

NOMURA BANK INTERNATIONAL PLC

HALF YEAR REPORT

30 SEPTEMBER 2010

NOMURA BANK INTERNATIONAL PLC

MANAGEMENT REPORT

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2010 (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 2010 to 30 September 2010.

PRINCIPAL ACTIVITIES

The Bank's principal activities remain unchanged from those detailed in its statutory accounts for the year ended 31 March 2010 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 branches in Milan, Italy and Labuan, Malaysia. The Labuan branch was granted an offshore banking licence by the Labuan Financial Services Authority in the Labuan International Business and Financial Centre on 28 June 2010.

BOARD OF DIRECTORS

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

David Young*	– Non Executive Director and Chairman (resigned 26 April 2010)
Dame Clara Furse*	– Non Executive Director and Chairman (appointed 26 April 2010)
Antonio Pironti*	– Non Executive Director
Kieran Poynter *	– Non Executive Director (appointed 30 June 2010)
Sir Peter Walters*	– Non Executive Director (resigned 30 September 2010)
John Phizackerley	– President and Chief Executive Officer
Kenji Yokoyama	– Director
Mark Basten	– Director
Paul Spanswick	– Director
Carlo Pellerani	– Director
Hiroshi Yoshizawa	– Director (resigned 25 May 2010)
Mark Chapman	– Director (resigned 20 October 2010)

* Member of the Audit Committee of the Board

Sir Peter Walters resigned as Chairman of the Audit Committee on 21 September 2010, and was replaced by Kieran Poynter on that date.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

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

	<u>Half Year Ended</u> <u>30 Sept 2010</u> \$'000	<u>Half Year Ended</u> <u>30 Sept 2009</u> \$'000
Operating income/(loss)	84,117	(340,857)
Profit/(loss) on ordinary activities before taxation	78,324	(344,052)
Profit/(loss) on ordinary activities after taxation	66,467	(247,717)

NOMURA BANK INTERNATIONAL PLC

MANAGEMENT REPORT (CONTINUED)

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2010 (UNAUDITED)

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

	<u>30 Sept 2010</u> \$'000	<u>31 Mar 2010</u> \$'000
Total assets	24,071,213	24,027,545
Total liabilities	23,320,399	23,343,198
Shareholders' funds	750,814	684,347

The Bank reported a profit on ordinary activities before tax for the half year ended 30 September 2010, of \$78,324,404 (30 September 2009: loss of \$344,052,499).

The increase in profit before ordinary activities before tax is largely attributable to the impact of widening credit spreads on the Bank's note issuance business. As the Bank's own credit is included in the fair value of notes issued, the worsening of the credit market during the period has impacted the valuation of the Bank's financial liabilities. As credit spreads have widened, the balance sheet value of notes issued has decreased and profit on ordinary activities before tax has increased. The profit and loss account for the period to 30 September 2010 includes income of \$67,414,220 related to own credit (30 September 2009: loss of \$323,576,628).

During the period the Bank has further strengthened its balance sheet by lending proportionally more on a secured basis through the use of reverse repurchase transactions ('Securities purchased under agreements to resell'). As at 30 September 2010, 67% of funds advanced were on a secured basis, compared to 58% at 31 March 2010. It is the Bank's intention to continue to lend using a mixture of secured and unsecured lending.

The Bank outsources a significant proportion 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.

On 1 April 2010, the Bank changed its functional and presentation currency from Sterling to US Dollar. The change in the functional currency is reported prospectively from 1 April 2010 with the opening balance sheet and income statement being translated at the US Dollar spot rate of exchange at that date. Please refer to note 1 of these financial statements for more detail.

For the year ending 31 March 2011, 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").

RISK MANAGEMENT

The Bank's market and credit risk is managed through the Board of Directors and its Credit and Risk Management Committee which is chaired by the Global Wholesale Head of Investment, Evaluation and Credit. The Bank's operational risk is managed through the Board of Directors and the Executive Management Committee, both of which are attended by the Nomura International plc ("NIP") EMEA Head of Operational Risk upon invitation. The Bank's liquidity risk is managed by the Group's Treasury Department. In addition, the Bank's conflicts issues, legal risk, reputational risks and cross border booking risks are managed through the appropriate dedicated committees of Nomura Europe Holdings plc ("NEHS") pursuant to its outsourcing arrangements as well as board delegation to the NEHS committees. In addition, the Bank's overall risk is also monitored by the NEHS Board Risk Committee which considers the current risk profile, risk appetite of NEHS and its subsidiaries and ensures 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 22 of its statutory accounts for the year ended 31 March 2010.

