NOMURA BANK INTERNATIONAL PLC.

Annual Report
31 March 2023

COMPANY REGISTRATION NUMBER: 1981122

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2023

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 2023. 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 closed its liaison office in Istanbul after the financial year and have no other branches or offices. 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:

	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Net fee income	42,136	40,311
Profit after tax	7,048	15,542
Total comprehensive gain/(loss)	133,751	105,198
Total assets	5,845,949	5,873,933
Total liabilities	5,458,781	5,610,516
Shareholders' funds	387,168	263,417

STRATEGIC REPORT (CONTINUED)

Financial Performance:

The Bank reported a profit after tax for the year of $7,047,988 (2022: $15,541,667), driven mainly by facilitation fee income for issuance facilities provided to NIP. Form 1 April 2022 the facilitation fee charged on notes issuance was reduced from 30 bps - 15 bps. This brought the charge in line with latest industry benchmarking.

Driven by base rate volatility, the Bank's own credit Euro and USD spreads widened, generating a $126,703,306 (2022: $89,655,847) other comprehensive gain (net of tax) on the notes in issue.

Financial Position:

The Bank's total assets remained stable year on year to $5,845,948,787 (2022: $5,873,932,569) as the Bank's derivative assets and liabilities reduced in the year.

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

BUSINESS ENVIRONMENT

In the fiscal year ended March 31, 2023, inflation accelerated worldwide. Contributing factors included increased commodity prices sparked by the Russian Ukraine conflict, as well as supply constraints as Western economies reopened after emerging from pandemic conditions.

The major central banks of the world, including the US Federal Reserve Board (US Fed), swiftly tightened monetary policy to address this accelerated and increasingly protracted inflation. Government bond yields rose in major developed economies on expectations for further inflation and monetary tightening measures.

In addition, stock markets in major developed economies underwent corrections as the steep rise in market interest rates depressed valuations and as concerns grew that monetary policy tightening would blunt economic growth, creating highly volatile and uncertain markets.

In the second half of the fiscal year, inflation showed signs of levelling off in the major developed economies, and expectations for the US Fed to end its rate hikes led to a rally in stock markets. However, inflation has remained persistent with Central Banks continuing to increase interest rates.

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 divisions and regions.

Russia and Ukraine war

Since Russia's invasion of Ukraine 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, 2023, the total direct exposure of the Bank to Ukraine and Russia continued to not be 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 outlines the types and level of risk that the Bank is willing to assume in pursuit of its corporate vision, strategic objectives and business plan. Risk appetite is set within the available risk capacity which is determined by constraints including regulatory capital, liquidity and business conditions.

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

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

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 the implementation of Basel standards in PS22/21 with respect to key developments including the introduction of a binding minimum net stable funding ratio ("NSFR"), 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 became effective on 1 January 2023 it is not directly applicable to the Bank at this time based upon the £10bn non-UK asset threshold. Instead the Bank is 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 adopted the Leverage Risk Appetite which has been live from 1 January 2022. On 30 November 2022 the PRA published CP16/22 as a consultation on the implementation of the final Basel 3.1 reforms in the U.K. These proposals primarily include amendments to the capital requirements for credit risk, market risk, CVA risk, operational risk and the introduction of output floors for modelled exposures alongside changes to the related reporting and disclosure requirements. These changes are expected to become effective on 1 January 2025. The bank has a regulatory change program which will be managing the implementation of these changes.

- 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.

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 Financial Stability Board ("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 19.

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 Government'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 10-16.

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 Supervisory Statement ("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, including through quarterly town halls in which the individual Bank's financial performance is discussed.

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. As we emerge from the Covid-19 pandemic we continue to use various digital methods of communications, including meetings and briefings, alongside face to face meetings.

- 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. The Board hosts roundtables with employees periodically to hear directly from the workforce. 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 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 and culture matters. These sessions are held in teams and are 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 half yearly basis.

- Both the NEHS and EMEA Management Committee and the Board receive regular updates from HR to consider progress around subjects such as Diversity, Equity and Inclusion (DEI), employee wellbeing and learning & development. In particular, a DEI programme across the EMEA region has continued to be built this year, led by our DEI team, supported by our inclusion networks, with a series of DEI initiatives being launched across the NEHS Group as a result.

SECTION 172 OF THE COMPANIES ACT 2006 (CONTINUED)

- An annual Health and Wellbeing review is conducted by HR. The Director of the Board responsible for Health and Safety provides an annual update on Health, Safety and the Environment. Wellbeing champions have been trained across the business and a firm-wide wellbeing 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.

- In 2022, Nomura launched a refreshed Community Affairs strategy in EMEA, focused on embedding Social Impact and Diversity Equity and Inclusion at the heart of our culture. We established a multi-year strategic partnership with Sponsors for Educational Opportunity (SEO London), a well-regarded social mobility non-profit organisation, to break down barriers to careers in Financial Services for young people from under-represented backgrounds.

  Nomura is working with SEO London to create opportunities for young people through ‘traditional’ charitable activities (skilled volunteering, mentoring and fundraising) as well as through the creation and implementation of specific recruitment, retention and progression pathways. The first year of the partnership has seen the development of a cohesive engagement model between SEO and Nomura’s internal stakeholders - Community Affairs, Graduate Recruitment, Lateral Recruitment and DEI. The partnership has seen significant buy in across the board with the following high level results, which include

  - 2,057 student interactions through Nomura sponsored programming;
  - 35 SEO affiliated graduates participating in our graduate recruitment programs;
  - 303 employees volunteering and fundraising for SEO; and
  - £33,611 raised by Nomura employees for SEO.

- 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.

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. The hybrid working model adopted after the pandemic continues to evolve to ensure employees are able to work effectively and clients are able to receive high-quality service.

CLIMATE CHANGE

Implementation of Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations

The Nomura Group recognizes that climate change is an important global issue and announced a commitment to align its commercial activities with the objectives agreed in the Paris Agreement, aiming to limit global temperature increases to well below 2℃, and striving for 1.5℃, above pre-industrial levels.

To support the transition towards a decarbonized economy, the Nomura Group also announced a target to achieve net zero greenhouse gas (GHG) emissions for its own operations by 2030, and to transition attributable GHG emissions from lending and investment portfolios to align with pathways achieving net zero by 2050. Nomura Holdings Inc. is a member of the Net-Zero Banking Alliance (NZBA), convened by the United Nations Environment Program Finance Initiative (UNEP FI).

The approach to Climate Change is primarily set at a Nomura Group level and applied through all group subsidiaries and business lines including the Bank. The NEHS Enterprise Risk Committee (“ERC”) and Board Risk Committee (“BRC”) 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/ar/index.html#tcfd

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 3 decades until 2050, investment in the order of US$120 trillion is expected to be required for the transition to a decarbonised society globally. The Nomura Group recognises that the role of financial services in the supply and circulation of capital directed to these efforts 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.

Nomura offers sustainability finance, advisory, and consulting services and has set up dedicated teams within our Investment Banking business to originate a wide variety of sustainable financing projects in Japan and overseas.

To further strengthen and promote this initiative, in 2021 the Nomura Group set a target of US$125 billion in sustainable finance over five years to March 2026.

This target includes public and private equity, bonds, and mezzanine debt financing, as well as infrastructure project financing. In addition to working to achieve these targets, we are taking the following steps to further enhance our sustainable finance initiatives.

• **Transition Finance**

As part of sustainable finance, we are strengthening our efforts in transition finance to respond to expected growth in demand by clients seeking to procure funds for capital investment and R&D in a low-carbon society. In the fiscal year 22/23, Nomura has been a lead structurer and distributor of Transition Bonds under the Japanese government (METI) frameworks, through our Debt Capital Markets business.

• **Energy-Related Infrastructure Finance**

We established a dedicated energy-related Infrastructure Finance team in our New York operation in 2017. We have been strengthening our Infrastructure & Power Finance (IPF) business, one of our core businesses overseeing sustainable finance globally, establishing global responsibilities for this business in July 2022.

• **Providing M&A Advisory Services**

In April 2020, Nomura acquired Greentech Capital Advisors, a U.S. M&A boutique with leadership strength in sustainable technology and infrastructure. The integration of Greentech Capital Advisors into the Wholesale Investment Banking division is ongoing. In April 2022, we established Greentech Industrials & Infrastructure (GII), a team of approximately 150 bankers and 11 subsectors, by realigning our existing teams and hiring in focus areas to bolster its organization. We are strengthening and promoting M&A advisory services in the sustainability field on a global basis, including support for decarbonization through the restructuring of our clients' business portfolios.

