Other operating income/(expense)		(313)		431
			1,459,828		1,572,156
1(i),5	Interest receivable and similar income	1,134,130		950,113	
1(i),5	Interest payable and similar charges	(1,249,169)		(1,116,832)	
	Net interest payable		(115,039)		(166,719)
	General and administrative expenses		(1,969,122)		(1,748,941)
	OPERATING LOSS		(624,333)		(343,504)
	Exceptional gain on disposal		13		26,334
9	Exceptional loss		(27,056)		(28,640)
	Interest payable on subordinated borrowings		(122,755)		(170,127)
9	Amortisation of goodwill		-		(3,115)
3,6	**LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**		(774,131)		(519,052)
8	Tax charge on loss on ordinary activities		(24,003)		(28,102)
	LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(798,134)		(547,154)
	Minority interests		-		-
23	**LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT GROUP**		(798,134)		(547,154)

All profits and losses in the current and prior year are derived from continuing activities.

Exceptional items represent gains and losses on disposal of fixed assets.

The notes on pages 18 to 107 form part of these financial statements.

NOMURA EUROPE HOLDINGS PLC

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2015

Notes		Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
23	Loss for the financial year attributable to members of the parent Group	(798,134)	(547,154)
8, 23	Current tax charge recognised in the statement of total recognised gains and losses	(77)	(1,201)
1(j), 23	Gain on available-for-sale investments	681	5,655
1(j), 23	Realised loss/(gain) available-for-sale investments reclassified to the profit and loss account on disposal	313	(431)
23	Exchange (loss)/gain on re-translation of foreign subsidiaries	(27,512)	531
	Total recognised losses relating to the year	(824,729)	(542,600)

COMPANY STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2015

Notes		Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
	Loss for the financial year	(321,295)	(455,482)
1(e), 23	Foreign currency gains/(losses)	167,903	(60,721)
	Loss on disposal of investment due to group restructuring	-	(1,588)
	Total recognised losses relating to the year	(153,392)	(517,791)

The notes on pages 18 to 107 form part of these financial statements.

NOMURA EUROPE HOLDINGS PLC

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2015

Notes		Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
	Total recognised losses relating to the year	(824,729)	(542,600)
23	Movement on share-based payment reserve	178,737	104,784
22	New share capital subscribed	-	470,000
	Net (reduction)/addition to shareholders' funds	(645,992)	32,184
	Opening shareholders' funds	3,621,344	3,589,160
	Closing shareholders' funds	2,975,352	3,621,344

RECONCILIATION OF MOVEMENTS IN THE COMPANY SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2015

Notes		Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
2	Total recognised losses relating to the year	(153,392)	(517,791)
22	New share capital subscribed	-	470,000
	Net reduction to shareholders' funds	(153,392)	(47,791)
	Opening shareholders' funds	3,204,943	3,252,734
	Closing shareholders' funds	3,051,551	3,204,943

The notes on pages 18 to 107 form part of these financial statements.

NOMURA EUROPE HOLDINGS PLC

GROUP BALANCE SHEET AS AT 31 MARCH 2015

Notes		2015 $'000	2015 $'000	2014 $'000	2014 $'000
	FIXED ASSETS				
9	Intangible fixed assets	364		27,420	
10	Tangible fixed assets	203,217		251,928	
12	Available-for-sale investments	5,516		8,216	
			209,097		287,564
	CURRENT ASSETS				
1(j),12	Financial assets held for trading	394,759,615		282,201,987	
1(j),12	Financial assets designated fair value through profit and loss	17,241,193		17,804,491	
1(j),12	Collateral paid for securities purchased under agreements to resell	130,563,423		126,427,301	
1(j),12	Collateral paid for securities borrowed	17,296,944		18,523,560	
12,14	Trade debtors	2,915,670		3,124,992	
12,15	Other debtors	20,218,836		11,882,745	
12	Investments - time deposits	1,517,035		2,489,201	
12	Cash at bank and in hand	3,521,637		4,136,510	
		588,034,353		466,590,787	
	CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)				
1(j),12	Financial liabilities held for trading	(374,054,785)		(257,572,229)	
1(j),12	Financial liabilities designated fair value through profit and loss	(13,720,105)		(14,264,510)	
1(j),12	Collateral received for securities sold under agreements to repurchase	(131,544,132)		(128,349,248)	
1(j),12	Collateral received for securities loaned	(14,046,867)		(14,350,606)	
12,17	Trade creditors	(3,500,647)		(4,003,087)	
12,18	Loans and overdrafts	(2,655,495)		(6,116,444)	
1(v),33	Provisions	(308,736)		-	
12,19	Other creditors	(40,324,051)		(31,314,332)	
		(580,154,818)		(455,970,456)	
	NET CURRENT ASSETS		7,879,535		10,620,331
	TOTAL ASSETS LESS CURRENT LIABILITIES		8,088,632		10,907,895
	CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)				
12,21	Subordinated debt		(3,625,000)		(6,375,000)
12,20	Other creditors		(82,904)		(88,166)
12,18	Loans		(1,405,216)		(815,874)
	NET ASSETS		2,975,512		3,628,855

NOMURA EUROPE HOLDINGS PLC

GROUP BALANCE SHEET AS AT 31 MARCH 2015 (CONTINUED)

Notes		2015 $'000	2014 $'000
	CAPITAL AND RESERVES		
22	Called up share capital	7,636,322	7,636,322
23	Share premium	7,188	7,188
23	Other Reserve	(266,094)	(266,094)
23	Redenomination reserve	37,373	37,373
23	Available-for-sale reserve	12,950	12,033
1(t),23	Share-based payment reserve	866,989	688,252
23	Translation reserve	343,799	371,311
23	Profit and loss account	(5,663,175)	(4,865,041)
	SHAREHOLDERS' FUNDS - EQUITY	2,975,352	3,621,344
	Minority interests	160	7,511
	CAPITAL EMPLOYED	2,975,512	3,628,855

BY ORDER AND BEHALF OF THE BOARD AT A MEETING HELD ON 20 OCTOBER 2015 AND SIGNED ON ITS BEHALF BY:

Jonathan Lewis
Director

The notes on pages 18 to 107 form part of these financial statements.

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NOMURA EUROPE HOLDINGS PLC

BALANCE SHEET AS AT 31 MARCH 2015

Notes		2015 $'000	2015 $'000	2014 $'000	2014 $'000
	FIXED ASSETS				
11	Investments		5,021,444		5,317,041
	CURRENT ASSETS				
15	Debtors	2,799,596		5,509,984	
	CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)				
18	Loans and overdrafts	(1,129,736)		(1,225,141)	
17	Trade creditors	-		(1,285)	
19	Other creditors	(14,753)		(20,656)	
		(1,144,489)		(1,247,082)	
	NET CURRENT ASSETS		(1,655,107)		4,262,902
	TOTAL ASSETS LESS CURRENT LIABILITIES		6,676,551		9,579,943
	CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)				
21	Subordinated debt		(3,625,000)		(6,375,000)
	NET ASSETS		3,051,551		3,204,943
	CAPITAL AND RESERVES				
22	Called up share capital		7,636,322		7,636,322
23	Share premium		7,188		7,188
23	Redenomination reserve		37,373		37,373
23	Other reserves		(4,268)		(172,171)
23	Profit and loss account		(4,625,064)		(4,303,769)
	SHAREHOLDERS' FUNDS – EQUITY		3,051,551		3,204,943

APPROVED BY THE BOARD OF DIRECTORS ON 20 OCTOBER 2015 AND SIGNED ON ITS BEHALF BY:

Jonathan Lewis
Director

The notes on pages 18 to 107 form part of these financial statements.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The Group financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the inclusion of trading securities, derivatives and other financial instruments at fair value in accordance with applicable United Kingdom accounting standards ("UK GAAP"), as defined in note (f) below.

Where appropriate, prior year figures have been restated to conform with current year presentation.

(b) Basis of Consolidation

The Group financial statements comprise the financial statements of the parent and its subsidiary and quasi-subsidiary undertakings (as set out in note 11) as at and for the year ended 31 March each year. Excluding the financial statements of Nomura Banque France, S.A., whose year end is 31 December, the financial statements of the subsidiaries and quasi-subsidiaries have the same accounting reference date as the Company. Where appropriate, the relevant adjustments have been made to the individual financial statements in order to harmonise the Group's accounting policies. All intra-group balances, unrealised gains and losses and dividends resulting from intragroup transactions are eliminated in full.

All acquisitions of subsidiaries are accounted for using the merger method of accounting, except for Nomura Bank International plc, Nomura Nederland N.V., Nomura Bank (Luxembourg) S.A., Nomura Investment Banking B.S.C. and Starbright Finance Co., Ltd. ("Starbright") (formerly GE Capital Finance (China) Co., Ltd.) which were accounted for using the acquisition method of accounting.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed off during the year are included in the group profit and loss account from the date of acquisition or up to the date of disposal, as appropriate.

Where the Group holds 20% or more of the voting rights of an entity, the entity will not be equity accounted for if either:

- significant influence is not exercised over the entity as it is passively held within an investment portfolio; or
- the holding in the entity is held as a current asset investment and not on a long term basis, and is therefore not a participating interest.

The Group also consolidates quasi-subsidiaries using the acquisition method of accounting. A quasi-subsidiary is a group, trust, partnership or other vehicle that, though not fulfilling the definition of a subsidiary, is directly or indirectly controlled by the Group and gives rise to benefits for the Group that are in substance no different from those that would arise were the vehicle a subsidiary.

Minority interests represent the portion of profit or loss and net assets not attributable, directly or indirectly, by the Group and are presented separately in the profit and loss account and within reserves in the Group balance sheet, separately from the parent shareholders' funds.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill

Goodwill is the difference between the cost of an acquired entity or business and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill arising on acquisition is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. If an entity is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Goodwill from the Starbright acquisition has a useful life of twenty years.

(d) Trade Recognition

Regular way purchases and sales of securities are accounted for on a settlement date basis. Loans and receivables are accounted for on a settlement date basis.

(e) Foreign Currencies

Group
The assets and liabilities of the Company's subsidiaries and quasi-subsidiaries are translated into US Dollars at the rate of exchange ruling at the balance sheet date. Income and expenses are translated using average exchange rates for the year. The resulting exchange differences are recognised in a separate component of equity. The exchange difference arising on the translation of opening net assets is taken directly to reserves.

Company
Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences arising from the application of closing rates of exchange, together with exchange gains/losses from trading activities, are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against equity investments in foreign enterprises, which are taken directly to reserves together with the exchange differences on the net investment in these enterprises. On the disposal of a subsidiary, the deferred cumulative amount recognised in equity relating to that particular operation is recognised in the profit and loss account.

1. ACCOUNTING POLICIES (CONTINUED)

(f) Fair Value of Financial Instruments

The Group holds a significant portion of financial instruments at fair value, as described below. A description of the Group'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 at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The best evidence of fair value is quoted prices in an active market. Therefore, the fair value of financial instruments, including exchange-traded 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. These models also incorporate adjustments relating to counterparty and the Group's own credit risk, the administrative costs of servicing future cash flows 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 unrealised 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 Group's estimates of fair value in the future, potentially affecting trading and non-trading gains and losses. The Group'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.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) Fair Value of Financial Instruments (continued)

(i) Recognition of day 1 gains and losses

The fair value of a financial instrument is normally the transaction price (i.e. the fair value of consideration given or received). In some cases, however, the fair value at inception will be based on a valuation pricing model incorporating only observable parameters in the market or on other observable current market transactions in the same instrument, without modification or repackaging. Where such valuation techniques are used to derive fair values from market observable inputs, the difference between fair value and the transaction price is recognised in the profit and loss account.

Valuation techniques incorporating significant unobservable parameters may also be used to determine fair value at inception. In such cases, the difference between the transaction price and model value is only recognised in the profit and loss account when the inputs become observable, or when the instrument is derecognised.

(ii) Fair value option

Certain financial instruments may be designated at fair value by management when one of the following criteria is met:

1) The financial instrument contains an embedded derivative that significantly modifies the cash flows resulting from the financial instrument;
2) Fair value will eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise result from measuring the financial instruments on different bases; or
3) The financial instrument is part of a group of financial instruments both managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy designed to manage such assets at fair value, taking into consideration the relationship of assets to liabilities in a way that mitigates market risks. Information about these financial instruments is provided internally on a fair value basis to the Group's key management personnel.

The fair value option election under 1) and 2) above is undertaken on a product-by-product basis. This only applies to those instruments that meet one or more of the above criteria, where fair value would provide a fairer representation of the risks associated with those instruments. Once made, the fair value option election is irrevocable.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(g) Fixed Asset Investments

Investments in subsidiary undertakings, which are outside the scope of Financial Instruments recognition and measurement ("FRS 26"), are stated at original cost less amounts written off where there has been impairment in value.

(h) Trading Profit

(i) Principal Transactions Income and Expenses

Principal transactions income and expenses include realised and unrealised gains and losses from proprietary trading activities, asset finance, customer trading activities, private equity and profits on disposals of related party investments. Principal transactions income and expenses are generated predominantly by financial instruments held for trading and financial instruments designated at fair value through profit or loss. Costs directly attributable to trading are treated as general and administrative expenses.

(ii) Fees and Commission Income and Expenses

Fees and commission income and expenses include gains, losses and fees, net of syndication expenses arising from securities offerings in which the Group acts as an underwriter or agent, fees earned from the provision of financial advisory services; as well as commission income from the provision of brokerage services.

Trading profit arises on a strategy basis across a range of instruments. It is presented on a net basis, even though the corresponding financial assets and liabilities may not have been offset on the balance sheet in accordance with the presentation requirements of Financial Instruments Disclosure and Presentation ("FRS 25").

(i) Interest Receivable and Interest Payable

Interest receivable and payable includes dividends and interest paid and earned on securities positions, as well as interest on financial instruments designated at fair value through the profit or loss, carried at amortised cost including securities bought and sold under repurchase agreements, and amounts receivable and payable on bank deposits and bank borrowings.

Interest receivable and payable is recognised in the profit and loss account using the effective interest method for interest bearing financial assets and liabilities carried at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or a group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. This calculation takes into account the impact of all fees and commissions paid or received, directly attributable transaction costs, and discounts or premiums that are integral to the effective interest rate.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments

Financial instruments within the scope of FRS 26 are classified either as financial assets or liabilities at fair value through profit or loss, loans and receivables, financial liabilities at amortised cost, available-for-sale investments or held-to-maturity investments.

The Group determines the classification of its financial assets on initial recognition depending upon the purpose for which the financial instruments were acquired and their characteristics. For hybrid instruments, the Group considers whether a contract contains an embedded derivative when the entity first becomes party to it, and determines the appropriate classification at this time.

In accordance with FRS 26, all financial instruments are initially measured at fair value.

(i) Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss includes financial instruments held for trading and financial instruments designated upon initial recognition as at fair value through profit and loss.

a. Financial instruments held for trading

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives, including separated embedded derivatives, are also classified as held for trading. Derivative instruments, as detailed in note 24, are used for trading and risk management purposes.

In accordance with FRS 26, all derivatives are recognised initially and subsequently carried at fair value, with derivatives having positive fair values carried as assets and derivatives with negative fair values carried as liabilities in the balance sheet.

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. The majority of hybrid contracts are designated at fair value through profit or loss as described below. However, where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the fair value option is not elected, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the profit and loss account.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments (continued)

(i) Financial instruments at fair value through profit or loss (continued)

b. Financial instruments designated at fair value through profit and loss

Any financial asset or financial liability within the scope of FRS 26 may be designated when initially recognised as a financial asset or financial liability at fair value through profit or loss, assuming the criteria described in note 1(f)(iii) are met, except for investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Group applies the fair value option to the following instruments:

- Loans and receivables and repos and reverse repos which are risk managed on a fair value basis: The Group elects the fair value option to mitigate income statement volatility caused by the difference in measurement basis for loans and receivables and the derivatives used to risk manage those instruments;

- Structured notes held and issued: The fair value option is elected primarily as these financial instruments contain an embedded derivative that significantly modifies the cash flow resulting from the financial instrument; Financial liabilities associated with continuing involvement in assets which are not derecognised under FRS 26: The fair value option is elected to mitigate income statement volatility which would arise between these liabilities and their related assets which are measured at fair value;

- Prepaid over-the-counter (“OTC”) Contracts: These are transactions for which an initial investment of greater than 90% of the notional of the embedded derivative has been paid or received. The risk on these financial instruments, both financial assets and financial liabilities, is primarily hedged using financial instruments categorised as held for trading; and

- Other Financial Liabilities: These include financial liabilities such as those that arise upon the consolidation of certain special purpose entities and those that arise as a result of continuing recognition of certain financial assets and the simultaneous recognition of an associated financial liability.

