NOMURA BANK INTERNATIONAL PLC

HALF YEAR REPORT

30 September 2013

COMPANY REGISTERED NUMBER 1981122

NOMURA BANK INTERNATIONAL PLC

MANAGEMENT REPORT
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (UNAUDITED)

The Half Year Report is comprised of a management review and the consolidated financial statements of Nomura Bank International plc (the "Bank") for the period from 1 April 2013 to 30 September 2013. The Bank is incorporated in the United Kingdom and its registered office is 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;
- 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.

DIRECTORS

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

Kieran Poynter*	– Non Executive Director and Chairman (appointed Chairman 1 May 2013)
Dame Clara Furse*	– Non Executive Director and Chairman (resigned 1 May 2013)
Paul Spanswick	– Chief Executive Officer
Christopher Flanagan	– Director
Masafumi Nakada	– Director

* 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:

	Half Year Ended 30 Sept 2013	Half Year Ended 30 Sept 2012
	$'000	**$'000**
Operating income/(loss)	36,051	(61,299)
Profit/(loss) on ordinary activities before taxation	4,070	(69,096)
Profit/(loss) on ordinary activities after taxation	3,614	(73,661)

The Bank engages in a global note issuance business, which constitutes the majority of the Bank's liabilities. The Bank's other business is predominantly with affiliated companies in the United Kingdom.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

	30 Sept 2013	31 March 2013
	$'000	$'000
Total assets	11,774,751	11,222,805
Total liabilities	11,186,105	10,637,830
Shareholders' funds	588,646	584,975

The Bank reported a profit on ordinary activities before tax for the half year ended 30 September 2013 of $4,070,000 (half year ended 30 September 2012: loss before tax of $69,096,000).

The Bank's return to profitability is largely attributable to a gain of $21,505,401 relating to own credit on the Bank's note issuance business, compared to the $74,302,019 own credit loss recorded in the half year ended 30 September 2012. Whilst Nomura's credit spreads tightened during the period, gains seen from the issuance of new notes exceeded the losses.

However, the own credit gains were partially offset by a $20,720,000 impairment loss, following the decision to dispose one of the Bank's subsidiaries. This decision was made as part of the Nomura Group's frequent reviews of its legal entity strategy.

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.

For the year ending 31 March 2014, the Bank will continue to focus on its activities to support the Global Wholesale Business, predominantly the Global Markets Division, of the Nomura Group.

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.

In addition, the Bank's conflicts issues, 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 of its statutory financial statements for the year to 31 March 2013. The Bank's principal risks and uncertainties have not changed in the interim period ended 30 September 2013.

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 asset, minimising the risk of the Bank not being able to meet its obligations as they fall due.

MANAGEMENT REPORT (CONTINUED)

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (UNAUDITED)

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 22 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ("FCA") and with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting as adopted by the European Union 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 Conduct Authority.

By Order of the Board

Andrew Eames,
Secretary
14 November 2013

INDEPENDENT REVIEW REPORT TO NOMURA BANK INTERNATIONAL PLC FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (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 2013 which comprises a consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated cash flow statement and related notes 1 to 8. 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 International Standard on Review Engagements 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 Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

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 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London, November 2013

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (UNAUDITED)

	Note	Group Half year ended 30 September 2013 $'000	Group Half year ended 30 September 2012 $'000
INCOME			
Interest income and similar income		25,592	50,771
Interest expense and similar charges		(13,697)	(12,755)
NET INTEREST INCOME		11,895	38,016
Fee and commission income		67,547	62,700
Fee and commission expense		(5,439)	(6,091)
Dealing loss		(37,952)	(155,924)
TOTAL OPERATING INCOME/(LOSS)		36,051	(61,299)
Administrative expenses		(11,261)	(7,797)
Impairment of goodwill		(20,720)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		4,070	(69,096)
Tax charge on profit/(loss) on ordinary activities	2	(456)	(4,565)
PROFIT/(LOSS) FOR THE PERIOD		3,614	(73,661)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation gain		57	4
Total comprehensive income/(loss) for the period		3,671	(73,657)

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

Included within the dealing loss for the period is a gain of $21,505,401 in relation to changes in own credit risk (2012: loss of $74,302,019). These gains and losses arise on financial instruments designated at fair value through profit and loss.