CLIMATE CHANGE (CONTINUED)

Climate Change Related Strategic Opportunities (Continued)

• Strengthening Global Cooperation

Under the leadership of our Head of Wholesale, employees in Global Markets and Investment Banking, which provide sustainable finance, play an important role in strengthening sustainable finance initiatives by collaborating globally to pursue business opportunities in the field of sustainable finance.

Climate Change Related Risks

Identified Risks

The Company 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
- Loss of collateral value in asset-based finance transactions, e.g. real estate

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 fossil fuel 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, given our portfolio the impact of these risks is currently assessed as being relatively low and therefore has had limited impact on our business strategy.

STRATEGIC REPORT (CONTINUED)

CLIMATE CHANGE (CONTINUED)

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 the NEHS ERC and BRC who receive regular updates and reports around the nature and impact of these risks from the working group.

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 Company'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.

STRATEGIC REPORT (CONTINUED)

CLIMATE CHANGE (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 Company 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.

The physical risk assessment vendor "XDI" was instructed to undertake a scenario assessment of the 15 EMEA leased property assets under NEHS to determine the vulnerability to a range of extreme weather & climate change hazards. The Representative Concentration Pathway (RCP) scenarios RCP 8.5 and RCP 2.6 were utilised. The output of the assessment includes the following metrics by asset and hazard type for the dates 2030,2050 and 2100: Maximum Value at Risk (MVAR), Technical Insurance Premium (TIP) and Failure Probability. The results are currently being assessed and management will determine how they should be utilised within the facilities planning processes.

During the year ended 31 March 2023, an exploratory analysis of the impact of climate change on the 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 Company 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 2023, an 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 on NEHS finances is expected to be limited from the results.

CLIMATE CHANGE (CONTINUED)

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 NEHS 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 ERC and BRC.

- ***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 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 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

- ***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.

Measure (NEHS Data Points)	**31 March 2023** **% of Total LEQ**	**31 March 2022** **% of Total LEQ**
Carbon Related Assets (CRA)	5.60	7.30
High Transition Risk (HTR)	0.00	0.20
High Physical Risk (HPR)	0.80	0.10

To measure credit exposure, the Company uses the 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. Energy sector excludes Renewables and also counterparties with less Fossil Fuel aligned operations than the IEA Net Zero 2050 scenario for 2030. Metrics as of March 31, 2022 have been restated to reflect exclusion of counterpartiewith less Fossil Fuel aligned operations.

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. In addition, the Bank shall continue to report its own greenhouse gas emissions on page 21 in the Streamlined Energy and Carbon Reporting as required under Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulation 2018:

Major Climate Change-Related Metrics and Targets for the Nomura Group:

Metrics	Target
Greenhouse gas emissions for its own operations	Net Zero by 2030
Greenhouse gas emissions from its lending and investment portfolios	Net Zero in 2050
Sustainable Financing	US$125bn in sustainable financing over five years by March 2026

ENVIRONMENT AND ENERGY

In our environmental efforts, we support the various international agreements and initiatives listed in our Sustainability Statement and promote harmonized efforts.

The Bank is working to lower its overall environmental impact. We have established an environmental management system to drive comprehensive efforts in Japan, and our business offices across the globe are taking initiatives to manage their environmental footprints. We have expanded our disclosure globally, and report group environmental targets and achievements.

The Bank provides specific action guidelines for “5. Climate change” and “6. Natural Capital” set forth in the Nomura Group Sustainability Statement, which outlines the direction of the Bank's sustainability-related activities and our response to environmental and social risks. Based on this environmental policy, we will actively address environmental issues while always being aware of our responsibility to protect the environment.

ENVIRONMENT AND ENERGY (CONTINUED)

1. Initiatives through Business Activities

We will support our clients' sustainability efforts through the provision of products and services by each Nomura Group company. We will make this an opportunity for our own growth, giving due consideration to the impact of our products and services on the environment, and responding appropriately when there is a possibility of a negative impact on the environment.

In addition, we will implement measures to enhance environmental risk management, including climate change.

- **Climate change**
  To support the transition to a decarbonized society, we will promote the following initiatives through the business activities of each group company and through the provision of products and services to our clients.

  - We support our clients' efforts to decarbonize by providing M&A advisory services and consulting services and supporting sustainable finance.
  - We recognize the potential for our products and services to impact climate change, and we will respond appropriately with due consideration to such impact.
  - We will strive to properly manage risks related to climate change.

- **Natural capital**
  We support businesses that conserve natural capital through the provision of products and services, and we take appropriate measures to ensure that the products and services provided by our group companies do not negatively impact biodiversity.

2. Initiatives at the Company

We will strive to reduce our own environmental impact, improve the environment and prevent pollution by setting appropriate targets for the following initiatives.

- **Reducing environmental impact at our own offices**
  We recognize the environmental impact of resource consumption and waste generation from our business activities, and we will strive to reduce waste, conserve energy and resources, decarbonize, and implement green procurement. We will strive to preserve the environment and continuously improve our environmental management system to manage these efforts.

- **Improving the environment and preventing pollution**
  We will strive to verify the effects of our products and operations on the environment on a continuous basis and work to improve the environment and prevent pollution.

- **Fostering awareness within the company**
  Through training and other means, we will communicate this policy to all employees and foster environmental awareness internally. To promote environmental initiatives, we will create a framework that makes it easy for officers and employees to participate in environmental conservation activities, both within and outside the business.

STRATEGIC REPORT (CONTINUED)

ENVIRONMENT AND ENERGY (CONTINUED)

3. Governance and Management Framework

- This policy will be reviewed as necessary after approval by the Group Sustainability Officer in light of changes to business activities and the business environment.
- Environmental initiatives are regularly discussed by the Sustainability Committee and reported to the Board of Directors as necessary.
- In addition to complying with environmental laws and regulations, we will proactively disclose information about our environmental initiatives as appropriate.

4. Stakeholder Engagement

By disclosing our environmental policy to the public and communicating with a wide range of stakeholders outside the company, we will strive to enhance our efforts to address environmental issues, as well as to raise awareness and promote environmental conservation activities.

In our environmental efforts, we support the various international agreements and initiatives listed in our Sustainability Statement and promote harmonized efforts.

BY ORDER OF THE BOARD AT A MEETING HELD ON 20 July 2023

....
Christopher Barlow
Company secretary

20 July 2023

Company Registration Number 1981122

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 $7,047,988 (2022: $15,541,667).

The Directors recommend the payment of a final dividend of $5,000,000 (2022: $10,000,000), equivalent of $0.02 (2022: $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 (2022: 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, oversea 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 CBE	Non-Executive Chairman
	Non-Executive Director
John Tierney	Director and Chief Executive Officer ("CEO")
Jonathan Britton OBE	Non-Executive Director
Neeta Atkar MBE	Non-Executive Director
Rosemary Murray	Non-Executive Director
Daisuke Mototani	Executive Director (appointed on 22 August 2022)
Magnus Falk	Non-Executive Director (appointed on 13 March 2023)
Takeo Aoki	Director (Resignation on 20 April 2022)

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 Bank, 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.

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 2023 describe the Bank's objectives, policies and processes for risk management and capital management, as well as its exposures to credit and liquidity risk.

The Directors consider the Bank's capital position to be strong given the continued positive performance and minimal risk retained. 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.

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 19. 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 NEHS Board has approved the appointment of Mazars LLP as the Bank's statutory auditor for financial periods commencing on or after April 1, 2023.

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") and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 and EU adopted IFRS, 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 20 July 2023

Christopher Barlow
Company Secretary

20 July 2023
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 2023 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 and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards and International Financial Reporting Standards (IFRS) as adopted by the European Union; 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 the following procedures:

- We evaluated the directors' going concern assessment, which covered a period of at least 12 months from the date of the approval of the financial statements. This assessment included an evaluation of future profitability, 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 the 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	• Recognition of revenue in respect of NBI's Own Credit Adjustment ('OCA')
Materiality	• Overall materiality of $5.8m 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, the potential impact of climate change 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, 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

Stakeholders are increasingly interested in how climate change will impact NBI. 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 10-16 in the Strategic Report, which form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited 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, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Bank's business and any consequential material impact on its financial statements.

