NOMURA INTERNATIONAL PLC

ANNUAL REPORT
31 March 2019

COMPANY REGISTRATION NUMBER 1550505

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NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2019

STRATEGIC REPORT

The Directors of Nomura International plc (the "Company") present their Strategic Report, Directors' Report and the Financial Statements for the year ended 31 March 2019. The Company is incorporated in England and Wales and its registered office is at 1 Angel Lane, London, EC4R 3AB.

These financial statements have been prepared on a company-only basis and do not include the results and net assets of the Company's subsidiary undertakings.

REVIEW OF THE COMPANY'S BUSINESS, FINANCIAL PERFORMANCE AND FINANCIAL POSITION, DESCRIPTION OF PRINCIPAL RISKS AND INFORMATION REGARDING BRANCHES

Principal Activities

The Company is a London-based securities broker-dealer operating company and is a wholly owned subsidiary of Nomura Europe Holdings plc ("NEHS"). The Company's ultimate parent undertaking and controlling entity is Nomura Holdings, Inc. ("NHI"), which together with the Company, NEHS, and NHI's other subsidiary undertakings, form the "Nomura Group". The Company has branches in Dubai, Doha and Cape Town. The Company's core activities include:

- trading and sales in fixed income and equity products, including related derivatives;
- investment banking services;
- asset and principal finance business; and
- corporate finance.

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NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2019

STRATEGIC REPORT (CONTINUED)

The Company's key financial indicators during the year were as follows:

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Trading profit	1,361,906	1,510,860
Net interest payable	(105,798)	(227,076)
General and administrative expenses	(1,582,413)	(1,467,715)
Credit impairment charge	(1,434)	(491)
Operating loss	(327,739)	(184,422)
Loss before taxation	(387,309)	(230,370)
Loss for the financial year	(383,555)	(231,483)
Total assets	256,017,541	267,651,434
Total liabilities	251,244,233	262,551,626
Shareholders' funds	4,773,308	5,099,808

Financial Performance:

The Company reported a loss before tax for the year of $387,309,000 (2018: $230,370,000), driven mainly by lower trading profit and a new litigation provision raised during the year.

The year ended March 2019 was a particularly challenging year in global financial markets, characterised by geopolitical uncertainty and persistent low volatility which lead to reduced client volumes. These conditions prevailed for much of the current year, and resulted in a 10% decline in trading profits against 2018.

General and administrative expenses increased against 31 March 2018 following a new litigation provision of $109,919,000. Further details with respect to the litigation and related contingencies are presented in note 29 of the Financial Statements.

Financial Position:

The Company's total assets of $ 256,017,541,000 reduced by $11,633,893,000 against 2018, primarily driven by the Nomura Group's legal entity strategy, which aims to enhance the focus on clients by matching local expertise, trading activities and risk management to the needs of clients in each respective region. The Company continues to participate in a multi-year programme to align clients to their respective regions where possible, either through novation or other initiatives.

BUSINESS ENVIRONMENT

The global economy grew in both industrialised and emerging-market nations, but notably the pace of growth slowed in comparison to 2018. Major central banks largely postponed efforts to tighten monetary policy and financial markets were destabilised by political uncertainties, including the trade tensions between the United States ("US") and China. Specifically within Europe, the economy slowed between July to September 2018 following:

- lower exports due to US and China trade tensions;
- reduced demand for cars in Eurozone countries; and
- uncertainty around the departure of the United Kingdom ("UK") from the European Union ("EU").

In addition to the macro-economic uncertainties above, the Company continues to proactively manage business model challenges arising from digital transformation across the Financial Services industry, which serve to compress historical Capital Markets and Investment Banking revenue pools. The Company aims to strategically address these challenges by investing in alternative areas of growth, primarily within Client Financing and Advisory Services.

The Company anticipates that market volatility, along with the business model challenges above will continue, and consequently intends to focus on delivering innovative and flexible solutions to its clients over the next financial year.

FUTURE DEVELOPMENTS

Nomura Group Restructuring

The Nomura Group and the Company's financial performance has been impacted by the referenced macro-economic uncertainties and compressed revenue pools. On 4 April 2019, the Nomura Group announced plans to restructure its Wholesale business platform with the aim of simplifying its operating model, transforming business portfolios and pivoting towards client businesses and growth areas.

The Company was also part of this restructuring plan across Global Markets, Investment Banking and Corporate Functions. As a consequence, the Company took appropriate actions to support the Nomura Group's restructuring plans by:

- rightsizing the Global Markets businesses;
- further investment in Origination businesses including Advisory, Solutions and Financing; and
- simplification of the Corporate Functions to support the Global Operating Model.

FUTURE DEVELOPMENTS (CONTINUED)

UK Referendum (BREXIT)

As a result of the national Brexit referendum, which took place on 23 June 2016, the UK is due to leave the EU. Under the current agreement between the UK and the EU in accordance with the Article 50(3) of the Treaty on the European Union, Brexit is required to occur before the end of October 2019. However, the timing of Brexit, along with its final form and substance, remains uncertain at this time.

The Company conducts a substantial level of business throughout Europe with London as its regional hub. The Company has access to the entire European Economic Area ("EEA") through providing cross-border services under the relevant EU single market legislation known as "passporting rights". If Brexit were to occur without any agreement between the UK and the EU in respect of continuation of access for financial services, the Company may lose access to the EEA, adversely affecting the both the Company's and the Group's revenue and profitability from business in the European region.

In response to the impacts of Brexit on both the Nomura Group and the Company and to provide continued services to clients both regionally and globally, a new broker-dealer entity, Nomura Financial Products Europe GmbH (NFPE) in the Federal Republic of Germany was established. NFPE is a subsidiary of NEHS and is eligible for passporting rights after Brexit, if it occurs. During the year, the Company's business operations in Madrid, Milan, Helsinki, Stockholm and Frankfurt branches were sold to NFPE. More details in relation to this can be found in note 14 of the Financial Statements.

RISK MANAGEMENT

The Company's risk management framework is closely aligned to the Nomura Group's risk management framework. However through its local governance framework, the Company does apply specific risk management controls and defines its risk appetite, which is the maximum level and types of risk that the Company is willing to assume in pursuit of its strategic objectives and business plan.

The Company's activities involve the assumption and transfer of certain risks, including market risk, credit risk, operational risk, cross-border risk, model risk, liquidity and funding risks, and business risk. These risks are managed through sub-committees of the Board of NEHS, which include:

- the Prudential Risk Committee ("PRC"), which has oversight over the NEHS Group's risk profile, financial risk appetite, future risk strategy and maintenance of an appropriate risk control framework.
- cross-border risk committees in relation to non-Europe, Middle East and Africa ("non-EMEA") business booked into the Company.

Further information on the management of these risks is provided in note 18 of the Financial Statements.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2019

STRATEGIC REPORT (CONTINUED)

REGULATION AND REGULATORY CHANGES

Regulations

The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. The Company is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the PRA. The Company is in compliance with these requirements.

European Financial Regulation Reform

On 23 November 2016, the European Commission published a comprehensive package of reforms to further strengthen the resilience of EU banking sector. The reforms implement many of the remaining parts of Basel III in the EU, as well as addressing issues identified with current prudential requirements. The European Commission introduced amendments to existing legislation in the form of the Capital Requirements Directive ("CRD V"), Capital Requirements Regulation ("CRR II"), Bank Recovery and Resolution Directive ("BRRD II") and Single Resolution Mechanism Regulation ("SRMR").

The proposals have been introduced in the EU from June 2019 with the majority of changes becoming effective two years later in June 2021. However, given the pending decisions in respect of Brexit, there remains some uncertainty as to which regulations may apply to the Company post 2019. Irrespective of these uncertainties, the Company will be in a position to comply with its regulatory requirements.

IBOR Reform

On 27 July 2017, the FCA announced it would no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Participants in the major global financial markets are discussing the development of alternatives to IBORs ("Interbank Offered Rates") and how to transfer existing contracts and products to the alternative rates. The Nomura Group has established an IBOR program to manage the transition.

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YEAR ENDED 31 MARCH 2019

STRATEGIC REPORT (CONTINUED)

EMPLOYEE MATTERS

The Company operates an equal opportunities policy. We have taken steps to ensure all employees are aware of their obligations in ensuring that the Company's environment retains a culture which is conducive to good working and high performance. Internal communication and access to training and personal development opportunities are in place to support this.

The Company remains strongly 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 identity and gender expression, religion or belief, marriage and civil partnership, pregnancy and maternity, sex and or sexual orientation. Our recruitment, development and promotion procedures embed these principles. The Company's objective is to attract job applications from the best possible candidates and to retain the best people. We are also committed to having a diverse range of skills, values, knowledge, experience and geographical, educational and professional backgrounds amongst our employees.

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 programs that are available. All UK employees are encouraged to participate in the various employee committees and networks offered by the Nomura Group. The Company is not listed in the UK and therefore does not operate an employee share scheme. However employee involvement in the performance of the Company 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 individual Company's financial performance is discussed.

ENVIRONMENT AND ENERGY

The Company believes a healthy environment is the foundation of stable economic and social conditions for future generations. The Company is committed to acting in an environmentally responsible manner and to achieving energy performance improvement.

The Nomura Group:

- encourages investment and constructive engagement in environmentally friendly and energy efficient goods and services;
- assesses environmental risks and continually strives to minimise pollution to mitigate our effect on climate change;
- complies with relevant environmental laws and regulations and engages with external stakeholders on environmental issues;
- is committed to reducing waste and the use of natural resources in order to minimise the impact of its footprint on the environment;
- is committed to continual improvement in energy performance;
- aims to maximise the efficiency of its property portfolio through effective asset management covering utilisation, maintenance, accessibility and disposals;
- promote the importance of biodiversity and a healthy ecosystem;
- communicates this policy to all its employees to raise awareness of environmental issues and encourages environmentally friendly initiatives;
- will make available the necessary resources to achieve our environmental and energy objectives and targets; and
- makes this policy available for public viewing.

BY ORDER OF THE BOARD AT A MEETING HELD ON 18 JULY 2019

Christopher Barlow
Company Secretary

19 July 2019

Company Registration Number 1550505

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NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2019

DIRECTORS' REPORT

The Directors present their report and Financial Statements of the Company which comprises of the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Cash flow and related notes 1-32.

RESULTS AND DIVIDENDS

The results for the year are presented in the Statement of Comprehensive Income. The loss transferred to reserves for the year amounted to $383,555,000 (2018: loss of $231,483,000).

No interim dividend was paid (2018: nil) and the Directors do not recommend the payment of a final dividend (2018: nil).

TANGIBLE ASSETS

Movements in tangible assets are shown in Note 11 to the financial statements.

EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

On 4 April 2019, the Nomura Group announced plans to restructure its Global Wholesale business platform with the aim of simplifying its operating model, transforming business portfolios and pivoting towards client businesses and growth areas.

The Company was also impacted by this restructuring plan across Global Markets, Investment Banking and Corporate Functions. As a consequence, the Company took appropriate action to support the Nomura Group's restructuring plans

DONATIONS

No political donations were made during the year (2018: nil).

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's approach to Financial Risk Management is presented in Note 18 of the Financial Statements, with additional analysis on Financial Instruments disclosed in Notes 1, 8 and 19 of the Financial Statements.

MATTERS DEALT WITH IN THE STRATEGIC REPORT

An indication of the likely future developments of the Company, along with information pertaining to branches of the Company outside of the United Kingdom and employee matters have both been outlined in the Company's Strategic Report.

DIRECTORS

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

David Godfrey	Non-Executive Chairman
	Non-Executive Director
Jonathan Lewis	Chief Executive Officer
	Executive Director
Lewis O'Donald	Executive Director (resigned 26 April 2019)
John Tierney	Executive Director
Jonathan Britton	Non-Executive Director
Rosemary Murray	Non-Executive Director
Hisato Miyashita	Non-Executive Director
Yasuo Kashiwagi	Executive Director (resigned 8 July 2019)
Neeta Atkar	Non-Executive Director
Maria Bentley	Non-Executive Director
Sir Andrew Cahn	Non-Executive Director (resigned 30 June 2018)

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 effected a global Directors and Officers liability insurance program for the benefit of the Nomura Group.

ANTI-BRIBERY AND CORRUPTION POLICY

The Company's policy against bribery and corruption requires employees and persons acting for or on behalf of the Company, to understand and to comply with laws, rules and regulations concerning bribery and corruption and to be neither involved with bribery nor corrupt activities.

The Company maintains policies and procedures designed to mitigate the risk of the Company becoming involved in bribery and/or corruption.

BOARD RECRUITMENT POLICY

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

The Nomura Group is 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.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2019

DIRECTORS' REPORT (CONTINUED)

BOARD DIVERSITY POLICY

The Nomura Group 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.

The NEHS Governance and Nomination 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. The Board currently has a diverse range of ages, geographical provenance, educational and professional backgrounds, skills, knowledge and experience which values input from all directors. The Company exceeded its target, as adopted on 19 May 2015, to appoint one female to the Board within 12 months and another within 36 months. The NEHS Governance and Nomination Committee will continue to ensure appropriate actions are taken to further broaden the diversity on the Company board.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. Its approach to manage credit and liquidity risk is described in Note 18 of the Financial Statements. Its capital management procedures and available capital resources are presented and described separately in Note 21 of the Financial Statements.

The Directors have a reasonable expectation that the Company has 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 the previous page. Having made enquiries of fellow Directors and of the Company'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 Company'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 Company's Auditors are aware of that information.

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.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2019

DIRECTORS' REPORT (CONTINUED)

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 U.K. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable U.K. Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD AT A MEETING HELD ON 18 JULY 2019

Christopher Barlow
Company Secretary

19 July 2019

Company Registration number 1550505

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA INTERNATIONAL PLC

Opinion

We have audited the financial statements of Nomura International Plc ("the Company") for the year ended 31 March 2019 which comprise Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 32, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2019 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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 auditor's 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.

Maurice McCormick (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Notes:

1. The maintenance and integrity of the Nomura International plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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NOMURA INTERNATIONAL PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

Notes		Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
2	**TRADING PROFIT**	1,361,906	1,510,860
3	Interest income calculated using the effective interest method	132,558	1,281,840
3	Other interest and similar income	1,233,721	142,722
3	Interest expense calculated using the effective interest method	(282,158)	(1,522,269)
3	Other interest and similar expenses	(1,189,919)	(129,369)
	Net interest payable	(105,798)	(227,076)
4	General and administrative expenses	(1,582,413)	(1,467,715)
5	Credit impairment charge	(1,434)	(491)
	OPERATING LOSS	(327,739)	(184,422)
	Interest payable on subordinated borrowings	(59,570)	(45,948)
4	**LOSS BEFORE TAXATION**	(387,309)	(230,370)
7	Taxation on loss	3,754	(1,113)
	LOSS FOR THE FINANCIAL YEAR	(383,555)	(231,483)
	OTHER COMPREHENSIVE INCOME:		
	Items that can be reclassified to profit and loss		
	- Gain on available-for-sale investments	-	516
	- Foreign currency gain	19,539	741
		19,539	1,257
	Corporation tax charge recognised in other comprehensive income	-	(88)
	Other comprehensive gain for the year, net of tax	19,539	1,169
	TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(364,016)	(230,314)

The notes on pages 20 to 117 form part of these financial statements.

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

Available-for-sale gains and losses recognised in other comprehensive income will be reclassified into profit or loss on the disposal or impairment of investments. The foreign currency gains and losses resulting from the translation of foreign operations will be reclassified into profit or loss on its disposal or liquidation.

NOMURA INTERNATIONAL PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Called-up Share Capital	Share Premium	Other Reserve	Capital Redemption Reserve	Available -for-sale Reserve	Share-based Payment Reserve	Retained Earnings	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 April 2018	10,241,226	27,479	(19,387)	184,499	4,450	1,105,732	(6,444,191)	5,099,808
Changes on initial application of IFRS 9[1]	-	-	-	-	(4,450)	-	4,883	433
Loss for the year	-	-		-	-	-	(383,555)	(383,555)
Other comprehensive loss	-	-	19,539	-	-	-	-	19,539
Total comprehensive loss	-	-	19,539	-	-	-	(383,555)	(364,016)
Share-based payment reserve	-	-	-	-	-	37,083	-	37,083
At 31 March 2019	**10,241,226**	**27,479**	**152**	**184,499**	**-**	**1,142,815**	**(6,822,863)**	**4,773,308**
At 1 April 2017	9,991,226	27,479	(20,128)	184,499	4,022	1,047,392	(6,212,708)	5,021,782
Loss for the year	-	-	-	-	-	-	(231,483)	(231,483)
Other comprehensive loss	-	-	741	-	428	-	-	1,169
Total comprehensive loss	-	-	741	-	428	-	(231,483)	(230,314)
Share-based payment reserve	-	-	-	-		58,340	-	58,340
New Share capital subscribed	250,000	-	-	-	-	-	-	250,000
At 31 March 2018	**10,241,226**	**27,479**	**(19,387)**	**184,499**	**4,450**	**1,105,732**	**(6,444,191)**	**5,099,808**

The notes on pages 20 to 117 form part of these financial statements.

[1]See note 32 for further details on transition adjustments on adoption of IFRS 9.

NOMURA INTERNATIONAL PLC

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019

Notes		Year Ended 31 March 2019 $'000	Year Ended 31 March 2018[1] $'000
	Assets		
8	Cash and cash equivalent	2,981,407	3,943,487
8,18	Financial assets held for trading	156,549,341	158,960,781
8	Investment time deposits	173,159	412,850
	Current tax receivable	4,421	37,516
8	Collateral posted for securities purchased under agreements to resell	67,328,129	71,869,929
8	Collateral posted for securities borrowed	9,353,591	8,644,494
10	Other debtors	19,582,651	23,748,465
	Financial investments	17,595	15,700
11	Tangible assets	12,026	14,670
12	Intangible assets	2,274	3,510
13	Investment in subsidiaries	22	22
14	Investment in group companies	12,925	10
	Total Assets	256,017,541	267,651,434
	Liabilities		
8,18	Financial liabilities held for trading	151,855,877	151,742,166
15	Other creditors	36,832,762	38,978,115
8	Collateral received for securities sold under agreements to repurchase	57,083,238	62,864,019
8	Collateral received for securities loaned	4,011,916	6,594,672
	Provisions	111,261	-
8,16	Creditors (amounts falling due after more than one year)	1,349,179	2,372,654
	Total Liabilities	251,244,233	262,551,626
	Shareholders' funds		
17	Called up share capital	10,241,226	10,241,226
	Share premium	27,479	27,479
	Other reserve	152	(19,387)
	Capital redemption reserve	184,499	184,499
	Available-for-sale reserve	-	4,450
	Share-based payment reserve	1,142,815	1,105,732
	Retained earnings	(6,822,863)	(6,444,191)
	Total Equity	4,773,308	5,099,808
	Total Liabilities and Equity	256,017,541	267,651,434

Approved by the board of Directors on 18 July 2019 and subsequently signed on its behalf on 19 July 2019 by

John Tierney,
Director

The notes on pages 20 to 117 form part of these financial statements.

[1] 2018 includes a presentational reclassification from cash and cash equivalent to other debtors. Refer to note 10 for further details.

