

**NOMURA BANK INTERNATIONAL PLC**

**HALF YEAR REPORT**

**30 SEPTEMBER 2009**

# NOMURA BANK INTERNATIONAL PLC

## MANAGEMENT REPORT

### FOR THE HALF YEAR ENDED 30 SEPTEMBER 2009 (UNAUDITED)

The half year report is comprised of a management review and the financial statements of Nomura Bank International plc (the "Bank") for the period from 1 April 2009 to 30 September 2009.

## PRINCIPAL ACTIVITIES

The Bank's principal activities remain unchanged from those detailed in its statutory accounts for the year ended 31 March 2009 and include:

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

The Bank has a branch in Italy.

## BOARD OF DIRECTORS

There has been no change to the membership of the Board of Directors since the 31 March 2009:

David Young*	– Non Executive Director and Chairman
Antonio Pironti*	– Non Executive Director
Sir Peter Walters*	– Non Executive Director
John Phizackerley	– President and Chief Executive Officer
Kenji Yokoyama	– Director
Mark Basten	– Director
Mark R.Chapman	– Director
Paul Spanswick	– Director
Hiroshi Yoshizawa	– Director

\* Member of the Audit Committee of the Board

The board of directors are currently reviewing the composition of the board, subject to the necessary approvals.

## REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Bank's key financial performance indicators during this period were as follows:

	<u>Half Year Ended</u> <u>30 Sept 2009</u> £'000	<u>Half Year Ended</u> <u>30 Sept 2008</u> £'000	<u>Change</u> %
Operating (loss)/income	(212,316)	68,036	(412)%
(Loss)/Profit on ordinary activities before taxation	(214,306)	66,234	(424)%
(Loss)/Profit on ordinary activities after taxation	(154,300)	47,689	(424)%

**NOMURA BANK INTERNATIONAL PLC**
**MANAGEMENT REPORT (CONTINUED)**
**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2009 (UNAUDITED)**
**REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)**

	<u>30 Sept 2009</u> £'000	<u>31 Mar 2009</u> £'000	<u>Change</u> %
Total assets	7,352,045	6,218,524	18%
Total liabilities	7,072,854	5,785,033	22%
Shareholders' funds	279,191	433,491	(36)%

The Bank reported a loss on ordinary activities before tax for the period, in thousands of pounds, of £(214,306) (2008: £66,234).

The significant decrease in shareholders' funds is 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 the notes issued, the improvement of the credit market during the period has impacted the valuation of the Bank's financial liabilities. As credit spreads tightened the balance sheet value of notes issued has increased and shareholders' funds have decreased.

During the period the bank has strengthened its balance sheet by moving away from the use of unsecured advances to affiliates. Instead, the Bank has lent to affiliates on a secured basis through the use of Reverse Repurchase transactions ('Securities purchased under agreements to resell'). As at the 30 September 2009, NBI had advanced approximately £6bn through such transactions. It is the Bank's intention to continue to lend to affiliates on a secured basis.

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

The Bank's market and credit risk is managed through its Credit & Risk Management Committee. As at the 30 September 2009 it is the directors opinion that, with the exception of the move to secured lending detailed above, the Bank's principal risks and uncertainties have not changed from those disclosed in note 22 of the Annual Report 2009.

For the year ending 31 March 2010, the Bank will focus on and expand its activities to support the global wholesale business of Nomura Holdings, Inc. and its subsidiary undertakings (the Nomura group).

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

The directors confirm that, to the best of their knowledge, the condensed set of financial statements on pages 4-9 has been prepared in accordance with the Accounting Standards Board Statement "Half-Yearly Financial Reports" and that the interim management report on pages 1-2 includes a fair review of the information required by the Disclosure and Transparency Rules.

**By Order of the Board**

Signatory's name: Denise Dillon  
Position: Secretary  
14 December 2009

**NOMURA BANK INTERNATIONAL PLC**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2009 (UNAUDITED)**

Note	<u>Half Year Ended</u> <u>30 Sept 2009</u> £'000	<u>Year Ended</u> <u>31 Mar 2009</u> £'000	<u>Half Year Ended</u> <u>30 Sept 2008</u> £'000
<b>INCOME</b>			
Interest receivable and similar income	16,458	90,092	56,985
Interest payable and similar charges	(8,277)	(32,654)	(23,670)
<b>NET INTEREST INCOME</b>	<b>8,181</b>	<b>57,438</b>	<b>33,315</b>
Fees and commissions receivable	3,016	3,172	1,631
Fees and commissions payable	(205)	(899)	(357)
Dealing (losses)/profits	(223,308)	160,977	33,447
<b>TOTAL OPERATING (LOSS)/INCOME</b>	<b>(212,316)</b>	<b>220,688</b>	<b>68,036</b>
Administrative expenses	(1,990)	(2,691)	(1,802)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>(214,306)</b>	<b>217,997</b>	<b>66,234</b>
2 Tax on (loss)/profit on ordinary activities	60,006	(61,039)	(18,545)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	<b>(154,300)</b>	<b>156,958</b>	<b>47,689</b>

All (losses)/profits noted above are derived from continuing activities.

