Translation from the German language

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NOMURA FINANCIAL PRODUCTS EUROPE GmbH

ANNUAL REPORT
31 March 2019

STRICTLY CONFIDENTIAL

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NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FISCAL YEAR FROM 1 APRIL 2018 TO 31 MARCH 2019

MANAGEMENT REPORT

The Management Board of Nomura Financial Products Europe GmbH (the "Institution" or "NFPE") hereby presents its first management report and financial statements for the fiscal year ended 31 March 2019. The Institution is registered in Germany and has its registered office at Rathenauplatz 1, 60313 Frankfurt am Main, Germany.

OVERVIEW OF THE INSTITUTION'S BUSINESS ACTIVITIES AND CONTROLS, DESCRIPTION OF MAJOR RISKS AND INFORMATION ABOUT BRANCHES

Primary activities, organisation and legal structure

The Institution was founded in 2017 as a securities trading bank and is a subsidiary of Nomura Europe Holdings plc ("NEHS"), which has its registered office in **London, UK.**
On 24 May 2018, BaFin ["Bundesanstalt für Finanzdienstleistungsaufsicht": German Federal Financial Supervisory Authority] issued the Institution with a licence to conduct banking business and render financial services in accordance with Sec. 32 (1) and (2) KWG ["Kreditwesengesetz": German Banking Act]. The Institution commenced trading activities with selected products on 6 March 2019; the range of products will be expanded on an ongoing basis. The Institution's licensed banking operations include:

- Trading in and sale of fixed-income and equity products, including derivatives
- Investment banking services
- Corporate finance and private equity

The Institution's ultimate parent company and controlling company is Nomura Holdings Inc. ("NHI"), which together with NEHS and the other NHI subsidiaries forms the "Nomura Group".
The Nomura Group is one of Japan's leading financial services groups and has branches in countries and regions all over the world, including Japan, Singapore, Hong Kong, the US and the UK. The Nomura Group's business comprises the Retail, Asset Management and Wholesale divisions which provide a broad range of products and services to a large number of diverse clients, including private investors, corporations, financial institutions, governments and government agencies.

In response to Brexit preparations, the decision was made to serve Nomura's European clients in all European Economic Area (EEA) countries in the Wholesale division, comprising Global Markets and Investment Banking, through Nomura Financial Products Europe GmbH.
To this end, the Institution also established branches in Madrid, Milan, Stockholm, Helsinki, Amsterdam and Paris. Nomura International plc ("NIP") acquired the business operations of the Madrid, Milan and Helsinki branches on 1 March 2019, and those of the Stockholm branch on 4 March 2019. The business operations of the Amsterdam branch were transferred to NFPE in a cross-border merger with Nomura Nederland N.V., while the Global Market Sales business operations of the Paris branch were acquired by Banque Nomura France on 1 March 2019.

The prime goal is to establish and grow the Institution in the short and medium term in order to preserve Nomura's market share in continental Europe even if a hard Brexit occurs and thereby meet all regulatory requirements.

The Institution is subject to the oversight of BaFin and the Bundesbank. BaFin sets minimum capital requirements for the Institution on a stand-alone basis.

NFPE is managed by four managing directors and controlled by a Supervisory Board composed of at least three members.

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MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE

In terms of organisational structure, NFPE has a **Management Board** and a voluntary **Supervisory Board**. Together with the shareholder meeting, these boards are the governing bodies of NFPE.

Management Board

The Management Board's primary aim is to conduct NFPE's business sustainably and in conformity with Sec. 25a KWG and to act in the best interests of its stakeholders (which include its shareholders) and in the public interest. The Management Board defines the allocation of powers and responsibilities and manages NFPE's business and affairs, including:

- Determining NFPE's strategy and objectives
- Recruiting and directing staff
- Managing NFPE's business on a daily basis
- Protecting clients' interests, satisfying obligations towards shareholders and considering the interests of other recognised stakeholders
- Developing the corporate culture, activities and behaviour in order to ensure that NFPE operates safely, soundly, with integrity and in compliance with applicable laws and regulations
- Establishing an internal risk, control, business continuity and remuneration system for NFPE in accordance with Sec. 25a (1) KWG
- Complying with legal and official requirements, especially those to prevent financial crime and money laundering

The Management Board comprises the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**"), the Chief Risk Officer ("**CRO**") and the Chief Operating Officer ("**COO**") who collectively bear responsibility for the management and control of NFPE.

The Management Board is assisted by committees which advise the managing directors: the Risk Management Committee, the Cross-Border Risk Committee, the Asset and Liability Committee, the ICAAP Committee and the Outsourcing Committee. NFPE's managing directors also attend Transaction Committee meetings at NEHS which have implications for the business undertaken by NFPE. The committees and their responsibilities are outlined below:

NFPE's Risk Management Committee is chaired by the CRO of NFPE and is primarily responsible for monitoring and controlling market risk, credit risk and operational risk, and for the policies and methods for managing such risks. It is also responsible for reviewing the risk strategy and monitoring risk management-relevant regulatory matters and their implementation at NFPE.

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MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

The Cross-Border Risk Committee is chaired by the CEO of NFPE and ensures the effective monitoring of all cross-border activities in accordance with the controls and requirements relevant for NFPE.

The Asset and Liability Committee (ALCO) was set up by the Management Board of NFPE to support the Institution's CFO in fulfilling his tasks in relation to the management of financial resources and the monitoring of liquidity risk. The committee was formally established on 11 March 2019 and meets monthly and additionally on an ad hoc basis.

In accordance with Sec. 25a (1) Sentence 3 No. 2 KWG in conjunction with AT 4.1 No. 1 MaRisk [“Mindestanforderungen an das Risikomanagement”: Minimum Requirements for Risk Management], the Management Board of NFPE has established an internal capital adequacy assessment process (ICAAP) and an ICAAP Committee to ensure that the Institution's major risks are at all times covered by its risk coverage potential, taking into account risk concentrations, and that internal capital adequacy is therefore ensured. The committee was formally established on 11 March 2019 and, chaired by the CFO, it meets four times a year and additionally on an ad hoc basis.

The Outsourcing Committee is chaired by the outsourcing officer and ensures that the services provided by the service organisation are monitored effectively by establishing an effective outsourcing framework. This includes regular assessments of the performance of the service organisation on the basis of individual key performance indicators (KPIs).

Representatives of NFPE also attend group-wide committee meetings. The Non-Standard/Complex Transaction Committee is a control body set up by the EMEA CRO to approve complex and non-standard transactions and high-risk transactions at NEHS. The NFPE CRO attends the committee meetings if a transaction requiring approval is relevant for NFPE. The NFPE CRO has a veto right in relation to such transactions. The decision of the NFPE CRO is underpinned by a local process involving the control functions. No Transaction Committee meeting which was relevant for NFPE took place in the reporting period.

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MANAGEMENT REPORT (CONTINUED)

Supervisory Board of NFPE

The Supervisory Board is responsible for overseeing the Management Board and ensures that business is conducted in compliance with applicable laws and regulations and with the Institution's articles of incorporation and bylaws. In addition, the Supervisory Board is responsible for engaging the auditor for the fiscal year and for making the relevant reports available to the shareholders. In order to fulfil these tasks, the Supervisory Board has formed a Remuneration Committee and a combined Audit and Risk Committee.

NFPE's Remuneration Committee is based on the requirements of the IVV III ["Institutsvergütungsverordnung": German Ordinance Regarding the Supervisory Requirements for Remuneration Systems of Institutions] and the KWG and is tasked with monitoring the appropriate design of the remuneration systems for managing directors and employees.
In organisational terms, this committee reports to the Supervisory Board of NFPE, its members are also members of the Supervisory Board. The committee supports the Supervisory Board in all of NFPE's remuneration matters. For instance, the remuneration systems and components and the underlying regulatory requirements are reviewed and discussed in terms of whether they are appropriate and current. This includes the salary adjustment processes and the planning and disbursement of variable remuneration components. In order to review variable remuneration with a view to risk, the Remuneration Committee may also use information provided by the Compliance, Internal Audit and Risk control functions, in addition to that provided by Human Resources. The Finance department is consulted when considering the financial position and performance.

The Audit and Risk Committee is a sub-committee of NFPE's Supervisory Board and was established in accordance with the requirements of Sec. 25d (8) and (9) KWG. The committee's tasks include supporting the Supervisory Board in monitoring the implementation of the risk strategy and the internal control system, and in accounting processes. It also assists the Supervisory Board in selecting the external auditor, monitoring the performance of the audit and in the Management Board's rectification of audit findings.

The Supervisory Board meets at least four times a year to fulfil its tasks effectively. Additional Supervisory Board meetings take place whenever necessary.

DIVISIONS AND PRODUCTS

NFPE will play a major role in the Nomura Group's global business and will serve clients in the European Economic Area (EEA) excluding the UK.

NFPE's business comprises the two main divisions of Global Markets and Investment Banking.

NFPE's Global Markets division sells and trades in cash and derivative products on the basis of interest, fixed-income products and currencies, securitised products and equities. It also performs equity research for its European clients.

NFPE's Investment Banking division sells a comprehensive range of products, including strategic advisory services and financing and derivative solutions for corporations, sponsors, financial institutions and sovereign or supranational counterparties.