When a financial asset or liability designated at fair value through profit and loss is recognised initially, the Group measures it at its fair value and transaction costs are taken directly to the profit and loss account. If a reliable measure becomes available for a financial asset or liability where such a measure was not previously available, and the asset is required to be measured at fair value if a reliable measure is available, the asset or liability shall be remeasured at fair value and the difference between its carrying amount and fair value recognised in profit and loss. All reliably measurable fair valued financial assets and liabilities are subsequently held at fair value until derecognition.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments (continued)

(i) Financial instruments at fair value through profit or loss (continued)

b. Financial instruments designated at fair value through profit and loss (continued)

Gains or losses on financial instruments at fair value through profit and loss, including gains and losses due to changes in fair value, are recognised in profit and loss within trading profit. Interest and dividend income or expense is recorded in interest receivable and similar income according to the terms of the contract, or when the right to the payment has been established.

(ii) Financial instruments at amortised cost

a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised on settlement date at fair value, including any direct and incremental transaction costs. After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables include collateral paid for securities purchased under agreements to resell and collateral paid for securities borrowed described below.

b. Financial liabilities at amortised cost

Financial liabilities at amortised cost include financial obligations such as cash collateral received for securities sold under agreements to repurchase, cash collateral received for securities loaned, subordinated debt, commercial paper as well as other creditors. Financial liabilities at amortised cost are initially recognised on settlement date. After initial measurement, these instruments are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

Collateral received for securities sold under agreements to repurchase and collateral received for securities loaned are further discussed below.

1. ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments (continued)

(ii) Financial instruments at amortised cost (continued)

c. Collateral paid for securities purchased under agreements to resell and collateral received for securities sold under agreements to repurchase

The Group enters into agreements with counterparties for them to sell to the Group certain securities and then repurchase them at a later date. These securities are excluded from the Group's balance sheet and the amount paid by the Group is shown in debtors as collateral paid for securities purchased under agreements to resell.

The Group also enters into agreements to sell certain securities to counterparties and then repurchase them at a later date. These securities are retained on the Group's balance sheet and where they are to be rehypothecated by the transferee are shown within held for trading pledged as collateral.

The cash amount received by the Group is shown within creditors as collateral received for securities sold under agreements to repurchase.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest method.

d. Collateral paid for securities borrowed and collateral received for securities loaned

The Group enters into agreements with counterparties for them to lend to the Group certain securities which are then returned to the lender at a later date. These securities are excluded from the Group's balance sheet and the amount paid by the Group is shown in debtors as collateral paid for securities borrowed.

The Group also enters into agreements to lend certain securities to counterparties, to be returned at a later date. These securities are retained on the Group's balance sheet and shown within held for trading pledged as collateral where they are able to be rehypothecated by the transferee. The cash amount received by the Group is shown within creditors as collateral received for securities loaned. The transfer of the securities to counterparties is only reflected on the balance sheet if the risks and rewards of ownership are also transferred.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments (continued)

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. Available-for-sale investments are initially recognised at fair value, and are subsequently held at fair value with the unrealised gains or losses being recognised in the statement of total gains and losses. Transaction costs on equity investments classified as available-for-sale are capitalised on initial recognition of the investment.

Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

When the investment is disposed of, the cumulative gain or loss previously recognised in the statement of total recognised gains and losses is recognised in profit and loss under other operating income or other operating expenses. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Losses arising from the impairment of such investments are recognised within other operating income or expense, having been removed from the cumulative gain or loss previously recognised in the statement of total recognised gains and losses. Any foreign exchange gains or losses arising on available-for-sale financial investments are recognised in profit and loss.

Interest earned whilst holding available-for-sale investments is reported in interest receivable and similar income using the effective interest rate. Dividends earned whilst holding available-for-sale investments are also recognised in the profit and loss account under interest receivable and similar income.

(iv) Held-to-maturity investments

As at the balance sheet date, the Group held no held-to-maturity investments.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(k) Impairment

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date, and that loss event has had an impact on the estimated future cash flows of the financial asset that can be reliably estimated. When estimating the potential impact of an impairment loss on a collateralised financial asset, expected future cash flows, both from the asset and the associated collateral, are assessed.

(i) Loans and receivables

For loans and receivables, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is included in the profit and loss account. If in a subsequent period the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the profit and loss account.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by the delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed except on realisation.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(iii) Available-for-sale investments

For available-for-sale investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses on equity instruments are not reversed through the profit and loss account; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of interest receivable and similar income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

(l) Derecognition

Transfers of financial assets and liabilities are assessed to determine if assets can be derecognised. The Group derecognises financial assets when significantly all the risks and rewards of the asset are transferred. If significantly all the risks and rewards of the asset are retained, the Group retains the financial assets on its balance sheet with an associated liability for consideration received. If the Group neither transfers nor retains significantly all the risks and rewards of the transferred asset, but retains control over the asset, it recognises the transferred asset and an associated liability measured on a basis that reflects the rights and obligations retained by the Group.

(m) Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.
The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, charges over financial and/or non-financial assets; and
- For derivatives, cash or securities.

Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.

1. ACCOUNTING POLICIES (CONTINUED)

(m) Collateral and other credit enhancements (continued)

The Group also makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such an arrangement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master netting arrangements do not normally result in an offset of balance sheet assets and liabilities unless certain conditions for offsetting under FRS 25 apply.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent of the amounts due to the same counterparty; and
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

(n) Offsetting financial instruments

Financial assets and financial liabilities are presented on a gross basis unless the Group has a legally enforceable right to set off the financial asset and financial liability and the Group intends to settle the financial asset and financial liability on a net basis.

(o) Fixed Assets and Depreciation

Fixed assets are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Cost includes fair value of the consideration paid plus any directly attributable costs to bring the asset to its intended use. Construction in progress is capitalised on a floor-by-floor basis from the completion date of each floor. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation rates are selected based on expected useful economic lives of the assets, taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected rates are regularly reviewed to ensure they remain appropriate to the Group and Group's circumstances. Fixed assets are currently depreciated on a straight-line basis in order to write off their cost over their expected useful economic lives as follows:

Long leasehold property	Over the life of the lease
Short leasehold property	Over the life of the lease
Leasehold improvements	Over the life of the lease
Furniture, equipment, software and vehicles	Five to ten years
Construction in progress	Not depreciated until completed and transferred to asset categories above

Fixed assets are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit and loss account as an exceptional item.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(p) Pension Costs

One subsidiary, Nomura International plc, operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The defined benefit pension scheme was closed to further accrual in October 2005.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits at the date the plan closed to the current period to determine the present value of the defined benefit obligation and is based on actuarial advice. Past service costs are recognised in the profit and loss account on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using actuarial assumptions at the date of the curtailment or settlement and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account change in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense. Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status and broadly consistent term to the liabilities), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the current bid price. Insurance contracts that form part of the scheme assets are valued at an amount equal to that of the related obligation's value. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

In accordance with FRS 17, any defined benefit liability is shown on the balance sheet net of deferred tax. Contributions to defined contribution arrangements are recognised in the profit and loss account in the period in which they become payable.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(q) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are the differences between the Group's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

(r) Financial guarantees

The Group issues financial guarantee contracts which require that the Group reimburse holders of such guarantees for any losses suffered due to a failure by specified debtors to make payments when due as specified by the terms of an underlying debt instrument. Such financial guarantees are initially recognised at fair value. The amount initially recognised includes an adjustment for transaction costs which are directly attributable to the issuance of the guarantee. On a subsequent measurement basis, value of the financial guarantee is adjusted to reflect the higher of the best estimate of the amount required to settle the probable obligation at the reporting date. Any amount recognised is net of cumulative amortisation previously recognised.

(s) Share-based payments

The ultimate holding company, Nomura Holdings, Inc., operates share based awards schemes for the purpose of providing incentives and rewards to eligible participants. Such share-based awards are classified as either equity-settled or cash-settled transactions depending on the terms of the award.

The cost of both the equity-settled and cash-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted. The fair value of the stock options as of the grant date is estimated using a Black-Scholes option-pricing model.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(s) Share-based payments (continued)

Expected volatilities	based on historical volatility of the ultimate holding company's common stock
Expected dividend yield	based on the current dividend rate at the time of grant
Expected lives of options granted	based on vesting period
Expected number of options	based on historical period which will vest
Estimated risk-free interest rate	based upon Yen swap rates with a maturity equal to the expected lives of options

The cost of equity-settled transactions is recognised in the profit and loss account, together with a corresponding increase in reserves, representing the contribution received from the ultimate holding company, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the 'vesting date').

The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The charge or credit to the profit and loss account for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash-settled transactions such as Notional Stock Unit ("NSU") which will be settled in cash are classified as liability awards. These are remeasured to fair value at each balance sheet date, net of estimated forfeitures with the final measurement of cumulative compensation cost equal to the settlement amount. Similar to the equity-settled transactions, compensation cost is recognised in the profit and loss account over the vesting period.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(t) Share Capital

Share capital meeting the definition of an equity instrument under FRS 25 is disclosed within shareholders' funds. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Preference shares, that provide for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or give the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, are financial liabilities. Convertible preference share capital may be a compound financial instrument. As required by FRS 25, the components of compound financial instruments, that contain both liability and equity elements, are accounted for separately, with the equity component being assigned the residual amount after deducting from the instruments as a whole the amount separately determined as the fair value of the liability component on the date of issue.

At the balance sheet date, the Group had no issued redeemable convertible participating preference share capital.

(u) Operating Leases

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(v) Provisions for liabilities and charges

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(w) Cash Flow Statement

The Group has taken advantage of the exemption under Presentation of Financial Statements ("FRS 1") (revised) and has not produced a cash flow statement, since the Group has more than 90% of its voting rights controlled by Nomura Holdings, Inc., in whose publicly available financial statements it is consolidated. Copies of the financial statements of Nomura Holdings, Inc., can be obtained from 9-1, Nihonbashi 1-chrome, Chuo-ku, Tokyo 103-8645, Japan.

(x) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(y) Hedge Accounting

At the inception of a hedging relationship, the group documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge. The group also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments, primarily derivatives, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. Interest on designated qualifying hedges is included in ‘Interest receivable' or 'Interest payable' in the profit and loss account.

Net investment hedge

A gain or loss on the effective portion of the hedging instrument is recognised in other comprehensive income, within the “Translation Reserve”; a gain or loss on the ineffective portion is recognised immediately in the profit and loss account. Gains and losses previously recognised in other comprehensive income are reclassified to the profit and loss account on the disposal of the foreign operation.

(z) Presentation within the profit and loss account

Following changes to Nomura’s legal entity strategy, the Company has refined the presentation of revenues and expenses from fellow Nomura Group companies in respect of transfer pricing arrangements in the profit and loss account. The prior period comparatives have not been amended to reflect the new presentation; however there is no impact on the Company’s profit before tax. Had the prior period comparatives been amended, the below would have been disclosed:

Trading profit note

	Year ended 31 March 2014 $’000
Net fees and commissions	568,521
Financial instruments held for trading	1,358,104
Financial instruments designated at fair value through profit and loss	61,902
Less: attributable transaction expenses	(270,625)
Broking and Dealing trading profit	1,717,902
General and administrative expenses	1,949,880

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

2. RETAINED PROFIT

In accordance with Section 408 Companies Act 2006, the Company has taken advantage of the dispensation not to produce its own profit and loss account. The Company reported a loss after taxation of $321,295,000 (2014 loss of $455,482,000) for the year, of which a loss of $33,209,000 has been recognised in the Group's results.

3. SEGMENTAL INFORMATION

A. Segmental Analysis

Activity	Trading profit/(loss) 2015 $'000	(Loss)/profit on ordinary activities before taxation 2015 $'000	Net Assets 2015 $'000	Trading profit/(loss) 2014 $'000	(Loss)/profit on ordinary activities before taxation 2014 $'000	Net Assets 2014 $'000
Broking and Dealing	1,365,243	(784,824)	1,774,988	1,516,963	(501,879)	2,245,235
Banking	94,898	10,693	1,200,524	54,762	(17,173)	1,383,620
Total	1,460,141	(774,131)	2,975,512	1,571,725	(519,052)	3,628,855

$1,314,286,000 of the trading profit in the year ended 31 March 2015 (2014: $1,373,134,000) is attributable to Europe, Middle East and Africa ("EMEA") and the remaining to offshore markets.

B. Analysis of Broking and Dealing Trading Profit by Financial Instrument Type

	Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
Net fees and commissions	220,458	474,022
Financial instruments held for trading	1,035,334	1,251,664
Financial instruments designated at fair value through profit and loss	(147,939)	61,902
Less: attributable transaction expenses	(226,864)	(270,625)
Other Revenues	484,254	-
	1,365,243	1,516,963

Net fees and commissions include amounts arising from securities offerings in which the Group acts as an underwriter or agent, commissions arising from broking securities and fees earned from providing financial advisory services.

Attributable transaction expenses' excludes sales credits payable/receivable to/from other Nomura Group entities. Sales credits payable are included in general and administrative expenses sales credits receivable are included in other revenues.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

4. OTHER OPERATING INCOME

	Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
(Loss)/profit from sales of available-for-sale investments	(313)	431
	(313)	431

Included above are amounts transferred from reserves to the profit and loss account on the derecognition of available-for-sale investments.

5. INTEREST INCOME AND EXPENSE

Analysis of Total Interest Income and Expense by Financial Instrument Type

	Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
Interest receivable and similar income		
Cash and short-term funds	41,752	66,782
Securities borrowed and reverse repurchase agreements	815,497	783,439
Other	28,494	12,401
	885,743	862,622
Financial instruments at fair value through profit and loss	248,387	87,491
	1,134,130	950,113
Interest payable and similar charges		
Overdrafts and loans	(70,403)	(205,781)
Securities lent and repurchase agreements	(1,135,536)	(847,478)
Other	(25,494)	(15,098)
	(1,231,433)	(1,068,357)
Financial instruments at fair value through profit and loss	(17,736)	(48,475)
	(1,249,169)	(1,116,832)

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

(i) Loss on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
Wages, salaries and other personnel costs	987,554	1,063,495
Social security costs	108,578	109,640
Pension costs - defined benefit	945	4,438
Pension costs - defined contribution	41,108	38,852
Support service charges	11,589	12,134
Depreciation	110,710	108,194
Auditor's remuneration (see note 6(ii))	7,122	6,057
Operating lease costs - buildings	66,199	89,578
- other	911	1,082
Interest receivable from fellow subsidiary undertakings	(622,081)	(531,874)
Interest payable to fellow subsidiary undertakings	662,853	690,455

(ii) Auditor's remuneration

	Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
Audit of the financial statements	175	166
Audit of subsidiaries	3,266	2,934
Total audit	3,441	3,100
Audit related assurances services	473	526
Taxation compliance services	181	269
All taxation advisory services	290	-
Other non-audit services	2,737	2,162
Total non-audit services	3,681	2,957
	7,122	6,057

In addition to the audit fee shown above, an amount of $1,584,376 (2014: $1,552,991) was borne by the ultimate Parent Company.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME

A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2015 by Premier Pensions Management Ltd., a qualified independent actuary.

During the year ended 31 March 2015, the Group made no additional contributions and the fund remained in surplus. The amount that can be recovered through reduced contributions in the future is the present value of the liability expected to arise from future service by current and future scheme members less the present value of future employee contributions. As the plan closed to all future accrual with effect 31 October 2005, there is no future benefit accrual and therefore no surplus is to be recognised in the Group's balance sheet. The expected employer's contribution to the Group's defined benefit pension scheme for year ended 31 March 2016 is nil (2015: $1,275,000).

Under the projected unit actuarial cost method the current service cost will increase as members approach retirement.

The major assumptions used by the actuary to calculate the defined benefit liability are set out below:

	31 March 2015 %	31 March 2014 %	31 March 2013 %
Rate of increase in pensions in payment	3.26%	3.66%	3.62%
Rate of increase in pensions in deferment	2.26%	2.66%	2.92%
Discount rate applied to scheme liabilities	3.30%	4.45%	4.65%
Inflation assumption	2.26%	2.66%	2.92%

Life expectancy for mortality tables used to determine benefit obligations at:

	31 March 2015 Years	31 March 2014 Years
Male Member age 60 (life expectancy at age 60)	30.5	30.0
Male Member age 40 (life expectancy at age 60)	33.8	33.3
Female Member age 60 (life expectancy at age 60)	32.6	32.2
Female Member age 40 (life expectancy at age 60)	36.0	35.4

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The assets and liabilities of the scheme and the expected long-term rates of return were:

	31 March 2015		31 March 2014		31 March 2013	
	%	$'000	%	$'000	%	$'000
Equities	3.30	1,143		-	-	-
Bonds	-	-	3.70	320,940	2.84	282,282
Div Growth Funds	3.30	33,761	-	-	-	-
Property	-	-	-	-	3.94	19,420
Cash	3.30	1,561	0.50	1,047	0.50	381
Annuities	3.30	306,093	4.45	63,642	4.65	55,258
Market value of assets		342,558		385,629		357,341
Present value of scheme liabilities		(309,063)		(284,128)		(257,849)
Surplus in the scheme		33,495		101,501		99,492
Effect of surplus cap		(33,495)		(101,501)		(99,492)
Recoverable deficit in the scheme		-		-		-
Net pension liability		-		-		-

The expected return on assets does not allow for expenses as these are paid directly by the Group.

