



NOMURA BANK INTERNATIONAL PLC.

**Annual Report
31 March 2022**

COMPANY REGISTRATION NUMBER: 1981122

Copyright © 2022 Nomura

This document is the sole property of Nomura. No part of this document may be reproduced in any form or by any means - electronic, mechanical, photocopying, recoding or otherwise - without the prior written permission of Nomura.

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT

The Directors of Nomura Bank International PLC (the "Bank") present their Strategic Report, Directors' Report and the Financial Statements of the Bank for the year ended 31 March 2022. The Bank is incorporated in England and Wales and its registered office is at 1 Angel Lane, London, EC4R 3AB.

REVIEW OF THE BANK'S BUSINESS, FINANCIAL PERFORMANCE AND FINANCIAL POSITION, DESCRIPTION OF PRINCIPAL RISKS AND INFORMATION REGARDING BRANCHES

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).

The Bank is a wholly owned subsidiary of Nomura Europe Holdings PLC ("NEHS"). The Bank's ultimate parent undertaking and controlling entity is NHI. The Bank has a liaison office in Istanbul and Turkey. The Bank's core activities include:

- issuance of rates, credit and equity linked notes and certificates;
- issuance of commercial papers;
- provision of sub-participations and structured loans;
- purchase of structured credit assets and structured loans;
- provision of traditional banking products such as loans and credit facilities, repurchase and reverse repurchase transactions, letters of credit and guarantees; and
- taking deposits (including foreign exchange and other reference linked deposits).

From an operational standpoint, the Bank outsources a significant proportion of its support services under service level agreements to the related departments of Nomura International PLC ("NIP"). The Treasury department continues to manage the liquidity of the Bank and provides asset and liability management for the balance sheet.

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

	<u>Year ended</u> <u>31 March 2022</u>	<u>Year ended</u> <u>31 March 2021</u>
	\$'000	\$'000
Net fee income	40,311	49,393
Profit after tax	15,542	11,348
Total comprehensive gain/(loss)	105,198	(161,590)
Total assets	5,873,933	6,608,950
Total liabilities	5,610,516	6,440,731
Shareholders' funds	263,417	168,219



NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT (CONTINUED)

Financial Performance:

The Bank reported a profit after tax for the year of \$15,541,667 (2021: \$11,348,087), driven mainly by facilitation fee income for issuance facilities provided to NIP.

Driven by market volatility, particularly in Q4 post the Russia / Ukraine situation, Nomura's own credit Euro and USD spreads widened, generating \$89,655,847 (2021: loss of \$(172,938,277)) other comprehensive gain (net of tax) on the notes in issue.

On 26 March, 2021, a U.S. client defaulted on margin calls made by one of the Nomura Group's U.S. subsidiaries, namely Nomura Global Financial Products Inc. ("NGFP"), in connection with prime brokerage transactions entered into with the client, which resulted in the Nomura Group incurring significant losses. This U.S. Prime Brokerage event has had no material impact on the Financial Performance of the Bank however an extensive internal remediation and enhancement plan (The Risk Management Enhancement Plan "RMEP") has been initiated globally in order to identify specific issues which may have contributed to this loss and identify areas of improvement to strengthen global risk management.

Financial Position:

The Bank's total assets decreased year on year by 11% to \$5,873,932,569 (2021: \$6,608,949,957) as the Bank's derivative assets and liabilities reduced in the year.

The Bank uses derivative products to transfer its risks to other Nomura Group companies, including NIP. In the year the Bank compressed the value of its outstanding derivative trades with NIP, driving the year on year reduction in both derivative assets and liabilities.

Additionally, during the period, the Bank paid a dividend of \$10,000,000 to the Bank's immediate parent, NEHS.

BUSINESS ENVIRONMENT

The global economy experienced repeated slowdowns in the fiscal year ended March 31, 2022 in response to flare-ups in the COVID-19 pandemic. Despite this, economic activity resumed to a great extent, particularly in the countries that were at the forefront in administering COVID-19 vaccination programs. The pandemic had a lingering impact on emerging market economies, in particular, causing sluggishness in production and distribution that when combined with the pent-up demand caused by the economic recovery, led to increasingly severe supply constraints and rising inflation.

As a result of rising inflation the central banks of major countries and regions around the world became more inclined to execute monetary policy tightening and this in turn led to greater concern over rising interest rates in financial markets.

On January 31, 2020, the U.K. withdrew from the European Union ("EU") under the Withdrawal Agreement between the U.K. and the EU ("Brexit"). Although the U.K. and EU have entered into a trade and cooperation agreement governing their new relationship, such agreement does not comprehensively address the financial industry, and there continues to be uncertainty as to the longer term consequences that Brexit may have on the Bank.

NOMURA BANK INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2022****STRATEGIC REPORT (CONTINUED)****BUSINESS ENVIRONMENT (CONTINUED)**

In addition to the macro-economic uncertainties referenced above, the Bank continues to proactively manage the continued challenges of industry digitalisation by prioritising collaboration across division and regions.

Russia and Ukraine war

Since the war in Ukraine began in February 2022, the Bank has been actively monitoring the impact of the conflict on the Ukraine and Russian economies, as well as on other financial markets. As of March 31, 2022, the total direct exposure of the Bank to Ukraine and Russia was not significant.

RISK MANAGEMENT

The Bank's risk management framework is closely aligned to the Nomura Group's risk management framework. However through its local governance framework, the Bank does apply specific risk management controls and defines its risk appetite, which is the maximum level and types of risk that the Bank is willing to assume in pursuit of its strategic objectives and business plan.

The Bank's activities involve the assumption and transfer of certain risks, including market risk, credit risk, operational risk, cross-border risk, model risk, liquidity and funding risks, and business risk. These risks are managed through the Bank's Executive Governance and through sub-committees of the Board of NEHS, which include:

- the Board Risk Committee ("BRC"), which has oversight over the NEHS Group's risk profile, financial risk appetite, future risk strategy and maintenance of an appropriate risk control framework.
- Cross-Border Risk Committees in relation to non-Europe, Middle East and Africa ("non-EMEA") business booked into the Bank.

Further information on the management of these risks is provided in Note 13 of the Financial Statements.

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT (CONTINUED)

REGULATION AND REGULATORY CHANGES

Regulations

The Bank is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. The Bank is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the PRA. The Bank is in compliance with these requirements.

During the year, the Directors have noted, amongst other items, the following key Regulatory updates and confirm the establishment of regulatory programs as appropriate to ensure compliance:

- On 14 October 2021 the PRA published final rules on implementation of Basel standards in PS22/21 with respect to key developments including the introduction of a binding minimum net stable funding ratio, changes to the capital requirements for counterparty credit risk of derivatives and a tightening of large exposures limits. These were implemented with effect from 1 January 2022 with related reporting and disclosure changes becoming effective from the first quarterly reporting reference date of 31 March 2022. Additionally the PRA also published PS21/21 on the U.K. leverage framework to introduce an updated exposure calculation effective from 1 January 2022 and for firms with at least £10bn of non-U.K. assets a binding minimum leverage ratio effective from 1 January 2023. Although the binding minimum leverage ratio will not be effective until 1 January 2023 it is not expected to be applicable to the Bank at this time based upon the £10bn non-UK asset threshold. Instead the Bank will be subject to an expectation that it will meet this ratio in most cases (outside of stress events) and as such the Board of the Bank have early adopted the Leverage Risk Appetite which was live from 1 January 2022. The firm has a regulatory change program which has been managing the implementation of these changes. Following the adoption of most of these changes at the start of 2022, the program will now move to look forward towards the introduction of the final Basel 3.1 reforms in the U.K. These proposals include amendments to the capital requirements for credit risk, market risk, CVA risk, operational risk and the introduction of output floors for modelled exposures. On 21 March 2022, the PRA has confirmed its intention to publish a consultation on the implementation of these reforms in the fourth quarter of 2022, with the changes expected to become effective on 1 January 2025.
- The internal minimum requirement for eligible liabilities ("MREL") became applicable in the U.K. for all U.K. incorporated institutions from 1 January 2019 for firms whose failure would have a significant impact on the U.K. financial system and for certain overseas firms where the Bank of England ("BOE") would support a home resolution authority in carrying out a cross-border resolution. The Bank was in full compliance with the final end-state MREL rules from 1 January 2022.

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT (CONTINUED)

REGULATION AND REGULATORY CHANGES (CONTINUED)

- In July 2019, the BOE and U.K. PRA published a policy statement on the Resolvability Assessment Framework ("RAF"). The RAF sets out eight barriers to resolvability bringing together existing policies such as MREL and Operational Continuity in Resolution ("OCIR") as well as other new resolution policies in order to follow the resolution principles set out by the FSB. As a result of this policy, the Bank has taken active steps since 2019 to ensure it has limited any barriers to resolution across the overarching pillars for resolvability through ensuring (1) the Bank has adequate resources and appropriate liquidity to meet its obligations during resolution, (2) the Bank is able to facilitate a smooth resolution by guaranteeing business services and operational process can continue to run and (3) the Bank has clear oversight and governance available during resolution.
- The European Market Infrastructure Regulation ("EMIR") became effective on 16 August 2012, and applies to any entity established in the EU that is a legal counterparty to a derivative contract, even when trading with non-EU firms. EMIR was created with the intention of stabilizing OTC markets found within EU member states. Although the majority of EMIR regulations have already been implemented, on 28 May 2019, Regulation (EU) 2019/834 (EMIR REFIT) was published in the EU's Official Journal, with the aim of amending EMIR to make some of its requirements simpler and more proportionate. With a few exceptions, the majority of the provisions in the Regulation entered into force on 17 June 2019. EMIR was transposed into UK domestic law by means of the European Union (Withdrawal) Act 2018 (as amended), subject to certain transitional arrangements. Phase 6 represents the final stage of the phase-in of the rules and applies from 1 September 2022. The Bank has initiated a project to document all in scope counterparties before 1 September 2022.
- In November 2019, the EU Benchmark Regulation ("BMR") was amended to include two new types of "climate benchmarks" - 'Paris-Aligned' Benchmarks ("PABs") and Climate Transition Benchmarks ("CTBs"). The Low-Carbon Benchmarks Regulation introduced the requirement (under Article 13 of the BMR) that administrators of benchmarks (save interest rate and foreign exchange benchmarks) must provide an explanation of how the key elements of their benchmark methodologies reflect ESG factors. The requirements were to be complied with by 30 April 2020. However, since the draft regulatory technical standards were still subject to a public consultation and a number of important details were subject to these delegated acts, ESMA issued a 'No Action Letter' encouraging EU national regulators not to force these 'Level 1' requirements until these delegated acts are finalised. The Delegated Acts were finalised and published on 3 December 2020 and entered into force in 23 December 2020.
- Interest rate benchmarks including, among others, the London Interbank Offered Rate ("LIBOR"), the Euro Interbank Offered Rate (EURIBOR), the Euro Overnight Index Average (EONIA) and certain other Interbank Offered Rates ("IBORs") are being reformed. The U.K. made the transition from GBP LIBOR, Yen LIBOR and CHF LIBOR to alternative risk free rates by the end of December 2021. More details on the Banks IBOR exposure, and the approach to risk management of the IBOR transition can be found in Note 21.

NOMURA BANK INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2022****STRATEGIC REPORT (CONTINUED)****REGULATION AND REGULATORY CHANGES (CONTINUED)**

- The EU Commission is required to evaluate the overall functioning of the MiFID II/ MiFIR regime, in particular, addressing those areas where challenges still exist. As part of this process, ESMA has launched a number of consultations on specific areas, which will feed into the Commission's reports. Certain amendments to support economic recovery from the COVID-19 pandemic, including via relief from administrative requirements on firms, were published in the EU Official Journal on 26 February 2021 (MiFID 'Quick-Fix'). EU Member States were required to transpose the quick fix amendments into their national frameworks by 28 November 2021 and apply them by 28 February 2022. Alongside this, the scheduled MiFID II review continues, with the Commission expected to publish a further legislative proposal throughout 2022. Since Brexit, these amendments are not applicable in the U.K. and the FCA has since set out changes to the conduct and organizational rules under the U.K. MiFID, including research unbundling and best execution reporting. U.K. HMT intends to consult in due course on proposed legislative changes on other areas of MiFID II. On 1 July 2021 the U.K. HMT launched a Wholesale Market Review Consultation. The consultation is part of the overnment's commitment to improving the competitiveness of the U.K. as a hub for capital markets, and is a central part of the Government's post-Brexit strategy for financial services. It has a wide ranging focus, including the regulatory framework for trading venues, systematic internalisers, market data, and fixed income, equity, derivative and commodity markets. It proposes a number of amendments to the U.K.'s onshored MiFID regime and asks for industry input on a range of other topics. The Bank is monitoring these developments and will implement any changes as relevant when the final rules are published.
- In response to heightened global focus on the issues of climate change, and a growing demand for standards associated with Environmental, Social and Governance ("ESG") factors and reporting, a number of global regulatory initiatives are being developed. These regulations cover both prudential frameworks including assessment and management of climate risks associated with Nomura businesses, such as the PRA SS3/19 regulations; and also labelling, disclosure and reporting regulations which includes, but is not limited to, the EU Taxonomy Regulation, the EU Sustainable Finance Disclosure Regulation, the EU Corporate Sustainability Reporting Directive and the proposed Sustainable Corporate Due Diligence Directive.
- The U.K. have introduced new mandatory Climate-related Financial Disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. These rules are effective for financial years starting on or after 6th April 2022 and introduce mandatory disclosures consistent with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Whilst the requirements are applicable to the Bank from 1 April 2023, certain disclosures have been made on a voluntary basis and can be found on in the Strategic Report on page 10-14.



NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT (CONTINUED)

REGULATION AND REGULATORY CHANGES (CONTINUED)

- The PRA released SS2/21 on Outsourcing and Third Party Risk management in March 2021 with a compliance deadline of 31 March 2022. The SS did not significantly diverge from the consultation paper published in 2019 but extended the scope as set out by the EBA in 2019. The EBA focus was on Outsourcing arrangements and the PRA requirements extended this to all critical third party arrangements. The SS set out explicit requirements with respect to risk assessments; contractual clauses and the management of critical third party arrangements (inclusive of group arrangements) throughout their lifecycle. The UK Regulators also issued Supervisory and Policy Statements on Operational Resilience in March 2021 (SS1/21 and PS21/3). These Operational Resilience SSs and PSs focused on the identification of Important Business Services with detailed mapping of dependencies and the setting of Impact Tolerances which are required to be validated across severe but plausible scenarios. The Regulators intended that both Operational Resilience and Third Party Risk Management requirements should be considered in conjunction with each other recognising that the firm's Important Business Services may have significant dependencies on third party arrangements. The overarching aim of these policies is to ensure appropriate governance and control over business services which if disrupted could cause harm to clients, the firm or to market stability. The Bank has complied with the 31 March 2022 requirements of both policies.

EMPLOYEE MATTERS

The Bank operates an equal opportunities policy. We have taken steps to ensure all employees are aware of their obligations in ensuring that the Bank's environment retains a culture which is conducive to good working and high performance. Internal communication and access to training and personal development opportunities are in place to support this.

The Bank remains strongly committed to the principle of equal employment opportunities for all employees and to providing employees with a work environment free of discrimination and harassment regardless of age, disability, race, gender identity and gender expression, religion or belief, marriage and civil partnership, pregnancy and maternity, sex and or sexual orientation. Our recruitment, development and promotion procedures embed these principles. The Bank's objective is to attract job applications from the best possible candidates and to retain the best people. We are also committed to having a diverse range of skills, values, knowledge, experience and geographical, educational and professional backgrounds amongst our employees.

The Nomura Group has an established policy of communicating with all its employees regularly, including U.K. employees, in order to provide information relevant to them about their employment and Nomura. This includes regular Nomura news bulletins circulated to all U.K. employees as well as communication and updates on the employee training programs that are available. All U.K. employees are encouraged to participate in the various employee committees and networks offered by the Nomura Group as well as the annual Nomura Group Employee Survey. The Bank is not listed in the U.K. and therefore does not operate an employee share scheme. However employee involvement in the performance of the Bank is encouraged, in a number of ways, including through the provision of a discretionary bonus scheme, which is based on the employee's individual performance as well as their division as a whole and the overall Bank and Nomura Group performance. The Nomura Group's financial performance is regularly communicated to employees through quarterly town halls in which the individual Bank's financial performance is discussed.



NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT (CONTINUED)

OPERATIONAL ENVIRONMENT

The effects of the COVID-19 pandemic have reduced during 2021 and 2022. The Bank continues to operate on a business as usual basis with most employees now following the firm's Hybrid Working Model, which enables employees to benefit from both in the office and remote working.

