NOMURA BANK INTERNATIONAL PLC

ANNUAL REPORT

31 MARCH 2013

COMPANY REGISTERED NUMBER 1981122

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2013

DIRECTORS' REPORT

The Directors present their report and the consolidated financial statements of Nomura Bank International plc (the "Bank") for the year ended 31 March 2013. The Bank is incorporated in England and its registered office is at 1 Angel Lane, London EC4R 3AB.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS AND DIVIDENDS

The results for the year are set out on page 9. No interim dividend was paid during the year (2012: $nil). The Directors do not recommend the payment of a final dividend (2012: $nil).

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

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

Following the acquisition of GE Capital Finance (China) Co., Ltd (the "Bank's China subsidiary") on 13 February 2012, the Bank has since been planning the infrastructure and governance to allow the Bank's China subsidiary to engage in banking activity. In addition, the Bank is seeking to gradually acquire additional licences to enable the Bank's China subsidiary to transact in China, and is working with the China regulator in this regard.

The Bank continues to lend predominantly on a secured basis through the use of reverse repurchase transactions ('Securities purchased under agreements to resell'). As at 31 March 2013, 96% of funds were advanced on a secured basis. The Bank's key financial performance indicators during the year were as follows:

	Year ended 31 March 2013 $'000	Year ended 31 March 2012 $'000
Operating income	(285,502)	166,453
Profit on ordinary activities before taxation	(300,800)	153,694
Profit for the year	(305,973)	113,764
Shareholders' funds	584,975	890,944

DIRECTORS' REPORT (CONTINUED)

The Bank reported a loss on ordinary activities before tax for the year of $300,799,951 (2012: profit of $153,693,596). This is largely attributable to the impact of tightening credit spreads on the Bank's note issuance business. As the Bank's own credit is included in the fair value of bonds and medium term notes issued, the tightening of Nomura's credit spreads during the year ended 31 March 2013 has impacted the valuation of the Bank's financial liabilities. As credit spreads have tightened, the fair value of bonds and medium term notes issued in the statement of financial position has increased and profit on ordinary activities has decreased. The impact of own credit included within the loss on ordinary activities before tax was a loss of $313,329,593 (2012: profit of $144,905,376).

For the year ending 31 March 2014, the Bank will focus on its activities to support the Global Wholesale Business, predominantly the Global Markets Division, of the Nomura Group and as business opportunities arise, expand its business.

EMPLOYEE MATTERS

The Bank outsources some of its support services under service level agreements to departments of Nomura International plc ("NIP"), an affiliated company. The Bank employs its own staff for certain administrative activities.

The Bank operates an equal opportunities policy. The Bank has taken steps to ensure all employees are aware of the policy to help ensure that the Bank's environment retains an atmosphere which is conducive to good working and high performance.

The Bank's aim is to ensure that each and every individual is shown respect, treated fairly and courteously and has equal access to further opportunity and reward based on their contribution to the Bank.

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

The Bank is committed to taking positive action to promote equality of opportunity. Our recruitment, training and promotion procedures are all based on the requirements of a particular position.

RISK MANAGEMENT

The Bank's market, credit, liquidity and operational risk is managed through its Executive Management and Risk Committee which is chaired by the Chief Operating Officer of the Bank and of which the Head of Credit for the Europe, Middle East and Africa Region ("EMEA"), Head of Market Risk for EMEA, Head of Operational Risk Management for EMEA, Head of Operations for EMEA and Head of Treasury for EMEA (together the "Risk Members"), are members. These risks are also managed through the Board of Directors which is attended by the Risk Members upon invitation.

In addition, the Bank's conflicts, legal risk, reputational risks and cross border booking risks are delegated to, and managed through the appropriate committees of Nomura Europe Holdings plc ("NEHS"), the Bank's immediate parent. The Bank's risk appetite is also monitored by the NEHS Board Risk Committee which considers the current risk profile and risk appetite of NEHS and its subsidiaries and oversees the establishment and maintenance of an appropriate risk control framework for the NEHS Group. The Bank's financial risk management objectives and policies are disclosed in note 18.

DIRECTORS' REPORT (CONTINUED)

ENVIRONMENT

The Nomura Group, believe a healthy environment is the foundation of stable economic and social conditions for future generations. The Nomura Group is committed to acting in an environmentally responsible manner. The Nomura Group:

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

CREDITOR PAYMENT POLICY

It is the policy of the Bank to meet industry standard terms of transaction related payments or to pay in accordance with the terms agreed with suppliers when orders for goods or services are placed. Creditor days as at 31 March 2013 were 14 (2012: 14).

DONATIONS

The Bank made no charitable donations during the year (2012: $nil).

DIRECTORS

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

Dame Clara Furse *	– Non Executive Director and Chairman (resigned 1 May 2013)
Kieran Poynter *	– Non Executive Director (appointed Chairman 1 May 2013)
Paul Spanswick	– Director and Chief Executive Officer
Christopher Flanagan	– Director and Chief Operating Officer
David Harper	– Director (resigned 31 October 2012)
Masafumi Nakada	– Director
Kenji Kimura	– Director (resigned 30 August 2012)

* Member of the Audit Committee of the Board

DIRECTORS' INDEMNITIES

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

GOING CONCERN

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in this Report. In addition, note 18 of the statutory financial statements for the year to 31 March 2013 describes the Bank's objectives, policies and processes for risk management and capital management, as well as its exposures to credit and liquidity risk.

The Directors consider the Bank's capital position to be strong, given that the Bank hedges its market risk. Whilst the Bank has significant exposure to group companies, and in particular to NIP, this is significantly collateralised to minimise the Bank's exposure. The Bank's net exposures with NIP are supported by a limited written guarantee from the Bank's ultimate parent, NHI.

The maturity profile of the Bank's liabilities is typically much longer dated than that of its assets, minimising the risk of the Bank not being able to meet its obligations as they fall due.

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT FOR INTERNAL CONTROLS

The Directors are responsible for the Bank's internal controls and for reviewing the effectiveness of such controls within the overall corporate governance framework. Procedures and processes are in place for safeguarding assets against unauthorised use, for maintaining proper accounting records and for the reliability and usefulness of financial information used within the business or for publication. Such procedures and processes are designed to properly manage the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance, against material misstatement, errors, losses or fraud. The procedures enable the Bank to comply with, amongst other things, its statutory and regulatory obligations. In addition, the Bank's senior Finance, Risk, Legal and Compliance management and the internal and external auditors participate in relevant Board and committee meetings of both the Bank and the NEHS group to consider, amongst other things, the Bank's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control, compliance and risk management.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 3. Having made enquiries of fellow Directors and of the Bank's Auditors, each of these Directors confirms that:

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

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

AUDITORS

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

BY ORDER OF THE BOARD AT A MEETING HELD ON 15 JULY 2013

Andrew Eames

Company Secretary

18 July 2013

Company Registered Number: 1981122

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare consolidated financial statements for each financial year. Under that law, the Directors are required to prepare consolidated financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

- present fairly the financial position, financial performance and cash flows of the Bank;
- select suitable accounting policies in accordance with IAS 8 “Accounting policies, Changes in accounting Estimates and Errors” and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank’s financial position and financial performance; and
- state whether the consolidated financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors’ Report, the Directors’ Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

BY ORDER OF THE BOARD

Paul Spanswick
Director
18 July 2013
Company Registered Number: 1981122

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOMURA BANK INTERNATIONAL PLC

We have audited the financial statements of Nomura Bank International plc (together with its subsidiary undertakings the "Group") for the year ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2013 and of the Group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Andy Bates (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

NOMURA

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

Note		Group Year ended 31 March 2013 **$'000**	Group Year ended 31 March 2012 **$'000**
	INCOME		
2	Interest income and similar income	82,543	212,612
2	Interest expense and similar charges	(24,376)	(32,738)
	NET INTEREST INCOME	58,167	179,874
	Fee and commission income	126,378	113,599
	Fee and commission expense	(6,506)	(10,285)
3	Dealing loss	(463,541)	(116,735)
	TOTAL OPERATING INCOME	(285,502)	166,453
4	Administrative expenses	(15,298)	(12,759)
	(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(300,800)	153,694
6	Tax charge on profit on ordinary activities	(5,173)	(39,930)
	(LOSS) / PROFIT FOR THE YEAR	(305,973)	113,764
	Foreign currency gain / (loss)	4	(19)
	TOTAL COMPREHENSIVE INCOME	(305,969)	113,745

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

Included within the dealing loss for the year is a loss of $313,329,593 in relation to changes in own credit risk (2012: profit of $144,905,376). These gains and losses arise on financial instruments designated at fair value through profit and loss.

The notes on pages 16 to 61 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Called-up share capital $'000	Retained earnings $'000	Other Reserve $'000	Total shareholder's equity $'000
As at 1 April 2012	555,000	335,925	19	890,944
Loss for the year	-	(305,973)	-	(305,973)
Foreign currency gains	-	-	4	4
Total comprehensive income	-	(305,973)	4	(305,969)
As at 31 March 2013	555,000	29,952	23	584,975

	Called-up share capital $'000	Retained earnings $'000	Other Reserve $'000	Total shareholder's equity $'000
As at 1 April 2011	555,000	222,161	38	777,199
Profit for the year	-	113,764	-	113,764
Foreign currency losses	-	-	(19)	(19)
Total comprehensive income	-	113,764	(19)	113,745
As at 31 March 2012	555,000	335,925	19	890,944

Foreign currency gains/(losses) are due to the Bank's branch in Italy.

The notes on pages 16 to 61 form part of these financial statements.