The Bank has explained in the accounting policies note that the impact of the physical and transition risks of climate change does not have a material impact on the Bank's financial statements for the reporting period given the limited impact arising from scenario analysis as described on page 14 and limited exposure as detailed on page 15.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, and their conclusion that it does not have a material impact on the Bank's financial statements as set out on page 48. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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
Recognition of revenue in respect of NBI's Own Credit Adjustment ('OCA') The cumulative valuation adjustment resulting from own credit, included in the fair valued of bonds and medium-term notes in the statement of financial positions, is a debit of $153m as at 31 March 2023 (2022: credit of $2m). *Refer to the Strategic Report (page 1); Accounting policies (page 39); and Note 11 of the Financial Statements (page 58)* There is a risk that management could manipulate profit and loss recognition where recognition is subjective, e.g., judgements involving complex asset valuations. For NBI, this risk is specific to revenue recognition in respect of NBI's OCA, which is reclassified from revenue to other comprehensive income, given the market risk flat nature of the legal entity's booking structure. As such OCA is identified as the area where there could be potential for management override impacting the other comprehensive income. This risk is consistent with the prior year.	We designed our procedures to be responsive to the identified risk. We have performed the following procedures during the audit period: • 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 the treasury issuance curve. • Engaged EY valuation specialists to independently test the valuation of structure notes together with related intercompany derivative through which market risk is transferred. • We challenged and evaluated the appropriateness of NBI's OCA curve construction. • 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, including completeness of the bonds and medium term notes subject to OCA. • Agreed the realised and unrealised OCA gains per the source documentation to the trial balance and Financial Statements.	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 gain arising from movements in the entity's own credit adjustment for the year ended 31 March 2023.

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 company to be $5.8 million (2022: $3.9 million), which is 1.5% (2022: 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 at planning.

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 company's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely $4.4m (2022: $2.9m). 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 $0.3m (2022: $0.2m), 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 23, 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.
- 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.

- 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 audit responses are 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 by applying specific risk criteria to identify whether any entries were inappropriate or inaccurate.
- Our procedures over our key audit matters and other significant accounting estimates included challenging management on the assumptions and judgements made in determining these estimates.
- 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.

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 21 years, covering the years ending 31 March 2003 to 31 March 2023.
- 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.

Ernst & Young LLP

Nicholas Dawes (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 July 2023

NOMURA

NOMURA BANK INTERNATIONAL PLC

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

	Note	Year ended 31 March 2023 $'000	Year ended 31 March 2022[1] $'000
INCOME			
Interest income calculated using effective interest method	2	64,139	12,320
Other interest and similar income	2	49,998	12,771
Interest expense calculated using effective interest method	2	(7,783)	(823)
Other interest and similar expenses	2		(4,473)
NET INTEREST INCOME		**106,354**	**19,795**
Fee and commission income	3	43,462	41,653
Fee and commission expense	3	(1,326)	(1,342)
Dealing Loss	4	(104,219)	(28,708)
TOTAL OPERATING INCOME		**44,271**	**31,398**
General and administrative expenses	5	(35,479)	(11,655)
Credit impairment (charge) / reversal		(91)	(554)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		**8,701**	**19,189**
Tax charge on profit on ordinary activities	7	(1,653)	(3,647)
PROFIT FOR THE YEAR		**7,048**	**15,542**
ATTRIBUTABLE TO:			
Equity holders of the parent			
Profit for the year from continuing operations		**7,048**	**15,542**

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

The notes on pages 39 to 87 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Note	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
PROFIT FOR THE YEAR		**7,048**	**15,542**
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	126,703	89,656
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**126,703**	**89,656**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**133,751**	**105,198**

The notes on pages 39 to 87 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Called-up Share Capital	Retained Earnings	Own Credit Reserve	Total
	$'000	$'000	$'000	$ 000
As at 1 April 2022	255,000	33,222	(24,805)	263,417
Dividends paid during the year	-	(10,000)	-	(10,000)
Transferred from own credit reserve to retained earnings during the year	-	290	(290)	-
Profit for the year	-	7,048	-	7,048
Other Comprehensive Income	-	-	126,703	126,703
At 31 March 2023	**255,000**	**30,560**	**101,608**	**387,168**

	Called-up Share Capital	Retained Earnings	Own Credit Reserve	Total
	$'000	$'000	$'000	$ 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**

During the year, $289,927 (2022: $5,800,646) 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 87 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2023

	Note	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Assets			
Loans and advances to banks	9	7,781	1,462
Derivative financial instruments	9	149,851	440,933
Loans and advances to affiliates	9	3,228,350	2,620,602
Securities purchased under agreements to resell	9	2,434,880	2,799,330
Loans and advances to others	9	2,462	417
Prepayments and accrued income	9	21,899	4,371
Other assets	9	399	5,146
Right-of-use assets		316	396
Financial investments	9	11	20
Deferred tax asset	7	-	1,256
Total Assets		**5,845,949**	**5,873,933**
Liabilities			
Derivative financial instruments	9	876,358	723,515
Accruals and deferred income	9	56,730	16,550
Borrowings from affiliates	9	121,244	274,421
Borrowings from others	9	761	610
Commercial papers issued	9	789,011	794,070
Bonds and medium-term notes	9, 11	3,578,986	3,793,645
Group relief payable		7,478	5,793
Corporate tax liabilty		787	837
Other liabilities	9	364	1,075
Deferred tax liability	7	27,062	-
Total Liabilities		**5,458,781**	**5,610,516**
Shareholders' funds			
Called up share Capital	12	255,000	255,000
Retained earnings		30,560	33,222
Own credit reserve		101,608	(24,805)
Total Equity		**387,168**	**263,417**
Total Liabilities and Equity		**5,845,949**	**5,873,933**

Approved by the Board of Directors on 20 July 2023 and subsequently signed on its behalf on 20 July 2023

John Tierney,
Director

The notes on pages 39 to 87 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Operating activities		
Profit before taxation	8,701	19,189
Non-cash adjustments to reconcile profit for the period to net cash flows		
Depreciation	80	105
Change in working capital adjustments		
Net change in derivative assets	291,082	1,032,728
Net change in loans and advances to affiliates	(607,748)	(1,012,313)
Net change in securities purchased under agreements to resell	364,450	685,731
Net change in loans and advances to others	(2,045)	1,163
Net changes in prepayments and accrued income	(17,528)	791
Net change in other assets	4,747	2,330
Net change in financial investments	9	-
Net change in customer accounts	-	(166)
Net change in derivative liabilities	152,843	(726,077)
Net change in accruals and deferred income	40,180	(1,286)
Net change in borrowings from affiliates	(153,177)	(54,912)
Net change in borrowings from others	151	(8,118)
Net change in commercial papers issued	(19,080)	(53,485)
Net change in bonds and medium-term notes	(405,274)	(492,696)
Net change in other liabilities	(679)	596
Net cash flow from operating activities	**(343,288)**	**(606,420)**
Cash flows from financing activities		
Proceeds from issuance of bonds and commercial papers	3,368,550	3,257,272
Repayments of bonds and commercial papers	(3,008,861)	(2,642,274)
Dividends paid	(10,000)	(10,000)
Payment of principal portion of lease liabilities	(82)	(114)
Net cash flows from financing activities	**349,607**	**604,884**
Net increase/(decrease) in cash and cash equivalents	**6,319**	**(1,536)**
Cash and cash equivalents at the beginning of the year	**1,462**	**2,998**
Cash and cash equivalents at the end of the year	**7,781**	**1,462**
Included within operational cash flows		
Interest paid	(7,193)	(5,543)
Interest received	95,480	27,216

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes		
	1 April 2022	Cash flows	Fair value changes	Foreign exchange & other	31 March 2023
	$'000	$'000	$'000	$'000	$'000
Bonds and medium term notes	3,793,645	345,668	(155,053)	(405,274)	3,578,986
Commercial papers issued	794,069	14,022	-	(19,080)	789,011
Lease liabilities	390	(82)	-	8	316
Total liabilities from financing activities	**4,588,104**	**359,608**	**(155,053)**	**(424,346)**	**4,368,313**

			Non-cash changes		
	1 April 2021	Cash flows	Fair value changes	Foreign exchange & other	31 March 2022
	$'000	$'000	$'000	$'000	$'000
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**

The cash and cash equivalents mainly consist of nostro balance.