While the spread or impact of the disease may gradually subside as vaccination efforts progress, ongoing negative effects on markets, economic activity or the operating environment could further adversely affect our business. We are confident however of the Bank's contingency and business continuity arrangements which were robustly tested at the height of the pandemic and lockdown periods.

SECTION 172 OF THE COMPANIES ACT 2006

Section 172 of the Companies Act 2006 requires directors to promote the success of the Bank for the benefit of its members as a whole and, in doing so, to have regard to the interests of stakeholders, including shareholders, clients, employees, suppliers, regulators and the wider society in which the Bank operates.

As a Board, we strive to take decisions for the long term, with the aim of understanding and respecting the views and needs of our clients, employees and suppliers along with the environment we operate in and the shareholders to whom we are accountable.

The Board ensures the Section 172 requirements are met and the interests of all stakeholder groups are considered and taken into account when making decisions. This is evidenced through a number of actions including but not limited to the following:

- Our clients and business partners are key to ensuring the long term success of the Bank and, as a result, it is important to develop and maintain strong client relationships. To ensure that we maintained strong client relationships during the COVID-19 pandemic, we used various digital methods of communications, including meetings and briefings. Where safe and appropriate to do so, we returned to meeting clients in person as COVID-related restrictions were lifted towards the end of the financial period.
- The firm engages with our people to ensure that the Bank can recruit, develop, motivate and retain talented individuals. There is an established policy of communicating with all employees regularly. The NEHS Group's purpose and its strategy and priorities are communicated at quarterly town halls, and throughout the year in leadership meetings, all employee email messages and Nomura news bulletins. In its communications, the NEHS Group actively promotes its commitment to: good governance; risk management; compliance; good conduct; client needs and shareholder requirements; social responsibility; equal opportunities; and diversity, equity, and inclusion ("DEI").



NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT (CONTINUED)

SECTION 172 OF THE COMPANIES ACT 2006 (CONTINUED)

- Nomura conducts an annual Founding Principles and Corporate Ethics Day, a global initiative with the aim of engaging with employees and obtaining feedback in relation to conduct matters. These sessions are held in teams and led by team leaders to facilitate open discussions. The Human Resources ("HR") team conduct employee engagement surveys and review the output of the surveys, gather feedback and develop targeted action plans which are presented to Executive management. The targeted action plans are also tracked by and presented to the NEHS Board on a quarterly basis.
- Both the NEHS Executive Committee and the Board receive regular updates from HR to consider matters such as DEI, employee wellbeing and learning & development. In particular, a DEI programme was established within the year, led by a newly appointed Head of DEI for EMEA and a series of DEI initiatives have been launched across the NEHS Group as a result.
- An annual Health and Safety review of employee wellbeing is conducted by HR. The Director of the Board responsible for Health and Safety provides an annual update on Health, Safety and the Environment. Mental Health champions have been trained across the business and a firm-wide mental health resilience programme is in place.
- Pursuant to Section 54(1) of the Modern Slavery Act 2015 (the "MSA Act"), the Bank annually attests to the MSA Act by publishing a statement outlining how the Bank mitigates the risk of slavery and human trafficking both within their business and their supply chains. As part of this process, the NEHS Group has in place a Modern Slavery and Human Trafficking Policy (the "MSA Policy"), which seeks to identify and manage such risk.
- The Board, its committees and Executive management take their environmental responsibilities seriously and receive regular updates on climate change. The Board members continue to receive training on the risks associated with climate change and work is ongoing with respect to the establishment of a net-zero strategy. NEHS remains committed to ensuring that it meets its obligations pertaining to environmental regulation and reporting.
- Established in 2009, the Nomura Charitable Trust has been supporting disadvantaged young people in the local communities through both grant making and employee engagement in the form of volunteering and other engagement initiatives, making a significant impact both internally and externally. Whilst the Nomura Charitable Trust's mission is to ensure Nomura's business goals are aligned with providing positive contribution to stakeholders and the wider communities in which Nomura operates, a decision was taken to launch a new Community Affairs strategy aligned to the NEHS Group's DEI objectives and as such, the Nomura Charitable Trust will no longer be used as the vehicle to achieve these aims. Instead, NEHS will be launching a new charitable partnership in order to expand the scope of its charitable engagement and increase the impact across the organisation.
- The Board has an open, transparent and constructive relationship with the regulators and provides them with monthly Management Information ("MI"). The Board and its Committees receive regular updates on regulatory developments and Board members often meet with the regulators to ensure they are kept updated and informed.

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT (CONTINUED)

SECTION 172 OF THE COMPANIES ACT 2006 (CONTINUED)

The Board considers the interests of stakeholders as part of its overall long term business objectives and continues to align the Bank's strategic direction with the shareholder's aspirations for sustainability and growth.

When making principal decisions, the Directors have regard to the interests of relevant stakeholders. During the COVID-19 pandemic, supporting and safeguarding our employees and continuing to provide services to clients were a priority. We moved to a remote working model and provided extensive support and practical help to employees as they adopted to new working arrangements. As COVID-related restrictions were lifted towards the end of the financial period, the NEHS Group continued to prioritise employee and client health and safety through the implementation of a return to office plan aligned with Government guidance. A hybrid working model has since been adopted and will continue to evolve to ensure employees are able to work effectively and clients are able to receive high-quality service.

CLIMATE CHANGE

Overview and governance

In recent years, countries around the world have been accelerating their efforts to achieve carbon neutrality, and there is a need for changes in industry and social and economic reforms based on policy measures to realise a decarbonised society.

In order to contribute to these global efforts, the Nomura Group is committed to support our clients in their sustainability efforts through leveraging our core business. The Nomura Group is also committed to reducing its own environmental impact and the enhancement of our corporate governance and risk management.

The approach to Climate Change is primarily set at a Group level and applied through all group subsidiaries and business lines including the Bank. The NEHS Risk Management Committee and Board Risk Committee provide governance and oversight over Climate Risk Management of the Bank.

Please refer to the Nomura Group TCFD Report for further information on group governance arrangements and Nomura Group Climate-related Financial Disclosures.

<https://www.nomuraholdings.com/investor/library/tcf/2022/pdf/all.pdf>

NOMURA BANK INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2022****STRATEGIC REPORT (CONTINUED)****CLIMATE CHANGE (CONTINUED)****Climate Change Related Strategic Opportunities**

As a financial services firm, the Nomura Group is committed to helping our clients decarbonise. Over the next 30 years until 2050, a total of US\$122 trillion (approximately 16,000 trillion yen) is expected to be required for the transition to a decarbonised society globally. The Nomura Group recognises the role of finance services in the supply and circulation of risk money will grow. In particular, the Nomura Group believes the growing demand for funds, M&A advisory services, consulting, underwriting, new financial products & solutions and ESG-related funds will present increased opportunities for our business.

Growth opportunities identified to date include the expansion of underwriting opportunities in line with increased capital investment needs of our clients related to decarbonisation (transition finance), and expanding M&A advisory services for supporting clients' decarbonisation strategies.

The Nomura Group have been arranging sustainability themed bonds since 2010, and in 2017 established a dedicated sustainable finance team in the Debt Capital Markets business within the Wholesale business, which participates in a wide variety of sustainable finance projects. To further strengthen and promote this initiative, in 2021 the Nomura Group set a level target of US\$125 billion in sustainable finance over five years by March 2026. Along with the achievement of these targets, we are taking the following steps to further enhance sustainable finance.

The Bank will strive to help clients resolve sustainability issues by providing strategic advisory services such as M&A in the sustainability field by leveraging our comprehensive global capabilities and knowledge and expertise gained through our global network.

In April 2020, the Nomura Group acquired Greentech Capital Advisors, a U.S. based M&A boutique with strengths in sustainability, including renewable energy. Nomura Greentech is now a fully integrated investment banking team within the Wholesale Division which provides M&A and strategic advisory services and raises capital in the areas of sustainable technology and infrastructure.



NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT (CONTINUED)

CLIMATE CHANGE (CONTINUED)

Climate Change Related Risks

Identified Risks

The Bank is aware of the impact that climate change related risks can have on our businesses. There are two key types of risks associated with climate change, namely physical risk and transition risk.

Physical risk is generically defined as the risk of loss or damage due to extreme weather events such as large typhoons, droughts, and intense heat and specifically impacts our business as follows :

- Damage to our facilities or harm to employees, interruptions to our business and increases in our cost base due to extreme weather events;
- Clients or counterparties suffering from extreme weather events, resulting in less business, or even bankruptcy; and
- A reduction in the value of collateral posted to us in asset-based finance transactions .

Transition risk is defined as the risk associated with decarbonisation, such as the inability to respond to changes in government policies and rapid technological innovations and specifically impacts our business as follows:

- Price fluctuations affecting our trading positions, caused by policy change or innovation along with the transition to a decarbonised society;
- Failure of syndication transactions due to the change in investor or client appetite;
- Clients' assets such as coal mines, oilfields and natural gas facilities becoming obsolete as a result of the transition to a lower-carbon economy, resulting in pressure on business performance and creditworthiness;
- Reputational risk arising from our involvement in project finance transactions in which greenhouse gas emissions are inherent;
- Decrease in existing businesses, higher costs or higher capital charges due to the changes in legislation and the regulatory environment; and
- Reputational risks due to an insufficient understanding of the regulation or policy change.

As indicated below through scenario results and risk measures, the impact of these risks is currently assessed as being relatively low and therefore has had limited impact on our business strategy.

Risk Management and Governance of Climate Risk

Our Climate Risk & ESG Working Group, comprising members from our Risk Management and other related departments, has been set up to establish a global framework to identify, understand and manage climate change risks within the Nomura Group. Governance and oversight around climate risk management is provided by NEHS Risk Management Committee and NEHS Board Risk Committee who receive regular updates and reports around the nature and impact of these risks from the working group.

NOMURA BANK INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2022****STRATEGIC REPORT (CONTINUED)****CLIMATE CHANGE (CONTINUED)****Climate Change Related Risks (continued)****Risk Management and Governance of Climate Risk (continued)**

Our approaches for managing climate risk are outlined in the sections below:

- Risk Identification

A set of sectoral and country heatmaps have been developed as tools to initially identify both physical and transition risks impacting the Bank. These risk identification tools are used within risk management processes as a top down approach to identify the vulnerabilities to climate factors at both country and sector levels, as described in a number of processes below.

- Credit Risk Management

The Bank has enhanced the credit risk management framework to incorporate the analysis of physical and transition risks. Sectoral and country heatmaps are used to identify counterparties most exposed to such risks. This analysis is taken into consideration in our internal credit rating process, for example by including direct or indirect costs incurred by the counterparty to manage their climate-related risks, such as additional investments the counterparty may need to make. Broader ESG factors are also incorporated into these credit ratings. Credit ratings are used to inform credit risk appetite for a counterparty so this process ensures that climate and ESG related risks are also incorporated implicitly in this.

- Market Risk Management

The potential impact of climate change on market risk exposures is assessed by utilising a stress analysis approach that assumes rapid market fluctuations due to transition risk.

- New Product and Transactional Review Process

The Bank's Wholesale Division's ESG Sector Appetite Statement has introduced a process for identifying ESG risks (including climate change risks) and which evaluates mitigation measures in the review of individual transactions. In addition, the ESG review has been enhanced in the following due diligence processes:

- New Product Approval Process: Our process to evaluate and approve new products that Nomura intends to offer. The risks and the associated management processes are examined cross-functionally, and identified risks appropriately mitigated in order for the relevant new product to be approved.

NOMURA BANK INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2022****STRATEGIC REPORT (CONTINUED)****CLIMATE CHANGE (CONTINUED)****Climate Change Related Risks (continued)****Risk Management and Governance of Climate Risk (continued)**

- Transaction Committee Process: There are various risks inherent in transactions depending upon the market, transaction type, counterparty, and asset class. To assess the key risks and mitigants relating to proposed transactions, NEHS has established a committee process in which the risk threshold linked to each committee and the escalation process have been defined.
- Scenario Analysis Approach

The Bank has utilised the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathway (RCP) scenarios and the Network for Greening the Financial Systems' (NGFS) Transition scenarios to explore the potential impact from climate change. As climate risks are longer term risks, the initial focus has been on the impact to counterparty creditworthiness.

During the year ended 31 March 2022, an initial, exploratory analysis of the impact of climate change on NEHS's capital and risk-weighted assets over short-term, medium-term and long-term time horizons was conducted. This included a disorderly transition scenario for the short-term time horizon; both disorderly and orderly transition scenarios for the medium-term time horizon; and disorderly and orderly transition scenarios, and a physical risk ("Hot house World") scenario in the long-term time horizon.

No significant impact on NEHS was found as a result of these scenarios. The Bank continues to explore possible enhancements to these scenarios. Please refer to Nomura Group TCFD Report for further detailed information on the scenarios.

During the year ended 31 March 2022 a new analysis of the impact of climate change on NEHS's capital and risk-weighted assets was conducted, assuming that climate-related policy implementation leads to a disorderly transition, with the aim of assessing the short-term impact of climate change on the country's financial condition. We believe the impact of climate change NEHS finances is expected to be limited from the results.

Exposure analysis related to climate change

The Bank has developed the following Key Performance Indicators (KPIs) to provide transparency on credit exposures to climate risk within the Bank's portfolio, based on the counterparty loan equivalent (LEQ) which is the total amount of Loan and Loan Equivalent Exposure of the counterparty credit exposures monitored and reported to the NEHS Risk Management Committee and Board Risk Committee.

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT (CONTINUED)

CLIMATE CHANGE (CONTINUED)

Climate Change Related Risks (continued)

Risk Management and Governance of Climate Risk (continued)

- **High Transition Risk (HTR)**

To estimate the risk we would be exposed to through the decarbonisation of global economies, we have established a concentration measure for the total credit exposure to High Transition Risk sectors. Scope of this KPI includes all counterparties in industry sectors that are assessed as having the highest risk (i.e. Weak / High) in the sector heatmap for transition risk; and;

- **Carbon Related Assets (CRA)**

In line with the revised TCFD definition of carbon-related assets, we define CRAs as those assets tied to the following four non-financial groups: Energy, Transportation, Materials and Buildings and Agriculture, Food and Forest Product. Water utilities and independent power and renewable electricity production industries are excluded. Exposures in scope of this KPI are identified using our industry level sectors, classified through three increasingly granular levels, which align most closely to the GICS (MSCI Global Industry Classification Standard) sectors in scope of each measure;

- **High Physical Risk (HPR)**

This metric captures the exposure to both acute and chronic physical risk impacts that result from climate change. Scope of this KPI is defined using the country heatmap and sector heatmap. Counterparties in countries and sectors (defined by the industry level classification) labelled as “Weak” are included in scope of the metrics. The Bank currently does not retain counterparty exposures to the sectors in scope of the climate risk measures.

To measure credit exposure the Bank uses Counterparty LEQ based on an internal methodology. The value of the measure equates to the sum of Counterparty LEQ for each counterparty that meets the sector (and country for HPR) criteria for the measure. As these metrics are sector-based they may include investments which are beneficial from a climate change perspective, and / or the exposures to counterparties with a low carbon footprint. For example, the counterparty LEQ from a project finance transaction for carbon capture and storage for a power plant would be included even though it would result in a decrease of greenhouse gas emissions.

NOMURA BANK INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2022****STRATEGIC REPORT (CONTINUED)****CLIMATE CHANGE (CONTINUED)****Metrics and Targets**

The Nomura Group will use metrics related to greenhouse gas emissions to measure and manage the risks and opportunities associated with climate change as well as to steadily implement initiatives to align with the Paris Agreement and achieve net zero. The Bank will continue to contribute to these targets set at the Nomura Group Level.

Metrics

Greenhouse gas emissions for its own operations
Greenhouse gas emissions from its lending and investment portfolios
Sustainable Financing

Target

Net Zero by 2030
Net Zero in 2050

US\$125bn in sustainable financing over five years by March 2026

NOMURA BANK INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2022****STRATEGIC REPORT (CONTINUED)****ENVIRONMENT AND ENERGY**

The Bank believes a healthy environment is the foundation of stable economic and social conditions for future generations. The Bank is committed to acting in an environmentally responsible manner and to achieving energy performance improvement.

The Nomura Group:

- encourages investment and constructive engagement in environmentally friendly and energy efficient goods and services;
- assesses environmental risks and continually strives to minimise pollution to mitigate our effect on climate change;
- complies with relevant environmental laws and regulations and engages with external stakeholders on environmental issues;
- is committed to reducing waste and the use of natural resources in order to minimise the impact of its footprint on the environment;
- is committed to continual improvement in energy performance;
- aims to maximise the efficiency of its property portfolio through effective asset management covering utilisation, maintenance, accessibility and disposals;
- promote the importance of biodiversity and a healthy ecosystem;
- communicates this policy to all its employees to raise awareness of environmental issues and encourages environmentally friendly initiatives;
- will make available the necessary resources to achieve our environmental and energy objectives and targets.
- makes this policy available for public viewing

The Nomura Group makes this policy available for public viewing on request.