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MANAGEMENT REPORT (CONTINUED)

Assets, liabilities, financial position and financial performance

The Institution commenced operations in the reporting period, which means that there are no comparative financial statement figures for March 2018. The Institution's key financial indicators developed as follows during the year:

	Fiscal year 2018/2019 in EUR	Fiscal year 2017/2018 in EUR
Net expense from trading book positions	(1,871)	-
Net interest expense	(325,698)	-
Other operating income	23,756,126	-
General and administrative expenses	(17,894,859)	-
Result from ordinary activities	5,510,132	-
Earnings before taxes	5,510,132	-
Net income for the year	3,120,682	-
Total assets	548,796,590	27,440
Total liabilities and equity	45,675,908	2,440
Equity	503,120,682	25,000
Tier 1 capital	459,997,972	-
Tier 1 capital ratio	113.79%	-
Risk-weighted exposure amounts (RWAs)	404,243,484	
Total capital ratio	113.79%	-
Liquid assets	59,008,501	
Net liquidity outflows	1,655,055	
LCR	3,565%	

Income statement:

The Institution reported earnings before taxes of EUR 3,120,682 for the fiscal year (prior year: EUR 0). These earnings stem from other operating income, which mainly comprises income from the global transfer pricing agreements. This income is made up of sales credits from the Global Markets division and a share of the income from the Nomura Group's Investment Banking division.

General and administrative expenses mainly relate to the personnel and non-staff operating expenses arising in the headquarters and the branches. The Institution received a refund of all operating expenses incurred before it commenced business operations from Nomura International plc (NIP) under the cost allocation agreement. This agreement was effective until the end of February 2019.

Balance sheet:

As of 31 March 2019, the Institution had assets of EUR 548,796,590. They mainly comprised receivables from group companies, balances at central banks and other assets at branches.

In preparation for the full start of business, the Institution increased its equity by issuing 705,000 shares in May 2018, 9,270,000 shares in September 2018 and 34,949,313 shares in February 2019 to NEHS. Furthermore, in March 2019 the Institution issued 4,683,010 shares as consideration for the purchase of branches from NIP and 367,677 shares for the purchase of a branch from BNF.
The shares held by BNF were sold to NEHS after the reporting date.

The shareholders' total equity came to EUR 503,120,682 as of 31 March 2019 and consists of capital stock, capital reserves and net retained profit.

Regulatory ratios:

As of 31 March 2019, the Institution had own funds totalling EUR 459,997,972 and risk-weighted exposure amounts (RWAs) of EUR 404,243,484, resulting in a total capital ratio of 113,79%. The Institution's total risk-weighted assets are primarily shaped by operational risk and counterparty credit risk.

The Institution's cash and cash equivalents are made up of balances at central banks and reverse repos on level 1 sovereign bonds. Net liquidity outflow came to EUR 1,655,055 and resulted in an LCR of 3.565%.

MANAGEMENT REPORT (CONTINUED)

BUSINESS ENVIRONMENT

In July of the fiscal year, the eurozone economy began to soften due to lower exports in response to trade tensions between the US and China, declining demand for cars in the eurozone countries and uncertainty surrounding the UK's exit from the European Union. In December 2018, the ECB announced that it was phasing out quantitative easing by reducing monthly net purchases of assets to zero by the end of 2018. However, in March 2019 it stated that would not adjust key interest rates until at least the end of 2019 in the face of an economic slowdown in Germany. As the ECB is currently cautious about raising interest rates, the yield on 10-year German government bonds dipped below zero percent at the end of March 2019 for the first time since autumn 2016.

The Institution, the financial industry and the entire Nomura Group are facing diverse and constant change. Specifically, the prolonged period of low interest rates, digitalisation and regulatory issues are causing deep-seated, global structural upheaval in wholesale banking and are calling for a realignment of traditional investment banking business models. The related operating model with its structures and procedures is having to be constantly optimised to safeguard and achieve sustainable growth in all business environments.

For instance, Nomura recently decided to move away from regional responsibilities, wherever possible, to reduce duplication of work by global and regional business responsibilities and to consolidate infrastructure functions. In the Wholesale division, the task is to reduce unprofitable and low-growth business segments and to optimise business in Europe, the Middle East and Africa (EMEA).

On 4 April 2019, the Nomura Group publicly announced plans to streamline its operating model and realign its business strategy.

NFPE was also affected by this realignment and restructuring in Global Markets and Investment Banking. However, this did not have any impact on the Institution's financial result as all restructuring costs were reimbursed by NIP.

Brexit

The UK is planning to leave the European Union as a result of the national referendum held on 23 June 2016 ("Brexit").

Considerable uncertainty still surrounds the timing and details of Brexit, and whether it will actually happen.

NFPE was established as a licensed securities trading bank ("broker-dealer") with passporting rights in the European Economic Area ("EEA") to serve Nomura's EEA clients regardless of the outcome of Brexit. Depending on the timing and nature of Brexit, NFPE's business with EEA clients could expand substantially or, if the UK retains access to the market for an extended period, grow at a slower pace.

Brexit entails a high level of political and economic uncertainty, primarily for the UK and the EU, but also has repercussions for markets outside the region. These kinds of uncertainties, when combined with other factors such as trade tensions, could hamper global economic growth and financial stability. As a consequence, we would expect to see lower liquidity in the financial markets, an unexpected rise in volatility in a range of asset classes, higher financing costs, risk-averse investment activity and a hostile business climate which would all have a negative effect on our business.

OUTLOOK AND OPPORTUNITIES

Outlook and opportunities for Global Markets

The Global Markets division has the stated goal of further expanding trading activities with European clients, both the number of clients and the types of traded products, especially derivative products. Any changes in the Nomura Group's product offering in connection with the realignment, for example in the field of non-structured derivatives, would have a knock-on effect on NFPE's product portfolio. The conditions of Brexit will also be of prime importance. In the event of a swiftly implemented Brexit with the loss of opportunities for cross-border operations based in the UK, NFPE's business volume could rise quickly and significantly. If, on the other hand, there were to be a lengthy transition period, we would expect business volume to grow more gradually.

Outlook and opportunities for Investment Banking

The stated target of the Investment Banking division is to further expand advisory services and broking of financing solutions to European clients. As in the Global Markets division, the pace of NFPE's business expansion will hinge on the conditions of Brexit.

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MANAGEMENT REPORT (CONTINUED)

RISKS

Strategic risk management approach

The Institution's approach to risk management is interwoven with that of the rest of the Nomura Group, whose infrastructure it uses under outsourcing agreements. However, the Institution is governed locally and therefore defines, where it deems necessary, specific risk management controls, policies and procedures and formulates its risk appetite, i.e., the maximum amount and types of risks the Institution is willing to take in keeping with the risk appetite of the Nomura Group and in pursuing its strategic objectives and its business plan.

NFPE's risk strategy is composed of the NFPE Risk Appetite Statement and the NFPE Risk Policy. It is reviewed and approved by NFPE's Management Board and presented to NFPE's Supervisory Board at least once a year. The Institution's activities involve both the acceptance and transfer of certain risks which the Institution must manage. In compliance with the MaRisk ["Mindestanforderungen an das Risikomanagement": Minimum Requirements for Risk Management], NFPE's risk strategy sets out NFPE's strategic approach to risk management and defines its risk appetite in keeping with its business strategy.

The overarching goal of NFPE's risk management process is to identify, quantify (wherever possible), monitor and control risks and risk concentrations to which NFPE is exposed. NFPE's risk management process starts with the identification of risks, which is followed by a materiality assessment of the identified risk. This risk assessment is documented in the NFPE risk inventory. The risk strategy defines the strategic approach to risk management to be taken for risks which have been assessed as being material.

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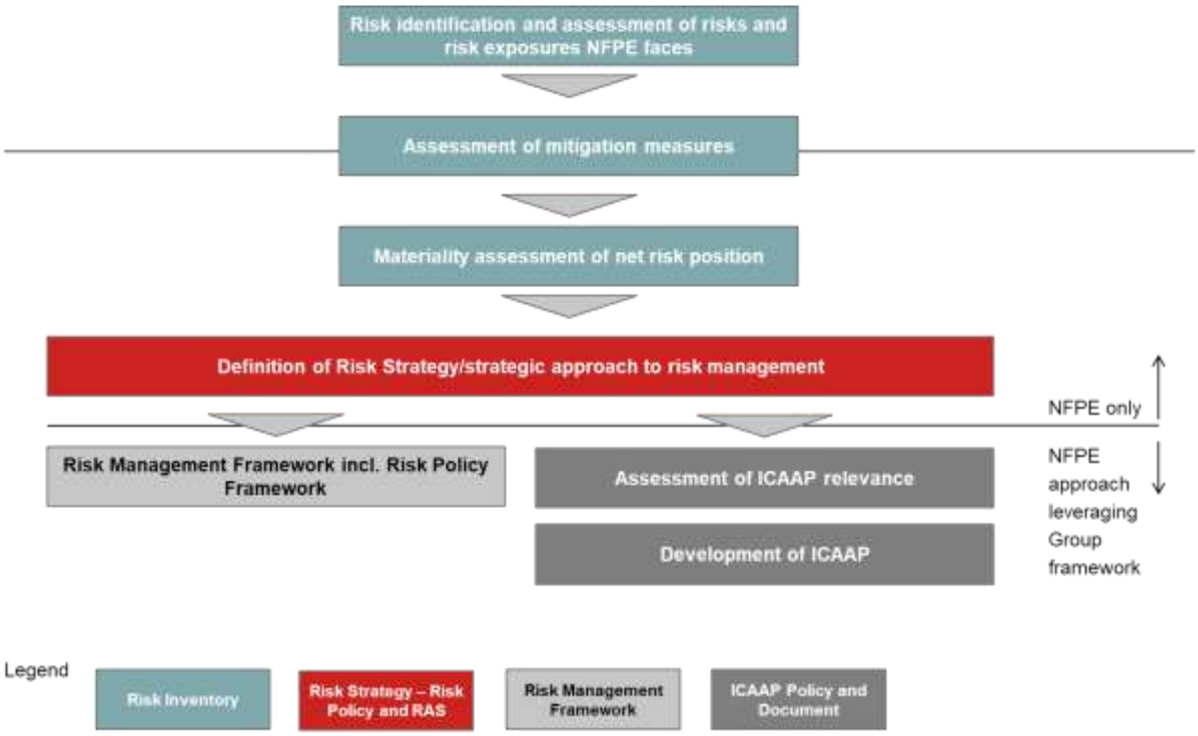
MANAGEMENT REPORT (CONTINUED)

RISKS (CONTINUED)

The following chart outlines the elements of the NFPE risk management approach:



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MANAGEMENT REPORT (CONTINUED)

RISKS (CONTINUED)

All risks to which NFPE is exposed are potentially material, but only the following are classified in the risk inventory as being material for NFPE:

- Market risk
- Credit risk (including country risk)
- Operational risk
- Liquidity and funding
- Business risk
- Model risk
- Cross-border risk
- Compliance risk

Risks were classified as material on the basis of NFPE's original business plan, which was prepared for a hard Brexit scenario. As the volume of business in the reporting year was lower than originally envisaged due to delays in the Brexit process and was limited to internal test transactions and a small number of external transactions, even the risks classified as material only have a minor financial impact on the Institution. The non-quantifiable risks did not have a significant impact on the Institution in the reporting period, either, due to the low level of operating activity.