There is no charge to operating loss in relation to the defined benefit pension scheme (2014: $nil).
The amount charged to the profit and loss account:

	31 March 2015 $'000	31 March 2014 $'000
Past service cost	689	(5,856)
Unrecognised surplus applied to past service cost	(689)	5,856
Expected return on pension scheme assets	11,902	11,796
Interest on pension scheme liabilities	(11,902)	(12,413)
Other finance charge	-	(617)

Analysis of movements in deficit during the year:

	31 March 2015 $'000	31 March 2014 $'000
Deficit in scheme at beginning of year	(617)	-
Expected return on pension scheme assets	11,902	11,796
Interest on pension scheme liabilities	(11,902)	(12,413)
Contributions	-	-
Actuarial loss	-	-
Deficit in scheme at end of year	(617)	(617)

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The amounts recognised in the Group statement of total recognised gains and losses ("STRGL") for the year are set out below:

	31 March 2015	31 March 2014
	$'000	$'000
Actual return less expected return on pension scheme assets	(7,415)	(11,247)
Experience losses arising on scheme liabilities	(1,265)	(1,318)
Changes in assumptions underlying the present value of the pension scheme liabilities	(52,195)	11,617
Actuarial loss recognised in STRGL	(60,875)	(948)
Adjustment due to movement in surplus cap	60,875	948
Actuarial loss recognised in STRGL	-	-

The defined benefit pension liability has no effect on the net assets and reserves of the Group (2014: no effect).

Analysis of movements in benefit obligation and plan assets during the year:

	Year ended 31 March 2015	Year ended 31 March 2014
	$'000	$'000
Change in benefit obligations		
Benefit obligations at beginning of year	284,128	257,849
Interest cost	11,902	12,413
Actuarial (gain)/loss	53,460	(9,847)
Benefits paid	(5,584)	(7,396)
Foreign currency exchange (loss)/gain	(35,532)	25,252
Plan amendments	689	5,857
Benefit obligations at end of year	309,063	284,128

	Year ended 31 March 2015	Year ended 31 March 2014
	$'000	$'000
Change in plan assets		
Fair value of plan assets at beginning of year	385,629	357,341
Expected return on plan assets	11,902	11,796
Actuarial gain	(7,415)	(10,754)
Benefits paid from plan	(5,584)	(7,396)
Foreign currency exchange (loss)/gain	(41,974)	34,642
Fair value of plan assets at end of year	342,558	385,629

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

FRS 17 requires the cumulative amount recognised in the group statement of total recognised gains and losses (STRGL) be disclosed as set out below:

	31 March 2015 %	31 March 2015 $'000
Difference between expected and actual return on pension scheme assets	(2.16%) (a)	(7,415)
Experience gains and losses on pension scheme liabilities	(0.41%) (b)	(1,265)
Total amount recognised in STRGL	0.00% (b)	-

	31 March 2014 %	31 March 2014 $'000
Difference between expected and actual return on pension scheme assets	(2.92%) (a)	(11,247)
Experience gains and losses on pension scheme liabilities	(0.46%) (b)	(1,318)
Total amount recognised in STRGL	0.00% (b)	-

	31 March 2013 %	31 March 2013 $'000
Difference between expected and actual return on pension scheme assets	11.06% (a)	39,525
Experience gains and losses on pension scheme liabilities	(0.90%) (b)	(2,327)
Total amount recognised in STRGL	0.00% (b)	-

	31 March 2012 %	31 March 2012 $'000
Difference between expected and actual return on pension scheme assets	11.67% (a)	38,326
Experience gains and losses on pension scheme liabilities	(0.58%) (b)	(1,300)
Total amount recognised in STRGL	1.14% (b)	(2,525)

	31 March 2011 %	31 March 2011 $'000
Difference between expected and actual return on pension scheme assets	2.12% (a)	5,927
Experience gains and losses on pension scheme liabilities	(0.84%) (b)	(1,765)
Total amount recognised in STRGL	(2.09%) (b)	(4,393)

	31 March 2010 %	31 March 2010 $'000
Difference between expected and actual return on pension scheme assets	11.14% (a)	27,637
Experience gains and losses on pension scheme liabilities	(2.29%) (b)	4,478
Total amount recognised in STRGL	(2.02%) (b)	(4,158)

(a): Percentage based on scheme assets
(b): Percentage based on present value of pension scheme liabilities

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

8. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES

(a) TAX CHARGE	Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
UK Corporation tax credit at 21% (2014: 23%)	(354)	(1,420)
Overseas taxation charge	18,840	36,657
Adjustment to tax charge in respect of prior periods	(654)	(11,415)
Total current tax charge	17,832	23,822
Deferred taxation charge (note 16)	6,171	4,280
Total tax charge for the year to the profit and loss account	24,003	28,102

(b) RECONCILIATION OF CORPORATION TAX CHARGE	Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
Loss on ordinary activities before tax	(774,131)	(519,052)
UK Corporation tax credit at 21% (2014: 23%)	(162,568)	(119,382)
Effects of :		
Expenses not deductible for tax purposes	8,092	(48)
Revenues deductible for tax purposes	(1,579)	(1,988)
Timing differences		
- Losses surrendered for nil payment	6,516	1,976
- Deferred emoluments	(290)	(18,338)
- Share based payments	15,249	(1,239)
- Transition adjustment on adoption of FRS 25/26	9,420	10,316
- Tangible fixed assets	22,366	6,718
- Profit on sale of Gloucester Gate	-	(5,056)
- Other timing differences	(421)	(2,425)
Tax rate differences on foreign subsidiaries	10,424	15,717
Unutilised losses during the year carried forward	111,277	148,986
Adjustment to tax charge in respect of prior periods	(654)	(11,415)
Current corporation tax charge for the year	17,832	23,822

On 23 September 2015, NIP entered into a settlement agreement with MPS to terminate certain historic transactions. The Group is currently reviewing whether this agreement is within the scope of the "bank compensation" rules. If the agreement is determined to be within scope the impact on the Group is expected to be immaterial. More detail with respect to this settlement is included in note 33.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

9. INTANGIBLE ASSETS

The goodwill arising in the Group financial statements from the acquisition of Starbright Finance Co., Ltd. (formerly GE Capital Finance (China) Co., Ltd.) was being amortised over twenty years. During the previous year the Group made the decision to dispose of this subsidiary. Following this decision, the value of the business was reassessed and the investment in the subsidiary was reviewed for impairment with the result that the Group reported an exceptional loss of $27,056,000 (2014: $28,640,000). The net realisable value was determined by references to price to book ratios of other similar market transactions, adjusted for relevant factors. As at 31 March 2015, all of the goodwill arising in acquisition had been impaired.

The goodwill arising in the Group financial statements in relation to the acquisition of the Lehman Brothers' Inc group ("Lehman Brothers") equities and investment banking businesses, Nomura Code Securities Limited and Tricorn Partners LLP has either been fully amortised or impaired.

	Lehman Brothers Acquisition $'000	Other $'000	Total $'000
Cost:			
At 1 April 2014	69,719	114,614	184,333
Additions	-	-	-
At 31 March 2015	69,719	114,614	184,333
Amortisation & impairment:			
At 1 April 2014	69,719	87,194	156,913
Amortisation charged during the year	-	-	-
Impairment loss for the year	-	27,056	27,056
At 31 March 2015	69,719	114,250	183,969
Net book value at 31 March 2015	-	364	364
Net book value at 31 March 2014	-	27,420	27,420

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

10. TANGIBLE FIXED ASSETS

Group					**Furniture, Equipment, Software & Vehicles**	
Cost	**Long Leasehold**	**Short Leasehold**	**Leasehold Improvements**	**Construction In Progress**		**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 April 2014	3,433	33	5,323	114	700,056	708,959
Transfers	-	-	-	-	(15)	(15)
Additions	2,949	-	84	775	66,188	69,996
Disposals	(150)	-	(202)	-	(9,175)	(9,527)
Exchange differences	(207)	-	(933)	(1)	(13,426)	(14,567)
At 31 March 2015	6,025	33	4,272	888	743,628	754,846
Depreciation						
At 1 April 2014	1,243	18	1,669	-	454,101	457,031
Charged	492	-	755	-	109,465	110,712
Disposals	-	-	(154)	-	(6,129)	(6,283)
Transfers	-	-	-	-	-	-
Exchange differences	-	-	(384)	-	(9,447)	(9,831)
At 31 March 2015	1,735	18	1,886	-	547,990	551,629
Net book amount						
At 31 March 2015	**4,290**	**15**	**2,386**	**888**	**195,638**	**203,217**
At 31 March 2014	**2,190**	**15**	**3,654**	**114**	**245,955**	**251,928**

Company

The Company had no tangible fixed assets (2014: nil).

11. FIXED ASSET INVESTMENTS

Company

Cost	**Investment in Subsidiary Undertakings $'000**
At 1 April 2014	9,506,648
Additions	5,000
Disposals	(7,363)
At 31 March 2015	9,504,285

Amounts provided	**Investment in Subsidiary Undertakings $'000**
At 1 April 2014	4,189,607
Charge for the year	293,234
At 31 March 2015	4,482,841

Net book amount	**Investment in Subsidiary Undertakings $'000**
At 31 March 2015	5,021,444
At 31 March 2014	5,317,041

The carrying value of the Company's investment in NIP has been impaired due to continuing losses, resulting in an impairment loss of $293,234,000. The value in use calculation used a discount rate of 10.9% and a growth rate of 2.25% to obtain a 20 year forecast after which a terminal value was calculated. The investment was impaired to the net asset value of NIP at 31 March 2015.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

11. FIXED ASSET INVESTMENTS (CONTINUED)

The following were subsidiary undertakings at the end of the year and have all been included in the group financial statements:

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held		Nature of business
		Group	Company	
Subsidiary undertakings				
Banque Nomura France, S.A.	France	100%	99%	Banking
Nomura Bank International plc	UK	100%	100%	Banking
Nomura International plc	UK	100%	100%	Trading
Nomura Bank (Luxembourg) S.A.	Luxembourg	100%	100%	Banking
Nomura Bank (Switzerland) Limited	Switzerland	100%	100%	Banking
Nomura Nederland N.V.	Netherlands	100%	100%	Trading
Nomura Corporate Advisory (Central and Eastern Europe) Sp. z o.o.	Poland	100%	100%	Financial advisory
Nomura Investment Banking (Middle East) B.S.C.	Bahrain	100%	100%	Financial advisory
Nomura Istanbul Corporate Services A.S.	Turkey	100%	100%	Capital Markets
Nomura Alternative Investments Management (Europe) Limited	UK	100%	100%	Investment management
Nomura Saudi Arabia	Saudi Arabia	99%	99%	Investment banking

Nomura Code Securities Limited, a UK subsidiary as at 31 March 2014, was liquidated on 27 September 2014.
OOO Nomura, a Russian subsidiary asset as at 31 March 2014, was deregistered in Russia on 24 September 2014 and fully dissolved on 21 January 2015.
Nomura Istanbul Corporate Services A.S., a Turkish capital Markets Business, was put into liquidation on 3 June 2015.

Held via subsidiary undertakings

Nomura Bank (Luxembourg) S.A.:

Global Funds Trust Company	Cayman Islands	100%	-	Management group
Global Funds Management S.A.	Luxembourg	100%	-	Fund management
Master Trust Company	Cayman Islands	100%	-	Management company

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

11. FIXED ASSET INVESTMENTS (CONTINUED)

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held		Nature of business
		Group	Company	
Held via subsidiary undertakings (continued)				
Nomura International plc:				
Nomura Investments (AH) Limited	Guernsey	100%	-	Investment
Nomura PB Nominees Limited	England and Wales	100%	-	Investment
Nomura Custody Nominees Limited	England and Wales	100%	-	Investment
Nomura D1 Nominee Limited	England and Wales	100%	-	Investment
Nomura Derivatives Clearing Nominee Limited	England and Wales	100%	-	Investment
Nomura PB Beneficial Ownership Markets Limited	England and Wales	100%	-	Investment
Nomura Clearance and Settlement Nominees Limited	England and Wales	100%	-	Investment
Nomura RPS Limited	England and Wales	100%	-	Investment adviser
Nomura Investment Advisor LLP	England and Wales	50%	-	Investment adviser
Nomura Private Equity Investment GP Limited	England and Wales	100%	-	Investment manager
Nomura Employment Services (Isle of Man) Limited	Isle of Man	100%	-	Employment Services
Nomura Nominees Limited	England and Wales	100%	-	Custody
Nomura.com Limited	England and Wales	100%	-	Dormant
Nomura London Retirement Benefits Plan Trustee Limited	England and Wales	100%	-	Corporate Trustee
IBJ Nomura Financial Products (UK) plc *	England and Wales	100%	-	In Liquidation
Meymott Street Holdings Limited **	England and Wales	-	-	Investment
Meymott Street Acquisitions Limited **	England and Wales	-	-	Investment

** Currently in liquidation*

*** The Group holds warrants which enables it to exercise control.*

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

11. FIXED ASSET INVESTMENTS (CONTINUED)

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held		Nature of business
Held via subsidiary undertakings (continued)		Group	Company	
Nomura International plc (continued):				
Meymott Street Capital Limited **	England and Wales	-	-	Investment
Nomura International Leasing Limited	Ireland	100%	100%	In Liquidation
Nomura Investment Solutions Plc	Ireland	52.08%	52.08%	Investment
Pioneer Restructuring Fund Limited	Bermuda	27.66%	27.66%	Investment
The S&P DTI Tracker Fund Limited	Cayman Islands	100%	-	Investment

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held		Nature of business
		Group	Company	
Held via subsidiary undertakings (continued)				
Nomura Bank International plc:				
Starbright Finance Co., Ltd.	China	100%	-	Banking
Taku Repackaging Trust	US	100%	-	SPV

In May 2014, the group opened a liaison office at Nomura Bank International plc in Istanbul, Turkey.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

11. FIXED ASSET INVESTMENTS (CONTINUED)

Quasi-subsidiaries

The summarised and combined financial statements of these quasi-subsidiaries are as follows:

	2015 $'000	2015 $'000	2014 $'000	2014 $'000
Profit and loss account				
Trading profit	-		-	
Interest receivable and similar income	-		-	
Interest payable and similar charges	-		-	
		-		-
Profit on ordinary activities before taxation		-		-
Taxation		-		-
Profit on ordinary activities after taxation		-		-
Balance Sheet				
Current assets				
Bank and corporate bonds	65,598		83,341	
Other debtors	347,053		345,067	
	412,651		428,408	
Creditors (amounts falling due within one year):				
Swap contracts	(12,968)		(12,186)	
Total assets less current liabilities		399,683		416,222
Long term liabilities				
Debt securities in issue		(399,683)		(416,222)
Reserves				
Profit and loss account		-		-
Other reserves		-		-
Shareholders' funds		-		-

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

12. FINANCIAL INSTRUMENTS

Analysis of the Group’s financial assets and financial liabilities by FRS 26 classification

	2015 Available-for-sale investments $’000	2015 Held for trading $’000	2015 Designated at fair value through profit and loss $’000	2015 Loans and receivables $’000	2015 Financial liabilities at amortised cost $’000	2015 Total $’000
Financial Assets:						
Available-for-sale investments	5,516	-	-	-	-	5,516
Held for trading	-	394,759,615	-	-	-	394,759,615
Designated fair value through profit and loss	-	-	17,241,193	-	-	17,241,193
Collateral paid for securities purchased under agreements to resell	-	-	-	130,563,423	-	130,563,423
Collateral paid for securities borrowed	-	-	-	17,296,944	-	17,296,944
Trade debtors	-	-	-	2,915,670	-	2,915,670
Other debtors	-	-	-	20,218,836	-	20,218,836
Investments - time deposits	-	-	-	1,517,035	-	1,517,035
Cash at bank and in hand	-	-	-	3,521,637	-	3,521,637
	5,516	394,759,615	17,241,193	176,033,545		588,039,869
Financial Liabilities:						
Held for trading	-	(374,054,785)	-	-	-	(374,054,785)
Designated fair value through profit and loss	-	-	(13,720,105)	-	-	(13,720,105)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(131,544,132)	(131,544,132)
Collateral received for securities loaned	-	-	-	-	(14,046,867)	(14,046,867)
Trade creditors	-	-	-	-	(3,500,647)	(3,500,647)
Other creditors	-	-	-	-	(40,324,051)	(40,324,051)
Loans and overdrafts	-	-	-	-	(2,655,495)	(2,655,495)
Subordinated debt	-	-	-	-	(3,625,000)	(3,625,000)
Creditors (amounts falling due after more than one year)	-	-	-	-	(1,488,120)	(1,488,120)
		(374,054,785)	(13,720,105)	-	(197,184,312)	(584,959,202)

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Group's financial assets and financial liabilities by FRS 26 classification (continued)