The notes on pages 39 to 87 form part of these financial statements.

1 ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Bank have been prepared in accordance with UK-adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared under the historical cost convention, except for derivative and non-derivative financial instruments at fair value through profit and loss (FVTPL) which are measured at fair value.

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 at least 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 Bank

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 2022, noted below:

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The Bank has early adopted the amendments to IAS 1, considered the non-mandatory amendments to Practice Statement 2 for the year ended 31 March 2023, and amended its accounting policy information disclosures to ensure consistency. There has been no material change to the Bank's accounting policies as a result of these amendments.

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 accompanying disclosures at the end of the reporting period.

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 significant estimates and assumptions:

- **Fair value of financial instruments:** Where there is no active market for a financial instrument, fair value is determined using valuation techniques that include the use of valuation models and which could require judgment and estimates, as listed in Note 14; and

- **Deferred tax assets:** Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profit will be available against which the tax losses can be utilised. Carrying value of deferred tax assets are disclosed in 7.

(d) 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.

Amendments to IAS 8 - Definition of Accounting Estimates: In February 2021, the IASB issued amendments to IAS 8 which introduce a definition of 'accounting estimates' and hence clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. The amendments are effective from 1 April 2023 and apply prospectively. The Bank has assessed and does not expect impact of the amendments to be material.

Amendments to IAS 12 - Deferred tax related to Assets and Liabilities arising from a Single transaction: In May 2021, the IASB board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to the transactions that give rise to equal taxable and deductible temporary differences, example - leases. The amendment is effective from 1 April 2023 and currently the Bank is assessing its impact.

1 ACCOUNTING POLICIES (continued)

(e) Operating Income

i. Interest and similar income and expenses receivable

Interest and similar income and /expenses includes interest calculated using the effective interest method on financial instruments measured at amortised cost as well as interest and dividends on certain financial instruments at FVTPL, including securities positions and secured financing transactions.

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

ii. Dealing profit or loss

Realised and unrealised gains and losses on financial instruments measured at FVTPL are included in dealing profit or loss. Interest on certain financial liabilities designated at FVTPL is also included in dealing profit or loss, as it is integral to dealing activities and distinct from interest on banking activities.

Dealing profits or losses arises 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.

iii. Fee and commission income and expenses

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 the Bank which depends on when the Bank satisfies its performance obligation within the contract. 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.

1 ACCOUNTING POLICIES (continued)

(f) Financial Instruments

(i) Initial recognition and measurement

The Bank recognises most financial instruments, including loans and advances, debt securities issued, secured financing transactions and regular-way purchases or sales of financial assets on settlement date i.e. date of delivery. The Bank recognises other financial instruments, including derivatives, on trade date.

For financial instruments recognised on settlement date, changes in fair value between trade and settlement date are recognised in profit and loss for instruments at FVTPL.

All financial instruments are initially measured at fair value plus, for instruments measured at amortised cost, directly attributable transaction costs.

(ii) Day 1 profit or loss

The fair value of a financial instrument at initial recognition is normally the transaction price, however in some cases, it is based on valuation techniques and different to transaction price. Where the valuation technique incorporates only observable market parameters, the difference between fair value and transaction price is recognised in profit and loss. Where the valuation technique incorporates significant unobservable parameters, the difference between fair value and transaction price is deferred, and subsequently recognised in profit and loss over the life of the transaction on an appropriate basis, or when the inputs become observable, or when the instrument is derecognised.

(iii) Classification and subsequent measurement

The Bank classifies and subsequently measures financial assets at amortised cost, held for trading or mandatorily at FVTPL based on its business model for managing the assets and an instrument's contractual cash flow characteristics. The Bank classifies and subsequently measures financial liabilities, except for certain loan commitments and financial guarantees, at amortised cost, held for trading or designated at FVTPL. Financial instruments classified as held for trading are measured at FVTPL.

(iv) Financial assets or liabilities held for trading

Financial instruments are classified as held for trading on the Statement of Financial Position where:

- the business unit actively and frequently originates or purchases financial assets (or issues or incurs financial liabilities) with the intention to sell (or repurchase or redeem) in the foreseeable future;
- the financial assets are part of a portfolio managed together for the purpose of short-term profit making;
- the financial liabilities are short sales of financial assets; or
- they are derivatives.

Derivatives are presented as financial assets/(liabilities) if their fair value is positive/(negative). Subsequent changes in fair value are recognised as "principal transactions" in dealing profit or loss.

1 ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(v) Financial assets at amortised cost

The Bank classifies and measures certain loans and advances as well as certain prepayments and other assets that are financial assets at amortised cost if the asset is held within a hold to collect business model and its contractual terms meet the SPPI test.

Business model assessment
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, frequency and value of sales and the complexity or potential differences in underlying business model. In a hold to collect business model, the Bank holds a portfolio of financial assets with the strategy of collecting their contractual cash flows.

SPPI test
The Bank assesses contractual terms of a financial asset for whether it gives rise on specified dates to cash flows that are "solely payments of principal and interest". For the test, "principal" is the fair value of the financial asset at initial recognition and "interest" is the consideration for time value of money, credit risk, other basic lending risks and costs, and profit margin.

A financial asset with contractual terms that introduce more than de-minimis exposure to risks unrelated to a basic lending arrangement fails the SPPI test and is classified as mandatory at FVTPL, irrespective of business model.

Financial assets at amortised cost are initially measured at fair value and subsequently at amortised cost using the effective interest method less Expected Credit Loss (“ECL”) allowance (See Note 1(d)(viii)). Interest is recognised in "Interest income calculated under effective interest method" and ECL and reversals of ECL are recognised in "Credit impairment (charge) / reversal" in the Statement of Comprehensive Income.

(vi) Financial assets mandatorily at FVTPL

Securities purchased under agreements to resell

The Bank enters into reverse repurchase transactions which are generally recognised as secured financing transactions consistent with their economic substance.

The Bank does not recognise securities received under reverse repurchase transactions where the counterparty retains substantially all the risks and rewards of ownership. Instead, the Bank recognises consideration paid as an asset within "Securities purchased under agreements to resell” on settlement date at fair value. These assets are managed on a fair value basis and classified as mandatory at FVTPL.

Subsequent changes in fair value of "Securities purchased under agreements to resell" are recognised as dealing profit or loss, except for interest and dividend income or expense which is recognised in "Other interest and similar income or expenses".

For reverse repurchase transactions, payment of cash margin is recognised as separate payables and non-cash margin transferred are not derecognised as derecognition criteria is not met.

1 ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

Other financial assets mandatorily at FVTPL

Loans and advances, prepayments and other assets that are financial assets and financial investments are classified as mandatorily at FVTPL if they are:
- managed on a fair value basis;
- fail the SPPI test; or
- not held in a hold to collect business model and not held in a hold to collect and sell business model.

(vii) Non-trading financial liabilities at amortized cost and FVTPL

Non-trading financial liabilities are carried at amortised cost unless designated at FVTPL

At initial recognition, the Company may designate a financial liability at FVTPL if:
- designation eliminates or significantly reduces an accounting mismatch that otherwise arises
- the financial liability is part of a group of financial instruments managed on a fair value basis; or
- the financial liability contains an embedded derivative that is required to be bifurcated unless the entire instrument is designated at FVTPL.

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.

Changes in fair value of financial liabilities designated at FVTPL are recognised in profit or loss except for movements due to changes in the Bank's own credit risk. Such changes in fair value are recognised in the "Own credit reserve" through OCI and do not get recycled to 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.

(viii) Impairment of financial instruments

The Bank recognises an expected credit loss ("ECL") allowance for loans and other debt financial assets measured at amortised cost, loan commitments and written financial guarantees not measured at FVTPL (all referred to as "instruments" in this section).

ECL represents the difference between contractual and expected cash flows of an instrument, generally discounted at an appropriate effective interest rate. An ECL allowance is measured either based on all possible default events over expected life of the instrument or maximum contractual period of exposure ("lifetime ECL") or the portion of lifetime ECL from possible default events within 12 months of reporting date ("12 month ECL").