No Company Statement of Changes in Equity for the years ended 31 March 2012 or 2013 has been prepared as there are no material differences to the above Consolidated Statements.

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013

		Group		Company	
	Note	March 2013 $'000	March 2012 $'000	March 2013 $'000	March 2012 $'000
Assets					
Loans and advances to banks		84,841	22,278	74,249	5,250
Derivative financial instruments	9	1,128,825	1,647,530	1,128,825	1,647,530
Loans and advances to affiliates		203,918	260,433	203,918	260,433
Securities purchased under agreements to resell		8,249,414	9,773,529	8,249,414	9,773,529
Loans and advances to others		148,319	-	141,319	-
Prepayments and accrued income		11,894	7,322	11,791	6,722
Other assets		78,051	144,807	77,952	144,683
Financial assets designated at fair value through profit and loss	8				
- Secured lending		1,110,974	3,675,676	1,110,974	3,675,676
- Other financial instruments		144,262	634,733	144,262	634,733
- Bonds and medium-term notes		-	300,000	-	300,000
Available-for-sale financial investments		13	4	13	4
Goodwill and intangible assets	12	62,200	62,277	-	-
Fixed assets		69	100	41	50
Investments in group undertakings	13	-	-	80,000	80,000
Deferred tax asset	16	25	-	-	-
Total assets		11,222,805	16,528,689	11,222,758	16,528,610
Liabilities					
Customer accounts		499	1,274	499	1,274
Derivative financial instruments	9	1,231,322	2,154,500	1,231,322	2,154,500
Accruals and deferred income		110,791	115,187	110,685	115,134
Borrowing from affiliates		683,247	580,899	683,247	580,899
Borrowing from others		10,308	11,705	10,308	11,705
Securities sold under agreements to repurchase	10	1,190,650	916,580	1,190,650	916,580
Financial liabilities designated at fair value through profit and loss	14				
- Bonds and medium-term notes		7,353,317	10,951,565	7,353,317	10,951,565
- Other financial instruments		16,707	825,265	16,707	825,265
Other liabilities	15	40,989	80,252	40,939	80,896
Deferred tax liabilities	16	-	518	-	538
Total liabilities		10,637,830	15,637,745	10,637,674	15,638,356
Shareholders' funds					
Called up share capital	17	555,000	555,000	555,000	555,000
Retained earnings		29,952	335,925	30,061	335,235
Other reserve		23	19	23	19
Total equity		584,975	890,944	585,084	890,254
Total liabilities and equity		11,222,805	16,528,689	11,222,758	16,528,610

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013 (CONTINUED)

Approved by the Board of Directors on 15 July 2013 and signed on its behalf by:

Paul Spanswick, Director

The notes on pages 16 to 61 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

		Group 2013 $'000	Group 2012 $'000
Operating activities			
Profit before tax		(300,800)	153,694
Non-cash adjustments to reconcile profit for the period to net cash flows			
Foreign Exchange Revaluation		4	(19)
Change in operating assets and liabilities			
Net change in loans and advances to affiliates		56,515	(259,138)
Net change in loans and advances to others		(148,319)	4,980
Net change in borrowing from banks and other customers		(1,397)	(96,702)
Net change in borrowings from affiliates		102,348	(2,788,234)
Net change in financial assets designated at fair value through profit and loss		3,355,173	220,488
Net change in financial liabilities designated at fair value through profit and loss		(676,603)	259,219
Fixed asset purchases		31	(100)
Net change in available-for-sale assets		(9)	148
Net change in derivative assets		518,705	112,626
Net change in derivative liabilities		(923,178)	(792,248)
Net change in securities purchased under agreements to resell		1,524,115	7,879,875
Net change in securities sold under agreements to repurchase		274,070	207,305
Net change in other assets		66,808	(125,819)
Net change in other liabilities		(823,643)	(3,070,962)
Net change in prepayments and accrued income		(4,572)	19,668
Net change in accruals and deferred income		(4,396)	(14,936)
Income tax paid		(28,553)	(1)
Net cash flow generated by operating activities		2,986,299	1,709,844
Investing activities			
Acquisitions of subsidiaries, net of cash acquired	11	-	(62,277)
Net cash used in investing activities		-	(62,277)

The notes on pages 16 to 61 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013 (CONTINUED)

	Group 2013 $'000	Group 2012 $'000
Financing activities		
Proceeds of borrowings and issuance of debt	1,126,392	3,799,154
Repayments of borrowings and redemption of debt	(4,048,037)	(5,434,105)
Net cash flow used in financing activities	(2,921,645)	(1,634,951)
Net increase in cash and cash equivalents	64,654	12,616
Cash and cash equivalents at 1 April	20,187	7,571
Cash and cash equivalents at 31 March	84,841	20,187
Included within operational cash flows		
Interest paid	12,427	24,173
Interest received	76,102	232,031

The notes on pages 16 to 61 form part of these financial statements.

No Company Statement of Cash Flows for the years ended 31 March 2012 or 2013 has been prepared as there are no material differences to the above Consolidated Statements.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013 (CONTINUED)

ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE STATEMENT OF FINANCIAL POSITION:

31 March 2013

	31 March 2013 $'000	Cash Flow $'000	31 March 2012 $'000
Loans and advances to other banks repayable on demand	84,841	62,563	22,278
Borrowing from other banks repayable on demand	-	2,091	(2,091)
Net cash balance	84,841	64,654	20,187

31 March 2012

	31 March 2012 $'000	Cash Flow $'000	31 March 2011 $'000
Loans and advances to other banks repayable on demand	22,278	14,707	7,571
Borrowing from other banks repayable on demand	(2,091)	(2,091)	-
Net cash balance	20,187	12,616	7,571

The notes on pages 16 to 61 form part of these financial statements.

Within the Loans and advances to other banks of $84,840,769 is a Cash Ratio Deposit with the Bank of England of £411,328 (USD equivalent $624,498) (2012: £973,306, USD equivalent $1,556,609). The maturity of this deposit is 3 June 2013.

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The consolidated financial statements of Nomura Bank International plc (the "Bank") have been prepared in accordance with International Financial Reporting Standards ("IFRS") including all International Accounting Standards ("IAS"), Standing Interpretations Committee (''SIC'') and International Financial Reporting Interpretations Committee (''IFRIC'') interpretations as adopted by the European Union.

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

The consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements are presented in United States dollar ("USD"), and all values are rounded to the nearest thousand USD except where otherwise stated. The Bank and Group accounts are presented in accordance with the Companies Act 2006.

The notes to the financial statements state when the Group and Company amounts are the same. Where, for a given note, the Group amount differs to the Company only amount, no Company only note is disclosed where there are no material differences to the Consolidated Statements.

(b) Significant accounting judgments, estimates and assumptions

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

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

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

- Where there is no active market for a financial instrument, fair value is determined using valuation techniques which could require judgement.
- The recovery of the carrying value of goodwill;
- Recoverability of deferred tax assets; and
- Other matters that affect the reported amounts of assets and liabilities.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Foreign Currencies

The Group's consolidated financial statements are presented in USD which is also the functional currency of the Bank.

The foreign currency transactions of each group entity are translated into the functional currency of that entity using the exchange rates prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are retranslated at rates of exchange ruling on the reporting date. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the statement of comprehensive income. The rate of exchange between the USD and Sterling at the reporting date was 1.5183 (2012: 1.5993).

(d) Operating Income

(i) Interest receivable

Interest income is recognised in the statement of comprehensive income for all interest-bearing financial assets classified as available-for-sale and other loans and advances using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or a group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

(ii) Interest payable

Interest expense is recognised in the statement of comprehensive income for all interest-bearing financial liabilities using the effective interest method, except for liabilities held at fair value through profit and loss.

(iii) Dealing profits and losses

Income arising from gains and losses on financial instruments designated as fair value through profit and loss is included in dealing losses. Interest on these positions is included, as it is integral to the dealing profit and distinct from interest on banking activities.

Dealing profits arise on a strategy basis across a range of instruments, and are managed accordingly. They are presented on a net basis, even though the corresponding financial assets and liabilities may not have been offset in the statement of financial position in accordance with the presentation requirements of International Accounting Standard 39 "Financial instruments: Recognition and Measurement" ("IAS 39").

(iv) an additional interest charge, when it is recognised on an effective interest rate basis over the life of the advance as part of Interest Income. Fees arising from the facilitation and servicing of note issuances are recognised in the consolidated statement of comprehensive income as the service is provided.

1. ACCOUNTING POLICIES (CONTINUED)

(d) Operating Income (Continued)

(v) Fee income and expense

Fee income relating to loans and advances that are not measured at fair value through profit and loss is recognised in the statement of comprehensive income to match the cost of providing a continuing service, except where the fee amounts in substance to an additional interest charge, when it is recognised on an effective interest rate basis over the life of the advance as part of Interest Income. Fees arising from the facilitation and servicing of note issuances are recognised in the consolidated statement of comprehensive income as the service is provided.

(e) Financial Assets and Liabilities

The Bank classifies its financial instruments in the following categories: financial instruments at fair value through profit and loss, loans and receivables, available-for-sale financial assets and other financial liabilities. Management determines the classification of financial assets and liabilities on initial recognition depending upon the purpose for which the financial instruments were acquired and their characteristics. Where permitted and appropriate, management re-evaluates this designation at each financial year end. The recognition and derecognition policies of financial assets and liabilities are set out below.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides loans and advances directly with no intention of trading the receivable. Loans are initially recognised on settlement date at fair value including any direct and incremental transaction costs, and are derecognised on repayment or when all significant benefits and risks have been transferred to a third party.