NOMURA

NOMURA INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Year Ended 31 March 2019 $'000	Year Ended 31 March 2018 $'000
Operating activities		
Loss before tax	**(387,309)**	**(230,370)**
Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation	6,068	8,149
Internally generated software capitalised	42,642	50,254
Share-based payment expense	37,084	58,340
Provisions	111,261	-
Other reserve released	23,072	-
Foreign exchange loss	(3,014)	(291)
Impairment loss on investment in subsidiaries	-	29
Reclassification of investment in subsidiaries	-	10
Internally generated software written-off	13,085	581
Interest paid on subordinated borrowings	59,570	45,948
Change in working capital adjustments		
Net change in financial assets held of trading	2,411,440	13,816,808
Net change in collateral posted for securities purchased under agreements to resell	4,532,738	10,677,434
Net change in collateral posted for securities borrowed	(709,097)	3,318,734
Net change in other debtors	4,166,317	(5,291,024)
Net change in investment time deposits	239,691	9,487
Net change in financial liabilities held for trading	113,711	(19,770,230)
Net change in collateral received for securities sold under agreements to repurchase	(5,769,543)	(7,681,547)
Net change in collateral received for securities loaned	(2,582,756)	(568,184)
Net change in financial investments	(1,905)	-
Net change in other creditors	(2,170,086)	4,109,245
Income tax received/(paid)	36,849	(5,514)
Net cash flow from operating activities	**169,818**	**(1,452,141)**
Investing activities		
Purchase of fixed assets	(6,441)	(2,534)
Investment in group companies	(12,915)	-
Software generated internally	(57,966)	(44,331)
Proceeds from disposal of fixed assets	3,734	-
Net cash used in investing activities	**(73,588)**	**(46,865)**

NOMURA INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

	Year Ended 31 March 2019 $'000	Year Ended 31 March 2018 $'000
Financing activities		
Share capital issued	-	250,000
Repayment in loans and other liabilities	(1,023,474)	(102,470)
Interest paid on subordinated borrowings	(59,570)	(45,948)
Net cash (used) / generated in financing activities	**(1,083,044)**	**101,582**
Net (decrease) / increase in cash and cash equivalent	**(986,814)**	**(1,397,424)**
Cash at 1 April	**3,874,675**	**5,272,099**
Cash at 31 March	**2,887,861**	**3,874,675**
Included within operational cash flows		
Interest paid	(1,551,417)	(1,709,267)
Interest received	1,341,767	1,401,261

Reconciliation of liabilities arising from financing activities:

	31 March 2018 $'000	Cash flows $'000	Non Cash Changes $'000	31 March 2019 $'000
Loans and other liabilities	1,112,654	(1,023,474)	-	89,179
Subordinated debt	1,260,000	(59,570)	59,570	1,260,000
Total liabilities from financing activities	**2,372,654**	**(1,083,044)**	**59,570**	**1,349,179**

Cash balance is presented as gross on the Statement of Financial Position. An overdraft of $93,546,000 (2018: $68,812,000) reported as 'other creditors' is considered as cash for the presentation in statement of cash flows.

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The Company has prepared financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), and on a going concern basis.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 regarding the reconciliation of outstanding shares, paragraph 73(e) of IAS 16 regarding the reconciliation of opening to closing balances for fixed assets and paragraph 118(e) of IAS 38 regarding the reconciliation of opening to closing balances for intangible assets;
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments so that only the descriptions of the share-based payments, the range of exercise prices and weighted average remaining contractual life of the share options outstanding; and the weighted average share price on exercised options is required to be disclosed;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose standards that have been issued but are not yet effective;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report. The Company's financial statements are presented in United States Dollar ("USD") and all values are rounded to the nearest thousand USD ($'000) except when otherwise indicated. The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 from having to prepare group accounts since it is a wholly owned subsidiary of NEHS, a company registered in the U.K. The results of the Company are included in the consolidated financial statements of NHI, the ultimate parent company. See note 31 for further details on ultimate and immediate parent companies.

(b) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the accounting policies, management has made the following estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

- Where there is no active market for a financial instrument, fair value is determined using valuation techniques which could require judgment; and
- Recoverability of deferred tax assets. Carrying value disclosed in note 7.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments

i. Classification and Measurement

Policy applicable after 1 April 2018:

Financial instruments are classified either as financial assets or liabilities at amortised cost, financial assets mandatorily at fair value through profit or loss or financial liabilities designated at fair value through profit or loss. The classification and measurement of all financial assets, except equity instruments and derivatives, are assessed based on the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms.

Business Model

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective, how information is reported to management, frequency of sales of the financial assets and the complexity or potential differences in underlying business model.

There are three business models under IFRS 9 for financial assets:

- Hold to Collect - Financial assets held with the objective to collect contractual cash flows.
- Hold to Collect and Sell - Financial assets held with the objective of both collecting contractual cash flows and selling financial assets.
- Other - Financial assets held with trading intent or that do not meet the "hold to collect" and "hold to collect and sell" qualifying criteria.

The Company manages a portfolio of financial assets through a hold to collect business model where all of the following criteria are met:

- The portfolio is not managed through a held for trading or fair value management business model;
- The portfolio of financial assets is managed to realise cash flows solely through collecting contractual payments over the life of the financial assets rather than managing the overall return on the portfolio by both holding and selling financial assets; and
- Any sales of financial assets are expected to be infrequent or insignificant.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

i. Classification and Measurement (continued)

Solely Payments of Principal and Interest (SPPI):

To meet the hold to collect business model, the portfolio of financial assets are to be held by the Company with the strategy of collecting cash flows from the financial assets specified by contractual terms of the instrument. A financial asset can only be measured at amortised cost where the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

The most significant elements of interest within a basic lending arrangement are that it is consideration for the time value of money and credit risk. Interest may also include a profit margin.

Policy applicable prior to 1 April 2018:

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

ii. Financial instruments at fair value through profit or loss

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

iii. Financial instruments held for trading

Policy applicable both prior to and after 1 April 2018:

Financial instruments 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. These instruments are generally recognised as regular way transactions, on a settlement date basis. Derivatives are also classified as held for trading.

Derivative instruments, as detailed in note 18, are used for trading and risk management purposes. 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 on the Statement of Financial Position.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

iv. Financial assets mandatorily at fair value through profit and loss

Policy applicable after 1 April 2018:

Financial assets are mandatorily held at fair value through profit and loss where the asset is managed on a fair value basis or if the asset fails the SPPI test. Such assets are generally recognised on settlement date at fair value. From the date the terms are agreed, until the financial asset is funded, the Company recognises any unrealised fair value changes in the financial asset in the profit and loss. Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value.

v. Financial liabilities designated at fair value through profit and loss

Policy applicable after 1 April 2018:

The company designates non-trading financial liabilities to be measured at fair value through profit and loss through election of the fair value option on initial recognition if measurement of the fair value through profit and loss represents the more relevant measurement basis for the financial liability because of how the financial liability is managed with other financial assets and financial liabilities or because of the purpose or the nature of the financial liability itself, the designation is made where any of the following criteria are met:

- It is part of a larger group of financial assets and financial liabilities which is managed on a fair value basis;
- The election would eliminate or significantly reduce a measurement or recognition inconsistency (i.e. accounting mismatch) that would otherwise arise from measuring financial assets or financial liabilities or recognising gains and losses on them on different bases; or
- It is a structured financial liability which contains one or more embedded derivatives where the economic characteristics and risks of the derivative(s) are not closely related to the host and require bifurcation.

The financial liability is initially measured at fair value and transaction costs are taken directly to Profit and Loss.

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

Policy applicable prior to 1 April 2018:

Any financial asset or financial liability within the scope of IAS 39 may be designated when initially recognised as a financial asset or financial liability at fair value through profit or loss 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 Company applies the fair value option to the following instruments:

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

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

- Certain loans and receivables and repos and reverse repos which are risk managed on a fair value basis: The Company elects the fair value option to mitigate profit and loss 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 flows resulting from the financial instrument;
- Financial liabilities associated with continuing involvement in assets derecognised under IAS 39: The fair value option is elected to mitigate profit and loss 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 as a result of continuing recognition of certain financial assets and the simultaneous recognition of an associated financial liability.

Financial instruments designated at fair value are generally recognised on a settlement date basis.

When a fair value financial asset or liability is recognised initially, the Company measures it at its fair value and transaction costs are taken directly to profit and loss. 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 re-measured at fair value and the difference between its carrying amount and fair value recognised in profit and loss. All reliably measurable fair value financial assets and liabilities are subsequently held at fair value until derecognition.

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.

vii. Available-for-sale investments

Policy applicable prior to 1 April 2018:

Available–for-sale investments are non-derivative financial assets that are designated as available-for-sale and are not in any of the other categories described above. They are recognised and derecognised using settlement date accounting. Amounts are initially recognised at fair value including any direct and incremental transaction costs and subsequently held at fair value.

Where applicable interest determined using the effective interest method and impairment losses are recognised in profit and loss. Gains and losses arising from changes in fair value are taken to other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss is transferred to profit and loss. Any reversal of impairment losses on non-equity available-for-sale investments is taken to profit and loss.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

viii. Financial instruments at amortised cost

Policy applicable after 1 April 2018:

Financial assets are recognised at amortised cost when the Company's business model objective is to collect the contractual cash flows of the assets and where these cash flows are Solely Payments of Principal and Interest on the principal amount outstanding until maturity, such assets are initially recognised on settlement date. The instruments are initially measured at fair value and subsequently measured at amortised cost less Expected Credit Loss ("ECL") allowance (See 1(c) ix). Interest is recognised in the Profit and Loss in 'Interest income', using the effective interest rate method. Transaction costs that are directly attributable to the acquisition of the financial asset are added to the fair value on initial recognition. ECL and reversals thereof are recognised in the Profit and Loss in 'Net impairment (loss)/reversal on financial assets'.

Policy applicable prior to 1 April 2018:

Financial assets classified as Loans and receivables were 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 profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Policy applicable both prior to and after 1 April 2018:

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.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

ix. Impairment of financial instruments

Policy applicable after 1 April 2018:

The Company is required to record an allowance for expected losses for all loans and other debt financial assets not held at fair value through profit or loss, together with loan commitments and financial guarantee contracts.

The general ECL impairment model is used to measure expected credit losses against the majority of financial instruments held by the Company which are subject to impairment though the ECL impairment model under IFRS 9.

Expected credit losses represent the difference between the cash flows that the Company is entitled to receive in accordance with the contractual terms of the financial instrument and the cash flows that the Company ultimately expects to receive based on the ECL impairment model which reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonably and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

In order to determine whether 12 month or lifetime expected credit losses are used, each financial asset and off-balance sheet financial instrument being individually or collectively assessed for impairment is classified at each reporting date into one of following three stages of credit quality deterioration since the financial asset was initially recognised.

- Stage 1 – performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;
- Stage 2 – underperforming financial assets for which there has been a significant increase in credit risk since initial recognition but which are not credit-impaired; and
- Stage 3 – non-performing financial assets for which there has been a significant increase in credit risk since initial recognition and which have become credit-impaired.

The allowance for expected credit losses recognised against stage 1 financial assets is determined using 12 month expected credit losses. Conversely, the allowance against stage 2 or stage 3 financial assets is based on lifetime expected credit losses.

Lifetime expected credit losses represent expected credit losses that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of balance sheet date.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

ix. Impairment of financial instruments (continued)

A financial instrument that is not credit-impaired on initial recognition is initially classified into stage 1 and is typically subsequently continuously monitored to determine whether a significant increase in credit risk has occurred, at which point the financial instrument is reclassified to stage 2. A determination of whether a significant increase in credit risk has occurred at each reporting date will primarily be through a comparison of Nomura Group's internal credit rating applied to the financial instrument at acquisition, origination or issuance and the internal credit rating currently assigned to the financial instrument at the reporting date. A financial instrument will be reclassified into stage 2 where the internal credit rating has declined by more than a specific number of notches, in addition there is a rebuttable presumption that the credit risk of a financial instrument subject has significantly deteriorated since initial recognition when contractual payments of principal or interest are more than 30 days past due. If there is a further deterioration in credit risk such that the financial instrument becomes credit-impaired, the financial instrument is then reclassified into stage 3.

A stage 3 financial asset can only be classified out of stage 3 and into stage 2 or eventually stage 1 when it no longer meets the definition of being credit-impaired, namely when it is no longer probable that the Company will not be able to collect all principal and interest amounts due in accordance with the original or modified contractual terms of the financial asset.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred since origination or purchase and it is no longer probable that the Company will be able to collect all principal and interest amounts due in accordance with the contractual terms of the financial asset.

A default is defined as the failure of an obligor to make payments in full and on time of any financial obligations, markedly disadvantageous modification to a contractual term compared with the existing obligation, bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of business of an obligor or other similar situations. A small delay in payment would not automatically be considered a default for determination of whether a financial asset has been credit-impaired. In addition, there is a rebuttable presumption that regardless of the above definition, default is deemed to occur and a financial instrument is credit-impaired when the financial instrument is 90 days or more past due.

A financial instrument will continue to be credit-impaired until the obligor cures the reasons for credit-impairment or there has been a sustained observable period of repayment performance on the financial instrument. Determination of what constitutes a sustained period of repayment performance by the obligor depends on the nature of the financial instrument but will typically be for a period of 6 months or more.

Credit-impaired financial instruments individually assessed for impairment are typically written-off when further cash flows are deemed uncollectible and when all commercially reasonably means of recovering outstanding principle and interest balances have been exhausted. Such a determination is based on factors such as the occurrence of significant changes in the obligor's financial position such that the obligor can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay amounts due.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

ix. Impairment of financial instruments (continued)

Write-offs are initially recognised against any existing allowance for expected credit losses and can relate to a financial instrument in its entirety or to a portion of it.

Recoveries are recognised through the Profit and Loss in 'credit impairment charge / (release)' during a reporting period.

For stage 1 and 2 financial assets, interest income is determined by applying the effective interest rate to the gross carrying value. For stage 3 financial assets, interest income is determined by applying the effective interest rate to net carrying amount of the financial asset namely the gross carrying amount less the allowance for expected credit losses.

Measurement of expected credit losses:

The measurement of expected credit losses through the general ECL impairment model is typically determined within the Company using a loss rate model depending on the relevant staging of the financial instrument. A loss rate model measures expected credit losses for an individual or portfolio of similar financial instruments through development of loss rates calculated through an estimate of the probability of default ("PD") of the obligor and loss given default ("LGD") which is applied to the expected credit exposure of the obligor at default ("CEAD").

PD inputs are determined by internal Nomura credit rating applied to the financial instrument. PD inputs used by the Company are sourced from industry data and validated based on Nomura's historical experience.

Nomura Group policy is that forward-looking information is incorporated into the PD inputs by forecasting economic scenarios and adjusting the base case inputs for at least one more optimistic and pessimistic scenario.

LGD inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data. Where appropriate, LGD inputs are adjusted to reflect the impact of collateral and other integral credit enhancements.

For revolving and non-revolving loan commitments, the relevant absolute measure of CEAD represents an estimate of the total amount of the facility which will be drawn by the obligor by the time of default.

Cash flows expected from collateral and other credit enhancements that are integral to contractual terms of the financial instrument and not recognised separately by the Company are included in the measurement of expected credit losses.

The company permits a low credit risk practical expedient to be used for measurement of expected credit losses, namely that expected credit losses for certain stage 1 financial instruments is determined using a 12 month ECL without formal consideration of whether a significant increase in credit risk has occurred. However, in the event that the financial instrument becomes credit-impaired, the financial instrument is reclassified from stage 1 to stage 3 where expected credit losses are determined using lifetime ECL. A similar approach is applied for certain financial instruments where expected credit losses are very low (either because of the nature of the obligor or the collateral provisions of the financial instrument).

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

ix. Impairment of financial instruments (continued)

Balances to which the Company applies this approach include the following:

- Default fund contribution receivables from investment grade central clearing counterparties;
- Initial margin and variation margin receivables from investment grade central clearing counterparties;
- Segregated initial margin receivables from investment grade custodians in connection with OTC derivatives and bilateral repurchase agreements;
- Variation margin on derivative transactions and collateralised agreements accounted for at FVPL;
- Cash and cash equivalent;
- Demand deposits and short term investments grade deposits;
- Loans to clients which are overcollateralised and daily margined dependent on quality and liquidity of underlying collateral.

For those financial instruments the Company identifies significant increases in credit risk through monitoring of observable events or indicators of default in relation to these counterparties.

If a financial asset has been the subject of modification which does not lead to its derecognition, significant increase in credit risk is assessed by comparing the risk of default of the financial instrument, based on the modified terms at the reporting date, with the risk of default of the financial instrument at inception, based on the financial instrument's original, unmodified, terms.

Where the modification of contractual cash flows of a financial asset leads to its derecognition and the recognition of a new asset, the date of modification is treated as the date of initial recognition for the new financial asset when determining whether a significant increase in credit risk has occurred for that modified financial asset. In rare circumstances, after modification, the new asset is considered to be credit impaired, in which case it is treated as an asset which was credit-impaired at origination.

Policy applicable prior to 1 April 2018:

The Company assesses at the Statement of Financial Position 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 Statement of Financial Position 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.

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 profit and loss. 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 profit and loss.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

ix. Impairment of financial instruments (continued)

For available-for-sale investments, the Company assesses at each Statement of Financial Position 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.

(d) Fair Value of Financial Instruments

The Company holds a significant portion of financial instruments at fair value, as described below. A description of the Company'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 Company's own credit risk 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 Company's estimates of fair value in the future, potentially affecting trading and non-trading gains and losses. The Company'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.

The Company seeks to minimise market risks by entering into hedging derivatives to economically hedge the exposures of certain fair value option (FVO) elected notes. The Company applies the "portfolio exception" to measure the fair value of this group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

1. ACCOUNTING POLICIES (CONTINUED

(d) Fair Value of Financial Instruments (continued)

(ii) 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 profit and loss.

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 recognised in profit and loss over the life of the transaction on an appropriate basis, or when the inputs become observable, or when the instrument is derecognised.

(e) Trading profit

(i) Principal transactions income and expenses

Principal transactions income and expenses include realised and unrealised gains and losses from customer trading activities, asset finance, private equity, profits on disposals of related party investments and proprietary trading activities. 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.

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 Statement of Financial Position in accordance with the presentation requirements of IAS 32.

(ii) Fees and commission income and expenses

Fees and commission income includes gains, losses and fees, arising from securities offerings in which the Company acts as an underwriter or agent; fees earned from the provision of financial advisory services; and commission income from the provision of brokerage services.

Revenues are recognised when or as the customer obtains control of the service provided by Nomura which depends on when each of the key distinct substantive promises made by Nomura within the contract with the customer performance obligations are satisfied. Such performance obligations are generally satisfied at a particularly point in time or, if certain criteria are met, over a period of time.

Underwriting and syndication revenues recognised at a point in time when the underlying transaction is complete.

Fees contingent on the success of an underlying transaction are variable consideration recognised when the underlying transaction has been completed since only at such point is it probable that a significant reversal of revenue will not occur.

Depending upon whether the company is acting as principal or agent in generating fees and Commissions, costs are reported on a gross or net basis respectively.

1. ACCOUNTING POLICIES (CONTINUED)

(f) Interest receivable and interest payable

Interest receivable and payable includes dividends and interest paid and earned on securities positions, interest on financial instruments at fair value through profit or loss including securities bought and sold under repurchase agreements.

Interest receivable and payable is recognised in profit and loss 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 to transaction costs, and discounts or premiums that are integral to the effective interest rate.

The Company holds a number of financial assets and liabilities which have been set with negative interest rates. Negative interest on financial assets is presented as Interest payable and similar expenses. Negative interest on financial liabilities is presented as Interest receivable and similar income.

(g) Other debtors

Other debtors include financial assets (1c), intangible assets (1l) and other less material non-financial assets. During 2018, certain short-term margin balances were reclassified to other debtors as disclosed in note 10.

(h) Derecognition

Transfers of financial assets and liabilities are assessed to determine if assets can be derecognised. The Company 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 Company retains the financial assets on its Statement of Financial Position with an associated liability for the consideration received. If the Company 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 Company.

The Company derecognises financial liabilities when the Company's obligations are discharged or cancelled or when they expire.

(i) Offsetting financial instruments

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

1. ACCOUNTING POLICIES (CONTINUED)

(j) Financial guarantees

The Company issues financial guarantee contracts which require the Company to 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. After 1 April 2018 financial guarantees are subject to impairment under ECL.

(k) 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 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.

The Company 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 Statement of Financial Position assets and liabilities unless certain conditions for offsetting under IAS 32 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(l) Tangible assets and depreciation

Tangible assets are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and are written down to their recoverable amount. 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 Company and its 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
Furniture and equipment	Five to ten years
Certain IT Equipment	Three to Five years
Construction in progress	Not depreciated until completed and transferred to asset categories above

Tangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 profit and loss in the period of derecognition.