There are no recognised gains or losses other than the (loss)/profit attributable to the Shareholders of the Company as disclosed above.

Included within dealing (loss)/profit on financial instruments designated at fair value through profit and loss is a loss of £(201,551,964) in relation to changes in own credit risk. For March 2009 a profit of £229,863,936 (September 2008: £54,054,938) was included in relation to changes in own credit risk.

**NOMURA BANK INTERNATIONAL PLC**
**BALANCE SHEET - 30 SEPTEMBER 2009 (UNAUDITED)**

	<u>30 Sept 2009</u> £'000	<u>30 Sept 2009</u> £'000	<u>31 Mar 2009</u> £'000	<u>31 Mar 2009</u> £'000
<b>ASSETS</b>				
Loans and advances to banks		6,452		54,053
Loans and advances to affiliates		29,155		5,541,930
Other loans and advances		292,396		10,308
Securities purchased under agreements to resell		6,143,322		-
Financial assets designated at fair value through profit and loss:				
- Bonds and medium term notes	-		217,830	
- Other financial instruments	14,983		15,682	
		14,983		233,512
Available-for-sale financial investments		95		95
Derivative financial instruments		548,180		342,422
Other assets		298,702		35,637
Prepayments and accrued income		889		567
Deferred tax asset		17,871		-
<b>TOTAL ASSETS</b>		<u>7,352,045</u>		<u>6,218,524</u>
<b>LIABILITIES</b>				
Customer accounts		83,372		50,458
Securities sold under agreements to repurchase		914,480		-
Borrowing from affiliates		962,838		2,722,070
Borrowing from others		621,636		48,715
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium term notes	3,348,972		1,857,055	
		3,348,972		1,857,055
Derivative financial instruments		861,833		969,444
Accruals and deferred income		26,601		15,950
Other liabilities		253,122		120,646
Deferred tax liability		-		695
<b>TOTAL LIABILITIES</b>		<u>7,072,854</u>		<u>5,785,033</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		170,000		170,000
Profit and loss account		109,191		263,491
<b>SHAREHOLDERS' FUNDS</b>		<u>279,191</u>		<u>433,491</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>7,352,045</u>		<u>6,218,524</u>

**APPROVED BY THE BOARD:**

14 December 2009

## NOMURA BANK INTERNATIONAL PLC

## CASH FLOW STATEMENT

## FOR THE HALF YEAR ENDED 30 SEPTEMBER 2009 (UNAUDITED)

## Reconciliation of operating profit to net operating cash flows

	<u>Half Year Ended</u> <u>30 Sept 2009</u> £'000	<u>Year Ended</u> <u>31 Mar 2009</u> £'000	<u>Half Year Ended</u> <u>30 Sept 2008</u> £'000
(Loss)/Profit on Ordinary Activities before taxation	(214,306)	217,997	66,234
<b>Adjustments for:</b>			
Net change in loans and advances to banks and other customers	(282,088)	6,941	(45,222)
Net change in loans and advances to affiliates	5,512,775	(1,877,978)	(328,678)
Net change in borrowing from banks and other customers	605,835	(401,545)	(438,119)
Net change in borrowings from affiliates	(1,759,232)	1,422,038	(155,352)
Net change in financial assets designated at fair value through profit and loss	218,529	460,988	144,841
Net change in financial liabilities designated at fair value through profit and loss	1,491,917	(175,013)	462,450
Net change in derivative assets	(205,758)	(134,371)	(39,482)
Net change in derivative liabilities	(107,611)	532,122	322,973
Net change in Securities purchased under agreements to resell	(6,143,322)	-	-
Net change in Securities sold under agreements to repurchase	914,480	-	-
Net change in other assets	(263,065)	(34,447)	(1,022)
Net change in other liabilities	194,684	35,617	37,386
Net change in prepayments and accrued income	(322)	2,022	521
Net change in accruals and deferred income	10,651	1,414	8,592
	<b>187,473</b>	<b>(162,212)</b>	<b>(31,112)</b>
<b>Net cash flow from operating activities</b>	<b>(26,833)</b>	<b>55,785</b>	<b>35,122</b>
Taxation	(20,769)	(2,435)	(34,868)
<b>(Decrease)/Increase in cash</b>	<b>(47,601)</b>	<b>53,350</b>	<b>254</b>

**NOMURA BANK INTERNATIONAL PLC**
**CASH FLOW STATEMENT (CONTINUED)**
**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2009 (UNAUDITED)**
**ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET:**