BY ORDER OF THE BOARD AT A MEETING HELD ON 21 July 2022

.....
Christopher Barlow
Company secretary

21 July 2022

Company Registration Number 1981122

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

DIRECTORS' REPORT

The Directors present their report and Financial Statements of the Bank which comprises of the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash flow and related Notes 1 - 20.

RESULTS AND DIVIDENDS

The results for the year are presented in the Statement of Comprehensive Income. The profit from continuing activities transferred to reserves for the year amounted to \$15,541,667 (2021: \$11,348,087).

The Directors recommend the payment of a final dividend of \$10,000,000 (2021: \$10,000,000), equivalent of \$0.04 (2021: \$0.04) per share.

EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

No events to report post balance sheet date.

DONATIONS

No political donations were made during the year (2021: nil).

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Bank's approach to Risk Management is presented in Note 13 of the Financial Statements, with additional analysis on Financial Instruments disclosed in Notes 1, 9, 13 and 14 of the Financial Statements.

MATTERS DEALT WITH IN THE STRATEGIC REPORT

An indication of the likely future developments of the Bank, along with information pertaining to principal risks, overseas branches, employee matters, section 172 of the Companies Act 2006, environment and energy have been discussed in the Bank's strategic report.

DIRECTORS

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

David Godfrey	Non-Executive Chairman
	Non-Executive Director
John Tierney	Director and Chief Executive Officer ("CEO")
Jonathan Britton	Non-Executive Director
Neeta Atkar	Non-Executive Director
Takeo Aoki	Director (Resignation on 20 April 2022)
Rosemary Murray	Non-Executive Director



NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INDEMNITIES

As at the date of this report and during the relevant financial year, indemnities are and were in force under which the Bank has agreed to indemnify certain Directors of the Bank to the extent permitted by law and in accordance with the Bank's articles of association, in respect of certain losses and liabilities arising out of, in connection with, the execution of their powers, duties and responsibilities, as Directors of the Bank. In addition, NHI effected a global Directors and Officers liability insurance programme for the benefit of the Nomura Group.

ANTI-BRIBERY AND CORRUPTION POLICY

The Bank's policy against bribery and corruption requires employees and persons acting for or on behalf of the Company, to understand and to comply with laws, rules and regulations concerning bribery and corruption and to be neither involved with bribery nor corrupt activities.

The Bank maintains policies and procedures designed to mitigate the risk of the Bank becoming involved in bribery and/or corruption.

BOARD RECRUITMENT POLICY

The NEHS Governance and Nomination Committee is responsible for having regard to a broad set of technical capabilities and competencies when recruiting members of the Board of the Bank. The NEHS Governance and Nomination Committee is also responsible for putting in place a policy promoting diversity on the Board.

The Nomura Group is committed to providing equal opportunities throughout its Board appointments including in the recruitment, training and development of Board members. The objective is to attract the best possible candidates and to retain the best people.

BOARD DIVERSITY POLICY

The Nomura Group is committed to fostering our corporate culture which respects our people's values regardless of their background, such as gender, nationality, ethnic origin, age, sexual orientation or gender identity. Today, Nomura's workforce includes employees of more than 90 different nationalities. This diverse group of personnel is our most important asset, and as such, we strive to offer equal opportunities to all personnel to enable each and every one of them to develop their capabilities and strengths as individuals to the fullest and perform as Nomura professionals.

The NEHS Governance and Nomination Committee has responsibility for leading the process for Board appointments and for identifying and nominating candidates for appointment to the Board. Board appointments will be based on merit and candidates will be considered against objective criteria. The Board currently has a diverse range of ages, geographical provenance, educational and professional backgrounds, skills, knowledge and experience which values input from all directors. The NEHS Governance and Nomination Committee will continue to ensure appropriate actions are taken to further broaden the diversity on the Bank's board.



NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

DIRECTORS' REPORT (CONTINUED)

STAKEHOLDER ENGAGEMENT

Section 172 of the Companies Act 2006 requires directors to promote the success of the Bank for the benefit of its members as a whole and, in doing so, to have regard to the interests of stakeholders, including shareholders, clients, employees, suppliers, regulators and the wider society in which the Bank operates.

On pages 8 to 10, we have set out how we have engaged with our key stakeholders and how the Board has considered their interests during the year.

STREAMLINED ENERGY & CARBON REPORTING - LOW ENERGY USER

Streamlined Energy and Carbon Reporting (SECR) was implemented on 1 April 2019, through the enforcement of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

A company is within scope if it is a 'large undertaking' by virtue of meeting two or more of the following criteria:

- Employs at least 250 persons
- Has an annual turnover in excess of 36 million pounds
- Has an annual balance sheet total of 18 million pounds

Companies within scope are required to publicly disclose their energy consumption and carbon emissions, and additionally any intensity metrics and energy efficiency measures implemented. However, companies are exempt from the disclosure requirements if they are a 'low energy user' by virtue of having consumed 40MWh or less within the U.K., during the period in which the report is prepared. Nomura Bank International PLC falls into the 'low energy user' classification and is therefore not disclosing energy and carbon information within this report.

GOING CONCERN

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, Notes 13 and 16 of the statutory financial statements for the year to 31 March 2022 describe the Bank's objectives, policies and processes for risk management and capital management, as well as its exposures to credit and liquidity risk.

Given that the Bank hedges its market risk, the Directors consider the Bank's capital position to be strong. The Bank does not hedge its own credit risk, however this does not impact its capital. Whilst the Bank has significant exposure to Nomura Group companies, and in particular to NIP, this is minimised through significant collateralisation 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 assets, 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 financial statements on a going concern basis.

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

DIRECTORS' REPORT (CONTINUED)

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 18. Having made enquiries of fellow Directors and of the Bank's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Bank's Auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Bank's Auditors are aware of that information.

AUDITORS

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office and a resolution re-appointing them as Auditors and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.



NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the Bank's financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with U.K. adopted International Accounting Standards ("IAS").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period. In preparing those financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Bank;
- select suitable accounting policies in accordance with IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IAS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- state whether the financial statements have been prepared in accordance with U.K. adopted IAS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions, and disclose with reasonable accuracy at any time, the financial position of the Bank and enable them to ensure that the Bank's financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors' Report and the Strategic Report in accordance with the Companies Act 2006 and applicable regulations.

BY ORDER OF THE BOARD AT A MEETING HELD ON 21 July 2022

A handwritten signature in dark ink, appearing to read "Christopher Barlow", written over a horizontal line.

Christopher Barlow
Company secretary

21 July 2022
Company Registration number 1981122

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOMURA BANK INTERNATIONAL PLC

Opinion

We have audited the financial statements of Nomura Bank International plc (the "Bank", "NBI") for the year ended 31 March 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31st March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We evaluated the directors' going concern assessment, which covered a period of twelve months from the date of the approval of the financial statements. This assessment included their evaluation of future profitability outlook, regulatory capital, liquidity and funding positions. In addition, we assessed these positions considering management's stress tests which included consideration of principal and emerging risks. The Bank's risk profile was considered including credit risk, reputational, regulatory and operational risk.
- We confirmed our understanding of management's going concern assessment process and challenged management on the inclusion of key inputs and assumptions in their assessment;
- We obtained and reviewed the documentation related to the expectation and ability of the ultimate parent company, Nomura Holdings Inc., to continue to provide financial and operational support to the Bank.
- We reviewed the Bank's going concern disclosures included in the annual report to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Recognition of revenue in respect of NBI's Own Credit Adjustment ('OCA')
Materiality	<ul style="list-style-type: none"> • Overall materiality of \$2.9 m which represents 1.5% of net assets.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

The Bank headquartered in London, has trading activities being originated in other regions, i.e. the Americas, Japan and Asia excluding Japan. In assessing the risk of material misstatement to the Bank's financial statements, and to ensure that there is an adequate audit coverage of significant accounts in the financial statements of the Bank, we selected regions to include in our audit scope. These regional components represent the principal business units within the Bank and were selected based on their size and risk characteristics.

We performed an audit of the complete financial information for the "full scope" components and audit procedures on selected account balances on the "specific scope" components, as set out below:

Region	Prior year scope	Current year scope
Europe	Full	Full
Asia excluding Japan	Full	Full
Americas	Specific	Specific
Japan	Out of scope	Out of scope

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Bank. The Bank has determined that the most significant future impacts from climate change on its operations will be from the impact of physical and transition risks. These are explained on pages 10 to 16 of the Strategic Report, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and their conclusion that it does not have a material impact on the Bank's financial statements as set out on page 40. We also challenged the Directors' considerations of climate change in their assessment of going concern and associated disclosures.

Whilst the Nomura Group, inclusive of the Bank have stated their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050, the Bank is currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Recognition of revenue in respect of NBI's Own Credit Adjustment ('OCA')</p> <p>There is a risk that management could manipulate profit and loss recognition where recognition is subjective, e.g., judgements involving complex asset valuations.</p> <p>For NBI, this risk is specific to revenue recognition in respect of NBI's OCA, given the market risk flat nature of the legal entity's booking structure.</p> <p>As such OCA is identified as the area where there could be potential for management override impacting the other comprehensive income.</p>	<p>We designed our procedures to be responsive to the identified risk. We have performed the following procedures during the audit period:</p> <ul style="list-style-type: none"> • Evaluated the design and operating effectiveness of controls relating to the calculation and review of the adjustment. • Evaluated Nomura's OCA valuation policy and assessed the appropriateness of the methodology applied to calculating the adjustment. • Performed a trend analysis of the adjustment throughout the year with reference to Nomura credit spreads. • Engaged EY valuation specialists to evaluate the booking model used by management and verify that the market risk related to the structured notes is effectively transferred to NIP by entering into derivative contracts. • We evaluated the appropriateness of NBI's OCA curve including assessing NBI buybacks and credit rating. • Analysed and validated the key inputs/assumptions used by management to calculate OCA movements during the year. • Performed substantive procedures to verify the completeness and accuracy of the inputs in the calculation of OCA. • Agreed the realised and unrealised OCA gains per the source documentation to the trial balance and Financial Statements. 	<p>We concluded that in the context of the inherent uncertainties as disclosed in the financial statements, the valuations of the entity's own issued liabilities are within a reasonable range of outcomes and as such we have not identified any material misstatement to the loss arising from movements in the entity's own credit spread for the year ended 31 March 2022.</p>

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Bank to be \$2.9 million (2021: \$2.5m million), which is 1.5% (2021:1.5%) of net assets. Net assets (Equity) have been selected for the basis of materiality given the nature of NBI's booking model such that equity is relatively low in comparison to total assets as the entity acts as a note issuance vehicle where the market risk associated with external note issuance is transferred to a Bank's affiliate, Nomura International Plc. We believe that users of financial statements, including regulators and investors in NBI note issuances, would be more interested in assessing the strength of the Bank's balance sheet, particularly given the purpose of the entity as described above.

During the course of our audit, we reassessed initial materiality and identified no basis for a change from the original assessment.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Bank's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely \$2.3m (2021: \$1.9m). We have set performance materiality at this percentage due to our expectation of misstatements based on previous audits, likelihood and effects of misstatements, internal control environment and consideration of any changes in circumstances of the Bank.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$0.2m (2021: \$0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the regulations and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), International Accounting Standards in conformity with the requirements of the Companies Act 2006, Companies Act 2006 and the relevant tax compliance regulation in the United Kingdom.

- We understood how the Bank is complying with those frameworks by making enquiries of Directors and management for their awareness of any non-compliance with laws and regulations and inquiring how the Bank maintains and communicates its policies and procedures that have been established to prevent non-compliance with laws and regulations by officers and employees as well as through the evaluation of corroborating documentation. We corroborated our inquiries through review of minutes of management and board of directors' meetings.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override controls and potential for improper revenue recognition.
- We assessed whether there is a specific fraud risk in relation to revenue recognition. We have identified a fraud risk in relation to OCA revenue recognition. We have deemed this risk to be a key audit matter and our assessment is outlined in the KAM section above.
- We performed procedures to address the risk of management override controls by testing the appropriateness of manual journal entries to identify whether any entries were inappropriate or inaccurate.
- We evaluated whether management's judgements used in developing accounting estimates indicated possible bias. We reviewed significant transactions to evaluate the business rational for these transactions.
- Throughout the course of the audit, we maintained professional scepticism recognizing the possibility that a material misstatement due to fraud could exist. While performing our audit procedures we did not only seek corroborative evidence to support management's assertions, where applicable we searched for contradictory evidence in order to challenge management's assertions.
- Our procedures were designed to provide reasonable assurance that the financial statements were free from material misstatement, due to fraud or error. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and those responsible for legal and compliance matters. We tested controls and performed procedures to respond to the fraud risks as stated above. We also reviewed correspondence between the Bank and UK regulatory bodies, reviewed minutes of the Board and relevant committee meetings, including key risk management committees.
- The Bank operates in a regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

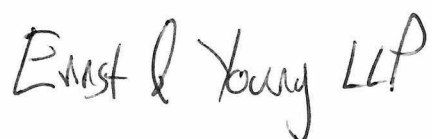
- Following the recommendation from the audit committee we were appointed by the company to audit the financial statements for the year ending 31 March 2003 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 20 years, covering the years ending 31 March 2003 to 31 March 2022.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Nicholas Dawes (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 July 2022

NOMURA BANK INTERNATIONAL PLC

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	Note	Year ended 31 March 2022 \$'000	Year ended 31 March 2021 ¹ \$'000
INCOME			
Interest income calculated using effective interest method	2	12,320	17,163
Other interest and similar income	2	12,771	16,026
Interest expense calculated using effective interest method	2	(823)	(566)
Other interest and similar expenses	2	(4,473)	(5,948)
NET INTEREST INCOME		19,795	26,675
Fee and commission income	3	41,653	52,332
Fee and commission expense	3	(1,342)	(2,939)
Dealing Loss	4	(28,708)	(47,561)
TOTAL OPERATING INCOME		31,398	28,507
General and administrative expenses	5	(11,655)	(14,680)
Credit impairment (charge) / reversal		(554)	46
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		19,189	13,873
Tax charge on profit on ordinary activities	7	(3,647)	(2,525)
PROFIT FOR THE YEAR		15,542	11,348
ATTRIBUTABLE TO:			
<u>Equity holders of the parent</u>			
Profit for the year from continuing operations		15,542	11,348

All gains and losses in the current year noted above are derived from continuing activities.

The notes on pages 39 to 91 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Note	<u>Year ended</u> <u>31 March 2022</u> \$'000	<u>Year ended</u> <u>31 March 2021</u> \$'000
PROFIT FOR THE YEAR		15,542	11,348
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the income statement			
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in own credit risk (net of related tax effects)	11	89,656	(172,938)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>89,656</u>	<u>(172,938)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>105,198</u>	<u>(161,590)</u>

The notes on pages 39 to 91 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	<u>Called-up Share Capital</u> \$'000	<u>Retained Earnings</u> \$'000	<u>Own Credit Reserve</u> \$'000	<u>Total</u> \$ 000
As at 1 April 2021	255,000	21,879	(108,660)	168,219
Dividends paid during the year	-	(10,000)	-	(10,000)
Transferred from own credit reserve to retained earnings during the year	-	5,801	(5,801)	-
Profit for the year	-	15,542	-	15,542
Other Comprehensive Income	-	-	89,656	89,656
At 31 March 2022	255,000	33,222	(24,805)	263,417

	<u>Called-up Share Capital</u> \$'000	<u>Retained Earnings</u> \$'000	<u>Own Credit Reserve</u> \$'000	<u>Total</u> \$ 000
As at 1 April 2020	255,000	23,137	63,672	341,809
Dividends paid during the year	-	(12,000)	-	(12,000)
Transferred from own credit reserve to retained earnings during the year	-	(606)	606	-
Profit for the year	-	11,348	-	11,348
Other Comprehensive Loss	-	-	(172,938)	(172,938)
At 31 March 2021	255,000	21,879	(108,660)	168,219

During the year, \$5,800,646 (2021: \$(606,079)) was transferred from Own Credit Reserve to Retained Earnings due to derecognition of financial liabilities designated at fair value through profit and loss (net of tax effects).