	2014 Available-for-sale investments $'000	2014 Held for trading $'000	2014 Designated at fair value through profit and loss $'000	2014 Loans and receivables $'000	2014 Financial liabilities at amortised cost $'000	2014 Total $'000
Financial Assets:						
Available-for-sale investments	8,216	-	-	-	-	8,216
Held for trading	-	282,201,987	-	-	-	282,201,987
Designated fair value through profit and loss	-	-	17,804,491	-	-	17,804,491
Collateral paid for securities purchased under agreements to resell	-	-	-	126,427,301	-	126,427,301
Collateral paid for securities borrowed	-	-	-	18,523,560	-	18,523,560
Trade debtors	-	-	-	3,124,992	-	3,124,992
Other debtors	-	-	-	11,882,745	-	11,882,745
Investments - time deposits	-	-	-	2,489,201	-	2,489,201
Cash at bank and in hand	-	-	-	4,136,510	-	4,136,510
	8,216	282,201,987	17,804,491	166,584,309	-	466,599,003
Financial Liabilities:						
Held for trading	-	(257,572,229)	-	-	-	(257,572,229)
Designated fair value through profit and loss	-	-	(14,264,510)	-	-	(14,264,510)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(128,349,248)	(128,349,248)
Collateral received for securities loaned	-	-	-	-	(14,350,606)	(14,350,606)
Trade creditors	-	-	-	-	(4,003,087)	(4,003,087)
Other creditors	-	-	-	-	(31,314,332)	(31,314,332)
Loans and overdrafts	-	-	-	-	(6,116,444)	(6,116,444)
Subordinated debt	-	-	-	-	(6,375,000)	(6,375,000)
Creditors (amounts falling due after more than one year)	-	-	-	-	(904,040)	(904,040)
	-	(257,572,229)	(14,264,510)	-	(191,412,757)	(463,249,496)

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Group's financial assets and financial liabilities by FRS 26 classification (continued)

Included within the loans and receivables on pages 51 & 52 are the following positions with fellow Nomura Group undertakings:

	2015	2014
Loans and receivables:	**$'000**	**$'000**
Collateral paid for securities purchased under agreements to resell	50,328,610	50,051,284
Collateral paid for securities borrowed	9,376,388	6,140,043
Trade debtors	255,775	1,161,560
Other debtors	11,965,773	4,739,126
Investments - time deposits	253,043	624,944
	72,179,589	62,716,957

Included within the financial liabilities at amortised cost on pages 51 & 52 are the following positions with fellow Nomura Group undertakings:

	2015	2014
	$'000	**$'000**
Financial liabilities at amortised cost:		
Collateral received for securities sold under agreements to repurchase	(42,655,366)	(32,073,018)
Collateral received for securities loaned	(9,278,481)	(6,653,157)
Trade creditors	(409,920)	(385,798)
Other creditors	(17,472,787)	(13,152,140)
Loans and overdrafts	(2,424,753)	(5,261,333)
Subordinated debt	(3,625,000)	(6,375,000)
	(75,866,307)	(63,900,446)

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Group's financial assets and financial liabilities by product type

The following table analyses the Group's available-for-sale investments, held for trading and designated fair value through profit and loss financial assets and liabilities by product type:

	2015 $'000	2014 $'000
Financial assets:		
Equity securities	8,831,368	15,177,224
Debt securities	40,633,482	54,626,210
Derivatives	345,300,281	212,406,771
Financial instruments designated at fair value through profit and loss	17,241,193	17,804,489
	412,006,324	300,014,694
Financial liabilities:		
Equity securities	(4,774,865)	(4,318,291)
Debt securities	(21,903,016)	(38,766,197)
Derivatives	(347,376,904)	(214,487,740)
Financial instruments designated at fair value through profit and loss	(13,720,105)	(14,264,511)
	(387,774,890)	(271,836,739)

Included within the financial assets and financial liabilities above are the following positions with fellow Nomura Group undertakings:

	2015 $'000	2014 $'000
Financial assets:		
Equity securities	169,901	196,785
Debt securities	244,847	4,223
Derivatives	177,963,325	107,870,021
Designated at fair value through profit and loss	70,072	-
	178,448,145	108,071,029
Financial liabilities:		
Equity securities	(39,384)	(47,897)
Debt securities	(217,753)	(218,176)
Derivatives	(187,081,073)	(112,754,504)
Designated at fair value through profit and loss	(128,434)	-
	(187,466,644)	(113,020,577)

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Group's financial assets and financial liabilities by product type (continued)

Available-for-sale investments

Available-for-sale investments include unquoted equity instruments which are measured at cost because their fair value cannot be measured reliably. As at 31 March 2015, such unquoted equity instruments measured at cost comprised of investments in other Nomura entities and market bodies which the Group is required to hold for strategic purposes. The value of such investments measured at cost held at the balance sheet date amounted to $5,464,142 (2014: $6,948,307).

Financial assets and liabilities designated at fair value through profit or loss

The following financial assets and liabilities have been designated at fair value through profit and loss:

Prepaid OTC Contracts:	These prepaid OTC contracts are designated at fair value as such contracts contain an embedded derivative that significantly modifies the cash flow resulting from the financial instruments. The financial instruments, with which they are hedged, are also designated at fair value to mitigate income statement volatility which would arise between these instruments and their related OTC contracts.
Structured Note Issuances:	The fair value option is elected for structured notes because these are managed by the business lines on a fair value basis.
Other Financial Liabilities:	The fair value option is elected to mitigate income statement volatility which would arise between these liabilities and their related assets which are measured at fair value.

Included within trading losses on financial instruments designated at fair value through profit and loss is a loss of $23,172,433 (2014: loss of $88,518,970) in relation to changes in own credit risk.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

13. DERECOGNISED AND COLLATERALISED TRANSACTIONS

Transfers of financial assets, including pledges of collateral

In the ordinary course of business, the Group enters into transactions resulting in the transfer of financial assets to third parties which may not result in the full derecognition of the assets under FRS 26.

The following table shows the carrying amount of financial assets sold or otherwise transferred which do not qualify for derecognition and continue to be recognised on the balance sheet, together with their associated financial liabilities:

	2015 Financial assets $'000	2015 Financial liabilities $'000	2015 Difference $'000
Collateral received for securities sold under agreements to repurchase	23,774,048	(20,208,290)	3,565,758
Collateral received for securities loaned	3,076,024	(2,826,293)	249,731
Other	851,757	(851,757)	-
	27,701,829	(23,886,340)	3,815,489

	2014 Financial assets $'000	2014 Financial liabilities $'000	2014 Difference $'000
Collateral received for securities sold under agreements to repurchase	41,220,876	(39,012,395)	2,208,481
Collateral received for securities loaned	2,324,834	(2,308,011)	16,823
Other	1,117,834	(1,117,834)	-
	44,663,544	(42,438,240)	2,225,304

Financial asset transfers which do not result in derecognition predominantly result from secured financing transactions such as repurchase agreements or securities lending transactions. Under these types of transactions, the Group retains substantially all the risks and rewards associated with the transferred assets including market risk, issuer risk, credit risk and settlement risk. Effectively, these assets are pledged as security for borrowings, represented by the associated financial liabilities recognised. Financial assets may also be transferred, but not derecognised, as the risks and rewards associated with those assets continue to be retained by the Group through derivatives or similar instruments. In such cases, the financial asset continues to be recognised on balance sheet with an associated liability representing the cash received on the transfer as a secured borrowing.

13. DERECOGNISED AND COLLATERALISED TRANSACTIONS (CONTINUED)

Transfers of financial assets, including pledges of collateral (continued)

The transactions on the previous page are conducted under standard terms used by financial market participants as well as requirements determined by exchanges where the Group acts as intermediary. These transactions are conducted with counterparties subject to the Group's normal risk control processes. The counterparties have the right to resell or repledge the transferred financial assets under standard market agreements.

Continuing involvement

In addition to the financial assets transferred but not derecognised and retained in their entirety on the Group's balance sheet outlined above, there are also a number of transactions in which the Group neither retains nor transfers substantially all the risks and rewards of the financial asset. As the Group retains control over those assets, it is considered to have a continuing involvement with those financial assets for accounting purposes.

Financial assets transfers which result in continuing involvement result from the partial retention of the risks and rewards associated with those assets by the Group through derivatives or similar instruments. In such cases, the financial asset continues to be recognised on the balance sheet at the level of the Group's continuing involvement with a corresponding liability.

The following table shows the carrying amount of financial assets sold or otherwise transferred in which the Group has continuing involvement, together with the level of the Group's associated financial liabilities and its net economic exposure, representing the fair value of the associated derivative or similar instruments:

2015 Total carrying value of financial assets with continuing involvement $'000	2015 Total carrying value of associated liability $'000	2015 Net economic exposure $'000
30,303	(30,303)	-
30,303	(30,303)	-

2014 Total carrying value of financial assets with continuing involvement $'000	2014 Total carrying value of associated liability $'000	2014 Net economic exposure $'000
52,290	(52,290)	-
52,290	(52,290)	-

There is no significant difference between the total carrying amount of the original assets before the transfer and the total carrying value of the financial assets with continuing involvement.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

13. DERECOGNISED AND COLLATERALISED TRANSACTIONS (CONTINUED)

Financial assets accepted as collateral

Financial assets are accepted as collateral as parts of reverse repurchase arrangements or securities borrowing transactions which the Group is permitted to sell or repledge under standard market documentation.

The fair value of financial assets accepted as collateral that the Group is permitted to sell or repledge in the absence of default is $244 billion (2014: $230 billion). Of this amount, $206 billion (2014: $185 billion) has been sold or repledged to comply with commitments under short-sale transactions or in connection with financing activities. Included within these balances are $41 billion (2014: $36 billion) of balance due to fellow Nomura Group undertakings. The corresponding obligation to return securities received which have been sold or repledged is $0.9 billion (2014: $1.7 billion).

14. TRADE DEBTORS

Group	**2015** **$'000**	**2014** **$'000**
Amounts falling due within one year:		
Trade debtors	2,915,670	3,124,992

Included within debtor balances above are the following balances due from fellow Nomura Group undertakings:

	2015 **$'000**	**2014** **$'000**
Amounts falling due within one year:		
Trade debtors	255,775	1,161,560

Company

The Company has no trade debtors (2014: $nil).

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

15. OTHER DEBTORS

Group	**2015**	**2014**
	$'000	**$'000**
Amounts falling due within one year:		
Broker balances	19,134,636	10,171,902
Loans and advances to customers on banking business	40,961	42,659
Deferred taxation asset (note 16)	-	6,002
Taxation recoverable	7,858	18,138
Other debtors	173,301	913,942
Prepayments and accrued income	767,238	708,521
	20,123,994	11,861,164

Group	**2015**	**2014**
	$'000	**$'000**
Amounts falling due after one year:		
Other debtors	94,731	21,581
Deferred taxation asset (note 16)	111	-
	94,842	21,581
Total Group Debtors	20,218,836	11,882,745

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

15. OTHER DEBTORS (CONTINUED)

Group

Included within debtor balances above are the following balances due from fellow Nomura Group undertakings:

	2015 $'000	2014 $'000
Amounts falling due within one year:		
Broker balances	11,364,830	4,302,810
Prepayments and accrued income	600,874	436,267
	11,965,704	4,739,077

	2015 $'000	2014 $'000
Amounts falling due after one year:		
Other debtors	69	49
	69	49

Company

	2015 $'000	2014 $'000
Amounts falling due within one year:		
Advances to subsidiaries	66,474	18,627
Other debtors	31	-
Prepayments and accrued income	8,091	16,357
	74,596	34,984
Amounts falling due after one year:		
Advances to subsidiaries	2,725,000	5,475,000
	2,725,000	5,475,000
Total Company Debtors	2,799,596	5,509,984

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

16. DEFERRED TAXATION

Group

Deferred tax asset/(liability) comprises:

	2015 Group $'000	2014 Group $'000
Accelerated depreciation	66,069	29,816
FRS 26 transition liabilities	(8,972)	(17,944)
Other short-term timing differences	61,745	48,221
Other	1	-
Unutilised tax losses	957,281	881,077
Deferred tax not provided	(1,076,188)	(935,168)
Total deferred tax asset/(liability)	(64)	6,002

Deferred taxation movements are:		
As at 1 April	6,002	11,472
Deferred tax charged to profit and loss account	(6,171)	(4,280)
Effect of change in tax rate	-	-
Sale of subsidiary	-	-
Transfer to subsidiary	-	(1,831)
Exchange differences	105	641
At 31 March	(64)	6,002

The deferred tax included in the balance sheet is as follows:

Included in debtors falling due within one year (note 15)	-	6,002
Included in debtors falling due after one year (note 15)	111	-
Included in creditors falling due after more than one year (note 20)	(175)	-
	(64)	6,002

The Group has an unrecognised deferred tax asset of $957,281,000 (2014: $881,077,000) relating to carried forward tax losses which has not been recognised due to uncertainty over the timing of future profitability.

Deferred taxation assets have not been recognised as there is insufficient evidence of future profitability. They have been disclosed at 20% in the accounts (2014: 20%) reflecting the reduction in the UK corporation tax rate to 20% which takes effect from 1 April 2015 and which was enacted by the balance sheet date.

A further corporate tax reduction of 2% was announced on 8 July 2015 which reduces the tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 respectively. These changes were included in Finance Bill 2015. The effect of recognising the unrecognised deferred tax asset at 18% will be a reduction of $107,618,800 to the unrecognised deferred tax asset.

16. DEFERRED TAXATION (CONTINUED)

Company

The Company has an unrecognised deferred tax asset of $67,132,000 (2014: $60,361,773) relating to carried forward tax losses which has not been recognised due to uncertainty over the timing of future profitability.

The company has unutilised capital losses arising of $6,120,815 (2014: nil) that are available for offset against future capital gains. A deferred tax asset of $1,224,163 (2014: nil) has not been recognised in respect of these losses due to uncertainty surrounding the company's future expectation of chargeable capital gains.

Deferred taxation assets have not been recognised as there is insufficient evidence of future profitability. They have been disclosed at 20% in the accounts (2014: 20%) reflecting the reduction in the UK corporation tax rate to 20% which takes effect from 1 April 2015 and which was enacted by the balance sheet date.

A further corporate tax reduction of 2% was announced on 8 July 2015 which reduces the tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 respectively. These changes were included in Finance Bill 2015. The effect of recognising the unrecognised deferred tax asset at 18% will be a reduction of $6,713,200 to the unrecognised deferred tax asset.

17. TRADE CREDITORS

Group	**2015** **$'000**	**2014** **$'000**
Trade creditors	3,500,647	4,003,087

Included within the creditor balances above are the following balances due to fellow Nomura Group undertakings:

	2015 **$'000**	**2014** **$'000**
Trade creditors	409,920	385,798

Company	**2015** **$'000**	**2014** **$'000**
Trade creditors	-	1,285

The Group had no amounts due to fellow Nomura Group undertakings (2014: $nil).

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. LOANS AND OVERDRAFTS

Group Amounts falling due within one year	2015 $'000	2014 $'000
Loans and overdrafts	2,655,495	6,116,444

Included within the loans and overdrafts above are the following balances due to fellow Nomura Group companies:

Amounts falling due within one year	2015 $'000	2014 $'000
Loans and overdrafts	2,424,753	5,261,333

Company Amounts falling due within one year	2015 $'000	2014 $'000
Loans and overdrafts	1,129,736	1,225,141

Group Amounts falling due after one year	2015 $'000	2014 $'000
Loans and overdrafts – owed to subsidiary undertaking	1,405,216	815,874

Group

Included within loans and overdrafts above are the following balances due to fellow Nomura Group companies:

Amounts falling due after one year	2015 $'000	2014 $'000
Loans and overdrafts – owed to subsidiary undertaking	1,304,328	821,078

Company Amounts falling due after one year	2015 $'000	2014 $'000
Loans and overdrafts – owed to subsidiary undertaking	-	-

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

19. OTHER CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

Group

	2015 $'000	2014 $'000
Deposits received from banking customers	3,596,421	3,722,623
Debt securities in issue	13,114	23,100
Accruals and deferred income	963,680	1,368,126
Broker balances	35,675,265	26,076,738
Income taxes payable	17,418	31,316
Other creditors	58,153	92,429
	40,324,051	31,314,332

Group

Included within creditor balances above are the following balances due to fellow Nomura Group companies:

	2015 $'000	2014 $'000
Accruals and deferred income	271,282	291,872
Broker balances	17,201,505	12,860,268
	17,472,787	13,152,140

Company

	2015 $'000	2014 $'000
Accruals and deferred income	14,753	20,656
	14,753	20,656

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

20. OTHER CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

Group	2015 $'000	2014 $'000
Debt securities in issue	82,729	88,166
Deferred Taxation	175	-
	82,904	88,166

There are no other creditors (amounts falling due after more than one year) due to fellow Group undertakings (2014: $nil).

The Company has no other creditors (amounts falling due after more than one year).