The Bank calculates ECL either for an individual instrument or portfolio of similar instruments with key inputs being:

1 ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

- Staging approach applied to the instrument as follows (unless the instrument qualifies for the low credit risk practical expedient or basic staging approach discussed later in this section):

Staging	Scope	Measurement of ECL allowance
Stage 1	Performing instruments	12 months ECL
Stage 2	Underperforming instruments	Lifetime ECL
Stage 3	Credit-impaired instruments	Lifetime ECL
POCI	Instruments that are purchased or originated credit impaired	Cumulative changes in lifetime ECL since initial recognition (as lifetime ECL is incorporated into POCI instruments' initial measurement)

- Probability of Default ("PD") of the obligor as determined by the Bank's internal credit rating for the instrument based on industry data and historical experience. Forward-looking information is incorporated into PD inputs by forecasting economic scenarios and adjusting the base case inputs for at least one more optimistic and pessimistic scenario.

- Loss Given Default ("LGD") as determined by class of instrument based on historical experience of loss and recovery rates for similar instruments and other relevant industry data. LGD inputs are adjusted for impact of integral collateral and credit enhancements that are not separately recognised.

- Credit Exposure at Default ("CEAD") which for revolving and non-revolving loan commitments, is the estimated drawn facility amount at the time of default, and for funded instruments, is usually the current gross carrying value of the instrument.

At initial recognition, an instrument is Stage 1 unless it is credit-impaired and therefore POCI. Subsequently, the Bank determines whether a significant increase in credit risk has occurred using a number of metrics, including comparing the Bank's internal credit rating of the non-POCI instrument at initial recognition vs the reporting date. The Bank reclassifies an instrument to Stage 2 usually when its rating has declined by more than a specific number of notches or payments are 30 days or more past due, and to Stage 3 if it becomes credit-impaired, which is generally upon a default or when payments are 90 days or more past due.

An instrument may be reclassified to Stage 1 or 2 when its credit risk improves, though a credit-impaired instrument generally remains Stage 3 until the obligor cures the reasons for credit-impairment or there has been a sustained observable period (typically 6 months or more) of repayment.

Credit-impaired instruments individually assessed for impairment are typically written-off when further cash flows are deemed uncollectible and all commercially reasonable means of recovery are exhausted. Write-offs are initially recognised against any existing ECL allowance and are considered full or partial derecognition of the instrument. Any cash recovery on previously written off instruments are recognised in 'credit impairment (charge) / release'.

1 ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

The Bank applies the low credit risk practical expedient in measuring ECL for certain Stage 1 non-lending debt instruments with low default risk, namely a 12 month ECL is used without formal consideration of whether a significant increase in credit risk has occurred, unless the instrument becomes credit-impaired, in which case it is reclassified to Stage 3. Instruments in scope include:

- Default fund contribution receivables from investment grade central clearing counterparties;
- Initial margin and variation margin receivables from investment grade central clearing counterparties;
- Segregated initial margin receivables from investment grade custodians in connection with OTC derivatives and bilateral repurchase agreements; and
- Cash and cash equivalents.

The Bank applies a similar approach to the low credit risk practical expedient, known as the basic staging approach, for the following instruments with very low ECL that do not qualify for the expedient:

- Demand deposits and short term investments grade deposits;
- Margin and prime brokerage loans;
- Fronting receivables; and
- Variation margin on derivative transactions and collateralised agreements at FVTPL

(ix) Fair value of financial instruments

The Bank holds financial instruments at fair value, which is the price at which an instrument could be exchanged in a transaction between willing parties at the most advantageous market the Bank has access to, other than in a forced or liquidation sale.

The best evidence of fair value is quoted prices in an active market. Therefore, fair value is based on exchange quoted market prices or other broker/dealer quotations where available, for example for exchange-traded securities and derivatives.

Where such quotations are unavailable, the Bank uses valuation techniques to determine fair value. Valuation techniques consider contractual terms, position size, underlying asset prices, interest rates, dividend rates, time value, volatility and other factors for relevant or similar instruments and incorporate adjustments relating to counterparty and the Bank’s own credit risk and market liquidity. The valuation technique used maximises the use of market inputs and minimises the use of entity-specific unobservable inputs which are unobservable in the market.

1 ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(x) Derecognition

The Bank derecognises a financial asset when its contractual rights to cash flows from the asset expire or it has transferred the asset and the transfer qualifies for derecognition. A transfer qualifies for derecognition when the Bank has transferred substantially all the risks and rewards of the asset or it has neither transferred nor retained substantially all the risks and rewards but has transferred control of the asset.

If the Bank transfers a financial asset and retains substantially all the risks and rewards, the Company continues to recognise the transferred asset and also recognises an associated liability for the consideration received.

If the Bank neither transfers nor retains substantially all the risks and rewards, but retains control, it recognises the transferred asset and an associated liability measured on a basis that reflects the rights and obligations retained.

The Bank derecognises financial liabilities when the Company’s obligations are discharged, cancelled or expired.

(xi) Offsetting financial instruments

Financial assets and liabilities are presented on a gross basis on the Statement of Financial Position, with net presentation permitted only when the Bank has a current legally enforceable right to set off the amounts and intention to settle simultaneously or on a net basis.

(g) Financial guarantees

The Bank assesses financial guarantee contracts acquired for whether they are integral to the financial asset the guarantee is for. If integral and not separately recognised, the Bank considers the guarantee in measuring fair value and/or ECL of the financial asset. If not integral, the guarantee is separately accounted for at amortised cost or designated at FVTPL.

(h) Foreign currency transactions

The financial statements are presented in USD which is also the Bank's functional currency.

Transactions in currencies other than USD are initially translated into USD by applying the spot exchange rate at the date of the transaction, and subsequently re-measured using:

- Current spot exchange rates for monetary assets and liabilities and non-monetary assets and liabilities which are measured at FVTPL; and
- Historical spot exchange rates for non-monetary assets and liabilities which are not measured at FVTPL.

Foreign currency differences arising on transactions, together with exchange gains/losses from trading activities, are recognised in profit and loss.

1 ACCOUNTING POLICIES (continued)

(i) Taxation

Income tax expense comprise current and deferred tax. It is recognised in profit or loss except for items recognised directly in equity or OCI or in relation to a business combination.

Current tax liabilities (assets) are measured at the amount expected to be paid to (recovered from) taxation authorities, using the tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent it is probable that future taxable profit will be available to allow it to be utilised and is reviewed and adjusted at each reporting date to reflect this. Deferred tax assets and liabilities are measured at tax rates expected to apply in the year when the asset is realised or liability is settled, using the tax rates and laws enacted or substantively enacted at the reporting date.

(j) 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.

(k) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash, demand deposits with banks and unrestricted overnight balances with central banks. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less, that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

(l) Reserves

The Bank has the following reserve accounts:

- 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.

(m) Impact of climate risk

In preparing the financial statements, management 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 for the reporting period given limited impact arising from scenario analysis and limited exposure both detailed on page 14.

2 INTEREST INCOME AND EXPENSE

	Year ended 31 March 2023 $'000	Year ended 31 March 2022[1] $'000
Interest income calculated using the effective interest method		
Interest on loans [1]	64,139	12,320
Other interest and similar income		
Interest on reverse repurchase transactions	49,998	12,771
	114,137	**25,091**
Interest expense calculated using the effective interest method		
Interest to banks and customers	5,273	544
Interest on funds borrowed [2]	2,510	279
Other interest and similar expenses		
Negative interest on reverse repurchase transactions [2]	-	4,473
	7,783	**5,296**

[1]Includes $203,497 (2022: $1,482,223) of interest income on financial liabilities with negative interest rates for the year ended 31 March 2023.

[2]Includes $380,612 (2022: $4,472,549) of interest expense on financial assets with negative interest rates for the year ended 31 March 2023.

3 FEE AND COMMISSION INCOME AND EXPENSES

	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Facilitation fee income	43,268	41,575
Other fee income	194	78
	43,462	**41,653**

Fee expenses relate to commitments, guarantees and other fees of $1,326,074 (2022: $1,342,096).

4 DEALING PROFIT/(LOSS)

	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Financial instruments held for trading	(438,759)	(252,145)
Financial instruments measured at fair value through profit and loss	334,540	223,437
	(104,219)	**(28,708)**

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 counterparties. 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 2023 $'000	Year ended 31 March 2022 $'000
Audit of the financial statements	368	363
Audit related assurance services	156	165
Deprecation on right-of-use assets	81	105
Support service charges	9,441	9,213
Transfer pricing expense	24,663	1,002
Wages, salaries and other social security costs	770	807
	35,479	**11,655**

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 (2022: 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 $246,231 (2022: $288,428) was borne by NHI and an amount of $65,411 (2022: $95,672) relating to CASS audit was borne by NIP.