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (UNAUDITED)

	Called-up share capital $'000	Retained earnings $'000	Other Reserve $'000	Total shareholder's equity $'000
As at 1 April 2013	555,000	29,952	23	584,975
Profit for the half year	-	3,614	-	3,614
Foreign currency translation gain	-	-	57	57
Total comprehensive income	-	3,614	57	3,671
As at 30 September 2013	555,000	33,566	80	588,646

	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 half year	-	(73,661)	-	(73,661)
Foreign currency translation gain	-	-	4	4
Total comprehensive income	-	(73,661)	4	(73,657)
As at 30 September 2012	555,000	262,264	23	817,287

Foreign currency translation gains are due to the Bank's branch in Italy.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2013 (UNAUDITED)

		Group		Company	
	Note	Sept 2013 $'000	March 2013 $'000	Sept 2013 $'000	March 2013 $'000
Assets					
Loans and advances to banks		17,572	84,841	17,572	74,249
Derivative financial instruments	3	797,043	1,128,825	797,043	1,128,825
Loans and advances to affiliates		31,144	203,918	31,144	203,918
Securities purchased under agreements to resell		9,725,212	8,249,414	9,725,212	8,249,414
Loans and advances to others		144,292	148,319	144,292	141,319
Prepayments and accrued income		11,414	11,894	11,414	11,791
Other assets		33,508	78,051	33,508	77,952
Financial assets designated at fair value through profit and loss	3				
- Secured lending		821,717	1,110,974	821,717	1,110,974
- Other financial instruments		133,344	144,262	133,344	144,262
- Bonds and medium-term notes		-	-	-	-
Available-for-sale financial investments		13	13	13	13
Goodwill and intangible assets		-	62,200	-	-
Fixed assets		38	69	38	41
Investments in group undertakings		-	-	59,280	80,000
Deferred tax asset		-	25	-	-
Assets classified as held for sale		59,454	-	-	-
Total assets		11,774,751	11,222,805	11,774,577	11,222,758
Liabilities					
Customer accounts		219	499	219	499
Derivative financial instruments	3	1,086,629	1,231,322	1,086,629	1,231,322
Accruals and deferred income		126,314	110,791	126,314	110,685
Borrowing from affiliates		1,517,004	683,247	1,517,004	683,247
Borrowing from others		92,351	10,308	92,351	10,308
Securities sold under agreements to repurchase		1,526,663	1,190,650	1,526,663	1,190,650
Financial liabilities designated at fair value through profit and loss	3				
- Bonds and medium-term notes		6,711,188	7,353,317	6,711,188	7,353,317
- Other financial instruments		10,488	16,707	10,488	16,707
Other liabilities		114,865	40,989	114,821	40,939
Deferred tax liabilities		-	-	-	-
Liabilities directly associated with assets classified as held for sale		384	-	-	-
Total liabilities		11,186,105	10,637,830	11,185,677	10,637,674
Shareholders' funds					
Called up share capital		555,000	555,000	555,000	555,000
Retained earnings		33,566	29,952	33,820	30,061
Other reserve		80	23	80	23
Total equity		588,646	584,975	588,900	585,084
Total liabilities and equity		11,774,751	11,222,805	11,774,577	11,222,758

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2013 (UNAUDITED)

Approved by the board of Directors on 14 November 2013 and signed on its behalf by:

Paul Spanswick, Director.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (UNAUDITED)