Debt securities in issue are repayable within five years.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

21. SUBORDINATED DEBT

Group	Maturity date	Reference Rate	Spread over Libor (%)	2015 $'000	2014 $'000
Long Term					
Nomura Europe Finance NV	12 Mar 2020	USD 3 month Libor	2.25	700,000	700,000
Nomura Europe Finance NV	08 Mar 2020	USD 3 month Libor	2.25	900,000	2,000,000
Nomura Europe Finance NV	11 Mar 2020	USD 3 month Libor	2.25	725,000	750,000
Nomura Europe Finance NV	17 May 2020	USD 3 month Libor	2.25	200,000	200,000
Nomura Europe Finance NV	13 April 2020	USD 3 month Libor	2.25	500,000	500,000
Nomura Europe Finance NV	23 April 2020	USD 3 month Libor	2.25	600,000	600,000
Nomura Holdings Inc	12 Nov 2050	USD 3 month Libor	2.85	-	1,625,000
				3,625,000	6,375,000

Company	Maturity date	Reference Rate	Spread over Libor (%)	2015 $'000	2014 $'000
Long Term					
Nomura Europe Finance NV	12 Mar 2020	USD 3 month Libor	2.25	700,000	700,000
Nomura Europe Finance NV	08 Mar 2020	USD 3 month Libor	2.25	900,000	2,000,000
Nomura Europe Finance NV	11 Mar 2020	USD 3 month Libor	2.25	725,000	750,000
Nomura Europe Finance NV	17 May 2020	USD 3 month Libor	2.25	200,000	200,000
Nomura Europe Finance NV	13 April 2020	USD 3 month Libor	2.25	500,000	500,000
Nomura Europe Finance NV	23 April 2020	USD 3 month Libor	2.25	600,000	600,000
Nomura Holdings Inc	12 Nov 2050	USD 3 month Libor	2.85	-	1,625,000
				3,625,000	6,375,000

The legal nature of the subordinated loans differs from that usually associated with debt. In a winding up of the Group no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full. In addition, the Group must obtain consent from the Financial Services Authority to repay any of the subordinated loans before their contractual repayment date.

The interests rates on the subordinated loans are based on local inter bank borrowing rates and include a margin to reflect the subordination. Rates are generally fixed quarterly.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

22. SHARE CAPITAL

2015

	Number '000	Fully paid Consideration $'000
US Dollar Ordinary shares of $1 each	7,636,322	7,636,322
		7,636,322

2014

	Number '000	Fully paid Consideration $'000
US Dollar Ordinary shares of $1 each	7,636,322	7,636,322
		7,636,322

Following the end of the financial year, the Company issued $550,000,000 and $300,000,000 of ordinary shares to NHI on 8 May 2015 and 30 September 2015 respectively, increasing the total issued Share Capital to $8,486,322,000.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

23. RESERVES

Group	Other reserve $'000	Redenomination reserve $'000	Share-based payment reserve $'000	Share premium $'000	Available-for-sale reserve $'000	Translation reserve $'000	Profit and loss account $'000
At 1 April 2014	(266,094)	37,373	688,252	7,188	12,033	371,311	(4,865,041)
Gain on available-for-sale investments	-	-	-	-	681	-	-
Realised loss on available-for-sale investments reclassified to the profit and loss account on disposal	-	-	-	-	313	-	-
Current tax charge recognised in the statement of total recognised gains and losses	-	-	-	-	(77)	-	-
Share-based payment expense for the year	-	-	178,737	-	-	-	-
Exchange difference on re-translation of subsidiaries	-	-	-	-	-	(27,512)	-
Retained loss for the year	-	-	-	-	-	-	(798,134)
At 31 March 2015	(266,094)	37,373	866,989	7,188	12,950	343,799	(5,663,175)

Included in net exchange adjustments are exchange gains of $167,903,000 (profit 2014: $60,512,000) arising on borrowings denominated in foreign currencies designated as hedges of net equity investments overseas.

Company	Other reserve $'000	Redenomination reserve $'000	Share premium $'000	Profit and loss account $'000
At 1 April 2014	(172,171)	37,373	7,188	(4,303,769)
Foreign currency gain	167,903	-	-	-
Retained loss for the year	-	-	-	(321,295)
At 31 March 2015	(4,268)	37,373	7,188	(4,625,064)

24. FINANCIAL RISK MANAGEMENT

The Group's activities involve both the assumption and transfer of certain risks which the Group must manage.

The Group defines risks as (i) the potential erosion of the Group's capital base due to unexpected losses arising from risks which its business operations are exposed, such as market risk, credit risk, operational risk and model risk, (ii) liquidity risk, the potential lack of access to funds or higher cost of funding than normal levels due to a deterioration in the creditworthiness of NHI or deterioration in market conditions, and (iii) business risk, the potential failure of revenues to cover costs due to a deterioration in the earnings environment or a deterioration in the efficiency or effectiveness of its business operations.

The Capital Requirements Directive IV ("CRD IV"), including the Capital Requirements Regulation (CRR), requires the Group to publish both Pillar 3 and country by country reporting disclosures. This information has been made publically available on the below website:

http://www.nomuraholdings.com/company/group/europe

The Group's risk strategy comprises a key component of the overall NHI risk strategy and is closely linked to that broader risk strategy. The Group's risk strategy has been established using a similar risk management framework as the one for NHI and is articulated by the Board through three key elements:

- risk taking is a component of the business strategy approved by the Board; and
- risk governance is established through the Board-approved committee structure, risk policies and devolved individual accountabilities for risk management; and
- a risk appetite framework is established to facilitate the evaluation of material decisions at senior executive levels.

Risk Appetite

The Group's risk appetite defines the type and quantum of risk that the Group is willing to accept in pursuit of its objectives. The purpose of the risk appetite framework includes (but is not limited to) guiding the allocation of internal capital, and establishing clear directives with respect to the acceptability or otherwise of certain risk types. It is designed to allow the Group to manage risk in a proactive manner, and to minimise negative surprises.

In line with the NHI risk appetite framework, the Group's risk appetite includes both quantitative measures and qualitative statements covering all risk classes. These statements further detailed below are subject to regular monitoring and measured against specific thresholds set internally and any breach is reviewed and escalated as appropriate for further resolution:

- Quantitative measures, which are metrics with defined trigger and monitoring levels aligned to one of the following dimensions:
  - regulatory capital (e.g., available capital versus regulatory capital requirement, Tier 1 capital ratio, Risk Weighted Assets);
  - economic capital (e.g., Nomura Capital Allocation Target or "NCAT");
  - liquidity/funding (e.g., severe liquidity stress and acute liquidity stress scenarios);
  - stress testing (e.g., estimated potential losses resulting from a Severe Market and Economic Downturn scenario versus available capital);
  - operational risk (e.g., losses as a percentage of gross revenues on a 12-month rolling basis).

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (Continued)

Risk Appetite(Continued)

- Qualitative expressions, which reflect the need to manage explicitly unquantifiable risks across operational, reputational, legal, model, market and credit risk types.

The Group's risk appetite statements are approved by the Board, and tracked and communicated to that forum on an ongoing basis. There is clear ownership and accountability for each category of risk and individual risk appetite measures across both quantitative and qualitative components. The risk appetite statements may be reviewed on an ad hoc basis, and must specifically be reviewed following any significant changes in strategy.

The Role of Financial Instruments

The Group holds or issues financial instruments for two main purposes:

- *Trading Activities* - to facilitate the needs of its client base and for trading purposes on its own account
- *Financing Activities - to finance its operations and to manage the interest rate and currency risk arising from its financing activities*

Trading Activities

Trading includes both customer-orientated activities and positions that are taken for the Group's own account. These two activities are managed together.

To meet the expected needs of its client base the Group maintains access to market liquidity, both by engaging in two way business with other market makers and by carrying an inventory of cash and derivatives products. The Group also takes its own positions in the interest rate, credit, equity and foreign exchange markets based on expectations of future client demand and its own views on the future direction of markets.

Within its trading activities, the Group employs standard market terms and conditions.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

The financial instruments listed below are actively used by the Group. They are used both to facilitate customer business, for own account trading as well as to manage risk. In the ordinary course of business these products are valued on a mark to market basis, with the resulting income being recorded in trading profits.

Cash Products	Government bonds, Corporate bonds, Asset-backed bonds, Convertible bonds, Equities and FX
Currency and Commodity Derivatives	Forward FX contracts, Currency swaps, Currency options, Commodity forwards, Commodity swaps and Commodity options
Interest Rate Derivatives	Interest rate swaps, Forward rate agreements, Forwards, Options, Swaptions, Currency swaps, Hybrids, Leveraged derivatives and other Exotic IR-linked derivative products
Equity Derivatives	Stocks, Index futures, Variance swaps, Options, Warrants and other Exotic equity and Alternative asset linked derivative products
Credit Derivatives	Asset swaps, Credit default swaps, Credit options, First to Default credit baskets, Credit-linked notes, Synthetic Collateralised Debt Obligation (“CDO”) tranches, CDO squared tranches, Hybrids and combinations of these

The interest rate, credit, equity and foreign exchange risks that arise from activities in these products are managed through the Group’s financial risk management objectives and policies, which are described in more detail in the next section.

Financing Activities

The responsibility for unsecured funding, managing the liquidity pool and any resulting interest rate and foreign exchange risk lies with the Treasury function. The Treasury function is managed globally and reports to the Chief Financial Officer (“CFO”) and is fully independent of the trading activities. The Treasury function’s primary responsibility is to pro-actively manage the liquidity and financing needs of the Group via a diversified financing programme, supported by a comprehensive and tested contingency plan. The Treasury function is not authorised to take positions for its own account and it is not judged on the basis of profit.

The distribution of sources of funding and their maturity profile are actively managed in order to ensure access to funds and to avoid a concentration of funding at any one time or from any one source. The main funding sources used by the Treasury function include capital, intercompany borrowings, long-term debt and committed credit facilities. The Group’s trading activities are typically funded on a secured basis through repurchase agreements, as we believe these funding activities in the secured markets are more cost-effective and less credit sensitive than financing in the unsecured market. We manage the risks by transacting with a large number of counterparties over various durations with a diverse range of security types.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Structure

The Board is ultimately responsible for identifying and controlling risks through its overall risk management approach and approval of risk strategies and principles. Risk reporting and control is undertaken by the following departments and committees within the Group:

Capital Allocation

The annual process for budgeting entity level capital needs is part of the Internal Capital Adequacy Process ("ICAAP") exercise which takes place in conjunction with the budget related processes. The setting of all current and budgeted capital requirements relating to UK-regulated entities is coordinated and challenged by the Financial and Regulatory Control functions within EMEA Finance. The Financial and Regulatory Control functions are also responsible for monitoring compliance with capital usage limits to ensure capital adequacy targets are met.

Treasury Department

The Treasury department monitors compliance with the Group's liquidity, currency and cash flow policies, including that described under Financing Activities above.

Market Risk Management Department

The Market Risk Management department measures, monitors and controls market risk and ensures compliance with the Group's market risk appetite. This department is completely independent from the business divisions.

Credit Risk Management Department

The Credit Risk Management department measures, monitors and controls credit risk and ensures compliance with the Group's credit risk appetite. This department is completely independent from the business divisions.

Operational Risk Management Department

The Operational Risk Management department is responsible for implementing the Operational Risk Management policy and for providing challenges to the business divisions in their management of operational risk. The department is completely independent from the business divisions and from the Internal Audit department.

Finance Department

The Finance department monitors compliance with internally and externally set regulatory limits and guidelines.

Prudential Risk Committee ("PRC")

The responsibility of the PRC is to provide oversight of, and guidance to the Board on:

- the risk profile of the Group;
- the risk appetite and tolerance and the future risk strategy for the Group;
- the establishment and maintenance of an appropriate risk control framework;
- the adequacy and completeness of the Group's systems and controls relating to its risk control framework; and
- the identification, mitigation and/or elimination of current and future risks.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Structure (continued)

Internal Audit

The Nomura Group Internal Audit department has responsibility to examine, evaluate and make recommendations on the appropriateness and the effectiveness of the internal control of all business and operational activities.

The Global Head of Internal Audit has an independent reporting line to the Internal Controls Committee, the Chairman of the NHI Audit Committee and the Audit Mission Directors in Tokyo.

In EMEA, the Head of Internal Audit has an independent reporting line to the Chairmen of the Audit Committees of the Company and the Group. The EMEA Head of Internal Audit also reports to the Global Head of Internal Audit and locally to the Chief Executive Officer of the Company.

Internal Audit adopts a risk-based audit approach. A risk assessment is formally carried out annually using a globally agreed methodology and, where necessary, this is updated throughout the year as a result of continuous monitoring, on completion of audits and in response to internal or external events or incidents. The outcome of the Internal Audit risk assessment is used as a basis for determining the annual Audit Plan. Any regulatory or other required or expected audits are added to the Plan as well as any Management Requests or Special Projects initiated by Internal Audit, such as pre-implementation reviews, new business reviews or one-off assignments in response to significant changes in the regulatory or business environment.

Audit execution is also risk-based. Key controls are identified and a variety of techniques are used to evaluate the adequacy of the design and the effectiveness of the controls, including inquiry and observation, sample testing and, in some cases, substantive testing.

Internal Audit reports its findings and the agreed action plans, target dates and responsible owners to the relevant Audit Committee(s), Senior Management and Line Management as appropriate.

The status of outstanding action plans is reviewed regularly and reported to Management periodically. Internal Audit also performs validation work for action plans which Management represents as having been completed.

Monitoring, Reporting and Data Integrity

Consolidation, monitoring and reporting of risk is fundamental to the appropriate management of risk. The aim of all risk Management Information ("MI") is to provide a basis for sound decision-making, action and escalation as required. The Risk Management Division and the Finance Division are responsible for producing regular risk MI, which reflects the position of the Group relative to stated risk appetite. Risk MI includes information from across the risk classes defined in the risk management framework and reflect the use of the various risk tools used to identify and assess those risks. The Risk Management Division and Finance Division are responsible for implementing appropriate controls over data integrity for risk MI.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk

Market risk is the risk of loss arising from fluctuation in the value of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others). The Group classifies exposures into either trading or non-trading portfolios. Trading portfolios are exposed to market risk and managed and monitored on a daily basis on a Value-at-Risk (“VaR”) methodology. Non-trading positions are managed and monitored using other sensitivity analysis.

A. Market Risk – Trading (including financial assets and financial liabilities designated at fair value through profit and loss)

Effective management of market risk requires the ability to analyse a complex and constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner. The Group uses a variety of statistical risk measurement tools to assess and monitor market risk on an ongoing basis including, but not limited to Value at Risk (“VaR”), Stressed VaR (“SVaR”), Comprehensive Risk Management (“CRM”) and Incremental Risk Charge (“IRC”).

Within the Group, there is also a formal process for the allocation and management of economic capital (Nomura Capital Allocation Target or “NCAT”), which is facilitated through the capital allocation agenda discussed by the PRC. The PRC recommends any changes to the Board, who must opine and approve, if appropriate. Day-to-day responsibility for the NCAT calculation and the monitoring of risk limits, within the risk control framework, rests with the independent Risk Management department, which reports to the Chief Risk Officer.

NCAT is used for performance evaluation and capital allocation, but not for capital adequacy. In order to ensure capital adequacy, financial soundness is assessed under stressed conditions, i.e. worst-case risk factor moves.

Value at Risk

VaR is a measure of the potential due to adverse movements of market equity prices, interest rates, credit, foreign exchange rates, and commodities with associated volatilities and correlations.

VaR Methodology and Assumptions

A single VaR model has been implemented globally in order to determine the total trading VaR for NHI as well as for the Group. A historical simulation is implemented, where historical market moves over a two year window are applied to the Group’s current exposure, in order to construct a profit and loss distribution. Potential losses can be estimated at required confidence levels or probabilities. A scenario weighting scheme is employed to ensure that the VaR model responds to changing market volatility.

The Group uses the same VaR model for both internal risk management purposes and for regulatory reporting.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

For internal risk management purposes, VaR is calculated at a 99% confidence level and using a 1-day time horizon. For regulatory capital, the Group uses the same confidence level but a 10-day time horizon calculated using actual 10-day historical market moves.

To complement VaR under Basel 2.5 regulations, the Group also computes SVaR, which samples from a one-year window during a period of financial stress. The SVaR window is regularly calibrated and observations are equally weighted. The Group's VaR model uses exact time series for each individual risk factor. However, if good quality data are not available, a 'proxy logic' maps the exposure to an appropriate time series. The level of proxying taking place is carefully monitored through internal risk management processes and there is a continual effort to source new time series to use in the VaR calculation.

VaR Backtesting

The performance of the Group's VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare 1-day trading losses with the corresponding VaR estimate. The Group's VaR model is backtested at different hierarchy levels. Backtesting results are reviewed on a monthly basis by the Risk Management Division.

1-day trading losses exceeded the 99% VaR estimate on one occasion at the Group level for the year ended 31 March 2015.