Such assets are carried at amortised cost, using the effective interest method if the time value of money is significant. Gains and losses are recognised in the statement of comprehensive income, when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are recorded within the following statement of financial position classifications: Loans and advances to banks, Loans and advances to affiliates, Other loans and advances and Other assets.

(ii) Financial instruments designated at fair value through profit and loss

Management designates certain non-derivative financial instruments and certain non-trading liabilities as fair value through profit and loss where doing so results in more relevant information. Instruments so designated are hybrid products whose risks are hedged using a mixture of derivative or non-derivative products.

These instruments are recognised initially at fair value and transaction costs are taken directly to the statement of comprehensive income. Gains and losses arising from changes in fair value are included in the statement of comprehensive income.

Financial assets are recognised and derecognised on settlement date for regular way transactions.

1. ACCOUNTING POLICIES (CONTINUED)

(iii) Available-for-sale investments

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

Where applicable interest determined using the effective interest method and impairment losses are recognised in the statement of comprehensive income. Gains and losses arising from changes in fair value are taken to the other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss is transferred to the statement of comprehensive income.

Any reversal of impairment losses on non-equity available-for-sale investments is taken to the statement of comprehensive income.

(iv) Other liabilities

Financial liabilities are initially recognised on settlement date at fair value including any direct and incremental transaction costs, and are derecognised on repayment. Such liabilities are measured at amortised cost using the effective interest method.

(f) Sale and repurchase agreements

The Bank enters into agreements to sell certain debt securities to counterparties and then repurchase them at a later date ("repo"), called "securities sold under agreements to repurchase" on the statement of financial position. These debt securities are retained on the statement of financial position, and the purchase price received by the Bank shown as a liability to the purchaser.

The Bank also enters into agreements to buy certain debt securities with counterparties and then sell them at a later date ("reverse repurchase transaction"), called "securities purchased under agreements to resell" on the statement of financial position. These debt securities are excluded from the Bank's inventory and the purchase price paid for the securities is shown as an amount receivable from the vendor.

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

(g) Derivatives

All derivatives are recognised initially at fair value and subsequently carried in the consolidated statement of financial position at fair value. Derivatives are recorded as assets when their fair value on the reporting date is positive and as liabilities when their fair value is negative.

The Bank uses derivatives to economically hedge interest rate, equity, credit and exchange rate exposures related to non-trading positions. All derivatives held for trading are currently used for hedging purposes. The Bank currently has no derivatives for which hedge accounting is applied. Any realised and unrealised gains and losses are recognised in the statement of comprehensive income.

1. ACCOUNTING POLICIES (CONTINUED)

(g) Derivatives (continued)

Some hybrid contracts contain both a derivative and a non-derivative component. Where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, we designate the entire contract at fair value through profit and loss as outlined in 1(e) ii.

(h) Fair Values

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

(i) Valuation of fair value instruments

The fair value of financial instruments is the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider contractual terms, position size, underlying asset prices, interest rates, dividend rates, time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics. These models also incorporate adjustments relating to counterparty and the Bank's own credit risk, the administrative costs of servicing future cash flow and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process. The valuation technique used maximises the use of market inputs and minimises the use of entity-specific inputs which are unobservable in the market.

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

(ii) Fair value option

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

1) The financial instrument contains an embedded derivative that significantly modifies the cash flows resulting from the financial instrument; or

1. ACCOUNTING POLICIES (CONTINUED)

(h) Fair Values (continued)

(ii) Fair value option (continued)

2) Fair value will eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise result from measuring related financial instruments on different bases; or

3) The financial instrument is part of a group of financial instruments both managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Information about these financial instruments is provided internally on a fair value basis to the Bank's key management personnel.

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

(i) Derecognition

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

(j) Impairment

The Bank assesses at the reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the reporting date and that loss event has had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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

1. ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

For debt securities classified as available-for-sale the amount of impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss in that investment previously recognised in the consolidated statement of comprehensive income.

The calculation of the present value of the expected future cash flows of a collateralised financial asset reflects the cash flows that may result from obtaining and selling the underlying collateral.

(k) Collateral and offsetting

The Bank enters into agreements with counterparties whenever possible and, when appropriate, obtains collateral.

The Bank holds collateral in respect of credit-related instruments where this is considered desirable, given the customer's financial position and the overall banking relationship. The collateral can take the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. In addition, the Bank receives cash or securities collateral from Nomura group companies in respect of derivative exposure.

Amounts due to / owed by counterparties are only netted if there is a legal right to offset and management intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. At present, no transactions meet these criteria and no amounts due to / owed by counterparties have been netted.

(l) Taxation

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

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts in the statement of financial position and the tax base. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to be reversed based on tax rates and laws that have been enacted or substantively enacted at the reporting date.

1. ACCOUNTING POLICIES (CONTINUED)

(m) Financial guarantees

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

(n) Retirement Benefits

The Bank is a member of a defined benefit scheme comprising certain UK Nomura companies administered by NIP. The defined benefit plan administered by NIP is a plan that shares risks between entities under common control and is run on a basis that does not allow the individual companies participating within the scheme to identify their shares of the underlying assets and liabilities. As a result, the Bank is not required to apply defined benefit accounting and therefore has applied defined contribution accounting to the scheme in accordance with IAS 19 “Employee Benefits”. There is no contractual agreement or stated policy for charging the net defined benefit cost to the Bank.

(o) Provisions for liabilities and charges and contingent liabilities

A provision is recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. A contingent liability is a possible obligation whose existence will only be confirmed in the future or it is a present obligation (legal or constructive) and either it is not probable that a transfer of economic benefits will be required to settle the obligation or a reliable estimate cannot be made of the amount of the obligation. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine if a provision should be recognised.

(p) Cash flow statement

The Bank uses the indirect method to produce a cash flow statement in accordance with IAS 7 “Statement of Cashflows”.

(q) Cash and cash equivalents

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

(r) Investments in Group Undertakings

The Bank’s investments in subsidiary undertakings, which are outside the scope of IAS 39, are stated at original cost less amounts written off where there has been impairment.

1. ACCOUNTING POLICIES (CONTINUED)

(s) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary undertaking. Subsidiaries are fully consolidated from the date on which control is transferred to the parent company and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same accounting period as the parent company, using consistent accounting policies. All intra-group balances, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

The Bank sponsors the formation of various special purpose entities ("SPEs"), which may or may not be directly or indirectly owned subsidiaries. The Bank consolidates those SPEs it controls. In assessing and determining if the Bank controls the SPEs, judgement is exercised to determine the following:

- Whether the activities of the SPE are being conducted on behalf of the Bank to obtain benefits from the SPE's operation;
- Whether the Bank has the decision–making powers to control or to obtain control of the SPE or its assets;
- Whether the Bank has rights to obtain the majority of the benefits of the SPE's activities; and
- Whether the Bank retains the majority of the risks related to the SPE or its assets in order to obtain benefits from its activities

(t) Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructurings) of the acquired business at fair value on the acquisition date. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the statement of comprehensive income in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. A cash generating unit ("CGU") is the lowest level at which a group of assets generates cash inflows independently of other assets. Each CGU to which the goodwill is allocated represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 "Operating Segments". The goodwill acquired through the business combination has been allocated to the Bank's China subsidiary as its CGU for impairment testing.

1. ACCOUNTING POLICIES (CONTINUED)

(u) Intangible assets

The Bank's intangible assets include the value of a restricted bank licence acquired in a business combination. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the administrative expenses category.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives. The restricted bank licence has a useful life of 35 years and a remaining amortization period of 33 years and 11 months at 31 March 2013.

(v) Impairment of non–financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

1. ACCOUNTING POLICIES (CONTINUED)

(w) Segment reporting

For management purposes, the Bank has only one operating and reportable segment involving financing activities. Substantially all of the Bank's gross and net assets and loss before taxation reported in these financial statements has arisen from this segment.

(x) Standards issued but not yet effective

IFRS 9 "Financial Instruments: Classification and Measurement"

IFRS 9, as issued, reflects the first phase of the IASB work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the IASB will address impairment and hedge accounting. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the Bank's financial assets but will not have an impact on classification and measurements of financial liabilities. Additionally, financial liabilities that are designated at fair value through profit and loss will have their changes in own credit risk recognised directly into other comprehensive income.

The standard is effective for annual periods beginning on or after 1 January 2015. The Bank will adopt the new requirements from April 1, 2015. The Bank will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 "Consolidated Financial Statements"

The standard replaces the requirements of IAS 27 "Consolidated and Separate Financial Statements" that address the accounting for consolidated financial statements and SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

The European Union endorsed IFRS 10 on 4 April 2013. The standard is effective for annual periods beginning on or after 1 January 2014 with earlier adoption permitted. However, as the impact of adoption depends on the nature of relationships between the Bank and other entities at the date of adoption, it is not practical to quantify the effects.

IFRS 11 "Joint Arrangements"

The standard replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers". Because IFRS 11 uses the principle of control in IFRS 10 to define control, the determination of whether joint control exists may change. The European Union endorsed IFRS 11 on 4 April 2013. The standard is effective for annual periods beginning on or after 1 January 2014 with earlier adoption permitted. The impact of adopting IFRS 11 is not expected to be material.

1. ACCOUNTING POLICIES (CONTINUED)

(x) Standards issued but not yet effective

IFRS 12 "Disclosure of Involvement with Other Entities"
The new standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 "Interests in Joint Ventures" and IAS 28 "Investment in Associates". These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. On adoption of this standard, even if the Bank concludes that it does not control an entity, the information used to make that judgement will be transparent to users of the financial statements to make their own assessment of the financial impact were the Bank to reach a different conclusion regarding consolidation – by providing more information about unconsolidated entities.