(m) Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Internally generated intangible assets are generally not capitalised and expenditure recognised in profit and loss as incurred, other than internally generated software development costs where the Company has technical feasibility to complete the software development, and ability to sell or use the asset and control economic benefits from it. Where internally generated software arises in intellectual property rights that are not controlled by the company, costs are classified as other debtors and amortised over the useful economic life of the software.

Costs incurred in relation to fixed-term or cancellable non-perpetual license agreements are not capitalised and are expensed in profit and loss over the period to which they relate.

Useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over their useful economic life on a straight-line basis and assessed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and are written down to their recoverable amount. Software assets are generally amortised over a useful life of between 3 and 5 years. The annual amortisation is accounted in general and administrative expenses within the statement of comprehensive income.

(n) Fixed asset investments

Investments in subsidiary undertakings, group companies and entities common control are stated at original cost less amounts written off where there has been impairment in value.

1. ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. The impairment loss is determined by comparing the carrying amount with the recoverable amount of the asset. The recoverable amount is the higher of the assets or the cash-generating unit's fair value less costs to sell and value in use. Where the carrying amount exceeds the recoverable amount, the asset is deemed impaired and is written down to its recoverable amount.

(p) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the year-end date, taking into account the risks and uncertainties surrounding the obligation.

(q) Foreign currencies

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 Statement of Financial Position date. Income and expenses denominated in a foreign currency are retranslated using appropriate weighted average exchange rates. All differences arising from the application of closing rates of exchange, together with exchange gains/losses from trading activities, are taken to profit and loss. 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.

(r) Taxation

Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(i) the initial recognition of goodwill; or
(ii) the initial recognition of an asset or liability in a transaction which:
- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

However, for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability shall be recognised.

1. ACCOUNTING POLICIES (CONTINUED)

(r) Taxation (continued)

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

(i) is not a business combination; and
(ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities shall not be discounted.

Current tax and deferred tax shall be recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

(i) in other comprehensive income, shall be recognised in other comprehensive income.
(ii) directly in equity, shall be recognised directly in equity.

(s) Pension costs

The Company 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 profit and loss at the earlier of when the plan amendment or curtailment occurs or when related restructuring costs are recognised. When a settlement (eliminating all obligations for benefits already accrued) occurs, the obligation and related plan assets are remeasured using actuarial assumptions at the date of the settlement and the resultant gain or loss is recognised in other comprehensive income during the period in which the settlement occurs.

The net interest income or expense is calculated by applying the discount rate on the net defined benefit liability or asset respectively and recognised in profit and loss. It is determined by applying the discount rate to the opening net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the year.

Remeasurements of the net defined benefit liability or asset comprising of actuarial gains and losses, the return on plan assets excluding amounts recognised as net interest and the effect of the asset ceiling are recognised in full in other comprehensive income.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(s) Pension costs (continued)

The defined benefit pension asset or liability in the Statement of Financial Position 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), 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. Where the Company purchased insurance policies to cover a benefit obligation, the value of insurance policies is equal to the value of the related obligation.

Any net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

This plan is governed by the Trust Deed and Rules dated 28 May 2009. The level of benefits provided in the defined benefits section depends on the member's length of service and salary at date of leaving Pensionable Service. The fund is governed by a Trustee Company, comprising 4 directors appointed by the employer and 2 directors appointed by the members. The Board of Trustees is responsible for the administration of the scheme and setting the investment policy.

The defined benefit liability is shown on the Statement of Financial Position gross of deferred tax.

(t) Share-based payments

The Company and the ultimate holding company of the Nomura Group, NHI grants share-based and similar deferred compensation award to Directors and employees of the Company in exchange for providing employment services to the Company. Such are classified as either equity-settled or cash-settled transactions depending on the terms of the award.

Awards such as Stock Acquisition Rights ("SARs") issued by NHI which are expected to be settled by the delivery of NHI common stock are classified as equity-settled transactions. For these awards, total compensation cost is generally fixed at grant date and measured using the grant-date fair value of the award, net of any amount the employee is obligated to pay and estimated forfeitures.

The cost of equity-settled transactions issued and settled by NHI is recognised in profit and loss, together with a corresponding increase in reserves, representing the contribution received from NHI, 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 Statement of Financial Position date until the vesting date reflects the extent to which the vesting period has expired and the Company'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.

1. ACCOUNTING POLICIES (CONTINUED)

(t) Share-based payments (continued)

Awards such as Notional Stock Units ("NSUs") and Collared Notional Stock Units ("CSUs") which are expected to be settled in cash are classified as cash-settled transactions. Other awards such as Notional Index Units ("NIUs") which are linked to a world stock index quoted by Morgan Stanley Capital International and which are expected to be cash settled are also effectively classified as cash-settled transactions. Cash-settled transactions are remeasured to fair value at each Statement of Financial Position 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 profit and loss over the vesting period.

All awards include "Full Career Retirement" provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria based on corporate title and length of service within Nomura are met. The vesting period for these awards ends on the earlier of the contractual vesting date and the date that the recipient becomes eligible for Full Career Retirement.

(u) Share Capital

Share capital meeting the definition of an equity instrument under IAS 32 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.

(v) Operating Leases

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

1. ACCOUNTING POLICIES (CONTINUED)

(w) Cash Flow Statement

The cash flow statement reconciles the increase or decrease in cash and cash equivalent in the period.

Cash and cash equivalent

Cash and cash equivalent comprises of cash and demand deposits denominated in foreign currencies. It also includes cash equivalents which are short-term, highly liquid investments with an original maturity of three months or less, that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value. During 2018, certain short-term margin balances were reclassified to other debtors as disclosed in note 10.

(x) Reserves

The Company has the following reserve accounts:

- Capital redemption reserve: A statutory, non-distributable reserve into which amounts are transferred following the redemption of the Company's own shares.
- Share-based payment reserve: The cost of equity-settled transactions is recognised in the profit and loss account, together with a corresponding increase recorded within this reserve.
- Profit and loss account: Represents the accumulated retained earnings of the Company.
- Other Reserve: The reserve contains the foreign currency gains and losses arising from the translation of foreign operations.

(y) Changes in accounting policies and disclosures

The following standards, amendments to standards and interpretation relevant to the Company's operations were adopted during the year. Except where otherwise stated, these standards, amendments to standards and interpretations did not have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments, which replaced IAS 39, Financial Instruments: Recognition and Measurement, has been applied effective from 1 April 2018, including the early adoption of 'Prepayment features with negative compensation (Amendments to IFRS 9)'.

IFRS 9 does not require the restatement of comparative-period financial statements for the initial application of the classification and measurement requirements of IFRS 9, but requires additional disclosures on transition to IFRS 9 as required under IFRS 7, Financial Instruments: Disclosures. As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Consequently, the comparative information for prior periods is reported under IAS 39 and not comparable to the information presented for the current period. Any adjustments to the carrying amount of financial assets and financial liabilities at the date of transition were recognised in the opening retained earnings and reserves as of 1 April 2018.

1. ACCOUNTING POLICIES (CONTINUED)

(y) Changes in accounting policies and disclosures (continued)

IFRS 15 – Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, which replaces all existing revenue requirements and related interpretations has been applied effective from 1 April 2018. IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (e.g., interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and lease income). The transition to IFRS 15 had no material impact on the Statement of Financial Position of the Company.

IFRS 2 – Share-based Payment – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018. Adoption of the amendments did not have a significant impact on the Company.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' was issued by the IASB in December 2016 for application in accounting periods beginning on or after 1 January 2018 and was endorsed by the EU in April 2018.

2. TRADING PROFIT

All of the Company's trading profit is derived from Wholesale, comprising trading and sales in fixed income, equity products and related derivatives, investment banking services, principal, corporate and asset finance and private equity, to which all net assets are attributable.

a. Segmental analysis

The trading profit is attributable to the following revenue streams:

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Net fees and commissions	435,503	406,026
Principal transactions	588,314	725,821
Other revenues[1]	510,492	512,123
Less: attributable transaction expenses[1]	(172,403)	(133,110)
Trading profit	1,361,906	1,510,860

$961,853,000 (2018: $1,144,569,000) of the trading profit in the year ended 31 March 2019 is attributable to EMEA and $400,053,000 (2018: $366,290,000) to offshore markets. Due to the integrated nature of the Company's business, it is not meaningful to provide a geographical split of the Company's total assets.

[1]'Attributable transaction expenses' excludes sales credit payable/receivable to/from other Nomura Group entities. Sales payable are included in 'general and administrative expenses'; sales credits receivable are included in 'other revenue'.

b. Analysis of net fee and commission income:

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Brokerage fees & commissions	205,108	188,649
Arrangement fees	66,080	79,626
Advisory	73,692	96,850
Other fees	90,623	40,900
Net fees and commissions	435,503	406,025

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019 (CONTINUED)

2. TRADING PROFIT (CONTINUED)

c. Analysis of principal transactions by financial instrument type:

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Financial instruments held for trading	599,430	828,334
Financial instruments at fair value through profit and loss	(11,116)	(102,514)
Principal transactions	588,314	725,820

d. Analysis of financial instruments held for trading by product type:

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

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Bond and equity derivatives	60,095	102,507
Convertible bonds	(369,021)	(30,874)
Equities	358,212	435,089
Warrants	(23,874)	11,806
Bank and corporate bonds	448,761	296,647
Government bonds	396,808	666,811
Interest rate derivatives	(1,397,249)	(321,625)
Currency derivatives	1,079,115	(579,276)
Credit derivatives	46,583	247,249
	599,430	828,334

3. INTEREST INCOME AND EXPENSE

Analysis of total interest income and expense by financial instrument type:

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Interest income calculated using the effective interest method		
Cash and short-term funds	132,558	284,752
Secured financing transactions[1]	-	997,088
	132,558	1,281,840
Other interest and similar income		
Secured financing transactions[1]	1,074,913	-
Financial instruments at fair value through profit and loss	138,235	115,804
Other	20,573	26,918
	1,233,721	142,722

[1]Includes $170m (2018:$561m) of interest income on securities lent and repurchase agreements with negative interest rates for the year ended 31 March 2019.

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Interest expense calculated using the effective interest method		
Overdrafts and loans[2]	(282,158)	(234,750)
Secured financing transactions[3]	-	(1,287,519)
	(282,158)	(1,522,269)
Other interest and similar expenses		
Secured financing transactions[3]	(1,101,567)	-
Financial instruments at fair value through profit and loss	(19,143)	(69,175)
Other	(69,209)	(60,194)
	(1,189,919)	(129,369)

[2]Includes $125m (2018:$116m) of interest on Prime Brokerage Financing. In prior year Financial Statements, this amount was shown under Secured Financing Transactions and the comparative amounts have been restated.

[3]Includes $203m (2018:$430m) of interest expense on securities borrowed and reverse repurchase agreements with negative interest rates for the year ended 31 March 2019.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019 (CONTINUED)

4. LOSS BEFORE TAXATION

Loss on ordinary activities before tax for the Company is stated after charging/(crediting):

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Wages, salaries and other personnel costs	591,089	706,015
Litigation provision	109,919	-
Social security costs	61,230	74,787
Pension costs – defined contribution	28,119	28,380
Depreciation and amortisation (note 11 & 12)	6,068	8,149
Software expenses	42,642	52,433
Impairment loss on investment in subsidiaries	-	29
Auditors' remuneration including expenses		
- Audit	1,886	1,686
- Audit-related assurance services	487	559
- Services relating to taxation	399	410
- All other services	70	683
Operating lease costs		
- Buildings	61,078	62,182
- Other	35	33
Interest receivable from Nomura Group undertakings	(582,535)	(359,802)
Interest payable to Nomura Group undertakings	657,658	690,236

In addition to the audit fee shown above, an amount of $1,046,171 (2018: $1,163,267) was borne by NHI.

2018 impairment on investment in subsidiary related to investment in Nomura Investment Advisor LLP.

5. CREDIT IMPAIRMENT CHARGE / (RELEASE)

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Stage 1: 12-month ECL	381	-
- Other debtors	218	-
- Commitments and financial guarantees	163	-
Stage 2: Lifetime ECL – not credit-impaired	1,053	-
- Other debtors	(32)	-
- Commitments and financial guarantees	1,085	-
Stage 3: Lifetime ECL credit impaired	-	-
- Other debtors	-	-
- Commitments and financial guarantees	-	-
Credit impairment charge pre-IFRS 9 adoption	-	491
	1,434	491

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019 (CONTINUED)

6. DEFINED BENEFIT PENSION SCHEME

A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2019 by Premier Pensions Management Ltd, a qualified independent actuary.

During the year ended 31 March 2019, the Company 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 Company's Statement of Financial Position. The expected employer's contribution to the Company's defined benefit pension scheme for year ended 31 March 2019 is nil (2018: nil). The Trustees have historically insured their pensioner amounts using a buy-in insurance contract with Aviva. More recently, the Trustees have extended their policy of insuring the pure defined benefit liabilities in the scheme by the purchase of a bulk annuity policy with Pension Insurance Corporation.

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

	Year ended 31 March 2019	Year ended 31 March 2018
	%	%
Rate of increase in pensions in payment	3.65	3.30
Rate of increase in pensions in deferment	2.65	2.30
Discount rate	2.55	2.60
Inflation assumption	2.65	2.30

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

	Year ended 31 March 2019	Year ended 31 March 2018
	Years	Years
Male Member age 60 (life expectancy at age 60)	28.7	29.3
Male Member age 40 (life expectancy at age 60)	31.4	31.9
Female Member age 60 (life expectancy at age 60)	30.9	31.4
Female Member age 40 (life expectancy at age 60)	33.4	33.9

6. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

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

	%	Year ended 31 March 2019 $'000	%	Year ended 31 March 2018 $'000
Equities	2.55	1,510	2.60	1,562
Dividend growth funds	2.55	29,158	2.60	31,636
Cash	2.55	4,343	2.60	411
Annuities	2.55	264,425	2.60	289,174
Market value of assets		299,436		322,783
Present value of scheme liabilities		(271,804)		(293,014)
Surplus in the scheme		27,632		29,769
Effect of surplus cap		(27,632)		(29,769)
Recoverable deficit in the scheme		-		-
Deferred tax asset		-		-
Net pension liability		-		-

The fair values of the equities and dividend growth funds are determined via quoted prices.

The Company does not recognise the pension surplus as an asset as an unconditional right to a refund does not exist. The right to a refund requires the approval of the third party plan trustees and as such is contingent upon factors beyond the Company's control. To the extent the right is contingent, no asset is recognised. The Trustees of the Pension Scheme carry out a triennial actuarial valuation of the assets and liabilities. The latest report as at 31 March 2018 indicated a funding surplus of $25.7m, which was less than the accounting surplus for the same period. This was primarily due to more prudent assumptions used in the Trustees' funding calculations.

Following a confirmatory judgment in the Lloyds Banking Group case in October 2018, pension schemes with any Guaranteed Minimum Pension ("GMP") earned between 17 May 1990 and 5 April 1997 are now required to pay fully sex-equalised benefits. In anticipation of this, an estimated liability of $3.1m was recognised during the year.

The amount charged to other finance income:

	31 March 2019 $'000	31 March 2018 $'000
Interest income on pension scheme assets	7,630	8,084
Interest cost on pension scheme liabilities	(6,900)	(7,353)
Interest on the effect of asset ceiling	(730)	(731)
Net interest	-	-

6. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The amounts recognised in the statement of comprehensive income for the year are set out below:

	31 March 2019 $'000	31 March 2018 $'000
Actual return on pension scheme assets less interest income	7,917	(8,061)
Actuarial (loss) / gains arising on pension scheme liabilities	(5,520)	7,518
Actuarial gains / (losses) before adjustment due to movement in surplus cap	2,397	(543)
Adjustment due to movement in surplus cap	(2,397)	543
Actuarial loss recognised in other comprehensive income	-	-

The defined benefit pension scheme has no effect on the net assets and reserves of the Company (2018: no effect).

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

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Change in benefit obligations		
Benefit obligations at beginning of year	(293,014)	(279,117)
Other remeasurement changes	(3,131)	(770)
Interest cost	(6,900)	(7,353)
Actuarial (losses) / gains	(5,520)	7,518
Benefits paid	15,762	19,596
Foreign currency exchange gains / (losses)	20,999	(32,888)
Benefit obligations at end of year	(271,804)	(293,014)
Change in plan assets		
Fair value of plan assets at beginning of year	322,784	306,214
Interest income on plan assets	7,630	8,084
Actuarial gains / (losses)	7,917	(8,061)
Benefits paid from plan	(15,762)	(19,596)
Foreign currency exchange (losses) / gains	(23,132)	36,143
Fair value of plan assets at end of year	299,437	322,784

6. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

Sensitivity analysis of significant actuarial assumptions

The table below presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would be affected by changes in the relevant actuarial assumption that were reasonably possible at the Statement of Financial Position date. Unforeseen circumstances may arise, which could result in variations that are outside the range of alternatives deemed reasonably possible. This sensitivity analysis applies to the defined benefit obligation and not to the net defined benefit asset / (liability) in its entirety. Caution should be used in extrapolating the sensitivities below to the overall impact on the defined benefit obligation as the sensitivities may not be linear.

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Sensitivity analysis of significant actuarial assumptions		
Discount rate applied to scheme liabilities		
Increase by 1%	(43,757)	(46,015)
Decrease by 1%	59,213	60,845
Inflation assumption		
Increase by 1%	32,998	34,101
Decrease by 1%	(33,019)	(29,865)
Life expectancy		
Increase by 1 year	8,114	7,753
Decrease by 1 year	(8,049)	(7,740)

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded.

Maturity profile of defined benefit pension scheme:

Defined benefit obligation	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Current pensioners	95,838	104,755
Deferred pensioners	175,967	188,259
	Years	**Years**
Weighted average age		
Current pensioners	66.2	66.2
Deferred pensioners	54.8	54.8
Duration		
Current pensioners	14.5	14.5
Deferred pensioners	20.1	20.1

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019 (CONTINUED)

7. INCOME TAX

Tax expense

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Current tax		
UK corporation tax credit	(5,439)	(3,201)
Foreign tax charge	3,481	3,872
Adjustment in respect of prior years	(2,707)	530
Current tax (credit) / charge	(4,665)	1,201
Deferred tax		
Origination and reversal of temporary differences	834	(97)
Effect of changes in tax rates	(7)	(2)
Adjustment in respect of prior years	84	11
Deferred tax charge / (credit)	911	(88)
Tax (credit) / charge in income statement	(3,754)	1,113
Tax charge in other comprehensive income	-	88
Tax charge / (credit) in equity	107	(6,082)

Tax reconciliation

The tax credited to the income statement differs from the tax credit that would be if it had been calculated by reference to the UK corporation tax rate as follows:

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Loss on ordinary activities before tax	(387,309)	(230,370)
UK corporation tax credit at 19% (2018: 19%)	(73,589)	(43,770)
Effects of		
Expenses not deductible and income not taxable for tax purposes	23,915	5,008
Items taxed under chargeable gains rules	4,384	-
Group relief to group entities charged at a rate different to the UK corporation tax rate	4,011	5,964
Write down / (reversal of write down) of previously recognised deferred tax assets	845	(97)
Changes in unrecognised deferred tax assets	36,424	30,334
Effect of tax rate change	(7)	(2)
Foreign tax charge	3,481	3,872
Foreign tax relief	(595)	(736)
Adjustment in respect of prior years	(2,623)	540
Tax (credit) / charge in income statement	(3,754)	1,113

7. INCOME TAX (CONTINUED)

Movement of recognised deferred tax assets and liabilities

	Unused trade losses $'000	Unused capital losses $'000	Available-for-sale financial assets $'000	Tax transitional adjustments $'000	Total $'000
Asset / (liability) as at 1 April 2018	-	911	(911)	-	-
Income statement	67	(911)	-	(67)	(911)
Equity	-	-	911	-	911
Asset/(liability) as 31 March 2019	67	-	-	(67)	-
Asset / (liability) as at 1 April 2017	-	823	(823)	-	-
Income statement	-	88	-	-	88
Other comprehensive income	-	-	(88)	-	(88)
Asset / (liability) as at 31 March 2018	-	911	(911)	-	-

Unrecognised deferred tax assets

	31 March 2019 $'000	31 March 2018 $'000
Unused trade losses	718,726	714,968
Unused capital losses	1,306	395
Decelerated capital allowance	95,616	93,355
Deferred emoluments	7,791	9,200
Share-based payment	13,306	21,057
Total unrecognised deferred tax assets	836,745	838,975

The UK government has reduced the corporation tax rate in recent years with the enacted rate at 17% from 1 April 2020. Deferred tax assets as at the balance sheet date are calculated by reference to the most appropriate rates based on forecast.