	Group Half year Ended 30 September 2013 $'000	Group Half year Ended 30 September 2012 $'000
Operating activities		
Profit/(loss) before tax	4,070	(69,096)
Non-cash adjustments to reconcile profit/(loss) for the period to net cash flows		
Impairment of goodwill	20,720	-
Amortisation of goodwill and other intangibles	38	40
Depreciation on fixed assets	31	16
Foreign exchange revaluation	57	4
Change in operating assets and liabilities		
Net change in loans and advances to affiliates	172,774	197,882
Net change in loans and advances to others	4,027	(147,930)
Net change in borrowing from banks and other customers	82,043	(2,737)
Net change in borrowings from affiliates	833,757	58,127
Net change in financial assets designated at fair value through profit and loss	300,175	2,831,453
Net change in financial liabilities designated at fair value through profit and loss	(62,170)	(283,740)
Net change in available-for-sale assets	-	-
Net change in derivative assets	331,782	189,811
Net change in derivative liabilities	(144,693)	(584,130)
Net change in securities purchased under agreements to resell	336,013	276,332
Net change in securities sold under agreements to repurchase	(1,475,798)	841,377
Net change in other assets	86,010	129,082
Net change in other liabilities	105,750	(810,522)
Net change in assets classified as held for sale	(59,454)	-
Net change in liabilities directly associated with assets classified as held for sale	384	-
Net change in prepayments and accrued income	480	(1,564)
Net change in accruals and deferred income	15,523	22,786
Income tax paid	(38,828)	(22,067)
Net cash flow provided by operating activities	512,691	2,625,124

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (UNAUDITED) (CONTINUED)

	Group Half year Ended 30 September 2013 $'000	Group Half year Ended 30 September 2012 $'000
Financing activities		
Proceeds of borrowings and issuance of debt	236,415	374,763
Repayments of borrowings and redemption of debt	(816,375)	(2,985,930)
Net cash flow (used in) financing activities	(579,960)	(2,611,167)
Net decrease in cash and cash equivalents	(67,269)	13,957
Cash and cash equivalents at the beginning of the period	84,841	20,187
Cash and cash equivalents at the end of the period	17,572	34,144
Included within operational cash flows		
Interest paid	6,655	5,712
Interest received	25,409	49,310

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (UNAUDITED) (CONTINUED)

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

30 September 2013

	30 September 2013 $'000	Cash Flow $'000	31 March 2013 $'000
Loans and advances to other banks repayable on demand	17,572	(67,269)	84,841
Borrowings from other banks repayable on demand	-	-	-
Net Cash and Cash Equivalents	17,572	(67,269)	84,841

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
Borrowings from other banks repayable on demand	-	2,091	(2,091)
Net Cash and Cash Equivalents	84,841	64,654	20,187

30 September 2012

	30 September 2012 $'000	Cash Flow $'000	31 March 2012 $'000
Loans and advances to other banks repayable on demand	34,144	11,866	22,278
Borrowings from other banks repayable on demand	-	2,091	(2,091)
Net Cash and Cash Equivalents	34,144	13,957	20,187

1. ACCOUNTING POLICIES

(a) Basis of Accounting

These condensed consolidated interim financial statements as at and for the half-year to 30 September 2013 of Nomura Bank International plc (the "Bank" or the "Company") and its subsidiary undertaking, collectively "the Group", have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ("FCA") and with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 March 2013 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The condensed 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 condensed consolidated financial statements have been prepared on a going concern basis. The condensed 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 information presented in this half year report does not constitute statutory accounts for the purposes of s435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2013 has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s495 of the Companies Act 2006. The audit report did not contain a statement under s498 of the Companies Act 2006, nor did it include references to any matters to which the auditor drew attention by way of emphasis.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2013.

(b) 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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

Fair value is usually determined on an individual financial instrument basis consistent with the unit of account of the financial instrument. However, certain financial instruments managed on a portfolio basis are valued as a portfolio, namely based on the price that would be received to sell a net long position (i.e. a net financial asset) or transfer a net short position (i.e. a net financial liability) consistent with how market participants would price the net risk exposure at the measurement date.

(c) Significant accounting judgments, estimates and assumptions

The preparation of the condensed 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. For the half year ended condensed consolidated financial statements, the accounting policies, significant accounting judgements, estimates and assumptions are consistent with those applied by the Group in its 2013 annual report and accounts except for the adoption of new standards and interpretations as at 1 April 2013 noted in note (f) below.