NFPE has implemented an internal capital adequacy assessment process ("ICAAP") in accordance with the requirements of the MaRisk and the supplementary ICAAP guidelines issued by BaFin. The ICAAP forms a governance framework for a detailed capital plan, an internal capital adequacy calculation and appropriate stress tests. In order to assess internal capital adequacy, NFPE has developed and implemented a normative and an economic perspective.

The **normative perspective** considers the requirements for minimum regulatory capital ratios, including the combined buffer requirement, the SREP add-on and the target equity ratio. It encompasses a three-year scenario-based assessment of compliance with Pillar 1 ratios in a baseline scenario and an adverse scenario. From a normative perspective, risk coverage potential is equal to the regulatory own funds, which exclusively comprise Common Equity Tier 1 capital. The capital requirement for the risks taken is quantified using internal, institution-specific calculations.

The **economic perspective** is designed to protect creditors from losses. This is largely consistent with the existing requirements for economic or present value-based internal capital adequacy. Economic risk capital is valued on the basis of a 99.9% confidence level and a one-year holding period. Risk coverage measures correspond to the risk coverage potential in the normative perspective.

The internal capital adequacy plan and stress tests are validated annually on the basis of the risk inventory.

The Institution's internal capital adequacy was ensured at all times during the fiscal year.

RISKS (CONTINUED)

Stress tests are an integral part of risk management in the Nomura Group and at NFPE. Stress testing is carried out to supplement ICAAP and internal risk models in order to identify certain risks to portfolios at different levels which are impaired by specific shocks. Stress tests are designed to be economically coherent, exacting and comprehensive in terms of business and risk coverage. In order to obtain a uniform picture of risks, risk-specific and general stress tests are carried out.

Risk appetite

Risk appetite defines the type and quantum of risk that the Institution is willing to assume in pursuit of its strategic objectives and business plan. NFPE's risk appetite must be within its risk capacity which is determined by constraints including regulatory capital, economic capital/ICAAP, liquidity and business conditions.

The Institution's Risk Appetite Statement is approved by NFPE's Management Board and the utilisation of the various limits is communicated regularly to the Risk Management Committee. There is clear ownership and accountability for monitoring and development for each category of risk and the relevant risk appetite ratios. As part of the risk strategy, the Risk Appetite Statement must be reviewed and adapted if necessary at least once a year or following any significant changes in business strategy.

NFPE's risk management is guided by the following principles:

1) Risks must be identified and assessed to determine the underlying risk factors. On the basis of these factors each risk must be correctly classified and appropriate risk measures and controls must be defined.

2) Arrangements must be made for monitoring and reporting to ensure that risks do not exceed the risk appetite.

3) NFPE is working continuously to develop an appropriate organisational structure and risk management procedures to ensure the effectiveness of its management of risks.

Risk organisation and structure

The Risk Management department was established as an independent risk control function to monitor and report on risks. In organisational terms it is separate from the front office and trading departments and reports to the Chief Risk Officer ("NFPE CRO"), who is a member of NFPE's Management Board.

NFPE has created organisational arrangements and a committee structure to ensure effective business operations and management of the Institution's risks. This includes governance and committees within NFPE as well as governance structures and collaboration with relevant departments and committees of the Nomura Group and Nomura Europe Holdings plc ("NEHS").

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MANAGEMENT REPORT (CONTINUED)

RISKS (CONTINUED)

NFPE’s Risk Management Committee is chaired by the CRO of NFPE and is primarily responsible for monitoring and controlling market risk, credit risk and operational risk on behalf of the Institution.

In addition, there are committees devoted to monitoring other significant risks to the Institution.

Other departments or functions within the Institution contribute to the Institution’s global risk management as described below:

The Finance function monitors compliance with internally and externally defined regulatory limits. The annual process to determine capital requirements at an institution level is the internal capital adequacy assessment process (“ICAAP”).

The Finance function, though its liquidity management and financing departments, is responsible for managing the Institution’s unsecured financing profile and the liquidity portfolio and for performing liquidity stress tests to ensure compliance with the liquidity risk appetite and policies approved by the Management Board.

RISKS (CONTINUED)

Risk policies

Policies and procedures are central instruments used by the Risk Management department. They set forth the principles, rules, standards and specific processes which have to be followed to manage risk in the Nomura Group and the Institution effectively. The Risk Management department has processes in place to ensure appropriate standards and consistency for risk policies and procedures. NFPE is subject to the risk management policies and procedures of the both the Nomura Group and NEHS and supplements them with specific policies and procedures, where necessary, to ensure that local legal and/or regulatory requirements are met.

Monitoring, reporting and data integrity

Development, consolidation, control 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 department and the Finance department are responsible for producing regular risk MI, which reflects the position of Nomura 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 department is responsible for implementing appropriate controls over data integrity for risk MI.

Adequacy of risk management

The NFPE Management Board is ultimately responsible for reviewing the adequacy of the risk management arrangements of NFPE and considers that the arrangements in place are adequate.

RISKS (CONTINUED)

Risk categories

Market risk

Market risk is the risk of loss from fluctuations in the value of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others). The Institution allocates its exposures to either trading portfolios or non-trading portfolios. The value at risk ("VaR") is determined and monitored daily for portfolios which are exposed to market risk. The Institution applies the Nomura Group's market risk management policies for its market risk management ("MRM"), with due consideration being given to specific local factors.

Risk assessment

In June 2018, the Institution was granted provisional permission by BaFin to use the internal models approach in the calculation of regulatory capital requirements for market risk for value at risk ("VaR"), stressed VaR ("sVaR") and incremental risk charge ("IRC") for a number of trading positions during the "non-objection period". The VaR scope covers the general and specific risk of debt and equity instruments and currency risk. The standard rules for calculating the regulatory capital requirements for market risk are applied to trading positions which do not fall within the scope of the internal models approach.

RISKS (CONTINUED)

Effective management of market risk requires the ability to analyse a complex and constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner. The Institution uses a variety of statistical risk measurement tools to assess and monitor market risk on an ongoing basis including, but not limited to value at risk ("VaR"), stressed VaR ("SVaR"), and incremental risk charge ("IRC").

Value at risk

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

The Institution uses a VaR model that has been implemented group-wide to determine the total trading VaR. A historical simulation is implemented, where historical market moves over a two-year window are applied to the Institution's current exposure in order to construct a profit and loss distribution. Potential losses can be estimated at required confidence levels or probabilities. A scenario weighting scheme is employed to ensure that the VaR model responds to changing market volatility.

Depending on the posting system, product and risk factor, the profit and loss distribution is generated by way of a full revaluation using spot-volatility grids or methods based on sensitivities ("greeks"). The full revaluation method is applied to the primary risk factors of interest and credit products (interest rate and credit rating), whereas market value volatility grids are used for the primary risk factors of equity and currency products (spot price and stock market or exchange rate volatility). For some products (e.g., interest and currency hedges of equity derivative portfolios posted in the relevant share system) and for secondary risk factors of all products (e.g., currency risk for interest rate, credit and equity instruments), the sensitivities-based method is used (the relevant metrics are multiplied by appropriate historical yields).

RISKS (CONTINUED)

The Institution uses the same VaR model for both internal risk management purposes and for regulatory reporting. For regulatory capital, the Institution uses a confidence level of 99% and a 10-day time horizon calculated using actual 10-day historical market moves. For internal risk management purposes, VaR is calculated institution-wide at the same confidence level using both the one-day and 10-day time horizon. sVaR is calculated using the 10-day time horizon in both cases. The one-year stress window used for SVaR for internal risk management purposes is also defined at group level (NHI), whereas it is NFPE-specific for regulatory reporting.

To complement VaR under Basel 2.5 regulations, Nomura 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 risks. Both VaR and sVaR are calculated daily using 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 stressed period used in the sVaR model maximises the sVaR over a rolling one-year window between the beginning of 2008 and the reporting date.

The Institution’s VaR model uses time series for each individual risk factor. When simulating potential movements in risk factors, a combined approach is applied, with absolute returns being used for some risk categories 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.

RISKS (CONTINUED)

NFPE concludes back-to-back transactions with other Nomura Group subsidiaries to transfer market risk for every transaction with client involvement, except for transactions concluded by the Credit Valuation Adjustment ("CVA") and Funding Valuation Adjustment ("FVA") trading desks. As discounting conventions for client and back-to-back transactions with group companies may differ, NFPE is also exposed to the risk arising from differences in discounting. Market risks from funding activities also remains in the Institution.

