

NOMURA BANK INTERNATIONAL PLC

HALF YEAR REPORT

30 September 2012

NOMURA



COMPANY REGISTERED NUMBER 1981122

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NOMURA BANK INTERNATIONAL PLC

MANAGEMENT REPORT

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2012 (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 2012 to 30 September 2012. 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 of the Nomura Group (Nomura Holdings, Inc. ("NHI") and its consolidated subsidiaries). Its principal activities remain unchanged, and continue to 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 in China.

DIRECTORS

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

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

* Member of the Audit Committee of the Board

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 2012</u>	<u>Half Year Ended</u> <u>30 Sept 2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Operating (loss)/income	(61,299)	45,636
(Loss)/profit on ordinary activities before taxation	(69,096)	39,150
(Loss)/profit on ordinary activities after taxation	(73,661)	29,004

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.

NOMURA BANK INTERNATIONAL PLC

MANAGEMENT REPORT (CONTINUED)

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2012 (UNAUDITED)

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

	<u>30 Sept 2012</u> \$'000	<u>30 March 2012</u> \$'000
Total assets	12,500,410	16,528,689
Total liabilities	11,683,123	15,637,745
Shareholders' funds	817,287	890,944

The Bank reported a loss on ordinary activities before tax for the half year ended 30 September 2012 of \$69,096,124 (half year ended 30 September 2011: profit before tax of \$39,150,324).

This is largely attributable to the impact of tightening credit spreads on the Bank's note issuance business. As the Bank's own credit is included in the fair value of bonds and medium term notes issued, the tightening of Nomura's credit spreads during the period ended 30 September 2012 has impacted the valuation of the Bank's financial liabilities. As credit spreads have tightened, the fair value of bonds and medium term notes issued in the Statement of Financial Position has increased and a loss on ordinary activities has been recorded. The impact of own credit included within the loss on ordinary activities before tax was a loss of \$74,302,019 (half year ended 30 September 2011: profit of \$34,474,586).

On the other hand, the Bank continues to make profits from its core business activities. In the half year to 30 September 2012, the Bank generated gross revenues of \$13,002,801 (half year ended 30 September 2011: \$11,161,738), which after operating expenses equated to a core profit of \$5,205,895 (half year ended 30 September 2011: \$4,675,738).

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 combination of cash and securities collateral. As at 30 September 2012, 99% of funds advanced were on a secured basis, compared to 94% at 31 March 2012. The Bank maintains a strong balance sheet, with a strong Tier 1 capital ratio.

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 2013, the Bank will continue to support the Global Wholesale Business of Nomura Holdings, Inc. and its subsidiary undertakings ("the Nomura Group"), leveraging its branch infrastructure, as well as its China subsidiary. 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 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.

NOMURA BANK INTERNATIONAL PLC

MANAGEMENT REPORT (CONTINUED)

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2012 (UNAUDITED)

RISK MANAGEMENT (CONTINUED)

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 17 of its statutory financial statements for the year to 31 March 2012. The Bank's principal risks and uncertainties have not changed in the interim period ended 30 September 2012.

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 17 of the statutory financial statements for the year to 31 March 2012 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 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 18 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority ("FSA") 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 Services Authority.

By Order of the Board

Andrew Eames,
Secretary
15 November 2012

NOMURA BANK INTERNATIONAL PLC

INDEPENDENT REVIEW REPORT TO NOMURA BANK INTERNATIONAL PLC FOR THE HALF YEAR ENDED 30 SEPTEMBER 2012 (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 2012 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 5. 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 Services 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 2012 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 Services Authority.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2012 (UNAUDITED)

Note	<u>Group</u>	<u>Company</u>
	<u>Half year ended 30</u> <u>September 2012</u> \$'000	<u>Half year ended 30</u> <u>September 2011</u> \$'000

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

Included within the dealing loss for the period is a loss of \$74,302,019 in relation to changes in own credit risk (2011: profit of \$34,474,586). These gains and losses arise on financial instruments designated at fair value through profit and loss.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2012 (UNAUDITED)