(d) Segment reporting

Substantially all of the Bank's gross assets, gross liabilities, 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.

(e) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

The Group does not have any operations classified as discontinued operations as at 30 September 2013.

(f) New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013, except for the adoption of new standards and interpretations as of 1 April 2013, noted below:

1. ACCOUNTING POLICIES (CONTINUED)

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 introduce a 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 (e.g., exchange differences on translation of foreign operations) now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Banks' financial position or performance.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the chief operating decision maker. See Note 1(d).

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
The amendment requires an entity to disclose information about rights to set-off financial instruments 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. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. The Bank has adopted the amendments from 1 April 2013 and it only has an impact on disclosures

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

The EU has endorsed IFRS 10 with a mandatory effective date for annual periods starting on or after 1 January 2014 but early adoption is permitted. The Group has early adopted the amendments from 1 April 2013. IFRS 10 had no material impact on the consolidation of investments held by the Group.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

The EU has endorsed IFRS 10 with a mandatory effective date for annual periods starting on or after 1 January 2014 but early adoption is permitted. The Group has early adopted the amendments from 1 April 2013. None of these disclosure requirements are required for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

1. ACCOUNTING POLICIES (CONTINUED)

The Bank has adopted the amendments from 1 April 2013. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period.

2. TAXATION ON ORDINARY ACTIVITIES

(a) TAX CHARGE

	Half year ended 30 September 2013 Group **$'000**	Half year ended 30 September 2012 Group **$'000**
Current tax:		
UK Corporation tax credit/(charge) at 23% (2012: 24%)	-	(11)
HMRC tax charge and interest	-	(4,358)
Adjustment in respect of previous periods	44	(683)
Foreign tax suffered	(565)	(54)
	(521)	(5,106)
Deferred taxation:		
Current year temporary differences	65	541
Tax charge on profit/(loss) on ordinary activities	(456)	(4,565)

(b) RECONCILIATION OF CORPORATION TAX CREDIT/(CHARGE)

	Half year ended 30 September 2013 Group **$'000**	Half year ended 30 September 2012 Group **$'000**
Net profit/(loss) before tax	4,070	(69,096)
UK Corporation tax credit/(charge) at 23% (2012: 24%)	(936)	16,583
Unutilized losses for the period carried forward	855	(16,327)
Expenses not deductible for tax purposes	(10)	(10)
Deductions not included in profit before tax	123	284
Foreign tax suffered	(535)	(54)
Adjustments in respect of previous years	44	(683)
HMRC tax charge and interest	-	(4,358)
Effect of change in tax rates	3	-
Income tax expense reported in the consolidated statement of comprehensive income	(456)	(4,565)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

Fair value hierarchy – Assets

30 September 2013:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
Financial assets				
Financial assets held for trading:				
- Derivatives	-	635,528	161,515	797,043
Financial assets designated at fair value through profit and loss:				
- Secured lending	-	821,717	-	821,717
- Other financial instruments	-	131,902	1,442	133,344
	-	1,589,147	162,957	1,752,104
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	817,116	269,513	1,086,629
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	6,705,994	5,194	6,711,188
- Other financial instruments	-	10,488	-	10,488
	-	7,533,598	274,707	7,808,305

Fair value hierarchy – Assets

31 March 2013:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
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:				
- Secured lending	-	1,110,974	-	1,110,974
- Other financial instruments	-	142,641	1,621	144,262
	-	2,148,456	235,605	2,384,061
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 financial instruments	-	16,707	-	16,707
	-	8,287,582	313,764	8,601,346

The Bank assumes that all transfers of financial instruments from one level to another level within the fair value hierarchy occur at the beginning of the relevant quarter in which the transfer takes place. Amounts reported below therefore represent the fair value of the financial instruments at the beginning of the relevant quarter when the transfer was made.