Under UK tax rules, unused trade losses can be carried forward indefinitely. The amount of current year taxable profits that can be relieved by unused tax losses incurred by 31 March 2015 is restricted to 25% of such profits. The utilisation of unused trade losses incurred on or after 1 April 2015 against current year taxable profits is restricted to 50% of such profits subject to an annual £5 million allowance. Trade losses incurred on or after 1 April 2017 and carried forward to subsequent years can be surrendered as group relief subject to the 50% restriction and the annual £5 million allowance.

The Company has unused trade losses of $4.2 billion (2018: $4.2 billion). A deferred tax asset of $718.7 million (2018: $714.9 million) is not recognised in respect of the unused trade losses due to uncertainty surrounding the availability of future taxable profits.

The Company has unused capital losses of $7.7 million (2018: $7.7 million) that is available to set off against future chargeable gains. A deferred tax asset of $1.3 million (2018: $0.4 million) is not recognised in respect of the unused capital losses due to uncertainty surrounding the availability of future chargeable gains.

8. FINANCIAL INSTRUMENTS

Analysis of the Company's financial assets and financial liabilities by IFRS9 classification:

	2019	2019	2019	2019	2019
	Held for trading	Mandatorily at FVPL	Designated at FVPL	Amortised Cost	Total
	$'000	$'000	$'000	$'000	$'000
Financial Assets					
Cash and cash equivalent	-	-		2,981,407	2,981,407
Financial assets held for trading	156,549,341	-	-	-	156,549,341
Investment time deposits	-	172,527	-	632	173,159
Collateral posted for securities purchased under agreements to resell	-	67,328,129	-	-	67,328,129
Collateral posted for securities borrowed	-	9,353,591	-	-	9,353,591
Financial investments	-	17,595	-	-	17,595
Other debtors	-	2,290,066	-	17,086,274	19,376,340
	156,549,341	79,161,908	-	20,068,313	255,779,562
Financial Liabilities					
Financial liabilities held for trading	(151,855,877)	-	-	-	(151,855,877)
Other creditors			(1,217,195)	(35,384,693)	(36,601,888)
Collateral received for securities sold under agreements to repurchase	-	-	(57,083,238)	-	(57,083,238)
Collateral received for Securities loaned	-	-	(4,011,916)	-	(4,011,916)
Creditors: amounts falling due after more than one year	-	-	(89,179)	(1,260,000)	(1,349,179)
	(151,855,877)	-	(62,401,528)	(36,644,693)	(250,902,098)

8. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by IAS 39 classification:

	2018 Available-for-sale $'000	2018 Held for trading $'000	2018 Designated at fair value through profit and loss $'000	2018 Loans and receivables $'000	2018 Financial liabilities at amortised cost $'000	2018 Total $'000
Financial Assets						
Cash and cash equivalent	-	-	-	3,943,487	-	3,943,487
Held for trading	-	158,960,781	-		-	158,960,781
Investment time deposits	-	-	196,438	216,412	-	412,850
Collateral posted for securities purchased under agreements to resell	-	-	10,600,004	61,269,925	-	71,869,929
Collateral posted for securities borrowed	-	-	-	8,644,494	-	8,644,494
Other debtors	-	-	1,354,966	21,794,429	-	23,149,395
Financial investments	5,655	-	10,045	-	-	15,700
	5,655	158,960,781	12,161,453	95,868,747	-	266,966,636
Financial Liabilities						
Held for trading	-	(151,742,166)	-	-	-	(151,742,166)
Other creditors	-		(830,852)	-	(37,547,110)	(38,377,962)
Collateral received for securities sold under agreements to repurchase	-	-	(4,455,171)	-	(58,408,848)	(62,864,019)
Collateral received for Securities loaned	-	-	(1,256,006)	-	(5,338,666)	(6,594,672)
Creditors: amounts falling due after more than one year	-	-	(122,585)	-	(2,250,069)	(2,372,654)
	-	(151,742,166)	(6,664,614)	-	(103,544,693)	(261,951,473)

8. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities classification (continued)

Included within the financial instruments at amortised cost above are the following positions with fellow Nomura Group undertakings:

	2019 $'000	2018 $'000
Financial assets		
Investment time deposits	-	215,644
Other debtors	7,274,249	9,889,414
Collateral posted for securities purchased under agreements to resell	-	20,963,496
Collateral posted for securities borrowed	-	7,029,496
	7,274,249	38,098,050
Financial liabilities		
Other creditors	(19,151,925)	(19,416,508)
Collateral received for securities sold under agreements to repurchase	-	(17,695,036)
Collateral received for securities loaned	-	(2,349,169)
Creditors: amounts falling due after more than one year	(1,260,000)	(2,127,934)
	(20,411,925)	(41,588,647)

8. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial instruments by product type

The following table analyses the Company's held at fair value through profit and loss financial assets and liabilities by product type:

	2019 $'000	2018 $'000
Financial assets		
Equity securities	7,617,721	8,010,520
Debt securities and loans	28,675,684	27,773,876
Derivatives	120,255,936	123,182,040
Collateral posted for securities purchased under agreements to resell	67,328,129	10,600,004
Collateral posted for securities borrowed	9,353,591	-
Other debtors	2,290,066	1,354,966
Financial investments	17,595	10,045
Investment time deposits	172,527	196,438
	235,711,249	171,127,889
Financial liabilities		
Equity securities	(5,913,933)	(5,418,530)
Debt securities and loans	(24,370,472)	(23,061,500)
Derivatives	(121,571,472)	(123,262,136)
Other creditors	(1,217,195)	(830,852)
Collateral received for securities sold under agreements to repurchase	(57,083,238)	(4,455,171)
Collateral received for securities loaned	(4,011,916)	(1,256,006)
Creditors: amounts falling due after more than one year	(89,179)	(122,585)
	(214,257,405)	(158,406,780)

8. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial instruments by product type (continued)

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

	2019 $'000	2018 $'000
Financial assets		
Equity securities	278,560	294,893
Debt securities and loans	68,634	40,718
Derivatives	65,380,195	64,083,512
Collateral paid for securities purchased under agreements to resell	14,384,446	-
Collateral paid for securities borrowed	7,448,114	-
Other debtors	365,656	-
Investment time deposits	172,527	196,438
	88,098,132	64,615,561
Financial liabilities		
Equity securities	(5,557)	(664)
Debt securities and loans	(16,020)	(3,219)
Derivatives	(71,820,850)	(72,809,612)
Other creditors	(270,909)	(332,819)
Collateral received for securities sold under agreements to repurchase	(12,749,756)	(1,517,856)
Collateral received for securities loaned	(1,631,986)	-
Creditors: amounts falling due after more than one year	(61,939)	(66,089)
	(86,557,017)	(74,730,259)

8. FINANCIAL INSTRUMENTS (CONTINUED)

The Role of Financial Instruments

Trading Activities

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

To meet the expected needs of its client base the Company 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 Company also takes its own positions in the interest rate, credit, equity and foreign exchanges based on expectations of future client demand and its own views on the future direction of markets.

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

The financial instruments listed below are actively used by the Company. 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 and equities.
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 and combinations of these products.
Equity Derivatives	Single stock, equity, index and variance swaps, options, warrants and combinations of these products.
Credit Derivatives	Asset swaps, credit default swaps, credit options, credit baskets, credit linked notes, synthetic collateralised debt obligation ("CDO") tranches, CDO squared tranches and combinations of these.

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

Financing Activities

The main unsecured funding sources used by the Treasury function include capital, intercompany borrowings and long term debt.

We typically fund trading activities on a secured basis through repurchase agreements. Re-financing risk is managed with a range of measures including transacting with a significant number of counterparties over various durations.

9. DERECOGNISED AND COLLATERALISED TRANSACTIONS

Transfers of financial assets, including pledges of collateral

The Company enters into transactions in the ordinary course of business resulting in the transfer of financial assets to third parties which may not result in the full derecognition of the assets under IFRS 9.

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 Company retains substantially all the risks and rewards associated with the transferred assets including market risk, issuer risk, credit risk and settlement risk. Financial assets may also be transferred, but not derecognised, as the risks and rewards associated with those assets continue to be retained by the Company through derivatives or similar instruments. In such cases, the financial asset continues to be recognised on Statement of Financial Position with an associated liability representing the cash received on the transfer as a secured borrowing.

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

The carrying amount of financial assets sold or otherwise transferred which do not qualify for derecognition and continue to be recognised on the Statement of Financial Position are presented below:

	2019 Financial assets $'000	2019 Financial Liabilities $'000	2019 Difference $'000
Collateral received for securities sold under agreements to repurchase	19,679,978	(19,476,804)	203,174
Collateral received for securities loaned	1,142,487	(1,137,211)	5,276
Other	40,301	(40,301)	-
	20,862,766	(20,654,316)	208,450

	2018 Financial assets $'000	2018 Financial Liabilities $'000	2018 Difference $'000
Collateral received for securities sold under agreements to repurchase	16,898,844	(16,738,252)	160,592
Collateral received for securities loaned	2,474,431	(2,394,543)	79,888
Other	131,756	(131,756)	-
	19,505,031	(19,264,551)	240,480

9. DERECOGNISED AND COLLATERALISED TRANSACTIONS (CONTINUED)

Continuing involvement

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

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

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

Total carrying value of financial assets with continuing involvement	Total carrying value of associated liabilities	Net economic exposure
$'000	$'000	$'000
2019	2019	2019
-	-	-
2018	2018	2018
7,932	(7,932)	-

Financial assets accepted as collateral

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

The fair value of financial assets accepted as collateral that the Company is permitted to sell or repledge in the absence of default is $278 billion (2018: $303billion). Of this amount, $227billion (2018: $245billion) has been sold or repledged to comply with commitments under short sale transactions or in connection with financing activities. Included within these balances are $31 billion (2018: $33billion) of balances due to fellow Nomura Group undertakings. The corresponding obligation to return securities received which have been sold or repledged is $0.0billion (2018: $0.1billion), relating to special purpose vehicles.

10. OTHER DEBTORS

	2019 $'000	2018 $'000
Loans and advances	5,044,898	7,334,496
Trade debtors	1,071,438	1,201,548
Broker balances	12,895,820	14,613,341
Customer contract receivable	41,573	-
Accrued interest and dividends receivable	93,198	68,089
Prepayments and accrued income	317,688	415,195
Internally generated software	118,036	115,796
	19,582,651	23,748,465

2018 Loans and advances include a presentational reclassification of $5.9bn from cash and cash equivalent relating to certain short-term margin balances, with no impact on retained earnings.

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

	2019 $'000	2018 $'000
Trade debtors	142,283	264,004
Broker balances	7,363,893	9,625,410
Accrued interest and dividends receivable	24,685	35,986
Prepayments and accrued income	109,044	149,951
Internally generated software	118,036	115,796
	7,757,941	10,191,147

11. TANGIBLE ASSETS

Cost	Construction In Progress $'000	Long Leasehold $'000	Furniture & Equipment $'000	Total $'000
At 1 April 2018	499	10,138	240,240	250,877
Additions	486	3,284	2,281	6,051
Disposals	(39)	(4,532)	(6,622)	(11,193)
Others	(890)	673	(302)	(519)
At 31 March 2019	56	9,563	235,597	245,216
Depreciation				
At 1 April 2018	-	5,386	230,821	236,207
Charged during the year	-	1,395	3,389	4,784
Disposals	-	(1,408)	(6,051)	(7,459)
Others	-	(39)	(303)	(342)
At 31 March 2019	-	5,334	227,856	233,190
Carrying Amount				
At 31 March 2019	56	4,229	7,741	12,026
At 31 March 2018	499	4,752	9,419	14,670

The disposal during the year ended 31 March 2019 related to the transfer of branches to NFPE.

12. INTANGIBLE ASSETS

Cost	Software $'000	Total $'000
At 1 April 2018	101,128	101,128
Additions	390	390
Disposals	(9,635)	(9,635)
At 31 March 2019	91,883	91,883
Amortisation		
At 1 April 2018	97,618	97,618
Charged during the year	1,626	1,626
Disposals	(9,635)	(9,635)
At 31 March 2019	89,609	89,609
Carrying Amount		
At 31 March 2019	2,274	2,274
At 31 March 2018	3,510	3,510

13. INVESTMENT IN SUBSIDIARIES

	$'000
Cost	
At 1 April 2018	22
Impairment	-
At 31 March 2019	22
Carrying amount	
At 31 March 2019	22
At 31 March 2018	22

The investment in subsidiary undertakings represents the following:

Subsidiary undertakings	Proportion of voting rights and ordinary share capital held	Nature of business	Company address
Nomura PB Nominees Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura Custody Nominees Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura D1 Nominee Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura Derivatives Clearing Nominee Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura PB Beneficial Ownership Markets Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura Clearance and Settlement Nominees Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura RPS Limited	100%	Investment adviser	1 Angel Lane, London EC4R 3AB, U.K.
Nomura Employment Services (Isle of Man) Limited	100%	Dormant	1st Floor, Sixty Circular Road, Douglas, Isle of Man
Nomura Nominees Limited	100%	Custody	1 Angel Lane, London EC4R 3AB, U.K.
Nomura.com Limited	100%	Dormant	1 Angel Lane, London EC4R 3AB, U.K.
IBJ Nomura Financial Products (U.K.) plc*	100%	Company in liquidation	PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
Nomura London Retirement Benefits Plan Trustee Limited	100%	Corporate Trustee	1 Angel Lane, London EC4R 3AB, U.K.
Nomura Investment Solutions PLC-Nomura Equity Volatility Fund	99.00%	Investment	Beaux Lane House Mercer Street, Lower Dublin 2, Ireland
Nomura Investment Solutions PLC-Nomura Fixed INC Risk	100%	Investment	Beaux Lane House Mercer Street, Lower Dublin 2, Ireland
Nomura Nikkei 225 EUR-Hedged ETF	61.00%	Investment	Nomura NEXT FUNDS Ireland plc, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland
Nomura Nikkei 225 USD-Hedged ETF	67.00%	Investment	Nomura NEXT FUNDS Ireland plc, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland
Nomura Index Fund JPX Nikkei 400 – EUR	70.00%	Investment	Nomura NEXT FUNDS Ireland plc, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland
Nomura Index Fund JPX Nikkei 400 – USD	54%	Investment	Nomura NEXT Funds Ireland plc, Beaux Lane House, Mercer Street, Lower, Dublin 2 Ireland
Novus Capital Plc, Series 2012-23, 2016-43, and 2017-44	100%	Securitisation	11/12, Warrington Place, 2nd Floor, Dublin 2, Ireland
Sylph Ltd Series 1011, 1012, 1013, 1014, 1686, 1687, 1738, 1811, 1855, 1881, 2001 and 1922.	100%	Securitisation	South Church Street, Ugland House, George Town, KY1-1104
Titanium Secured Obligations DAC	100%	Securitisation	Fourth Floor, 3 George's Dock, IFSC, Dublin 1, Ireland

** Currently in liquidation*

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2019 (CONTINUED)

14. INVESTMENT IN GROUP COMPANIES

In March 2019, the business operations in Madrid, Milan, Helsinki, Stockholm and Frankfurt were transferred to Nomura Financial Products Europe GmbH for $28.5m in exchange for NFPE's newly issued shares. On the same date, $15.5m of shares received from NFPE were sold to immediate parent, NEHS at cost.

Cost	**$'000**
At 1 April 2018	10
Additions	28,454
Disposals	(15,539)
At 31 March 2019	12,925
Carrying amount	
At 31 March 2019	12,925
At 31 March 2018	10

15. OTHER CREDITORS

	2019 $'000	**2018 $'000**
Short-term borrowings	5,336,459	4,473,282
Overdrafts	93,546	68,812
Trade creditors	3,823,263	3,600,570
Broker balances	26,980,549	30,235,298
Other tax and social security payable	32,205	36,282
Accrued interest and dividends payable	85,320	51,443
Accruals and deferred income	481,420	512,428
	36,832,762	38,978,115

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

	2019 $'000	**2018 $'000**
Short-term borrowings	4,778,715	3,507,999
Trade creditors	162,517	195,285
Broker balances	14,340,011	15,760,098
Accrued interest and dividends payable	42,159	39,809
Accruals and deferred income	99,432	57,666
	19,422,834	19,560,857

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 $'000	2018 $'000
Borrowings and other liabilities	89,179	1,112,654
Subordinated debt	1,260,000	1,260,000
	1,349,179	2,372,654

Included within creditor balances above are 2019: $1,321,939,000 (2018: $2,194,023,000) of balances due to fellow Nomura Group undertakings.

Subordinated debt agreements

The amounts subject to subordinated loan agreements are wholly repayable as shown below:

Long Term	Repayment date	2019 $'000	2018 $'000
Nomura Europe Holdings plc	23 Apr 2025	600,000	600,000
Nomura Europe Holdings plc	13 Apr 2025	460,000	460,000
Nomura Europe Holdings plc	17 May 2025	200,000	200,000
		1,260,000	1,260,000

The legal nature of the subordinated loans differs from that usually associated with debt. In a winding up of the Company no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

The interest 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.

The rates of interest applicable to the loans with maturities greater than five years are as follows:

Nomura Europe Holdings plc	23 Apr 2025	LIBOR + 2.26%
Nomura Europe Holdings plc	13 Apr 2025	LIBOR + 2.26%
Nomura Europe Holdings plc	17 May 2025	LIBOR + 2.26%

17. SHARE CAPITAL

	Number '000	Fully paid consideration $'000
2019		
Authorised		
US Dollar Ordinary shares of $1 each	10,241,226	10,241,226
Shares issued and fully paid		
US Dollar Ordinary shares of $1 each	10,241,226	10,241,226
2018		
Authorised		
US Dollar Ordinary shares of $1 each	10,241,226	10,241,226
Shares issued and fully paid		
US Dollar Ordinary shares of $1 each	10,241,226	10,241,226

Reconciliation of number of shares outstanding at the beginning and end of the period

2019		Number '000	
	31 Mar 2018	Issued during the year	31 Mar 2019
US dollar ordinary shares of $1 each	10,241,226	-	10,241,226

2018		Number '000	
	31 Mar 2017	Issued during the year	31 Mar 2018
US dollar ordinary shares of $1 each	9,991,226	250,000	10,241,226

18. FINANCIAL RISK MANAGEMENT

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

The Company defines risks as (i) the potential erosion of the Company's capital base due to unexpected losses arising from risks which its business operations are exposed to, 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 Nomura Group's creditworthiness 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 Company 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

Risk management strategy

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

- Risk taking is a component of the business strategy approved by the Board of NEHS;
- Risk governance is established through the Board-approved committee structure, risk management policies and devolved individual accountabilities for risk management; and
- The risk appetite statement is established to articulate the maximum level and types of risk that the NEHS Group is willing to assume in pursuit of its strategic objectives and business plan.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management structure

- The Board of Directors of the Company is ultimately responsible for identifying and controlling these risks through its overall risk management approach and approval of risk strategies and principles. These risks are managed through sub-committees of the Board of NEHS Group, including the Company:
- The Prudential Risk Committee ("PRC") has oversight of, and provides advice to, the Board on the Group's risk profile, risk appetite, future risk strategy and maintenance of an appropriate risk control framework.
- The Financial Conduct Committee is responsible for ensuring an effective internal control and risk management environment is maintained in respect of the financial conduct risks impacting the NEHS Group, including the Company, and for ensuring corporate objectives for the NEHS Group are achieved and are consistent with the Nomura Group.
- The Risk Management Committee is established and chaired by the EMEA Chief Risk Officer ("CRO") and is primarily responsible for monitoring and controlling market risk, credit risk and operational risk for the NEHS Group, including the Company.
- The Risk Management Division is responsible for establishing and operating risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, as well as reporting to regulatory bodies where required, and handling regulatory applications concerning risk management methods and other items as necessary.