Market risk is managed by market risk limits which are defined in accordance with the Nomura Group's market risk limit management system. Market risk limits are set at various levels in NFPE, from trading desk level to institution level.
The Institution's VaR model is monitored continuously to ensure that it is fit for purpose. The main way of validating VaR is to compare one-day trading losses with the corresponding VaR estimate. The Institution's VaR model is backtested at different levels. Backtesting results are reviewed on a monthly basis by the Risk Management department.

In the fiscal year ended 31 March 2019, one-day trading losses at institution level never exceeded the VaR estimated with a confidence level of 99%.
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, Nomura uses VaR only as one component of a diverse risk management process.

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 implies an inter-asset (cross-sectoral) correlation and an intra-asset (intra-sectoral) correlation. 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 NHI's IRB Internal Rating system. The latter is based on the Nomura Group's Internal Rating system and is also used for the internal ratings-based approach at the Nomura Group and has been approved by the JFSA. The IRC scope covers all debt securities as approved by BaFin in the "non-objection phase". All positions in the IRC model are assumed to have a one-year liquidity horizon. No IRC arose at the Institution for the fiscal year ended 31 March 2019.

RISKS (CONTINUED)

Credit risk

Credit risk is the of loss arising from an obligor's default which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a credit valuation adjustment ("CVA") associated with deterioration in the creditworthiness of a counterparty. The Institution applies the Nomura Group's credit risk management policies for its credit risk management ("CRM"), with due consideration being given to specific local factors. The Institution's credit risk profile is shaped by counterparty credit risk as NFPE does not engage in traditional lending business. All credit risk management processes and methods described below refer to counterparty credit risk and not to lending business in the narrower sense.

The process for managing credit risk at the Institution includes:

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

Daily monitoring of credit exposure against approved credit limits and ongoing monitoring of the creditworthiness of counterparties take place. Any change in circumstance that alters the Institution'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 Institution's credit limit framework is designed to ensure that the Institution takes appropriate credit risk in a manner that is consistent with its overall risk appetite. Global Credit policies and NFPE-specific 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.

The Institution utilises financial instruments, agreements and practices to assist in the management of credit risk. The Group enters into legal agreements, such as the International Swap and Derivatives Association, Inc. ("ISDA") agreements or equivalent (referred to as Master Netting Agreements), with many of its counterparties. Master Netting Agreements allow netting of receivables and payables for regulatory purposes and reduces 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 Institution to obtain collateral from counterparties either upfront or contingent upon exposure levels, changes in credit rating or other factors.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

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MANAGEMENT REPORT (CONTINUED)

RISKS (CONTINUED)

Given the potential for loss resulting from unsecured exposures, as a general rule, all extensions of credit by the Institution 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 Institution. 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 entity policies or procedures. 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 volatility of the asset. Haircut levels are determined through quantitative and historical analysis.

Risk assessment

As described above, counterparty credit risk relating to derivatives and securities financing transactions is the key determinant for the Institution’s credit risk. In June 2018, Institution was granted permission by BaFin to use the internal model method (“IMM”) in combination with the standardised approach in the calculation of the counterparty credit risk requirements for certain derivative and securities financing transactions during the “non-objection phase”. In the calculation of risk-weighted exposure amounts under the standardised approach to credit and counterparty 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 Institution measures credit risk primarily by way of a Monte Carlo-based simulation model that determines a Potential Exposure profile at a specified confidence level.

RISKS (CONTINUED)

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 has established policies that govern the management of any WWR exposures, which also apply to the Institution. Stress testing is used to support the assessment of any WWR embedded within existing portfolios of NFPE and adjustments are made to credit exposures and regulatory capital, as appropriate.

WWR analysis is performed by the Risk Management department. The analysis is provided to assist the Management Board in determining whether the level of wrong way risk is a concern and action should be taken to reduce it.

Concentrations of credit risks

Concentrations of credit risks can arise from the Institution's trading in derivatives, the financing of securities and exposures to central counterparties and clearing houses and are affected by changes in political or economic factors. At the Institution, concentrations of credit risks typically occur with highly rated credit institutions and affiliates in the Nomura Group.

RISKS (CONTINUED)

Liquidity risk

Liquidity risk management

The Institution defines liquidity risk as the risk of failing to meet financial obligations as and when they become due. This risk can arise due to either idiosyncratic or market-driven negative events. The Institution's prime goal in liquidity risk management is to preserve liquidity at all times and in all stress scenarios and to ensure that the Institution is able to meet all financial obligations which fall due within the survival period defined by the Management Board.

The Institution's internal stress model quantifies the liquidity buffer necessary to survive the defined stress scenarios. The Institution manages liquidity risk independently using the internal stress model and regulatory ratios. The liquidity portfolio, which comprises highly liquid, unencumbered securities and central bank deposits, acts as a liquidity buffer and ensures that sufficient liquidity is available to satisfy the modelled requirements. Given the surplus liquidity from the injection of capital, NFPE's aggregate liquidity exposure is significantly higher than its risk appetite. NFPE makes its surplus liquidity available to the Nomura Group in order to reduce the level of locked-in liquidity.

RISKS (CONTINUED)

Operational risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements and causing damage to the Nomura Group's reputation if caused by an operational risk. The Institution applies the group-wide framework for operational risk management (ORM).

Three lines of defence

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

- 1st line (divisions): Initiation and management of risks
- 2nd line (ORM function): Definition of the framework and coordination of the Nomura Group's management of operational risk
- 3rd line (Internal Audit): In accordance with IDW Auditing Standard 340, this is an independent function with an independent and objective perspective on the entity which evaluates internal controls and the work of the first two lines of defence. It is also tasked with reporting to senior management and the oversight functions.

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

RISKS (CONTINUED)

Products and services

- Event reporting: This process is for identifying and reporting events which have or could have led to a loss or profit or other effect in conjunction with inadequate or failed internal processes, people and systems or external events.
- Risk and control self-assessment (RCSA): The process used by the Institution to identify and assess the inherent risks to which they are exposed, the controls in place to mitigate risks, and action plans to further reduce risk. Developing the RCSA process and supporting the divisions in implementing the process is the responsibility of the global ORM function.
- Key risk indicators ("KRI"): KRI are metrics which allow monitoring of certain key operational risks and trigger appropriate responses as thresholds are breached.
- Scenario analysis: Process to assess and quantify high impact, low probability "tail events" (potential, unexpected operational risk events). During the process, measures can be identified through which the control environment can be improved and which are implemented via the operational risk management framework.

Outputs

- Analysis and reporting: A key aspect of ORM's role is to analyse, report, independently monitor and challenge operational risk activities undertaken by the first line of defence, 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.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

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MANAGEMENT REPORT (CONTINUED)

RISKS (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 the Group Integrated Risk Management Committee and/or the Global Risk Strategic Committee, which define the process and validation requirements for implementing changes to valuation and risk models. Furthermore, a process has been established to monitor model performance in order to identify and evaluate specific events which suggest that a model is not functioning as it should or could be unsuitable and to identify which measures (e.g., additional validation) could be necessary. For changes with an impact above certain thresholds, model approval is required. The Model Validation Group ("MVG") defines these thresholds in a formal procedure and uses a control process to determine where the procedure is not adhered to. 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 deterioration in the earnings environment or deterioration in the efficiency or effectiveness of the Institution's business operations. Managing business risk is the responsibility of NFPE's Management Board.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FISCAL YEAR FROM 1 APRIL 2018 TO 31 MARCH 2019

MANAGEMENT REPORT (CONTINUED)

RISKS (CONTINUED)

Cross-border risk

Cross-border risk is the risk of loss arising from transactions entered into outside the EEA but which are concluded for the account of NFPE and recognised in NFPE's books. NFPE has established strict rules in the Trade Control Framework ("TCF") and the Banking Control Framework ("BCF") to minimise the cross-border risk associated with its business model. The risks associated with transactions concluded with the involvement of another institution in the Nomura Group can be assigned to one or more of the following significant risk categories to which NFPE is exposed: credit, liquidity, market and/or operational risk. In addition, NFPE reserves the right to reject non-TCF and non-BCF-compliant transactions.

Compliance risk

Compliance risk refers to risks in connection with non-compliance with applicable financial services laws, regulations and requirements governing the Institution's business activities and personnel, including official sanctions, financial losses and reputational damage. All regulated activities carried out by NFPE entail compliance risk. NFPE must comply with applicable laws, regulations and requirements on financial services governing its business activities. Any breach of applicable laws and regulations could result in regulatory sanctions or even the loss of the banking licence, financial losses or reputational damage.

NFPE has established a Compliance function to ensure that compliance risk is minimised and that all NFPE employees are aware of the laws and regulations which are relevant to them.

RISKS (CONTINUED)

Internal audit

The Nomura Group's Internal Audit function is responsible for auditing and assessing the design and operating effectiveness of internal control over all business and operational activities within the Group. The Global Head of Internal Audit is on the same independent reporting level as the Internal Controls Committee, the Chairman of the Audit Committee of Nomura Holdings, Inc., and the Global Head of Internal Audit in Tokyo. The Head of Global Wholesale Division Internal Audit is on the same independent reporting level as the Chairman of the Audit Committee of NEHS and also reports to the Global Head of Internal Audit. NFPE is fully covered by the activities of the Internal Audit function of the Nomura Group, to which a Frankfurt-based internal audit team belongs. The Head of NFPE Internal Audit reports to the local Management Board and the Supervisory Board of NFPE and also to the functional Head of Global Wholesale Division Internal Audit.