4. VALUATION PROCESSES

In order to ensure the appropriateness of any fair value measurement of a financial instrument used within these consolidated financial statements including those classified as Level 3 within the fair value hierarchy, the Bank operates a governance framework which mandates determination or validation of a fair value measurement by control and support functions independent of the businesses assuming the risk of the financial instrument. Such functions within Nomura Group with direct responsibility for either defining, implementing or maintaining valuation policies and procedures are as follows:

- The Product Control Valuations Group ("PCVG") within Nomura's Finance Department has primary responsibility for determining and implementing valuation policies and procedures in connection with determination of fair value measurements. In particular, this group will ensure that valuation policies are documented for each type of financial instrument. While it is the responsibility of our businesses to price our financial instruments, the PCVG are responsible for independently verifying or validating these prices. In the event of a difference in opinion or where the estimate of fair value requires judgment, the valuation used within these consolidated financial statements is made by senior managers independent of the businesses. This group reports to the Global Head of Product Control and ultimately to the Chief Financial Officer ("CFO") of Nomura Group;

- The Accounting Policy Group ("APG") within Nomura's Finance Department defines the Group's accounting policies and procedures, including those associated with determination of fair value. This group reports to the Global Head of Accounting Policy and ultimately to the CFO of Nomura Group; and

- The Global Model Validation Group ("MVG") within Nomura's Risk Management Department validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models. The group reports to the Global Head of Market and Quantitative Risk of Nomura Group.

Sensitivity of fair value to changes in unobservable inputs

Level 3 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.

Movements in Level 3 financial instruments

Half year ended 30 September 2013 Group	At 1 April 2013	Total gains (losses) in P&L	Net cash (in)/out	Settle-ments	Net transfers in/(out) of level 3	At 30 September 2013	Unrealised Total gains (losses)in P&L
$'000s							
Financial assets							
Financial assets held for trading:							
- Derivatives	233,984	16,502	-	(25,077)	(63,894)	161,515	7,735
Financial assets designated fair value through profit and loss:							
- Loans and receivables	1,621	(121)	(58)	-	-	1,442	(179)
	235,605	16,381	(58)	(25,077)	(63,894	162,957	7,556

Half year ended 30 September 2013 Group	At 1 April 2013	Total gains (losses) in P&L	Net cash (in)/out	Settle-ments	Net transfers in/(out) of level 3	At 30 September 2013	Unrealised Total gains (losses)in P&L
$'000s							
Financial liabilities							
Financial liabilities held for trading:							
- Derivatives	313,764	51,818	-	(34,579)	(61,490)	269,513	63,467
Financial liabilities designated fair value through profit and loss:							
- Structured notes	-	(94)	-	(858)	6,146	5,194	(94)
	313,764	51,724	-	(35,437)	(55,344)	274,707	63,373

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

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

5. CONTINGENT LIABILITIES AND COMMITMENTS

Commitments

The Group had commitments as at 30 September 2013 amounting to $1,986,221,812 (31 March 2013: $1,957,669,000) in respect of undrawn note issuance facilities and loan commitments. The loan commitments are sub-participated to NIP on commitment date.

Financial guarantee contracts

The Group provides certain financial guarantees to third parties over their exposure to Nomura group companies. At 30 September 2013 the maximum exposure on these financial guarantee contracts amounted to $126,292,169 (31 March 2013: $179,597,842).

6. RELATED PARTY TRANSACTIONS

The Group 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 $10,446,928,864 as of 30 September 2013 (31 March 2013: $8,610,388,195). Prepayments including interest receivables owed from NIP amounted to $9,979,474 as at 30 September 2013 (31 March 2013: $10,071,320)

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 $752,394,885 as of 30 September 2013 (31 March 2013: $1,054,957,058) and the fair value of derivative liabilities with NIP is $1,047,380,278 (31 March 2013: $1,085,935,087). The bank received cash collateral of $694,482,427 as at 30 September 2013 from NIP to cover derivative exposure and combination of cash and fair value of securities received (31 March 2013: $1,159,791,236)

iii. The Bank has other receivables due from NIP of $43,975,106 (31 March 2013: $93,397,469) and other payables due to NIP of $191,372,722 (31 March 2013: $194,100,697).

iv. The Bank advanced a loan to NIP to the amount of $1,143,922 (31 March 2013 136,917,950.