The European Union endorsed IFRS 12 on 4 April 2013. The standard is effective for annual periods beginning on or after 1 January 2014 with earlier adoption permitted. The Bank will need to disclose more information about the consolidated and unconsolidated structured entities with which it is involved or has sponsored. However, the standard will not have any impact on the financial position or performance of the Bank.

IFRS 13 "Fair Value measurement"
IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. Many of the concepts in IFRS 13 are consistent with current practice. The disclosure requirements are substantial.

The standard became effective for annual periods beginning on or after 1 January 2013. The Bank adopted the new requirements from 1 April 2013. In the past the Bank has used various methodologies to measure fair value based on the guidance within the requisite standard and/or industry practice for the type of financial or non-financial item. This standard requires the Bank to review its fair value measurement policies across all asset and liability classes. The impact of adopting IFRS 13 is not expected to be material.

IAS 1 "Financial Statement Presentation" – Presentation of Items of Other Comprehensive Income
The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income ("OCI"). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Bank's financial position or performance. The amendment became effective for annual periods beginning on or after 1 July 2012. The Bank adopted the new requirements from 1 April 2013.

IAS 27 "Separate Financial Statements (as revised in 2011)"
As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Bank does not present separate financial statements. The amendment became effective for annual periods beginning on or after 1 January 2013. The Bank adopted the new requirements from 1 April 2013.

1. ACCOUNTING POLICIES (CONTINUED)

(x) Standards issued but not yet effective

IAS 28 "Investments in Associates and Joint Ventures (as revised in 2011)"
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment became effective for annual periods beginning on or after 1 January 2013. The Bank adopted the new requirements from 1 April 2013 and the impact is not expected to be material.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and became effective for annual periods beginning on or after 1 January 2013. The Bank adopted these amendments from 1 April 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Bank by reviewing settlement procedures and legal documentation to ensure that any offsetting is still possible.

These amendments become effective for annual periods beginning on or after 1 January 2014. The Bank will adopt the amendments from 1 April 2014. The impact of adopting these amendments is not expected to be material.

(y) Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRS interpretations:

IFRS 7 Financial Instruments: Disclosures (amendment)
The IASB issued an amendment to IFRS 7 on 7 October 2010. The amendment provides enhanced disclosures for 'transferred financial assets that are derecognised in their entirety' and Transferred assets that are not derecognised in their entirety. The effective date is for annual periods beginning on or after 1 July 2011.

(z) Retained Profit for the year

In accordance with S.408 Companies Act 2006, the Bank has taken advantage of the dispensation not to produce its own income statement. Of the profit transferred to reserves, a loss of $305,174,063 (2012: $113,074,000) has been dealt with in the accounts of the Company.

2. INTEREST INCOME AND EXPENSE

	Year ended 31 March 2013 Group $'000	Year ended 31 March 2012 Group $'000
Interest Income		
Interest on deposits	630	1,583
Interest on reverse repurchase transactions	69,978	201,562
Other interest income	11,935	9,467
	82,543	212,612
Interest Expense		
Interest to banks and customers	10,566	9,850
Interest on funds borrowed	808	5,518
Interest on repo transactions	9,451	9,982
Other interest expense	3,551	7,388
	24,376	32,738

Of the total interest income on deposits of $629,526, amounts with respect to Nomura Group companies amounted to $103,995. The total interest expense on funds borrowed of $807,923 is with respect to Nomura Group companies.

3. DEALING LOSS

	Year ended 31 March 2013 Group and Company $'000	Year ended 31 March 2012 Group and Company $'000
Financial instruments held for trading	(58,939)	(1,016,634)
Financial instruments designated at fair value through profit and loss account	(404,602)	899,899
	(463,541)	(116,735)

The impact of changes in own credit risk included in dealing loss on financial instruments designated at fair value through profit and loss was a loss of $313,329,593 (2012: profit of $144,905,376).

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

4. ADMINISTRATIVE EXPENSES

	Year ended 31 March 2013 Group $'000	Year ended 31 March 2012 Group $'000
Wages, salaries and other social security costs	2,688	1,273
Audit of the financial statements	331	407
Audit related assurance services	176	144
Support service charges	11,995	10,916
Depreciation and amortisation	108	19
	15,298	12,759

The Bank utilises the services of a number of executive and non-executive Directors. The Bank employs its own staff for certain administrative activities (the number of direct employees at the end of the current financial year totalled 20 (2012: five)). In addition, the Bank uses the resources of NIP under a Service Level Agreement, for which a charge is paid.

In addition to the audit fees shown above, an amount of $276,328 (2012: $326,351) was borne by NHI.

5. DIRECTORS' EMOLUMENTS

The aggregate emoluments of Directors were $851,564 (2012: $1,400,942).

The highest paid Director received emoluments of $210,839 (2012: $257,291). As at 31 March 2013 his accrued pension totalled $6,880 per annum (2012: $nil) and no contributions were made to the Group Personal Pension plan.

The number of Directors who exercised share options during the year was one (2012: Nil).

The number of Directors entitled to receive shares under a long-term incentive plan during the year was four (2012: Nil).

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) TAX CHARGE

	Year ended 31 March 2013 Group **$'000**	Year ended 31 March 2012 Group **$'000**
Current tax:		
UK Corporation tax charge at 24% (2012: 26%)	(3)	(40,109)
Adjustment in respect of previous periods	(5,139)	13
Foreign tax suffered	(574)	(27)
	(5,716)	(40,123)
Deferred taxation:		
Current year temporary differences	544	148
Effect of changes in tax rates	-	45
Adjustment in respect of previous periods	(1)	-
Tax charge on profit on ordinary activities	(5,173)	(39,930)

(b) RECONCILIATION OF CORPORATION TAX CHARGE

	Year ended 31 March 2013 Group **$'000**	Year ended 31 March 2012 Group **$'000**
Net profit before tax	(300,800)	153,694
UK Corporation tax charge at 24% (2012: 26%)	72,192	(39,961)
Expenses not deductible for tax purposes	(19)	-
Allowable expenses not included in the loss before tax	409	-
Income not taxable for tax purposes	489	-
Unutilised tax losses	(72,530)	-
Foreign tax suffered	(574)	(27)
Adjustments in respect of previous years	(5,140)	13
Effect of change in tax rates	-	45
Income tax expense reported in the statement of comprehensive income	(5,173)	(39,930)

7. RETIREMENT BENEFIT

The Bank participates in a group scheme which is operated for the former employees of the Bank and certain of its fellow subsidiaries. The scheme is a defined benefit scheme, funded by the payment of contributions to a separately administered trust fund. The defined benefit plan administered by NIP is a plan that shares risks between entities under common control and is run on a basis that does not allow the individual company participating within the scheme to identify its share of the underlying assets and liabilities so that it is accounted for by the Bank as a defined contribution scheme. The contributions to the scheme are determined by a qualified actuary. A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2006 and updated to 31 March 2010 by William M Mercer Limited, qualified independent actuaries. The Trustee of the scheme is Premier Pensions Management Ltd., a qualified independent actuary.

The costs of the scheme are borne by NIP, and full disclosure of the scheme is presented in NIP's financial statements.

At the 31 March 2013 and 31 March 2012 the plan assets exceeded the value of the plan liabilities, i.e. there was a surplus. The amount that can be recovered through reduced contributions in the future is the present value of the liability expected to arise from future service by current and future scheme members less the present value of future employee contributions. As the plan closed to all future accrual with effect from 31 October 2005, there is no future benefit accrual and therefore the plan is subject to a net asset limit whereby in these circumstances it is not possible for any surplus to be recognised in NIP's balance sheet. There is no contractual agreement or stated policy for charging the net defined benefit cost to the Bank.

8. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 March 2013 Group and Company **$'000**	31 March 2012 Group and Company **$'000**
Bonds and medium-term notes	-	300,000
Secured lending	1,110,974	3,675,676
Other financial instruments	144,262	634,733
	1,255,236	4,610,409

9. DERIVATIVE FINANCIAL INSTRUMENTS

Positive fair values

	31 March 2013 Group and Company $'000	31 March 2012 Group and Company $'000
Analysis by counterparty		
Group companies	1,086,824	1,594,526
Other	42,001	53,004
	1,128,825	1,647,530

Negative fair values

	31 March 2013 Group and Company $'000	31 March 2012 Group and Company $'000
Analysis by counterparty		
Group companies	1,155,193	1,842,477
Other	76,129	312,023
	1,231,322	2,154,500

10. TRANSFERRED FINANCIAL ASSETS AND ASSETS HELD OR PLEDGED AS COLLATERAL

Transferred financial assets that are not derecognized in their entirety

The following tables for the Bank provides a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

Transferred financial asset	Fair value of transferred assets 2013 $'000	Carrying value of associated liabilities 2013 $'000	Fair value of transferred assets 2012 $'000	Carrying value of associated liabilities 2012 $'000
Relating to securities agreements to repurchase	2,255,038	(1,190,650)	1,362,978	(916,580)
Total Assets transferred	2,255,038	(1,190,650)	1,362,978	(916,580)

10. TRANSFERRED FINANCIAL ASSETS AND ASSETS HELD OR PLEDGED AS COLLATERAL (CONTINUED)

Repurchase agreements

The Bank has a program to sell securities under agreements to repurchase (repos) and to purchase securities under agreements to resell (reverse repos). All securities purchased in the table on the previous page have been obtained from NIP through reverse repo transactions.