	<u>Called-up share capital</u> \$'000	<u>Retained earnings</u> \$'000	<u>Other Reserve</u> \$'000	<u>Total shareholder's equity</u> \$'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 gains	-	-	4	4
Total comprehensive loss	-	(73,661)	4	(73,657)
As at 30 September 2012	555,000	262,264	23	817,287

	<u>Called-up share capital</u> \$'000	<u>Retained earnings</u> \$'000	<u>Other Reserve</u> \$'000	<u>Total shareholder's equity</u> \$'000
As at 1 April 2011	555,000	222,161	38	777,199
Profit for the half year	-	29,004	-	29,004
Foreign currency translation gain	-	-	10	10
Total comprehensive income	-	29,004	10	29,014
As at 30 September 2011	555,000	251,165	48	806,213

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 2012 (UNAUDITED)

	Group		Company	
	<u>Sept 2012</u>	<u>March 2012</u>	<u>Sept 2012</u>	<u>March 2012</u>
	\$'000	\$'000	\$'000	\$'000
Assets				
Loans and advances to banks	34,144	22,278	16,703	5,250
Derivative financial instruments	1,457,719	1,647,530	1,457,719	1,647,530
Loans and advances to affiliates	62,551	260,433	62,551	260,433
Securities purchased under agreements to resell	8,932,152	9,773,529	8,932,152	9,773,529
Loans and advances to others	147,930	-	147,930	-
Prepayments and accrued income	8,886	7,322	8,668	6,722
Other assets	15,725	144,807	15,607	144,683
Financial assets designated at fair value through profit and loss				
- Secured lending	1,324,311	3,675,676	1,324,311	3,675,676
- Other financial instruments	154,645	634,733	154,645	634,733
- Bonds and medium-term notes	300,000	300,000	300,000	300,000
Available-for-sale financial investments	4	4	4	4
Goodwill and intangible assets	62,237	62,277	-	-
Fixed assets	84	100	45	50
Investments in group undertakings	-	-	80,000	80,000
Deferred tax asset	22	-	-	-
Total assets	12,500,410	16,528,689	12,500,335	16,528,610
Liabilities				
Customer accounts	1,255	1,274	1,255	1,274
Derivative financial instruments	1,570,370	2,154,500	1,570,370	2,154,500
Accruals and deferred income	137,973	115,187	137,912	115,134
Borrowing from affiliates	639,026	580,899	639,026	580,899
Borrowing from others	6,877	11,705	6,877	11,705
Securities sold under agreements to repurchase	1,192,912	916,580	1,192,912	916,580
Financial liabilities designated at fair value through profit and loss				
- Bonds and medium-term notes	8,056,658	10,951,565	8,056,658	10,951,565
- Other financial instruments	21,600	825,265	21,600	825,265
Provision for liabilities and charges	4,359	-	4,359	-
Other liabilities	52,093	80,252	52,755	80,896
Deferred tax liabilities	-	518	-	538
Total liabilities	11,683,123	15,637,745	11,683,724	15,638,356
Shareholders' funds				
Called up share capital	555,000	555,000	555,000	555,000
Retained earnings	262,264	335,925	261,588	335,235
Other reserve	23	19	23	19
Total equity	817,287	890,944	816,611	890,254
Total liabilities and equity	12,500,410	16,528,689	12,500,335	16,528,610

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2012
(UNAUDITED) (CONTINUED)

Approved by the board of Directors on 15 November 2012 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 2012 (UNAUDITED)