The notes on pages 39 to 91 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022

	Note	Year ended 31 March 2022 \$'000	Year ended 31 March 2021 \$'000
Assets			
Loans and advances to banks	9	1,462	2,998
Derivative financial instruments	9	440,933	1,473,660
Loans and advances to affiliates	9	2,620,602	1,608,289
Securities purchased under agreements to resell	9	2,799,330	3,485,060
Loans and advances to others	9	417	1,580
Prepayments and accrued income	9	4,371	5,161
Other assets	9	5,146	7,476
Right-of-use assets		396	91
Financial investments	9	20	20
Deferred tax asset	7	1,256	24,615
Total Assets		5,873,933	6,608,950
Liabilities			
Customer Accounts	9	-	166
Derivative financial instruments	9	723,515	1,449,591
Accruals and deferred income	9	16,550	17,834
Borrowings from affiliates	9	274,421	329,333
Borrowings from others	9	610	8,728
Commercial papers issued	9	794,070	798,480
Bonds and medium-term notes	9, 11	3,793,645	3,834,998
Corporate tax liability		6,630	1,487
Other liabilities	9	1,075	114
Total Liabilities		5,610,516	6,440,731
Shareholders' funds			
Called up share Capital	12	255,000	255,000
Retained earnings		33,222	21,879
Own credit reserve		(24,805)	(108,660)
Total Equity		263,417	168,219
Total Liabilities and Equity		5,873,933	6,608,950

Approved by the board of Directors on 21 July 2022 and subsequently signed on its behalf on 21 July 2022



John Tierney,
Director

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	<u>Year ended</u> <u>31 March 2022</u> \$'000	<u>Year ended</u> <u>31 March 2021</u> \$'000
Operating activities		
Profit before taxation	19,189	13,873
Non-cash adjustments to reconcile profit for the period to net cash flows		
Depreciation	105	113
Change in working capital adjustments		
Net change in derivative assets	1,032,728	421,444
Net change in loans and advances to affiliates	(1,012,313)	(857,200)
Net change in securities purchased under agreements to resell	685,731	891,295
Net change in loans and advances to others	1,163	64,842
Net changes in prepayments and accrued income	791	(1,791)
Net change in other assets	2,330	17,160
Net change in financial investments	-	(2)
Net change in customer accounts	(166)	10
Net change in derivative liabilities	(726,077)	(480,143)
Net change in accruals and deferred income	(1,286)	3,734
Net change in borrowings from affiliates	(54,912)	1,757
Net change in borrowings from others	(8,118)	(29,299)
Net change in commercial papers issued	(53,485)	(1,255)
Net change in securities sold under agreements to repurchase	-	(425,000)
Net change in bonds and medium-term notes	(492,696)	12,330
Net change in other liabilities	596	(43)
Income tax and group relief paid	-	(3,287)
Net cash flow from operating activities	(606,420)	(371,462)
Cash flows from financing activities		
Proceeds from issuance of bonds and commercial papers	3,257,272	3,408,164
Repayments of bonds and commercial papers	(2,642,274)	(3,038,749)
Dividends paid	(10,000)	(12,000)
Payment of principal portion of lease liabilities	(114)	(113)
Net cash flows from financing activities	604,884	357,302
Net decrease in cash and cash equivalents	(1,536)	(14,160)
Cash and cash equivalents at the beginning of the year	2,997	17,158
Cash and cash equivalents at the end of the year	1,461	2,998
Included within operational cash flows		
Interest paid	(5,543)	(5,978)
Interest received	27,216	31,357

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	<u>1 April 2021</u>	<u>Cash flows</u>	<u>Fair value</u>	<u>Non-cash changes</u>	<u>31 March</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>changes</u>	<u>Foreign exchange & other</u>	<u>2022</u>
			<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Bonds and medium term notes	3,834,998	565,922	(114,579)	(492,696)	3,793,645
Commercial papers issued	798,479	49,075	-	(53,485)	794,069
Lease liabilities	94	(116)	-	412	390
Total liabilities from financing activities	4,633,571	614,881	(114,579)	(545,769)	4,588,104

	<u>1 April 2020</u>	<u>Cash flows</u>	<u>Fair value</u>	<u>Non-cash changes</u>	<u>31 March</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>changes</u>	<u>Foreign exchange & other</u>	<u>2021</u>
			<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Bonds and medium term notes	3,284,183	328,536	209,949	12,330	3,834,998
Commercial papers issued	758,858	40,877	-	(1,255)	798,480
Lease liabilities	208	(118)	-	4	94
Total liabilities from financing activities	4,043,249	369,295	209,949	11,079	4,633,572

The cash and cash equivalents mainly consist of nostro balance.

The notes on pages 39 to 91 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Bank have been prepared in accordance with with U.K. adopted International Accounting Standards .

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of particular financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies.

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future for a period of atleast 12 months from the date of the approval of the financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

(b) New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and interpretations as of 1 April 2021, noted below:

IBOR reform Phase 2

On 1 April 2021, the Bank adopted IBOR reform Phase 2, addressing a number of issues in financial reporting areas that arise when interbank offered rates (IBORs) are reformed or replaced. The amendments provide a practical expedient that permits certain changes in the contractual cash flows of debt instruments attributable to the replacement of IBORs with alternative reference rates to be accounted for prospectively by updating a given instrument's effective interest rate (EIR), provided (i) the change is necessary as a direct consequence of IBOR reform and (ii) the new basis for determining the contractual cash flows is economically equivalent to the previous basis. The Bank has adopted the amendments, which have no material effect on the financial statements, however certain further disclosures have been made in Note 21 of the financial statements.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, 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.

In the process of applying the accounting policies, management has made the following estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements:

- Where there is no active market for a financial instrument, fair value is determined using valuation techniques which could require judgment, as listed in Note 14
- Recoverability of deferred tax assets, as per Note 7; and
- In preparing the financial statements, the Directors have considered the impact of the physical and transition risks of climate change as set out in the Strategic Report on page 12, and have concluded that it does not have a material impact on the Bank's financial statements as at 31 March 2022.

(d) Foreign Currencies

The Bank's financial statements are presented in USD which is also the Bank's functional currency. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Income and expenses denominated in a foreign currency are retranslated using appropriate weighted average exchange rates. All differences arising from the application of closing rates of exchange, together with exchange gains/losses from trading activities, are taken to profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The rate of exchange between USD and Sterling at the reporting date was 1.3157 (2021: 1.3785).

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(e) Operating Income

- i. **Interest receivable:** Interest income is recognised in profit and loss for all interest bearing financial assets held at amortised cost using the effective interest method or secured financing transactions classified as fair value through profit and loss ("FVPL").

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or a group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

The Bank holds certain financial assets which have been set with negative interest rates. Negative interest on financial assets is presented as interest payable and similar expenses.

- ii. **Interest payable:** Interest expense is recognised in profit and loss for all interest bearing financial liabilities using the effective interest method, except for liabilities held at fair value through profit and loss.

The Bank holds certain financial liabilities which have been set with negative interest rates. Negative interest on financial liabilities is presented as interest receivable and similar income.

- iii. **Dealing profits and losses:** Income arising from gains and losses on financial instruments measured at fair value through profit and loss is included in dealing losses. Interest on certain liabilities designated at fair value through profit and loss is also included, as it is integral to the dealing losses and distinct from interest on banking activities.

Dealing profits arise across a range of instruments, and are managed accordingly. They are presented on a net basis, even though the corresponding financial assets and liabilities may not have been offset.

- iv. **Fee income and expense:** Fees and commission income includes fees earned from issuance facilitation services and other commission income.

Revenues are recognised when or as the customer obtains control of the service provided by Nomura which depends on when each of the key distinct substantive promises made by Nomura within the contract with the customer are satisfied. Such performance obligations are generally satisfied at a particularly point in time or, if certain criteria are met, over a period of time.

Depending upon whether the Bank is acting as principal or agent in generating fees and commissions, costs are reported on a gross or net basis respectively.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(f) Financial Instruments

(i) Classification and Measurement

Financial instruments are classified either as financial assets or liabilities at amortised cost, financial assets mandatorily at fair value through profit or loss or financial liabilities designated at fair value through profit or loss. The classification and measurement of all financial assets, except equity instruments and derivatives, are assessed based on the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business Model

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective, how information is reported to management of the Nomura reporting entity, frequency of sales of the financial assets and the complexity or potential differences in underlying business model.

There are three business models under IFRS 9 for financial assets:

- Hold to Collect - Financial assets held with the objective to collect contractual cash flows.
- Hold to Collect and Sell - Financial assets held with the objective of both collecting contractual cash flows and selling financial assets.
- Other - Financial assets held with trading intent or that do not meet the "hold to collect" and "hold to collect and sell" qualifying criteria.

The Bank manages a portfolio of financial assets through a hold to collect business model where all of the following criteria are met:

- The portfolio is not managed through a held for trading or fair value management business model;
- The portfolio of financial assets is managed to realise cash flows solely through collecting contractual payments over the life of the financial assets rather than managing the overall return on the portfolio by both holding and selling financial assets; and
- Any sales of financial assets are expected to be infrequent or insignificant.

Solely Payments of Principal and Interest (SPPI):

To meet the hold to collect business model, the portfolio of financial assets are to be held by the Bank with the strategy of collecting cash flows from the financial assets specified by contractual terms of the instrument. A financial asset can only be measured at amortised cost where the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

The most significant elements of interest within a basic lending arrangement are that it is consideration for the time value of money and credit risk. Interest may also include a profit margin.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(ii) Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss includes financial instruments held for trading, financial assets mandatorily at fair value through profit or loss and financial assets or liabilities designated upon initial recognition as at fair value through profit and loss.

(iii) Financial instruments held for trading

Financial instruments are classified as held for trading if they are acquired for the purpose of selling in the near term or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. These instruments are generally recognised as regular way transactions, on a settlement date basis. Derivatives are also classified as held for trading.

Derivative instruments are used for trading and risk management purposes. All derivatives are recognised initially and subsequently carried at fair value, with derivatives having positive fair values carried as assets and derivatives with negative fair values carried as liabilities on the Statement of Financial Position.

(iv) Financial assets mandatorily at fair value through profit and loss

Financial assets are mandatorily held at fair value through profit and loss where the asset is managed on a fair value basis or if the asset fails the SPPI test. Such assets are generally recognised on settlement date at fair value. From the date the terms are agreed, until the financial asset is funded, the Bank recognises any unrealised fair value changes in the financial asset in the profit and loss. Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value.

The Bank designates non-trading financial liabilities to be measured at fair value through profit and loss through election of the fair value option on initial recognition if measurement of the fair value through profit and loss represents the more relevant measurement basis for the financial liability because of how the financial liability is managed with other financial assets and financial liabilities or because of the purpose or the nature of the financial liability itself, the designation is made where any of the following criteria are met:

- It is part of a larger group of financial assets and financial liabilities which is managed on a fair value basis;
- The election would eliminate or significantly reduce a measurement or recognition inconsistency (i.e. accounting mismatch) that would otherwise arise from measuring financial assets or financial liabilities or recognising gains and losses on them on different bases; or
- It is a structured financial liability which contains one or more embedded derivatives where the economic characteristics and risks of the derivative(s) are not closely related to the host and require bifurcation unless the whole instrument is designated to fair value.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(v) Financial liabilities designated at fair value through profit and loss

The financial liability is initially measured at fair value and transaction costs are taken directly to profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Realised amounts recognised in other comprehensive income will be reclassified to Retained earnings net of tax within the 'Statement of Changes in Equity', based on settlement date. As the Bank does not hedge changes in own credit arising on financial liabilities designated at fair value, presenting own credit within other comprehensive income does not create or increase an accounting mismatch in the Profit and Loss.

(vi) Financial instruments at amortised cost

Financial assets are recognised at amortised cost when the Bank's business model objective is to collect the contractual cash flows of the assets and where these cash flows are Solely Payments of Principal and Interest on the principal amount outstanding until maturity, such assets are initially recognised on settlement date. The instruments are initially measured at fair value and subsequently measured at amortised cost less Expected Credit Loss ("ECL") allowance (See 1(c) ix). Interest is recognised in the Profit and Loss in 'Interest income', using the effective interest rate method. Transaction costs that are directly attributable to the acquisition of the financial asset are added to the fair value on initial recognition. ECL and reversals thereof are recognised in the Profit and Loss in 'Credit impairment (charge) / reversal'.

Financial liabilities at amortised cost are initially recognised on settlement date. After initial measurement, these instruments are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(g) 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:

Valuation of fair value instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

The best evidence of fair value is quoted prices in an active market. Therefore, the fair value of financial instruments, including exchange-traded 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 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.

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.

The Bank seeks to minimize market risks by entering into hedging derivatives to economically hedge the exposures of certain fair value option (FVO) elected notes. The Bank applies the "portfolio exception" to measure the fair value of this group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(h) Derecognition

Transfers of financial assets and liabilities are assessed to determine if assets can be derecognised. The Bank derecognises financial assets when significantly all the risks and rewards of the asset are transferred. If significantly all the risks and rewards of the asset are retained, the Bank retains the financial assets on its Statement of Financial Position with an associated liability for the consideration received. If the Bank neither transfers nor retains significantly all the risks and rewards of the transferred asset, but retains control over the asset, it recognises the transferred asset and an associated liability measured on a basis that reflects the rights and obligations retained by the Bank.

The Bank derecognises financial liabilities when the Bank's obligations are discharged or cancelled or when they expire.

(i) Impairment

The Bank is required to record an allowance for expected credit losses for all loans and other debt financial assets not held at fair value through profit or loss, together with loan commitments and financial guarantee contracts.

The general expected credit loss ("ECL") impairment model is used to measure expected credit losses against the majority of financial instruments held by the Bank which are subject to impairment though the ECL impairment model under IFRS 9.

Expected credit losses represent the difference between the cash flows that the Bank is entitled to receive in accordance with the contractual terms of the financial instrument and the cash flows that the Bank ultimately expects to receive based on the ECL impairment model which reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonably and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

In order to determine whether 12 month or lifetime expected credit losses are used, each financial asset and off-balance sheet financial instrument being individually or collectively assessed for impairment is classified at each reporting date into one of following three stages of credit quality deterioration since the financial asset was initially recognised.

- Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;
- Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition but which are not credit-impaired; and
- Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

NOMURA BANK INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)****1 ACCOUNTING POLICIES (continued)****(i) Impairment (continued)**

The Bank did not purchase or originate any credit-impaired assets.

The allowance for expected credit losses recognised against stage 1 financial assets is determined using 12 month expected credit losses. Conversely, the allowance against stage 2 or stage 3 financial assets is based on lifetime expected credit losses.

Lifetime expected credit losses represent expected credit losses that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those expected credit losses expected to occur within 12 months of balance sheet date.

A financial instrument that is not credit-impaired on initial recognition is initially classified into stage 1 and is typically subsequently continuously monitored to determine whether a significant increase in credit risk has occurred, at which point the financial instrument is reclassified to stage 2. A determination of whether a significant increase in credit risk has occurred at each reporting date will primarily be through a comparison of Nomura Group's internal credit rating applied to the financial instrument at acquisition, origination or issuance and the internal credit rating currently assigned to the financial instrument at the reporting date. A financial instrument will be reclassified into stage 2 where the internal credit rating has declined by more than a specific number of notches, in addition there is a rebuttable presumption that the credit risk of a financial instrument has significantly deteriorated since initial recognition when contractual payments of principal or interest are more than 30 days past due. If there is a further deterioration in credit risk such that the financial instrument becomes credit-impaired, the financial instrument is then reclassified into stage 3.

A stage 3 financial asset can only be classified out of stage 3 and into stage 2 or eventually stage 1 when it no longer meets the definition of being credit-impaired, namely when it is no longer probable that the Bank will not be able to collect all principal and interest amounts due in accordance with the original or modified contractual terms of the financial asset.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred since origination or purchase and it is no longer probable that the Bank will be able to collect all principal and interest amounts due in accordance with the contractual terms of the financial asset.

A default is defined as the failure of an obligor to make payments in full and on time of any financial obligations, markedly disadvantageous modification to a contractual term compared with the existing obligation, bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of business of an obligor or other similar situations. A small delay in payment would not automatically be considered a default for determination of whether a financial asset has been credit-impaired. In addition, there is a rebuttable presumption that regardless of the above definition, default is deemed to occur and a financial instrument is credit-impaired when the financial instrument is 90 days or more past due.

A financial instrument will continue to be credit-impaired until the obligor cures the reasons for credit-impairment or there has been a sustained observable period of repayment performance on the financial instrument. Determination of what constitutes a sustained period of repayment performance by the obligor depends on the nature of the financial instrument but will typically be for a period of 6 months or more.



NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(i) Impairment (continued)

Credit-impaired financial instruments individually assessed for impairment are typically written-off when further cash flows are deemed uncollectible and when all commercially reasonable means of recovering outstanding principle and interest balances have been exhausted. Such a determination is based on factors such as the occurrence of significant changes in the obligor's financial position such that the obligor can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay amounts due.

Write-offs are initially recognised against any existing allowance for expected credit losses and can relate to a financial instrument in its entirety or to a portion of it.

Recoveries are recognised through the Profit and Loss in 'Credit impairment (charge) / reversal' during a reporting period.