NOMURA BANK INTERNATIONAL PLC**MANAGEMENT REPORT (CONTINUED)****FOR THE HALF YEAR ENDED 30 SEPTEMBER 2010 (UNAUDITED)****GOING CONCERN**

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

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 5 to 12 has been prepared in accordance with the Accounting Standards Board Statement "Half-Yearly Financial Reports" and that the interim management report on pages 1-3 includes a fair review of the information required by the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

By Order of the Board

Denise Dillon
Secretary

26 November 2010

NOMURA BANK INTERNATIONAL PLC**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2010 (UNAUDITED)****INDEPENDENT REVIEW REPORT TO NOMURA BANK INTERNATIONAL PLC****Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 which comprises a profit and loss account, statement of total recognised gains and losses, balance sheet, cash flow statement and related notes 1 to 4. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1 the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Accounting Standards Board Statement "Half-Yearly Financial Reports".

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with the Accounting Standards Board Statement "Half-Yearly Financial Reports" and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

NOMURA BANK INTERNATIONAL PLC
PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2010 (UNAUDITED)

Note	Half Year Ended 30 Sept 2010 \$'000	Year Ended 31 Mar 2010 \$'000	Half Year Ended 30 Sept 2009 \$'000
INCOME			
Interest receivable and similar income	145,331	152,014	26,422
Interest payable and similar charges	(30,116)	(56,120)	(13,288)
NET INTEREST INCOME	115,215	95,894	13,134
Fees and commissions receivable	6,080	12,221	4,842
Fees and commissions payable	(1,588)	(1,211)	(329)
Dealing losses	(35,590)	(491,627)	(358,504)
TOTAL OPERATING INCOME/(LOSS)	84,117	(384,723)	(340,857)
Administrative expenses	(5,793)	(5,704)	(3,195)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	78,324	(390,427)	(344,052)
2 Tax on profit/(loss) on ordinary activities	(11,857)	98,724	96,335
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	66,467	(291,703)	(247,717)

All of the above amounts are derived from continuing activities.

Included within dealing losses is income of \$67,414,220 in relation to changes in own credit risk. For March 2010 a loss of \$390,427,995 (September 2009: loss of \$323,576,628) was included in relation to changes in own credit risk.

NOMURA BANK INTERNATIONAL PLC
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2010 (UNAUDITED)

	<u>Half Year Ended</u> <u>30 Sept 2010</u> \$'000	<u>Year Ended</u> <u>31 Mar 2010</u> \$'000	<u>Half Year Ended</u> <u>30 Sept 2009</u> \$'000
Profit/(loss) for the period	66,467	(291,703)	(247,717)
Foreign currency gains	-	54,858	72,797
TOTAL RECOGNISED GAINS/(LOSSES) RELATING TO THE YEAR	66,467	(236,845)	(174,920)

NOMURA BANK INTERNATIONAL PLC
BALANCE SHEET - 30 SEPTEMBER 2010 (UNAUDITED)

	30 Sept 2010	30 Sept 2010	31 Mar 2010	31 Mar 2010
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Loans and advances to banks		7,081		21,837
Loans and advances to affiliates		6,868,944		8,734,889
Other loans and advances		11,683		26,260
Securities purchased under agreements to resell		13,750,164		12,132,489
Financial assets designated at fair value through profit and loss:				
- Other financial instruments	<u>773,414</u>	773,414	<u>709,172</u>	709,172
Available-for-sale financial investments		149		144
Derivative financial instruments		1,661,926		2,350,841
Other assets		963,188		25,378
Prepayments and accrued income		<u>34,664</u>		<u>26,535</u>
TOTAL ASSETS		24,071,213		24,027,545
LIABILITIES				
Customer accounts		31,792		48,932
Securities sold under agreements to repurchase		882,209		1,351,850
Borrowing from affiliates		7,078,807		7,712,178
Borrowing from others		130,301		211,422
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium term notes	10,543,366		9,509,875	
- Other financial instruments	<u>764,414</u>	11,307,780	<u>688,861</u>	10,198,736
Derivative financial instruments		1,887,293		2,602,252
Accruals and deferred income		68,770		63,301
Other liabilities		1,932,620		1,154,527
Deferred tax liability		<u>827</u>		<u>-</u>
TOTAL LIABILITIES		23,320,399		23,343,198
CAPITAL AND RESERVES				
Called up share capital		555,000		555,000
Profit and loss account		189,487		123,020
Redenomination reserve		3,108		-
Other reserve		<u>3,219</u>		<u>6,327</u>
SHAREHOLDERS' FUNDS		750,814		684,347
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		24,071,213		24,027,545