NFPE Internal Audit is responsible for performing internal audit work at NFPE and its branches. This includes the risk-based and process-independent audit and assessment of the design and operating effectiveness of the risk management system in general and specifically the internal control system. It encompasses all activities and processes carried out by NFPE in performing its business activities, regardless of whether or not they have been outsourced. Internal Audit follows a global methodology and is guided by the standards issued by the Institute of Internal Auditors ("IIA") and Information Systems Audit and Control Association ("ISACA") and by the guidelines and recommendations of other relevant organisations such as the Basel Committee on Banking Supervision. Quality control tests are performed by a global team which is independent of the internal audit employees who are responsible for the audit to ensure that the audits by the Internal Audit function meet the requirements of the IA methodology and other applicable standards. An annual risk assessment is carried out which covers all activities of NFPE and its branches. The results are used to develop the internal audit plan which has to be approved by the NFPE Management Board and the Audit and Risk Committee.

Audits are performed using a risk-based method. Key controls are determined and numerous techniques are employed to assess the appropriate design and operating effectiveness of the controls. These include identifying and observing, sample testing and, in some cases, substantive testing. NFPE Internal Audit reports in accordance with the requirements of Nomura's internal audit methodology. A full and a condensed audit report are prepared and made available to the Management Board, the Supervisory Board and the heads of the departments concerned. The status of open points is reviewed regularly and reported to the Management Board and the Supervisory Board, as well as to the department heads who are responsible for remedying the points in question. Internal Audit also carries out work to test and confirm problematic points which have been resolved, according to management.

The Management Board has satisfied itself of the appropriateness and adequacy of Internal Audit's resources. A copy of the Internal Audit Charter is available on request.

FUTURE DEVELOPMENTS

Regulatory changes

European banking reforms

On 23 November 2016, the EU Commission published a comprehensive reform package aimed at strengthening the stability of the EU banking sector. The reforms implement many elements of Basel III in the EU and also address problems with the current regulatory requirements. The EU Commission has made changes to the existing legislation in the form of the Capital Requirements Directive (CRD V), the Capital Requirements Regulation (CRR II), the Bank Recovery and Resolution Directive (BRRD II) and the Single Resolution Mechanism Regulation (SRMR).

The changes under the CRR II include the following:

- More risk-sensitive capital requirements, especially for market risk, counterparty credit risk and exposures to central counterparties (CCP)
- A binding leverage ratio (LR) to avoid excessive indebtedness of institutions
- A binding net stable funding ratio (NSFR) to prevent banks from making excessive use of short-term wholesale finance and to reduce long-term funding risk
- The requirement that global systemically important financial institutions (G-SIIs) have to maintain a minimum level of capital and other instruments to cover losses incurred upon resolution. The requirement, also known as “total loss-absorbing capacity” (TALC) is embedded in the existing MREL (minimum requirement for own funds and eligible liabilities) which applies to all institutions and will strengthen the EU’s ability to resolve failing G-SIIs and also protect financial stability and minimise risks to the taxpayer.

The proposals will be introduced in the EU in June 2019, with most of the changes becoming effective two years later, in June 2021. In light of these developments, and given the impact of the UK’s decision to leave the EU and other proposed changes to be implemented in connection with the review of investment firms in a new Investment Firm Regulation (“IFR”) and Directive (“IFD”), there is uncertainty as to which rules will apply to the Institution after 2019, especially in relation to the proportionality of the requirements given the size and extent of the firms’ activities.

On 7 December 2018, the Basel Committee finalised the changes to the Basel III framework, which include changes to the credit risk standardised approach, CVA and operational risk, and the introduction of a capital floor. These proposals will have to be transposed into national and EU law in another update of the Capital Requirements Regulation (“CRR III”). The Basel Committee recommended that implementation commence in 2022.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FISCAL YEAR FROM 1 APRIL 2018 TO 31 MARCH 2019

MANAGEMENT REPORT (CONTINUED)

HUMAN RESOURCES

Our people are our most valuable assets. The HR function performs its services to create a working environment which is attractive to talented people inside and outside the organisation. HR is therefore closely attuned to the Institution's business so that it can provide advice on all employee-related matters and discuss all current and future risks and challenges in connection with the workforce and the necessary functions.

HR has the structures and processes in place needed to satisfy regulatory requirements, such as those concerning remuneration and incentive systems under the IVV III ["Institutsvergütungsverordnung": German Ordinance Regarding the Supervisory Requirements for Remuneration Systems of Institutions] or other local or European regulations. Additionally, the Institution has set up a Remuneration Committee which supports the Institution's Supervisory Board in all remuneration matters – especially the remuneration review at year-end, Management Board remuneration and the ongoing evaluation of policies and procedures. The member of the Remuneration Committee are members of NFPE's Supervisory Board and are supported by HR and other functions in the Institution. Ahead of the Remuneration Committee meetings, HR coordinates all remuneration-related topics with Finance, Risk Management, Compliance and Internal Audit. As a result, the HR function engages in ongoing dialog with the Bank's control functions. Furthermore, external advisors are consulted on regulatory issues.

The Institution's Supervisory Board is responsible for the remuneration of the Management Board members. The Institution's Management Board is responsible for the remuneration of NFPE's employees.

The Institution's remuneration systems comprise a fixed and a variable component (fixed remuneration + variable remuneration = total remuneration). The Institution endorses the Nomura Group's "payment for performance" approach. The variable portion of total remuneration is granted to certain employees as a cash payment plus a long-term component deferred over a defined period. In this respect, the Institution complies with the regulatory requirements for variable remuneration and the Nomura Group's global renumeration policy.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FISCAL YEAR FROM 1 APRIL 2018 TO 31 MARCH 2019

MANAGEMENT REPORT (CONTINUED)

HUMAN RESOURCES (CONTINUED)

NFPE is not currently classified as a significant institution and therefore does not have any material risk takers (MRT) as defined in the IVV III. NFPE nevertheless applies stricter rules governing deferred variable remuneration, in line with Nomura Group policies. Deferred remuneration is linked to the price of NHI stock (nominal shares, employee shares) and is only paid out if the Institution has the financial means to do so and if there is no reason to apply a malus or clawback (deferred variable remuneration is reduced or has to be returned). Beneficiaries of deferred remuneration are not permitted to use any hedging techniques to prevent the deferred variable remuneration from being reduced.

The amount of the variable remuneration at the Institution depends on the performance of the Group, the Institution and the individual concerned. Variable remuneration must not encourage harmful behaviour and can be reduced to zero.

In October 2018, three members of senior management and nine other executives at NIP (UK and German NIP branch) transferred to NFPE. In January 2019, a fourth Management Board member and two other employees joined NFPE. In March 2019, all other employees transferred to NFPE under a transfer of operations (“Betriebsübergang”).

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FISCAL YEAR FROM 1 APRIL 2018 TO 31 MARCH 2019

MANAGEMENT REPORT (CONTINUED)

ENVIRONMENT AND ENERGY

The Nomura Group believes a healthy environment is the foundation of stable economic and social conditions for future generations. It is committed to acting in an environmentally responsible manner and to improving its energy efficiency.

The Nomura Group

- encourages investment and constructive engagement in environmentally friendly and energy-efficient goods and services;
- assesses environment risks and continually strives to minimise pollution in order to reduce our impact on climate change;
- complies with relevant environmental laws and regulations and engages with external advisors to monitor compliance;
- is committed to reducing waste and conserving natural resources to minimize the impact of our footprint on the environment;
- is committed to continuously improving energy efficiency;
- emphasises the importance of biodiversity and an intact ecosystem;
- communicates this policy to all employees to raise awareness of environmental issues and encourage environmentally friendly initiatives;
- will make available the resources required to achieve our environmental objectives; and
- makes this policy available for public review. Examples of activities are the “JobTicket” offering reduced-price travel by public transport to employees, the provision of a room for bicycles and the monthly monitoring of CO_2 emissions aimed at constantly reducing our carbon footprint.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FISCAL YEAR FROM 1 APRIL 2018 TO 31 MARCH 2019

MANAGEMENT REPORT (CONTINUED)

SUBSEQUENT EVENTS

There are no events after the reporting date which would have to be communicated here.

INDEMNIFICATION OF MANAGING DIRECTORS

On the date of this report and in the fiscal year in question, some of the managing directors of the Institution and of certain affiliates were indemnified to the extent permitted by law and in conformity with the Institution's articles of incorporation in relation to specific losses and liabilities arising under or in connection with the exercise of their powers, duties and responsibilities as managing directors. In addition, NHI has established a global directors' and officers' insurance scheme for the entire Nomura Group.

GOING CONCERN

The Institution's business activities and the factors which are likely to impact its future development, performance and position are specified in this report. Its objectives, policies and procedures for risk management and its exposure to credit and liquidity risk, its asset management procedures and available capital resources are also described in this report.

The Management Board has good reason to assume that the Institution has adequate resources to continue to operate in the foreseeable future. The financial statements were therefore prepared on a going concern basis.