  The Risk Management Division comprises the following functions to manage the various types of risk that the Company is exposed to:

  - Market Risk Management ("MRM"), which provides independent oversight, assessment and monitoring of market risks taken by the Company and includes the Stress Testing Group, which develops and performs various sensitivity and scenario analyses;
  - Credit Risk Management ("CRM"), which provides independent oversight, assessment and monitoring of credit risks taken by the Company;
  - Operational Risk Management ("ORM"), which is responsible for defining and coordinating the Company's operational risk framework and its implementation and provides challenge to the 1st Line of Defence, and EMEA New Business Group ("NBG"), which is responsible for the approval process of new products and transactions to ensure that risks associated with these new products and transactions are identified and managed appropriately;
  - Business Resilience ("BR"), which is responsible for assessing the Company's business resilience and facilitating the implementation of business continuity strategies and approach across the Nomura offices in EMEA, enabling it to rapidly adapt and respond to situations such as events causing a loss of office access or a loss of data centre, a major system issue, a cyber-attack, a pandemic crisis, a geo or socio political disorder and business disruption, dependency outages in other regions or critical third parties supporting the Company. This includes facilitating the Company's approach to Operational Continuity in Resolution;
  - Risk Methodology Group ("RMG"), which is responsible for designing and building risk models that calculate potential losses incurred from a specific risk type and are used for regulatory or economic capital calculations, limit monitoring, trade approval, etc.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management structure (Continued)

Model Validation Group ("MVG"), which is responsible for validating the integrity and comprehensiveness of valuation and risk models to ensure that they are fit-for-purpose. Validation is performed independently of those who design and build the models.

The EMEA Heads of MRM, CRM, ORM, NBG and BR report to the EMEA CRO.

The EMEA CRO is also member of the Global Risk Analytics Committee ("GRAC") and Model Risk Analytics Committee ("MRAC"). Upon delegation from the Global Risk Management Committee, the GRAC and the MRAC deliberate on or determine matters concerning the development, management and strategy of risk models and valuation models, respectively. The committees' primary responsibility is to govern and provide oversight of model management, including the approval of new models and significant model changes.

- Various committees are responsible for the review and approval of risks arising in relation to transactions originated and booked within EMEA. Additionally there are committees dedicated to overseeing cross-border risk in relation to non-EMEA business booked into certain European entities, including the subsidiaries of the Group.
- Other departments or functions within the Company are responsible for contributing to the overall risk management of the Company as further described below:

Finance Division

The Finance Division monitors compliance with internally and externally set regulatory limits and guidelines. The annual process for budgeting entity level capital needs is part of the Internal Capital Adequacy Assessment Process ("ICAAP") exercise which takes place in conjunction with the budget related processes. The setting of all current and budgeted capital requirements relating to U.K.-regulated entities, including the Company, 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

Treasury is part of Finance, reporting to the Chief Financial Officer (CFO), and operates purely as a cost-centre – managing access to unsecured funding and making this available to the business, at cost. Treasury is responsible for assessing and monitoring liquidity risks, and ensuring appropriate liquidity reserves are held to protect against modelled outflows in stress.

The Treasury funding team are responsible for maintaining a sufficient Liquidity Portfolio, held in the form of highly liquid, unencumbered securities and central bank deposits.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management structure (Continued)

Internal Audit Division

The Nomura Group Internal Audit Department has responsibility to examine, evaluate and raise issues 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 Nomura Holdings, Inc. Audit Committee and the Audit Mission Directors in Tokyo.

In EMEA, the Head of Internal Audit has an independent reporting line to the Chairman of the Audit Committee of NEHS. The EMEA Head of Internal Audit also reports to the Global Head of Internal Audit and locally to the Chief Executive Officer of EMEA.

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. The annual audit plan is reviewed and approved by the NEHS Audit Committee.

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 actions, 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 issues which management represents as having been completed.

The Audit Committee, a sub-committee of the Board has satisfied itself as to the adequacy and sufficiency of Internal Audit resources.

A copy of the Internal Audit Charter is available upon request.

Risk Appetite

The risk appetite defines the type and quantum of risk that the Group is willing to assume in pursuit of its strategic objectives and business plan. This must be within its risk capacity which is determined by constraints including regulatory capital, liquidity, and business conditions.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Appetite (Continued)

The risk appetite for the NEHS Group, including the Company, includes the following topics: capital adequacy, liquidity risk, market and credit risk, cross-border risk, operational risk, model risk, compliance risk, conduct risk, tax risk and data management.

The risk appetite and risk limits for the NEHS Group, including the Company are established at levels that are consistent with the cascaded Nomura Group risk appetite and risk limits. Lower level risk limits are used to manage the business at the more granular levels of the hierarchy in a manner that is consistent with the Company's risk appetite.

Some of the measures used for the risk appetite of the NEHS Group, including the Company, are calculated differently from those used in the Nomura Group's risk appetite in line with local regulations, and for some of the measures there are additional local regulatory requirements, so additional specific measures have been established at the NEHS Group level to ensure this compliance.

The metrics include, but are not limited to:

- Capital adequacy metrics, such as Tier 1 capital headroom above capital buffers, capital coverage ratio, stressed Tier 1 ratio and economic capital ratio;
- Liquidity risk metrics, such as Maximum Cumulative Outflow under different scenarios, Liquidity Coverage Ratio;
- Market and credit risk metrics, such as economic capital;
- Operational risk metrics, such as the aggregated operational risk losses as a percentage of gross revenue on a 12-month rolling basis; and
- Model risk metrics, such as model reserves as a percentage of economic capital.

The risk appetite statement for the NEHS Group, including the Company, is 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. The risk appetite statements may be reviewed on an ad hoc basis, and must specifically be reviewed following any significant change in strategy.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Policy Framework

Policies and procedures are essential tools of governance used by the Risk Management Division. They define principles, rules and standards, and the specific processes that must be adhered to in order to effectively manage risk at Nomura Group, including the Company. The Risk Management Division has established a risk policy framework to promote appropriate standards and consistency for risk policies and procedures and to articulate the principles and procedures conducive to effective risk management. All risk management policies and procedures are developed in line with this policy framework and a defined process is followed for any exceptions.

Monitoring, Reporting and Data Integrity

Development, consolidation, monitoring and reporting of risk management information ("risk MI") are fundamental to the appropriate management of risk. The aim of all risk 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 NEHS Group, including the Company, relative to stated risk appetite. Risk MI includes information from across the risk classes defined in the risk management framework and reflects the use of the various risk tools used to identify and assess those risks. The Risk Management Division is responsible for implementing appropriate controls over data integrity for risk MI.

Adequacy of the risk management arrangements

The Directors are ultimately responsible for reviewing the adequacy of the risk management arrangements of the NEHS Group, including the Company, and consider that the arrangements in place are adequate.

Market Risk

Market risk is the risk of loss arising from fluctuations in values 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 Company classifies exposures into either trading or non-trading portfolios. Trading portfolios are exposed to market risk, 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. The Company uses the Nomura Group's MRM framework for the management of market risk, with some specific criteria applied to the Company where relevant.

Use of the Internal Models for Market Risk

In July 2013, the Company was granted permission by the PRA to use the internal model method, such as Value at Risk ("VaR"), Stressed VaR ("SVaR"), Incremental Risk Charge ("IRC"), to calculate market risk regulatory capital requirements for a range of trading positions. VaR scope covers certain credit and interest rates positions (e.g. bonds, credit default swaps, loans in the trading book and others), certain equity positions (e.g. cash equities, equity forwards, equity swaps and others) and certain foreign exchange positions (e.g. FX spot, FX futures, FX forwards, FX swaps, cross-currency swaps and others). For trading positions that are not in scope under the internal model method, the standard rules are applied to calculate their market risk regulatory capital requirements.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 evolving portfolio in a constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner. The Company uses a variety of statistical measurement tools to assess and monitor market risk on an ongoing basis including, but not limited to, Value at Risk ("VaR"), Stressed VaR ("SVaR") and Incremental Risk Charge ("IRC").

Within the Company, 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 at 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 MRM.

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. Stress testing is undertaken and results reviewed monthly.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

Value at Risk

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

VaR Methodology Assumptions

The Company uses a single VaR model which has been implemented globally in order to determine the total trading VaR. A historical simulation is implemented where historical market moves over a two-year window are applied to the Company's current exposure, in order to construct a P&L 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.

Depending on the booking system, product and risk factor, profit and loss distribution is generated using full revaluation, spot-volatility grids or Greeks based methods. For interest rate and credit products, their main risk factors (interest rate and credit) are treated using the full revaluation method. For equity and foreign exchange products, their main risk factors (spot and volatility for equity and FX respectively) are treated using spot-volatility grids. However, for some products (e.g. interest rates and FX hedges of equity derivatives portfolios, booked in the relevant equity system), as well as for secondary risk factors of all products (e.g. FX risk for interest rates, credit and equity instruments) the Greeks based method is applied (relevant Greeks are multiplied by corresponding historical returns).

The Company uses the same VaR model for both internal risk management purposes and for regulatory reporting. For regulatory capital, the Company uses 99% confidence level and 10-day time horizon, calculated using actual 10-day historical market moves. For internal risk management purposes, VaR is calculated across the Company at the same confidence level using both 1-day and 10-day time horizons. SVaR is in both cases calculated using 10-day time horizon. The 1-year stress window used in SVaR for internal risk management is calibrated at the Nomura group level, while is specific to NEHS for regulatory reporting.

To complement VaR under Basel 2.5 regulations, the Company also computes SVaR, which samples from a one-year window during a period of financial stress. Both VaR and SVaR are based on a single model that diversifies general and specific risk. Both VaR and SVaR are calculated daily using actual 10-day historical market moves. The historical two-year window for VaR is updated twice a week, while the optimal one-year window for SVaR is calibrated monthly. The stress period used in SVaR model is the optimal one-year window, which is calibrated monthly by maximising SVaR over rolling one-year window between start of 2008 and the reporting date.

The Company's VaR model uses exact time series for each individual risk factor. When simulating potential movements in risk factors, a mixed approach is used, with absolute returns for some risk classes and relative returns for others. 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.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

VaR Backtesting

The performance of the Company'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 Company's VaR model is backtested at different levels. Backtesting results are reviewed on a monthly basis by the Risk Management Division.

1-day trading losses exceeded the 99% VaR estimate on four occasions for the Company for the year ended 31 March 2019.

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.

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

The table below illustrates, by major risk category, the VaR used for internal risk management purpose during the financial years ended 31 March 2019 and 31 March 2018. It shows the highest, lowest and average VaR during the financial year.

	Average VaR	Min VaR	Max VaR	Average VaR	Min VaR	Max VaR
	2019 $'000	2019 $'000	2019 $'000	2018 $'000	2018 $'000	2018 $'000
Equity VaR	1,596	319	7,021	3,465	325	11,912
Credit VaR	3,281	2,462	5,091	3,356	2,332	4,904
Interest Rates VaR	3,557	2,153	6,553	4,980	2,745	7,946
Inflation VaR	378	231	516	436	261	850
FX VaR	2,000	948	12,162	3,236	1,269	6,763
Commodity VaR	24	1	177	45	-	395
Diversification / other	(5,625)	-	-	(7,854)	-	-
Total	5,211	3,502	14,952	7,664	4,680	12,781

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

The total average, minimum and maximum VaR values are shown over the full annual period. Total average VaR during the fiscal year ended 31 March 2019 was lower than previous year following a decrease in the average equity VaR, interest rates VaR and FX VaR.

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

B. 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. A two factor Copula model is used which imply an inter asset correlation (across sectors) and an intra asset correlation (within a sector). These correlations are calibrated to empirically observed 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 Nomura Group's Internal Rating system also used for the Internal Ratings-Based approach. IRC scope covers all debt securities as approved by the PRA. All positions in the IRC model are assumed to have a one year liquidity horizon.

C. Stress testing of internal risk models

Stress testing is used to complement any internal risk models in order to identify certain risks to portfolios, at various levels, which are adversely affected by certain shocks when such portfolios are non-linear and tail risks from potential higher moves than those captured by the VaR model; to overcome limitations of models and historical data when assessing and controlling risk; and to identify risk concentrations and potential correlations across instruments, risk types and businesses.

Stress tests are designed to be economically coherent, challenging, and comprehensive in terms of business and risk coverage. Stress tests specific to one risk class, also known as grids, are run and aggregated at levels where this specific risk is managed. Stress tests are applied to all trades notwithstanding the way they are treated in VaR in order to be able to get a consistent view of the risks. However, analysis could be done at any level of business, or aggregation when required. Stress tests are performed by defining and applying shocks to the data used as input into the VaR model such as shocks to credit spreads, to bond prices, to interest rates, to equity price, foreign exchange rates as well as shocks to the volatility and other factors impacting the data used as input into the VaR model.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

D. 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 stress test limits to constrain the interest rate risk taken by non-trading books. Positions are monitored on a regular basis and hedging strategies may be implemented to ensure that the risk is maintained within the established limits.

Currency risk

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, achieved using currency swap transactions. This is undertaken in accordance with approved market risk limits.

Credit Risk

Credit risk is the risk of loss arising from an obligor'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 counterparty. The Company uses the Nomura Group's CRM framework for managing credit risk, with some specific criteria applied to the Company where relevant.

A. Credit Risk Management Process

The process for managing credit risk at the Company 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; and
- use of appropriate credit risk mitigants including netting, collateral and hedging.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

B. Credit Risk Measures

The Company's main type of counterparty credit risk exposures arise from derivatives, securities financing transactions and loans.

In December 2012, the Company was granted permission by the PRA to use the Internal Model Method ("IMM") in combination with the standardised approach in the calculation of counterparty credit risk requirements for certain derivatives and securities financing transactions. In the calculation of risk-weighted exposure amounts under the standardised approach to credit risk, the ratings of Fitch, Moody's and Standard and Poor's are used for all applicable exposure classes.

For derivatives and securities financing transactions, the Company measures credit risk primarily by way of a Monte Carlo-based simulation model that determines a Potential Exposure profile at a specified confidence level. The exposure calculation model used for counterparty credit risk management is also used for the IMM-based exposure calculation for regulatory capital reporting purposes since the end of December 2012. Loans and lending commitments are measured and monitored on both funded and unfunded basis.

C. Credit Limits

Credit exposures against counterparties are managed by means of setting credit limits based upon credit analysis of each 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 Company's counterparties. Any change in circumstance that alters the Company's risk appetite for any particular counterparty, sector, industry or country is reflected in changes to the internal rating and credit limit as appropriate.

Internal ratings form an integral part in the assignment of credit limits to counterparties. The Company's credit limit framework is designed to ensure that the Company 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.

NCAT, the measure of economic capital used by the Nomura Group and its affiliates, including the Company, is used as a constraint on the total level of risk which can be taken by the Company. NCAT has various uses within the Company: for example, for counterparty credit exposure management, the Company used the Credit NCAT model to derive single name limits by rating.

A bespoke limit framework has been developed to monitor exposures against central counterparty clearing houses, which include limits to funded exposures related to default fund and initial margin, and limits to unfunded exposures related to loss sharing amount (also known as stress loss) and potential variation margin callback.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

D. 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 Nomura Group, including the Company, has established 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 to 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.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

E. Risk Mitigation

The Company utilises financial instruments, agreements and practices to assist in the management of credit risk. The Company 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 Company to obtain collateral from counterparties either upfront or contingent on exposure levels, changes in credit rating or other factors.

Given the potential for loss resulting from unsecured exposures, as a general rule, all extensions of credit by the Company should be collateralised. However, in certain cases where there is sufficient risk appetite, unsecured exposure may be approved by the relevant credit risk managers. In addition, there are certain jurisdictions with specific rules relating to approvals and management of collateral. To ensure compliance, any local regulatory rules or statutes that are stricter must be followed.

Legal agreements should ensure that margin agreements and collateral accepted from clients provide the best possible protection for the Company. Any collateral types included for exposure reduction must meet the Basel standards. New collateral types, including non-standard collateral must be approved by the Global Collateral Steering Committee. Any non-standard collateral that gets approved must also be reviewed by all relevant departments to ensure that the operational capability is in place to properly control the new collateral type, and that concentration, reuse and liquidity implications are understood. The review must include any local or legal vehicle policies or procedures that contain rules relating to eligibility or acceptable collateral.

Concentrations of collateral by issuer, country and counterparty are monitored and reported to senior management. Haircuts are applied to collateral and set according to the market risk of the asset. Haircut levels are determined through quantitative and historical analysis, and are reviewed periodically.

The Company utilises financial instruments, to assist in the management of counterparty credit risk. The Company 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 Company actively monitors large exposures to collateralised counterparties and seeks to reduce exposures through trade compression and hedging with single name credit default swaps.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Exposure

The Company's maximum exposure to credit risk at the balance sheet date is disclosed in the table below, based on the carrying amount of the financial assets the Company believes are subject to credit risk, without taking account of any collateral held or any other credit enhancements. Certain off-balance sheet instruments which expose the Company 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 mandatorily at fair value through profit and loss, collateral posted for securities purchased under agreements to resell and collateral posted 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.

Other credit enhancements include netting agreements which provide protection to reduce the risks of counterparty default and, in some cases offset the Company's exposure with the same counterparty, which provides a more meaningful presentation of Statement of Financial Position credit exposure. Also included in the total exposure to credit risk are credit derivatives and other financial guarantee products which are used to hedge the Company's exposure to credit risk.

	2019				2018
	Maximum Exposure to Credit Risk (gross basis)	Of which: subject to ECL model			Maximum Exposure to Credit Risk (gross basis)
		Stage 1	Stage 2	Stage 3	
	$m	$m	$m	$m	$m
Financial assets held for trading	156,549	-	-	-	158,961
Collateral posted for securities purchased under agreements to resell	67,328	-	-	-	71,870
Collateral posted for securities borrowed	9,354	-	-	-	8,644
Other debtors	19,379	17,069	20		23,786
Investment time deposits	173	-	-	-	413
Cash and cash equivalent	2,981	2,981	-	-	3,944
Financial investments	18	-	-	-	16
	255,782	20,050	20	-	267,634
Commitments and financial guarantees	3,223	943	11	-	5,560
Total exposure to credit risk	259,005	20,993	31	-	273,194

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Exposure (continued)

Credit loss allowances	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	$m	**$m**	**$m**	**$m**
Other debtors	(1.1)	(1.2)	-	(2.3)
Commitments and financial guarantees	(0.1)	(1.2)	-	(1.3)
	(1.2)	(2.4)	-	(3.6)

Movements in credit loss allowances

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$m	**$m**	**$m**	**$m**
Credit loss allowance at 1 April 2018	(0.9)	(1.3)	-	(2.2)
Transfer:				
to stage 1	-	-	-	-
to stage 2	0.1	(0.1)	-	-
Credit impairment (charge) / release				
- new assets originated or purchased	(0.4)	-	-	(0.4)
- change in credit risk	(0.3)	(1.0)	-	(1.3)
- assets derecognised or matured	0.3	-	-	0.3
	(0.4)	(1.0)	-	(1.4)
Credit loss allowance at 31 March 2019	(1.2)	(2.4)	-	(3.6)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Exposure (continued)

The credit quality of financial assets and off balance sheet commitments which are subject to credit risk is summarised below. The credit ratings are determined by the Company's internally determined public rating agency equivalents.