6 DIRECTORS' EMOLUMENTS

The aggregate emoluments paid to the Directors were $212,580 (2022: $250,761).

The highest paid Director received emoluments of $117,814 (2022: $138,426). As at 31 March 2023, the accrued pension totalled $1,858 per annum (2022: $2,120) and no contributions were made to the Group Personal Pension plan.

The number of Directors who exercised share options during the year was 1 (2022: 1).

The number of Directors who were entitled to receive shares under a long-term incentive plan during the year was nil (2022: nil).

The number of Directors accruing retirement benefits under money purchase pension schemes during the year was 1 (2022: 1).

The above amounts were borne by another Nomura Group undertaking.

7 TAXATION

Tax expense

	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Current tax		
UK Corporation tax charge	1,673	3,666
Deferred tax		
Origination and reversal of temporary differences	(20)	(20)
Effect of tax rate change	-	1
Deferred tax (credit)/charge	**(20)**	**(19)**
Tax charge in the profit and loss account	**1,653**	**3,647**
Tax charge in the other comprehensive income	**28,349**	**24,923**

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:

	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Profit before taxation	**8,701**	**19,189**
UK corporation tax credit at 19% (2022: 19%)	**1,653**	**3,646**
Effects of:		
Tax rate change relating to recognised deferred tax balances	-	1
Tax (credit)/charge on profit on ordinary activities	**1,653**	**3,647**

7 TAXATION (continued)

Movement of recognised deferred tax assets/(liabilities)

	Decelerated capital allowance	Deferred emoluments	Own credit - transitional adjustment	Own credit - unrealised loss	Trade loss	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Asset as at 1 April 2022	130	-	(153)	455	823	1,255
Income statement	-	-	20	-	-	20
Other comprehensive income	-	-	-	(38,748)	10,411	(28,337)
Liability as at 31 March 2023	**130**	**-**	**(133)**	**(38,293)**	**11,234**	**(27,062)**
Asset 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**

Unrecognised deferred tax assets

	31 March 2023	31 March 2022
	$'000	$'000
Unused trade loss	86,346	96,685
Total unrecognised deferred tax assets	**86,346**	**96,685**

Finance Act 2021, enacted on 10th June 2021, increases the headline corporation tax rate from 19% to 25% from 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 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 2017 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 (2022: $390.3 million). A deferred tax asset of $86.3 million (2022: $96.7 million) is not recognised in respect of these losses due to uncertainty surrounding the availability of future taxable profits.

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 2023 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 2023 and 31 March 2022 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.

9 FINANCIAL INSTRUMENTS

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

	2023	2023	2023	2023
	Held for trading	Mandatorily at fair value through profit or loss	Amortised cost	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Loans and advances to banks	-	-	7,781	7,781
Derivative financial instruments	149,851	-	-	149,851
Loans and advances to affiliates	-	15,917	3,212,433	3,228,350
Securities purchased under agreements to resell	-	2,434,880	-	2,434,880
Loans and advances to others	-	2,462	-	2,462
Prepayments and accrued income[1]	-	16,253	5,646	21,899
Other assets[1]	-	-	278	278
Financial investments	-	11	-	11
	149,851	**2,469,523**	**3,226,138**	**5,845,512**

	Held for trading	Designated at fair value through profit or loss	Amortised cost	Total
	$'000	$'000	$'000	$'000
Financial Liabilities				
Derivative financial instruments	(876,358)	-	-	(876,358)
Accruals and deferred income [2]	-	(18,671)	(37,858)	(56,529)
Borrowings from affiliates	-	(111,244)	(10,000)	(121,244)
Borrowings from others	-	-	(761)	(761)
Commercial papers issued	-	-	(789,011)	(789,011)
Bonds and medium-term notes	-	(3,578,986)	-	(3,578,986)
Other liabilities [2]	-	-	(316)	(316)
	(876,358)	**(3,708,901)**	**(837,946)**	**(5,423,205)**

[1] Excludes non-financial assets of $Nil (2022: $171,512) from 'Prepayments and accrued income', and $120,643 (2022:$389,106) from 'Other assets'.

[2] Excludes non-financial liabilities of $201,285 (2022: $256,638) from 'Accruals and deferred income', and $47,368 (2022:$61,722) from 'Other liabilities'.

9 FINANCIAL INSTRUMENTS (continued)

	2022	2022	2022	2022
	Held for trading	Mandatorily at fair value through profit or loss	Amortised cost	Total
	$'000	$'000	$'000	$'000
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	-	1,658	2,541	4,199
Other assets	-	-	4,757	4,757
Financial investments	-	20	-	20
	440,933	**3,177,965**	**2,252,822**	**5,871,720**

	Held for trading	Designated at fair value through profit or loss	Amortised cost	Total
	$'000	$'000	$'000	$'000
Financial Liabilities				
Derivative financial instruments	(723,515)	-	-	(723,515)
Accruals and deferred income	-	(7,238)	(9,054)	(16,292)
Borrowings from affiliates	-	(106,467)	(167,954)	(274,421)
Borrowings from others	-	-	(610)	(610)
Bonds and medium-term notes	-	(3,793,645)	-	(3,793,645)
Commercial papers issued	-	-	(794,070)	(794,070)
Other liabilities	-	-	(1,013)	(1,013)
	(723,515)	**(3,907,350)**	**(972,701)**	**(5,603,566)**

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	Fair value of the collateral received 2023 $'000	Carrying value of associated assets 2023 $'000	Fair value of the collateral received 2022 $'000	Carrying value of associated assets 2022 $'000
Relating to securities agreements to resell	2,862,204	2,434,880	2,874,368	2,799,330

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

The securities purchased under agreements to resell are transferred to the 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. 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.

11 BONDS AND MEDIUM-TERM NOTES

	31 March 2023 $'000	31 March 2022 $'000
Bonds and medium- term notes, by remaining maturity:		
- Less than 1 year	101,928	908,002
- Less than 5 years, but greater than 1 year	1,017,631	747,478
- Greater than 5 years	2,459,427	2,138,165
	3,578,986	**3,793,645**

As of 31 March 2023, 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 $698,494,607 (2022: $209,615,585) 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 $154,993,938 (2022: gain of $114,450,060) and realised gain of $58,275 (2022: gain of $128,795), as well as a UK corporation tax charge of $28,348,907 (2022: debit of $24,923,008) 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 debit of $153,173,054 at 31 March 2023 (2022: credit of $(1,820,884)). 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.

	Balance as at 31 March 2022 $'000	Issuance $'000	Redemption $'000	Fair value changes $'000	Balance as at 31 March 2023 $'000
Bonds and medium-term notes	3,793,645	1,731,441	(1,385,773)	(560,327)	3,578,986

	Balance as at 31 March 2021 $'000	Issuance $'000	Redemption $'000	Fair value changes $'000	Balance as at 31 March 2022 $'000
Bonds and medium-term notes	3,834,998	1,245,375	(679,453)	(607,275)	3,793,645

11 BONDS AND MEDIUM-TERM NOTES (continued)

	31 March 2023 $'000	31 March 2022 $'000
Carrying amount	3,578,986	3,793,645
Amount the bank is contractually obligated to pay to the holders of bonds at maturity	4,595,873	4,299,527
Difference between carrying amount and the amount the bank is contractually obligated to pay to the holders of bonds at maturity	**1,016,887**	**505,882**

12 SHARE CAPITAL

	Authorised	Allotted and fully paid	
	Number '000	Number '000	Consideration $'000
31 March 2023			
US Dollar Ordinary shares of $1 each	255,000	255,000	255,000
31 March 2022			
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

	31 March 2022	Number '000 Issued/Cancelled during the year	31 March 2023
2023			
US dollar ordinary shares of $1 each	255,000	-	255,000

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

13 RISK MANAGEMENT

Nomura's business activities, the products and services it provides to its clients and the markets that it operates in are characteristic of a high level of sophistication and complexity, in turn exposing NBI to a complex set of inherent risks, categorised as follows:

Financial Risks

- **Credit Risk** : The risk of loss from an obligor's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with legal terms.

- **Market Risk** : The risk of losses arising from fluctuations in values of financial assets or debts (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).