Limitations and Advantages of VaR

VaR aggregates risks from different asset classes in a transparent and intuitive way. However, there are limitations. VaR is a backward-looking measure: it implicitly assumes that distributions and correlations of recent factor moves are adequate to represent moves in the near future. VaR is appropriate for liquid markets and is not appropriate for risk factors that exhibit sudden jumps. Therefore it may understate the impact of severe events.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

Given these limitations, the Group uses VaR only as one component of a diverse risk management process.

The table below illustrates, by major risk category, the 1-day VaR during the financial years ended 31 March 2015 and 31 March 2014 for NIP, which is the subsidiary with substantially all the market risk in the Group. It shows the average, highest and lowest 1-day VaR for NIP during the financial year.

	Average VaR	Min VaR	Max VaR	Average VaR	Min VaR	Max VaR
	2015	2015	2015	2014	2014	2014
	$'000	$'000	$'000	$'000	$'000	$'000
Equity VaR	5,715	2,083	14,197	6,097	2,127	16,443
Securitised Products VaR	571	-	1,278	-	-	34
Credit VaR	4,334	1,671	8,305	6,885	3,812	10,682
Interest Rates VaR	5,997	2,551	14,540	14,241	6,951	27,668
Inflation VaR	1,837	298	6,439	3,682	1,365	11,066
FX VaR	10,453	3,275	23,237	14,932	9,072	39,135
Commodity VaR	101		798	73	-	1,661
Diversification	(14,169)			(20,765)		
Total ^	**14,839**	**7,088**	**27,185**	**25,145**	**14,421**	**36,938**

^ Total VaR figure shown for the Group is less than the arithmetic sum of the individual risk categories due to the effects of diversification

The total average, minimum and maximum 1-day VaR values are shown over the full annual period. A large part of the reduction in the total average 1-day VaR during the fiscal year ended 31 March 2015 continued to be driven by the migration of certain positions to other entities.

In practice, the actual trading results will differ from the 1-day VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

Incremental Risk Charge ("IRC")

IRC is a measure of the potential loss from credit migration and default events on debt securities over a one year time horizon and 99.9% confidence level. IRC is calculated by Monte Carlo simulation of correlated migration and default events. P&L from migration is computed by applying credit spread shocks based on initial and final credit rating, adjusted for basis risk by product, recovery and maturity. P&L from default is simulated including stochastic recovery, correlated with overall default rates. A key determinant of IRC on a position is the credit rating of the obligor, which is based on the firm's IRB Internal Rating system. IRC scope covers all debt securities as approved by the PRA, with the exception of trades covered under the Comprehensive Risk Measure as further described below.

Comprehensive Risk Measure ("CRM")

CRM is a measure of the potential loss from all forms of market and credit events on the portfolio of credit correlation instruments over a one year time horizon and 99.9% confidence level. CRM is calculated by Monte Carlo simulation of correlated market and credit shocks, and full revaluation of the CRM portfolio applied to scenarios which drive severe losses. The main market risk factors driving CRM are implied correlation, modelled using a transformed Ornstein-Uhlenbeck process, and credit spreads, modelled using Geometric Brownian Motion. Index single name basis risk is also included, as is correlation between market risk factors and defaults. Defaults are simulated using the same credit risk model as in IRC, with credit ratings based on the firm's internal rating system. CRM scope covers Collateralised Debt Obligations and First-To-Default positions, plus designated single-name and index hedges in the portfolio of credit correlation instruments.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

Stress Testing

Stress testing is a process of assessing the stability or business continuity of the Group. In order to assess the Group's capital adequacy and liquidity adequacy, stress testing uses plausible scenarios at various levels of the hierarchy from Group level to division or desk levels.

The Group conducts a rigorous programme of stress testing through a comprehensive suite of top-down and bottom-up scenarios, covering different time horizons, severities, scope and methodologies. Scenarios and their results are reviewed and presented on a regular basis to senior management, who can then take appropriate actions.

At the Group level, stress testing is categorised either as sensitivity analysis, scenario analysis, firm wide stress testing or reverse stress testing.

- Sensitivity analysis is used to quantify the impact of a market move in one or two associated risk factors across all positions (e.g. equity prices or equity prices/equity volatility) using a variety of defined market shocks in order to assess specific risks or potential concentrations;
- Scenario analysis is used to quantify the impact of a specified event on the Group's portfolio, combining simultaneous cross-asset market shocks;
- Firm-wide stress testing is applied consistently across risk classes, such as market, credit, operational, business and liquidity risks. It is used to assess capital adequacy under severe market scenarios; and
- Reverse stress testing is designed to identify a range of adverse circumstances which could cause the Group's business plan to become unviable. Such tests would stress the Group's exposures or business models in an 'extreme' fashion until the point of capital failure, liquidity failure or business closure.

The Group carries out stress tests in line with NHI's routine risk management process and on an ad hoc basis in response to market events or concerns. Stress tests are run on legal entity basis. Stress testing is regarded as an integral part of the Group's risk management governance and used as a tool for forward-looking risk management and decision-making.

B. Market Risk – Non-Trading

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

B. Market Risk – Non-Trading (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. During the course of the Treasury department's financing activities there is often a need to swap surplus flows in one currency into another currency; a process achieved using currency swap transactions. The Group is exposed to currency risk in respect of certain foreign currency denominated loans. This exposure is managed on a portfolio basis. The Board has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. Hedge accounting is not applied.

In the cases of both interest rate and currency risk the Company does not believe, after taking account of the portfolio management and hedging strategies in place, that there is a material exposure to non-trading market risk. On this basis no sensitivity analysis is presented.

Credit Risk

Credit Risk Management

Credit risk is the risk of loss arising from an obligor or counterparty's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a Credit Valuation Adjustment ("CVA") associated with deterioration in the creditworthiness of a counterparty.

Credit Risk Management Process

Credit Risk Management ("CRM") operates a credit risk control function within the Risk Management Division, reporting to the Chief Risk Officer ("CRO"). The process for managing credit risk at the Group includes:

- Evaluation of likelihood that a counterparty defaults on its payments and obligations;
- Assignment of internal credit ratings to all active counterparties;
- Approval of extensions of credit and establishment of credit limits;
- Measurement, monitoring and management of the firm's current and potential future credit exposures;
- Setting credit terms in legal documentation including margin terms;
- Use of appropriate credit risk mitigants including netting, collateral and hedging.

Credit Limits and Risk Measures

Internal ratings form an integral part in the assignment of credit limits to counterparties. The Group's credit limit framework is designed to ensure that the Group takes appropriate credit risk in a manner that is consistent with its risk appetite. Global Credit policies define the delegated authority matrices that establish the maximum aggregated limit amounts and tenors that may be set for any single counterparty group based on their internal rating.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

The Group's main type of counterparty credit risk exposures arise from derivatives transactions or securities financing transactions. Credit exposures against counterparties are managed by means of setting credit limits based upon credit analysis of individual counterparty. Credit risk is managed daily through the monitoring of credit exposure against approved credit limits and the ongoing monitoring of the creditworthiness of the Group's counterparties.

Risk Mitigation

The Group utilises financial instruments, agreements and practices to assist in the management of credit risk. The Group enters into legal agreements, such as the International Swap and Derivatives Association, Inc ("ISDA") agreements or equivalent (referred to as "Master Netting Agreements"), with many of its counterparties. Master Netting Agreements allow netting of receivables and payables and reduce losses potentially incurred as a result of a counterparty default. Further reduction in credit risk is achieved through entering into collateral agreements that allow the Group to obtain collateral from counterparties either upfront or contingent on exposure levels, changes in credit rating or other factors.

The Group utilises financial instruments, to assist in the management of credit counterparty risk. The Group enters into credit hedges in the form of single name credit default swaps, credit contingent CDS and credit index swaps to mitigate losses arising from deterioration in counterparty creditworthiness. The Group actively monitors large exposures to collateralised counterparties and seeks to reduce exposures through trade compression and hedging with single name credit default swaps.

Wrong-Way risk

Wrong-Way Risk ("WWR") occurs when exposure to a counterparty is highly correlated with the deterioration of creditworthiness of that counterparty. The Group has established global policies that govern the management of any WWR exposures. Stress testing is used to support the assessment of any WWR embedded within existing portfolios and adjustments are made to credit exposures and regulatory capital, as appropriate.

WWR analysis is performed by the Risk Management Division and presented monthly at the PRC. The analysis is provided to assist the business and senior management in determining whether the level of wrong way risk is a concern and action should be taken to reduce it.

Credit Risk Exposure

The Group's maximum exposure to credit risk at the balance sheet date is disclosed below, based on the carrying amount of the financial assets the Group believes is subject to credit risk, without taking account of any collateral held or any other credit enhancements. Certain off balance sheet instruments which expose the Group to a risk of loss due to default by the parties underlying these contracts are also disclosed. Collateral is held on financial assets held for trading, financial assets designated at fair value through profit and loss, collateral paid for securities purchased under agreements to resell and collateral paid for securities borrowed. The exercise of collateral will lead to a significant reduction in the potential loss in the value of the corresponding financial asset in the event of a counterparty or issuer failing to perform its contractual commitment.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

Credit Risk Exposure (continued)

	Maximum Exposure to Credit Risk 2015 $'000	Maximum Exposure to Credit Risk 2014 $'000
Available-for-sale investments	5,516	8,216
Financial assets held for trading *	394,759,615	282,201,987
Financial assets designated at fair value through profit and loss	17,241,193	17,804,491
Collateral paid for securities purchased under agreements to resell	130,563,423	126,427,301
Collateral paid for securities borrowed	17,296,944	18,523,560
Trade debtors	2,915,670	3,124,992
Other debtors	20,218,836	11,882,745
Investments – time deposits	1,517,035	2,489,201
Cash at bank and in hand	3,521,637	4,136,510
	588,039,869	466,599,003
Other commitments	2,061,606	2,965,991
Total exposure to credit risk	590,101,475	469,564,994

* Further analysis can be found in Note 12 on page 51

Other credit enhancements include netting agreements which provide protection to reduce losses in the event of counterparty's default and, in some cases offset the Group's exposure with the same counterparty, which provide a more meaningful presentation of balance sheet credit exposure. Other credit enhancements are also credit derivatives and other financial guarantee products which are used to hedge the Group's exposure to credit risk.

The credit quality of financial assets and off balance sheet commitments which are subject to credit risk, that are neither past due nor impaired, is summarised below. The credit ratings are determined by the Group's internally determined public rating agency equivalents.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

Credit Risk Exposure (continued)

	Maximum Exposure to Credit Risk 2015 $'000	Maximum Exposure to Credit Risk 2014 $'000
Credit Rating		
AAA	10,415,281	14,414,409
AA	110,057,755	49,812,856
A	140,748,856	103,628,500
BBB	253,827,568	222,924,743
Non-Investment grade	63,958,857	58,601,259
Unrated	9,031,552	17,217,236
Total exposure to credit risk by credit rating	588,039,869	466,599,003

The unrated balance represents the pool of counterparties which individually do not generate material credit risk for the Group and which do not require rating under the Group's credit management policies. This pool is highly diversified, subject to limits, and monitored on a regular basis.

Included in the non-investment grade exposure is the fair value of various credit derivative contracts with monoline insurers. These positions were entered into by the structured credit trading business of Global Markets in Europe and are classified as financial assets held for trading. The Group is currently negotiating with the insurers to settle the outstanding amounts.

Concentrations of Credit Risk

Concentrations of credit risk may arise from the Group's normal operation in derivative instruments, trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. The Group's significant single concentrations of credit risk are typically with investment-grade credit institutions in the US and Europe and benefit from credit risk mitigation such as bilateral collateral agreements.

The Group is exposed to significant counterparty credit risk from other Nomura Group undertakings. The maximum credit exposure to other Nomura Group undertakings is $202 billion (2014: $167 billion) and is rated using the Nomura Group's credit rating of BBB (2014: 'BBB') as below.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

Amounts past due but not impaired

Amounts which are past due but not impaired are those amounts which the Group believes are past due but still recoverable or which are sufficiently collateralised such that the fair value of the collateral pledged is sufficient to offset the amount of the outstanding obligation.

An ageing analysis of amounts past due but not impaired is provided in the table below:

					Amounts past due but not impaired
	Less than 91 days	91-180 days	181 days to 1 year	More than 1 year	Total past due but not impaired
	2015	2015	2015	2015	2015
	$'000	$'000	$'000	$'000	$'000
Other debtors	818,404	-	-	-	818,404
Total	818,404	-	-	-	818,404

					Amounts past due but not impaired
	Less than 91 days	91-180 days	181 days to 1 year	More than 1 year	Total past due but not impaired
	2014	2014	2014	2014	2014
	$'000	$'000	$'000	$'000	$'000
Other debtors	1,123,953	-	-	-	1,123,953
Total	1,123,953	-	-	-	1,123,953

Impaired financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at each balance sheet date. An impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset; the loss event has an impact on estimated future cash flows, after taking into account any collateral held; and if the impact of that loss can be reliably estimated.

The amount charged to profit and loss for assets subject to impairment losses during the period is $nil (2014: $nil).

As at 31 March 2015 the cumulative impairment loss on available-for-sale investments was $nil (2014: $nil).

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk

Liquidity Risk Management

The Group defines liquidity risk as the potential inability to meet financial obligations as they become due. This risk could arise from various scenarios and could be due both to Nomura-specific and market-wide events. Liquidity risk management policy is based on the board approved liquidity risk appetite. The Group's primary objective for liquidity risk management is to ensure continuous liquidity across market cycles and periods of market stress, and to ensure that all funding requirements and unsecured debt obligations that fall due within Board-established survival horizons can be met without any reliance on additional unsecured funding or forced liquidation of assets.

The firm's Maximum Cumulative Outflow ("MCO") model quantifies the amount of liquidity required to survive the approved stress scenarios, the Group manages liquidity risk on a self-sufficiency basis and controls liquidity usage via an unsecured funding limit framework. To ensure a readily available source of liquidity to meet the modelled liquidity requirements, the Group maintain a liquidity portfolio in the form of highly liquid, unencumbered securities that may be sold or pledged to provide liquidity, called "The Liquidity Pool".

The Group as a UK regulated entity is fully compliant with the UK Prudential Regulation Authority ("PRA") prescribed liquidity requirements.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

The table below shows the Group's financial liabilities by contractual maturity remaining, taking into account early redemption features. Derivative contracts and other financial instruments contained within the Group's trading portfolio and other instruments containing embedded derivatives (including structured note issuances and other financial liabilities designated at fair value) are presented at their fair values. All other amounts represent undiscounted cash flows payable by the Group arising from its financial liabilities. Perpetual cashflows are shown for a period of ten years. Derivatives are disclosed at fair value on demand with the exception of gross settled derivatives, which are shown by contractual maturity remaining. Financial liabilities designated at fair value are disclosed based on their earliest redemption date. This presentation is considered to reflect the liquidity risk arising from the Group's financial liabilities and is consistent with how this risk is managed by the Group.

	On demand 2015 $'000	< 1 year 2015 $'000	1 – 5 years 2015 $'000	Later than 5 years 2015 $'000	Total 2015 $'000
Financial liabilities held-for-trading	348,724,061	21,326,081	3,739,018	265,625	374,054,785
Financial liabilities designated at fair value	2,057,380	5,672,331	3,259,340	2,731,054	13,720,105
Collateral received for securities sold under agreements to repurchase	23,197,535	106,545,899	1,800,698	-	131,544,132
Collateral received for securities loaned	14,045,838	1,029	-	-	14,046,867
Loans and overdrafts	-	2,655,495	1,405,216	-	4,060,711
Trade creditors	3,500,647	-	-	-	3,500,647
Deposits received from Banking customers	3,596,421	-	-	-	3,596,421
Debt securities in issue	-	13,114	82,729	-	95,843
Other creditors	35,675,265	75,571	175	-	35,751,011
Subordinated debt	-	-	-	3,625,000	3,625,000
	430,797,147	136,289,520	10,287,176	6,621,679	583,995,522
Other commitments	-	154,633	1,271,214	102,009	1,527,856
Standby letters of credit and other guarantees	-	-	238,750	295,000	533,750
	-	154,633	1,509,964	397,009	2,061,606
Total exposure to liquidity risk	430,797,147	136,444,153	11,797,140	7,018,688	585,057,128

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table (continued)

	On demand 2014 $'000	< 1 year 2014 $'000	1 – 5 years 2014 $'000	Later than 5 years 2014 $'000	Total 2014 $'000
Financial liabilities held-for-trading	248,665,919	7,025,893	1,778,386	102,031	257,572,229
Financial liabilities designated at fair value	730,756	4,641,070	5,197,422	3,695,262	14,264,510
Collateral received for securities sold under agreements to repurchase	25,457,009	102,612,571	279,668	-	128,349,248
Collateral received for securities loaned	14,350,606	-	-	-	14,350,606
Loans and overdrafts	-	6,116,444	815,874	-	6,932,318
Trade creditors	4,003,087	-	-	-	4,003,087
Deposits received from Banking customers	3,722,623	-	-	-	3,722,623
Debt securities in issue	-	23,100	88,166	-	111,266
Other creditors	26,076,738	123,745	-	-	26,200,483
Subordinated debt	-	-	-	6,375,000	6,375,000
	323,006,738	120,542,823	8,159,516	10,172,293	461,881,370
Other commitments	-	435,351	1,414,488	1,113,425	2,963,264
Standby letters of credit and other guarantees	-	-	-	2,727	2,727
	-	435,351	1,414,488	1,116,152	2,965,991
Total exposure to liquidity risk	323,006,738	120,978,174	9,574,004	11,288,445	464,847,361

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table (continued)

The table below shows the maturity profile of the Group's financial assets. The analysis into maturity groupings is based on the remaining period to the contractual maturity date or, if earlier, the expected date the assets will be realised.

