

**NOMURA**

**NOMURA BANK INTERNATIONAL PLC**

**HALF YEAR REPORT**

**30 SEPTEMBER 2011**

**NOMURA BANK INTERNATIONAL PLC**

**MANAGEMENT REPORT**

**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2011 (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 2011 to 30 September 2011.

**PRINCIPAL ACTIVITIES**

The Bank’s principal activities remain unchanged from those detailed in its statutory financial statements for the year ended 31 March 2011 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.

**DIRECTORS**

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

Dame Clara Furse *	– Non Executive Director and Chairman
Kieran Poynter *	– Non Executive Director
John Phizackerley	– President and Chief Executive Officer
Chris Flanagan	– Director (appointed 7 November 2011)
David Harper	– Director (appointed 19 August 2011)
Kenji Kimura	– Director (appointed 3 October 2011)
Masafumi Nakada	– Director (appointed 19 August 2011)
Carlo Pellerani	– Director
Paul Spanswick	– Director
Mark Basten	– Director (resigned 14 June 2011)

\* Member of the Audit Committee of the Board

**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 2011</u> \$'000	<u>Half Year Ended</u> <u>30 Sept 2010</u> \$'000
Operating income	45,636	84,117
Profit on ordinary activities before taxation	39,150	78,324
Profit on ordinary activities after taxation	29,004	66,467

The Bank’s liability business is global in nature. The Bank’s asset business is mainly transacted with United Kingdom counterparties.

**NOMURA BANK INTERNATIONAL PLC**

**MANAGEMENT REPORT (CONTINUED)**

**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2011 (UNAUDITED)**

**REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)**

	<u>30 Sept 2011</u> \$'000	<u>31 Mar 2011</u> \$'000
Total assets	18,722,695	24,304,433
Total liabilities	17,916,482	23,527,234
Shareholders' funds	806,213	777,199

The Bank reported a profit on ordinary activities before tax for the half year ended 30 September 2011, of \$39,150,324 (half year ended 30 September 2010: profit before tax of \$78,324,404).

The profit on 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, resulting in gains in the profit on ordinary activities before tax. The profit and loss account for the period to 30 September 2011 includes income of \$34,474,586 related to own credit (half year ended 30 September 2010: profit of \$67,414,220).

In addition to gains resulting from widening credit spreads, the Bank continues to make profits from its core business activities. In the half year to 30 September 2011, the Bank generated gross revenues of \$11,161,738 (half year ended 30 September 2010: \$16,703,184), which after operating expenses equated to a core profit of \$4,675,738 (half year ended 30 September 2010: \$10,910,184).

The Bank's assets continue to be predominantly with affiliated companies, in particular with Nomura International plc ("NIP"), and hence this represents the Bank's main exposure. This activity is largely collateralised using a mixture of securities collateral. As at 30 September 2011, 96% of funds advanced were on a secured basis, compared to 97% at 31 March 2011.

The Bank outsources a significant proportion of its support services under service level agreements to the related departments of NIP. The Treasury department continues to manage the liquidity of the Bank and provide asset and liability management for the balance sheet.

Nomura Group faced a challenging quarter to September 2011, resulting from deteriorating market conditions as a result of the ongoing Eurozone debt crisis. The Bank was not materially impacted by these events, as it hedges all market risk to other Nomura Group companies, using derivative products. The Bank maintains a strong balance sheet, with a strong Tier 1 ratio.

For the year ending 31 March 2012, the Bank will continue to support the Global Wholesale Business of Nomura Holdings, Inc. and its subsidiary undertakings ("the Nomura Group"), including opportunities to expand the Bank's Asian franchise, organically or through acquisition. In addition, the Directors continue to monitor changes in the global regulatory environment and to assess the impact on the Bank's position within Nomura's Global Wholesale Business.

**RISK MANAGEMENT**

The Bank's market and credit risk is managed through its Credit & Risk Management Committee which is chaired by the Nomura Group's Head of Credit for the Europe, Middle East and Africa Region ("EMEA"). The Bank's operational risk is managed through the Board of Directors and the Executive Management Committee, both of which are attended by the Head of Operational Risk Management for EMEA upon invitation. The Bank's liquidity risk is managed by the Group's Treasury department.