APPROVED BY THE BOARD:

John Phizackerley
26 November 2010

NOMURA BANK INTERNATIONAL PLC
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2010 (UNAUDITED)
Reconciliation of operating profit to net operating cash flows

	<u>Half Year Ended</u> <u>30 Sept 2010</u> \$'000	<u>Year Ended</u> <u>31 Mar 2010</u> \$'000	<u>Half Year Ended</u> <u>30 Sept 2009</u> \$'000
Profit/(loss) on ordinary activities before taxation	78,324	(390,427)	(344,052)
Adjustments for:			
<i>Operating activities:</i>			
Net change in other loans and advances	14,577	(11,198)	(452,871)
Net change in loans and advances to affiliates	1,865,945	(344,942)	8,850,349
Net change in borrowing from banks and other customers	(56,269)	71,585	972,623
Net change in borrowings from affiliates	(633,371)	3,776,480	(2,824,316)
Net change in financial assets designated at fair value through profit and loss	(64,242)	(374,126)	350,832
Net change in financial liabilities designated at fair value through profit and loss	1,109,044	7,781,016	2,395,161
Net change in available for sale financial investments	(5)	-	-
Net change in derivative assets	688,915	(1,930,499)	(330,329)
Net change in derivative liabilities	(714,959)	1,192,766	(172,761)
Net change in securities purchased under agreements to resell	(1,617,675)	(12,789,325)	(9,862,645)
Net change in securities sold under agreements to repurchase	(469,641)	1,425,037	1,468,129
Net change in other assets	(937,810)	30,240	(422,331)
Net change in other liabilities	767,384	1,154,917	312,551
Net change in prepayments and accrued income	(8,129)	(27,064)	(517)
Net change in accruals and deferred income	5,469	41,220	17,099
<i>Financing activities:</i>			
Issuance of share capital	-	300,000	-
<i>Other non cash items:</i>			
Foreign exchange revaluation	(31)	29,923	9,277
	(50,798)	326,030	310,251
Net cash flow from operating activities	27,526	(64,397)	(33,801)
Taxation	(290)	(33,216)	(33,344)
Increase/(decrease) in cash	27,236	(97,613)	(67,145)

NOMURA BANK INTERNATIONAL PLC
CASH FLOW STATEMENT (CONTINUED)
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2010 (UNAUDITED)
ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET:

	<u>30 Sept 2010</u> <u>\$'000</u>	<u>Cash Flow</u> <u>\$'000</u>	<u>31 Mar 2010</u> <u>\$'000</u>
Loans and advances to other banks repayable on demand	7,081	(14,756)	21,837
Borrowing from other banks repayable on demand	-	41,992	(41,992)
	7,081	27,236	(20,155)
	<u>31 Mar 2010</u> <u>\$'000</u>	<u>Cash Flow</u> <u>\$'000</u>	<u>31 Mar 2009</u> <u>\$'000</u>
Loans and advances to other banks repayable on demand	21,837	(55,621)	77,458
Borrowing from other banks repayable on demand	(41,992)	(41,992)	-
	(20,155)	(97,613)	77,458
	<u>30 Sept 2009</u> <u>\$'000</u>	<u>Cash Flow</u> <u>\$'000</u>	<u>31 Mar 2009</u> <u>\$'000</u>
Loans and advances to other banks repayable on demand	10,313	(67,145)	77,458
	10,313	(67,145)	77,458

NOMURA BANK INTERNATIONAL PLC

NOTES TO HALF YEAR REPORT – 30 SEPTEMBER 2010 (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 financial statements for the year ended 31 March 2010 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. The financial information set out in this Half Year Report does not constitute the Bank's statutory accounts within the meaning of section 435 of the Companies Act 2006. Those accounts were prepared for the year to 31 March 2010 under United Kingdom Generally Accepted Accounting Practice and have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

b) Change in functional and reporting currency

Following the acquisition of Lehman Brothers' European and Asia discrete businesses by Nomura, the Bank decided to change its functional and presentation currency from Sterling to US Dollar. The business in key European entities significantly changed, resulting in a shift in the currency in which revenues will predominately be generated and expenses denominated. The change in functional and presentation currency is reported prospectively from 1 April 2010 with the opening balance sheet being translated at the US Dollar spot rate of exchange at that date.