For stage 1 and 2 financial assets, interest income is determined by applying the effective interest rate to the gross carrying value. For stage 3 financial assets, interest income is determined by applying the effective interest rate to net carrying amount of the financial asset namely the gross carrying amount less the allowance for expected credit losses.

Measurement of expected credit losses:

The measurement of expected credit losses through the general ECL impairment model is typically determined within the Bank using a loss rate model depending on the relevant staging of the financial instrument. A loss rate model measures expected credit losses for an individual or portfolio of similar financial instruments through development of loss rates calculated through an estimate of the Probability of Default ("PD") of the obligor and Loss Given Default ("LGD") which is applied to the Expected Credit Exposure of the Obligor at Default ("CEAD").

PD inputs are determined by internal Nomura credit rating applied to the financial instrument. PD inputs used by the Bank are sourced from industry data and validated based on Nomura's historical experience.

Nomura Group policy is that forward-looking information is incorporated into the PD inputs by forecasting economic scenarios and adjusting the base case inputs for at least one more optimistic and pessimistic scenario.

LGD inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data. Where appropriate, LGD inputs are adjusted to reflect the impact of collateral and other integral credit enhancements.

For revolving and non-revolving loan commitments, the relevant absolute measure of CEAD represents an estimate of the total amount of the facility which will be drawn by the obligor by the time of default.

Cash flows expected from collateral and other credit enhancements that are integral to contractual terms of the financial instrument and not recognised separately by the Bank are included in the measurement of expected credit losses.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(i) Impairment (continued)

The Bank permits a low credit risk practical expedient to be used for measurement of expected credit losses, namely that expected credit losses for certain stage 1 financial instruments is determined using a 12 month ECL without formal consideration of whether a significant increase in credit risk has occurred. However, in the event that there is a significant increase in credit risk and subsequently the financial instrument becomes credit-impaired, the financial instrument is reclassified from stage 1 to stage 2 and then stage 3 where expected credit losses are determined using lifetime ECL. A similar approach is applied for certain financial instruments where expected credit losses are very low (either because of the nature of the obligor or the collateral provisions of the financial instrument).

Examples of balances to which the Bank applies this approach includes:

- Variation margin on derivative transactions and collateralised agreements accounted for at FVPL
- Cash at Bank and in hand
- Demand deposits and short term investments grade deposits

For those financial instruments the Bank identifies significant increases in credit risk through monitoring of observable events or indicators of default in relation to these counterparties.

If a financial asset has been the subject of modification which does not lead to its derecognition, significant increase in credit risk is assessed by comparing the risk of default of the financial instrument, based on the modified terms at the reporting date, with the risk of default of the financial instrument at inception, based on the financial instrument's original, unmodified, terms.

Where the modification of contractual cash flows of a financial asset leads to its derecognition and the recognition of a new asset, the date of modification is treated as the date of initial recognition for the new financial asset when determining whether a significant increase in credit risk has occurred for that modified financial asset. In rare circumstances, after modification, the new asset is considered to be credit impaired, in which case it is treated as an asset which was credit-impaired at origination.

(j) Collateral and offsetting

The Bank enters into agreements with counterparties whenever possible and, when appropriate, obtains collateral. The Bank holds collateral in respect of credit-related instruments where this is considered desirable, given the customer's financial position and the overall banking relationship.

The collateral can take the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. In addition, the Bank receives cash or securities collateral from Nomura group companies in respect of derivative exposure.

Amounts due to / owed by counterparties are only netted if there is a legal right to offset and management intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. At present, no transactions meet these criteria and no amounts due to / owed by counterparties have been netted.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(k) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted on or before the reporting date.

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts in the statement of financial position and the tax base. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the temporary differences are expected to be reversed based on tax rates and laws that have been enacted or substantively enacted at the reporting date.

The IFRIC 23 Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

(l) Financial guarantees

The Bank issues financial guarantee contracts which require the Bank to reimburse holders of such guarantees for any losses suffered due to a failure by specified debtors to make payments when due as specified by the terms of an underlying debt instrument. Such financial guarantees are initially recognised at fair value. The amount initially recognised includes an adjustment for transaction costs which are directly attributable to the issuance of the guarantee. Financial guarantee contracts are subject to impairment under ECL.

(m) Retirement Benefits

The Bank is a member of a defined benefit scheme comprising certain UK Nomura companies administered by NIP. The defined benefit plan administered by NIP is a plan that shares risks between entities under common control and is run on a basis that does not allow the individual companies participating within the scheme to identify their shares of the underlying assets and liabilities. As a result, the Bank is not required to apply defined benefit accounting and therefore has applied defined contribution accounting to the scheme in accordance with IAS 19 "Employee Benefits". There is no contractual agreement or stated policy for charging the net defined benefit cost to the Bank.

(n) Provisions for liabilities and charges and contingent liabilities

A provision is recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". A contingent liability is a possible obligation whose existence will only be confirmed in the future or it is a present obligation (legal or constructive) and either it is not probable that a transfer of economic benefits will be required to settle the obligation or a reliable estimate cannot be made of the amount of the obligation. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine if a provision should be recognised.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(o) Cash flow statement

The Bank uses the indirect method to produce a cash flow statement in accordance with IAS 7 "Statement of Cash Flows".

(p) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings on the statement of financial position.

(q) Segment reporting

For management purposes, the Bank has only one operating and reportable segment involving financing activities. Substantially all of the Bank's gross and net assets and profit before taxation reported in these financial statements has arisen from this segment.

(r) Reserves

The Bank has the following reserve accounts:

- Retained Earnings: Represents the accumulated retained earnings of the Bank.
- Own credit reserve: The reserve contains unrealised own credit adjustments net of tax in relation to financial liabilities designated at fair value through profit and loss.

(s) Standards issued but not yet effective

At the date of authorisation of these financial statements, the following standards, amendments to standards and interpretations relevant to the Bank's operations were issued by the IASB but not mandatory for accounting periods beginning 1 April 2022 .

In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a Risk Free Rate. The Bank has applied IBOR reform Phase 2 from 1 April 2021. The adoption of prescribed amendments is not expected to have a significant impact on the Bank's financial statements.

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective from 1 April 2023 and must be applied retrospectively. The Bank is currently assessing the impact the amendments.

Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective from 1 April 2022 with earlier adoption permitted. The Bank does not expect this will result in a material impact on its financial statements.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

2 INTEREST INCOME AND EXPENSE

	Year ended 31 March 2022 \$'000	Year ended 31 March 2021 ¹ \$'000
Interest income calculated using the effective interest method		
Interest on loans ¹	12,320	17,163
Other interest and similar income		
Interest on reverse repurchase transactions ¹	12,771	16,026
	<u>25,091</u>	<u>33,189</u>
Interest expense calculated using the effective interest method		
Interest to banks and customers	544	39
Interest on funds borrowed ²	279	527
Other interest and similar expenses		
Interest on repo transactions ²	4,473	5,948
	<u>5,296</u>	<u>6,514</u>

¹Includes \$1,482,223 (2021: \$1,693,048) of interest income on financial liabilities with negative interest rates for the year ended 31 March 2022.

²Includes \$4,472,549 (2021: \$5,635,558) of interest expense on financial assets with negative interest rates for the year ended 31 March 2022.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

3 FEE INCOME

	Year ended 31 March 2022	Year ended 31 March 2021
	\$'000	\$'000
Facilitation fee income	41,575	52,200
Other fee income	78	132
	41,653	52,332

Fee expenses relate to commitments, guarantees and other fees of \$1,342,096 (2021: \$2,939,044).

4 DEALING PROFIT/(LOSS)

	Year ended 31 March 2022	Year ended 31 March 2021
	\$'000	\$'000
Financial instruments held for trading	(252,145)	120,117
Financial instruments measured at fair value through profit and loss	223,437	(167,678)
	(28,708)	(47,561)

Substantially all of the Bank's profit before taxation and gross and net assets are driven 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.

5 ADMINISTRATIVE EXPENSES

	Year ended 31 March 2022	Year ended 31 March 2021
	\$'000	\$'000
Audit of the financial statements	363	343
Audit related assurance services	165	155
Deprecation on right-of-use assets	105	113
Support service charges	9,213	9,110
Transfer Pricing Expense	1,002	4,043
Wages, salaries and other social security costs	807	916
	11,655	14,680

The Bank utilises the services of a number of Executive and Non-Executive Directors. The Bank employs its own staff for certain administrative activities (the number of direct employees at the end of the current financial year totalled 3 (2021: 3). In addition, the Bank uses the resources of NIP under a Service Level Agreement (SLA), for which a charge is paid.

In addition to the audit fees shown above, an amount of \$288,428 (2021: \$265,102) was borne by NHI and an amount of \$95,672 (2021: \$89,655) relating to CASS audit was borne by NIP.

NOMURA BANK INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)****6 DIRECTORS' EMOLUMENTS**

The aggregate emoluments paid to the Directors were \$250,761 (2021: \$221,381).

The highest paid Director received emoluments of \$138,426 (2021: \$119,035). As at 31 March 2022, the accrued pension totalled \$2,120 per annum (2021: \$2,472) and no contributions were made to the Group Personal Pension plan.

The number of Directors who exercised share options during the year was 1 (2021: 1).

The number of Directors who were entitled to receive shares under a long-term incentive plan during the year was nil (2021: nil).

The number of Directors accruing retirement benefits under money purchase pension schemes during the year was 1 (2021: 1).

The above amounts were borne by another Nomura Group undertaking.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

7 TAXATION

Tax expense

	<u>Year ended</u> <u>31 March 2022</u> \$'000	<u>Year ended</u> <u>31 March 2021</u> \$'000
<u>Current tax</u>		
UK Corporation tax charge	3,666	2,522
<u>Deferred tax</u>		
Origination and reversal of temporary differences	(20)	3
Effect of tax rate change	1	
Deferred tax (credit)/charge	(19)	3
Tax charge in the profit and loss account	3,647	2,525
Tax charge/(credit) in the other comprehensive income	24,923	(37,009)

Tax reconciliation

The tax charged to the income statement differs from the tax charge that would apply if all profits had been charged at U.K. corporation tax rate as follows:

	<u>Year ended</u> <u>31 March 2022</u> \$'000	<u>Year ended</u> <u>31 March 2021</u> \$'000
Profit before taxation	19,189	13,873
UK corporation tax credit at 19% (2021: 19%)	3,646	2,636
<u>Effects of:</u>		
Tax rate change relating to recognised deferred tax balances	1	-
Forex (gain) / loss on tax balances	-	(111)
Tax (credit)/charge on profit on ordinary activities	3,647	2,525

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

7 TAXATION (continued)

Movement of recognised deferred tax assets/(liabilities)

	<u>Decelerated capital allowance</u>	<u>Deferred emoluments</u>	<u>Own credit - transitional adjustment</u>	<u>Own credit - unrealised loss</u>	<u>Trade loss</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Liability as at 1 April 2021	99	-	(141)	22,091	2,565	24,614
Income statement	31	-	(12)	-	-	19
Other comprehensive income	-	-	-	(21,636)	(1,742)	(23,378)
Asset as at 31 March 2022	130	-	(153)	455	823	1,255
Asset as at 1 April 2020	120	1	19	(18,618)	7,231	(11,247)
Income statement	(21)	(1)	20	-	-	(2)
Other comprehensive income	-	-	(180)	40,709	(4,666)	35,863
Liability as at 31 March 2021	99	-	(141)	22,091	2,565	24,614

Unrecognised deferred tax assets

	<u>31 March 2022</u>	<u>31 March 2021</u>
	\$'000	\$'000
Unused trade loss	96,685	70,102
Total unrecognised deferred tax assets	96,685	70,102

Finance Act 2021, enacted on 10th June 2021, increases the headline corporation tax rate from 19% to 25% on 1 April 2023. Deferred tax assets and liabilities as at the balance sheet date are calculated by reference to the most appropriate enacted rates as at 31 March 2022.

If the deferred tax balance were recognised at the corporation tax rate enacted in Finance Act 2021, the asset relating to own credit unrealised loss would be Nil for the current year and \$29.1m for 2021 if the entire loss were realised on or after 1 April 2023.

Under UK tax rules, unused trade losses can be carried forward indefinitely. The amount of current year taxable profits that can be relieved by unused tax losses incurred by 31 March 2015 is restricted to 25% of such profits. The utilisation of unused tax losses incurred on or after 1 April 2015 against current year taxable profits is restricted to 50% of such profits subject to an annual £5 million allowance. Trade losses incurred on or after 1 April 2018 and carried forward to subsequent years can be surrendered as group relief subject to the 50% restriction and the annual £5 million allowance.

The Bank has unused trade losses of \$390.3 million (2021: \$382.5 million). A deferred tax asset of \$96.7 million (2021: \$70.1 million) is not recognised in respect of these losses due to uncertainty surrounding the availability of future taxable profits.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

8 RETIREMENT BENEFIT

The Bank participates in a group scheme which is operated for the former employees of the Bank and certain of its fellow subsidiaries. The scheme is a defined benefit scheme, funded by the payment of contributions to a separately administered trust fund. The defined benefit plan administered by NIP is a plan that shares risks between entities under common control and is run on a basis that does not allow the individual company participating within the scheme to identify its share of the underlying assets and liabilities so that it is accounted for by the Bank as a defined contribution scheme. The contributions to the scheme are determined by a qualified actuary. A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2022 by qualified independent actuaries. The Trustee of the scheme is Premier Pensions Management Ltd., a qualified independent actuary.

The costs of the scheme are borne by NIP and full disclosure of the scheme is presented in NIP's financial statements.

At 31 March 2022 and 31 March 2021 the plan assets exceeded the value of the plan liabilities, i.e. there was a surplus. The amount that can be recovered through reduced contributions in the future is the present value of the liability expected to arise from future service by current and future scheme members less the present value of future employee contributions. The Bank does not recognise the pension surplus as an unconditional right to a refund does not exist. The right to a refund requires the approval of the third party plan trustees and as such is contingent upon factors beyond the Bank's control. To the extent the right is contingent, no asset is recognised.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

9 FINANCIAL INSTRUMENTS

Analysis of the Company's financial assets and financial liabilities by IFRS 9 classification

	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>
	<u>Held for trading</u>	<u>Mandatorily at fair value through profit or loss</u>	<u>Amortised cost</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial Assets				
Loans and advances to banks	-	-	1,462	1,462
Derivative financial instruments	440,933	-	-	440,933
Loans and advances to affiliates	-	376,540	2,244,062	2,620,602
Securities purchased under agreements to resell	-	2,799,330	-	2,799,330
Loans and advances to others	-	417	-	417
Prepayments and accrued income ¹	-	1,658	2,541	4,199
Other assets ¹	-	-	4,757	4,757
Financial investments	-	20	-	20
	<u>440,933</u>	<u>3,177,965</u>	<u>2,252,822</u>	<u>5,871,720</u>
Financial Liabilities				
Derivative financial instruments	(723,515)	-	-	(723,515)
Accruals and deferred income ²	-	(7,238)	(9,054)	(16,292)
Borrowings from affiliates	-	(106,467)	(167,954)	(274,421)
Borrowings from others	-	-	(610)	(610)
Commercial papers issued	-	-	(794,070)	(794,070)
Bonds and medium-term notes	-	(3,793,645)	-	(3,793,645)
Other liabilities ²	-	-	(1,013)	(1,013)
	<u>(723,515)</u>	<u>(3,907,350)</u>	<u>(972,701)</u>	<u>(5,603,566)</u>

¹ Excludes non-financial assets of \$171,512 (2021: \$222,496) from 'Prepayments and accrued income', and \$389,106 (2021:\$389,406) from 'Other assets'.

² Excludes non-financial liabilities of \$256,638 (2021: \$317,947) from 'Accruals and deferred income', and \$61,722 (2021:\$19,801) from 'Other liabilities'.