**NOMURA BANK INTERNATIONAL PLC****MANAGEMENT REPORT (CONTINUED)****FOR THE HALF YEAR ENDED 30 SEPTEMBER 2011 (UNAUDITED)****RISK MANAGEMENT (CONTINUED)**

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"), the Bank's immediate parent, pursuant to its outsourcing arrangements as well as Board delegation to the NEHS committees. The Bank's overall risk is also monitored by the NEHS Board Risk Committee which considers the current risk profile and 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 financial statements for the year to 31 March 2011.

**BANK LEVY**

In the June 2010 Budget, the UK government announced the introduction of a bank levy with effect from 1 January 2011 and the legislation was included in the Finance Bill 2011 enacted on 19 July 2011. The levy is based on total liabilities at the Bank's financial year end, less certain specified deductions. NIP is the Nomura Group's responsible member for the bank levy and further disclosure is presented in NIP's financial statements.

**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 22 of the statutory financial statements for the year to 31 March 2011 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, Nomura Holdings, Inc.

The Bank's leverage ratio at 30 September 2011 is at 23.2 times, the maturity profile of the Bank's liabilities is typically much longer dated than that of its asset, 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 Half Year Report 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 to 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**

Andrew Eames,  
Secretary  
21 November 2011

**NOMURA BANK INTERNATIONAL PLC****INDEPENDENT REVIEW REPORT TO NOMURA BANK INTERNATIONAL PLC  
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2011 (UNAUDITED)****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 2011 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 2011 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 2011 (UNAUDITED)**

Note	<u>Half Year Ended 30 Sept 2011</u> \$'000	<u>Year Ended 31 Mar 2011</u> \$'000	<u>Half Year Ended 30 Sept 2010</u> \$'000
<b>INCOME</b>			
Interest receivable and similar income	141,111	356,184	145,331
Interest payable and similar charges	(22,036)	(79,656)	(30,116)
<b>NET INTEREST INCOME</b>	<b>119,075</b>	<b>276,528</b>	<b>115,215</b>
Fees and commissions receivable	48,127	27,579	6,080
Fees and commissions payable	(1,457)	(20,267)	(1,588)
Dealing losses	(120,109)	(155,685)	(35,590)
<b>TOTAL OPERATING INCOME</b>	<b>45,636</b>	<b>128,155</b>	<b>84,117</b>
Administrative expenses	(6,486)	(13,265)	(5,793)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>39,150</b>	<b>114,890</b>	<b>78,324</b>
2 Tax on profit on ordinary activities	(10,146)	(22,076)	(11,857)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	<b>29,004</b>	<b>92,814</b>	<b>66,467</b>

All of the above amounts are derived from continuing activities.

Included within dealing losses is income of \$34,474,586 in relation to changes in own credit risk. For the year to March 2011, a profit of \$106,824,907 (half year ended September 2010: profit of \$67,414,220) 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 2011 (UNAUDITED)**

	<u>Half Year Ended</u> <u>30 Sept 2011</u> \$'000	<u>Year Ended</u> <u>31 Mar 2011</u> \$'000	<u>Half Year Ended</u> <u>30 Sept 2010</u> \$'000
Profit for the period	29,004	92,814	66,467
Foreign currency gains	-	38	-
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>	<b>29,004</b>	<b>92,852</b>	<b>66,467</b>