- **Liquidity Risk -** The risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group's creditworthiness or deterioration in market conditions.

- **Model Risk** - 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.

Non-Financial Risks

NEHS categorises non-financial risks as illustrated below and defines them in the Risk Appetite Statement.

- **Reputational Risk**

- **Level 1 Operational Risks**
  - Legal
  - Compliance
  - People
  - IT and Cyber Security
  - Business Resilience
  - Transaction Lifecycle
  - Fraud
  - Third Party
  - Prudential Risk Frameworks
  - Financial Reporting & Tax

Other Risks

- **Strategic Risk -** The risk to current or anticipated earning, capital, liquidity, enterprise value, or NEHS's reputation arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to change in the industry or external environment.

- **Other Risks -** Climate related risks, algorithmic trading related risks, conduct risks and cross-border risks manifest themselves through one or a number of the other risk categories identified above. Other risks may arise from time to time with changes to the bank's strategy or changes in the external environment.

13 RISK MANAGEMENT (continued)

The PRA Rulebook Disclosure section 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.

Several functions within the Company are responsible for contributing to the overall risk management of the Company as further described below:

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.

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.

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, a measure of economic capital (Nomura Capital Allocation Target or “NCAT”) is monitored by MRM, which is facilitated through Portfolio Risk element of the Risk Appetite discussed at the NEHS BRC. The NEHS 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(f)(vii) 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.

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 2023	Equity Risk	Credit & Other Risk	Total
	$'000	$'000	$'000
Bonds and medium-term notes	(63,684)	(4,532,189)	(4,595,873)
Financial assets with embedded derivatives	15,917	-	15,917
Derivative financial instruments:			
- Fixed income and credit derivatives	-	4,532,189	4,532,189
- Equity derivatives	47,767	-	47,767
	-	-	-

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
	-	-	-

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.

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.

Credit Risk Management 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 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.

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 2023 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 2023 the fair value of securities pledged to the Bank by NIP was \$2.9 billion (2022: \$2.9 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.

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 2023 as well as 31 March 2022.

	Gross Exposure 31 March 2023 $'000	*Of which: Stage 1* 31 March 2023 $'000	Of which: Stage 2 31 March 2023 $'000	Gross Exposure 31 March 2022 $'000
Loans and advances to banks	7,781	7,781	-	1,462
Financial assets held for trading	149,851	-	-	440,933
Loans and advances to affiliates	3,228,350	3,212,433	-	2,621,138
Securities purchased under agreements to resell	2,434,880	-	-	2,799,330
Loans and advances to others	2,462	-	-	417
Prepayments and accrued income	21,899	5,647	-	4,199
Other assets	278	278	-	4,757
Financial investments	11	-	-	20
	5,845,512	**3,226,139**	**-**	**5,872,256**
Off Balance Sheet commitments and financial guarantee contracts	1,083,848	562,197	121,295	1,116,065
	6,929,360	**3,788,336**	**121,295**	**6,988,321**

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.

	31 March 2023 $'000	31 March 2022 $'000
Financial Assets		
AA	258	401
A	6,962	282
BBB	5,838,374	5,870,750
Non-investment grade	557	710
Not rated	5	113
Total Balance Sheet exposure	**5,846,156**	**5,872,256**
Off Balance Sheet commitments and financial guarantee contracts		
AA	140,666	143,910
A	125,000	447,574
BBB	539,914	195,921
Non-investment grade	278,268	328,660
Total Off Balance Sheet exposure	**1,083,848**	**1,116,065**
Total maximum exposure to credit risk by credit rating	**6,930,004**	**6,988,321**

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.

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 other assets are presented at carrying value.

13 RISK MANAGEMENT (continued)

Contractual Maturity Table

	On demand	Less than 30 days	31 - 90 days	91 days - 1 year	1 - 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2023						
Loans and advances to banks	7,781	-	-	-	-	7,781
Derivative financial instruments	147,787	2,063	1	-	-	149,851
Loans and advances to affiliates	784,806	19,088	-	729,313	1,695,143	3,228,350
Securities purchased under agreements to resell	1,196,145	-	443,180	795,555	-	2,434,880
Loans and advances to others	-	2,462	-	-	-	2,462
Prepayments and accrued income	21,899	-	-	-	-	21,899
Other assets	399	-	-	-	-	399
Financial investments	11	-	-	-	-	11
Total assets	**2,158,828**	**23,613**	**443,181**	**1,524,868**	**1,695,143**	**5,845,633**
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	**2,066,528**	**17,359**	**733,434**	**2,816,195**	**238,764**	**5,872,280**

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.

	On demand $'000	Less than 30 days $'000	31 - 90 days $'000	91 days - 1 year $'000	1 - 5 years $'000	Later than 5 years $'000	Total $'000
2023							
Derivative financial instruments	875,204	206	-	948	-	-	876,358
Accruals and deferred income	56,730	-	-	-	-	-	56,730
Borrowings from affiliates	10,000	-	-	-	-	111,244	121,244
Borrowings from others	761	-	-	-	-	-	761
Commercial papers issued	-	149,841	327,743	311,427	-	-	789,011
Other liabilities - Lease	-	-	20	59	237	-	316
Bonds and medium-term notes - carrying values	-	2,256	26,314	73,358	1,017,631	2,459,427	3,578,986
Total liabilities	**942,695**	**152,303**	**354,077**	**385,792**	**1,017,868**	**2,570,671**	**5,423,406**
Other commitments	204,575	-	-	-	586,527	92,746	883,848
Standby letters of credit issued	-	-	-	-	200,000	-	200,000

13 RISK MANAGEMENT (continued)

Contractual Maturity Table

	On demand	Less than 30 days	31 - 90 days	91 days - 1 year	1 - 5 years	Later than 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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
Bonds and medium-term notes - carrying values	513,490	-	352,540	41,972	747,478	2,138,165	3,793,645
Other liabilities - Lease	-	-	19	56	316	-	391
Commercial papers issued	-	155,598	364,702	273,770	-	-	794,070
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

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.

	2023 Within 12 months $'000	2023 After 12 months $'000	2023 Total $'000	2022 Within 12 months $'000	2022 After 12 months $'000	2022 Total $'000
Loans and advances to banks	7,781	-	7,781	1,462	-	1,462
Derivative financial instruments	149,851	-	149,851	440,933	-	440,933
Loans and advances to affiliates	1,533,207	1,695,143	3,228,350	2,381,838	238,764	2,620,602
Securities purchased under agreements to resell	2,434,880	-	2,434,880	2,799,330	-	2,799,330
Loans and advances to others	2,462	-	2,462	417	-	417
Prepayments and accrued income	21,899	-	21,899	4,371	-	4,371
Other assets	399	-	399	5,146	-	5,146
Right-of-use assets	-	316	316	-	396	396
Financial investments	11	-	11	20	-	20
Deferred tax assets	-	-	-	1,256	-	1,256
Total Assets	**4,150,490**	**1,695,459**	**5,845,949**	**5,634,773**	**239,160**	**5,873,933**
Derivative financial instruments	876,358	-	876,358	723,515	-	723,515
Accruals and deferred income	56,730	-	56,730	16,550	-	16,550
Borrowings from affiliates	10,000	111,244	121,244	167,954	106,467	274,421
Borrowings from others	761	-	761	610	-	610
Commercial Papers	789,011	-	789,011	794,070	-	794,070
Bonds and medium-term notes	101,928	3,477,058	3,578,986	908,002	2,885,643	3,793,645
Other liabilities	126	238	364	1,075	-	1,075
Deferred tax liability	27,062	-	27,062	-	-	-
Corporate tax Liability	8,265	-	8,265	6,630	-	6,630
Total Liabilities	**1,870,241**	**3,588,540**	**5,458,781**	**2,618,406**	**2,992,110**	**5,610,516**

13 RISK MANAGEMENT (continued)

Operational Risk

The Bank defines operational risk as the risk of financial loss or non-financial impact arising from inadequate or failed internal processes, people and systems, or from external events. Operational Risk includes in its definition Compliance, Legal, IT and Cyber Security, Fraud, Third Party and other non-financial risks. Operational Risk does not include strategic risk and reputational risk, however, some operational risks can lead to reputational issues and as such operational and reputational risks may be closely linked. 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: All Business and employees which owns and manages its risks.
(2) 2nd Line of Defence: Global ORM, which is responsible for and co-ordinates the Operational Risk Management Framework and oversees its implementation under the provision of the Global Operational Risk Management Policy. Additionally, Corporate Function Heads have specific 2LoD responsibilities for individual risk types.
(3) 3rd Line of Defence: Internal and External 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
- Risk Culture,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
- Scenario Analysis: This process is used to assess potential high impact, low likelihood tail risks and agree actions to improve controls where required.