	<b><u>30 Sept 2009</u></b> <b>£'000</b>	<b><u>Cash Flow</u></b> <b>£'000</b>	<b><u>31 Mar 2009</u></b> <b>£'000</b>
Loans and advances to other banks repayable on demand	6,452	(47,601)	54,053

	<b><u>31 Mar 2009</u></b> <b>£'000</b>	<b><u>Cash Flow</u></b> <b>£'000</b>	<b><u>31 Mar 2008</u></b> <b>£'000</b>
Loans and advances to other banks repayable on demand	54,053	53,350	703

	<b><u>30 Sept 2008</u></b> <b>£'000</b>	<b><u>Cash Flow</u></b> <b>£'000</b>	<b><u>31 Mar 2008</u></b> <b>£'000</b>
Loans and advances to other banks repayable on demand	957	254	703

## NOMURA BANK INTERNATIONAL PLC

## NOTES TO HALF YEAR REPORT – 30 SEPTEMBER 2009 (UNAUDITED)

## 1. ACCOUNTING POLICIES

The annual financial statements of the Bank are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. As at the interim reporting date, the Bank's accounting policies remain unchanged from those disclosed in its annual accounts for the year ended 31 March 2009 apart from the amendments given below.

a) Basis of Accounting

For the purposes of its interim reporting, the Bank has complied with the guidance given in the ASB's 'Statement: Half-Yearly Financial Reports' issued in July 2007, which replaces the ASB's September 1997 statement 'Interim Reports'.

Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008) came into force on the 6 April 2008 and permit valuation of non-trading financial liabilities at fair value in accordance with IFRS as endorsed by the EU (or equivalent UK GAAP standards). Management has designated certain non-trading financial instruments at fair value through profit and loss. Interest receivable and payable on such instruments has been included as part of the dealing profit and not disclosed separately. This policy is in line with the requirements of the Companies Act 2006 as amended by SI 2008.

## 2. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

## (a) TAX GAIN/(CHARGE)

	<u>Half Year Ended</u> <u>30 Sept 2009</u> £'000	<u>Year Ended</u> <u>31 Mar 2009</u> £'000	<u>Half Year Ended</u> <u>30 Sept 2008</u> £'000
Current tax:			
UK Corporation tax at 28% (2009: 28%)	41,440	(61,104)	(18,545)
	41,440	(61,104)	(18,545)
Deferred Taxation:			
Current year timing differences	41	65	-
Unutilised losses for the period carried forward	18,525	-	-
<b>Tax on (loss)/profit on ordinary activities</b>	<b>60,006</b>	<b>(61,039)</b>	<b>(18,545)</b>

## (b) RECONCILIATION OF CORPORATION TAX CHARGE

	<u>Half Year Ended</u> <u>30 Sept 2009</u> £'000	<u>Year Ended</u> <u>31 Mar 2009</u> £'000	<u>Half Year Ended</u> <u>30 Sept 2008</u> £'000
Net (Loss)/Profit before Tax	(214,306)	217,997	66,234
UK Corporate tax gain/(charge) at 28% (2009: 28%)	60,006	(61,039)	(18,545)
Effects of:			
Timing differences	(41)	(65)	-
Unutilised losses for the period carried forward	(18,525)	-	-
<b>Current corporation tax gain/(charge) for the year</b>	<b>41,440</b>	<b>(61,104)</b>	<b>(18,545)</b>



**NOMURA BANK INTERNATIONAL PLC****NOTES TO HALF YEAR REPORT – 30 SEPTEMBER 2009 (UNAUDITED)****3. RELATED PARTY TRANSACTIONS**

The Bank has taken advantage of the exemption in FRS 8 from disclosing related party transactions with other entities included in the consolidated financial statements for Nomura Holdings, Inc., the Bank's ultimate parent company.

**4. CONTINGENT LIABILITIES****HM Revenue & Customs**

In 1998 the Bank sold its leasing business to a third party. HM Revenue & Customs has made an assessment of £6.4 million which remains unpaid by the new owners. As at 30 September 2009, the additional interest on this tax assessment balance stands at an estimated £4.1 million. The Bank's directors have sought legal advice and believe that the assessment has been wrongly made against the Bank. The Bank has, therefore, appealed the assessment and intends vigorously to contest the matter.

**WestLB**

On 17 April WestLB served proceedings on Nomura International plc ("NIP") and Nomura Bank International plc ("NBI"), claiming that under the terms of a note issued by NBI and maturing on 28 October 2008, they were entitled to receive US\$22m, which they claim to be the value of a fund of shares referable to the NBI note. NIP, in its role as calculation agent, valued the shares in the fund at zero. WestLB are disputing this valuation. NIP and NBI reject WestLB's claim and are vigorously defending the action. NIP and NBI filed a defence on 8 June 2009.

**Other Litigations**

The Bank is also party to various other legal proceedings, the ultimate resolution of which is not expected to have a material adverse impact on the financial position of the Bank.