**NOMURA BANK INTERNATIONAL PLC**

**BALANCE SHEET**

**30 SEPTEMBER 2011 (UNAUDITED)**

	<u>30 Sept 2011</u> \$'000	<u>30 Sept 2011</u> \$'000	<u>31 Mar 2011</u> \$'000	<u>31 Mar 2011</u> \$'000
<b>ASSETS</b>				
Loans and advances to banks		13,905		7,571
Loans and advances to affiliates		19,376		1,295
Other loans and advances		2,152		4,980
Securities purchased under agreements to resell		11,739,014		17,653,404
Financial assets designated at fair value through profit and loss:				
- Bonds and medium term notes	835,000		300,000	
- Secured Lending	3,472,013		3,784,851	
- Other financial instruments	678,941		746,046	
		4,985,954		4,830,897
Available-for-sale financial investments		148		152
Derivative financial instruments		1,806,264		1,760,156
Other assets		148,894		18,988
Prepayments and accrued income		6,988		26,990
<b>TOTAL ASSETS</b>		<u>18,722,695</u>		<u>24,304,433</u>
<b>LIABILITIES</b>				
Customer accounts		2,137		50,312
Securities sold under agreements to repurchase		672,160		709,275
Borrowing from affiliates		692,966		3,369,133
Borrowing from others		47,910		106,315
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	11,684,023		12,327,298	
- Other financial instruments	671,053		729,833	
		12,355,076		13,057,131
Derivative financial instruments		3,296,784		2,946,748
Accruals and deferred income		145,120		130,123
Other liabilities		703,698		3,157,467
Deferred tax liability		631		730
<b>TOTAL LIABILITIES</b>		<u>17,916,482</u>		<u>23,527,234</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		555,000		555,000
Profit and loss account		244,838		215,834
Redenomination reserve		3,108		3,108
Other reserve		3,267		3,257
<b>SHAREHOLDERS' FUNDS</b>		<u>806,213</u>		<u>777,199</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>18,722,695</u>		<u>24,304,433</u>

**APPROVED BY THE BOARD**

John Phizackerley  
21 November 2011



**NOMURA BANK INTERNATIONAL PLC**

**CASH FLOW STATEMENT**

**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2011 (UNAUDITED)**

**Reconciliation of profit on ordinary activities before taxation to net operating cash flows**

	<u>Half Year Ended</u> <u>30 Sept 2011</u> \$'000	<u>Year Ended</u> <u>31 Mar 2011</u> \$'000	<u>Half Year Ended</u> <u>30 Sept 2010</u> \$'000
Profit/(loss) on ordinary activities before taxation	39,150	114,890	78,324
<b>Adjustments for:</b>			
<i>Operating activities:</i>			
Net change in other loans and advances	2,828	21,280	14,577
Net change in loans and advances to affiliates	(18,081)	7,382,238	1,702,637
Net change in borrowing from banks and other customers	(106,580)	(61,735)	(56,269)
Net change in borrowings from affiliates	(2,676,167)	(4,343,045)	(633,371)
Net change in financial assets designated at fair value through profit and loss	(155,057)	(2,770,369)	99,066
Net change in financial liabilities designated at fair value through profit and loss	(702,055)	2,858,395	1,109,044
Net change in available-for-sale financial investments	4	(8)	(5)
Net change in derivative assets	(46,108)	590,685	688,915
Net change in derivative liabilities	350,036	344,496	(714,959)
Net change in securities purchased under agreements to resell	5,914,390	(5,520,915)	(1,617,675)
Net change in securities sold under agreements to repurchase	(37,115)	(642,575)	(469,641)
Net change in other assets	(129,906)	6,390	(937,810)
Net change in other liabilities	(2,463,555)	1,981,665	767,384
Net change in prepayments and accrued income	20,002	(455)	(8,129)
Net change in accruals and deferred income	14,997	66,822	5,469
<i>Other non cash items:</i>			
Foreign exchange revaluation	(449)	(24)	(31)
	<b>(32,816)</b>	<b>(87,155)</b>	<b>(50,798)</b>
<b>Net cash flow from operating activities</b>	<b>6,334</b>	<b>27,735</b>	<b>27,526</b>
Taxation	-	(9)	(290)
<b>Increase in cash</b>	<b>6,334</b>	<b>27,726</b>	<b>27,236</b>