NOMURA

NOMURA FINANCIAL PRODUCTS EUROPE GmbH
BALANCE SHEET AS OF 31 MARCH 2019

	Assets	EUR	March 2019 EUR	EUR	March 2018 EUR
1.	Cash reserve			50,003,165	-
a)	- Cash		3,165		-
b)	- Balances at central banks		50,000,000		-
	thereof: at Deutsche Bundesbank	*50,000,000*			-
c)	Postal giro balances		-		-
2.	Public-sector debt instruments and bills of exchange eligible for refinancing with central banks			-	-
a)	Treasury bills and treasury discount notes as well as similar public-sector debt instruments				
	thereof: eligible for refinancing with Deutsche Bundesbank				
b)	- Bills of exchange				
3.	Receivables from banks			477,891,267	27,440
a)	- Payable on demand		56,951,969		27,440
b)	- Other receivables		420,939,298		
4.	Receivables from customers			-	-
	thereof: secured by real property liens				
	Public-sector loans				
5.	Debt securities and other fixed-income securities			-	-
a)	- Money market securities				
aa)	- Issued by the public sector				
	thereof: eligible as collateral with Deutsche Bundesbank				
ab)	Issued by other borrowers				
	thereof: eligible as collateral with Deutsche Bundesbank				
b)	Bonds and debt securities				
ba)	Issued by the public sector			-	-
	thereof: eligible as collateral with Deutsche Bundesbank				
bb)	Issued by other borrowers				
	thereof: eligible as collateral with Deutsche Bundesbank				
c)	Own debt securities (nominal value)				
6.	Shares and other variable-yield securities			-	-
6a.	Trading assets			1,942,157	-
7.	Equity investments			-	-
	- thereof: in banks				
	- in financial services institutions				
8.	Shares in affiliates			-	-
	- thereof: in banks				
	- in financial services institutions				

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

BALANCE SHEET AS OF 31 MARCH 2019

	Assets (continued)	EUR	March 2019 EUR	EUR	March 2018 EUR
9.	Trust assets			-	-
	- thereof: trust loans				
10.	Equalisation claims on the public sector including debt securities resulting from their conversion			-	-
11.	Intangible assets			-	-
a)	*Internally generated industrial rights and similar rights and assets*				
b)	*Purchased franchises, industrial and similar rights and assets and licences in such rights and assets*				
c)	*Goodwill*				
d)	*Prepayments*				
12.	Property and equipment			3,481,248	-
13.	Subscribed capital, called but not paid			-	-
14.	Other assets			15,478,753	-
15.	Prepaid expenses			-	-
16.	Deferred tax assets			-	-
17.	Excess of covering assets over pension and similar obligations			-	-
18.	Capital deficit			-	-
	Total assets			**548,796,590**	27,440

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

BALANCE SHEET AS OF 31 MARCH 2019

				March 2019		March 2018
	Liabilities and equity	EUR		EUR	EUR	EUR
1.	Liabilities to banks				2,226,153	-
a)	- Payable on demand			1,904,646		-
b)	- With an agreed term or period of notice			321,507		-
2.	Liabilities to customers				-	-
a)	- Saving deposits					
aa)	with an agreed period of notice of three months					
ab)	with an agreed period of notice of three months					
b)	Other liabilities					
ba)	payable on demand					
bb)	with an agreed term or period of notice					
3.	Securitised liabilities				-	-
a)	- Debt securities issued					
b)	- Other securitised liabilities					
	thereof: Money market securities					
	Own acceptances and promissory notes outstanding					
3a.	Trading liabilities				207,242	-
4.	Trust liabilities				-	-
	thereof: trust loans					
5.	Other liabilities				507,863	-
6.	Deferred income				-	-
6a.	Deferred tax liabilities				-	-
7.	Provisions				42,734,650	2,440
a)	- Provisions for pensions and similar obligations			14,763,129		-
b)	- Tax provisions			1,909,599		-
c)	- Other provisions			26,061,922		2,440
9.	Subordinated liabilities				-	-
10.	Participation certificate capital				-	-
	thereof: due within two years					
11.	Fund for general banking risks				-	-
	Subtotal				45,675,908	2,440

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

BALANCE SHEET AS OF 31 MARCH 2019

	Liabilities and equity (continued)		March 2019		March 2018
12.	**Equity**	EUR	EUR	EUR	EUR
a)	Called capital			50,000,000	25,000.00
	- Subscribed capital		50,000,000		25,000.00
	- less uncalled, unpaid contributions				
b)	Capital reserves			450,000,000	-
c)	Revenue reserves			-	-
ca)	Legal reserve			-	-
cb)	Reserves for shares held in a controlling entity or majority shareholder			-	-
cc)	Reserves required by the articles of incorporation and bylaws			-	-
cd)	Other revenue reserves			-	-
d)	Net retained profit			3,120,682	-
	Total equity			**503,120,682**	25,000.00
	Total liabilities and equity			**548,796,590**	27,440
1.	**Contingent liabilities**			7,655	-
a)	Acceptances and endorsements				
b)	Guarantees		7,655		-
c)	Assets pledged as collateral for third-party liabilities				
2.	**Other obligations**			-	-
a)	Commitments arising out of sale and repurchase transactions		-		-
b)	Placement and underwriting commitments				
c)	Irrevocable loan commitments				

NOMURA

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FISCAL YEAR 1 APRIL TO 31 MARCH 2019

INCOME STATEMENT

				March 2019		March 2018
		EUR		EUR	EUR	EUR
1.	Interest income from					
a)	- *Lending and money market business*	*4*				-
	- *less negative interest from lending and money market business*	*(268,196)*				-
b)	- *Fixed-income securities and government-inscribed debt*	-				-
	Total interest income			(268,192)		-
2.	Interest expenses			(57,506)		-
	Net interest expense				(325,698)	-
3.	Current income from				-	-
a)	- *Shares and other variable-yield securities*					
b)	- *Equity investments*					
c)	- *Shares in affiliates*					
	Total current income				-	-
4.	Income from profit pooling or profit and loss transfer agreements				-	-
5.	Commission income				-	-
6.	Commission expenses				-	-
7.	Net income or net expense from trading book positions				(1,871)	-
8.	Other operating income				23,756,126	-
10.	General and administrative expenses				(17,894,858)	-
a)	Personnel expenses			(14,201,763)		-
aa)	- *Wages and salaries*	*(13,109,928)*				-
ab)	- *Social security, pension and other benefit costs*	*(1,091,835)*				-
	thereof: for old-age pensions					
b)	Other administrative expenses			(3,604,898)		-
11.	Amortisation, depreciation and impairment of intangible assets and property and equipment			(88,197)		-
12.	Other operating expenses				(23,566)	-
13.	Write-downs of and allowances on receivables and certain securities as well as allocations to provisions for possible loan losses				-	-

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FISCAL YEAR 1 APRIL TO 31 MARCH 2019

INCOME STATEMENT (continued)

			March 2019		March 2018
		EUR	EUR	EUR	EUR
14.	Income from write-ups of receivables and certain securities and from the reversal of provisions for possible loan losses			-	-
15.	Write-downs of equity investments, shares in affiliates and securities classified as fixed assets			-	-
16.	Income from write-ups of equity investments, shares in affiliates and securities classified as fixed assets			-	-
17.	Expenses from loss absorption			-	-
	Result from ordinary activities			**5,510,132**	**-**
20.	Extraordinary income			-	
21.	Extraordinary expenses			-	
22.	Extraordinary result			-	-
23.	Income taxes			(2,383,450)	
24.	Other taxes not shown under operating expenses			(6,000)	-
25.	Income from loss absorption			-	-
26.	Profits transferred under profit pooling or profit and loss transfer agreements			-	-
27.	**Net income for the year**			**3,120,682**	**-**
28.	Profit carryforward			-	-
29.	Appropriation of the capital reserves			-	-
30.	Appropriation of the revenue reserves			-	-
a)	- Of the legal reserve				
b)	Of the reserve for shares in a controlling entity or majority shareholder				
c)	- Of the reserves required by the articles of incorporation and bylaws				
d)	- Of other revenue reserves				
31.	Appropriations of participation certificate capital			-	-
32.	Allocations to the revenue reserves			-	-
a)	To the legal reserve				
b)	To the reserve for shares in a controlling entity or majority shareholder				
c)	To the reserves required by the articles of incorporation and bylaws				
d)	To other revenue reserves				
33.	Replenishment of participation certificate capital			-	-
34.	**Net retained profit/accumulated loss**			**3,120,682**	**-**

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FISCAL YEAR FROM 1 APRIL 2018 to 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF ACCOUNTING

Nomura Financial Products Europe GmbH, having its registered office in Frankfurt am Main, is registered in the commercial register of Frankfurt am Main Local Court under HRB no. 110223. The financial statements as of 31 March 2019 were prepared for the first time in accordance with the provisions set out in the HGB [“Handelsgesetzbuch”: German Commercial Code], the RechKredV [“Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute”: German Bank Accounting Directive] and the AktG [“Aktiengesetz”: German Stock Corporation Act].

In applying the abovementioned financial reporting framework, the Company has deviated for the first time from its previous financial reporting framework, since it is now, according to Sec. 1 RechKredV, subject to the provisions of the RechKredV in conjunction with the provisions of the AktG as a result of being granted a licence to conduct banking business and render financial services in accordance with Sec. 32 (1) KWG by BaFin [“Bundesanstalt für Finanzdienstleistungsaufsicht”: German Federal Financial Supervisory Authority] on 24 May 2018. The financial statements as of 31 March 2018 were prepared pursuant to the provisions for small corporations in accordance with the HGB. As a result, a direct comparison with the prior-year figures is not possible. The relevant prior-year figures were restated accordingly.

2. ACCOUNTING POLICIES

Cash reserve

The cash reserve is carried at nominal value.

Receivables from banks

Loans and deposits are valued at amortised cost less impairment.

Unlisted debt securities

Bonds and other fixed-income securities held in the liquidity portfolio and not held for trading are valued individually at the lower of cost or market (lower of cost or market principle).

Bonds and other fixed-income securities held in the investment portfolio and not held for trading are carried at cost less impairment losses if permanent (modified lower of cost or market principle). This is an accounting election to recognise impairment losses if the impairment is temporary.