6. RELATED PARTY TRANSACTIONS (CONTINUED)

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

i. The Bank has secured financing payables owing to NBL of $676,662,322 as of 30 September 2013 (31 March 2013: $640,650,286).
ii. The Bank has other payables due from NBL of $9,402,787 (31 March 2013: $7,108,517)
iii. The Bank has received a loan from NIP to the amount of $630,254,777, (31 March 2013 $nil)

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

i. The Bank entered into a secured financing arrangement with NSI in the amount of $100,000,000 as of 30 September 2013 (31 March 2013: $750,000,000).

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 $5,351,014 as of 30 September 2013 (31 March 2013: $31,866,564), and the fair value of derivative liabilities owed to these related parties is $2,044,016 as of 30 September 2013 (31 March 2013: $69,257,143).

ii. The Bank has an investment of $300,000,000 in vanilla floating rate notes issued by a related party (31 March 2013: $300,000,000)

iii. The Bank has overdrafts and borrowings due to other Nomura group companies of $60,000,000 as of 30 September 2013 (31 March 2013: $30,000,000) and loans and advances due from other Nomura group companies of $30,000,000 as of 30 September 2013 (31 March 2013: $30,000,000)

iv. The bank has paid cash collateral on its derivatives and a related receivable from Nomura Group Companies is$nil (31 March 2013: $37,000,000)

For the periods ended 30 September 2013 and 30 September 2012, there were no impairment losses on any of the above disclosed related party receivables.

7. DISPOSAL OF THE BANK'S SUBSIDIARY

Nomura Group frequently reviews its legal entity strategy. As part of this review, in September the Group decided to dispose its investment in a subsidiary in the near future. Following such decision, the Group classified its investment in this subsidiary as held for sale; hence it is measured at the lower of its carrying amount or fair value less costs to sell. As a result, the Group recognised an impairment loss of $20,720,000 which was wholly allocated to its goodwill.

The carrying amounts post the impairment loss of the major classes of assets and liabilities of the subsidiary classified as held for sale as at 30 September 2013 are as follows:

	Carrying amount
	$'000
Assets	
Loans and advances to banks	17,906
Intangible assets	2,571
Goodwill	38,871
Other Asset	106
Total assets	59,454
Liabilities	
Other liabilities	384
Total liabilities	384
Net Assets of disposal group	59,070

8. OFFSETTING DISCLOSURE

The Company does not perform any balance sheet netting. The following tables provide a summary of financial assets and liabilities subject to enforceable master netting arrangements and similar agreements.

	Securities purchased under agreements to resell	Secured lending	Derivatives Assets	Securities sold under agreements to repurchase	Derivatives Liabilities	Other
Group						
Total gross balance[1]	9,625,212	-	1,574,477	(676,662)	(1,047,380)	-
Less: Additional amounts not offset in the consolidated balance sheet[2]						
Financial instruments and non-cash collateral	(8,823,742)	-	(1,047,380)	676,662	1,047,380	-
Cash collateral	-		(526,277)	-	-	-
Net amount	801,470	-	820	-	-	-

NOTES TO HALF YEAR REPORT (CONTINUED)

30 SEPTEMBER 2013 (UNAUDITED)

8. OFFSETTING DISCLOSURE (CONTINUED)

(1) Includes all recognized balances irrespective of whether they are transacted under legally enforceable master netting agreements. Amounts include transactions carried at fair value through election of the fair value option and amounts carried at amortized cost.

(2) Represents amounts which are not permitted to be offset on the face of the balance sheet but which provide the Bank with the right of offset in the event of counterparty default. Amounts relating to agreements where the Bank does not have a legal right of offset or has not yet determined with sufficient certainty whether the right of offset is legally enforceable are excluded.