NOMURA BANK INTERNATIONAL PLC
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)
9 FINANCIAL INSTRUMENTS (continued)

	<u>2021</u>	<u>2021</u>	<u>2021</u>	<u>2021</u>
	<u>Held for trading</u>	<u>Mandatorily at fair value through profit or loss</u>	<u>Amortised cost</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial Assets				
Loans and advances to banks	-	-	2,998	2,998
Derivative financial instruments	1,473,660	-	-	1,473,660
Loans and advances to affiliates	-	342,445	1,265,844	1,608,289
Securities purchased under agreements to resell	-	3,485,060	-	3,485,060
Loans and advances to others	-	1,580	-	1,580
Prepayments and accrued income	-	3,575	1,364	4,939
Other assets	-	-	7,086	7,086
Financial investments	-	20	-	20
	<u>1,473,660</u>	<u>3,832,680</u>	<u>1,277,292</u>	<u>6,583,632</u>
	<u>Held for trading</u>	<u>Designated at fair value through profit or loss</u>	<u>Amortised cost</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial Liabilities				
Customer accounts	-	-	(166)	(166)
Derivative financial instruments	(1,449,591)	-	-	(1,449,591)
Accruals and deferred income	-	(6,348)	(11,169)	(17,517)
Borrowings from affiliates	-	(104,742)	(224,591)	(329,333)
Borrowings from others	-	(6,826)	(1,902)	(8,728)
Bonds and medium-term notes	-	(3,834,998)	-	(3,834,998)
Commercial papers issued	-	-	(798,480)	(798,480)
Other liabilities	-	-	(94)	(94)
	<u>(1,449,591)</u>	<u>(3,952,914)</u>	<u>(1,036,402)</u>	<u>(6,438,907)</u>

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

10 TRANSFERRED FINANCIAL ASSETS AND ASSETS HELD OR PLEDGED AS COLLATERAL

The following table for the Bank provides a summary of financial assets obtained from NIP through reverse repo transactions:

Collateral received	<u>Fair value of the collateral received</u> <u>2022</u> <u>\$'000</u>	<u>Carrying value of associated assets</u> <u>2022</u> <u>\$'000</u>	<u>Fair value of the collateral received</u> <u>2021</u> <u>\$'000</u>	<u>Carrying value of associated assets</u> <u>2021</u> <u>\$'000</u>
Relating to securities agreements to resell	2,874,368	2,799,330	3,885,563	3,485,060

The collateral received above has not been re-hypothecated and does not carry any rights of re-hypothecation.

The securities borrowed or purchased under agreements to resell are transferred to Bank in exchange for cash which must be repaid at a future date including amounts representing interest. These transactions are conducted under terms based on the applicable master agreement. If the securities increase or decrease in value the Bank may, in certain circumstances, require, or be required, to pay additional cash collateral. The Bank has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for the cash received as collateral. Generally, the counterparty's recourse is not limited to the transferred assets. The carrying value and the fair value of securities under agreements to repurchase are the same. Transactions whereby financial assets are transferred, but continue to be recognised in their entirety on the Bank's balance sheet include repurchase agreements and securities transferred to collateralize derivative transactions as well as other financial asset transfers. The transferred financial assets include assets received in reverse repurchase arrangements in which case the associated recognised liability represents the amount to be repaid to counterparties.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

11 BONDS AND MEDIUM-TERM NOTES

	<u>31 March 2022</u> \$'000	<u>31 March 2021</u> \$'000
Bonds and medium-term notes, by remaining maturity:		
- Less than 1 year	908,002	428,913
- Less than 5 years, but greater than 1 year	747,478	587,614
- Greater than 5 years	2,138,165	2,818,471
	<u>3,793,645</u>	<u>3,834,998</u>

As of 31 March 2022, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of long-term borrowings for which the fair value option was elected was \$209,615,585 (2021: \$168,963,215) more than the principal balance of such long-term borrowings.

The impact of changes in own credit risk during the year included in other comprehensive income on financial liabilities designated at fair value through profit and loss account was an unrealised gain of \$114,450,060 (2021: loss of \$214,255,919) and realised gain of \$128,795 (2021: gain of \$4,308,380), as well as a UK corporation tax charge of \$24,923,008 (2021: credit of \$37,009,261) arising during the year. The cumulative valuation adjustment resulting from own credit, included in the fair values of bonds and medium notes in the statement of financial position, is a credit of \$(1,820,884) at 31 March 2022 (2021: credit of \$116,270,944). The Bank calculates and applies an own credit adjustment based on movements in the credit spreads of the Nomura Group.

Movement in bonds and medium term notes

The Bank typically hedge the returns obliged to pay with derivatives and/or the underlying assets to obtain funding equivalent to unsecured long-term debt.

Structured notes are debt securities which contain embedded features that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variable(s) such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or more complex interest rate calculation.

	<u>Balance as at</u> <u>31 March 2021</u> \$'000	<u>Issuance</u> \$'000	<u>Redemption</u> \$'000	<u>Fair value</u> <u>changes</u> \$'000	<u>Balance as at</u> <u>31 March 2022</u> \$'000
Bonds and medium-term notes	3,834,998	1,245,375	(679,453)	(607,275)	3,793,645
	<u>Balance as at</u> <u>31 March 2020</u> \$'000	<u>Issuance</u> \$'000	<u>Redemption</u> \$'000	<u>Fair value</u> <u>changes</u> \$'000	<u>Balance as at</u> <u>31 March 2021</u> \$'000
Bonds and medium-term notes	3,284,183	2,066,142	(1,737,605)	222,278	3,834,998

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

11 BONDS AND MEDIUM-TERM NOTES (continued)

	<u>31 March 2022</u> \$'000	<u>31 March 2021</u> \$'000
Carrying amount	3,793,645	3,834,998
Amount the bank is contractually obligated to pay to the holders of bonds at maturity	4,299,527	3,833,986
Difference between carrying amount and the amount the bank is contractually obligated to pay to the holders of bonds at maturity	505,882	(1,012)

12 SHARE CAPITAL

	<u>Authorised Number '000</u>	<u>Allotted and fully paid Number '000</u>	<u>Consideration \$'000</u>
31 March 2022			
US Dollar Ordinary shares of \$1 each	255,000	255,000	255,000
31 March 2021			
US Dollar Ordinary shares of \$1 each	255,000	255,000	255,000

Reconciliation of number of shares outstanding at the beginning and end of the period

	<u>31 March 2021</u>	<u>Number '000 Issued/Cancelled during the year</u>	<u>31 March 2022</u>
2022			
US dollar ordinary shares of \$1 each	255,000	-	255,000
	<u>31 March 2020</u>	<u>Number '000 Issued/Cancelled during the year</u>	<u>31 March 2021</u>
2021			
US dollar ordinary shares of \$1 each	255,000	-	255,000

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

13 RISK MANAGEMENT

The Bank's activities involve both the assumption and transfer of certain risks which must be managed.

The Capital Requirements Directive IV (CRD IV), including the Capital Requirements Regulation (CRR), requires the Company to publish both Pillar 3 and country by country reporting disclosures. This information has been made publically available on the below website:

<https://www.nomuraholdings.com/company/group/europe/>

The Role of Financial Instruments

The Bank issues debt with returns linked to equity, credit instruments or other indices. The Bank actively manages the resultant risk on a fair value basis using a combination of derivative and non-derivative financial instruments with the express intention of eliminating significant market risk arising from such transactions.

The Bank also offers traditional banking products to facilitate customer business such as credit facilities, guarantees and letters of credit. In addition to debt issuances noted above, the Bank obtains financing from capital, bank and intercompany borrowings.

Risk Management Structure

The Directors are ultimately responsible for identifying and controlling risks through their overall risk management approach and approval of risk strategies and principles. Responsibility for risk reporting and control are undertaken by the following independent departments set up within the Bank or under service level agreements with affiliate companies.

Departments

Finance department

The Finance department monitors compliance with internally and externally set regulatory limits and guidelines. The annual process for budgeting entity level capital needs is part of the Internal Capital Adequacy Assessment Process ("ICAAP") exercise which takes place in conjunction with the budget related processes. The setting of all current and budgeted capital requirements relating to U.K.-regulated entities, including the Company, is coordinated and challenged by the Financial and Regulatory Control functions within EMEA Finance. The Financial and Regulatory Control functions are also responsible for monitoring compliance with capital usage limits to ensure capital adequacy targets are met.



NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

13 RISK MANAGEMENT (continued)

Treasury Function

Treasury is part of Finance, reporting to the Chief Financial Officer (CFO), and operates purely as a cost-centre. Treasury is responsible for assessing and monitoring liquidity risks, and ensuring appropriate liquidity reserves are held to protect against modelled outflows in stress.

The Treasury funding team are responsible for maintaining a sufficient Liquidity Portfolio, held in the form of highly liquid, unencumbered securities and supporting the structured note issuance program.

Risk Management

The Risk Management Division comprises various departments in charge of risk management established independently from Nomura's business units. The Risk Management Division is responsible for establishing and operating risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, as well as reporting to regulatory bodies where required, and handling regulatory applications concerning risk management methods and other items as necessary. Risks at the Bank's level are mainly managed through sub-committees of the Board of NEHS, the Bank's immediate parent.

Internal Audit

The Nomura Group Internal Audit Department has responsibility to examine, evaluate and raise issues on the appropriateness and the effectiveness of the internal control of all business and operational activities.

The Group Head of Internal Audit has an independent reporting line to the Nomura Holdings Incorporated ('NHI') Audit Committee. In EMEA, the Head of Internal Audit has an independent reporting line to the Chairman of the Audit Committee of NEHS. The EMEA Head of Internal Audit also reports to the Group Head of Internal Audit and locally to the Chief Executive Officer of EMEA.

Internal Audit adopts a risk-based audit approach. A risk assessment is formally carried out annually using a globally agreed methodology and, where necessary, this is updated throughout the year as a result of continuous monitoring, on completion of audits and in response to internal or external events or incidents. The outcome of the Internal Audit risk assessment is used as a basis for determining the annual Audit Plan. Any regulatory or other required or expected audits are added to the Plan as well as any Management Requests or Special Projects initiated by Internal Audit, such as pre-implementation reviews, new business reviews or one-off assignments in response to significant changes in the regulatory or business environment. The annual Audit Plan is reviewed and approved by the NEHS Audit Committee.

Audit execution is also risk-based. Key controls are identified and a variety of techniques are used to evaluate the adequacy of the design and the effectiveness of the controls, including inquiry and observation, sample testing and, in some cases, substantive testing.

NOMURA BANK INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)****13 RISK MANAGEMENT (continued)***Internal Audit (continued)*

Internal Audit reports its findings and the agreed actions, target dates and responsible owners to the relevant Audit Committee(s), Senior Management and Line Management as appropriate. The status of outstanding action plans is reviewed regularly and reported to Management periodically. Internal Audit also performs validation work for significant issues which Management represents as having been completed.

The Audit Committee, a sub-committee of the Board, satisfies itself as to the adequacy and sufficiency of Internal Audit resources. A copy of the Internal Audit Charter is available upon request.

Risk Measurement and Reporting Systems**Market Risk**

Market risk is the risk of loss arising from fluctuations in values of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others). The Bank uses the Nomura Group's Market Risk Management ("MRM") framework for managing market risk, with some specific criteria applied to the Bank where relevant.

Within the Company, there is also a formal process for the allocation and management of economic capital (Nomura Capital Allocation Target or "NCAT"), which is facilitated through Portfolio Risk element of the Risk Appetite discussed at the BRC. The BRC recommends any changes to the Board, who must opine and approve, if appropriate. Day-to-day responsibility for the NCAT calculation and the monitoring of risk limits, within the risk control framework, rests with MRM.

The Bank uses a variety of statistical risk measurement tools to assess and monitor market risk on an ongoing basis including, but not limited, to Value at Risk ("VaR"), Stressed VaR ("SVaR") and Incremental Risk Charge ("IRC"). The Risk Management Division calculates VaR and NCAT numbers daily for all businesses. These figures are included in weekly reporting to senior management.

The Bank transfers its risks to other Nomura Group companies using derivative products; therefore its market risk is immaterial. No additional VaR disclosures have been made.

A Equity Price Risk and Issuer Credit Risk

The primary sources of equity price risk and issuer credit risk for the Bank arise from the issuance of debt with returns linked to equity, credit instruments or other indices.

The bank mitigates such risks through the purchase of direct hedges or by transferring such risks to other Nomura Group companies using derivative products.

As described in Note 1(e)(ii) management designates such debt instruments, together with related non-derivative hedges, as fair value through profit and loss. Related derivative hedges are accounted for as Held for Trading items.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

13 RISK MANAGEMENT (continued)

The table below shows an analysis of the risks on a notional basis for non-trading items designated at fair value and those that are held for trading:

31 March 2022	Equity Risk	Credit & Other Risk	Total
	\$'000	\$'000	\$'000
Bonds and medium-term notes	(466,042)	(3,833,486)	(4,299,528)
Financial assets with embedded derivatives	376,540	-	376,540
Derivative financial instruments:			
- Fixed income and credit derivatives	-	3,833,486	3,833,486
- Equity derivatives	89,502	-	89,502
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
31 March 2021	Equity Risk	Credit & Other Risk	Total
	\$'000	\$'000	\$'000
Bonds and medium-term notes	(395,418)	(3,438,568)	(3,833,986)
Financial assets with embedded derivatives	342,445	-	342,445
Derivative financial instruments:			
- Fixed income and credit derivatives	-	3,438,568	3,438,568
- Equity derivatives	52,973	-	52,973
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>

Currency risk

During the course of the Bank's financing activities, there is often a need to swap surplus flows in one currency into another currency, achieved using currency swap transactions. This is undertaken in accordance with approved market risk limits.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established stress test limits to constrain the interest rate risk taken by non-trading books. Positions are monitored on a regular basis and hedging strategies may be implemented to ensure that the risk is maintained within the established limits.

NOMURA BANK INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)****13 RISK MANAGEMENT (continued)****Credit Risk**

Credit risk is the risk of loss arising from an obligor's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a Credit Valuation Adjustment ("CVA") associated with deterioration in the creditworthiness of a counterparty. The Bank uses the Nomura Group's Credit Risk Management ("CRM") framework for managing credit risk, with some specific criteria applied to the Bank where relevant.

CRM operates as a credit risk control function within the Risk Management Division, reporting to the NEHS Chief Risk Officer ("CRO"). The process for managing credit risk at the Bank includes:

- Evaluation of likelihood that a counterparty defaults on its payments and obligations;
- Assignment of internal ratings to all active counterparties;
- Approval of extensions of credit and establishment of credit limits;
- Measurement, monitoring and management of Nomura's current and potential future credit exposures;
- Setting credit terms in legal documentation; and
- Use of appropriate credit risk mitigants including netting, collateral and hedging

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position. Credit derivatives exposure is calculated taking into account the credit quality of the underlying issue and the counterparty. The Bank trades using market convention documentation and, where appropriate, credit enhancements will be added to the documentation.

The Bank is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. Counterparty exposure limits are set within the external Large Exposure limit requirements laid down by the Bank's regulator, the FCA and PRA.

The Bank enters into netting agreements with certain counterparties to mitigate its credit exposure. Amounts are only netted if there is a legal right to offset and the entity intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. The impact of offsetting financial assets and financial liabilities which are subject to master netting agreements is not reflected in the Statement of Financial Position. At 31 March 2022 no transactions meet these criteria.

The Bank mitigates its exposure to NIP requiring that cash lent is collateralised with securities (reverse repurchase transactions). At 31 March 2022 the fair value of securities pledged to the Bank by NIP was \$2.9 billion (2021: \$3.9 billion). None of this collateral was repledged or retransferred at the reporting date. The collateral will mitigate any potential loss in the value of the corresponding financial asset in the event of a counterparty failing to perform its contractual commitment.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

13 RISK MANAGEMENT (continued)

Credit Risk Exposure

Generally, the Bank's maximum exposure to credit risk at the balance sheet date approximates the financial instruments' carrying amount. However, the below discloses the maximum exposure to credit risk for financial instruments where their carrying amount differs to their maximum exposure to credit risk, without taking account of any collateral held or any other credit enhancements. Certain off balance sheet instruments which expose the Bank to a risk of loss due to default by the parties underlying these contracts are also disclosed.

In the normal course of business, the Bank provides corporate counterparties with loan commitment facilities. The notional amount of undrawn commitments is held off balance sheet, until the point at which they become drawn. The fair value of the commitments and the drawn facility are carried at fair value on the Statement of Financial Position. In addition, the Bank provides certain financial guarantees to third parties over their exposure to Nomura group companies.

Credit enhancements such as loan commitment sub-participations are considered integral to the contractual terms of the underlying loan commitment, and as a result the credit enhancement would be taken into account in the determination of the ECL charge. There is no loan which is past due at the reporting date 31 March 2022 as well as 31 March 2021.

	Gross Exposure	Of which: Stage 1	Of which: Stage 2	Gross Exposure
	31 March 2022 \$'000	31 March 2022 \$'000	31 March 2022 \$'000	31 March 2021 \$'000
Loans and advances to banks	1,462	1,462	-	2,998
Financial assets held for trading	440,933	-	-	1,473,660
Loans and advances to affiliates	2,621,138	2,244,062	-	1,608,315
Securities purchased under agreements to resell	2,799,330	-	-	3,485,060
Loans and advances to others	417	-	-	1,580
Prepayments and accrued income	4,199	2,541	-	4,939
Other assets	4,757	4,756	-	7,086
Financial investments	20	-	-	20
	5,872,256	2,252,821	-	6,583,658
Off Balance Sheet commitments and financial guarantee contracts	1,116,065	686,250	142,428	1,422,830
	6,988,321	2,939,071	142,428	8,006,488

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

13 RISK MANAGEMENT (continued)

Maximum Exposure to Credit Risk by Credit Rating

The credit quality of financial assets and off balance sheet commitments which are subject to credit risk is summarised below. The credit ratings are determined by the Bank's internally determined public rating agency equivalents.