	<u>Group</u> <u>Half year Ended</u> <u>30 September</u> <u>2012</u> \$'000	<u>Company</u> <u>Half year Ended</u> <u>30 September</u> <u>2011</u> \$'000
Operating activities		
(Loss)/profit before tax	(69,096)	39,150
Non-cash adjustments to reconcile (loss)/profit for the period to net cash flows		
Amortisation of goodwill and other intangibles	40	-
Depreciation on fixed assets	16	-
Foreign exchange revaluation	4	(449)
Change in operating assets and liabilities		
Net change in loans and advances to affiliates	197,882	(18,081)
Net change in loans and advances to others	(147,930)	2,828
Net change in borrowing from banks and other customers	(2,737)	(106,580)
Net change in borrowings from affiliates	58,127	(2,676,167)
Net change in financial assets designated at fair value through profit and loss	2,831,453	(155,057)
Net change in financial liabilities designated at fair value through profit and loss	(283,740)	(346,980)
Net change in available-for-sale assets	-	4
Net change in derivative assets	189,811	(46,108)
Net change in derivative liabilities	(584,130)	350,036
Net change in securities purchased under agreements to resell	276,332	5,914,390
Net change in securities sold under agreements to repurchase	841,377	(37,115)
Net change in other assets	129,082	(129,906)
Net change in other liabilities	(810,522)	(2,463,555)
Net change in prepayments and accrued income	(1,564)	20,002
Net change in accruals and deferred income	22,786	14,997
Income tax paid	(22,067)	-
Net cash flow provided by operating activities	2,625,124	361,409

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2012 (UNAUDITED) (CONTINUED)

	<u>Group</u> <u>Half year Ended</u> <u>30 September</u> <u>2012</u> <u>\$'000</u>	<u>Company</u> <u>Half year Ended</u> <u>30 September</u> <u>2011</u> <u>\$'000</u>
Financing activities		
Proceeds of borrowings and issuance of debt	374,763	2,277,934
Repayments of borrowings and redemption of debt	(2,985,930)	(2,633,009)
Net cash flow (used in) financing activities	(2,611,167)	(355,075)
Net increase in cash and cash equivalents	13,957	6,334
Cash and cash equivalents at the beginning of the period	20,187	7,571
Cash and cash equivalents at the end of the period	34,144	13,905
Included within operational cash flows		
Interest paid	5,712	7,467
Interest received	49,310	156,139

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2012 (UNAUDITED) (CONTINUED)

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

30 September 2012

	<u>30 September</u> <u>2012</u> \$'000	<u>Cash Flow</u> \$'000	<u>31 March</u> <u>2012</u> \$'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

31 March 2012

	<u>31 March</u> <u>2012</u> \$'000	<u>Cash Flow</u> \$'000	<u>31 March</u> <u>2011</u> \$'000
Loans and advances to other banks repayable on demand	22,278	14,707	7,571
Borrowings from other banks repayable on demand	(2,091)	(2,091)	-
Net Cash and Cash Equivalents	20,187	12,616	7,571

30 September 2011

	<u>30 September</u> <u>2011</u> \$'000	<u>Cash Flow</u> \$'000	<u>31 March</u> <u>2011</u> \$'000
Loans and advances to other banks repayable on demand	13,905	6,334	7,571
Borrowings from other banks repayable on demand	-	-	-
Net Cash and Cash Equivalents	13,905	6,334	7,571

NOMURA BANK INTERNATIONAL PLC

NOTES TO HALF YEAR REPORT

30 SEPTEMBER 2012 (UNAUDITED)

1. ACCOUNTING POLICIES

(a) Basis of Accounting

These condensed consolidated interim financial statements as at and for the half-year to 30 September 2012 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 Services Authority (“FSA”) 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 2012 which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. Comparative information included for the prior periods ending 30 September 2011 are for the “Company” only, as there were previously no subsidiaries.

For all periods up to and including the half year ended 30 September 2011, the Bank prepared its condensed financial statements in accordance with UK Generally Accepted Accounting Practice (“UK GAAP”). The financial statements for the year ended 31 March 2012 were the first financial statements the Bank has prepared in accordance with IFRS. The date of transition to IFRS was 1 April 2010.

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 2012 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 2012.

(b) Segment reporting

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

NOMURA BANK INTERNATIONAL PLC

NOTES TO HALF YEAR REPORT (CONTINUED)

30 SEPTEMBER 2012 (UNAUDITED)

1. ACCOUNTING POLICIES (CONTINUED)

(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 2012 annual report and accounts except for the adoption of new standards and interpretations as at 1 April 2012 noted in note (d) below.