	Maximum Exposure to Credit Risk 2019 $m	Maximum Exposure to Credit Risk 2018 $m
Credit Rating		
AAA	7,932	9,124
AA	49,533	55,493
A	137,233	133,449
BBB	28,353	26,826
Non-Investment grade	29,892	39,403
Unrated	2,839	3,338
Off balance sheet Commitments and financial guarantee contracts		
AA	85	1,671
A	473	1,649
BBB	1,390	773
Non-Investment grade	1,117	1,065
Unrated	158	403
Total exposure to credit risk by credit rating	259,005	273,193

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

Concentrations of Credit Risk

Concentrations of credit risk may arise from the Company's normal operation in derivative instruments, securities financing transactions and underwriting activities, and from exposures to central counterparty clearing houses, and may be impacted by changes in political or economic factors. The Company's significant single concentrations of credit risk are typically with strongly rated credit institutions in the US and Europe and benefit from credit risk mitigation such as bilateral collateral agreements.

The Company is exposed to significant counterparty credit risk from other Nomura Group undertakings. The maximum credit exposure to other Nomura Group undertakings is $95 billion (2018: $97 billion) and is rated using the Nomura Group's credit rating of A (2018: 'A').

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk

Liquidity Risk Management

The Company's approach to liquidity risk management is founded on the 3 lines of defence principle, ensuring a clear ownership and strong connection between the business (1st line), Treasury (2nd line) and Internal Audit / governance committees (3rd line) both globally and locally.

The Company's primary Liquidity Risk Management objective is to ensure continuous liquidity across market cycles and periods of market and idiosyncratic stress, ensuring that all contractual and modelled funding requirements and unsecured debt obligations that fall due within Board-established survival horizons and risk appetite, can be met without any reliance on sourcing additional unsecured funding or forced liquidation of assets.

The MCO (Maximum Cumulative Outflow model) is the Company's primary tool to measure and monitor liquidity risk on a daily basis, defining the level of liquid assets required to meet contractual and contingent liquidity needs in the event of a stress. The MCO incorporates consistent assumptions at an entity, regional and global level, modelling stressed liquidity outflows over three scenarios of increasing severity, ranging from normal business conditions to a combination of both a market-wide and Nomura-specific liquidity stress.

The Company as a U.K. regulated entity is fully compliant with the PRA prescribed liquidity requirements.

Contractual Maturity Table

The table below shows the Company's financial liabilities by contractual maturity remaining, taking into account early redemption features. Derivative contracts and other financial instruments contained within the Company'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 Company arising from its financial liabilities. Perpetual cash flows 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 Company's financial liabilities and is consistent with how this risk is managed by the Company.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

2019	On demand $m	Less than 30 days $m	31-90 days $m	91 days – 1 year $m	1 – 5 years $m	Later than 5 years $m	Total $m
Financial liabilities held for trading – derivatives	112,023	2,182	2,721	3,372	1,151	123	121,572
Financial liabilities held for trading – non derivatives	30,284	-	-	-	-	-	30,284
Collateral received for securities sold under agreements to repurchase	14,499	34,370	2,654	4,414	1,146	-	57,083
Collateral received for securities loaned	3,932	-	80	-	-		4,012
Other Creditors	36,602	-	-	-	-	-	36,602
Creditors: amounts falling due after more than one year	-	-	-	-	89	1,260	1,349
	197,340	36,552	5,455	7,786	2,386	1,383	250,902
Other commitments	-	542	-	-	1,242	1,439	3,223
Total exposure to liquidity risk	197,340	37,094	5,455	7,786	3,628	2,822	254,125

2018	On demand $m	Less than 30 days $m	31-90 days $m	91 days – 1 year $m	1 – 5 years $m	Later than 5 years $m	Total $m
Financial liabilities held for trading – derivatives	108,333	3,910	3,953	5,480	1,485	102	123,263
Financial liabilities held for trading – non derivatives	28,480	-	-	-	-	-	28,480
Collateral received for securities sold under agreements to repurchase	21,540	31,529	2,368	5,577	2,184	-	63,198
Collateral received for securities loaned	4,839	272	190	399	470	424	6,594
Other creditors	38,410	-	-	-	-	-	38,410
Creditors: amounts falling due after more than one year	-	-	-	-	1,115	1,260	2,375
	201,602	35,711	6,511	11,456	5,254	1,786	262,320
Other commitments	-	2,125	310	12	1,346	1,767	5,560
Total exposure to liquidity risk	201,602	37,836	6,821	11,468	6,600	3,553	267,880

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

The table below shows the maturity profile of the Company'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.

2019	On demand $m	Less than 30 days $m	31 – 90 days $m	91 days – 1 year $m	1 – 5 years $m	Later than 5 years $m	Total $m
Cash and cash equivalent	2,981	-	-	-	-	-	2,981
Financial investments	18	-	-	-	-	-	18
Financial assets held for trading – derivatives	100,824	3,830	3,773	6,473	4,641	715	120,256
Financial assets held for trading – non derivatives	36,293	-	-	-	-	-	36,293
Collateral posted for securities purchased under agreement to resell	8,035	42,587	10,400	3,869	2,163	275	67,329
Collateral posted for securities borrowed	4,016	5,151	187	-	-	-	9,354
Other debtors	19,376	-	-	-	-	-	19,376
Investment time deposits	173	-	-	-	-	-	173
Total exposure to liquidity risk	171,716	51,568	14,360	10,342	6,804	990	255,780
2018							
Cash and cash equivalent	3,943	-	-	-	-	-	3,943
Financial investments	16	-	-	-	-	-	16
Financial assets held for trading – derivatives	108,116	3,758	4,120	5,534	1,552	101	123,181
Financial assets held for trading – non derivatives	35,780	-	-	-	-	-	35,780
Collateral posted for securities purchased under agreement to resell	10,967	46,204	8,207	5,374	2,479	88	73,319
Collateral posted for securities borrowed	7,923	455	266	-	-	-	8,644
Other debtors	23,150	-	-	-	-	-	23,150
Investment time deposits	413	-	-	-	-	-	413
Total exposure to liquidity risk	190,308	50,417	12,593	10,908	4,031	189	268,446

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Within 12 months 2019 $m	After 12 months 2019 $m	Total 2019 $m	Within 12 months 2018 $m	After 12 months 2018 $m	Total 2018 $m
Cash and cash equivalent	2,981	-	2,981	3,943	-	3,943
Financial assets held for trading	151,194	5,355	156,549	157,307	1,653	158,960
Investment time deposits	173	-	173	413	-	413
Current tax receivable	4	-	4	38	-	38
Collateral posted for securities purchased under agreements to resell	64,891	2,437	67,328	69,236	2,634	71,870
Collateral posted for securities borrowed	9,354	-	9,354	8,644	-	8,644
Other debtors	19,583	-	19,583	23,748	-	23,748
Financial investments	18	-	18	16	-	16
Tangible fixed assets	-	12	12	-	15	15
Intangible fixed assets	-	2	2	-	4	4
Investment in subsidiaries	-	-	-	-	-	-
Investment in group companies	-	13	13	-	-	-
Total Assets	248,198	7,819	256,017	263,345	4,306	267,651
Financial liabilities held for trading	150,582	1,274	151,856	150,155	1,587	151,742
Collateral received for securities sold under agreements to repurchase	55,851	1,232	57,083	60,680	2,184	62,864
Collateral received for securities loaned	1,270	2,742	4,012	5,701	894	6,595
Other creditors	36,833	-	36,833	38,978	-	38,978
Provisions	111	-	111	-	-	-
Creditors (amounts falling due after more than one year)	-	1,349	1,349	-	2,373	2,373
Total Liabilities	244,647	6,597	251,244	255,514	7,038	262,552

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk

Operational risk is the risk of loss arising 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 Nomura Group's reputation if caused by an operational risk. The Company uses the Nomura Group's Operational Risk Management ("ORM") framework for managing operational risk.

The Three Lines of Defence

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

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

The Nomura 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

- Event Reporting: This process is used to identify and report any event which resulted in or had the potential to result in a loss or gain or other impact associated with inadequate or failed internal processes, people and systems, or from external events.
- Risk and Control Self-assessment ("RCSA"): This process is used to identify the inherent risks the business faces, the key controls associated with those risks and relevant actions to mitigate the residual risks. Global ORM are responsible for developing the RCSA process and supporting the business in its implementation.
- Key Risk Indicators ("KRI"): KRIs are metrics used to monitor the business' exposure to operational risk and trigger appropriate responses as thresholds are breached.
- Scenario Analysis: This process is used to assess and quantify potential high impact, low likelihood operational risk events. During the process, actions may be identified to enhance the control environment, which are then tracked via the Operational Risk Management framework.

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 applicable Basel standards and local regulatory requirements.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Model Risk

Model Risk is the risk of loss arising from Model errors or incorrect or inappropriate Model application with regard to Valuation Models and Risk Models.

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.

The Nomura Group has documented policies and procedures in place, approved by Group Integrated Risk Management Committee and/or Global Risk Strategic Committee, which define the process and validation requirements for implementing changes to valuation and risk models. In addition, a Model Performance Monitoring process has been established to identify and assess specific events, that can indicate that a model is not performing as it should or is potentially unsuitable and to determine what actions (for example, additional validation work) might be necessary. For changes with an impact above certain materiality thresholds, model approval is required. MVG defines these materiality thresholds in a formal procedure and operates a control process to identify where the procedure is not followed. For certain material changes to risk models, backtesting of the new model, parallel running of both models and stress-testing of the new model are required prior to the model being approved.

Business Risk

Business risk is the risk of failure of revenues to cover costs due to a deterioration of the earnings environment or a deterioration of the efficiency or effectiveness of the Company’s business operations. Business risk is managed by the senior management of the Company, including the Board of 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.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 Statement of Financial Position date is of plus and/or minus of $8,007,511 (2018: $41,902,786) which is 10% of fair value of Level 3 Equity and Debt securities.

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 income statement. The total fair value change recognised in profit or loss attributable to these financial instruments at Statement of Financial Position date is a loss of $15,952,390 (2018: loss of $9,639,225).

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:

	2019 $'000	2018 $'000
As at 1 April	47,536	44,160
New transactions	548	12,813
Redemptions and terminations	(6,651)	(9,437)
As at 31 March	41,433	47,536

19. 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 financial assets and liabilities at amortised cost due within 12 months are assumed to approximate to their carrying values.

b) Financial assets classified as fair value through other comprehensive income 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 mandatorily at fair value through profit and loss, financial liabilities designated at fair value through profit and loss and derivatives are measured at fair value by reference to quoted market prices when available. Valuations 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 Company's financial assets and financial liabilities measured at fair value within the fair value hierarchy, based on the transparency of inputs into the valuation techniques used by the Company 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.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques by major class of financial instrument

The valuation techniques used by Nomura to estimate fair value for major classes of financial instruments, together with the significant inputs which determine classification in the fair value hierarchy, are as follows.

Equities

Equities include direct holdings of both listed and unlisted equity securities, and fund investments. The fair value of listed equity securities is determined using quoted prices for identical securities from active markets where available. These valuations should be in line with market practice and therefore can be based on bid prices or mid-market prices. Nomura determines whether the market is active depending on the sufficiency and frequency of trading activity. Where these securities are classified in level 1 of the fair value hierarchy, no valuation adjustments are made to fair value. Listed equity securities traded in inactive markets are also generally valued using the exchange price and are classified in level 2. The fair value of unlisted equity securities requires significant management judgment because unlisted equity securities, by their nature, have little or no price transparency. Unlisted equity securities are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected exit price of the investment is different from carrying value. Unlisted equity securities are usually classified in level 3 because significant valuation inputs are unobservable.

Government, agency and municipal securities

The fair value of Japanese and other G7 government securities is primarily determined using quoted market prices, executable broker or dealer quotations, or alternative pricing sources. These securities are traded in active markets and therefore are classified within level 1 of the fair value hierarchy. Non-G7 government securities, agency securities and municipal securities are valued using similar pricing sources but are generally classified in level 2 as they are traded in inactive markets. Certain non-G7 securities may be classified in level 1 because they are traded in active markets. Certain securities may be classified in level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in level 2. These are valued using DCF valuation techniques which include significant unobservable inputs such as credit spreads of the issuer.

Bank and corporate debt securities and loans carried at fair value

The fair value of bank and corporate debt securities and loans carried at fair value either as trading assets or through election of the fair value option is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar debt securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used for DCF valuations are yield curves, asset swap spreads, recovery rates and credit spreads of the issuer. Bank and corporate debt securities are generally classified in level 2 of the fair value hierarchy because these valuation inputs are usually observable or market-corroborated. Certain bank and corporate debt securities will be classified in level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in level 2, or credit spreads or recovery rates of the issuer used in DCF valuations are unobservable.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques by major class of financial instrument (Continued)

Funds
The fair value of funds is primarily determined using NAV per share as this is a tradeable level and/or the fund uses accepted valuation methods. Where the NAV per share is used as the basis of valuation, the information and valuation provided by the fund manager, including assumptions used, are reviewed for reasonableness. Publicly traded funds which are valued using a daily tradeable NAV per share are classified in level 1 of the fair value hierarchy. For funds that are not publicly traded but Nomura has the ability to redeem its investment with the investee at NAV per share on the balance sheet date or within the near term, the investments are classified in level 2. Investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in level 3. The fair value of certain other funds is determined using DCF valuation techniques. These funds are classified in level 3 as the valuation includes significant unobservable valuation inputs such as liquidity discounts.

Derivatives
Nomura enters into both exchange-traded and OTC equity, interest rate, credit and foreign exchange derivative transactions. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded derivatives is determined using an unadjusted exchange price and classified in level 1 of the fair value hierarchy. The fair value of exchange-traded equity derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in level 2. The fair value of OTC equity derivatives is determined through option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include equity prices, dividend yields, volatilities correlations, interest rates, credit spreads, recovery rates and foreign exchange rates. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura‘s own creditworthiness on derivative liabilities. OTC derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex equity derivatives are classified in Level 3 where dividend yield, interest rate, credit spread, recovery rate, volatility or correlation valuation inputs are significant and unobservable.

Nomura includes valuation adjustments in its estimation of fair value of certain OTC derivatives relating to funding costs associated with these transactions to be consistent with how market participants in the principal market for these derivatives would determine fair value.

Collateralised agreements and collateralised financing
The primary types of collateralised agreement and financing transactions carried at fair value are reverse repurchase and repurchase agreements elected for the fair value option. The fair value of these financial instruments is primarily determined using DCF valuation techniques. The significant valuation inputs used include interest rates and collateral funding spreads such as general collateral or special rates. Reverse repurchase and repurchase agreements are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques by major class of financial instrument (Continued)

Bonds and medium-term notes ("Structured notes")
Structured notes are debt securities issued by Nomura which contain embedded features that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variables, such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or a more complex interest rate (i.e., an embedded derivative).

The fair value of structured notes is determined using a quoted price in an active market for the identical liability if available, and where not available, using a mixture of valuation techniques that use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, similar liabilities when traded as assets, or an internal model which combines DCF valuation techniques and option pricing models, depending on the nature of the embedded features within the structured note. Where an internal model is used, Nomura estimates the fair value of both the underlying debt instrument and the embedded derivative components. The significant valuation inputs used to estimate the fair value of the debt instrument component include yield curves, prepayment rates, default probabilities and loss severities. The significant valuation inputs used to estimate the fair value of the embedded derivative component are the same as those used for the relevant type of freestanding OTC derivative discussed above. A valuation adjustment is also made to the entire structured note in order to reflect Nomura's own creditworthiness. This adjustment is determined based on recent observable secondary market transactions and executable broker quotes involving Nomura debt instruments and is therefore typically treated as a Level 2 valuation input. Structured notes are generally classified in Level 2 of the fair value hierarchy as all significant valuation inputs and adjustments are observable.

Long-term borrowings ("secured financing transactions")
Secured financing transactions are liabilities recognised when a transfer of a financial asset does not meet the criteria for sales accounting under IAS 39 and therefore the transaction is accounted for as a secured borrowing. These liabilities are valued using the same valuation techniques that are applied to the transferred financial assets which remain on the balance sheet and are therefore classified in the same level in the fair value hierarchy as the transferred financial assets. These liabilities do not provide general recourse to Nomura and therefore no adjustment is made to reflect Nomura's own creditworthiness.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Counterparty and cash collateral netting $'000	Total $'000
Financial assets held for trading					
- Equities securities	7,036,386	567,593	13,742	-	7,617,721
- Debt securities and loans	16,132,202	12,477,149	66,333	-	28,675,684
- Derivatives	32,171	117,827,562	2,396,203	-	120,255,936
Collateral posted for securities purchased under agreements to resell	-	187,103,699	-	(119,775,570)	67,328,129
Collateral paid for securities borrowed	-	9,353,591	-	-	9,353,591
Other debtors	-	1,985,956	304,110	-	2,290,066
Financial investments	-	-	17,595	-	17,595
Investment time deposits	-	172,270	257	-	172,527
	23,200,759	329,487,820	2,798,240	(119,775,570)	235,711,249
Financial liabilities held for trading					
- Equities securities	(5,859,330)	(46,642)	(7,961)	-	(5,913,933)
- Debt securities and loans	(14,919,341)	(9,429,723)	(21,408)	-	(24,370,472)
- Derivatives	(31,951)	(118,951,989)	(2,587,532)	-	(121,571,472)
Collateral received for securities sold under agreements to repurchase	-	(176,858,808)	-	119,775,570	(57,083,238)
Collateral received for securities loaned	-	(4,011,916)	-	-	(4,011,916)
Other creditors	-	(1,106,400)	(110,794)	-	(1,217,195)
Creditors (amounts falling due after more than one year)	-	(89,179)	-	-	(89,179)
	(20,810,622)	(310,494,997)	(2,727,695)	119,775,570	(214,257,744)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Counterparty and cash collateral netting $'000	Total $'000
Financial assets held for trading					
- Equities	7,350,575	621,298	38,647	-	8,010,520
- Debt securities and loans	16,616,659	10,776,836	380,381	-	27,773,876
- Derivatives	212,411	120,197,595	2,772,034	-	123,182,040
Collateral posted for securities purchased under agreements to resell	-	10,600,004	-	-	10,600,004
Other debtors	-	1,088,857	266,109	-	1,354,966
Financial investments	-	10,045	5,655	-	15,700
Investment time deposits	-	196,438	-	-	196,438
	24,179,645	143,491,073	3,462,826	-	171,133,544
Financial liabilities held for trading					
- Equities	(5,224,745)	(185,539)	(8,246)	-	(5,418,530)
- Debt securities and loans	(16,223,595)	(6,837,672)	(232)	-	(23,061,499)
- Derivatives	(216,838)	(120,156,671)	(2,888,627)	-	(123,262,136)
Collateral received for securities sold under agreements to repurchase	-	(4,455,171)	-	-	(4,455,171)
Collateral received for securities loaned	-	(1,256,006)	-	-	(1,256,006)
Other creditors	-	(801,488)	(29,364)	-	(830,852)
Creditors (amounts falling due after more than one year)	-	(122,585)	-	-	(122,585)
	(21,665,178)	(133,815,132)	(2,926,469)	-	(158,406,779)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 in the table on the next page, therefore, reflect realised and unrealised gains and losses resulting from movements in both observable and unobservable parameters.

The following table presents information about financial assets and liabilities measured at fair value on a recurring basis for which the Company has utilised level 3 inputs to determine fair value.