**NOMURA BANK INTERNATIONAL PLC**

**CASH FLOW STATEMENT (CONTINUED)**

**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2011 (UNAUDITED)**

**ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET:**

	<u>30 Sept 2011</u> \$'000	<u>Cash Flow</u> \$'000	<u>31 Mar 2011</u> \$'000
Loans and advances to other banks repayable on demand	13,905	6,334	7,571
Borrowing from other banks repayable on demand	-	-	-
	<b>13,905</b>	<b>6,334</b>	<b>7,571</b>
	<u>31 Mar 2011</u> \$'000	<u>Cash Flow</u> \$'000	<u>31 Mar 2010</u> \$'000
Loans and advances to other banks repayable on demand	7,571	(14,266)	21,837
Borrowing from other banks repayable on demand	-	41,992	(41,992)
	<b>7,571</b>	<b>27,726</b>	<b>(20,155)</b>
	<u>30 Sept 2010</u> \$'000	<u>Cash Flow</u> \$'000	<u>31 Mar 2010</u> \$'000
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)
	<b>7,081</b>	<b>27,236</b>	<b>(20,155)</b>

**NOMURA BANK INTERNATIONAL PLC****NOTES TO HALF YEAR REPORT****30 SEPTEMBER 2011 (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 2011 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 financial statements within the meaning of section 435 of the Companies Act 2006. Those financial statements were prepared for the year to 31 March 2011 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) Changes in Accounting Policy**

There have been no changes to the accounting policies of the Bank since the most recent financial year end.

**NOMURA BANK INTERNATIONAL PLC**

**NOTES TO HALF YEAR REPORT (CONTINUED)**

**30 SEPTEMBER 2011 (UNAUDITED)**

**2. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

**(a) Tax Charge**

	<u>Half Year Ended</u> <u>30 Sept 2011</u> \$'000	<u>Year Ended</u> <u>31 Mar 2011</u> \$'000	<u>Half Year Ended</u> <u>30 Sept 2010</u> \$'000
Current tax:			
UK Corporation tax charge at 26%	(10,252)	(21,429)	(11,122)
Adjustment in respect of previous periods	-	96	-
Foreign tax credit/(charge)	7	(13)	92
	<u>(10,245)</u>	<u>(21,346)</u>	<u>(11,030)</u>
Deferred Taxation:			
Current year timing differences	74	(787)	(827)
Effect of changes in tax rates	25	56	-
Adjustment in respect of previous periods	-	1	-
	<u>(10,146)</u>	<u>(22,076)</u>	<u>(11,857)</u>
<b>Tax on profit on ordinary activities</b>	<b>(10,146)</b>	<b>(22,076)</b>	<b>(11,857)</b>

**(b) Reconciliation of Corporation Tax Charge**

	<u>Half Year Ended</u> <u>30 Sept 2011</u> \$'000	<u>Year Ended</u> <u>31 Mar 2011</u> \$'000	<u>Half Year Ended</u> <u>30 Sept 2010</u> \$'000
Net profit before Tax	<u>39,150</u>	<u>114,890</u>	<u>78,324</u>
UK Corporate tax charge at 26% (28% for prior periods)	(10,179)	(32,169)	(21,931)
Effects of:			
Higher/(lower) tax rates on overseas earnings	7	(13)	92
Timing differences	(74)	(144)	(72)
Utilisation of tax losses	-	10,880	-
Utilisation of brought forward losses	-	-	10,881
Effect of double tax relief	-	4	-
Adjustment in respect of previous periods	-	96	-
Income not taxable for Tax purposes	1	-	-
<b>Current corporation tax charge for the year</b>	<b>(10,245)</b>	<b>(21,346)</b>	<b>(11,030)</b>

**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.

**NOMURA BANK INTERNATIONAL PLC****NOTES TO HALF YEAR REPORT (CONTINUED)****30 SEPTEMBER 2011 (UNAUDITED)****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 2011, the additional interest on this tax assessment balance stands at an estimated £4.6 million (\$7.2 million). The Bank's Directors have sought legal advice and believe that the assessment has been wrongly made against the Bank. The Bank has appealed the assessment and vigorously contests the matter.

**WestLB**

On 17 April 2009 WestLB served proceedings on NIP and the Bank, claiming that, on maturity of a note issued by the Bank and maturing in October 2008, West LB were entitled to receive approximately \$22 million, which it claims 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. WestLB obtained leave to appeal on 7 March 2011. NIP and the Bank will vigorously contest the appeal proceedings.

**Commitments**

The Bank had commitments as at 30 September 2011 amounting to \$1,602,272,000 (31 March 2011: \$1,717,136,841) in respect of undrawn note issuance facilities and loan commitments.