The securities lent or sold under agreements to repurchase are transferred to a third party and the Bank receives cash in exchange, or other financial assets. These transactions are conducted under terms based on the applicable repo master agreement. If the securities increase or decrease in value the Bank may, in certain circumstances, require, or be required, to pay additional cash collateral. The Bank has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for the cash received as collateral. Generally, the counterparty's recourse is not limited to the transferred assets.

Transactions whereby financial assets are transferred, but continue to be recognized in their entirety on the Banks balance sheet include repurchase agreements and securities transferred to collateralize derivative transactions as well as other financial asset transfers. The transferred financial assets include assets received in reverse repurchase arrangements in which case the associated recognized liability represents the amount to be repaid to counterparties.

Collateral arrangements

Additionally the Bank has entered into various collateral arrangements with its derivative counterparties or other transactions whereby non cash collateral may be posted. These transactions are conducted under terms based on the applicable derivative agreement (e.g. ISDA Collateral Guidelines). The Bank has determined that it retains substantially all the risks and rewards of the posted non cash collateral, which include credit risk and market risk. The non cash collateral is not derecognised. Generally, the counterparty's recourse is not limited to the transferred assets.

11. BUSINESS COMBINATIONS

Prior year acquisitions

The Bank's China subsidiary was acquired on 13 February 2012, with a view to converting it into a fully licensed wholly foreign owned bank in China.

Assets acquired and liabilities assumed

	Carrying value before acquisition $'000	Fair value adjustments $'000	Fair value at acquisition date $'000
Assets			
Other assets	17,780	-	17,780
Total assets	17,780	-	17,780
Liabilities			
Other liabilities	70	-	70
Total liabilities	70	-	70
Net Assets acquired (100%)			17,710
Goodwill and intangible fixed asset arising on acquisition			62,290
Total cash consideration paid			80,000
Cash and cash equivalents acquired			17,723
Net cash outflow on acquisitions			62,277
Total transaction costs of the acquisition (included in administrative expenses in the statement of comprehensive income)			-

The fair value of the receivables with banks amounts to $17,107,848 which equals their gross amount receivable. None of the receivables with banks were impaired and their contractual amounts were expected to be collected.

On acquisition, both goodwill of $59,590,205 and an intangible fixed asset of $2,700,000, arise. The goodwill of $59,590,205 comprises the value of future expected synergies arising from the acquisition. For impairment testing purposes, the goodwill is allocated entirely to the Bank's China subsidiary as its cash generating unit. None of the goodwill recognised is expected to be deductible for income tax purposes. The intangible fixed asset of $2,700,000 will be amortised over a period of 35 years.

From the date of acquisition, the Bank's China subsidiary has contributed an immaterial amount of revenue and net profit before tax to the Bank.

11. BUSINESS COMBINATIONS (CONTINUED)

Current year acquisitions

A special purpose vehicle (SPV) is an entity that is created to accomplish a narrow and well defined objective such as the securitisation of financial assets or execution of a specific borrowing or lending transaction.

During the year, the Bank established Taku Repackaging Trust ("Taku") and Bailey Repackaging Trust ("Bailey"), both incorporated in Delaware. These SPVs have sourced their funding by issuing securities to the Bank. The Bank has concluded that its holding of these securities indicates that it has control over the SPVs. Therefore, the SPVs are consolidated by the Bank. NBI holds 100% of the voting rights of these SPVs.

12. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill **$'000**	Other intangible assets **$'000**	Total **$'000**
Cost:			
At 31 March 2012	59,590	2,700	62,290
Additions	-	-	-
Disposals	-	-	-
At 31 March 2013	59,590	2,700	62,290
Amortisation and impairment:			
At 31 March 2012	-	13	13
Disposals	-	-	-
Amortisation charge for the year	-	77	77
At 31 March 2013	-	90	90
Net book value:			
At 31 March 2012	59,590	2,687	62,277
At 31 March 2013	59,590	2,610	62,200

The intangible asset represents the China banking license that was included in the acquisition of the Bank's China subsidiary.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the China subsidiary CGU, which is the reportable segment for impairment testing as follows:

	31 March 2013 Company **$'000**	31 March 2012 Company **$'000**
GE Capital Finance (China) Co., Ltd	59,590	59,590
	59,590	59,590

12. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Key assumptions used in value in use calculations

The recoverable amount of the China subsidiary has been determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by senior management covering a four–year period. The following rates are used by the Bank:

	31 March 2013 Company %
Discount rate	13
Projected growth rate	7
GDP	7

The calculation of value in use for the China subsidiary is most sensitive to projected growth rates used to extrapolate cash flows beyond year four, current local gross domestic product (GDP) and discount rates.

Projected growth rates and GDP
Assumptions are based on published industry research.

Discount rates
Discount rates reflect the current market assessment of the risk specific to the CGU. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the Nomura group, determined on a pre-tax basis. This rate was further adjusted to reflect the market assessment of any risks specific to the cash generating unit for which future estimates of cash flows have not been adjusted.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amount.

No Impairment review was carried out in the prior year as the China subsidiary was acquired shortly before 31 March 2012 and the purchase price was considered to approximate the fair value less costs to sell.

As the carrying amount of the Bank's China subsidiary does not exceed its value in use, management did not identify an impairment for the year ended 31 March 2013.

13. INVESTMENTS IN GROUP UNDERTAKINGS

	$'000
At 1 April 2012	80,000
Acquisitions	-
At 31 March 2013	80,000

The consolidated financial statements include the financial statements of the Bank and the subsidiaries in the following table:

Name of subsidiary	Country of incorporation	Nature of business	% equity interest at 31 March 2013	% equity interest at 31 March 2012
GE Capital Finance (China) Co., Ltd	China	Banking	100	100
Taku	US	SPV	100	-
Bailey	US	SPV	100	-

14. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 March 2013 Group and Company $'000	31 March 2012 Group and Company $'000
Bonds and medium- term notes, by remaining maturity:		
- Less than 1 year	1,224,525	1,604,447
- Less than 5 years but greater than 1 year	3,177,925	5,399,540
- Greater than 5 years	2,950,867	3,947,578
Other financial instruments	16,707	825,265
	7,370,024	11,776,830

As of 31 March 2013, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of long-term borrowings for which the fair value option was elected was $225,776,314 (2012: $22,711,320) more than the principal balance of such long-term borrowings.

The impact of changes in own credit risk included in dealing losses on financial liabilities designated at fair value through profit and loss account was a loss of $313,329,593 (2012: profit of $144,905,376). The valuation adjustment resulting from own credit, included in the fair values of bonds and medium notes in the statement of financial position, is a debit of $12,258,220 at 31 March 2013 (2012: debit of $325,587,812). The Bank calculates and applies an own credit adjustment based on movements in the credit spread of the Nomura Group.

15. OTHER LIABILITIES

	31 March 2013 Group $'000	31 March 2012 Group $'000
Group relief payable	38,149	61,455
Foreign tax payable	510	35
Other payables	2,330	18,762
	40,989	80,252

The Bank has not breached or defaulted on any of its loan obligations with either third parties or fellow Nomura Group companies.

16. DEFERRED TAXATION

	Deferred tax balance 31 March 2013 $'000	Income statement effect 31 March 2013 $'000	Deferred tax balance 31 March 2012 $'000	Income statement effect 31 March 2012 $'000
Capital allowances	168	(48)	216	(76)
General Provisions	9	-	9	(1)
IAS 39 adjustment	(548)	215	(763)	270
Accrued pension and severance cost	24	5	19	-
Rate difference	1	-	1	-
Unutilised tax losses	69,878	69,410	-	-
Deferred tax not provided	(69,507)	(69,039)	-	-
	25	543	(518)	193

	31 March 2013 Group $'000	31 March 2012 Group $'000
Balance as at 1 April	(518)	(730)
Acquisition of Subsidiary	-	19
Deferred tax charge	544	148
Effect of changes in tax rates	-	45
Adjustment in respect of prior years	(1)	-
Balance at 31 March	25	(518)

16. DEFERRED TAXATION

The Bank has unutilised tax losses arising of $303,819,000 that are available for offset against future taxable profits. A deferred tax asset of $371,000 has been recognised in respect of these losses, being the amount equal to the UK net recognised deferred tax liability. A deferred tax asset of $69,507,000 has not been recognised in respect of the remaining losses. A deferred tax asset of $25,000 has been recognised in respect of the operations in China. Deferred tax assets have been stated at the corporation tax rate of 23% reflecting the reduction in the UK corporation tax rate which takes effect from 1 April 2013 and which was substantially enacted on 3 July 2012, i.e. before the balance sheet date.

A further reduction to the headline rate of corporation tax of 3% was announced in the Budget on 20 March 2013 which reduced the rate to 21 % from 1 April 2014 and to 20% from 1 April 2015. Neither of the reductions to 21% or 20% were substantively enacted at the balance sheet date. The aggregate impact of the proposed reduction in corporation tax rate from 23% to 20% will be to reduce the Bank's unrecognised deferred tax asset to $60,441,000.

17 SHARE CAPITAL

31 March 2013	Authorised	Allotted and fully paid	
	Number	Number	Consideration
	'000	'000	$'000
US Dollar Ordinary shares of $1 each	555,000	555,000	555,000

31 March 2012	Authorised	Allotted and fully paid	
	Number	Number	Consideration
	'000	'000	$'000
US Dollar Ordinary shares of $1 each	555,000	555,000	555,000

18. FINANCIAL RISK MANAGEMENT

The Bank's activities involve both the assumption and transfer of certain risks which must be managed. The most important types of risk are market risk, credit risk (including counterparty credit risk), liquidity risk and cash flow interest rate risk. Market risk includes currency risk, price risk and fair value interest rate risk.