	On demand	Less than 30 days	31 – 90 days	91 days – 1 year	1 – 5 years	Later than 5 years	Total
	2015	2015	2015	2015	2015	2015	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash at bank and in hand	3,521,637	-	-	-	-	-	3,521,637
Available-for-sale Investments	5,516	-	-	-	-	-	5,516
Financial assets held for trading	394,759,615	-	-	-	-	-	394,759,615
Financial assets designated at fair value	17,241,193	-	-	-	-	-	17,241,193
Collateral paid for securities purchased under agreement to resell	23,439,073	96,387,636	6,291,328	3,809,063	613,823	22,500	130,563,423
Collateral paid for securities borrowed	17,296,944	-	-	-	-	-	17,296,944
Trade debtors	1,964,351	951,319	-	-	-	-	2,915,670
Other debtors	20,123,994	-	-	-	94,842	-	20,218,836
Investments - time deposits	1,517,035	-	-	-	-	-	1,517,035
Total exposure to liquidity risk	479,869,358	97,338,955	6,291,328	3,809,063	708,665	22,500	588,039,869

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NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table (continued)

	On demand	Less than 30 days	31 – 90 days	91 days – 1 year	1 – 5 years	Later than 5 years	Total
	2014	2014	2014	2014	2014	2014	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash at bank and in hand	4,136,510	-	-	-	-	-	4,136,510
Available-for-sale Investments	8,216	-	-	-	-	-	8,216
Financial assets held for trading	282,201,987	-	-	-	-	-	282,201,987
Financial assets designated at fair value	17,804,491	-	-	-	-	-	17,804,491
Collateral paid for securities purchased under agreement to resell	31,932,243	73,753,878	12,462,410	6,476,341	1,802,429	-	126,427,301
Collateral paid for securities borrowed	18,523,560	-	-	-	-	-	18,523,560
Other debtors	13,861,825	1,124,331	-	-	21,581	-	15,007,737
Investments - time deposits	2,489,201	-	-	-	-	-	2,489,201
Total exposure to liquidity risk	370,958,033	74,878,209	12,462,410	6,476,341	1,824,010	-	466,599,003

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NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to NHI's reputation if caused by an operational risk. The Group uses the NHI Operational Risk Management ("ORM") framework for the management of the Group's operational risk.

The Three Lines of Defence

The Group adopts the industry standard "Three Lines of Defence" for the management of operational risk, comprising:

- 1st Line of Defence: The business which owns and manages its risks.
- 2nd Line of Defence: The ORM function, which defines and co-ordinates the Group's operational risk strategy and framework and provides challenge to the 1st Line of Defence.
- 3rd Line of Defence: Internal and External Audit, who provide independent assurance.

The Group's ORM framework is set out below:

Infrastructure of the framework

- Policy framework: Sets standards for managing operational risk and details how to monitor adherence to these standards.
- Training and awareness: Action taken by ORM to improve business understanding of operational risk.

Products and Services

- Risk and Control Self Assessment ("RCSA"): The process used by business units to identify and assess the operational risks to which they are exposed, the controls in place to mitigate risks, and action plans to further reduce risk.
- Scenario Analysis: Process to identify and assess high impact, low probability 'tail events'.
- Event Reporting: Process to obtain information on and learn from actual events impacting the Group and relevant external events. A key step is to identify appropriate action plans to prevent or mitigate future occurrence of events.
- Key Risk Indicators ("KRI"): Metrics which allow monitoring of certain key operational risks and trigger appropriate responses as thresholds are breached.

Outputs

- Analysis and reporting: A key aspect of ORM's role is to analyse, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.
- Operational risk capital calculation: Calculate operational risk capital as required under Basel standards and local regulatory requirements.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Model Risk

Nomura uses risk models for regulatory and economic capital clculations and valuation models for pricing and sensitivity calculations of positions.Model risk is the risk arising from model errors or incorrect or inappropriate model application, which can lead to financial loss, poor business and strategic decision making, restatement of external and internal reports, regulatory penalties and damage to the Nomura's reputation.

Errors can occur at any point from model assumptions through to implementation. In addition, the quality of model outputs depends on the quality of model parameters and any input data. Even a fundamentally sound model producing accurate outputs consistent with the design objective of the model may exhibit high model risk if it is misapplied or misused. To address these risks, the firm establishes its Model Risk Appetite. The quantitative Risk Appetite measure is based on the potential loss arising from Model Risk.

Nomura has documented policies in place, which define the process and validation procedures required in order to implement new or amend existing valuation and risk models.. Before these models are put into official use, the Model Validation Group ("MVG") is responsible for validating their integrity and comprehensiveness independently from those who design and build them. All models are also subject to an annual re-approval process by MVG to ensure they remain suitable. For changes with an impact above certain materiality thresholds, model approval is required.

Business Risk

Business risk is the risk of failure of revenues to cover costs due to a deterioration in the earnings environment or a deterioration in the efficiency or effectiveness of the Group's business operations. Managing business risk is the responsibility of the Group's Executive Managing Directors and Senior Managing Directors.

Fair values of financial assets and financial liabilities

All financial instruments held or issued for trading purposes are carried in the financial statements at fair value which is determined using market values, option pricing models or by discounting expected future cash flows at prevailing interest rates.

The carrying value of financial instruments not measured at fair value is a reasonable approximation of fair value for the majority of these holdings due to the short-term nature of these financial assets and liabilities.

Financial instruments valued using unobservable market data

Certain financial assets and liabilities are valued using valuation techniques which rely on parameters which are not observable in the market due to an absence of equivalent, current, market transactions or observable market data.

These valuation techniques are based on assumptions. As a result, the fair value calculated using these valuation techniques will change if the underlying assumptions change. The potential impact of using reasonably possible alternative assumptions to value these financial instruments at the balance sheet date is plus and/or minus $69,009,600 (2014: $57,856,016).

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments valued using unobservable market data (continued)

Where the use of valuation techniques with significant unobservable parameters generates a gain or loss at inception, this is deferred over the life of the contract, until the parameters become observable or the instrument is terminated. Changes in fair value after inception are recognised in the profit and loss account. The total fair value change recognised in profit or loss attributable to these financial instruments at balance sheet date is $144,203,073 (2014: $111,716,062).

The amounts not recognised during the year relating to the difference between the transaction price and the fair value determined using a valuation technique with unobservable parameters is shown in the table below:

	2015 $'000	2014 $'000
As at 1 April	4,857	14,985
New transactions	7,454	7,536
Redemptions and terminations	(3,998)	(17,664)
As at 31 March	8,313	4,857

Gains and losses on financial assets and financial liabilities held or issued for trading:

The net gain/(loss) from trading in financial assets and financial liabilities shown in the profit and loss account includes the following:

	2015 $'000	2014 $'000
Bond and equity derivatives	285,565	(1,320,476)
Convertible bonds	(522,974)	(861,686)
Equities	2,944,756	4,698,365
Warrants	40,657	115,513
Government bonds	(1,442,420)	406,292
Bank and corporate bonds	559,607	362,475
Interest rate derivatives	166,698	(50,053)
Currency derivatives	(212,943)	1,255,614
Credit derivatives	(172,798)	(3,674,521)
	1,646,148	931,523

The information provided in the table above is shown on a pure product split basis, with no matching of the gains and losses on derivative contracts being offset against those on the underlying position, and excludes any impact from the provision in relation to the settlement of the MPS transactions. A significant amount of trading takes place on a strategy basis across a range of instruments and is managed accordingly.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions have been applied in determining the fair values of financial instruments:

a) The fair value of loans and receivables and other liabilities due within 12 months are assumed to approximate to their carrying values.

b) Financial assets classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated using a valuation model.

c) Financial assets and liabilities designated at fair value through profit and loss and derivatives are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated using a valuation model. Such models are based wherever possible on assumptions supported by observable market prices or rates. These valuation techniques are based on assumptions. As a result, the fair value calculated using these valuation techniques will change if the underlying assumptions change.

Fair value hierarchy

Level 1 - quoted prices in active markets for the same instrument (i.e. without modification or repackaging).

Level 2 - quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3 - valuation techniques for which any significant input is not based on observable market data.

The following table presents information about the Group's financial assets and financial liabilities measured at fair value at 31 March 2015 within the fair value hierarchy, based on the transparency of inputs into the valuation techniques used by the Group to determine such fair values. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement of the financial instrument.

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NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	2015 Level 1 $'000	2015 Level 2 $'000	2015 Level 3 $'000	2015 Total $'000
Financial assets				
Financial assets held for trading:				
- Equities	8,255,223	551,715	24,430	8,831,368
- Debt securities and loans	24,637,338	15,330,077	666,067	40,633,482
- Derivatives	-	342,393,532	2,906,749	345,300,281
Designated at Fair value	751,274	16,387,156	102,763	17,241,193
	33,643,835	374,662,480	3,700,009	412,006,324

	2015 Level 1 $'000	2015 Level 2 $'000	2015 Level 3 $'000	2015 Total $'000
Financial liabilities				
Financial liabilities held for trading:				
- Equities	(4,660,482)	(106,627)	(7,756)	(4,774,865)
- Debt securities and loans	(13,194,151)	(8,708,839)	(25)	(21,903,015)
- Derivatives	-	(344,231,024)	(3,145,881)	(347,376,905)
Designated at Fair value	(401,614)	(13,255,712)	(62,779)	(13,720,105)
	(18,256,247)	(366,302,202)	(3,216,441)	(387,774,890)

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	2014 Level 1 $'000	2014 Level 2 $'000	2014 Level 3 $'000	2014 Total $'000
Financial assets				
Financial assets held for trading:				
- Equities	14,125,658	778,832	273,285	15,177,775
- Debt securities and loans	35,045,068	19,272,534	306,335	54,623,937
- Derivatives	2,270,663	207,289,697	2,848,131	212,408,491
Designated at fair value	1,326,042	16,264,736	213,713	17,804,491
	52,767,431	243,605,799	3,641,464	300,014,694

	2014 Level 1 $'000	2014 Level 2 $'000	2014 Level 3 $'000	2014 Total $'000
Financial liabilities				
Financial liabilities held for trading:				
- Equities	(4,698,123)	(205,482)	(471)	(4,904,076)
- Debt securities and loans	(25,410,397)	(12,770,016)	-	(38,180,413)
- Derivatives	(2,809,460)	(208,846,348)	(2,831,932)	(214,487,740)
Designated at fair value	(748,499)	(12,963,040)	(552,971)	(14,264,510)
	(33,666,479)	(234,784,886)	(3,385,374)	(271,836,739)

Level 3 financial assets and financial liabilities

Level 3 financial assets and financial liabilities include instruments whose valuations are significantly dependent on parameters which are unobservable in the market. Financial instruments are categorised in accordance with their lowest level significant input. As a result, a derivative valued using a combination of level 1, level 2 and level 3 parameters would be classified in level 3 in its entirety, if its value is significantly affected by at least one significant unobservable parameter.

These 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. 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.

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents information about financial assets and liabilities measured at fair value on a recurring basis for which the Group has utilised level 3 inputs to determine fair value. (in '$'000)

	At 1 April 2014	Total gains (losses) in P&L	Net cash (in)/out	Purchases	Sales	Settlements	Net transfers in/ (out of) level 3	At 31 March 2015	Unrealised Total gains (losses) in P&L
Financial Assets									
Financial assets held for trading									
- Equities	273,285	(113,836)	-	7,855	(154,233)	(565)	11,924	24,430	(223,944)
- Debt securities and loans	306,335	258,038	-	292,159	(222,131)	-	31,666	666,067	264,977
- Derivatives	2,848,131	361,932	-	-	-	(229,540)	(73,774)	2,906,749	341,532
Designated at fair value	213,713	2,401	(113,351)	-	-	-	-	102,763	2,392
	3,641,464	508,535	(113,351)	300,014	(376,364)	(230,105)	(30,184)	(3,700,009)	384,957

	At 1 April 2014	Total gains (losses) in P&L	Net cash (in)/out	Purchases	Sales	Settlements	Net transfers in/ (out of) level 3	At 31 March 2015	Unrealised Total gains (losses) in P&L
Financial liabilities									
Financial liabilities held for trading									
- Equities	(471)	419	-	(8,332)	628	-	-	(7,756)	(22,539)
- Debt securities and loans	-	-	-	(25)	-	-	-	(25)	(25)
- Derivatives	(2,831,932)	(336,320)	-	-	-	(167,412)	189,783	(3,145,881)	(206,124)
Designated at fair value	(552,971)	(94,692)	-	-	615,994	-	(31,110)	(62,779)	98,232
	(3,385,374)	(430,593)	-	(8,357)	616,622	(167,412)	158,673	(3,216,441)	(130,456)

Total gains and losses on financial assets included in the above table are included in 'Trading profit/(loss)' in the profit and loss account.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Transfers between level 1 and 2

The following table shows transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value:

	Transfers from level 1 to level 2 2015 $'000	Transfers from level 2 to level 1 2015 $'000
Financial assets		
Financial assets held for trading		
- Equities	316,917	903,062
- Debt securities and loans	72,698	3,108
- Derivatives	376,664	-
	766,279	906,170

	Transfers from level 1 to level 2 2015 $'000	Transfers from level 2 to level 1 2015 $'000
Financial Liabilities		
Financial liabilities held for trading		
- Equities	(162,357)	(323,250)
- Debt securities and loans	-	(22,515)
- Derivatives	(614,994)	-
	(777,351)	(345,765)

	Transfers from level 1 to level 2 2014 $'000	Transfers from level 2 to level 1 2014 $'000
Financial assets		
Financial assets held for trading		
- Equities	131,897	1,229,704
- Debt securities and loans	29,810	8,947
	161,707	1,238,651

	Transfers from level 1 to level 2 2014 $'000	Transfers from level 2 to level 1 2014 $'000
Financial Liabilities		
Financial liabilities held for trading		
- Equities	(107,263)	(580,322)
- Debt securities and loans	(2,733)	-
	(109,996)	(580,322)

During the year ended 31 March 2015, the amount of $376,664,212 of equity derivative assets and $614,994,105 of equity derivative liabilities were transferred from Level 1 to Level 2. The fair values of certain exchange-traded equity derivatives have been determined using a model price rather than exchange price. Use of a model price is more representative of fair value than exchange price because of the higher volume and frequency of trading in the underlying equity instruments.

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NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

26. CAPITAL MANAGEMENT POLICY

The objectives of the Group's capital management policies are to ensure that the Group, together with Nomura Capital Markets Limited ("NCM"), a fellow subsidiary undertaking of the Nomura Group, complies with externally imposed capital requirements and to seek to enhance shareholder value by capturing business opportunities as they develop. To achieve these goals, sufficient capital is maintained to support the Group's business and to withstand losses due to extreme market movements.

The Group reviews the appropriate level of capital sufficiency, with senior management responsible for implementing and enforcing capital policies. The determination of balance sheet size and level of capital take into consideration regulatory requirements, economic risks inherent in its business and maintenance of a debt rating appropriate to a global financial institution. The allocation of available capital resource across the business is then based upon factors such as return on capital and regulatory requirements.

The Company is unregulated on a standalone basis.

The Group is subject to and has complied with the regulatory requirements imposed by the PRA under the CRD IV framework.

No changes were made in the objectives, policies or processes for managing capital during the year.

Regulatory Capital

Regulatory guidelines developed by the Basel Committee and European Union Directives, as implemented by the PRA for supervisory purposes define two 'Tiers' of capital resources, previously three. Tier 1 capital is the highest tier and consists of, inter alia, ordinary share capital, reserves and retained earnings. Tier 2 includes perpetual and long-term subordinated debt. Tiers 1 and 2 capital can be used to support both trading and non-trading activity. The capital resources table below includes figures for both the Group and NCM.