(d) 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 2012, except for the adoption of new standards and interpretations as of 1 April 2012, noted below:

IFRS 7 – “Financial Instruments Disclosures” - Transfers of financial assets (Amendment)

In October 2010, the IASB issued revised IFRS 7 “Financial Instruments: Disclosures” to provide additional disclosures around transfers of financial assets, including those transfers in which the Bank retains a continuing interest in the transferred assets at the reporting date. The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The effective date for mandatory adoption is for annual periods beginning on or after July 2011, with early adoption permitted. The Bank has adopted the amendments from 1 April 2012, and the impact is not expected to be material.

2. TAXATION ON ORDINARY ACTIVITIES

(a) TAX (CHARGE)/CREDIT

	<u>Half year ended</u> <u>30 September</u> <u>2012</u> <u>Group</u> <u>\$'000</u>	<u>Half year ended</u> <u>30 September</u> <u>2011</u> <u>Company</u> <u>\$'000</u>
Current tax:		
UK Corporation tax (charge) at 24% (2011: 26%)	(11)	(10,252)
HMRC tax charge and interest (note 4)	(4,358)	-
Adjustment in respect of previous periods	(683)	-
Foreign tax suffered	(54)	7
	<u>(5,106)</u>	<u>(10,245)</u>
Deferred taxation:		
Current year temporary differences	541	74
Effect of Changes in Tax Rates	-	25
	<u>-</u>	<u>99</u>
Tax (charge) on profit/(loss) on ordinary activities	<u>(4,565)</u>	<u>(10,146)</u>

NOMURA BANK INTERNATIONAL PLC

NOTES TO HALF YEAR REPORT (CONTINUED)

30 SEPTEMBER 2012 (UNAUDITED)

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

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

	<u>Half year ended</u> <u>30 September</u> <u>2012</u> Group \$'000	<u>Half year ended</u> <u>30 September</u> <u>2011</u> Company \$'000
Net (loss)/profit before tax	(69,096)	39,150
UK Corporation tax credit/(charge) at 24% (2011: 26%)	16,583	(10,179)
Unutilized losses for the period carried forward	(16,327)	-
Expenses not deductible for tax purposes	(10)	-
Income not taxable for tax purposes	284	1
Foreign tax suffered	(54)	7
Adjustments in respect of previous years	(683)	-
HMRC tax charge and interest (note 4)	(4,358)	-
Effect of change in tax rates	-	25
Income tax expense reported in the consolidated statement of comprehensive income	<u>(4,565)</u>	<u>(10,146)</u>

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.

NOMURA BANK INTERNATIONAL PLC

NOTES TO HALF YEAR REPORT (CONTINUED)

30 SEPTEMBER 2012 (UNAUDITED)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

<u>30 September 2012:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Group				
Financial assets				
Financial assets held for trading:				
- Derivatives	-	1,219,911	237,808	1,457,719
Financial assets designated at fair value through profit and loss:				
- Notes	-	300,000	-	300,000
- Secured lending	-	1,324,311	-	1,324,311
- Other financial instruments	-	149,307	5,338	154,645
	-	2,993,529	243,146	3,236,675

Fair value hierarchy – Liabilities

Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	1,222,470	347,900	1,570,370
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	8,034,545	22,113	8,056,658
- Other financial instruments	-	21,600	-	21,600
	-	9,278,615	370,013	9,648,628

NOMURA BANK INTERNATIONAL PLC

NOTES TO HALF YEAR REPORT (CONTINUED)

31 SEPTEMBER 2012 (UNAUDITED)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy – Assets

<u>31 March 2012:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Group				
Financial assets				
Financial assets held for trading:				
- Derivatives	-	1,243,158	404,372	1,647,530
Financial assets designated at fair value through profit and loss:				
- Notes	-	300,000	-	300,000
- Secured lending	-	3,675,676	-	3,675,676
- Other financial instruments	-	631,105	3,628	634,733
	-	5,849,939	408,000	6,257,939

Fair value hierarchy – Liabilities

Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	1,659,227	495,273	2,154,500
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	10,900,439	51,126	10,951,565
- Other financial instruments	-	825,265	-	825,265
	-	13,384,931	546,399	13,931,330

During the year, approximately USD \$43,697,766 of structured notes classified as financial liabilities designated at fair value through profit and loss were transferred out of level 3 as certain market parameters became observable (2011: USD \$98,385,001).

4. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

HM Revenue and Customs

In 1998 the Bank sold its leasing business to a third party. HM Revenue & Customs has made an assessment of £6.4 million which remains unpaid by the new owners. The Bank's Directors have sought legal advice and believe that the assessment has been wrongly made against the Bank. The Company has vigorously defended these proceedings. However, the bank has now reached agreement with HMRC and now expects this matter to be formally resolved between the parties shortly. Accordingly, a provision for £2.7 million (\$4.4 million) has been recorded to reflect this probable payment.

NOMURA BANK INTERNATIONAL PLC

NOTES TO HALF YEAR REPORT (CONTINUED)

30 SEPTEMBER 2012 (UNAUDITED)

4. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Commitments

The Group had commitments as at 30 September 2012 amounting to \$1,895,603,390 (31 March 2012: \$1,568,605,919) in respect of undrawn note issuance facilities and loan commitments. The loan commitments are sub-participated to NIP on commitment date.

Financial guarantee contracts

The Group provides certain financial guarantees to third parties over their exposure to Nomura group companies. At 30 September 2012 the maximum exposure on these financial guarantee contracts amounted to \$226,631,328 (31 March 2012: \$123,282,005).

5. 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 \$9,506,463,036 as of 30 September 2012 (31 March 2012: \$12,799,205,263).
- ii. The Bank enters into derivative agreements with NIP to hedge the market risk on medium term notes issued. The fair value of the derivatives assets with NIP is \$1,296,806,235 as of 30 September 2012 (31 March 2012: \$1,279,383,493) and the fair value of derivative liabilities with NIP is \$1,174,847,425 (31 March 2012: \$1,460,710,185). The Bank received a combination of cash and securities collateral from NIP to cover derivative exposure. The total value of such collateral was \$1,556,558,074 as at 30 September 2012 (31 March 2012: \$3,124,352,539).
- iii. The Bank has other receivables due from NIP of \$15,963,674 (31 March 2012: \$141,785,261) as of 30 September 2012 and other payables due to NIP of \$58,176,150 (31 March 2012: \$62,341,656).

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

- i. The Bank has secured financing payables owing to NBL of \$642,912,341 as of 30 September 2012 (31 March 2012: \$666,579,567).

NOMURA BANK INTERNATIONAL PLC

NOTES TO HALF YEAR REPORT (CONTINUED)

30 SEPTEMBER 2012 (UNAUDITED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

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

- i. The Bank entered into a secured financing arrangement with NSI in the amount of \$750,000,000 as of 30 September 2012 (31 March 2012: \$650,000,000).

d. Transactions with other Nomura group companies

- i. The Bank entered into derivative agreements with other Nomura group companies. The fair value of these derivative assets is \$137,445,410 as of 30 September 2012 (31 March 2012: \$340,214,355), and the fair value of derivative liabilities owed to these related parties is \$132,681,275 as of 30 September 2012 (31 March 2012: \$372,146,302).
- ii. The Bank has an investment of \$300,000,000 in vanilla floating rate notes issued by a related party (31 March 2012: \$300,000,000)
- iii. The Bank has overdrafts and borrowings due to other Nomura group companies of \$60,710,000 as of 30 September 2012 (31 March 2012: \$39,878,434). The Bank has cash collateral received from other Nomura group companies of \$43,000,000.

For the periods ended 30 September 2012 and 30 September 2011, there were no impairment losses on any of the above disclosed related party receivables.