For further detail, please refer to the below website where Nomura Group Pillar 3 disclosures are made: http://www.nomuraholdings.com/company/group/europe/pdf/p3d.pdf

The Role of Financial Instruments

The Bank issues debt with returns linked to equity, credit instruments or other indices. The Bank actively manages the resultant risk on a fair value basis using a combination of derivative and non-derivative financial instruments with the express intention of eliminating significant market risk arising from such transactions.

The Bank also offers traditional banking products to facilitate customer business such as credit facilities, guarantees and letters of credit. In addition to debt issuances noted above, the Bank obtains financing from capital, bank and intercompany borrowings.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk

The Bank defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". This definition is based on the standard Basel definition and excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura's reputation if caused by an operational risk. As defined by the "Regulations for System Risk Management", System Risk is considered to be a component of operational risk as defined above. The Bank uses the Nomura Group's Operational Risk framework for the management of the Bank's operational risk and this is outlined in the Global Operational Risk Management Combined Policy, Minimum Standards and Procedures of the Nomura Group.

The Operational Risk Management Framework consists of the following core products and services:

Operational Risk Event Capture – a process for the identification, reporting and management of operational risk events which could have an impact on the Nomura Group.

Risk and Control Self Assessment ("RCSA") – a periodic self assessment of risks and control effectiveness including any specific remediation.

Key Risk Indicators ("KRIs") – metrics used to monitor and manage the business exposure to risk.

Scenario analysis – a process to identify low frequency and high severity events.

These core components are used to identify the operational risk profile within the Company and ensure this is in accordance with the risk appetite set by the Nomura Group Integrated Risk Management Committee on behalf of the Nomura Group Board.

Risk Management Structure

The Directors are ultimately responsible for identifying and controlling risks through their overall risk management approach and approval of risk strategies and principles. Responsibility for risk reporting and control is undertaken by the following independent departments set up within the Bank or under service level agreements with affiliate companies.

Committees/Departments

Capital Allocation

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

Treasury Department

The Treasury department monitors compliance with the Bank's liquidity, currency and cash flow policies.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Department

The Risk Management department monitors and reports compliance with internally set market risk market and credit risk limits. It monitors, evaluate and conduct forensic investigations on operational risk issues and the internal control framework. It then reports on these to the Executive Management and Risk Committee.

Investment Evaluation and Credit Department

The Investment Evaluation and Credit Department monitors and reports compliance with internally set credit limits.

Finance Department

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

Internal Audit

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

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

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

Internal Audit adopts a risk-based audit approach. A risk assessment is formally carried out annually using a globally agreed methodology and, where necessary, this is updated throughout the year as a result of continuous monitoring, on completion of audits and in response to internal or external events or incidents.

The outcome of the Internal Audit risk assessment is used as a basis for determining the annual Audit Plan. Any regulatory or other required or expected audits are added to the Plan as well as any Management Requests or Special Projects initiated by Internal Audit, such as pre-implementation reviews, new business reviews or one-off assignments in response to significant changes in the regulatory or business environment.

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

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

The Bank's Committees

Executive Management and Risk Committee

The Executive Management and Risk Committee under authority delegated by the Directors are responsible for overseeing the management of the Bank and managing risk.

Credit & Risk Management Committee

The Credit & Risk Management Committee ("CRMC") is a sub-committee of the Executive Management and Risk Committee. The CRMC considers matters relating to credit and market risk. The Bank's credit policy stipulates that any investment grade exposures which have not been hedged, collateralised or repackaged within 12 months of take-on must be fully hedged out to acceptable counterparties. Any non-investment grade risk may, subject to prior approval by the Bank's Credit & Risk Management Committee, be held for up to nine months after which time it will be hedged, repackaged or disposed.

Risk Measurement and Reporting Systems

Risk reporting and control is administered via Monju, an in-house system which provides daily financial indicators including Value-at-Risk (VaR), Economic Capital (Nomura Capital Allocation Target – NCAT) and regulatory capital. Monitoring is applied at all levels in the business hierarchy, specifically business strategy, trading desk, division and company-wide.

a) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity prices and credit spreads.

Within the Nomura European Holdings Group, there is a formal process for the allocation and management of Economic Capital ("NCAT") which is facilitated through the capital allocation agenda discussed by the Capital Allocation Committee on a semi-annual basis.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Bank uses VaR as the primary tool to measure, monitor and review the market risk exposures of its trading portfolios. The Risk Management Department calculates VaR numbers daily for all relevant businesses and these figures are included in daily reporting to senior management.

The Bank transfers its risks to other Nomura Group companies using derivative products, therefore its market risk is immaterial. No additional VaR disclosures have been made.

i) Equity Price Risk and Issuer Credit Risk

The primary sources of equity price risk and issuer credit risk for the Bank arise from the issuance of debt with returns linked to equity, credit instruments or other indices. The Bank mitigates such risks through the purchase of direct hedges or by transferring such risks to other Nomura Group companies using derivative products.

As described in note 1(e) (ii) management designates such debt instruments, together with related non-derivative hedges, as fair value through profit and loss. Related derivative hedges are accounted for as Held for Trading items.

The table overleaf shows an analysis of the risks on a notional basis for non-trading items designated at fair value and those that are held for trading:

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 March 2013:	Equity Risk $'000	Credit Risk $'000	Total $'000
Financial instruments designated at fair value through profit and loss and held for trading:			
- Financial liabilities	(2,108,698)	(5,894,923)	(8,003,621)
Financial instruments designated at fair value through profit and loss:			
- Financial assets	1,110,974	-	1,110,974
Financial instruments held for trading:			
- Derivative Financial Instruments:			
- Fixed income and credit derivatives	-	5,894,923	5,894,923
- Equity derivatives	997,724	-	997,724
	-	-	-

31 March 2012:	Equity Risk $'000	Credit Risk $'000	Total $'000
Financial instruments designated at fair value through profit and loss and held for trading:			
- Financial liabilities	(4,192,908)	(7,491,952)	(11,684,860)
Financial instruments designated at fair value through profit and loss:			
- Financial assets	3,675,676	-	3,675,676
Financial instruments held for trading:			
- Derivative Financial Instruments:			
- Fixed income and credit derivatives	-	7,491,952	7,491,952
- Equity derivatives	517,232	-	517,232
	-	-	-

ii) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. During the course of the Treasury department's financing and investment activities there is often a need to swap surplus flows in one currency into another currency, a process achieved using currency swap transactions in both outright and derivative forms.

Management will always attempt to minimise structural currency risk and Treasury does not take any views on definitive outright positions, but will always have a translational currency risk given the European nature of assets held on the statement of financial position.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

iii) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Fair value interest rate risk arises from mismatches between the future yield on financial assets and their associated funding costs as a result of interest rate changes.

It is the Bank's policy to mitigate such risk through minimising the mismatch of the dates on which interest receivable on financial assets and interest payable on liabilities are next reset to the market rates or, if earlier, the date on which the instruments mature. Where applicable, derivative transactions are used to reduce this interest rate gap. In accordance with the outsourcing contract, NIP's Treasury department monitors compliance with interest rate gap policies, which are subsequently monitored independently by the Market Risk department. Almost all exposure is hedged to a 3 month LIBOR (or equivalent) position or shorter.

At 31 March 2013, the Bank had no significant exposure to fair value interest rate risk.

b) Credit Risk

Credit risk refers to the potential loss in the value of a transaction because of a counterparty or issuer failing to perform its contractual commitment. This type of risk is reduced through diversification, effective credit analysis of counterparties, enforcement of credit limits by country and by counterparty, management of credit exposure through netting arrangements, and the maintenance of adequate collateral to secure the commitments of counterparties. Credit derivatives are also used to reduce exposure or to hedge credit risk with respect to issuers.

NIP's Credit Risk Management Department is responsible for managing credit risks to which the Bank is exposed.

Counterparty exposure is managed through a process of limit setting and exception reporting with credit policy setting the maximum exposure and tenure based on credit rating. The Bank uses a scale of internal ratings that mirror the credit-rating agencies' rating scales. Changes to credit policy are presented to the Executive Management and Risk Committee, as are all credit actions.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position. Credit derivatives exposure is calculated taking into account the credit quality of the underlying issue and the counterparty. The Bank trades using market convention documentation and, where appropriate, credit enhancements will be added to the documentation.

The Bank is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. Counterparty exposure limits are set within the external Large Exposure limit requirements laid down by the Bank's regulator, the FCA and PRA.

As described in note 1(k), the Bank enters into netting agreements with certain counterparties to mitigate its exposure to credit loss. Amounts are only netted if there is a legal right to offset and the entity intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. The impact of offsetting financial assets and financial liabilities which are subject to master netting agreements is not reflected in the Statement of Financial Position. At 31 March 2013 no transactions meet these criteria.

The Bank mitigates its exposure to NIP requiring that cash lent is collateralised with securities (reverse repurchase transactions). At 31 March 2013 the fair value of securities pledged to the Bank by NIP was $10.3 billion, and largely comprised highly rated European government bonds. None of this collateral was repledged or retransferred at the reporting date. The exercise of collateral will lead to a significant reduction in the potential loss in the value of the corresponding financial asset in the event of a counterparty or issuer (including NIP) failing to perform its contractual commitment.

Credit Risk Exposure

Generally, the Bank's maximum exposure to credit risk at the balance sheet date approximates the financial instruments' carrying amount. However, the below discloses the maximum exposure to credit risk for financial instruments where their carrying amount differs to their maximum exposure to credit risk, without taking account of any collateral held or any other credit enhancements. Certain off balance sheet instruments which expose the Bank to a risk of loss due to default by the parties underlying these contracts are also disclosed.