The Institution’s policy is to recognise purchases of regular debt securities as of the settlement date.

2. ACCOUNTING POLICIES (CONTINUED)

Trading book

All financial instruments classified as held for trading, including derivatives, loans, debt instruments and equity instruments, are recognised at fair value through profit or loss less the risk discount in accordance with Sec. 340e (3) HGB. Upon first-time recognition, the Institution classifies its financial assets according to the purpose for which the financial instruments were acquired and their features.

Fair value of financial instruments

The fair value is the market price. If there is no active market on which to determine the market price, the fair value should be determined using generally accepted valuation methods.

Trading assets are generally valued at the (lower) bid price and trading liabilities at the (higher) ask price. However, for convenience, valuations at average (mean) rates are also permitted.

Valuation models take into account contractual terms, position size, prices of underlying assets, interest rates, dividend rates, fair value, volatility and other statistical metrics for the instruments in question or for instruments with similar features. These models also include adjustments with regard to counterparties and the Institution’s own credit risk, administrative expenses for the servicing of future cash flows and market liquidity adjustments. These adjustments are key components of the process used to calculate fair value. The valuation method applied maximises the use of market data and minimises the use of institution-specific data not observable on the market.

Valuation models and their underlying assumptions influence the amount and timing of the unrealised profits and losses recorded. The use of different valuation models or underlying assumptions could lead to different financial results. Changes in the bond, equity, dividend and commodities markets may also have an impact on the Institution’s fair value estimates in the future and potentially on trading profits and losses as well as other profits and losses. The Institution’s fair value estimates may entail a greater measure of subjectivity due to the lack of transparent market data forming the basis for the assumptions underlying the valuation models.

Fair value adjustments due to changes in the Institution’s own creditworthiness are recognised in the income statement.

2. ACCOUNTING POLICIES (CONTINUED)

Risk discount

The risk discount for held-for-trading financial instruments measured at fair value is recognised as of each reporting date on the basis of the internal value at risk method (VaR) used for internal risk management.

The adjustment is based on:

- a 99% confidence level;
- a 10-day holding period and
- a minimum observation period of one year.

The adjustments are recognised in the income statement as a reduction of trading profit and as a single amount in an offsetting item for the higher amount of trading assets or trading liabilities. Compared to other adjustments at portfolio level, the VAR adjustment need not be spread over the entire portfolio on an appropriate basis.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FISCAL YEAR FROM 1 APRIL 2018 TO 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

Property and equipment and intangible assets

Property and equipment held for use are valued at amortised cost less accumulated depreciation and accumulated impairment losses. Property and equipment are depreciated straight line over their estimated useful lives, generally on the basis of the depreciation tables published by the tax authorities. Low-value assets with an individual net value not exceeding EUR 800 are fully expensed in the year of acquisition.

Specific bad debt allowances are recognised if there are indications that the asset may be impaired. The impairment loss of an individual asset is the difference between the book value of an asset and the lower of its replacement cost or market value. If the difference is considered to be permanent, the impairment loss is recognised in the income statement.

Purchased intangible assets are valued at amortised cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised straight line over their estimated useful lives down to their estimated residual value.

Other assets

Other assets are stated at nominal value.

Liabilities to banks

Liabilities are recognised at their settlement value plus accrued interest. These liabilities are only derecognised if they are repaid, i.e., when the contractually specified obligations have been discharged or cancelled or have expired.

2. ACCOUNTING POLICIES (CONTINUED)

Other liabilities

Other liabilities are stated at their settlement value.

Provisions

Provisions are only recognised if they meet all of the following criteria:

- There is an existing or likely present obligation to third parties
- The obligation is based on legal or contractual provisions
- The cash outflow from the obligation is predictable (i.e., reasonably certain)
- The cash outflow cannot be recognised as an asset
- Recognising a provision is not prohibited

2. ACCOUNTING POLICIES (CONTINUED)

Equity

Equity is stated at nominal value.

Contingent liabilities

Contingent off-balance sheet liabilities are disclosed at nominal value.

Foreign currencies

All foreign currency transactions are initially valued in EUR at the actual exchange rate on the transaction date, with the income or expense item being recognised either at the actual rate or the average rate.

Property and equipment and intangible assets are subsequently revalued at historical rates, while other items are revalued at the current mean market closing rate as of the reporting date.

Held-for-trading financial instruments which are measured at fair value are revalued at the current mean market closing rate. Exchange rate fluctuations are included as a component of net income or net expense from trading book positions and not as exchange gains or losses.

Exchange gains and losses from the revaluation of non-trading balances at the mean spot rate are recognised separately as part of other income or other expenses.

3. Foreign currency translation

Amounts in foreign currencies are translated in accordance with the provisions of Sec. 256a HGB. Assets and liabilities as well as income and expenses denominated in foreign currency are translated as of the reporting date at the exchange rates used by the Group. The resulting gains and losses are recognised in the income statement.

Assets and liabilities denominated in foreign currency:

	Fiscal year 2018/2019 EUR	Fiscal year 2017/2018 EUR
- Assets	1,668,692	-
- Liabilities	1,389,746	-

4. Maturity profile

	Fiscal year 2018/2019 EUR	Fiscal year 2017/2018 EUR
Receivables from banks due in		
- payable on demand	56,951,969	-
- up to 3 months	420,939,298	-
- more than 3 months up to 1 year	-	-
Receivables from customers due in		
- payable on demand	-	-
- up to 3 months	-	-
- more than 3 months up to 1 year	-	-
- more than 1 year up to 5 years	-	-
- more than 5 years	-	-

The balance of receivables of EUR 477,891,267 comprises bank balances of the headquarters and its branches, unsecured intragroup loans, intragroup reverse repo transactions and intragroup receivables from other operating income.

In March 2019, the Bank had no outstanding receivables from customers.

4. Maturity profile (continued)

	Fiscal year 2018/2019 EUR	Fiscal year 2017/2018 EUR
Liabilities to banks due in		
- payable on demand	1,904,646	-
- up to 3 months	321,507	-
- more than 3 months up to 1 year	-	-
Liabilities to customers with an agreed term or period of notice of		
- payable on demand	-	-
- up to 3 months	-	-
- more than 3 months up to 1 year	-	-
- more than 1 year up to 5 years	-	-
- more than 5 years	-	-

Liabilities to banks comprise EUR 1,900,002 relating to intragroup cash collateral received for derivatives transactions, EUR 321,507 relating to short-term intragroup loans and EUR 4,644 relating to liabilities to banks.

5. Relationships with other Nomura Group companies

	Fiscal year 2018/2019 EUR	Fiscal year 2017/2018 EUR
- Bank loans and deposits	430,438,917	-
- Loans and advances to customers	-	-
- Liabilities to banks	2,226,154	-
- Liabilities to customers	-	-

The Institution has loans and deposits at banks in the UK, including a EUR 400,000,000 deposit at Nomura Bank International plc, London, as well as a total of EUR 30,431,632 in receivables from Nomura International plc, London, from reverse repo transactions and transfer pricing receivables.
The total amount from reverse repo transactions with Nomura International plc, London, came to EUR 10,039,336 and constitutes a loan to managers etc.

The Institution has liabilities to banks at group companies in the UK and Japan. They include cash collateral of EUR 950,001 received from Nomura International plc, London, cash collateral of EUR 950,001 received from Nomura Financial Products Services Ltd., Tokyo, and a loan of EUR 288,000 received from Nomura Bank International plc, London.

6. Trading book

The trading book as of 31 March 2019 was not significant and only made a small contribution to the Institution's earnings compared to the much more significant contribution by sales credits from Global Markets, Investment Banking income and cost refunds.

Financial derivates, reverse repo and repo positions were recognised as financial instruments in the trading book.

	Trading assets in EUR	Trading liabilities in EUR
Financial derivates	198,273	203,790
Reverse repos/repos	1,743,998	3,452
Risk discount	(114)	-
	1,942,157	207,242

7. Trading book (continued)

Breakdown of financial instrument maturities by product:

	Derivative assets in EUR	Derivative liabilities in EUR	Nominal value EUR
Interest rate swaps maturing in			
- less than one year	1,659	1,656	7,036,455
- more than one year up to five years	-	-	-
- more than five years	-	-	-
Currency products maturing in			
- less than one year	179,096	184,617	15,302,058
- more than one year up to five years	-	-	-
- more than five years	-	-	-
Credit default swaps and other instruments maturing in			
- less than one year	7,238	7,237	3,300,004
- more than one year up to five years	10,280	10,280	400,000
- more than five years	-	-	-
Total	198,273	203,790	26,038,518

8. Property and equipment

Property and equipment are primarily used by the headquarters and its branches.

	Assets under construction	Furniture, fixtures and office equipment	Total
Acquisition and production cost	EUR	EUR	EUR
As of 1 April 2018	-	-	-
Additions	2,783,291	786,154	3,569,445
Disposals	-	-	-
Reclassifications	-	-	-
As of 31 March 2019	-	786,154	3,569,445
Depreciation and impairment			
As of 1 April 2018	-	-	-
Additions	-	(88,197)	(88,197)
Disposals	-	-	-
Reclassifications	-	-	-
As of 31 March 2019	-	(88,197)	(88,197)
Book values			
As of 31 March 2018	-	-	-
As of 31 March 2019	2,783,291	697,957	3,481,248

9. Other assets

Other assets of EUR 15,478,753 (prior year: EUR 0) mainly comprise amounts from employer's pension liability insurance policies of EUR 4,613,404, refund claims of EUR 9,180,890 and rent security deposits of EUR 271,000.