	At 1 April 2018	Total gains (losses) in P&L	Purchase	Sales	Settlement	Transfers in level 3	Transfers out of level 3	At 31 March 2019	Unrealised Total gains (losses) in P&L
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Financial assets held for trading									
- Equities	32,992	7,844	11,471	(44,584)	-	9,172	(3,153)	13,742	11,988
- Debt securities and loans	380,381	8,109	39,749	(356,990)	-	12,627	(17,543)	66,333	5,891
- Derivatives	2,772,034	399,468	-	-	(13,063)	47,603	(809,839)	2,396,203	715,060
Other debtors	266,109	4,484	300,904	(233,288)	-	3,033	(37,132)	304,110	(132)
Equity Investments	5,655	2,442	-	(537)	-	10,035	-	17,595	(2,442)
Investments time deposits	-	-	257	-	-	-	-	257	-
	3,457,171	422,347	352,381	(635,399)	(13,063)	82,470	(867,667)	2,798,240	730,365
Financial liabilities									
Financial liabilities held for trading									
- Equities	(8,246)	3,460	(4,898)	914	-	543	266	(7,961)	(255)
- Debt securities and loans	(232)	194	(21,389)	19	-	-	-	(21,408)	194
- Derivatives	(2,888,627)	(478,592)	-	-	(5,803)	(42,156)	827,646	(2,587,532)	(872,480)
Other creditors	(29,364)	(1,969)	(114,447)	29,364	-	5,622	-	(110,794)	(533)
	(2,926,469)	(476,907)	(140,734)	30,297	(5,803)	(35,991)	827,912	(2,727,695)	(873,074)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Total gains and losses on financial assets included in the above table are included in 'Trading profit' in the statement of comprehensive income.

The Company assumes that all transfers of financial instruments from one level to another level within the fair value hierarchy occur at the beginning of the relevant quarter in which the transfer takes place.

Instruments transferred out of level 3 due to valuation inputs became observable and Transfer into level 3, due to valuation inputs became unobservable.

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:

As at 31 March 2019

	Transfers from level 1 to level 2 $'000	Transfers from level 2 to level 1 $'000
Financial Assets		
Financial assets held for trading		
- Equities	171,855	164,881
Financial Liabilities		
Financial liabilities held for trading		
- Equities	(40,925)	(148,184)

As at 31 March 2018

	Transfers from level 1 to level 2 $'000	Transfers from level 2 to level 1 $'000
Financial Assets		
Financial assets held for trading		
- Equities	179,567	862,536
Financial Liabilities		
Financial liabilities held for trading		
- Equities	(72,967)	(926,831)

Instruments were transferred from level 1 to level 2 due to observable parameters became less active and transfer from level 2 to level 1 because the valuation parameters became more active.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019 (CONTINUED)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

A. Level 3 quantitative disclosures on significant unobservable inputs

The following table presents quantitative information about the significant unobservable inputs and assumptions used by the Company for Level 3 financial instruments as of 31 March 2019 and 2018.

Class of financial instrument	Fair value $'000	Valuation techniques	Unobservable inputs	Range	Weighted average
2019					
Financial assets held for trading					
-Equity securities	13,742	DCF	Liquidity discount	75% - 75%	75.00%
-Debt securities and loans	66,333	DCF	Credit Spreads	2% - 12.3%	3.90%
			Recovery Rates	25% - 52.3%	37.30%
-Derivatives	2,396,203	DCF/Option Models	Interest Rates	0% - 2.4%	
			Credit Spread	0% - 7.6%	
			Recovery Rates	20% - 90%	
			Dividend Yield	0% - 8%	
			Volatilities	2% - 59%	
			Volatilities	26bp - 67bp	
			Correlations	(1) - 0.98	
Other debtors	304,110	DCF	Credit Spreads	1.9% - 6.5%	6.20%
Financial investments	17,595				
Investment time deposits	257				
Total Level 3	2,798,240				
2018					
Financial assets held for trading					
-Equity securities	32,992	DCF	Liquidity discount	28% - 75%	68.3%
-Debt securities and loans	380,381	DCF	Credit Spreads	0% - 8.6%	4.3%
			Recovery Rates	5% - 80%	67.3%
-Derivatives	2,772,034	DCF/Option Models	Interest Rates	0.2% - 3.0%	
			Credit Spread	0% - 7.6%	
			Recovery Rate	20% - 90%	
			Dividend Yield	0% - 11.5%	
			Volatilities	2% - 83%	
			Volatilities	0.29%-0.71%	
			Correlations	(0.79) - 0.95	
Other debtors	266,109	DCF	Credit Spreads	2.9% - 9.8%	4.1%
Financial investments	5,655				
Investment time deposits	-				
Total Level 3	3,457,171				

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019 (CONTINUED)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

A. Level 3 quantitative disclosures on significant unobservable inputs (continued)

Class of financial instrument	Fair value $'000	Valuation techniques	Unobservable inputs	Range	Weighted average
2019					
Financial liabilities held for trading					
-Equity securities	(7,961)	DCF	Liquidity discount	75% - 75%	75.00%
-Debt securities and loans	(21,408)	DCF	Credit Spreads	2% - 12.3%	3.90%
			Recovery Rates	25% - 52.3%	37.30%
-Derivatives	(2,587,532)	DCF/Option Models	Interest Rates	0% - 2.4%	
			Credit Spread	0% - 7.6%	
			Recovery Rates	20% - 90%	
			Dividend Yield	0% - 8%	
			Volatilities	2% - 59%	
			Volatilities	26bp - 67bp	
			Correlations	(1) - 0.98	
Other creditors	(110,794)				
Total Level 3	(2,727,695)				
2018					
Financial liabilities held for trading					
-Equity securities	(8,246)	DCF	Liquidity discount	28% - 75%	68.3%
-Debt securities and loans	(232)	DCF	Credit Spreads	0% - 8.6%	4.3%
			Recovery Rates	80% - 80%	80%
-Derivatives	(2,888,627)	DCF/Option Models	Interest Rates	0.2% - 3.0%	
			Credit Spread	0.0% - 7.6%	
			Recovery Rate	20% - 90%	
			Dividend Yield	0% - 11.5%	
			Volatilities	2% - 83%	
			Correlations	(0.79) - 0.95	
Other creditors	(29,364)	DCF	Yield	8.1% - 8.1%	8.1%
Total Level 3	(2,926,469)				

B. Estimated fair value of financial instruments not carried at fair value

Certain financial instruments are not carried at fair value on a recurring basis in the Statement of Financial Position since they are neither held for trading purposes nor are elected for the fair value option. These are typically carried at contractual amounts due or amortised cost.

The carrying value of the majority of the financial instruments detailed below will approximate fair value since they are short-term in nature and contain minimal credit risk. These financial instruments include financial assets reported within loans, debtors, cash and cash equivalent, borrowings from fellow subsidiary undertakings, cash collateral and other liabilities.

Cash and cash equivalent, other debtors, borrowings from fellow subsidiary undertakings and cash collateral, in the Statement of Financial Position would generally be classified in either level 1 or level 2 within the fair value hierarchy.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019 (CONTINUED)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

B. Estimated fair value of financial instruments not carried at fair value (continued)

The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instruments of which a portion of the ending balance was carried at fair value as of 31 March 2019 and 2018.

			Fair value by level		
2019	**Carrying amount $'000**	**Fair value $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Financial Assets:					
Other debtors	17,086,274	17,086,274	233,030	16,853,244	-
Investment time deposits	632	632	-	632	-
Cash and cash equivalent	2,981,407	2,981,407	2,036,975	944,432	-
	20,068,313	20,068,313	2,270,005	17,798,308	-
Financial Liabilities:					
Other creditors	(35,384,692)	(35,384,692)	-	(35,384,692)	-
Creditors: amounts falling due after more than one year	(1,260,000)	(1,260,000)	-	(1,260,000)	-
	(36,644,692)	(36,644,692)	-	(36,644,692)	-
2018					
Financial Assets:					
Collateral posted for securities purchased under agreements to resell	61,269,925	61,269,925	-	61,269,925	-
Collateral posted for securities borrowed	8,644,494	8,644,494	-	8,644,494	-
Other debtors	21,794,419	21,794,419	-	21,794,419	-
Investment time deposits	216,412	216,412	-	216,412	-
Cash and cash equivalent	3,943,487	3,943,487	3,190,744	752,743	-
	95,868,737	95,868,737	3,190,744	92,677,993	-
Financial Liabilities:					
Collateral received for securities sold under agreements to repurchase	(58,408,848)	(58,408,848)	-	(58,408,848)	-
Collateral received for securities loaned	(5,338,666)	(5,338,666)	-	(5,338,666)	-
Other creditors	(37,547,110)	(37,547,110)	-	(37,547,110)	-
Creditors: amounts falling due after more than one year	(2,250,069)	(2,250,069)	-	(2,250,068)	-
	(103,544,693)	(103,544,693)	-	(103,544,692)	-

20. OFFSETTING DISCLOSURES

The following tables provide a summary of financial assets and liabilities that are Statement of Financial Position netted and which are subject to enforceable master netting arrangements and similar agreements.

	Collateral posted for securities purchased under agreements to resell	Collateral posted for securities borrowed	Derivatives
2019	$'000s	$'000s	$'000s
Assets:			
Total gross balance (1)	187,103,698	9,353,591	120,255,936
Less: Amounts offset in the Statement of Financial Position	(119,775,570)	-	-
Total net amounts of reported on the face of the Statement of Financial Position	67,328,128	9,353,591	120,255,936
Less: Additional amounts not offset in the Statement of Financial Position (2)	(9,832,550)	(1,848,475)	(107,951,278)
Financial instruments and non-cash collateral	(56,561,242)	(6,033,767)	(802,315)
Cash collateral	(164,266)	-	(9,147,815)
Net amount	770,070	1,471,349	2,354,528
2018			
Assets:			
Total gross balance (1)	213,332,115	8,644,494	123,182,040
Less: amounts offset in the Statement of Financial Position	(141,462,186)	-	-
Total net amounts of reported on the face of the Statement of Financial Position	71,869,929	8,644,494	123,182,040
Less: additional amounts not offset in the Statement of Financial Position (2)	(11,338,658)	(2,742,282)	(107,760,314)
Financial instruments and non-cash collateral	(55,055,504)	(4,982,160)	(1,208,575)
Cash collateral	(1,032,397)	-	(10,686,417)
Net amount	4,443,370	920,052	3,526,734

20. OFFSETTING DISCLOSURES (CONTINUED)

2019	Collateral received for securities sold under agreements to repurchase $'000s	Collateral received for securities loaned $'000s	Derivatives $'000s
Liabilities:			
Total gross balance (1)	(176,858,808)	(4,011,916)	(121,571,472)
Less: amounts offset in the Statement of Financial Position	119,775,570	-	-
Total net amounts of reported on the face of the Statement of Financial Position	(57,083,238)	(4,011,916)	(121,571,472)
Less: additional amounts not offset in the Statement of Financial Position (2)	9,832,550	1,848,475	107,951,278
Financial instruments and non-cash collateral	45,503,302	562,664	484,298
Cash collateral	2,074	-	10,341,696
Net amount	(1,745,312)	(1,600,777)	(2,794,200)
2018			
Liabilities:			
Total gross balance (1)	(204,326,205)	(6,594,672)	(123,262,136)
Less: amounts offset in the Statement of Financial Position	141,462,186	-	-
Total net amounts of reported on the face of the Statement of Financial Position	(62,864,019)	(6,594,672)	(123,262,136)
Less: additional amounts not offset in the Statement of Financial Position (2)	11,338,658	2,742,282	107,760,314
Financial instruments and non-cash collateral	48,191,824	2,015,513	173,564
Cash collateral	727,037	-	11,985,385
Net amount	(2,606,500)	(1,836,877)	(3,342,873)

1) Includes all recognised balances irrespective of whether they are transacted under legally enforceable master netting agreements. Amounts include transactions carried at fair value through election of the fair value option and amounts carried at amortised cost.

2) Represents amounts which are not permitted to be offset on the face of the Statement of Financial Position but which provide the Company with the right of offset in the event of counterparty default. Amounts relating to agreements where the Company does not have a legal right of offset or has not yet determined with sufficient certainty whether the right of offset is legally enforceable are excluded. The amount disclosed has been capped per the relevant netting agreement so as not to exceed the net amount of financial assets presented on the Statement of Financial Position. Thus, over-collateralization is not reflected in the table.

21. CAPITAL MANAGEMENT POLICY

The objectives of the Company's capital management policies are to ensure that the Company 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 Company's business and to withstand losses due to extreme market movements.

The Company reviews the appropriate level of capital sufficiency, with senior management responsible for implementing and enforcing capital policies. The determination of Statement of Financial Position 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 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 Regulation and Directives, as implemented by the PRA for supervisory purposes define two 'Tiers' of capital resources. Tier 1 capital is the highest tier and consists of, inter alia, ordinary share capital, reserves and retained earnings. Tier 2 consists of long-term subordinated debt. Tiers 1 and 2 capital can be used to support both trading and non-trading activity and all market and counterparty risks.

	2019 **$'000**	**2018** **$'000**
Common Equity Tier 1	4,772,714	5,099,808
Adjustments to CET 1	(158,297)	(162,603)
Tier 1 Capital	4,614,417	4,937,205
Tier 2 Capital	1,260,000	1,260,000
Own Funds	5,874,417	6,197,205

22. UNCONSOLIDATED STRUCTURED ENTITIES

The Company has an involvement with various structured entities which are designed to achieve a specific business purpose. Structured entities have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements. Such entities generally have restricted activities as well as narrow and well-defined objectives.

As the Company has taken the exemption from preparing consolidated financial statements under section 401 of Companies Act 2006, disclosures are in relation to the Companies involvement with all structured entities, irrespective of whether they are consolidated or not.

Below is a description of the Company's involvements in structured entities by type:

Securitisation Vehicles:

The Company establishes securitisation vehicles to meet clients' investment needs through the combination of securities and derivatives, including fixed income and equities products. The vehicles fund these investments by issuing structured notes, the repayment of which is linked to the performance of the assets in the vehicles. The Company often transfers assets and enters into derivatives with these securitisation vehicles.

The Company also invests in third party securitisation vehicles in the form of asset backed securities.

Investment Funds:

The Company holds investments in third party investment funds such as Mutual Funds and Hedge Funds in the normal course of trading activity. In addition, the Company holds seed investments in Undertakings for the Collective Investment of Transferable Securities ("UCITS") and other Funds sponsored by fellow subsidiaries within the Nomura Group.

Other:

These are investments in third party structured entities that do not fall into any criteria above.

The following table shows the carrying amounts of Company's interests' recognised in the Statement of Financial Position as well as the maximum exposure to loss resulting from their interests in structured entities. It also provides an indication of the size of the structured entities.

The maximum exposure to loss is determined by considering the nature of the interest in the structured entity. The maximum exposure for loans and trading instruments is reflected by the carrying amounts. The maximum exposure for derivatives and off Statement of Financial Position commitments is reflected by the notional amounts. Maximum exposure to loss does not reflect the Company's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Company enters into to reduce its exposure. The risks associated with structured entities in which the Company is involved are limited to the amounts recorded in the Statement of Financial Position and the amount of commitments.

22. UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

2019	Carrying amount of variable interests asset $m	Carrying amount of variable interests liabilities $m	Maximum exposure to loss to unconsolidated structured entities $m	Total size of structured entities $m
Financial assets held for trading	1,451	-	3,636	
Financial liabilities held for trading	-	(164)	6,974	
Collateral posted for securities purchased under agreements to resell	399	-	399	
Collateral received for securities sold under agreements to repurchase	-	(1,083)	-	
	1,850	(1,247)	11,009	769,291
2018				
Financial assets held for trading	1,561		4,181	
Financial liabilities held for trading	-	(155)	7,694	
Collateral posted for securities purchased under agreements to resell	478	-	478	
Collateral received for securities sold under agreements to repurchase	-	(1,414)	-	
	2,039	(1,569)	12,353	520,655

The Company did not provide non-contractual support during the year to unconsolidated structured entities.

23. OPERATING LEASE COMMITMENTS

The Company's obligations from operating leases relate to long-term leases of real estate, equipment and vehicle leases. Some of these leases contain extension options at rentals based on market prices.

The Company was committed to making the following payments during the following periods in respect of operating leases:

	2019 Buildings $'000	2019 Other $'000	2018 Buildings $'000	2018 Other $'000
Within one year	44,071	20	66,312	16
Within two to five years	81,788	18	225,643	3
After five years	27,236	-	357,219	-
	153,095	38	649,174	19

The future minimum sublease payments expected to be received under sublease agreements as at 31 March 2020 is $4,001,565 ($15,291,234 as at 31 March 2019).

The total lease and sublease payments recognised in profit and loss were as follows:

	2019 $'000	2018 $'000
Minimum lease payments	61,112	62,216
Sublease payments	15,291	14,467
Total operating lease payments	45,821	47,749

24. EMPLOYEES

The average monthly number of persons employed by the Company during the year and their location were as follows:

	Year ended 31 March 2019 Number	Year ended 31 March 2018 Number
United Kingdom	2,017	2,089
Other Europe	126	113
Middle East and Africa	38	34
	2,181	2,236

25. DIRECTORS' REMUNERATION

	Year ended 31 March 2019 $'000	Year ended 31 March 2018 $'000
Salaries, allowances and taxable benefits	4,630	4,636
Company contributions to pension	30	68
Bonuses	954	2,943
	5,614	7,647

The number of Directors who exercised share options during the year was 2 (2018:3).

The number of Directors who were entitled to receive shares under long-term incentive plans during the year was nil (2018:2).

The number of Directors accruing retirement benefits under money purchase pension schemes during the year was 2 (2018:3).

The highest paid Director received emoluments of $2,171,052 (2018: $1,650,576) and the Company made no contribution to pension in 2019 (2018: $32,876). The highest paid Director exercised share options during 2018 and was not entitled to receive shares under long-term incentive plans.

26. SHARE-BASED PAYMENTS AND SIMILAR DEFERRED COMPENSATION AWARDS

SAR Awards

The Company and NHI, the ultimate holding company in the Nomura Group, provide various types of share-based payment and similar deferred compensation awards to the Directors and employees of the company. The following table summarises the main types of award currently granted to Directors and employees for services provided to the company.

Unless otherwise indicated below, all awards have graded vesting over three years and extended vesting periods of up to seven year for certain Directors and employees in order to meet regulatory requirements based on the role they perform for the Company. All awards are generally reduced, forfeited or clawed back in the event of voluntary termination of employment, material conduct issues, and material downturns in performance of the Nomura group and/or a material failure of risk management. However, all awards include "Full Career Retirement" ("FCR") provisions which permit recipients of the awards to continue to vest in the awards in the event of voluntary termination of employment if certain criteria based on corporate title and length of service within Nomura are met.

Type of award	Key features	Key accounting considerations
Restricted Stock Unit ("RSU") awards Restricted stock units linked to the price of NHI common shares designed to replace certain core deferral awards and all supplemental awards.	• Granted and settled by NHI. • Graded vesting period generally over three years. • Extended vesting period of up to seven years for certain senior management and employees in order to meet local regulatory requirements based on the role they perform in Nomura Group. • New type of award introduced in 2018 as the primary type of deferred compensation award in Nomura Group. Granted in May 2018 in respect of the prior fiscal year.	• Classified as equity awards as settled in NHI common shares. • Grant date fair value based on listed price of NHI common shares as adjusted for future estimated dividends. • Total compensation cost measured based on grant date fair value, net of estimated and actual forfeitures. • Total compensation expense recognised by the Company in connection with RSU awards was $43,094,093.
Stock Acquisition Right ("SAR") Plan B awards Restricted stock units linked to the price of NHI common shares designed to replicate traditional restricted stock awards used in the United States and Europe.	• Granted and settled by NHI. • Granted in May in respect of the prior fiscal year. • Settled in common shares of NHI. • Exercise price of ¥1 per share. • No dividend equivalent amounts paid or accrue during vesting period. • Options exercisable for up to 5 years after vesting date.	• Classified as equity awards as settled in NHI common shares. • Grant date fair value based on listed price of NHI common shares as adjusted for future estimated dividends. • Total compensation cost measured based on grant date fair value, net of estimated and actual forfeitures. • Total compensation expense recognised by the Company in connection with SAR Plan B awards was $28,009,232 (2018: $52,257,674).