	Maximum Exposure to Credit Risk 31 March 2013 **$'000**	Maximum Exposure to Credit Risk 31 March 2012 **$'000**
Financial guarantee contracts	179,598	123,282

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Bank receives a combination of cash and securities collateral from NIP with respect to its net derivative exposure with NIP. At 31 March 2013, cash received amounted to $495,420,199 and the fair value of securities received totalled $664,371,037. At 31 March 2012 the Bank received cash received amounted to $486,874,554 and the fair value of securities received totalled $3,376,765,978. Taking into account collateral and other credit enhancements, the Bank's significant credit risk is to NIP. The Bank benefits from a written guarantee from its ultimate parent, NHI, over its exposure to NIP.

Off balance sheet commitments

In the normal course of business, the Bank provides corporate counterparties with loan commitment facilities. The notional amount of undrawn commitments are held off balance sheet, until the point at which they become drawn. The fair value of the commitments and the drawn facility are carried at fair value on the Statement of Financial Position. In addition, the Bank provides certain financial guarantees to third parties over their exposure to Nomura group companies.

Maximum Exposure to Credit Risk by Credit Rating

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

	Maximum Exposure to Credit Risk 31 March 2013 $'000	Maximum Exposure to Credit Risk 31 March 2012 $'000
Financial Assets		
AA	27,395	17,547
A	224,933	47,498
AAA	624	1,304
BBB	10,901,441	16,393,758
Not rated	68,412	68,582
Total	11,222,805	16,528,689
Off balance sheet commitments and financial guarantee contracts		
AA	32,033	199,974
A	1,398,434	1,152,215
BBB	696,614	325,569
B	10,185	14,130
Total	2,137,266	1,691,888
Total exposure to credit risk by credit rating	13,360,071	18,220,577

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Within “not rated” are balances representing the pool of counterparties which individually do not generate material credit risk for the Bank. In addition, the goodwill and intangible fixed asset arising on acquisition of the Bank’s China subsidiary is included within “not rated”

Substantially all the financial assets with exposures rated BBB are collateralised using a mixture of securities collateral, largely comprising highly rated European government bonds, or cash. In addition, the Bank benefits from a written guarantee from its ultimate parent, NHI, over its exposure to NIP. A significant proportion of the Bank’s BBB exposure is with NIP.

Included within “not rated” are two loans which are past due at the reporting date, carried at a total of $1,620,693. All credit risk arising on these positions is hedged with NIP; therefore there is no net impact on the profit and loss account of the Bank.

Concentrations of Credit Risk

Due to the Bank’s approach to mitigating risk, it is not exposed to any significant concentration risk other than that from other Nomura Group companies.

c) Liquidity Risk

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

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

NBI as a UK regulated entity is fully compliant with the UK PRA prescribed liquidity requirements.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Contractual Maturity Table

The table below shows the maturity profile of the Bank's assets. The analysis into maturity groupings is based on the remaining period to the contractual maturity date or, if earlier, the expected date the assets will be realised. Derivatives are disclosed at fair value on demand with the exception of gross settled derivatives, which are shown by contractual maturity remaining.

31 March 2013: Group	On demand $'000	Less than 30 days $'000	31 days - 1 year $'000	1-5 year $'000	Later than 5 years $'000	Total $'000
Financial assets						
Loans and advances to banks	84,841	-	-	-	-	84,841
All other loans and advances	-	-	7,000	141,319	-	148,319
Loans and advances to affiliates	37,000	134,537	2,381	-	30,000	203,918
Financial assets designated at fair value through profit and loss						
- Bonds / medium-term notes	-	-	-	-	-	-
- Secured lending	-	71,740	155,744	372,248	511,243	1,110,975
- Other financial instruments	-	-	1,621	20,394	122,247	144,262
Securities purchased under agreement to resell	-	1,765,679	5,293,085	1,190,650	-	8,249,414
Available-for-sale financial investments	-	-	-	-	13	13
Derivatives held for trading	1,088,152	9,919	30,754	-		1,128,825
Other asset categories	89,944	-	-	-	62,269	152,213
Deferred tax asset	-	-	-	-	25	25
Total assets	1,299,937	1,981,875	5,490,585	1,724,611	725,797	11,222,805

31 March 2012: Group	On demand $'000	Less than 30 days $'000	31 days - 1 year $'000	1-5 year $'000	Later than 5 years $'000	Total $'000
Financial assets						
Loans and advances to banks	5,478	-	16,800	-	-	22,278
All other loans and advances	56,000	-	204,433	-	-	260,433
Financial assets designated at fair value through profit and loss						
- Bonds and medium-term notes	-	-	-	-	300,000	300,000
- Secured lending	-	5,093	759,743	2,079,710	831,130	3,675,676
- Other financial instruments	-	-	609,666	25,067	-	634,733
Securities purchased under agreement to resell	-	2,288,184	6,568,759	916,586	-	9,773,529
Available-for-sale financial investments	-	-	-	-	4	4
Derivatives held for trading	1,634,194	13,330	6	-	-	1,647,530
Other asset categories	152,129	-	-	-	62,377	214,506
Total assets	1,847,801	2,306,607	8,159,407	3,021,363	1,193,511	16,528,689

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Contractual Maturity Table

The table below shows the Bank's liabilities by remaining contractual maturity, taking into account early redemption features. Derivatives and other instruments containing embedded derivatives including structured note issuances and other financial liabilities designated at fair value are presented at their fair values. Derivatives are disclosed at fair value on demand with the exception of gross settled derivatives, which are shown by contractual maturity remaining. Financial liabilities designated at fair value are disclosed based on their earliest redemption date. Given the complex nature of the Bank's financial liabilities designated at fair value and the volatility in relation to the performance of the underlying instruments, fair value is deemed an appropriate measure of the contractual amount at maturity.

31 March 2013: Group	On demand $'000	Less than 30 days $'000	31 days - 1 year $'000	1-5 year $'000	Later than 5 years $'000	Total $'000
Financial liabilities						
Customer accounts	499	-	-	-	-	499
Borrowing from affiliates	495,420	150,000	-	7,827	30,000	683,247
Borrowing from others	-	-	-	10,308	-	10,308
Financial liabilities designated at fair value through profit and loss						
- Bonds and medium-term notes	-	159,450	1,065,075	3,177,925	2,950,867	7,353,317
- Other financial instruments	-	-	-	16,707	-	16,707
Derivative held for trading	1,150,297	624	80,401	-	-	1,231,322
Securities sold under agreements to repurchase	-	-	-	1,190,650	-	1,190,650
Other liability categories	151,780	-	-	-	-	151,780
Total liabilities	1,797,996	310,074	1,145,476	4,403,417	2,980,867	10,637,830

31 March 2012: Group	On demand $'000	Less than 30 days $'000	31 days - 1 year $'000	1-5 year $'000	Later than 5 years $'000	Total $'000
Financial liabilities						
Customer accounts	1,274	-	-	-	-	1,274
Borrowing from affiliates	496,745	46,000		8,146	30,008	580,899
Borrowing from others	2,092	-	-	6,748	2,865	11,705
Financial liabilities designated at fair value through profit and loss						
- Bonds and medium-term notes	11	37,894	1,566,542	5,399,539	3,947,579	10,951,565
- Other financial instruments	-	-	800,198	25,067	-	825,265
Derivative held for trading	2,105,012	49,488		-	-	2,154,500
Securities sold under agreements to repurchase	-	-	-	916,580	-	916,580
Other liability categories	195,439	-	-	-	518	195,957
Total liabilities	2,800,573	133,382	2,366,740	6,356,080	3,980,970	15,637,745

The Bank is not aware of any breaches of loan payables during the year.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

c) Financial assets and liabilities designated at fair value through profit and loss and derivatives are measured at fair value by reference to quoted market prices when available. Such models are based wherever possible on assumptions supported by observable market prices or rates. These valuation techniques are based on assumptions. As a result, the fair value calculated using these valuation techniques will change if the underlying assumptions change. The potential impact of using reasonably possible alternative assumptions to value these financial instruments has not been disclosed as, due to the Bank's transfer of risks to other Nomura Group companies, it is not deemed significant.

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

Fair value hierarchy

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

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities accessible by the Bank at the measurement date.

Level 2 Quoted prices in inactive markets or prices containing other inputs which are observable, either directly or indirectly. Valuation techniques using observable inputs reflect assumptions used by market participants in pricing financial instruments and are based on data obtained from independent market sources at the measurement date.

Level 3 Unobservable inputs that are significant to the fair value measurement of the financial instrument. Valuation techniques using unobservable inputs reflect management's assumptions about the estimates used by other market participants in valuing similar financial instruments. These valuation techniques are developed based on the best available information at the measurement date.