	<u>31 March 2022</u>	<u>31 March 2021</u>
	\$'000	\$'000
Financial Assets		
AA	401	1,612
A	282	2,882
BBB	5,870,750	6,578,142
Non-investment grade	710	887
Not rated	113	109
Total Balance Sheet exposure	5,872,256	6,583,632
Off Balance Sheet commitments and financial guarantee contracts		
AA	143,910	152,065
A	447,574	522,913
BBB	195,921	129,361
Non-investment grade	328,660	605,819
Not rated	-	12,672
Total Off Balance Sheet exposure	1,116,065	1,422,830
Total maximum exposure to credit risk by credit rating	6,988,321	8,006,462

Within "not rated" are balances representing the pool of counterparties which individually do not generate material credit risk for the Bank.

Substantially all the financial assets with exposures rated BBB are collateralised using a mixture of securities collateral, or cash. In addition, the Bank benefits from a written guarantee from its ultimate parent, NHI, over its exposure to NIP. A significant proportion of the Bank's BBB exposure is with NIP. All credit risk arising on these positions is hedged with NIP; therefore there is no net impact on the profit and loss account of the Bank.

Concentrations of Credit Risk

Due to the Bank's approach to mitigating risk, it is not exposed to any significant concentration risk other than that from other Nomura Group companies.

NOMURA BANK INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)****13 RISK MANAGEMENT (continued)****Liquidity Risk**

The Bank's approach to liquidity risk management is founded on the 3 lines of defence principle, ensuring a clear ownership and strong connection between the business (1st line), Treasury (2nd line) and Internal Audit (3rd line) both globally and locally. The Bank's primary Liquidity Risk Management objective is to ensure continuous liquidity across market cycles and periods of market and idiosyncratic stress, ensuring that all contractual and modelled funding requirements and unsecured debt obligations that fall due within Board-established survival horizons and risk appetite can be met without any reliance on sourcing additional unsecured funding or forced liquidation of assets.

The MCO (Maximum Cumulative Outflow model) is Nomura's primary tool to measure and monitor liquidity risk on a daily basis, defining the level of liquid assets required to meet contractual and contingent liquidity needs in the event of a stress. The MCO incorporates consistent assumptions at an entity, regional and global level, modelling stressed liquidity outflows over three scenarios of increasing severity, ranging from normal business conditions to a combination of both a market-wide and Nomura-specific liquidity stress.

NBI is a U.K. regulated entity is fully compliant with the U.K. PRA prescribed liquidity requirements.

Contractual Maturity Table

The table on next page shows the maturity profile of the Bank's assets. The analysis into maturity groupings is based on the remaining period to the contractual maturity date or, if earlier, the expected date the assets will be realised. Derivatives are disclosed at fair value on demand with the exception of gross settled derivatives, which are shown by contractual maturity remaining. Loans advances to others and financial assets with embedded derivatives are presented at fair value. All the others assets are presented at carrying value.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

13 RISK MANAGEMENT (continued)

Contractual Maturity Table

	<u>On demand</u>	<u>Less than 30 days</u>	<u>31 - 90 days</u>	<u>91 days - 1 year</u>	<u>1 - 5 years</u>	<u>Later than 5 years</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
2022							
Loans and advances to banks	1,462	-	-	-	-	-	1,462
Derivative financial instruments	439,967	966	-	-	-	-	440,933
Loans and advances to affiliates	312,680	15,976	340,043	1,713,139	238,764	-	2,620,602
Securities purchased under agreements to resell	1,302,883	-	393,391	1,103,056	-	-	2,799,330
Loans and advances to others	-	417	-	-	-	-	417
Prepayments and accrued income	4,371	-	-	-	-	-	4,371
Other assets	5,145	-	-	-	-	-	5,145
Financial investments	20	-	-	-	-	-	20
Total assets	<u>2,066,528</u>	<u>17,359</u>	<u>733,434</u>	<u>2,816,195</u>	<u>238,764</u>	<u>-</u>	<u>5,872,280</u>
2021							
Loans and advances to banks	2,998	-	-	-	-	-	2,998
Derivative financial instruments	1,290,049	3,689	178,890	1,032	-	-	1,473,660
Loans and advances to affiliates	63,134	471,162	605,557	454,821	13,615	-	1,608,289
Securities purchased under agreements to resell	1,318,658	-	-	2,166,402	-	-	3,485,060
Loans and advances to others	-	1,580	-	-	-	-	1,580
Prepayments and accrued income	4,939	-	-	-	-	-	4,939
Other assets	7,086	-	-	-	-	-	7,086
Financial investments	20	-	-	-	-	-	20
Total assets	<u>2,686,884</u>	<u>476,431</u>	<u>784,447</u>	<u>2,622,255</u>	<u>13,615</u>	<u>-</u>	<u>6,583,632</u>

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

13 RISK MANAGEMENT (continued)

Contractual Maturity Table

The table below shows the Bank's liabilities by remaining contractual maturity, taking into account early redemption features. Derivatives, other instruments containing embedded derivatives and borrowing from others are presented at their fair values. Derivatives are disclosed at fair value on demand with the exception of gross settled derivatives, which are shown by contractual maturity remaining. Financial liabilities designated at fair value are disclosed based on their earliest redemption date. Structured note issuances are presented at their undiscounted cash flows and remaining liabilities are presented at carrying value.

	<u>On</u> <u>demand</u> <u>\$'000</u>	<u>Less</u> <u>than 30</u> <u>days</u> <u>\$'000</u>	<u>31 - 90</u> <u>days</u> <u>\$'000</u>	<u>91 days</u> <u>- 1 year</u> <u>\$'000</u>	<u>1 - 5</u> <u>years</u> <u>\$'000</u>	<u>Later</u> <u>than 5</u> <u>years</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
2022							
Derivative financial instruments	723,180	127	208	-	-	-	723,515
Accruals and deferred income	16,550	-	-	-	-	-	16,550
Borrowings from affiliates	135,954	32,000	-	-	-	106,467	274,421
Borrowings from others	610	-	-	-	-	-	610
Commercial papers issued	-	155,598	364,702	273,770	-	-	794,070
Other liabilities - Lease	-	-	19	56	316	-	391
Bonds and medium-term notes - carrying values	513,490	-	352,540	41,972	747,478	2,138,165	3,793,645
Total liabilities	1,389,784	187,725	717,469	315,798	747,794	2,244,632	5,603,202
Other commitments	197,574	-	125,000	-	562,529	165,961	1,051,064
Standby letters of credit issued	-	-	-	-	65,000	-	65,000

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

13 RISK MANAGEMENT (continued)

Contractual Maturity Table

	<u>On</u> <u>demand</u>	<u>Less</u> <u>than 30</u> <u>days</u>	<u>31 - 90</u> <u>days</u>	<u>91 days</u> <u>- 1 year</u>	<u>1 - 5</u> <u>years</u>	<u>Later</u> <u>than 5</u> <u>years</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
2021							
Customer accounts	166	-	-	-	-	-	166
Derivative financial instruments	1,253,575	5,245	178,862	1,628	10,281	-	1,449,591
Accruals and deferred income	17,517	-	-	-	-	-	17,517
Borrowings from affiliates	219,591	5,000	-	-	-	104,742	329,333
Borrowings from others	1,902	5,086	1,330	409	-	-	8,727
Bonds and medium-term notes	-	169,950	117,308	106,980	791,305	2,648,444	3,833,987
Other liabilities - Lease	-	9	19	66	-	-	94
Commercial papers issued	58,725	149,812	252,585	337,358	-	-	798,480
Total liabilities	1,551,476	335,102	550,104	446,441	801,586	2,753,186	6,437,895
Other commitments	141,789	-	-	291	726,969	468,781	1,337,830
Standby letters of credit issued	-	-	-	-	85,000	-	85,000

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

13 RISK MANAGEMENT (continued)

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	2022 Within 12 months \$'000	2022 After 12 months \$'000	2022 Total \$'000	2021 Within 12 months \$'000	2021 After 12 months \$'000	2021 Total \$'000
Loans and advances to banks	1,462	-	1,462	2,998	-	2,998
Derivative financial instruments	440,933	-	440,933	1,473,660	-	1,473,660
Loans and advances to affiliates	2,381,838	238,764	2,620,602	1,594,674	13,615	1,608,289
Securities purchased under agreements to resell	2,799,330	-	2,799,330	3,485,060	-	3,485,060
Loans and advances to others	417	-	417	1,580	-	1,580
Prepayments and accrued income	4,371	-	4,371	5,161	-	5,161
Other assets	5,146	-	5,146	7,476	-	7,476
Right-of-use assets	-	396	396	91	-	91
Financial investments	20	-	20	20	-	20
Deferred tax assets	1,256	-	1,256	24,615	-	24,615
Total Assets	5,634,773	239,160	5,873,933	6,595,335	13,615	6,608,950
Customer accounts	-	-	-	166	-	166
Derivative financial instruments	723,515	-	723,515	1,439,310	10,281	1,449,591
Accruals and deferred income	16,550	-	16,550	17,834	-	17,834
Borrowings from affiliates	167,954	106,467	274,421	224,591	104,742	329,333
Borrowings from others	610	-	610	8,728	-	8,728
Commercial Papers	794,070	-	794,070	798,480	-	798,480
Bonds and medium-term notes	908,002	2,885,643	3,793,645	428,912	3,406,086	3,834,998
Other liabilities	1,075	-	1,075	114	-	114
Corporate tax Liability	6,630	-	6,630	1,487	-	1,487
Total Liabilities	2,618,406	2,992,110	5,610,516	2,919,622	3,521,109	6,440,731

NOMURA BANK INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)****13 RISK MANAGEMENT (continued)****Operational Risk**

The Bank defines operational risk as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura's reputation if caused by an operational risk. The Bank uses the Nomura Group's Operational Risk Management ("ORM") framework for the management of the Bank's operational risk.

The Three Lines of Defence

The Nomura Group adopts the industry standard "Three Lines of Defence" for the management of operational risk, comprising the following elements:

- (1) 1st Line of Defence: The business which owns and manages its risks,
- (2) 2nd Line of Defence: The ORM function, which defines and co-ordinates Nomura Group's operational risk, framework and its implementation, provides challenge to the 1st Line of Defence
- (3) 3rd Line of Defence: Internal Audit, who provide independent assurance.

The Nomura Group's ORM framework is set out below:

Infrastructure of the framework

- Policy framework: sets standards for managing operational risk and details how to monitor adherence to these standards.
- Training and awareness: Action taken by ORM to improve business understanding of operational risk.

Products and Services

- Event Reporting: This process is used to identify and report any event which resulted in or had the potential to result in a loss or gain or other impact associated with inadequate or failed internal processes, people and systems, or from external events.
- Risk and Control Self-assessment ("RCSA"): This process is used to identify the inherent risks the business faces, the key controls associated with those risks and relevant actions to mitigate the residual risks. Global ORM are responsible for developing the RCSA process and supporting the business in its implementation.
- Key Risk Indicators ("KRI"): KRIs are metrics used to monitor the business' exposure to operational risk and trigger appropriate responses as thresholds are breached.
- Scenario Analysis: This process is used to assess and quantify potential high impact, low likelihood operational risk events. During the process, actions may be identified to enhance the control environment, which are then tracked via the Operational Risk Management framework.

NOMURA BANK INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)****13 RISK MANAGEMENT (continued)****Operational Risk (continued)***Outputs*

- Risk Appetite: Provides framework for management to set and monitor risk appetite for Non-Financial Risk.
- Analysis and reporting: A key aspect of ORM's role is to analyse, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.
- Operational risk capital calculation: Calculate operational risk capital as required under applicable Basel standards and local regulatory requirements.

Model Risk

Model Risk is the risk of financial loss, incorrect decision making, or damage to the firm's credibility arising from Model errors or incorrect or inappropriate Model application.

To effectively manage the Firm's Model Risk, Nomura has established a Model Risk Management Framework to govern the development, ownership, validation, approval, usage, ongoing monitoring, and periodic review of the Firm's Models. The framework is supported by a set of policies and procedures that articulate process requirements for the various elements of the model lifecycle, including monitoring of model risk with respect to the Firm's appetite.

New models and material changes to approved models must be independently validated prior to official use. Thresholds to assess the materiality of model changes are defined in Model Risk Management's procedures. During independent validation, validation teams analyze a number of factors to assess a model's suitability, identify model limitations, and quantify the associated model risk, which is ultimately mitigated through the imposition of approval conditions, such as usage conditions, model reserves and capital adjustments. Approved models are subject to Model Risk Management's annual re-approval process and ongoing performance monitoring to assess their continued suitability. Appropriately delegated Model Risk Management Committees provide oversight, challenge, governance, and ultimate approval of validated Models.

Business Risk

Business risk is the risk of failure of revenues to cover costs due to a deterioration of the earnings environment or a deterioration of the efficiency or effectiveness of Nomura's business operations. Business risk is managed by the senior management of the Bank, including the Board of Directors.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

13 RISK MANAGEMENT (continued)

Electronic and Algorithmic Trading Risk

Risks associated with Electronic and Algorithmic trading activities arise across risk types within both Financial and Non-Financial Risks and are indirectly captured under each risk category. However, the speed and autonomy with which these transactions can be executed presents unique risks that can disrupt markets, lead to the build-up of significant intraday exposures as well as regulatory censure. A framework has been established which looks at these unique risk scenarios more holistically. Key areas of focus include:

- System Runaway and Failure: Where Algorithmic Trading Strategies malfunction or generate duplicative or erroneous orders
- Flash Crash: Risk of overreaction to market events by Algorithmic Trading strategies
- Misconduct: Risk of Algorithmic Trading strategies deliberately or inadvertently causing disadvantage to clients, market abuse or market disruption
- Model Risk: The design or incorrect use of Algorithmic Trading Strategies resulting in poor trading and business decisions being made

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions have been applied in determining the fair values of financial instruments:

- (a) The fair value of financial assets and liabilities at amortised cost due within 12 months are assumed to approximate to their carrying values.
- (b) Financial assets classified as fair value through other comprehensive income are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated using a valuation model.
- (c) Financial assets mandatorily at fair value through profit and loss, financial liabilities designated at fair value through profit and loss and derivatives are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated using a valuation model. Such models are based, wherever possible, on assumptions supported by observable market prices or rates. These valuation techniques are based on assumptions. As a result, the fair value calculated using these valuation techniques will change if the underlying assumptions change. The potential impact of using reasonably possible alternative assumptions to value these financial instruments has not been disclosed as, due to the Bank's transfer of risks to other Nomura Group companies, it is not deemed significant.

Fair value hierarchy

- 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. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement of the financial instrument.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy - Financial Assets

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
2022				
Derivative financial instruments	-	403,155	37,778	440,933
Securities purchased under agreements to resell	-	2,799,330	-	2,799,330
Loans and advances to affiliates	-	376,540	-	376,540
Loans and advances to others	-	-	417	417
Prepayments and accrued income	-	1,658	-	1,658
Financial investments	-	-	20	20
	<u>-</u>	<u>3,580,683</u>	<u>38,215</u>	<u>3,618,898</u>

2021

Derivative financial instruments	-	1,382,466	91,194	1,473,660
Securities purchased under agreements to resell	-	3,485,060	-	3,485,060
Loans and advances to affiliates	-	342,445	-	342,445
Loans and advances to others	-	-	1,580	1,580
Prepayments and accrued income	-	3,575	-	3,575
Financial investments	-	-	20	20
	<u>-</u>	<u>5,213,546</u>	<u>92,794</u>	<u>5,306,340</u>

Fair Value Hierarchy - Financial Liabilities

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
2022				
Derivative financial instruments	-	576,968	146,547	723,515
Accruals and deferred income	-	7,238	-	7,238
Bonds and medium-term notes	-	3,793,645	-	3,793,645
Borrowings from Affiliates	-	106,467	-	106,467
	<u>-</u>	<u>4,484,318</u>	<u>146,547</u>	<u>4,630,865</u>

2021

Derivative financial instruments	-	1,413,955	35,636	1,449,591
Accruals and deferred income	-	6,348	-	6,348
Bonds and medium-term notes	-	3,834,998	-	3,834,998
Borrowings from others	-	6,826	-	6,826
Borrowings from affiliates	-	104,742	-	104,742
	<u>-</u>	<u>5,366,869</u>	<u>35,636</u>	<u>5,402,505</u>



NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation techniques by major class of financial instrument

The valuation techniques used by Nomura to estimate fair value for major classes of financial instruments, together with the significant inputs which determine classification in the fair value hierarchy, are as follows.