26. SHARE-BASED PAYMENTS (Continued)

SAR Awards (Continued)

Type of award	Key features	Key accounting considerations
Notional Stock Unit ("NSU") awards Phantom plan linked to the price of NHI common shares designed to replicate the key features of RSU awards (and SAR Plan B awards used in prior fiscal years)	• Granted and settled by the Company. • Used in countries where equity-settled RSU awards are less favorably treated from a tax or other perspective. • Granted in May each year in respect of the prior fiscal year and also quarterly to new employees as a recruitment incentive to replace awards forfeited from prior employers. • Following the introduction of RSU awards, NSU awards are less commonly used. • Cash-settled.	• Classified as liability awards as settled in cash. • Grant date fair value based on listed price of NHI common shares. • Total compensation cost remeasured at each balance sheet date to reflect the expected settlement amount, net of estimated and actual forfeitures. • Total compensation expense recognised by the Company in connection with NSU awards was $39,086,516 (2018: $50,395,146).
Collared Notional Stock Unit ("CSU") awards Phantom plan linked to the price of NHI common shares with exposure subject to a cap and floor	• Granted and settled by the Company. • Granted in May in respect of the prior fiscal year. • Cash-settled. • Exposure of the employee to NHI share price is subject to a cap and a floor.	• Classified as liability awards as settled in cash. • Grant date fair value based on option pricing model. • Total compensation cost remeasured at each balance sheet date to reflect the expected settlement amount, net of estimated and actual forfeitures. • Total compensation expense recognised by the Company in connection with CSU awards was $24,890,867 (2018: $34,633,833).
Notional Index Unit ("NIU") awards Phantom plan linked to a world stock index quoted by Morgan Stanley Capital International.	• Granted and settled by the Company. • Granted in May in respect of the prior fiscal year. • Cash-settled.	• Classified as liability awards as settled in cash. • Grant date fair value based on the closing price of the index on such date. • Total compensation cost remeasured at each balance sheet date to reflect the expected settlement amount, net of estimated and actual forfeitures. • Total compensation expense recognised by the Company in connection with NIU awards was $8,541,344 (2018: $45,713,870).

26. SHARE-BASED PAYMENTS (CONTINUED)

The following table presents a roll-forward of activity in each of the key types of deferred compensation award during the years ended 31 March 2019 and 2018.

	RSU awards	SAR Plan B awards	NSU awards	CSU awards	NIU Awards
Outstanding at 31 March 2018	-	271,510	4,336,321	10,562,131	3,756,359
Granted	12,865,100	-	11,657,300	-	-
Forfeited	(470,000)	(4,810)	(26,294)	(389,651)	(95,416)
Exercised or settled	(581,600)	(90,019)	(3,789,856)	(4,849,696)	(1,924,132)
Expired	-	(4,870)	-	-	-
Outstanding at 31 March 2019	11,813,500	171,811	12,177,471	5,322,784	1,736,811
Weighted average fair value at 31 March 2019	¥615.00	Not Applicable	¥521.21	¥525.13	$5.88
Outstanding liability recognised at 31 March 2019	Not Applicable	Not Applicable	(30,157,414)	(23,044,698)	(9,789,828)

None of the 171,811 SAR Plan B awards which are outstanding at 31 March 2019 are exercisable at such date.

SAR Plan B awards were exercised or settled during the year ended 31 March 2019 at a weighted average price of NHI common shares of ¥508.77 (2018: ¥667.21). NSU and CSU awards were exercised or settled during the year ended 31 March 2019 at a weighted average price of NHI common shares of ¥496.64 (2018: ¥668.78) and ¥525.32 (2018: ¥642.81) respectively. NIU awards were settled during the year ended 31 March 2018 at a weighted average index level of $5.88 (2018: $5.48).

The weighted average remaining contractual life of all awards outstanding as at 31 March 2019 was 4.55 years (2018: 5.14 years). On 14 May 2018, NHI passed a resolution to grant a new type of deferred compensation award, namely Restricted Stock Unit (RSU) awards to senior management and employees within the Nomura Group, including to Directors and employees of the Company. RSU awards are the primary type of deferred compensation award in the Nomura Group. Certain core deferral awards and all supplemental awards are no longer used. However, existing unvested SAR Plan B, CSU and NIU awards continue to vest in accordance with their original contractual terms.

27. CAPITAL COMMITMENTS

As at 31 March 2019 there were no capital commitments relating to assets in the course of construction (2018: nil).

28. RELATED PARTY TRANSACTIONS

Statement of comprehensive income

The Company has taken advantage of the exemption under FRS 101 from the requirement in IAS 24 for disclosing related party transactions with other entities included in the consolidated financial statements of NHI.

As part of the Company's Merchant Banking operations, financial arrangements were made with certain companies for the purpose of holding investments. As a result of these arrangements, these companies become related parties. As at 31 March 2019 and 31 March 2018, aggregate amounts due from such related parties are nil and $423,103 respectively, had been fully provided for.

29. CONTINGENT LIABILITIES AND COMMITMENTS

Investigations, disputes and other litigation matters

The most significant investigations, disputes and other litigation matters currently faced by the Company are summarised below. The Company believes that, based on current information available as of the date of these financial statements, the ultimate resolution of these actions and proceedings will not be material to the Company's financial condition. However, an adverse outcome in certain of these matters could have a material adverse effect on the statements of income or cash flows in a particular quarter or annual period.

For each of the significant actions and proceedings described below, where possible, the Company has estimated the amount of reasonably possible maximum loss in excess of amounts recognised as a provision (if any) against such matters. These estimates are based on current information available as of the date of these financial statements and include, but are not limited to, the specific amount of damages or claims against Nomura in each matter.

As of 31 March 2019, for those cases where an estimate of the range of reasonably possible losses can be made, the Company estimates that the total aggregate reasonably possible maximum loss in excess of amounts recognised as a provision (if any) against these cases is approximately US$220 million. For certain other significant actions and proceedings, the Company is unable to provide an estimate of the reasonably possible loss or range of reasonably possible losses because, among other reasons, (i) the proceedings are at such an early stage there is not enough information available to assess whether the stated grounds for the claim are viable; (ii) damages have not been identified by the claimant; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant legal issues to be resolved that may be dispositive, such as the applicability of statutes of limitations; and/or (vi) there are novel or unsettled legal theories underlying the claims.

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Italian Tax Dispute

In January 2008, the Company was served with a tax notice issued by the tax authorities in Pescara, Italy, alleging breaches by the Company 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 the Company claims to be entitled but is also seeking reimbursement of approximately EUR 33.8 million, plus interest, already refunded. In March 2008, the Company lodged an appeal against the tax notice rejecting the Italian tax authorities' demands for reimbursement and advancing the Company'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. The Company 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 the Company received a demand for payment from the Italian tax authorities in the amount of EUR 37.5 million which comprised the original refunded amount, interest and collection fees. Payment of this amount was made in October 2012. Payment does not undermine the Company's arguments in the dispute. The Company intends to continue to vigorously challenge the second decision and a further appeal to the Supreme Court in Rome was filed in July 2013 in order to seek full reimbursement of this amount plus further interest. A hearing date has yet to be scheduled.

Fairfield litigation

The Company is a defendant in two actions seeking recovery of payments allegedly made to the Company 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 United States pursuant to the Securities Investor Protection Act. The first claim was brought by the liquidators of the Fairfield Funds. It was filed in October 2010 in the Supreme Court of the State of New York, but was subsequently removed to the United States Bankruptcy Court for the Southern District of New York. The Bankruptcy Court dismissed some but not all of the claims asserted against the Company and the dismissal of those claims has been appealed to the United States District 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"). The Company was added as a defendant in June 2012 when the Madoff Trustee filed an amended complaint in the United States Bankruptcy Court for the Southern District of New York. Again, this claim is one of many claims being brought against a range of investors. In November 2016, the United States Bankruptcy Court for the Southern District of New York granted a motion to dismiss the Madoff Trustee's claim. The Madoff Trustee successfully appealed that decision to the United States Court of Appeals for the Second Circuit and the Company is seeking to further appeal to the Supreme Court of the United States. The amount claimed is approximately USD 35 million plus interest. The Company intends to vigorously contest the proceedings. The Company does not believe that it will face the prospect of double recovery of the sums in question.

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Harley litigation

In October 2011, the Madoff Trustee filed an adversary proceeding against the Company in the United States Bankruptcy Court for the Southern District of New York for the recovery of redemption payments allegedly made by Harley International (Cayman) Ltd. (the "Harley Fund") to the Company. 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 United States Bankruptcy Code and New York Debtor and Creditor law. The Harley Fund, now in liquidation, was a feeder fund to BLMIS. The claim is one of many similar claims that have been brought against a number of investors. In November 2016, the United States Bankruptcy Court granted a motion to dismiss the Madoff Trustee's claim. The Madoff Trustee successfully appealed the decision to the United States Court of Appeals for the Second Circuit and the Company is seeking to further appeal to the Supreme Court of the United States. The claim is for approximately USD 21.5 million plus interest. The Company intends to vigorously contest the proceedings.

Legal proceedings relating to Banca Monte dei Paschi di Siena SpA "MPS"

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) the Company. MPS alleged that the former directors improperly caused MPS to enter into certain structured financial transactions with the Company in 2009 ("Transactions") and that the Company acted fraudulently and was jointly liable for the unlawful conduct of MPS's former directors. MPS claimed damages of not less than EUR 1.142 billion.

In March 2013, the Company commenced a claim against MPS in the English Courts. 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 the Company 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.

In September 2015, the Company entered into a settlement agreement with MPS to terminate the Transactions. The Company 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, the Company 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 the Company in Italy and England, respectively, will no longer be pursued. Pursuant to the settlement agreement MPS and the Company applied to the Italian Courts to discontinue the proceedings brought by MPS against the Company. These proceedings have now been discontinued.

In July 2013, a claim was also issued against the same former directors of MPS, and the Company, 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 originally sought by FMPS was not less than EUR 315.2 million. A final decision is expected in the first half of 2020.

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Legal proceedings relating to Banca Monte dei Paschi di Siena SpA "MPS" (Continued)

In April 2013, an investigation was 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. The investigation was subsequently transferred to the Public Prosecutor of Milan. In April 2015, the Public Prosecutor's office in Milan issued a notice concluding its preliminary investigation, which was re-served on the Company in January 2016. Under that notice the Public Prosecutor sought to indict, amongst others, MPS, three individuals from MPS's former management, the Company and two Company individuals for the offences of false accounting and market manipulation in relation to MPS's previous accounts for 2009, 2010, 2011, and the interim and quarterly statements for 2012. The Public Prosecutor also sought to indict the two Company individuals, as well as MPS and three individuals from MPS's former management, for the offence of obstructing the supervisory activities of CONSOB. The preliminary hearing at which the court considered whether or not to grant the indictment concluded in October 2016, the Judge ordering the trial of all individuals and banks involved except for MPS (which entered into a plea bargaining agreement with the Public Prosecutor).

The trial (which also involves three other sets of allegations in relation to MPS and its counterparties in other transactions unrelated to the Company) commenced in December 2016. As part of these proceedings, a number of civil claimants have been permitted to bring damages claims against a number of entities and individuals, including the Company.

Additionally, in January 2017, the Company was served by CONSOB (the Italian financial regulatory authority) with a notice commencing administrative sanction proceedings for market manipulation in connection with the Transactions. In relation to the Transactions, the notice named MPS, three individuals from MPS's former management and two former employees of the Company as defendants, whereas the Company was named only in its capacity as vicariously liable to pay any fines imposed on its former employees. The Company filed its first defensive brief in these proceedings in March 2017. In May 2018 CONSOB issued its decision in which it levied EUR 100,000 fines in relation to each of the Company's two former employees as well as revocations of the Italian law integrity requirement to perform certain corporate functions of three and six months respectively. The Company was vicariously liable to pay the fines imposed on its former employees, and paid those fines in July 2018. The Company has appealed the CONSOB decision to the Milan Court of Appeal.

In January 2018, a claim before the Italian Courts by two Luxembourg investment funds and their management company (collectively referred to as Alken) was served on the Company. The claim is made against the Company, MPS, four MPS former directors and a member of MPS's internal audit board, and seeks monetary damages of approximately EUR 434 million on the basis of allegations similar to those made in the MPS and FMPS claims, as well as non-monetary damages in an amount left to be quantified by the Judge.

In May 2019, a claim before the Italian Courts brought by York Global Finance Offshore BDH (Luxembourg) Sàrl and a number of seemingly related funds was served on the Company. The claim is made against the Company, MPS, two MPS former directors and a member of MPS's internal audit board, and seeks monetary damages of approximately EUR 186.7 million on grounds similar to those in the MPS and FMPS claims, as well as non-monetary damages in an amount left to be quantified by the Judge.

The Company will continue to vigorously defend its position in all the ongoing proceedings.

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Civitavecchia litigation

In January 2016, the Municipality of Civitavecchia in Italy (“Municipality”) commenced civil proceedings against the Company in the local courts in Civitavecchia. The Municipality’s claim related to derivatives transactions entered into by the Municipality between 2003 and 2005. The Municipality alleged that the Company failed to comply with its duties under an advisory agreement and sought to recover approximately €35 million in damages. In December 2017, the Company entered into a settlement agreement with the Municipality pursuant to which the Municipality agreed to withdraw its proceedings against the Company. The proceedings have since been formally discontinued. The Company does not expect any further proceedings.

Employee litigation

In March 2016, the Company was served with proceedings by a former employee. The claim has been brought in the English High Court and alleges breaches of contract and duty. The amount claimed has yet to be quantified, but could amount to approximately £65 million. The Company filed and served a Defence and Counterclaim to these proceedings in May 2016 and the employee filed a Reply and Defence to Counterclaim in July 2017. The next procedural step is for the Company to file a Rejoinder and Reply to Defence to Counterclaim. The proceedings are currently stayed. The Company will continue to vigorously defend its position in the ongoing proceedings.

Bond investigations and related class actions

Various authorities continue to conduct investigations concerning the activities of the Company, other Nomura Group entities and other third parties in respect of government, supranational, sub-sovereign and agency bond trading. These investigations relate to various matters including certain activities of the Company in Europe for which the Company and NHI have received a Statement of Objections from the European Commission ("Commission") which reflects the Commission’s initial views around certain historical conduct. The Company and another entity in the Nomura Group are also defendants to class action complaints filed in the United States District Court for the Southern District of New York alleging violations of U.S. antitrust law relating to the alleged manipulation of the secondary trading market for supranational, sub-sovereign and agency bonds The Company and other entities in the Nomura Group have been served with a similar class action complaint filed in the Toronto Registry Office of the Federal Court of Canada alleging violations of Canadian competition law. Additionally, the Company and another entity in the Nomura Group have been served with a separate class action filed in the United States Court for the Southern District of New York in relation to the alleged manipulation of the primary and secondary markets for European government bonds. The Company intends to vigorously defend the proceedings.

German tax investigation

In August 2017, the Cologne public prosecutor in Germany notified the Company that it is investigating possible tax fraud by individuals who worked for the Nomura Group in relation to the historic planning and execution of cum-ex trades. The Company and another entity in the Nomura Group are cooperating with the investigation. The Company intends to vigorously defend its position.

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Italian derivative litigation

In July 2018, a former Italian counterparty filed a claim against the Company in the Civil Court of Rome relating to a derivative transaction entered into by the parties in 2006, and terminated in 2009. The claim alleges that payments by the counterparty to the Company of approximately €165m were made in breach of Italian insolvency law, and seeks reimbursement of those payments. The matter is at an early stage. The Company intends to vigorously defend the proceedings.

Commitments

The Company had commitments as at 31 March 2019 amounting to $3,222,853,000 (2018: $5,560,000,000) in respect of undrawn loan facilities.

30. EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

On 4 April 2019, the Nomura Group announced plans to restructure its global wholesale business platform with aims to simplify the operating model, transform business portfolio and pivot towards client businesses and growth areas. The Company, a key entity within the Nomura Group, was also impacted due to this restructuring within Global Markets, Investment Banking and Corporate.

31. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking and controlling party, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared, is NHI, 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. The parent that heads the smallest group of undertakings is NEHS, a company registered at 1 Angel Lane, London, EC4R 3AB, United Kingdom.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019 (CONTINUED)

32. TRANSITIONAL IMPACT UPON ADOPTION OF IFRS9 (CONTINUED)

$'000	IAS 39 classification	IFRS 9 Classification	As at 31 March 2018 IAS 39 carrying amount	IFRS 9 classification	IFRS 9 measurement	As at 1 April 2019 IFRS 9 carrying amount
Assets						
Cash and cash equivalent	AC	AC	3,943,487	-	-	3,943,487
Financial assets held for trading	HFT	HFT	158,960,781	225,580	-	159,186,361
Investment time deposits	AC (L&R) FVPL (designated)	AC FVPL (mandatorily)	412,850	-		412,850
Current tax receivable	N/A	N/A	37,516	-	-	37,516
Collateral posted for securities purchased under agreements to resell (a)	AC FVPL (designated)	FVPL (mandatorily) FVPL (mandatorily)	71,869,929	-	(9,062)	71,860,867
Collateral posted for securities borrowed (b)	AC	FVPL (mandatorily)	8,644,494	-	-	8,644,494
Other debtors	AC	AC	21,794,419	(225,580)	(1,648)	21,567,191
	FVPL (designated)	FVPL (designated)	1,354,966	-	-	1,354,966
	N/A	N/A	599,080	-	-	599,080
Financial investments (c)	AFS	FVPL (mandatorily)	5,655	(5,655)	-	-
	FVPL (designated)	FVPL (mandatorily)	10,045	5,655	-	15,700
Tangible fixed assets	N/A	N/A	14,670	-	-	14,670
Intangible fixed assets	N/A	N/A	3,510	-	-	3,510
Investment in group companies	N/A	N/A	10	-	-	10
Investment in subsidiaries	N/A	N/A	22	-	-	22
Total assets			**267,651,434**	**-**	**(10,710)**	**267,640,724**
Liabilities						
Financial liabilities held for trading	HFT	HFT	151,742,166	114,914	-	151,857,080
Other creditors	AC	AC	37,547,110	(114,914)	-	37,432,196
	FVPL (designated)	FVPL (designated)	830,852	-	-	830,852
	N/A	N/A	600,153	-	-	600,153
Collateral received for securities sold under agreements to repurchase	AC FVPL (designated)	FVPL (designated) FVPL (designated)	62,864,019	-	(11,238)	62,852,781
Collateral received for securities loaned	AC FVPL (designated)	FVPL (designated) FVPL (designated)	6,594,672	-	-	6,594,672
Provisions	N/A	N/A	-	-	95	95
Creditors (amounts falling due after more than one year)	N/A	N/A	2,372,654	-	-	2,372,654
Total liabilities			**262,551,626**	**-**	**(11,143)**	**262,540,483**

32. TRANSITIONAL IMPACT UPON ADOPTION OF IFRS9 (CONTINUED)

The following classification changes were made on adoption of IFRS 9:

(a) Collateral posted for securities purchased under agreements to resell and collateral posted for securities borrowed are reclassified from amortised cost under IAS 39 to mandatorily measured at FVPL under IFRS 9 as the underlying portfolios are managed on a fair value basis.

(b) Collateral received for securities sold under agreements to repurchase and collateral received for securities loaned are reclassified from amortised cost to designated at FVPL in order to minimise an accounting mismatch.

(c) Certain financial investments that were previously classified as available-for-sale investments under IAS 39 are mandatorily at fair value through profit or loss under IFRS 9 as these investments are managed on a fair value basis.

Impact on retained earnings

The Company records an adjustment to its opening 1 April 2018 retained earnings, to reflect the application of the new requirements of IFRS 9 impairment and classification and measurement at the adoption date and will not restate comparative periods.

The impact of transition to IFRS 9 on retained earnings is as follows:

	Retained earnings
	$'000s
Closing balance under IAS 39 (31 March 2018)	5,099,808
Reclassification adjustments in relation to IFRS 9	
Remeasurement impact of reclassifying assets held at amortised cost to financial assets mandatorily at fair value through profit or loss	(9,062)
Remeasurement impact of reclassifying liabilities held at amortised cost to financial liabilities designated at fair value through profit or loss	11,238
IFRS 9 impairment charge	(1,743)
Opening balance under IFRS 9 (1 April 2018)	5,100,241
Total change in equity due to adopting IFRS 9	433