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

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Group and Company

Fair value – Assets

31 March 2013: Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
- Derivatives	-	894,841	233,984	1,128,825
Financial assets designated at fair value through profit and loss:				
- Bonds and medium-term notes	-		-	-
- Secured lending	-	1,110,974	-	1,110,974
- Other financial instruments	-	16,707	1,621	18,328
	-	2,022,522	235,605	2,258,127

31 March 2012: Company	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
- Derivatives	-	1,243,159	404,372	1,647,530
Financial assets designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	300,000	-	300,000
- Secured lending	-	3,675,676	-	3,675,676
- Loans and receivables	-	631,907	3,628	635,536
	-	5,850,742	408,000	6,258,742

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Group and Company

Fair value hierarchy – Liabilities

31 March 2013: Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	917,558	313,764	1,231,322
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	7,353,317	-	7,353,317
- Other	-	16,707	-	16,707
	-	8,287,582	313,764	8,601,346

31 March 2012: Company	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	1,659,219	495,273	2,154,492
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	10,900,440	51,126	10,951,566
- Other	-	828,216	-	828,216
	-	13,387,875	546,399	13,934,274

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 3 financial assets and financial liabilities

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

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

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

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

31 March 2013 Group	At 1 April 2012	Total gains (losses) in P&L	Net cash (in)/out	Settle-ments	Net transfers in/(out) of level 3	At 31 March 2013	Unrealised Total gains (losses)in P&L
$'000s							
Financial assets							
Financial assets held for trading:							
- Derivatives	404,372	38,786	-	(275,586)	66,412	233,984	4,959
Financial assets designated fair value through profit and loss:							
- Loans and receivables	3,628	(2,345)	338	-	-	1,621	(2,422)
	408,000	36,441	338	(275,586)	66,412	235,605	2,537

31 March 2012 Company	At 1 April 2011	Total gains (losses) in P&L	Net cash (in)/out	Settle-ments	Net transfers in/(out) of level 3	At 31 March 2012	Unrealised Total gains (losses)in P&L
Financial assets							
Financial assets held for trading:							
- Derivatives	285,634	303,260	-	(226,370)	41,848	404,372	263,556
Financial assets designated fair value through profit and loss:							
- Loans and receivables	34,966	(28,978)	(2,360)	-	-	3,628	(41,043)
	320,600	274,282	(2,360)	(226,370)	41,848	408,000	222,512

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

31 March 2013 Group	At 1 April 2012	Total (gains)/ losses in P&L	Net issuance/ (redemption)	Settle-ments	Net transfers in/(out) of level 3	At 31 March 2013	Unrealised Total gains (losses) in P&L
$'000s							
Financial liabilities							
Financial liabilities held for trading:							
- Derivatives	495,272	(37,063)	-	(96,365)	(48,080)	313,764	(22,042)
Financial liabilities designated fair value through profit and loss:							
- Structured notes	51,126	-	-	-	(51,126)	-	-
	546,398	(37,063)	-	(96,365)	(99,206)	313,764	(22,042)

31 March 2012 Company	At 1 April 2011	Total (gains)/ losses in P&L	Net issuance/ (redemption)	Settle-ments	Net transfers in/(out) of level 3	At 31 March 2012	Unrealised Total gains (losses) in P&L
$'000s							
Financial liabilities							
Financial liabilities held for trading:							
- Derivatives	487,908	5,246	-	128,695	(126,577)	495,272	4,334
Financial liabilities designated fair value through profit and loss:							
- Structured notes	164,985	6,812	(36,477)	-	(84,194)	51,126	(3,098)
- Other	20,876	-	-	(20,876)	-	-	-
	673,769	12,057	(36,477)	107,819	(210,771)	546,398	1,236

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

During the year, approximately $51,126,000 of structured notes classified as financial liabilities designated at fair value through profit and loss were transferred out of level 3 as certain market parameters became observable (2012: $94,472,000).

20. CAPITAL MANAGEMENT POLICY

UK Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank is able to withstand losses due to extreme market movements. The Bank looks to mitigate risk through the use of derivative arrangements with other Nomura Europe group companies. The Bank reviews the appropriate level of capital adequacy, with senior management responsible for implementing and enforcing capital policies. The determination of asset size and level of capital take into consideration regulatory requirements, economic risks inherent in its business and maintenance of a desirable debt rating. The allocation of available capital resource across the business is then based upon factors such as return on capital and regulatory requirements.

The Bank is subject to and complies with the regulatory requirements of the FCA and PRA.

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

UK Regulatory Capital

Regulatory guidelines developed by the Basel Committee and European Union Directives, as implemented by the FCA and PRA for supervisory purposes define three 'Tiers' of capital resources. Tier 1 capital is the highest tier and consists of, inter alia, ordinary share capital and audited retained earnings. The Bank does not currently maintain Tier 2 or Tier 3 capital.

	2013	2012
	$'000	**$'000**
Tier 1 capital	587,610	650,683
Total capital resources	569,900	650,683

The Bank's China subsidiary's Capital Management

The Bank's China subsidiary's approved capital as of 31 March 2013 amounted to US$24.2 million (2012: US$24.2 million). The subsidiary bank monitors its total equity to maintain a solid capital base to support the operations and development of its business in the long term.

21. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

Litigation

In 1998 the Bank sold its leasing business to a third party. HM Revenue & Customs made an assessment of £6.4 million which remains unpaid by the new owners. The Bank's Directors had sought legal advice as they believed the assessment had been wrongly made against the Bank. The Bank vigorously defended these proceedings. However, the dispute was resolved and settled between the parties on 21 November 2012. The Bank estimates no further loss from this matter.

Financial guarantee contracts

The Bank provides certain financial guarantees to third parties over their exposure to Nomura Group companies. At 31 March 2013 the exposure on these financial guarantee contracts amounted to $179,597,842 (2012: $123,282,005).

Performance guarantee

The Region of Calabria (the "Region") has commenced civil proceedings against a number of financial services firms, including NIP and Nomura Global Financial Products Inc. ("NGFP"), a fellow Nomura group company, based in the United States, in the local Calabrian court. The Region's claim against NIP and NGFP relates to derivative transactions entered into by the Region and purports to be for the sum of €32 million. The Region has requested a guarantee from the Bank in respect of the prospective non-performance of NGFP should the Region be successful with the claim, but NGFP fails to pay. The Bank has provided such a guarantee, up to a maximum amount of €18 million.

Commitments

The Bank had commitments as at 31 March 2013 amounting to $1,957,669,000 (2012: $1,568,605,919) in respect of undrawn note issuance facilities and loan commitments. The loan commitments are sub-participated to NIP on commitment date.

22. RELATED PARTY TRANSACTIONS

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

a. Transactions with Nomura International plc (NIP)

i. The Bank has secured financing and collateralised lending receivables owing from NIP to the amount of $8,610,388,195 as of 31 March 2013 (2012: $12,799,205,263). Prepayments including interest receivables owed from NIP amounted to $10,071,320 as at March 2013 (2012: $4,358,777)

ii. The Bank enters into derivative agreements with NIP to hedge the market risk on medium term notes issued. The fair value of the derivatives assets with NIP is $1,054,957,058 as of 31 March 2013 (2012: $1,279,383,493) and fair value of derivative liabilities with NIP is $1,085,935,087 (2012: $1,460,710,185). The Bank receives a combination of cash and securities collateral from NIP with respect to its net derivative exposure with NIP, disclosed on page 48 within note 18.

22. RELATED PARTY TRANSACTIONS (CONTINUED)

iii. The Bank has other receivables due from NIP of $93,397,469 (2012: $166,851,603) as of 31 March 2013 and other payables due to NIP of $194,100,697 (2012: $116,487,434).

iv. The Bank advanced a loan to NIP to the amount of $136,917,950 (2012: $204,432,664).

b. Transactions with Nomura Bank (Luxembourg) S.A. (NBL)

i. The Bank has secured financing payables owing to NBL of $640,650,286 as of 31 March 2013 (2012: $666,579,567).

ii. The Bank has other payables due from NBL of $7,108,517 (2012: $1,870,126) as of 31 March 2013.

c. Transactions with Nomura Securities International, Inc (NSI)

i. The Bank entered into a secured financing receivable with NSI of $750,000,000 as of 31 March 2013 (2012: $650,000,000).

d. Transactions with other Nomura group companies

i. The Bank entered into derivative agreements with other Nomura group companies. The fair value of these derivative assets is $31,866,564 as of 31 March 2013 (2012: $340,214,355), and the fair value of derivative liabilities owed to these related parties is $69,257,143 as of 31 March 2013 (2012: $372,146,302).

ii. The Bank has an investment of $300,000,000 in vanilla floating rate notes issued by a related party (2012: $300,000,000)

iii. The Bank has overdrafts and borrowings due to other Nomura group companies of $30,000,000 as of 31 March 2013 (2012: $39,878,434) and loans & advances due from other Nomura group companies of $30,000,000 as of 31 March 2013 (2012: $ nil).

iv. The Bank had paid cash collateral on its derivatives and a related receivable from Nomura Group companies is $37,000,000 (2012 : $56,000,000)

v. During the year, the Bank established two SPVs, both incorporated in Delaware. Refer note 11.

For the years ended 31 March 2013 and 31 March 2012, there were no impairment losses on any of the above disclosed related party receivables.

The risk on the Bank's transactions is predominantly retained by other Nomura Group companies. Therefore many "back-to-back" transactions exist between the Bank and other Nomura Group companies.

In addition to the above, the Bank has significant dependencies with other Nomura Group companies. Certain Corporate services, including the use of IT systems, are provided by NIP through service level agreements. The premises where the Bank is registered and operates are leased by Nomura Properties plc.

23. ULTIMATE PARENT COMPANY

The Bank's ultimate parent company and controlling party, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared, is Nomura Holdings, Inc., which is incorporated in Japan.

The parent that heads the smallest group of undertakings for which consolidated financial statements are prepared is Nomura Europe Holdings plc, a company which is incorporated in the United Kingdom.

Copies of the financial statements of Nomura Holdings, Inc. and Nomura Europe Holdings plc can be obtained from 9-1, Nihonbashi 1-chome, Chuo-ku. Tokyo 103-8645, and 1 Angel Lane, London EC4R 3AB, respectively.