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 analyse 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.

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 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.

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy - Financial Assets

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2023				
Derivative financial instruments	-	121,120	28,731	149,851
Securities purchased under agreements to resell	-	2,434,880	-	2,434,880
Loans and advances to affiliates	-	15,917	-	15,917
Loans and advances to others	-	-	2,462	2,462
Prepayments and accrued income	-	16,253	-	16,253
Financial investments	-	-	11	11
	-	**2,588,170**	**31,204**	**2,619,374**
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
	-	**3,580,683**	**38,215**	**3,618,898**

Fair Value Hierarchy - Financial Liabilities

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2023				
Derivative financial instruments	-	566,837	309,521	876,358
Accruals and deferred income	-	18,671	-	18,671
Bonds and medium-term notes	-	3,578,986	-	3,578,986
Borrowings from Affiliates	-	111,244	-	111,244
	-	**4,275,738**	**309,521**	**4,585,259**
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
	-	**4,484,318**	**146,547**	**4,630,865**

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 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.

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.

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.

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:

2023	**At 1 April 2022**	**Total gains / (losses) in P&L**	**Net cash (in)/out**	**Settlements**	**Net transfers into level 3**	**At 31 March 2023**	**Unrealised total gains / (losses) in P&L**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets							
Derivative financial instruments	37,779	(7,953)	-	(1,063)	(32)	28,731	(7,830)
Loans and advances to others	417	2,045	-	-	-	2,462	2,045
Financial investments	20	(9)	-	-	-	11	(9)
	38,216	**(5,917)**	**-**	**(1,063)**	**(32)**	**31,204**	**(5,794)**
2022							
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)**

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2023	At 1 April 2022	Total (gains) / losses in P&L	Net cash in/(out)	Settlements	Net transfers into level 3	At 31 March 2023	Unrealised total (gains) / losses in P&L
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities							
Derivative financial instruments	146,547	155,487	-	4,989	2,499	309,521	164,288
	146,547	**155,487**	**-**	**4,989**	**2,499**	**309,521**	**164,288**
2022							
Financial liabilities							
Derivative financial instruments	35,636	93,361	-	17,550	-	146,547	114,827
	35,636	**93,361**	**-**	**17,550**	**-**	**146,547**	**114,827**

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 2023 and 31 March 2022 .

Class of financial instrument	Fair value $'000	Valuation techniques	Significant unobservable inputs	Range
2023				
Derivative financial instruments				
-Assets	28,731	DCF / Option		
-Liabilities	(309,521)	Models	Volatilities	54.5%-100.8%
			Correlations	0.25-0.97
Loans and advances to others	2,462		No significant unobservable inputs	
Financial investments	11		No significant unobservable inputs	

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

2022

Derivative financial instruments				
-Assets	37,778	DCF / Option		
-Liabilities	(146,547)	Models	Volatilities	48.5%-98.6%
			Correlations	0.29-0.97
Loans and advances to others[1]	417		No significant unobservable inputs	
Financial investments	20		No significant unobservable inputs	

[1]The 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.

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 2023 and 2022:

	Carrying amount	Fair value	Fair value by level Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000
2023					
Financial Assets:					
Loans and advances to banks	7,781	7,781	-	7,781	-
Loans and advances to affiliates	3,212,433	3,212,433	-	3,212,433	-
Prepayments and accrued income	5,646	5,646	-	5,646	-
Other assets	278	278	-	278	-
	3,226,138	**3,226,138**	**-**	**3,226,138**	**-**
Financial Liabilities:					
Accruals and deferred income	(37,858)	(37,858)	-	(37,858)	-
Borrowing from affiliates	(10,000)	(10,000)	-	(10,000)	-
Borrowing from others	(761)	(761)	-	(761)	-
Other liabilities	(316)	(316)	-	(316)	-
Commercial papers issued	(789,011)	(789,011)	-	(789,011)	-
	(837,946)	**(837,946)**	**-**	**(837,946)**	**-**
2022					
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	-
Loans and advances to others	-	-	-	-	-
Prepayments and accrued income	2,541	2,541	-	2,541	-
Other assets	4,756	4,756	-	4,756	-
	2,252,821	**2,252,821**	**-**	**2,252,821**	**-**
Financial Liabilities:					
Accruals and deferred income	(9,054)	(9,054)	-	(9,054)	-
Borrowing from affiliates	(167,954)	(167,954)	-	(167,954)	-
Other liabilities	(1,013)	(1,013)	-	(1,013)	-
Commercial papers issued	(794,070)	(794,070)	-	(794,070)	-
	(972,091)	**(972,091)**	**-**	**(972,091)**	**-**

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
2023					
Total gross balance[1]	(2,434,880)	15,917	149,851	-	(876,358)
Less: Additional amounts not offset in the Bank balance sheet[2]	-	-	(139,482)	-	139,482
Financial instruments and non-cash collateral	2,434,880	(15,917)	-	-	-
Cash collateral[3]	-	-	(10,196)	-	688,453
Net Amount	**-**	**-**	**173**	**-**	**(48,423)**
2022					
Total gross balance	2,799,330	376,540	440,933	-	(723,515)
Less: Additional amounts not offset in the Bank balance sheet	-	-	(440,933)	-	440,933
Financial instruments and non-cash collateral	(2,799,330)	(376,540)	-	-	-
Net Amount	**-**	**-**	**-**	**-**	**(282,582)**

(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 $94,026,476 (2022: $302,164,879) from NIP is not utilised due to no derivative liability exposure after counterparty netting.

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 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.

	31 March 2023 $'000	31 March 2022 $'000
Tier 1 capital	280,841	287,698
Total capital resources	**280,841**	**287,698**

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 2023 the exposure on these financial guarantee contracts amounted to $168,729,155 (2022: $164,235,372).

The Bank has also provided a guarantee in respect of certain Commercial Papers issued by another Nomura Group company. At 31 March 2023, the maximum exposure on this guarantee amounted to $35,845,409 (2022: $33,338,260).

Commitments:

The Bank had commitments as at 31 March 2023 amounting to $879,273,019 (2022: $918,490,586) in respect of undrawn note issuance facilities and loan commitments. The loan commitments are sub-participated to NIP on commitment date.

18 RELATED PARTY TRANSACTIONS

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

	31 March 2023 $'000	31 March 2022 $'000
Assets		
Derivative financial instruments	149,877	441,040
Loans and advances to affiliates	3,228,350	2,620,602
Securities purchased under agreements to resell	2,434,880	2,799,330
Prepayments and accrued income	21,899	4,147
Other assets	303	4,746
	5,835,309	**5,869,865**
Liabilities		
Derivative financial instruments	827,935	654,122
Accruals and deferred income	37,306	9,469
Borrowings from affiliates	121,244	274,421
	986,485	**938,012**

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:

	31 March 2023 $'000	31 March 2022 $'000
Interest income	113,204	23,113
Interest expense	(2,501)	(4,721)
Fee income	43,462	44,546
Fee expense	(1,135)	(1,342)
Administrative expenses towards SLA & Technology charges	(33,383)	(8,337)
	119,647	**53,259**

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.

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, Compliance, Risk, Operations and Technology.

During 2021, the Bank had 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. With respect to the June 2023 USD Libor cessation guidelines, Nomura has complied with the regulatory ask of successfully remediating majority of its USD LIBOR referenced trades by 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. The Bank has participated and completed all Central Cleared Counterparties (“CCP”) conversions and Internal/Bilateral Migrations to RFR/Fallbacks with zero operational issues.

Although the Bank has completed the majority of its Libor transition with regards to its primary responsibility, there do exist a few clients who have not yet remediated. Sales Teams are in continuous contact with these clients to transition them off LIBOR before the next fixing date, and desks will continue to engage in active transition for these trades to SOFR CIA with end investors.

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:

	Non-derivative Financial Liabilities carrying value $'000	Effective Derivative notional $'000
LIBOR USD 3 month	(353,866)	570,365

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.

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.