Bank and corporate debt securities and loans carried at fair value

The fair value of bank and corporate debt securities and loans carried at fair value either as trading assets or through election of the fair value option is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar debt securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used for DCF valuations are yield curves, asset swap spreads, recovery rates and credit spreads of the issuer. Bank and corporate debt securities are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable or market-corroborated. Certain bank and corporate debt securities will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or credit spreads or recovery rates of the issuer used in DCF valuations are unobservable.

Derivatives

Nomura enters into both exchange-traded and OTC equity, interest rate, credit and foreign exchange derivative transactions. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded derivatives is determined using an unadjusted exchange price and classified in Level 1 of the fair value hierarchy. The fair value of exchange-traded derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC equity derivatives is determined through option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include equity prices, dividend yields, volatilities correlations, interest rates, credit spreads, recovery rates and foreign exchange rates. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex equity derivatives are classified in Level 3 where dividend yield, interest rate, credit spread, recovery rate, volatility or correlation valuation inputs are significant and unobservable.

Nomura includes valuation adjustments in its estimation of fair value of certain OTC derivatives relating to funding costs associated with these transactions to be consistent with how market participants in the principal market for these derivatives would determine fair value.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation techniques by major class of financial instrument (continued)

Bonds and medium-term notes ("Structured notes")

Structured notes are debt securities issued by Nomura which contain embedded features that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variables, such as an equity or equity index, commodity price, foreign exchange rate, credit quality of a third party or a more complex interest rate (i.e., an embedded derivative).

The fair value of structured notes is determined using a quoted price in an active market for the identical liability if available, and where not available, using a mixture of valuation techniques that use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, similar liabilities when traded as assets, or an internal model which combines DCF valuation techniques and option pricing models, depending on the nature of the embedded features within the structured note. Where an internal model is used, Nomura estimates the fair value of both the underlying debt instrument and the embedded derivative components. The significant valuation inputs used to estimate the fair value of the debt instrument component include yield curves, prepayment rates, default probabilities and loss severities. The significant valuation inputs used to estimate the fair value of the embedded derivative component are the same as those used for the relevant type of freestanding OTC derivative discussed above. A valuation adjustment is also made to the entire structured note in order to reflect Nomura's own creditworthiness. This adjustment is determined based on recent observable secondary market transactions and executable broker quotes involving Nomura debt instruments and is therefore typically treated as a Level 2 valuation input. Structured notes are generally classified in Level 2 of the fair value hierarchy as all significant valuation inputs and adjustments are observable.

NOMURA BANK INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)****14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Valuation processes**

In order to ensure the appropriateness of any fair value measurement of a financial instrument used within these 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 judgement, the valuation used within these financial statements is made by senior managers independent of the businesses. This group reports to the Global Head of Middle Office 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 the Nomura Group; and
- The Global Valuation Model Validation Group (“VMVG”) 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 the 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 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.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Movements in Level 3 financial instruments

Level 3 financial assets and financial liabilities include instruments whose valuations are significantly dependent on parameters which are unobservable in the market. Financial instruments are categorised in accordance with their lowest level significant input. As a result, a derivative valued using a combination of Level 1, Level 2 and Level 3 parameters would be classified in Level 3 in its entirety, if its value is significantly affected by at least one significant unobservable parameter.

These 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.

The following table presents information about financial assets and liabilities measured at fair value on a recurring basis for which the Bank has utilised Level 3 inputs to determine fair value:

2022	At 1 April 2021	Total gains / (losses) in P&L	Net cash (in)/out	Settlements	Net transfers into level 3	At 31 March 2022	Unrealised total gains / (losses) in P&L
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Derivative financial instruments	91,194	(48,434)	-	(4,981)	-	37,779	(49,052)
Loans and advances to others	1,580	(1,163)	-	-	-	417	(1,164)
Financial investments	20	-	-	-	-	20	1
	92,794	(49,597)	-	(4,981)	-	38,216	(50,215)
2021							
Financial assets							
Derivative financial instruments	24,461	76,008	-	(7,906)	(1,369)	91,194	75,826
Loans and advances to others	66,422	(63,087)	(1,755)	-	-	1,580	(63,087)
Financial investments	18	(1)	3	-	-	20	(1)
	90,901	12,920	(1,752)	(7,906)	(1,369)	92,794	12,738

During the year, financial assets were transferred into Level 3, as certain parameters became unobservable or more significant. No financial assets were transferred into or out of Level 3 during the year.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2022	At 1 April 2021	Total (gains) / losses in P&L	Net cash in/(out)	Settlements	Net transfers into level 3	At 31 March 2022	Unrealised total (gains) / losses in P&L
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities							
Derivative financial instruments	35,636	93,361	-	17,550	-	146,547	114,827
	<u>35,636</u>	<u>93,361</u>	<u>-</u>	<u>17,550</u>	<u>-</u>	<u>146,547</u>	<u>114,827</u>
2021							
Financial liabilities							
Derivative financial instruments	214,787	(71,706)	-	(106,678)	(767)	35,636	68,182
	<u>214,787</u>	<u>(71,706)</u>	<u>-</u>	<u>(106,678)</u>	<u>(767)</u>	<u>35,636</u>	<u>68,182</u>

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

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.

A Level 3 quantitative disclosures on significant unobservable inputs

The following table presents quantitative information about the significant unobservable inputs and assumptions used by the Bank for Level 3 financial instruments as of 31 March 2022 and 31 March 2021 .

<u>Class of financial instrument</u>	<u>Fair value \$'000</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Range</u>
2022				
Derivative financial instruments				
-Assets	37,778	DCF / Option		
-Liabilities	(146,547)	Models	Volatilities Correlations	48.5%-98.6% 0.29-0.97
Loans and advances to others	417		No significant unobservable inputs	
Financial investments	20		No significant unobservable inputs	

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

A Level 3 quantitative disclosures on significant unobservable inputs (continued)

2021

Derivative financial instruments

-Assets	91,194	DCF / Option		
-Liabilities	(35,636)	Models	Volatilities	20.3%-82.4%
			Correlations	(0.98)-0.97
Loans and advances to others ¹	1,580		No significant unobservable inputs	
Financial investments	20		No significant unobservable inputs	

¹The position is valued with a significant adjustment to theoretical value to reflect likely exit level. Whilst this is significant to the valuation no individual input is seen as significant and unobservable.

B Estimated fair value of financial instruments not carried at fair value

Certain financial instruments are not carried at fair value on a recurring basis in the Statement of Financial Position since they are neither held for trading purposes nor are elected for the fair value option. These are typically carried at contractual amounts due or amortised cost.

The carrying value of the majority of the financial instruments detailed below will approximate to fair value since they are short-term in nature and contain minimal credit risk. These financial instruments include financial assets reported within loans, debtors, cash and cash equivalent, borrowings from fellow subsidiary undertakings, cash collateral and other liabilities.

Cash and cash equivalent, other debtors, borrowings from fellow subsidiary undertakings and cash collateral, in the Statement of Financial Position would be classified in either level 1 or level 2 within the fair value hierarchy.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instruments of which a portion of the ending balance was carried at amortised cost as of 31 March 2022 and 2021:

	<u>Carrying amount</u>	<u>Fair value</u>	<u>Fair value by level</u>		
	<u>\$'000</u>	<u>\$'000</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<u>2022</u>					
Financial Assets:					
Loans and advances to banks	1,462	1,462	-	1,462	-
Loans and advances to affiliates	2,244,062	2,244,062	-	2,244,062	-
Prepayments and accrued income	2,541	2,541	-	2,541	-
Other assets	4,756	4,756	-	4,756	-
	<u>2,252,821</u>	<u>2,252,821</u>	<u>-</u>	<u>2,252,821</u>	<u>-</u>
Financial Liabilities:					
Accruals and deferred income	(9,054)	(9,054)	-	(9,054)	-
Borrowing from affiliates	(167,954)	(167,954)	-	(167,954)	-
Other liabilities	(622)	(622)	-	(622)	-
Commercial papers issued	(794,070)	(794,070)	-	(794,070)	-
	<u>(971,700)</u>	<u>(971,700)</u>	<u>-</u>	<u>(971,700)</u>	<u>-</u>

Excludes non-financial liabilities of \$390,346 (2021:\$-) from 'Other liabilities'.

2021

Financial Assets:

Loans and advances to banks	2,998	2,998	-	2,998	-
Loans and advances to affiliates	1,265,844	1,265,844	-	1,265,844	-
Loans and advances to others	-	-	-	-	-
Prepayments and accrued income	1,364	1,364	-	1,364	-
Other assets	7,086	7,086	-	7,086	-
	<u>1,277,292</u>	<u>1,277,292</u>	<u>-</u>	<u>1,277,292</u>	<u>-</u>

Financial Liabilities:

Customer accounts	(166)	(166)	-	(166)	-
Accruals and deferred income	(11,169)	(11,169)	-	(11,169)	-
Borrowing from affiliates	(224,591)	(224,591)	-	(224,591)	-
Borrowing from others	(1,902)	(1,902)	-	(1,902)	-
Commercial papers issued	(798,480)	(798,480)	-	(798,480)	-
	<u>(1,036,308)</u>	<u>(1,036,308)</u>	<u>-</u>	<u>(1,036,308)</u>	<u>-</u>

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

15 OFFSETTING DISCLOSURES

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

The Bank has entered into various collateral arrangements with its derivative counterparties or other transactions whereby non cash collateral may be posted. These transactions are conducted under terms based on the applicable derivative agreement (e.g. ISDA Collateral Guidelines). The Bank has determined that it retains substantially all the risks and rewards of the posted non-cash collateral, which include credit risk and market risk. The non-cash collateral is not derecognised. Generally, the counterparty's recourse is not limited to the transferred assets.

	Securities purchased under agreements to resell \$'000	Loans and advances to affiliates \$'000	Derivative assets \$'000	Securities sold under agreements to repurchase \$'000	Derivative liabilities \$'000
2022					
Total gross balance ⁽¹⁾	2,799,330	376,540	440,933	-	(723,515)
Less: Additional amounts not offset in the Bank balance sheet ⁽²⁾	-	-	(440,933)	-	440,933
Financial instruments and non-cash collateral	(2,799,330)	(376,540)	-	-	-
Net Amount	-	-	-	-	(282,582)
2021					
Total gross balance	3,485,060	342,445	1,473,660	-	(1,449,591)
Less: Additional amounts not offset in the Bank balance sheet	-	-	(1,449,591)	-	1,449,591
Financial instruments and non-cash collateral	(3,485,060)	(342,445)	-	-	-
Cash collateral	-	-	(24,069)	-	-
Net Amount	-	-	-	-	-

(1) Includes all recognised 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.

(3) Cash collateral receivable of \$302,164,879 from NIP is not utilised due to no derivative liability exposure after counterparty netting.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

16 CAPITAL MANAGEMENT POLICY

UK Capital Management

The primary objectives of the Bank's capital management policies are to ensure that the Bank complies with externally imposed capital requirements and that the Bank is able to withstand losses due to extreme market movements. To achieve these goals, sufficient capital is maintained to support the Bank's business. The Bank looks to mitigate risk through the use of derivative arrangements with other Nomura Europe group companies.

The Bank reviews the appropriate level of capital sufficiency, with senior management responsible for implementing and enforcing capital policies. The determination of asset size and level of capital take into consideration regulatory requirements, economic risks inherent in the business and maintenance of a debt rating appropriate to a global financial institution. The allocation of available capital resource across the business is then based upon factors such as return on capital and regulatory requirements.

The Bank is subject to and has complied with the regulatory requirements imposed by HM Treasury and the PRA under the UK Financial Services Regulatory Framework.

No changes were made in the objectives, policies or processes for managing capital in the year.

UK Regulatory Capital

Regulatory guidelines developed by the Basel Committee and European Union Directives, as implemented by the FCA and PRA for supervisory purposes define two 'Tiers' of capital resources. Tier 1 capital is the highest tier and mainly consists of ordinary share capital and audited retained earnings. The Bank does not currently maintain Tier 2 capital. Capital can be used to support non-trading activity and all market and counterparty risks.

	<u>31 March 2022</u>	<u>31 March 2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Tier 1 capital	287,698	276,772
Total capital resources	<u>287,698</u>	<u>276,772</u>

17 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities:

The Bank provides certain financial guarantees to third parties over their exposure to Nomura Group companies. At 31 March 2022 the exposure on these financial guarantee contracts amounted to \$ 164,235,372 (2021: \$106,561,053).

The Bank has also provided a guarantee in respect of certain commercial papers issued by another Nomura Group company. At 31 March 2022, the maximum exposure on this guarantee amounted to \$33,338,260 (2021:\$35,227,517).

Commitments:

The Bank had commitments as at 31 March 2022 amounting to \$ 918,490,586 (2021: \$1,281,041,565) in respect of undrawn note issuance facilities and loan commitments. The loan commitments are sub-participated to NIP on commitment date.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

18 RELATED PARTY TRANSACTIONS

The Bank enters into various transactions with other companies under common control within the Nomura Group which are at an arm's length basis. Included within the Bank's statement of financial position are the following transactions with Nomura group entities:

	<u>31 March 2022</u>	<u>31 March 2021</u>
	<u>\$'000</u>	<u>\$'000</u>
<u>Assets</u>		
Derivative financial instruments	441,040	1,302,379
Loans and advances to affiliates	2,620,602	1,608,289
Securities purchased under agreements to resell	2,799,330	3,485,060
Prepayments and accrued income	4,147	4,862
Other assets	4,746	7,075
	<u>5,869,865</u>	<u>6,407,665</u>
<u>Liabilities</u>		
Derivative financial instruments	654,122	1,359,504
Accruals and deferred income	9,469	11,228
Borrowings from affiliates	274,421	329,333
	<u>938,012</u>	<u>1,700,065</u>

Additionally, the Bank benefits from a written guarantee from its ultimate parent, NHI, over its exposure to NIP. Furthermore, the Bank's obligation to pay the UK Bank Levy in both the current year and prior year has been settled by NIP, who are responsible for reporting and paying the bank levy on behalf of the Nomura UK tax group.

The risk on the Bank's transactions is predominantly retained by other Nomura Group companies. Therefore, many "back-to-back" transactions exist between the Bank and other Nomura Group companies.

Included within the Bank's statement of comprehensive income are the following transactions with Nomura Group entities:

	<u>31 March 2022</u>	<u>31 March 2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Interest income	23,113	31,619
Interest expense	(4,721)	(6,072)
Fee income	44,546	52,332
Fee expense	(1,342)	(1,036)
Administrative expenses towards SLA & Technology charges	(8,337)	(8,099)
	<u>53,259</u>	<u>68,744</u>

In addition to the above, the Bank has significant dependencies with other Nomura Group companies. Certain corporate services, including the use of IT systems, are provided by NIP through SLA. The premises where the Bank is registered and operates are leased by Nomura Properties PLC.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

19 IBOR Disclosure

Following the announcement of the cessation of Interest Rate Indices such as LIBOR, the Nomura Group has established a project to manage the transition for any of its contracts that could be affected, which considers the requirements of the Bank. The project is sponsored by the Nomura Group's Global Head of Global Markets and is being led by senior representatives from functions across the Nomura Group including Legal, Finance, Operations and Technology.

During 2021, the Bank has successfully transitioned most of its CHF, GBP and JPY LIBOR referenced trades to alternative reference rates. It also has the operational ability to support Risk Free Rates such as SARON, SONIA, TONA and SOFR. Through to June 2023, the Bank will focus on transitioning USD LIBOR referenced trades through switching legacy trades to SOFR or fallbacks detailed in the ISDA LIBOR protocol or amending the economics of the trade in discussion with its clients.

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and alternative reference rates are illiquid and unobservable
- Operational risk arising from changes to the Bank's IT systems and processes, and the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs

The table below shows the Bank's exposure at the period end to significant IBORs subject to reform that have yet to transition to alternative reference rates. These exposures will remain outstanding until the IBOR ceases and will therefore transition in future. The table excludes exposures to IBOR that will expire before transition is required:

	<u>Non-derivative Financial Liabilities carrying value \$'000</u>	<u>Effective Derivative notional \$'000</u>
LIBOR USD 3 month	(485,305)	2,535,307
LIBOR USD 12 month	-	600
Others	-	400
	<u>(485,305)</u>	<u>2,536,307</u>

Derivative notionals are presented on a gross basis, however the Bank hedges its market risk out of the entity through the Bank's booking model.



NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

20 ULTIMATE PARENT COMPANY

The Bank's ultimate parent undertaking and controlling party, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared, is Nomura Holdings Inc., incorporated in Japan. Copies of the group financial statements of Nomura Holdings, Inc. can be obtained from 9-1, Nihonbashi 1-Chome, Chuo-ku, Tokyo 103-8645, Japan.

The parent that heads the smallest group of undertakings is Nomura Europe Holdings plc, a company registered at 1 Angel Lane, London, EC4R 3AB, United Kingdom.