	2015 $'000	2014 $'000
Common Equity Tier 1	4,136,411	4,578,964
Adjustments to CET1 due to prudential filters	(45,633)	(146,672)
Tier 1 capital	4,090,808	4,432,292
Tier 2 capital	3,599,347	6,375,000
Own Funds	7,690,155	10,807,292

27. OPERATING LEASE COMMITMENTS

At 31 March 2015 the Group was committed to making the following payments during the next year in respect of non-cancellable operating leases:

	2015		2014	
Operating leases which expire:	**Buildings** $'000	**Other** $'000	**Buildings** $'000	**Other** $'000
Within one year	12,232	2,119	8,783	3,574
Within two to five years	31,276	4,188	31,525	4,267
After five years	53,056	-	69,816	-
	96,564	6,307	110,124	7,841

28. EMPLOYEES

The average number of persons employed by the Group during the year was 2,974 (2014: 2,999). The breakdown by location of employees was as follows:

Location	**Average Employees** 2015	2014
United Kingdom	2,436	2,441
Bahrain	2	2
Germany	34	51
France	70	79
Switzerland	19	21
Italy	28	30
Qatar	1	1
Turkey	-	1
Netherlands	8	8
Luxembourg	310	297
Spain	37	36
UAE	26	29
Sweden	3	3
	2,974	2,999

The Company has no employees (2014: nil).

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NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

29. DIRECTORS' EMOLUMENTS

	2015	2014
	$'000	$'000
Salaries, allowances and taxable benefits	4,572	5,351
Group contributions to pensions	107	129
Bonuses	2,601	3,742
	7,280	9,222

The Directors (with the exception of Devesh Mehta) of the Group are also the Directors of the Group's main subsidiary, NIP. They were remunerated by NIP.

The highest paid Director received emoluments of $1,480,114 (2014: $2,360,259) and pension contributions of $24,674 (2014: $34,111).

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

30. SHARE-BASED PAYMENTS

The ultimate holding company, NHI, has issued two types of share option schemes – SAR plan A and SAR plan B

For both plans the share options have variable vesting periods during which the options may not be exercised.

The exercise price of stock option plan A will be determined by reference to the market price of the ultimate holding company's common stock at the time the options are granted, whilst that of stock option plan B will be 1¥ per share.

For both stock option plans, these stock options are exercisable during a certain period from the vesting date (five years at maximum from the vesting date), which is to be decided by the ultimate holding company's Executive Management Board.

The following table for stock option plan A lists the inputs to the model used for the year ended 31 March 2015:

Date of grant of share options	Dividend yield %	Historical volatility %	Risk-free interest rate %	Expected life of options Years	Share Price at Grant Date ¥
1-Aug-07	3.04	33.85	1.65	7	2,210
5-Aug-08	3.78	32.73	1.43	7	1,493

The following table for stock option plan A lists the inputs to the model used for the year ended 31 March 2014:

Date of grant of share options	Dividend yield %	Historical volatility %	Risk-free interest rate %	Expected life of options Years	Share Price at Grant Date ¥
14-Jul-06	3.08	36.48	1.68	7	2,020
01-Aug-07	3.04	33.85	1.65	7	2,210
05-Aug-08	3.78	32.73	1.43	7	1,493

Under stock option plan B, the share price as at the grant date has been used as an estimate for the fair value at grant date.

For both stock option plans it has been assumed that all options will vest given that there is insignificant historical experience available to provide a reliable estimate.

The expense recognised for employee services received during the year was $178,737,154 (2014: $105,664,000).

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

30. SHARE-BASED PAYMENTS (CONTINUED)

NSU and CSU Awards

NSUs and CSUs are cash-settled awards linked to the price of NHI's common stock which have graded vesting over three years from grant date. NSUs vest annually over three years while CSUs vest quarterly over three years. NSUs are tied to the value of the ultimate holding company's common stock on the Tokyo Stock Exchange (JP: 8604) and are settled in cash rather than NHI's common stock. CSUs are similar to NSUs but exposure of the employee to movements in the price of NHI's common stock is subject to a cap and floor. The fair value of NSUs and CSUs are determined using the average closing NHI share price over the five trading days up to and including the vesting date.

For NSU and CSU awards the expense recognised for employee services received during the year was $142,462,228 (2014: $176,422,058).

Other Awards

In addition to the stock-based compensation awards described above, Nomura also grants NIUs to certain senior management and employees. NIUs are cash-settled awards linked to a world stock index quoted by Morgan Stanley Capital International which have graded vesting over three years from grant date. NIUs vest quarterly over three years. The fair value of NIUs is determined using the average closing price of the Index during the five trading days up to and including the vesting date.

For NIU awards the expense recognised for employee services received during the year was $42,108,788 (2014: $48,570,772).

The following table illustrates the number and weighted average exercise price of the following groups of share options:

	Share Option Plan	Number of share options		Weighted average exercise price
				¥
Outstanding at the beginning of the year	A	90		232
	B	481,089		1
	NSU	10,589,887		
	CSU	32,040,775		
	NIU	14,227,253		
			57,339,094	
Granted during the year	A	-		-
	B	269,965		1
	NSU	6,306,718		
	CSU	12,038,302		
	NIU	6,218,048		
			24,833,033	

NOMURA EUROPE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

30. SHARE-BASED PAYMENTS (CONTINUED)

	Share Option Plan	Number of share options		Weighted average exercise price
				¥
Forfeited during the year	A	-		
	B	(9,630)		1
	NSU	(331,228)		
	CSU	(588,271)		
	NIU	(417,802)		
			(1,346,931)	
Exercised during the year	A	-		-
	B	(200,389)		¥ 1 (NIP)
	NSU	(9,129,639)		
	CSU	(17,542,723)		
	NIU	(8,264,392)		
			(35,137,143)	
Expired during the year	A	-		-
	B	(60)		1
	NSU	(114)		
	CSU	-		
	NIU	-		
			(174)	
Outstanding at the end of the year	A	90		232
	B	540,975		1
	NSU	7,435,624		
	CSU	25,948,083		
	NIU	11,763,107		
			45,687,879	
Exercisable at the end of the year	A	-		
	B	-		1

31. CAPITAL COMMITMENTS

As at 31 March 2015 there were capital commitments of $20,108,302 (2014: $21,341,734) relating to assets in the course of construction.

32. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption in FRS 8 from disclosing related party transactions with other entities included in the group financial statements of Nomura Holdings Inc., where 90% or more of both entities' voting rights are controlled within the group.

33. PROVISIONS, CONTINGENT LIABILITIES AND COMMITMENTS

Italian Tax Dispute

On 25 January 2008, NIP was served with a Tax Notice issued by the Tax Authorities in Pescara, Italy, alleging breaches by NIP of the UK – Italy Double Taxation Treaty of 1998. The alleged breaches relate to payments to the Company of tax credits on dividends on Italian shares. The Tax Notice not only denies certain payments to which NIP claims to be entitled but is also seeking reimbursement of €33.8 million, plus interest, already refunded. On 25 March 2008, NIP lodged an appeal against the Tax Notice rejecting the Italian Tax Authorities' demands for reimbursement and advancing NIP's claim for further refunds.

The matter went to a hearing in March 2009 and in November 2009 a decision was issued by the First Instance Pescara Tax Court in favour of the Italian Tax Authorities. NIP lodged an appeal of this decision and in March 2012 a second decision was issued by the Second Instance Pescara Tax Court in favour of the Italian Tax Authorities. As is allowed under Italian tax procedure, in September 2012 NIP received a demand for payment from the Italian Tax Authorities in the amount of €37.5 million which comprised the original refunded amount, interest and collection fees. Payment of this amount was made on 26 October 2012. Payment does not undermine NIP's arguments in the dispute and NIP intends to continue to vigorously challenge the second decision and a further appeal to the Supreme Court in Rome was filed on 8 July 2013 in order to seek full reimbursement of this amount plus further interest. Ultimately NIP expects that its appeal will prevail. The specified amount paid is NIP's current estimate of the maximum reasonably possible loss from this matter.

Fairfield Claims

NIP is a defendant in two actions seeking recovery of payments allegedly made to NIP by Fairfield Sentry Ltd. and Fairfield Sigma Ltd. (collectively, the "Fairfield Funds"). The Fairfield Funds, now in liquidation, were feeder funds to Bernard L. Madoff Investment Securities LLC ("BLMIS"). BLMIS is itself now in liquidation in the US pursuant to the Securities Investor Protection Act. The first claim was brought by the liquidators of the Fairfield Funds. It was filed on 5 October 2010 in the Supreme Court of the State of New York, but was subsequently removed to the US District Court, which in turn referred it to the US Bankruptcy Court. It looks likely that the claim will be transferred back to the New York Supreme Court. The claim is one of many similar claims that have been brought against a number of investors. The second claim was brought by the Trustee for the liquidation of BLMIS (the "Madoff Trustee"). NIP was added as a defendant on 6 June 2012 when the Madoff Trustee filed an amended complaint in the US Bankruptcy Court. Again, this claim is one of many claims being brought against a range of investors. The amount claimed in each case is approximately $35 million plus interest. NIP intends to vigorously contest the proceedings. NIP does not believe that it will face the prospect of double recovery of the sums in question. NIP's current estimate of the maximum reasonably possible loss from this matter is $35 million.

Harley Claim

On 6 October 2011, the Madoff Trustee filed an adversary proceeding against NIP in the US Bankruptcy Court for the recovery of redemption payments allegedly made by Harley International (Cayman) Ltd. (the "Harley Fund") to NIP. The basis of the claim is that the redemptions in question were and continue to be "Customer Property" within the meaning of the Securities Investor Protection Act and are therefore avoidable and recoverable under the US Bankruptcy Code and New York Debtor and Creditor law. The Harley Fund, now in liquidation, was a feeder fund to BLMIS. The claim is for approximately $21.5 million plus interest.

33. PROVISIONS, CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Harley Claim (continued)

NIP, along with many other similarly situated defendants, filed a motion seeking to have the proceedings heard in the US District Court rather than the US Bankruptcy Court, which the US District Court granted. NIP intends to vigorously contest the proceedings. The specified amount claimed is NIP's current estimate of the maximum reasonably possible loss from this matter.

Collateral dispute

On 1 March 2011, formal proceedings were commenced in the Commercial Court of the Canton of Zurich (the "Commercial Court") against Tarquin Limited ("Tarquin"), a special purpose company established at the request of NIP, in which PT Bank Mutiara Tbk. ("Bank Mutiara") challenged Tarquin's rights over $155 million previously on deposit in a bank account held with Dresdner Bank (Schweiz) ("Dresdner") over which Tarquin had a security interest pursuant to a loan facility. These funds were deposited with the Cantonal Bank of Zurich by order of the Commercial Court, following a request by Dresdner for the Commercial Court to decide who should receive the funds. On 2 October 2014, NIP was notified that the Commercial Court had found that Tarquin alone is entitled to the funds. Bank Mutiara appealed this decision and on 9 July 2015, the Swiss Federal Supreme Court upheld the original decision of the Commercial Court. There is no further right of appeal so the judgment is final. Consequently the funds were released by Tarquin to NIP on 29 September 2015

Legal proceedings relating to Banca Monte dei Paschi di Siena SpA

In March 2013, Banca Monte dei Paschi di Siena SpA ("MPS") issued a claim in the Italian Courts against (1) two former directors of MPS and (2) NIP. MPS allege that the former directors improperly caused MPS to enter into certain structured financial transactions with NIP in 2009 (the "Transactions") and that NIP acted fraudulently and was jointly liable for the unlawful conduct of MPS's former directors. MPS claimed damages of not less than EUR1.142 billion. In July 2013 a claim was also issued against the same former directors of MPS, and NIP, by the shareholder group Fondazione Monte dei Paschi di Siena ("FMPS"). The grounds of the FMPS claim are similar to those on which the MPS claim was founded. The level of damages sought by FMPS is not specified. NIP filed and served Defences to both the MPS and the FMPS claims.

An investigation has also been commenced by the Public Prosecutor's office in Siena, Italy, into various allegations against MPS and certain of its former directors, including in relation to the Transactions. Starting on 15 April 2013, the Public Prosecutor in Siena issued seizure orders in relation to the Transactions seeking to seize the Transactions and approximately EUR 1.9 billion of assets said to be held or receivable in various NIP and Nomura Bank International plc ("NBI") accounts in, or managed through, Italy and alleging that the Transactions involved offences under Italian law. To date, these seizure orders have not been validated by the Italian Courts. The Public Prosecutor lodged an appeal against the Italian Courts' decisions, which was heard at the Supreme Court in Rome on 25 March 2014. The Supreme Court determined that the appeal should be denied in part, but that the case should be sent back to the lower court for further consideration in relation to one element of the case. At a hearing on September 17, 2014 where the seizure order was to be reconsidered, the Public Prosecutor's office withdrew its seizure order appeal. This means that the seizure order proceedings in Siena have now concluded with no seizure order in place against NIP or NBI.

33. PROVISIONS, CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Legal proceedings relating to Banca Monte dei Paschi di Siena SpA (continued)

The investigation was subsequently transferred to the Public Prosecutor of Milan. On April 3 2015, the Public Prosecutor's office in Milan issued a notice concluding its preliminary investigation. The Public Prosecutor is seeking to indict MPS, three individuals from MPS's former management, NIP and two NIP individuals for the offences of false accounting and market manipulation in relation to MPS's accounts for 2009. The preliminary hearing at which the court will consider whether or not to grant the indictment started on 12 October 2015. The next hearing date is scheduled for 27 November 2015.

Additionally, NIP commenced a claim against MPS in the English Courts in March 2013. The claim was for declaratory relief confirming that the Transactions remained valid and contractually binding. MPS filed and served its Defence and Counterclaim to these proceedings in March 2014. MPS alleged in its Counterclaim that NIP was liable to make restitution of a net amount of approximately EUR 1.5 billion, and sought declarations regarding the illegality and invalidity of the Transactions.

NIP filed and served its Reply and Defence to Counterclaim in June 2014.

On 23 September 2015, NIP entered into a settlement agreement with MPS to terminate the Transactions. NIP believes that the Transactions were conducted legally and appropriately, and does not accept the allegations made against it or admit any wrongdoing. Taking into account the views of relevant European financial authorities and the advice provided by external experts, NIP considered it to be in its best interests to reach a settlement in relation to this matter. As part of the agreement, the Transactions were unwound at a discount of EUR 440 million in favour of MPS and the civil proceedings between MPS and NIP in Italy and England, respectively, will no longer be pursued. The civil proceedings by FMPS and criminal proceedings by the Public Prosecutor's Office in Milan remain pending.

The financial impact of the settlement of approximately $308,736,000, based on the terms of the settlement agreement and the carrying value of the Transactions as at 31 March 2015, is an adjusting event under FRS 21 "Events After the Balance Sheet Date" and has been reflected in the group balance sheet as at 31 March 2015 and group profit and loss account for the year ended 31 March 2015.

NIP will continue to vigorously defend its position in the ongoing proceedings. As of this time, it is not possible for NIP to estimate the amount of reasonably possible loss, or range of such losses, in these proceedings which are currently still at an early stage and numerous legal and factual issues still need to be determined. NIP cannot currently predict if, how, or when the proceedings will be resolved or what any eventual settlement, fine, penalty or other relief may be.

Region of Sicily

On 15 July 2014, NIP received an order dated 7 July 2014 from the Court in Palermo, Sicily which restricted receipt of a coupon payment of €6.9m that was due from the Region of Sicily to NIP in connection with certain interest rate derivatives transactions entered into in 2005 and 2006. On 25 July 2014, NIP also received an order dated 23 July 2014 from the Court which placed restrictions on a further €98.3 million of cash and other financial assets, said to be the alleged profit made by NIP in connection with certain transactions entered into between 2001 and 2006. NIP successfully appealed both seizure orders which have therefore been annulled by the Court in Palermo. The current transaction with Sicily remains in force. At this stage there are no unresolved civil or criminal proceedings served against NIP.

33. PROVISIONS, CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Commitments

The Group had commitments as at 31 March 2015 amounting to $1,954,012,000 (2014: $2,993,949,000) in respect of undrawn note issuance facilities and loan commitments, as disclosed in note 24.

NBI has provided financial guarantees to third parties over their exposure to Nomura Group companies amounting to $271,101,423 (2014: $142,609,914).

Nomura Bank (Luxembourg) S.A. has no commitments in relation to extended rental guarantees for its offices as at 31 March 2015 (2014: $999,586) and extended guarantees on behalf of its employees to third parties in the amount of $194,394 (2014: $231,628).
The Company had no commitments as at 31 March 2015 (2014: $nil) in respect of subordinated loan facilities granted to NIP.

As part of its normal business practices the Group also had commitments as at 31 March 2015 in respect of forward starting purchase and resale agreements with third parties.

34. EVENTS SINCE THE BALANCE SHEET DATE

NEHS issued $550,000,000 of ordinary shares to NHI on 8 May 2015. A further $300,000,000 of ordinary shares were issued on 30 September 2015

On 7 August 2015 NEHS repaid $700,000,000 subordinated debt to Nomura Europe Finance N.V. (“NEF”).

On 23 September 2015, NIP entered into a settlement agreement with MPS to terminate certain historic transactions. This adjusting post balance sheet event resulted in a one-off loss during the year to 31 March 2015 of $308,736,000. More detail with respect to this settlement is included in note 33.

35. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Group’s ultimate parent undertaking and controlling party, and the parent that heads the smallest and largest group of undertakings for which group financial statements are prepared, is Nomura Holdings, Inc., incorporated in Japan. Copies of the group financial statements of Nomura Holdings, Inc. may be obtained from 9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-8645, Japan.