10. Liabilities to banks

On-demand liabilities to banks relate to cash collateral for derivative transactions received from group companies of EUR 1,900,002 and overdraft facilities of EUR 4,644 (prior year: EUR 0). An amount of EUR 321,507 with an agreed term relates to accrued interest not yet due.

11. Other liabilities

Other liabilities chiefly comprise liabilities assumed for tax obligations of Nomura International plc, German Branch.

12. Provisions for pensions and similar obligations

Pension obligations were valued according to actuarial principles using the projected unit credit method (PUC method). The provision amount factored in assumptions regarding the future benefit entitlements and pension increases as well as turnover probabilities. The assumptions used in the valuation were as follows:

	Assumptions
Actuarial interest rate p.a.	3.08% p.a.
Salary trend p.a.	1.50% p.a.
Increase in the income threshold p.a.	2.20% p.a.
Increase in pensions p.a.	1.50% p.a.

Mortality tables used: Heubeck mortality tables (2018 G)
Turnover probabilities based on age and sex were used to account for employee turnover.

The difference in accordance with Sec. 253 (6) HGB based on an average interest rate of 2.68% over seven years amounts to EUR 1,335,671.

13. Other provisions

Other provisions of EUR 26,061,922 mainly comprise provisions for wages and salaries, services and deliveries of EUR 16,131,031, severance payments of EUR 9,180,890, financial statement audit costs of EUR 750,000 and general and administrative expenses.

14. Equity

NEHS holds 47,174,293 shares carrying equal rights, NIP holds 2,458,030 shares also carrying equal rights and BNF holds 367,677 shares carrying equal rights in the capital stock of the Institution, which has the legal form of a German limited liability company ["Gesellschaft mit beschränkter Haftung": GmbH]. Its capital stock of EUR 50,000,000 is divided into 50,000,000 shares.

	Subscribed capital EUR
As of 1 April 2018	25,000
Issued in the course of the year:	49,975,000
As of 31 March 2019	50,000,000

After the reporting date, BNF sold the shares it held to NEHS on 29 May.

15. Net interest income/expense

The Institution's net interest expense mainly relates to negative interest expenses from deposits at Deutsche Bundesbank of EUR 15,598 (prior year: EUR 0) and securities repurchase transactions of EUR 252,581 (prior year: EUR 0).

16. Other operating income

Other operating income mainly comprises income from the global transfer pricing agreements. This income is made up of sales credits from the Global Markets division and a share of the income from the Nomura Group's Investment Banking division.
It also includes cost refunds including financing costs under a cost allocation arrangement with NIP, a UK affiliate.

	EUR
Income from global transfer pricing agreements	12,145,052
Income from cost allocations/cost refunds	9,883,204
Income from the reversal of provisions	1,727,870
Total	23,756,126

17. General and administrative expenses

Personnel expenses mainly comprise wages and salaries of EUR 13,109,928 (prior year: EUR 0) for employees working at the headquarters and branches as well as social security and pension costs of EUR 1,091,835 (prior year: EUR 0). Other administrative expenses of EUR 3,604,898 (prior year: EUR 0) largely relate to other fees, market data services, rent and travel expenses.

18. Other operating expenses

Other operating expenses of EUR 23,566 (prior year: EUR 0) are due to the tax charge of the German Branch acquired from NIP.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FISCAL YEAR FROM 1 APRIL 2018 TO 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Income taxes

	Fiscal year 2018/2019 EUR	Fiscal year 2017/2018 EUR
Corporate income tax	2,276,296	-
Trade tax	101,830	-
Solidarity surcharge	5,324	-
Tax on investment income	-	-
Taxes from prior years	-	-
Total	2,383,450	-

20. Contingent liabilities and other obligations

	Fiscal year 2018/2019 EUR	Fiscal year 2017/2018 EUR
Contingent liabilities	7,655	-
Other obligations	-	-
Thereof irrevocable loan commitments	-	-

Contingent liabilities include rent guarantees which pose a very low risk at present, since they have only been granted to the Institution's employees and branches.

21. Auditor's fees

The auditor's fees recognised as of 31 March 2019 breaks down as follows:

	Fiscal year 2018/2019 EUR	Fiscal year 2017/2018 EUR
Audit services	750,000	-
Audit-related services	-	-
Tax services	-	-
Other services	-	-

22. Appropriation of profit/loss

Revenue reserves of EUR 3,120,682 were proposed for the year (prior year: EUR 0).
No interim dividends were distributed (prior year: EUR 0) and the Management Board recommended that no final dividend be paid (prior year: EUR 0).

23. Employees

The average number employees was 47.5. At the end of the fiscal year, the Bank had 178 employees working in the following areas:

	Fiscal year as of 31 March 2019 EUR	Fiscal year as of 31 March 2018 EUR
Investment Banking	65	-
Global Markets	29	-
Administration	84	-
Total	**178**	**-**

24. Management Board and Supervisory Board

During the fiscal year and at the time of preparing the balance sheet, the Management Board was composed of the following persons:

Name	Function	Further activities
Hirofumi Misawa	Chief Executive Officer (appointed on 15 August 2018, commenced work on 1 October 2018)	Senior Managing Director of Nomura Holdings Inc. Member of the Board of Directors of Nomura Financial Products & Services, Inc.
Markus Möbius	Chief Risk Officer (appointed on 19 April 2018, commenced work on 1 October 2018)	
Markus Sauerland	Chief Operating Officer (appointed on 18 October 2018, commenced work on 1 January 2019)	Supervisory Board member of suchdialog AG
Michael Schmelzer	Chief Financial Officer (appointed on 19 April 2018, commenced work on 1 October 2018)	
Walter Heindl	Chief Executive Officer (retired on 14 June 2018)	

The remuneration paid to the members of the Institution's Management Board in the course of the year came to EUR 1,060,299 (prior year: EUR 0). In the reporting year, pension commitments of EUR 345,911 were added to the statutory balance sheet (prior year: EUR 0). Mr Walter Heindl did not receive any remuneration from Nomura Financial Products Europe GmbH in the reporting period, nor were there any pension commitments.

None of NFPE's employees performed any supervisory board work in another organisation in the reporting period.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH-

FISCAL YEAR FROM 1 APRIL 2018 TO 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

During the fiscal year and at the time of preparing the balance sheet, the Supervisory Board was composed of the following persons:

Name	Function	Further activities
Jonathan Lewis	Chairman of the Supervisory Board (appointed on 19 July 2018)	Executive Director and CEO of Nomura Europe Holdings plc Executive Director and CEO of Nomura International plc Executive Director and CEO of Nomura Bank International plc
Toru Otsuka	Supervisory Board member (appointed on 19 July 2018)	Senior Managing Director of Nomura Holdings Inc.
Neeta Atkar	Supervisory Board member (appointed on 19 October 2018)	Non-Executive Director and Chair of the Risk Committee of Nomura European Holdings plc and Nomura Bank International plc Non-Executive Director and Chair of the Risk Committee of the Yorkshire Building Society Group Non-Executive Director and Chair of the Risk Committee of British Business Bank
Lewis O'Donald	Supervisory Board member (appointed on 19 October 2018, retired on 26 April 2019)	Executive Director of Nomura Europe Holdings plc Global Chief Risk Officer
Marija Korsch	Supervisory Board member (appointed on 1 October 2018)	Supervisory Board chair of Aareal Bank AG Supervisory Board member of Instone Real Estate Group AG
Jeremy Arnolds	Supervisory Board member (appointed on 31 August 2018, retired on 26 September 2018)	Chief Risk Officer (Director) of Nomura International plc Director of Nomura Alternative Investment Management (Europe) Limited

The remuneration paid to the members of the Institution's Supervisory Board in the course of the year came to EUR 50,000 (including VAT) (prior year: EUR 0). No pension commitments were made to the members of the Supervisory Board.

25. Intercompany relationships

The ultimate parent company and controlling party and the parent company that controls the largest group of companies for which consolidated financial statements are prepared is NHI, which is registered in Japan. A copy of the consolidated financial statements of Nomura Holdings, Inc., is available from 9-1, Nihonbashi 1-Chome, Chuo-ku, Tokyo 103-8645, Japan.

The parent company which controls the smallest group of companies is NEHS, having its registered office at 1 Angel Lane in London, EC4R 3AB, UK.

26. Subsequent events

No significant events having an impact on the Institution’s assets, liabilities, financial performance and financial position occurred after the close of the fiscal year.

Frankfurt am Main, 4 July 2019

Nomura Financial Products Europe GmbH

The Managing Directors

Hirofumi Misawa	Markus Möbius
Markus Sauerland	Michael Schmelzer

INDEPENDENT AUDITORS REPORT

To Nomura Financial Products Europe GmbH, Frankfurt am Main

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of Nomura Financial Products Europe GmbH, Frankfurt am Main, which comprise the balance sheet as at 31 March 2018, and the income statement for the fiscal year from 1 April 2018 to 31 March 2019 (fiscal year 2018/2019), and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Nomura Financial Products Europe GmbH for the fiscal year from 1 April 2018 to 31 March 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Institution as at 31 March 2019 and of its financial performance for the fiscal year from 1 April 2018 to 31 March 2019 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Institution’s position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Pursuant to Sec. 322 (3) Sentence 1 HGB [“Handelsgesetzbuch”: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the annual financial statements and of the management report” section of our auditor’s report. We are independent of the Institution in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional 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 opinions on the annual financial statements and on the management report.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the Management report

The Executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Institution's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Institution's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Institution's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Institution's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Institution.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Institution's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."

Eschborn/Frankfurt am Main, 5. July 2019

Ernst & Young GmbH
Accounting Firm

Binder	Müller-Tronnier
German Public Auditor	German Public Auditor