For the purpose of prior year comparatives restated in the presentation currency of US Dollars, the Bank's shareholders' funds at 1 April 2009 and 31 March 2010 have been translated using the rate prevailing on those dates. The profit and loss accounts and cash flow statements for comparative periods are converted into US Dollars using the appropriate average rate for those periods. The share capital at 31 March 2010 is shown as \$555,000,000, which is the legal issued share capital as at 1 April 2010, when it was redenominated into US Dollars. The restatement of prior year comparatives in the presentation currency of US Dollars has resulted in the reporting of foreign currency gains in the statement of total recognised gains and losses and the creation of a Foreign Currency Translation Reserve ("FCTR"). At 31 March 2010, an amount of \$54,858,000 on the FCTR is presented in the Profit and Loss Reserve. On 1 April 2010, this amount was transferred from the FCTR to the Profit and Loss Reserve

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

(a) TAX GAIN/(CHARGE)

	<u>Half Year Ended</u> <u>30 Sept 2010</u> \$'000	<u>Year Ended</u> <u>31 Mar 2010</u> \$'000	<u>Half Year Ended</u> <u>30 Sept 2009</u> \$'000
Current tax:			
UK Corporation tax (charge)/credit at 28%	(11,122)	97,720	66,528
Foreign tax credit/(charge)	92	(107)	-
	(11,030)	97,613	66,528
Deferred Taxation:			
Current year timing differences	(827)	1,111	66
Unutilised losses for the period carried forward	-	-	29,741
Tax on profit/(loss) on ordinary activities	(11,857)	98,724	96,335

NOMURA BANK INTERNATIONAL PLC
NOTES TO HALF YEAR REPORT – 30 SEPTEMBER 2010 (UNAUDITED)
2. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES
(b) RECONCILIATION OF CORPORATION TAX CHARGE

	<u>Half Year Ended</u> <u>30 Sept 2010</u> \$'000	<u>Year Ended</u> <u>31 Mar 2010</u> \$'000	<u>Half Year Ended</u> <u>30 Sept 2009</u> \$'000
Net profit/(loss) before Tax	78,324	(390,427)	(344,052)
UK Corporate tax (charge)/credit at 28%	(21,931)	109,320	96,335
Effects of:			
Higher/(lower) tax rates on overseas earnings	92	(107)	-
Timing differences	(72)	(133)	(66)
Utilisation of brought forward losses	10,881		
Unutilised losses for the period carried forward	-	(11,467)	(29,741)
Current corporation tax (charge)/credit for the year	(11,030)	97,613	66,528

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. Copies of the financial statements of Nomura Holdings, Inc. can be obtained from 9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-8645.

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 (\$10 million) which remains unpaid by the new owners. As at 30 September 2010, the additional interest on this tax assessment balance stands at an estimated £4.3 million (\$6.8 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

In April 2009, WestLB AG ("West LB") served proceedings on NIP and the Bank, claiming that under the terms of a note issued by the Bank and maturing in October 2008, West LB were entitled to receive approximately \$22 million, which it claimed to be the value of a fund of shares referable to the note. On 11 November 2010, the High Court in London dismissed WestLB's claim.

Commitments

The Bank had commitments as at 30 September 2010 amounting to \$1,204,261,000 (31 March 2010: \$1,177,392,000) in respect of undrawn note issuance facilities and loan commitments.

NOMURA BANK INTERNATIONAL PLC**NOTES TO HALF YEAR REPORT – 30 SEPTEMBER 2010 (UNAUDITED)****CONTINGENT LIABILITIES (CONTINUED)****Bank levy**

In The Emergency Budget on 22 June 2010, the Chancellor announced the introduction of a bank levy from 1 January 2011. The levy will apply to the balance sheets of UK banking groups and building societies. It will be based on total liabilities, less certain specified deductions. The Bank expects to be liable for this levy, but it is not currently possible to accurately estimate the financial impact at the time of signing of these financial statements, as the scope and rate of the levy have not yet been finalised.